

Preface

This has been a very busy year for Defence. Overseas the Armed Forces continued successfully to prosecute operations in the Balkans, Iraq and Afghanistan in support of wider international efforts to bring peace and security to those regions. Not for decades have they sustained over such an extended period an operational tempo matching the current scale and intensity. At home, at the same time as sustaining and supporting these operations, the Department continued to make progress with a series of major initiatives to improve the way we work, particularly in but by no means confined to acquisition and support. This includes a continuing programme of major organisational change.

This report sets out in detail what we are doing and how we are doing it, with a short top level summary and report against our Public Service Agreement targets at the front. We continued broadly to meet these targets, albeit with some risk. In particular we have continued to achieve our highest priority: success on operations. We have only been able to do this by taking risk against other, lower priority goals. In particular the need to continue to operate above the overall level of concurrent operations which the Armed Forces are structured and resourced to sustain over the long term has constrained their ability to prepare for the full range of operations envisaged in security and defence planning.

But there has been visible progress and there are several respects in which demands are easing. Force levels in Northern Ireland have now effectively reduced to those comparable to any other part of the United Kingdom for the first time since 1969. We have been able to withdraw UK combat forces from the Balkans, where they were first deployed in 1992. Of the four provinces in Iraq for whose security we were responsible at the beginning of the year, we have been able to return three to the Iraqi Government and Security Forces, and to reduce UK forces deployed in their support. In Afghanistan we have helped the elected Government extend its authority into the south of the country and supported effective reconstruction and stabilisation work for the first time in several decades.

We are very alive to the issues raised by the operational tempo the Armed Forces are sustaining. With Ministers and Defence Management Board colleagues, we have worked to alleviate and manage the pressures. With Treasury agreement we increased the resources provided to support operations during the year.

This enabled the procurement of new protected vehicles, the introduction of a new operational allowance, and further improvements in the already high level of medical support. We have continued with our long-term programme to improve the living accommodation provided for Service personnel and their families. We have also implemented in full the recommendations of the Armed Forces Pay Review Body for a pay rise for most Service personnel, especially the lowest paid, larger than anywhere else in the public sector. It is vital, especially at times like these, that we give members of the Armed Forces the support they deserve.

But while conducting, supporting and sustaining military operations is our highest priority, it is far from all that the Department has to do, or has done. Perhaps most significantly, the programme of acquisition change to implement the 2005 Defence Industrial Strategy made major progress, with the establishment of the Defence Acquisition Change Programme last summer and the implementation of many of its recommendations. The establishment of the new Defence Equipment and Support organisation on 2 April 2007 will help improve the effectiveness and through life management of acquisition. For the second year running we met all elements of our PSA target, despite these being progressively more challenging year-by-year. We also completed a major externally peer-reviewed assessment of our research programme – which gave us high marks – and published the new Defence Technology Strategy. Further work continues in all these areas with a particular focus on ensuring that our people have the skills they need.

We are taking forward a series of major programmes to improve the efficiency and effectiveness of the Department. Changes to our top level structures and organisation in light of the conclusions of the Capability Review, the significant simplification of service personnel management processes underpinned by the Joint Personnel Administration system and the continuing rationalisation and harmonisation of Defence information systems are affecting everyone in Defence from top to bottom.

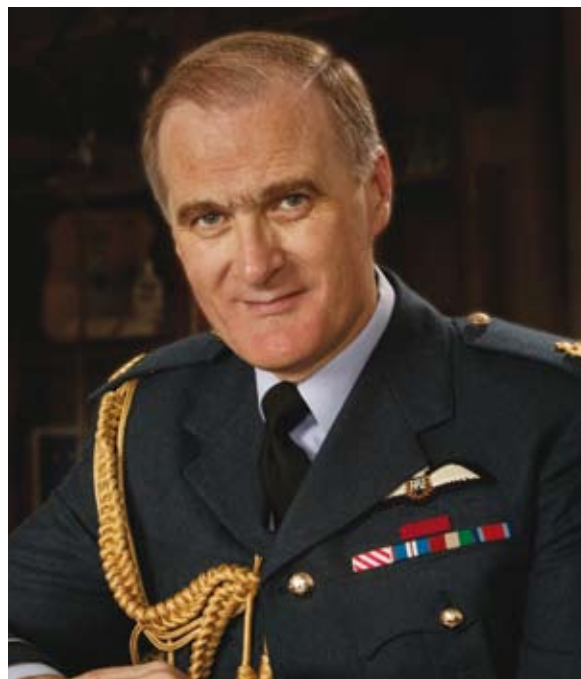
We are improving coordination with other Departments over the work we do on their behalf, and the contribution Defence makes to their objectives. As this report makes clear, the MoD is closely involved and affected by aspects of the work of almost

every other department, extending well beyond the traditional security agenda. This includes the significant contribution we make to the Government's sustainability goals. Our performance will be key to whether the Government achieves the objectives it has set itself. Our work with the youth and veterans communities and our contribution to skills, and to science and innovation, also contribute to the Government's wider domestic goals. But the Capability Review that reported in March shows that we have to work harder to get over what we do, how we can contribute, and the implications of the work of other Departments on defence. We are determined to rise to this challenge.

We do not underestimate the difficulties we face. We are asking a great deal of our people, military and civilian. During the year covered by this report 76 Service personnel were killed and 85 seriously injured on operations in support of our country and the people of Iraq and Afghanistan. The Army and the Royal Air Force continue to fail to meet harmony guidelines. Readiness levels for contingent operations have fallen from the peak reached last year, where the continuing shortfall in the high level collective training we are able to conduct is having a longer term impact. The reductions in the size of the Armed Forces, in parallel with the very high level of commitment of our people to what they do, are keeping our staff turnover levels well below the private sector average and relatively steady over time. Delivering the continuing programme of major organisational and cultural change across defence while supporting our operational commitments will be a major challenge. That our people, military and civilian, have delivered and continued to deliver all that they have is a tribute to their courage, their professionalism and their commitment to our country's defence and security.



