# Annual Performance Report

# 2005-06

# Performance against SR2004 Public Service Agreement Objectives and Targets

This section shows current performance against 2004 Spending Review (SR2004) Public Service Agreement (PSA) and Efficiency Targets (April 2005 to March 2008) and the 2002 Spending Review (SR2002) Value for Money PSA Target (which runs until March 2006).

## 2004 SPENDING REVIEW PUBLIC SERVICE AGREEMENT

The Ministry of Defence Vision is reflected in the three objectives and six targets of the Department's Public Service Agreement. The Agreement represent a contract between the Department and the taxpayer 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.

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 target 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 target 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.

## 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

Between 1 April 2005 and 31 March 2006 UK Armed Forces achieved the objectives for Operations and Military Tasks. Detailed information of Military activity during the year is set out in paragraphs 1-30. The proportion of regular forces deployed on Operations and other Military Tasks increased from about 18% in the first quarter of the year (including about 21% of the Army) to just under 20% in the last quarter of year (including about 25% of the Army);

| Percentage of Regular Armed Forces undertaking Operations and other Military Tasks during 2005-06 | | | | |
|---|---|---|---|---|
| | January 2006 to March 2006 | October 2005 to December 2005 | July 2005 to September 2005 | April 2005 to June 2005 |
| Navy/Marines | 13.5% | 12.1% | 9.3% | 11.6% |
| Army | 25.1% | 22.8% | 22.0% | 21.0% |
| RAF | 13.4% | 12.3% | 11.9% | 13.3% |
| Overall | **19.8%** | **18.7%** | **17.5%** | **18.0%** |

Notes:
1. Percentages are quarterly averages and reflect the burden of activity imposed by the operations and 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).

## 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 Foreign and Commonwealth Office and Department for International Development).

**Overall Assessment**
# ON COURSE

## Summary

Out of twelve performance indicators nine are on course. The UN peacekeeping target of a 5% increase in number of UN peacekeepers is ahead. The three reporting slippage – Middle East Peace Process, Nepal, and Sudan – are volatile conflicts frustrating UK conflict prevention efforts. Detailed Assessments against the Performance indicators for each target 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**

