



Ministry of Defence

Finance and Military Capability

Operating Model

Finance and Military Capability (FMC) Operating Model

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Introduction

Within the delegated model, set out by Lord Levene, most decisions relating to capability and financial management are being made outside Head Office (HO). As such, the FMC Operating Model (FOM) aims to provide higher level direction and guidance to help with decision-making, rather than strict instruction. The FOM serves as a store for core FMC functions with other publications such as the Defence Acquisition Handbook and Capability Management Practitioners Guide offering a more detailed explanation.

This model aims to balance risks related to finance and capability by:

- bringing together HO functions with Top Level Budget (TLB) processes to allow us to create a broader range of solutions within the money we have available while keeping appropriate oversight and assurance;
- using the broad approach and limits of Defence planning within a framework which can be audited and matched to risk and performance reporting; and
- using methods of governance and assurance to deliver the planning and resources needed to maintain a balanced and affordable programme.

DCDS (Mil Cap) and DG Fin

Section 1 – FMC central functions

Overview

The FOM is designed to strengthen the link between managing our finances and delivering military capability. It operates within the restrictions of the organisation and follows the direction set out in the Defence Operating Model. The aim is for military capability to be planned, resourced and delivered across all the Defence Lines of Development (DLoDs) and for balance of investment decisions to be taken which create the best Defence outputs from the resources available. To deliver this approach, we have included the following features when designing the FMC organisation:

- A unified Finance and Military Capability organisation in HO which directs significant issues and maintains balance of investment controls over the link between resources and capability.
- The organisation will oversee the planning for how resources are allocated and capability is delivered.
- The detailed capability planning and delivery functions are delegated to the Commands who have been given greater authority.

The principles of the design (from the Levene report) are:

- a smaller, stronger and more strategic HO;
- realistic and affordable Defence;
- simpler processes;
- a clear approach to investment decisions;
- clear, timely and uniform direction;
- an incentive for cost leadership;
- clear development of the force; and
- the best financial, capability and safety risk balance.

1. **Strategic planning.** The way in which HO carries out strategic planning and manages the links between the different parts of HO is shown in the 'How Defence Works' publication. The process is shaped by a 5-year Strategic Defence and Security Review (SDSR) cycle and managed through an annual Defence Plan (DP), annual budget cycle (ABC) and annual TLB Command plans (CPs) to make sure that we have a strategy that balances our policy aims with available resources and capacity. DG Sec Pol and VCDS lead on our input to the SDSR on behalf of PUS / CDS and as directed by the Defence Strategy Group. This process co-ordinates across the Department to deliver SDSR outcomes and the Strategy for Defence (SfD). The process of putting together, drafting and securing agreement to an SDSR will cover the whole Department to bring together people's views on policy, capability and resources, and these are then made into detailed Defence Strategic Direction (DSD).

- This model supports the SDSR process. We will use the outcomes of the SDSR to create Defence planning assumptions (DPAs) and financial planning assumptions which form the backbone of the strategic direction against which we can create a DP and take balance of investment decisions. This then allows us to produce TLB CPs.
- Between SDSRs, strategic planning will also make sure all other functions collect and keep evidence to support the next SDSR.

2. **FMC central functions.** Listed below are the FMC central functions and their respective 2* leads.

a. **Strategic, Finance and Military Capability Coherence Function (Assistant Chief of Defence Staff Capability & Force Development (ACDS C&FD) / Director Financial Planning (D Fin Planning)).** This function is responsible for:

- providing the focus through which FMC will inform and support the SDSR process;
- co-ordinating the Financial Planning Function and Capability and Force Design Function to deliver clear plans for Defence;
- making sure we have a balanced and affordable DP and a clear and approved set of subordinate TLB CPs;
- carrying out planned balance of investment so we know what the minimum is in the core Defence portfolio and any space we have for investing to deliver Defence outputs;
- providing the evidence to the Defence Board (DB) that allows us to make decisions about balance of investment within the resources we have and taking account of strategy and policy requirements (when necessary, this function may carry out its own investigation and studies to support the DB);
- providing direction and guidance in this Operating Model and in supplementary instructions, for example, ABC Instructions; and
- setting out the limits of TLBs within which the financial planning function is carried out.

b. **Financial Planning Function (D Fin Planning supported by ACDS C&FD).** This function is responsible for:

- developing the corporate planning assumptions and other financial planning assumptions;
- co-ordinating Defence negotiations with Her Majesty's Treasury (HMT);
- setting the level of financial risk the Department is willing to take (within which TLB Directors of Resource will set TLB risk levels);
- managing the process for the drawdown of funds from the Departmental centrally held contingency;
- deciding who will be responsible for financial risk; and
- owning the financial mediation and arbitration process.

c. **Capability and Force Design Function (ACDS C&FD supported by D Fin Planning).** This function is responsible for:

- setting the future force structure aiming point and capability priorities over a 10-year period (Interim Force and Future Force) while being aware of the resources available to reflect the outcome of an SDSR or CSR;
- setting our attitude to risk in terms of capability and safety based on the Defence Capability Assessment Register (DCAR) and investment priorities;
- maintaining and testing the approved planning scenarios;
- managing the DCAR and supporting operational analysis;
- providing evidence to support our strategic planning;
- providing high-level Science & Technology advice on research priorities;
- directing estate and infrastructure planning as a key enabling component of capability.

d. **Risk, H2A and Performance Management Function (Director Corporate Strategy (Dir Corp Strat) supported by ACDS C&FD / D Fin Planning).** This function will carry out clear Holding to Account (H2A) reviews between Command and TLB holders and PUS, and by working with Command and TLBs give senior management the information they need to make strategic decisions. This function will also:

- monitor and report on the DB set performance metrics;
- report on risk and issues to support the DB;
- monitor performance against DB strategic aims, Command and TLB plans and other targets;
- analyse what is reported to help us make decisions; and
- monitor how the Defence portfolio is delivered and produce or get performance reports, for example, to the National Audit Office, HMT or Cabinet Office.

e. **Approvals and Scrutiny Function (D Fin Planning supported by ACDS C&FD).**

Our approvals process allows Ministers and the Accounting Officer (PUS) to carry out their responsibilities to Parliament and the taxpayer. Through non-advocate, independent scrutiny of all investment decisions, the Investment Approvals Committee (IAC), or their delegated approving authorities, will:

- provide assurance that a particular proposition for investment will deliver the required benefits, achieve value for money throughout its life, is affordable and will be acceptably safe; and
- give HMT the confidence to continue to delegate substantial approval responsibilities to MoD.

f. **Evidence-based processes and decision-making.** Clear and traceable evidence should always support strategic decision-making, as outlined by the Civil Service Reform Plan and the Cabinet Office 'What Works?' initiative. FMC will develop a credible evidence base and carry out its own analysis. It will also commission supporting operational analysis, and make best use of relevant operational analysis commissioned by others across Defence. This supports FMC core functions such as its input to SDSR, carrying out strategic balance of investment and testing endorsed planning scenarios.

g. **Develop the Defence Plan Function (Dir Corp Strat supported by ACDS C&FD).**

DG Sec Pol is responsible for formulating policy and the DSD, but Mil Cap will contribute to this by:

- allowing us to create affordable and deliverable DPAs;
- providing a picture of any gaps in capability and risk for the whole of Defence;
- setting strategic research priorities (DCDS (Mil Cap) sits on the R&D Board, which gives direction on research priorities); and
- carrying out capability evaluations by leading our strategic force-development and force-testing process.

Mil Cap is also responsible for translating DSD into strategic capability requirements across the full Defence Programme over time. These requirements will be set out in the DP and will include prioritised 'output'-based requirements in the output map.

h. **Command Plan Assurance Function (Dir Corp Strat supported by ACDS C&FD and D Fin Planning).**

CPs form the contract between HO and the TLBs to meet our requirement as set out in the DP. Mil Cap, among others, is responsible for providing assurance that plans are derived from and coherent with the DP, reflect dependencies across TLBs, are affordable, and contain a manageable level of financial, capability and safety risk.

i. **Managing the overarching framework for the Defence Estate (ACDS C&FD).** Mil Cap is responsible for setting and assuring strategy and policy direction for infrastructure and the estate, and for protecting Defence capability interests in wider government initiatives,

requirements and targets. As Defence Authority¹ for Capability Coherence, DCDS (Mil Cap) is responsible for setting any necessary internal controls consistent with managing corporate risks and coherence, and striking the balance between corporate needs and TLB freedoms.

¹ A Defence Authority is a person, formally appointed by PUS, who is authorised to issue general directions to do with a specific area of defence activity. The Defence Authorities set rules and standards to make sure they deliver a key function that cuts across Defence and which is critical to outputs. A Defence Authority is held to account for how effective the function is, how proportionate their rules are and their development in line with changes to regulation or changes to the strategic direction of Defence. The Defence Authorities must involve TLBs to make sure that the policies set out in defence directives are deliverable and affordable within the TLBs budget. The TLB is then responsible for following the direction provided by the Defence Authorities and set out in the defence directives. Disputes between defence authorities and TLBs should be dealt with using the mediation and arbitration process. A full list of Defence Authorities is at Annex B.