Bill Jeffrey CB
Permanent Under Secretary of State



Air Chief Marshal Sir Jock Stirrup
GCB AFC ADC DSc FRAeS FCMI RAF
Chief of the Defence Staff

Summary Assessment

Current Operations

Over the year the Armed Forces remained broadly on course to deliver their policy and military objectives, albeit with some risk. This required taking greater risk against other defence objectives, in particular readiness for contingent operations and achievement of single Service harmony guidelines. The proportion of regular forces deployed on operations and other military tasks increased from just under 20% to 21.4% over the year, and the Armed Forces continued to operate above the overall level of concurrent operations which they are resourced and structured to deliver for the fifth successive year. The number of personnel deployed to Afghanistan rose substantially, but numbers fell in Iraq, Northern Ireland and the Balkans. There was a substantial increase in the number of Urgent Operational Requirements, reflecting the tempo of operations and the increase in the number of personnel deployed to Afghanistan during the year.

Future Operations

In order to support and sustain current operations the Department has taken deliberate risk against achieving the Public Service Agreement readiness target to undertake future contingent operations. It has not been possible to maintain the high level of readiness achieved in 2005-06, and it is uncertain whether readiness will recover to the target level by April 2008. This does not mean that the Armed Forces cannot support their current operational commitments, but their ability to take on additional operations that are more than additional operations other than on a minor scale is now limited.

Policy

There was continuing progress in developing complementary NATO and EU political and military capabilities, and the Department remained on course to meet the European Security Public Service Agreement target. But there is a need for fairer sharing of collective commitments, and for investment in expeditionary capabilities. The Department also remained broadly on course to achieve the Conflict Prevention PSA target, with some slippage.

Wider Government

Sustainability issues and their implications for security and defence are being incorporated in defence planning and management. Good progress was made in taking forward sustainable operations across the defence estate, but there is more to do to meet targets. The Department is strongly committed to social issues. Service personnel gained over 17,500 accredited qualifications in 2006-07, and the Department provided over 33,000 learning credit grants. Youth and veterans programmes also contributed to the Government's sustainable community goals.

Future Effects

All three Services continued to take forward their modernisation programmes, with significant new capabilities being introduced into service during the year and further efficiencies achieved. Roll out of enhanced command, control and communication systems continued alongside work to improve the Department's and the Armed Forces' capability to manage and use information.

Future Capabilities and Infrastructure

The Department invested about £5.3Bn in equipment for the Armed Forces over the year, and over £2Bn in supporting infrastructure. Equipment acquisition performance continued to improve. For the second year running the Department met or exceeded its Public Service Agreement targets for equipment procurement, despite these being more demanding than those for 2005-06. The Department continued to invest heavily in strategic infrastructure. Significant changes to improve acquisition were made under the Acquisition Reform programme, including the establishment of the new Defence Equipment and Support organisation in April 2007.

Efficiency and Change

The Department remained on course to deliver the efficiency gains and the personnel reductions and relocations agreed in the 2004 Spending Review. By 31 March 2007 over £2Bn of efficiencies had been delivered, civilian staff numbers had fallen by over 11,000, military posts by some 10,000, and 1,885 posts had been relocated out of London and the South East.

Future Personnel Plans

There was considerable progress in delivering the Service Personnel Plan. The Joint Personnel Administration system was rolled out successfully across all three Services, although there were significant temporary accounting problems during the year. Service personnel terms and conditions continued to improve, including a good pay settlement and introduction of the operational allowance. The Armed Forces Act simplifying and harmonising military law received the Royal Assent. The civilian People Programme also continued to make progress, with a particular focus on support to operations and improving acquisition skills, and the new People Pay and Pensions Agency was successfully launched.

Science, Innovation and Technology

The defence science and technology community provided essential support to help counter the increasing threat from improvised explosive devices on operations, and to counter terrorism. In addition to a continuing peer-reviewed, high quality and well managed research programme of some £500M a year, a considerable programme of work was taken forward to implement the science and technology aspects of the Defence Industrial Strategy, including the launch of programmes to stimulate innovation in defence research.

Personnel Management

The continuing high operational tempo has meant that the Army and the Royal Air Force did not meet individual separated service or unit harmony guidelines. There were further improvements in providing for the welfare of young recruits, a continuing effort to improve Basic Skills, and significant progress with major military training rationalisation. Service personnel career satisfaction remained broadly constant. Work continued to improve Civil Servants' management and leadership skills. Civilian staff satisfaction levels fell over the year, but remained high overall.

Health and Safety

Further improvements were made to military medical support during the year. The number of patients assessed by Regional Rehabilitation Units and the proportion of Service personnel medically downgraded nevertheless continued to increase, and the Department did not meet its target of 90% 'fit for task' by April 2007. The civilian sickness absence rate continued to fall, remaining comparable with private sector performance. Defence safety management systems were judged to be generally robust, the number of deaths attributable to health and safety failures fell during the year, and the Department remained on course to meet Government targets for improved Health and Safety performance by 2010.

Logistic Support

The logistic support required to sustain the high tempo of operations was successfully provided against a growing requirement over the year as forces deployed to Afghanistan increased in number. The logistic transformation programme continued to deliver improved support arrangements and financial efficiencies. But the continuing impact of reduced levels of support for the Royal Navy and the impact of operations on RAF aircraft meant that the level of routine logistic support provided to the Services continued to fall slightly below the target level.

Business Management

The Department was assessed as one of the stronger departments in the Capability Review. There were significant developments in the Department's systems, process and structures. These included a new system for managing strategic risk, major changes to improve acquisition performance leading up to the establishment of Defence Equipment and Support, and the launch of a further study into streamlining the Head Office in light of the Capability Review.

