



MINISTRY OF DEFENCE

MOD Public Service Agreement

Autumn Performance Report

2007- 2008



Introduction

This report shows current performance against the 2004 Spending Review Public Service Agreement Targets (April 2005 to March 2008).

SR2004 Public Service Agreements

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

MOD Public Service Agreement 2005-06 to 2007-08

Objective I: Achieve success in the military tasks we undertake at home and abroad.

1. Achieve the objectives established by ministers for operations and military tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil communities.

On course with some risk

2. By 2008, deliver improved effectiveness of UK and international support for conflict prevention by addressing long-term structural causes of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular Africa, Asia, Balkans and the Middle East.

(Joint target with Foreign and Commonwealth Office and Department for International Development)

Broadly on course, with minor slippage

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

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

Unlikely to be met

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

(Joint target with Foreign and Commonwealth Office)

On Course

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

Likely only to be partly met

Objective III: Build for the future.

6. Deliver the equipment programme to cost and time.

Likely only to be partly met

Efficiency

Building on the existing change programme and as part of Spending Review 2004, the Ministry of Defence agreed to achieve total annual efficiency gains of at least £2.8 billion by 2007-08, of which three quarters will be cash releasing.

On Course

OBJECTIVE I: Achieve success in the military tasks we undertake at home and abroad.

Target 1

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

Overall Assessment
ON COURSE, WITH SOME RISK

We continue to make progress towards achievement of the military strategic objectives underpinning the UK's current operations and military tasks, including a secure environment, and security sector reform in Iraq and Afghanistan. Considerable challenges remain, not least the continuing task of overcoming significant armed opposition in Iraq and Afghanistan. Delivery has only been made possible by continuing to operate above the level of concurrent operations, set out in the December 2003 White Paper, which our force structures assume. In prioritising objectives our overriding concern is operational success. Achieving this has required taking greater risk against other objectives, particularly readiness for contingent operations (PSA Target 3) and achievement of single Service harmony guidelines (PSA Target 5).

From July to September 2007 UK Armed Forces:

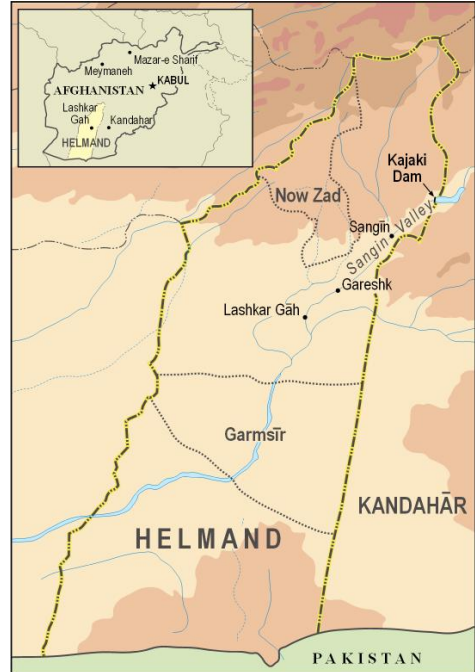
- continued to support stabilisation operations in Iraq and help maintain the sovereignty and integrity of Iraqi territorial waters, including two crucial offshore oil terminals. We continued to make progress against our objectives with the handover of Basra Palace to the Iraqi authorities in September and the reposturing of UK forces to a single location at the Contingency Operating Base at Basra Air Station. The Iraqi Security Forces have taken the lead for security in Basra city, an important step towards the



eventual transfer of Basra province to the Iraqi authorities. The security situation across Multi-National Division (South East) (MND(SE)) remains relatively stable and there was a marked reduction in the number of attacks against Coalition Forces, which fell by 90% from August to September. UK forces remained on hand to assist where necessary, but the Iraqi Security Forces were able to conduct effective security operations with only minimal Coalition support. Transfer of security responsibility in Basra province from Coalition Forces to the Iraqi authorities is expected to take place by the end of the year. The formation of the 14th Iraqi Army Division continued to make progress, along with continued improvement in the overall capacity of Iraqi Security Forces in MND(SE). This is testament to the continuing training, mentoring and monitoring carried out by UK troops and the Iraqi Army's own improved training programmes. UK military personnel also supported other Government Departments' development and reconstruction work, and

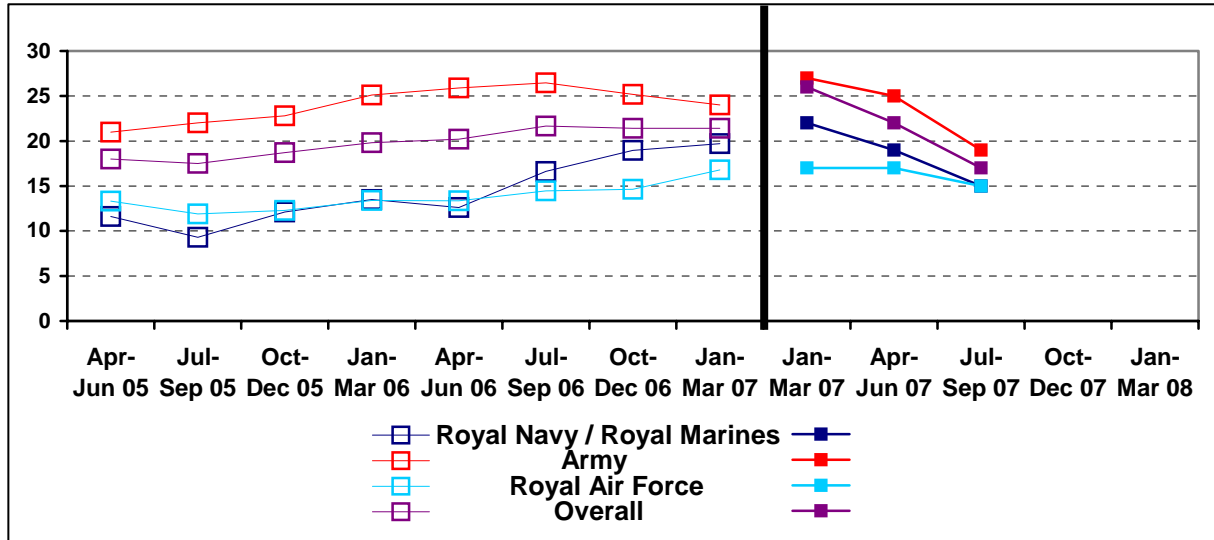
took forward directly a number of projects to rebuild crucial elements of the local infrastructure including agriculture, transport, health and education. The number of regular and reserve forces personnel deployed in the Gulf region on or in support of Operation TELIC reduced over the quarter from around 7,500 to around 7,000, and the number based in Iraq from around 5,500 to around 5,000;

- continued to support the NATO-led International Security Assistance Force (ISAF) in Afghanistan in its efforts to extend the elected Afghan Government's authority within the country and establish the security conditions for improved governance, reconstruction and development. UK forces, supported by troops from the United States, Estonia, Denmark and the Czech Republic, and increasingly by units of the Afghan National Army, successfully led a series of operations within Helmand Province. They succeeded in clearing Taliban elements from towns and villages in the Upper Gereshk Valley and around Sangin and established a permanent Afghan National Security Forces presence. This is crucial to providing the enduring security conditions necessary for the Afghan Government to govern effectively in these areas and to enable development and reconstruction programmes to begin. In communities directly affected by fighting, UK forces also provided rapid assistance to basic infrastructure projects improving road construction, irrigation, and water and electricity supplies. They also continued to train and provide specialist advice to the Afghan National Army, which is making good progress. 50,000 of a total projected strength of 80,000 are now fielded or in training, and Afghan National Army-led operations at battalion level have begun. The number of UK personnel in theatre contributing to these goals remained steady at around 7,800 over the period;
- continued to deploy around 200 personnel in support of peace in the Balkans: 180 to the NATO mission in Kosovo and the UN mission in Kosovo, and 20 staff officers in Sarajevo within the Headquarters and Peace Support Operations Training Centre;
- provided some 300 personnel for UN operations in Cyprus, the Democratic Republic of Congo, Georgia, Liberia, Sierra Leone, Sudan and Nepal;
- met continuing standing commitments, with forces based in Cyprus (some 2,800 personnel), the Falkland Islands and South Atlantic (some 1,300 personnel), Northern Ireland (which changed to a peacetime garrison of some 5,000 military personnel following the ending of Operation BANNER on 31 July 2007), Gibraltar (some 600 personnel) and Diego Garcia (some 40 personnel);
- contributed to NATO standing naval presence in the Atlantic and Mediterranean;
- maintained the UK's independent nuclear deterrent; and continued to protect UK airspace and waters and provide support to the civil authorities for search and rescue, fishery protection, bomb-disposal and counter-drugs activities.



