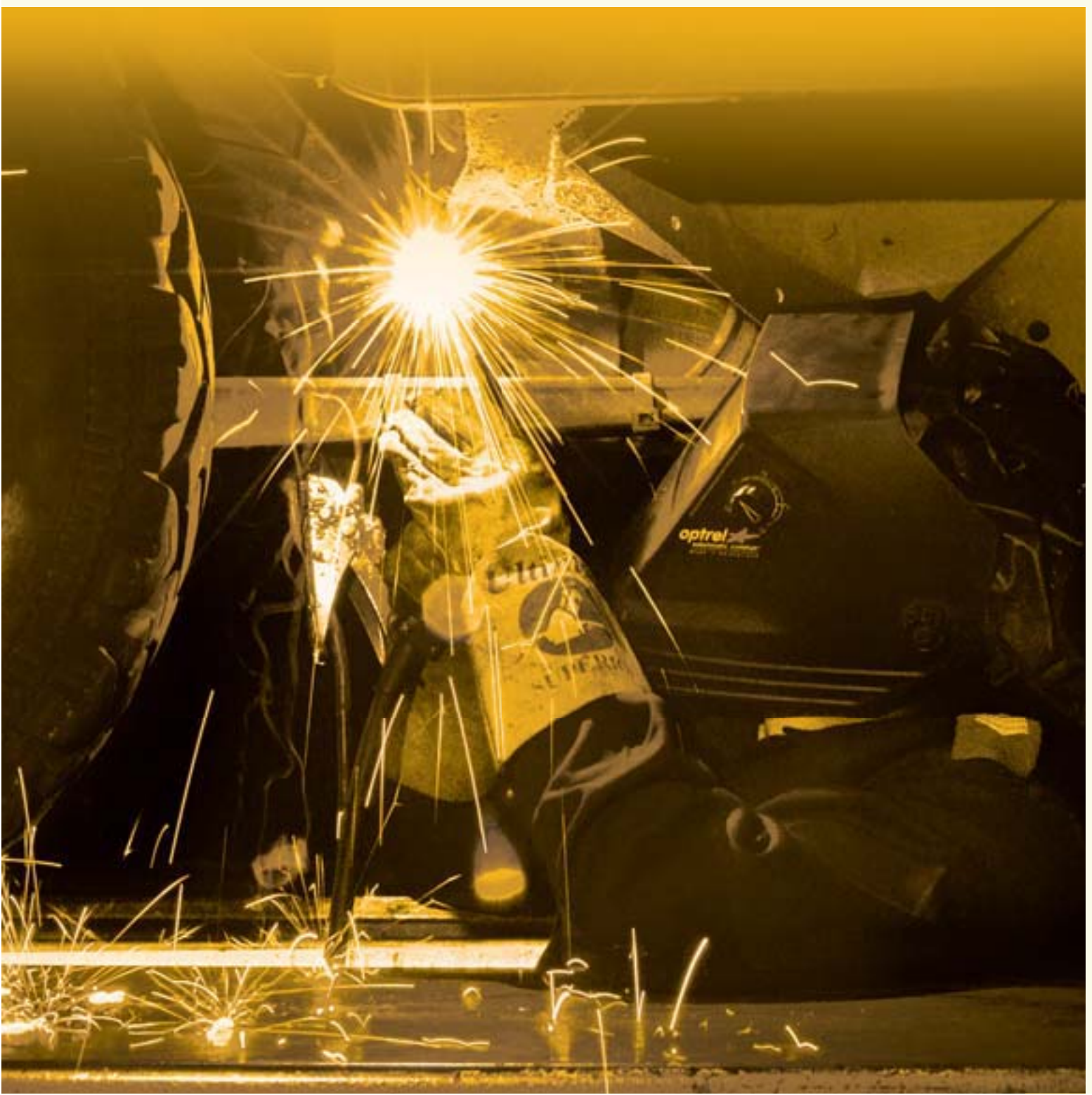


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Enabling Process



PERSONNEL MANAGEMENT

Objective: Manage and invest in our people to give their best.

Public Service Agreement Targets (SR2004 MoD Target 5)

Recruit, train, motivate and retain sufficient military personnel to provide the military capability necessary to meet the Government's strategic objectives and achieve manning balance in each of the three Services by 1 April 2008.

Performance Measures and Assessment

Harmony – No more than 660 days Separated Service for RN personnel over a rolling 3 year period; Fleet units to spend a maximum of 60% time deployed in a 3 year cycle:

- **Fewer than 1% of RN personnel breached separated service guideline. Only submarine fleet breaching unit tour interval guideline.**

Harmony – No more than 415 days separated service for Army personnel over a rolling 30 month period; 24 Month average interval between unit tours:

- **14.5% of Army personnel exceeded separated service guideline at 31 December 2005¹. Continuing breaches of tour interval guidelines. Infantry averaging 20.6 months (21 months in 2004-05). Royal Armoured Corps, Royal Artillery and Royal Engineer units close to guideline.**

Harmony – No more than 2.5% of RAF personnel to exceed 140 days separated service over a rolling 12 month period; unit tour intervals to be no less than 16 months:

- **About 4.6% of personnel breached guideline (3.9% in 2004-05). RAF Regiment field squadrons tour interval of around 12 months.**

Individual Personnel Development – Basic Skills. New entrants below National Level 2 to be screened and assessed. 50% of new entrants to RN and RAF below Level 2 to improve by one level within one year of entry. All new Army entrants below Level 2 to achieve National Level 1 within 3 years of entry:

- **Assessment of new entrants from April 2006 using literacy and numeracy assessment tool developed with DfES. Majority of RN and RAF new entrants enter an apprenticeship scheme with literacy and numeracy qualifications at Levels 1 or 2. Work continues to meet Army target by March 2007.**

Individual Personnel Development – Information and Communication Technology Fundamental Skills: All new entrants and existing personnel without appropriate competence to be in training scheme:

- **Over 95% of RN/RAF recruits and 30% Army recruits undertook training.**

Individual Personnel Development – National Qualifications:

- **Across the Services 12,710 Level 2 or 3 qualifications, 5,718 Apprenticeships, 2,527 Advanced Apprenticeships, 544 Foundation Degrees, and 279 graduate or post-graduate qualifications gained during the year.**

Career Satisfaction – 5% improvement in overall satisfaction levels for Service personnel:

- **63% of RN personnel (59% 2004-05), 73% of Army Officers and 56% of Soldiers (58%/42% 2004-05), 65% of RAF Officers and 55% of Other Ranks (61%/48% 2004-05) satisfied/very satisfied with Service life.**

Career Satisfaction – 70% career satisfaction rate for civilians:

- **Average civilian satisfaction of 71% (70% 2004-05);**
- **77% (73% 2004-05) satisfied with MoD as an employer.**

¹ Position at 31 March 2006 not available at the time of publication due to missing information from individual units.



179. We ask a great deal of our people. Managing them well embraces a range of activities including recruitment, initial and career training, and career planning, particularly for Service personnel in relation to the time between operational tours. If they are to deliver what is required, we need to give them the necessary skills to do the job, provide a career path and listen to their views and act accordingly.

HARMONY GUIDELINES

180. In order to strike the best balance between operations and other activities such as recruitment and training, we set harmony guidelines for the amount of time service personnel spend away from their families (known as individual separated service), and the time that units should have between operational deployments (known as tour intervals). Each Service's guidelines differ to reflect the nature of service, skills sets and how they deploy on operations. For the first year, all three Services had mechanisms in place to monitor and report both unit and individual harmony in 2005-06, but in some cases the data is still immature and has not been available long enough to establish clear trends. The guidelines are based on our conducting operations at no more than the 'routine' level of concurrency that we are resourced to have the capacity to sustain of one Medium Scale and two Small Scale operations (see paragraph 30). The Armed Forces have been operating at or above this level for the last five years. This is inevitably limiting their ability to meet the harmony guidelines, particularly for personnel in certain pinch point specialist trades required for almost every operation (see paragraphs 279-280). We monitor these carefully.

Unit Harmony

181. All three Services breached their unit harmony guidelines during the year, with the Army most and the Royal Navy least affected:

- the Royal Navy was close to meeting its unit harmony guideline that fleet units should spend a maximum of 60% time deployed over three years. Only the submarine fleet breached this;
- Tour intervals for certain Army units continued to exceed the guideline of a 24 month average interval between tours. The average tour interval for Infantry units was 20.6 months (21 months in 2004-05) within a range from 12 to 37 months, with the Armoured Infantry most affected. This is improving with the return of the last reinforcement battalion from Northern Ireland in January 2006. Royal Armoured Corps, Royal Artillery and Royal Engineer units are all close to the 24-month guideline (respectively 24 months, 19 months and 31 months in 2004-05);
- In the RAF, Harrier and Nimrod squadrons are pushing the boundaries of the guideline of 16 months between tours and the interval for RAF Regiment field squadrons

has remained around 12 months, exceeding the guidelines. Operational tasking for multi-engined aircraft squadrons remains heavy, but cannot be quantified in terms of Tour Intervals as they deploy in and out of theatre as required. Most Air Combat Support² and Service Support Units³ also remain above individual harmony guidelines, some by as much as 250 days per annum.

Individual Separated Service

182. Individual separated service data is produced and managed by information systems in each of the Services. For the Naval Service and the Army this is immature and may be understated. The Joint Personnel Administration programme (see paragraph 155-156) is introducing a harmonised military personnel administration system that will produce separated service records for each individual, together with management reports and trend information. The picture on individual separated service for each Service was similar to that for unit tour intervals. All three breached their guidelines to some degree, again with the Army most and the Royal Navy least affected overall. All three Services faced particular shortfalls in identified pinch point trades (see paragraphs 279-280):

- Fewer than 1% of the Royal Navy personnel have breached the guideline of no more than 660 days over a three year period, although there were more serious shortfalls in pinch point trades;
- At 31 December 2005⁴, 14.5% of Army personnel were exceeding the guideline of no more than 415 days separated service in any 30 month rolling period, with greater shortfalls in pinch point trades;
- Breaches in the RAF of the guideline of no more than 140 days detached duty in 12 months remained steady at about 4.6% of personnel (3.9% in 2004-05), again with greater shortfalls in pinch point trades.

Operational Welfare Package

183. In order to support the emotional and physical well-being of our personnel when they are deployed on operations and in remote locations around the world, we provide a well received Operational Welfare Package to all personnel. This varies between the Services and because of technical and logistic constraints. In general in the first month of a new deployment it includes welfare telephones, mail services, newspapers, books, and shop and laundry services. Later on it also includes email and internet access, television and radio programmes provided through the British Forces Broadcasting Service, televisions and DVDs, fitness equipment and return journeys back to the UK for rest and recuperation. We demonstrated the flexibility and adaptability of the operational welfare package, with early entry communications packs for the detachments providing aid for victims of the tsunami and famine relief following the earthquake in Pakistan. The package was improved further during the year with the introduction of a free postal packet scheme for a designated month prior

² Air Combat Support Units provide operations support and force protection to the primary Force Elements and include deployed fighter controllers, police, media operations and mobile meteorological units.

³ Air Combat Service Support Units provide the support to primary Force Elements and Combat Forces, primarily administration, logistics and communications.

