

MOD Mid Year Report to Parliament

April to September 2013

Jon Thompson, Permanent Secretary

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Introduction

This Mid-Year Report has been produced to inform debate and assist Parliamentary scrutiny of Departmental expenditure and performance of the Ministry of Defence. This report will: summarise the progress Defence has made towards its priorities; give a mid-year summary of the financial status of the Department; report progress against the Major Projects currently underway; and provide an in-year view of the personnel numbers as well as the results of both the civilian and military personnel surveys.

Summary of Progress against Defence Priorities

The coalition currently has 6 Defence priorities which are reported on annually in the Annual Report and Accounts. These priorities are listed below followed by a short summary of progress and key headlines in each.

1. Restructure the Armed Forces and their capabilities - Ensuring that the UK has the required Force Structure, training and equipment to carry out operations, as part of the implementation of the Strategic Defence and Security Review (SDSR).

Work to implement the changes set out in the SDSR, including delivering the specific commitments in the Department's Business Plan, has continued to be a main priority and the Department remains on track to achieve the structural progress necessary by 2016 to deliver Future Force 2020.

Headlines include:

- The second of seven ASTUTE class submarines entered service in June 2013.
- The final new Type 45 destroyer was commissioned in September 2013.
- A new £10.7 million recovery centre for wounded, injured and sick soldiers has been opened in Catterick. The centre, known as Phoenix House, is one of five Personnel Recovery Centres offering residential and day attendance recovery courses and facilities for wounded, injured and sick service personnel.
- In June the first four pilots graduated from the UK's new advanced fast jet training course having utilised the new advanced training system, the Hawk T2.
- The SDSR and Three-Month Exercise announced a combined reduction of 29,000 posts from the Regular Armed Forces (5,000 each RN and RAF, and 19,000 Army). The three Services have significantly reduced numbers of personnel and expect to meet agreed departures fully by 2015. Around 6,600 Armed Forces personnel had been selected by 30 June 2013 for redundancy under Armed Forces Redundancy Programme Tranches 1 and 2.
- Manpower planning has been delegated to the Top Level Budgets (TLBs) as recommended by Lord Levene. This delegation empowers TLBs to manage resource to deliver outputs leaving the head office to give strategic direction. This is a key activity to delivering the Whole Force Concept (WFC)¹.
- Work since the publication in July 2012 of the report of the Independent Commission to Review the United Kingdom's Reserve Forces led to the publication on 3 July 2013 of the White Paper "Reserves in the Future Force 2020: Valued and Valuable." This set out detailed proposals for the future relationships required with society, employers, Reservists, and their families to deliver and sustain the Reserve Forces required.

¹ WFC is a term used to describe an approach to delivering a balanced, resilient and fully integrated force structure, comprising Service Personnel (Regular and Reserve) and civilians (MOD Civil Servants and contractors), optimised to deliver the people (Human Capability) component of Defence's Operational Capability, at declared readiness and defined risk, in the most cost-effective and affordable manner.

2. Deliver the Armed Forces Covenant and develop the New Employment Model - Develop and deliver the New Employment Model and deliver the Armed Forces Covenant, which together respond to a promise of fair treatment, on behalf of the nation, to ensure our Armed Forces and their families are valued and respected

The Department continues to take forward work to rebuild the Armed Forces Covenant with the latest Annual Report having been published on 16 December 2013. The Covenant defines the principles for ensuring that our Armed Forces personnel are not disadvantaged in their access to public and commercial services as a result of their service. Of note during this reporting period, we launched the new corporate covenant in June for companies and charities to pledge their support to the Armed Forces. Over 50 organisations signed by the end of this reporting period.

In addition, work to develop a New Employment Model which provides updated Terms and Conditions of Service for Service Personnel is underway. The Defence Board considered proposals on remuneration and home purchase incentives in April 2013. Consultation with Service Personnel commenced in June 2013, and the output will shape policy. Detailed policy design will be endorsed by the Defence Board in early 2014. The programme is on-track to begin phased implementation from April 2015 onwards.

In particular a new scheme was announced at the end of September. The new Forces Help to Buy scheme will mean servicemen and women can borrow up to 50% of their salary, interest-free, to buy their first home. The measures will allow Service personnel to borrow up to a maximum amount of £25,000, providing a boost to those needing to find a deposit to buy their own home. Starting on 1 April 2014, the scheme will initially cover a 3-year period and help address the low rate of home ownership in the Armed Forces.

3. Transform Defence - Implement the new Defence Operating Model (in response to the Defence Reform Unit's review) creating a simpler and more effective organisation and delivering significant reductions in running costs.

The SDSR set out a challenging programme of Defence Transformation covering: force structures; equipment; personnel; bases; efficiency and reform. Our programme for the transformation of the Department will be accomplished through the new Defence Operating model combined with the conclusion of the Defence Infrastructure Transformation Programme, the Corporate Services Transformation programme and The Materiel Strategy.

We have continued to make steady progress delivering Transformation, including implementation of the recommendations made by Lord Levene in his 2011 Defence Reform review of the department. The update to this was published on 5 December 2013 "Defence Reform: report into the structure and management of the Ministry of Defence." We have balanced the budget; our programme is affordable within the resources we expect to have available to us. The first stages of new mechanisms are in place to hold Top Level Budget holders and other senior responsible holders formally to account against their plans. As Lord Levene acknowledged in this review of the implementation of his recommendations "the MOD is viewed as a more professional and responsible organisation" and there is "a strong foundation on which to proceed with the next stage of Defence Reform".