Finance

Total Defence expenditure during the year was some £34Bn, including a near cash requirement of some £31.4Bn. The additional cost of operations was just under £1.8Bn. The Department remained firmly in command of its finances. Overall defence expenditure remained well within the total resources voted by Parliament, and the Department met all its Treasury Control totals, but the non-capital cost of Operations exceed the resources voted to cover them by some £21M (1.4%).

Manpower

The programmes to transform and restructure the Armed Forces meant that during 2006-07 military trained strength fell by 3% from just over 183,000 to just under 178,000. At the end of the year all three Services were outside Manning Balance, and there is some risk that they may not return to balance by 1 April 2008. Pinch points remained in all three Services. Recruiting increased in a challenging environment, and Voluntary Outflow rates remained broadly stable. Service diversity continued to improve, although not yet to target levels. The Reserve Forces continued to provide the support to operations required. Civilian staff numbers continued to fall, reducing by 5.6% from 104,000 to 98,000 during the year, and the Department remained on course to achieve the Spending Review efficiency target for civilian reductions by 1 April 2008. As a result of the continuing reduction programme civilian recruitment, turnover and progression remained low, significantly constraining the Department's ability to meet civilian diversity targets.

Estate

The quality of the estate – including single living and family accommodation – continued to improve, but there is a long way yet to go to achieve target standards for single living accommodation across the estate. New estate management arrangements began to bed down, albeit with some teething problems. A substantial rationalisation and relocation programme continued with several major announcements during the year. There was good progress with environmental stewardship and conservation.

Reputation

Considerable work went into external and internal communications and accountability during the year. The overall reputation of the Armed Forces and MoD rose among the public and remained very high among military and civilian personnel. But the favourability ratings on how well the Forces are equipped and their personnel are looked after are a cause for concern.

Performance against SR2004

Public Service Agreement Objectives and Targets

This section shows current performance against 2004 Spending Review (SR2004) Public Service Agreement (PSA) and Efficiency Targets (April 2005 to March 2008).

2004 Spending Review Public Service Agreement

The Ministry of Defence Vision is reflected in the three objectives and six targets of the Department's Public Service Agreement. The Agreement represents a contract between the Department and the taxpayer as to what we will, as a Department, deliver. The SR2004 PSA is shown below.

MoD Public Service Agreement 2005-06 to 2007-08

Aim: to deliver security for the people of the United Kingdom and the overseas Territories by defending them, including against terrorism, and act as a force for good by strengthening international peace and security.

Objective I: Achieve success in the Military Tasks we undertake at home and abroad.

1. Achieve the objectives established by Ministers for Operations and Military Tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil communities.
2. By 2008, deliver improved effectiveness of UK and international support for conflict prevention by addressing long-term structural cases of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular Africa, Asia, Balkans and the Middle East. *(Joint target with the Foreign and Commonwealth Office and the Department for International Development).*

Objective II: Be ready to respond to the tasks that might arise.

3. Generate forces which can be deployed, sustained and received at the scales of effort required to meet the Government's strategic objectives.
4. Play a timely role in the development of the European Security Agenda, and enhance capabilities to undertake timely and effective security operations, by successfully encouraging a more efficient and effective ANTO, a more coherent and effective European Security and Defence Policy (ESDP) operating in strategic partnership with NATO, and enhanced European defence capabilities. *(Joint target with the Foreign and Commonwealth Office).*
5. Recruit, train, motivate and retain sufficient military personnel to provide the military capability necessary to meet the Government's strategic objectives.

Objective III: Build for the future.

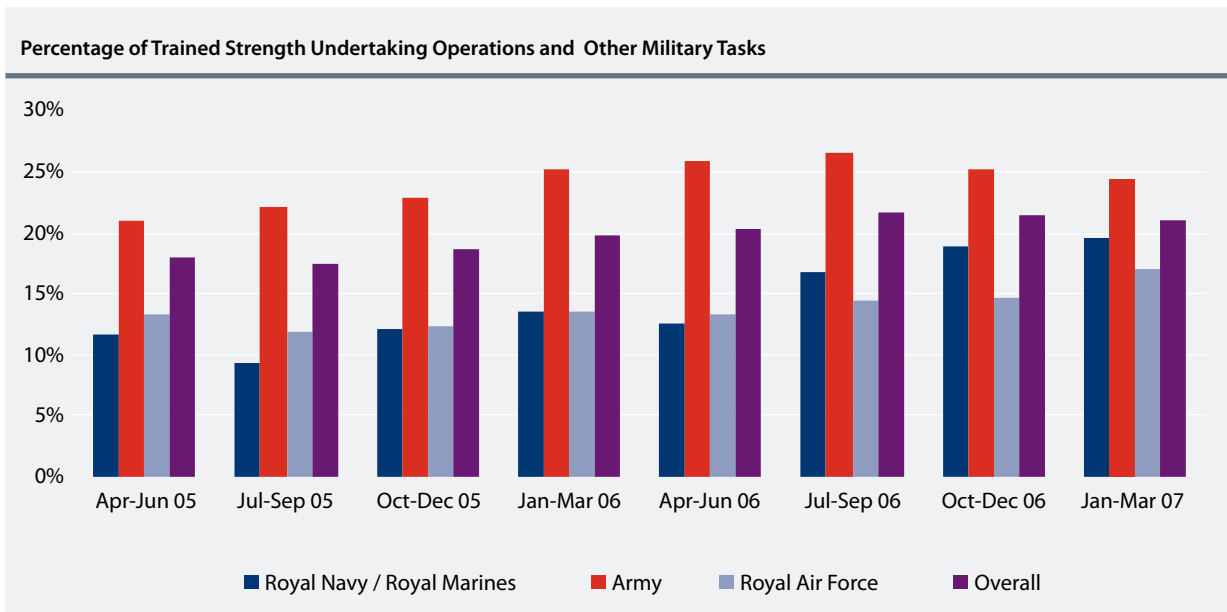
6. Deliver the equipment programme to cost and time.