⁴ Position at 31 March 2006 not available at the time of publication due to missing information from individual units.

to Christmas. This recognises both that it is particularly difficult to be separated from family and friends at this time and also the contribution made by all Service personnel throughout the year.



A soldier writing a 'bluey' (forces free mail)

SERVICE PERSONNEL DEVELOPMENT

Duty of Care and Welfare

184. We have a duty of care to all Service personnel. In recent years we have made considerable efforts to reinforce the policies and procedures to provide this and ensure the welfare of Service personnel. The deaths of four young soldiers under training at the Princess Royal Barracks at Deepcut in Surrey between 1995 and 2002 acted as a catalyst for many of the changes. The House of Commons Defence Committee report on Duty of Care and the Government's Response acknowledged the progress that had been made, but stressed that there was more to do. The Adult Learning Inspectorate was engaged to carry out rigorous inspections of the training organization. Nicholas Blake QC was appointed to carry out a review of the four deaths at Deepcut and the circumstances surrounding them, reporting in March 2006. The Government's Response to the Deepcut Review has been published in full and can be found on the MoD website. Further information is contained in the essay on page 107.

185. We are determined to improve further standards and systems of care in initial training. Changes already made include:

- much greater attention to risk of self-harm and preventative measures, including stricter controls over access to firearms;
- better supervision of recruits and trainees; more investment in facilities and accommodation; new guidance for commanding officers on care of under 18s;
- guidance to manning authorities and commanding officers about the management of alleged offenders;

- a new harassment complaints procedure that provides a swifter, fairer and more transparent complaints system applicable to all three Services and civilian staff; and,
- a review of welfare procedures leading to a new Joint Service Publication on welfare provision and standards, improvements to governance, sharing of best practice and money to recruit and train more civilian welfare officers.

Training Efficiency

186. Under the Defence Training Rationalisation Programme, we aim to modernise the delivery of specialist training, using best practice learning techniques through newly created national centres of excellence for each specialism and to rationalise and improve the quality of the remaining training estate. Other expected benefits include the transfer of risk for training demand and the increase of first time pass rates achieved by students. We expect the rationalisation process to be completed by 2012, and the overall programme to produce benefits in the order of £3 billion over a 25 year period. We are currently evaluating several bids. Additionally, all three Services continue to look at ways to improve the management of recruits and to reduce the numbers of recruits choosing to leave, sharing ideas and good practice. If successful, such measures will increase the efficiency of the initial training system. But in the light of the changes made to implement the House of Commons Defence Committee, Director of Operational Capability and Adult Learning Institute recommendations into initial training, we are no longer looking for training efficiency savings through changes to supervisory training ratios at training establishments as set out in our 2002 Spending Review value for money target (see paragraph 270).

Basic Skills – Literacy and Numeracy

187. In recent years we have developed Basic Skills Policy for the Armed Services, to provide clear priorities for improving training of Service personnel with weak literacy and numeracy skills. The Army have developed a new literacy and numeracy initial assessment tool with the Department for Education and Skills. This is now being used to assess all new entrants without a formal Level 2 qualification⁵. The assessment is conducted systematically in recruiting offices or early in initial training and will achieve standardisation in the assessment of Basic Skills abilities of new entrants across the Services. No-one will be allowed to start recruit training with an assessment below Entry Level 2⁶ in literacy or numeracy, and all applicants will be screened for their speaking and listening ability in the recruiting process. This ensures that those whose ability levels put them most at risk are not taken into training until they achieve adequate improvement in these key areas.

188. All three Services are working coherently towards ensuring that the needs of those new entrants with

⁵ Level 2 qualification – the normal educational standard expected to enter into skilled employment. Equivalent to: GCSE levels A-C, NVQ Level 2, Level 2 Diplomas/Certificates.

⁶ Entry Level 2 is the normal educational standard expected of a 7 year old.



the weakest Basic Skills are addressed during training. Each Service has targets for new entrants that link formal achievement of Level 1⁷ and Level 2 in literacy and numeracy to length of service or career progression, subject to availability of the necessary resources to address identified shortfalls. The RN and the RAF aim for 50% of new entrants below National Level 2 Basic Skills to improve by one level within one year of entry, and the majority of their new entrants enter an apprenticeship scheme that includes literacy and numeracy qualifications at Levels 1 or 2. The Army aims for all new entrants below National Level 2 Basic Skills to achieve National Level 1 within three years of entry (by March 2007 for the first group to whom this applies). We have significant internal capacity to deliver Basic Skills through internally-funded tutors and resources. We are also working closely with the Learning and Skills Council to augment our Basic Skills training capacity by drawing on the Basic Skills programmes and facilities it supports.

Basic Skills – Information and Communication Technology Fundamental Skills

189. Service personnel increasingly need basic information and communication technology skills to be effective in the modern networked battlespace. We therefore intend that all new entrants and existing personnel without the relevant competence should undertake an appropriate training scheme. As in 2004-05, in 2005-06 over 95% of Royal Navy, Royal Marine and Royal Air Force recruits and 30% of Army recruits undertook basic information and communications technology skills training. Training policy is being revised to provide a tiered approach with minimum and target levels for different parts of the Defence population. Higher qualification levels will be set for specialist and more senior staff in order to provide a better skills match and ensure they can operate the Defence Information Infrastructure and the new military and civilian personnel systems effectively. The European Computer Driving Licence will continue to be used as the core qualification and online testing is being introduced in parts of the Army to improve take-up.

Individual Training

190. In order to spread best practice and to ensure high quality and consistency across the Armed Services, we are developing new training policies for Common Military Skills subjects. These are common to at least two of the Services, and require initial and continuation training for the majority of personnel regardless of their career specialisation. Some, such as weapons handling, physical education and fitness, chemical biological radiological and nuclear defence, the law of armed conflict and First Aid are fundamental to collective training and are required before individuals deploy on operations. Service personnel also have mandatory training to counter identified security threats, promote equality and diversity and address problems posed by substance misuse. The priority has been to harmonise Common Military Skills training delivered in

Defence Training Establishments. Following agreement of policies for health and safety, physical development and security by the end of 2004-05, six more were issued during 2005-06, covering chemical, biological, radiological and nuclear defence; First Aid; substance misuse; personal weapon handling and shooting; Equal Opportunities and law of armed conflict. We are also developing implementation plans for stress management training, validating and reviewing some of the policies already issued and extending the scope of work on embedding military ethos into tri-Service Defence Training Establishments. A revised Defence Language Training Policy was issued in February 2006 which included a trial three-year incentives package for trained linguists in three key operational languages, which are currently Arabic, Farsi/Dari and Pushtu. A Defence Individual Pre-Deployment Policy was published to standardise training better on operational theatre requirements.

National Qualifications

191. Training is essential to enable our Service people to do their jobs. It also supports their 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. During the year such accreditation schemes provided for 12,710 Level 2 or 3⁸ qualifications; 5,718 Apprenticeships; 2,527 Advanced Apprenticeships; and 544 Foundation Degrees. We also sponsor personnel on full-time courses, and 279 achieved graduate or post-graduate qualifications during the year. We have recently promulgated a revised Defence Accreditation Policy that seeks to improve the coherence and management of schemes across Defence and focus on supporting the key qualifications reflected in the Government's Skills Strategy. Service personnel are also financially supported through the Learning Credits Scheme to pursue learning opportunities on an individual basis. This financial support can be drawn down for up to 10 years after leaving the Services.

Rationalisation of Specialist Training

192. The Defence Training Review Rationalisation Programme will provide modern, cost-effective specialist training, improved accommodation and facilities. By harmonising training currently being delivered by individual Services it will also offer significant savings through the more efficient use of a smaller training estate. It comprises two packages:

- Package One – Aeronautical Engineering; Communications and Information Systems; and Electro-Mechanical Engineering;
- Package Two – Logistics; Joint Police and Personnel Administration; and Security, Languages, Intelligence and Photography.

⁷ Level 1 qualifications equivalent to GCSE levels D-G.

⁸ Level 3 qualifications equivalent to A level.

The Programme continued to make progress during the year. Bidders' proposals were received for both packages and are now being evaluated. We need to work extensively with the bidders to clarify their proposals and we do not expect to announce Preferred Bidders until the end of 2006.

UK Military Flying Training System

193. The UK Military Flying Training System programme is working to 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. This will train fast jet, helicopter and multi-engine aircraft pilots, weapons system operators and rear crew disciplines, from the beginning of formal aircrew training up to the point of entry into Operational Conversion Units for frontline aircraft. The Programme is currently in assessment phase and we plan to take the investment decision to appoint a Training System Partner in late 2006, award a contract in 2007 and build the system incrementally to achieve full provision in 2012. We intend to make a significant investment to implement the MFTS programme over the next six years, generating substantial improvements in efficiency and effectiveness from the next decade onwards.



Hawk aircraft

CIVILIAN PERSONNEL DEVELOPMENT

Basic Skills – Literacy and Numeracy

194. As part of the Government's "Skills for Life" agenda, and in parallel with the work on Basic Skills for the Armed Services, we sampled Defence civilian literacy and numeracy skills in June 2005. About 200 people were tested and the results gave an indication of the literacy and numeracy skills gap in the Department while showing that our basic skills are nevertheless above the national average; 10% of staff were below Level 1 in literacy (DfES 2003 National Survey 16%) and 25% below Level 1 in numeracy (DfES 2003 47%). We expect that the release of the DfES basic skills assessment tool will raise the profile of basic skills

self-assessment. We are reviewing how to support staff who want to improve their literacy and numeracy skills in the future.

Training Initiatives

195. During the year we pressed on with implementing the Professional Skills for Government (PSG) programme. The Single Skills Framework was launched in December 2005. It includes a revised set of core competences at Band B and below (the leadership framework for Senior Civil Servants is provided by the Cabinet Office) which place a stronger emphasis on delivery and programme and project management skills and in which PSG core skills and leadership qualities are embedded. Our core competence model has been cited as an example of good practice to other Government Departments. Work is also underway to develop a consistent approach to competences under a pan-Defence competence framework. The Single Skills Framework will embed PSG professional expertise requirements through functional competence frameworks. Advice on the application of the PSG requirement for "broader experience" was provided on the MoD's intranet and through more specific material targeted at senior managers and high fliers. Training provision was reviewed to make clear the links between specific development options and the PSG frameworks. Over 800 senior and middle managers took part in a PSG survey to establish a skills baseline for further work, and to identify those skills which staff needed or wanted to develop further. The Single Skills Framework now enables us to capture data on individuals' competences and skills, and those required for posts, to inform future skills planning. The data will be captured on the Human Resource Management System through the completion of post and personal skill profiles, which were launched in February 2006. Internal use of these profiles will be mandatory from September 2006, ensuring a natural build up of data.

196. Our skills network was strengthened by the formal appointment of 19 Skills Champions in June 2005. They head up groupings of Job Families covering all civilian posts and together with Heads of Profession own the functional competence frameworks. The groupings are broadly functional, and the Skills Champions will take a strategic overview across Defence to complement the business-area focused perspective of the Business Partners. They will be supported in this role by Heads of Profession and other skills stakeholders such as the PPA Business Partners.