The MOD Head Office has reduced in size by some 500 posts (over 20%). The changes needed to delegate capability planning and financial responsibility to the Commands are in place, with further reforms scheduled by April 2014. Over 120 equipment capability planning staff have now transferred (and in most cases physically moved) from London to one of the four military Commands.

The new Joint Force Command achieved Full Operating Capability in April 2013. Rollout of the Defence Infrastructure Organisation's new Operating Model (OM) began in April 2013, including roll out of 'Capability release one' of its new Information Management Solution. Further phased capability releases are continuing throughout 2013/14 and the OM is expected to be at full operating capability by March 2014.

The DIO Strategic Business Model (SBM) team was established in January 2012 to assess the benefits of appointing a Strategic Business Partner (SBP) to DIO under a 10-year contract. DIO has received bids from three consortia: Telereal Trillium / KPMG / Mace (TMK); Serco / DTZ / Bechtel (SDB); and Capita / URS / PA Consulting (CUP) in June 2013. A further short round of negotiations has been undertaken with all three consortia. We are currently at the final stage of evaluations. An announcement regarding the preferred bidder is expected in early 2014.

The preferred bid will be compared to an internal value for money benchmark (VFMB). This was prepared by an independent team within DIO, based upon what outputs the organisation could achieve without the use of an SBP. If proceeding to appoint an SBP, the contract is scheduled to be implemented in mid-2014. The SBP's mandate will be to provide an Executive Management Team and other resources to manage the existing Defence infrastructure and to complete the transformation of the DIO into a world class public sector infrastructure organisation as measured against industry benchmarks.

During the reporting period we have also published the Better Defence Acquisition paper and introduced the Defence Reform Bill into Parliament, we have made further announcements on the way forward on the Reserves and on Defence acquisition, and launched the new Armed Forces Corporate Covenant. Overall these changes mean we have now put in place the main organisational building blocks envisaged in the Strategic Defence and Security Review and the Defence Reform Review, and have enabled us to reduce the Defence civilian workforce by over 20,000 so far.

The Materiel Strategy is designed to deliver options for the future delivery of Defence equipment acquisition and support. Due to the reduction to a single bidder for the GoCo option, it was announced on 10 December 2013 that we would not continue the competition because it would not provide sufficient competitive tension to ensure an effective outcome for the armed forces and value for money for the taxpayer.

We have therefore, decided to build on the DE&S plus proposition, transforming DE&S further within the public sector, supported by the injection of additional private sector resource.

The new organisation will reinforce the customer-supplier relationship between the military and DE&S, facilitating a more business-like approach. It will bring in freedoms and flexibilities around how we recruit, reward, and manage staff along more commercial lines to reflect their work in carrying out some of the most complex procurement activity in the world. The MOD will manage these freedoms under well-tried governance with a strong oversight board in place with an independent chair to which the Chief Executive of DE&S will report.

Alongside the changes to DE&S, we will continue with the reform of the MOD's wider acquisition system, which is focusing on improving our customer capabilities, a key role for our military, alongside the important role they will continue to play within DE&S.

4. Deliver Defence in the most effective, efficient and sustainable way - Meeting benchmarking, efficiency and Government sustainability commitments, building on the Defence Reform Unit's review.

In May 2012, the Defence Secretary announced that the Defence budget was in balance. In line with this, work has continued to ensure that Defence is delivered in the most effective, efficient and sustainable way.

Of note:

- Plans to deliver savings of £900m by 2020/21 under the Submarine Enterprise Performance Programme (SEPP) are being taken forward. Two of the three bilateral Foundation Contracts have been signed with Industry Partners. These Foundation Contracts commit each of the Submarine Enterprise Industry Partners to the delivery of their proportion of the SEPP benefits.
- Work to deliver non-front line savings of at least £4.3bn over the 2010 Spending Review period is under way. We are on track to deliver this saving in full. Senior Responsible Officers have been allocated for each of the savings measures and a tracking process has been developed to mitigate risk of savings erosion.
- Spending Round 13 identified £875m of efficiency savings to be made in 2015/16, made up as follows:
 - a. £135m reflecting changes that have been announced previously, including the extension of civilian and military pay restraint to 2015-16 and reduced charges for the MOD's use of the electromagnetic spectrum;
 - b. Around £90m from further reductions in the civilian pay bill and other operating costs;
 - c. £300m through a ground-breaking deal with the Cabinet Office to hand responsibility for the procurement of a range of non-military goods and services, including some IT, to the Government Procurement Service; and
 - d. £350m from efficiencies in the equipment support budget, including the renegotiation of contracts.

5. Safeguard Britain's national security - Working with the FCO and DfID to counter terrorism and weapons proliferation, create security and reduce conflict; fulfilling our standing commitment and succeeding in Afghanistan and other operations we are required to undertake at home and overseas.

Safeguarding Britain's national security remains the Department's main effort.

We continue to play a substantial role in Afghanistan where the priority has been the transfer of security to Afghan national forces, whilst continuing to play our part in NATO led operations to provide security until this process is complete. Our drawdown has been made possible by the progress of the Afghan National Security Force and its ability to lead security operations.

In addition, we remain committed to a range of ongoing activities which fall into three broad categories: first, activities directly ensuring the national security of the UK, such as maintaining the deterrent and protecting our airspace; second, enhancing the security of our broader regional and international interests through our involvement with international bodies such as NATO, the UN and the EU; and third helping to improve long-term international stability through arms control.

