

Resources

Finance

Essay – Wider Markets

Manpower

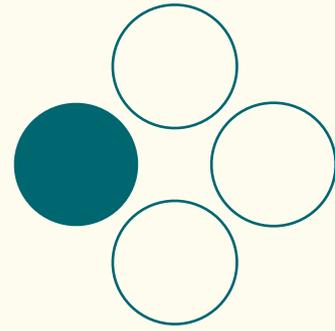
Essay – Improving Service Diversity

Estate

Essay – Environmental Management on the Defence Estate

Reputation

Essay – Media Access to Personnel



Finance

Objective: Control our expenditure within allocated financial resources, while maximising our outputs

Assessment and Performance Measures

Assessment: Total Defence expenditure during the year was some £34Bn, including a net 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 in 2006-07 remained well within the total resources voted by Parliament, and the Department met all its Treasury Control Totals, but the cost of operations exceeded the resources voted to cover them by some £21M (1.4%).

In Year Departmental Financial Management

- Net resource consumption of £31,519M for provision of Defence capability against resources voted by Parliament of £32,349M;
- Net additional Resource and Capital expenditure of £1,796M on operations against resources voted by Parliament of £1,876M;
- Expenditure against war pensions and allowances of £1,038M, against resources voted by Parliament of £1,048M;
- DEL outturn of £32,009M against Resource Departmental Expenditure limit of £32,678M;
- Outturn of £6,849M against Capital Departmental Expenditure Limit of £6,999M.



Defence Budget and Spending

Departmental Outturn

280. Planned expenditure for the year was set out in the *Ministry of Defence: The Government's Expenditure Plans 2006-07 to 2007-08*, and in the Main, Winter, and Spring Supplementary Estimates voted by Parliament. Provisional outturn for the year was set out in the Public Expenditure Outturn White Paper 2006-07 which was published in July 2007. Table 12 compares final performance against the final estimates approved by Parliament, as reported in the Statement of Parliamentary Supply on page 223 of the Accounts. It includes Resource Departmental Expenditure Limit (Resource DEL), Annually Managed Expenditure (AME) and Non Budget, but does not include income payable to the Consolidated Fund, shown in Note 5 to the accounts. Total Defence expenditure in 2006-07 was contained within overall voted provision, with an overall Net Resource underspend, which includes both cash and non cash items and unallocated provisions, of £819M.

281. As set out in the explanation of variation between Estimate and Outturn in the Departmental Resource Accounts on page 199, the principal explanation for the underspend in RfR1 of £830,700,000 is due to an underspend in AME of £666,526,000 arising from a review of nuclear provisions, in preparation for the Quinquennial review of liabilities by the Nuclear Installations Inspectorate during 2007-08. There is an underspend within Resource DEL of £148,322,000; and a small underspend of £15,852,000 in Non Budget.



Stores Accountants in the Naval Stores'

Cost of Operations

282. No formal budget is set for the cost of operations. The Department is voted additional resources (Requests for Resources 2) to cover the net additional costs of Operations and Conflict Prevention Programmed Expenditure, and the request for resources is normally made in the Supplementary Estimates which is the first occasion when the Department can reach a reasonably firm forecast of costs. Total expenditure is set out in Table 13 below. Overall expenditure in 2006-07 was £1,796M, including £956M for operations in Iraq, £56M for operations in the Balkans (Bosnia and Kosovo), and £742M for operations in Afghanistan. Additional detail is shown in Note 2 to the Departmental Resource Accounts (page 236).

Table 12: 2006-07 Parliamentary Controls (£M – rounded)

	Final Voted Provision	Net Resource Outturn	Variation
Request for Resources 1 (Provision of Defence Capability)	32,349	31,519	-830
Request for Resources 2 (net additional cost of operations)	1,427	1,448	21
Request for Resources 3 (war pensions and allowances)	1,048	1,038	-10
Net Resources	34,824	34,005	-819
Net Cash Requirement	33,746	31,454	-2,292

283. Although overall defence expenditure in 2006-07 remained well within the total resources voted by Parliament, the Department exceeded by some £21M the resources voted to cover the costs of operations (Request for Resources 2). The Comptroller and Auditor General therefore qualified the accounts in this respect. The excess is entirely against the provision for non-cash costs, for which the Department seeks a transfer from Request for Resources 1 to Request for Resources 2 at Supplementary Estimates. It mainly reflects the use of more Hellfire missiles in Afghanistan than had been forecast at the time the Department submitted Supplementary Estimates and increased depreciation charges for some military equipment damaged or destroyed on operations. Decisions by military commanders on the ground on the resources they need to use in combat cannot be constrained by the accounting consequences, and the scale of operations during the year was such that the transfer between the two categories of voted expenditure requested

of Parliament turned out to be slightly too low. The Department will identify any appropriate lessons in time to inform the production of the Winter and Spring Supplementary Estimates for 2007-08.

Resources by Departmental Aims and Objectives

284. Details of the MoD's expenditure for 2006-07 broken down against our three primary Public Service Agreement objectives are summarised in Table 14 below and set out in detail in the Statement of Operating Costs by Departmental Aims and Objectives (page 228) and Note 24 (page 256) to the Departmental Resource Accounts. It is shown net of the £56M for excess Appropriation-in-Aid and Consolidated Fund Extra Receipts included in total outturn of £33,949M in Table 14 (see Note 5 to the Defence Resource Accounts 2006-07 on page 241).

Table 13: Net Additional Costs of Operations 2006-07 (£M – rounded)

Resource	Final Voted Estimate	Outturn	Variation
Iraq (Op Telic)	807	787	-20
Afghanistan (Op Herrick)	516	564	48
Balkans (Op Oculus)	53	56	3
Programme Expenditure (African and Global pool)	51	41	-10
Total Resource	1,427	1,448	21
Capital			
Iraq (Op Telic)	195	169	-26
Afghanistan (Op Herrick)	254	178	-76
Balkans (Op Oculus)	0	1	1
Total Capital	449	348	-101
Total Net additional cost of Operations	1,876	1,796	-80

Table 14 Resources by Departmental Objectives 2006-07

	Net Operating Cost (£M – rounded)
Objective 1: Achieving success in the tasks we undertake	3,711
Objective 2: Being ready to respond to the tasks that might arise	26,293
Objective 3: Building for the future	2,907
(Total RfRs 1&2)	32,911
Paying war pension benefits (RfR3)	1,038
Total Net Operating Costs	33,949

Outturn against Departmental Expenditure Limit (Budgetary Basis):

285. In addition to the Net Resource controls set out above, against which Departmental expenditure is presented in the Departmental Resource Accounts and audited by the National Audit Office, the Department works within two Departmental Expenditure Limits (DELs) covering both the majority of the Department's operating costs (excluding some non-cash costs specifically relating to nuclear provisions) and capital expenditure. Detailed outturns by Top Level Budget Holder against their RfR1 DEL control totals are set out in Table 15 below. The Estimates figures shown in Note 2 of the Departmental Resource Accounts were based on data at the half year point, and there are inevitable movements between TLBs between then and the year end reflecting, for example, changes in budgetary responsibilities between TLBs. The total outturn for 2006-07 was contained within the RDEL with an underspend of £669M of which £180M was Near Cash. The underspend of £150M in CDEL was due to receipts from estates disposal in a PFI projects, for which there will be corresponding capital spend in later years. The RDEL underspend mainly resulted from lower than expected depreciation and write offs. The main pressures on the budget during the year were for pay costs, utilities and fuel.

Resource and Capital DEL Variances (Budgetary Basis):

286. Table 15 shows an underspend of £669M against Resource DEL and £150M against Capital DEL.

- Commander in Chief Fleet (£2M underspend Resource DEL and £5M Capital DEL): The underspend was the consequence of lower than anticipated write-offs on balance transfers which reduced spend against Resource DEL. The underspend in Capital DEL is a result of slippage in estates projects.
- General Officer Commanding (N Ireland) (£7M underspend Resource DEL): The underspend largely reflects accelerated savings from normalisation.
- Commander-in-Chief Land Command (£10M overspend Resource DEL): The reasons for the overspend included higher stock consumption and increased costs of multi activity contracts. The reason for the latter was principally an actuarially certified increase in the provision for industrial injuries pensions due to Locally Engaged Civilians in Germany.
- Air Officer Commanding-in-Chief RAF Strike Command (£13M Resource DEL overspend and £4M underspend Capital DEL): The overspend in Resource DEL was principally due to an increase in the civilian early departure provision. The underspend in Capital DEL is principally due to Defence Modernisation Fund projects.
- Chief of Joint Operations (£9M overspend Resource DEL and £2M underspend Capital DEL): The Resource DEL overspend was related to a court case settlement endorsed by HM Treasury (Gibraltar Service Police pay) and exceptional utilities inflation, mainly in BF Cyprus. The Capital DEL underspend is almost entirely due to slippage in capital works projects.
- Chief of Defence Logistics (£249M underspend Resource DEL and £8M overspend in Capital DEL): The DLO recorded a Resource DEL underspend because there was a significantly lower number of fixed asset write-offs and reduced depreciation of assets. There were also underspends on Defence Modernisation Fund projects and in infrastructure projects. The Capital DEL overspend is principally attributable to an overspend on capital spares.
- Adjutant General (£21M underspend): The underspend relates to the release of provision for future redundancy payments.
- Air Officer Commanding-in-Chief RAF Personnel & Training Command (£39M underspend Resource DEL and £7M underspend in Capital DEL): This underspend was due to a reduced number of UK civilians on loan to the US which has resulted in lower receipts and release of provision for redundancies which is no longer required. The underspend in CDEL is attributable to a reduction of funding for long service advances of pay.
- Central (£34M underspend on Resource DEL and £7M underspend on Capital DEL): The Resource DEL underspend was primarily due to the underspend on Defence Modernisation Fund projects; additional receipts have been recovered. The Capital DEL underspend is principally due to slippage of Chief of Defence Intelligence projects.
- Defence Procurement Agency (£87M overspend on Resource DEL and £10M overspend on Capital DEL): The DPA recorded a Resource DEL overspend because there was a significant number of stock write-off and depreciation of assets. The Capital DEL overspend is principally attributable to an overspend on expenditure on fighting equipment.

- Defence Estates (£116M overspend in Resource DEL and £14M in Capital DEL): There was an overspend in Indirect R DEL mainly on depreciation costs due to Quinquennial asset revaluations and offsetting impairment revisions. The overspend in Capital DEL was due to increased expenditure on estates projects.
- Corporate Science and Technology (£4M underspend Resource DEL): The underspend is due to a correction of a prior year error.

Table 15: Defence Budget Outturn against Departmental Expenditure Limits (DEL) 2006-07 (RFR1) (£M)

	DEL	Outturn	Var against DEL
Resource DEL (net of A in As)			
Allocated to TLBs:			
Commander-in-Chief Fleet	2,150	2,148	-2
General Officer Commanding (Northern Ireland)	396	389	-7
Commander-in-Chief Land Command	4,312	4,322	10
Commander-in-Chief Strike Command	1,911	1,924	13
Chief of Joint Operations	382	391	9
Chief of Defence Logistics	13,037	12,788	-249
Adjutant General	1,597	1,576	-21
Commander-in-Chief Personnel and Training Command	801	762	-39
Central (Incl CBFM)	2,206	2,172	-34
Defence Procurement Agency	2,264	2,351	87
Defence Estates	2,576	2,692	116
Corporate Science and Technology	528	524	-4
Sub total	32,160	32,039	-121
Not Allocated	518	-30	-548
Total	32,678	32,009	-669
of which Near Cash in RDEL	21,832	21,652	-180
Capital DEL (net of A in As)			
Allocated to TLBs:			
Commander-in-Chief Fleet	19	14	-5
General Officer Commanding (Northern Ireland)	2	2	0
Commander-in-Chief Land Command	76	75	-1
Commander-in-Chief Strike Command	11	7	-4
Chief of Joint Operations	6	4	-2
Chief of Defence Logistics	1,235	1,243	8
Adjutant General	15	15	0
Commander-in-Chief Personnel and Training Command	18	11	-7
Central	51	44	-7
Defence Procurement Agency	5,269	5,279	10
Defence Estates	126	140	14
Corporate Science and Technology	0	0	0
Sub total	6,828	6,834	6
Not Allocated	171	15	-156
Total	6,999	6,849	-150

Table 16: Reconciliation between Estimate and DEL £M

	Provision	Outturn
Resource Estimate (RfR 1)	32,349	31,519
Annually Managed Expenditure	-210	456
Non Budget	-13	3
Non Voted	552	87
Less: Consolidated Fund Extra Receipts		-56
Resource DEL (Table 15)	32,678	32,009
Capital Estimate	7,441	7,198
RfR 2	-449	-348
AME	7	0
Capital Spending by by Non Departmental Bodies	0	-1
Capital DEL (Table 16)	6,999	6,849

Reconciliation between Estimate and DEL

287. Table 16 provides a reconciliation between the outturn shown in the DEL Table 15 with the Estimate, to assist in understanding the differences between the tables presented here in the Annual Report, and those shown in the Departmental Resource Accounts. The totals shown for R DEL and C DEL are for RfR1 only. Non voted items in this table relate to the cash release of nuclear provisions which is not a Parliamentary control, but which makes up part of the Department's net cash requirement. There is a small element of non voted funding within Capital DEL.

Reconciliation between Estimates, Accounts and Budgets.

288. The Department is required to use different frameworks to plan, control and account for income and expenditure. The planning framework uses resource and capital budgets broken down into DEL and AME and these budgets are referred to throughout the Spending Review, Budget Red Book, Pre-budget Report and individual Departmental Annual Reports. Control is exercised through the Parliamentary approval of Supply in the Main and Supplementary Estimates. Some elements of DEL and AME are outside the Supply process. Equally, some expenditure is voted but outside the scope of the budgets. Audited outturn figures are reported within the Departmental Resource Accounts, prepared under the conventions of UK Generally Accepted Accounting Practice (UK GAAP), adapted for the public sector, with adjustments necessary to reconcile to either the planning or control totals. Table 17 provides the reconciliation between these three bases.