197. There is a wealth of personal development information available on the Defence Intranet to help staff and their line managers identify development opportunities and plan their careers. This was developed and updated over the year and now includes guidance on developing leadership skills and core competences and a self-assessment tool to help individuals assess themselves against the new core competences. We have introduced voluntary 360° feedback for senior middle managers (Band Bs) to improve their people-management and leadership skills through confidential feedback from their



staff, peers and line managers. We also made progress towards the introduction of a Defence-wide civilian mentoring service and a career consultancy service.

Development Schemes

198. We continued to run a number of Departmental management development schemes (such as MIDIT – Means of Identifying and Developing Internal Talent) and support personal development schemes (such as Druidstone, a Prince's Trust community venture aimed at developing team working and communication skills; and New Horizons, a government personal development programme for junior ethnic minority staff designed to provide them with the skills, abilities and confidence to help them compete more effectively for opportunities). The Band B Development Scheme continued to develop talent to fill the majority of Senior Civil Service posts at 1* level in the future. All members are selected following short listing by the Senior Staff Assessment Board and independent assessment. Several were promoted during the year. Others are now ready for promotion as and when suitable vacancies arise (although we have been unable to promote more than 20 people a year to the Senior Civil Service within the Department for some years). The main challenge is to match supply and demand in terms of skills, readiness for promotion and the provision of tailored development opportunities to help scheme members meet their full potential. We aim to refine the assessment process and expand membership to about 75 members.

Civilian qualifications

199. We have a well qualified and diverse civilian work force committed to its work. In April 2005 we introduced a new service enabling them to record and maintain their academic, vocational and professional accomplishments as a step towards populating personal development records. Individuals record their level of qualification as they broadly equate to the National Qualifications Framework. In the interests of consistency we have developed a broad comparison table of equivalent English, Scottish, Welsh, Northern Irish and Irish qualifications. As this database is populated we will be able to capture a great deal more information on education and skills levels on the new Human Resource Management System. This will allow corporate personnel and senior business managers to understand better the range of skills and level of education within the Department and identify and address skills gaps in functional and professional areas.

200. We continued to encourage and sponsor professional development across a wide range of disciplines. We sponsor about 150 staff for Post graduate degrees, Diplomas and Higher degrees, and another 50 or so Honours degrees. We have some 1,500 staff registered for NVQs or equivalent qualifications at levels 2-4 (including some 20 apprenticeships and around 50 advanced apprenticeships). During the year around 640 staff completed qualifications at NVQ or equivalent levels 2-4, 10 Honours degrees and 30 postgraduate degrees. We also have nine students studying

for the pathfinder foundation degree, Foundation for Government, and we are evaluating the course to ensure that it meets both the Department's and individuals' requirements.

COMBINED TRAINING

Defence Academy

201. The Defence Academy continued to take forward improved, integrated specialist Defence training and education. At the Royal College of Defence Studies, the new 4-term structure was effective and well received. The Defence College of Management and Technology was formed in April 2005, bringing together elements of the former Royal Military College of Science, the Defence Leadership and Management Centre, including the Defence School of Finance & Management, and Defence Business Learning (*dblearning*). The College has been working in particular to develop the education and training necessary for implementing the Defence Industrial Strategy. In September 2005 we opened the new Defence Sixth Form College at Loughborough. The new Academic Provider contract for the Defence Academy was signed with Cranfield University in November 2005. Staff training at the Joint Services Command and Staff College was increasingly joint in nature, and the number of students trained during the year increased significantly. The Advanced Research and Assessment Group continued to build its reputation for innovative thinking, reinforced by the Conflict Studies Research Centre, including among other government departments and NATO. It contributed to over 100 overseas seminars and symposia and provided high-level consultancy to capacity-building activity in Iraq, and security sector reform in Ukraine. The Armed Forces Chaplaincy Centre continued to develop the scope and variety of its courses and to increase its usage.



The Joint Services Staff and Command College

202. The Academy increased collaboration with other Government departments. Work continued to develop a pilot Defence/FCO/DFID political-military workshop to achieve a more comprehensive approach to the planning and conduct of operations. It also engaged with the

National School of Government, which expressed interest in the Academy's Defence Strategic Leadership Programme, in cooperative development of the Senior Responsible Owners programme, and in promoting greater non-Defence attendance on Academy courses and modules. The Academy took on responsibility for liaison with academia, particularly with universities, aimed at satisfying their wish to have a single initial point of contact for general enquiries and to act as a market place for Defence research and education business opportunities. The Single Service Directors of Defence Studies who also have important links with academia are now affiliated to and accommodated within the Academy.

Acquisition Leadership Development Scheme

203. The Acquisition Leadership Development Scheme continued to develop. Its membership expanded by 119 to 721 civilian, military and industry staff by the end of the year, of whom 403 were alumni members⁹. The Acquisition Leadership Development Scheme courses continue to be provided by the Defence Academy. From 2006 the underpinning development criteria for the scheme is based on the new Single Skills Framework.

Defence E-Learning Delivery

204. The Defence Centre of Training Support continues to develop the Defence-wide e-learning management and support capability. Access is now possible over the internet. Full Operating Capability was achieved in January 2006 and almost 50,000 extra users were added in February 2006 as part of roll-out of Joint Personnel Administration to the Royal Air Force. Further work was undertaken to support training for the Defence Information Infrastructure programme.

Investors in People

205. As at 31 March 2006, more than 99% of all Defence personnel, military and civilian were working in organisations recognised as Investors in People. We are now working to the 2004 Standard for all of our assessment activity. We are taking forward plans for corporate recognition of the Department as a whole. While large areas of the Department are currently undergoing major structural changes, the work to support people through those changes, such as the Breakthrough programmes, is consistent with the requirements of the Standard and will provide good evidence for the corporate assessment.

CAREER SATISFACTION

Service Personnel

206. Continuous Attitude Surveys are run by the three Services to assess and monitor the attitudes of serving personnel, who are subject to a combination of sources of positive and negative satisfaction. The most recent surveys were undertaken in the Royal Navy in September 2005, in the Army between September 2005 and December 2005, and in the RAF between May and November 2005. Satisfaction with Service life in all three Services has increased, in the Royal Navy by 4% overall, in the Army by 15% among Officers and 14% among Other Ranks, and in the Royal Air Force by 4% among Officers and 7% among Other Ranks.

207. The main sources of satisfaction and dissatisfaction are shown in Tables 7 and 8. These have changed little. Job security, challenge and responsibility dominate the Royal Navy and Army positive retention factors, and enjoyment of life the Royal Air Force's. Negative retention factors continue to reflect the high levels of operational commitment and, for the Royal Air Force, the very substantial drawdown and restructuring under way.

Table 6: Percentage of those reported to be satisfied or very satisfied with Service life.

	2005-06	2004-05
RN	63%	59%
Army	73% Officers, 56% Other Ranks	58% Officers, 42% Other Ranks
RAF	65% Officers, 55% Other Ranks	61% Officers, 48% Other Ranks

⁹ Alumni members are those people that have graduated from an ALDS level and are not actively developing through the scheme.



Table 7: Sources of Satisfaction

Top indicators in 2005-06 surveys	Top indicators in 2004-05 surveys
RN (September 2005) Security of employment (86%) Amount of responsibility (78%) Accuracy of assessment of appraisal report (73%)	Job security (86%) Amount of responsibility (78%) Accuracy of assessment of appraisal report (73%)
Army (September to December 2005) Job security (Officers 73% and Other Ranks 71%) Challenging job (Officers 71%) Pension entitlements (Other Ranks 61%)	Job security (Officers 77% and Other Ranks 69%) Excitement (Officers 70%) Pension entitlement (Other Ranks 54%)
RAF (Aggregation of three surveys from May to November 2005) Enjoyment of life in the RAF (85%) Adequacy of training (over 72%) Leave Allowance (68%)	Enjoyment of life in the RAF (86%) Opportunity to gain qualifications (59%) Own line management (59%)

Table 8: Sources of Dissatisfaction

Top indicators in 2005-06 surveys	Top indicators in 2004-05 surveys
RN (September 2005) Current X factor rate of 13% (RN 48%, RM 58%). Amount of fun in the Service (RN 46%) Ability to plan their own long term life (RN 44%) Medical treatment in units (RM 63%)	Current X factor rate of 13% (RM 64%) Inability to plan life particularly in the long term (RN 50%) Quality of equipment (RN 47%) Amount of fun in the service (RN 46%)
Army (September to December 2005) Impact of Army lifestyle on personal domestic life (Officers 62% and Other Ranks 47%) Effect of operational commitment and overstretch (Officers 55% and Other Ranks 38%)	Impact of Army lifestyle on personal/domestic life (Officers 62% and Other Ranks 47%) Effects of operational commitments and overstretch (Officers 58% and Other Ranks 42%)
RAF (Aggregation of three surveys from May to November 2005) Effects of overstretch (86%) and gapping of posts (72%) Effects of civilianisation and contractorisation (75%) Impact of change on the RAF (56%)	Effects of overstretch (85%) Effects of civilianisation and contractorisation (77%) Not feeling valued by the RAF (51%)

208. Reflecting the increasingly joint nature of the military environment, we are harmonising the three Service strands of feedback. This will enable joint and single Service personnel policy development be informed by objective and timely analysis of joint attitudinal data, and each Service to understand the specific concerns and needs of its own people. We are developing a Tri-Service Attitude Survey process, and plan to conduct the first such survey from April 2007.

Civilian Personnel

209. The continuous Civilian Staff Attitude Survey is now in its fourth year. Results continued to be encouraging despite uncertainty for staff, with an average positive response rate to career satisfaction survey of 71%, compared to 70% in the previous two years. Satisfaction with MoD as an employer remained high, staff continue to understand how their role contributed to the achievement of our overall objectives, and they judged that good use was made of their skills in their work and that they could get access to training that met both personal development and job needs. Line Managers continued to feel equipped with the right skills to develop individuals

within their teams; most staff were satisfied with their immediate Manager's leadership and that they could express their ideas and views and have them taken seriously. However, while most staff supported the principle that those who made a greater contribution should receive a greater financial reward, fewer than a quarter thought that our current performance pay arrangements rewarded better performance and only just over half thought the more flexible arrangements for 2005-06 were an improvement. This is being reviewed in the context of Pay 2006 negotiations. Only a third of staff reported confidence in the Department's senior leadership (Military and civilian staff at 3* and above). We are researching what lies behind this.

Table 9: Extent of Civilian Career Satisfaction

Questions	Positive Responses		
	2005-06	2004-05	2003-04
Considering everything, how satisfied are you with the MoD as an employer?	77%	73%	73%
Are you aware of the MoD's aims and objectives?	73%	80%	82%
How would you rate your understanding of how your job contributes to the MoD's aims and objectives?	94%	90%	90%
I have access to the kind of training that I need to carry out my job properly.	83%	85%	78%
My job makes good use of my skills and abilities.	70%	71%	70%
I can express my ideas and views and have them taken seriously by Managers.	72%	70%	67%
Do you regard the MoD as an equal opportunities employer?	90%	89%	88%
Individuals who make a greater relative contribution towards achieving business outputs should receive a greater financial reward.	73%	74%	N/A
The MoD's current performance pay arrangements reward better performance. ²	22%	16%	14%
The move to introduce a more flexible percentage split for the reward of performance is the right thing to do.	54%	56%	N/A
Average positive response rates for each year. ³	71%	70%	70%

Notes:

1. 2005-06 results originate from a survey undertaken in Autumn 2005.
2. Figures have been changed from those shown in 2004-05 to show positive responses (strongly agree, agree).
3. The average positive response rate is based upon questions shown in the table. As the questions have changed the average from the previous years have been restated.

