

Ministry of Defence Public Service Agreement, Service Delivery Agreement and Technical Note 2003/04 - 2005/06

Each government department has a Public Service Agreement (PSA) consisting of a series of targets which broadly cover the outcomes the department aims to achieve over the course of each government spending review period. The 2002 Spending Review covers the period 2003/04 – 2005/06. The MODs PSA for this period can be seen below. Underpinning each target is a Service Delivery Agreement (SDA) and a Technical Note.

The SDA is a more detailed description of the activities which we will undertake to achieve the target. It also provides clarification of some of the terms in the target and highlights a few of the issues involved in delivering the target.

The Technical Note explains how performance against the target will be measured. The MOD has a Balanced Scorecard approach to monitoring and managing performance within the Department. This is designed to deliver progress against the Department's key objectives. It aims to capture all the drivers of good performance across four key areas: output deliverables; resource management; process improvement; and learning and development. The MOD's PSA targets will be reflected in the Department's Corporate Plan which is constructed on the lines of the Defence Balanced Scorecard and its performance indicators. These are measured and reported quarterly to the Department's Management Board. Where relevant the same data is used in reporting progress on the achievement of PSA targets, including in the annual Departmental Performance Report.

The Defence Analytical Serviced Agency (DASA) provides professional analysis and statistics, including those which are part of the National Statistics, such as the annual compendium "UK Defence Statistics". DASA is part of the Government Statistical Service (GSS) and operates to the GSS code of practise. It undergoes regular reviews to ensure it meets customer needs and is free from any political interference. Relevant statistics for targets 1 and 4 are published each year in the UK Defence Statistics.

Ministry of Defence

AIM

Deliver security for the people of the United Kingdom and the Overseas Territories by defending them, including against terrorism, and act as a force for good by strengthening international peace and stability.

OBJECTIVES AND PERFORMANCE TARGETS

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

1. Achieve the objectives established by Ministers for Operations and Military Tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil communities.
2. 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.)

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

3. By 2006 ensure that a minimum of 90% of high readiness forces are at their required states of readiness with no critical weaknesses.
4. Recruit, train, motivate and retain the personnel needed to meet the manning requirement of the Armed Forces, so that by the end of 2004, the Royal Navy and RAF achieve, and thereafter maintain, manning balance, and that by the end of 2005 the Army achieves, and thereafter maintains, manning balance.
5. Strengthen European security through an enlarged and modernised NATO, an effective EU military crisis management capability and enhanced European defence capabilities. (Joint target with FCO)

Objective III: Building for the Future.

6. Develop and deliver to time and cost targets military capability for the future, including battle-winning technology, equipment and systems, matched to the changing strategic environment.

Value for money

7. Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability. Year-on-year output efficiency gains of 2.5% will be made each year from 2002-03 to 2005-06, including through a 20% output efficiency gain in the Defence Logistics Organisation.

WHO IS RESPONSIBLE FOR DELIVERY?

The Secretary of State for Defence is responsible for delivery of this PSA.
The Secretary of State for Foreign and Commonwealth Affairs is jointly responsible for delivering Target 5 and, together with the Secretary of State for International Development, Target 2.

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.

Service Delivery Agreement

Each operation and Military Task will have its own objectives against which success will be judged. Because many of these activities are unforeseen or responsive, it is not possible to specify their objectives in advance for the period 2003-06. For many operations UK forces are a contribution to Alliance or Coalition forces and therefore subject to multinational political and military considerations and Command and Control arrangements.

We will support and protect civil communities and their livelihoods through the conduct of search and rescue, fishery protection, bomb disposal, and counter-drugs operations, where appropriate under arrangements for repayment by the Department having the policy lead.

We will achieve the objectives agreed by Ministers following formal requests for assistance from another Government department, Civil Power (eg. Police and Emergency Services, HM Customs and Excise) or Local Authority. In this way we will help to resolve civil crises successfully by using the available specialist skills and capabilities of the Armed Forces and MOD civilians.

Issue

For many operations UK forces are a contribution to Alliance or Coalition forces and therefore subject to multinational political and military considerations and Command and Control arrangements.

