



**Ministry of Defence:  
Progress and next steps**

# Foreword

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The first Capability Reviews were published in July 2006. Their purpose was to give honest and robust assessments of capability to central government departments and to identify the specific measures needed to ensure that the Civil Service is equipped to meet its future challenges. My aim was to develop a culture of excellence and continuous improvement in every part of the organisation and to ensure that the Civil Service was at the heart of the Government's commitment to delivering world-class public services.

Since then, the Capability Reviews Team in the Cabinet Office has reviewed 17 departments and worked with them to address areas highlighted for improvement. The team has worked with more than 100 external reviewers drawn from a wide range of backgrounds in the private, wider public and voluntary sectors, as well as directors general from other government departments. The team members have added a much-welcomed independence to the reviews and have shared their insights and experiences to help departments in their development.

Our progress report and the external validation of the Capability Review process by the Sunningdale Institute in 2007 demonstrated a picture of improvement, often against very challenging internal and external pressures. Our challenge is to sustain this improvement and to build on this to deliver excellence in the Civil Service.

We know that the pace of external change will continue to increase, so we need a Civil Service that is flexible and able to respond quickly and professionally to all new and emerging challenges. To that end, we are now revisiting the departments we have reviewed to assess progress and to discover and share best practice. This report on progress and next steps for the Ministry of Defence is the first step in that process.

I would like to congratulate the Ministry of Defence for making good progress over the last two years. In particular, I have been pleased to hear about the efforts the Department has made to build closer relationships with stakeholders, and the good progress achieved on clarifying corporate roles and responsibilities.

Effective departmental leadership remains the key to unlocking capability and departmental performance and I am pleased that there has been a strengthening of top teams in departments, supported by a new Civil Service leadership framework for the Senior Civil Service as a whole.

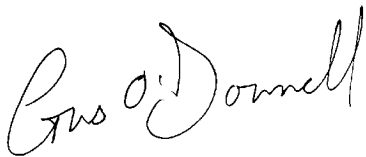
It is important that the Civil Service is able to turn the changes following the reviews into improved delivery in new and complex environments, with and through a range of delivery partners and stakeholders. To meet increasing public expectations, it will be important for departments to enhance their delivery capability and to improve the way they work across departmental and sector boundaries. Although there is evidence of strong performance in these areas, I will look to the Capability Review programme to be the catalyst for further change.

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I would like to thank and acknowledge the support of the review team who have made this progress and next steps report possible. The members of the team were:

- Alexis Cleveland, Director General, Transformational Government, Cabinet Office;
- Peter Mather, Head of Country, UK, BP plc; and
- Chris Williams, Chief Executive, Buckinghamshire County Council.

This report marks a further step towards the achievement of excellence and continuous improvement. Each department will respond by addressing particular areas for improvement identified in its review. The Capability Reviews Team, on my behalf, will continue to review progress, but I will also expect departments to maintain a self-assessment of their capability in the light of their current and future challenges.

A handwritten signature in black ink that reads "Gus O'Donnell". The signature is written in a cursive style with a large, prominent 'G' and 'D'.

**Sir Gus O'Donnell KCB**  
**Cabinet Secretary and Head of the Home Civil Service**  
**March 2009**

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# 1. The Department

The Ministry of Defence (MOD) has a challenging and broad set of objectives. It plays a key role in meeting the UK's security objectives, primarily through generating a broad range of military capabilities and delivering successful operations. One of the most complex organisations in the public sector, MOD is both a department of state and the Armed Forces. At the top, its management and organisational structure reflect this joint responsibility and, in particular, the need to command military operations. This review has looked at the capability of the MOD as a department of state. It has not reviewed the capability of the Armed Forces or the command and direction of military operations. It has, however, assessed how senior leaders within the Department, both military and civilian, collectively and individually lead, set strategy and deliver.

## Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs)

The Department's Defence aim is 'to deliver security for the people of the UK and the Overseas Territories by defending them, including against terrorism; and to act as a force for good by strengthening international peace and stability'. Delivering this requires three DSOs to be met. These are to:

- achieve success in the military tasks undertaken at home and abroad;
- be ready to respond to the tasks that might arise; and
- build for the future.

By delivering these objectives, MOD also contributes to the Government PSAs to:

- reduce the impact of conflict through enhanced UK and international efforts; and
- reduce the risk to the UK and its interests overseas from international terrorism.