Finally, we have continued to provide a defence contribution to UK influence (including working with BIS to promote exports), by defending our interests through projecting power strategically and in expeditionary operations, by providing security for stabilisation, and by providing a defence contribution in support of other government departments.

Of note:

- Counter-Narcotics. Where appropriate, Defence supports Home Office and National Crime Agency-led efforts to mitigate the risks to UK from organised crime and illicit trafficking. For example, the Royal Navy, working in concert with international partners, conducts counter narcotics patrols in the Caribbean and Atlantic. In the period from July to November 2013 they seized or disrupted over four metric tonnes of illicit drugs.
- Security Sector Reform. In April 2013 following Sierra Leone's third successful elections since the civil war the International Military Assistance Training Team was replaced by a smaller International Security Assistance Team which has a broader and more strategic security sector reform remit, including civil policing, and a regional role. This effort to overcome the fragility of security governance structures in conflict-affected countries and provide sustainable reform processes, underpin poverty reduction through enhanced service delivery, and help develop effective and accountable systems of security and justice.

6. Promote UK Growth - Exploiting Defence's research and development programme, investment in defence infrastructure and equipment and working with UKTI / BIS to support promotion of Defence and Security sector Industries and Export (DSEI) campaigns.

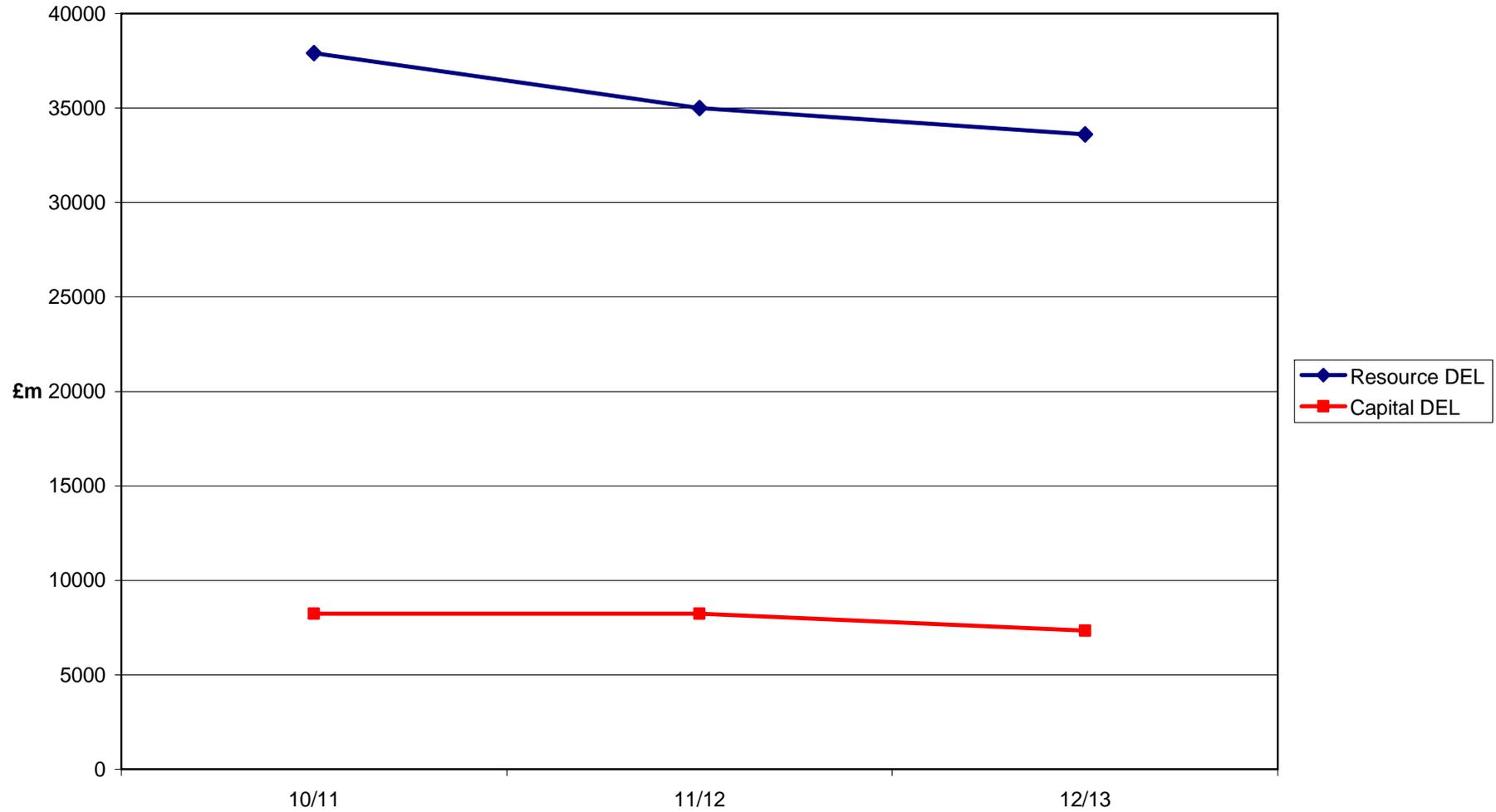
We have worked closely with Defence industry in line with the new vision for the Defence sector to support growing defence exports, including supporting the major DSEI exhibition in London in September 2013. Defence exports ordered totalled £8.8bn in 2012, a rise of 63% from 2011 in a global market that grew by 45%.

