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FUTURE CAPABILITIES



CHANGE AND DEVELOPMENT

Objective: Drive organisation and process transformation.

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:

- Reduce MoD Head Office and other management costs by 13%.

SR2004 MoD Efficiency Target

Realise total annual efficiency gains of at least £2.8Bn by 2007-08, of which three quarters will be cash-releasing

- Reduce civilian numbers by 10,000 and military posts in administrative and support roles by 5,000
- Be on course to have relocated 3,900 posts out of London and the South East by 2010

Performance Measures and Assessment

Award contract for future enabling Infrastructure:

- **Defence Information Infrastructure (Future) contract was signed with the Atlas consortium on 21 March 2005.**

Reduce Management Costs:

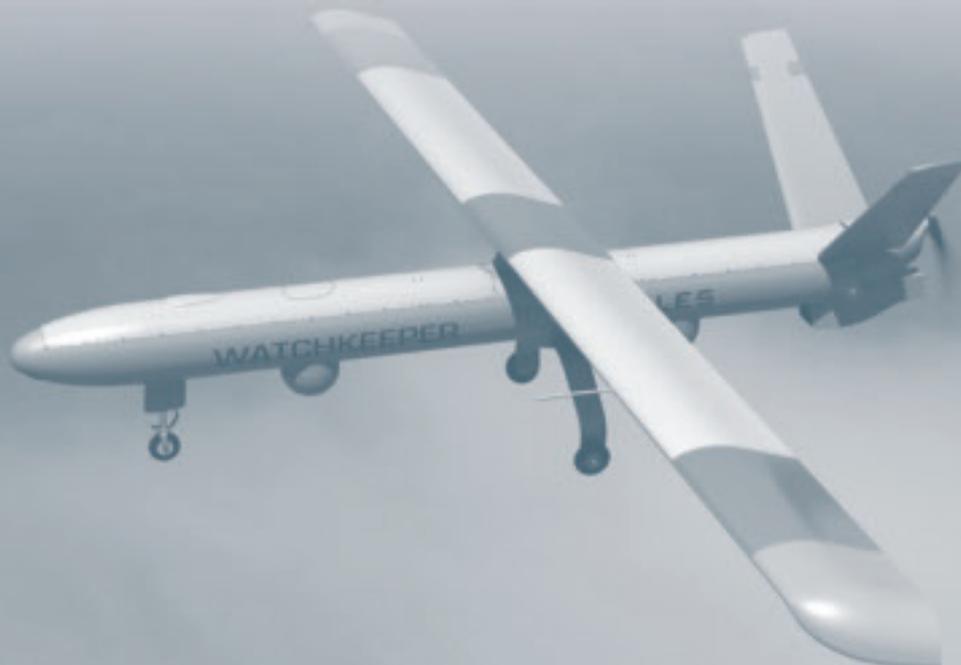
- **MoD Main Building modernised and re-occupied by September 2004, to cost and ahead of time;**
- **10% reduction in Head Office Posts and £8.5M savings per annum;**
- **12% cumulative reduction in Head Office and other management costs against cumulative target of 12%.**

Introduce a new Business Management System with identified Departmental Process Owners to improve management efficiency and coherence:

- **Business Management System approved April 2005. Implementation in hand.**

Force Capability Changes:

- **Announcement of plans for Future Army Structure;**
- **Significant progress on force structure and Service HQ estate rationalisation programmes;**
- **Savings of £88M resulting from changes to our force structure.**





CHANGE AND DEVELOPMENT

234. Today's security environment is one of great uncertainty. It is more difficult than ever to predict future sources of conflict in which our Armed Forces may have a role to play. Challenges of many types may lie ahead. To ensure that we succeed in the operations we are asked to undertake, the MoD has set in train a major transformation programme. The aim is a simple one: to maximise military capability within the resources at our disposal. To do this, work is underway to create a more flexible and efficient defence organisation, and to provide more flexible Armed Forces with a clearer emphasis on the delivery of particular military effects.

235. The July 2004 *Future Capabilities* Command Paper set out our plans for modernisation of the Armed Forces (see essay on page 114). We are making changes to our force structure to increase our capacity to undertake expeditionary operations as well as investing in an equipment programme that will continue to deliver an advanced range of capabilities. Alongside these changes we are also combining or collocating headquarters to streamline business processes and remove duplication in support areas.

236. Together, the Defence Change Programme and the changes announced in the *Future Capabilities* Command Paper make up about 90% of the efficiency gains that underpin the MoD's Spending Review 2004 settlement. MoD intends to realise total annual

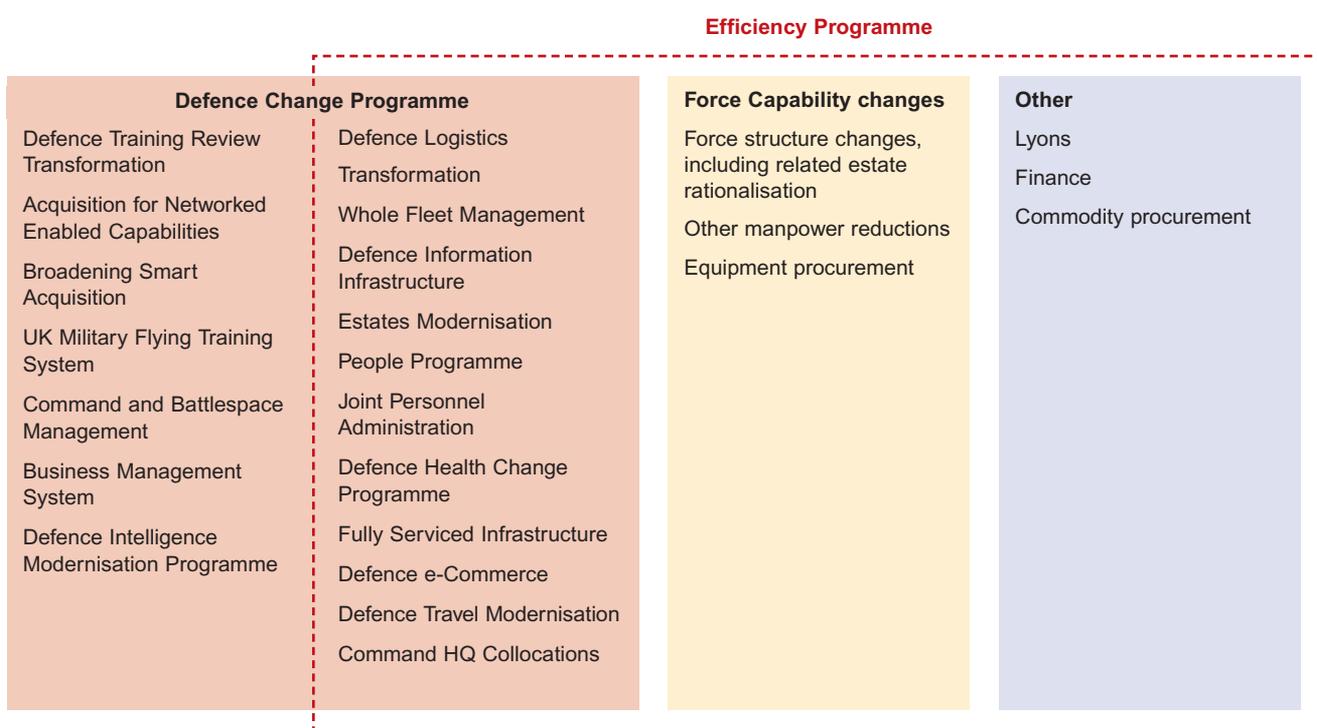
efficiency gains of at least £2.8Bn by 2007-08. Some three-quarters of this will be recycled to help resource the creation of the flexible and adaptable Armed Forces the UK requires to meet the challenges of the 21st Century. The relationship between these programmes is shown in Figure 12 and discussed in more detail below.