Technical Note

The MOD's primary objective is the successful completion of major operations. The objectives for each operation are captured in a Directive from the Chief of the Defence Staff to the Operational Commander. The measurement of success or otherwise is performed through a formal review process under the Operational Tasking Group, under the chairmanship of the Vice Chief of Defence Staff, which assesses performance subjectively, using military judgement, against a number of established criteria. These include our ability to:

Command: The direction, co-ordination and control of forces.

Prepare: The range of pre-deployment activities including training, equipping and moving forces.

Protect: Including protection of bases, platforms, weapons, men, materiel and information.

Sustain: The process of enabling a force to maintain the necessary capability to achieve its objectives.

Operate: The actual process of carrying on combat.

Achievement of operational objectives is assessed under objective A of the Defence Balanced Scorecard "To achieve success in the Tasks we undertake".

Of lesser strategic military importance, historic performance on military assistance, search and rescue, fishery protection, bomb-disposal and counter-drugs operations activities is detailed in the annual compendium "UK Defence Statistics". We will continue to report performance in this way.

Fishery protection activities are undertaken by the RN Fishery Protection Squadron operating within British fishing limits under contract to the Department for Environment, Food and Rural Affairs (DEFRA). Completion of the contractual requirements of these arrangements is numerically assessed and reported quarterly at senior level in the MOD. The Home Office and Scottish Executive reimburse the cost of armed forces Explosive Ordnance Disposal support to the police in England, Wales and Scotland. The Armed Forces maintain a year-round, 24hr Search and Rescue service based at 8 locations around the British Isles, typically at 15 minutes readiness. Support is provided to the counter-drugs activities of law enforcement agencies in the UK and overseas, where operational commitments allow.

We will meet requests for military support to civil communities, OGDs and the Civil Powers, including the Police and HM Customs & Excise, subject to the nature of the request and availability of armed forces resources, the ability of the armed forces to provide relevant and effective support. Many of these activities are also reported and assessed as Operations, using the methodology described above; for example Operation Fresco (Fireman's strike), Operation Peninsula (Foot and Mouth).

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.

This is a joint target with the Foreign and Commonwealth Office and the Department for International Development.

Service Delivery Agreement

By 2006 the MOD, Foreign and Commonwealth Office and Department for International Development, together and with others, will work to:

a) Resolve existing violent conflicts and prevent new conflicts in priority countries and regions e.g. Afghanistan, Balkans, Former Soviet Union, Middle and Near East, Nepal, Sri Lanka, Sierra Leone, Great Lakes, Sudan, Angola and Nigeria

b) Address the national and regional causes of conflict by:

Strengthening local conflict management e.g. through improved governance and security sector reform in priority countries and regions

Improving local peace support capacity in co-operation with internal partners e.g. the development of a G8-Africa Peace Support Operations plan by 2003.

c) Improve the international community's response to conflict by:

Strengthening UN Conflict Management capacity e.g. improving peacekeeping deployments

Mobilising and supporting coherent bilateral and international action at UN, G8, EU, Commonwealth and other forums including NEPAD

Implementing agreements to reduce the proliferation of small arms and light weapons e.g. international and national action plans

Tackling the economic and financial causes of conflict e.g. by mobilising national and international agreement to increase oil revenue transparency and corporate social responsibility.

Technical Note

Assessment indicators

AHEAD – four out of four sub-targets must be either MET or AHEAD

ON COURSE – three out of four sub-targets must be judged to be ON COURSE

SOME SLIP – two out of four sub-targets judged as ON COURSE

MAJOR SLIP – only one out of four sub-targets judged to be ON COURSE

Progress against the PSA Target in 2000-6 will be measured using:

(a) Global Pool sub-targets on Afghanistan, Nepal, Macedonia, Georgia, Israel/Occupied Territories, Sri Lanka, contributing 25% to the overall PSA target

(i) a 10% reduction in fatalities from a SIPRI baseline of 3,825 in 2000 to 3,442 by 2006

(ii) a 10% reduction in fatalities from an IISS baseline of 19,200 in 2000 to 17,280 by 2006

