



Ministry  
of Defence

de&s

Defence Equipment & Support

# The DE&S Way 2016/2017



Equipping and Supporting our Armed Forces

# 1 The DE&S way

Tony Douglas  
Chief Executive Officer



DE&S has a workforce which is passionate about providing the best possible service to our Armed Forces. Becoming the best demands agility, pride, passion and extraordinary skills. Staying the best demands much more: inspiration, curiosity and an unrelenting focus on the team, the task and a willingness to embrace constant change. The changes being introduced are much more than a new look. We have embarked on a fundamental transformation touching everything we do. Work is well under way, and will continue apace until we know for sure we have in place the processes and structure our vital role in our nation's defence demands.

We are shedding complexity and moving to simplicity: the sole focus for all is our ability to deliver outstanding equipment and support for our Customers. It means delivering world class, trusted back-up every day. Our measure of success is that those Customers instinctively trust us to be there for them. We cannot achieve this if we do not harness our diverse skills effectively; use simple processes, delegate responsibility and accountability to the right people and value both time and money appropriately.

We are increasingly required to make our resources go further and have an enduring requirement to demonstrate value for money. We need to drive through our comprehensive transformation programme in parallel with delivering safely our Programme of Work. I am immensely impressed with how the workforce responds and adapts, ensuring continued focus on delivering to our military Customers. The Executive Committee knows that it is our people who make DE&S successful; our diverse and specialist skillsets, our attitude and our commitment.

We are commercially minded and delivery focussed with a commitment to provide value for money for both the tax payer and our Customers. I know that we all share a desire to continue improving the service we provide to our Customers and to ensure that DE&S is the most efficient and effective organisation it can be. I believe that, together, we are ready for the challenges ahead and that we recognise the need to get better at getting better.

My Executive Committee team and I do not underestimate the size of the challenge ahead; but equally, we do not underestimate the abilities, will and determination of our organisation; our people; our DE&S.

---

**1** The DE&S way

---

**2** What is DE&S?

---

**3** How we're organised

---

**4** How we deliver

---

**5** How we manage budgets and account for our money

---

**6** How we manage our people and capability

---

**7** More information

**What is this document about?**

The DE&S Way sets out on behalf of the Executive Committee, what is important to us and, by definition, what is important to our whole enterprise. It provides an overview of who we are, what we do and the ways of working that we expect our people to embody.

The DE&S Way underlines our support and commitment to DE&S as a whole; to our people, to our Customers and to our reputation as a large scale commercial procurement and service delivery organisation pursuing excellence, delivering safely to the time, budget and performance our Customers need.

As we are driving through our transformation programme some of the elements of this document may not be fully implemented or embedded in our organisational ways of working but the fact that they are included here shows our clear statement of intent for how things will be done in the future.

**New to DE&S?**

If you're new to DE&S this document will act as a guide and help get you up to speed on who we are, how we are organised and how we deliver. You should read the full document and discuss any questions with your manager.

**Been here for some time?**

If you've been in the organisation for some time you should still find this document useful. It will either validate what you already know or help plug some knowledge gaps.

We would recommend that everyone, regardless of how long you've been in DE&S and wherever you are in the organisation, spends time becoming really familiar with section 4 which covers 'How we deliver'. Our transformation is making some fundamental changes to our business and we need everyone to be on the same page – informed and engaged.

2

What is  
DE&S?





## 2.1 Who we are

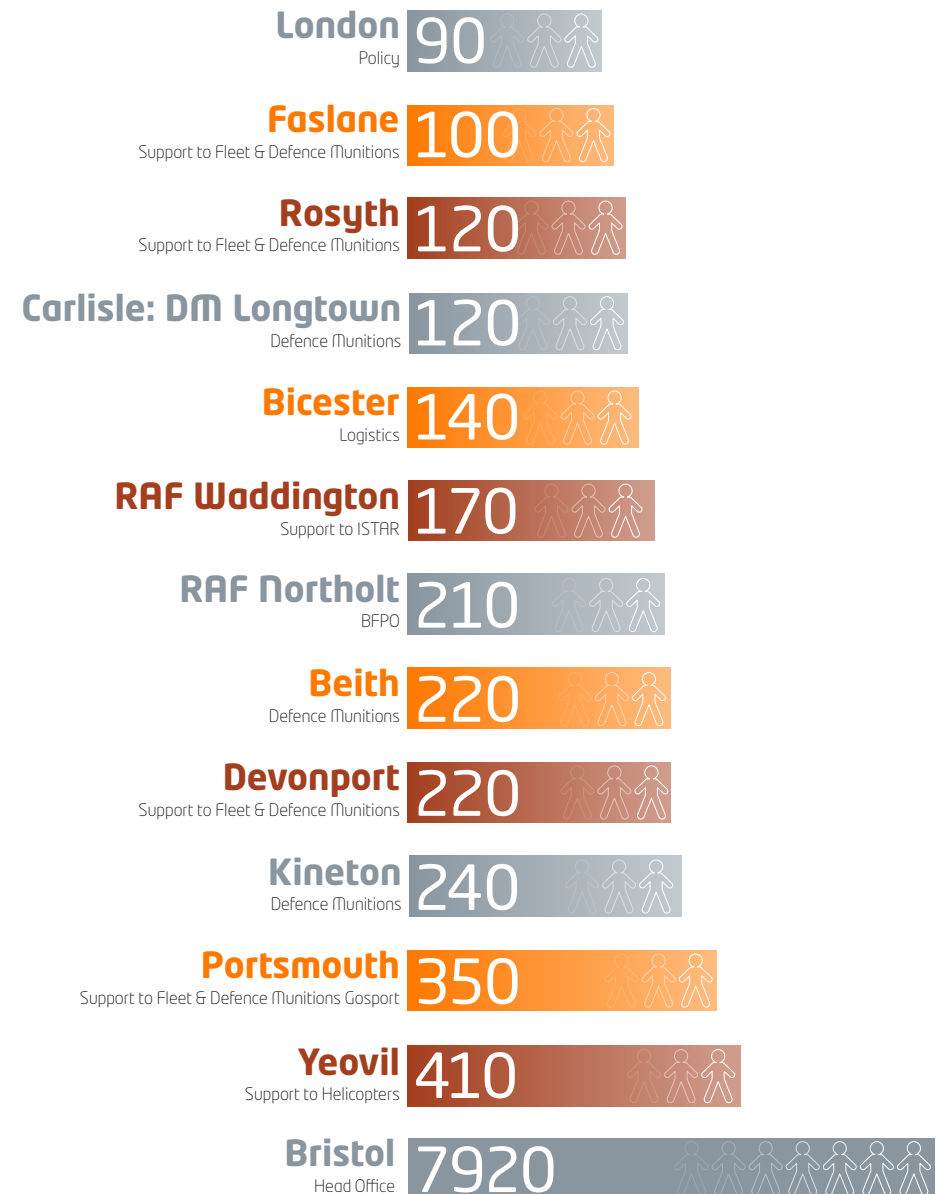
We are a highly specialised and essential part of the Ministry of Defence (MOD) – a team of people who are immensely and rightly proud of what we deliver for our military Customers. We are committed to creating an inclusive environment where everyone can thrive. Our people have a unique set of skills and abilities that enable us to deliver a Programme of Work that includes submarines, aircraft and armoured vehicles, through to field kitchens, munitions handling, and postal and courier services to the front line.

We are a combined workforce of over 11,100 civilian, military and private contractor staff who are deployed at over 150 locations in the UK and overseas.

We manage and deliver equipment procurement and a range of logistics services and support enablers to our Customers.

Whatever our own individual specialism, we all understand the need to be connected to our Customers, focussed on value for money, commercially aware, and disciplined in the way we deliver. This way of working contributes to our success as a large scale, commercially minded procurement and support organisation.

## DE&S main locations / approximate numbers



## 2.1.1 Our status as a Bespoke Trading Entity

DE&S was launched as a Bespoke Trading Entity (BTE) in April 2014, as part of our programme of transformation. We are an Arm's Length Body within the MOD – but remain very much part of our parent organisation – as reflected in the 'feel' and branding of DE&S. Our special status gives us a set of management

freedoms that are unique across Government and recognise the specialist nature of our organisation and what we deliver. Set within an operating cost envelope designed to drive efficiencies, these freedoms allow us to implement changes outside of wider Government norms, particularly around the management of our people.



### Our freedoms

- Freedom to manage all aspects of our workforce as necessary to meet our business needs.
- A pay strategy that is treated as separate from the rest of the MOD.
- Freedom to pay 25 members of staff more than the senior salary cap set by HM Treasury without further agreement
- Exemption from Cabinet Office Controls (v4.0) relating to:
  - Strategic Supplier Management
  - Advertising, Marketing and Communications
  - External Recruitment
  - Redundancy and Compensation
  - Civil Service Learning
  - Commercial models
  - Consultancy

We are proud to remain crown servants; part of the MOD and wider Government team, and we recognise that we are working together in service of something greater than ourselves. We strive to adopt commercial industry

best practices in order to provide the very best equipment and support services, on time, to budget, with the resources we have to deliver as efficiently and effectively as we can.

## 2.2 What we do

Our purpose as an organisation is “to equip and support the UK’s Armed Forces for operations now and in the future”.

We manage a vast range of complex projects, programmes and delivery activities to buy, support and supply vital equipment and services that the Royal Navy, British Army and Royal Air Force need to operate effectively. In the delivery of our Programme of Work:

- We provide safe equipment to our Armed Forces and a safe environment for our staff
- We manage technically demanding, high profile defence programmes that make a difference on the front line and provide maximum value to the taxpayer
- We use our expertise in defence technology and engineering to support our military Customers in shaping their requirements
- We build strong relationships with our suppliers to ensure that our contracts deliver the best quality equipment and support to the front line
- We apply our programme and project management expertise to effectively deliver and procure defence equipment and support
- We provide integrated logistics services, supply chain operations support, in-service equipment support, and inventory storage and management
- We are committed to exercising effective budgetary control and delivering value for money in everything we do
- We work through our network of supply depots to receive, store, maintain and inspect a range of explosive and non-explosive materiel which is delivered to our front line Customers to support training and operational requirements

## 2.3 Objectives

### 2.3.1 Our strategic objectives

Our three strategic objectives underpin what we do and drive how we behave, deliver and prioritise as an organisation.