Section 2 – Governance

1. **Role of DCDS (Mil Cap).** Under the new Defence Operating Model, our financial and military capability areas plan and deliver safe, affordable military capability across the DLoDs. DCDS (Mil Cap) is Defence Authority for Capability Coherence, and working with DG Fin, is CDS's principal staff officer for developing military capability and answers to him for the following:

- a. **Developing the force.** Provide clear direction and guidance to achieve the Future Force structure and long-term capability requirements set out in SDSRs, and so we can develop the DP.
- b. **Balance of investment.** Making strategic balance of investment recommendations which are consistent with the above, to meet requirements in terms of capability and safety. This includes recommending priorities for spending in the near future to make best use of any financial surplus and identifying where savings may need to be made.
- c. **Capability coherence.** Making sure that the individual activities and proposals of the TLBs continue to meet our best interests (including our overall strategic approach to industrial and commercial issues).
- d. **Capability assurance.** Assuring progress towards delivering our outputs structure and long-term capability requirements set out in the SDSR, including as part of the holding-to-account process.

2. Part of these responsibilities is the requirement to make sure that there is enough freedom of movement to allow our portfolio to be adjusted to meet new risks and issues and allow us to buy essential capability that is matched to affordability.

3. **Role of Director General Finance (DG Fin).** To support stronger financial management across Defence, DG Fin has increased authority under the Defence Operating Model and is a member of the DB. They are responsible for the control framework, chair the IAC and share line management of the TLBs' Directors of Resources with the TLB holder. DG Fin has specific responsibility for:

- Departmental planning;
- financial planning, policy and assurance;
- regulatory oversight;
- leading spending-review negotiations on the future size of the Defence budget;
- overseeing and governing efficiency and value-for-money work across Defence;
- arrangements for managing the performance of the DB;
- treasury functions (including banking and managing cash);
- economic advice and statistical services;
- the strategic direction and performance of trading funds; and
- advice on corporate governance, internal control, internal audit and arrangements for managing risk.

4. **FMC Structure.** To deliver these responsibilities DG Fin and DCDS(Mil Cap) are directly supported by two 2* departments which are detailed in Figure 1 below.

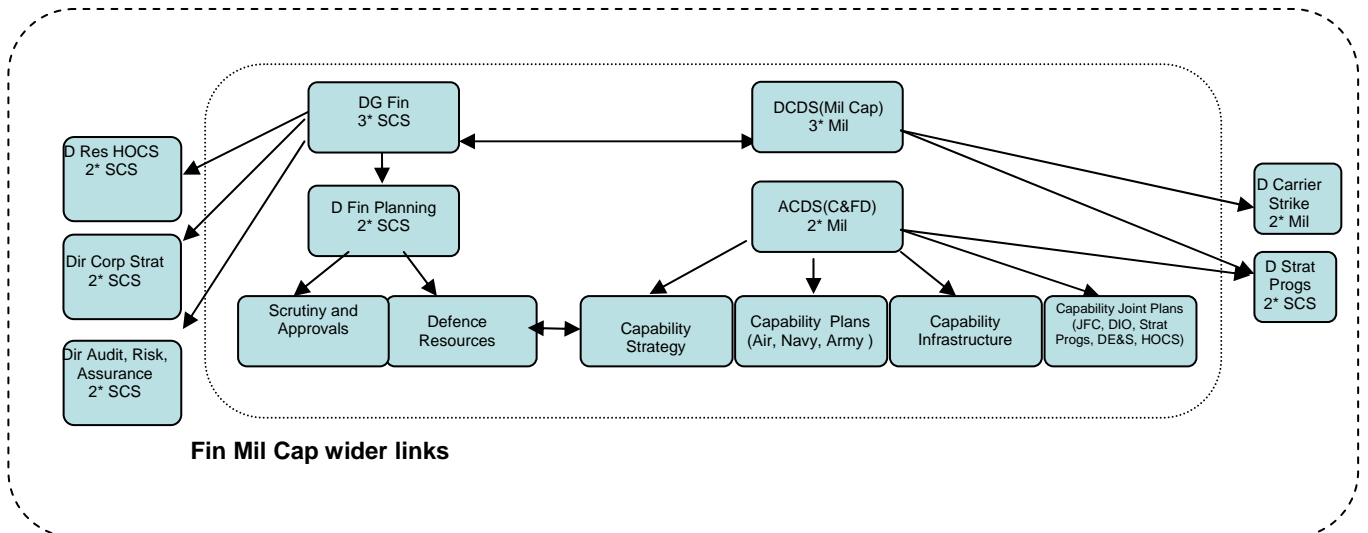


Figure 1 – FMC Organisation

5. DCDS (Mil Cap) wider responsibilities.

a. **DE&S customer voice.** The equipment, services, logistics and support to be provided to Commands by DE&S are set out in bilateral smart contracts. (These will become Command acquisition support plans (CASPs) in April 2015.) DCDS (Mil Cap) will discuss with Commands their view of DE&S performance, and bring those views to the DE&S Management Board and Owner's Council. The council can then see them alongside the assessment of DE&S's performance against their main performance indicators.

b. **DIO customer voice.** DCDS (Mil Cap) will canvas the views of DIO's customers on the performance of the organisation, and bring any concerns to the attention of the Owner's Strategy Board. He is also the chair of the Infrastructure Joint Committee, which sets the strategic direction for infrastructure planning. The committee prioritises the HO and front-line demands, so that they can give direction to DIO, and make sure it lines up with other planning for investing in capability.

c. **Strategic manpower.** DCDS (Mil Cap) is CDS's main staff officer for planning and developing affordable military capability. Within the delegated Operating Model, he makes sure that the military manpower capability direction and guidance given to the TLBs is clear, well-informed and affordable, and assures all aspects of planning manpower are consistent with our overall military capability needs and priorities.

6. **The Military Capability Board (MCB).** Capability management in HO is governed by three main areas, the DB, the Armed Forces Committee (AFC) and the MCB. In formulating advice for the DB and AFC, DCDS (Mil Cap) will chair the MCB, bringing together important players in managing capability. Their aim will be to²:

a. support the SFD process across all DLoDs, to provide prioritised, clear direction and guidance which allows us to achieve future force structures and develop TLB CPs;

² Command and TLB capability management leads, ACDS (Mil Strat and Ops), ACDS (Pers & Trg), ACDS (Log Ops), DJW, DIO Strategic Asset-management and Programme Team – Director, DST Rep, DECS IP, DIO SAPT-Director.

- b. consider strategic balance of investment recommendations across the DLoD, prioritising between competing demands on resources and supporting the process of making informed, clear proposals to the AFC and the DB;
- c. review progress by the TLBs towards the Future Force structure;
- d. support the Capability Coherence Authority function, including overseeing the Defence-level equipment plan and capability portfolio;
- e. support the SDSR process by informing and helping to shape strategic decision-making;
- f. analyse Defence-level capability and safety risks, and make sure that Defence-level risk-mitigation strategies are understandable and affordable;
- g. provide clear guidance and prioritisation on responding (outside the CPs) to emerging operational requirements;
- h. support the process of responding to emerging resource pressures, outside the CPs; and
- i. oversee other work which needs a clear Defence approach to military capability strategy³.

7. **Capability Coherence Authority (CCA).** The Defence Authority for Capability Coherence (CCA) is DCDS (Mil Cap). In exercising this authority the FMC organisation will assure capability coherence as part of the Defence programming process by considering the DSD, DP, DCAR, and CPs, Defence Authority guidance as well as other work (for example, DOC audit reports, bespoke capability investigations such as the Joint Warfare report etc). This will make sure that all the dependencies required to deliver a capability are planned, funded and sequenced appropriately. The staff working to DCDS (Mil Cap), in their role in making sure Defence policy is fulfilled while assessing capability and financial risks, are all part of the capability coherence function. DCDS (Mil Cap) is also responsible for providing military advice to the DB on matters of capability risk. Where a capability, safety or financial risk cannot be tolerated, the CCA will propose action. The following details who is responsible for what.

- a. **Head Office.** The HO directs activity.
 - (1) ACDS (C&FD), working alongside D Fin Planning and with agreed financial information and analysis provided by Defence Resources, will lead strategic balance of investment activity.
 - (2) The results of this process, whether carried out as an in-year exercise or across the longer term programme, will provide the background for HO's direction in case of capability.
 - (3) The HO will issue timelines, instructions and the DP.
 - (4) This function will be carried out alongside other capability related Defence authorities including people, safety, logistics, and cyber and C4ISR.

³ For example, prioritising infrastructure across the front-line Commands, science and technology prioritisation, international capability collaboration, operational energy efficiency, ESP efficiency initiatives.

b. **TLBs.** TLBs develop and generate capability.

(1) Each Command manages a 'sub-portfolio' of change and capability programmes, which includes a plan matched to policy and affordable, for the move to the future force.

(2) Each Command audits capability and conducts analysis to support decision-making; reducing the risk with future investment decisions. This forms part of the CP.

(3) TLBs appoint Senior Responsible Owners (SROs) who, on behalf of the TLB, are responsible for making sure that a specific programme delivers the outcomes and benefits articulated in the business case and meets its aims within agreed costs and timescales.

(4) A lead Command will take responsibility for planning and delivering a capability where aspects of it fall to more than one Command. The Lead Command will:

(a) in all cases, carry out capability planning and force development (although it may, through a Joint Business Agreement (JBA), give the task of delivering some of the capability to another appropriate command);

(b) grant permission for another dependent command to authorise spending using the Lead Command's budget allocation;

(c) is responsible for applying formal scrutiny and approvals across all DLoDs of the whole proposal; and

(d) acts as sponsor and appoints the SRO.