The current overriding priority for MOD, in conjunction with other government departments and the international community, is to support the Government in achieving strategic success in current operations, particularly in Iraq and Afghanistan.

## Resources

The MOD budget for 2008/09 is £34.1bn (total departmental expenditure limit). Additional funding for the cost of military operations comes from the HM Treasury reserve, and is reflected in the Department's supplementary estimates. UK spending on defence in 2008/09 is expected to be some 5.8 per cent of UK Government spending. The Department employs 282,600 people, including 193,100 military personnel and 89,500 civilians – about 16 per cent of the overall Civil Service.

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## Organisation

The Secretary of State for Defence has two principal advisers: the Chief of the Defence Staff and the Permanent Secretary. They share responsibility for the Department's business.

The Chief of the Defence Staff is the professional head of the Armed Forces and the principal military adviser to the Secretary of State and the Government. The Permanent Secretary has primary responsibility for policy, finance and administration in the Department. Such is the scale and complexity of MOD that the Permanent Secretary is also effectively accountable for the discharge of the functions of a local education authority, a primary care trust, a hospital trust, local authority social services and housing departments, and a local police authority.

Ministers, the Chief of the Defence Staff and the Permanent Secretary are supported by a head office composed of both civil servants and Service personnel.

MOD includes the three Services (the Royal Navy, the Army and the Royal Air Force), each with a distinct ethos and identity, and the civil servants who support them in the delivery of MOD outputs. For the purposes of effective management, however, MOD is divided into eight business groups (Top Level Budgets or TLBs) and four trading funds, including the Defence Science and Technology Laboratory and the Met Office. The TLBs are: Royal Navy Command; Land Forces; Air Command (largely reflecting the three Services); Central TLB; Permanent Joint Headquarters; Defence Equipment and Support; Defence Estates; and Science, Innovation and Technology.

# 2. Assessment of capability for future delivery

Since the Capability Review of 2007, there has been a positive direction of travel for MOD in many areas. There has been good progress made on clarifying corporate roles and responsibilities and simplifying systems and processes. Also, the concerted efforts that the Department has made to build closer relationships with stakeholders are reaping benefits across Whitehall. However, there needs to be a significant increase in the pace of the implementation of Capability Review findings and there remains a need for a departmental strategy that aligns priorities with resources and spans all of its operational and non-operational activities for the medium to long term. The Department has shown some recent progress, which is a sound platform on which to build, but needs to further demonstrate to staff its ability to take tough resource decisions, improve prioritisation and lead its people in new and efficient ways of working.

## Leadership

<b>L1</b>	Set direction		Development area
<b>L2</b>	Ignite passion, pace and drive		Development area
<b>L3</b>	Take responsibility for leading delivery and change		Well placed
<b>L4</b>	Build capability		Development area

## Strategy

<b>S1</b>	Focus on outcomes		Strong
<b>S2</b>	Base choices on evidence		Well placed
<b>S3</b>	Build common purpose		Well placed

## Delivery

<b>D1</b>	Plan, resource and prioritise		Development area
<b>D2</b>	Develop clear roles, responsibilities and delivery model(s)		Development area
<b>D3</b>	Manage performance		Development area

The model of capability is shown at Annex A.  
The assessment categories are shown at Annex B.

# 3. Review findings

## Leadership

**The Defence Board is continuously improving its leadership of the Department and has demonstrated commitment to change and building capability. However, it needs more rapidly to improve its corporate decision making and communications to staff and significantly increase the pace of the implementation of Capability Review findings.**

The Defence Board is continuously improving its leadership of the Department and has demonstrated commitment to change and building capability.

- The Department has a clear, overarching vision ('A Force for Good'), which is well recognised across the Department and Whitehall. There are also promising signs that the preparatory work on creating a Defence Strategy and a Business Improvement Strategy will meet its aim of improving the links between vision, strategy and delivery.
- Staff and management recognise an improvement in the corporate leadership of the Department, due, in part, to the creation of new management groups to support the work of the Defence Board. These groups include the high-level Group of Four (involving joint civilian and military leadership) and the Defence Operating Board.
- Staff show strong pride and loyalty to Defence, most notably in commitment to front-line operations. 67 per cent of staff say they are proud to work for Defence (Civilian Attitude Survey (CAS), spring 2008), above the 2008 central government benchmark of 62 per cent (early 2009 figures show a similar result).
- The Defence Board has greater ownership of its change programmes, with individual board members leading specific corporate initiatives. For example, the creation of Defence Equipment and Support, and its subsequent development under the Performance, Agility, Confidence, Efficiency (PACE) Programme, was successfully led by a member of the Board and involved more than 25,000 staff across 60 locations.
- The Department has made a concerted effort to build capability, including attracting people to senior positions from other government departments and maintaining strong initiatives, such as Fast Stream and Means of Identifying and Developing Internal Talent.