FURTHER SOURCES OF INFORMATION

210. Additional Information on Personnel Management is available from the following sources:

- quarterly PSA reports to HM Treasury at www.mod.uk;
- *UK Defence Statistics 2006* available at www.dasa.mod.uk (from September 2006);
- *DGCP Civilian Continuous Attitude Survey Annual Report 2004-05* available at www.mod.uk;
- *Continuous Attitude Surveys (CAS): Results for Service Personnel* available at www.mod.uk;
- the Defence Committee Third Report of Session 2004-05: *Duty of Care* (HC 63 on 3 March 2005) available at www.publications.parliament.uk;
- *The Government's Response to the House of Commons Defence Committee's Third Report of Session 2004-05 on Duty of Care*. (Cm 6620 on July 05) available at www.mod.uk;
- *The Deepcut Review* by Nicholas Blake QC published on 29 March 2006 and available at www.deepcutreview.org.uk;
- *The Government's Response to the Deepcut Review* (Cm 6851 on 13 June 2006) available at www.mod.uk.



Essay: Duty of Care and Welfare

The Armed Forces' approach to their duty of care towards Service personnel, especially those under 18 and those under training, has been a key issue in the past year. The issue was stimulated by the deaths of four young soldiers under training at the Princess Royal Barracks, Deepcut, between 1995 and 2002; the consequent police investigations; the inquests; concerns about bullying and harassment; internal departmental inquiries and review; the House of Commons Defence Committee's report on Duty of Care; and the Final Report of the Surrey Police into the Deepcut deaths which looked at wider issues affecting care in the training organisations. In November 2004 the Minister of State for the Armed Forces appointed Nicholas Blake QC to review the circumstances surrounding these deaths. Mr Blake published his report on 29 March 2006 (HC795).

The Deepcut Review concluded that, although the Army did not cause the deaths of the four young soldiers, there were failures to identify and address potential sources of risk and to address them. Important questions have been raised about the nature of the training environment at the time. The Review also concluded that no new reliable evidence concerning how the four soldiers met their deaths is likely to be available, and that on this basis a Public Inquiry is not necessary. This is a view we share given the extensive investigations that have taken place, and we see no public or Service interest in pursuing a Public Inquiry.

The Government published its response to the Deepcut Review on 13 June 2006 (Cm6851) accepting the great majority of the recommendations made by Mr Blake. In a few cases this acceptance is with some qualification or modification.

The Government acknowledged that mistakes were made and that there were deficiencies in the systems of care for young and sometimes vulnerable trainees. The Services had, of course, already made significant changes and improvements before publication of the Deepcut review, as Mr Blake readily acknowledges in his report. For example, much greater attention is being paid to risk of self-harm and preventative measures; there are stricter controls over access to firearms; supervision of recruits and trainees has improved; appreciable new investment in facilities and accommodation has occurred and is ongoing; and a new harassment complaints procedure has been implemented. However, the Deepcut Review has highlighted that there is more that we can do, particularly in some key areas.

In particular, we accept the Review's objective to provide independent assurance that the procedures are working as effectively as they can and that systemic issues of concern are addressed. We propose independent, external inspection and review of the military justice system and the military complaints system, together with independent members on Service complaints panels dealing with complaints of bullying and harassment. In light of this, the Government proposed to bring forward amendments to the Armed Forces Bill to provide for a Service Complaints Commissioner.

Work to improve the care regime has included publication of a Guidance Note for Commanding Officers on the care of personnel under 18 years of age (July 2005). There are additional legal requirements associated with Service personnel aged under 18 and, whilst maturity and experience vary considerably between individuals, those under 18 may be more vulnerable than older personnel. Their care requires particular attention. This Guidance Note is to be amended and re-issued in light of the Deepcut Review.

The MoD Harassment Complaints Procedure was published on 1 April 2005. It is a guide for all Service and civilian personnel on making, responding to, advising on, investigating, and deciding on complaints of harassment and bullying. It is MoD policy that all military or civilian personnel, regardless of rank, grade or status, have a right to protection from harassment, and a responsibility to ensure that the working environment is free from harassment and that the dignity of others is respected. We will review this document during 2006.

We have completed a review into the way in which welfare is provided in the Services. The final report in March 2006 offered recommendations for the improvement of welfare provision including the publication of a Joint Service Publication on Welfare, improvements to governance and the sharing of best practice and establishing an assurance procedure to verify that professional standards are being achieved and maintained. These recommendations will be implemented during 2006.

Moving Forward

The work put in place to address the important duty of care issues raised has been progressed as a priority. A great deal has already been done to improve the training and welfare environment, and Mr Blake has clearly identified further areas where we can and should improve. His wide-ranging Review contains important and relevant recommendations which, whilst difficult and challenging in some cases, pay testament to its independence and thoroughness.

We will use the Deepcut Review as a blueprint for further action. Action is already in progress on many of the matters raised by the Review, we are committed to sustaining this momentum, and to allocating the investment necessary to deliver real, measurable improvements in duty of care.

HEALTH AND SAFETY

Objective: A safe environment for our staff, contractors and visitors.

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 objectives and achieve manning balance in each of the three Services by 1 April 2008.

Performance Measures and Assessment

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

- Reduction from 89.0% to 87.9% in proportion of Service personnel reported fit for task during 2005-06;
- Reduction from 85.4% to 84.2% in proportion of Army personnel reported fit for task during 2005-06;
- Civilian sickness absence for Defence non-industrial staff 7.3 days per staff year against a target of 7.5 days;
- Improved civilian sickness absence reporting and management.

No fatalities attributable to Health and Safety failures:

- 8 fatalities recorded attributable to Health and Safety failures;
- One Crown Censure on the MoD during the year;
- Publication of revised policy statement on Safety, Health and Environmental protection in Defence.

Reduce the number of serious injuries by 10% against previous year:

- 904 serious injuries reported in 2005-06, providing baseline for future reductions.





HEALTH OF SERVICE PERSONNEL

211. It is essential that the Armed Services have personnel who are fit and able to carry out their intended role. When people are not fit, it is important that the management information systems record this and that we provide the necessary care for their recovery. We must also ensure that we do not unduly endanger our personnel through our activities and have taken steps to ensure that the health and safety of our people is always considered.

212. At 31 March 2006, 87.9% of the overall Armed Services personnel were reported as 'fit for task', that they were posted to the unit/ship/establishment to perform. This is a deterioration of 1.1% over the year. (These figures are not comparable to rates of civilian sickness absence, as many military personnel not graded fit for task can and do work full time in less physically demanding posts). The enduring high operational tempo and more accurate reporting and downgrading procedures led to a steady reduction in the fitness rate over the year. This reflected the fact that ensuring unfit personnel do not deploy on operations drives stricter compliance with downgrading criteria than would apply in a less challenging operational context. The position in the Army is more marked, the number fully fit reducing from 85.4% on 31 March 05 to 84.2% on 31 March 06. However, only 1.4% are unfit for any task and the remaining 14.4% who are not fully fit for their primary task continue to make a contribution to operational effectiveness.

213. We took steps during the year to improve further the care we give to our personnel when they are injured. On 24 November 2005 His Royal Highness the Prince of Wales officially opened the new Limb Fitting and Amputee Rehabilitation Centre at the Defence Medical Rehabilitation Centre, Headley Court. This is a world-class rehabilitation facility run by the Defence Medical Services which has no equivalent in the NHS. It provides high quality, appropriate prosthetics and adaptations, manufactured on site and individually tailored as necessary to the specific patient, with the aim of enabling service personnel to return to duty wherever possible. But most injuries do not require these specialist services at Headley Court, and 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. Between 1 April 2004 and 30 September 2005 6,558 patients were assessed at Regional Rehabilitation Units. Only 766 required onward referral to fast-track orthopaedic surgery. 85% were therefore successfully managed with rehabilitation alone, enabling priority referral for those requiring surgery. Of the 6,558 patients assessed and treated, 2,558 have returned to duty. Further information on the treatment of injured personnel is contained in the essay on page 112.



A VIP visit to Headley Court

214. The Defence Medical Service continued to provide mental health support through its 15 Departments of Community Mental Health in the UK (plus satellite centres overseas), ensuring better access to specialised mental health support within or close to an individual's unit or home. This also enables 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. Further information on liaison with the National Health Service and the provision of medical support for veterans is set out in paragraphs 98-102.

Reservists

215. In May 2006 a study by The Kings Centre for Military Health Research found higher percentages of Reservists displaying symptoms of common mental health problems and Post Traumatic Stress Disorder, as a result of service in Iraq in 2003, than either the Regulars who served or those Reservists who did not deploy. In this context, on 16 May 2006 we announced our intention to introduce enhanced mental healthcare support for reservists. In future any member of the Reserve Forces who has been demobilised since January 2003 following deployment overseas will be eligible for a dedicated mental health assessment programme offered by the Defence Medical Services. In the event that an individual is assessed as having Post Traumatic Stress Disorder, or a related mental health problem, they will be offered outpatient treatment by the Defence Medical Services who have particular expertise in this area. If a case is particularly complex or acute and requires in-patient care, the Defence Medical Services will assist access to NHS treatment.

CIVILIAN SICKNESS

216. In 2005-06 our sickness absence rate was 7.3 days per non-industrial employee, beating our target of 7.5 days. This compares with a 2004 rate (the most recent published) of 9.1 days for the civil service as a whole, within which the MoD had the lowest absence rate of the four 'large' Departments (defined as those with over 30,000 staff). It

also compares favourably with private sector performance, where the most recent annual CBI/AXA Absence Survey, published on 15 May 2006 reported an average sickness absence rate of 7.4 days per employee in large organisations with over 5,000 staff. We nevertheless continue to work to reduce the rate further and improve the management of sickness absence. Since April 2005 managers have reported sickness absence themselves, which is improving the quality of our data and reinforcing the link between staff and their managers. They are also expected to conduct return to work interviews ensuring appropriate discussion of absence and any necessary actions to follow it up. We are also encouraging earlier referral of cases to occupational health experts.

217. A complete review of our approach to Occupational Health is underway. This will further improve management of return to work, including adjustments to the affected individual's working environment where necessary. We will be designing our new Occupational Health contract, to be placed in 2007, specifically to bear down on sickness absence and we plan to trial a number of new concepts before then. Occupational Health support and advice is available to all Defence civilian staff. We are reviewing our stress management policy against revised Health and Safety Executive guidelines, and provide separate training for managers and individual members of staff on the management and control of stress.

HEALTH AND SAFETY

Policy

218. The MoD and the Armed Forces attach high importance to the Health and Safety of military and civilian Defence personnel, contractors and visitors to Defence establishments. In May 2005 we issued a revised policy making clear the high standards of safety, health and environmental performance that are required and are critical to the delivery of battle winning people and equipment. This explains to all personnel, Service and civilian, what is required of them in order to ensure that health and safety and environmental protection obligations are recognised, understood and properly discharged at all levels; and to make governance arrangements clearer. Recently the Sir George Earle Trophy for outstanding performance in health and safety by a company or organisation was awarded to the Naval Base Commander, Devonport by the Royal Society for the Prevention of Accidents. This top health and safety award shows that at our best, we do this as well as or better than anyone else.



