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ministry of defence



performance report 2000/2001



MINISTRY OF DEFENCE

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MINISTRY OF DEFENCE

**PERFORMANCE REPORT
2000/2001**

Presented to Parliament by
The Secretary of State for Defence
By Command of Her Majesty

November 2001

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Foreword by the Secretary of State for Defence

2000/01 was another extraordinary year for Defence. Soon after it began, renewed fighting broke out between Government and rebel forces in Sierra Leone. The rapid deployment of units from all three Services succeeded in stabilising the situation, safeguarding British nationals and supporting Sierra Leone's democratically elected Government. This response epitomised the sort of forces that we are building as a result of the Strategic Defence Review – quick, agile, joint and decisive. Throughout the year we also provided training and assistance to help rebuild the Sierra Leone Army.



We helped to maintain peace and security in the world through the deployment of our Armed Forces in Kosovo and Bosnia and over Iraq. Closer to home, our Armed Forces continued their work in support of the police in Northern Ireland. They played a vital role in combating the foot and mouth disease outbreak and in preventing loss of life during the autumn floods. They were ready to help keep emergency supplies moving during last year's fuel strike. Their work in explosive ordnance disposal, search and rescue, and fishery protection continued as ever.

Much of Defence has now been reshaped in line with the Strategic Defence Review. But our policies and posture must continue to be updated. Earlier this year we published the Future Strategic Context for Defence. Following the tragic events of 11th September, we are looking again at the implications of asymmetric and unconventional threats in what will be a new 'chapter' to the Strategic Defence Review.

Key to all of our success is the quality of our people. Recruiting and retaining those who make up the best Armed Forces in the world is a challenging goal. We are undertaking an extensive programme of work to deliver our 'policy for people'. We are paying greater regard to the length of time that Service personnel spend on deployment – helping us to ensure that operational commitments do not place an unreasonable burden on them and their families. I announced in March that £1 billion would be made available over the next 10 years to upgrade Single Living Accommodation across all three Services, in addition to the ongoing programme to improve Service Families' Accommodation. We set up a new Centre for Defence Medicine in Birmingham. And we established a Minister for Veterans' Affairs to provide a clearer focus for Government efforts to support those who have served their country in the past.

We improved existing equipment and introduced several new capabilities in 2000/01. The successful modification of the SA 80 rifle began. Problems with Tornado aircraft were overcome. The Bowman communications system was put on a clear procurement footing. Approval was given to build up to 12 new Type 45 destroyers for the Royal Navy which, together with new assault ships and attack submarines already under construction, are part of a programme to build over 30 warships and submarines in the UK over the next 15-20 years. The Apache helicopter was accepted into service. We invested £5 billion in new air-to-air missiles for the Eurofighter and heavy lift aircraft for the Royal Air Force, including the C-17, which recently entered service ahead of time and on budget.

The Smart Acquisition programme, building on the Smart Procurement Initiative from the Strategic Defence Review, demonstrated that it is delivering real results. For example, the contract for the new Titan and Trojan engineer tanks was signed in March – a year ahead of schedule and well within projected cost.

Last year's spending settlement provided Defence with the first sustained increase in resources since the 1980s. But we must get the most from the Defence Budget and are working hard to maximise efficiency and value for money. In only three years, the Defence Logistics Organisation has secured a £2.8 billion reduction in its stockholdings, and is now focusing on reducing its operating costs by 20%. We remain on course to secure efficiency savings of some £2 billion in just four years. Last year alone, estates and equipment disposals totalled more than £250 million.

Reform and modernisation also extended to the management of Defence at the Departmental level. We are improving our assessment, management, and reporting of performance throughout the organisation. The first Charter for civilian personnel was launched in 2000. We are improving the way in which we manage and use information in the electronic age. We are working more closely with other Government Departments on joint initiatives – with the Foreign and Commonwealth Office, Department for International Development, and Treasury on conflict reduction around the world; with the Department for Education and Skills on the successful Skill Force Youth Initiative, which we are expanding; and with the Home Office to increase the number of civilian personnel involved in voluntary activities.

We continue to place more and more relevant information about Defence in the public domain. Highlights from 2000/01 included the "We Were There" exhibition, celebrating the contribution made by ethnic minorities to our Armed Forces over the past 200 years, a new series of policy papers, and some 40 factsheets and other publications describing the activities of the Ministry of Defence and Armed Forces. Use of our website currently stands at some 2 million hits per month.

I am proud of the performance of the Armed Forces and Ministry of Defence in 2000/01, and grateful for the contribution made by Service and civilian personnel alike. I am confident that we will deal with tomorrow's challenges just as successfully.



Geoffrey Hoon

Introduction

1. This report sets out the Ministry of Defence's performance against its objectives and priorities for the 2000/2001 financial year. Although it provides a comprehensive and stand alone account of Defence-related performance and activity, it should be read in conjunction with the following publications:

- Ministry of Defence Consolidated Departmental Resource Accounts 2000/2001 (December 2001);
- The Government's Expenditure Plans 2001/2002 to 2003/2004 and Main Estimates 2001/2002: Ministry of Defence (April 2001, Cm 5109).

2. The Departmental Resource Accounts give details of the MOD's financial performance during 2000/01, while the Expenditure Plans outline the Government's spending priorities for the next three years. Other relevant documents include:

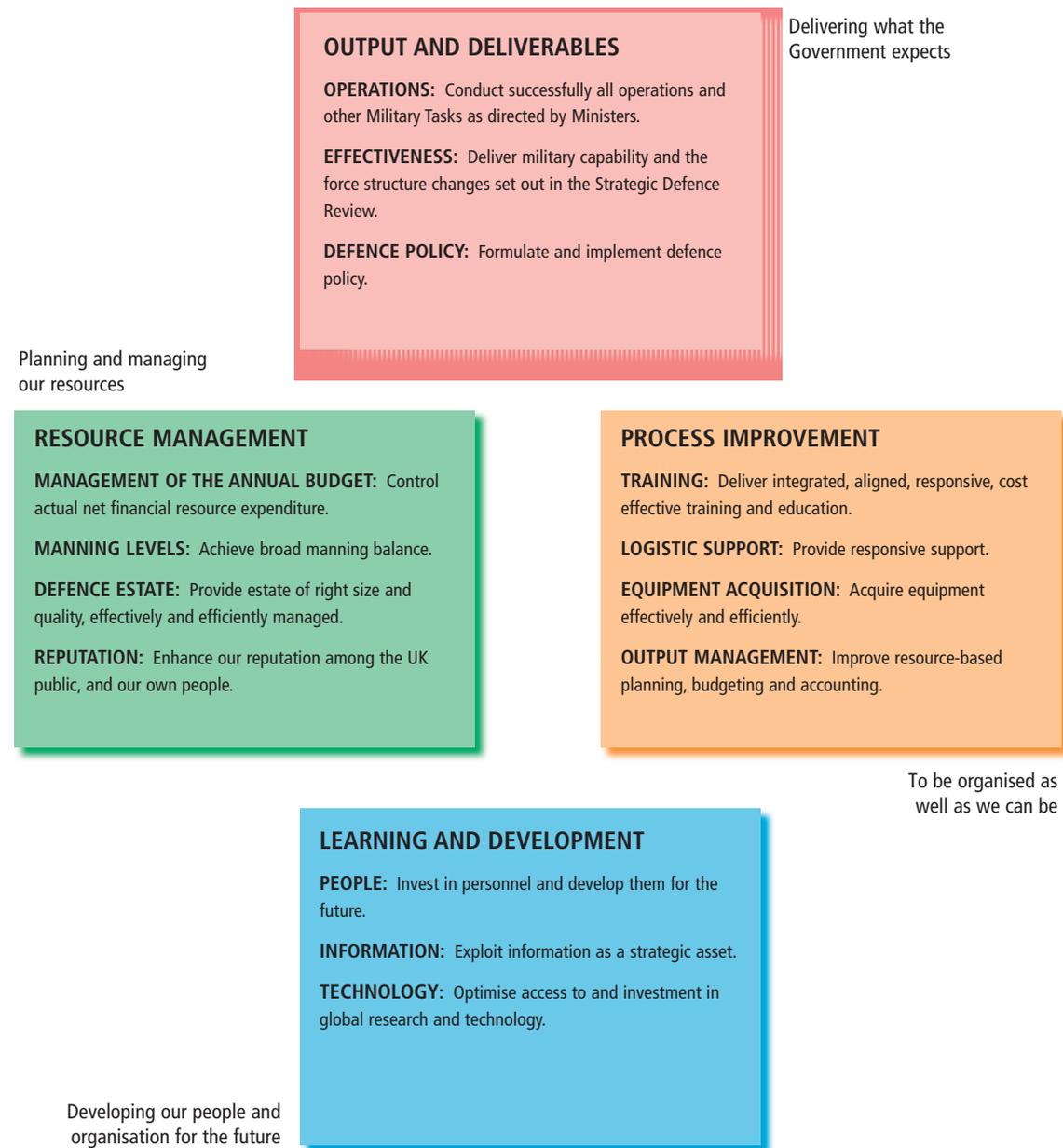
- Defence Policy 2001 (February 2001);
- The Future Strategic Context of Defence (February 2001);
- UK Defence Statistics 2001 (September 2001);
- Departmental Investment Strategy for the Ministry of Defence (November 2000);
- Kosovo: Lessons from the Crisis (June 2000, Cm 4724);
- MOD Policy Paper No. 1 – Defence Diplomacy (December 2000);
- MOD Policy Paper No. 2 – Multinational Defence Co-operation (February 2001).

3. Many of these reports, together with additional information and up-to-date news concerning the Ministry of Defence, are available on the MOD website at <http://www.mod.uk>. For ease of reference, the Defence Mission, a summary of the top-level organisation and management of the MOD, and details of the Defence Ministers' responsibilities are reproduced at Annexes A, B and C respectively.

Report Format

4. In April 2000 the MOD adopted a new performance management regime, covering Public Service Agreement targets and other internal priorities, to improve the assessment and reporting of performance across the Department. Based on the Balanced Scorecard concept, this initiative has redefined what is important for the MOD to fulfil its role successfully, and has led to clearer strategic goals, fewer key targets, and more rigorous ways of measuring progress. The Scorecard has also brought greater balance to the Department's consideration of key issues so that, for the first time, the internal linkages that drive performance are routinely exposed to the Defence Management Board. As a result, the Board has increased confidence that its decisions are based on a truly comprehensive picture of Departmental performance. The current Scorecard – a series of objectives grouped under four categories or 'perspectives' – is shown at Figure 1.

Figure 1: Defence Balanced Scorecard



5. To reflect these developments, the format of this report differs from that of previous years. Performance against the Department's objectives is described in four main chapters that mirror the Defence Balanced Scorecard perspectives. Ongoing Scorecard developments, which will further sharpen the focus on performance, are discussed at paragraphs 98-100. The final chapter deals with the performance of the Defence Agencies, and MOD performance against the wide range of Government Standards is addressed at Annex D.

Summary of Performance

6. The following table summarises the MOD's performance against the objectives and key targets specified in the Public Service Agreement (PSA) for the period 1999/00 to 2001/02. The full text of these objectives, which were agreed as part of the 1998 Comprehensive Spending Review, is at Annex E.

7. As at 31 March 2001, out of a total of 34 individual PSA targets, 18 had been met, 12 remained on course, 1 was slipping, and 3 had not been met. More information about these measures can be found in the paragraphs referred to below, which are also signposted throughout the report by the PSA symbol.



8. Targets that were not met have been carried forward into a new PSA based on the outcome of the 2000 Spending Review, covering the period 2001/02 to 2003/04, on which next year's report will concentrate. A copy of this new PSA, together with more detailed information on how it will be delivered, is available from the websites of the MOD (<http://www.mod.uk>) and Her Majesty's Treasury (<http://www.hm-treasury.gov.uk>).

PSA Target	Performance Indicator	Assessment at End of 2000/01 Financial Year	Reference Paragraph
Joint Forces			
1. Establish the full capability of the Joint Rapid Reaction Forces by October 2001.	Measure of progress towards full operational capability of the Joint Rapid Reaction Forces.	On course for operational capability to be delivered by revised target date of late 2002/03 (carried over to 2001/04 PSA). Initial capability delivered in April 1999. While many elements of the Joint Rapid Reaction Forces were in place by October 2001, at the required states of readiness, delivery of full capability was delayed due to the exceptional level of operational commitments in recent years.	34
2. Establish the Joint Helicopter Command by April 2000.	Measure of progress towards achievement of operational capability of the Joint Helicopter Command.	Met Operational command and budgetary control achieved by April 2000.	33
Strategic Lift			
3. Expand our ability to move troops and equipment with four more roll-on roll-off container ships and four large aircraft (ships available for use by 2000, aircraft by 2002).	Measure of progress against interim procurement milestones for 2000/01.	Ships: Met (3 month slippage) Aircraft: On Course Chartering arrangements for three roll-on roll-off ships – providing a guaranteed level of service – came into force in March 2001. A fourth will be chartered on an ad hoc basis. The contract for the lease of four C-17 aircraft was placed in September 2000. All four aircraft were delivered by the end of August 2001, ahead of schedule. (Target carried over to 2001/04 PSA).	35