(iii) a 10% reduction in refugees from a UNHCR baseline of 3,722,192 in 2000 to 3,349,973 by 2006

(iv) a 10% reduction in internally displaced persons from a USCR baseline of 924,000 in 2000 to 831,600 by 2006

(b) Africa Pool sub-targets on Sierra Leone, DRC, Uganda, Rwanda, Burundi, Sudan, Angola, Nigeria, contributing 25% to the overall PSA target

(i) a 20% reduction in fatalities from a SIPRI baseline of 6,500 in 2000 to 5,200 by 2006

(ii) a 20% reduction in fatalities from an IISS baseline of 31,500 in 2000 to 25,200 by 2006

(iii) a 20% reduction in refugees from a UNHCR baseline of 2,229,018 in 2000 to 1,783,214 by 2006

(iv) a 20% reduction in internally displaced people from a USCR baseline of 9,720,000 in 2000 to 7,776,000 by 2006

(c) Conflict Level Assessment Tool sub-targets contribute 50% to the overall PSA target (25% for each Pool) - a new product measuring variations in potential sources of future conflict is being created. Targets and baselines will be set by April 2003.

Definitions

The Conflict Prevention Pools

The Global and Africa Pools were created in April 2001, as policy mechanisms to improve UK conflict prevention policy and impact using a joined-up approach between FCO, MOD and DFID. HMT and Cabinet Office also play an important coordinating role. The Pools bring together peacekeeping and programme budgets, for the first time.

FCO manage the Global Pool - the Foreign Secretary chairs the cabinet committee and DFID manage the Africa Pool - the International Development Secretary chairs the cabinet committee.

PSA Target

The PSA contains two distinct elements requiring measurement: the number of people whose lives are affected by conflict and a reduction in the potential sources of future conflict. Fatalities, Refugees, IDPs will measure the first element and the new Conflict Level Assessment Tool on variations in the level of conflict will measure the second element.

Conflict defined by SIPRI is 'the use of armed force between the military forces of two or more governments, or one government and at least one organised armed group and the incompatibility concerns control of government and/or territory'.

'Where the UK can make a significant contribution' defines the countries/regions where the UK can make an important input to reducing or preventing conflict.

Sub-Target Indicators

Fatalities according to SIPRI refer to 'total battle related deaths, civilian and military caused by warring parties which can be directly connected to the conflict'. IISS use a similar definition.

A Refugee is defined by the 1951 Convention as 'a person owing to well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinion is outside their country of nationality and is unable or unwilling to return'.

Internally Displaced People (IDPs) defined by UN Guiding Principles are 'people who are forced or obliged to flee or leave their homes or places of habitual residence, to avoid the effects of armed conflict, situations of generalized violence, violations of human rights, natural or human-made disasters, and who have not crossed an internationally recognized state border'.

Issues

Assessing Progress

An overall assessment of progress will be based not only on data but also on a narrative assessment, to compensate for the weakness of data sources on fatalities, refugees and IDPs e.g. a major outbreak of conflict in one country could increase numbers significantly, distorting progress made in other countries. The UK's diplomatic achievements contributing to reduced conflict will be cited e.g. mobilising an effective international response.

Progress will initially be measured separately for each Pool, including the impact of programmes/strategies in each Pool, before a joint overall assessment is made against the PSA Target.

The PSA relates to 2003-2006, however baseline data relates to 2000. A time lag of one-year exists before data is available in each year. All baseline data relates to 2000. A final assessment will be made in 2007 using 2006 data.

The countries selected for assessing fatalities, refugees and IDPs is a specific group - it does not include every country covered by each Pool.

Isolating the UK's distinct contribution from international and other actors is difficult, and the target is subject to high risks e.g. the UK cannot control the policies of other actors, small arms proliferation etc.

Data Limitations

Accurate data on fatalities, refugees and IDPs is not available but is taken from the best available sources. For example SIPRI state the figures represent a minimum indicator but real figures may be much higher.