DEFENCE CHANGE PROGRAMME

237. The Defence Change Programme was launched in 2002. It links together the major business change initiatives across defence through strong central guidance and direction, to produce a single, coherent and prioritised modernisation programme. It ensures key initiatives have robust governance and plans, driving through improvements in departmental business processes for improved efficiency and effectiveness, so as to maximise investment in front-line operational capability. In prioritising between the various change initiatives underway across the Department, the Defence Change Programme ensures that resources of people, money and intellectual energy are devoted to the most important and productive areas. The programme has been supported by £179M of investment drawn down over 2004-05 from the ring-fenced Defence Modernisation Fund, established as part of the 2002 Spending Review settlement to support the modernisation of defence.

238. The Defence Change Programme is a long term commitment to improved delivery, and therefore includes both programmes which are now beginning

Figure 12: Relationship of Change and Efficiency Programmes



to mature, and new initiatives. There are 20 pan-Defence change programmes in all, covering almost every business process. In addition to improving the way we do our business, 13 of the programmes will deliver about 50% (£1.4Bn) of the efficiency target by 2007-08. Each is actively managed and reviewed using a coherent framework, to ensure that they will deliver the intended benefits. Each is also supported by rigorous governance structures. These arrangements include:

- top level ownership: a Senior Responsible Owner is appointed for each major change initiative and is personally accountable for maximising the delivery of benefits. Each programme is sponsored by one of the Department's Ministers;
- the Defence Change Programme Board leads, directs and manages the Defence Change Programme. The Board is responsible for cross-cutting issues such as common risks and interdependencies, and loading and capacity issues; and
- chaired by Secretary of State, the Change Delivery Group challenges and supports major change initiatives across Defence and manages the allocation of the Defence Modernisation Fund.

Improvements in areas such as logistics and medical services are already contributing directly to military capability, and efficiencies in process and essential support functions are being re-invested in the front-line. The key enabling elements of the programme are set out in more detail below.

Enabling Infrastructure

239. The Defence Information Infrastructure (DII) network is the key enabler of other change programmes. The programme is replacing over 300 different information systems with a single information infrastructure across 2,000 sites. It will enable many of the other benefits delivered by the Defence Change Programme, such as the modernisation of both

military and civilian human resource management; and will provide critical support to elements of the Equipment Programme and to the development of Network Enabled Capability. The Defence Modernisation Fund funded the Head Office element of DII which went live successfully in May 2004. The FLEET HQ element of DII was delivered on time in July 2004. The contract for Increment 1 of DII(Future) was signed with the Atlas consortium on 21 March 2005.

240. Many of the Defence Change Programmes are heavily dependent on the DII Programme. These include Joint Personnel Administration System, the People Programme, the Joint Asset Management and Engineering Solution element of Whole Fleet Management and elements of the Defence Logistics Transformation Programme and the Defence Health Change Programme. Details of these programmes are given below or in other sections of the report.

Managing People

241. The Joint Personnel Administration (JPA) programme aims to harmonise and simplify the management of personnel across the Armed Forces through the implementation of a single system to replace some 250 systems currently in use. The programme will roll out to the RAF from March 2006, to the Royal Navy from June 2006, and to the Army from November 2006. JPA will save nearly 1,500 posts and £100M per annum in steady state. Further information is provided at paragraph 266. A new strategy for civilian personnel is also being implemented by the People Programme, the new name for the Civilian HR Transformation programme. Details can be found in paragraph 265.

Head Office Modern Environment and Headquarters Collocations

242. The Head Office Modern Environment (HOME) Programme was a comprehensive modernisation programme to refurbish the MoD Main Building and introduce new technology and improved working



Main building before refurbishment



Main building after the refurbishment



practises. The return of some 3,100 staff by September 2004, to cost and ahead of time, has enabled a 10% reduction in Head Office posts, delivering over £8.5M in savings per annum. The redevelopment forms part of an overall reduction in staff numbers in central London from 6,000 to 4,900 since 1999. The increased space provided also allows the MoD to remain on target to dispose of five buildings in central London (Northumberland House, Metropole Building, St Giles' Court, Great Scotland Yard and St Christopher House).

243. The success of the HOME programme puts the Department well on track to achieve the 13% reduction by April 2006 in our Spending Review 2002 Public Service Agreement. As of 31 March 2005 we had achieved a cumulative reduction of 12% in these costs, against a cumulative target of 12%. Business developments since this target was set, in particular restructuring within the DLO and rationalisation of TLB headquarters, gives high confidence that the target will be exceeded.

244. All three Services are undertaking a major review of their Headquarters and Top Level Budget (TLB) organisations. The Royal Navy, having already collocated its headquarters in Portsmouth, will merge the Fleet and 2nd Sea Lord TLBs by April 2006, saving some 450 posts. The Army is conducting a top down review of the Land and Adjutant General TLBs and will collocate the two HQs. The Royal Air Force intends to collocate the Strike Command and Personnel and Training Command HQs in High Wycombe. These ambitious and radical reorganisations will improve our focus on the Front Line and provide a sound footing to meet the challenges of coming years.