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Between 1 July and 30 September 2007, 15% of the Navy, 19% of the Army and 15% of the RAF were deployed on Operations and undertaking Military Tasks (see figure below). In total, some 17% of all regular forces (measured as man-day equivalents for each service) were deployed on Operations and undertaking Military Tasks. This was a further decrease of 5% overall since the last quarter (4% for the Navy, 6% for the Army, 2% for the RAF), reflecting in particular the end of Operation BANNER in Northern Ireland and the reduction in troop numbers in Iraq.



Percentage of the Armed Forces undertaking Operations and Military Tasks

From 1 April 2007 measurement of the level of commitment of the Armed Forces to Operations and undertaking Military Tasks across all three Services was brought onto a fully consistent basis, and the reporting baseline changed from total strength to trained strength. In order to provide comparability with prior reporting the figure above therefore presents data for January to March 2007 on both the prior and revised basis.

Target 2

Improve effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution. (Joint target with DfID and FCO).
















Overall Assessment
BROADLY ON COURSE, WITH MINOR SLIPPAGE

Overall Progress

We continue to make reasonable progress towards achieving the overall PSA target, although progress on the Middle East Peace Process and Iraq has been slower than we would like. We are unlikely to meet either of these targets by 2008 without significant changes in current political and security situations but this should not detract from the positive progress we have made against other targets. Nine of the twelve indicators are broadly on course and the UN peacekeeping target was met during 2006/07. However, we accept that if the overall assessment was weighted to take account of the priority attached to Iraq and the MEPP, it would be judged as not on course.

Afghanistan has made encouraging progress in the last six months, especially on upholding the constitution, strengthening democracy and supporting new governance structures. But many challenges remain. Progress in the south of the country, where UK-led coalition forces are actively fighting the Taliban in support of the democratically elected Afghan government, has inevitably been more limited. There has been progress on democratic reforms and human rights in the Balkans, and Macedonia and Montenegro are making progress towards closer EU/NATO integration. Despite serious clashes in eastern Democratic Republic of Congo (DRC), activities by other armed groups continue to diminish and the DRC government is improving regional relations, which is helping to reduce the risk of foreign military interference. In Sierra Leone, elections have shown the strength of democratic government and the accountability of the security services. And some progress has been made in Sudan with the agreement of a joint United Nations (UN)/African Union (AU) force.

Nearly 15,000 UK Armed Forces personnel continued to be deployed on or in support of stabilisation operations in Iraq and Afghanistan. Following the withdrawal of the UK battlegroup from Bosnia-Herzegovina at the end of March 2007, some 200 British service personnel continued to be deployed in Bosnia and Kosovo to help maintain peace in the Balkans. The total additional cost of these operations in 2006-07 was £956M for Iraq, £738M for Afghanistan and £57M for the Balkans. The Department is seeking provision for 2007-08 of £955M for operations in Iraq, £964M for operations in Afghanistan and £23M for the Balkans. The Armed Forces also continued to provide some 300 personnel for UN operations in Cyprus, the Democratic Republic of Congo, Georgia, Liberia, Sierra Leone, Sudan and Nepal.

A - Afghanistan		E - Middle East Peace Process		I - Sudan	
B - Balkans		F - Nepal		J - UN Peacekeeping	
C - DRC		G - Nigeria		K - UN Peacekeeping	
D - Iraq		H - Sierra Leone		L - African Peacekeeping	
KEY					
Achieved/ On Course		Broadly on course/ Minor slippage		Not on course	

A. Afghanistan

By end 2007-08: Accountable and democratic structures for Afghanistan's governing institutions and armed forces, representing Afghanistan's ethnic diversity, and operating with respect for human rights.

Broadly on course with minor slippage. Post conflict reconstruction in Afghanistan is a long-term endeavour. Although there is much more still to do, the first half of 2007-08 saw good progress overall – building on activities in the previous two years – against this sub-target on upholding the constitution, strengthening democracy and supporting new governance structures. However, progress on these in the south of the country, where UK-led coalition forces are actively fighting the Taliban in support of the democratically elected Afghan government, has been more limited. The disarmament, demobilisation and reintegration process has been successfully completed. The capacity of the Afghan National Army (ANA) and Afghan National Police, supported through HMG programme funding, has increased and continues to do so. Latterly, public confidence, especially public perception of physical security, has declined. This is partly due to the evolving tactics of insurgents, with greater use of suicide and other bombs in built-up areas as they shrink from direct contact with the ANA and International Security Assistance Force. It is also partly due to rising criminality. HMG-funded activities aimed at further strengthening the rule of law and building public confidence in human security have focused on mentoring and training. Police, prisons and governance advisors have been supplemented with a mentor to the Governor of Helmand and an advisor to the Combined Security Transition Command-Afghanistan.

B. Balkans

By end 2007-08: Western Balkan states at peace within and between themselves and continuing on the path to closer integration with the EU and NATO.

Broadly on course with minor slippage. Western Balkan states remain at peace. There has been progress on democratic reforms and human rights, but inter-ethnic tensions persist. Serbia's improved co-operation with the International Criminal Tribunal of the Former Yugoslavia has facilitated renewed negotiations on its Stabilisation and Association Agreement (SAA). Macedonia and Montenegro are making progress towards closer EU/NATO integration. However, the stalling of Bosnia's reform agenda has prevented signature of its SAA. HMG continues to provide support multilaterally and bilaterally to aid the process of integration, with particular diplomatic focus on efforts to resolve Kosovo's final status. We welcome free and fair elections as further evidence of Kosovo's democratic development. HMG programmes focused on security and justice sector reform, the return of refugees and internally displaced persons and community outreach are helping in these efforts.

C. Democratic Republic of Congo (DRC)

By end 2007-08: Reduced cross border interference in Eastern DRC, a stable government in Kinshasa overseeing accountable security services and a reduction in militia operating outside such democratic government control. (This target will focus on DRC but will necessarily take account of wider Great Lakes conflict dynamics).

Broadly on course with minor slippage. There have been serious clashes in eastern DRC involving Congolese armed forces, dissident soldiers loyal to Laurent Nkunda and Mai-Mai/Democratic Liberation Forces of Rwanda, causing large-scale civilian displacement. However, activities by other armed groups continue to diminish, with disarmament, demobilisation and reintegration in Ituri starting a new phase. The DRC government, encouraged by HMG and partners, has pursued a policy of improving regional relations, which is helping to reduce the risk of foreign military interference in eastern DRC. The government continues to demonstrate a lack of will to accommodate opposition views, and has sought military, rather than negotiated, solutions to the crises in Kinshasa and the Kivus. HMG continues to pursue major programmes to improve democracy and accountability and reform the justice and security sectors and has undertaken lobbying to combat impunity and ongoing human rights abuses by the security services.

D. Iraq

By end 2007-08: A stable, united and law abiding state, within its present borders, co-operating with the international community, no longer posing a threat to its neighbours or to international security, abiding by all its international obligations and providing effective, representative and inclusive government all its people.

Not on course, major slippage. Despite reductions in levels of violence over this period, reflecting US force level increases and the success of some local reconciliation initiatives, violence and instability continue to be a problem in some parts of the country, weakening efforts at political reconciliation. Although political leaders reiterated their commitment to resolve the key issues affecting reconciliation in August, little progress has been made and the Government of National Unity remains a concern. The UK Government remains committed to supporting the Government of Iraq in the reconciliation process. Coalition efforts have contributed to some improvement in the capacity of the Iraqi security forces, though the army remains significantly more effective than the police and concerns about sectarian bias and militia influence remain. UK efforts helped secure the appointment of effective new security and police chiefs in Basra in June, contributing to progress there.