Both SIPRI and IISS use the starting marker of 1000 battle-related deaths each year for major conflicts - an arbitrary starting point. To provide a more accurate assessment, additional data from IISS and the States in Armed Conflict 2000 Report is included to capture data on fatalities below 1000 - included in the 2000 baseline.

SIPRI and IISS utilise different sources in collecting data and produce significantly different fatality statistics for the same conflicts, we will therefore use their data to assess overall trends.

Attributing what proportion of refugee/IDP displacement is caused directly by conflict is acknowledged as problematic. Refugee data is based on the number of refugees from each country and not in each country.

Sources

Fatalities

Stockholm International Peace Research Institute (SIPRI) Yearbook data and International Institute for Strategic Studies (IISS) Military Balance data, will be used to measure conflict fatality numbers above 1000. To include fatalities below 1000, data from the States in Armed Conflict Report, University of Uppsala (who produce SIPRI's data) and the IISS Small Conflicts Database (to be launched publicly in January 2003) is also included in the baseline/targets.

Refugees

The United Nations High Commission for Refugees (UNHCR) are mandated to deal with refugees and compile annual data on refugee numbers in 'Populations of Concern to UNHCR'.

Internally displaced persons (IDPs)

United States Committee for Refugees (USCR) data is used for 2000 baseline data because it is the only source available. However all future assessments will use Global IDP project data from the Norwegian Refugee Council - because it is now recognised as the best IDP data source combining data from all the main IDP agencies.

Potential sources of future conflict

The new Conflict Level Assessment Tool will be available in April 2003.

Target 3

By 2006 ensure that a minimum of 90% of high readiness forces are at their required states of readiness with no critical weaknesses.

Service Delivery Agreement

Assessment, against specified standards, of the preparedness of high readiness forces to deploy on operations.

Readiness is dependent upon the following factors:

- the provision of appropriately trained manpower;
- the possession of the full range and quantity of equipment;
- the level of collective performance for each of the force elements (as described below);
- the ability to deploy from peacetime location within defined readiness times;
- the ability to sustain force elements at the required states of readiness.

Technical Note

The target covers the ability of all military forces held at high states of readiness to deploy within 30 days. These are described as “Forces held at R5 or above” and are detailed in the Defence Corporate Plan.

To analyse performance, military forces are categorised into a number of “**Force Elements**”. These are the levels of military formation used for planning purposes within the Department. A Force Element may range in size from an individual aircraft to an Army brigade.

Force Elements are defined as having met their required states of readiness when they have reached the appropriate standard of collective performance, are manned and equipped to agreed levels and have sufficient logistic support to maintain them at their funded readiness profiles. Assessments cover:

- Manpower. The provision of sufficient manpower, appropriately trained both tactically and technically, as individuals and as teams/crews, and with high team and individual morale and unity of effort.

- Equipment. The possession of an appropriate range and quantity of suitable, reliable and maintainable equipment.
- Collective performance. The proven ability to exploit current doctrine and apply appropriate effect in the full range of combined joint operations, with the capacity for the unexpected.
- Equipment and Logistic Support. The ability to sustain force elements at their funded readiness profiles.

Performance will be assessed quarterly by military commanders on the basis of a range of qualitative and quantitative criteria against the standards set out above.

A more comprehensive view of the readiness of military forces is captured by the MOD's internal reporting processes. The readiness condition of all funded Force Elements, or Force Element Groups (Force Elements of the same type that are grouped together) are assessed quarterly, based on a similar range of quantitative and qualitative criteria, using a four colour traffic light system. Force Elements and Force Element Groups (depending upon the nature of the Force Element) are weighted according to their contribution to Capability Areas and overall Military Capability. Assessments are reviewed by the Single Service Chiefs and the Defence Management Board at the end of each quarter.

Using this reporting methodology, an overall readiness percentage can be calculated. from the number of Force Element Groups without a critical/red assessment as a percentage of the overall number of Force Element Groups. It is intended that all Departmental readiness reporting, both internally and externally, should eventually be based on this methodology.

Target 4

Recruit, train, motivate and retain the personnel needed to meet the manning requirement of the Armed Forces, so that by the end of 2004, the Royal Navy and RAF achieve, and thereafter maintain, manning balance, and that by the end of 2005 the Army achieves, and thereafter maintains, manning balance.