#### a) Delivery

Deliver safely the agreed DE&S programme of work and associated support and services to our Customers.

#### b) Transformation to a Match Fit organisation

Implement the DE&S Transformation Implementation Plan to create a ‘Match Fit’ DE&S.

#### c) Leadership and engagement

Build a culture of professionalism, continuous improvement, effective engagement and high performance through creating an exciting and challenging set of business targets where delivery will be rewarded.

Our strategic objectives are captured in greater detail in the DE&S Corporate Plan and are reviewed on an annual basis.



## 2.3.2 Objectives, Goals, Strategies & Measures (OGSM)

Our new OGSM framework helps us focus attention on what really matters for our business. It provides a robust mechanism to set out what we intend to do and how we measure our progress against it. This will then help to link our strategic objectives

to our individual contribution to DE&S. This is not about a formalised cascade of strategic objectives which need to be aimlessly followed, rather it's about honing in on the areas of our business that really matter. Our focus is on:

- 1** Objective  
**Hitting our numbers**



→ Delivering our elements of the Equipment Procurement Plan (EPP) and the Equipment Support Plan (ESP); operating within our Operating Expenditure budget.

---

- 2** Objective  
**Perform to plan**



→ Delivering our equipment and support on time and on budget; projects above £250m will have Earned Value Management (EVM) in place from the start of 2017.

---

- 3** Objective  
**More “S” in DE&S**



→ Improving support performance within Fleet, Land, Air and Joint Enablers Domains

---

- 4** Objective  
**Satisfy our Customers**



→ Delivering to our Customers as required in the Defence Plan and wider Government agenda; achieving Customer satisfaction across all Domains and optimising processes and our organisation to enhance Customer satisfaction

---

- 5** Objective  
**Transformation takes effect**



→ Achieving all the transformation milestones; deploying staff in accordance with the balanced matrix; achieving all the benefits and, introducing a five year vision of a transformed DE&S

---

- 6** Objective  
**Develop our people & improve our processes**



→ Improving functional capability; recruiting, training, developing and focussing on our project management controls and commercial staff; improving the DE&S project controls suite; carrying out a complete core process review.

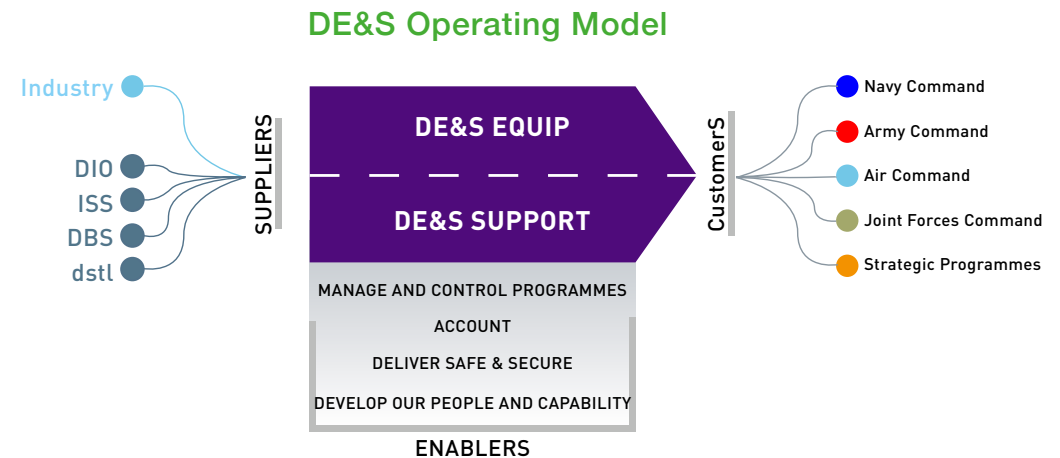


# 3 How we're organised

## 3.1 Our role in the Defence Operating Model

We are a crucial part of the overall defence operating model. Our work links supplier capability (whether that's industry or MOD service provision) to the end users - our military Customers - ensuring that they are equipped and supported to deliver what is required of them.

The diagram below shows how DE&S is set up as a business. It shows how we do what we do and provides context for our governance model.



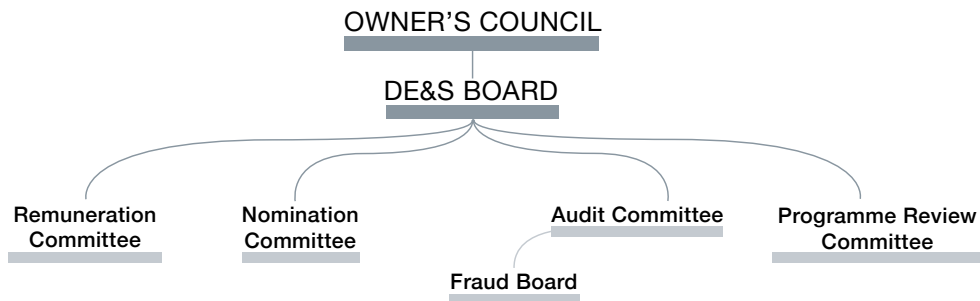
## 3.2 Governance

Our governance structure is designed to provide transparency and ensure that all meetings add value and drive progress.

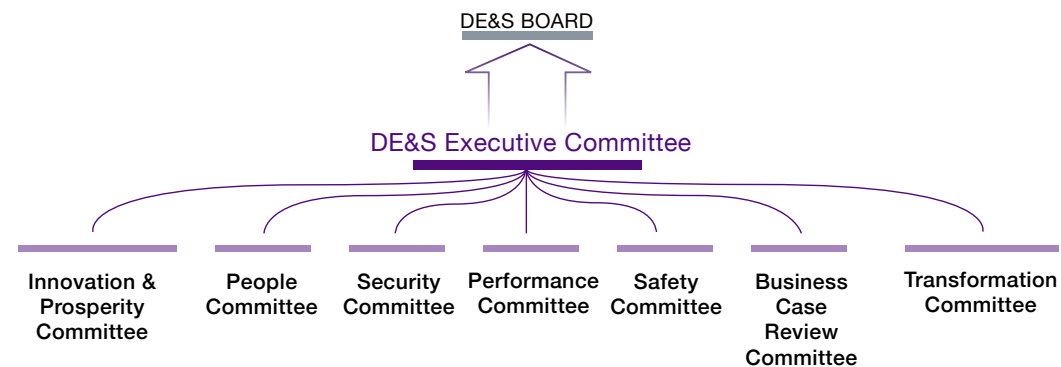
### 3.2.1 Governance bodies

At the top, the Minister of State for Defence Procurement chairs the Owner's Council, which has formal oversight of the performance of DE&S.

The DE&S Board provides the strategic leadership of DE&S, helping to ensure that we are delivering our strategic objectives. It is chaired by a Non-Executive Chairperson and has a number of sub-committees to provide oversight of the delivery of DE&S business.



Under the lead of the Chief Executive Officer, the DE&S Executive Committee is responsible for the day-to-day running of the business. It also has a number of sub-committees, each of which is empowered with clear authority and responsibility for decision making.



### 3.3 The balanced matrix

In line with many specialist organisations, and in recognition of the depth and breadth of skills required across our business, DE&S is moving to a balanced matrix, which will improve operational efficiency and resource management by separating the delivery and function support elements. Delivery teams in the Domains will focus on delivery of our Customers' requirements against time and budget. The functions will ensure that the right people with the right skills can be provided at the right time. We call it a balanced matrix because it recognises that both our functions and delivery teams have an

equal role in supporting delivery to our Customer.

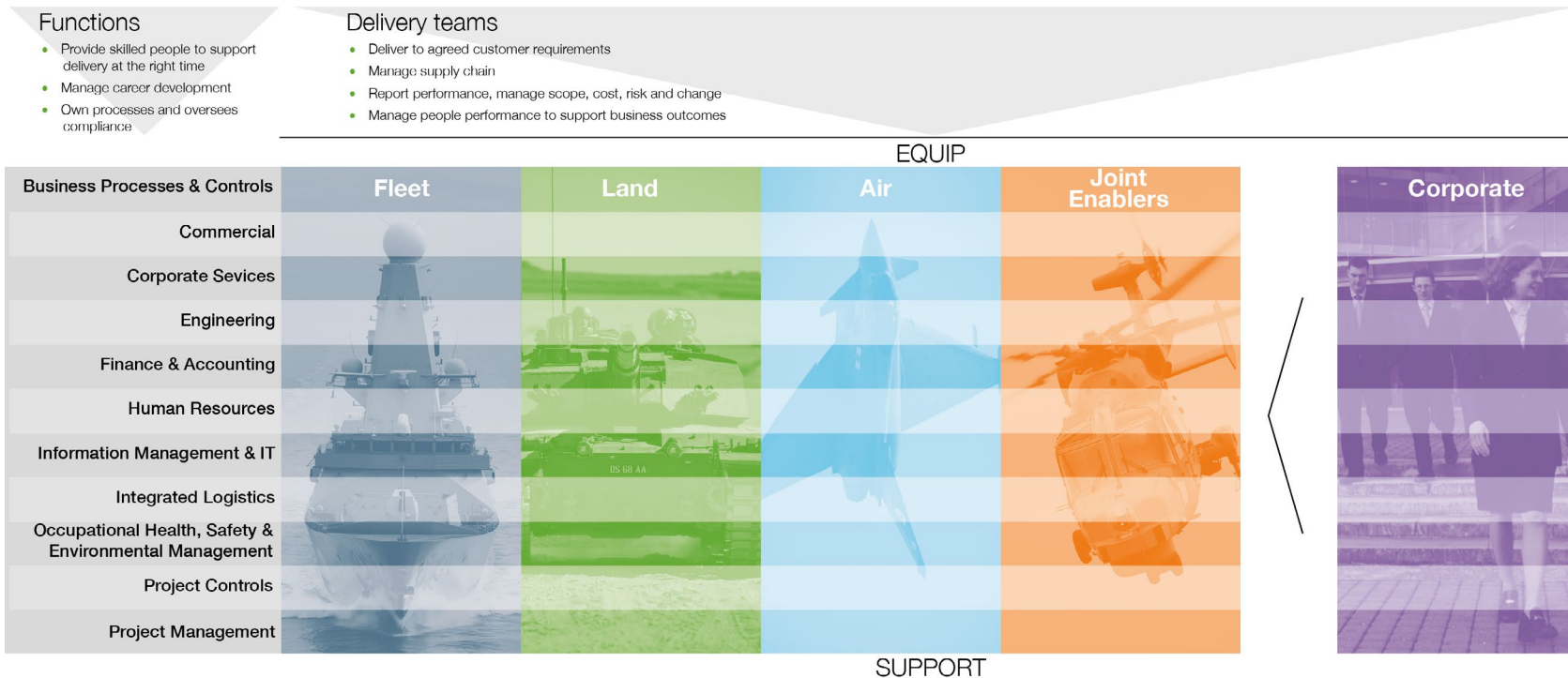
We deliver our Programme of Work through our four Domains (Air, Fleet, Joint Enablers, and Land), each of which is led by a Chief of Materiel. Our Domains are supported by corporate delivery teams made up of professionals from across our organisation including commercial; finance and accounting; corporate affairs; HR; and, technical services. Our delivery activities are supported by our function management structure which allows the right people to be deployed to the right teams at the right time.