E. Middle East Peace Process (MEPP)

By end 2007- 8: Maximising the opportunity of Israeli withdrawal from Gaza and parts of the West Bank, significant progress towards a negotiated settlement resulting in the emergence of an independent, democratic, and viable Palestinian state with a reformed security sector, living side by side in peace and security with Israel.

Not on course, major slippage. Intra-Palestinian violence continued, culminating in Hamas seizing control of Gaza. A new Palestinian government was formed in June, made up primarily of independent ministers. Israel continues military operations in Hamas-controlled Gaza and in the West Bank. The Israeli government has engaged with the new Palestinian Authority (PA). HMG remains actively engaged in supporting the political process. Most work with the PA was suspended until the new government took office in June 2007, although HMG continued providing direct support to Palestinians throughout that time. HMG remains committed to more effective, accountable and inclusive Palestinian institutions. In June, HMG resumed direct support to the PA, including supporting basic needs, improving freedom of movement and access to justice, building capacity of the institutions of the PA and aiding further development of the PA security forces.

F. Nepal

By end 2007-08: A stable Nepal with a durable ceasefire in place with the Maoists, democratic institutions restored with respect for human rights and significant progress towards a constitutional settlement.

Broadly on course with minor slippage. Nepal has continued to make significant progress towards the restoration of democracy. However, elections scheduled for November 2007 have recently been postponed. No new date has been set. The Government of Nepal (GoN) has had prolonged negotiations with groups from the Terai region demanding greater representation. Continued unrest in the Terai and elsewhere, and a lack of political will, threaten the political process and are likely to further delay elections until the first half of 2008. The UK has worked with the GoN, the UN and international partners to maintain momentum towards a sustainable peace. HMG supports work to help: reduce human rights violations; ensure transparent elections with results that are accepted; assist the army to tackle unexploded ordinance; develop the Ministry of Defence and professionalise the security forces; bolster the rule of law; and assist with security sector reform and disarmament, demobilisation and reintegration.

G. Nigeria

By end 2007-08: Local and central government effectively managing and resolving conflict and a reduction in the number of people affected by conflict.

Broadly on course with minor slippage. Politically motivated crime is down following presidential elections in April, but tensions continue due to the reshuffling of government positions. Election-related violence was marked, with 50–200 deaths reported. The Delta is increasingly unstable. A Joint Task Force has now been deployed to Port Harcourt in the wake of prolonged bouts of politically motivated urban violence and a rash of kidnappings. Some progress has been made in Delta State where the incidence of violent crime appears to have decreased. HMG continues to support efforts to tackle corruption, which remains a major obstacle to our efforts throughout Nigeria, and promote reform. Recent successes include anti-money laundering investigations and engagement with the government on Delta security, including political support for a project tackling oil bunkering.

H. Sierra Leone

By end 2007-08: Ongoing stable and democratic government overseeing accountable security services and a reduction in regional militia.

Broadly on course with minor slippage. The August-September parliamentary and presidential elections were an important point in showing the strength of democratic government in Sierra Leone and the accountability and effectiveness of the security services. Although there was some evidence before and during the elections of the re-appearance of a number of militia, the security services controlled the situation well and the National Electoral Commission (NEC) performed very well. Progress on Anti-Corruption Commission prosecutions has, however, remained slow and HMG will need to work with the new government to ensure that corruption is dealt with effectively. HMG's intense political lobbying and substantial assistance is credited for the professionalism and accountability of the security services and an effective NEC. HMG assistance and lobbying also made effective voter education and a nation-wide local electoral observer network possible. HMG continues to provide a large amount of technical assistance to help increase the sustainability of the security sector.

I. Sudan¹

By end 2007-08: A fully implemented comprehensive peace agreement between the Government of Sudan and the SPLM, progress towards a stable and democratic government, a reduction in militia operating outside democratic control, and a reduction in the number of deaths through violent conflict.

North/South: *Broadly on course with minor slippage.* HMG continues to press for full implementation of the southern Sudan Comprehensive Peace Agreement (CPA) and provide technical assistance on disarmament, demobilisation and reintegration planning in support of the CPA. HMG funds are supporting the Sudanese People's Liberation Army transformation from a guerrilla fighting force to a disciplined armed force developing civil control and operating with respect for human rights and the rule of law. However, deadlines on the withdrawal of armed forces and on preparations for elections have been missed and the CPA needs more attention from the international community.

Darfur: The PSA indicator for Sudan was drawn up before the beginning of the PSA period in April 2005 and therefore does not cover the situation in Darfur. If there were an indicator for Darfur, it would be *Not on course, major slippage*. Some progress has been made with the agreement of the Hybrid UN/AU force – UNAMID. HMG has renewed its efforts with a

¹ This progress report covers the period April to September 2007. On 11 October 2007, the SPLM (the political arm of the Sudanese People's Liberation Army) suspended its participation in the Government of National Unity (GNU) because of delays in implementation of the Comprehensive Peace Agreement and the traffic light would therefore now be red (*Not on course*). Despite efforts to resolve differences between the SPLM and the National Congress Party (NCP – the main Northern Sudanese party of President Bashir, the other main party in the GNU), the two sides have not reached an agreement and the SPLM have not returned to the GNU. We are now intensifying our efforts to help the parties find a way forward.

comprehensive initiative covering security, political, economic and regional tracks. HMG has stepped up engagement with the Government of Sudan to allow rapid transition to UNAMID, while continuing to provide significant resources to the existing AU mission (AMIS). HMG is working closely with partners in support of AU-UN mediators to draw non-signatory groups of the Darfur Peace Agreement into new talks. But the humanitarian situation has deteriorated with increasing malnutrition, and access to relief agencies has shrunk largely because of increased banditry.

J. UN Peacekeeping

By end 2007- 08: All potential UN peacekeeping missions should follow the principles of integrated and comprehensive planning set out in the Brahimi Report of 2000, incorporating these from the onset of the planning process and carrying them forward into mission deployment with appropriate training of personnel and systematic processes for learning lessons and applying best practice.

Broadly on course with minor slippage. HMG has been heavily engaged in maintaining momentum on the implementation of the Integrated Mission Planning Process (IMPP) through lobbying in New York and financial support to the UN Department for Peacekeeping Operations (DPKO). To date, IMPP has had limited input into DPKO mission planning. It was used for the initial DPKO planning for Darfur, but IMPP has not been applied to the subsequent planning for UNAMID, given the hybrid nature of the operation. However, the period saw the restructuring of DPKO with the creation of standing Integrated Operating Teams and an Integrated Planning Unit to support the development and implementation of IMPP at HQ and in the field. IMPP has not been integrated in all UN entities but has been ad hoc and more extensive at the country level. HMG continues to support the systematic application of IMPP.

K. UN Peacekeeping

By end 2007- 08: A 5% increase in the number of states contributing effective peacekeepers to regional and international Peace Support Operations (PSOs) under a UN mandate, with adjustment where necessary for changes in the demand for peacekeepers.

Met. HMG continues to support work to improve the quantity and quality of UN peacekeepers; 117 countries contribute almost 84,000 personnel. HMG activity includes work with the UN to develop and deliver standard training modules for senior military and civilian personnel involved in peace support operations (PSOs) and delivery of a range of training courses to build the capacity of current and potential troop contributing countries (TCCs) to participate effectively in international PSOs. Increases in troop contributions from some of our target TCCs is encouraging. Since 2004, India has increased its troop contribution by 320%, Jordan by 200% and Egypt by 40%.

L. African Peacekeeping

By end 2007- 08: Increased capacity in the African Union (AU) and sub-regional security organisations to manage peacekeeping missions.

Broadly on course with minor slippage. HMG support remains instrumental in helping the AU develop the African Standby Force (ASF). Key conceptual ASF documentation has been prepared for approval by African Chiefs of Defence Staff, but has not yet been signed off. Progress towards the AU's target of five regional brigades remains very uneven. Short-term crisis response on Darfur and Somalia is diverting resources from long-term ASF development. HMG top priorities remain the Economic Community of West African States (ECOWAS), which is making adequate, if slowing, progress, and the East African Standby Brigade (EASBRIG), which is currently drawing up a consolidated development plan before approaching international donors. HMG continues to make major contributions to expanding the pool of trained African peacekeeping personnel (some 11,000 African personnel since 2004) with a fresh focus on sharing the training burden with the US and French.