PSA Target	Performance Indicator	Assessment at End of 2000/01 Financial Year	Reference Paragraph
Armed Forces Manning			
4. Make progress to ensure that, by 1 April 2001, the number of personnel in the Armed Forces fully matches that required to carry out their tasks (Royal Navy/Royal Marines at 98%; Army at 95%; Royal Air Force at 100% of requirement).	Measure of number of trained personnel as a % of the trained requirement for each of the three Services.	<p>Royal Navy: Not Met</p> <p>Army: Not Met</p> <p>Royal Air Force: Not Met</p> <p>As at 31 March 2001, figures for trained personnel as a percentage of the trained requirement: Royal Navy: 96.6%, Army: 92.5%, Royal Air Force: 97.1%. (Target carried over to 2001/04 PSA).</p>	52-70
	Measure of number of trained volunteer reservists as a % of the trained requirement.	As at 31 March 2001, figures for trained volunteer reservists as a percentage of the trained requirement: Royal Navy: 63%, Royal Marines: 95%, Army: 102%, Royal Air Force: 69%.	71-72
Logistic and Medical Support			
5. Achieve a major restructuring of the logistic support area, with a Chief of Defence Logistics in charge by 1 April 1999.	Measure of achievement against key criteria: assumption of responsibility for the existing single Service logistics organisations by a new Chief of Defence Logistics (1 April 1999), establishment of a unified Defence Logistics Organisation (1 April 2000), and formation of new logistics Agencies (non explosives storage and distribution, aircraft repair, and transport and movements support).	<p>Met</p> <p>The Chief of Defence Logistics was appointed, and key support Agencies formed, on 1 April 1999. Full integration of the Defence Logistics Organisation took place on 1 April 2000.</p>	84
6. Achieve substantial improvement in logistic and medical support, with the formation of the 1 st Joint Force Logistics Component Headquarters by April 2001, the establishment of a regular ambulance regiment, and the use of medical reserves to support Field Hospitals at medium scale.	Formation of 1 st Joint Force Logistics Component by April 2001.	<p>Met</p> <p>The 1st Joint Force Logistics Component became operational on 1 March 2001, ahead of schedule.</p>	86
	Establishment of a regular ambulance regiment.	<p>Met</p> <p>The regular ambulance regiment would have provided an evacuation capability. This has been met in a slightly different way. Five Regular Medical Support Regiments, which incorporate evacuation squadrons, have now been formed.</p>	87-90, 57
	800 Field Hospital beds at increased readiness.	<p>On course</p> <p>Army plans to man and equip high readiness Territorial Army Field Hospitals are moving forward. The medical equipment and personnel for the first 100 beds at higher readiness have been identified.</p>	

PSA Target	Performance Indicator	Assessment at End of 2000/01 Financial Year	Reference Paragraph
	New MOD Hospital Unit at Portsmouth.	Met The Portsmouth Hospitals NHS Trust assumed responsibility for most clinical activity at Haslar on 1 April 2001 under MOD Hospital Unit-type arrangements. Planning continues towards the full MOD Hospital Unit at Portsmouth as part of the Trust's Private Finance Initiative development plans.	
	Centre for Defence Medicine.	Met An agreement with University Hospital Birmingham NHS Trust was signed in October 2000, running for 20 years from 1 April 2001. The Centre opened formally on 2 April 2001.	
	New treatment arrangements to meet operational requirements.	Met New contractual arrangements with the NHS Trusts hosting MOD Hospital Units, including financial incentives to meet targets for treatment of Service personnel, are now in place. An initiative to provide expedited medical treatment for personnel in overstretch categories operated between November 2000 and March 2001, and resulted in the referral of about 1,400 patients.	
Other Force Structure Changes			
7. Implement the post-Strategic Defence Review force structure changes to meet continuing commitments, to respond to a major international crisis, or to undertake a smaller but more extended overseas deployment while retaining the ability to mount a second deployment of similar scale for a limited period, and to retain the ability to rebuild a bigger force for NATO at much longer notice.	Measure of deployments undertaken.	As part of the work on implementing a new performance management regime, more useful and robust measures of activity and readiness are under development.	33-34, 72
	Aggregate measure of performance of non-Joint Rapid Reaction Forces against readiness targets.		
	Destroyer/frigate fleet of 32 hulls; ships paid off by 1 August 1999.	Met Three frigates paid off by 1 August 1999.	
	First Army unit relocated from Germany by 1 April 2002.	Met First unit (1 st Royal Tank Regiment) relocated during Summer 1999.	
	New, restructured, Territorial Army to be operational from 1 April 2000.	Met Operational readiness achieved by April 2000.	
8. Establish, by 1 April 1999, the post-SDR	Complete RAF withdrawal from Germany by 1 April 2002.	On course Relocation of Harrier squadrons achieved. Withdrawal from RAF Bruggen due to be completed by 1 April 2002.	

PSA Target	Performance Indicator	Assessment at End of 2000/01 Financial Year	Reference Paragraph
readiness profile of the UK Armed Forces to meet the Department's key objectives.	Reduction in fast jet aircraft establishment by 36, by 1 April 1999.	Met Reduction of 13 Tornado F3, 12 Tornado GR, 9 Harrier and 2 Jaguar aircraft completed on schedule.	
Reform of Procurement Organisation			
9. Ensure that the Procurement Executive is ready for Agency status by 1 April 1999.	Successful launch of the Defence Procurement Agency.	Met Agency launched on 1 April 1999.	91-92
10. Achieve a reduction in Procurement Executive (now Defence Procurement Agency) operating costs of 20% by 2001/02.	% reduction in operating costs.	Met 21.3% reduction achieved by 31 March 2001.	
11. Complete the Defence Evaluation and Research Agency (DERA) Public Private Partnership by 1 April 2002.	Measure of progress towards Public Private Partnership.	On course The majority of DERA was vested as a plc (called QinetiQ) on 1 July 2001. Those elements remaining as a MOD Trading Fund are now known as the Defence Science and Technology Laboratory. (Target carried over to 2001/04 PSA).	120-121
Procurement Performance Standards			
12. Achieve improvements in project management performance by 2001/02.	No average in-year increase in project costs.	On course Net reduction of average costs (-0.2%) achieved in 2000/01. Risk of increase in 2001/02 due to US\$ exchange rate movement. (Target carried over to 2001/04 PSA).	91-92
	Average in-year slippage of In Service Date of new major projects (3 equipment projects in 2000/01) of less than 10 days.	On course Average in-year slippage of 100 days in 2000/01, against an interim target of 15 days. Performance projected to improve during 2001/02. (Target carried over to 2001/04 PSA).	
	Average in-year slippage of In Service Date of existing major projects (13 equipment projects in 2000/01) of less than 4 weeks.	On course Average in-year slippage of 6.3 weeks in 2000/01, against an interim target of 6 weeks. As at 1 October 2001, target reassessed as 'At Risk'. (Target carried over to 2001/04 PSA).	
Departmental Operations			
13. Achieve annual efficiency improvements of 3% (as a percentage of the efficiency baseline)	Total value of efficiency measures identified as a proportion of the efficiency baseline.	On course Although the 3% target was not achieved for 2000/01, the Department remains on course to achieve £2 billion of annual efficiency savings over	48-51

PSA Target	Performance Indicator	Assessment at End of 2000/01 Financial Year	Reference Paragraph
each year from 1998/99 to 2001/02.		the four year period. (Target carried over to 2001/04 PSA).	
14. Realise gross receipts of £700m from the sale of Defence estate (1998/99 to 2001/02).	In-year gross value of estate disposal receipts.	On course Gross receipts of £209m were attained in 2000/01. The Department is on course to realise early achievement of the £700m target set for March 2002 following the Strategic Defence Review.	80
15. Achieve a reduction in book value of non-munitions stockholdings of £2.2 billion by April 2001.	In-year reduction in value of stocks.	Met Target reduction of £2.2bn was exceeded by £604m.	85
Defence Diplomacy			
16. Implement enhanced Outreach and arms control programmes from 1 April 2000.	Measure of Defence Diplomacy activity by type, country, numbers of personnel assisted and extent of any MOD subsidy. Review progress of achievement of MOD centrally-sponsored actions contained in the Defence Diplomacy Implementation Plan.	Met Improved programmes implemented under the Defence Diplomacy Mission.	39-41
Departmental Productivity Targets			
Review all Departmental services and activities over a 5-year period in accordance with the Better Quality Services initiative.	% of MOD services reviewed in line with the Better Quality Services initiative.	On course As at 31 March 2001, over 70% of those MOD services covered in the Action Plan had been reviewed.	105
Have capability to undertake at least 25% of business with industry and the public by wholly electronic means by Autumn 2002 (excludes procurement activity).	% of business capable of being conducted electronically.	On Course As at 31 March 2001, MOD's electronic service capability, covering recruitment and specialist information services, stood at 73%. Projected to reach target of 100% by autumn 2002.	106-107
Reduce number of days lost by civilian staff each year through sickness absence.	Average number of days lost per staff year to sickness absence.	Slipping As at 31 March 2001, sickness absence had reduced from 8.5 days to 7.8 days lost per staff year. Achievement of 7.1 days by end of 2001 in doubt as new measures to improve management of sick absence will take time to affect attendance levels.	76

PSA Target	Performance Indicator	Assessment at End of 2000/01 Financial Year	Reference Paragraph
Ensure effective deterrence, detection and investigation of fraud.	Estimated value of suspected and proven fraud reported each year.	Met 172 cases of suspected and proven fraud and theft reported during 2000/01, with a total estimated value of £881,000. The new MOD Fraud Policy Statement was issued in February 2001.	Annex D, 1
Pay all bills in accordance with agreed contractual conditions, or where no such conditions exist, within 30 days of receipt of goods and services.	% of bills paid within target timescale.	Met 100% of bills paid within 30 days by the Defence Bills Agency (accounts for 94.9% of the total number of bills paid by the Department).	Annex D, 2-3

Output and

Delivering what the

The UK's Armed Forces continued to engage in operations around the world during 2000/01. Successful operations were conducted in Kosovo, Bosnia, Sierra Leone and the Middle East, whilst at home the Armed Forces played a vital role in combating the foot and mouth outbreak. The Department began a major package of work to develop a more robust measure of readiness, enabling a better assessment to be made of the overall level of military capability. Good progress was also made on realising the force structure changes identified in the Strategic Defence Review, and on implementing UK Defence policies relating to NATO, the European Union, Defence Diplomacy and conflict prevention. The Defence Missions and Military Tasks are shown at Annex F.



The presence of British Forces allowed the people of Sierra Leone to go about their daily lives without fear of attack.

Operations

Peace Support and Humanitarian Operations

9. The principal deployments during 2000/01 were:

- British forces, both Regular and Reserve, continued to play a leading role in the **Kosovo** Force, with some 3,200 troops deployed. The UK remained the lead nation in Multi-national Brigade (Centre), operating primarily alongside troops from Sweden, Finland, Norway and the Czech Republic.
- British forces also played a central role in Kosovo Force operations to oversee the return of Federal Republic of Yugoslavia troops to the Ground Safety Zone (a 5km 'buffer zone' around Kosovo's boundary), and to cut off supplies to ethnic Albanian armed groups in the Former Yugoslav Republic of Macedonia.
- British forces, working closely with police from the United Nations Mission in Kosovo, were engaged in tackling the links between organised crime and ethnic extremism, which pose the most serious immediate threat to security in Kosovo. The UK provided additional troops in the run-up to the municipal elections in Kosovo in September 2000, which passed off peacefully. Province-wide elections took place in November 2001.
- Within the Stabilisation Force in **Bosnia**, rationalisation of supporting elements of the UK contribution enabled a reduction from 2,200 to around 1,700 personnel, without diminishing the 'front-line' capability. British forces within Multi-national Division (South West) were under Canadian command for much of the year, following the introduction of 'rotational command' between Canada, the Netherlands and the UK.
- Assistance to the International Criminal Tribunal for the former Yugoslavia is an integral part of the Stabilisation Force's mission. This support ranges from the provision of information to assist investigations to the protection of forensic teams and the detention of people indicted for war crimes. By the end of March 2001 this force had conducted 24 detention operations of which 13 involved British Forces.
- Royal Air Force aircraft undertook humanitarian patrols of the No-Fly Zones in **Iraq**, in support of United Nations Security Council Resolution 688, which called upon Saddam Hussein to cease his suppression of

Kurds in the north and Shias in the south. In the north, the UK contribution consisted of four Jaguar reconnaissance aircraft supported by VC10 tanker aircraft based in Turkey and, in the south, detachments of Tornado and VC10 tanker aircraft based in Saudi Arabia, Kuwait and Bahrain.

- Iraqi forces continued to target coalition forces, including UK aircraft, carrying out this humanitarian mission. UK aircrew legitimately responded in self-defence against these attacks.
- Throughout the year, Royal Navy ships contributed to the maintenance of effective multi-national embargo operations in the **Gulf** region. Nimrod reconnaissance aircraft provided periodic support to all of these Gulf operations.
- In August 2000, Royal Navy assets supported the attempted rescue of the crew of the Russian submarine **KURSK**.
- UK forces provided humanitarian assistance to the Government of **Belize** in October 2000, in the immediate aftermath of Hurricane Keith. The UK contribution consisted of British Army Training Support Unit personnel, helicopters from 7 Regiment Army Air Corps (of the Territorial Army), a company of the Coldstream Guards (who were on exercise in the country at the time), HMS CARDIFF and RFA BLACK ROVER.

Sierra Leone

The Prime Minister announced in March 2000 that the UK would lead an International Military Advisory and Training Team to help the Government of Sierra Leone create effective and democratically accountable Armed Forces in the longer term.

In early May 2000, following renewed fighting between Government and rebel forces in Sierra Leone, British forces moved at very short notice to secure Lungi airport, to allow the evacuation of UK nationals and to enable the United Nations to bring in reinforcements. The UK also deployed an operational headquarters to co-ordinate the activities of UK forces and to provide operational advice to the Government and Army of Sierra Leone. At the peak of operations some 4,500 personnel were deployed, and by mid June they had achieved their initial objectives and were withdrawn.

However, this did not signify an end to the UK's commitment to Sierra Leone; in mid June the first of a series of Short Term Training Teams was deployed to boost the operational capability of the Sierra Leone Army by providing basic infantry training for 1,000 recruits. In the light of continuing uncertainty over security in the country, the Training Team programme was subsequently extended until September 2001.

British involvement in Sierra Leone was not without human cost. In September 2000 British Forces took part in the rescue of a number of Royal Irish soldiers who had been taken hostage by renegade forces. All the hostages were successfully rescued, but one soldier was killed in the operation and a number of others wounded, as well as losses on the opposing side.

Independent Nuclear Deterrent

10. Throughout 2000/01, the UK's Trident submarine force maintained at sea a nuclear capability in support of NATO's strategy of war prevention and as the ultimate guarantee of national security.