Function managers deploy our people according to their expertise and the tasks that need them most. This could mean working as part of a multi-disciplinary delivery team within a Domain, or it could mean working in support of a number of different delivery projects. Team leaders are responsible for achieving successful outcomes agreed with our Customers, drawing on the expert resources from the functions.

Everyone in DE&S is part of a 'function,' which could be described as their professional group. The function provides technical training, development and career management. It establishes

consistent DE&S processes which must be followed and allows our specialist resources to be deployed more fluidly.

These standardised processes will be organised within a modern technology enabled business management system (BMS). Our BMS will act as the library for people to access the information that they need to ensure that they are doing their day jobs in line with The DE&S Way.



### 3.3.1 Our specialised skills

DE&S does work that is unique. Due to our distinct mission we require input from some very bespoke and specialised skillsets.

Each function houses skills that are needed to deliver against our Customers' complex requirements. We have listed below some of the specialists who help DE&S deliver (this is not intended to be exhaustive).



#### → **Business Process & Assurance**

– Our BP&A function ensures that effective governance is in place to promote best practice at DE&S. It also looks after continuous improvement and process compliance. Some of the expertise in BP&S includes: process and assurance specialists; governance experts; improvement professionals.

→ **Commercial** – Our commercial function provides independent professional judgement on commercial and procurement business matters. It is made up of professionals specialising in: commercial strategies, compliance with public procurement regulations; competition; tendering & contracting; and, commercial risk.

→ **Corporate Services** – Our corporate services function helps our business operate and run effectively. It is made up of professionals who specialise in: policy, strategy & parliamentary affairs; business and executive support; communications, media and marketing; and, infrastructure, estates and security.

→ **Engineering** – Our engineering function enables the delivery of our equipment and support provision by providing specialised expertise in: Domain-related disciplines; sensors; electrical power & distribution; software; human factors integration; product safety; quality; science; and systems & integration engineering.

→ **Finance & Accounting** – Our Finance & Accounting function helps DE&S meet its financial management responsibilities. Our professionals include people with expertise in: accounting; book keeping; planning & analysis; management accounting; taxation; and, government accounting practice.

→ **Human Resources** – Our HR function helps develop the highly skilled, motivated and inclusive workforce needed to drive exceptional performance. The expertise of our HR professionals includes: HR business partnering; learning & talent; reward; strategy & policy; organisation development; and, workforce planning and recruitment.

→ **Information Management & Information Technology** – Our IM&IT function acts as the 'digital partners' to DE&S. They ensure we have the tools and technology we need to succeed and protect our information. Our IM&IT expertise spans: information management; information assurance; and, cyber security.

→ **Integrated Logistics** – Our iLog function is responsible for the management and delivery of in-service support. The iLog function has professionals whose expertise includes: service delivery management; maintenance; inventory management.

→ **Occupational Health, Safety and Environment** – Our OHSE function keeps DE&S in line with all applicable legislation and promotes responsibility for safety and environmental protection. The skills within OHSE include: safety and environmental specialists; health, safety and environment audit and compliance specialists.

→ **Project Controls** – Our Project Controls function helps predict and oversee the time and cost of projects. Some of the specialisms within project controls includes: scheduling; cost estimation and management; risk management; change controls; performance monitoring & reporting; and, scope management.

→ **Project Management** – Our Project Management function is tasked with the delivery of equipment and support in order to meet our agreed Command Acquisition and Support Plans (CASPs). The expertise within project management includes: project, programme and portfolio management (P3M); safety, acquisition lifecycle; and business cases.

# 4

## How we deliver safe and secure



### 4.1 Excellent people in effective teams

---

Our people are our most valuable resource and their skills are used most effectively delivering in teams.

We deliver projects and services to our Customers by bringing together functional staff in to multi-disciplined delivery teams.

Our teams will be effective by:

- being led by an accountable project manager or service delivery manager
- bringing together appropriate professionals from our 11 functions to support delivery of the agreed baseline, i.e. what we have to deliver to the Customer, by when and at what cost
- operating within the framework of business processes developed by each function
- working with the Commands and suppliers in collaborative relationships through the acquisition lifecycle
- managing our resources flexibly to reflect the different phases of the acquisition lifecycle, pursuing value for money at all times
- grouping into sub-portfolios, which will sit within four Customer facing Domains or in our corporate delivery teams facing our owner and stakeholders

DE&S leaders are here to support and enable these teams to deliver value to our Customers.



## 4.2 Safety in our delivery

The safety of our people and the equipment and services we deliver are of paramount importance.

- We are committed to providing safe and environmentally sound capability and services to the Armed Forces and to providing a safe environment for our people to work in.
- We have safety and environmental experts at all levels and a clear focus on 'safe by design' and 'safe for use' considerations.
- Safety is everyone's responsibility but is governed by the 'Safety Committee' which oversees and directs work to embed key safety messages in DE&S:

Key Safety Messages	
<b>Leadership:</b>	Safety leadership in DE&S starts at the top, and is visible and accountable at all levels of management and supervision.
<b>SQEP (Suitably Qualified &amp; Experienced People):</b>	DE&S uses the appropriate level of SQEP for the business it is in.
<b>Proportionate &amp; Appropriate:</b>	In DE&S, hazard analysis/risk assessment is a thinking process - a means to an end and not an end in itself.
<b>Learning &amp; Sharing:</b>	In DE&S, we learn and share safety lessons when things go wrong, and share good practice from the things we do well.
<b>Accountability &amp; Responsibility:</b>	Everyone in DE&S needs to understand their individual safety responsibilities and to whom they are accountable.
<b>Behaviour:</b>	Everyone in DE&S acts in a safe and professional way at work.
<b>Challenge:</b>	Everyone in DE&S has a right and a duty to challenge anything they perceive as unsafe and receive a response.
<b>Culture:</b>	Everyone in DE&S understands, adopts and follows these safety messages - sensible and proportionate safety is the way we do business.

## 4.3 Accountability

Clear accountability helps our organisation deliver.

We all share accountability for managing our time, protecting the public purse and delivering our agreed objectives. Effective delegation is critical to empowering and motivating each of us to play our part in delivering DE&S' objectives.

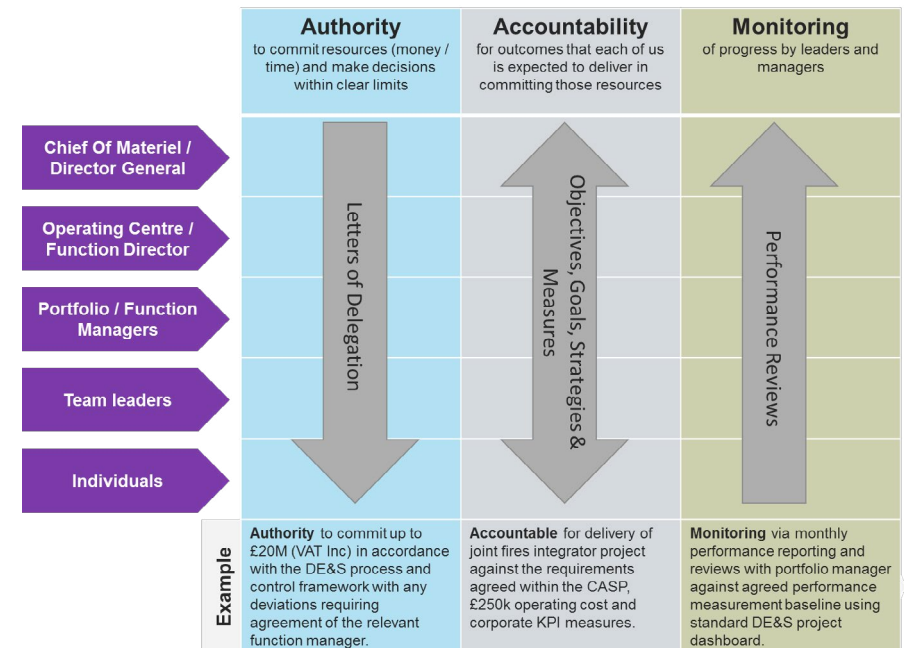
Our delegation method has 3 components:

- **Authority** to commit resources (money, time and people) and make decisions within clear limits
- **Accountability** for outcomes that each of us is expected to deliver in committing those resources

→ **Monitoring** of progress by leaders and managers

Delegation must result in objectives that are agreed between a leader and their direct reports. These are discussed in an objective setting session at the beginning of the year and documented in the Performance Appraisal Report form. We use the OGSM (objectives, goals, strategies, measures) framework for cascading objectives through the organisation.

We must delegate effectively to ensure that accountability sits at the right level – i.e. with the people who have the capability, skills and resources to deliver. This delegation allows us to get on with the day job and deliver what the Customer needs.



## 4.4 Customer interface

Our interface with our Customers is where we define success.