However, it needs more rapidly to improve its corporate decision making and communications to staff, and significantly increase the pace of the implementation of Capability Review findings.

- While the Defence Board has shown it can unite and take difficult decisions, this is not yet visible to staff and stakeholders. Only 20 per cent of staff said in 2008 that 'MOD as a whole is well managed' (early 2009 figures indicate that this has risen to 27 per cent) compared with the 2008 central government benchmark of 32 per cent.

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- The Defence Board has improved its communications within the Department, yet staff and senior managers do not feel that the Defence Board is sufficiently open in communicating the outcomes of discussions and decisions.
  - Staff are unclear about the motivation behind the Streamlining Programme, being unsure as to whether the main focus is a headcount reduction or also new ways of working. The Board needs to improve its communications to staff as the implementation phase continues, so that the whole organisation understands the aims and ambitions of the Programme.
  - Staff observed that projects involving organisational change, business processes and development of the Department's long-term strategy take too long to commence and the impacts of delay are not fully recognised. The Department now needs to drive forward with rapid implementation and improvement.
  - Staff recognise that a number of new measures, such as HR performance management systems, have recently been put in place. However, they do not see line managers using these processes consistently, nor do they perceive a noticeable difference in management behaviour. The new processes and tools in line management and talent management need to be further embedded, so that staff feel their full benefits.
  - The Department needs to continue to drive forward its succession planning, to build civilian talent for its future Senior Civil Service (SCS) and Defence Board. A significant number of military Board members are leaving in the near future, and the Board will need to ensure that it does not lose the lessons learned from working with the Board coach and that these lessons are embedded in corporate behaviour. Plans for this are in place. The recent initiative to engage with director general/military three star-level leadership has offered considerable potential for developing a stronger corporate approach across the Department.
  - Diversity has improved for women in the SCS and for Fast Stream programmes, but improving representation of people from black and minority ethnic (BME) backgrounds remains a challenge: BME groups currently constitute 3.2 per cent of total departmental workforce and less than 2 per cent of the SCS. The Department has an Equality and Diversity Scheme in place, but will need to ensure the Streamlining Programme in head office does not adversely impact on diversity.

## Strategy

**The Department's short-term objectives are clear, and it is reaping the benefits of its concerted efforts to work more closely and openly with other government departments and key stakeholders. However, MOD needs a departmental strategy that spans all of its activities (operational and non-operational) for the medium to long term.**

The Department's short-term objectives are clear, and it is reaping the benefits of its concerted efforts to work more closely and openly with other government departments and key stakeholders.

- The Department's leaders and staff are clear on the short-term outcomes required of them. They are also sharply focused on supporting current operational needs, with over 84 per cent of staff understanding how their work contributes to the objectives of MOD (CAS, although early indicators from 2009 suggest that this is now 79 per cent).
- The Department's update of the Defence Strategic Guidance in 2008 to include lessons from operations is applauded by other government departments, and it is continuing to support improved ways of working between the military and the Foreign and Commonwealth Office and the Department for International Development on operations.
- Government departments and key stakeholders widely praise the efforts that MOD has made to tackle perceived insularity, as highlighted in the 2007 Capability Review. The Department is credited for its important roles in a number of cross-departmental initiatives, such as the Service Personnel Command Paper and the National Security Strategy.
- Other Whitehall Departments recognise MOD's sound analytical capability in operational analysis, logistics, science, technology and engineering. Science and engineering are fully embedded within MOD processes, and the Department ensures that maximum benefit is obtained from research and development. The Chief Scientist is a member of the Defence Board.

**However, MOD needs a departmental strategy that spans all of its activities (operational and non-operational) for the medium to long term.**

- MOD has for some time faced a challenge to balance the long-term programme with the likely available budget. MOD needs a departmental strategy that aligns priorities with resources and spans all of its operational and non-operational activities for the medium to long term. The Department recognises this and has started work which needs to be taken forward urgently. The creation of and appointment to the new Strategy Director General post will help greatly here, as will the work to develop a Business Improvement Strategy.