8. **Assurance.** Assurance of CPs and Command Management Plans (CMPs) is provided by FMC Cap Plans and FMC Cap Joint Plans, supported by FMC Cap Infra, as appropriate, with the responsibility to assure affordability and coherence⁴ both within and across TLBs.

9. **Arbitration.** Inter-TLB arbitration is carried out, where necessary, with single Service Assistant Chiefs Of Staff, the MCB, and finally the Armed Forces Committee (AFC) if the circumstances are very severe. The arbitration process is covered in more detail in section 5.

10. **Reporting.** HO, drawing on data and analysis provided by TLBs and acquisition organisations, prepares reports and data to inform the National Audit Office and HMT.

11. **Head Office Finance Reviews.** As part of the in-year and ABC financial processes, D Fin Planning will carry out finance reviews with each TLB Director of Resource. The reviews will focus on:

- all aspects of those financial management responsibilities delegated to TLBs;
- the performance so far;
- the forecast for the rest of the financial year and the following year;
- any issues presenting themselves within the 10-year plan, particularly coming from the Command's quarterly review with DE&S; and
- a review of financial risks.

As a result of these reviews, DG Fin will be able to present the consolidated Defence position to the DB. As well as assuring that the Command and TLB is on track and all accounting issues are being managed, DG Fin will be able to form a view on the requirement for any contingency

⁴ Capability Coherence work is supported by Joint Warfare (JW).

drawdown or where savings will have to be found. Or, DG Fin will be able to decide whether funding is available to allow the MCB and AFC to consider extra investment in capability.

12. **VCDS stocktake.** Chaired by VCDS with DCDS (Military Strategy & Operations) as the lead 3*, the strategic stocktake is the main way to assess the effectiveness of the current force structure⁵ and review and agree the current operational priorities in relation to contingency. It provides direction through the chain of command and helps VCDS to formulate his advice to CDS and the AFC. The committee has three broad functions.

- (1) To identify where we are carrying risk against contingency, but also against standing commitments and current operations when necessary.
- (2) To propose prioritised strategies to deal with risk in the contingent and current operational space.
- (3) To advise DCDS (Mil Cap) on the balance of risk and prioritisation across DB Strategic Objectives (DBSOs) 1-3 (the immediate operational requirement).

The main capability planning output will be a prioritised list of recommended options to deal with identified capability shortfalls in the most likely emerging operational contingencies and current operations, and is supported by the Joint Warfare report.

13. **Senior judgement panel (SJP).** The SJP is chaired by VCDS in a senior forum which provides judgements and viewpoints to help with options relating to force structure and any rebalancing to meet emerging policy and strategy choices. The SJP considers possible strategic choices for Defence and informs any changes that are carried out during SDSRs. It also considers strategic Defence lessons and insights from the SFD process⁶ and gives military advice on possible structures for the future force. The SJP guides the development of DCDS (Mil Cap)'s work and the work of the MCB.

14. **Studies assumptions group (SAG).** ACDS (C&FD) carries out a governance role for SFD and Command force development (FD), by chairing the SAG Committee. This role includes defining the example future planning scenarios and their publication in the SAG Book, agreeing to particular variations and excursions, and reviewing and endorsing insights which come from the SFD and Command FD programmes that make best use of the development and analysis of these SAG scenarios. The SAG Committee is also responsible for providing the main assumptions for analysis carried out using the SAG scenarios, which are published in the SAG Book. The SAG Committee is attended at 1* level and is supported by an OF5-level working group.

15. **Command capability management.** So that capability planning can be carried out within the Commands, a Generic Capability Management Model (GCM) has been developed. The GCM is supported by a Capability Management Practitioners' Guide (CMPG) designed to give practitioners in the Commands and TLBs greater guidance and direction on how the functions will be carried out and supporting processes will operate. With responsibility for capability management being transferred out of HO, Commands will now need to take the guidance offered in the CMPG and develop their own guidance for managing capability. This guidance should sit within the various Defence-level publications that govern the process (*How Defence Works*, *FOM*, *ASOM* and so on) but should give details of the way in which the Commands will carry out the specific activity of managing capability.

- a. **Developing capability.** The COS Cap role:

⁵ VCDS also chairs senior judgement panels to explore the likely effectiveness of the structure of the future force.

⁶ The SAG Committee provides direction to the SFD process and endorses the output.

- supports Head Office in SFD;
- decides on the investment needed to provide the Defence outputs set by Head Office;
- advises the TLB Board on the priorities to inform both TLB balance of investment and submitting genesis options⁷ to Head Office; and
- advises the TLB Board on the risks to the Defence Outputs which Head Office need.

It will produce the Change and Capability Management Strategy and Plan (CMS/CMP) as part of the CP. It carries out capability audits and commissions studies and analysis to support decision-making and remove the risk from future investment proposals. It takes future ambitions in terms of capability and develops them into realistic, costed proposals. It will develop genesis options to meet future requirements and bid for new resources. Once approved⁸, it will develop the high-level programme business case, draft programme mandates and develop programmes until a bounded programme is handed to the appropriate delivery organisation and a senior responsible owner (SRO) is appointed.

- **Lead Command (developing capability).** TLBs and Commands may plan capability on a lead Command basis, where they have responsibility for a capability that spans more than one TLB. As such they will be responsible for providing that particular capability across Defence, and to make sure that all stakeholders are fully consulted in developing plans, prioritising and creating genesis options to support future investment. Resources secured on this basis for delivery must be ring-fenced and cannot be traded within the sponsoring TLB boundary to support other requirements. The principles for the lead Command model are outlined below and are shown in Annex A.
 - **Principle 1** – Think Defence then environment then service.
 - **Principle 2** – Reward good behaviour. The Commands will be encouraged by the knowledge that good behaviour will be rewarded.
 - **Principle 3** – Programme integrity – the Lead Command will make sure that resources programmed are used for the purpose intended.
 - **Principle 4** – Governance – the Lead Command will make sure that it is clear who is responsible for all actions.
 - **Principle 5** – Trust and transparency.
 - **Principle 6** – Dual-key primacy – Agreements may be created and amended to meet specific requirements.

b. **Delivering capability.** As sponsor, each TLB will manage a portfolio of programmes. Each programme will be delivered under the leadership of an SRO⁹ against a clear programme mandate, brief and supporting pan-DLoD business case. The SRO will normally be in a Command but, under the lead Command model, may be in a different Command from the sponsor and associated portfolio management. The SRO is responsible for making sure the bounded programme is delivered to meet the outcomes and benefits defined in the approved programme plan.

⁷ Genesis options are covered in more detail in Section 3, paragraph 15.

⁸ If self-funded approval takes place within the Command and it needs new funding, then approval is carried out in Head Office.

⁹ Or in the case of a standalone project a project executive.

- **Lead Command (delivering capability).** The Lead Command capability delivery models are shown below.
 - **Model 1 (Lead TLB/Command).** A single TLB or Command delivers on behalf of the rest. This is relevant when the other TLBs and Commands have a limited share or stakeholder interest in the capability area or where a Command has a lead role across Defence (for example, Air Command for ground-based air defence). The resources allocated for delivering endorsed programmes within a lead TLB or Command environment cannot be used elsewhere within that environment or adjusted without the necessary level of liaison and agreement being reached between the TLBs and Commands, and where necessary HO. As a result, the lead TLB or Command carries responsibility for acting in the interests of Defence as a whole.
 - **Model 2 (HO/Joint).** When a programme will benefit from a Defence or joint approach to marshal activity across the department and Commands, HO or JFC will take the lead. This is normally for programmes that are Defence-wide or have significant interest from other government departments and internationally. This option should be used sparingly and only when it is not appropriate to appoint another Command. It has most significance in major Defence-level business change, the nuclear and C4ISR areas.

16. **Financial contingency.** Financial contingency is held both in the Command and TLB (project and programme contingency) and in the HO (portfolio contingency).

- a. **Project and programme contingency.** In creating a new project or programme, Commands will set a financial risk baseline as part of the business case. This will set out the delivery strategy for the programme and a baseline funding profile for the overall programme and its subordinate projects. Significant risks with an effect on cost and time will need to be measured and included in a quantitative risk analysis. This will be used to set the level of risk to be managed inside project cost and any contingency above that to be held at programme level in the Command and TLB.
- b. **Portfolio contingency.** HO will hold a departmental unallocated provision (DUP) to deal with unexpected events and urgent emerging issues as part of its overall approach to managing risk. The DUP is held and controlled by DG Finance with the DB deciding how to use it.

17. **Military safety management.** DCDS (Mil Cap) also oversees how safety is managed. If a TLB holder judges that the TLB cannot provide the resources for an emerging safety requirement without threatening the delivery of key aims, the budget holder might ask the FMC organisation for help or guidance. In preparing advice on relative priorities, FMC staff must understand and be able to explain the nature of any risks they plan to tackle to provide an informed view on the balance of investment. It is very important that all safety risks that are identified to or by FMC staff are consistently recorded and managed through an auditable and accessible IM system. Currently the Defence Risk Tool is the only approved system for this purpose. Specific instructions on handling safety during the ABC are given in the ABC instructions and FMC staff should be familiar with that direction. The MAA gives specific direction on how to treat air-safety risks and the FMC approach is shown below.