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

Target 3

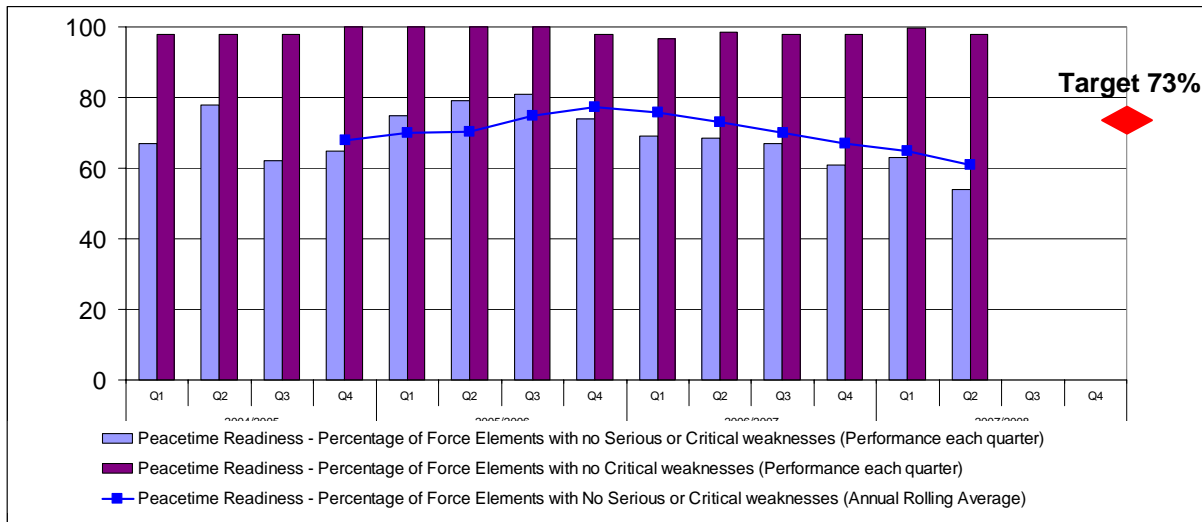
Generate forces, which can be deployed, sustained and recovered at the scales of effort required to meet the government’s strategic objectives.²

Overall Assessment
UNLIKELY TO BE MET

The Armed Forces’ overriding priority is operational success (Target 1). They have been operating at or above the level of concurrent operations they are resourced and structured to deliver for seven of the last eight years, and for every year since 2002. In so doing they have consistently and reliably provided substantial forces at immediate readiness for those operations, deployed them to and sustained them in theatre, and recovered them to their home bases at the end of their tours. In such circumstances it is not possible for the Armed Forces simultaneously to be ready for the full range of potential contingent operations provided for in planning assumptions. We therefore do not now expect to meet this target. The Armed Forces have nevertheless maintained essential standby capabilities, for example for Non-combatant Evacuation Operations such as in Lebanon in July 2006.

Assessment against Performance Indicators

(a) By 2008, ensure more than **73%**³ of force elements show no serious or critical weakness against their required peacetime readiness levels
 On average from August 2006 to September 2007, 61% of force elements reported no critical or serious weaknesses against their required peacetime readiness levels. The proportion of force elements reporting no critical or serious weaknesses against their peacetime readiness levels has accordingly declined from 68% in July-September 2006 to 54% in July-September 2007, although the proportion reporting no critical weaknesses remains steady at around 98%.



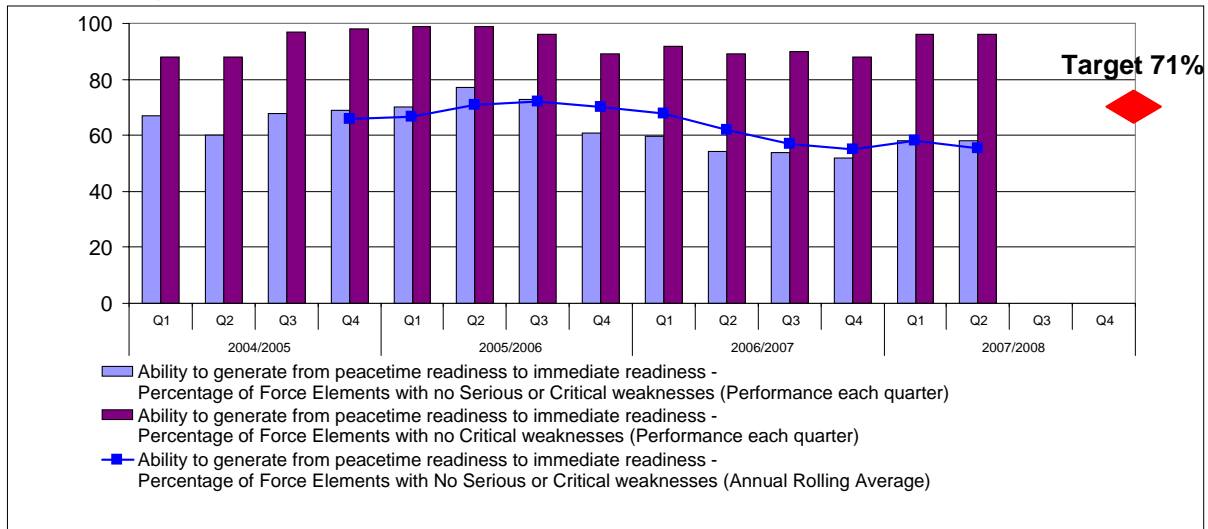
Peacetime Readiness

² PSA performance is assessed solely against the target for Peacetime Readiness.

³ This target represents a 5% improvement over the average quarterly performance in 2004-05.

(b) By 2008, ensure that more than 71%⁴ of force elements report no serious or critical weaknesses against the ability to generate from peacetime readiness to immediate readiness for deployment on operations.

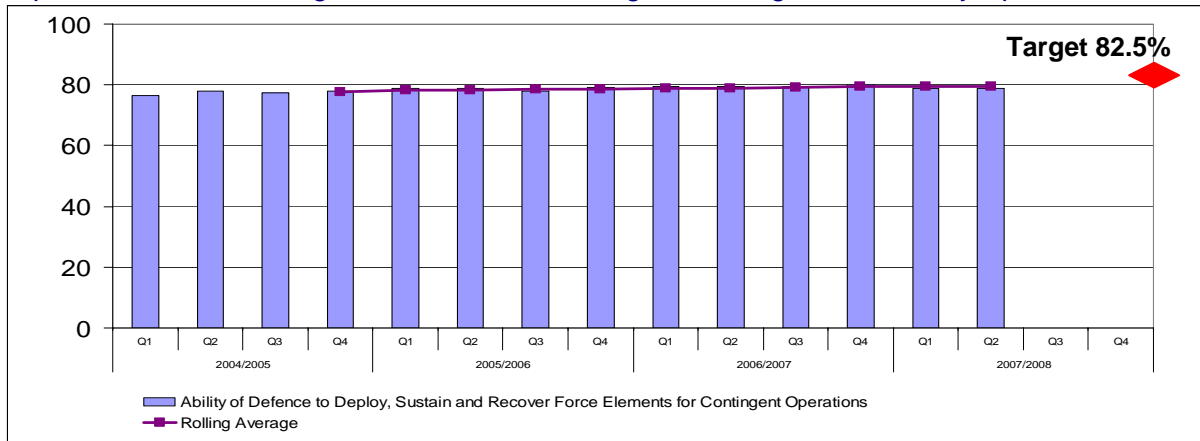
On average from August 2006 to September 2007, 55.5% of force elements reported no critical or serious weaknesses against the ability to generate from peacetime readiness to immediate readiness for deployment on operations. This reflects the pressure on the Armed Forces resulting from operating above Defence Planning Assumptions, and the constraints on conducting collective training over and above that required for current operations until commitments return to the levels within Defence Planning Assumptions. Over the period August to September 2007, 96% of force elements reported no critical weaknesses in their ability to generate from peacetime readiness to immediate readiness and 58% of force elements reported no serious or critical weaknesses.⁵



Assessed ability to generate force elements from peacetime to immediate readiness

(c) By 2008, ensure that the assessed ability of the Department physically to deploy its forces on operations at what is likely to be the most demanding level for many enabling functions (2 medium scales and a small scale concurrently), sustain them in theatre and thereafter recover them to their home bases shows a 5% improvement in the numbers of serious or critical weakness reported across the key components (Land, Sea, Air, Strategic Lift) compared with the average reported in 2004-05.