Business Management System

245. To provide a better framework for process improvement, the Defence Management Board has agreed that a Business Management System should be introduced and implementation started in April 2005. The aim of the Business Management System is to provide a high level management framework that will enable continuous improvement in the delivery of core defence outputs. It will establish clearly understood Head Office functions and high level end-to-end processes, such as Personnel and Logistics, with single point accountability for their efficiency and effectiveness. It provides a simple mechanism through which to identify those processes which impact upon most, if not all, of the Top Level Budgets, so that improvements can be made, where needed. It will also help to improve the effectiveness of Head Office functions, and how these interrelate with the rest of the Department.

Other Programmes

246. Other important aspects of the Defence Change Programme are covered separately in this report. These include:

- the Defence Logistics Transformation Programme to deliver better logistic support to the front-line through improving effectiveness, efficiency and flexibility (paragraphs 208-213);
- Estate Modernisation to rationalise the estate, achieving efficiencies through Regional Prime Contracting, improving estate condition and building new single living accommodation (paragraphs 149-164);
- Defence Training Review Transformation to provide modern, flexible and responsive specialist individual training by modernising training delivery and facilities utilising new technologies and innovative approaches to learning on a reduced training estate (paragraphs 259-260);
- the Defence Health Change Programme to increase deployable operational capability through four main "cornerstones": increasing recruitment and retention of Defence Medical Services (DMS) personnel; implementing a comprehensive healthcare system, promoting healthier lifestyles in the Armed Forces and managing and motivating DMS staff more successfully (paragraphs 115 and 117-120);
- Broadening Smart Acquisition to help TLBs acquire what is needed, when it is needed and at better value for money. This covers the majority of non-equipment acquisition; the provision of estate services and IS enabled business change programmes (paragraph 228);
- Whole Fleet Management to ensure the better management of the Defence vehicle fleet and facilitate the training of force elements on future reduced fleets. Introducing a modern fleet management system across all Services will allow us to manage with fewer vehicles (paragraph 213);
- Defence Travel Modernisation to improve the effectiveness of travel process for the user and deliver efficiencies in costs and to replace the current Air Movements system;
- Defence Electronic Commerce Service to enable MoD and its industrial partners to exploit the efficiencies available through modern e-commerce systems, bringing with it significant benefits in the way business is conducted;

- Command and Battlespace Management is an integral component of the MoD's efforts to enhance military capability and is a key tool for driving forward and managing the changes necessary to develop more integrated command, control and management of military operations.

FORCE CAPABILITY CHANGES

247. The July 2004 *Future Capabilities* Command Paper set out our plans for modernisation of the Armed Forces based on our assessment of the security environment in the December 2003 White Paper *Delivering Security in a Changing World*. The details of the *Future Capabilities* Command Paper are set out in the essay on page 114. Our programme of modernisation is already being implemented and will continue to be over the coming months and years. We are making changes to our force structure to increase our capacity to undertake expeditionary operations as well as investing in an equipment programme that will continue to deliver an advanced range of capabilities. Alongside these changes we are also combining or collocating headquarters to streamline business processes and remove duplication in support areas.

248. Since the '*Future Capabilities*' announcement our progress to date includes:

- announcement of our plans on the Future Army Structure;
- entry into Service of HMS Bulwark; the second in a new class of amphibious assault ship;
- launch of the assessment project phase of the Future Rapid Effect System (FRES) family of vehicles which will form the core of our future medium weight forces;
- the second tranche of 89 Typhoon aircraft ordered for the RAF; and
- entry into service of Brimstone, an Advanced Air-Launched Anti-Armour Weapon.

249. Additionally, as a result of the modernisation of our force structure, £1.2Bn of cashable savings has been incorporated into the defence programme over the Spending Review 2004 period. These are resources available for re-investment in higher-priority capabilities. The emphasis now is on benefits tracking and reporting to ensure we deliver the programmed savings. The majority of these savings will be delivered in 2006-07 and 2007-08, although we delivered savings to the value of £88M in 2004-05, mainly as a result of changes to our force structure.

Force Structure Changes

250. Force structure changes for the Royal Navy will focus on delivering a versatile maritime force, structured and equipped for rapid deployment anywhere in the world. Investment in two larger and more capable aircraft carriers, with Joint Combat Aircraft and amphibious shipping, will transform the Royal Navy's carrier strike capabilities and enhance our ability to project military force from the sea onto the land, securing access by sea to the battlefield. The changing strategic context, together with the benefits of new technology and improved efficiency, mean that the Royal Navy no longer requires the same number of some types of ship as before. For example, the reduced submarine threat effectively means that our Anti-Submarine Warfare capability requirements can be met by fewer ships. The Type 23 frigates perform the specialised Anti-Submarine Warfare role, which is why three of these can be withdrawn. We are also disposing of our oldest three Type 42 destroyers, and the Royal Navy's fleet of attack submarines will reduce by two, to eight boats, by 2008. However, our future destroyer fleet of Type 45s will be much more capable than the vessels they replace, as will the new Astute class submarines, which will fulfil the attack submarine role in future.

251. The Army is moving towards the Future Army Structure which involves a shift from the current mix of light and heavy forces to a more balanced structure of light, medium and heavy forces. There will also be a greater emphasis on enabling capabilities such as engineering, logistics and intelligence. These changes to the land environment will be underpinned by some key elements including Apache which will provide an agile precision attack capability and the FRES family of vehicles which will replace our existing ageing fleet of armoured fighting vehicles and form the core of our future medium weight forces. In parallel the effectiveness of our land forces will be further enhanced through networked surveillance by WATCHKEEPER and ASTOR. These changes will mean that the Army is able to conduct short notice expeditionary operations more efficiently; allowing a more effective response to a wider range of possible contingencies, while at the same time retaining the ability for war-fighting at large scale effort with heavy forces if necessary.



252. The Royal Air Force will be driving forward modernisation to create a flexible and agile Air Force equipped with highly capable multi-role aircraft such as Typhoon and Joint Combat Aircraft, increasingly able to exploit networked capabilities and equipped with a range of advanced stand-off precision weapons. These changes aim to ensure the RAF can adapt to new threats and environments and is able to maintain air superiority and deploy forces worldwide in the future. In parallel, Network Enabled Capability will link our combat assets, commanders and surveillance assets, such as ASTOR and Nimrod MRA4, to bring about the level of accuracy and speed of response necessary now and in the future.