### Command Acquisition and Support Plans (CASPs)

We deliver the agreed DE&S Programme of Work with our Customers as set out in the CASPs, which formally capture the outputs against which our teams will deliver. They include:

- strategic direction, key risks and opportunities for a Customer in the current and mid-to-long term
- specific requirements of the Customer and the Programme Of Work outputs that DE&S will deliver

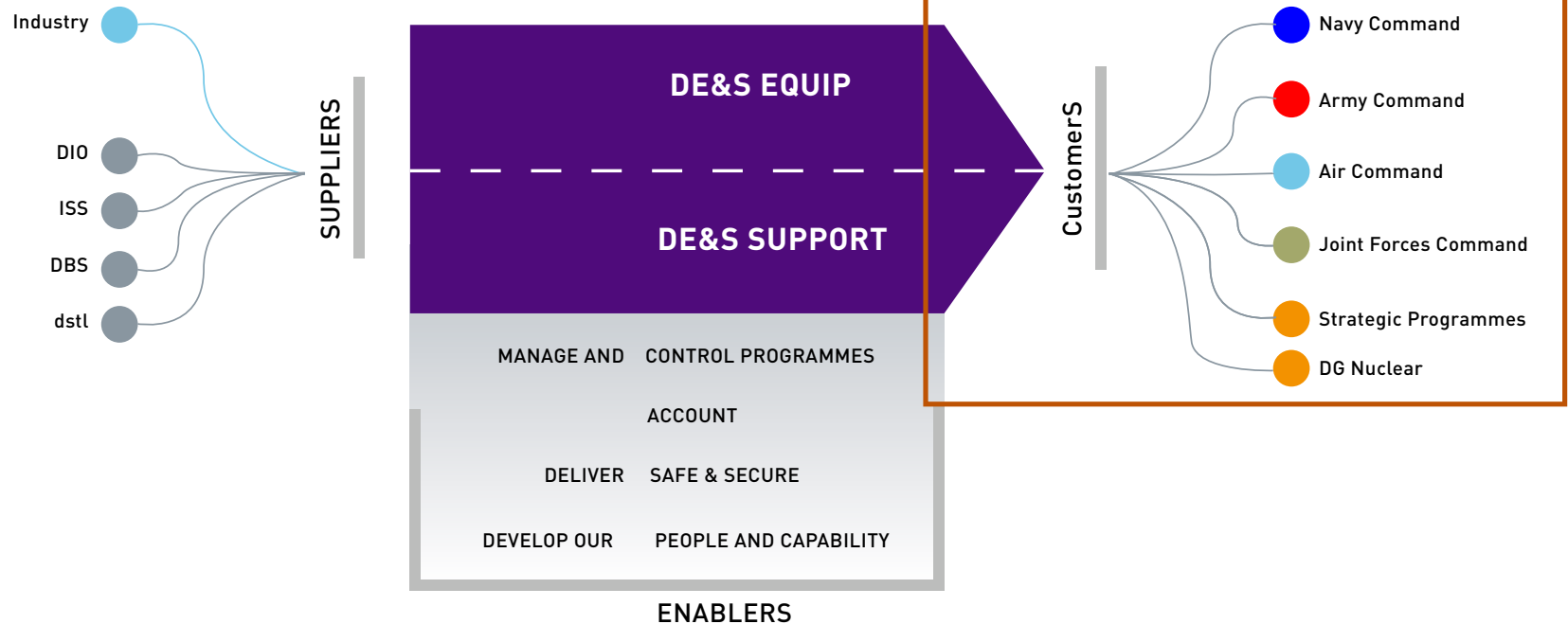
- the Customer's commitments to support DE&S
- inter-Customer commitments and dependencies between delivery agents
- accountability, responsibility and delegated authority
- capability specific performance metrics

### Corporate Key Performance Indicators (KPIs)

MOD Head Office holds DE&S accountable for delivery and measures performance through the use of 6 main corporate KPI's measuring the following:

- CASP delivery performance
- operating expenditure efficiency
- inventory management

- forecast accuracy and stability
- Customer satisfaction
- health, safety and environmental protection



## 4.5 How we manage our work

All project and delivery management plans for equipment and support include a Work Breakdown Structure; Performance Measurement Baselines; and an approach to change and risk management. These practices

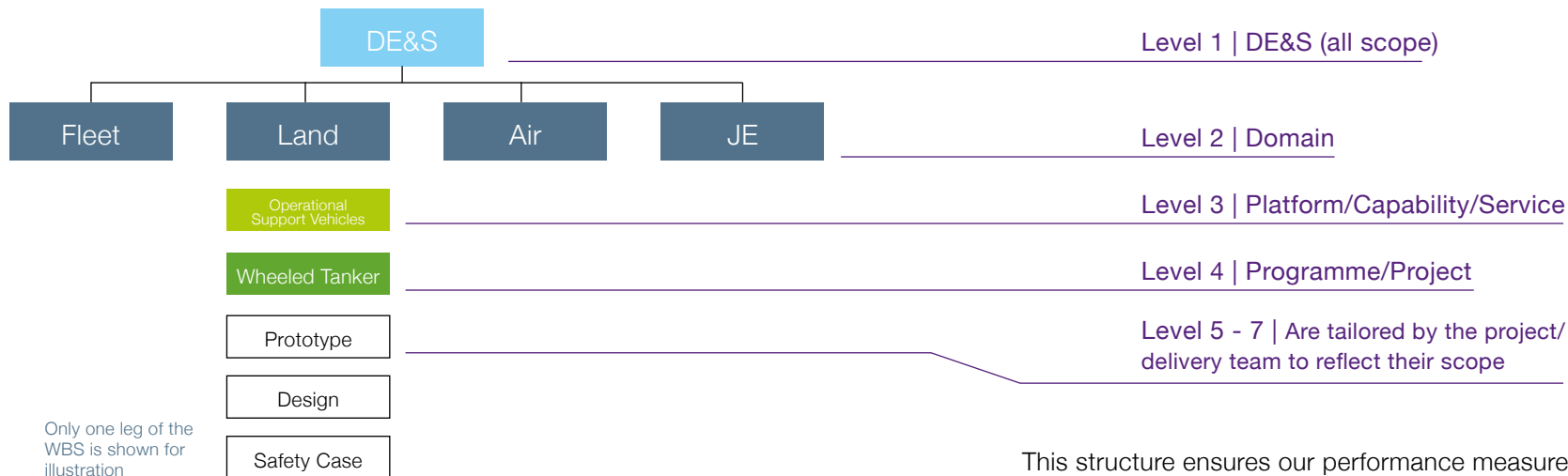
underpin Earned Value Management which is critical if we are to hit our numbers, perform to plan and satisfy our Customers. Proactively monitoring and managing our performance empowers us to make the right decisions at the right time.

### 4.5.1 Work Breakdown Structure

**Our Work Breakdown Structure is how scope, schedule and cost come together.**

To effectively manage our programme of work we use a Work Breakdown Structure (WBS). This allows us to breakdown our work from the DE&S programme of work

level into more manageable tasks for our delivery teams. The WBS provides a unique numbering system which links cost, scope and schedule. This system helps provide a consistent basis for reporting and measuring our performance.



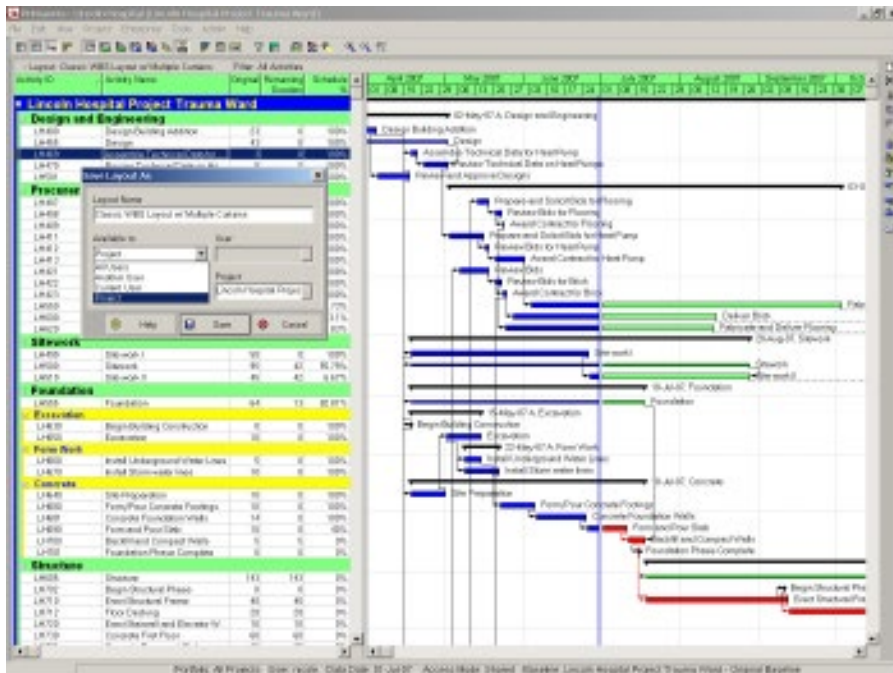
This structure ensures our performance measurement process, Earned Value Management (EVM), can be applied effectively.