Target 1

Achieve the objectives established by Ministers for Operations and Military Tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil authorities.

ON COURSE WITH SOME RISK

Over the year the Armed Forces remained broadly on course to deliver their policy and military objectives, albeit with some risk. This required taking greater risk against other defence objectives, in particular readiness for contingent operations and achievement of single Service harmony guidelines. The proportion of regular forces deployed on operations and other military tasks increased from just under 20% to 21.4% over the year, and the Armed Forces continued to operate above the overall level of concurrent operations for which they are resourced and structured to deliver.



Target 2

Improve effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution. *(Joint target with Foreign and Commonwealth Office and Department for International Development).*

BROADLY ON COURSE WITH MINOR SLIPPAGE

The Department remained broadly on course to achieve the Conflict Prevention PSA target, with some slippage. Of the twelve detailed indicators underpinning the target, nine were broadly on course at the end of the year, one (increasing the number of military personnel across the world available for UN Peacekeeping) had already been met, and two (the Middle East Peace Process and Iraq) were not on course. Detailed assessments against the performance indicators are at Annex C.

Overall Progress		
A – Afghanistan	E – Middle East Peace Process	I – Sudan
B – Balkans	F – Nepal	J – UN Peacekeeping
C – DRC	G – Nigeria	K – UN Peacekeeping
D – Iraq	H – Sierra Leone	L – African Peacekeeping
Key		
Met	Broadly on course with minor slippage	Not on course, major slippage

Target 3

Generate forces, which can be deployed, sustained and recovered at the scales of effort required to meet the government's strategic objectives.

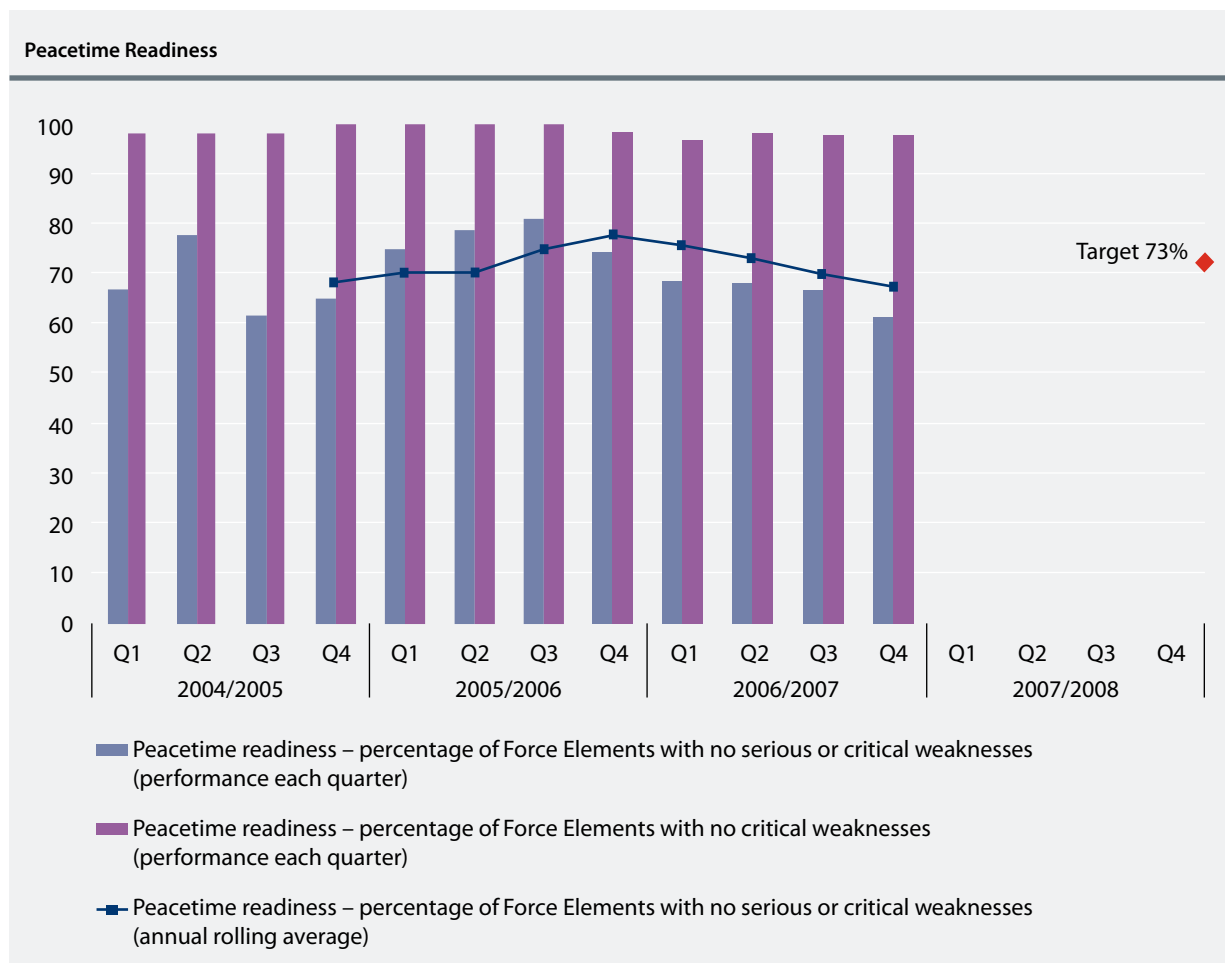
SOME RISK

In order to support and sustain current operations the Department has taken deliberate risk against achieving the Public Service Agreement readiness target to undertake future contingent operations. It has not been possible to maintain the high level of readiness achieved in 2005-06, and it is uncertain whether readiness will recover to the target level by April 2008. This does not mean that the Armed Forces cannot support their current operational commitments, but their ability to take on additional operations that are more than Small Scale Focused Intervention is now limited.