The Sir George Earle Trophy, presented to the Naval Base Commander, Devonport

219. But military operations are inherently dangerous, and we would be failing in our duty of care to our military personnel if their training were not sufficiently robust to prepare them for the conditions they are likely to face on operations. We cannot therefore completely avoid the risk of injuries and fatalities. What we do expect and require is that these risks are properly considered and managed. This has not always been the case. There was one Crown Censure¹ on the MoD during the year, for severe injuries caused in September 2002 at Royal Marines Poole by a malfunctioning Safety Line Air Gun, resulting in non-life threatening injuries to two people. The Censure was for failure to ensure the health and safety of MoD personnel and its contractors and to make a suitable and sufficient risk assessment. New arrangements have been put in place for safety management of tests and trials.

Avoiding Fatalities

220. Our goal is that there be no fatalities in Defence attributable to health and safety failures (excluding combat-related deaths and training designed to simulate combat conditions, suicide, natural causes, and road traffic accidents). During 2005-06, eight fatalities were recorded that are likely to be attributable to health and safety failures. A full investigation was set in hand following each fatality and several investigations are still underway. In most cases the root causes are still being determined, but the circumstances ranged from sports and leisure activity to accidental weapon discharge.

Minimise Serious Injuries

221. We also aim to reduce the number of serious injuries (as defined by the Health and Safety Executive's Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) by 10% year on year against a baseline of 904² serious injuries reported in 2005-06. Reporting of accidents, including serious injuries, has increased over the past two years as a result of the introduction of call centres as they make it easier and less bureaucratic to report accidents. This has produced a clearer understanding of the causes of accidents and allowed better management direction to be given to controlling risks.

¹ Crown censure is an administrative procedure, whereby HSE may summon a Crown employer to be censured for a breach of the Act or a subordinate regulation which, but for Crown Immunity, would have led to prosecution with a realistic prospect of conviction.

² This figure is obtained from reports from individual Top Level Budget and Trading Funds.



Management and Governance

222. The Defence Environment and Safety Board provides direction, sets objectives, monitors, reviews and reports to the Defence Management Board on safety and environmental performance. It is supported in this by Functional Safety Boards to develop policy, set standards, and ensure that suitable scrutiny and, where appropriate, regulation is applied to all Defence activities. A risk-based annual report on Safety and Environmental Protection is agreed by the Defence Environment and Safety Board and reviewed by the Defence Audit Committee, and provides evidence for MoD's Statement of Internal Control (see page 182). The key information from this report is incorporated into the *Sustainable Development Annual Report* and published on the MoD website. It concluded that health and safety performance was generally satisfactory, but that further improvements to safety culture could and should be made.

223. Key initiatives and achievements over the year were:

- Improved reporting of health and safety to the Defence Management Board;
- Development of a new audit strategy to focus on safety risks rather than safety systems in order to focus attention and resources on our most significant safety risks and how they are being managed;
- Further clarification and senior management direction on the responsibilities for managing health and safety on multi-occupier sites, and sites operating under Regional Prime Contracting, though application of MoD procedures on control of contractors remains patchy;
- Rationalisation of our extensive safety documentation, producing a simpler, less onerous, yet comprehensive safety management system;
- Work to update and improve the MoD accident reporting system to provide more accurate and relevant statistics for assessing performance;
- Work to benchmark the different business areas within MoD.

FURTHER SOURCES OF INFORMATION

224. Additional Information on Health and Safety is available from the following sources:

- *Civil Service Sickness Absence Report 2004* available at www.civilservice.gov.uk;
- *Safety Health and Environmental Protection in the Ministry of Defence – A Policy Statement by the Secretary of State for Defence* available at www.mod.uk;
- *Sustainable Development Annual Report 2005* available at www.mod.uk;
- *UK Defence Statistics 2006* available at www.dasa.mod.uk (from September 2006).

Essay: Caring for the Injured

Our Armed Forces require a high level of fitness to be effective as a fighting force. Our Servicemen and women deserve a high standard of healthcare in recognition of the jobs they do. We aim to give all our injured personnel the best medical help we can at the right time and in the right place. The Defence Medical Services work to help our personnel lead fit and healthy lives in the first place, and if they become ill or injured, to return them to operational fitness whenever, and as soon as, possible. This is not just because it is right for the individual. Medical services can be a real force multiplier and this is increasingly important at a time of a high tempo of operations. The commonest cause of medical unfitness amongst Service personnel is through muscle, bone and joint injury – a ‘musculo-skeletal injury’ in medical terms. This essay describes how we treat and rehabilitate such patients, and casualties from military operations, and is indicative of our wider approach.

Medical Rehabilitation Programme

We have a three-tier approach to the treatment of musculo-skeletal injuries, matching the level of treatment to the severity of the problem and including fast-track access to orthopaedic surgery if necessary. The first stage is provided by Primary Care Rehabilitation Facilities to which the patient has access via his or her parent unit. These provide immediate care for injuries. Wherever possible, access to a detailed assessment by an experienced doctor and/or physiotherapist follows within two working days of presentation. For simple cases, the patient receives local treatment and rehabilitation. The decision on whether they need more intensive treatment will depend on the need for a firm diagnosis, the severity of the injury and the availability of local physiotherapy and rehabilitation facilities. As a rough guide, a patient is referred to such a facility if they can be expected to return to fitness within one month.

The second stage is assessment at one of our 12 UK Regional Rehabilitation Units, or similar facilities in Germany and Cyprus. These contain doctors, physiotherapists and Remedial Instructors – Physical Education instructors who have received additional training in-group rehabilitation. They provide diagnosis through access within 20 days to a Multi-disciplinary Injury Assessment Clinic. Here a team with enhanced skills in the diagnosis of musculo-skeletal disorders following injury has access to specialist diagnostic aids such as Magnetic Resonance Imaging. The team aims to establish a firm diagnosis so that the most appropriate care is given and, working with the individual’s primary care unit and occupational medicine specialists, predict the time it will take for patients to be fit again to take up their duties. Our target for a scan is 10 days. Informed by the scan results, the team decide which patients need to be offered orthopaedic surgery and develop a post-operative rehabilitation plan before surgery takes place. The units also provide treatment, if needed, in carefully structured groups that follow a set programme of therapy.

The third stage is treatment at the Defence Medical Rehabilitation Centre at Headley Court in Surrey. This is a world-class facility, run by the Defence Medical Services, with no equivalent in the NHS. Patients with complex and/or multiple injuries, including amputees and those with brain injuries, are transferred to be looked after by multi-disciplinary teams. The aim is to achieve the best outcome for all patients by providing physiotherapy and group rehabilitation for complex musculo-skeletal injuries; high quality artificial limbs which are manufactured or assembled on site and individually tailored for each patient by the Centre’s Limb Fitting and Amputee Rehabilitation Centre and rehabilitation for brain-injured patients. We are developing links with the Brain Injury Rehabilitation Trust to help with neuro-psychology and the onward care of those individuals unable to return to duty in the Armed Forces at centres across UK that provide in-patient and community support. We aim for seamless transition of these patients back into civilian life following medical discharge from the Service. Because of its unique facilities and capabilities, the Unit plays a critical role in the rehabilitation of severely injured casualties returning from operational theatres.

Medical care for those injured on operations

Our Armed Forces are deployed on operations around the world, some in environments that are challenging in terms of climate and local disease and where they face the risk of hostile action. Before our troops are sent overseas, we determine the level of medical support that they will need in-theatre. The aim is to match this to the size of deployment, the hazards to be faced, and the support available from the host country or other nations participating in the operation. We provide this care for mobilised reservists as well as regular Service personnel. In theatre, medical teams provide assessment and immediate treatment of all casualties. This is again delivered in a tiered approach. It includes training all our people in ‘buddy-buddy’ and first-aid care, and increasingly specialised unit medical support, field hospitals and a hospital ship if necessary, to provide the best possible care in the most difficult operational environments. On larger operations, the medical teams in theatre will comprise both regular and reservist doctors, dentists, nurses and other health professionals from all three Services covering a range of specialisms and backed up by a hospital administration support team and trained welfare staff. They have advanced medical equipment that can be transported and is able to operate worldwide, and access to telemedicine to enable complex cases to be discussed with specialists back in the UK. Not all injuries are life threatening, and when clinically and operationally appropriate, patients are treated and rehabilitated in-theatre.



Defence Medical Rehabilitation Teams

In some cases it is necessary to fly the patient back to the UK for further treatment. Specialist RAF medical teams accompany patients. Once in the UK, they will receive care according to the level of their injuries. The Defence Medical Rehabilitation Centre evaluates and coordinates these care pathways to ensure that injured personnel are looked after from the time of their return to the UK until they are fully recovered or medically discharged from the Armed Forces. Patients with complex musculo-skeletal or neurological needs, as a result of hostile action or other injury, who require hospital care are referred to the Royal Centre for Defence Medicine at University Hospital Birmingham for treatment; patients with moderate or minor injuries, who have been assessed, have a working diagnosis and a planned care pathway, are referred to the rehabilitation unit responsible for the patient's parent unit; patients who have a musculo-skeletal injury who do not fit into the first two categories and who have not had a rehabilitation assessment in theatre are referred to Headley Court for assessment. When hospital treatment is complete, injured personnel are transferred to the best place for their continuing rehabilitation. For those with severe injuries this is Headley Court.

Conclusion

The Defence Medical Services are dedicated to the well being of our people at all times: we are continually monitoring and improving our service to them. The rehabilitation programme is now in its third year and delivering remarkable results. Managed pathways for operational casualties have been in force since January 2006. Both provide timely return to full operational capability or seamless transfer back into civilian life as necessary. The care pathways put our service personnel at the centre of care, managed at every phase of therapy by dedicated healthcare teams, in a programme that has significantly improved morale by demonstrably providing a standard of healthcare that matches the operational demands placed on our Service personnel. We continue to work to improve the speed and quality of the care our medical staff and system offer – our Servicemen and women deserve nothing less.



An army medic

LOGISTICS

Objective: Support and sustain our Armed Forces.