- a. **Managing air safety.** After it is delegated, responsibility for managing air safety risks rests entirely with the FLCs, specifically through the duty holder (DH) construct which exists to provide effective operating air-safety risk management that is independent from the normal chain of Command. Moreover, the senior duty holder (SDH) in each TLB is also the budget holder who can therefore normally allocate resources to deal with risks. FMC has no formal

responsibility for air safety, but is what the MAA term a 'DH-facing' organisation which is needed to support aviation DHs to maintain air-safety risks at ALARP and no worse than 'tolerable'. Given this construct, our responsibility is limited to formulating advice to the DB, through the Armed Forces Committee, on prioritising military capability options. This may be in the context of strategic balance of investment decisions or in-year decisions on sharing out the unallocated provision. DCDS (Mil Cap) direction on managing air safety within the FMC construct is shown in his Air Safety Management Plan (ASMP). TLBs with a responsibility for air safety should also have an ASMP that is consistent with MAA regulatory articles, the FOM, and the FMC ASMP.

Section 3 – Defence programming processes

Overview

Under the Defence Operating Model, the responsibility to deliver the defence portfolio rests with the TLBs. As a result HO takes a more strategic role, directing the TLBs on what they are to deliver. Because of this, the executive power and accountability in Defence is with HO. Under this model, HO decides what policy is needed, the capability and financial restrictions and the level of risk and priority of different elements of the defence portfolio to inform TLB plans. The FMC organisation have developed a number of processes to support the HO 'direct' function which are shown in this section. It is not possible to provide a set of rules that explain how all issues will be dealt with under this model. Problems facing TLBs, that cannot be put right internally, will be raised to HO in yearly TLB reports in the autumn and dealt with on a case-by-case basis. The overriding expectation is that TLBs deal with pressures from within allocated resources. This stresses the importance of sustainable cost leadership strategies where TLBs put together opportunities for savings to release resources for new or potential pressures. Each year we will publish detailed direction and guidance to explain what is needed from the TLBs. This will include direction on the ABC technical process, carrying out capability audits and writing CPs.

1. **Developing the Defence Plan.** The DP is produced by HO after consulting the 3* HO community to set out the aims for the TLBs and DB Strategic Objective (DBSO) owners. Significant changes to DSD may be captured in the DP and then reflected in CPs, to make sure we have a clear narrative connecting top-level strategic direction to delivery. Within the limits set out by DSD, the DP provides more detailed direction to the Commands (TLBs) on the outputs and activities that they must deliver over the next five years based on the detailed resource allocation for the short-term. The DP will include detailed direction on the structure of the force which will be explained in the output map. The DP is the backbone of the HO 'direct' function and while TLBs will have an opportunity to shape the plan through the AFC, it is designed as a deliberate explanation of what Defence aims to achieve to meet policy. If an acceptable position cannot be reached that matches demand with available resources,¹⁰ either policy will be adjusted to reduce demand, risk will be accepted or extra resources found.
2. **Command planning.**
 - a. **Command plans.** Command and TLB plans form the contract between the HO (PUS) and the Command TLB holder under the new Operating Model for the Department. CPs are written by all TLBs, D Strat Prog and Chief Scientific Adviser to make sure they have linked plans that can be brought together under DSD and the DP to deliver the outputs needed to fulfil the DP. They will set out the plan for delivering the outputs shown in the DP, approved by the DB, within the resources that have been set aside¹¹. They are the means by which business areas will put our outputs into practice as set out in the SDSR and as explained in the DSD and the DP. These plans will form the backbone of the holding-to-account process by which the Permanent Under Secretary (PUS) and CDS will hold TLB holders to account for delivering these outputs in a way which takes account of resources and risks.
 - b. **Command plan assurance.** HO will assess candidate Command and TLB plans for strategic alignment, affordability, value for money and coherence. Once assurance is

¹⁰ within acceptable and manageable risk appetite.

¹¹ within acceptable and manageable risk appetite.

complete, HO will bring together the candidate individual plans for input into the final DP. Once the DB has approved the DP, it becomes the 'orders' to the TLBs. These 'orders' then allow the TLBs to create their own CPs to deliver the DP.

3. **Holding-to-account (H2A) and mid-year and end-of-year stocktakes (MYS/EYS).** HO will manage performance of TLBs to include H2A meetings twice per year between PUS/CDS and individual TLB holders. Corporate Strategy, when they receive the individual Command/TLB H2A/quarterly performance and risk reports will analyse the content for strategic effect and prioritise the main strategic issues and risks and produce a MYS/EYS report for the DB after the second and fourth quarters¹². Alongside this, the analysis will generate an H2A annotated agenda to guide the discussions at the Command and TLBs H2A meeting. This analysis will, where appropriate, use a variety of experts from across HO to gain a greater understanding of the issues. For example, this could include FMC Coherence, Security Policy and Operations, Directorate of Exports and Commercial Strategy and so on to provide a strategic viewpoint and assessment. The advice sought will be clear and shared with the Command or TLB. Throughout this process, there will be an open dialogue with the Command and TLB. Risk is included as a quarterly report to the DB, and managed by Dir Audit, Risk and Assurance through DG Fin. Risk strategy can be found in DP15.

4. **The Annual Budget Cycle.** An important part of the Defence reform principles is to provide greater stability and certainty by only making significant changes to plans in line with SDSR and spending-review outcomes. The ABC process is how policy and resources are matched up between SDSRs. The aim of the ABC is to make the most of Defence outputs and manage new pressures from within available resources while making sure the programmes are stable. The main principle of the ABC is that TLBs are encouraged to identify and recycle savings to allow us to increase our outputs in either terms of quality or number. The ABC is not intended to need a complete re-costing of all programmes, projects and activity that make up the TLB plan. Instead our efforts should be targeted to refresh specific areas of interest or concern. The ABC is made up of the following elements:

a. **ABC financial process.** At the start of the financial year, the TLB costed plans are 'rolled forward' from the previous year. Defence Resources will then issue instructions and control totals for the new year. Commands and TLBs then develop a common understanding of the outcome of the previous planning cycle, including any issues that were left unresolved. They then re-cost their plans on the basis of the corporate planning assumptions issued as part of the ABC instructions and, where appropriate, refresh their costings. In parallel, Commands and TLBs will consider how they can rebalance their re-costed plans to the control totals issued to them, usually through considering new and existing efficiencies, risk and other reprogramming activity. Some measures can be taken directly into costed plans without the need for further consultation. Others must be raised as options (see below). Part way through the ABC, Commands and TLBs must send a report to DG Fin and DCDS (Mil Cap) setting out their financial and capability position and providing information to support an ABC paper which is sent to the DB. The ABC financial process ends when the DB has agreed the final position and Commands and TLBs have re-costed their plans accordingly. Although described here as a largely linear process, the ABC is much more flexible, with re-costing activity, transfers of responsibility and rebalancing to control total taking place throughout the process.

b. **Cost leadership.** It is assumed that TLBs will have been given enough resources to deliver their outputs. However, as public servants, TLB holders must make best use of their outputs from within the available resource and to deliver their programmes as efficiently as possible. To do this, TLBs will need to develop cost-leadership strategies to identify, define

¹² TLB quarterly reports will be produced at Q1 and Q3 but will not lead to an H2A meeting unless specifically asked for by the TLB holder or analysis indicates a pressing need.

and deliver efficiencies. Cost-leadership strategies are the ways TLBs will manage their programmes, and where necessary meet HO savings targets and create the financial headroom for reinvesting in high-priority activities and capability.¹³ Any surplus efficiency below the control total will be held by the TLB and Command for reallocation.

c. **The options process.** When considering proposed courses of action (including rebalancing their re-costed plan to control total), Commands and TLBs will need to raise options if the courses of action are likely to meet one or more of the following criteria.

- (1) Does it affect Defence final outputs?
- (2) Is it politically sensitive or likely to generate interest from ministers?
- (3) Is it new or contentious?
- (4) Could it have an effect on other Commands or TLBs and what are the Joint impacts?

d. For the first three above, authority to put the option into practice rests with HO. For (4), the decision rests with Commands and TLBs, although they have to consult other stakeholders and to deal with any related funding issues.

e. Commands and TLBs may also raise genesis options. In principle, we would expect these options to be provided to support SDSR activity which needs Strat BoI decisions. However, it is possible that FLCs want to present a genesis option outside of the SDSR activity. We cover the genesis options process in more detail in paragraph 15.

5. ACDS (C&FD) directed higher level operational analysis and force-development processes. These include the following.

a. **Capability audit.** The capability audit is a method for understanding the strengths and weaknesses within TLB capability plans, and, as a result, across Defence over the next four Epochs. It is a centrally directed, TLB-run process which views capability from a manpower, equipment, training and sustainment (METS) perspective against endorsed SAG scenarios. The output of the process is the information which is added to the DCAR. Hd Cap Strat will issue detailed direction on the requirements for each capability audit as part of the Defence programming process.

b. **DCAR.** The DCAR is a report produced by ACDS (C&FD) that (informed by the TLB capability audits) provides an overview of Defence capability across all environments set against the DP. Most importantly, the DCAR also describes cross-DLOD mitigation options and associated costs to deal with shortfalls in capability. Assessments are made utilising data from the Commands capability audits, Contingent Capability Requirements and Standards (CCRS) and the Current Operations, Standing Tasks and Recuperation (COSTR) assessments. The DCAR is updated as part of Defence Programming Process to reflect the effect of investment/disinvestment activity during the year. The DCAR also supports strategic balance of investment decisions by highlighting possible areas for extra investment or to stop investing in certain areas.

c. **Bespoke capability investigation and analysis.** From time to time we will need to carry out bespoke capability investigations to support financial or capability decision-making outside an SDSR. These investigations will likely be carried out by HO under the direction of VCDS or DCDS (Mil Cap) and may involve detailed input from TLBs and supporting high-level operational analysis.