Table 17: Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets (£M – rounded)

	Provision	Outturn
Net Resources Outturn (Estimates)	34,824	34,005
<i>Adjustments to include:</i>		
Consolidated Fund Extra Receipts in the OCS		-56
Other adjustments		
Net Operating Cost (Accounts)	34,824	33,949
<i>Adjustments to remove:</i>		
Voted expenditure outside the budget	-4	12
<i>Adjustments to include:</i>		
Other Consolidated Fund Extra Receipts		56
Resource consumption on non departmental public bodies	16	16
Unallocated Resource Provision	220	
Resource Budget Outturn (Budget)	35,056	34,033
<i>of which</i>		
Departmental Expenditure Limits (DEL)	34,104	33,451
Annually Managed Expenditure (AME)	952	582

Major Contractual Commitments

289. As of 31 March 2007 the Department's outstanding contractual commitments (excluding those already reported within the Balance Sheet) were some £17.8Bn (see Note 25 to the Departmental Resource Accounts on page 263). This represents capital expenditure which the Department is contractually obliged to pay in future years (assuming delivery of a satisfactory product). While this is built up from more than 300 individual projects, the ten largest (see table 18 below) comprise some £11.3Bn, or 63% of the total. The Department is also committed to payments of £1.2Bn for PFI projects (see Note 27 to the Departmental Resource Accounts on page 264).

Table 18: Major Contractual Commitments as at 31 March 2007

Project	£M
Typhoon Tranche 2 Production	3,886
A400M – The RAF's Future Transport Aircraft	1,530
Future Lynx Helicopter	1,244
Support Vehicles: (6, 9, 15 Tonne Cargo, Recovery & Tanker Vehicles and Trailers)	1,146
Nimrod MRA4	838
Merlin Mk 1 Helicopter (Capability Sustainment Plus)	692
The Royal Navy's new T45 Destroyers	684
Astute Class Submarine	665
WATCHKEEPER (Unmanned Aerial Vehicles)	579
Single Living Accommodation Modernisation	538

Defence Assets

290. Under the 'Simplify and Improve' programme (see paragraph 296) on 1 April 2006 the Department centralised fixed asset management. Defence Estates now owns all land and buildings and related plant and machinery assets. Defence Equipment and Support own all single use military equipment, guided weapons, missiles and bombs, capital spares, associated plant and machinery, transport, all assets under construction, Government furnished equipments held in project accounts, and all information technology and communication equipment. This change means that while fixed assets will continue to be held and used by all TLBs whose personnel will remain responsible for their custodianship, they are now managed financially by the Single Balance Sheet Owners. This change produced a substantial redistribution of the associated non-cash resources (such as depreciation charges) from the other TLBs to Defence Estates and Defence Equipment and Support.

291. MoD's asset base is large, diverse, geographically dispersed and varies significantly in age. At any time there are many items approaching the end of their useful life and many others entering service with, in the case of fighting equipment and buildings, a life of perhaps 25-50 years. More information on their management can be found in the Departmental Investment Strategy. Details of the Department's assets and their valuation are set out in Notes 13 and 14 to the Departmental Resource Accounts on pages xx-xx. According to the 2007 National Asset Register the MoD owns about 25% of the Government's tangible fixed assets and over 90% of the Government's intangible assets. The Department's gross Tangible Fixed Assets cost increased from £110.7Bn at 31 March 2006 to £118.5Bn at 31 March 2007, an increase of £7.8Bn. Of this £5.8Bn reflected capital additions, broadly in

line with last year's capital expenditure figure. Once depreciation is subtracted, the Department's tangible fixed assets were worth some £74.6Bn at 31 March 2007, an increase of £2.8Bn over the previous year. This is largely accounted for by growth in the net value of single use military equipment reflecting the continuing programme of investment in the equipment provided for the Armed Forces. The vast majority of tangible fixed assets comprise either specialist military equipment in service or being acquired (some £44.6Bn, 63% of the total); dwellings, land and buildings (some £18.4Bn, 25% of the total); transport (some £4.3Bn, 5.8% of the total); and plant and machinery (some £2.6Bn, 3.5% of the total). The net holding of intangible fixed assets (mainly comprising development costs of military equipment) at 31 March 2007 was some £24.2Bn, an increase of some £1.2Bn over the year.

Losses and Write-Offs

292. Details of losses, gifts and special payments are set out in Note 31 to the Departmental Resource Accounts (page 270). Reported losses are not necessarily indicative of a failure of control, although the Department has processes – overseen by the Defence Audit Committee – to identify any that are and learn appropriate lessons. They also result from sensible management decisions as force structures, requirements and organisations are adjusted to meet changing circumstances. The total value of new and potential losses and special payments arising in year (both closed cases and advance notifications) was £417M in 2006-07. Of this £68M was for ex-gratia redundancy payments to members of the Royal Irish Regiment (RIR) and £17M for civilian redundancy payments following normalisation in Northern Ireland, and £112M from the decision to withdraw M26 bomblets for the Multiple Launch Rocket System (MLRS) as not meeting the Government's stricter criteria for use of cluster munitions (see paragraph 87 under Policy). Without these, new and potential losses and special payments arising in year would have fallen to £237M. The Department continues to work to minimise the number of new cases that arise. Excluding gifts and payments made by the Veterans Agency the value of cases closed during the year amounted to £384M, 73% was from final closure of cases previously notified, including £195M from the 1995 decision not to proceed with the long range anti-tank guided weapons system (LR TRIGAT).

293. The losses statement also identifies potential losses that have not yet been brought to completion and have therefore been identified for formal incorporation in a future year's accounts (known as advance notifications). The costs identified are estimates, so the final loss declared may therefore be either larger or smaller. The estimated value of our advance notifications of losses and special payments continued to fall, reducing from about £607M in

2005-06 to about £486M in 2006-07. Of this, £205M (42%) is for writing-down of the value of Chinook Mark 3 helicopters, where the Department has deliberately taken a very prudent accounting approach that maximises the size of the potential write-off pending revaluation on delivery of modified aircraft, and £167M (34%) from the Northern Ireland normalisation and MLRS decisions.

2004 Spending Review Efficiency Programme

294. The Government is committed to funding the Armed Forces as they modernise and adapt to meet evolving threats and promote international stability in the changing global security environment. The 2004 Spending Review announced in July 2004 increased planned spending on Defence by an average of 1.4% per year in real terms over the three years to 2007-08, with total planned Defence spending £3.7Bn higher in 2007-08 than in 2004-05. In cash terms, the equivalent increase is £3.5Bn, an average real growth of 1.5% per year. Further modernisation of Defence is being supported through the continued provision of the Defence Modernisation Fund, amounting to £1Bn over the three years to 2007-08. Building on the existing change programme, the Department also undertook to realise total annual efficiency gains of at least £2.8Bn by 2007-08, of which three-quarters will be cash releasing, to be re-invested in Defence capability and further modernisation initiatives. As of 31 March 2007 the Department had achieved efficiency savings of £2.2Bn (subject to validation), of which 84% was cash releasing.

Wider Markets Initiative

295. The aim of the Treasury's Wider Markets Initiative is the commercial exploitation of Departments' assets which need to be retained but are not fully used. Defence activities under the initiative have grown since 1998 to the extent that the MoD is regarded by the Treasury and the National Audit Office as among the leaders in the field. Indeed, in visiting the UK in March 2007, a senior auditor charged by the French Finance Minister with assessing the scope for commercialisation in his country's public sector singled out the MoD's 2nd PUS (as the MoD's Wider Markets champion) and Wider Markets team as his one departmental port of call besides the Treasury. The importance of thinking innovatively about commercialisation opportunities in periods of particular financial pressure is emphasised from time to time at the highest levels. In 2006-07 we have continued to refine and strengthen our management processes in this expanding field, bringing to over 300 the number of practitioners put through our training course and expanding the number of commercial officers licensed to contract for sale. Much of our Wider

Markets income comes from numerous small local arrangements for the loan of manpower, equipment, land and facilities; the exploitation of our intellectual property; and the use of the military “brand” in marketing goods such as clothing. Larger projects include the Defence Communication Services Agency’s exploiting of the Boxer Communication Towers; the Royal Navy’s contract, in partnership with Flagship, with Network Rail for engineering apprentice training at HMS SULTAN; and the provision of surplus bulk oil storage capacity at Campbeltown and Loch Ewe to a Dutch trading company.



‘Bride and Prejudice’ filmed at RAF Halton – Wider Markets

Finance Process Improvement

296. Continued improvements to the finance processes are being taken forward through the ‘Simplify and Improve’ programme, being delivered through the Defence Resource Management Programme (see paragraph 151 under Change and Efficiency). The creation of a Financial Management Shared Service Centre is one of the key strands of this work and it went ‘live’ on 1 April 2007. The Shared Service Centre is expanding further over the next year with greater integration of processes and systems for bill paying. Improvements to the Planning, Budgeting and Forecasting system have also been introduced to meet requirements from the Defence Acquisition Change Programme.

Further sources of information

297. Detailed information on the Department’s financial performance is contained in the Departmental Resource Accounts in Section Two of this report. Further information is also available from the following sources:

- 2007 National Asset Register, available at www.hm-treasury.gov.uk
- 2004 Spending Review: Stability, security and opportunity for all: investing for Britain’s long-term future: New Public Spending Plans 2005-2008 (Cm 6237) at www.hm-treasury.gov.uk;
- SR2004 Public Service Agreement and technical note at www.mod.uk;
- SR2004 Efficiency technical note at www.mod.uk;
- Ministry of Defence: The Government’s Expenditure Plans 2006/07 to 2007/08 (Cm 6822) at www.mod.uk;
- Central Government Supply Estimates 2006-07: Main Estimates (HC 1035) available at www.hm-treasury.gov.uk;
- Central Government Supply Estimates 2006-07: Main Estimates 2006-07 Supplementary Budgetary Information (Cm 6771) available at www.hm-treasury.gov.uk;
- House of Commons Defence Committee report on Ministry of Defence Main Estimates 2006-07, HC1366, available at www.publications.parliament.uk;
- Ministry of Defence Main Estimates 2006-07: Government Response to the House of Commons Defence Committee’s report, HC1601, available at www.publications.parliament.uk;
- Central Government Supply Estimates 2006-07: Winter Supplementary Estimates (HC 2) available at www.hm-treasury.gov.uk;
- House of Commons Defence Committee report on Cost of Operations in Iraq and Afghanistan: Winter Supplementary Estimate 2006-07, HC129, available at www.publications.parliament.uk;
- Cost of Operations in Iraq and Afghanistan: Winter Supplementary Estimate 2006-07: Government Response to the House of Commons Defence Committee’s report, HC1317, available at www.publications.parliament.uk;
- Central Government Supply Estimates 2006-07: Spring Supplementary Estimates (HC 293) available at www.hm-treasury.gov.uk;
- House of Commons Defence Committee report on *Cost of Operations in Iraq and Afghanistan: Winter Supplementary Estimate 2006-07*, HC129, available at www.publications.parliament.uk;
- Public Expenditure Outturn White Paper 2006-07 available at www.hm-treasury.gov.uk;
- Defence Departmental Investment Strategy available at <http://www.mod.uk>;
- NAO Report Ministry of Defence Wider Markets Initiative available at www.nao.org.uk.

Essay – Wider Markets

It is a key principle that publicly-owned resources should be disposed of when they become surplus to requirements. But where there are assets which cannot be disposed of but are not fully used, Selling into Wider Markets, also known as “income generation” or “commercialisation”, provides for their commercial exploitation. The Treasury’s Wider Markets Initiative of 1998 encouraged this and undertook that any income so generated could be used by the Department earning it to support its public objectives in addition to the funds voted by Parliament. This “sweating” of our irreducible spare capacity was subsequently endorsed by the 2004 Lyons review of public sector asset management.

The MoD uses this to serve two distinct aims: helping meet the Department’s core objectives, and funding local projects of benefit to the working lives of those staff who have worked to secure the income. These two priorities inevitably sometimes conflict. Striking the right balance remains a challenge for resource managers across the Department, using their considerable delegated local authority within the Top Level Budget system.

Identifying assets that can be exploited in this way has been addressed with considerable energy and imagination. Wider Markets practitioners have been deployed in local business areas in addition to a small dedicated team established in Head Office to co-ordinate the Department’s overall effort. These have developed processes ranging from the marketing of products carrying the brand of an Armed Service to the provision of airfield facilities to private flyers. Whereas film companies used to chance upon a MoD-owned property for use as a shooting location, there is now a film locations website designed to inform enquirers of the wide range of land and buildings which are in use as defence assets but which have capacity available to filmmakers.

It is not yet possible to determine how much revenue has been generated. Defining precisely what activities belong under the Initiative is challenging, calculating the precise cost of each transaction to the MoD provider is complicated, and it is important not to divert disproportionate resources away from the day job. There has however been a continuous increase in the volume of Wider Markets activity across defence, which in turnover terms now probably exceeds £100M a year. The Department has also worked with its partners in the Private Finance Initiative and Public-Private Partnership arrangements to ensure that there is scope for third-party income streams as a part of each deal. One such example is the Royal Navy’s contract, in partnership with Flagship, to train engineer apprentices for Network Rail. All this places the MoD among the leaders in taking up the Wider Markets Initiative, which was confirmed by the National Audit Office’s January 2006 report into its implementation across the Civil Service.

The expansion of MoD’s Wider Markets business has required development of effective governance processes. Venturing into the market place takes on a set of legal and other responsibilities which are new to most defence personnel. To guarantee the soundness of a deal requires a combination of good budget management, commercial competence, legal knowledge and health and safety expertise. This is provided for by the formal sign off by experts in all these fields. The Department also provides dedicated guidance and training for staff involved in this business. For instance, producing a contract for sale demands different skills to those possessed by most MoD commercial staff, who are used to buying rather than selling. The Department has therefore established internal training in contracting for sale, which is attended by outsiders as well as defence staff. A national network of practitioners across defence business areas has also been established to advise, establish best practice and communicate it to the Centre. There is also a clear Head Office military and civilian lead that this is worth doing to maximise the resources available for defence.

There are nevertheless constraints. While there is no conflict between providing defence capability and at the same time engaging to a modest extent in commercial business with a view to greater efficiency in our use of defence assets, income generation activity must not interfere with defence tasks. Income generation by Service personnel must also have a military purpose. None of these activities must risk bringing the Armed Forces or the Department into disrepute.

But the benefits are substantial, and go well beyond what, relative to the total defence budget, is a modest though useful supplementary income. Staff engaging in income generation learn skills unavailable in any other area of Departmental business. The public sees the Department making full use of the assets which it has provided. Successful transactions generate good publicity. It contributes to the Department’s role in the wider community, and has created links improving cooperation with other departments. The MoD will therefore continue to look for further Wider Markets opportunities to maximise the return for defence from the assets it owns.

Manpower

Objective: to succeed in Operations and Military Tasks Today

Public Service Agreement Target (SR2004 MoD Target 5)

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

Assessment and Performance Measures

Assessment: 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.