Assessment against Performance Indicators

a. By 2008, ensure more than 73% of force elements show no serious or critical weakness against their required peacetime readiness levels

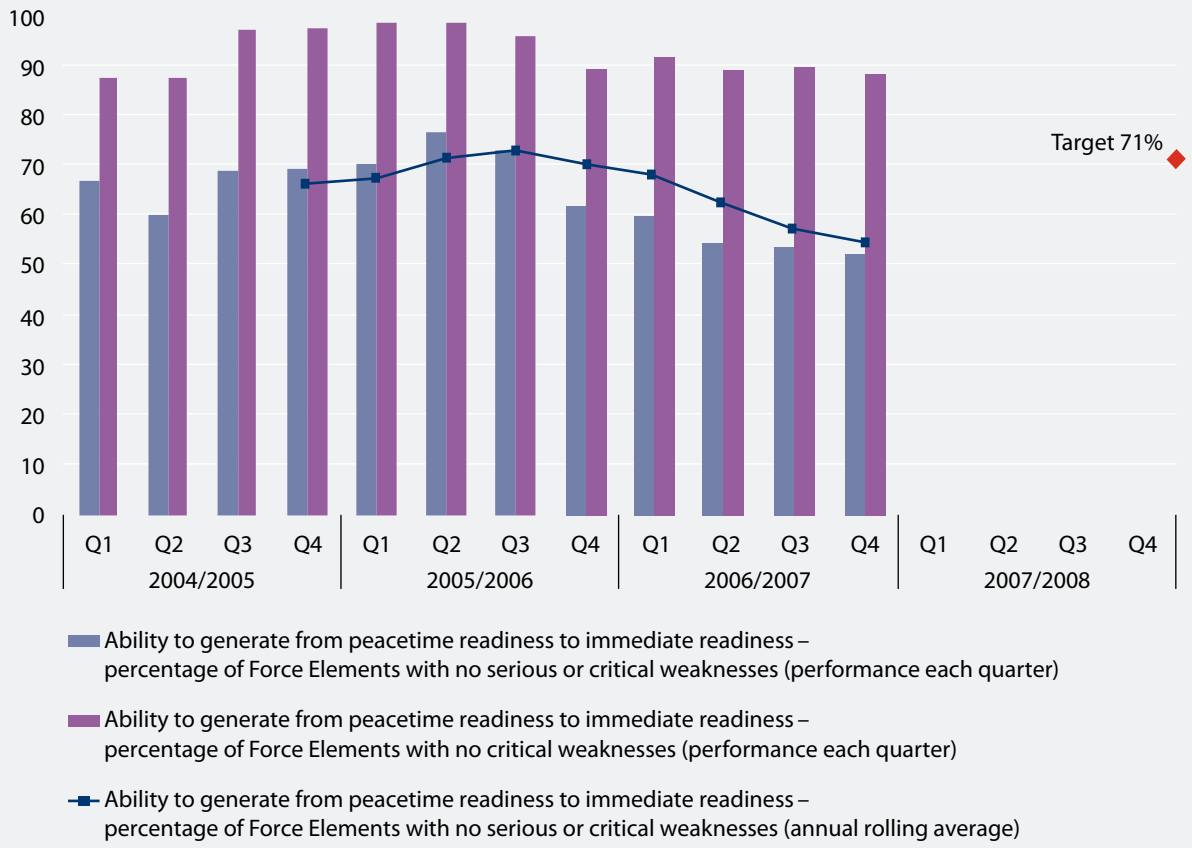
Readiness levels dropped steadily from 77% in the fourth quarter of 2005-06 to 67% in the fourth quarter of 2006-07. Further information is set out in paragraph 48.



b. By 2008, ensure that more than 71% of force elements report no serious or critical weaknesses against the ability to generate from peacetime readiness to immediate readiness for deployment on operations.

Over the year performance fell from an average of 70% in the fourth quarter of 2005-06 to an average of 55% in the fourth quarter of 2006-07. Further information is at paragraph 49.

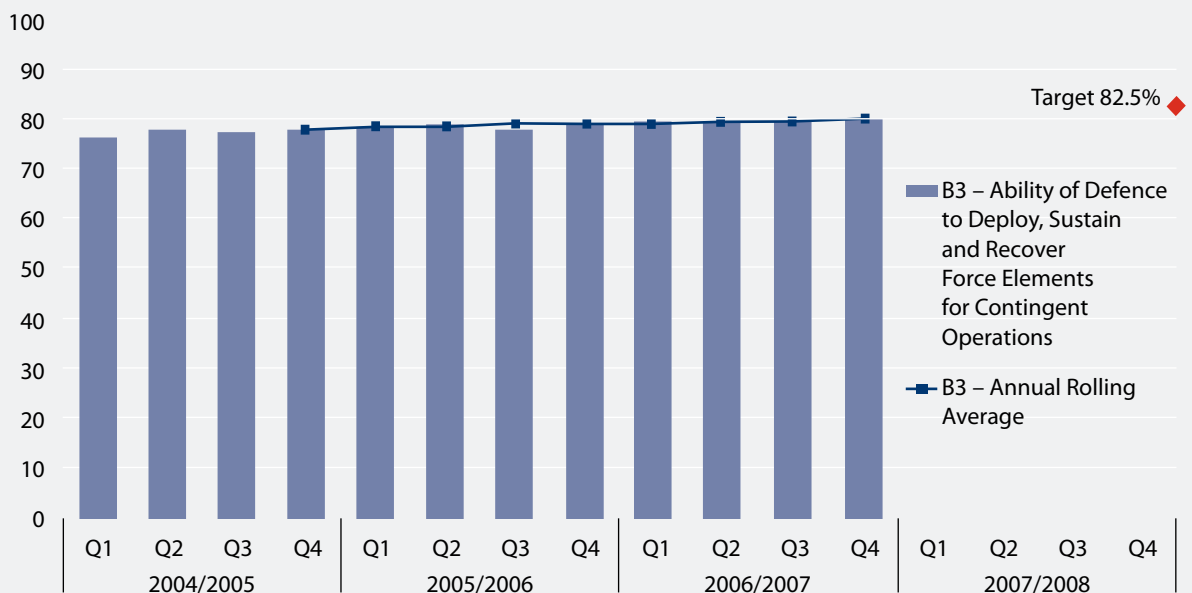
Assessed ability to generate Force Elements from peacetime to immediate readiness