¹³ Cost-leadership is assumed to include savings and efficiencies achieved in both the short and long term.

6. **In-year management.** The in-year management process is focused on actual spending in the year, both in the TLB plan and the EP. TLBs are responsible for accurately forecasting in-year spending against the TLB plan and identifying the main risks within the figures. Under model 2a, for 14/15, DE&S were responsible for forecasting the EP, with input from the TLBs. TLBs are responsible for managing any overprogramming or contingency. Under model 2b, due to be implemented from 15/16, TLBs will take the lead in this process and will be responsible for forecasting both TLB plan and EP. If there is an underspend or overspend, DG Fin will decide whether any action should be taken to reduce or increase spending. Similarly, DG Fin may decide to open negotiations with HMT.

7. **DE&S support to the ABC process and Command Acquisition Support Plans.** DE&S DG Resources will provide an appropriately assured 10 year forecast for the Equipment Procurement Programme (EPP) and the Equipment Support Programme (ESP) to a timescale to enable the ABC process; in turn FLCs match available resource to an affordable and deliverable EP. The Quarterly Review of Programme Costs (QRPC) process gives each Capability Sponsor an updated forecast for the EP and the ESP for each programme within the customer's portfolio, sub-portfolio or programmes. This will set the baseline for the production, or refresh, of CASPs. The CASPs support CPs and capture the agreed programme of work which DE&S will deliver for the Commands as customers. The Commands are responsible for holding DE&S to account for performance against the requirements in the CASPs. The Commands, through the Quarterly Customer Review process, are responsible for monitoring, recording and managing the performance of DE&S against agreed measures throughout the life of each programme or project. DE&S is responsible for holding the Commands to account against their obligations agreed in the CASPs.

8. **ISS support to the ABC Process and Information Service Plans (ISP).** Similar to DE&S, ISS will assume the role of Delivery Agent. ISS will act for those customers / organisations across Defence that require Information capabilities and services (e.g. FLCs, TLBs, Trading entities). The 4*IB-directed concept of a 'Single Information Environment' for Defence requires the generation of a single Information demand. This will be facilitated by JFC and translated collaboratively with ISS into a deliverable acquisition plan. This agreement will be developed alongside the production of CPs and will provide the baseline for the production of ISPs by customers. These ISPs, comparable to the DE&S CASP, will act as a vehicle for codifying the programme of work that customers have agreed with ISS. Thereafter, customers will be responsible for monitoring, recording and managing the performance of ISS against the agreed programme within the ISP.

9. **The role of the Cost Assurance and Analysis Service (CAAS).** CAAS plays an important role in assuring programme costs, and also making sure commercial liabilities are properly recognised, and will be present at relevant reviews. For projects (mainly at approvals category A) where CAAS has developed its own independent cost estimate, these costs will be presented and compared to those of the project team and differences explained.

10. **Operational costs and current operational demands.** Operations can be funded other than by the Defence Budget. For 2014/2015, the funding streams included the Deployed Military Activities Pool (DMAP), the HMT Special Reserve, and the Conflict Pool. All items have a different approvals process and any operations arising will need the involvement of Defence Resources to make sure an appropriate funding source is identified and agreed.

11. **Urgent capability requirement process (UCR).** The UCR process allows us to consider how we will manage the demand for emerging operational capability. The process emphasises the need to distinguish between an urgent operational requirement which is mapped to an HMT-approved operation and attracts separate financial provision and a UCR which is not specific to, but shaped by, contingent operational activity and policy. The delegated model now gives FLCs the power to consider operational demands and balance them against the core programme and available funds. The need for Permanent Joint Headquarters (PJHQ), Front Line Command (FLC)

and Operations Directorate (Ops Dir) agreement on the requirement is critical, supported by FMC Capability Plans and Capability Joint Plans under ACDS (C&FD). As with UORs, accelerating the core programme should be the preferred path before a new requirement. HO will naturally become involved when a TLB does not have enough financial room for manoeuvre within its own programme and further consideration is needed to satisfy a pressing capability requirement and there is a risk of operational failure. The process deals with the following main points.

- a. An initial centre review of PJHQ / FLC requirements.
- b. A formal FLC review for delivery from within control total or accelerated core programme, or taking it higher to HO for them to consider.
- c. As required, a MCB / VCDS stocktake or AFC attention and prioritisation.
- d. Continuing dialogue to do with the urgency and programming of demand especially when tested for how it can be delivered and whether it is affordable.
- e. The necessity for the DE&S to apply UOR-like processes and SQEP to meet challenging timelines.
- f. DG Fin and DCDS (Mil Cap) will develop the most appropriate resourcing approach.

Note: Urgent safety requirements can also be considered using this process.

12. **SDSR planning.** FMC informs and supports the SDSR process. The SDSR will be used to generate DPAs against which we can create a DP. This then allows us to produce TLB and CPs, and a 10-year budget for TLBs which will be further split into the main control totals¹⁴. The FMC approach to SDSR planning will use the full range of processes shown in this section. It represents a more comprehensive ABC process with greater opportunity to make significant changes to the DP and so the CPs.

13. **Strategic balance of investment (Strat Bol).** Strat Bol is a HO lead activity that is used to generate advice for the DB on how to make best use of the balance of financial and capability risk across Defence. While the activity is led by HO, Commands will add to the activity through FMC Cap Plans and FMC Cap Joint Plans. Strat Bol is mainly carried out during an SDSR but also has a role in supporting decisions that need to be made during an ABC period. Strat Bol considers the drivers and restrictions (both financial and capability) on the Defence portfolio, across all DLODs and aims to match (and as far as possible, make best use of) options for spending, adjustments in long term financial planning and to stop investing. By its nature, Strat Bol activity cannot follow a set process as in each case the current circumstances behind the activity will be different.

14. **Strategic force development.** This is the way in which the main parts of the future force structure and capability needs are defined and tested against strategy assumptions, looking out over the next 30 years. SFD is carried out in HO but is supported by insights and evidence from the Commands' own FD processes. SFD brings together the planning assumptions included in DSD into realistic, illustrative future planning scenarios to provide the background needed to design and test force structure and capability. SFD is a continuous process (as shown in Figure 2) which ranges from testing the outcomes of the previous SDSR to providing costed force-structure options for the next SDSR.

¹⁴ The budget will be split between the running costs of the organisation and business and the costs of a capability change programme.

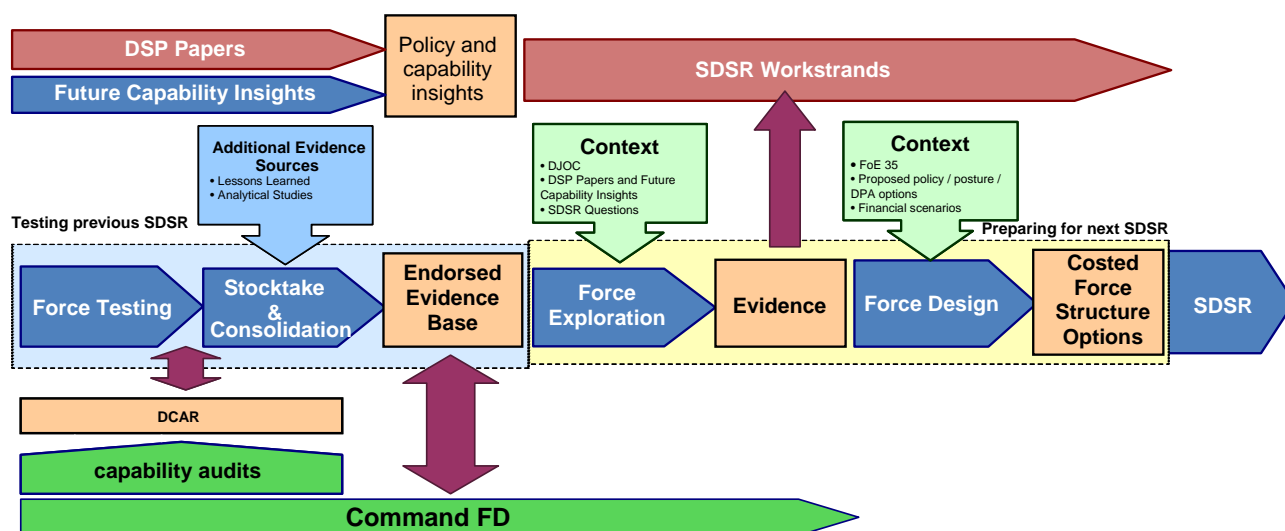


Figure 2 – SFD Process

a. **Force testing (SDSR to year 4).** Force testing is carried out in the period between SDSRs. It takes the current policy and planned force structure and tests it against a series of SAG scenarios. Force testing draws insights and evidence from a range of sources including Command-level force development and capability audits. The output of the force-testing process is an approved evidence base which can be used to help make ABC Strat BoI decisions, Command-level FD and procurement business cases. The outcomes of force testing are also used to underpin future Force Exploration work to prepare for the next SDSR.

b. **Force exploration (year 4 to SDSR).** Force exploration takes evidence from the force-testing process and explores the effect of possible variations in a range of factors¹⁵ to provide evidence-based insights into possible options in terms of future policy and capability. The outcomes from the force-exploration process are used to inform SDSR workstrands and for work on the future design of the force.

c. **Force design (year 4 to SDSR).** Force design is the process by which evidence provided by the force-exploration process is translated into costed options for the future force structure and capability to support the proposed future policy, posture and DPA options, within a projected budget. The outcome of this process is the full range of options that we will consider as part of the SDSR.