Trained strength of Forces 98%-101% of overall requirement on 1 April 2008. As at 1 April 2007:

- RN/RM trained strength of 34,940, or 94.9 % of overall requirement (96.7% on 1 April 2006);
- Army trained strength of 99,280, or 97.5 % of overall requirement (98.8% on 1 April 2006);
- RAF trained strength of 43,550, or 96.7% of overall requirement (99.2% on 1 April 2006);
- Royal Navy Reserve trained strength of 1,640 or 77% of overall requirement (71% on 1 April 2006);
- Royal Marines Reserve trained strength of 470 or 77% of overall requirement (82% on 1 April 2006);
- Territorial Army Volunteer Reserve trained strength of 21,070 or 70% of overall requirement (69% on 1 April 2006);
- RAF Auxiliary Air Force trained strength of 1,390, or 66% of overall requirement (49% on 1 April 2006);
- Critical shortage groups remained in all three Services.

Achieve stable Voluntary Outflow rates for each Service:

- Voluntary Outflow rates stable; the RN continued to exceed the stable long term goal rate.

Civilian Workforce:

- 98,050 Full Time Equivalent civilian staff employed on 1 April 2007 (103,930 on 1 April 2006);
- 9,600 reductions achieved as at 1 April 2007, against target of 11,000 by 1 April 2008;
- Continuing limited scope for progression.

Diversity:

- Overall Service ethnic minority strength (including Commonwealth recruits) increased to 5.8% at 1 April 2007 (5.5% at 1 April 2006) against target of 8% by 2013. UK ethnic minority intake:
 - RN 2.1% (target 3.5%, 2005-06 intake 2.0%)
 - Army 3.8% (target 4.1%, 2005-06 intake 3.6%)
 - RAF 1.6% (target 3.6%, 2005-06 intake 1.5%)
- Sexual Harassment Action Plan for Armed Forces agreed with Equal Opportunities Commission;
- As of 1 April 2007 women comprised 9.3% of UK Regular Forces, and 11.2% of 2006-07 intake;
- Proportion of women grew at SCS and Band B level, but fell at Band D level. Proportion of ethnic minorities fell at SCS level, grew at Band B level and stable at Band D level. Proportion of disabled fell at SCS and Band B level and grew at Band D level. Department only meeting diversity targets for disabled at SCS level and women at Band B level.

Service Personnel Numbers

Trained Strength

298. The Department's 2004 Spending Review Public Service Agreement Target requires all three Services to achieve manning balance by 1 April 2008. Manning balance is defined as trained strength between 98% and 101% of the requirement, which itself changes over time to reflect changes in the equipment and structure of the individual Services. From 1 April 2006 to 1 April 2007, reflecting the programmes to transform and restructure the Services, the total trained strength of the Services fell by over 5,400 personnel (3.0%) and the total requirement by 2,300 personnel (1.2%):

- On 1 April 2007, the total trained strength of the Royal Navy and Royal Marines was 34,940, a shortfall of 1,860 personnel or 5.1% against the requirement of 36,800, and 3.1% below the manning balance target range. This reflects a reduction of 680 trained personnel over the year, representing an overall decline of 1.4% against the requirement since 1 April 2006. This decline arose because Gains to Trained Strength were lower than expected and it was not possible to reduce the overall requirement as fast as had originally been planned. Work has been set in hand to resolve this, but there is some risk that the Royal Navy and Royal Marines may not achieve manning balance against the reduced requirement in Defence Plan 2007 of 36,260 in April 2008;
- The Army's total trained strength on 1 March 2007 was 99,280, a shortfall of some 2,500 personnel or 2.5% against the requirement of 101,800, and 0.5% below the manning balance target range. This reflects a reduction of 1,340 trained personnel over the year, representing an overall decline of 1.2% against the requirement since 1 April 2006. This mainly reflects a high level of early departures within the Infantry and Royal Artillery and the fact that although recruiting performance continued to improve, the environment remained challenging (see paragraph 301). The Army is taking forward a wide-ranging manning action plan to improve recruitment and retention covering a range of issues from training, to welfare and recruitment, to estate infrastructure, and expects to be very close to or back within manning balance by April 2008;
- The Royal Air Force's total trained strength on 1 April 2007 was 43,550, a shortfall of 1,470 personnel or 3.3% against the requirement of 45,020, and 1.2% below the manning balance target range. This reflects a reduction of 3,390 trained personnel over the year, representing an overall decline of 2.5% against the requirement since 1 April 2006. This fall reflects the continuing RAF redundancy programme as the Service moves towards the requirement in Defence Plan 2007 of 40,790 on 1 April 2008. The RAF continues to monitor the complex picture of restructuring and outflow and expects to achieve manning balance against that reduced requirement.

Table 19 Strength and Requirement of Full Time UK Regular Forces, Full Time Reserve Service & Gurkhas

	Royal Navy/ Royal Marines			Army			Royal Air Force		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Trained Requirement	36,800	36,830	38,190	101,800	101,800	104,170	45,020	47,290	48,730
Trained Strength	34,940 ^p	35,620 ^r	36,400 ^r	99,280 ³	100,620	102,440	43,550 ^p	46,940 ^r	49,210
Variation	-1,860 ^p	-1,220 ^r	-1,790 ^r	-2,520 ³	-1,180	-1,730	-1,470 ^p	-350 ^r	480
Untrained Strength	4,500 ^p	4,500 ^r	4,440 ^r	11,300 ³	11,260	10,970	2,160 ^p	2,110 ^r	3,020
Total UK Regular Forces	39,440 ^p	40,110 ^r	40,840 ^r	110,580 ³	111,880	113,420	45,710 ^p	49,060 ^r	52,230

Notes:

1.Data from DASA.

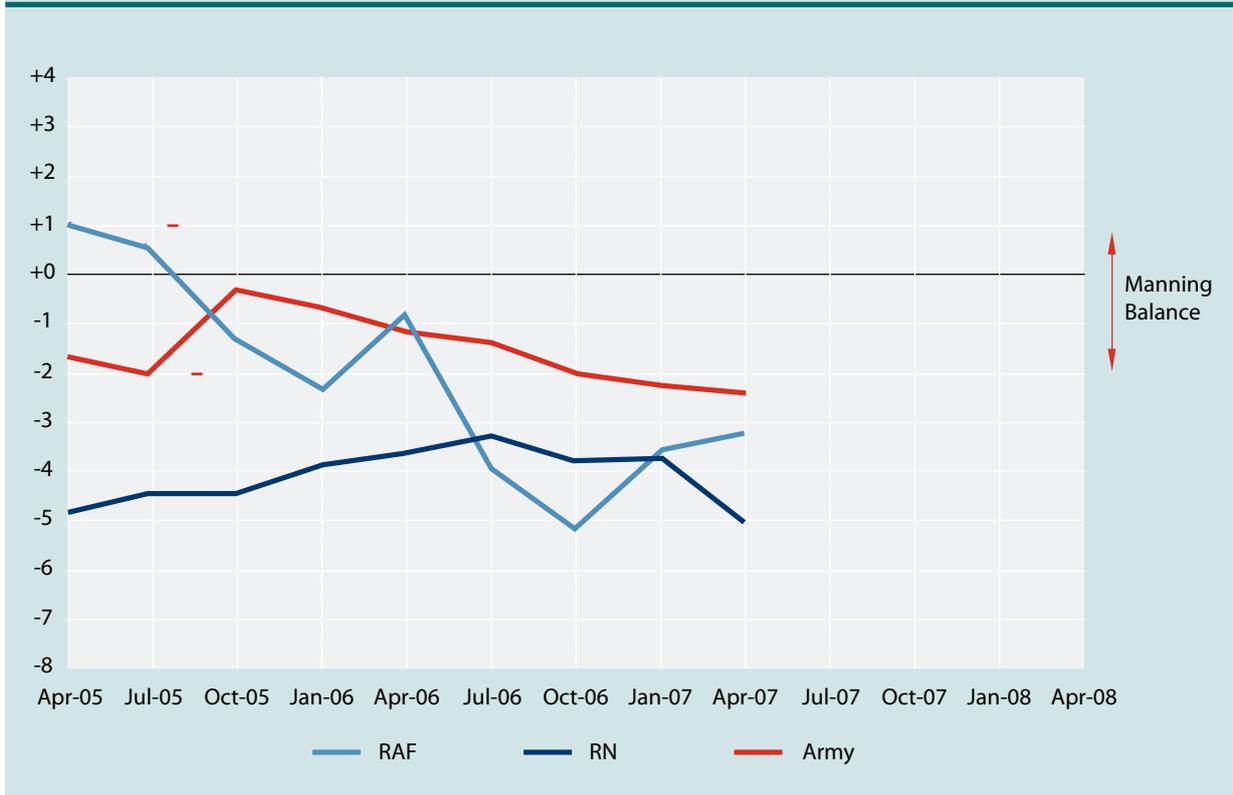
2.p denotes provisional. Following the introduction of a new Personnel Administration System, all Naval Service and RAF data from 1 November 2006 are provisional and subject to review.

3.Due to the introduction of a new Personnel Administration System, Army data is as at 1 March 2007.

4.r denotes revised.

5. Figures are rounded to ten and may not sum precisely to the totals shown.

Figure 8 E1 Service manning surplus/deficit: history and forecast against MTWS as at Q4 2006/07



Manning Pinch Points

299. Within these overall manning totals there are a number of identified skills areas with insufficient trained strength to meet the specified requirement for that skill. These are known as Manning Pinch Points. This can reflect a shortage of people against the peacetime requirement, a temporary operational requirement greater than the peacetime requirement, or a combination of the two. Manning Pinch Points are managed by the individual Services, with a central working group maintaining an overview to identify trends and ensure best practice. Mitigating the operational impact of Pinch Points can in some cases require personnel to exceed harmony guidelines (see paragraph 216 under *Personnel Management*). Each Service maintains a dynamic list reflecting operational commitments and manning levels within branches and trades as they vary over time. There was a continuing shortage of Intelligence Analysts and Linguists across defence, and in addition:

- In the Royal Navy the shortages previously identified in Royal Marines Other Ranks, Mine Warfare Petty Officers, Warfare Leading Hands, and Air Engineering Technicians continued to be of concern during 2006-07, as did shortages of Divers, MERLIN personnel including Aircrew, and Fast Jet Pilots which have arisen during the

year. Their impact on Operational Capability was mitigated through proactive micro-management and prioritisation. The shortage of Nuclear Marine Engineering Watchkeepers identified in 2005-06 improved during 2006-07;

- The Army had 18 Manning Pinch Point trades in 2006-07 (24 in 2005-06). This included the Infantry, which is of particular concern, as well as Intelligence Operators and Unmanned Air Vehicle operators. Mitigation plans to manage the impact of these shortfalls are in place and the Army continued to work to reduce the total number of Pinch Points to nine by the end of 2008-09. Although some of these reflect underlying structural issues, the Army made use of levers such as Financial Retention Incentives to combat serious shortfalls, including those in the Royal Artillery and Infantry;
- The Royal Air Force continued to manage a period of deficit manning as the drawdown programme proceeded. 100% manning of senior pilots to the front line throughout 2006-07 was maintained by backfilling other posts as necessary. There were 22 critically manned Airmen trades, including Staff Nurses, Medical Administrative Assistants, Fire-Fighters, Gunners, and Weapon System Operators.

300. Across all three Services a revised Defence Medical Services requirement of 8,251 medical personnel (including those in training) was agreed in December 2006 following a review of the baseline medical personnel requirement for operations. Further work is in hand to examine reserve and retained tasks. On 1 April 2007 there were some 7,200 medical personnel. This represented a decrease of some 500 personnel over the year, and an overall shortfall of just under 1,100 or 13% against the requirement, but the revised baseline produced a reduced shortfall of some 6% in Medical Officers in 2006-07, and a small excess in Dental Officers. Despite these improvements there were continuing critical shortages in some specialist disciplines including Anaesthetics, Psychiatry, and Emergency Medicine for Medical Officers, and Emergency Medicine and Intensive Therapy Care for Nurses. Use of civilian agency contractors and close liaison with allies ensured that despite these shortfalls full medical support to operations was maintained. The Defence Medical Services continued to use a mix of Financial Retention Incentives, selective re-skilling, adapting existing training and increased recruitment to address these shortage areas.



Passing Out Parade

Recruitment and Trained Inflow

301. During the year the Royal Navy and the Army each combined their Regular and Reserves recruiting operations under single professional organisations to ensure high quality and consistent branding. In November 2006 the National Audit Office published its report on *Recruitment and Retention in the Armed Forces*, which concluded that since 2000-2001 the Services had recruited 98% of their target for intake from civilian life. Although the recruiting environment remained difficult during the year, with high employment, a prosperous and strong economy and attractive alternatives in further education, the Armed Forces continued to recruit well:

- Naval Service recruitment was about 5% lower in 2006-07 than in the previous year, in part reflecting the reducing overall requirement. A multi-media recruiting campaign accompanied by an online advertising campaign was launched in January 2007, which placed particular emphasis on shortage areas by highlighting the opportunities available for those choosing careers as engineers, aircrew and submariners;
- The Army significantly increased recruitment of Other Ranks during 2006-07, with over 1,000 more recruited, representing an increase of almost 9% over the previous year. Within this, Infantry and Royal Artillery specific initiatives produced a 25% and 29% increase in potential recruits respectively, although not all proved to have the quality or motivation needed for selection. In December 2006 the maximum age for soldier intake was increased to 33 years to align with the other Services;

Table 20: Intake to UK Regular Forces from civilian life:

	Royal Navy/Royal Marines			Army			Royal Air Force		
	2006-07	2005-06	2004-05	2006-07	2005-06	2004-05	2006-07	2005-06	2004-05
Officer Intake	320p	370	370	840	770	760	380p	320	290
Other Ranks Intake	3,430p	3,570	3,320	12,950	11,910	10,940	1,440p	1,110	1,880
Total Intake	3,750p	3,940	3,690	13,780	12,690	11,690	1,820p	1,430	2,180

Notes:

1. Data from DASA.
2. UK Regular Forces includes Nursing Services and excludes Full Time Reserve Service Personnel, Gurkhas, the Home Service battalions of the Royal Irish Regiment and mobilised reservists. It includes trained and untrained personnel.
3. All intake to UK Regular Forces includes re-enlistments and rejoined reservists.
4. 'P' denotes provisional. Due to the introduction of a new Personnel Administration System for all three services, 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 28th February 2007. All Naval Service and RAF data from 1 November 2006 are also provisional and subject to review.
5. Figures are rounded to the nearest 10 and may not sum precisely to the totals shown.