EFFICIENCY PROGRAMME

253. By 2007-08 we intend to have realised total annual efficiency gains of at least £2.8Bn, some of which will be cash-releasing. This target includes a commitment to reduce civilian numbers by 10,000 and military posts in administrative and support roles by 5,000 in the same period, and to be on course to have relocated 3,900 posts out of London and the South East by 2010 (see paragraph 157). These efficiency gains will be reinvested to maximise front line capability, and deliver more flexible and effective Armed Forces to meet the challenges of the 21st Century. The savings underpin our 2004 Spending Review settlement and the Department's commitment to the cross-Government review of public sector efficiency by Sir Peter Gershon.

254. The Efficiency Programme was established for the proper governance and prioritisation of the department's many efficiency initiatives and will involve modernising business processes, rationalising support functions, and organisational changes. Around half of the £2.8Bn target will be achieved by programmes that were already within the Defence Change Programme, and a further 40% from implementation of the force capability changes. The remaining 10% of efficiencies will come from various smaller programmes, including commodity procurement, relocations in response to the Lyons review and work to simplify and improve the finance function. The 2nd Permanent Under-Secretary of State has overall responsibility for delivery of the Efficiency Programme and chairs an Efficiency Delivery Board attended by the Vice Chief of the Defence Staff and the Finance Director. The Defence Management Board and Defence Council receive regular progress reports from the 2nd Permanent Under-Secretary of State.

255. The MoD's Efficiency Technical Note describes the Efficiency Programme in detail and explains how MoD will deliver and measure the efficiency gains. Additionally, extensive work has been undertaken to embed efficiency targets within Top Level Budget holders' financial control totals, and to develop robust methods to track delivery.

FURTHER SOURCES OF INFORMATION

256. Additional information on Change and Development is available from the following sources:

- quarterly PSA reports to HM Treasury at www.mod.uk;
- *2004 Spending Review: Stability, security and opportunity for all: investing for Britain's long-term future: New Public Spending Plans 2005-2008* [Cm 6237] at www.hm-treasury.gov.uk;
- SR2004 Efficiency technical note at www.mod.uk;
- House of Commons Defence Committee Report '*Future Capabilities*' Fourth Report HC 45-i & ii published 17 March 2005;
- The Government's Response to the House of Commons Defence Committee's Fourth Report of Session 2004-05 [Cm6616];
- *Releasing resources to the front line: Independent Review of Public Sector Efficiency* at www.hm-treasury.gov.uk.

ESSAY – Future Capabilities Command Paper

The 2003 Defence White Paper *Delivering Security in a Changing World* (Cm 6041-i), which provided a fresh assessment of the future security environment and the implications for defence, forms the policy baseline against which future planning decisions will be made. The White Paper highlighted the emergence of new, more disparate threats in the 21st century, such as international terrorism, the proliferation of weapons of mass destruction and weak and failing states. It concluded that our Armed Forces are most likely to be engaged in a pattern of concurrent and enduring small- and medium-scale operations, often in peace support and counter-terrorism roles. The *Future Capabilities* Command Paper (Cm 6269), which we published in July 2004, sets out the programme of modernisation that will deliver the flexible and adaptable Armed Forces we need to meet these future operational challenges.

Future Capabilities outlined how changes in the strategic environment are allowing us to reduce capability in certain areas in order to focus investment in higher priority areas. For example, changes in surface ship and submarine numbers are in large part a response to the reduced submarine threat we now face. The *Future Capabilities* programme is also underpinned by an increased focus on 'effects-based' warfare – improving the effects our systems and forces have, rather than concentrating simply on the number of systems involved – and on exploiting new technologies. Network Enabled Capability (NEC) – linking all the elements of our forces together in real time – will be particularly important in this respect. Individual platforms will no longer operate as independent units; networking systems and headquarters will instead allow our Armed Forces to act ever more quickly, decisively and with enhanced military effect.

As a result of the modernisation, the future Navy will be a more versatile and expeditionary force, capable of operating at a distance from the United Kingdom and focussed on delivering effect onto land at a time and place of our choosing. Investment in the new aircraft carriers with Joint Combat Aircraft and in amphibious shipping will provide a step change in our carrier strike capabilities and our ability to launch and support forces ashore. The new frigate and Type 45 destroyer force will, with enhanced weapons, networked sensors and command and control, have far greater capability to counter modern threats and greater versatility when individually deployed on smaller-scale operations.

The Future Army Structure will involve a shift from the current mix of light and heavy forces to a more balanced configuration of light, medium and heavy forces. Medium weight capability will be further enhanced in due course by the Future Rapid Effects System (FRES) family of vehicles, lighter than other armoured vehicles and transportable by air. The infantry will also be restructured so that it is better able to meet the likely operational demands of the future. The out-dated Arms Plot, the process by which infantry battalions re-role and re-locate every few years, will be ended. The manpower freed up as improvements in the Northern Ireland security situation allow will be reinvested to strengthen infantry battalions and the key enablers – engineers, logisticians and intelligence specialists – who have been in very high demand for recent operations. The Army of the future will be able to deploy an increased number of infantry battalions at any given time and will be better able quickly to mount and to sustain expeditionary operations.

The future RAF will be equipped with aircraft that provide greatly enhanced flexibility and capability in all roles. Typhoon and Joint Combat Aircraft will succeed the single-role aircraft we operate today, and will offer a far more versatile multi-role capability, able to exploit networked capabilities and equipped with a range of high-tech, precision weapons. Furthermore, we are purchasing the fleet of four C17s we currently lease plus an additional aircraft, which will operate in the future alongside the new A400M military transport aircraft. This will greatly enhance our airlift capability and hence our ability to respond rapidly to emerging crises.

The Department is already pressing ahead with the implementation of the *Future Capabilities* programme, utilising the additional resources (some £3.7Bn a year by 2007-08) provided by the 2004 Spending Review Settlement and the savings generated by the Department's comprehensive efficiency and rationalisation plans.



FUTURE MANPOWER

Objective: Identify the people and skills we need for the future.