## 4.5.2 Performance Measurement Baseline

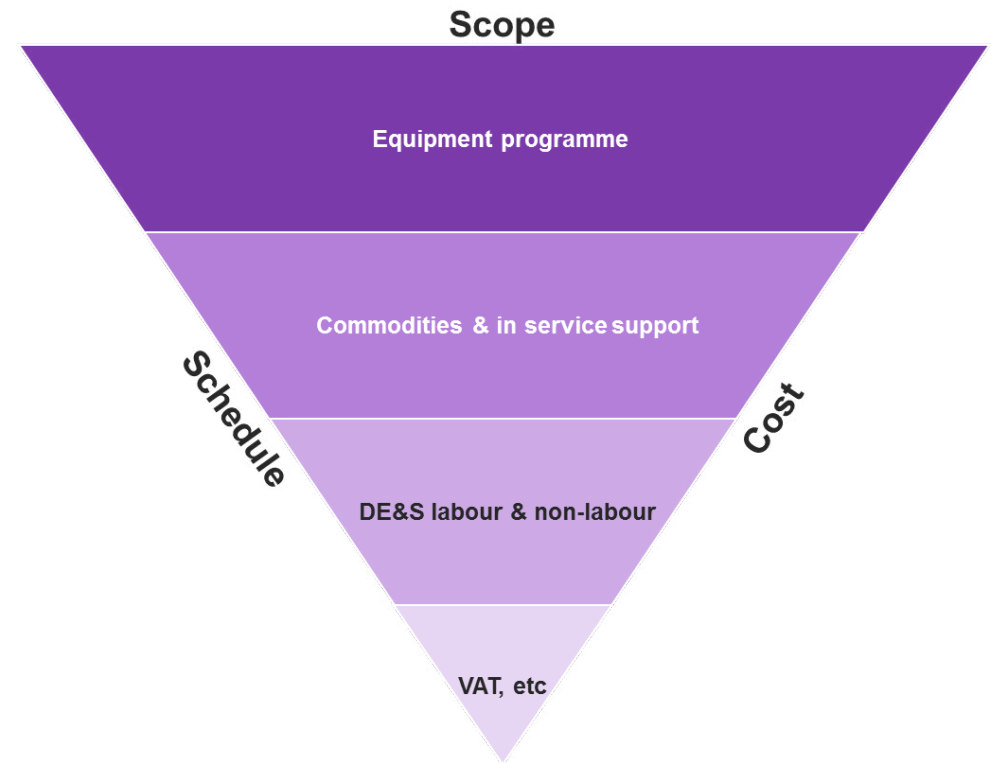
No project or service can be successful unless measured against a baseline.

The Performance Measurement Baseline (PMB) sets out for any piece of work, what has to be done (the scope of work and associated tasks), when it has to be done by (the schedule) and at what cost (labour and non-labour).

If you are using Primavera you will see something that looks similar to this:



The PMB is used to manage and measure our performance and track how we are performing against our commitments.



### 4.5.3 Change management

*Change is inevitable with a complex Programme of Work, and how we manage change is critical to our success.*

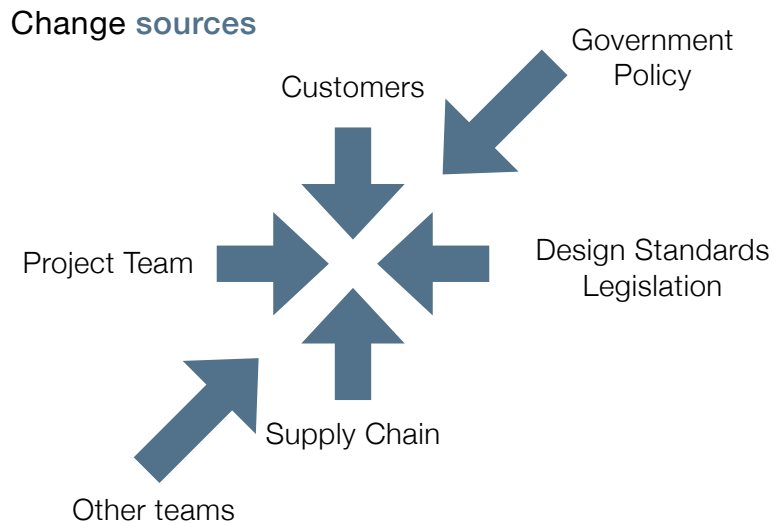
Requirements will inevitably change over time for a variety of reasons, for example, operational necessity or to take advantage of emerging technologies.

When changes to our baseline are identified or requested, we will control the changes by:

- Applying a disciplined process to manage and document proposed changes to the performance measurement baseline (PMB) - scope, cost or schedule
- Identifying and assessing the extent of change

- Reviewing and seeking approval based on defined levels of authority
- Documenting all requested changes, whether approved or unapproved
- Updating the PMB to reflect approved changes
- Other scope documents.

Effective change management ensures continuous alignment between the PMB, the CASP and supplier documents.



### 4.5.4 Risk management

Managing risk is all about reducing the uncertainty in our delivery.

Successful risk management includes proactive identification, assessment, mitigation, monitoring and control. Risk is managed at various levels in the organisation. The DE&S Board and Executive Committee examine the controls we have in place to manage risk, with a focus on strategic risk.

Across the business, we use Active Risk Manager™ (ARM), which is industry standard software for the management of risk and opportunities. ARM allows us to standardise our approach to risk management, for example, the use of defined impact and probability scales. This means that across the organisation, Red (high), Amber (medium) and Green (low) risk ratings are understood and applied consistently.

For illustrative purposes, when using ARM you will see something that looks similar to this:

ID	Title	Category	Status	Scoring Scheme	Last Review	Current Risk	Target Risk Level
155306	IT Systems insufficient for delivery needs	16 Information	Live - Active	Default	18 April 2016	Very High-25	Medium-14
155307	Insufficient resource and capabilities	15 People	Live - Active	Default	18 April 2016	Very High-25	Low-11
155309	Transition of deliverables into service use	06 Integration and Interoperability	Live - Active	Default	18 April 2016	High-21	Low-11
155310	External stakeholders influencing delivery	17 Organisation	Live - Active	Default	18 April 2016	High-21	Low-11
155314	Slow decision making from governance authority	03 Governance; SDP->Key Themes->Stakeholder	Live - Draft	Default	18 April 2016	Medium-18	Low-11
155315	Approval process to maintain delivery schedule	03 Governance	Live - Active	Default	18 April 2016	Medium-18	Very Low-4
155312	Budget restrictions	11 Resource (Funding)	Live - Active	Default	18 April 2016	Low-11	Low-11
155308	Adherence to site safety management	02 Safety	Live - Active	Default	18 April 2016	Low-7	Very Low-1
155313	Interface between planning stages	06 Integration and Interoperability	Live - Active	Default	18 April 2016	Very Low-4	Very Low-4
155311	Additional training to ensure adoption of new tools and processes	13 Training (Military)	Live - Draft	Default	18 April 2016	Low-6	High--22



## 4.6 Performance reporting for DE&S

*Performance reporting enables us to make the right decisions at the right time.*

Consistent and streamlined reporting will help us all understand how DE&S is performing against our commitments and areas where we can improve or mitigate risks.

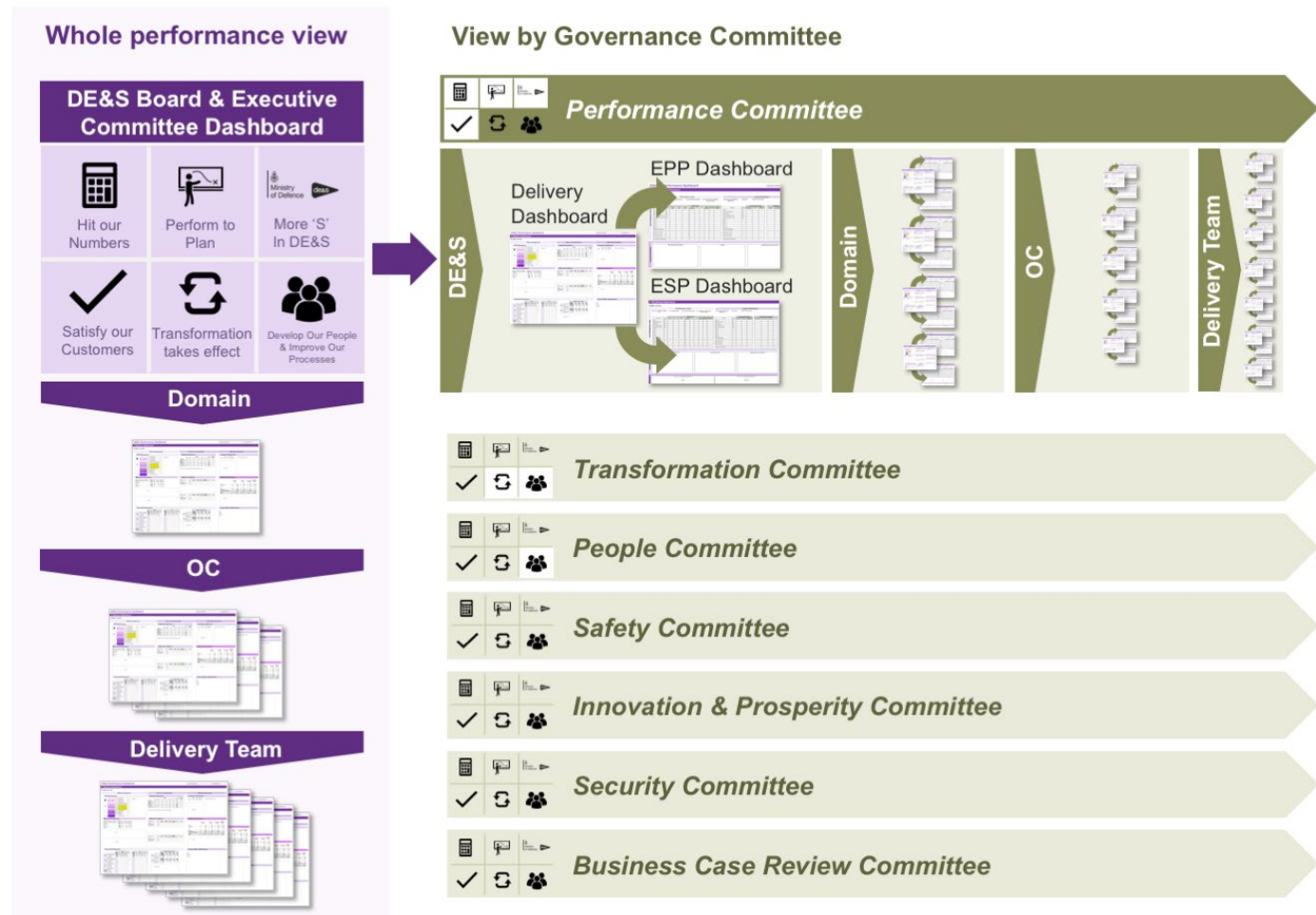
Our performance reporting must be based on having a strong baseline, measuring progress against it, and forecasting our expected performance so that we can make the right decisions at the right times and maintain our commitments to our Customer. Increasingly, we use earned value as the underpinning indicator of how we are performing.