- The Royal Air Force also significantly increased recruitment by over 25% from the previous year, reflecting the approaching end of the drawdown programme. However, there were shortfalls in some trades (including Gunners and Air Traffic Control Assistants) where there were not enough applicants able to meet the requirements.

302. Once personnel have been enlisted they require training before joining the trained strength of their Service. On enlistment all recruits undergo Phase 1 training, lasting on average about twelve weeks, to provide the initial training in basic military skills and the inculcation of the Service ethos. This is followed by Phase 2 training to provide initial specialist training such that on completion they have the necessary skills for first employment in their chosen trade or specialisation. This varies from a few weeks to over a year for highly specialised training. On completion of Phase 2 training, personnel join the trained strength of their Service. This is known as Gain to Trained Strength. Inevitably the number successfully completing initial training is less than the number originally recruited, although the Department aims to keep the wastage rate to a minimum. The proportion of initial recruits who successfully progress on to units is some 78% for the Royal Navy, 49% for the Royal Marines, 67% for the Army, 94% for RAF officers and 93% for airmen. Given the variable length of Phase 2 training, there is no direct correlation between the number recruited and the Gain to Trained Strength in a given year. In 2006-07 the Naval Service and Army successfully trained more officers and about the same number of other ranks as in 2005-06, the Royal Air Force about the same number of officers and fewer other ranks. The number of Officers completing training includes those personnel promoted from other ranks as well as those recruited directly from civilian life.

Retention and Voluntary Outflow

303. The Armed Forces require sufficient turnover of personnel to maintain promotion opportunities. A certain level of early exits each year is therefore important. However, it costs significantly more to recruit and train new personnel than it does to retain existing ones. The Department does not set retention targets per se, but monitors the level of Voluntary Outflow closely against stable guideline figures derived from long term historic trends that reflect the ability to provide sustainable personnel structures and the capacity to train replacements for those who leave. Where appropriate, and particularly with regard to key Pinch Point trades, it seeks to improve retention rates through targeted Financial Retention Incentives. Overall Voluntary Outflow rates have varied little over the last few years, with only a small increase from 2005-06 to 2006-07, and a reasonable level of retention is being maintained across the Armed Forces. There are nevertheless some specific areas where the outflow rate would be too high if sustained over time. These are monitored closely to assess whether further action is necessary.

Table 21 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.

Table 22 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

Table 23 Outflow of UK Regular Forces

	Royal Navy/Royal Marines			Army			Royal Air Force		
	2006-07	2005-06	2004-05	2006-07 ³	2005-06	2004-05	2006-07	2005-06	2004-05
Officer Outflow (Voluntary Outflow)	500 ^P (200 ^P)	520 (200)	510	1,270 (590)	1,070 (590)	1,100	850 ^P (270 ^P)	700 ^r (240)	700
Other Ranks Outflow (Voluntary Outflow)	3,770 ^P (1,670 ^P)	3,960 (1,670)	4,130	14,000 (4,780)	13,120 (4,620)	13,970	4,190 ^P (1,720 ^P)	3,890 ^r (1,840)	3,020
Total Outflow (Voluntary Outflow)	4,270 ^P (1,870 ^P)	4,490 (1,870)	4,630	15,280 (5,370)	14,190 (5,110)	15,070	5,040 ^P (1,990 ^P)	4,590 ^r (2,080)	3,730

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

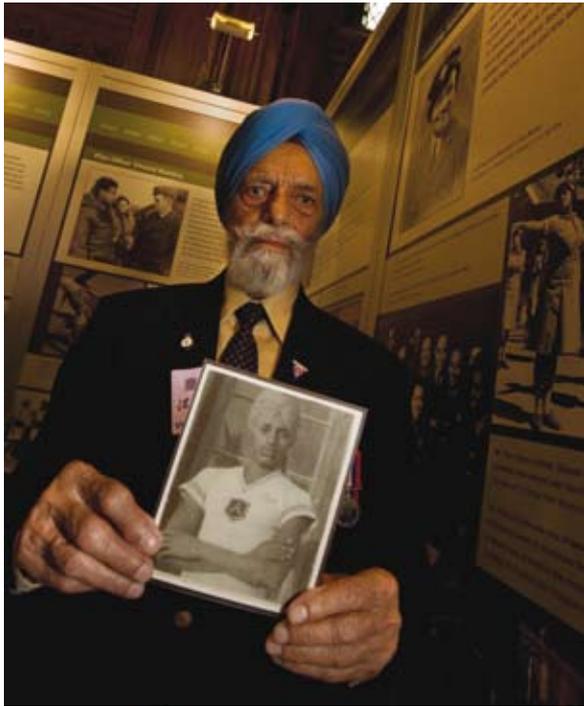
3. Army data at 1 April 2007 are not available. Consequently Army data shown are for the latest 12 months available, comprising data from 1 March 2006 to 28 February 2007.

4. Figures are rounded to the nearest 10 and may not sum precisely to the totals shown.

Diversity of the Armed Forces

304. The Armed Forces are committed to becoming more representative of the society they serve. But despite continuing efforts, recruitment from UK ethnic minority groups remains challenging (see the essay on Improving Service Diversity on pages 173). All three Services fell short of their ethnic minority recruiting goals (see Table 24) but overall ethnic minority representation within the Armed Forces continued to increase slowly (see Table 24). Most roles, with the

exception of selective combat units, submarine and mine clearance diving, are now open to women. As of 1 April 2007, women comprised 9.3% of UK Regular Forces, and 11.2% of the total 2006-07 intake. Sexual orientation is a private matter not relevant to an individual's suitability for a career in the Armed Forces. Personnel are free to choose whether or not to disclose their sexual orientation. In line with the terms of the Civil Partnerships Act, the Services accord those who have formally registered their partnerships parity of treatment with married couples.



We Were There exhibition

305. The Armed Forces regularly review their recruiting policies with the Commission for Racial Equality and other experts in the field to ensure that they reflect best practice. During 2006, the Armed Forces again participated successfully in the Opportunity Now benchmarking scheme, which is designed to help organisations working towards gender equality and diversity to take stock of their progress and measure their development. Both the Army and the Royal Air Force received Gold Awards. The Royal Navy did not participate in 2006, but received a Silver award in 2005. The Armed Forces also again participated successfully in the Business in the Community's Race for Opportunity benchmarking scheme – a growing network of public and private sector organisations working across the UK to promote racial diversity. The Army came top among public sector organisations for the sixth consecutive year, with both the Royal Navy and RAF achieving places in the top ten. Out of the 104 public and private sector employees who participated, the Army achieved fifth place overall and the RAF tenth.

Table 24 Armed Forces UK Ethnic recruitment

	2007-06		2005-06		2004-05	
	Target	Actual	Target	Actual	Target	Actual
Navy	3.5%	2.1%	3.5%	2.0%	3.0%	2.3%
Army	4.1%	3.8%	3.9%	3.6%	3.4%	3.7%
RAF	3.6%	1.6%	3.6%	1.5%	3.1%	1.7%

Notes:

1. These figures are unaudited single Service estimates of UK ethnic minority intake.
2. The Army officer intake is measured by intake into Sandhurst

Table 25 Armed Forces ethnic minority representation

	1 April 2007	1 April 2006	1 April 2005	1 April 2004	1 April 2003
Royal Navy	2.7% ^P	2.6%	2.5%	2.4%	2.3%
Army	8.4% ³	8.0%	7.6%	6.9%	5.9%
RAF	2.3% ^P	2.4%	2.5%	2.5%	2.6%
Armed Forces	5.8% ^P	5.5%	5.3%	4.9%	4.3%

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. Due to the introduction of a new Personnel Administration System, Army data at 1 April 2007 are not available, data points shown as 1 April are the latest available, comprising data from 1 March 2007.

Table 26 Women in the Armed Forces as of 1 April 2007

Royal Navy/Royal Marines/Army/Royal Air Force	Total	Naval Service	Army	Royal Air Force
Commodore/Brigadier/Brigadier/ Air Commodore	2 (0.4%)	1 (0.9%)	1 (0.4%)	–
Captain(RN)/Colonel/Colonel/ Group Captain	39 (3.3%)	1 (0.3%)	19 (3.2%)	19 (6.1%)
Commander/Lt Colonel/Lt Colonel/ Wing Commander	200 (4.9%)	33 (3.0%)	77 (4.5%)	88 (7.1%)
Lt Commander/Major/Major/ Squadron Leader	890 (9.2%)	160 (6.6%)	460 (9.7%)	280 (10.4%)
Lieutenant/Captain/Captain/Flight Lieutenant	1,800 (14.8%)	400 (13.3%)	650 (13.8%)	750 (17.0%)
Sub Lieutenant/ Lieutenant & 2nd Lieutenant/ Lieutenant & 2nd Lieutenant/ Flying & Pilot Officer	790 (17.6%)	90 (12.7%)	430 (16.1%)	270 (24.5%)
Total Officers	3,720 (11.6%)	680 (9.0%)	1,640 (11.2%)	1,410 (14.2%)
Warrant Officer Class 1/ Warrant Officer Class 1/ Warrant Officer Class 1/Warrant Officer	130 (3.4%)	25 (3%)	67 (3.9%)	34 (2.9%)
Warrant Officer Class 2/Warrant Officer Class 2/ Warrant Officer Class 2	220 (4.0%)	1 (0.1%)	220 (4.7%)	N/A
Chief Petty Officer/Colour Sergeant/ Staff Sergeant/Flight Sergeant/ Chief Technician	580 (4.1%)	160 (3.6%)	300 (5.1%)	110 (3.3%)
Petty Officer/Sergeant/Sergeant/Sergeant	1,690 (7.7%)	330 (7.7%)	740 (7.1%)	630 (9.1%)
Leading Rate/Corporal/Corporal/Corporal	3,400 (11.1%)	650 (10.4%)	1,490 (9.7%)	1,270 (13.9%)
Lance Corporal	1,520 (9.2%)	2 ⁴ (0.4%)	1,520 (9.4%)	N/A
Able Rating/Marine/Private/ Junior Technician/Leading & Senior Aircraftman	5,360 (10.0%)	1,810 (13.0%)	1,340 (5.2%)	2,210 (15.9%)
Junior Private/Aircraftman	1,060 (8.8%)	N/A	910 (8.2%)	150 (16.1%)
Total Other Ranks	13,960 (8.8%)	2,970 (9.5%)	6,590 (7.2%)	4,400 (12.4%)
Grand Total	17,680 (9.3%)	3,650 (9.4%)	8,230 (7.7%)	5,810 (12.8%)

Notes:

1. Data from DASA

2. Following the introduction of a new Personnel Administration System, all data are provisional and subject to review

3. Figures are rounded, (except for those less than 100 so as not to obscure the data). Due to the rounding methods used, figures may not always equal the sum of the parts. When rounding to the nearest 10, numbers ending in 5 have been rounded to the nearest multiple of 20 to prevent systematic bias. Percentages have been calculated from unrounded figures.

Sexual Harassment

306. Harassment of any kind is unacceptable in the Armed Forces and incompatible with the Services' core values and standards. It damages individual and team cohesion, and undermines operational effectiveness. In June 2005, the Secretary of State and the Chief of the Defence Staff signed an Agreement with the Equal Opportunities Commission on *Preventing and Dealing Effectively with Sexual Harassment in the Armed Forces*. This aims to create a working environment in which sexual harassment is not tolerated; to ensure that Service Personnel who experience sexual harassment feel able to complain and have confidence in the complaints process; and to monitor the nature and extent of harassment in the Armed Forces in order to correct deficiencies and build upon the strengths of our policies and processes. The Agreement runs until June 2008, at which time the Commission will decide whether it needs to take further action.

307. In the first phase of the Agreement, the Department conducted extensive research, including a survey of all Servicewomen. The results made clear that we had a serious problem that required urgent attention and, in light of these findings, an Action Plan was agreed with the Commission in May 2006 and it reviewed progress with the Chiefs of Staff in May 2007. Over the year complaints procedures were revised to make them more accessible and robust, further surveys were conducted, guidance was issued on appropriate sanctions in harassment cases, attitudes to equality and diversity were incorporated into appraisal reporting criteria, a system of career monitoring for parties to harassment cases was introduced, and a comprehensive review of equality and diversity training was begun. All senior officers are now required to undertake mandatory equality and diversity training provided by the Defence Academy. The Department continues to monitor progress to identify areas requiring further development.



First female Beefeater

Reserves Personnel

308. The Government aims to have capable, usable, integrated and relevant Reserve Forces supporting their Regular counterparts on operations overseas. The Reserves are not a contingency force but an integral part of defence capability to be drawn upon for use on enduring operations where necessary. As a matter of policy the Services seek only to mobilise willing personnel, and not to call out individuals more than one year in five. This has generally been achieved, although there have been instances where it has not been possible. The operational utility of the Reserves is borne out by their continuing contribution in 2006-07 to operations in Iraq, Afghanistan, the Balkans, and in support of the Government's counter-terrorist objectives. During the year an average of 1,250 reservists drawn from all three Services were in mobilised service at any one time. Of these, about two thirds were serving in operational theatres, integrated into regular forces either as reservist sub-units or as individuals. A small number served in the United Kingdom in direct support of operations or backfilling posts to allow regular personnel to be posted to operations. The remainder were mainly on Pre Deployment Training or Post Operational Leave. In addition, there were some 1,600 personnel on Full Time Regular Service commitments embedded within regular units and formations, including in operational theatres when their unit was deployed.

Table 27: Reserves

	April 2007 ¹	April 2006
Regular Reserves		
Naval Service	9,600	10,400
Army	33,800	32,100
Royal Air Force	7,300	7,800
Volunteer Reserves		
Royal Navy Reserve		
Trained Strength Requirement	2,340	2,440
Trained Strength	1,640	1,740
Manning Balance	77%	71%
Royal Marines Reserve		
Trained Strength Requirement	600	600
Trained Strength	470	490
Manning Balance	77%	82%
Territorial Army		
Trained Strength Requirement	30,270	30,270
Trained Strength	21,070	20,830
Manning Balance	70%	69%
Royal Auxiliary Air Force		
Trained Strength Requirement	2,100	2,210
Trained Strength	1,390	1,080
Manning Balance	66%	49%

Notes:

1. Following the introduction of a new Personnel Administration System, all data for April 2007 are provisional and subject to review.
2. Figures are rounded to the nearest ten. Totals may therefore not always equal the sum of the parts.