The assessment is a theoretical summary of the ability to deploy, sustain and recover the Force Elements required to conduct the most demanding contingent deployments set out in planning assumptions, based on a generic operational scenario. Over the year our capability improved from an average of 78.8% to 79.5%, against a target of 82.5% by April 2008.⁴



Assessed Ability to Deploy, Sustain and Recover Force Elements for Contingent Operations

⁴ This target represents a 5% improvement over the average quarterly performance in 2004-05.

⁵ From 2007-08, full assessment is conducted annually, supplemented by a high level quarterly overview.

Target 4

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

Overall Assessment
ON COURSE

Assessment against Performance Indicators

(a) A more efficient and effective NATO.

The UK continued to press the case for a more efficient and effective NATO, and the Secretary of State for Defence played a leading role in NATO Defence Ministers' consideration of NATO's continuing military transformation in their formal meeting in Brussels on 14-15 June. This included working to deliver a more comprehensive approach to the planning and conduct of operations; enhancing the usability of the NATO Response Force (NRF) and Reserve Forces; a number of initiatives to improve strategic airlift; cyber defence; drawing the Command Structure Review work to a coherent solution; and developing further NATO's relationships with its Partners, including through their involvement with the NRF.

The UK fully supports the NRF concept and has provided a more than proportionate share of forces to it since its inception in 2002. Having provided limited Maritime and Air force elements to the NRF 8 rotation of forces (January – June 2007), the UK is currently leading the Maritime Component Command for NRF 9 (July – December 2007). The pressure of operations is, however, producing reduced Allied contributions to the NRF in the near and middle term. The UK is contributing to work in NATO to ensure that NRF capability continues to be managed effectively during this period of unprecedented operational activity for the Alliance.

The UK remains fully committed to NATO's mission in Afghanistan. We continued to provide a Provisional Reconstruction Team in Helmand as part of the ISAF expansion into the South of Afghanistan and have assumed command of Regional Command (South) (RC(South)) with a Divisional Headquarters. PRT Helmand is supported by the Task Force Helmand, which includes artillery, support and attack helicopters, transport aircraft and Harrier GR7s. The UK is also contributing personnel to NATO's KFOR in Kosovo in the vital period during the search for consensus in the UNSCR following the presentation of proposals for a Final Status package by the UN Special Envoy, Martii Ahtisaari.

(b) A more coherent and effective European Security and Defence Policy.

The UK continued to play a leading role in the development of the European Security and Defence Policy (ESDP). We welcome the recent deployment of an ESDP Mission in Afghanistan. The UK contributed substantially to its inception and planning, and has seconded a number of key personnel. We also welcome the prospect of a fully resourced rule of law ESDP Mission in Kosovo. We also continued to support the proposed ESDP mission to Chad and the Central African Republic as a key means of contributing to regional stability and to assist with resolving the Darfur crisis, although we do not plan to make any substantial national contribution. Our contribution to ESDP missions remained small, reflecting our heavy commitment to international efforts in Iraq and Afghanistan, but we continued to make major contributions to the international community's regional efforts in other ways, in particular through bilateral humanitarian assistance and through support to the African Union mission in Darfur.

We are working to ensure that the necessary arrangements are in place for co-ordination of EU activities with those of other actors, in particular the UN and NATO, at the political and strategic level. Accordingly, we continued to seek ways to improve EU-NATO relations, both at the operational and political/strategic levels.

The UK has worked closely with the European Council General Secretariat to agree the 'New Guidelines for the Command and Control Structure for EU Civilian Operations in Crisis Management', which should help to improve the planning and conduct of civilian missions and facilitate civil and military co-ordination, mutual support and coherence.

(c) Enhanced European defence capabilities.

The UK continued to participate fully in the work of the European Defence Agency (EDA) on issues including: the Capability Development Plan, which builds on the work on the Long Term Vision for the EU's capability needs; the capture and comparison of the Strategic Indicators and Targets for participating Member States' investment in defence; and work on the future of the European Defence Technology and Industrial Base.

The UK continued to work with other Member States and the EU Military Staff on progress towards Headline Goal 2010. This sets out the EU Level of Ambition for military crisis management. Nations have agreed the Requirements Catalogue which converts the broad level of ambition into specific capability requirements, and in 2006 set out and complied in the Force Catalogue those capabilities they might in principle be able to commit to EU-led operations in response to the 2010 Headline Goal. We are now working with partners on the Progress Catalogue which will detail any differences between the Requirements Catalogue and the Force Catalogue, assessing excesses and shortfalls and evaluating the military risks of any identified shortfalls.

Target 5

Recruit, train, motivate and retain sufficient military personnel to provide the military capability necessary to meet the Government's strategic objectives.⁶

Overall Assessment
LIKELY ONLY TO BE PARTLY MET

The challenge of implementing the changes in Service personnel numbers announced in the July 2004 White Paper while sustaining the high operational tempo means that meeting manning balance targets has slipped. We do not expect the Royal Navy or Army to achieve manning balance by April 2008. The high continuing level of operations is also preventing achievement of personal and unit harmony guidelines in parts of the Army and the Royal Air Force.

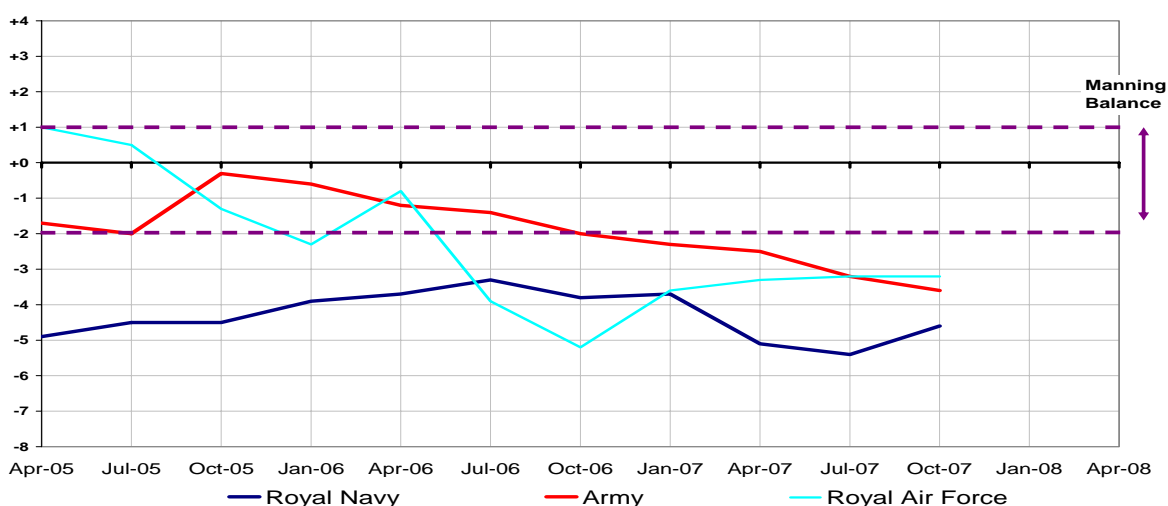
Assessment against Performance Indicators⁷

(a) Manning Balance⁸

As at 1 October 2007:

- Royal Navy⁹ manning was at 95.4%, 2.6% below Manning Balance;
- Army manning was at 96.4%, 1.6% below Manning Balance;
- Royal Air Force manning was at 96.8%, 1.2% below manning balance.

There are continuing shortages within some specialist groups in all three Armed Services.



Service manning surplus/deficit since April 2005

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

	Percentage of end of year target achieved/predicted	
	2006-07	2007-08
Naval Service Officers	110%	89%
Naval Service Other Ranks	79%	95%
Army Officers	95%	90%
Army Soldiers	84%	83%
Royal Air Force Officers	81%	89%
Royal Air Force Airmen	84%	100%

⁶ PSA performance is assessed solely against meeting the Manning Balance target.