Public Service Agreement Target (SR2002 MoD Target 7)

Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability: Year-on-year output efficiency gains will be made each year from 2002-03 to 2005-06, including through a 20%¹ output efficiency gain (relative to April 2000) in the Defence Logistics Organisation:

- **Reduce by 14% (relative to planned expenditure in 2002-03) the output costs of the Defence Logistics Organisation by April 2006, while maintaining support to the Front Line.**

Performance Measures and Assessment

Deliver 98% of logistic support for funded levels of readiness and funded logistic support to enable force generation within planned readiness times, as set out in Customer Supplier Agreements with Top Level Budget Holders:

- **94.5% of logistic support outputs delivered (2004-05 95%, 2003-04 93.4%).**

Provide funded logistic sustainability for future contingent operations:

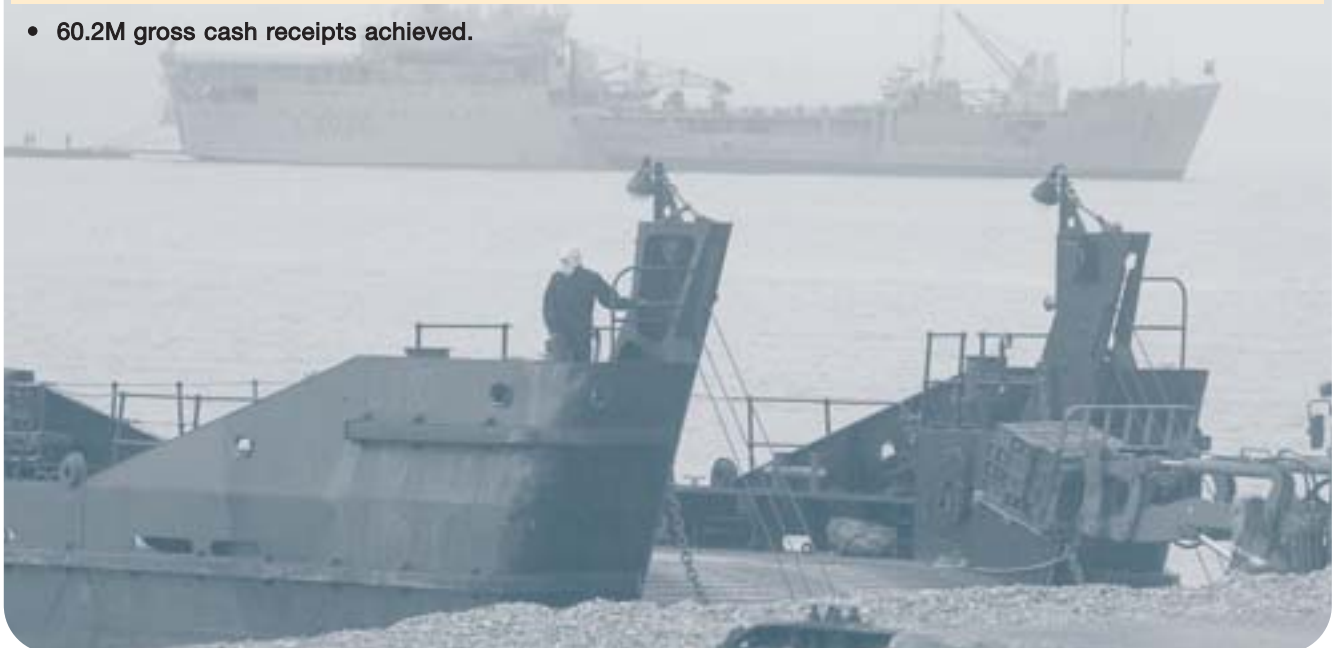
- **We are working to ensure we understand the full logistic recuperation requirements and cost to restore contingent forces' readiness to conduct a wide range of operations when the high tempo of current operations reduces;**
- **The Logistic Sustainability and Deployability Audit in 2005 provided an updated assessment of our sustainability capability.**

Deliver Logistics efficiency savings agreed in 2002 and 2004 Spending Reviews:

- **The Strategic Goal required the Defence Logistics Organisation to achieve a further 4.2% (£374M) reduction in its output costs during 2005-06. Subject to validation, we expect the amount achieved to fall between £350M and £400M. We will complete validation of performance against the Strategic Goal by the Autumn.**
- **The wider Defence Logistics Transformation Programme was to achieve £539M savings by 31 March 2006. We estimate that we achieved from £500M to £575M, including £350M to £400M under the Strategic Goal on the basis of the available information.**

Achieve a disposal sales gross cash receipt of £50M from the sales of surplus equipment and stores:

- **60.2M gross cash receipts achieved.**



¹ Relative to April 2000 (1999-2000 outturn). Performance thus includes efficiency achieved in 2000-01 and 2001-02.



DELIVERY OF LOGISTIC SUPPORT

225. The Defence Logistics Organisation (DLO) is responsible for providing front line support to the British Armed Forces. To achieve this it works closely with Front Line Commands, the Defence Procurement Agency, other parts of the MoD and industry.

Performance against Customer Supplier Agreements

226. The level of logistic support provided by the DLO to the Armed Forces is agreed through Customer Supplier Agreements with each of other Top Level Budget holders. These define, within the resources allocated, the logistic outputs to be provided by the Chief of Defence Logistics to support the Commanders-in-Chief and other Top Level Budget Holders in their delivery of military capability at the levels specified in their own Service Delivery Agreements with the MoD Head Office. In 2005-06 the DLO achieved the agreed service levels for delivery against funded levels of readiness of 94.5% of its logistic support outputs, against a target of 98%, a slight decrease from 95% in 2004-05. This was driven by shortfalls in a few areas, in particular:

- defects and spares availability difficulties across the surface fleet;
- difficulties supporting ageing Royal Fleet Auxiliary ships;
- shortfalls in the availability of spares for Apache attack helicopters; and,
- fragile spares delivery programmes for Typhoon and Hercules C-130J.

Supporting Operations

227. The DLO remained focussed on support to operations and demonstrated it's ability to respond to short notice surge requirements. The main logistic effort was in support of Operation TELIC in Iraq, where we continued to introduce incremental improvements to the management of Urgent Operational Requirements, Logistic Command and Control, asset tracking, air transport and the Coupling Bridge. We also planned and began support to expansion of Operation HERRICK in Afghanistan. A key lesson identified from Operation TELIC was the need for a permanent, single organisation to co-ordinate all logistics activity in-theatre. The Joint Force Logistics Component acts as the front end of the supply chain, providing a single channel for support from the DLO in the UK to the forces deployed in theatre. The Joint Force Logistics Component Headquarters was established in December 2005 and has deployed to Afghanistan to take command of logistic operations in Theatre. The DLO also provided immediate and effective logistic support to the humanitarian relief operations following the Pakistan

earthquake, and supplied some 475,000 Operational Ration Packs worth over £3M to the US to assist the relief effort following Hurricane Katrina (see paragraph 16). Although the rations were impounded by the US Department of Agriculture for not meeting import regulations, they have been subsequently redistributed to the Organisation for Security and Cooperation in Europe and to non-governmental organisations for humanitarian purposes.

228. We are working to ensure we understand the full logistic recuperation requirements and cost to restore contingent forces' readiness to conduct a wide range of operations when the high tempo of current operations reduces. We also continue to look for ways to increase the effectiveness of our sustainability and deployability processes, including the development of how we prepare for specific operational deployments. The Logistic Sustainability and Deployability Audit carried out in 2005 sought to articulate both the Total Logistic Requirement and to reach judgements about what might be made available within the relevant warning times in order to support operations up to the most demanding level envisaged in Defence Planning Assumptions, thus providing an updated assessment of our sustainability capability. Resources are focused on providing the assets most likely to be needed to sustain operations and which we judge could not be bought within assumed readiness times. We continued to develop our ability to evaluate and articulate logistic risks within the wider resource programming process to ensure that affordability decisions take full cognisance of the implications for logistic capability requirements.

229. In its report into *Assessing and reporting military readiness*, published in February 2006, the House of Commons Committee of Public Accounts recommended that we should draw up contingency plans to accelerate our work to introduce a robust asset tracking system in the event that this were required for operational deployments in the shorter term. We currently have a consignment tracking capability that has been tested in Afghanistan. The trend over recent months has been one of steady improvement as the changes to regulations, training, and equipment made as a result of Lessons Identified begin to deliver improved visibility of materiel in transit. There has been no opportunity to test the improved consignment tracking system during the peak flow to a Large Scale operation and we do not yet have a full computer based Asset Tracking capability (defined as the means of providing timely and accurate information on the location, movement, status and identity of units, personnel, equipment and materiel). We plan to deliver a range of Logistic Information Systems between 2006 and 2012 that will provide the base data to support asset tracking for the future. In the light of the Committee's recommendation we are now drawing up contingency plans to accelerate the programme to track material in transit should increased capability for large scale operational deployments be required in the shorter term.

IMPROVING LOGISTIC EFFECTIVENESS AND EFFICIENCY

Management of Logistics

230. Logistics is one of the enabling processes within the Department's Business Management System (see paragraphs 248-254). As process owner the Chief of Defence Logistics has responsibility for the delivery of the logistics process across Defence including the Equipment Capability Customer, industry, Defence Procurement Agency, Front Line Commands and the Chief of Joint Operations, as well as in the Defence Logistics Organisation. The April 2006 Defence Logistics Programme provides the strategy and supporting delivery programme to take logistics forward. It draws together the most significant work currently underway in improving delivery of logistics across Defence, including the current Defence Logistics Transformation Programme activities, and provides the strategic direction for logistics to meet the current and future needs of the operational commander.

The Defence Logistics Organisation Strategic Goal

231. On its creation in 2000 the Defence Logistics Organisation was set a goal, known as the Strategic Goal, of reducing its output costs by 20% relative to April 2000 by the end of 2005-06. In the 2002 Spending Review this was rebaselined to a reduction of 14% relative to planned expenditure in 2002-03 (a reduction of £1,262 billion), and included within the Department's overall value for money Public Service Agreement target. A reduction of 6.6% was achieved by April 2004. In the *Annual Report and Accounts 2004-05*, we estimated that the Defence Logistics Organisation had achieved over a further £400M annual output efficiency savings during 2004-05. We made clear that this reflected the best information available to us at the time of publication and was subject to validation. Accounting for efficiency is a complex process that inevitably takes some time. It is validated through detailed scrutiny of a proportion of the efficiency claim by Defence internal auditors and extrapolated from that to reach an overall total. This arrangement is visible to the National Audit Office and the conclusions are shared with them. Our validation of the 2004-05 total concluded conservatively that there was evidence to substantiate at least £280M of benefits, producing a minimum cumulative reduction of 9.8% against the Strategic Goal target of 14% by April 2006. While the reduction from the initial estimate was disappointing, it demonstrated the rigour of the process to ensure that our efficiency claims are fully supported by evidence.

232. In the light of this exercise we improved the guidance on what can be claimed as efficiency and how to measure it, took steps to ensure that the Integrated Project Teams and others responsible for efficiency reporting maintained robust audit trails for efficiency achievements for 2005-06 and subsequent years, and set in hand an internal sampling of projects to review the evidence supporting

reported benefits. Achieving the Strategic Goal required the Defence Logistics Organisation to achieve a further 4.2% (£374M) reduction in its output costs during 2005-06. We expect the final total to fall between £350M (discounting initial claims to the proportion validated for 2004-05) to £400M (based on some preliminary results reflecting the improvements taken forward in light of the results of the 2004-05 validation exercise). We expect to complete validation of the 2005-06 achievement in Autumn 2006.

The Defence Logistics Transformation Programme

233. The Defence Logistics Transformation Programme (DLTP) was launched on 1 April 2004. The Programme embraces all Defence logistics activity, not just in the Defence Logistics Organisation, whether it occurs in preparation for operations, deployed in-theatre, within Defence industry, during the early stages of equipment acquisition, or when planning for equipment disposal. Its aim is to transform the means by which logistics support is delivered to all three Services through improvements in effectiveness, efficiency and flexibility of logistic support, thereby improving logistic support to the front line and releasing substantial resources for investment elsewhere in Defence. It incorporates all previous logistics change and efficiency programmes, including the Defence Logistics Organisation Change Programme underpinning the Strategic Goal and the End-to-End Logistics Review. It is an extremely complex programme comprising over 1,000 separate projects. The emphasis of logistics transformation matured from early delivery of efficiency in 2004-05 to the enabling of improvements in operational effectiveness in 2005-06.