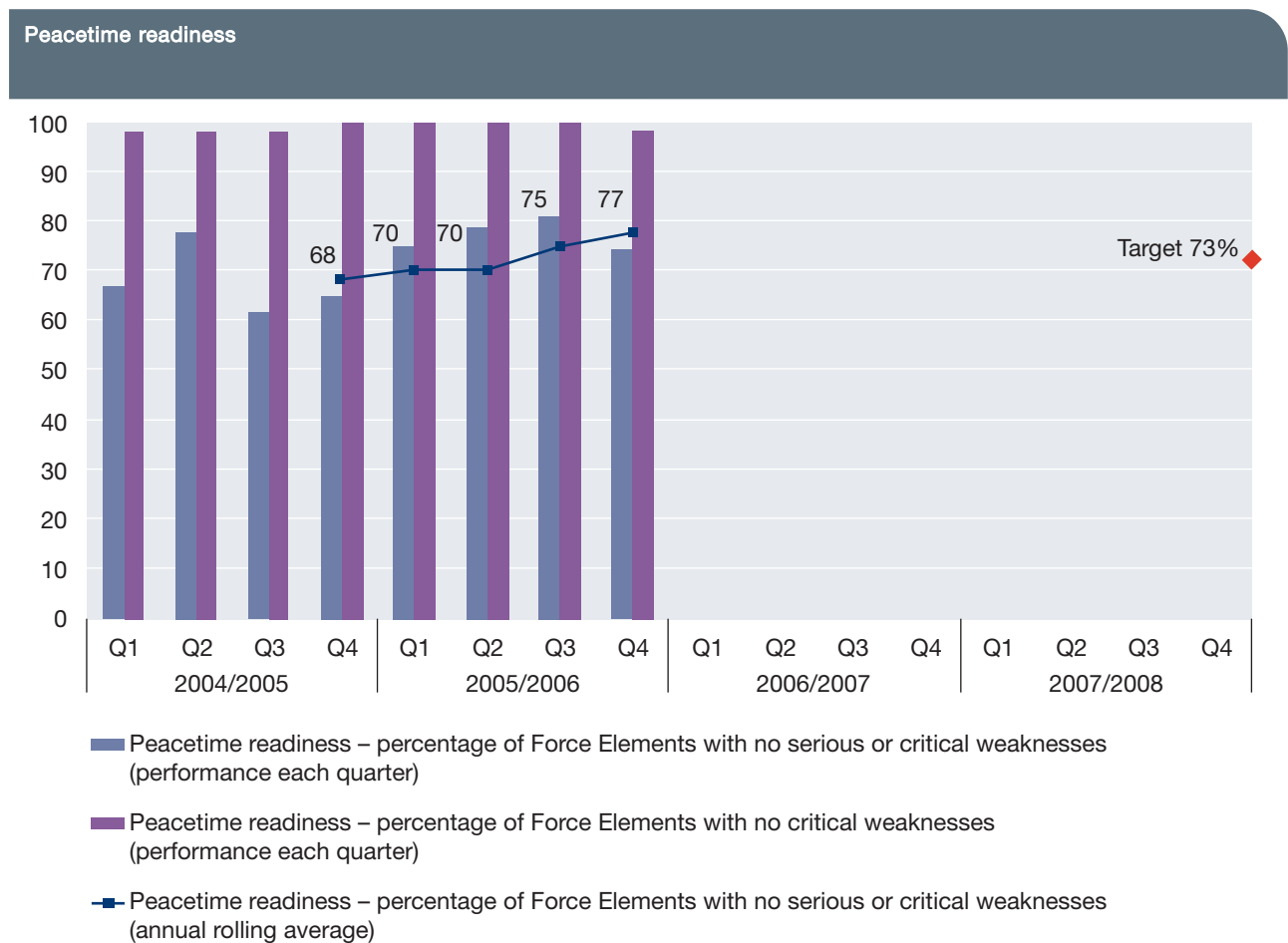| | | |
|---|---|---|
| On course, ahead | Slippage | Not met |

## 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**
> **ON COURSE**

## 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.**

Over the year as a whole an average of 77% of Force Elements reported no critical or serious weaknesses in achieving their peacetime readiness – achieving our PSA target of 73% two years early. Further information is set out in paragraphs 32-33.

**Peacetime readiness**



Peacetime readiness – percentage of Force Elements with no serious or critical weaknesses (performance each quarter)

Peacetime readiness – percentage of Force Elements with no critical weaknesses (performance each quarter)

Peacetime readiness – percentage of Force Elements with no serious or critical weaknesses (annual rolling average)

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.**

Over 2005-06 an average of 70% force elements reported no serious or critical weaknesses. Further information is set out in paragraph 34.

**Assessed ability to generate Force Elements from peacetime to immediate readiness**
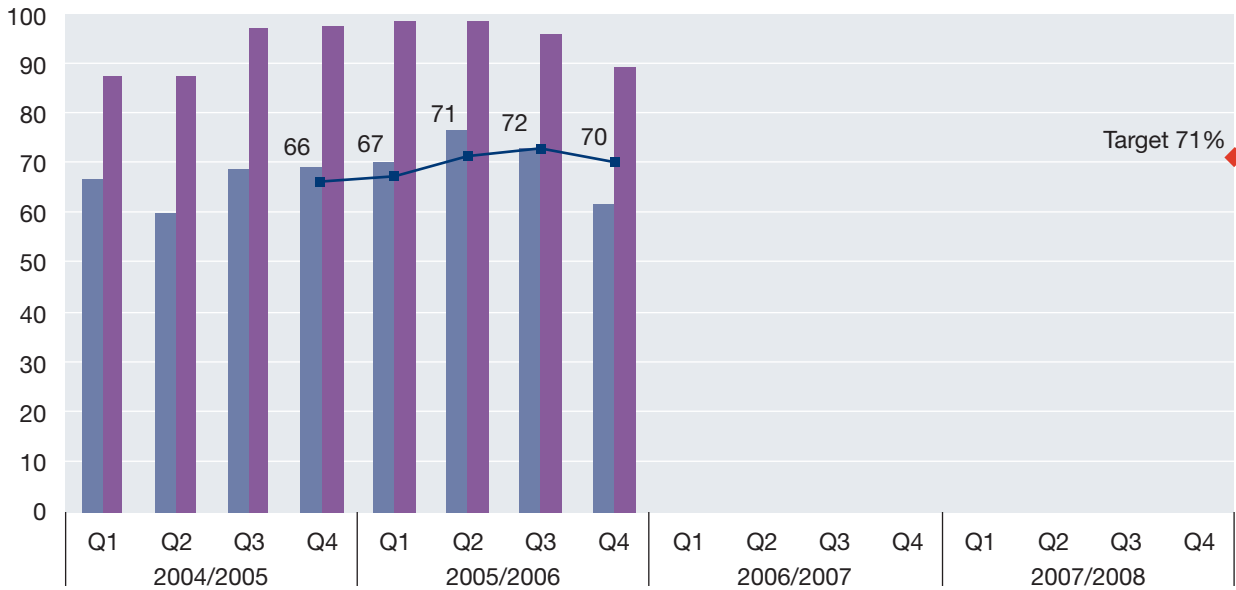