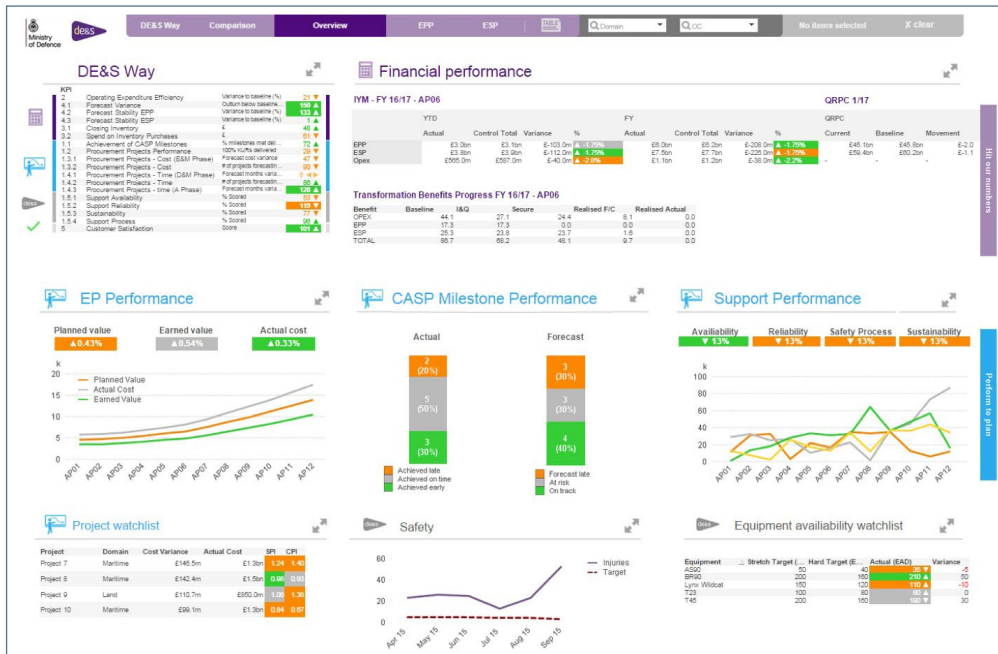
We produce a monthly performance report to help manage the organisation and inform decision making. A dashboard will be used by the Executive Committee and the Board to understand what has happened, what is currently happening and what will happen in DE&S. Our dashboards help us address risks early so that performance is maintained.

The report provides an overview of our performance against key business metrics including

- corporate KPIs
- CASP strategic milestones
- safety statistics
- strategic risks
- transformation
- financial performance

## Performance reporting architecture





#### 4.6.1 Earned Value Management (EVM)

Relevant earned value management tools and techniques will be used across our programme of work and improve our ability to deliver.

value is applied appropriately to the scale and complexity of the scope we are measuring.

We will increasingly use earned value to measure performance. EVM tests two things: schedule and cost. It assures that progress against the baselined scope, schedule, and cost are measured together, and earned

We will use EVM in accordance with the Association for Project Management (APM) methodology and industry best practice.

*“Control comprises tracking performance against agreed plans and taking the corrective action required to meet defined objectives.”*  
APM Body of Knowledge 6th Edition 2012

**What happened in the past month** – allowing us to track our progress

**What is happening currently** – allowing us to understand how we are performing

**What does this mean** – how what has happened and what is happening affects our performance

Our reporting will be standardised throughout the organisation to ensure clarity and remove duplication of effort following the ‘input once, use many times’ principle of data collection. Management information will be the focus, with data integrity at the core.

Our Time Recording and Charging (TRaC) data is used in our performance reporting. We all need to book our time to the right code so that we can properly measure against our baseline resources and inform timely decision making.

EVM requires 3 elements to work:

1. a baseline of planned activities with associated resources identified – this defines your planned value
2. a methodology for earning value against the plan by reporting a percentage complete against planned activities
3. actual work completed and associated costs to deliver the work

**Baseline (Planned value)**

The screenshot shows a Gantt chart with multiple horizontal bars representing planned activities. The x-axis represents time, and the y-axis represents different activities or tasks.

The baseline shows the activities that we have planned and when we will complete them.

**S-curve (Actual value, earned value, actual cost)**

The S-curve graph plots 'Man Hours / Costs' on the y-axis against 'Time' on the x-axis. It shows three curves: a red dashed line for 'GROWTH', a green solid line for 'ACTUAL', and a blue solid line for 'TARGET'. The x-axis is divided into 'Time' and 'Cut Off Date'.

The S-curve shows if we are on track delivering what we have said we will deliver.

**Performance Tracking**

$$SPI = \frac{\text{Earned Value}}{\text{Planned Value}}$$

$$CPI = \frac{\text{Earned Value}}{\text{Actual Cost}}$$

SPI and CPI allow us to track our performance against schedule and cost.

From these elements management performance indicators are generated that will allow our team leaders to:

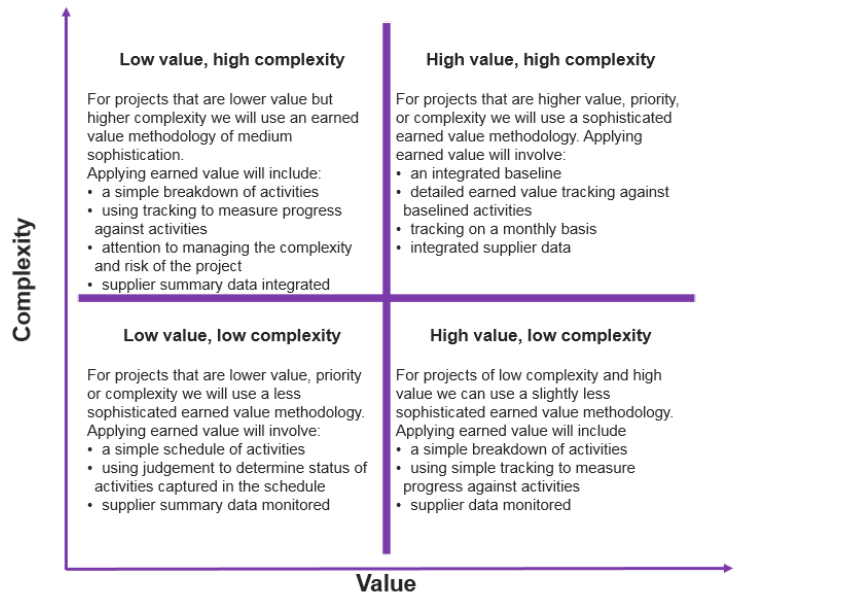
- know if their schedule performance is on track using Schedule Performance Index (SPI)
- know if their cost performance is on track using Cost Performance Index (CPI)

SPI and CPI are a reflection of the actual cost of the work completed in a period as compared to the planned cost of work to be completed in that period. With this information we can manage

our risks, issues and discussions effectively by focussing on the areas in our Programme of Work that need attention.

EVM is critical to ensuring we are 'Performing to Plan', 'Hitting our Numbers' and delivering the scope on time and for the money we agreed with our Customers.

We apply earned value in a pragmatic way – the level of complexity and value of the project will determine how sophisticated your approach to earned value should be.



We use proven industry standard software as part of our EVM system. The software tools will provide a single integrated system by which scope, cost and schedule are controlled and measured across DE&S.

We will introduce our Project Programme Portfolio Management (P3M) Integrated System for earned value reporting.

## 4.7 The supplier interface

*Suppliers are key to the nation's defence and on behalf of our Customers we manage over £14bn a year in work placed with suppliers world-wide.*

A wide range of suppliers support the UK Armed Forces. The top ten suppliers are shown below. As these suppliers are so important to our success, our relationships with them are proactively managed at strategic and tactical levels across DE&S.

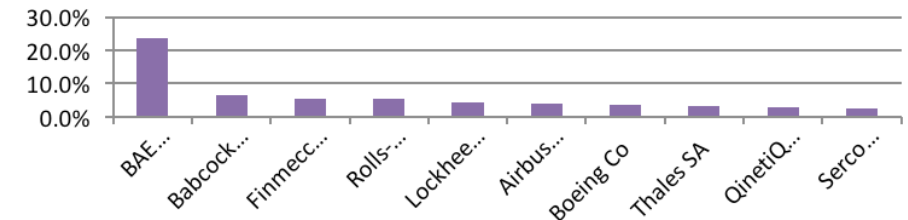
DE&S uses a range of procurement routes to engage suppliers and deliver the support required by UK Armed Forces.

By engaging with key stakeholders such as the Customers and potential suppliers (including dstl) to consider commercial issues early in the

procurement lifecycle, DE&S can shape the resulting procurement and support contract to ensure that the solution represents not only best value for money at that time but also contains mechanisms to promote continuing value for money.

Commercial officers working mainly within our delivery teams take decisions on which route to use based on the legal framework, the value and nature of the requirement, the structure of the market and any defence strategic considerations. Whilst ensuring the best commercial solution for defence, DE&S remains committed to pursuing the government agenda, through promoting the role of SMEs in the Supply Chain as well as the prosperity agenda.

Top Ten DE&S suppliers by proportion of DE&S spend 14/15



The contract landscape across DE&S is vast and complex: in 2015 84% of commercial people were recorded as working on contracts which represent just 12% of the spend; 1500 new contracts were placed of which only three were classed as Cat A procurements; and 19,000 contract

amendments were placed. This complexity means that DE&S needs to operationally align the commercial function to ensure that the right number of appropriately skilled personnel are able to deliver contracts and support in the most efficient and effective manner.