234. Although the programme predates the Gershon efficiency review conducted as part of the 2004 Spending Review, the Treasury agreed that it contributed effectively to the goals of that review. With an overall target of £951M efficiency savings it is the single largest element of the Department's £2.8 billion efficiency programme from 2005-06 to 2007-08. The programme's target was to achieve £539M savings by 31 March 2006 (including some efficiencies generated during 2004-05). We estimate, on the basis of the available information, that we achieved from £500M to £575M of efficiencies, including £350M to £400M under the Strategic Goal and including over £70M of efficiencies from the Procurement Reform programme to maximise the Department's buying power using reverse auctions, electronic purchasing, incentives and rationalisation of contracts. Some examples of savings and effectiveness are set out below.

Examples of improved logistics effectiveness and efficiency

235. The DLTP remains on track to deliver further improvements in efficiency and effectiveness. Figures are for in year 2005-06 benefits delivery, unless otherwise stated. They will form part of the overall 2005-06 achievement and are all subject to validation. The Attack

helicopter benefits have been reviewed in an internal audit and Tornado benefits were the subject of review by the House of Commons Defence Committee earlier this year. Key achievements during the year included:

- the application of Lean techniques particularly in the area of aircraft, ship and vehicle maintenance. In particular lean process were introduced for support of Harrier and Hunt Class Mine Counter Measures Vessels;
- improved support arrangements for the Harrier Pegasus engine delivered savings of £3.8M;
- improvements in the Avionics support chain delivered savings of £9M;
- the Land Guided Weapons IPT delivered £16M through the drawdown of Rapier;
- the Attack Helicopter IPT delivered savings of £36M through the reduction of capital spares holding;
- the Submarine IPT delivered further savings of £16M through their submarine upkeep improvement programme;



Pre-flight check at RAF Marham

- the creation of a single location for all major repair, maintenance and upgrade for Tornado GR4 aircraft at RAF Marham continued to deliver results. A new contract with BAE Systems that will release six aircraft from the repair cycle to the front-line by 2008, and that is expected to deliver savings of £321M over five years, delivered £13M in 2005-06. A similar contract with Rolls-Royce is expected to save £136M over five years while improving Tornado engine availability and reliability;
- The introduction of Priming Equipment Packs is improving the Army's ability to prepare and deploy on operations. These are operational packs of materiel based on prepared scales of equipment and spares, delivered to units 72 hours before deployment. They

were trialled on a major exercise in November 2005 and reduced the value of unit equipment holdings from £9.1M to £2.8M while improving availability against demand from 38 to 78 per cent. They are now being rolled out across the Army and will be used to support deployments to Afghanistan;

- A combination of changes in the organisation and command and control arrangements in the Joint Supply Chain and the introduction of common Joint processes have improved delivery times in the UK and to deployed theatres. Delivery times in the UK have reduced from 28 days to 13 days, with a target of 7 day delivery anywhere in the UK and NW Europe. These changes will also facilitate the introduction of new logistics information systems.

236. A major activity has been the broadening of new partnering arrangements with industry. 'Contracting for Availability' moves the Department away from a spares, repair and overhaul buying organisation into one which rewards industry for agreed levels of availability at an agreed price. This principle has been applied successfully in Rotary wing where Integrated Operational Support solutions for Chinook and Merlin ensure an agreed level of aircraft availability, spares provision and overhaul at a fixed price. A five-year Contract for Availability replaces five Island Class Offshore Patrol Vessels with three modern River Class vessels (HMS Mersey, Tyne and Severn). The contractor owns and supports the ships and is incentivised for good performance. Between them they are available for 960 days per year or 98% of the time, compared with 82% for the Island Class (achieved with more ships). This benchmark support solution is on target to save MoD at least £12M.

Restructuring

237. The Defence Logistics Organisation is part way through a major restructuring programme to improve its efficiency and effectiveness. This also contributes to the Department's overall manpower efficiency savings. The first phase came into effect on 4 April 2005 and concentrated on making corporate support services more effective. The second phase is intended to embed the changes to date and improve effectiveness across the whole organisation. As part of the programme, the DLO has been formulating proposals to collocate further elements alongside the Defence Procurement Agency in the Bristol/Bath area to create an acquisition hub and foster improved decision-making and better through-life management of Defence equipment. These objectives are consistent with the establishment of the new integrated acquisition and support organisation from 1 April 2007, announced on 3 July 2006.



Merlin

Defence Aviation Repair Agency

238. In November 2005 the Minister for the Armed Forces announced the planned closure of the Defence Aviation Repair Agency's Fast Jet and Engine businesses by April 2007. The closure of the Fast Jet business at St Athan was largely determined by the decision to roll forward the Tornado GR4 aircraft to RAF Marham, which left insufficient work to sustain a viable business. The decision to close the Engine business at Fleetlands was a result of the lack of success in winning work in competition with Rolls Royce. The VC10 business at St Athan, Rotary repair and maintenance business at Fleetlands, and Components business at Almondbank in Perthshire are now being market-tested to determine if their sale would offer better long-term prospects for the workforce and greater value for Defence. The Electronics business at Sealand will be retained within MoD ownership while work is undertaken to determine the Department's future avionics support arrangements.

239. The First Minister for Wales formally opened the Agency's new superhangar at St Athan in April 2005. It is regarded as one of Europe's finest aircraft repair facilities and is a highly marketable facility for South Wales as the Agency's workload at St Athan draws down towards closure in April 2007. The superhangar has enabled the Agency to deliver significant efficiency improvements and

costs savings and we expect to have fully recovered our investment in the project by then. We continue to work closely with the Welsh Assembly Government and others to explore commercial opportunities for the future long-term prospects of St Athan. Further information on DARA is set out on pages 263-264.

ABRO

240. In July 2005 the first phase of a rationalisation programme was announced reducing ABRO's workforce by up to 294 to reflect a downturn in its workload. Preliminary plans for a second phase were announced in November 2005, but in March 2006 we announced that there had been a number of developments with a potential impact on the proposed rationalisation, including a deeper understanding of the future threat environment on deployed operations. As a result the depth repair programme for the FV430 fleet will be extended, providing work for the armoured vehicle repair centre at Bovington, and repair work on Warrior and Combat Vehicle Reconnaissance (Tracked) will remain at Donnington in the medium term. Revised rationalisation proposals for the armoured vehicle and related business units in light of these changes will be announced later in 2006. Rationalisation of the 'one-stop shops' at Warminster and Colchester will proceed as planned with up to 339 further redundancies. Further information on ABRO is set out on page 263.

Equipment Disposals

241. The Disposal Services Agency had another successful year in which it achieved £60.2M in gross sales, including £12M of repayment sales, £8M worth of surplus vehicles and £5M sales on behalf of Other Government Departments. The year also saw an agreement signed for the sale of three surplus Type 23 frigates to Chile.

FURTHER SOURCES OF INFORMATION

- 242.** Additional Information on Logistics is available from the following sources:
- quarterly PSA reports to HM Treasury at www.mod.uk;
 - *UK Defence Statistics 2006* available at www.dasa.mod.uk (from September 2006);
 - *SR2004 Efficiency Technical Note* available at www.mod.uk;
 - The Defence Logistics Organisation Plan 2005 available at www.mod.uk;
 - *Defence Logistics Programme 2006* available at www.mod.uk;
 - *ABRO Annual Report and Accounts 2005-06* available at www.abrodev.co.uk (from July 2006);
 - *Defence Aviation Repair Agency Annual Report and Accounts 2005-06* available at www.daranet.co.uk (from July 2006);
 - *Disposal Services Agency Annual Report and Accounts 2005-06* available at www.mod.uk (from July 2006).



Essay: Transforming Logistics Support to the Armed Forces

The last eight years have seen a fundamental reshaping of Defence logistics following the formation of the tri-service Defence Logistics Organisation in 1998. Historically, logistics support was a series of separate tasks performed within different organisations with the front-line user at the end of the chain. However, the End-to-End principle at the heart of logistics transformation treats logistics as a continuous process across organisational boundaries, with the needs of the front-line customer as the start point. This is a departure from the traditional view, but is rapidly being adopted and embedded across Defence. This common, shared understanding of how logistics support contributes to the delivery of operations is a major step forward and has been the springboard for key transformational activities in 2005-06, with the emphasis firmly on the delivery of effectiveness.

The application of lean techniques has been successful in removing waste and wasteful processes; from vehicle maintenance in barracks to ships alongside. Applying lean techniques for the first time to refurbish AS90 self-propelled guns in Germany, Lance Corporal Dean John of 5 Battalion REME, said: "I think leaning is an excellent idea. It meant I could spend more time on the kit rather than having to demand spares and fill in paperwork. Now we only do spanner stuff – it's much better to be in the grease!"

Supporting this view is the introduction of the Joint Asset Management and Engineering System version 1 (JAMES 1) in the Army. For every piece of equipment, JAMES 1 tells the user what the item is, where it is and the current task it's being used for. It also says who owns it, its serviceability state, what its next task will be and when it needs maintaining. Lance Corporal Phillip Merrills of 102 Logistics Brigade said: "It's easy enough to use. Now that I'm used to it, I like it. I wasn't so sure at first."

Another major milestone was recognition of the need to provide coherent through-life support for major platforms and equipment. The introduction of new capabilities such as Typhoon, the Type 45 Destroyer, the Future Aircraft Carrier and Astute submarines means that we must have plans in place to provide the best support, at the right price, based on experience and innovation to deliver the intended capability. A major element of that innovation will come from implementation of the Defence Industrial Strategy. This has given even greater emphasis to through-life support by its concept of Through-Life Capability Management that includes progressive capability enhancement and technology insertion.

Transformation on the scale delivered in Defence logistics cannot be achieved without changes in our relationship with industry. Progress in this area has been rapid, particularly on RAF main operating bases where the support landscape is changing. At RAF Marham, BAE Systems and Rolls-Royce are on-base delivering support to the front-line managed by the DLO, mirroring arrangements already in place in the Maritime environment. Partnering with industry continues to increase, with some contracts for equipment and whole platform availability in place and others imminent.

Although much has been achieved in the last year, challenges remain. The first is to ensure that transformational activities are correctly prioritised and resourced to contribute to improved support to current and future operations. The second is to embed these organisational, process and behavioural changes throughout the logistics community and industry, to produce 'confidence in logistics', 'confidence in industry' and to 'deliver logistics for operations'.



AS90

BUSINESS MANAGEMENT

Objective: Deliver improved ways of working.

Performance Measures and Assessment

Organisation and Governance:

- Publication of Defence Framework document in January 2006;
- Continuing review of MoD top structure and corporate processes, including work on changes required to implement Defence Industrial Strategy;
- Publication of first Defence annual corporate governance report.