c. By 2008, ensure that the assessed ability of the Department physically to deploy its Force Elements, sustain them in theatre and thereafter recover them to their home basis shows a 5% improvement in the numbers of serious or critical weakness compared with the average reported in 2004-05.

Over the year capability improved from an average of 78.7% in the fourth quarter of 2005-06 to an average of 79.6% in the fourth quarter of 2006-07. Further information is at paragraph 50.

Assessed ability to deploy, sustain and recover Force Elements for contingent operations



Target 4

Play a leading role in the development of the European Security Agenda, and enhance capabilities to undertake timely and effective security operations by successfully encouraging a more efficient and effective NATO, a more coherent and effective ESDP operating in strategic partnership with NATO, and enhanced European defence capabilities. *(Joint target with FCO).*

There was continuing progress in developing complementary NATO and EU political and military capabilities. Detailed information is set out in paragraphs 64-69.

Assessment against Performance Indicators

a. A more efficient and effective NATO

- Continuing effective NATO-led operations and missions;
- NATO Response Force fully operational;
- Comprehensive Political Guidance endorsed.

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

- Continuing effective EU civil and military missions;
- Reform of Secretariat structures and new facilities for generating the EU operations Centre provided stronger capability to plan and run civilian and civil-military operations.

c. Enhanced European defence capabilities

- EU military requirements catalogue agreed in support of Headline Goal 2010;
- EU Battlegroups concept achieved Full Operational Capability.

Target 5

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

ON COURSE WITH SOME RISK

At the end of the year all three Services were outside Manning Balance, and there is some risk that they may not return to within Manning Balance by 1 April 2008. Pinch points remained in all three Services. Recruiting increased in a challenging environment, and Voluntary Outflow rates remained broadly stable.

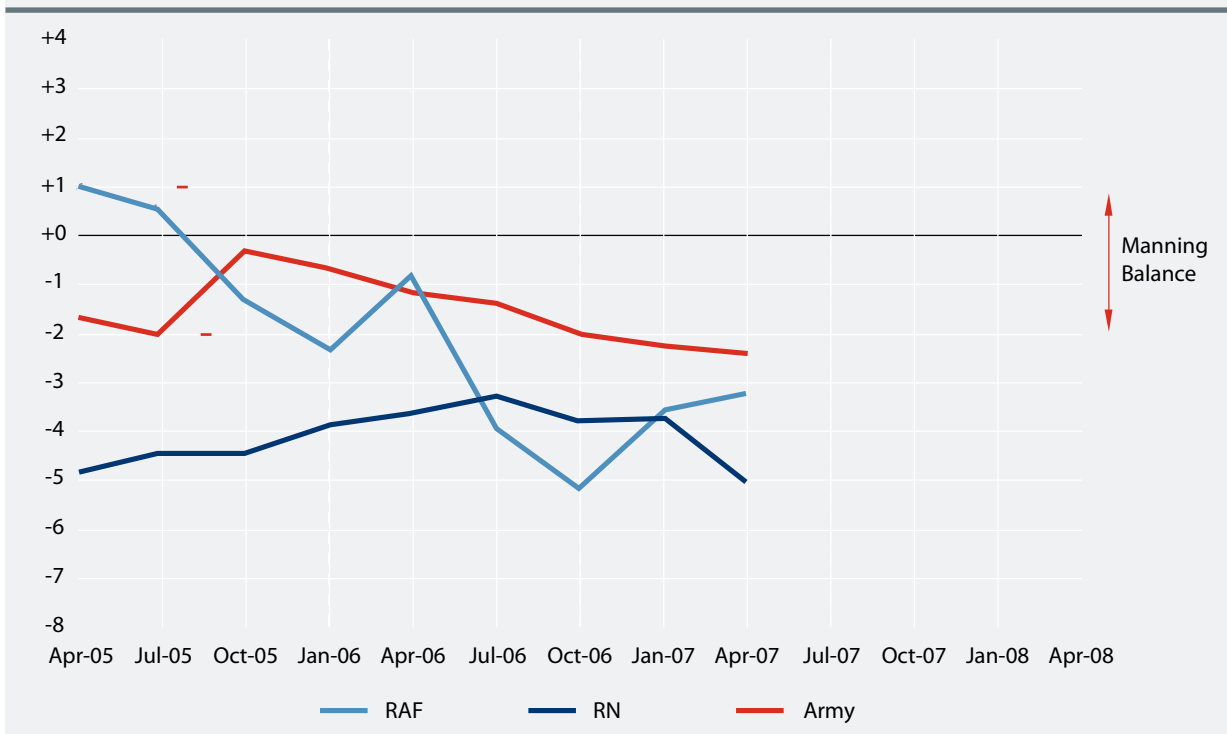
Assessment against Performance Indicators

a. Manning Balance

Manning Balance is defined as between -2% and +1% of the requirement, and is measured against the target prevailing at the time. Since the total requirement of Service manning is dynamic, this target will fluctuate over the PSA period. At 1 April 2007:

- The Royal Navy (including the Royal Marines) trained strength is 5.1% below the requirement – 3.1% below manning balance.
- The Army’s total trained strength is 2.5% below the requirement – 0.5% below the manning balance target range.
- The Royal Air Force’s total trained strength is 3.2% below the requirement – 1.2% below the manning balance target range.
- There are continuing shortages within some specialist groups in all three Armed Services. Further information is set out in paragraphs 320 – 322.