Military Aid to the Civil Authorities – Foot and Mouth

11. By 31 March 2001, around 1,000 personnel (drawn from all three Services and including Reserves) were deployed to support the Department of Environment, Food and Rural Affairs in their efforts to combat foot and mouth disease. This figure rose to over 2,000 at the height of the crisis. The significant contribution of the Armed Forces, across a wide range of tasks, has been acknowledged as critical in bringing the outbreak under control. The original role of the Armed Forces was to enhance command and control and supervise the disposal process. Military assistance was subsequently provided in support of operations at all stages of the reporting, identification, culling and disposal chain.

Other Military Aid to the Civil Authorities

12. Last year also saw a series of other civil emergencies, to which the Armed Forces provided support by diverting personnel and equipment from other tasks. About 1,000 drivers were given additional training to enable them to deliver petrol, and thus maintain essential services, in the event of severe disruption to the fuel supply. Fortunately there was no need to deploy these drivers. Similarly, more than 500 personnel were trained to operate Green Goddess fire engines to ensure that emergency cover could be provided during industrial action by firefighters. By far the greatest effort undertaken, however, was the deployment of some 2,500 personnel from all three Services during the autumn floods. Again, their contribution was recognised as crucial in helping the emergency services to prevent loss of life. Personnel assisted with reducing the spread of flood waters, thus limiting the damage to property and businesses, and evacuated people from their homes.

Military Aid to the Civil Power in Northern Ireland

13. Northern Ireland remains the MOD's largest peacetime commitment. The ongoing improvements to the security situation in Northern Ireland during 2000/01 saw a further contribution to the normalisation process in the Province, with the closure of 8 military bases. As at 31 March 2001, a total of 13,568 members of the Armed Forces were deployed to Northern Ireland, including 176 Royal Navy and 1,084 Royal Air Force personnel, a reduction of 741 over the year. 1,217 extra troops were deployed during the marching season, which passed without major incident. While the peace process has brought genuine benefits to Northern Ireland and the longest period of relative peace and stability in 30 years, normality has still not returned. Dissident terrorist groups, republican and loyalist, continue to regard violence as a way of furthering their objectives. The Army's counter-terrorist and public order role in the Province will remain for as long as the police require military support to maintain law and order.

Counter-Drugs Operations

14. The Strategic Defence Review confirmed that the MOD would provide support to the counter-drugs activities of law enforcement agencies in the UK and overseas, where operational commitments allow.

Consequently, ships deployed to the Caribbean undertook patrols and joint operations with US Coast Guard and drug enforcement agencies in the region during 2000/01. Although no significant seizures of drugs were made, the presence of the Royal Navy continued to be a significant deterrent to drug traffickers.

Military Search and Rescue in Peacetime

15. The Armed Forces maintain a year-round, 24-hour Search and Rescue service based at 8 locations around the British Isles, typically at 15 minutes readiness. Together with other Service assets, including the Royal Air Force Mountain Rescue Service and Nimrod maritime patrol aircraft, they were called out on 1,980 occasions in 2000/01 (compared to 1,870 in 1999/00) and assisted a total of 1,304 people; of these, 51 were military personnel. These incidents included providing assistance to local communities after air and rail crashes.

Security of the Overseas Territories

16. British Forces in the **Falkland Islands** continued to demonstrate the Government's commitment and capability to defend the Falkland Islands, South Georgia and the South Sandwich Islands, and to protect the Falkland Islanders' right to self-determination.

17. British Forces in **Gibraltar** demonstrated a similar commitment to the security of Gibraltar.

18. British Forces in **Cyprus** and the Sovereign Base Areas Administration maintained UK strategic facilities on the island – essential communications units and the staging post at RAF Akrotiri – which continued to play a significant role in supporting UK operations in the Middle East. The United Kingdom also upheld its significant contribution to the United Nations Force in Cyprus.

Commitment Levels of the Armed Forces

19. As well as undertaking a wide range of ongoing tasks such as fishery protection, the **Royal Navy** and **Royal Marines** were involved in a high number of operational commitments throughout the year, including the deployment of the Amphibious and Aircraft Carrier Task Groups to Sierra Leone. Activity levels peaked during Autumn 2000, when some 34% of the Naval Service's front line manpower strength was engaged directly in operations.

20. The **Army** experienced more stable levels of operational commitments during 2000/01. In April 2000, 22% of the trained Army was committed to operations, rising to a year high of 24.4% in March 2001. This reflected the Army's support to the civil authorities, and compares to the 1999 peak, at the height of the Kosovo campaign, of 44%. The benefits of these lower commitment levels were felt across the Army, allowing further efforts to reduce remaining areas of specific overstretch.

21. The proportion of **Royal Air Force** personnel committed to operations during 2000/01 ranged from 11% at the beginning of the financial year to 10.4% at the end. The high point was reached in June 2000, during operations in Sierra Leone, when 12.7% of personnel were committed to operations. A total of 29,100 operational hours were flown in 2000/01.

Figure 2: Principal Deployments of the Armed Forces as at 31 March 2001



1 ASCENSION ISLAND

RAF refuelling and support party

2 BAHRAIN

RAF tanker in support of operations to deter Iraqi aggression

3 BELIZE

Jointly warlike training

4 BRUNEI

Garrish garrison

5 CANADA

Personnel Training Staff Army training exercises

6 CARIBBEAN

Atlantic Patrol North - Counter Drugs Operations

7 NORTH ATLANTIC

RN contribution to Standing Naval Force Atlantic (SNFA)

8 CYPRUS

RAF Support Helicopters (UHACYP)
UK Br Contribution to UN Peace Keeping (UNACYP)
Garrison Br Groups in Sovereign Base Areas
Company & RAF training exercises

9 DEM REP CONGO

UK element of planned deployment of UNMILs to the DRC

10 DIEGO GARCIA

Naval fueling and support party

11 EAST TIMOR

UK military support to UN Transitional Arrangements for E Timor

12 FALKLAND ISLANDS

Bi-Service Garrison Forces

15 FORMER YUGOSLAVIA

Bi-Service contributors to NATO-led Peace Support Force (SFOR) in Bosnia and to Kosovo Force (KFOR). Supporting forces in Macedonia

14 GEORGIA

UK contribution to UN Observer Mission

15 GERMANY

British Army and RAF Garrison Forces

16 GIBRALTAR

Small Bi-Service Support Garrison locally raised Gibraltar Regiment

17 GULF

AN Maritime Patrol Operations

18 IRAQ

UK contribution to UNSCOM teams for search and verification of destruction of weapons of mass destruction (currently in abeyance)

19 ITALY

RAF support to SFOR/WOT for operations in FYR

20 KUWAIT

UK contribution to UN observation of DMZ along Iraq/Kuwait border
Training support to Kuwait Armed Forces
RAF contribution to enforcing compliance with the No-Fly Zone over Southern Iraq

21 MEDITERRANEAN

RN contribution to Standing Naval Force Mediterranean (STANFLOTMED)

22 NEPAL

British Gurkha Nepal

23 NORTHERN IRELAND

Bi-Service support to RUC

24 NORTH SEA

RN contribution to Allied Counter Measures Force (North) (ACMF(N))

25 SAUDI ARABIA

UK contribution to enforcement of No-Fly Zone over Southern Iraq

26 SOUTH ATLANTIC

Atlantic Patrol (South) currently offshore support to training teams in Sierra Leone

27 SIERRA LEONE

Training Teams in support of the Sierra Leone Army

28 TURKEY

UK contribution to enforcement of No-Fly Zone over Northern Iraq

Effectiveness

Readiness

22. Readiness of force elements (for example, an Army brigade or a Royal Navy ship) is used as a surrogate measure of military capability. In 2000/01, the Department began a major package of work to enable a more accurate, meaningful and consistent evaluation of military capability to be made. A number of improvements were introduced throughout the year. Force elements were categorised into tri-Service capability groupings, aligning them with the equipment programme (see paragraph 93 and Annex I), and were weighted according to their relative importance within specific capability groups. To improve consistency, all three Services moved towards the adoption of common readiness measurement criteria.

23. As a result of these developments, the Department is better able to assess the overall level of military capability across the Services and to pinpoint capability strengths and weaknesses. Building on these foundations, ongoing work is expected to improve further the measurement of readiness and to incorporate other aspects of military capability.

24. Overall, the ability of force elements to meet readiness targets improved marginally in 2000/01, although there remained many capability groupings in which weaknesses still existed. Manpower and equipment shortages remained the biggest challenges facing the Services, in particular the ability to fill specialist positions with qualified personnel (see paragraphs 52-60). There was a minor improvement in equipment availability during the year, although all three Services suffered from equipment shortages at some point. Problem areas have been addressed and solutions, if not already in place, are being sought. The training and sustainability of force elements also showed marginal improvement in 2000/01, although again deficiencies were experienced in a number of areas. Work continues to develop a more robust measure of sustainability and deployability.

25. Whilst the **Royal Navy** and **Royal Marines** conducted a successful and dynamic operational programme in 2000/01, with all tasks fulfilled, there were significant shortfalls in the readiness of some Naval force elements. Equipment defects and shortages of spares were the primary causes, limiting the availability of Fleet submarines, amphibious ships (OCEAN and FEARLESS) and Lynx helicopters. Manpower shortages in a number of categories also caused difficulties across the Fleet and within the Commando Brigade. During 2000/01, of those Royal Navy and Royal Marines force elements intended to be rapidly available (i.e. those held at either very high, high or medium readiness), 95% were at medium readiness or above.

26. The **Army** successfully fulfilled all operational tasks in 2000/01, although two main elements combined to affect readiness: continuing force structure changes and under-manning. Despite these pressures, manning for operations was achieved and readiness levels improved compared to the previous year. During 2000/01, of those Army force elements intended to be rapidly available, 72% were at either very high, high or medium readiness.

27. The **Royal Air Force** continued to experience difficulties in maintaining the required levels of overall force element readiness. This was largely due to persistent manning problems in key areas, along with some equipment shortages. Nevertheless, despite these pressures, the Royal Air Force was able to meet all of its Out of Area and operational commitments. As at 31 March 2001, of those RAF force elements intended to be

rapidly available, 90% were at either very high, high or medium readiness.

Exercises and Military Training

28. To support the delivery of the Joint Rapid Reaction Forces' operational capability (see paragraph 34), the joint exercise programme was further developed in 2000/01. Highlights included the annual exercise for Joint Commanders and their staffs, REACTION COMBINEE, which was conducted with French Armed Forces. Exercises for the maritime, land, air, logistics and special forces component commanders, previously conducted separately, are now carried out jointly in order to maximise efficiency and effectiveness.

29. **Royal Navy** and **Royal Marines** exercises over the last year included: the deployment of the Amphibious Ready Group to the Mediterranean for DESTINED GLORY and ARGONAUT 2000; Naval Task Group 2000, a successful seven month global circumnavigation; and ASWEX, an anti submarine warfare exercise in UK waters. Exercises LINKED SEAS, DYNAMIC MIX and AURORA were affected by the withdrawal of units for operations in Sierra Leone. The foot and mouth outbreak also impacted upon the programme – restrictions on landing UK forces in Norway meant that Royal Marine winter deployment training had to be completed in northern Scotland. Other limitations on the use of Royal Marine training areas were overcome by using facilities in the United States.

30. The **Army's** annual exercise programme balances the requirement to train units to the appropriate standard against the need to provide stability for its personnel. In 2000/01, a succession of demanding combined arms exercises were conducted to ensure that both Regular and Territorial Army units met their mandated levels of readiness. Of particular note were exercises HARDFALL, a NATO warfighting exercise in Norway, and MEDICINE MAN, a series of field training exercises in Canada. Two exercises planned for March 2001 (DRUIDS DANCE and ARCADE GUARD) were cancelled due to the foot and mouth disease outbreak. In total, the Army conducted 111 Overseas Training Exercises in 29 countries.

31. **Royal Air Force** exercises ranged from those involving other air forces, such as RED FLAG (with the US and other NATO air forces), to national training exercises such as JOINT WINTER in Norway. In addition the RAF supported Army and Royal Navy exercises, for example ULAN EAGLE, in which the RAF operated with the Polish Air Force. Training conducted within the Outreach programme included aircraft deployments to Romania and Hungary, and Strike Command-hosted seminars for Hungarian, Romanian and Ukrainian delegates. Activities in direct support of the Defence Diplomacy Mission included Exercise BALTIC LINK in Sweden, which was completed satisfactorily.

32. A comprehensive list of military exercises undertaken by all three Services is available on the MOD website at <http://www.mod.uk>.



PSA SDR Force Structure

33. The Department made further progress against its Public Service Agreement targets relating to force structure changes (see Summary of Performance, paragraphs 6-8). Progress on implementing the Joint Rapid Reaction Forces and strategic lift capabilities is summarised below. The strength of the Armed Forces, as at 31 March 2001, is detailed at Annex G.

PSA → **Joint Rapid Reaction Forces**

34. The MOD remained on course to achieve the revised target date of late 2002/03 for delivery of the Joint Rapid Reaction Forces' phase 2 capability. During 2000/01 the successful short-notice deployment of these Forces, for small-scale non-warfighting operations, again validated the rapid reaction concept. By the end of 2001, following Exercise SAIF SAREEA II, the Army's very high readiness task forces are projected to be in place at the planned capability and readiness, with the ability to provide a composite brigade for warfighting. It is expected that formed high readiness brigades at full capability will be delivered by the end of 2002.

PSA → **Strategic Lift Capabilities**

35. The Secretary of State announced in May 2000 the decision to lease four C-17 aircraft for a period of seven years, and a contract was signed in September 2000. All 4 aircraft were delivered by the end of August 2001, ahead of schedule, and their In Service Date was declared on 30 September. A Private Finance Initiative contract for the provision of six roll-on roll-off container ships was also announced, with an In Service Date of 2005. However, the full service is expected to be available from 2003. To cover the intervening period, chartering arrangements for three ships came into force in March 2001.