Rebasing troops from Germany to the UK and investment by MOD in building and improving Service accommodation, along with the Department's Research & Development activity, will all have wider benefits for the UK economy.

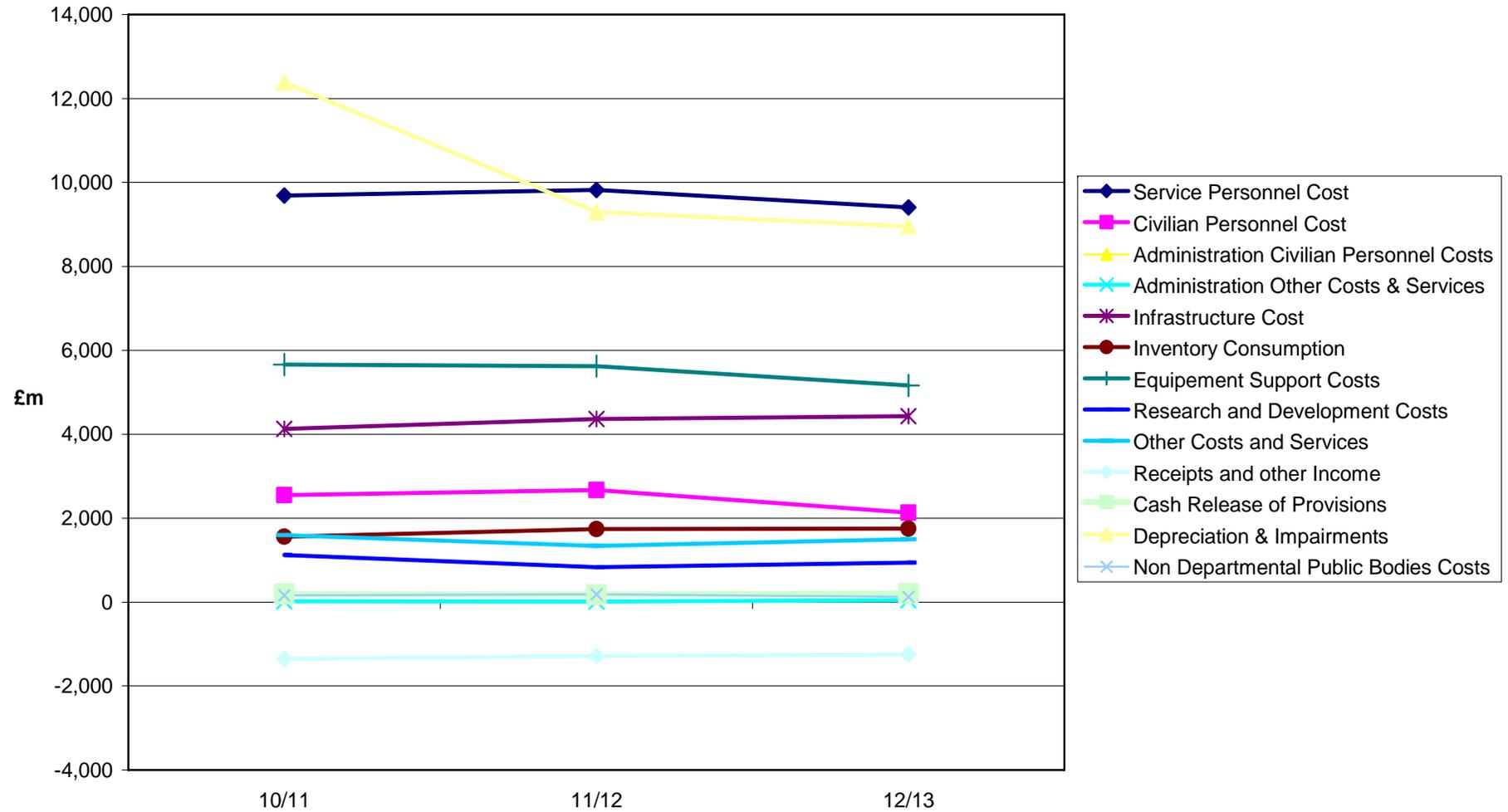
Financial Performance

Financial Performance	Resources (£'000)			Capital (£'000)		
	Annual Plan 2013-14	Actual April to September 2013-14	Actual April to September 2012-13	Annual Plan 2013-14	Actual April to September 2013-14	Actual April to September 2012-13
Total Departmental Expenditure Limit (DEL)-Voted (including depreciation but excluding operations)	33,604,495	16,788,559	16,465,458	9,428,529	3,142,213	2,995,183
Service Personnel Cost	8,675,056	4,512,207	4,830,815			
Civilian Personnel Cost	195,884	93,049	110,618			
Administration Civilian Personnel Costs	2,072,325	1,019,826	1,052,737			
Administration Other Costs & Services	23,267	6,301	22,740			
Infrastructure Costs	3,980,557	2,095,573	2,447,735			
Inventory Consumption	1,706,542	904,818	851,303			
Equipment Support Costs	6,034,902	2,634,678	2,447,735			
Research and Development Costs	986,423	392,113	384,021			
Other Costs and Services	1,607,297	805,610	882,745			
Receipts and other Income	(1,060,808)	(580,311)	(539,860)			
Cash Release of Provisions	207,150	91,453	114,223			
Depreciation & Impairments Costs	8,996,500	4,727,742	4,279,376			
Depreciation & Impairments Costs Non Departmental Public Bodies	17,500	0	0			
Non Departmental Public Bodies Costs	191,900	85,500	75,523			
Capital Single Use Military Equipment				5,719,000	1,992,041	1,874,243
Capital – Fiscal				3,706,829	1,150,172	1,120,940
Capital – Fiscal Non Departmental Public Bodies				2,700	0	0
Total	33,604,495	16,788,559	16,465,458	9,428,529	3,142,213	2,995,183