Performance Measures and Assessment

Develop a joint future Service Personnel manpower requirement programme by April 2005:

- **Service Personnel Plan and Balanced Scorecard were implemented on 1 April 2004 drawing together the major change programmes and projects required to sustain sufficient, capable and motivated personnel across the three Services.**

Harmonise and modernise military Human Resource Information Systems:

- **Joint Personnel Administration contract signed 26 October 2004.**

Rationalisation of Specialist Training:

- **Invitation to Negotiate issued for PFI Defence Training Review rationalisation programme.**

Defence E-Learning Delivery:

- **Launch of Defence Learning Portal in March 2005.**

Operational Welfare Package:

- **Early entry communications package developed allowing service personnel deployed on operations to stay in contact with friends and family.**

Pension and Compensation Reviews:

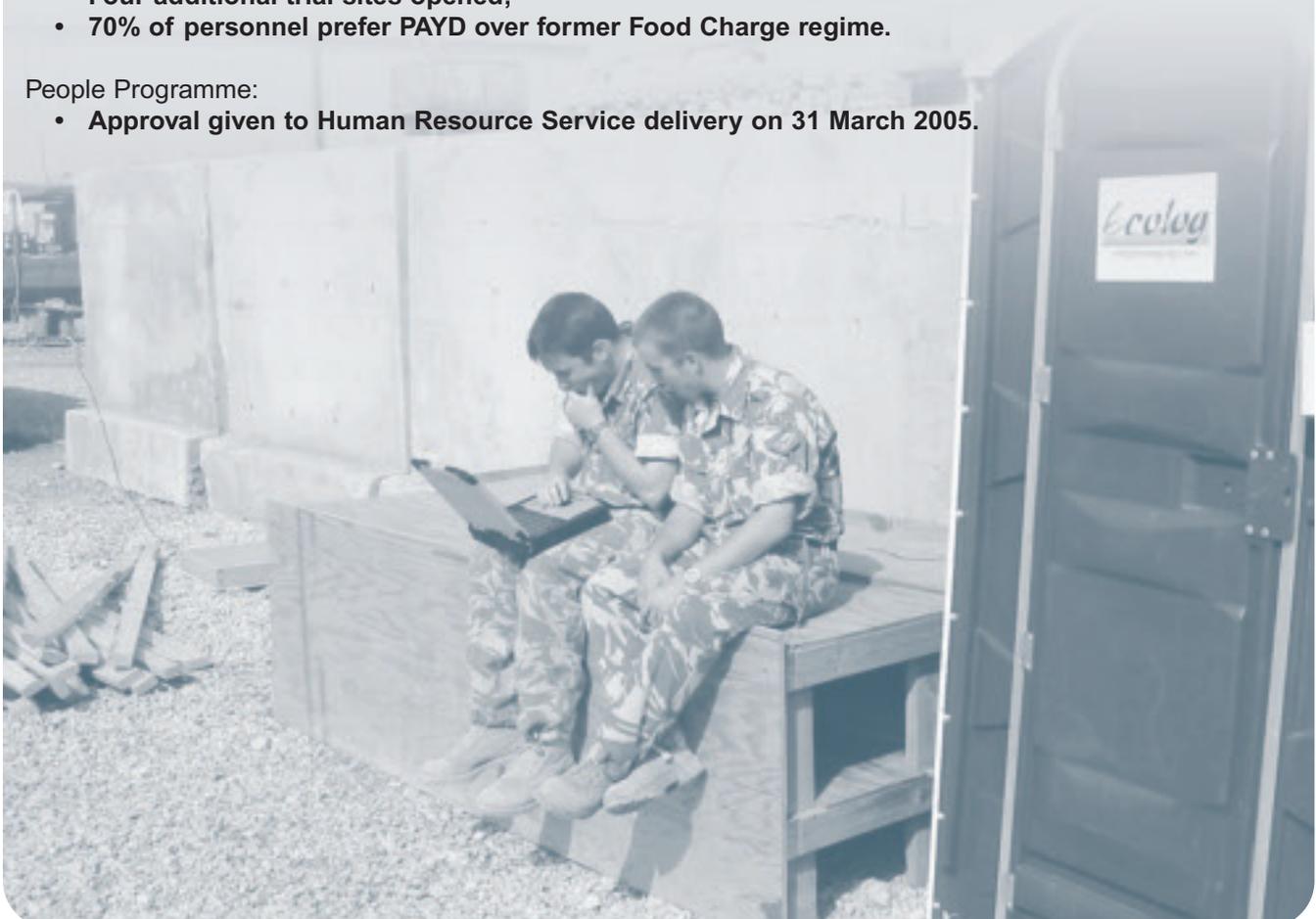
- **Armed Forces Pension Scheme 2005, Reserve Forces Pension Scheme 2005 and Armed Forces Compensation Scheme introduced on 6 April 2005.**

Pay As You Dine:

- **Four additional trial sites opened;**
- **70% of personnel prefer PAYD over former Food Charge regime.**

People Programme:

- **Approval given to Human Resource Service delivery on 31 March 2005.**



SERVICE PERSONNEL PLAN

257. The Service Personnel Plan and Balanced Scorecard were implemented on 1 April 2004 to draw together the major change programmes and projects required to sustain sufficient, capable and motivated personnel across the three Services, both now and into the long-term. Comprising 7 top level objectives the plan consists of a coherent set of projects which have clearly defined benefits; specific, measurable deliverables and a clearly defined governance structure. The associated Balanced Scorecard (the prime reporting mechanism for measuring performance against the 'People Agenda') tracks each key performance indicator over a rolling five year period and feeds directly into the overall Defence Management Board Scorecard (see Annex D). Together they have transformed the ability to present a comprehensive, coordinated and stakeholder agreed business case for Service Personnel as an integral part of the Defence Management Process. As well as achieving unprecedented 'buy-in' from the three Services and other stakeholders, the Service Personnel Plan has been welcomed by external organisations (such as the Chartered Management Institute).

DEFENCE TRAINING INITIATIVES

Duty of Care and Welfare in Initial Training

258. Preparing young people for life in the military carries with it a significant duty of care. The MoD takes this responsibility very seriously. Recent reviews of our Initial Training practices have been carried out by the House of Commons Defence Committee, the Adult Learning Inspectorate and our own internal Director of Operational Capability. Recommendations from these reviews are under consideration and will form the basis of an Action Plan whose implementation is subjected to external scrutiny to ensure that our key stakeholders, including the parents of potential young recruits, can have confidence in our ability to safeguard their interests. Further information is contained in the Essay on page 88.

Rationalisation of Specialist Training

259. The Defence Training Review rationalisation programme will provide modern, cost-effective specialist training, improved accommodation and facilities, and, by harmonising training currently being delivered by individual Services on a Defence basis, offer significant savings through the more efficient use of a reduced training estate. It comprises two packages:

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

260. Over the past year the programme has made significant progress. Invitations to Negotiate were issued to short-listed bidders in November 2004. Two strong consortia are competing for each package, with proposals to be submitted by 17 October 2005 for Package 1 and 14 November 2005 for Package 2. A recent Office of Government Commerce Gateway review confirmed the rationale of the proposed way forward but recommended additional specialist skills and resources be provided to meet the challenges ahead. These are being addressed.