## EARLY COMMERCIAL CONSIDERATIONS

Early engagement with the Customers and potential suppliers to develop initial picture of possible supply landscape and to consider:

- export in specifications so that the product is not priced out of the market and build in 'UK only' protections early and as appropriate
- appropriate rights for MOD around Intellectual Property in hardware, software and documentation such as operating manuals
- potential for Commercial Exploitation Levy to be forecasted from the outset

Manage the Whole Life Cost by:

- ensuring all specification costs and drivers are understood early
- considering contracting for support early and in parallel with platform procurement to take into account Service Level Agreements looking at availability, sustainability, reliability and safety

Oversee the relationship with the Front Line Commands, DE&S and suppliers to be productive, efficient and commercially astute

## CONTRACTING AND SUPPLIER STRATEGY

Industrial landscape:

- Is there a market for the requirement or is there only a single supplier capable of delivering it?
- Can the requirement be competed on the European or international markets or does UK Industrial Policy direct a UK supplier?

Short term transactional relationship versus longer term partnerships which may promote innovation

Consider and promote role of SMEs in the Supply Chain

Promote the prosperity agenda through taking into account where appropriate, the wider economic context in the financial evaluation of bids

Identification and management of critical suppliers through Supply Chain management strategies

## ALIGNMENT OF COMMERCIAL WITH OPERATIONS

Need the appropriate number of appropriately skilled commercial resource across all grades

Embedding of the Single Source Contract Regulations and timely agreement of single source rates: approx £6-£7bn of spend per annum is single source expenditure, 25% of which is attributed to supplier overhead; this equates to approximately £1.5-£2bn annual spend to be addressed

Contract management and supplier management plans that monitor contract performance against agreed metrics and deliverables, supported by robust management information

Contract landscape across the DE&S portfolio: potential for contract consolidation and packaging strategies across Operating Centres and domains to understand fully suppliers at a DE&S business level

Consistency of approach to procurement and contract processes across the domains to increase efficiency

Focus on contract administration to ensure timely and proper supplier payments within the bounds of the approved contract



## 4.8 Contract control

*Contract management is a key discipline to ensure our suppliers deliver the goods, services and works in accordance with the contractual arrangement.*

Our teams, with input from Commercial, proactively monitor and manage contracts with our suppliers. This means that we hold our suppliers to account for their committed obligations and similarly all of our DE&S teams strive to meet our contractual obligations.

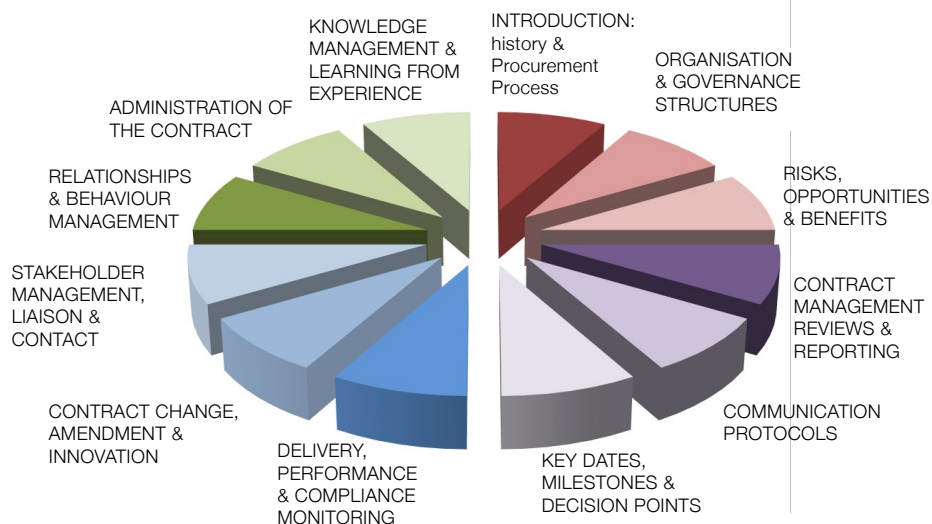
DE&S actively manages the value delivered by our contracts through life so that we secure maximum benefit from the contractor and meet our Customers' needs on a timely basis. If our suppliers fall short of their commitments or if they outperform in a way that delivers additional benefit to

the MOD, we act promptly and use the relevant remedy or reward provisions in the contract.

Effective contract management depends on effective contract administration. We aim to pay our suppliers within five days to comply with the Government's five day prompt payment initiative, however, we only pay those invoices that have a valid Purchase Order against contracts which comply with our internal controls and assurance framework.

The Contract Management Handbook is the primary source of guidance for our teams for effective contract management. The framework contains a number of templates for use depending on the value and nature of the contract.

### Contract Management Handbook Sections



## 4.9 Stakeholder management

*Our diverse internal and external stakeholder base includes our own workforce, the wider MOD, our military Customers, industry and the international community.*



We engage with our trades unions and we report progress against our objectives and deliverables to the MOD, our Customers and to Parliament.

We use a range of formal and informal communication channels in addition to project and programme meetings. These include:

### Internal

- DE&S Bitesize – weekly all staff email
- DE&S Face to Face – monthly Executive Committee cascade briefing delivered by team leaders
- Town Halls – regular group presentations (e.g. CEO town hall)
- DE&S Intranet – blogs, rolling updates, news and publications
- Employee Engagement Survey – annual staff survey and management plan

### External

- DE&S Corporate Plan – setting out our strategic direction and objectives. The plan is produced for three years and reviewed on an annual cycle
- DE&S Annual Report and Accounts – setting out our financial status
- DESIDER Magazine – monthly publication providing news and features
- Media – proactive campaigns, reactive briefings and media facilities
- Industry Days – tailored events with industry colleagues
- Defence Exhibitions and events – information stands and presentations
- www.gov.uk – key publications and information
- Social media – MOD Twitter, Facebook, and LinkedIn pages



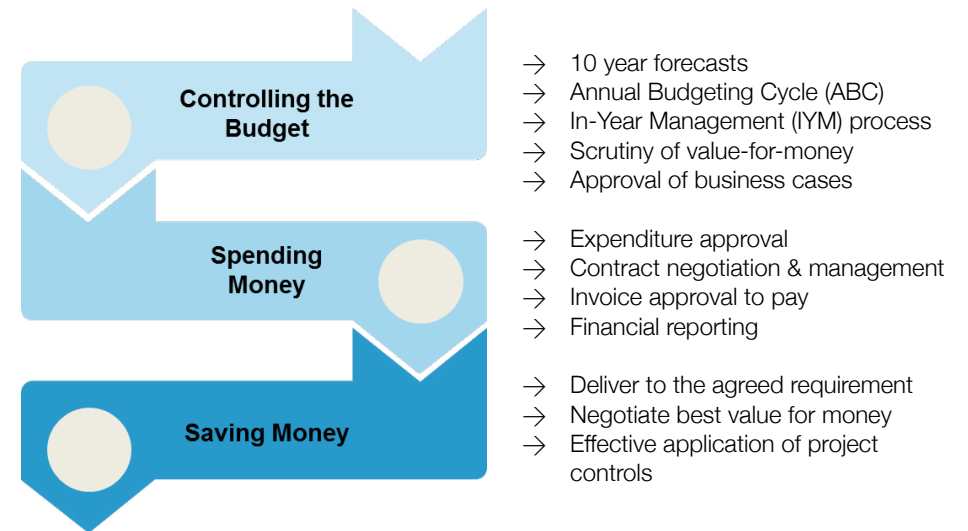
# 5

## How we manage budgets & account for our money

### 5.1 Financial management

*We all need to comply with the standards and delegated financial authorities described in "Managing Public Money".*

Our financial management processes help us deliver cost-effective solutions for our Customers and value for money to taxpayers.



## 5.2 Our budget

*We are directly responsible for our own operating expenses. We manage the equipment procurement and through-life support of in service equipment on behalf of our Customers.*

The defence budget is allocated to the MOD by the Treasury.

The MOD delegates the bulk of the equipment budget to the military Commands, giving them responsibility for prioritising what's most critical.

The Equipment Plan includes the Equipment Procurement Plan – covering new equipment, and the Equipment Support Plan, which is for supporting new and in service equipment. While major procurement activity often gets significant media attention, equipment support is a critical part of our delivery – the 'S' in DE&S.

The cost of the Equipment Plan is built up from the baseline and forecasts

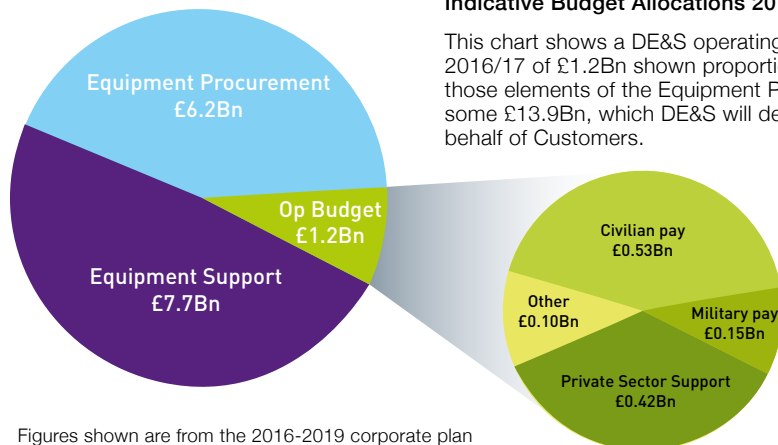
generated by delivery teams, who have responsibility for delivering within performance, cost and time parameters. While DE&S does not hold the budget for the Equipment Plan, we deliver against it on behalf of our military Customers.

DE&S manages its Operating Expenditure (OpEx) budget, which flows from MOD Head Office. It is the only budget that DE&S owns and controls. The OpEx budget includes civilian and military pay as well Private Sector Support and infrastructure spend. Our OpEx budget is fundamental to managing our performance because it pays for the resources used to deliver our Programme of Work.

Budgets are reviewed as part of the Annual Budget Cycle and therefore subject to change each year based on the decisions of Parliament processed through the Treasury. Any underspend is normally returned to the Treasury.

### Indicative Budget Allocations 2016 to 2017

This chart shows a DE&S operating budget 2016/17 of £1.2Bn shown proportionate to those elements of the Equipment Programme, some £13.9Bn, which DE&S will deliver on behalf of Customers.



Figures shown are from the 2016-2019 corporate plan

## 5.3 Inventory management

*We hold our Customers' asset registers and lead their efforts to drive down inventory holdings by tightly controlling new purchases and disposing of unnecessary stock.*

Our inventory is essential to help our forces react quickly to threats and sustain military operations.