309. The continuing use of Reserves to augment the Regular Forces requires a sufficient supply of Reservists to be available to undertake these tasks. The current strengths of the Reserve Forces is shown in table 27. None of the Volunteer Reserve Forces met their manning balance target of at least 95% of the trained strength requirement. Numbers are stable overall. The Department and the Services are therefore working hard to increase levels of recruitment and retention in the Reserve Forces, including improving the medical support available to them (see paragraph 243 under *Health and Safety*).

Civilian Personnel

Staff Numbers

310. The Department remained on course to exceed the 2004 Spending Review efficiency target to reduce the number of civilian posts in administrative and support roles by 11,000 (including 1,000 Locally Engaged Civilians) by the end of March 2008 (see paragraph 156 under *Efficiency and Change*). Current plans provide for reduction of about 12,800 civilian posts, of which 9,600 had been achieved by 31 March 2007. The total number of civilians employed by the Department (including its Trading Funds and Locally Engaged Civilians) fell by 5.6% from 103,930 Full Time Equivalents on 1 April 2006 to 98,050 on 1 April 2007. This represented a reduction of nearly 5,000 staff based in the United Kingdom and some 900 Locally Engaged Civilians elsewhere. The Department continued to make every effort to minimise and, where possible, avoid compulsory redundancies. The majority of the planned reductions are being delivered through

resignations, normal retirements and transfers out of the Department (including staff transfers to private contractors on Transfer of Undertaking and Protection of Employment terms), supplemented by recruitment limitations (see paragraph 311 below) and voluntary early release schemes. When staff find themselves without a post they are managed through a Department-wide Redeployment Pool, which gives them priority consideration when filling new or vacant posts. Staff leaving the Department under early release schemes have access to a MoD-funded Outplacement Service. Staff who are retiring attend a workshop on “Planning for Retirement”.

Civilian Recruitment and Turnover

311. Reflecting the planned reduction programme, recruitment in 2006-07 continued to fall, but at a slower rate than previously (see Table 28). (Additional recruitment information, in accordance with the Civil Service Commissioners’ Recruitment Code, is at Annex F on page 316.) The Department continued in particular to maintain targeted recruitment in certain specialist functions, and to ensure an adequate supply of potential future senior managers. The combination of the continuing reduction programme, the demographic profile of the Department’s civilian personnel, and the low level of recruitment meant that the Department’s staff turnover rate in 2006-07 was only 6.7%¹, compared to a labour turnover rate in the private sector of 14.7% in 2006.

Table 28: Civilian Recruitment

	2006-07		2005-06		2004-05	
	Non Industrial	Industrial	Non Industrial	Industrial	Non Industrial	Industrial
Total Number of staff recruited	2,860	1,070	3,510	1,130	5,480	1,700
Number and percentage of women recruited	1,250 43.7%	250 23.7%	1,510 43.1%	290 25.6%	2,440 44.6%	470 27.4%
Number and percentage of ethnic minorities recruited ²	120 6.5%	30 4.2%	170 7.2%	20 3.0%	130 4.2%	20 2.3%
Number and percentage of people with disabilities recruited ³	10 0.4%	~ ~	10 0.3%	~ ~	40 0.7%	20 1.2%

Notes:

1. Data from DASA

2. The recruitment statistics shown are for all permanent and casual civilian personnel including Trading Fund staff. No recruitment information is available for Royal Fleet Auxiliary or Locally Engaged Civilian personnel.

3. Percentage of staff recruitment is based on known declarations of ethnicity and excludes staff with unknown or undeclared ethnicity.

4. Percentage of staff recruitment is based on known declarations of disability status and excludes staff with unknown or undeclared disability status.

5. ~ = Strength of less than ten or percentage based on strength of less than ten.

6. All figures are on a Full Time Equivalent basis.

7. All figures have been rounded to meet Freedom of Information requirements and protect confidentiality.

¹ This is based on civilian inflow from all sources, including inward transfers from other Departments not reflected in the totals in table 28 above.

Civilian Progression

312. Progression rates remained hampered by the low rate of turnover, unfavourable demographic profile and continued reduction in staff numbers. The problem was particularly acute at the Senior Civil Service level (where the proportion of MoD staff is significantly lower than in the Civil Service as a whole), with 19 promotions to the SCS in 2006-07 (16 in 2005-06). Similar constraints also apply at lower levels. To ensure that the Department promotes the right people it was decided during the year to introduce an assessment centre from 2008 to assess and select for the Senior Civil Service, in line with the approach taken for promotion to Bands D (junior management) and B (middle management).



MoD Women's Network meeting

Table 29: Percentage of Women, Ethnic Minority and Disabled Non-Industrial Civilian MoD Staff

	1 April 2007		1 April 2006		1 April 2005		1 April 2004	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Total Senior Civil Servants in the MoD⁴								
Women	15.0	12.2	15.0	10.1	15.0	9.2	13.0	8.8
Ethnic Minorities	3.2	2.1	3.2	2.6	3.2	2.2	3.0	2.2
Disabled	2.0	2.1	2.0	2.9	2.0	3.3	1.9	3.0
Band B								
Women	18.0	20.6	18.0	19.1	16.0	18.5	15.0	16.6
Ethnic Minorities	3.5	2.5	3.5	2.3	3.0	2.4	2.7	2.5
Disabled	4.0	2.4	4.0	2.7	4.0	2.4	3.6	2.0
Band D								
Women	40.0	37.2	40.0	38.5	40.0	37.6	38.0	36.1
Ethnic Minorities	4.0	3.2	4.0	3.2	4.0	2.9	3.5	2.9
Disabled	6.0	4.7	6.0	4.3	6.0	4.2	5.8	4.2

Notes:

1. Data from DASA
2. Percentages of Ethnic Minority Staff have been calculated as percentages of staff with known ethnicity status
3. Percentages of Disabled staff have been calculated as percentages of total staff, to be comparable with set targets. This differs from the methodology used in all external publications and in the recruitment table where percentages of Disabled staff are calculated from staff with known disability status.
4. Senior Civil Service data covers SCS and equivalent analogue grades e.g. medical consultants.

Civilian Diversity

313. In the light of these significant constraints, the Department's diversity performance did not change significantly during the year and it continued to miss the majority of its diversity targets (see Table 29). Work continued to improve this, focused around the Cabinet Office's 10 Point Plan to improve diversity in the Civil Service and the requirement to be compliant with Equality and Diversity related legislation. This included ensuring that the governance arrangements and measurement and evaluation frameworks support action to increase diversity at senior levels. In addition a single Equality and Diversity Scheme and associated Action Plans were also published in 2006. The Department's commitment and approach is favourably recognised. The Government's Action Plan

for implementing the Women and Work Commission recommendations quotes the MoD's Manifesto for Civilian Women as an exemplary initiative for encouraging culture change. Opportunity Now has included MoD in the 100 Exemplar Employers and awarded the Department a Gold Standard, Race for Opportunity awarded us the Gold Standard (up from silver in 2005), and Stonewall placed the Department 72nd out of top 100 employers in their Workplace Equality Index. The Department also won two Civil Service Diversity Awards. Notwithstanding all of this, the 10 Point Plan targets remain very challenging, and it seems likely that while the Department will achieve the SCS targets for women (15%) and disabled (4%), it is unlikely to achieve the target for Ethnic minorities (3.2%) in the short term, despite slowly increasing representation in the feeder grades.

Further sources of information

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

- Quarterly PSA reports at www.mod.uk
- Q2 Autumn Performance Report at www.mod.uk
- GEP (Government Expenditure Plan) at www.mod.uk
- NAO report on Reserve Force (HC 964) available at www.nao.org.uk
- NAO report on recruitment and retention in the Armed Forces (HC 1633) available at www.nao.org.uk
- House of Commons Public Accounts Committee Report *Recruitment and Retention in the Armed Forces (HC43)* available at www.publications.parliament.uk
- House of Commons Public Accounts Committee Report on Reserve Forces (HC 729) available at www.publications.parliament.uk
- UK Defence Statistics and TSP series available at www.mod.uk & www.dasa.mod.uk
- Race Equality Scheme available at www.mod.uk
- Sexual Harassment available at www.mod.uk
- Agreement between MoD and EOC available at www.mod.uk
- Civil Service 10 point diversity plan available at www.mod.uk
- Civilian Workforce Strategy available at www.mod.uk
- Unified Diversity Strategy available at www.mod.uk

Essay – Improving Service Diversity

The Armed Forces aim to be manned by personnel from all sectors of the United Kingdom's diverse communities. This reflects both the moral obligation to reflect the society which they serve and the practical need to be able to recruit effectively from all parts of that society to provide trained personnel in the future. Against that background, through a succession of Partnership Agreements with the Commission for Racial Equality, the goal is to achieve 8% ethnic minority representation by 2013. By 1 April 2007 the Services had reached 5.8% representation, a 0.3% increase on the previous year. Within the overall representation target there is an annual UK ethnic minority recruiting goal to recruit at 0.5% above the previous year's achievement level for each Service, or roll forward the previous year's target, whichever is greater.

All three Services have a dedicated and specialist team promoting military careers amongst the UK's ethnic minority and faith communities. Each team undertakes a range of initiatives and participates in diverse cultural events both nationally and (in particular) at local level. For example:

- The Royal Navy's Diversity Action Team work ranges from giving presentations in schools and colleges and to Community and Faith leaders to organising and operating five-day Personal Development Courses, attending careers, and cultural and religious festivals and events, and engaging potential recruits and their gatekeepers;
- The Army's Diversity Action Recruiting Team provides role models to young members of the ethnic minority and faith communities at recruiting events throughout the country. They add credibility to the recruiters' outreach work within minority communities. Within the Team there are Community Liaison Officers who engage with and develop relationships with 'influencers' in minority communities in their respective regions. The Team participates in some 650-700 events each year;
- The Royal Air Force's Motivational Outreach Team is responsible for promoting the Service in major ethnic minority communities. Their work is augmented by Careers Liaison Officers, Community Careers Liaison Officers and a network of Youth Activity Liaison Officers across the UK. They participate in schools' careers conventions, festivals and sporting events, and visits to youth organisations and Air Training Corps and Combined Cadet Force squadrons. They also arrange visits for ethnic minority personnel to RAF stations.

Although they are making determined and sustained efforts, the Services are not recruiting as many ethnic minority recruits as they would wish. Results of recent public opinion surveys have shown that increasing parental and gatekeeper disapproval of the Armed Forces as a career, particularly within the minority communities. The Services are addressing this directly through harmonised tri-Service working to improve communications and to build up their reputation with ethnic minority and religious communities, and by conducting research on how best to inform minority communities. They are engaged in top level communications with religious leaders. For example, in January 2007 the Chief of Defence Staff met with Dr Muhammad Abdul Bari, the Secretary General of the Muslim Council of Britain, and with in February 2007 with Dr Khalid Ahmed, the High Sheriff of London. They sponsored an award at the annual Muslim News Awards for Excellence, and all three Services were well represented at the Awards dinner in April 2007. And the Department's *'We Were There'* exhibition, which aimed to inform young people of the part played by soldiers of ethnic minority origin in the United Kingdom's military history, has been a resounding success as it has been rolled out across the UK.

The Armed Forces are committed to giving all individuals the opportunity to practice their faith wherever possible. Every effort is made to allow personnel to celebrate religious festivals and holidays, to comply with specific religious dress codes or dietary requirements, and to fast when required. Members of the Armed Forces are normally allowed to fast and pray in circumstances where this would not jeopardise operational effectiveness or health and safety. Where practical, areas of worship are made available in all Service establishments, including ships and submarines. In most circumstances, arrangements can be made for daily prayer. The Armed Forces aim to cater for the religious dietary requirements of all Service personnel. Halal, Kosher and vegetarian meals can be provided by Service messes and are available in Operational Ration Packs for operations and exercises. The first MoD civilian chaplains to the Armed Forces from the Buddhist, Hindu, Muslim and Sikh faith communities began work in October 2005 (the Services have had an honorary officiating chaplain from the Jewish faith under long-standing arrangements).

The Armed Forces are working hard to develop an organisational culture that welcomes racial diversity and the highest priority is being placed on rooting out unacceptable behaviour. There is a continuing constructive dialogue with the Commission for Racial Equality, and meetings take place regularly. They remain committed to increasing ethnic minority representation. This is demonstrated by the fact that all three Services were in the top ten in Race for Opportunity's annual benchmarking report for 2006. But there is still some way to go.

Estate

Objective: Maintain an estate of the right size and quality, managed in a sustainable manner, to achieve Defence objectives.

Assessment and Performance Measures

Assessment: 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. Good progress with environmental stewardship and conservation.

Improving the Estate – Improve Single Living Accommodation to Grade 1 standard by delivering 2,000 Grade 1 bed spaces through Project SLAM and 5,400 Grade 1 bed spaced through other projects:

- 2,207 new-build bed spaces delivered in 2006-07 through Project SLAM;
- 3,615 new-build bed spaces delivered in 2006-07 through parallel projects.

Improving the Estate – Improve Service Families Accommodation in the Great Britain by upgrading 1,200 family houses to Standard 1 for condition:

- 1,215 Service families houses upgraded in 2006-07;
- 59% of the long term core stock at Standard 1 for condition, and over 95% at Standards 1 or 2 for condition.

Managing the Estate – Improved standard of routine maintenance:

- Effective implementation of new Housing Prime Contract (England and Wales only) after a poor start;
- Regional Prime Contracts beginning to improve reactive maintenance and efficiency;
- Introduction of improved arrangements for Training, Overseas and Volunteer estates.

Managing the Estate – Relocation of 3,900 posts outside of London and the South East by 2010:

- Major estate rationalisation programme in progress;
- 1,885 posts relocated outside of London and South East.

Sustainable Development – Natural Resource Protection and Environmental Enhancement:

- Development of Sustainability Environmental Appraisal Tools Handbook and Defence Related Environmental Assessment Methodology;
- Continuing roll-out of environmental management systems;
- 81% of Sites of Special Scientific Interest in England at target condition (target 95% by 2010). Condition elsewhere in UK also improving;
- 70% of listed buildings and 73% of Scheduled Monuments (62% 2005-06) in good or fair condition;
- Increased access to Defence land.