⁷ Owing to introduction of a new personnel administration system, data from April 2007 are provisional.

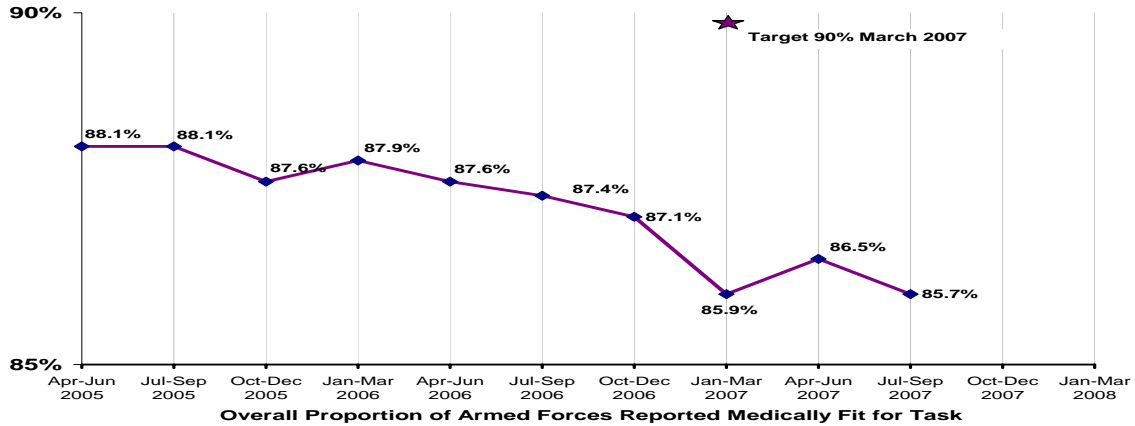
⁸ Manning Balance is defined as between -2% and +1% of the trained strength requirement, and is measured against the requirement prevailing at the time. Since that requirement is dynamic, the underlying baseline numerical target varies over the PSA period.

⁹ Including the Royal Marines

(c) Medically Fit For Task

At least 90% of service personnel to be medically fit for task by 1 April 2007

As at 1 October 2007 85.7% of the Armed Forces were reported as fit for task. The vast majority of those not fit for their primary task are working normally and continue to contribute to operational effectiveness, but their deployability is limited.



(d) Voluntary Outflow rates

	Long term sustainable rate	Year ending 30 September 2007
Naval Service Officers	2%	3.3%
Naval Service Other Ranks	5%	6.3%
Army Officers	4.2%	4.3%
Army Other Ranks	5.6%	5.8%
Royal Air Force Officers	2.5%	2.9%
Royal Air Force Other Ranks	4.0%	4.4%

(e) Levels of Individual Separated Service

	Guidelines	Performance
Royal Navy / Royal Marines	In any 36 month period, no one to exceed 660 days separated service.	Fewer than 1% of Royal Navy personnel exceeding 660 days separated service.
Army	In any 30 month rolling period no one to exceed 415 days separated service.	10.3% of Army personnel exceeding 415 days separated service.
Royal Air Force	Not greater than 2.5% of personnel exceeding 140 days of detached duty in 12 months.	9.2% of Royal Air Force personnel exceeding 140 days of detached duty.

(f) Unit Tour Intervals

	Guidelines	Performance
Royal Navy	Fleet Units to spend maximum of 60% deployed in a 3 year cycle.	The Royal Navy continues broadly to meet its Unit Tour Interval Harmony guidelines. Current activity levels are about 53% deployed.
Army	24 month average interval between unit tours.	The following front line corps were exceeding unit tour interval guidelines: Infantry 23 months Royal Artillery 19.1 months Royal Signals 19.6 months Royal Logistics Corps 15 months Some specialist units, particularly in the Combat Service Support trades had shorter tour intervals
Royal Air Force	Unit tour intervals to be no less than 16 months.	Elements of Joint Helicopter Command, Harrier, Tactical Imagery Intelligence Wing, Nimrod, Tactical Medical Wing, 90 Signals Unit and RAF Regiment are breaking guidelines.

OBJECTIVE III: Build for the future.

Target 6

Deliver the Equipment Programme to time and cost ¹⁰

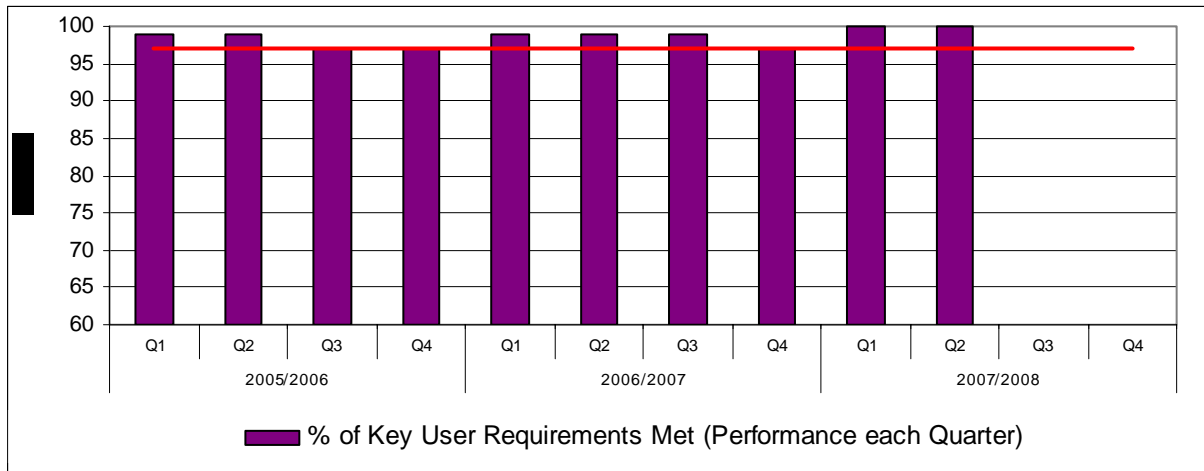
Overall Assessment
LIKELY ONLY TO BE PARTLY MET

The Department met this target in full in 2005-06 and 2006-07. In 2007-08 we expect to meet the targets for delivery of Key User Requirements and in-year variation of forecast costs. We do not expect to meet the 2007-08 target for in-year variation of In Service Dates, in part reflecting a deliberate decision to delay deployment of the Beyond Visual Range Air-to-Air Missile on Typhoon.

Assessment against Performance Indicators

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

Category A-C post-Main Gate pre-ISD projects are currently forecasting to achieve 100% of the customer's key requirements.

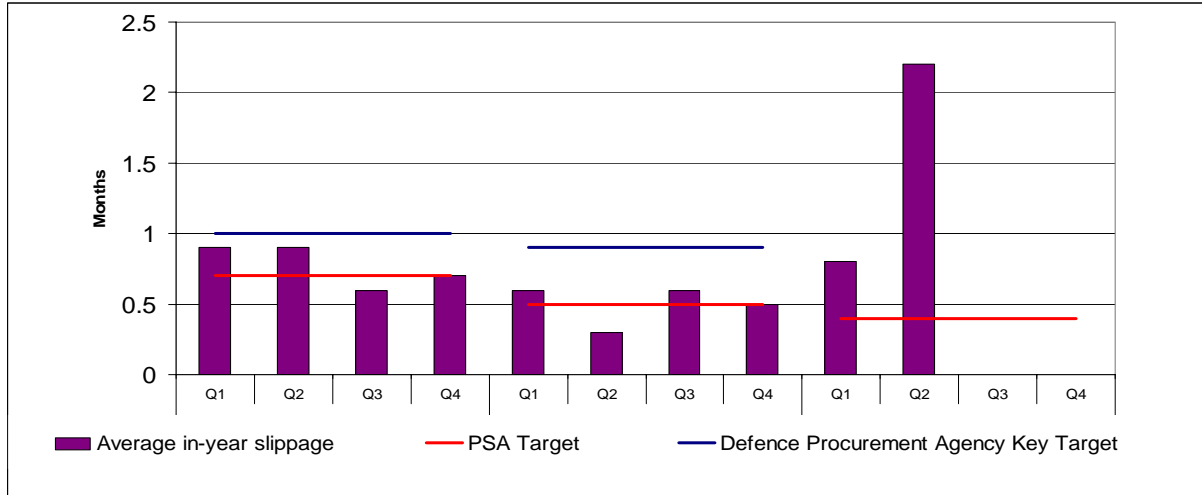


Performance against Key User Requirements

¹⁰ Performance against the PSA is measured against all Category A to C projects that have passed Main Gate and are yet to achieve ISD at the start of the financial year

2. Average In-Year variation of forecast In Service Dates (ISD), for all Category A to C Projects that have passed Main Gate Approval, to be no more than 0.7 months in FY05/06, 0.5 months in FY06/07 and 0.4 months in FY07/08.