15. **Genesis options.** In principle, genesis options would be expected to be provided to support SDSR activity which involves Strat BoI decisions. However, it is possible that FLCs may want to present a genesis option outside of the SDSR activity.

a. **Content.** Each genesis option will be a comprehensive paper sent to both DCDS (Mil Cap) and DG Fin by the environmental DCom Cap. The 4 FMC pillars and Def Res should be involved in the formal development of the option before it is sent. The genesis options should then be sent to the MCB for staffing to the AFC and DB if needed. This will make sure that the capability requirements are matched to the financial position available. The paper must include recommendations, including:

- a 'do nothing' option;

¹⁵ For example, threats and environments, policy, DPAs, technology, UK capability, UK strategic and operational approach and budgetary freedoms and restrictions.

- business benefits;
- the capability requirement linked to the current DSD and DP;
- the proposed effect on DCAR;
- a cost breakdown by Capital Departmental Expenditure Limits (CDEL), Resource Departmental Expenditure Limits (RDEL) and the parts of the EP where appropriate over the life of the project; and
- CAAS advice on timing and cost estimates.

b. **Process.** Genesis options will be prioritised by FMC (as Capability Coherence Authority). They will then be dealt with using the Strat Bol decision process resulting in a recommendation being presented to the DB. Those options that are not successful will be transferred to the TLBs capability priority lists to be considered in the future. Options that receive funding will become part of the core programme with budgets allocated to allow the programme to be defined.

16. **General timeline for the Defence programming process.** Figure 3 below shows the timeline for the Defence programming process. The detailed timeline for each will be different each year depending on a number of factors and will be shown in the Defence programming timetable published each year by Cap Strat.

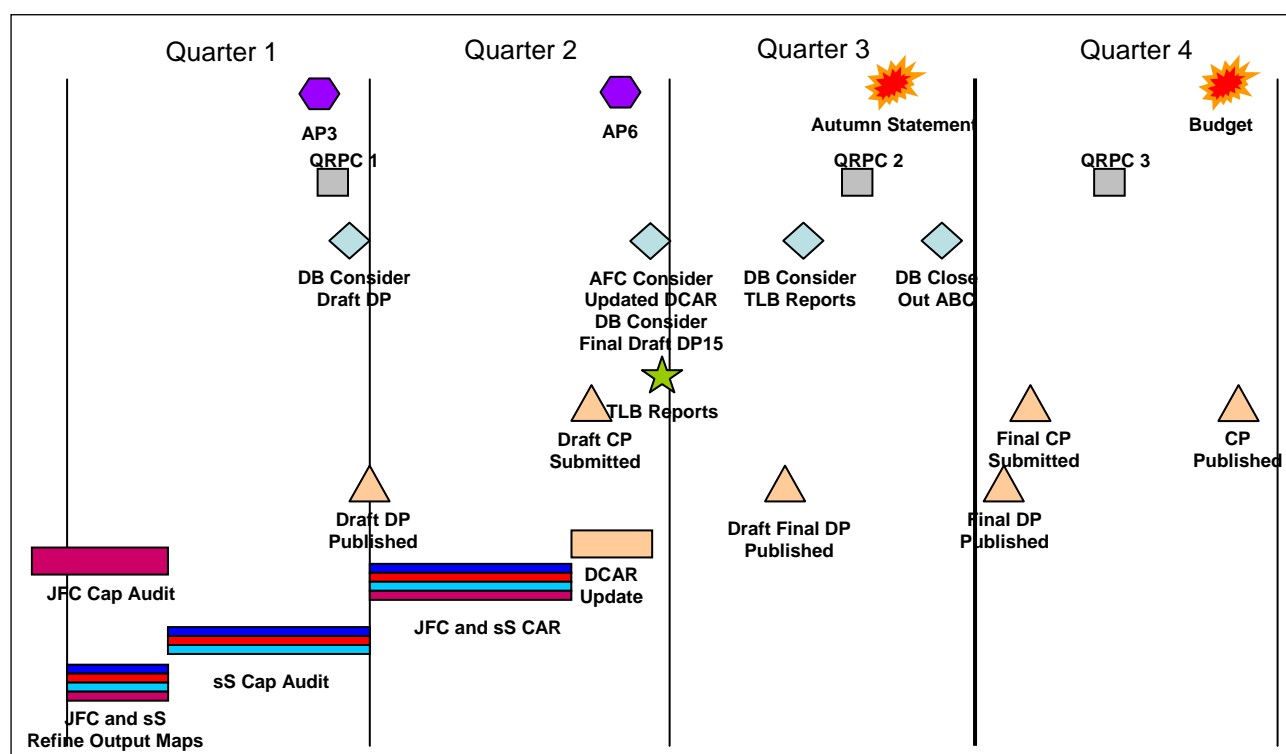


Figure 3 – General Defence programming timeline

Section 4 – Approvals and scrutiny¹⁶

1. **Departmental delegations.** HMT has delegated the authority to make investment approval decisions to the MOD with a value of up to £600 million, unless the spending is above £400 million of RDEL. The MoD delegated authority for infrastructure and spending on ICT stands at £100 million. Delivery Teams should factor in the extra timescales needed to achieve MOD ministerial and HMT approval for those projects above departmental delegation.
2. Within the Department, approvals are delegated for non-ICT and infrastructure investment up to £250 million to the FLCs. The FLC approval teams will manage the approvals process for submissions below £250 million, unless the project is deemed novel or contentious in which case it will be centrally approved. However, Treasury reserve the right to call forward for their approval any project regardless of the value. DP&AS will manage the process for all centrally approved projects.
3. **Conditions for approving investments.** In granting approval for a project, the IAC and its delegated approving authorities will aim to be sure that the proposed investment is:
 - a. fully justified and coherent with high-level Defence strategy and TLB CPs, and included with other departmental and cross-government initiatives and projects;
 - b. designed to meet a capability or business requirement in a way that is appropriately flexible and adaptable to future military tasks;
 - c. a cost-effective method of delivering military capability or business benefits that offers value for money over the long term;
 - d. affordable within existing and expected future budget provision;
 - e. capable of being delivered on time and to cost, through effective management of acquisition and commercial arrangements; and
 - f. soundly based, with key risks to performance¹⁷, cost and time identified and actions planned to monitor, manage and deal with those risks.
4. **Categories and classifications.** The categorisation of a project and route to approval depends on the overall value of the project for which approval is being sought. DP&AS are ultimately responsible for determining the project category but for delegated FLC approvals this is done by local approvals teams, referring to DP&AS as necessary. Projects in which HO has a role are categorised as either Category (Cat) A, or centrally approved Cat B and C. The IAC focus on Cat A cases. Certain Cat B and centrally approved Cat Cs are dealt with by the two- and one-star approving authorities respectively (see Figure 4).
5. The classification of a project refers to the type of capability being delivered – Equipment, Infrastructure, Service Provision etc. The classification of the project may affect the Approving-Authority level and, as a result, the category.
6. Most central approvals business is carried out by correspondence out-of-committee, with only the most contentious or high-profile approval cases being considered in committee by the IAC. Approvals for centrally approved Cat B and Cat Cs are always carried out by correspondence, as

¹⁶ More detail can be found in JSP 655: Defence Investment Approvals.

¹⁷ Considering risks to performance includes assessing whether the proposal will be acceptably safe, in other words, the approving authority should gain assurance that it is likely to be meeting legislation and safety regulations.

long as they have not been identified as needing approval from the IAC. Individual FLCs will determine their own process for considering approvals.

7. The level of financial investment needed to deliver the project defines the project approval category. So, for example, a review note asking for approval to commit £20 million will still be considered as a Cat-A submission to the IAC if it is part of a project costing over £400 million to deliver.