The Defence Estate

315. The Ministry of Defence is the one of the largest landowners in the United Kingdom, with an estate of some 240,000 hectares (about 1% of the UK mainland). Some 80,000 hectares of this comprise a varied built estate including naval bases, airfields, living accommodation for nearly 200,000 military personnel, scientific facilities, storage and distribution centres, communications facilities, and offices, making the Department the UK's largest property manager. Reflecting the long history of the Armed Forces, the estate contains a substantial number of listed buildings (see paragraph 335). The rural estate (some 160,000 hectares) comprises mainly training areas, and ranges on undeveloped land, often of particular environmental or archaeological significance (see paragraph 335). The Department has rights to use about a further 196,000 hectares in the UK, mainly for training. The Department also manages an overseas estate mainly comprising the garrisons and training facilities in Germany, Cyprus, the Falkland Islands and Gibraltar, as well as facilities in Ascension Island, Belize, Brunei, Nepal, Singapore and the United States. The Armed Forces regularly use major training facilities in Canada, Cyprus, Germany, Norway, Poland and Kenya. The Department invests over £2Bn a year (about 1% of UK construction industry annual turn over) in the estate, in April 2006 the Department's estate-related assets were worth some £18.9Bn.

Improving the Estate

316. The defence estate exists solely to support the Armed Forces in delivering military capability. The Defence Estate Strategy 2006 – In Trust and On Trust, published in March 2006, set out the principles by which it is managed and developed. The estate is kept under review to ensure that it remains the right size and quality to support the delivery of defence capability, is managed and developed effectively and efficiently in line with acknowledged best practice, and is sensitive to social and environmental considerations. The Department therefore continued to take forward an extensive estate improvement programme during 2006-07, including:

- the award of the PFI contract in April 2006 for Project Allenby/Connaught, to provide modern living and working accommodation for some 18,000 military and civilian personnel in Aldershot and the Salisbury Plain Training Area. Service delivery began in July 2006. The Project includes a particular focus on Single Living Accommodation and will provide over 11,000 soldiers with new and refurbished ensuite bedspaces during the period 2006-16;

- in May 2006 the Woodbridge Airfield redevelopment in Suffolk was handed over for occupation to 23 Engineer Regiment (Air Assault). The project was recognised as a demonstration project both for construction excellence and environmental management;
- the award in July 2006 of a £1.15Bn PFI contract for the redevelopment, management and operation of the Permanent Joint Headquarters site at Northwood in north London;
- the award of the contract for Project MoDEL (Ministry of Defence Estate in London) in September 2006. The Project will contribute to consolidation of the defence estate in Greater London through development of an integrated Anchor Site at RAF Northolt, relocation of London based units and disposal of sites rendered surplus. It will initially invest over £180 million in the redevelopment of RAF Northolt;
- in September and October 2006 personnel from 16 Air Assault Brigade moved into new accommodation at Colchester Garrison on return from Afghanistan, with completion of the first phase of the Colchester PFI Garrison Project ten weeks ahead of schedule. This included 2,232 new junior ranks en-suite single living accommodation;
- the selection in October 2006 of the preferred bidder for the £800M PFI project to rebuild, refurbish and manage state-of-the-art communication and technical support facilities at Corsham in Wiltshire, and provide new offices for 2,000 staff and en-suite single living accommodation for 180 Service personnel. The underground tunnels at Corsham are an important link to Cold War history and the Department continued to work with English Heritage and the contractor to ensure their preservation.



Moving into new accommodation at HMS Neptune, Clyde

Service Accommodation

317. Service personnel and their families deserve good quality accommodation. It forms an important part of their overall package of terms and conditions and plays a significant role in retention. The MoD owns or manages an overall stock of 72,000 houses worldwide and 168,000 single living units, spread across more than 200 sites in 16 countries. There are problems with some Service accommodation; too much is old, not well adapted for modern lifestyles, or in a poor physical condition. Recognising this, around the end of the last decade the Government substantially increased the base standards required for living accommodation. This created a huge block of work that the Department is addressing by investing money in new or upgraded facilities (see paragraphs 318-319 below). £700M was spent on housing and other accommodation in 2006-07 and over £5Bn more is planned over the next decade. But tackling all the shortcomings will take considerable time, particularly given the continuing need to balance investment in accommodation against other defence priorities. The Department is also exploring whether there are further ways to help Service personnel buy their own property where they want to and can afford it, such as through the long service advance of pay scheme. The Department has also been setting up better long term maintenance arrangements (see paragraph 326 below), and taking forward a substantial rationalisation programme (see paragraphs 320-321).

Single Living Accommodation

318. The Department is providing a greatly improved living environment including mostly single rooms with en-suite facilities through a combination of the Project SLAM (Single Living Accommodation Modernisation) and a large number of parallel projects. The first phase of Project SLAM, which will upgrade some 10,000 single bed spaces in the UK by April 2008, was awarded in December 2002. The second follow-on phase, to upgrade a minimum of a further 5,000 bed spaces by April 2013, was awarded in January 2007. 2,207 bedspaces were delivered in 2006-07 against a target of 2,000, bringing the total delivered by Project SLAM by 31 March 2007 to nearly 7,800. Other projects to modernise Single Living Accommodation at specific locations in the UK and overseas delivered 3,615 bedspaces during 2006-07, including over 500 overseas, against a target of 5,400 bed spaces. In all, just under 20,000 single living bed spaces have been built or upgraded since April 2002 and over 22,000 more will be delivered over the next three years.

Service Families Accommodation

319. Work also continued to improve the overall standard of Service Families Accommodation in the United Kingdom. Over 12,000 properties have been upgraded over the last six years, and the percentage of housing stock at Standard 1² has risen from 41% in April 2001 to 59% in April 2007. 36% are at Standard 2, and only 140 houses (0.3% of the total stock) are at the lowest standard. The Department is planning to upgrade up to a further 900 properties by April 2008, and to conduct a full condition based survey of all its Service Family Accommodation to inform future investment priorities. During 2006-07 1,215 properties were upgraded to Standard 1 for Condition against an increased target of 1,200, bringing the total upgraded to Standard 1 since April 2003 to over 6,700. On 1 April 2007, the long-term core stock comprised about 26,900 properties at Standard 1 (26,000 in April 2006), 16,000 at Standard 2 (16,000 in April 2006), 1,800 at Standard 3 (2,000 in April 2006) and about 140 at Standard 4 (130 in April 2006). The slight increase in the number of properties overall mainly comprises accommodation for families returning to Great Britain from Germany and Northern Ireland as the number of military personnel stationed there has fallen.



Cooked-to-order omelettes in Rock's Barracks, Suffolk

² Standard for Condition is calculated from 102 different attributes in 8 categories: Health & Safety, Sanitary, Kitchen, Energy Efficiency, Building Fabric, Electrical, Security and Bedroom:

- Standard 1 properties achieve standard 1 in all eight categories;
- Standard 2 properties are at least standard 2 in each category, and usually reach standard 1 in at least five. Required improvements might include a thermostatic shower, new kitchen, or better loft insulation;
- Standard 3 properties are standard 3 in at least one category, but are usually standard 1 or 2 in at least half. Required improvements might include a new kitchen, bathroom, upgraded loft and plumbing insulation;
- Standard 4 properties typically achieve a standard of 4 in five or fewer categories. Required improvements might include a new bathroom, electrical system, kitchen, insulation upgrade, and health & safety review.

Managing the Estate

Rationalisation, Relocation and Disposals

320. As set out in The Defence Estate Strategy 2006, the MoD is working towards an estate of fewer but larger sites. Since 1999, the Department has achieved accrued disposal receipts of nearly £2.1Bn, including accrued gross Estates disposal receipts of £394M (£258M in 2005-06) during 2006-07. Work has also begun on producing an Estate Development Plan looking forward over the next 20 years, to be completed by the end of 2007. This will enable the Department and the Armed Forces to plan estate requirements across defence in a more geographically coherent manner, with defence establishments mainly located away from London and the South East of England. The goal is to develop defence communities in environments where civilian and military personnel and their families want to live and work both now and in the future, whilst recognising the sustainable development needs of others. In this context:

- the Royal Navy has already largely concentrated its facilities around Portsmouth, Plymouth and on the Clyde, and the Naval Base Review is continuing;
 - the Army's long term goal is to achieve coherence across the formations in which it deploys. In the longer term it aims to develop 'super garrisons' along the lines of Aldershot, Catterick, Colchester, and around Salisbury Plain to concentrate formations and units in a coherent, efficient and effective manner to improve military output. It continues where possible to consolidate dispersed units onto existing major garrisons and bring back further units from bases in Germany to the UK (project BORONA – see paragraph 143 under Efficiency and Change). It is considering the potential to establish further 'super garrisons' in major recruiting areas where there is not at present a large military presence, such as in the West Midlands. With Security Normalisation the Army's presence in Northern Ireland is reducing from an Operational Theatre Headquarters to Regional Brigade proportions, with an appropriate estate to support regional and deployable Army structures. The Joint Helicopter Command is considering the scope to establish a Support Helicopter Main Operating Base (Project Belvedere), which would have implications for Lyneham, Dishforth, Wattisham, Gutersloh, Benson and Odiham;
 - the Royal Air Force is already largely focused on its Main Operating Bases, but the increased capabilities of future aircraft may enable longer term rationalisation onto fewer, larger "hub" airfields. In particular RAF Brize Norton is being developed as the prime Defence Air Port of Departure and will become the Air Transport and Air to Air refuelling hub.
- 321.** Major rationalisation programmes underway during the year included:
- the establishment of an Acquisition Hub in the Bristol/Bath area was approved in September 2006 in line with the decision to establish Defence Equipment and Support (see paragraph 161 under *Future Capabilities and Infrastructure*, and the essay on *Defence Industrial Strategy on page 101*). Over the next five years this will involve relocating about 2,000 logistics posts from their current locations;
 - work to establish a new collocated single Army Headquarters (Project Hyperion) (see paragraph 131 under *Future Effects*). Subject to further work and final decisions later this year this will probably be set up on 1 April 2009 at the Andover site being vacated by logistics personnel;
 - the opening of the new Royal Air Force Collocated Headquarters at RAF High Wycombe in October 2006, which became the headquarters of the single RAF Air Command in April 2007 (see paragraph 134 under *Future Effects*). The remaining RAF Personnel Management personnel from RAF Innsworth will move to High Wycombe in early 2008;
 - the announcement in January 2007 that St Athan in South Wales will be home to a new tri-service Defence Training campus under Package 1 of the Defence Training Review (see paragraph 223 under *Personnel Management*), with substantial reductions at the sites where this training is currently delivered. Depending on the results of negotiations on Package 2 the training estate may eventually reduce from about 30 to ten sites;
 - as part of the wider Defence Intelligence Modernisation Programme (see paragraph 139 under *Future Effects*), the Programme to Rationalise and Integrate Defence Intelligence Service Estate, which aims to collocate a number of Defence Intelligence units on a single site, passed its initial gate in July 2006;

- the selection in August 2006 of Lichfield as the preferred location for the Midlands Medical Accommodation project. This will consolidate the headquarters of the Defence Medical Education and Training Agency and 33 Field Hospital from Gosport, the headquarters of the Royal Centre for Defence Medicine from Birmingham, and the Defence Medical Services Training Centre from Aldershot.

322. There have already been very substantial reductions in the number of posts in London and the South East of England. The number of defence civilians in and around London fell from nearly 50,000 in 1993 to about 24,000 in 2006, and the number of headquarters buildings in London from more than 20 in 1990 to three, four office buildings in central London having been disposed of in the last four years. In line with the Government's goals under the Lyons review to make further reductions in London and the South East, the Department continued to take forward a number of projects to reduce its footprint within Greater London. In September 2006 a contract was awarded for Project MoDEL to rationalise a number of defence sites in Greater London at RAF Northolt and Woolwich (see paragraph 316 above). In Spring 2007 a streamlining study was set up to identify how to reduce the MoD Head Office in London following the Capability Review and taking account of the new TLB headquarters arrangements (see paragraph 274 under Business Management). An understanding was reached with a prime bidder through a competitive process for the disposal of Chelsea Barracks, although the details are commercially confidential until completion in 2008. Under the Lyons review, the Department plans to relocate about 5,000 defence posts out of London and the South East of England between April 2005 and March 2010 (against a target of 3,900). 1,229 had been relocated by April 2006, and a further 656 were relocated during 2006-07, for a total of 1,885 as at 31 March 2007. These reductions will be offset to some degree by the establishment of the new Army and RAF headquarters at Andover and High Wycombe, both of which involve moving posts into the South East.



Other Ranks living accommodation at Tidworth Garrison

323. The Department continued to develop its close relationship with English Partnerships to support the Government's wider regeneration goals. In particular, during the year Defence Estates and English Partnerships worked on developing the Connaught Barracks site in Dover as an exemplar of sustainable carbon neutral housing development. They also worked together with Local Authorities, the Greater London Authority, other Government Departments and Strategic Government Bodies to maximise the regeneration potential of the surplus sites in London released by project MoDEL, which will free up around 100 hectares of predominantly brownfield land within the M25 on which thousands of new homes could be built.

Housing Management

324. The MoD is managing some 72,000 Service Family Accommodation (SFA) properties, of which some 49,000 are in the United Kingdom. Nearly 45,000 of these are long-term core stock. There are around 20,000 moves in and out of SFA each year in the UK. Accommodation charges are recommended by the Armed Forces Pay Review Body. About 9,000 properties in Great Britain were vacant in April 2007 (including some 2,500 held pending decisions on rationalisation opportunities or possible unit redeployments). The proportion of vacant properties is known as the management margin and, discounted by those properties identified for disposal over the next year, it is used to measure housing management efficiency. Against a target of 10% it increased from 13.9% to 15.5% over the year.

325. The service provided to military families in England and Wales changed significantly during January 2006 with the roll-out of the new Housing Prime Contract for repair and maintenance of SFA. The initial service was not up to the required standard, reflecting a greater backlog of work than calculated, teething problems with the contractor's IT systems, and difficulties in reorganising the supply chain around the new arrangements. The Department agreed a number of measures with the contractor to rectify the problems. These proved effective and performance levels improved markedly over the year. 97% of emergency calls are now responded to within three hours where there is an immediate health and safety risk and in every case any make-safe process are completed within 24 hours; 82% of urgent calls are responded to within five working days; all helpdesk calls are answered in less than two minutes; and reported missed appointments have fallen below 1%. The Department also rolled out the redesigned and estate-focused Housing Customer Attitude Survey in late 2006, including to overseas occupants. This showed that customer satisfaction levels have

improved, with a 94% level of satisfaction reported (29% excellent, 49% good and 16% satisfactory).