Defence Policy

NATO

36. The next round of NATO enlargement is expected to be launched at the Prague Summit in November 2002. Throughout 2000/01, the MOD and Foreign and Commonwealth Office jointly stressed the need to avoid premature discussion of individual aspirant nations' cases for membership, and to base future enlargement decisions on the three 'Washington criteria': aspirant nations must be ready to join; the Alliance must itself be ready for new members; and enlargement must benefit Euro-Atlantic security. Debate on enlargement within the Alliance centred on this approach.

37. The UK continued to play a leading role in the implementation of the Defence Capabilities Initiative, and made good progress towards achieving the related Force Goals; around 60% have now been fully implemented (compared to an Alliance average of 44%), and a further 30% partially implemented. The UK was instrumental in driving forward the High Level Steering Group, emphasising the importance of multinational solutions. Although nearly half of the Initiative's decisions were assessed as complete or making satisfactory progress, there remained a substantial amount of work to be done to rectify remaining Alliance capability shortfalls.

European Defence

38. Overall, solid progress was made throughout the year. On capabilities, the European Union member states nominated their possible contributions to an EU-led force at a Ministerial conference in November 2000. A number of shortfalls were subsequently evident for the most demanding type of crisis management operation (peace enforcement), and nations agreed to address these in the next phase of work. Both the Political and Security Committee and Military Committee were established as permanent EU decision-making bodies in 2000/01, and the EU Military Staff began the build up towards full strength (achieved in October

2001). The conclusions of the Nice European Council and NATO Foreign Ministers' meeting in December 2000 supported the UK's policy of establishing permanent, strong and coherent EU-NATO relations.



Defence Diplomacy

39. Good progress was made with the Defence Diplomacy Mission in the past year. The MOD, Foreign and Commonwealth Office, and Department of Trade and Industry jointly agreed a programme of assistance to Russia, focusing on chemical and biological non-proliferation projects and demilitarisation. The UK also played a key role in the Nuclear Non-Proliferation Treaty Review Conference, which resulted in the first successfully agreed final document since 1985. During 2000/01, the UK continued an intensive dialogue with the US and others on US missile defence proposals and related issues.

40. Under the Outreach programme, the MOD continued to support defence reform in Central and Eastern Europe, the Caucasus, and Central Asia. An important element of this programme was the Military Advisory and Training Team at Vyskov in the Czech Republic, which provided training to military personnel from across the Central and Eastern Europe region. Through a series of such Training Teams, the MOD also helped to create more effective and democratically accountable armed forces in countries such as Sierra Leone and South Africa. Achievements in the Central and Eastern Asia region were the rapprochement with China and strengthened relationships with India. In Latin America, the Argentine military contacts programme was agreed and relations with Chile improved.

41. Another success was the development of the Defence Diplomacy Scholarship Scheme, enabling foreign military officers and civilian officials to study aspects of democratic defence management. During 2000/01, the number of courses was increased and an 'exportable' version was established, which was first held in Sierra Leone in May 2001. A Defence Advisory Team was established to improve the delivery of in-country defence assistance programmes. Further information on military assistance provided during 2000/01 is at Annex H.

Conflict Prevention

42. The MOD, Foreign and Commonwealth Office, Department for International Development, and Her Majesty's Treasury worked closely to develop the joint Conflict Prevention Initiative, launched on 1 April 2001, which aims to reduce the number and effects of violent conflicts. The first three of these Departments pooled their previously separate conflict prevention resources and created two joint budgets to fund efforts in sub-Saharan Africa and the rest of the world. The Treasury provided additional funding. Moreover, functional and regional priorities for conflict prevention were jointly identified, and strategies to meet these priorities were put in place. In sub-Saharan Africa, the MOD will focus on the development of African peacekeeping capacities and security sector reform. Elsewhere, efforts will concentrate on a number of key regions such as the Balkans, on implementing the Brahimi Report's UN peacekeeping reforms, and on small arms and light weapons controls.

Other Outputs

Support to British Defence Exports

43. In 2000 the UK won defence orders worth some £4.7 billion. These included the sale of Vosper

Thornycroft Fast Attack Craft to Greece (£200m), Rolls Royce RTM 322 helicopter engines to Germany and the Netherlands (£250m), and GKN Westland SuperLynx to Malaysia (£108m). However, as a result of slippage in some major projects, the extremely strong showing of the US, and the exceptional size of the market, the UK's market share dropped to 13%. Nonetheless, the UK continued to out-perform its major European competitors, remaining second only to the United States.

Resource Management

Planning and managing our resources

The 2000/01 Defence programme was managed within voted resources. Over £300 million of efficiency savings were secured, and estates and equipment disposals totalled more than £250 million. Efforts also focused on managing the transition to resource-based accounting and on improving the robustness of the underlying data. Progress towards meeting the Armed Forces' manning targets was mixed; although retention improved, recruitment numbers declined, and the overall position remained fairly static. A number of major initiatives were launched to address manpower shortfalls, aimed primarily at those areas experiencing critical shortages. Communicating the work of the Department to the public remained a high priority, and was achieved through a range of consultation exercises, factsheets and touring exhibitions.



The Defence Secretary launches the "We Were There" exhibition, celebrating the contribution of ethnic minorities to the Armed Forces.

Management of the Annual Budget

Defence Budget and Defence Spending

Defence Budget Outturn against Voted Provision 2000/01 (£ million)			
	Final Voted Provision	Final Outturn	Variation
Vote 1 Departmental Expenditure Limit ^[1]	23,602	23,529	-73
Vote 1 Annually Managed Expenditure	8	9	1
Vote 1 Total	23,610	23,538	-72
Notes:			
^[1] Vote 1 covers operational and support costs, logistics services and systems procurement and research.			

44. The underspend of £73m, less than 0.4% of the budget for the year, is available to be carried forward to 2001/02 under agreed end-year flexibility rules. This outcome reflects the significant effort devoted to better forecasting and firm management action in-year. Consolidated Fund Extra Receipts of £22m were returned to the Reserve.

45. To meet the additional costs incurred on overseas operations in Kosovo, Bosnia and Sierra Leone, £328m was provided from the Government's central Reserve.

46. The outturn on Vote 2 (Armed Forces Retired Pay and Pensions) was £1,264.1m, representing an underspend of £78m against the Estimates provision of £1,342.2m. Excess receipts of £3m were returned to the Reserve. This Vote is classed as Annually Managed Expenditure and is therefore not included in the Departmental Expenditure Limit.

47. 2000/01 was the final year for which the Department was controlled on a cash basis. Since 1 April 2001 the Defence programme has been managed in resource terms only. The Department's total outturn in resource terms for 2000/01 was £33,293m. The main reasons for the difference between this value and the cash outturn figure shown in the above table are: the inclusion in the resource figure of depreciation and

amortisation costs on fixed assets employed; the notional cost of capital charge based on net assets employed; and non-cash movements relating to stock, debtors, creditors and provisions. Capital expenditure additions and disposals made during the year are also excluded from the resource outturn figure. A set of Departmental Resource Accounts showing the detailed results for 2000/01 will be published in December. Further information on the breakdown of the Defence Budget can also be found in the UK Defence Statistics 2001, which was published in September 2001.

Cash Budget – Principal Headings of the Defence Budget	Percentage of Total Expenditure ^[1]		
	1998/99	1999/00	2000/01
Expenditure on Personnel			
Armed Forces	28.0	27.7	27.6
Civilian	10.1	10.0	9.6
Expenditure on Equipment ^[2]	44.0	43.1	42.5
Other Expenditure (inc. Works)	17.9	19.2	20.3
Notes:			
^[1] Derived from final outturn data.			
^[2] Includes expenditure on equipment development, production, spares and repairs.			

Resource Budget – Principal Headings of the Defence Budget	Percentage of Total Budget ^{[1] [2]}
	2001/02
Expenditure on Personnel	
Armed Forces	29.7
Civilian	10.3
Expenditure on categories of Fixed Assets	
Intangible Assets ^[3]	5.7
Land and Buildings	0.1
Fighting Equipment ^[4]	13.2
Plant, Machinery and Vehicles	0.2
IT and Communications Equipment	1.0
Assets in the Course of Construction	1.7
Capital Spares	1.6
Other Expenditure ^[5]	36.6
Notes:	
^[1] Derived from the Supply Estimates.	
^[2] Figures are individually rounded to nearest 0.1% and may not sum precisely to 100%.	
^[3] Includes mainly development costs.	
^[4] Includes the costs of aircraft, ships, tanks, weapons and small arms, missile systems, nuclear systems and artillery (but not spares and repairs). In common with the other categories of equipment shown in this table, the in-year cost of fighting equipment represents the total cost depreciated over its anticipated life.	
^[5] Includes estate management and maintenance, consumption of fuels, utilities and stocks, research and general services.	

PSA → **Efficiency**

Total Efficiency Savings (£ million, %) ^[1]				
	1998/99	1999/00	2000/01 ^[3]	2001/02
Cumulative savings target in £ million ^[2]	505	998	1,499	2,014
Cumulative savings achieved in £ million	594	1,126	1,472	-
Cumulative achievement expressed as a percentage of the cumulative target	118%	113%	98%	-
Notes:				
^[1] Cumulative figures include year on year inflation, based on HM Treasury's 1998 forecasts, and indicate efficiency savings from the MOD's annual operating cost against the 1997/98 baseline position.				
^[2] Equivalent to savings of 3% per year (3.3% for 1998/99) against the efficiency baseline.				
^[3] Final achievement is still being validated and may be subject to change.				

48. The above table demonstrates that efficiency savings achieved in 1998/99 (nearly £600m) and 1999/00 (over £500m) were significantly above their respective targets. This was a result of implementing measures, particularly the major organisational changes following the Strategic Defence Review, as early as possible. Inevitably, this has somewhat limited the scope for delivering savings in subsequent years, and the Department was not quite as successful in 2000/01. Nevertheless, the MOD remains broadly on track to achieve its 3% Public Service Agreement target across the four year period, equivalent to a reduction in the Department's annual operating cost of some £2 billion by March 2002. These achievements – reducing costs through improved efficiency – help ensure that the MOD is able to invest in increasing the military capability of the Armed Forces.

49. Over £300m worth of new efficiency savings were achieved during 2000/01, through the implementation of several hundred individual measures. These included rationalisations, instituting best working practices and improved arrangements with the private sector. For example:

- New incentives in the MOD's food supply contract require the contractor to seek improved value for money on behalf of the Department;
- The introduction of flexible working practices, thereby eliminating the need for overtime for certain dock workers, was part of a major overhaul of support services at the Devonport naval dockyard;
- The replacement of 5 contracts supporting a guided missile system with a single incentivised contract streamlined stockholdings and overheads;
- The review of support arrangements in the Defence Procurement Agency eliminated duplication and reduced running costs;
- In Germany, the Army improved its utilities management, reducing its electricity bill by over 50%;
- The Royal Air Force achieved a considerable cost saving by reducing the number of postings that required a domestic move;

- Ideas submitted in 2000/01 led GEMS, the Department's award-winning staff suggestion scheme, to make an important contribution (£19m) to efficiency savings.

50. Nearly 60% (£190m) of the efficiency savings for 2000/01 were found in the Centre and Support areas of the MOD. Of this, the Defence Logistics Organisation contributed some £130m (during a period of immense re-organisation), and the Defence Procurement Agency around £20m.

51. MOD is fully committed to the pursuit of efficiency. Performance against the Public Service Agreement savings target demonstrates the Department's success in maintaining outputs with reduced financial inputs. But equal priority is attached to improving outputs for the same level of input, although these gains are much harder to capture and quantify. One benefit of a new output costing system, currently under development, will be to provide a clearer picture of these efficiencies. This will enable a more comprehensive assessment to be made of the Department's overall efficiency performance.

Manning Levels

PSA → Service Manning

52. The tables below show the trained strength of the Armed Forces against the trained requirement, the inflow of Service personnel from civilian life (i.e. recruitment) and the outflow of regular Service personnel (i.e. retention) for 2000/01. Although overall retention improved, recruitment numbers declined, and the three Services were unable to meet the manning targets set out in the Public Service Agreement.

Strengths and Requirements of UK Regular Forces ^[1]									
	Royal Navy/Royal Marines ^[2]			Army ^[3]			Royal Air Force ^[2]		
	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01
Trained requirement	40,900	39,900	39,900	105,300	108,300 ^[4]	108,300	53,000	51,900	51,600
Total trained strength	39,100	38,500	38,500	99,700	100,300	100,200	51,800	51,000	50,100
Variation	-1,900	-1,400	-1,400	-5,600	-8,000	-8,100	-1,300	-900	-1,500
Untrained strength	4,600	4,300	4,400	13,700	13,900	13,800	3,500	3,700	3,900
Total UK Regular Forces	43,700	42,800	42,900	113,300	114,200	114,000	55,200	54,700	54,000
Notes:									
^[1] As at 31 March. Figures are individually rounded to nearest hundred and may not sum precisely to the totals shown.									
^[2] From 2000 onwards, includes Full Time Reserve Service personnel.									
^[3] Includes Gurkhas and, from 2000 onwards, Full Time Reserve Service personnel.									
^[4] Post-Strategic Defence Review requirement.									

Intake to UK Regular Forces ^[1]									
	Royal Navy/Royal Marines			Army			Royal Air Force		
	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01
Officer intake	383	408	448	696	1,047	871	427	484	439
Other rank intake	4,384	4,545	4,175	16,267	15,436	13,843	3,819	3,613	3,193
Total intake	4,767	4,953	4,623	16,963	16,483	14,714	4,246	4,097	3,632
Notes:									
^[1] Does not include Full Time Reserve personnel.									

Outflow of Regular Service Personnel ^[1]									
	Royal Navy/Royal Marines			Army ^[2]			Royal Air Force ^[2]		
	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01
Officer outflow	538	570	480	1,294	1,079	1,139	659	601	657
Other rank outflow	4,993	5,226	4,530	15,662	15,011	14,003	4,230	4,019	4,025
Total outflow	5,531	5,796	5,010	16,956	16,090	15,142	4,889	4,620	4,682
Notes:									
^[1] These figures include outflow from the untrained strength.									
^[2] Does not include Full Time Reserve Service personnel or, for the Army, Gurkhas.									