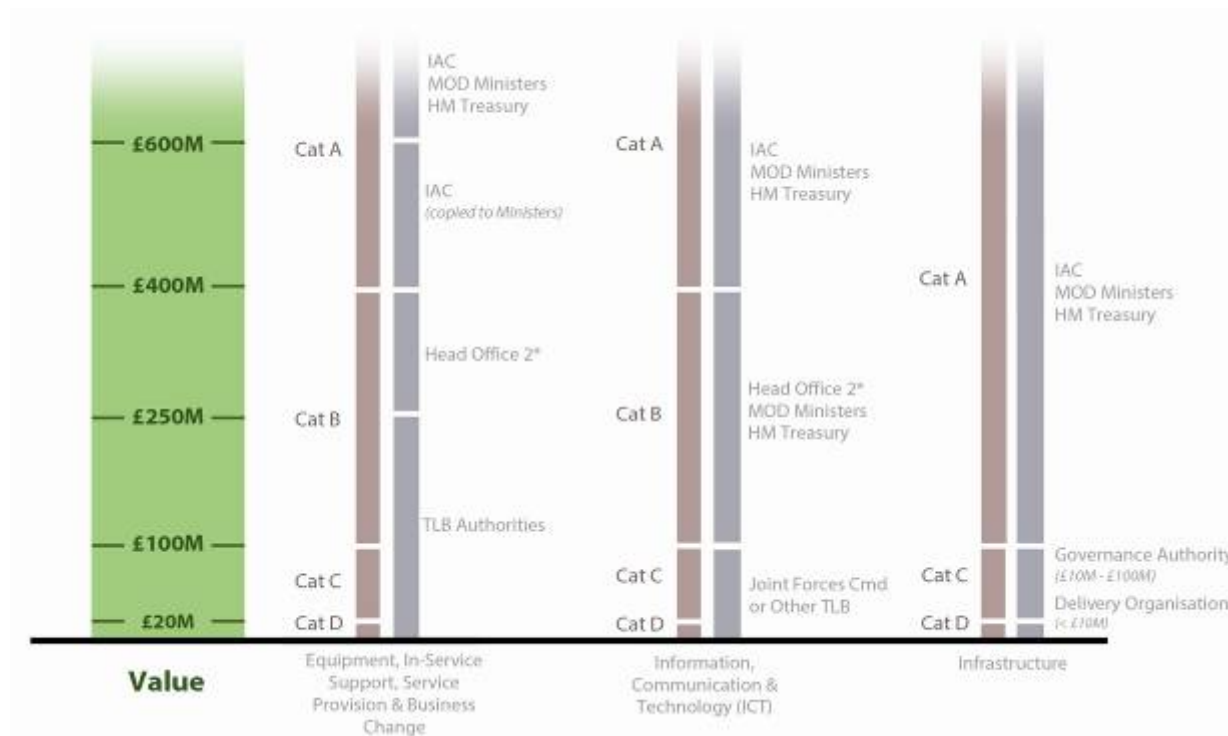


Figure 4 – Approval categories

Head Office Scrutiny Community

8. Every project must be independently scrutinised before the main investment decision. For projects which need HO approval, the HO Scrutiny Community tests the evidence behind the business case. In doing so, the approving authority is given an assessment, in a scrutiny report, of the statements made in the business case on benefits, risks, costs and so on. Building on this assurance, it tests the strength of the proposal, the soundness of future planning and the validity of assertions in the business case, and assesses whether they back up the recommendation effectively. It is important for capability sponsors and delivery teams to get involved with the Scrutiny Community early in the approvals process. This allows those carrying out the scrutiny time to build their understanding of (and confidence in) a project and reduce delay.

9. All Cat B projects with a value between £100 million and £250 million are subject to mandated HO scrutiny, which will be provided by the HO Scrutiny Community. Projects with a value less than this, or where HO approval is not needed, will be scrutinised by FLC scrutiny and approvals teams. HO scrutiny is also needed for projects below Cat B value when the project is sponsored by an HO organisation.

10. The Scrutiny Community will form a team to oversee the scrutiny of projects through to approval. The team will usually be led by a lead scrutineer. The Lead Scrutineer is responsible for producing the scrutiny report which is the formal assessment of the evidence to support a business

case. The Lead Scrutineer relies on other members of the Scrutiny Community for their respective inputs.

11. However, delegated Cat-B projects will have requirement and affordability scrutiny provided by the FLC scrutiny and approval teams. The FLC scrutiny and approval teams are responsible for contributing the requirement and affordability scrutiny sections into the HO led scrutiny report.

12. Further detailed guidance can be found in JSP 655 Defence Investment Approvals and local FLC guidance.

Section 5 - Mediation and arbitration

Overview

The mediation and arbitration process outlines the steps taken to sort out a dispute between two or more Defence parties in the FMC Operating Model. The H2A process will allow some discussion on specific problem areas but the dispute must be managed at the same time so that it does not crowd out other discussions related to H2A.

1. **Type of disputes.** There are a number of types of dispute that can arise within the FOM. The following are examples.

- a. In a customer and supplier relationship, disputes can arise over a:
 - disagreement over allocation of costs and resources;
 - disagreement over who owns or manages a risk or issue; or
 - disagreement over interpretation of a specification or standard of service delivered.
- b. In a Lead Command context, disputes can arise over a:
 - disagreement over which Command has the lead;
 - disagreement over requirements or priorities for investment;
 - disagreement over allocation of costs and resources;
 - disagreement over who owns or manages a risk or issue; or
 - disagreement over delivering the elements of military capability.

2. **Mediation and arbitration process.** The mediation and arbitration process is set out in Figure 5. Levene principles rely on HO not intervening significantly in day-to-day matters. As such, the initial focus for dealing with disputes will be self-resolution between the parties involved in the dispute. If the issue cannot be dealt with, it should be raised through the respective FMC Cap Plans and FMC Cap Joint Plans organisations which, depending on the nature of the dispute, will approach D Fin Planning, Dir Corp Strat or ACDS (C&FD) to act as a mediator. If the issue cannot be dealt with informally with help from an HO mediator, the matter should be raised by the Command or TLB ACOS to the MCB so it can be passed up to the PUS/DB level. All cases will be focused on an outcome that is best for Defence as a whole. To make sure we maintain a positive environment, every effort should be put in to making mediation work as it will lead to a quicker decision and less paperwork. The mediation and arbitration process will follow a four-step process as outlined below.

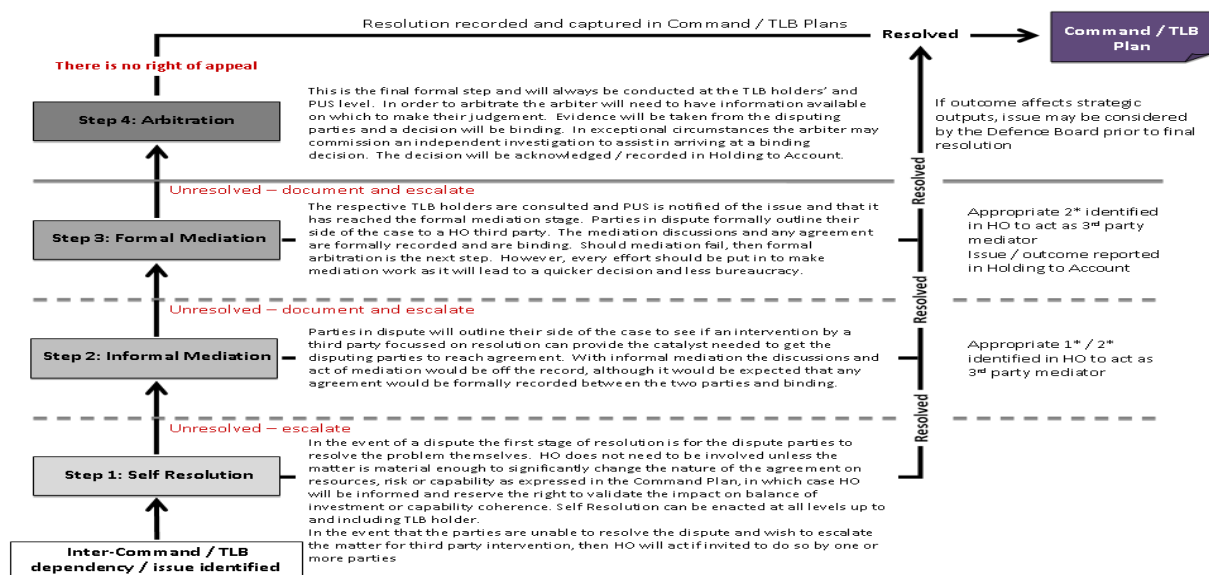


Figure 5 – Mediation and arbitration process

3. **Who should be the mediator or arbiter?** The main issue about mediation or arbitration is that the mediator is trusted and independent. It would also help if they have enough expertise in the subject matter to make good sense of the balance of argument. The HO focus for the mediation and arbitration process is FMC Cap Strat who for mediation will nominate D Fin Planning, Dir Corp Strat or ACDS C & FD, depending on the nature of the dispute (for example financial, strategic and policy, capability or infrastructure).

Term	Acronym	Definition
Annual Budget Cycle	ABC	This is a review of the budgets and capability and change delivery carried out when a significant and strategic change to policy or budget is needed.
Approval		The formal confirmation that a product is complete and meets its requirements (less any concessions) as defined by the product description.
Assurance		All the action needed to provide confidence that the target (system, process, organisation, programme, project, outcome, benefit, capability, product output, deliverable) is appropriate. Appropriateness depends on the circumstances. The implication is that assurance will have a level of independence from that which is being assured. See also 'Project assurance' and 'Quality assurance'.
Benefit		The measurable improvement resulting from an outcome which is seen as an advantage by one or more stakeholders.
Budget		A yearly sum of money allocated by Def Res for a particular purpose.
Budget holder		The person responsible for using resources delegated to him or her by the Accounting Officer and responsible to the next higher level of management for the results achieved by their use.
Business case		The justification for an organisational activity, which usually contains costs, benefits, risks and timescales and against which we test whether the activity is still realistic.
Capability		The ability to achieve an effect at a strategic or campaign level in terms of Defence planning.
Capability assessment register	CAR	Owned by Assistant Chief of the Defence Staff (Capability & Force Development), the CAR is the method through which we assess and present our ability to deliver our outputs (derived from the output map). We record an assessment of each Command's ability to meet our outputs over time. This provides a tool for helping senior decision makers know where issues will (or are expected to) lead to poorer performance against output and how further investment or stopping investment could have an effect. It supports Head Office in holding Commands to account, identifying and categorising the issues (manpower, equipment, training and sustainability) that reduce our ability to deliver outputs. It also gives information on possible options to reduce risk and associated costs. Basically, the CAR gives management information to support our decision-making (for example, ABC14 balance of investment decisions, SDSR).