■ Ability to generate from peacetime readiness to immediate readiness –
percentage of Force Elements with no serious or critical weaknesses (performance each quarter)

■ Ability to generate from peacetime readiness to immediate readiness –
percentage of Force Elements with no critical weaknesses (performance each quarter)

■ Ability to generate from peacetime readiness to immediate readiness –
percentage of Force Elements with no serious or critical weaknesses (annual rolling average)

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 weakness compared with the average reported in 2004-05.**

Performance at 31 March 2006 is assessed as being on course to improve as required by our PSA target. Over the year there has been an improvement in the ability of Defence to sustain those Army force elements required in our most demanding likely deployments. We are developing a metric that will allow us to for report our ability to deploy, sustain and recover our force elements in a way that is consistent with the other reports against Target 3.

## 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.)

Overall Assessment
## ON COURSE

## Assessment against Performance Indicators

### a. A more efficient and effective NATO

- Expanded NATO commitment to Afghanistan;

- NATO training mission for Iraq;

- Progress towards achievement of NATO Response Force full operational capability and deployment of NRF elements to Pakistan for earthquake relief;

- NATO Agreement of Comprehensive Political Guidance for planning staffs.

- Further information is set out in paragraphs 50-51.

### b. A more coherent and effective ESDP operating in strategic partnership with NATO

- Achievement of UK EU Presidency ESDP goals;

- EUFOR mission to Bosnia under UK command;

- Expansion of ESDP operations.

- Further information is set out in paragraphs 52-53.

### c. Enhanced European defence capabilities.

- Further development of European Defence Agency;

- Implementation of EU Battlegroups complementary to NATO Response Force.

- Further information is set out in paragraphs 54-55.

## Target 5

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

> ### Overall Assessment
> # ON COURSE

## Assessment against Performance Indicators

### a. Manning Balance[1]

Operational commitments and the changes in Service personnel numbers announced in the July 2004 White Paper mean that there is currently 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. Graph 3 shows the manning balance since April 2005.

At 1 April 2006:

- The Royal Navy (including the Royal Marines) trained strength is 3.7% below the requirement – 1.7% below manning balance. The RN continues to forecast an improving position.

- Both the Army and Royal Air Force are within the target range.

There are continuing shortages within some specialist groups in all three Armed Services. Further information is set out in paragraphs 279-280.