53. As at 31 March 2001 the **Royal Navy** and **Royal Marines** had a shortfall of some 1,400 personnel against the trained strength requirement, and were on course to achieve numerical manpower balance by October 2002. However, more recent trends have suggested an increased risk of not meeting this target, due to three main factors: first, recruitment remained difficult in the buoyant employment market; second, higher retirement application rates were experienced amongst both officers and other ranks; and third, the forecast reduction in the requirement for Royal Navy personnel was not fully realised. Management action continues to address these difficult areas, and options such as extending the length of service and using Financial Retention Initiatives are under consideration. Manpower shortages were most serious for Sea Harrier and Lynx pilots, warfare branch officers and ratings, and Royal Marines other ranks.

54. As at 31 March 2001 the **Army** had a shortfall of 8,100 against the post-Strategic Defence Review trained strength requirement. The exit rate for non-commissioned ranks dropped from 7.1% to 6.4%, and for Army officers increased from 4.0% to 4.2%. Significant shortages remained within the Infantry, Royal Artillery, Royal Electrical and Mechanical Engineers, and Royal Signals.

55. The overall **Royal Air Force** manning position also deteriorated slightly over the past year, with the manning deficit rising to some 2.9% of the requirement by 31 March 2001. This was partly due to increased outflow, which rose to 6.3% for trained officers and 8.3% for ground trades, as many of the high intake from the late 1980s reached the end of their commission or engagement.

56. Shortages of junior officer pilots, navigators, medical officers and ground electronic trade personnel were particular concerns. A number of initiatives were introduced to address these gaps, including: targeted recruitment campaigns; Financial Retention Initiatives for aircrew; and a re-engagement package for junior ground trade personnel.

57. Across the three Services, medical manning levels remained a serious concern. Overall the position stabilised, but in most cases at levels well below requirements. Particular areas of difficulty were general and orthopaedic surgeons, general physicians, anaesthetists, Accident and Emergency specialists, and General Medical Practitioners. The numbers of medical and dental cadets and nurse trainees increased, however, and a new initiative to recruit trained doctors, launched in early summer 2001, has begun to produce results. MOD worked closely with the Department of Health and the NHS, both on the recruitment of regular personnel and on reservist issues, and two pilot projects were established. Notwithstanding the manning shortfalls all operational commitments were met. The impact of these commitments on regular personnel was mitigated by the important contribution of reservist volunteers.

Armed Forces Overarching Personnel Strategy

58. The Armed Forces Overarching Personnel Strategy, launched in February 2000, continued to guide the development and delivery of recruitment and retention policies.

Recruitment

59. In 2000/01, the total intake to the Armed Forces was 22,969 personnel, as shown in the above table. This equated to 90% of the overall recruitment target (compared to 96% in 1999/00). Recruitment shortfalls were experienced in all three Services, including: Royal Navy – engineer officers, operator mechanics, and supply personnel; Army – Scottish Divisions of the Infantry, and the Royal Logistics Corps; Royal Air Force – air traffic and fighter controllers, and technicians.

60. Alongside ongoing recruitment initiatives, all three Services improved their careers websites during 2000/01, and in May 2000 the Army launched its successful 'on-line' recruiting office. The multi-media campaign launched in January 2001 is gradually increasing the number of enquiries and requests for career information, and targeted mailshots were used to inform potential recruits of career opportunities. The Royal Air Force introduced two schemes aimed at increasing the proportion of school leavers that join as direct entry pilots. The Army appointed a private company to manage recruitment in the Glasgow area for a one-year trial period, beginning in April 2001. The company will undertake an extensive programme of promotional and marketing activity to highlight the varied career opportunities available in the Army. Final selection will remain with the Army.

Retention

61. The MOD continued to implement high priority initiatives aimed at improving retention in both the Regular and Reserve Forces, including: better terms and conditions of service; improvements to pay and allowances; better quality of training (and lower wastage rates) following the Defence Training Review (see paragraphs 82-83); opportunities to gain civilian qualifications; addressing concerns about family life; ensuring equality of opportunity; and providing better accommodation.

62. The amount of separated service was revealed in attitude surveys as a key factor affecting retention. Systems to monitor individual separated service are therefore being introduced in the Royal Navy, Royal Marines and Army, as is already the case with the Royal Air Force. The exit rate (or Premature Voluntary Release) is a key measure of the success of the Department's retention initiatives. In 2000/01, the exit rate for officers and other ranks was 3.2% and 5.3% respectively.

Operational Welfare

63. A wide-ranging Review of Operational Welfare was completed in December 1999, with the aim of providing a doctrinally based operational welfare package for personnel on operations and extended deployments. The Review made 36 recommendations, of which 21 have now been implemented. Significant improvements have been made to the welfare package. This new package, introduced in April 2001, provides all personnel with 20 minutes of publicly funded telephone calls per week, limited e-mail and internet facilities, and electronic aerogrammes in the Falkland Islands, Bosnia, Kosovo, the Middle East, Turkey and Sierra Leone. The welfare package has been very well received by Service personnel; it will be formally evaluated in 2002.

Pay 2000

64. A new system of pay was introduced on 1 April 2001 for the majority of regular Service personnel up to and including Brigadier level. It rewards experience, length of service and qualifications and brings all three Services onto a common pay system. Transitional arrangements ensured that nobody experienced a reduction in pay as a result of moving to the new system. Reserve Forces and other specialist groups were not switched to the new system and work is underway to transfer them as soon as practicable.

Pension and Compensation Reviews

65. The reviews of the Armed Forces Pension Scheme and the compensation arrangements for attributable illness, injury or death moved into the public consultation phase on 16 March 2001. Individual members of the Armed Forces were invited to comment on the draft proposals. The outcome of the consultation process will be reported next year.

Service Equal Opportunities and Diversity

66. A review of the Armed Forces' equal opportunities goals and principles was initiated during the reporting period, with a view to increasing the emphasis on the promotion of diversity in the Service context. Training was provided for 171 senior officers and 765 equal opportunities advisers during 2000/01. The high standard of training achieved was recognised by the Chartered Institute of Personnel and Development, which accredited the Equal Opportunities Advisers course in May 2000.

67. Both the proportion and number of women serving in the Armed Forces increased slightly during the reporting period despite a decline in the proportion of women recruited (from 12.4% to 11.3%). As at 31 March 2001 women made up 8.1% (16,686) of Armed Forces personnel compared to 8% (16,547) in April 2000.

68. The exemption of the Armed Forces from the age and disability provisions of the EU Framework Directive on Discrimination was agreed in November 2000. This is consistent with the Disability Discrimination Act, which permits the Services to recruit selectively on the grounds of combat effectiveness.

Ethnic Minority Recruiting

69. In 2000/01, 2.9% (645 recruits) of the Armed Forces' total intake came from the British ethnic minority communities. The Naval Service achieved 2.0% (94), the Army 3.4% (482), and the Royal Air Force 1.9% (70). Although short of the 4% target, the overall result was a significant improvement over the previous year (1.9%). The annual percentage of ethnic minority recruits has more than doubled since recruiting goals were set in April 1998.

70. During the year all three Services undertook initiatives aimed at encouraging ethnic minority personnel to join the Armed Forces. These included: residential Personal Development Courses for schools and youth groups in predominately inner city areas, and recruitment campaigns focused on selected areas across the UK with high ethnic minority populations. The full impact of these initiatives will, inevitably, not be felt for some time. Nonetheless, at the end of 2000/01 ethnic minorities made up 1.7% of the trained strength of the Armed Forces, compared with 1.3% at the beginning of the year.

PSA → Reserves

Reserve Manpower Levels ^[1]						
	Regular Reserves			Volunteer Reserves		
	1998/99	1999/00	2000/01	1998/99	1999/00	2000/01
Manpower Level	247,500	241,300	234,700	58,900	52,400	53,700
Notes:						
^[1] As at 31 March, and rounded to nearest hundred.						

71. In March 2000, the first ever call out order under Section 56 of the Reserve Forces Act 1996 was signed, to permit the deployment of reservists in support of the humanitarian and peace keeping operations in Sierra Leone and the Democratic Republic of the Congo. During 2000/01 over 900 reservists were mobilised on operations in Bosnia, Kosovo, Turkey, Kuwait, Sierra Leone and the UK. They continued to provide around 10% of the UK forces deployed on operations in the former Yugoslavia. The first contract for the use of special members of the Reserve Forces – more familiarly known as Sponsored Reserves – in the Royal Air Force's Mobile Meteorological Unit was signed in October 2000. This employs some 60 Sponsored Reserves. The Heavy Equipment Transporter contract, due for signature later this year, envisages a requirement for up to 90 Sponsored Reserves.

72. In addition to its 13 Reserve Training Centres across the UK, the Royal Naval Reserve established a number of satellite units to improve access to potential recruits. The number of available training days per Royal Naval Reservist was increased to 35 per year, thereby shortening the time it takes for personnel to reach the trained strength. Since 1 April 2001, all Royal Marines Reservists preparing for Full Time Reserve Service and mobilisation have trained at the Reserves Training and Mobilisation Centre at Chilwell, which has

significantly improved the service that they receive prior to joining-up with regular units. Territorial Army units continued the conversion to their new operational roles, structure and readiness states, with training focused on meeting capability targets. Expansion of the Full Time Reserve Service programme provided Territorial Army personnel with greater experience and training with the Regular Army. Restructuring targets continued to be met during 2000/01, and the allocation of additional resources enabled the Territorial Army Field Hospitals to make significant progress towards meeting their required readiness states. The Reserve Air Forces completed the establishment of units re-roled under the Strategic Defence Review, and the units intensified their recruitment campaigns.

Civilian Manning

73. The Department employed 98,400 permanent UK-based civilian staff as at 31 March 2001. All recruitment is based on fair and open competition and selection on merit, in accordance with guidelines laid down by the Civil Service Commissioners. This guidance is subject both to internal checks and to external audit by independent consultants acting on behalf of the Commissioners. A breakdown of Senior Civil Service salaries is available on the MOD website at <http://www.mod.uk>.

Civilian Recruitment				
	1999/2000		2000/2001	
	Non-Industrial	Industrial	Non-Industrial	Industrial
Total number of staff recruited ^[1]	5,300	2,335	4,662	2,220
Number and percentage of women recruited	2,684 (50.6%)	502 (21.4%)	2,398 (51%)	659 (29.6%)
Number and percentage of Ethnic Minorities recruited ^[2]	177 (3.3%)	24 (1%)	144 (3%)	29 (1.3%)
Number and percentage of people with disabilities recruited ^[2]	124 (2.3%)	25 (1%)	78 (1.6%)	32 (1.4%)
Number of casual appointments extended beyond 12 months ^[3]	29	8	Nil	Nil
Number of re-appointments	146	9	98	17
Number of short term appointments with highly specialised skills required ^[4]	18	12	9	12
Notes:				
^[1] Figures exclude recruitment to the Defence Evaluation and Research Agency.				
^[2] Figures are compiled from questionnaires returned by individual recruits.				
^[3] The majority of these extensions were to meet short term requirements to cover for closures. Fair and open competition has been used wherever possible.				
^[4] This shows the number of staff recruited where the requirement was short term and required specialist skills and where holding an open competition would not have identified any further candidates.				

Civilian Recruitment (continued)				
	1999/2000		2000/2001	
	Non-Industrial	Industrial	Non-Industrial	Industrial
Number of fixed term appointments extended beyond originally advertised date, including conversions to permanency ^[5]	22	7	7	1
Number of fixed term appointments of over 12 months where open competition has been waived	164	6	Nil	2
Number of transfers of staff without work ^[6]	5	Nil	4	Nil
Number of inward loans ^[7]	1	Nil	9	Nil
Number of extended inward loans	Nil	Nil	Nil	Nil
Number of disabled candidates appointed under modified selection arrangements	17	4	8	7
Number of appointments under the Government's Welfare to Work – New Deal programme to assist the long-term unemployed ^[8]	32	9	7	9
Notes:				
^[5] The 2000/01 extensions were granted for: awaiting a decision on an internal re-organisation, which affected long term staffing requirements. No conversions to permanency were granted.				
^[6] This excludes transfers from public bodies staffed exclusively by civil servants.				
^[7] Excludes other Government Departments, but includes for example, local authorities, hospitals etc.				
^[8] An exception approved by the Commissioners following the launch of the Government's Welfare to Work – New Deal programme. Figures exclude those New Deal candidates recruited through normal open and fair competition.				

Civilian Personnel Developments

74. In July 2000, the Department issued an updated Civilian Personnel Strategy and Action Plan, which was complemented by the first (and widely publicised) Defence Civilian Personnel Charter. This made clear the responsibilities of line managers, personnel managers and individuals themselves for ensuring that the Strategy is delivered, and also set out the standards that staff could expect. Good progress, enabled in part by additional funding from the Cabinet Office's Modernisation Fund, was subsequently made against the key aims of the Action Plan, including: improved leadership training (incorporating upward feedback arrangements for Senior Civil Servants); better appraisal, promotion and recruitment systems; support for diversity initiatives (see paragraph 75); the introduction of marketable qualifications for key skills; and the implementation of a health screening programme.

Civilian Equal Opportunities and Diversity

75. As shown in the tables opposite, representation targets for women and disabled staff were generally met

at Senior Civil Service, Band B and Band D levels, although the targets for women at Band D and disabled staff at Band B were narrowly missed. However, progress against targets for ethnic minority staff at all three levels remained stubbornly slow. Recruiting and developing ethnic minority talent will be a major priority for the coming year. Particular diversity achievements in 2000/01 were:

- Extra facilities and staff for childcare provision resulted in around 100 additional places, with more planned for 2001/02;
- A pilot mediation service was launched in Northern Ireland to counter harassment and bullying;
- A comprehensive survey of all MOD's 5,500 disabled staff highlighted where improvements were needed in applying MOD's disability policies;
- Mandatory equality and diversity training was extended to 25,000 MOD industrial staff, with a target completion date of March 2003. Around 80% of non-industrial staff were trained by 31 March 2001. Refresher training was made obligatory for all staff every four years.