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



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

Further information is at paragraph 324.

Gains to trained strength

	2006-07			2005-06		
	Target	Achieved		Target	Achieved	
Naval Service Officers	410	450 ^P	110%	410	370	90%
Naval Service Other Ranks	2,960	2,320 ^P	79%	2,700	2,330	86%
Army Officers	1,020	960	95%	810	750	93%
Army Other Ranks	9,050	7,640	84%	9,230	7,770	84%
Royal Air Force Officers	500	400 ^P	81%	370	380 ^r	103% ^r
Royal Air Force Other Ranks	1,200	1,010 ^P	84%	1,800	1,860 ^r	103% ^r

Notes:

1. Naval Service and RAF Data from DASA. Army Figures come from the Adjutant General TLB.

2. Army numbers and target show officers completing the Royal Military Academy Sandhurst and soldiers completing Phase 2 training. This metric is used for internal management and does not match the figures produced by DASA and published in Tri Service Publication 4.

3. 'P' denotes provisional. Following the introduction of a new Personnel Administration System, all Naval Service and RAF data from 1 November 2006 are provisional and subject to review

4. r denotes revised.

c. Medically Fit For Task

The target is for at least 90% of Service personnel to be medically fit for task by 1 April 2007, an increase of 1% from the performance at 31 March 2005. The proportion of Service personnel medically downgraded continued to increase during 2006-07, and the Department did not meet its target of 90% 'fit for task' by April 2007. At 31 March 2007 85.9% of the overall Armed Forces personnel were reported as fit for task. The vast majority of personnel unfit for task are working normally but their deployability is limited. Further information is at paragraph 264.

d. Voluntary Outflow Exits

The Voluntary Outflow exits for 2006-07 are shown in the table below. Further information is at paragraph 325.

Voluntary Outflow Rates

	Stable long term Voluntary Outflow	Year ending 31 March 2007	Year ending 31 March 2006	October 1999 to October 2006
Naval Service Officers	2.0%	3.0% ^P	3.0%	2.5%
Naval Service Other Ranks	5.0%	6.0% ^P	6.0%	6.4%
Army Officers	4.1%	4.3% ³	4.3%	3.9%
Army Other Ranks	6.2%	5.8% ³	5.5%	5.7%
RAF Officers	2.5%	3.0% ^P	2.5%	2.4%
RAF Other Ranks	4.0%	4.9% ^P	4.8%	3.8%
Tri-Service Officers	N/A	3.6% ^P	3.4%	3.2%
Tri-Service Other Ranks	N/A	5.6% ^P	5.4%	5.4%

Notes:

1. Data from DASA

2. 'P' denotes provisional. Following the introduction of a new Personnel Administration System, all Naval Service and RAF data from 1 November 2006 are provisional and subject to review

3. Army data at 1 April 2007 are not available. Consequently Army data shown are for the latest 12 months available, comprising data from 1 March 2006 to 28 February 2007.

4. Voluntary Outflow Goals as set out in the Departmental Plan 2005-2009

e. Performance against Harmony Guidelines

Performance against individual separated service and unit tour interval harmony guidelines is shown below. The continuing high operational tempo meant that the Army and the Royal Air Force did not meet individual or unit harmony guidelines in 2006-07. Further information is at paragraphs 227-229.

	Guidelines	Performance
Levels of Individual Separated Service		
Royal Navy/ Royal Marines	In any 36 month period, no one to exceed 660 days separated service	At 31 March 2007 fewer than 1% of the Royal Navy had exceeded the guidelines
Army	In any 30 month period, no one to exceed 415 days separated service	At 31 March 2007, 13.4% of the Army personnel on current trained strength had exceeded the guidelines
Air Force	Not greater than 2.5% of personnel exceeding more than 140 days of detached duty in 12 months	At 31 March 2007, 6.2% of the RAF had exceeded the guidelines
Unit Tour Intervals		
Royal Navy	Fleet Units to spend maximum of 60% deployed in a 3 year cycle.	The Royal Navy continues broadly to meet its Unit Tour Interval Harmony guidelines.
Army	24 month average interval between unit tours.	Infantry average tour interval of 21.0 months; Royal Artillery 20.7 months; Royal Engineers 21.2 months; Royal Signals 18.4 months; Royal Logistic Corps 23.3 months.
Royal Air Force	Unit tour intervals to be no less than 16 months.	Unit Tour Intervals are not easily measured for the Royal Air Force. However RAF Regiment Field Squadrons average tour intervals around 10.5 months; Air Combat and Service Support units also breaching guidelines; Nimrod, Air Transport and Air-to-Air Refuelling squadrons heavily tasked

Target 6

Deliver the Equipment Programme to time and cost.

ON COURSE

Performance against the PSA is measured against all Category A to C projects that have passed Main Gate and are yet to achieve In Service Dates (ISD) at the start of the financial year. For the second year running the Department met or exceeded its Public Service Agreement targets for equipment procurement, despite them being more demanding than those for 2005-06. Further information is at paragraphs 161 – 162.

Assessment against Performance Indicators

a. Achieve at least 97% of Key User Requirements for all Category A to C Projects that have passed Main Gate approval, to be achieved throughout the PSA period.

99% of Key User Requirements achieved (97% 2005-06).