DEL Expenditure 2010-11 - 2012-13



Analysis of Resource DEL by type of expenditure 2010-11 - 2012-13



Major Projects

The Government's transparency policy, which was agreed by Cabinet, governs the publication of data relating to major project delivery performance. It requires departments to publish the Major Project Authority's (MPA) delivery confidence assessments for Government's major projects, accompanied by the department's project narrative every 12 months, six months in arrears. The MPA publishes its Annual Report at the same time (the first MPA Annual Report was published in May 2013 and can be found at <https://www.gov.uk/government/collections/major-projects-data>.)

Information on major project performance more recent than that published in the annual report is not permitted to be released into the public domain. The transparency policy and exemptions guidance is published at: <https://www.gov.uk/government/publications/major-projects-transparency-policy-and-exemptions-guidance>. The next publication of the MPA Annual Report will be in May 2014, and will report on Q2 2013/14 data. This will be published on www.gov.uk.

The core Equipment Plan remains affordable, and in line to deliver the Future Force 2020 capabilities we require. As at the end of ABC13 it is protected by £4.7bn contingency provision and also contains £8.4bn of unallocated funding in the latter part of the decade.

We are delighted that in their assessment of last year's Equipment Plan (published in January 2013) the NAO recognised the progress we have made in putting in place the changes needed to achieve and maintain affordability, including the inclusion of a contingency provision and greater protection of a core of prioritised projects. We intend to build on this progress in this and subsequent years.

We continue to work with the NAO to increase the level of assurance that Parliament and the public may take about the viability of our equipment plan. We have again asked the NAO to make an assessment of the affordability of that plan.

People

Whole Department Family Workforce Size		1 Oct 13	1 Oct 12
Payroll Staff ¹ Full Time Equivalent (FTE)	Department and Agencies	55,160	56,890
	Non departmental public bodies	250	210
	Department Family	55,410	57,100
Average Monthly Payroll Staff¹ Costs		£181,527,526	£193,151,226
Contingent Labour ² FTE	Department and Agencies	2,720	1,840
	Non departmental public bodies	~	~
	Department Family	2,720	1,840
Average Monthly Contingent Labour Staff² Costs		£7,390,001	£5,899,627

The reasons for rising levels of contingent labour use include:

- a need for specialist skills which cannot be found among the permanent workforce being sought for one-off and short-life projects;
- the need to backfill behind deployed staff;
- inability to fill by permanent recruitment; and
- temporary measures whilst bulk recruitment campaigns are completed.

Alongside existing TLB-level oversight of manpower substitution requirements, the Department is preparing for new pan-Government arrangements for the engagement of Agency workers.

Department and Agencies Only		1 Oct 13	1 Oct 12
Workforce Shape ³ % FTE	Administrative Assistants and Officers	35.5	37.3
	Executive Officers	19.8	19.7
	Higher and Senior Executive Officers	35.5	34.1
	Grade 7/6	5.5	5.1
	Senior Civil Servants (SCS)	0.6	0.5
	Part Time (Headcount)	9.7	9.8
Workforce Dynamics ^{4,5} Headcount rate	Recruitment Exceptions	1,747	700
	Annual Turnover Rate	8.5	7.4
Workforce Diversity ^{4,6} % Headcount	Black and Minority Ethnic	3.8	3.7
	Women	37.3	37.2
	Disabled ⁷	*	*
Diversity of Senior Civil Servants ^{6,8} % Headcount	Black and Minority Ethnic	~	~
	Women	22.6	21.8
	Women (PB2 and above)	9.8	11.3
	Disabled ⁵	*	*
Average Working Days Lost (AWDL) ^{4,9} % FTE	Actual	7.97	7.80
	Standardised

Although the recruitment freeze remains in place, there is still a need to recruit to fill certain specialisms, including for example, teachers to educate the children of Service personnel, certain medical grades and posts that are critical to delivering defence transformation. In addition, the freeze does not apply to front line or business critical posts, fast streamers, apprentices and posts paid for in full by other parties, for example United States visiting forces and NATO support facilities. TLB Directors of Resources have delegated authority to agree which posts are business critical and can be filled.