Service Delivery Agreement

The Royal Navy (including the Royal Marines) and Royal Air Force will achieve manning balance by 31st December 2004. The Army will achieve manning balance by 31st December 2005.

In order to help achieve this we plan to achieve the following single service deployment guidelines:

Royal Navy/Royal Marines

- Deployment away from UK should not exceed 9 months.
- Fulfilment of the Personnel Functional Standard (PFS) requirement:
 - No Able Ratings (the most junior rank) within the new TOPMAST personnel management structure to exceed 660 days' Separated Service in any three-year period.
 - Non-TOPMAST personnel will remain on current harmony rules whereby they should spend at least 40% of service at base port over a two-year period.

Army

- Tour lengths should be not more than 6 months, with 24 month average tour intervals, pending the implementation of a new Separated Service Recording System and associated harmony guidelines.

Royal Air Force

- Personnel should spend three months on deployed duties followed by nine months at their home base.

We will also improve the conditions of the housing in which our people live. There will be substantial new investment in family accommodation in the UK to improve the living conditions of Service personnel and their families to Standard 1 for condition by November 2005.

Technical Note

The manning requirement for each Service reflects that necessary to deliver the full capability identified in the Strategic Defence Review.

Manning requirements are set by each Service to reflect its operational and other needs. They, and performance in meeting them, are reported by the Defence Analytical Services Agency in the Quarterly Press Release on Service Manpower. The numbers represent full-time trained regular manpower, including full time Reserve Service personnel and, in the case of the Army, the Gurkhas.

The Defence Analytical Services Agency (DASA) provides professional analytical and statistics, including those which are part of the National Statistics, such as the annual compendium "UK Defence Statistics" DASA is part of the Government Statistical Service (GSS), and operates to the GSS code of practice. They undergo regular reviews to ensure they meet customer needs and are produced free from any political interference.

Definitions:

Manning balance is taken to mean the target manning requirement of the individual service with a tolerance band of +1/-2% to reflect ongoing structural and organisational change with the Armed Forces. This tolerance level excludes exceptional or major structural changes to the Armed Forces.

Manning balance will be measured against the target prevailing at the time. Since the total manning requirement of whole Service manning is a dynamic, this target will itself tend to fluctuate over the PSA period.

Target 5

Strengthen European security through an enlarged and modernised NATO, an effective EU military crisis management capability and enhanced European defence capabilities.

This is a joint target with the Foreign & Commonwealth Office

Service Delivery Agreement

We aim to help NATO to maintain its relevance, efficiency and effectiveness, including through delivery of the following outcomes:

- Implementation of NATO enlargement in line with UK interests.
- An improved NATO-Russia relationship.

We are committed to helping the EU to achieve the ability from 2003 to deploy forces at up to Corps level within 60 days, capable of undertaking the full range of Petersberg tasks (from disaster relief to large scale peace support operations) in and around Europe. This is in accordance with the EU Headline Goal. This will include delivery of the following:

- Effective political / military decision-making apparatus within the EU. Minimum duplication with NATO and national machinery.
- Effective EU relationships with NATO, acceptable to all members.

We also aim to foster closer, complementary and mutually reinforcing relations and security co-operation between NATO and EU, including:

Effective and day-to-day cooperation between EU and NATO at all levels on respective approaches and contributions to common security issues, including terrorism.

Technical Note

To follow soon

Target 6

Develop and deliver to time and cost targets military capability for the future, including battle-winning technology, equipment and systems, matched to the changing strategic environment.

Service Delivery Agreement

We will achieve, on average, in-year slippage¹ of equipment in-service dates (ISD)² of:

- Less than 10 days for new major projects³ ⁴to be attained during 2003/04 and maintained throughout the PSA period.
- Less than 4 weeks for existing major projects, to be attained during 2003/04 and maintained throughout the PSA period.

97% of customer's key requirements for major projects attained during 2003/04 and maintained throughout the PSA period.

On average, no real terms increase in major project costs, to be attained during 2003/04 and maintained throughout the PSA period.