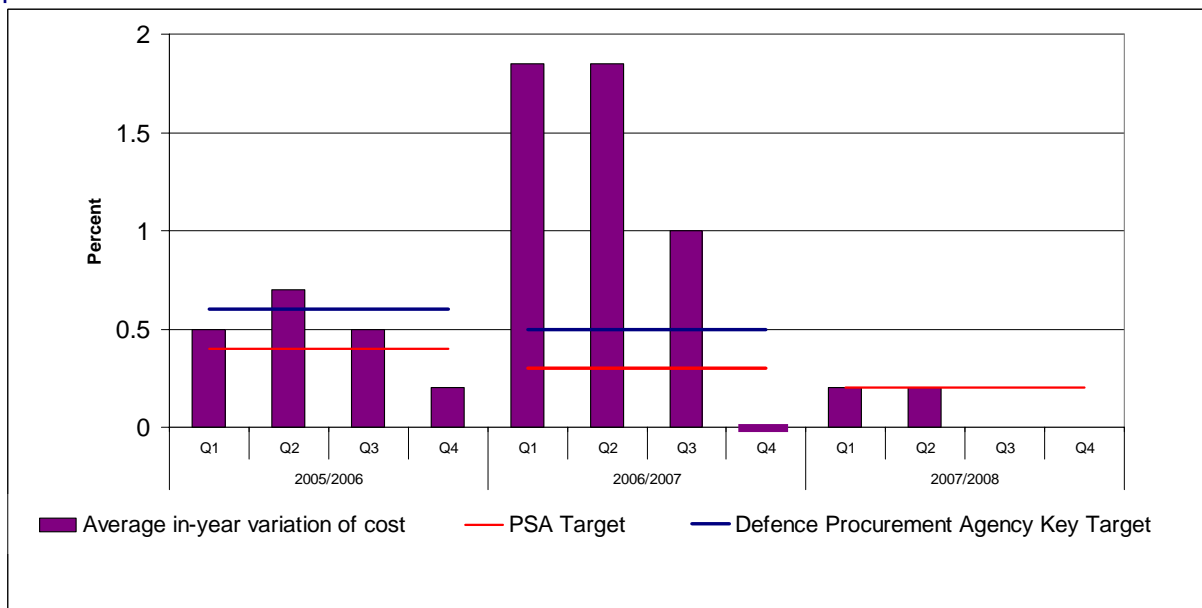
Category A-C post-Main Gate pre-ISD projects are currently reporting an average in-year slippage in forecast ISD of 2.2 months. In part this reflects a deliberate decision to delay deployment of the Beyond Visual Range Air-to-Air Missile on Typhoon until a later date. The missile itself has met its requirements. Efforts are being made to reduce the average in-year variation in what remains of the financial year, but it is unlikely to be within target by April 2008.



Performance against In-year variation of forecast In Service Dates

3. Average In-Year variation of forecast costs for Design and Manufacture phase, for all Category A to C projects that have passed Main Gate approval, of less than 0.4% in FY05/06, 0.3% in FY06/07 and 0.2% in FY07/08.

Category A-C post-Main Gate pre-ISD projects are currently reporting an average in-year variation of forecast cost increase of 0.2%. The major programme showing cost growth at present continues to be Nimrod.



Performance against In-year variation of forecast costs for Design and Manufacture phase

Efficiency

Objective

More flexible and efficient organisations and processes to support the Armed Forces.

2004 Spending Review Efficiency Target

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

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

Overall Assessment
ON COURSE

Around half of the target will be achieved by programmes that were already within the Defence Change Programme, and a further 40% from implementation of the force capability changes set out in *Delivering Security in a Changing World: Future Capabilities*, published in July 2004. The remaining 10% will come from various other programmes, including Top Level Budget commodity procurement, relocations in response to the Lyons review and work to simplify and improve the finance function. With six months of the programme remaining, the Department remains confident of achieving the financial, headcount reduction and relocation targets

Performance against 2004 Spending Review Efficiency Target

The MOD's Efficiency Technical Note – available on the MoD website - describes the Efficiency Programme in detail and explains how we are delivering and measuring the efficiency gains. Details of progress are set out in the Table opposite:

- By 31 March 2007 a total of £2,448M of efficiencies had been delivered. This includes an increase in the figure for the Defence Logistics Transformation Programme published in the Departmental Annual Report and Accounts, reflects the outcome of an audit of its benefits in 2006-07;
- By 30 September 2007, £2,506M of efficiencies had been achieved, including assumed savings of £479M from in-year efficiency measures first achieved in 2006-07 and expected to be repeated by the end of this Financial Year. These savings fluctuate from year to year and so are not automatically carried forward. For some of them achievement is only measured at the end of the year;
- We remain on track to deliver our £2.8Bn target by end 2007-08.

Cashable gains

About 94% of the £2,027M of efficiency gains by 30 September 2007 are cash-releasing.

Personnel Reductions and Relocations

The changes to force capabilities and the departmental Change and Efficiency Programmes will produce further personnel reductions:

- We have already reduced civilian personnel numbers by 13,220 by 1 September 2007;
- The number of military personnel will reduce by over 10,000 by April 2008, enabling over 5,000 military administrative and support posts to be abolished. 3,891 were disestablished by 30 September 2007.

Relocations

We remain on track to deliver a net reduction of 3,900 posts in London and the South East by 2010. 2,812 posts had been relocated by 30 September 2007.

Performance against 2004 Spending Review Efficiency Target

PROGRAMME	Achieved by 31 March 2007 ¹ (£M)	Achieved by 30 Sept 2007 ¹ (£M)	Planned by 31 March 2008 ^{1 2} (£M)
Force Structure changes *	298	254	388
Corporate Services	296	134	283
Military Personnel Management	38	52	74
Civilian Personnel Management*	30	34	51
Finance Function	16	8	12
Information Services ^{3 *}	212	40	146
Procurement and Logistics	1,419	1,201	1,751
Equipment Procurement ³	206	210	374
Defence Logistics Transformation ^{3*}	1,030	865	1,094
Whole Fleet Management ^{3 *}	55	19	111
Estates Modernisation ³	62	79	95
Other Procurement *	66	28	77
Productive Time^{3 *}	139	51	88
Organisational changes	2	2	4
Relocation	18	18	18
Manpower	344	479	552
RN	32	37	35
Army	64	76	88
RAF	143	162	195
Civilian	105	204	234
Adjustment⁴	68	-112	-112
TOTAL	2,448	2,027	2,972
Assumed re-achievement of in-year efficiencies from 2006-07⁵		479	
ADJUSTED TOTAL		2,506	

Notes:

1. Achieved and Planned efficiencies include efficiencies during 2004-05, 2005-06, 2006-07 and 2007-08.
2. The planned gains are the most recent forecast and update the figures in the 2006-07 Annual Report and Accounts.
3. These gains include an element of non-cashable gains
4. Adjustment to avoid double counting of manpower savings.
5. Reflects the expected repetition in 2007-08 of gains achieved in 2006-07 from programmes marked *.