Estate Maintenance

326. Between 2003 and 2005 the Department let five Regional Prime Contracts (RPC) for the delivery of maintenance and construction of the built estate in Great Britain, covering Scotland, the South West, the South East, the East, and Central England and Wales. These replaced over 600 individual contracts. They provide single points of responsibility for the management and delivery of projects and integrated estate services on most defence establishments. All are making progress. The National Audit Office found in its recent report on *Managing the Defence Estate: Quality and Sustainability*, that civilian and Service personnel are very satisfied with their core elements and that reactive maintenance has improved. However, the Defence Management Board decided that in order to meet financial pressures arising from significantly increased fuel costs it was necessary to reduce by £13.5M the amount available in 2006-07 for the non-accommodation elements of the Regional Prime Contracts. During the year Top Level Budget organisations injected £45M for a range of minor new works to address their local priorities. Prime Contracting aims to deliver 30% through life value for money improvements in estate management by 2012 through improved planning, supply chain management, incentivisation, continuous improvement, economies of scale and partnering. This is measured by the new Estate Performance Measurement System (which the National Audit Office concluded will make a vital contribution to the Department's ability to manage the estate once further work has been done to allow it to be rolled out effectively). Initial data still being validated from RPC Scotland (the most mature contract) indicates that it has so far achieved between 3% and 5% against the 2003-04 baseline. RPC Scotland has also successfully trialled a Single Business Delivery Model to provide a consistent approach to planning and delivery.

327. Water and wastewater management is now provided across the defence estate in Great Britain through three contracts (one for Scotland; one for the Midlands, Wales and South West England; and one for the North East and South East of England) under the 25-year PFI Project Aquatrine. This has transferred environmental risk to those in the private sector best placed to manage it and enabled the Department to focus better on its core activities. It is enabling new capital investment such as new or upgraded fire mains and water and sewage treatment works at a number of locations, and will provide the Department for the first time with accurate water consumption data. This data

will enable the Department to put in place steps to reduce consumption by 25% by 2020 (relative to 2004-05 levels) in line with the Government's sustainable development targets. Last year the Department consumed about 24.2 million cubic meters of water, which included domestic, commercial and industrial use and some distribution losses. The Department is developing a plan to achieve the 25% reduction target. Some of the reduction will come from Aquatrine service providers' work to reduce leakage and the rest from reductions in Departmental consumption.

Defence Training Estate

328. The Defence Training Estate (DTE) was formed on 1 April 2006 from the merger of elements of training facilities previously owned and managed by all three Services, the Defence Logistics Organisation and Defence Estates. DTE and its strategic partner, Landmarc Support Services Ltd, now provide the Armed Forces with the majority of their UK based training and associated support services, including equipment support, catering, air traffic control, range control, simulation, and booking and allocation services. The Department is considering whether and how to incorporate remaining training facilities in the United Kingdom, Europe and in the rest of the world.

Overseas Estate

329. Management of the built estate on the Permanent Joint Operating Bases overseas will be provided through a series of Integrated Service Provider contracts. Contracts for the South Atlantic Islands and Cyprus were rolled out during 2006. Implementation of the Gibraltar contract was delayed until January 2007 while the Department considered an In-House option. During the year the Department also reviewed the procurement of Facilities Management services in Germany, and how best to fulfil our host nation obligations to US Visiting Forces in the UK while providing demonstrable value for money.

Volunteer Estate

330. Following a review, Defence Estates became responsible in April 2007 for the strategic management of the Volunteer Estate (the 4,500 widely dispersed buildings that accommodate the UK's Reserve Forces and Cadets) to meet the operational requirement. Delivery of estate service will continue to be provided by the 13 Reserve Force and Cadet Associations. These arrangements will ensure more stable funding, enable management on a national basis so that resources go to areas of greatest need, facilitate better planning by

the Associations, and produce greater consistency in the service customers receive.

Relationship with Industry

331. In the spirit of the Defence Industrial Strategy (see essay on page 101) the MoD has recognised that effective and constructive engagement with industry is essential to improve performance, generate best value for money, and cement collaborative relationships. Defence Estates have developed a Supplier Management Strategy to facilitate effective engagement with the construction and facilities management industry. This focuses on supplier associations, individual supplier relationships and developing relationships with wider industry:

- **Supplier Associations.** These aim to create an environment and culture change through which shared business improvement, resourced by all, provides tangible benefits both to defence and industry. 13 collaborative projects have been launched so far;
- **Individual Supplier Relationships.** There are a number of strategically important suppliers operating on the defence estate. The Department continued to work with them to improve coherence and interaction at both the strategic and project level;
- **Relationships with Wider Industry.** The Department is working to be more transparent about its future estate and infrastructure requirements in order to allow industry to provide better informed bid, resource and investment planning. This will then give the Department a clearer understanding of industry's capacity to deliver. Defence Estates worked closely with the Office of Government Commerce to capture public sector demand and assess industry's capacity to deliver national construction programmes, including the Olympics infrastructure, up to 2015. This concluded that industry should not face any significant capacity constraints given that many large projects such as Heathrow Terminal five and the Channel Tunnel Rail Link were scheduled to wind-down or complete before work associated with the Olympics began.

Sustainable Development: Natural Resource Protection and Environmental Enhancement

332. As a major landowner, the Department faces considerable environmental responsibilities and challenges. It works to manage these and implement the targets set out in *Sustainable Operations on the*

Government Estate in 2006 and its own wider sustainable development goals through the use of Integrated Estate Management Plans. Sustainability appraisals and environmental assessments must be completed for all policies, programmes and projects and the Department has developed a comprehensive Sustainability Environmental Appraisal Tools Handbook and a Defence Related Environmental Assessment Methodology to give Project Managers the necessary advice, guidance and procedures to follow. These initiatives have been widely recognised across Government as representing best practice. The Department is progressively developing and introducing Environmental Management Systems that comply with ISO 14001 at all major defence sites. These require site managers to identify impacts of site occupation, to set targets to reduce significant impacts and to monitor and report progress through an annual management review and periodic audit. Over 500 were in place covering over 80% of defence personnel by the end of the year. The Department conducted 147 sustainability and environmental appraisals and assessments in 2006. A range of internal and external general and specialist environmental management training is provided for defence personnel where necessary, some of which contributes towards membership of the Institute of Environmental Management and Assessment (reported under management of water and wastewater in paragraph 327).

Biodiversity

333. During the year the MoD published its Biodiversity Strategic Statement for the Defence Estate. The estate includes 174 Sites of Special Scientific Interest. The quality of these continued to improve, with 81% in England, 68% in Scotland, 75% in Wales and 57% in Northern Ireland meeting the target condition against the Government target of 95% by 2010. The Department has also set a goal that 80% of the Ministry of Defence sites with significant biodiversity interest should have an integrated land or rural management plan by 2008.



Biodiversity at Salisbury Plain

Land condition

334. A small proportion of defence land is contaminated. The Department is working to complete desktop assessments. Over 3,000 Land Quality Assessment Reports have been produced, which include all priority sites (such as those to be disposed, and those known or suspected to pose the most significant risk) but it is unlikely that desktop assessment work will be completed by the end of 2007 for all parts of the defence estate as originally planned.

Conservation and Access

335. The Department owns over half the Government's historic assets, including over 800 historic buildings in the UK of which 782 are listed. In the 2005 English Heritage Biennial Conservation Report there were 28 defence entries in the Buildings at Risk register. Four have since been removed: two by repair or reuse, and two by disposal. The Department also owns over 9,000 archaeological monuments (of which more than 900 are scheduled), and nine registered parks and gardens. In total the Department is responsible for 1,056 scheduled monuments. At 31 March 2007, 70% of the Department's listed buildings and 73% of Scheduled Monuments were in good or fair condition. The condition of a further 16% of listed buildings and 5.5% of scheduled monuments was unknown and the Department is committed to establishing this by April 2008. A number of defence sites have been designated as or are located within Conservation Areas and parts of the MoD estate lie within nine World Heritage Sites including the City of Bath, Hadrian's Wall and St Kilda. The Overseas estate also contains important historic features, such as classical remains in Cyprus and historic buildings in Gibraltar (a candidate World Heritage Site). Responsible management of these nationally and internationally important historic assets is an important strand of the Department's sustainable development strategy. A delivery plan has been put in place to strengthen the condition-monitoring of our historic estate and ensure heritage is appropriately considered within programmes and projects. Progress is reported within the MoD Heritage Biennial Report.

336. The Department seeks to provide as much public access for recreation to defence land as is consistent with safety and security obligations and the delivery of the military capability for which the land is held. A new permissive bridleway in the North Yorkshire Moors through the RAF Fylingdales estate was opened in April 2007. The MoD also launched its new access website in 2006, which provides members of the general public with timely and up to date information about opportunities for accessing and in particular walking on, the defence estate. In November 2006 Defence Estates won the British Horse Society Access award for the public agency that has done most for equestrian access. A network of some 180 voluntary Conservation Groups support the Department by monitoring habitats and species, providing input to management plans and carrying out practical work in support of nature conservation and archaeology on the rural estate. More detailed information can be found in both the *Annual Stewardship Report on the Defence Estate* and the defence conservation magazine *Sanctuary*.

Further sources of information

339. Additional Information of Estate is available from the following sources:

- Quarterly PSA reports at www.mod.uk;
- UK Defence Statistics, available at www.dasa.mod.uk;
- NAO Report Managing the Defence Estate (HC 25 of 25 May 2005)
- NAO Report on Managing the Defence Estate: Quality and Sustainability (HC154 of 23 March 2007) available at www.nao.org.uk;
- Evidence to Public Accounts Committee on Managing the Defence Estate: Quality and Sustainability on 14 May 2007, to be published as HC537-I, available at www.parliament.uk;
- Evidence to House of Commons Defence Committee on The Work of Defence Estates on 15 May 2007, to be published as HC 535-I, available at www.parliament.uk;
- 2007 Stewardship Report on the Defence Estate available at www.defence-estates.mod.uk (to be published in September 2007);
- The Defence Estate Strategy 2006 – In Trust and On Trust available at www.defence-estates.mod.uk;
- DE Corporate Plan 2006-2011 available at www.defence-estates.mod.uk;
- DE Information Booklet at www.defence-estates.mod.uk;
- MoD Access and Recreation website at www.mod.uk/access;
- Defence Estates Annual Report and Accounts at www.defence-estates.mod.uk;
- Defence Estates Framework Document at www.defence-estates.mod.uk;
- Securing the Future – UK Government sustainable development strategy, CM 6467 available at www.sustainable-development.gov.uk;
- Sustainable Development Annual Report 2006 available at www.mod.uk
- MoD Sustainable Development Delivery Strategy for Non-Operational Energy available at www.mod.uk;
- MoD Sustainable Development Action Plan – February 2006 and revised version July 2007 available at www.mod.uk;
- Biodiversity Strategic Statement for the Defence Estate at www.defence-estates.mod.uk;
- Safety, Health and Environmental Protection in the Ministry of Defence – Policy Statement by the Secretary of State for Defence – January 2007 available at www.mod.uk
- OGC report on Construction Demand / Capacity Supply 2005 – 2015 available at www.ogc.gov.uk;
- Sanctuary at www.defence-estates.mod.uk;
- Information on accessing the defence estate available at www.access.mod.uk;
- Sustainable operations on the Government Estate available at www.sustainable-development.gov.uk

Essay – Environmental Management on the Defence Estate

A haven for Britain's wildlife is perhaps not the first image that springs to mind when thinking of the Ministry of Defence. But the Department's 160,000 hectares of rural estate, of training areas, small arms ranges, test and evaluation ranges and aerial bombing ranges, is just that. It includes 174 Sites of Special Scientific Interest, 41 Special Protection Areas; 65 Special Areas of Conservation; and 26 RAMSAR listed wetlands of international importance. It also includes over half of the Government Historic estate.

Managing this biodiversity rich and internationally important asset is a daunting responsibility. The MoD aims to be an exemplar in its stewardship, balancing the delivery of military training to support operational commitments with protecting the natural environment. And there can be some seemingly perverse benefits. For example, tanks cut tracks; but flooded tank tracks provide a perfect habitat for the rare British Fairy Shrimp, a tiny crustacean dependent on temporary pools of standing water. While the Department is focused on supporting military capability, it is also able to create and retain the natural environment. Areas are left to rest and Sites of Special Scientific Interest placed out of bounds where necessary, and the Department works with its tenants to ensure their farming practices work with rather than against nature.

The annual MoD Sanctuary Awards illustrate the range of achievements well. They encourage efforts that benefit wildlife, archaeology, or community awareness of conservation on the MoD estate. The winners in 2006 were Holcombe Moor Heritage Group, for their work on historic landscape assessment at Holcombe Moor Training Area, Bury near Manchester. This project turned back the clock on a mosaic of stone walls and hedges to reveal a variety of historic farmsteads and enabled the development of the landscape to be traced from medieval times to the present. The joint runners up were for improvement work to the Site of Special Scientific Interest at Predannack, and the recreation of an Iron Age cornfield by the Leconfield Conservation Group. Working with the National Trust, Cornwall Wildlife Trust and Natural England significant environmental improvements were made at the Royal Naval Air Station Predannack in Cornwall by clearing large areas of scrub and drilling a solar-powered bore hole to provide water to allow the grazing of cattle, benefiting the flora and general wellbeing of the land. The Leconfield Carrs Conservation group promoted greater community awareness of the Iron Age and Romano-British history of their area. The group held an open day with demonstration of excavations and historic foods, including pigeon and snails.

The Department has Environmental Management Systems in place for over 80% of the Training Estate to ensure that environmental management commitments are properly balanced. Some 120 sites with significant biodiversity interest, including all the most complex and largest training areas, have Integrated Land Management Plans. These take a holistic approach, comprising a number of component plans addressing different aspects including biodiversity, forestry, and heritage integrated through a single costed action plan with timescales. They are developed through consultation to create a sense of ownership and a balanced approach to what are often conflicting pressures.

This integrated approach has delivered a positive approach to environmental management which is delivering excellent results, for example:

- At Sennybridge Army Training Area in mid Wales, a 90km permissive bridle path was built encircling the Training Area. Working with a range of stakeholders including the Wales Tourist Board, Welsh Development Agency, and Powys County Council, the project significantly improved access to the MoD estate in this area;
- At Otterburn in Northumberland the Department is delivering a flagship visitor information project for the Otterburn Training Area, in association with Northumberland National Park Authority. The new www.otterburnranges.co.uk website provides further information;
- On Salisbury Plain the Department has worked to increase the breeding population of the endangered Stone Curlew. This helped raise the overall UK population to 377 pairs, the most recorded in recent years, and was welcomed by the Royal Society for the Protection of Birds. Also on Salisbury Plain the Raptor and Owl Nest box project has led to 73 breeding pairs recorded, with the 1000th owlet ringed. In 1987 only one barn owl with three owlets was recorded.