**Service manning surplus/deficit over the last year (Source: DASA)**
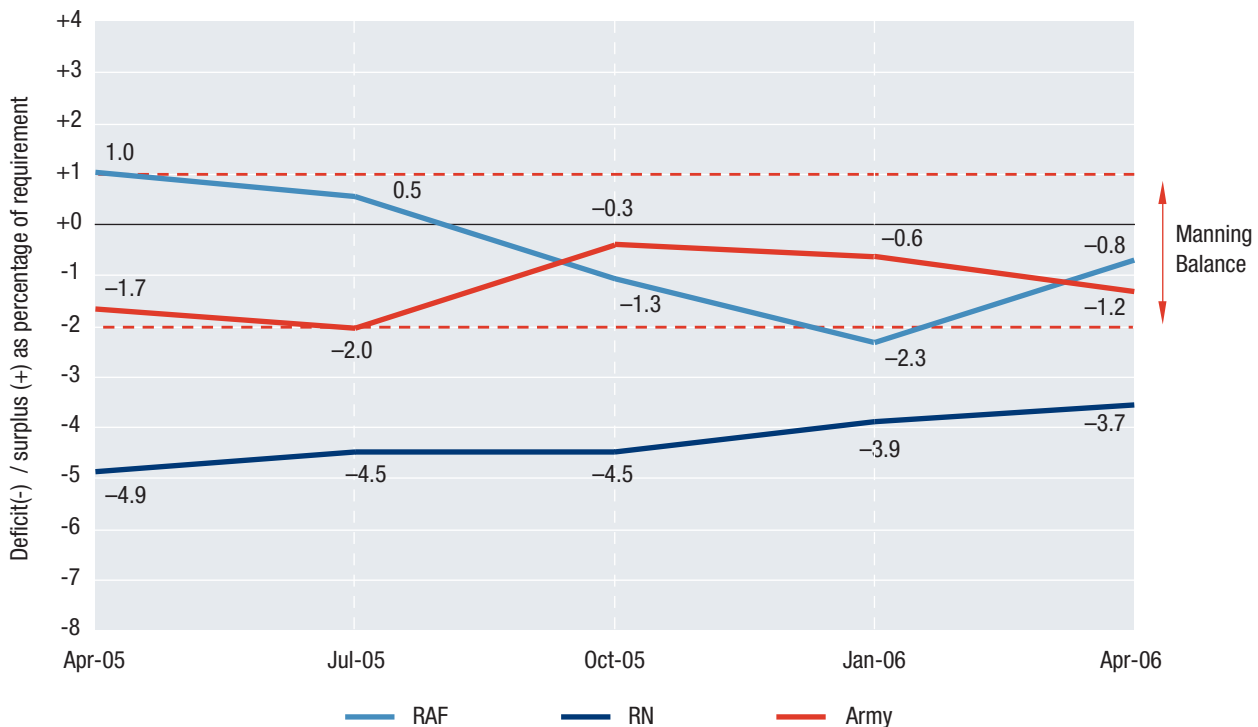


[1] Manning balance is defined as between –2% and +1% of the requirement, and is measured against the target prevailing at the time. Since the total requirement of Service manning is dynamic, this target will itself tend to fluctuate over the PSA period.

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

| Gains to Trained Strength | | |
|---|---|---|
| | Numbers achieved in 2005-06 | Target (and % achieved) |
| Naval Service Officers | 370 | 410 (90%) |
| Naval Service Other Ranks | 2,330 | 2,700 (86%) |
| Army Officers[2] | 750 | 810 (93%) |
| Army Other Ranks[2] | 7,770 | 9,230 (84%) |
| Royal Air Force Officers | 360 (P) | 370 (98%)(P) |
| Royal Air Force Other Ranks | 1,770 (P) | 1,800 (98%)(P) |

Notes:
1. Naval Service and RAF figures come from DASA. The Army figures come from Adjutant General TLB.
2. The Army numbers show officers completing the Royal Military Accademy Sandhurst and soldiers completing Phase 2 training. This metric is used for internal manning management and does not match the figures produced by DASA and published in Tri Service Publication 4.
3. 'P' represents that figures are provisional due to the introduction of the new Joint Personnel Administration system in the RAF.

## c. Medically Fit For Task

The target is for at least 90% of Service personnel to be medically fit for task by 1 April 2007 – an increase of 1% from the performance at 31 March 2005.

At 31 March 2006 87.9% of the overall Armed Forces personnel were reported as fit for task. This reflects the current operational tempo and environment. The vast majority of those personnel unfit for task are working normally but their deployability is limited. Further information is set out in paragraphs 211-214.