Defence E-Learning Delivery

261. The Defence Centre of Training Support provides a coherent Defence-wide approach to the development and delivery of training for instructors and trainers. In addition, it is managing a Defence-wide e-learning management and support capability called the Defence Learning Portal. As the Portal is implemented, it will deliver a range of modern, cost-effective and cost-efficient services to enable e-learning across Defence. It will also allow other longer-term benefits by increasing accessibility of training (particularly for personnel on deployed operations), by reducing residential training and by supporting more effective coordination of training delivery. The Defence Learning Portal is being delivered in partnership with BT and was launched at the end of March 2005. The aim is to deliver the full range of Defence courses to 200,000 users within 5 years, with the initial operating capability achieved in March 2005 and the full operating capability expected in 2009, subject to successful implementation of the Defence Information Infrastructure Programme (See paragraph 239).



SERVICE PERSONNEL DEVELOPMENTS

Operational Welfare Package

262. The Operational Welfare Package continued to be well received in deployed operational theatres. Our main effort concentrated on the delivery of the Operational Welfare package more fairly and specifically to early entry and manoeuvre forces. Focussing on contact with family and friends, we have developed an early entry communications package that provides an easily transportable and robust satellite telephone, e-mail, data text link and postal letter system. The equipment was used and extremely well received, by 1 Black Watch Battle Group for their deployment to Camp Dogwood in November 2004.

263. The adaptability of the Operational Welfare Package Policy has also been tested and proven. Personnel serving on the VANGUARD class submarines that provide the UK's nuclear deterrent are now able to use their allocated telephone minutes before and after deployment (during which communications are prohibited in order to protect the location of the submarine). We have also catered for families with special needs by increasing publicly funded telephone time available to them on a case by case basis. Although not part of the Operational Welfare Package, for Christmas 2004 the Prime Minister authorised that, in the month prior to Christmas, friends and families could send postal packets weighing less than 2kg in weight free of charge to personnel in receipt of the operational welfare package. This recognised that Christmas is a special time and the difficult conditions Service personnel faced on operations during the year.

Pension and Compensation Reviews

264. The new Armed Forces Pension Scheme 2005, Reserve Forces Pension Scheme 2005 and Armed Forces Compensation Scheme were introduced on 6 April 2005. Personnel in service before that date will be given the opportunity to transfer from their existing pension arrangements from 6 April 2006. The new pension schemes are designed to be fairer, reflect modern practice and meet the needs of the Armed Forces in the 21st century. They are based on final pensionable pay and include a major improvement in spouse's benefits, extended to partners of the same and opposite sex, and are paid for life. They also include a new death-in-service lump sum of four times pensionable pay. In line with Government policy to introduce later pension ages for all public service pensions, the new schemes pay preserved pensions from age 65 to those who leave before age 55 with at least two years' service. This change is also being made in AFPS 75, so that service from 6 April 2006 will earn pension benefits payable from age 65, not age 60, as now. The new Compensation Scheme covers all Service personnel and provides a better focus on benefits for the more seriously disabled. It provides for the first time for lump sum payments for pain and suffering resulting from injury and ill-health caused by service on or after 6 April 2005. These can also be paid if an individual remains in service. In addition, a Guaranteed Income Payment will be awarded on leaving service for more serious conditions to compensate for an expected loss of earnings capacity. Bereavement benefits will be provided for dependants including unmarried partners, where there is a substantial relationship. Full details of these schemes can be found at www.mod.uk.

Pay As You Dine

265. There has been considerable progress on the Pay As You Dine Project. Four additional trial sites have opened: RAF Leuchars in Scotland in May 2004; Javelin Barracks, Elmpt in Germany in June 2004; Bourlon Barracks, Catterick in August 2004 and Wattisham Station in Suffolk in January 2005. A recent survey of all personnel at Pay As You Dine trial sites returned a 70% preference for Pay As You Dine over the former Food Charge regime; amongst living-in personnel this percentage rises to 72%. Further details on Pay As You Dine can be found at www.payd.mod.uk.



Pay As You Dine in action

Joint Personnel Administration

266. The Joint Personnel Administration (JPA) change programme aims to harmonise and modernise military Human Resources information systems. A contract with EDS was signed on 26 October 2004 for the implementation of this programme. The slight delay was caused by a conscious de-risking decision taken at the time of Main Gate approval in June 2004 not to proceed with contract signature given the large dependence on Defence Information Infrastructure which, at that time, had not secured its own Main Gate approval. The programme will roll out to the RAF from March 2006, to the Royal Navy from June 2006, and to the Army from November 2006. JPA will save nearly 1,500 posts and £100M per annum in steady state.

CIVILIAN PERSONNEL DEVELOPMENTS

People Programme

267. The People Programme, incorporating the Civilian Human Resources (HR) Transformation programme, is implementing the new strategy for civilian personnel launched in 2002. The programme has four principal elements; to develop individuals and managers, and to modernise the HR function and HR services. It remained on schedule, achieving Main Gate approval of the HR services element on 31 March 2005. A package of early services, including on-line absence reporting and training administration, was launched on 25 April 2005 through a new People Services Portal on the Defence Intranet.

268. Work on developing a modern, strategic HR function moved forward significantly. Over the year, the respective roles and responsibilities of the MoD's corporate HR function and business unit Business Partner HR functions were defined and the size and shape of the organisations agreed. Work with line managers and staff this year majored on communications to prepare them for the new HR services. As well as incorporating a number of simplifying policy changes, the new services will adopt a more efficient and effective self service approach. Business units have therefore been undertaking major programmes of road-shows.

FURTHER SOURCES OF INFORMATION

269. Additional information on Future Manpower is available from the following sources:

- quarterly PSA reports to HM Treasury at www.mod.uk;
- UK Defence Statistics 2005;
- Service Personnel Plan;
- House of Commons Defence Committee Report *Duty of Care* Third Report HC 63-i & ii published 17 March 2005;
- JPA: www.mod.uk;
- Armed Forces Pension Scheme 2005, Reserve Forces Pension Scheme 2005 and Armed Forces Compensation Scheme at www.mod.uk;
- Pay As You Dine at www.payd.mod.uk.