- MOD needs to strengthen the focus of the full range of its analytical capabilities, to improve strategic choices and decision making. It also needs consistently to take greater account of commercial considerations.

## Delivery

**MOD has made good progress on clarifying corporate roles and responsibilities, as well as simplifying systems and processes. But the challenge remains for the Department to improve prioritisation, better align task with resource, and develop consistent and robust business-planning and performance-monitoring systems.**

MOD has made good progress on clarifying corporate roles and responsibilities, as well as simplifying systems and processes.

- MOD has clarified and strengthened its top-level corporate roles, and has set out in several new documents (such as the *Defence Framework: How Defence Works*) how the Department works. Corporate structures have also been refined, for example by reorganising a number of subordinate boards and committees and introducing new lines of accountability, which shift accountability away from groups and onto individuals.
- Staff and management have reported progress on improving systems and processes, for example the departmental investment approval process, and there are good examples of strong internal business processes in areas that include Defence Equipment and Support and the Permanent Joint Headquarters.
- The Department's processes and procedures for delivering urgent operational requirements are robust and effective, and over £4bn has been disbursed from the Treasury Reserve for Iraq and Afghanistan since operations began. Outside these urgent projects, large programmes and projects are subject to performance management and scrutiny.
- The Defence Board takes increased responsibility for performance management across the organisation. It has improved its interaction with the eight TLB holders, who are now working together better. The appointment of the service chiefs as TLB holders has better matched overall accountability with delivery responsibility.
- The Department has reviewed its balanced scorecard. It has subsequently removed some performance indicators and improved presentation of data.

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The challenge remains for the Department to improve prioritisation, better align task with resource, and develop consistent and robust business-planning and performance-monitoring systems.

- Current operations have been the Department's primary focus when planning, prioritising and resourcing. However, it needs to achieve a better balance between this and the longer-term alignment of resource decisions with strategic objectives to provide clarity throughout the organisation and with stakeholders. The Department also needs to develop a more consistent and corporate approach to business planning.
- Performance management regimes are not consistent across the Department, and this inhibits MOD's ability to monitor activities. The introduction of consistent practices across the organisation would be beneficial, in conjunction with the continued development of the balanced scorecard to reduce the complexity of the information it contains.
- The review has found emerging signs of new ways of working, with some business areas making adjustments in response to the Streamlining Programme. The Department recognises that these changes to business practices will need to be extended throughout head office, given the reduction in human resources that will result from this programme.
- The Department should continue to remove duplication in corporate functions, and it needs to make a decision on future development of its shared services, such as finance and HR/personnel.
- There is limited evidence yet of processes or practices being stopped as a result of the Streamlining Programme. The Department should increase the pace of process re-engineering to ensure that the programme realises its full benefits.

**Capability Reviews Team**  
**March 2009**

## 4. Departmental response: plans for continuous improvement

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We are grateful to the review team, and glad that they have been able to confirm the significant progress we have made since the 2007 Capability Review, particularly in the last year.

The review team again praised the quality and dedication of our staff, both military and civilian. We wholeheartedly endorse that praise. Our people are working extraordinarily hard, particularly on or in support of current operations, and we are proud of what they are achieving.

We welcome the recognition of our progress in engaging better with the rest of Whitehall, in clarifying roles and responsibilities, in simplifying some of our systems and processes, in improving the Board's leadership, and in instilling throughout Defence a clear sense of our overriding priority – support to operations in Iraq and Afghanistan.

The review reinforces much of the improvement work underway, but it also gives us renewed focus and direction. In particular, we recognise the need to inject more pace into the implementation of Capability Review findings and to develop a more robust overarching strategy for the Department. We are committed to achieving this further progress through the actions outlined below.

### **Build stronger and more visible corporate leadership**

We welcome the recognition of our good progress in developing the Defence Board's leadership and in beginning to create a stronger sense of a corporate leadership team below the Board.

We recognise that there is more to do in these areas, and to build on the improvements we have already made to how the Board communicates. We will ensure that momentum is not lost as several Board members change in the next few months. We will reinvigorate our system of cascade briefing and ensure that we are as open as we can be in the Board's communications with the Department, recognising and explaining more clearly the limits to this. In particular we will press on with developing our senior leadership team beyond the Board, most immediately with a Defence Conference in May.