DE&S manages approximately 660,000 different commodities, munitions and spares with over eight hundred million individual items on the shelves.

We use a Forecasting and Requirements Planning process to strike the right balance between holding enough stock to provide military commanders with freedom of action,

while avoiding obsolescence, excess storage costs and over-provisioning. The distribution, storage and upkeep of stock is undertaken both directly by DE&S (e.g. at the Defence Munitions depots) and under contract (e.g. the LCS(T) Leidos contract). Our teams are required to control assets held in Industry, and to participate in a monthly cycle of supply/demand balancing in partnership with the Commands and Industry.

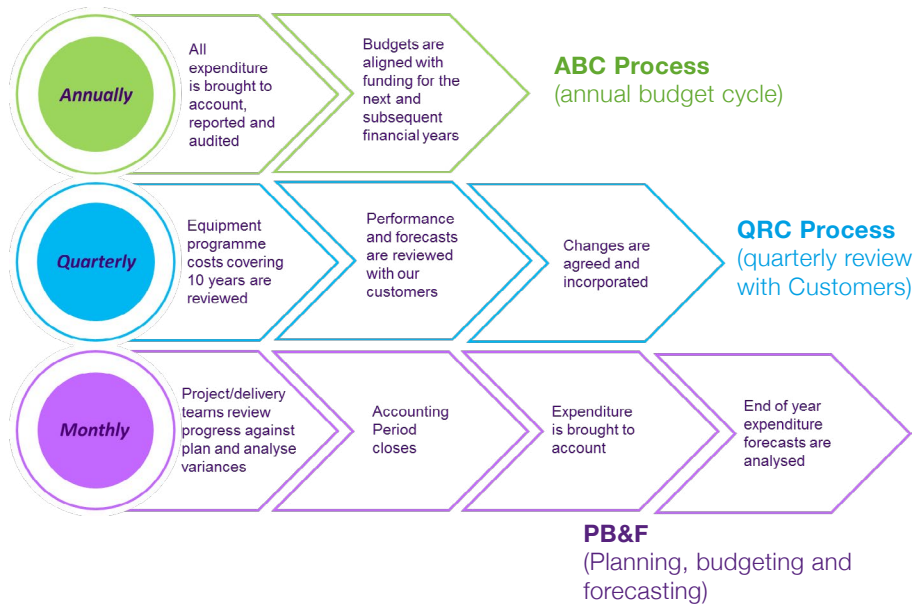
DE&S has used these processes to reduce gross inventory from £40Bn in FY11/12 to £28.5Bn (in FY15/16), while cutting inventory purchases in half, and will continue to invest in the information systems that we use to optimise our holdings.



## 5.4 Financial reporting

*Our reporting cycle is tailored to meet the needs of our delivery teams, our business, our Customers and to comply with financial standards.*

The financial reporting cycle is embedded with performance reporting so that a single source of data is available to support effective decision making, and where necessary, corrective actions.



# 6

## How we develop our people and capability

*Enhancing the service to our Customers by attracting, developing, retaining and productively employing the highly skilled people we need to perform our complex tasks.*

### 6.1 People strategy

Our People Strategy has been designed to make best use of the employment freedoms we have been granted as part of our Bespoke Trading Entity status. Its underlying principles align with the key stages of the employee lifecycle, covering how we attract, develop, deploy and retain our people.

Our approach to people management seeks to create a compelling and sustainable proposition for civilian and military personnel alike, resulting in an organisation where deeply skilled specialist staff work together to achieve corporate goals.

### 6.2 Employee Value Proposition

We believe that DE&S is a great place to work and have developed the Employee Value Proposition (EVP) to describe exactly what our people can expect from the organisation. The EVP is aligned to The DE&S Way and centres on the following themes:

→ **Who we are:** We serve and protect our Armed Forces

→ **What we do:** We do interesting and challenging work

→ **How we work:** We have great people who give their best

→ **How we are recognised:** We have a broad reward package

→ **How we develop:** We can develop to reach our best

### 6.3 The DE&S Professional

The DE&S Professional is our competency framework. It summarises five cross-cutting competencies which capture the skills and behaviours we need from our people in a transformed and thriving DE&S. These cross-cutting

competencies complement the Function Skills, which describe, for each of our 11 functions, the professional, specialist skills that drive and develop professional excellence.



## 6.4 Performance management

It is vital that we all understand how personal performance connects to the performance of DE&S business overall.

Individual objectives are agreed between job holders and managers at the beginning of each reporting year and captured in our Performance Appraisal Reports. Managers at all levels monitor performance through a series of

formal and informal conversations held throughout the year.

Our performance management approach will evolve over time as we get better at getting better and improve the application of the skills, competencies and behaviours we need to succeed.



## 6.5 Diversity and inclusion

We encourage diversity in our organisation because we understand that new perspectives can help make us stronger. We recognise the need to reach out into the wider community to attract the widest range of talent and to help us become more representative of the communities we serve. We fulfil

our duty as public servants to embed consideration of equality into our business decisions. We strive to offer an inclusive working environment in which everyone can be themselves without barriers to achieving their full potential.

## 6.6 The behaviours that support our organisation

To ensure that DE&S can meet our objectives, support our people and deliver to our Customers we need a common set of behaviours in our organisation.

**We work as one team with our Customer** - 'I am part of a big organisation but we work together to deliver for our Armed Forces'

We are a diverse organisation but we are one organisation, one team. We take a wide perspective on our business and what we do supports our long standing passion for doing the right thing for our Customer and the wider defence community.

**We are professional in everything we do** - 'I have a unique contribution to make and I bring my skills to the fore to benefit the organisation'

We are an organisation of professionals and we deploy our skills to the best of our ability. We keep professionalism front of mind in how we interact with each other, how we serve our Customer, and how we interact with our supply chain.

**We deliver on our promises. No excuses.** - 'I look for opportunities to show what I can do, to take ownership and to help our organisation succeed'

In our organisation, delivery is king and time and money matters. We deliver on our promises and we're an organisation where people take personal responsibility for the role they

have and help others in the business do the same. We will hold each other to account and take action when we see behaviours that are unhelpful.

**We are committed to getting better** - 'I help make DE&S better by sharing what I know. My creativity and perspective helps make DE&S a better place'

We're not afraid of change; in fact we embrace it because it helps us deliver. We will never settle for 'good enough'. Innovation is important to us. When we have good ideas we share them in order to help our organisation grow and improve.

**We support one another** - 'I work collaboratively with and seek feedback from colleagues across the entire organisation to deliver for our Customers'

We are a team of both civilians and military personnel who work together toward a common goal. We encourage diversity in our organisation because we understand that new perspectives can help make us stronger and we're committed to widening the perspectives that make up our organisation. We are focussed on creating a supportive environment that enables everyone to bring their best to DE&S.



# 7

## Glossary of terms

### 7.1 Glossary of terms

---

**ABC** – The Annual Budget Cycle; the MOD’s financial planning process.

**APM** – Association for Project Management; the professional certification body and project management association promoting and developing project, programme and portfolio management.

**Asset registers** – An overview of items/resource from which the Department or business expects to derive a future benefit.

**Baseline** – the articulation of what we have to deliver to the Customer, by when and at what cost.

**BTE** – Bespoke Trading Entity; the DE&S operating model, as defined in HM Treasury’s policy document, ‘Managing Public Money’.

**CADMID** – Concept, Assessment, Development, Manufacturing, In-service, Disposal. This is the MOD acquisition cycle.

**CASP** – Command Acquisition and Support Plan; the formal agreement that captures the outputs against which our teams will deliver for each of our Customers.

**CPI** – Cost Performance Index; tool which measures the cost performance of a project.

**Crown servant** – category of public official working for the Government; including Civil Servants, the Armed Forces and those working in the diplomatic service, as opposed to other forms of public officials, for example those working for the NHS or local government.

**Defence Operating Model** – The framework describing how the Ministry of Defence works.

**DBS** – Defence Business Services; the provider of professional corporate services (including corporate Human Resources, payroll and security vetting) to the MOD.

**DIO** – Defence Infrastructure Organisation; responsible for the built and rural estate of the MOD.

**dstl** – Defence Science and Technology Laboratory; maximises the impact of science and technology for the defence and security of the UK.

**EVM** – Earned Value Management; how we plan, cost manage, and measure performance on our projects taking account of scope, schedule, cost, risk, and resources.

**EVP** – Employee Value Proposition; sets out the benefits of working at DE&S.

**EPP** – Equipment Procurement Plan; covers the procurement of new equipment.

**ESP** – Equipment Support Plan; covers support to new and in-service equipment.

**Function management structure** – Part of the balanced matrix approach to the management of DE&S people. Staff have been aligned to one of 11 functions, which provide their ‘professional home’.

**ISS** – Information Systems and Services; provides communications support for MOD operations and business.

**LCS(T)** – Logistics Commodities and Support Transformation.

**‘Managing Public Money’** – HM Treasury publication providing guidance on how to handle public funds; <https://www.gov.uk/government/publications/managing-public-money>

**MOD Head Office** – The Ministry of Defence on Whitehall, where our Ministers are based.

**OGSM** – Objectives, Goals, Strategies, Measures. A framework for focussing our attention on what matters to our business.

**PAR** – Performance Appraisal Report; our way of formally capturing civilian staff performance throughout the year.

**Programme of Work** – The plan for what DE&S will deliver to its Customers, as agreed through the Command Acquisition and Support Plan.

**SDSR** – Strategic Defence and Security Review; an outline of the UK’s defence strategy up to 2025.

**SPI** – Schedule Performance Index, a tool which measures how efficiently a project is progressing against planned progress.

**SQEP** – Suitably Qualified & Experienced People.

**TRaC** – Time Recording and Charging; allows us to accurately reflect time spent delivering projects, services, or support.

**Transformation Programme** – The work underway to improve the efficiency and effectiveness of DE&S.

**Urgent Operational Requirements** – the rapid procurement of capability to support operations.



Ministry  
of Defence

The logo for de&s is a white triangle pointing to the right, containing the lowercase text 'de&s' in a sans-serif font.

ABW-16-084  
DE&S Creative Team

© MOD Crown Copyright 2016