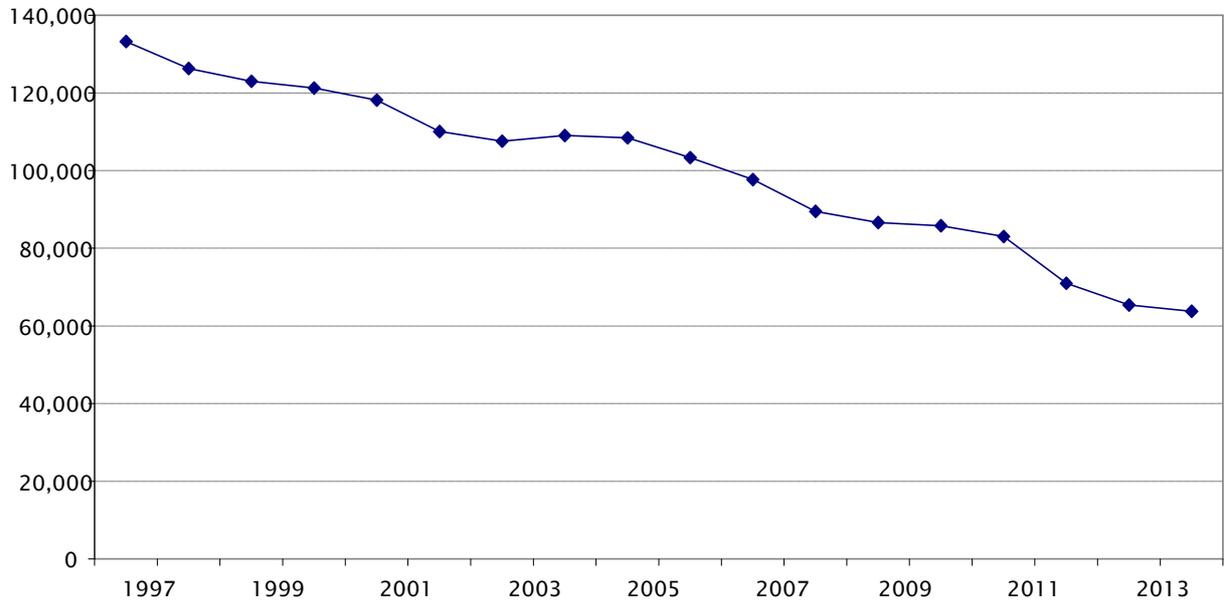
The reason for the increase in number of recruitment exceptions is primarily down to an agreement regarding the staffing of DE&S. In April 2007 DE&S had 29,000 staff and alongside the wider MOD it is committed to becoming smaller and more efficient. As part of this it is reducing its headcount to about 14,400 by 2015. To have this number of suitably skilled staff, DE&S is recruiting approximately 1,300 people across a number of areas including Commercial, Project Management, Finance, Engineering & Science, Logistics and Information. The recruitment programme commenced in May 2013. It is being run in several phases and will complete by March 2014. The DE&S recruitment programme is necessary to ensure that DE&S continues to deliver Defence outputs, safely and professionally, and improve Defence through the Materiel Strategy.

Notes:

1. Payroll figures include all industrial and non-industrial personnel, Trading Fund and Royal Fleet Auxiliary personnel, but exclude Locally engaged civilians and personnel for whom no pay data are available. Average costs are mean monthly costs including the preceding 11 months. These figures are total pay roll so include salary, allowances, non-consolidated performance awards, overtime, employer pension contributions and employer NI contributions.
2. Contingent Labour includes Agency staff, Interim managers and Specialist contractors, but excludes Consultants. Average costs are mean monthly costs including the preceding 11 months.
3. Workforce Shape figures include all non-industrial personnel but exclude Industrial personnel, Trading Funds, Royal Fleet Auxiliary and Locally engaged civilians for whom equivalent grade data are not available.
4. Workforce Dynamics, Workforce Diversity and AWDL figures include all industrial and non-industrial personnel but exclude all Trading Funds, Royal Fleet Auxiliary and Locally engaged civilians for whom declaration data is not available.
5. Annual Turnover Rate cannot be calculated precisely as insufficient data is available regarding transfers within the organisation and vacant posts. An estimate of turnover has been provided which uses natural wastage combined with known transfers, divided by the average headcount strength.
6. Diversity percentages are calculated from known declarations of ethnicity, sexual orientation and religion / belief and exclude personnel whose declarations are unknown or who have chosen not to declare.
7. Due to the Human Resources Management System reset of the disability field on 18 April 2011 to accommodate the new disability reporting requirements, insufficient numbers of personnel have made disability declarations to be able to report disability representation with any validity from July 2011. * denotes not available.
8. Figures for Diversity of Senior Civil Servants include all industrial and non-industrial and Trading Fund personnel, but exclude all Royal Fleet Auxiliary and Locally engaged civilians. Figures are based on staff numbers filling posts designated as an SCS function as classified for Cabinet Office Mandate submission and therefore do not include Analogue grades.
9. Standardised AWDL is an out-of-date definition for absence we now use the updated Cabinet Office Definition of Actual AWDL. ‘.’ denotes not applicable

Where rounding has been used, totals and sub-totals have been rounded separately and so may not equal the sums of their rounded parts. When rounding to the nearest 10, numbers ending in 5 have been rounded to the nearest multiple of 20 to prevent systematic bias.

MOD Civilian Workforce - Full Time Equivalent Numbers



In 1997, the MOD civilian workforce consisted of 133,290 full time equivalents, reducing to 107,580 in April 2003. The MOD workforce has reduced further in size over the past ten years, to 65,400 in April 2013. In the 6 months to October 2013 reductions have brought this down to 63,810 personnel. Workforce numbers will continue on a downward trend to April 2014 following reductions implemented as a result of SDSR.

Staff Survey Results

Department only; People Survey Metrics		2013	2012	Percentage Change
Engagement Index (%)		54	52	+4
Theme Scores (%)	Leadership and Managing Change	26	22	+18
	My Work	73	70	+4
	Pay and benefits	29	28	+4
	My Line Manager	61	59	+3
	Learning and Development	49	44	+11
	Resource and workload	67	66	+2
	Organisational Objectives and Purpose	78	76	+3
	My team	74	71	+4
	Inclusion and fair treatment	72	70	+3

The MOD Your Say Survey

The Your Say Survey is the Department's internal civilian attitude survey.

What's happened since the 2012 survey

The Your Say Survey 2013 closed at the end of October with over 26,000 taking part – up by more than 13% on last year to 50%.