The Department has also made significant progress improving the quality of the Sites of Special Scientific Interest for which it is responsible. Since 2003 the proportion of sites in favourable or favourable recovering condition has improved from 53% to 82%. Innovation is often the key to success. For example, at Warcop in Cumbria the Department is using radio-controlled collars to make sure sheep are grazing in the right places in order to manage and keep Helbeck Wood and Appleby Fells in the right condition. Similar approaches are used to manage Highland cows and calves at Barry Buddon in Scotland, with White Park Cattle on Salisbury Plain and in Dorset, with Shetland Ponies at Penhale in Cornwall; and with Scottish Blackface sheep in Suffolk.

Reputation

Objective: Enhance our reputation with our own people and externally.

Assessment and Performance Measures

Assessment: 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 personnel are looked after are a cause for concern.

Continuing Improvement in overall ratings of our reputation of MoD and UK Armed Forces among the UK public:

- Favourable ratings for Armed Forces of 76% (64% in March 2006); unfavourable ratings of 3% (5% in March 2006);
- Favourable ratings for MoD of 44% (38% in March 2006); unfavourable ratings of 13% (14% in March 2006).

Continuing improvement in overall scores of our reputation among Service and civilian personnel:

- 85% of Service and civilian personnel thought that the Armed Forces were a Force for Good;
- 73% of Service and civilian personnel thought that the MoD was a Force for Good.



Defence in the Public Eye

337. The activities of the MoD and our Forces have been constantly in the public eye during a busy year for defence. The Department continued to work to ensure that Parliament, the public, the media and other stakeholders were presented with the information they need to understand what the MoD and the Forces are doing and why. The main focus of parliamentary and public attention has been on operations in Iraq and, increasingly, in Afghanistan and the Department arranged visits by MPs and journalists to these theatres. Polling of public opinion shows that it remains strongly favourable towards the Armed Forces (see paragraph xx below).

Defence Communication Strategy

338. A Defence Communications Strategy was approved by the Defence Management Board during the year. This aims to enhance the reputation of the MoD and Armed Forces both internally and externally using all the communications channels at our disposal. It includes increased focus on internal communications, more emphasis on use of new media and regional and local media, more effective use of imagery, greater attention to the management of key stakeholders, a more coherent approach to branding, increased skills and professionalism for those involved in communications, and greater priority on measuring the effectiveness of our efforts. The strategy should enable a more joined up communications effort across defence against a common set of priorities, specifically: demonstrating success on operations; showing that Service personnel are valued and are equipped for the tasks they are asked to do; demonstrating that the MoD provides value for money to the taxpayer and the contribution that defence makes to the country, and showing that it is an open Department of State. The Department is now putting in place the necessary structures and work to implement the strategy.

Communicating the Work of the Department and Armed Forces

339. Significant policy changes and adjustments to force levels are announced to Parliament. Defence Ministers made a number of such announcements during the course of the year including on revised force levels in Iraq, Afghanistan and Bosnia. Defence is debated several times a year in both Houses of Parliament, Ministers answer oral questions on defence issues once a month and have provided written answers to over 4,800 parliamentary questions, as well as providing Written Ministerial Statements on important defence issues. The Department also gave

written and oral evidence to the Select Committees of the House of Commons and House of Lords. (see Annex A on pages xx-xx). The Armed Forces Parliamentary Scheme provided a mechanism for MPs to spend time with the Armed Forces, including in operational theatres. Ministers and MoD officials also answered over 14,000 letters from MPs, peers and members of the public. Last year the Department received 3,185 requests for information under the Freedom of Information Act, representing 18% of the total received by Whitehall. 83% were answered within statutory timescales. 70% resulted in full release of the requested information and it was necessary to decline in full, only 11% of requests made under the Act, compared with 60% and 19% respectively for Whitehall.

340. Defence Ministers, together with military personnel and officials, participated regularly in academic fora on defence and security issues. They also delivered speeches to a range of national and international audiences, placed a number of articles on defence issues in the national and regional media and gave several media briefings on topical issues. Day to day engagement with the regional and national media is conducted by Defence Press Officers who are responsible for notifying the media of newsworthy events, arranging facilities, responding to questions from journalists and supplying facts. The MoD wants the media to have access to UK personnel on operations and arranged regular visits to Iraq, Afghanistan and the Balkans. The Defence Media Operations Centre provides training for military and civilian personnel before they take up operational media posts and has a surge capacity to provide additional support in times of peak demand. During the year it deployed teams of personnel to Iraq and Afghanistan, and supported the 90th Anniversary commemorations of the Battle of the Somme and the 25th Anniversary of the Falklands.



2006 RAF Waddington Air Show

341. The single Services delivered over 250 formal presentations in town halls, conference centres and schools across the county. 780 public events were conducted, ranging from the Mountbatten Festival of Music to air shows. The Services have continued to develop new and innovative ways of engaging with the public, for example through developing merchandising strategies, specialist documentaries and feature articles, greater use of new and alternative media, book deals and parliamentary and stakeholder engagement. The Defence Schools Team visited over 460 schools. It will be replaced at the end of this year by an innovative e-learning package called Defence Dynamics which will communicate defence messages into schools through lesson plans for the National Curriculum. The Defence Web has been refreshed and now receives 1.5 million page views every month, whilst the Service sites attract over two million individual visitors.

342. The Department's prime communications focus over the last year was explaining the UK's role as part of the UN endorsed coalition effort in Iraq (see paragraphs 7-15 under *Current Operations*) and in support of the democratically elected government in

Afghanistan (see paragraphs 16-24 under *Current Operations*). There was also a considerable communications effort to support the Government's announcement to renew the nuclear deterrent (see paragraph 77 under *Policy*, and the essay on page 50); and to explain the support provided to Service personnel, for example on accommodation (see paragraphs 318-319 under *Estate*); medical services (see paragraphs 239-242 under *Health and Safety*); recruitment and retention (see paragraphs 301-303 under *Manpower*); and the quality of the equipment used by the Armed Forces, how it has improved and how it is contributing to operational success (see paragraph 162 under *Future Capabilities and Infrastructure*). Commemorative events have continued to be good vehicles to link past achievements with current capabilities as well as recognise the sacrifice of those who died. The key events were the Somme and Falklands Anniversaries. There have been a record number of documentaries as the broadcast media has expanded. These have ranged from current affairs programmes on current operations to series about the Royal Marines, Grenadier Guards and the GR4 Tornado Force.

Table 30 External Opinion Survey headlines

Armed Forces	March 2007	March 2006	Ministry of Defence	March 2007	March 2006
Overall favourable impression of Armed Forces	76%	64%	Overall favourable impression of MoD	44%	38%
Overall unfavourable impression of Armed Forces	3%	5%	Overall unfavourable impression of MoD	13%	14%
UK Armed Forces are among the best in the world (average for RN/Army/RAF)	82%	N/A	UK Armed Forces are well equipped	26%	37%
UK needs strong Armed Forces	88%	80%	MoD gives the taxpayer value for money	39%	34%
UK Armed Forces help make the world a safer place	76%	73%	MoD is as open as it can be about its activities	47%	31%
UK Armed Forces have the highest professional standards	74%	69%			
UK Armed Forces look after their people	57%	61%			
UK Armed Forces make a positive contribution to the UK through their activities at home	84%	44%			

Reputation among UK Public

343. Public support is important to the Armed Forces and to the achievement of Defence Objectives. The MoD carries out regular public opinion surveys, using an independent polling company, to track the reputation of the Armed Forces. The latest survey, conducted by Ipsos MORI in March 2007 showed public support for the Armed Forces, at 76% favourability, at its highest level since January 2003. There is overwhelming support (88%) for the UK needing strong Armed Forces, and 82% agree that our Forces are amongst the best in the world. But public perceptions on how well the Forces are equipped and personnel are looked after are far less positive and a cause for concern.

Internal Communication

344. Good internal communication is vital to defence business, to the MoD's reputation as a top class employer which values its people, and to delivering defence change programmes. During the year there were a number of major internal campaigns aimed at explaining the most important changes to the people most affected, including on the merger of the Defence Procurement Agency and Defence Logistics Organisation into the new Defence Equipment and Support organisation (see paragraph 161 under *Future Capabilities and Infrastructure*), the mergers of the Service Headquarters Commands, changes to medical services (see paragraphs 239-240 under *Health and Safety*), the MoD Capability Review (see paragraphs 274-276 under *Business Management*), the introduction of the tri-service Joint Personnel Administration (see paragraphs 178-183 under *Future Personnel*), and developments in civilian personnel management (see paragraph 187 under *Future Personnel*). These campaigns have been conducted while continuing to provide defence personnel with honest, straightforward and timely information on military operations in Iraq, Afghanistan and elsewhere.

345. Defence in-house corporate publications are among the best in their field. In the twelve months to October 2006, the Armed Services and MoD collected some 21 separate awards for their corporate in-house communications, including the Building Public Trust Award for Telling it Like it is in the Public Sector for the MoD Annual Report and Accounts for 2005-06.

Reputation among Service and Civilian Personnel

346. The Department carries out periodical surveys of the views of defence personnel – Service and civilian – on aspects of defence and the Armed Forces. The most recent poll in spring 2007 showed that confidence that the Services and MoD act as a Force for Good remained high (85% and 73% respectively), but, as with the public, there is a less positive perception as to how well people feel they are looked after and equipped.

347. Our external and internal surveys pre-dated the illegal seizure of 15 naval personnel by Iran on 23 March and the events that followed their release on 4 April. The media handling of these events – particularly the decision to allow two Naval ratings to be paid by the media for their stories – led the Secretary of State to instigate a review of media access to defence personnel. This was led by Mr Tony Hall, the Chief Executive of the Royal Opera House and formerly the BBC's Director of News and Current Affairs.

348. The outcome of Mr Hall's review was announced on 19 July, and his report published (see separate essay). On the media handling of this particular episode, he concluded that there was a collective failure of judgement or an abstention from judgement within the MoD that led to media payments to detainees being permitted. Mr Hall recommended that in future such payments should not be allowed and this should be made clear in Departmental and Service instructions. He was also clear that responsibility for dealing with major newsworthy events should rest with MoD centrally and that the department should work to improve its relations with the media. All of the review's recommendations were accepted and they are now being implemented as a matter of urgency.

Table 31 Internal Opinion Survey headlines

Armed Forces	%	Ministry of Defence	%
UK Armed Forces are a Force for Good	85	MoD is a Force for Good	73
UK Armed Forces are among the best in the world (average for RN/Army/RAF)	79	UK Armed Forces equipment is satisfactory	46
UK needs strong Armed Forces	98	MoD gives the taxpayer value for money	57
UK Armed Forces help make the world a safer place	82	MoD is as open as it can be about its activities	62
UK Armed Forces have the highest professional standards	80	MoD looks after its civilian employees	54
UK Armed Forces look after their people	38		
UK Armed Forces make a positive contribution to the UK through their activities at home	90		
UK Armed Forces training is world class	70		

Further sources of information

349. Additional Information on Reputation is available from the following sources:

- Detailed Opinion Surveys published on www.mod.uk;
- Defence image database at www.defenceimagedatabase.mod.uk;
- *Navy News* at www.navynews.co.uk;
- *Soldier Magazine* at www.soldiermagazine.co.uk;
- *RAF News* at www.rafnews.co.uk.

Essay – Media Access to Personnel – The Hall Report

In April 2007 the Secretary of State announced an independent review of the media handling of the detention of Royal Navy personnel by Iranian authorities in March 2007 and its aftermath, including the decision to allow those involved to sell their stories. This was led by Mr Tony Hall, Chief Executive of the Royal Opera House and formerly the BBC's Director of News and Current Affairs. His report was published in June 2007, and is available at www.mod.uk. The Department will implement its recommendations in full.

The intention of the review was to provide a calm and dispassionate assessment of what happened in order to learn the lessons and improve the ability of the MoD and the Services to handle similar events in future. It was not looking to apportion blame for the decision to allow media payments to the returning detainees. The report made it plain that there was a 'collective failure of judgment or an abstention from judgment' within the Department in allowing this to happen.

The report identified the following key lessons:

- In the future media payments to serving military or civilian personnel for talking about their work should not be allowed. Work is underway to make detailed amendments to Service and MoD regulations and guidance to reflect this conclusion, pending which the interim ban on such payments announced by the Secretary of State in April 2007 will continue to apply;
- Clear responsibility should lie with the MoD centrally, rather than the single Services, to lead on the media handling of such episodes and the Department must be fully equipped to deal with them. The manning and structure of the press office and related procedures are now being reviewed to make sure that media handling is adequately dealt with in future
- MoD should work to establish improved relations with the media. This really matters. Defence is always in the news, and the public need to get an accurate understanding of the important work the Armed Forces do, and the challenges they face.

The report identified some broader themes. Perhaps most crucial is the huge change over the last 25 years in the context in which media coverage of operations takes place. Media access has increased significantly, and the agenda has changed. The focus on the individual, for example, inevitably clashes with the service ethos of group first, and the desire to present instantaneous news from the heart of the action can conflict with the need for operational security. This means that while it is clearly in the interests of both the MoD and the media to cooperate, tensions exist. The Department must manage these tensions better and work to increase mutual confidence with the media. But the report is also clear that the Department needs to help the media develop a better understanding of defence issues so that they can be set in context.

The Armed Forces are in a difficult position. A balance has to be found between openness and risks to security and the over-riding ethos in the services which puts the interests of the whole above those of the individual. The MoD recognises that it must explain, as far as possible, what it is doing to the public, and often the best and most compelling account is provided by soldiers, sailors and airmen rather than senior officers, politicians or civil servants. But in circumstances like this episode individual Service personnel (and where necessary their families) must be supported and get the right protection from intrusion. The report identified that work was needed to establish a clearer policy on the naming of individuals and their families in cases of this kind. This is underway. It recommended that the Department work more closely with the Press Complaints Commission in the future.

The report also made a number of recommendations on the need for clearer decision-making processes. Unequivocal understanding of who should sanction what is essential. The Capability Review published in March 2007 also highlighted this. The Department had therefore already been looking at how to clarify responsibilities and improve accountability.

The report said that acceptance of payments from the media offended the public and their view of the special place of the Armed Forces in British life. It also ran contrary to what the Armed Forces believe they stand for: the team versus the individual, and selfless service on behalf of the nation. The Department has sought to learn the lessons from the media handling of this difficult episode, and to be open and accountable in doing so. The report offered clear, detailed recommendations, all of which have been accepted. Some have already been implemented, and the great majority of the rest should be implemented by the end of the year.