## d. Voluntary Outflow[2] Exits

The Voluntary Outflow exits for 2005-06 are shown in the table below. Further information is set out in paragraph 282.

| Voluntary Outflow Exit Rates | | | | |
|---|---|---|---|---|
| | Stable long term Voluntary Outflow goals | 12 months ending 31 March 2006 | 12 months ending 31 March 2005 | 12 months ending 31 March 2004 |
| RN Officers | 2.0% | 2.8% | 2.5% | 2.5%[2] |
| RN Ratings | 5.0% | 6.0% | 6.4% | 5.7% |
| Army Officers | 4.1% | 4.3% | 3.9% | 3.7% |
| Army Soldiers | 6.2% | 5.5% | 5.7% | 5.3% |
| RAF Officers | 2.5% | 2.5% P | 2.4% | 2.1% |
| RAF Other Ranks | 4.0% | 4.8% P | 3.8% | 3.7% |

Notes:
1. Data from DASA and Voluntary Outflow goals from the Departmental Plan 2005-2009.
2. This figure is different to that published in the Annual Report and Account 2003-04 due to the introduction of a new exit code which was not correctly classified.
3. RAF figures for the 12 months ending 31 March 06 are provisional owing to the introduction of the new Joint Personnel Administration System for RAF.

[2] This was known as Premature Voluntary Release

e. Levels of Individual Separated Service against Harmony Guidelines.
The guidelines for individual separated service and performance against these guidelines are shown in the table below:

| Levels of Individual Separated Service | | |
| --- | --- | --- |
| | Guidelines | Performance |
| Royal Navy/Royal Marines | In any 36 month period, no one to exceed 660 days separated service. | At 31 March 2006 less than 1% of the Royal Navy had exceeded the guidelines. |
| Army | In any 30 month rolling period no one to exceed 415 days separated service. | At 31 December 2005[3] 14.5% of the Army personnel on current trained strength had exceeded the guidelines. |
| Royal Air Force | Not greater than 2.5% of personnel exceeding more than 140 days of detached duty in 12 months. | At 31 March 2006 4.6% of the RAF had exceeded 140 days of detached duty in the last 12 months. |

Data from DASA.

[3] Position at 31 March 2006 not available due to missing information from individual units

## Target 6

Deliver the Equipment Programme to time and cost.

Overall Assessment
## ON COURSE

Performance against the PSA is measured against all Category A to C projects that have passed Main Gate and are yet to achieve ISD at the start of the financial year.

### Assessment against Performance Indicators

1. **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.**

   97% of the customer's key requirements have been met. Further information is set out in paragraph 137.

2. **Average In-Year variation of forecast In Service Dates (ISD), for all Category A to C Projects that have passed Main Gate Approval, to be no more than 0.7 months in 2005-06, 0.5 months in 2006-07 and 0.4 months in 2007-08.**

   Average in-year variation of forecast ISD of 0.7 months. Further information is set out in paragraph 137.

3. **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 0.4% in FY05/06, 0.3% in FY06/07 and 0.2% in FY07/08.**

   Average in-year cost increase of 0.2%. Further information is set out in paragraph 137.

## 2002 SPENDING REVIEW VALUE FOR MONEY TARGET

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.

Overall Assessment
### TO BE DETERMINED

## Assessment against Performance Indicators

Subject to confirmation and validation, we believe we have met the overall target of 10%. Detailed information is at paragraphs 269-270.

| Target | Weighting | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|---|---|---|---|---|---|
| | | | | Culmative Trajectory | |
| Reduce by an average of 6% the per capita cost of training a successful military recruit to the agreed standard. | 9 | 2% | 4% | 5% | 6% |
| Achievement | | 1.7% | 4.2% | Discont'd | Discont'd |
| Achieve 0% average annual cost growth (or better) against the equipment procurement projects included in the Major Projects Report, while meeting customer requirements. | 6 | 0% | 0% | 0% | 0% |
| Actual in-year cost growth | | 5.7% | 3.1% | -4.6% | -0.1% |
| Reduce by 20% the output costs of the Defence Logistics Organisation, while maintaining support to the Front Line | 68 | 2% | 6% | 10% | 14% |
| Achievement | | 3.1% | 6.6% | 9.8%[1] | 13.7% |
| Reduce MoD Head Office and other management costs by 13% | 5 | 5% | 9% | 12% | 13% |
| Achievement | | 6.3% | 10.6% | 12% | 12% |
| Identify for disposal land and buildings with a net book value of over £300M | 12 | £84M | £134M | £258M | £300M |
| Achievement | | £135M | £230M | £395M | £456M |
| **Overall Target** | **100** | **2%** | **5%** | **8%** | **10%** |
| **Overall Achievement** | | **2.3%** | **5.0%** | **7.3%** | **10.0%** |