Implementation of the Business Management System:

- Business Management System introduced in April 2005, including enabling pan-Departmental processes and senior Process Owner accountable to the Defence Management Board for:
 - logistics;
 - civilian workforce;
 - Service personnel;
 - communications;
 - financial management;
 - commodity procurement.
- Development of coherent Defence Logistics Programme;
- Production of first Civilian Workforce Plan;
- Harmonisation and simplification of Service Personnel processes;
- Improvements to communications including improving planning and opinion research and an enhanced regional press officer network.
- Implementation of Financial 'Simplify and Improve' programme, including creation of the Financial Accounting Shared Service Centre in Bath and introduction of the Certificate in Resource Management;
- Introduction of central contracting arrangements for widely required commodities and expansion of e-procurement arrangements.





TOP LEVEL ORGANISATION AND GOVERNANCE

243. We continue to work to improve the efficiency and effectiveness of the Department's management and governance arrangements, which drive the way we work to deliver military capability. The Ministry of Defence's *Departmental Framework* document, published in January 2006, sets out the framework within which the Ministry of Defence operates to deliver Defence outputs, the roles, responsibilities and governance framework that underpin the business of Defence, and explains how these integrate to support the delivery of the Defence Vision and Defence outputs. This is summarised in Annex B on the Organisation and Management of Defence.

244. A continuing strand of our change and efficiency programme has been work to ensure that the overarching top-level management structure of Defence remains fit for purpose and works in a coherent way consistent with good corporate governance practice to deliver strategic oversight and direction with the minimum overhead. This work has a number of elements. Our 2002 Spending Review PSA value for money targets included a reduction in the size of the Head Office enabled by improved Information Systems and working practices (see paragraphs 269-270). Our 2004 Spending Review efficiency targets built on this with a series of targets for further improvements in the delivery of corporate services and Head Office organisation (paragraph 128). In addition to those we have been considering the implications of the Defence Industrial Strategy for our central planning and programming systems (see the essay on page 85), and are reviewing our senior committee structure to ensure that its various elements provide clear oversight and direction in a mutually supportive way to take forward the policy set by Ministers and the Defence Management Board. There is also a programme of rationalisation among the Single Service Top Level Budget organisations, the Defence Procurement Agency and the Defence Logistics Organisation (paragraph 304).

Corporate Governance

245. We follow as closely as possible the Code of Good Practice on *Corporate Governance in Central Government Departments* published by the Treasury in July 2005. This was developed through a lengthy process of interdepartmental consultation, including with Ministers, which we fully supported. The Code is designed to provide an overview of corporate governance processes and responsibilities within departments, focusing in particular on the role of management boards. All departments are expected to apply its principles flexibly in light of their specific circumstances. It raised no fundamental issues of principle for Defence, which has long operated in accordance with its basic principles. It is not intended to cut across any legal obligations or constitutional requirements, which is an important provision for us given the constitutional role of the Defence Council and the integration of the Armed Forces in all aspects of the

Department's activity up to and including the Defence Council and Defence Management Board. However, the role and structure of Defence, and in particular our fully integrated civilian-military organisation, mean that there are, and will continue to be, a few areas where our governance arrangements differ from the strict letter of its guidance. The Department's first Annual Report against the Code of Practice is published on www.mod.uk.

IMPLEMENTATION OF THE BUSINESS MANAGEMENT SYSTEM

246. A key element of this work has been the development and implementation of the Department's Business Management System. There are a number of departmental high level processes which define standards and requirements for key activities (such as personnel and financial management) which take place across the various business units, to ensure that they operate consistently and effectively across Defence. These enabling processes do not deliver specific outputs, but condition how that delivery is carried out. The Business Management System was introduced in April 2005 to enable better management of a range of these. In the first instance it identified six enabling pan-Departmental processes, for logistics; civilian workforce; Service personnel; communications; financial management; and commodity procurement. A further three Head Office enabling functions were also defined, for planning and resourcing, the strategic context, and the peace-conflict cycle. A senior Process Owner was appointed for each process, accountable to the Defence Management Board for ensuring that their process is efficient and effective, coherent with other processes and functions, and is implemented consistently across all Top Level Budget organisations. Little of this was new in itself, but it brought greater clarity, coherence and accountability to the way the Department is managed and underpinned work to take forward our efficiency goals by defining the interconnection between these processes, the roles and responsibilities of the senior military and civilian process owners responsible for them, and their relationship with Top Level Budget Holders and Senior Responsible Owners responsible for specific outputs.

247. During the year the Business Management System provided a useful framework for identifying and exploiting opportunities to improve the way we do business. Initial work focussed on understanding the various processes, how they operate across all parts of the Department and how they might be made to operate more efficiently and effectively. Process Owners have now established Terms of Reference for the management of their processes and functions, and for delivering improvements in the efficiency and effectiveness with which they operate. They also have the clear authority of the Defence Management Board to ensure that the process they specify is implemented across the Department.

Logistics

248. As the Logistics Process Owner the Chief of Defence Logistics is responsible for enabling the efficient and effective delivery of logistics across Defence, not just in the Defence Logistics Organisation. Working through a stakeholder board, which includes high-level representation from all involved Top Level Budget organisations, he has developed a Defence Logistics Programme providing the strategy and supporting delivery programme to take logistics forward. It draws together the most significant work currently underway in improving delivery of logistics across Defence, including the Defence Logistics Transformation Programme, and provides strategic direction for logistics to meet the current and future needs of the operational commander.



The Royal Logistic Corps delivers medical supplies

Pay and Administration Agency. There has also been progress in scoping establishment of a process improvement capability within the Service Personnel community to identify and take forward coherently relevant lessons from Joint Personnel Administration, the Defence Training Review leverage and the administration of the Armed Forces Pay and Administration Agency.

Communications

251. Improvements to communications, both within Defence and between the Department and its many stakeholders, are being taken forward by the Director General of Media and Communications. We are working to improve communications planning and opinion research, and develop an enhanced regional press officer network.



Press reporting on operations

Civilian Workforce

249. The Civilian Workforce Process underpins the delivery of the People Programme and a number of associated changes. During the year the Personnel Director, as process owner, produced the first Civilian Workforce Plan (see paragraph 163) to develop the civilian contribution to Defence and to ensure that over the long term the Department has the workforce it needs.

Service Personnel

250. As process owner for Service Personnel, the Deputy Chief of the Defence Staff(Personnel) has developed the Service Personnel Plan to encompass process improvement as well as policy development (see paragraphs 152-153). This has incorporated work to drive forward harmonisation and simplification of the Service Personnel process (especially in the recruitment and training arena), and develop the requirement beyond 2009 for the services delivered by the Armed Forces

Financial Management

252. Financial Management improvements have been taken forward by the Finance Director as process owner through the 'Simplify and Improve' programme endorsed by the Defence Management Board in February 2005. In particular the creation of the Financial Accounting Shared Service Centre in Bath and Liverpool is streamlining the financial accounting process by centralising transactional activity and allowing staff in the Head Office and TLBs to concentrate on value added management accounting activities to support decision-making. Together with the successful embedding of resource based accounting across the Department this is producing an evolving change towards a greater relative emphasis on management rather than financial accounting skills and expertise in our Top Level Budget organisation's financial staff. This is reflected in the Department's internal financial training programme, the Certificate in Resource Management, which is accredited by the Association of Accounting Technicians and cited by the Treasury as an example of best practice in Government.



Commodity Procurement

253. On commodity procurement, under the 2nd Permanent Under Secretary as process owner, work focused on introducing central contracting arrangements to replace ad hoc local procurement of widely required commodities. This was supported by a programme to introduce more widespread e-procurement arrangements, supported by e-catalogues. Work is now in hand to ensure that the new arrangements are fully embedded and working effectively across all Top Level Budget organisations.

254. The Business Management System will continue to develop as Process Owners become more familiar with the discipline of process management and with the requirements and authorities of their role. Work to embed this will concentrate on Maintaining the momentum of the Enabling Processes, and ensuring that Process Ownership becomes business as usual; ensuring good governance, so that we have clearly understood targets and good knowledge of what is being achieved; and defining the processes comprising Acquisition, for subsequent inclusion in the framework.

FURTHER SOURCES OF INFORMATION

- 255.** Additional information on Business Management is available from the following sources:
- *Ministry of Defence Framework Document* available at www.mod.uk
 - *Corporate governance code for central Government departments: Code of Good Practice* available at www.hm-treasury.gov.uk;
 - Defence Annual Corporate Governance Report available at www.mod.uk;
 - Defence Logistics Programme 2006 available at www.mod.uk;

Essay: The role and value of independent Non-Executive Directors in Defence

Over the past few years the role and responsibilities of independent non-executives in UK industry and government has been a key element of several reviews, all of which highlighted the importance of non-executives on management boards and audit committees. The Cabinet Office are producing guidelines on non-executive directors for central Government departments. In July 2005 the Treasury published the *Corporate Governance in Central Government Departments: Code of Good Practice*¹. This provided an overview of corporate governance processes and responsibilities within departments particularly, focusing on the role of departmental management boards including non-executives. It is important that no individual or small group of individuals can dominate decision-making and that the board can draw upon a wide range of experience. The code therefore sets out that there should be at least two non-executive members on management boards to provide balance and to ensure that executive members are both supported and constructively challenged in their roles. One non-executive director should chair the board's audit committee with the others as members.

The MoD fully supports these principles, and for several years has engaged non-executives in its management boards and audit committees in all top-level areas of the Department including its Agencies. At the top of the Department the Defence Management Board has at least two non-executive members. They also sit on the Defence Audit Committee, which one of them chairs (currently Mrs Philippa Foster Back of the Institute of Business Ethics). The size and diversity of Defence are such that we do not take a 'one size fits all' approach, but we are reviewing our corporate governance arrangements to ensure that we consistently follow best practice tailored to the context. All those involved in appointing non-executives are required to follow procedures laid down in MoD guidance. Vacancies are filled through open and fair competition and selection is proportionate to the nature and accountabilities of the role. But ultimately, the selection and appointment of non-executives is the responsibility of the management board chair.

Dr Zenna Atkins is a non-executive member of the Royal Navy Fleet executive board and a good example of the benefits that non-executives bring to Defence. She is an executive consultant for a social sector consultancy company; chairs the Portsmouth NHS Teaching Primary Care Trust; is group chair of an organisation that provides a range of regeneration solutions across the UK; and voluntary chair of an innovative organisation for young persons. She is also a columnist for the *Guardian* and has extensive publications in health and housing press. Her skills and experience bring a wider perspective to Fleet's strategic management. Her capacity to deal with complex information and clear understanding of governance and accountability is a real benefit to a Department as diverse as the MoD.



Dr Zenna Atkins

It is important for non-executives to understand the priorities and concerns of the organisation. This enables them to fully carry out their roles on boards and committees by;

- participating in the formulation of strategic options and helping to set the "big picture" strategy;
- helping the board define policies;
- adding value to decision making by interrogating and challenging decisions;
- advising in the management of major change programmes;
- bringing commercial knowledge and experience to the validation of major investment decisions;
- acting as a sounding board to balance the executive management's enthusiasm; and,
- when specifically requested by the Chair, to act as an interface with outside stakeholders.

Non-executives are good for the successful management of non-operational Defence business. They help ensure the effectiveness and efficiency of our management boards, and widen the horizons within which strategy is determined by applying the benefits of their wider general experience and by bringing to discussions their different specialist skills, experience and perspective.

¹ www.hm-treasury.gov.uk/documents/financial_management/governance_government/pss_audit_corporategovernance.cfm