ESSAY – Recognising and Enhancing the Professionalism of our People: Implementing Professional Skills for Government

The MoD employs a very substantial body of civil servants who have or are working towards recognised professional qualifications. These cover a very wide range, from nuclear technicians and surveyors to project managers and accountants, from scientists and engineers to lawyers. We also have a range of programmes and development schemes to ensure that our people have the skills and experience they need to do their jobs. Many of these, such as the Defence Leadership Centre, the Acquisition Leadership and Development Scheme, the MIDIT programme and the certificates in Resource Management and in Human Resource Management, are mentioned elsewhere in this report. We continue to encourage all our people to make sure that any qualifications or other defined levels of professional expertise they hold are properly recorded on the Department's new personnel information system. But we are always looking to improve our capabilities further and ensure that the professionalism of our people is recognised and developed, whether or not they hold formal qualifications. We have therefore engaged vigorously with the Professional Skills for Government (PSG) programme being taken forward by the Cabinet Office to enhance the professionalism in particular of the Civil Service's middle and senior management (in MoD terms our Band Bs and members of the Senior Civil Service).

PSG includes a set of "core requirements", comprising Leadership, Core Skills, Professional Expertise and Broader Experience. Although meeting these will be a requirement for those who want to lay the foundations for a career in the Senior Civil Service (SCS), the basic principles apply at all levels of Defence. Our first step has been to develop a rough guide to Broader Experience in MoD and encourage our people to begin thinking about what professional skills may mean for them. As work matures we will introduce more specific career advice into our intranet and associated literature. We have also reviewed our internal development arrangements in the light of PSG. Work from 2003 on improving leadership capacity has been drawn in and a new Core Competence Framework is being developed for the more than 99% of Defence civil servants below the SCS that, while not identical with the PSG terminology and structure, is very similar in content. The Cabinet Office has separately been developing a new SCS competence framework. These frameworks will identify the skills and competences that aspiring and existing Band Bs and SCS members will be expected to have or to obtain.

Many of our Senior Civil Service and Band B staff may need to undertake some form of development activity to fill core skills gaps. Some new training will be provided by the National School of Government, but Departments have also been encouraged to look at internal training provision. We have therefore reviewed our own training arrangements against the PSG agenda and have concluded that we can usefully build on and adapt these to provide appropriate training options. We are also looking at ways to supplement these in particular by doing more to develop the leadership skills of our people below Band B.

In addition to these core requirements relevant to all Civil Servants regardless of their specific responsibilities, we are working to ensure that there should be a Professional expertise framework for all areas of our business. That way those people working in particular areas will be able to see what specific skills and experience will be expected of them at more senior management levels. Cross-Government frameworks already exist for a number of disciplines which are now being reviewed by the relevant Heads of Profession. PSG envisages a Government wide framework of three professional groupings (Corporate Service Delivery, Operational Delivery and Policy Delivery). General frameworks for Operational Delivery and Policy Delivery have been developed by cross-Government groups.

We have now looked at how these map onto defence structures and arrangements. Even before PSG our own Heads of Profession had been doing much to further greater professionalism. We expect them, and the MoD's internal Skills Champions, to have an important role in deciding how we implement the frameworks. In particular they will inform the content of the revised defence Functional Competence frameworks being brought in from April 2006. These will help determine job and post skills profiles and will therefore inform appointments.

The Cabinet Office expects all Departments to have established a core skills baseline in the Autumn. PSG implementation is likely to begin from September 2005, and will thereafter provide the baseline against which suitability for promotion to Band B and the Senior Civil Service is assessed. There will in parallel be a transitional period of two years before all the core requirements are enforced for current members of the SCS.

FUTURE EQUIPMENT PLANS

Objective: Develop new capabilities to meet tomorrow's defence challenges.

Performance Measures and Assessment

Assessment of Future Capability Gaps against Defence Guidance:

- **Future capability requirements and gaps identified and assessed to inform Equipment Plan 05.**

Access to Technology in support of Capability Requirements:

- **Placing of research contracts worth £470M;**
- **Establishment of Defence Technology Centre for Autonomous and Semi-Autonomous vehicles;**
- **Development of combined infra-red and laser sensor and seeker;**
- **Successful demonstration of new General Service Respirator and award of a £40M development and manufacture contract;**
- **Development and demonstration of new prototype munitions disposal vehicle with greater capability and increased operator safety;**
- **First implementation of Insensitive Munitions Strategy;**
- **Continued deployment of scientists and analysts to support operations in Iraq.**

Network Enabled Capability:

- **Achieved initial operating capability for Joint Operational Picture;**
- **Achieved initial operating capability for Computer Network Defence;**
- **Established new joint Communication and Information Systems (CIS) organisations to manage operational CIS networks;**
- **Progress on multinational experimentation programme;**
- **Further development of architectural framework to guide the integration and interoperability of systems.**





FUTURE EQUIPMENT AND PLANS

270. Continual investment in new equipment reflecting the best use of Science and Technology is needed to maintain the winning edge for UK Armed Forces for the future. Technical excellence, through the work of our scientists and technologists, is fundamental to providing the major enabling support to the battle against terror, front-line operations and to underpin the competitiveness of our national defence industry. Network Enabled Capability is a key component in delivering the more integrated, responsive and effective military capability we are working to acquire.

FUTURE CAPABILITY

271. Potential changes in the military capabilities that we will need in the medium to long term must be identified as early as possible to meet the Government's requirements. A variety of means are used to assess the likely capabilities that the Department plans to deliver in the future, including scenario modelling. This work informs the biennial Defence Strategic Guidance (of which the latest version was completed in April 2005) and, together with the outcome of the parallel biennial Equipment Capability Audit, provides a comprehensive picture of where changes may be necessary. These are reflected in the concurrently developed Equipment Plan which sets out our key investment priorities for military equipment over the next ten years. Much of this work is inevitably highly classified. The current Equipment Plan, EP05, was endorsed by the then Secretary of State in March 2005.

272. The Department's Science Innovation Technology organisation provides operational, procurement and capability analysis. This helps identify the scope for enhanced performance, new capabilities, cost reduction and risk reduction and plays a key role in making investment decisions. It also contributes to identifying emerging threats and potential solutions to them, including where this might be best delivered through international research and project collaboration.