Leading and Managing Change

The MOD Your Say 2012 Survey highlighted the need to get better at leading and managing change. The Permanent Under Secretary for Defence made this one of his top five priorities to improve engagement across the MOD. We have:

- launched a Leadership Offer for SCS and Band Bs to build capability in leading and managing change;
- launched a pilot mentoring scheme for Band Bs to support career development;
- asked all SCS to have a corporate leadership objective to engage with their staff regularly around the issues that matter most to them; and
- begun developing a Leadership Offer for staff below Band B.

Band B (Grade 6 + 7) Engagement

The survey suggested that our Band B staff were the least engaged of all grades and we were keen to understand why this might be and work with them on how to improve this. As a result the Human Resources Directorate held a number of workshops with Band Bs to understand the issues.

We have:

- provided more opportunities for our Band Bs to get together and network as a group and held the first Band B conference in London in August. Interest in the conference was high with almost 400 wanting to attend;
- future conferences will be held over the course of the coming months, designed and led by Band Bs for Band Bs; and
- launched 'Leading with Purpose in Defence' development programme to support newly promoted Band Bs.

Managing Performance

The 2012 survey highlighted that we should improve at managing poor performance or recognising good performance. As a result we launched the new Performance Management process in April 2013 to help us to have more honest conversations about performance and identify areas where we can support improving performance. We recognise this has been difficult for many as we grapple with the new policy; however, we are working hard to make sure we get better at recognising good performance and dealing with poor performance.

Communication

The survey suggested that many people didn't feel they had a voice in decision making in the MOD nor were they given an opportunity to get their ideas heard. We have:

- launched the Red Tape Challenge to give staff the chance to put forward new ways of working to remove some of the bureaucracy that frustrates them the most;
- launched the PUS blog to give staff the chance to talk direct to Jon Thompson about the things that matter most to them; and
- encouraged greater visibility of senior leaders through lunchtime seminars, floor walks and town halls.

Learning and Career Development

The survey told us that staff didn't feel there were sufficient opportunities to develop their career in the MOD. We have:

- launched the new Skills and Talent Management strategy to support career development;
- undertaken a Skills Audit to understand where our capability gaps are and what we need to do to fill them; and
- launched pledges to support how we identify and develop talented staff in the MOD.

Armed Forces Continuous Attitude Survey 2013

This year received the best ever response rate for the military attitude survey, proving that Service personnel are keen to get their voices heard.

The latest survey forms part of an important set of statistics that provide clear trends that help shape personnel policies in UK Defence. The statistics help keep track of policies and informs decision makers where the serving population reports satisfaction or discontent. This in turn helps them shape and improve personnel policies.

The survey showed that there are differences in the results for the Royal Navy, Army and Royal Air Force which reflects the unique challenges faced by each Service.

Key trends show that half (49%) of all Service personnel are satisfied with Service life in general while 28% are dissatisfied. Officers continue to be more satisfied with Service life than Other Ranks.

The satisfaction rating for pay is unchanged since 2012 although satisfaction with pensions remains low and continues to decrease with a 7% drop on last year's results.

The impact of Service life on family and personal life continues to be the top factor for those leaving and for increasing intentions to leave the Armed Forces. Job security, dental and healthcare provision remain top factors increasing intentions to stay although pensions as a top factor continues to decline as a reason to stay in the Service.

Satisfaction levels with how well change is managed in the Service and the MOD fared relatively low with the majority continuing to disagree they feel more optimistic about the future of their Service as a result of Defence Transformation.

Service Personnel Harmony Rates

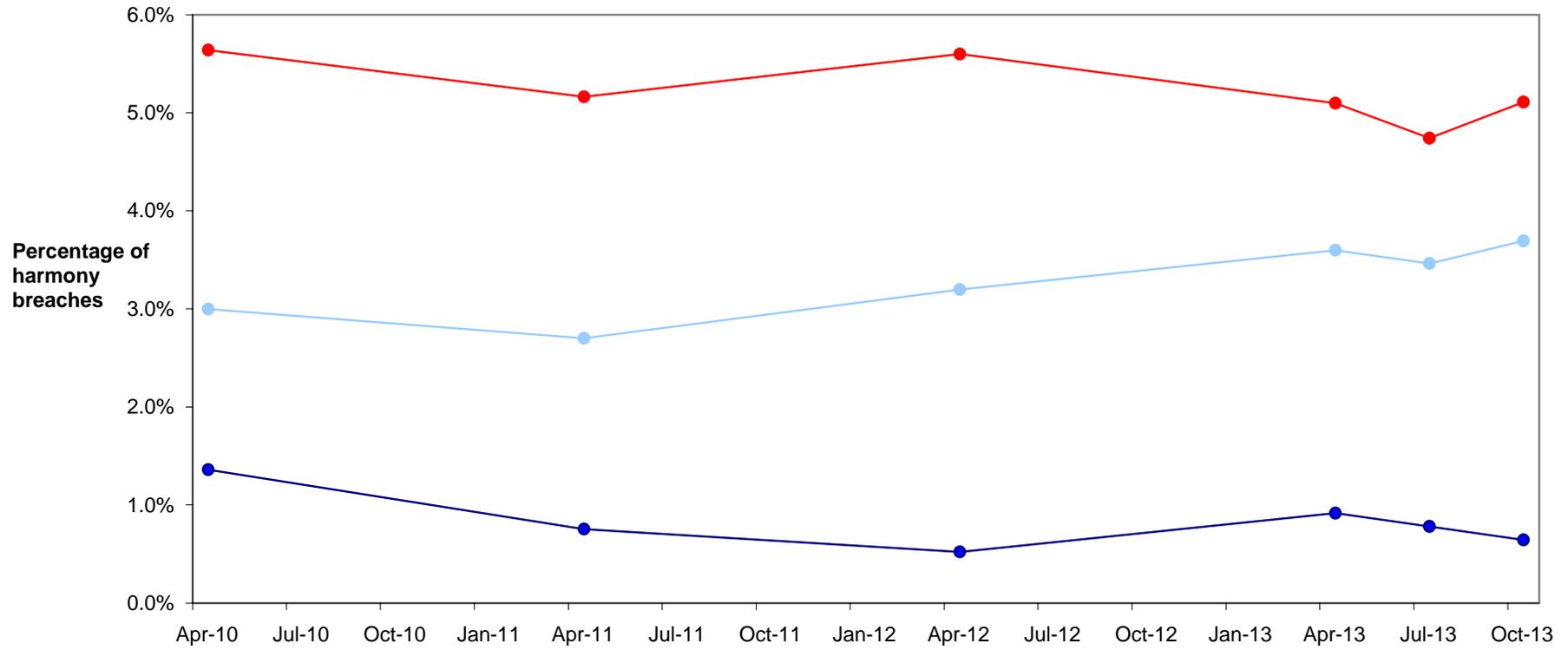
'Harmony' is the freedom to enjoy leisure at the normal place of duty or residence, including leave. Harmony is important to maintaining sustainable military capability. Breach of harmony (days where it would not be possible to enjoy harmony) periods for the 3 Services are currently measured over different timescales:

- Royal Navy – no more than 660 days over a rolling 3 year period;
- Army – 415 days over a 30 month period;
- RAF – 140 days per year or 280 days over 2 years.

Work is underway to move to one measure of breach of harmony for all three Services, with a further announcement expected in the coming year.

The breaches of harmony rates shown in the graph on the next page have been consistently low over the last few years. It should be noted that these figures include those who have undertaken a voluntary waiver that they are prepared to breach the harmony threshold, as we do not hold figures for these separately.

Tri-Service Harmony Trend Graph



	01-Apr-10	01-Apr-11	01-Apr-12	01-Apr-13	01-Jul-13	01-Oct-13
—●— RAF	3.0%	2.7%	3.2%	3.6%	3.5%	3.7%
—●— Army	5.6%	5.2%	5.6%	5.1%	4.7%	5.1%
—●— Navy	1.4%	0.8%	0.5%	0.9%	0.8%	0.6%

Annex A - Input and Impact Indicators

The MOD has a wide range of responsibilities and the Defence Board uses a comprehensive set of information to monitor and manage our performance in achieving our goals. Due to the nature of our objectives the best way for us to explain our progress is mainly through the written narrative in this document and the Annual Report and Accounts. A summary of some of the numerical indicators which show aspects of our performance that we believe will be of interest to the public, and that can be released without compromising security, can be found below.

Indicators	1 Oct 2013	2012-13	2011-12	Comment
Impact Indicators				
Progress towards a stable Afghanistan.	97%	96%	105%	This is the percentage of Afghan National Security Forces against the NATO target.
Number of Service and MOD civilian personnel deployed on all operations in a year	10,482 ²	11,476	15,582	This is the total number of personnel deployed on operations both in the UK and overseas.
Percentage of Service personnel that are deployable.	90.9% ³	91.1%	92.0%	
Number of Force Elements (FE) (typically ships, ground force sub-units and aircraft) showing critical or serious weakness against the total number of FE for Strategy for Defence (SfD) priorities.	Not available	8%	10%	

² Due to the recording of this figure, this is made up of the number of civilians who started a deployment within the 6 month period and the average numbers of military deployed to all operations over the 6 month period.

³ This figure is the sum of those categorised as Medically Fully Deployable and Medically Limited Deployable



Percentage of Service personnel (split by Officers and Other Ranks) who are satisfied with the Service life in general	58% / 48%	59% / 50%	62% / 56%	
Overall public favourability of the UK Armed Forces	85%	85%	85%	
Input Indicators				
Please note that the input indicators are not collected in such a way as to make a mid year update possible at present. We have included the previous years' figures for completeness.				
Additional cost of operations in Afghanistan, per Service person deployed.	-	£297,025	£364,000	This is the total Net Additional Cost of Military Operations (including UORs) over the year/period, divided by the endorsed manpower level.
Additional cost of new equipment (UORs) for operations in Afghanistan, per Service person deployed.	-	£37,000	£60,012	This is the total spent on UORs over the year/period, divided by the endorsed manpower level.
Average percentage by which the cost of the Department's Equipment Programme (EP) varies compared to forecasts in year.	-	0.26%	1.41%	This figure is the average cost increase across the Department's largest projects (Category C and above) in the last year / period. It is a continuation of a long term trend of reduced programme delays, reflecting improvements in project and programme management.
Cost of major Force Elements (FE):				This figure is calculated by attributing Defence expenditure to each of the major Force Elements.
Ship	-	£33.5m	£34.0m	
Brigade	-	£654m	£661m	
Aircraft (fixed wing)	-	£8.34m	£8.05m	
Helicopter	-	£3.62m	£3.41m	
Direct personnel costs, per Service person	-	£55,024	£52,000	This is the total spend on military manpower divided by the number of Service personnel over the year.