This target is continued from the 2000 Spending Review period.

Technical Note

Progress on the delivery of major new equipment projects is reviewed annually by the National Audit Office and published in the Major Projects Report⁵. Data on performance for those projects is captured and reported by the Defence Procurement Agency.

It will also be used for management purposes within the Department and for reporting performance against this target.

¹ Slippage against the declared ISDs is reported based on the revised project forecasts agreed with the customer

² The definition of In-Service Date (ISD) is project specific and is defined at Main Gate and approved by Ministers. The ISDs are the 90% Approval figures agreed at Main Gate by the Investment Approvals Board and Ministers.

³ Progress on the delivery of major new equipment projects is reviewed annually by the National Audit Office and published in the Major Projects Report. 'Major projects' are the 20 largest projects on which the main investment decision has been taken and the 10 largest projects yet to reach that point.

⁴ New major projects are those approved under the equipment project process introduced as a result of the SDR in 1998/99, known as the CADMID process (Concept, Assessment, Development, Manufacture, In-Service, Disposal). Existing major projects are those approved by the Equipment Approvals Committee (now the Investment Approvals Board) and Ministers under the previous "Downey" Cycle process.

⁵ The most recent was The Major Projects Report 2001 (HC330 Session 2001-2002 published on 23 November 2001).

Equipment performance requirements are assessed in part against tests of operational effectiveness in the circumstances in which they might be employed (including by analysing the capability of potential opponents). This helps to measure the equipment's contribution to the operational effectiveness of the units involved, thus informing reporting against PSA Targets 1 and 4.

Definitions

The target refers to military capability, rather than equipment. This is because of the way in which the MOD builds for the future under Smart Acquisition. The central MOD customer defines its requirement and the Defence Procurement Agency is then able to achieve that requirement in the most effective way possible.

"Customer's key requirements" defines the capability requirement of the battle-winning equipment, rather than specifying the exact equipment that should be procured. Specifically:

Key Requirements (KR): These divide into both User and System Key Requirements.

Key User Requirements (KUR): Capability requirements or constraints identified from within the wider set of user requirements which are assessed as key to the achievement of the mission, or which are for any other reason assessed as of particular importance to top level management. KURs are used to measure project performance.

Key System Requirements (KSR): KSRs are requirements critical to system cost, performance, time or risk which provide management indicators of overall system performance.

Target 7

Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering military capability. Year-on-year output efficiency gains of 2.5% will be made each year from 2002-03 to 2005-06, including through a 20% output efficiency gain in the Defence Logistics Organisation.

Service Delivery Agreement

Increase value for money by making improvements in the efficiency and effectiveness of the key processes for delivering MOD's military capability, including by meeting the following targets across the period 2002/03 to 2005/06:

- Reduce by an average of 6% the per capita cost of training a successful military recruit to the agreed standard.
- Achieve 0% average annual cost growth (or better) against the Major Equipment Procurement Projects¹, while meeting customer requirements.
- Reduce by 20%² the output costs of the Defence Logistics Organisation, while maintaining support to the Front Line.
- Reduce MOD Head Office and other management costs by 13%
- Identify for disposal land and buildings with a Net Book value of over £300M

Technical Note

Progress against this target will be tracked through a weighted index of at least 5 headline targets (one for each of MOD's key cost-driving processes involved in delivering military capability: personnel & training, acquisition, operational and logistic support, management support and infrastructure). Work is ongoing to extend coverage of the system beyond the initial targets as the system evolves over the period.

The 5 headline targets break down into 16 high level targets focused on specific business units contributing to the overall cost driving processes.

¹ Progress on the delivery of major new equipment projects is reviewed annually by the National Audit Office and published in the Major Projects Report. In this context, the 'Major projects' are the 20 largest projects on which the main investment decision has been taken but have yet to enter service with the Armed Forces.

² Relative to April 2000 (1999/00 outturn). Performance thus includes efficiency achieved in 2000/01 and 2001/02.