SCIENCE AND TECHNOLOGY

The Science Innovation Technology TLB

273. Science Innovation Technology (SIT) was formed as a Top Level Budget on 1 April 2004, headed by the Department's Chief Scientific Adviser. It works to provide expert advice and technological solutions to the demands of Defence. SIT also manages the Defence Research Programme. Some £470M worth of research contracts were placed during 2004-05, a slight increase over the previous year. We are working to achieve maximum advantage

for Defence from our investment in science and technology. The research programme is focused on delivering a practical product that provides value for money and effective alignment of outputs with Defence priorities. There are seven specified top-level outputs; each has a defined set of specific objectives and a way to measure its success. The Research Acquisition Organisation (located at Shrivenham) is the focus for managing this, drawing on skilled programme managers and world class technical knowledge.

Research Procurement

274. Delivery of high quality technology and technical advice requires access to world class suppliers. The successful development in parallel as world class organisations of the public private partnership company QinetiQ and the Defence Science and Technology Laboratory has helped us to achieve best value from our research programme while extending the supplier base into industry and academia. This well-structured policy of collaboration allows us to focus on commonly identified technology development areas, improves risk reduction and maximises our ability to incorporate world class technologies developed in the UK into the equipment we buy.

275. The policy of Research Partnerships with Industry is fostered by two complementary initiatives – Defence Technology Centres (DTCs) and Towers of Excellence. DTCs are formal collaborative arrangements between MoD, industry and academic experts to generate and enhance technology vital to the delivery of future UK defence capabilities in specific scientific fields. Based on defined outcomes, industrial and academic partners have freedom to use their combined expertise and experience to propose innovative and cost-effective solutions. There are currently four DTCs – Data and Information Fusion, Human Factors Integration, Electromagnetic Remote Sensing, and the newly established Autonomous and Semi-Autonomous vehicles. They have been a key element in achieving improved collaboration with industry and academia. The three Towers of Excellence in Underwater Sensors, Guided Weapons and Radar are co-operative groupings involving MoD, industry and academia, which are focused towards the system-level application of research.

Our Successes

276. Significant research achievements during the year included:

- development of a new prototype munitions disposal vehicle. Using world-leading technology, the CARVER prototype has greatly enhanced performance, added capabilities and a greater margin of operator safety;

- construction of a dual mode imaging InfraRed and Laser Sensor and development of a new seeker. This will allow future autonomous anti-surface weapons successfully to attack mobile targets that are deploying countermeasures or hiding in clutter;
- successful first implementation of the MoD Insensitive Munitions Strategy with the introduction of the Storm Shadow air-to-ground missile into service. This is the first fully compliant insensitive munition to enter UK service, enabling safer and more efficient transport, storage and handling;
- training and deployment of over 100 scientists and analysts since 2003 in support of operations in Iraq at the request of UK commanders to provide scientific and operational analysis support in theatre;
- demonstration of the ability to construct a new General Service Respirator that fully meets demanding protection and usability requirements, and the award of a £40M development and manufacture contract to Scott Health and Safety.

NETWORK ENABLED CAPABILITY

277. The achievement of military effect in the future will be significantly enhanced through the networking of existing and future military capabilities under Network Enabled Capability (NEC). The latent power of networks is not new – technological advances over time, like the telegraph, telephone, fibre optics and satellites have enabled the development of ever more extensive networks and hence the better exchange of information. Although these advances now enable wider and faster sharing of information, realising the full potential of NEC requires parallel development of our ability to manage and exploit the information we have.

278. NEC enables us to operate more effectively in an uncertain strategic environment through a more dynamic system of sharing information within the Armed Forces, the MoD, and with coalition partners. It is based on our ability to integrate sensors, decision-makers, weapons systems and support capabilities to achieve a range of effects. This



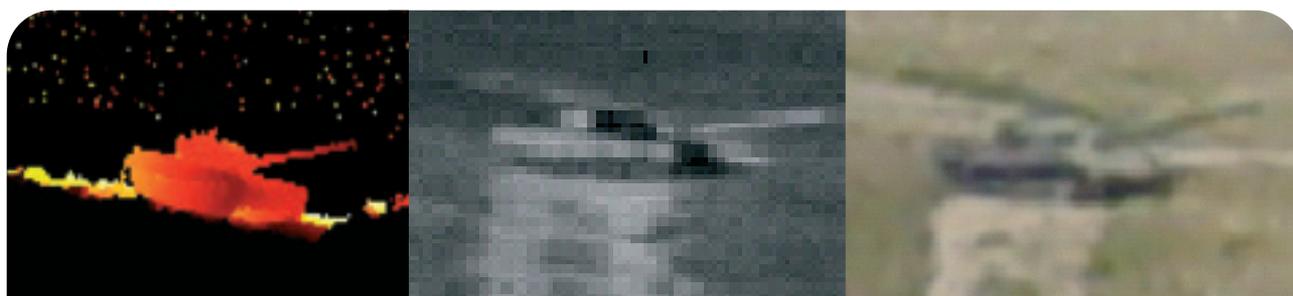
General Service Respirator

produces a better informed decision-making process and an improved ability to achieve precise, timely military effects. We have already seen some benefits during operations in Afghanistan and Iraq. We are now conducting an authoritative analysis of NEC's benefits and risks to inform future investments.

279. The amalgamation of high capacity information networks is a crucial building block of NEC. Several current major programmes will contribute to this over the next five years. These include:

- Skynet 5, which will provide a strategic long-range satellite communications service;
- CORMORANT, to deliver a theatre-wide area communications network for voice and data at the deployed operational level;
- FALCON, to provide tactical formation-level (i.e. Division and Brigade) communications;
- BOWMAN, a secure tactical communications systems for voice and data; and
- the underpinning Defence Information Infrastructure.

We aim to reach an initial state of Network Enabled Capability by 2009 with further enhancements downstream.



The Dual Mode Imaging Laser and Infrared Sensor



280. Significant achievements during 2004-05 included development of an initial operating capability for the Joint Operational Picture and for Computer Network Defence, and the establishment of new joint deployable Communication and Information Systems (CIS) organisations to manage operational CIS networks. Multinational experimentation work has also made progress, including through NITeworks, which uses a unique experimental environment to assess the benefits of NEC and options for successful delivery. There has also been progress in the development of the underlying MoD architectural framework which drives the integration and interoperability of systems

FURTHER SOURCES OF INFORMATION

281. Additional information on Future Equipment Plans is available from the following sources:

- Defence Science and Innovation Strategy April 2004;
- UK Defence Statistics 2005;
- Science Innovation Technology at www.mod.uk;
- Defence Science and Technology Laboratory *Annual Report and Accounts 2004-05*;
- *Delivering Security in a Changing World: Future Capabilities*;
- Detailed information on NEC at www.mod.uk.