Notes:
1. The 2004-05 achievement against the Logistics target and the overall achievement have been amended from that reported in the Annual Report and Accounts 2004-05 to reflect subsequent checking and validation. See paragraph 231 for futher information.
2. Logistic performance is subject to validation by Defence Internal Audit.
3. The net book value of land and buildings reflect their valuation in accordance with the Department's accounting policies. The actual income from the sales could vary significantly from this value and will be dependent upon market conditions at the time of sale.

## 2004 SPENDING REVIEW EFFICIENCY TARGET

As part of Spending Review 2004, the Department agreed that it would realise total annual efficiency gains of at least £2.8 billion 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.

Overall Assessment
## ON COURSE

## Performance Assessment

By 31 March 2006 between £1,323M and £1,398M of efficiencies had been delivered, including £200M of sustainable efficiencies realised in 2004-05. Detailed information is set out in paragraphs 126-133.

| Programme | Planned Efficiencies by 31 March 2006 £M | Achievement by 31 March 2006 £M | Future Planned Efficiency gains | |
|---|---|---|---|---|
| | | | 2006-07 £M | 2007-08 £M |
| Force Structure changes | 106 | 106 | 298 | 388 |
| Corporate Services | 131 | 343 | 254 | 309 |
| Military Personnel Management | 5 | 16 | 43 | 85 |
| Civilian Personnel Management | 21 | 24* | 49 | 107 |
| Finance Function | 2 | 2 | 13 | 11 |
| Information Services | 103 | 301* | 149 | 106 |
| Procurement and Logistics | 695 | 674-749 | 1,123 | 1,660 |
| Equipment Procurement | 54 | 54* | 206 | 374 |
| Defence Logistics Transformation | 539 | 500-575* | 714 | 951 |
| Whole Fleet Management | 56 | 54* | 66 | 116 |
| Estates Modernisation | 37 | 31* | 62 | 95 |
| Other Procurement | 9 | 35 | 75 | 124 |
| Productive Time | 84 | 105* | 86 | 88 |
| Organisational changes | 0 | 0 | 2 | 14 |
| Relocation | 12 | 18 | 18 | 18 |
| Manpower | 88 | 86 | 285 | 449 |
| RN | 15 | 15 | 32 | 32 |
| Army | 18 | 18 | 64 | 88 |
| RAF | 53 | 51 | 121 | 203 |
| Civilian | 2 | 2 | 68 | 126 |
| Adjustment | -9 | -9 | -41 | -126 |
| TOTAL | 1,107 | 1,323-1,398 | 2,025 | 2,800 |

Notes:
1. Planned Efficiencies and Achievement by 31 March 2006 include efficiencies during 2004-05 and 2005-06. Efficiency gains for 2005-06 are provisional, subject to final validation. Because of the size of the Defence Logistics Transformation Programme, the process of validation takes some time and this is the reason why a range is given in the table.
2. The planned efficiencies in the table reflect a number of changes agreed by the Office of Government Commerce and the Treasury since the most recent version of the Efficiency Technical Note was published in December 2005.
3. Adjustment to avoid double counting of manpower savings.
4. Efficiency gains marked with an asterisk include an element of non-cashable gains.
5. The Information Services total for 2005-06 includes a non-recurring £260M for the reduced in-year cost of sustaining legacy systems (see paragraph 128).
6. 'Force structure changes', 'Equipment Procurement', 'Manpower' and 'Adjustment' make up the efficiency savings of £1.2 billion announced in the *Future Capabilities* Command Paper (See paragraphs 107-113)