In addition to high level targets focusing directly on cost-driving processes, there are around 50 lower-level targets and performance indicators. Some of these contribute directly to the higher level targets; others act as a quality check (eg that outputs are still being delivered while efficiency improvements are implemented); the remainder provide confidence that efficiency is being delivered across the range of defence activity.

The suite of targets is focused at specific business delivery organisations within MOD, whose chief officers will be responsible for delivering the improvements identified. Overall progress against the Public Service Agreement target will be assessed Quarterly by the Defence Management Board under Objective J of the Defence Balanced Scorecard.

Performance against each of the individual high level targets is aggregated to provide an index of efficiency for the MOD as a whole. The aggregation system works by setting a baseline equivalent to the sum of resources consumed by the five target areas in the previous financial year. Each measure is given a weighting proportional to the amount of resources consumed by the process it covers. This weighting is then applied to the percentage improvement delivered against that target – in this way a percentage improvement in an area that consumes the most resources contributes proportionally more than a percentage improvement in an area that consumes least resources. This approach helps drive behaviour to improve the key cost driving business processes.

Some efficiency gains may count against more than one target (eg transfer of estate from the Defence Logistics Organisation to Defence Estates for disposal would count against Target 3 and Target 5) – this has been taken into account when setting the 2.5% target.

Overall performance is compared against the 2001/02 baseline. We aim to achieve at least an average of 2.5% efficiencies per year against this baseline. Performance will be published annually in the Departmental Performance Report.

The five headline targets are as follows:

Reduce the per-capita cost of training a successful recruit to the agreed standard by an average of 6%.

This target is an aggregation of individual targets for the Royal Navy, Army and Royal Air Force against 2001/02 baseline costs. It tracks the costs of the initial military training of a recruit from the point they first join the Armed forces, through to when they leave the relevant training Agency. The information is produced by the Naval Recruiting & Training Agency, the Army Training and Recruiting Agency, and the RAF Training Group Defence Agency. The total 2001/02 resource cost of this process is approximately £1billion.

Achieve 0% average annual cost-growth (or better) against all major projects, whilst meeting customer requirements.

Historically the projected total costs of individual major projects have tended to increase year on year, which meant that fewer resources were available for new equipment. The introduction of Smart Acquisition however, has brought a new discipline to equipment procurement. This target compares the projected cost of the 20 most expensive approved equipment projects at the beginning and end of the financial year. The Defence Procurement Agency produces this information annually and the National Audit Office validates and publishes it in their annual Major Project Report. The total 2001/02 resource cost of this process is approximately £0.8 billion.

Reduce by 20% the output costs of the Defence Logistics Organisation, whilst maintaining support to the Front Line.

This target covers the period April 2000 – March 2006. Taking into account achievements in the first two years of this period, 14% reduction in output costs remains to be achieved over the next four years. Meeting this target is a very significant challenge and requires early investment in order to deliver efficiency savings towards the end of the Spending Review period. Total resource cost of this process is estimated at £8.7 billion.

Reduce MOD's Head Office and other management support costs by 13%.

The MOD Head Office and the high-level management of the MOD's Top Level Budget areas plan to improve their efficiency by restructuring and rationalisation. This target tracks the cost of the relevant elements of these areas as they improve year on year. Total 2001/02 resource cost of this process is £0.7 billion.

Identify for disposal land and buildings with a Net Book Value of over £300m.

This measure tracks the value of land and buildings transferred from the MOD's Top Level Budgets to Defence Estates for subsequent disposal. At the time of transfer, the budget area will have modernised its processes and improved their efficiency and effectiveness to the extent that they no longer require that land/building. In financial terms, their Balance Sheet will be reduced and capital charges and (for buildings) depreciation will no longer be incurred.

This target for efficiency within MOD is different from the MOD's separate target to achieve £500M receipts through disposal of surplus land and buildings for the period 2003/04 – 2005/06. The targets do not necessarily apply to the same properties as it may take up to a few years to dispose of properties and also because a change in property usage, for example from

specialist defence usage to housing or agricultural use, may significantly affect the accounting treatment and value achieved on disposal.

Total 2001/02 estimated resource cost of owning land and buildings is £1.6 bn.