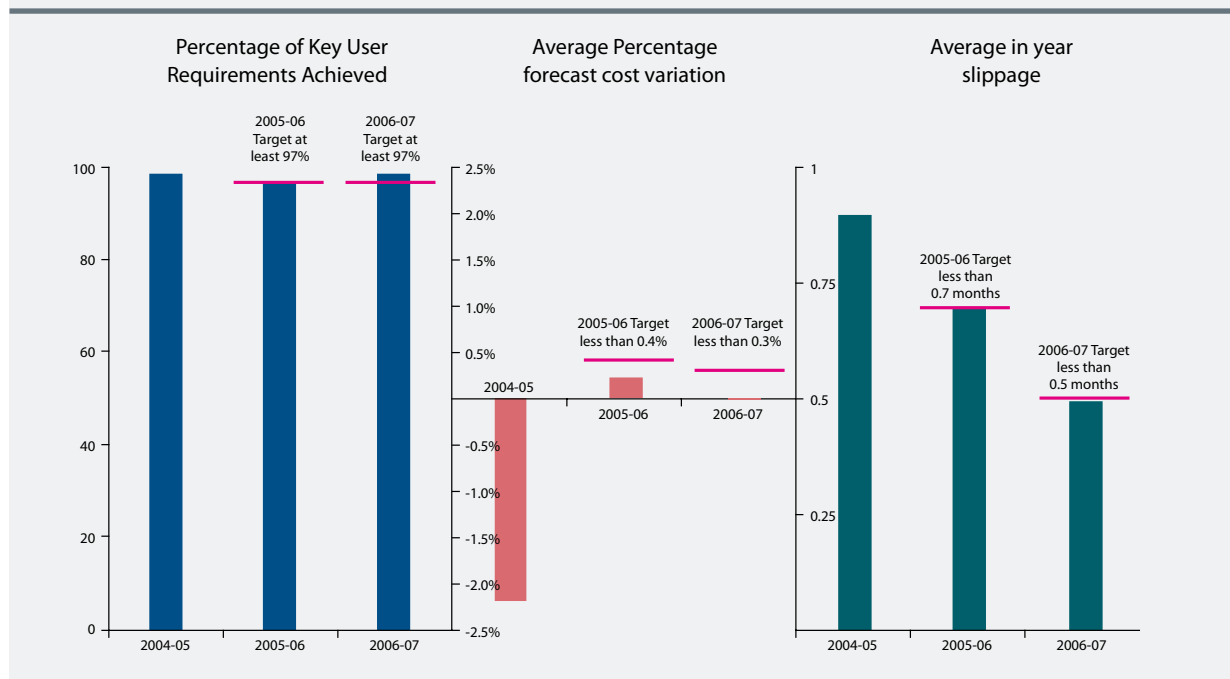
b. Average In-Year variation of forecast ISD, for all Category A to C Projects that have passed Main Gate Approval, to be no more than 0.5 months in 2006-07 and 0.4 months in 2007-08.

Average In-Year variation of forecast ISD of 0.5 months (0.7 months 2005-06).

c. Average In-Year variation of forecast costs for Design and Manufacture phase, for all Category A to C projects that have passed Main gate approval, of less than 0.3% in 2006-07 and 0.2% in 2007-08.

Average In-Year cost increase of 0.0% (0.2% 2005-06).

Public Service Agreement Targets



2004 Spending Review Efficiency Target

As part of Spending Review 2004, the Department agreed that it would realise total annual efficiency gains of at least £2.8Bn by 2007-08, of which three quarters will be cash releasing. As part of this programme the MoD will by 31 March 2008:

- Reduce its civilian staff by at least 10,000
- Reduce the number of military posts in administrative and support functions by at least 5,000
- Be on course to have relocated 3,900 posts out of London and the South East by 2010

ON COURSE

Performance Assessment

The Department remained on course to deliver the efficiency gains and the personnel reductions and relocations agreed in the 2004 Spending Review. By 31 March 2007 over £2Bn efficiencies had been delivered, civilian staff numbers had fallen by over 11,000, military posts by some 10,000, and 1,885 posts had been relocated out of London and the South East. Detailed information is set out in paragraphs 142-150.

Programme	Achievement by 31 March 2006 (£M) ^[1]	Achievement by 31 March 2007 (£M) ^[1]	Planned Efficiency Gains by 31 March 2008 (£M) ^{[1] [2]}
Force Structure changes	106	298	388
Corporate Services	343	296	253
Military Personnel Management	16	38	85
Civilian Personnel Management*	24	30	48
Finance Function	2	16	11
Information Services*	301	212	109
Procurement and Logistics	836	1169-1219	1681
Equipment Procurement *	54	206	374
Defence Logistics Transformation	662	780-830	1002
Whole Fleet Management*	54	55	116
Estates Modernisation*	31	62	95
Other Procurement	35	66	92
Productive Time*	105	139	88
Organisational changes	0	2	8
Relocation	18	18	18
Manpower	86	344	557
RN	15	32	32
Army	18	64	88
RAF	51	143	203
Civilian	2	105	234
Adjustment^[3]	-9	-68	-106
Total	1,485⁴	2198-2248	2887

Notes:

1. Planned and Achieved Efficiencies include efficiencies during 2004-05, 2005-06, 2006-07 and 2007-08. Because of the size of the Defence Logistics Transformation Programme, the validation process takes some time and this is the reason why a range is given in the table above.

2. The targets reflect a number of revisions since the publication of the Efficiency Technical Note in December 2005 and the 2006/07 Spring Performance Report.

3. Adjustment to avoid double counting of manpower savings.

4. This has increased from £1107M reported last year following a final validation of Defence Logistics Transformation Programme. The figure has been confirmed as higher after audit.

* Efficiency gains marked with an asterisk include an element of non-cashable gains.