### **Develop an overarching strategy for the Department**

The Department has the challenge of matching available resources to the range of priorities, all against the backdrop of the current high operational tempo. In doing this, we recognise the importance of providing, through a single strategy, a clear articulation of our direction of travel, aimed at the medium and long term.

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As the review recognises, we have already revised our internal strategic guidance, reflecting the publication of the National Security Strategy, changes to the international context, lessons from operations and the outcome of the 2007 Comprehensive Spending Review, and this has informed the annual financial planning round which is now in its final stages. We have created a new Strategy Director General post, bringing together the teams responsible for long-term strategy, financial planning and organisational development, some of whom are a shared resource with our new Finance Director General. These changes provide a sound basis for developing an overarching strategy for the Department. Work on this strategy has started, and is being taken forward quickly. We will link it to an improved system for corporate performance management.

## **Build capability in our civil servants**

We welcome the recognition of the concerted efforts we have made in this area. We have completed the roll-out of services at our HR service centre. We have published a well-received guide to line managers. We have been at the forefront of the Cabinet Office-led development of an employee engagement survey. We now have rigorous assessment centres in place for all major promotion points. Together, these have helped us to become the largest organisation ever to achieve the Investors in People standard. But we recognise that, to make a real difference on the ground, we need to move from changing processes and tools to changing culture and behaviours.

Most importantly, this involves transferring ownership for civilian people management and talent development from 'HR' to the business – some 22,000 line managers of civilians, many of them military. We will update our civilian workforce strategy by the summer, giving priority to building a new two-way commitment between Defence and its people with a strong focus on performance and accountability. We will use the results of our staff survey to set targets for business units and senior managers, and use pulse surveys to track progress.

We will implement our strategy for improving the skills of our workforce, including managerial, technical and professional skills across the wide range of the Defence business, and carry through our commitment to the skills agenda outlined in the Leitch Skills Review of 2006.

We will build quickly on the momentum we have recently created on talent management and succession planning. We are developing a major talent management project with the aim of building a diverse supply of experienced, well-qualified people to fill business-critical posts at grade seven level and above. We are implementing a programme of actions to identify, bring on and develop more senior talent. We will also maintain the focus needed to deliver the challenging targets in our diversity action plan.

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## **Continue to streamline our Head Office and improve ways of working**

We have made good progress on creating a Head Office that is cheaper, simpler, clearer and more effective, through our Streamlining programme. We have set up the new structures, clarified who does what (through the Defence Framework) and already delivered half of the 25 per cent headcount reduction.

We recognise the concerns that the headcount reductions may not be accompanied by the necessary improvements in ways of working. We will sustain the considerable efforts we are making in this regard. We will drive forward the programme we launched in February to help Head Office business areas to improve their performance through the use of flexible resourcing, work prioritisation and decision-making tools. We are committed to continued development of the senior leadership group and to better exploiting IT and technology. And in April we will introduce a comprehensive induction and training package for Head Office entrants. We will measure progress through the use of pulse surveys and maturity models.

## **Further improve our relationships across Whitehall**

We welcome the feedback from stakeholders and the review team that we have made significant progress in this area. We have deepened our already close relationships with the Foreign and Commonwealth Office and the Department for International Development on international security issues, engaged closely in the development of the National Security Strategy, worked right across Whitehall to deliver the Government's Service Personnel Command Paper, and made considerable progress in encouraging interchange of personnel between ourselves and the rest of Government.

We will work hard at further improving those relationships, and our overall standing, with other departments, and at encouraging more interchange.

## **Conclusion**

Much of the work outlined above has already started. We will develop a more detailed action plan setting out what needs to happen, and share it with staff. We will take it forward with pace, under clear leadership and ensuring that all our people are fully engaged in building a Department ready for the challenges of the future.

**Ministry of Defence**  
**March 2009**

# Annex A: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 39 questions. For further information on the model of capability see [www.civilservice.gov.uk/capabilityreviews](http://www.civilservice.gov.uk/capabilityreviews).

Each review has been carried out by the Capability Reviews Team with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and boards of other government departments.

The Capability Reviews Team will regularly review progress and provide support to help ensure that the department is on track to deliver.

# Annex B: Assessment categories

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**Strong** – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.



**Well placed** – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway. Is making improvements in capability and is expected to improve further in the medium term.



**Development area** – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.



**Urgent development area** – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.



**Serious concerns** – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)

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