Percentage of Total Senior Civil Servants in the Ministry of Defence (%)			
	2000/01 Target	2000/01 Achievement	2005 Target
Women	8	8.4	15
Ethnic Minorities	2.6	2.3	3.2
Disabled	0.6	1.3	2

Percentage of Band B Civil Servants in the Ministry of Defence (%)			
	2000/01 Target	2000/01 Achievement	2005 Target
Women	12	12.1	16
Ethnic Minorities	2	1.6	3
Disabled	2.5	2.4	4

Percentage of Band D Civil Servants in the Ministry of Defence (%)			
	2000/01 Target	2000/01 Achievement	2005 Target
Women	32	30	40
Ethnic Minorities	2	1.4	4
Disabled	5	5.3	6



Civilian Sickness Absence

76. As at 31 March 2001 sick absence had reduced from 8.5 days to 7.8 days per staff year, against targets of 7.1 days by the end of 2001 and 6.6 days by the end of 2003. Measures to improve the management of sick absence – including the development of a health screening programme for civilian staff, introduced in August 2001 – continued as part of a wider initiative to provide a better deal for employees under the Modernising Government project. It will inevitably take some time, however, before the full benefits of these developments are felt.

Defence Estate

Estate Strategy

77. In June 2000, the Department achieved a significant step towards improving the way in which the estate is managed, through the publication of "In Trust and On Trust – the Strategy for the Defence Estate". This strategy was the product of extensive consultation both within MOD and with external stakeholders, and set out the Department's charter for the long-term management of the estate, including a series of challenging objectives and targets.

Prime Contracting

78. Defence Estates continued to take a leading role in the Government's Achieving Excellence initiative to improve the performance of the construction industry. A key component of the Estate Strategy is to deliver better value for money through an improved procurement process, based on the established principles of Smart Acquisition. Under the Prime Contracting initiative, estate contracts will be streamlined and longer term collaborative relationships established with the prime contractors and their supply chains. This is now being applied to more than 20 projects, including the launch of the first regional 'one-stop-shop' contract.

Project Alexander

79. The Department completed the Project Alexander study looking at the future management of the Defence estate. In June 2001 the Defence Management Board endorsed recommendations to establish a clearer customer-supplier relationship within the Department. Preparatory work is underway to establish a new tri-Service supply organisation by April 2003.

Asset Disposals

PSA

Estate Disposals

80. Defence Estates realised disposal receipts of £209m from the sale of surplus Defence estate in 2000/01. Major sites sold during the year included the former Royal Army Medical College, Millbank; Martin Lines, Church Crookham; No. 1 Site, RAF Rudloe Manor; the former Royal Army Ordnance Corps Moreton-on-Lugg; the former RAF Kemble; and Queen Elizabeth Park Barracks, Guildford. The Department remained on track to achieve the target of £700m from property disposals over the four years to March 2002.

Equipment Disposals

81. The Disposal Services Agency exceeded its key performance target by realising £45m gross income from sales of Government owned equipment and stores. This was achieved despite declining volumes of surplus stocks available for disposal and the fall in market price of second hand vehicles. Since its formation in 1993/94, the Disposal Services Agency has secured sales of approximately £500m.

Reputation

Communicating the Work of the Department to the Public

During 2000/01 the Armed Forces undertook a wide range of very high profile operations (see paragraphs 9-18). All of these activities generated considerable public support and confidence in the UK Armed Forces and cemented their reputation as a force for good at home as well as overseas. A number of important equipment enhancements were also announced.

The MOD ran a number of extensive consultation exercises in 2000/01 to allow the public (and media) a greater chance to express their views on some key Defence issues, such as Armed Forces pensions and compensation schemes, storage and disposal of disused nuclear submarines, potential exposure to Depleted Uranium and other Gulf Veterans' issues.

The Department also continued to improve the quality, content and accessibility of information about Defence, in line with Open Government principles (see Annex D, paragraphs 4-5). The annual Defence White Paper was replaced by a series of documents, including an annual policy statement and shorter papers covering a variety of topical subjects (see paragraph 2). A Defence White Paper will now only be produced every five years, or sooner if there is a major change of policy.

In addition, 40 factsheets and a number of other booklets provided quick, easy-to-read guides to the MOD and Armed Forces. These were sent to schools and libraries, and also made generally available to the public. For the first time, the MOD produced factsheets describing MOD activities and presence in the regions of England, and in Scotland and Wales. Much MOD corporate literature is available in Welsh and in a format designed for the visually impaired. The Defence Tourer exhibition visited 19 public shows throughout the country in the summer of 2000. Some 130,000 members of the public visited the exhibition where they were able to discuss Defence issues face to face with members of the MOD and Armed Forces. A new photographic exhibition, "We Were There", took to the road in 2000 to celebrate and promote the contribution made by people of ethnic minority origin to the UK Armed Forces over the past 200 years. This exhibition proved highly popular with the public, especially amongst ethnic minority communities.

As part of the National Statistics initiative, which aims to improve the quality of official statistics and public confidence in them, defence National Statistics were improved and made freely available on the Internet (<http://www.dasa.mod.uk>).

The MOD corporate website (<http://www.mod.uk>) was relaunched in June 2000 and continued to expand throughout the course of the year. By the end of 2000, usage stood at about 2 million hits per month.

Process Improvement

To be organised as well as we can be

The Process Improvement perspective brings together a wide range of work aimed at improving the Department's effectiveness and performance. The Defence Training Review proposed over 200 recommendations that will lead to a better-integrated and more cost effective training system. The Defence Logistics Organisation launched a number of initiatives to reduce its operating costs, while maintaining the delivery and quality of its outputs, and achieved a £2.8 billion reduction in its stockholdings. Medical support to the Armed Forces was also improved in 2000/01. The benefits of Smart Acquisition continued to be reaped – the Defence Procurement Agency performed well against its key targets, and a wide range of equipment projects showed improved time and cost performance.

Value for money was further enhanced through the successful use of collaborative and public private partnership programmes. Good progress was also made on initiatives to improve the way in which the MOD manages its business, encompassing performance management, corporate governance, and modernising Defence management.



The C-17 strategic lift aircraft entered service early under the Smart Acquisition programme.

Training

Defence Training Review

82. The report of the Defence Training Review was published in March 2001. It proposed a set of measures to deliver an individual training and education system that is better integrated, more closely aligned to operational and business needs, responsive to change, and cost-effective. These measures are fully in line with the Government's commitment to modernisation and lifelong learning. Of particular note, the Review recommended:

- Bringing together the Royal College of Defence Studies, the Joint Services Command and Staff College, the Royal Military College of Science, and two new organisations – a Joint Services Warrant Officers' School and a Defence Leadership Centre – to form a Defence Academy. This will be a national and international centre of excellence for postgraduate education and research;
- Setting up a Defence Sixth Form College and a Defence Undergraduate Bursary Scheme to boost recruitment of engineers and scientists;
- Implementing a programme of civilian accreditation in defence education and training for the Armed Forces;
- Delivering specialist training in new Defence Schools, rather than on a single-Service basis. This will eliminate unnecessary duplication, improve the quality of training in support of joint forces and operations, and save significant resources;
- Exploiting opportunities offered by new technology to make training better and more accessible, particularly through a major expansion of e-learning;

- Establishing a Director General for Training and Education to drive through these improvements and provide a central strategy and policy focus.

83. As a first step, an initial package of improvements – totalling some £31m – will be delivered over the next four years.

Logistic Support



Defence Logistics Organisation

84. The Defence Logistics Organisation was formally launched on 1 April 2000. Efforts subsequently focused on the strategic goal of realising a 20% reduction in costs by 2005 while maintaining, and where possible improving, the delivery and quality of outputs. A range of major and far-reaching initiatives were launched in 2000/01, including: better asset management, reductions in the inventory, rationalisation of the supplier base, improvements in the supply chain, and integrating business processes across the Defence Logistics Organisation. Specific achievements included:

- Formation of rationalised commodity groups (food, fuel, catering);
- Establishment of the Non-Project Procurement Office, which has rationalised the supply of general stores on a tri-Service basis;
- Completion and implementation of a Business Process Review in the Organisation headquarters;
- Further progress on the development of a new inventory/asset management system, to be implemented by 2002.

85. The Defence Logistics Organisation secured a reduction in its non-munitions stockholdings of some £2.8 billion over the three year period to 31 March 2001, exceeding the Public Service Agreement target by £604m. Lessons learned during this process mean that stock holdings are now subject to continuous review, and that additional reductions (the 2001/02 target calls for a further 5% saving) should be achieved as part of routine business. The introduction of Resource Accounting and Budgeting (see paragraphs 96-97) allows the cost of owning stocks to be defined more accurately, and better procurement and support mechanisms are being implemented as part of the Smart Acquisition and business improvement programmes.



Logistics and Medical Support

86. The 1st Joint Force Logistics Component Headquarters, provided by Headquarters 101 Logistic Brigade, became operational on 1 March 2001, one month ahead of schedule. Headquarters 102 Logistic Brigade exercised in that role during Exercise SAIF SAREEA II, and is expected to be fully capable of the task by March 2003. Both Headquarters require new strategic and theatre communications, due in 2003, in order to achieve full capability.

87. Excellent progress was made during 2000/01 on implementing the major initiatives set out in the Strategy for the Defence Medical Services. A long term agreement with the University Hospital Birmingham

NHS Trust was signed on 5 October 2000, and the Centre for Defence Medicine was formally opened by The Princess Royal on 2 April 2001. The Centre assumed responsibility for receiving personnel aeromedically evacuated to the UK.

88. The transition from Royal Hospital Haslar to new arrangements in the Portsmouth area also progressed well. A new Haslar Accident Treatment Centre opened in August 2000, and responsibility for most clinical activity on the Haslar site was transferred to the Portsmouth Hospitals NHS Trust on 1 April 2001.

89. Between November 2000 and March 2001 the Nuffield Hospitals group and BUPA provided accelerated access to hospital treatment for personnel in overstretch categories. Some 1,400 personnel benefited from this scheme.

90. A review of the four Defence Medical Agencies (Medical Training, Medical Supplies, Secondary Care, and Dental services) began in early 2001, under the leadership of a senior medical professional from the Department of Health. The scope of the review was expanded beyond the Agencies themselves to encompass the provision of medical care in Germany and Northern Ireland and the interrelationships between primary and secondary care.

Equipment Acquisition



Procurement

Key Targets and Achievements							
No.	Efficiency	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
1 ^[1]	Percentage of projects' core requirements to be met:	85%	91%	97%	97%	97%	97%
	Outturn:	98%	95.8%				
2 ^[1]	Average cumulative slippage of In Service Dates not to exceed (months):	19.9 ^[2]	23.1 ^[2]	11.4	10.0	10.0	9.2
	Outturn: (of which in-year slippage):	21.8 (3.8)	23.6 (1.8)				
3 ^[1]	Average cumulative cost variation not to exceed (percentage):	5.7% ^[2]	4.6% ^[2]	2.5%	2.3%	2.3%	2.3%
	Outturn:	3.5%	3.4%				
5	Reduce operating costs in relation to 1997/98 baseline by (percentage): ^[3]	10%	19%	22% ^[5]	^[4]	^[4]	^[4]
	Outturn:	10.7%	21.3%				
Notes:							
^[1] Covers all equipment projects included in the Major Project Report.							
^[2] Following the National Audit Office review of the Major Project Report data, the baseline In Service Dates were subsequently amended, leading to these revised targets.							
^[3] For the purposes of Key Target 5, operating costs are cash costs of running the DPA, primarily staff and associated support costs such as utilities and IT maintenance.							
^[4] New measure under development.							
^[5] The PSA target is 20% by 2001/02. The DPA internal target is 22% by 2001/02.							

Key Targets and Achievements (continued)							
No.	Quality	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
4 ^[6]	Customer satisfaction rating:	Baseline set at 60%	65%	70%	75%	78%	80%
	Achieved:		65.4%				
Notes:							
^[6] Covers all equipment projects.							

91. The table above summarises the Defence Procurement Agency’s performance against its project management and operating cost targets.

92. Four out of five Key Targets were achieved, with Key Target 2 being narrowly missed by 0.5 months. This corresponded to an in-year slippage of 8 months across the major project population, mainly due to technical problems with four projects: Advanced Short Range Air-to-Air Missile, Attack Helicopter, Sea Wolf Mid-Life Update, and Swiftsure and Trafalgar class submarine updates. The Defence Procurement Agency engaged McKinsey & Co. consultants to examine the causes of time slippage and to recommend suitable control mechanisms. Their findings are now being taken forward through a series of eight pilot studies.

Smart Acquisition Programme

The Smart Acquisition programme, which began life in 1998 as the Smart Procurement Initiative, is continuing to enhance the efficiency of the acquisition process. The main implementation phase was completed in May 2000, and the weight of effort since then has shifted to delivering results and driving home the changes in culture. Work is focused on sustaining Smart Acquisition principles by developing an effective acquisition community; the MOD is deepening and increasing its partnering arrangements with industry and continues to seek and exploit gainsharing opportunities.

Smart Acquisition also means developing, recognising and rewarding staff. To this end, the Acquisition Stream and the Acquisition Leadership Development Scheme were introduced in 2000/01, and have subsequently attracted memberships of 1,000 and 200 respectively.