Force Structure Changes

Following the 2003 Defence White Paper the Department undertook a detailed study of force structures and the equipment programme and determined that extensive restructuring would allow us to achieve better policy outcomes with smaller, lighter and more capable forces. These changes were set out in *Delivering Security in a Changing World: Future Capabilities*, published in July 2004. By 30 September 2007 £254M of benefits had been delivered (reflecting the removal of some non-cumulative efficiencies from its 2006-07 achievement) through:

- the reduction of Type 42 Destroyer, Type 23 Frigate and mine-hunter fleets and a rationalisation of our submarine capability;
- the re-roling and reduction of Challenger II armoured squadrons and AS90 artillery batteries, reflecting the transition from heavy to light and medium weight forces;
- reductions to Tornado F3 units and withdrawal of Jaguar from 30 April 2007 in line with the introduction into service of Typhoon, and reducing costs associated with the smaller Nimrod fleet; and
- the restructuring of our current helicopter fleets and ground based air defence capability.

Corporate Services

The Department is undertaking a range of programmes to modernise and improve the effectiveness and efficiency of its corporate services:

- Joint Personnel Administration will modernise the personnel management and administration of the Armed Forces by harmonising and simplifying a range of personnel policies and processes and by introducing a new commercial off-the-shelf information systems. The system has now been rolled-out to all three Services following roll out to the Army between March and July 2007. It has delivered £52M of benefits by 30 September 2007;
- The People Programme will enable MoD civilians to make the best contribution to the UK's defence capability through a civilian workforce which is appropriately skilled, managed and motivated. Efficiency gains will be achieved through a reduction of civilian Human Resources staff, lower maintenance costs of the human resources information system, implementation of modern and simple pay and policy processes and a reduction in administration tasks. The programme has delivered £34M of efficiencies by 30 September 2007. The future pay system was launched in August; it modernises the delivery of pay services by replacing the existing bespoke civilian payroll information systems with one based on a new oracle system;
- The Defence Resource Management Programme aims to simplify and improve current financial processes, structures and systems to reduce costs and improve decision-making. Efficiency gains will be achieved from a reduction in the number of staff in the finance function and reduction in expenditure on external assistance. This Programme reports achievements on an annual basis;
- The Defence Information Infrastructure (DII) is delivering a modern management information infrastructure across Defence. The programme has delivered £40M of efficiencies by 30 September 2007, reflecting the removal of some non-cumulative efficiencies from its 2006-07 achievement.

Procurement and Logistics

The Department is undertaking a range of programmes to build on Smart Acquisition, improve value for money from expenditure on the future equipment programme, increase the effectiveness, efficiency and flexibility of Defence logistics activity, and modernise management of the Defence estate. We are also working to improve the efficiency of commodity procurement across defence. These programmes comprise the Procurement and Logistics element of our overall efficiency programme. In particular:

- *Future Capabilities* identified opportunities to improve value for money from equipment procurement expenditure. Revised procurement strategies for the future helicopter fleet and the Future Rapid Effects System, a more efficient way to provide the offensive air capability, and reprofiled acquisition increments for indirect fire precision attack produced a total of £210M efficiencies by 30 September 2007.
- The purpose of the Defence Logistics Transformation Programme is to transform the means by which logistics support is delivered to the three Services. The programme had delivered £865M by 30 September 2007. This figure reflects the removal of non-cumulative efficiencies from its 2006-07 achievement. The National Audit Office report on *Transforming Logistics Support for Fast Jets* published in July confirmed that the department had made significant reductions in the cost of support to fast jets, with cumulative savings of £1.4Bn over six years, whilst maintaining aircraft availability on the front line.
- Whole Fleet Management will provide better management of the Defence land vehicle fleet and facilitate the training of force elements to the required standard on future reduced fleets. Savings are achieved through reduced spares consumption and battery use, improved management of the vehicle fleet and manpower efficiencies. Efficiencies of £19M had been delivered by 30 September 2007, reflecting the removal of non-cumulative efficiencies from its 2006-07 achievement.
- The Estates Modernisation programme is rationalising and improving the condition of the Defence estate and obtaining better value for money from estate expenditure through the introduction of Prime Contracting, modernisation of single living accommodation, and provision of water and sewage services. Efficiency gains are achieved through personnel reductions, lower management overheads for Service families' accommodation and reduced operating costs. £79M of efficiencies had been delivered by 30 September 2007.
- The 'Other Procurement' Initiative extends the Defence Logistic Organisation's Procurement Reform programme across other areas of Defence. This aims to maximise the Department's buying power using reverse auctions, electronic purchasing, incentives and rationalisation of contracts, and had delivered £28M of efficiencies by 30 September 2007, reflecting the removal of non-cumulative efficiencies from its 2006-07 achievement. This included £26M from the Defence Travel Modernisation programme to deliver a modern and coherent e-booking capability.

Productive Time

The objective of the Defence Health Change Programme is to increase the proportion of military personnel who are fit-for-task by improving the quality of healthcare using regional rehabilitation units and other methods. £51M of non-cashable gains from reducing the time taken to restore personnel to full fitness had been delivered by 30 September 2007, reflecting the removal of non-cumulative efficiencies from its 2006-07 achievement.

Organisational Changes

A number of initiatives are in hand to slim down the Department's management overhead including the continuing rationalisation of Service Headquarters and other organisations.

Relocations

We remain on track to deliver a net reduction of 3,900 posts in London and the South East by 2010. 2,812 posts had been relocated by 30 September 2007.

Personnel Reductions

The changes to force capabilities and the departmental Change and Efficiency Programmes will produce further personnel reductions:

- The number of military personnel will reduce by over 10,000 by April 2008. This will enable over 5,000 military administrative and support posts to be abolished. 3,891 of these posts had been disestablished by 30 September 2007;
- We have already exceeded our target of reducing civilian personnel numbers by 10,000 by 1 April 2008, with a reduction of 13,220 by 1 September 2007.

Maintaining service quality

All programmes contributing efficiency savings are required to demonstrate that where inputs have been reduced, the quality of outputs is being maintained. Examples of the types of measures used are:

- Defence Logistics Transformation Programme. Performance is monitored against Customer-Supplier Agreements with Front Line Commands, including measures such as improved delivery timelines and increased availability of vehicles and aircraft;
- Procurement Reform. Monitoring of contract price reduction;
- People Programme. Performance against Service Level Agreements between the Pay and pensions Agency (the agency delivering the programme) and its customers, the use of Continuous Staff Attitude Surveys and Customer Acceptance testing;
- Force Structure Changes. Quarterly performance reporting to the Defence Management Board provides the quality measure underpinning achievement against Public Service Agreements and evidence that Defence output has not been adversely affected by these efficiency initiatives.

Further Information

Further details of the PSA and Efficiency Targets including the detailed Technical Notes setting out how performance against these targets is measured, together with previous quarterly performance reports and the *Ministry of Defence Annual Report and Accounts* for 2005-06 and 2006-07, can be found at www.mod.uk.

The House of Commons Committee of Public Accounts' report on *Assessing and reporting military readiness* (HC667) and the Treasury Minute setting out the Government Response (Cm6775), together with the House of Commons Defence Committee's *Second Report of Session 2006-07 on the Ministry of Defence Annual Report and Accounts 2005-06*, (HC 57), and *The Ministry of Defence Annual Report and Accounts 2005-06: Government Response to the Committee's Second Report of Session 2006-07: Seventh Special Report of Session 2006-07* (HC 376) can be found at www.publications.parliament.uk.

In its December 2006 *Third Validation Compendium Report* on the quality of data systems underpinning Public Service Agreement Targets (HC 127), the National Audit Office concluded that the data systems underpinning the targets on operations, manning balance and equipment procurement were fully fit for measuring and reporting performance against these targets, that the system underpinning the target for readiness was broadly fit for purpose but should be strengthened to establish a system to report against the ability to deploy, sustain and recover the Armed Forces (this has since been done), and that the systems underpinning the targets for Conflict Prevention and European security needed strengthening in particular to document the compilation and assessment process more thoroughly to ensure consistency of judgment over time (further work has since been done to address these). This report can be found at www.nao.org.uk, together with National Audit Office Reports from June 2005 on *Assessing and Reporting Military Readiness*, from February 2007 on *The Efficiency Programme: A Second Review of Progress* (HC 156), from July 2007 on *Transforming logistics support for fast jets* (HC825), and from November 2007 on *Briefing for the Defence Committee on the Performance of the Ministry of Defence 2006-07*.