Over and above meeting the Defence Procurement Agency’s Public Service Agreement target of a 20% reduction in operating costs by 2001/02, it also met its target of identifying £200m of Smart savings in the Equipment Plan. Smart Acquisition accounted for in-service support cost reductions of some £150m in 2000/01. This is expected to increase over the next few years. Examples of improved acquisition performance were:

- All four **C-17** aircraft recently entered service well ahead of the planned date (see paragraph 35). Teamed with the US Air Force and Boeing, the Integrated Project Team put in place a commercial lease for the military aircraft and devised novel support arrangements that generated significant financial savings;
- The contract for the new **Titan** and **Trojan** engineer tanks was signed in March 2001, approximately a year ahead of schedule and well within the cost envelope set for the project;

- Operational emergency clearance for the **Maverick** precision missile system for the Harrier GR7 was achieved in just 7 months;
- A contract to supply all three branches of the Armed Forces with tools and equipment, ranging from power tools to sandpaper, was awarded after an open competition. This contract will see a move to e-business systems, improving equipment delivery times and leading to savings of £12m over the next 7 years;
- The **Air Launched Munitions** Integrated Project Team, working closely with Matra BAe Dynamics, combined 26 separate contractual arrangements to realise savings of £4.5m over four years, against a baseline of £28m.

Defence Equipment Programme

93. Performance against the Equipment Programme is reported by capability areas. The tables at Annex I show the numbers of deliveries accepted in 2000/01 and/or planned for 2001/02, as at 31 March 2001, for major equipment programmes. The Equipment Programme – including projects that will harness new technologies and concepts – is rigorously reviewed each year. This ensures that the MOD makes the best possible use of available resources and provides the UK Armed Forces with the capabilities they need both for today’s operations and for the challenges they will face in the future.

Public Private Partnerships

94. The Private Finance Initiative (PFI) remained the cornerstone of the Department’s Public Private Partnership programme. Many of the early PFI projects are now on stream and are delivering high quality services. In 2000/01, 9 new deals were signed bringing some £590m private sector investment into Defence.

PFI Deals Signed in 2000/01	
Project Name	Estimated Capital Value ^[1] (£ million)
Main Building Headquarters Redevelopment	415
Naval Communications	55
Tri-Service White Fleet	40
Tri-Service Materials Handling	35
Lynx Aircrew Training	15
Defence Animal Centre	11
Defence Electronic Commerce Service	9
Royal Air Force Sentry 3D Aircrew Training	7
Commercial Satellite Communications Service (INMARSAT)	2.6
Notes:	
^[1] Based on private sector partners’ capital investment where known (or otherwise the capital value of the Public Sector Comparator).	

95. Where it offers value for money and does not reduce operational effectiveness, the Department is committed to PFI. The forward programme consists of some 50 current and future projects; major examples are shown in

the table below. Although dedicated war-fighting equipment would not be acquired through this route, PFI and other forms of Public Private Partnership may be feasible close to the front line, examples of which include the Future Strategic Tanker Aircraft for air-to-air refuelling, and the Heavy Equipment (tank) Transporter.

Major Projects Underway or Under Construction	
Project Name ^[1]	Estimated Capital Value ^[2] (£ million)
Future Strategic Tanker Aircraft	2,500
MOD-Wide Water and Waste Water (Project Aquatrine)	1,100
Allenby/Connaught ^[3]	845
Skynet 5	750
C Vehicles	350
Colchester Garrison	180
Joint Rapid Reaction Force Roll On Roll Off Ferries	180
Notes:	
^[1] Other major projects that are under consideration, for which the estimated capital values are still being assessed, include the UK Military Flying Training System, Search and Rescue, Combined Aerial Target Systems, and the Airfield Support Services Project.	
^[2] Based on the estimated capital value of the Public Sector Comparator as at 31 August 2001.	
^[3] Redevelopment of barracks in Aldershot and Salisbury Plain area, and long term provision of associated support services.	

Output Management

Resource Accounting and Budgeting

96. The Government Resources and Accounts Act (July 2000) gave statutory authority for Resource Accounting and Budgeting. The Department's Consolidated Resource Accounts for 1999/00 were laid before Parliament and published as directed in January 2001. Although the Comptroller and Auditor General was unable to form an opinion on these accounts, he reported that significant improvements had been made and that Resource Accounting and Budgeting had been successfully implemented. The Department continues to devote the highest priority to the resolution of outstanding inaccuracies and the introduction of an output management regime.

97. The Appropriation Accounts for 2000/01, the last statements produced on a cash basis, were published in November 2001. The MOD's Resource Accounts for 2000/01 will be published in December.

Performance Management Project

98. 2000/01 saw the introduction of a new system of performance reporting in the MOD, based around the Defence Balanced Scorecard. Its introduction is leading a shift, at all levels of the Department, from a culture of simple performance reporting to one of active performance management. The Royal Navy and Royal Air Force have developed Scorecards as part of their management strategy, as have each of the MOD's eleven top-level budget holders. The Army is in the process of developing one. Scorecards are also being developed by many lower level organisations as their primary means of managing performance.

99. 2000/01 was very much a trial and development year. Efforts therefore concentrated on developing and refining the Scorecard to ensure that it both reflected the Department's top priorities and was capable of providing accurate, timely and easily assimilated information for the Defence Management Board. Quarterly reporting against the Scorecard began in June 2000. Work also continued to clarify and refine the way in which the Department measures military capability and the performance of the Armed Forces.

100. Work also continued to align the Department's internal and external reporting requirements, principally to ensure that the priorities identified in the Scorecard accord with the broad strategic objectives set out in the Public Service Agreement.

Corporate Governance Project

101. As part of the Government's response to new Corporate Governance requirements, the Defence Management Board is committed to putting in place more coherent arrangements for managing risk. In 2000/01, the Department's system of internal control was refocused on identifying the risks (and opportunities) to the achievement of Departmental policies, aims and objectives. The role of the Defence Audit Committee was strengthened so as to place it at the heart of the assurance process, co-ordinating the activities of Internal Audit and drawing on reports from other specialist bodies, including the Defence Environment Safety Board. Underpinning these developments is work carried out to integrate risk and performance management, using the Scorecard as the strategic framework. As work is taken forward, the consideration of risk will form an integral part of the Department's corporate planning and performance processes, thereby helping to guide balance of investment decisions.

Modernising Defence Management

102. In October 2000, the Defence Management Board endorsed a programme of additional work to modernise the management of Defence, covering the areas of:

- Policy formulation and evaluation;
- Departmental support to joined-up Government;
- Internal communications;
- Working practices;
- Exploitation of information and information technology;
- Providing our people with the skills and competences they need in a changing organisation;
- Clarifying roles, responsibilities and accountability in relation to the Department's key business processes.

103. The programme is designed to deliver practical solutions to improve the management of Defence and thus the delivery of military capability. The changes and benefits will apply across the Department, with all management areas and Agencies contributing to and benefiting from the work. In this way it will complement the Performance Management and Corporate Governance projects (see paragraphs 98-101) and the Defence

Training Review (see paragraphs 82-83). Within this framework, the Department also continued to make progress, as described below, against the main commitments of the Modernising Government initiative.

Better Policy

104. The Defence Management Board endorsed a proposal to form a small Policy Support Team to develop the Department's policy formulation and evaluation capability. The team leader was appointed in February 2001. Early work focused on pulling together best practice from inside and outside the Department to produce a policy making model for Defence and an associated Intranet based resource. The model emphasises the importance of innovation and flexibility in service delivery, of risk management and of evidence based policy.

PSA → Better Quality Public Services

105. Good progress was made on the Better Quality Services programme, under which activities and services (covering over £10 billion of MOD's annual business) are to be reviewed each year up to and beyond 2002. As at the end of March 2001 over 70% of the plan (covering £7.5 billion) had been completed. These reviews made a substantial contribution to improving performance within MOD and identifying the scope for further efficiency savings (see paragraphs 48-51).

PSA → Information Age Government

106. Work continued on developing the Defence Information Infrastructure, which aims to provide a common information technology system accessible throughout the Department. The planned In Service Date of the Information Infrastructure is December 2004 (when some 50,000 terminals will support the full range of services), with full operational capability (approximately 130,000 seats) by December 2008.

107. The Department made good progress against the Government's target of delivering 25% of services electronically by 2002, and 100% by 2005. As at 31 March 2001, the MOD was able to conduct 73% of its recruitment and specialist information services electronically, and was projected to reach 100% by autumn 2002. The Department also remained on course for all newly created public records to be electronically stored and retrieved by 2004. The e-Business Strategy sets out what the MOD is doing both to meet the Information Age Government agenda and to improve the way in which the Department delivers its primary outputs; two progress reports were submitted to the Office of the e-Envoy during 2000/01.

Valuing Public Service

108. The Civilian Personnel Strategy and Charter (see paragraph 74) made a significant contribution to the modernisation of Defence management.

Joined-Up Government

109. The MOD is working more closely with other Government Departments and local communities. In October 2000 the Department formed an External Relations Unit to act as the focal point within Defence for joined-up Government and cross-cutting activities, and to ensure that Defence's contribution to wider Government

objectives is targeted most effectively. Part of this team's early work was to work with the Home Office in support of the Prime Minister's challenge to increase the number of people involved in voluntary activities. MOD civilian staff are now entitled to additional leave to undertake voluntary activities within their local communities.

110. A further success was the Skill Force Youth Initiative. A joint programme with the Department for Education and Skills and the Home Office, the scheme involves retired military instructors delivering a range of vocational skills training to young people in order to enhance their employment opportunities. The programme was piloted in Newcastle and Norfolk between September 2000 and June 2001 and was considered a great success by the schools that took part. From September 2001, the programme will be expanded to 11 schemes operating within a total of 47 schools.

111. The MOD continued to work closely with the Foreign and Commonwealth Office and Department for International Development under the joint Conflict Prevention Initiative (see paragraph 42). The MOD's contribution to efforts to combat the foot and mouth disease outbreak, and the Armed Forces' response to a number of other civil emergencies (see paragraphs 11-12), also provided an active demonstration of the Department joining forces with wider Government.

Responsive Public Services

112. MOD's performance against the six Modernising Government Service Standards is summarised at Annex J.

Learning and Development

Developing our people and organisation for the future

The Department continued to invest in its people and their families. The Secretary of State announced in March that £1 billion would be made available over the next 10 years to upgrade Single Living Accommodation across all three Services, in addition to the ongoing programme to improve Service Families' Accommodation. The creation of a new Ministerial post for Veterans' Affairs highlighted the MOD's commitment to addressing veterans' concerns, and major programmes of work were undertaken relating to Gulf Veterans, Porton Down volunteers, and depleted uranium. The Department took forward the Public Private Partnership of the Defence Evaluation and Research Agency, which will secure long-term access to leading-edge research and technology, and an internal review reinforced the role of MOD's scientific community. The Defence Information Strategy set out how the Department plans to enhance its management and use of information.



MOD is undertaking the largest ever programme of work to upgrade Service accommodation.

People

Investors In People

113. As at 31 March 2001, 99.8% of MOD staff were serving in 341 units that had achieved Investors In People recognition. The reduction in the number of recognised units was due to 'Investors In People convergence', where units join together at a higher organisational level to conduct a strategic assessment against the accreditation criteria. MOD units continue to benefit from undertaking Investors In People, including improved communication and induction, and better links between training, development and the objectives of the Department.

Service Accommodation

During 2000/01, the Defence Housing Executive continued its modernisation programme, completing 2,700 upgrades of Service Families' Accommodation, against a target of 1,600. The Housing Executive aims to bring all of its core stock (i.e. that which is needed in the longer term) up to Standard 1 condition by November 2005.

In March 2001, the Secretary of State announced that £1 billion would be made available over the next ten years to upgrade the worst (Grade 3 and 4) Single Living Accommodation across all three Services by 2011/12. This new programme of work will be met primarily through a prime contract known as Project SLAM (Single Living Accommodation Modernisation). Appointment of the prime contractor is planned by the autumn of 2002, with delivery of the programme starting by 2003/04. The schedule of work for the first five years is currently being developed, and parallel programmes are also being pursued for Northern Ireland (Project Challenger), Germany (Project Puma) and other stations overseas.

Veterans

114. In March 2001 a new post of Minister for Veterans' Affairs was created, with a remit across Government Departments to ensure that veterans' concerns are addressed in a coherent and integrated way. The new Minister chairs a Task Force responsible for agreeing and taking forward policy changes.

Gulf Veterans' Illnesses

115. In 2000/01, the Gulf Veterans' Illnesses Unit published the first issue of its newsletter, "Gulf Update", which was sent to about 400 Parliamentarians, veterans, scientists and other interested parties. Other major publications during the year included:

- A Review of UK Forces Chemical Warfare Agent Alerts during the 1990/91 Gulf Conflict;
- A Review of the Activities of the 1 Field Laboratory Unit and Suggested Biological Warfare Agent Detections during Operation Granby;
- A revised 'Gulf Veterans' Illnesses Pack', which was sent to over 44,000 doctors nation-wide.

116. Results from MOD-financed research at the University of Manchester found that the number and causes of death recorded amongst Gulf veterans were similar to a comparison group who had not deployed to the Gulf. Updated mortality figures were published in July and December 2000. The Manchester work on morbidity found that both the Gulf and the comparison groups reported similar symptoms, although Gulf veterans reported more severe effects. There was no evidence of a 'Gulf War Syndrome'. 152 veterans attended the Gulf Veterans' Medical Assessment Programme in the reporting period. A patient satisfaction questionnaire showed that 94.6% of those who responded were satisfied with the Programme.

Depleted Uranium

117. Following increased media and public interest in depleted uranium health issues, a new team was established in June 2001. A major achievement, flowing from an announcement by the Minister for Armed Forces in January 2001, was the establishment of an independent oversight board for the depleted uranium screening programme. A preliminary survey of depleted uranium strike sites in the British sector of Kosovo was undertaken in January 2001, as a precursor to a later and more extensive environmental assessment in August.

Porton Down Volunteers

118. In November 2000 a package of measures was announced that will enable Porton Down Volunteers to undergo a thorough medical evaluation at the MOD's Medical Assessment Programme at St Thomas' Hospital, London. The Department also launched a comprehensive historical survey of the Porton Down Volunteer programme, and undertook to conduct an independent epidemiological study of the health of former volunteers. The MOD co-operated fully with the Wiltshire Police Enquiry into aspects of the Porton Down Volunteer programme, during the period 1939 to 1989, following complaints about how volunteers were recruited.

Information

Defence Information Strategy

119. Through the Defence Information Strategy, the Department aims both to improve the way in which information is managed and used, and to achieve the Modernising Government objectives. The Defence Information Plan provides the framework for implementing this Strategy, and is the mechanism for co-ordinating the four broad areas of activity: infrastructure; business change and applications; information services; and managing the necessary culture change. Part 1 of the Plan, defining actions and responsibilities, was issued in 2000/01. Part 2, setting out the strategic programme, will be issued by the end of 2001. This programme is the mechanism for implementing the Department's e-Business Strategy (see paragraph 107), of which a key first step was the establishment in May 2001 of a revised Information Governance Regime. This clarified the responsibilities for specifying, scrutinising and implementing information-based capabilities under the "Successful IT: Modernising Government in Action" guidelines. To provide a baseline for the culture change, a large-scale survey of staff attitudes to information management was also carried out.

Technology



DERA Public Private Partnership

120. The scientific and technical expertise developed under the Defence programme is a national asset. Good progress was made during 2000/01 on implementing the Public Private Partnership for the Defence Evaluation and Research Agency (DERA), which is designed to make the most of this expertise and exploit it for wider UK economic benefit. Extensive public consultation on proposals for the Public Private Partnership took place between April and June 2000. Based on the results of this exercise, Secretary of State announced to Parliament in July 2000 that MOD would proceed with implementation.

121. This required the creation of two new organisations from the existing DERA, with around 75% of the Trading Fund transferring into a new plc (to be known as QinetiQ) initially wholly owned by the Government. The remaining staff and facilities formed the Defence Science and Technology Laboratory (DSTL), a new Trading Fund Agency within the MOD. Operational separation of the DSTL and QinetiQ was completed in December 2000. Secondary legislation was made on 28 March 2001, allowing the removal from the existing DERA Trading Fund of all those assets scheduled to transfer to QinetiQ, and formal legal separation took place on 1 July 2001. The ultimate intention is to float QinetiQ on the Stock market but Ministers have retained the option to seek a strategic partner for the business if this should prove advantageous.

Scientific Research and Advice

122. Partly driven by the Public Private Partnership for DERA, the MOD's Chief Scientific Adviser launched an internal review of science and technology. This recommended a new approach to the management of science, technology and research in the Department, and led to the creation of a Science and Technology Board to provide strategic direction to all relevant activities.

123. During 2000/01, the MOD scientific community continued to provide authoritative independent advice to Ministers. A notable example was the provision of operational analysis expertise in support of the

Government's response to the foot and mouth disease outbreak. Expert technical advice also informed Government thinking on the implications of US missile defence proposals and on the possible exposure hazards arising from the use of depleted uranium ammunition in the Balkans. Scientific staff provided analytical support to major equipment procurement decisions.

124. MOD placed contracts worth over £400m on the Corporate and Applied non-nuclear Research Programmes. Emphasis was placed on developing strong relationships with industry, and increasing research co-operation with international partners. The first competitive research contracts were also awarded, which aim to broaden MOD's research supplier base and improve value for money. Scientific staff worked closely with the Defence Procurement Agency to ensure the continued health of the national nuclear warhead capability programme at the Atomic Weapons Establishment.

Ministry of Defence Agencies

Cutting across all aspects of the Defence Balanced Scorecard was the major contribution to Departmental performance made by the Defence Agencies in 2000/01, which employed some 60% of the MOD's civilian employees and whose operating costs accounted for around 35% of the MOD's overall resource cost.

MOD Agencies and their Performance

125. The MOD continues to review its business processes, including Agency configuration and numbers, as part of a drive to improve the effective delivery of output. During 2000/01 there were 37 Defence Agencies, a reduction of five over the previous year. The changes were largely a result of rationalisation and realignment in the newly formed Defence Logistics Organisation, which was created to deliver more effective logistics support to the front line. A new Agency, the Defence Geographic and Imagery Intelligence Agency, was also formed to exploit the synergy between the two Agencies it replaced, the Joint Air Reconnaissance and Imagery Centre and Military Survey, and to take advantage of developments in new technology. The Defence Aviation Repair Agency became a Trading Fund on 1 April 2001.

Agency	1999/2000		Key Targets in 2000/2001				
	Targets / Met ^[1]	% Met in 1999/00 ^[2]	Targets / Met ^[1]	% Met in 2000/01	Marginal Miss ^[3]	Better Performance ^[4]	Significantly Better Performance ^[5]
Armed Forces Personnel Administration Agency	5 / 3	60%	5 / 5	100%	0%	80%	40%
Army Base Repair Organisation	5 / 4	80%	4 / 3	75%	0%	50%	0%
Army Personnel Centre	6 / 3	50%	6 / 2	33%	33%	50%	33%
Army Training and Recruiting Agency	6 / 2	33%	5 / 2	40%	40%	40%	20%
British Forces Post Office	3 / 3	100%	4 / 4	100%	0%	67%	0%
Defence Analytical Services Agency	7 / 5	71%	6 / 6	100%	0%	100%	50%
Defence Aviation Repair Agency	6 / 3	50%	6 / 6	100%	0%	60%	40%
Defence Bills Agency	7 / 4	57%	6 / 4	67%	17%	50%	17%
Defence Communication Services Agency	4 / 3	75%	6 / 6	100%	0%	100%	50%

Notes:

^[1] Where there are multiple elements to a Key Target these are counted separately. Performance in a few cases is based on latest available figures pending audit. A small number of figures for 1999/00 have been amended for consistent and comparable presentation with 2000/01.

^[2] Values are indicative. The significance of changes up or down, compared with previous years, can be influenced by a change in the total number of targets.

^[3] Where a target was judged to have been only narrowly missed, usually by the order of only 1%.

^[4] Where outturn against a measure, or commentary on performance, indicates improvement over the previous year.

^[5] Where there were large changes in possible performance against comparable measures for the previous year. These have generally been taken as at least a 5% increment in performance, usually substantially more.

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Agency	1999/2000		Key Targets in 2000/2001				
	Targets / Met ^[1]	% Met in 1999/00 ^[2]	Targets / Met ^[1]	% Met in 2000/01	Marginal Miss ^[3]	Better Performance ^[4]	Significantly Better Performance ^[5]
Defence Dental Agency	5 / 3	60%	15 / 10	67%	20%	77%	8%
Defence Estates	4 / 2	50%	6 / 4	67%	0%	100%	67%
Defence Evaluation and Research Agency	7 / 7	100%	7 / 5	71%	0%	71%	43%
Defence Geographic and Imagery Intelligence Agency	11 / 9	82%	7 / 6	86%	0%	38%	0%
Defence Housing Executive	8 / 6	75%	7 / 5	71%	14%	71%	57%
Defence Intelligence and Security Centre	4 / 4	100%	4 / 4	100%	0%	100%	25%
Defence Medical Training Organisation	9 / 7	78%	8 / 6	75%	0%	33%	0%
Defence Procurement Agency	5 / 4	80%	5 / 4	80%	0%	60%	40%
Defence Secondary Care Agency	7 / 3	43%	7 / 3	43%	0%	50%	0%
Defence Storage and Distribution Agency	7 / 4	57%	7 / 5	71%	29%	71%	71%
Defence Transport and Movements Agency	4 / 4	100%	6 / 5	83%	0%	67%	17%
Defence Vetting Agency	9 / 5	56%	9 / 2	22%	11%	22%	11%
Disposal Services Agency	3 / 1	33%	5 / 5	100%	0%	100%	100%
Duke of York's Royal Military School	10 / 9	90%	10 / 9	90%	10%	40%	30%
Logistic Information Services Agency	7 / 4	57%	5 / 4	80%	0%	67%	67%
Medical Supplies Agency	6 / 3	50%	5 / 4	80%	20%	100%	0%
Meteorological Office	6 / 5	83%	7 / 6	86%	0%	100%	50%
MOD Police	8 / 8	100%	10 / 10	100%	0%	100%	50%
Naval Bases and Supply Agency	6 / 5	83%	5 / 4	80%	0%	20%	20%
Naval Manning Agency	12 / 6	50%	12 / 7	58%	0%	50%	0%
Naval Recruiting and Training Agency	6 / 5	83%	7 / 4	57%	0%	50%	0%
Pay and Personnel Agency	11 / 7	64%	10 / 6	60%	10%	86%	14%
Queen Victoria School	5 / 4	80%	5 / 4	80%	20%	60%	40%
RAF Personnel Management Agency	5 / 4	80%	5 / 5	100%	0%	67%	0%
RAF Training Group Defence Agency	16 / 9	56%	17 / 6	35%	6%	21%	14%

Agency	1999/2000		Key Targets in 2000/2001				
	Targets / Met ^[1]	% Met in 1999/00 ^[2]	Targets / Met ^[1]	% Met in 2000/01	Marginal Miss ^[3]	Better Performance ^[4]	Significantly Better Performance ^[5]
Service Children's Education	16 / 11	69%	15 / 9	60%	13%	83%	8%
Ship Support Agency	7 / 5	71%	7 / 4	57%	0%	29%	14%
UK Hydrographic Office	11 / 7	64%	12 / 6	50%	0%	53%	67%
Average ^[1]		72%		74%	7%	61%	25%
Notes: ^[1] Where there are multiple elements to a Key Target these are counted separately. Performance in a few cases is based on latest available figures pending audit. A small number of figures for 1999/00 have been amended for consistent and comparable presentation with 2000/01. ^[2] Values are indicative. The significance of changes up or down, compared with previous years, can be influenced by a change in the total number of targets. ^[3] Where a target was judged to have been only narrowly missed, usually by the order of only 1%. ^[4] Where outturn against a measure, or commentary on performance, indicates improvement over the previous year. ^[5] Where there were large changes in possible performance against comparable measures for the previous year. These have generally been taken as at least a 5% increment in performance, usually substantially more.							

126. MOD's 37 Defence Agencies generally performed well against the 2000/01 targets, as shown in the table above. 9 Agencies met all their targets, an improvement on last year, and a further 11 met at least 75%. 12 others met at least 50%. The average target achievement was a creditable 74%, which compares favourably with last year. Differences in target achievement for a given Agency are influenced by any change in the number of targets. On balance, however, Agencies improved their target achievement, with 24% of targets significantly exceeded and 7% marginally missed. Examples of targets that were significantly exceeded include:

- The Defence Housing Executive upgraded 2,700 properties to the highest standard, against a target of 1,600;
- The Defence Aviation Repair Agency achieved a 24% increase in revenue, against a target of 15%;
- Defence Estates achieved 97% of all project milestones to time, against a 90% target;
- The Defence Storage and Distribution Agency reduced the cost of quality failures by 40%, against a target of 2.5%.

127. Targets are generally set to achieve incremental steps in performance. 82% of the targets can be compared directly with performance in previous years. Of these, 79% of measures met or exceeded previous performance, 61% improved performance and 25% significantly improved performance. Examples of significant improvement were:

- The Armed Forces Personnel Administration Agency significantly reduced errors in pay and allowances,

from 3.6 to 0.5 per 1,000 payments;

- The Royal Air Force Training Group Defence Agency narrowly missed its target for fast jet pilots but significantly improved achievement by 11% over the previous year;
- Although marginally missing its target, the Defence Storage and Distribution Agency improved its performance of delivering to customers within specified supply chain times by over 18%;
- The Meteorological Office Efficiency Index showed a 9.6% improvement in efficiency over last year.

128. In some cases, Agency achievement on certain measures has reached practical ceilings and it will be unrealistic to expect further improvements. Underlying business performance might, however, still be improving significantly. For example, performance against the Defence Bills Agency's quality measures remained fairly static and at taut levels. However, since 1996 billing volumes have increased steadily from 3.2 million to 4.2 million in 2001 with staff reducing by 7.5%. This represents a 32% increase in productivity while maintaining quality.

129. The main areas of reduced performance related to:

- Recruiting difficulties, which affected achievement for the Army, Air Force and Navy recruitment and personnel agencies;
- Underestimates of the effect of turbulence on change, relocation or implementing new systems, which affected the Defence Vetting Agency, Army Personnel Centre and Hydrographic Office;
- Pressure on the NHS having a knock-on effect on the Defence Secondary Care Agency;
- The unplanned low level of submarine availability affecting the Ship Support Agency.

130. Agencies also contributed to wider efficiency for MOD and to 'joined-up' Government. For example:

- The British Forces Post Office introduced an 'e-bluey', which has not only improved the speed of mail delivery to operational theatres, but also led to considerable savings;
- The Defence Civil Telephone Access project, organised through the Defence Communications and Services Agency, harnessed the corporate buying power of the MOD to reduce the cost of UK civil telephone access across Defence by around 20%;
- The Disposal Services Agency is working in partnership with the Department for Education and Skills to refurbish and recycle computers for the disadvantaged;
- The Hydrographic Office is working with the Maritime and Coastguard Agency to increase electronic navigational chart coverage and thus improve safe navigation in UK waters.

131. In striving for continuous improvement, a number of Agencies are benchmarking their processes and performance against other world leading organisations in the public and private sector. Three Agencies, the

Defence Analytical Services Agency, Naval Manning Agency and War Pensions Agency, together with Headquarters 8th Infantry Brigade, are among the first Central Government 'Beacon' organisations to take part in a Cabinet Office initiative to spread good practice in the public sector.

132. Details of the aims, operating costs and manpower of the Defence Agencies are available on the MOD website at <http://www.mod.uk>. This information also includes the names and addresses of the current Chief Executives, from whom copies of the Agency Framework Documents and annual reports may be obtained. The annual reports give more detail on the achievement of targets as well as other significant elements of performance for the year.

Non-Departmental Public Bodies

133. Details, including descriptions of the purpose and size of the MOD's Non-Departmental Public Bodies, their funding and the names and addresses of their Directors or General Managers can be found on the MOD website at <http://www.mod.uk> and the Treasury website at <http://www.hm-treasury.gov.uk>. Details of appointments to Non-Departmental Public Bodies are published by the Cabinet Office at <http://www.cabinet-office.gov.uk/quango/index/pubapp.htm>.