Term	Acronym	Definition
Capability audit	CAP audit	Where we audit the ability of plans to deliver agreed outputs over time. The process can take the format of structured assessment of military tasks and activities at the CPG and CMG level to help us understand capability risks (and requirements) in DSD operational contexts.
Capability coherence authority	CCA	The Defence Authority (DA) for CCA is DCDS (Mil Cap). In carrying out this authority, the FMC organisation will assure capability coherence as part of the Defence programming process through the entire DLOD considering the DSD, DP, Defence capability assessment register (DCAR), and CPs and Defence Authority guidance as well as other capability work (for example, DOC audit reports, bespoke capability investigations etc). This will mean that all the dependencies needed to deliver a capability are planned, funded and sequenced appropriately. The staff working to DCDS (Mil Cap), in their role in making sure Defence policy is fulfilled while assessing capability and financial risks, are all part of the CCA function. As DA CCA, DCDS (Mil Cap) is also responsible for providing military advice to the DB on our attitude to risk in terms of capability. If a capability or financial risk is not acceptable, the CCA will propose action. This might mean scaling down what was planned, reprioritising resources or a shift in investment.
Capability delivery		<p>The function that delivers a programme to deliver the outcomes and benefits defined in the programme business case. It will commission supporting projects and oversee the programme to make sure outputs are delivered to performance, time and cost.</p> <p>Programme delivery will be carried out under the leadership of a senior responsible owner against a clear mandate and supporting business case.</p>
Capability development (planning)		This is the function that plans the capability over time, including moving from the existing to the future force structure to meet policy and affordability across all DLODs. It takes future plans for capability and develops them into realistic, costed proposals. It will develop genesis options to meet future capability requirements including the high-level business case and programme mandates and bids through the sub-portfolio manager for new funding. It will manage resources to carry out capability development up until the programme is handed to the delivery organisation. It will often be placed, but not exclusively, alongside the sub portfolio manager, who may choose to delegate elements of this function further where appropriate.

Term	Acronym	Definition
Capability management plan	CMP	A capability management plan will contain a mix of funded and unfunded initiatives related to capability and genesis options which are waiting for approval. This plan makes sure there is an logical flow from our strategic aims, direction and objectives to the investment plans. The CMP represents the most appropriate level of investment needed to meet our aims. The unfunded initiatives allow the RAIDO against our aims to be more easily evaluated, explained, and reported.
Capability management strategy	CMS	This strategy should represent the collective wisdom of the Department, be rigorous in the evidence base that supports it, consistent with superior and peer-level strategies and plans, and be peer reviewed. It should be accessible, being readily understood by the non-expert reader, and available to all stakeholders. It should be convincing in its arguments, setting aims, and vision, and useful. It should give direction and guidance to planning and other strategies. It should evaluate RAIDO, and explain dependencies and links to the other organisations' documents. It should demonstrate integrity, showing we are objective and realistic. Finally, it should have a time limit, with a clear schedule of revisions every year and every five years.
Capability priority list	CPL	The CPL is a prioritised list of possible investment and spending options to deal with risk or meet high-priority (currently unfunded) capability or change programmes held by Command and TLBs.
Capital departmental expenditure limit	CDEL	CDEL is essentially new capital investment. It is broken down further into: <ul style="list-style-type: none"> • single-use military equipment (SUME) CDEL – this is investment in assets that are categorised for use only as SUME, such as a Challenger tank; and • financial CDEL – this is standard infrastructure investment such as a new office block or a passenger aircraft.
Capital Infrastructure Programme	CIP	A programme (portfolio) encompassing the entire DIO CDEL CT and the required enabling RDEL
Coherence		The internal consistency of business (Defence, Command and TLB) measured against the strategic aims.

Term	Acronym	Definition
Command plan	CP	Command and TLB plans form the agreement between the Head Office and the Commands and TLBs under the Operating Model for the Department. They set out the plan for delivering the outputs which have been approved by the DB within the resources that have been set aside. They are the way in which business areas will deliver our outputs as set out in the SDSR and as explained in the DSD and the DP. These plans will be the methods by which PUS will carry out the six monthly H2A process. In other words, the Commands and TLBs will be held to account for delivering the outputs agreed in the plan in a way that takes account of resources and risks.
Command acquisition support plan	CASP	The agreement between the Commands (including Strategic Programmes) and DE&S, setting out the Commands delivery requirements of DE&S.
Cost leadership strategy	CLS	A commitment to reduce spending so we channel our funding into the areas which have the greatest effect on delivering our outputs. TLB and Commands lead in identifying, defining and delivering efficiencies, commission evidence from Decision Support functions (for example, CAAS, DSTL, DASA, and so on) to support, test and cost ideas with a focus on understanding and managing costs. Any money saved is then held by the TLB or Command for them to allocate again.
Defence Board strategic objectives	DBSO	Taken from the Strategy for Defence and explained in the DP. These are the most important aims of the Department.
Defence infrastructure organisation	DIO	The TLB responsible for: <ul style="list-style-type: none"> • delivering facilities management (FM), both 'hard' FM (property maintenance, for example) and 'soft' FM (cleaning, catering, grounds maintenance, for example); • delivering infrastructure projects; and • managing the estate and working with TLB customers to develop their infrastructure needs into an affordable infrastructure programme.
Defence lines of development	DLoD	Training, equipment, personnel, information, concepts and doctrine, organisation, infrastructure and logistics. All of the above should be considered together to deliver a comprehensive, coherent approach to capability.
Defence outputs	DO	Defence outputs describe (and prioritise) in terms of DSD military tasks, the detailed operational activities that Head Office says the Commands must be able to carry out. It provides a clear, restricted context within which the planned force capabilities can be tested, and a clear link between inputs and outputs. Defined in the DP.

Term	Acronym	Definition
Defence plan	DP	Sets out the priorities for the period of the spending review, against the backdrop of the National Security Strategy and the SDSR, against which the public holds us to account. It sets out how we will achieve the DSD in the near term.
Defence planning assumptions	DPAs	Defence policy is represented by a set of DPAs which provide the background within which force structure and capability are resourced. Specifically, the DPA provide detailed guidance on what the Armed Forces should be capable of doing, specifically showing 'what, where, when, with whom and for how long?'
Defence portfolio		The full investment in change in MOD, which Head Office splits into a number of sub-portfolios. Responsibility for planning and delivering the sub-portfolios is delegated to the appropriate TLB or FLC (including the HO TLB which manages those programmes HO are responsible for).
Future force development	FFD	Within strategic force development – future force development events are scenario based planning, execution and analysis events using the SAG scenarios as a context.
Generic capability management model	GCM	This is a structured framework which defines and documents the new disaggregated capability management model. The main aims are encouraging consistency across this model, and supporting continuous improvement in the effectiveness and efficiency of managing capability.
Genesis option		An initial proposition in the TLB and CP for a programme of work to meet an identified shortfall or opportunity in terms of capability.
Holding to account	H2A	The process by which PUS will examine TLB performance against the CP relating to outputs, budgets, keeping to corporate policies, risk and actions arising from previous sessions. H2A will take place every six months on the performance reports. At these sessions, TLB holders may also propose changing and reprioritising their plan (including links with other TLBs) to the PUS.
Information Service Plan	ISP	The agreement between the customers of Information Services (Commands, TLBs, Trading entities) and ISS, setting out the customers' delivery requirements of ISS.
Information Systems and Services	ISS	The HLB within the Joint Forces Command (JFC) TLB that acts as the Delivery Agent for those organisations across Defence (e.g. FLCs, TLBs, Trading entities) that require Information capabilities and services.

Term	Acronym	Definition
Investment Approval Committee	IAC	The senior organisation in Defence responsible for considering major investment proposals not taken by the DB. On projects where cost, complexity, risk, precedence, innovation or contentiousness are particular issues for which Ministerial approval is needed, they will make recommendations to Ministers. The IAC decides other cases itself or delegates decisions to a level consistent with the value or nature of the proposal. Chaired by DG Finance, the IAC will link approvals to affordability to an unprecedented degree.
Lead Command		Where a capability is required by more than one Command, in agreement with Head Office and the Commands, a lead Command is appointed (through the TLB mandate in the DP) with responsibility for planning, delivering and generating that capability as part of its sub-portfolio. The Lead Command, by negotiating and agreeing with the other Commands (through a JBA), may then pass aspects of the delivery and generation of the capability to the appropriate Command.
Military tasks	MT	This is how we contribute to the NSS, without prescribing specific responses to a given set of circumstances. The tasks include: <ul style="list-style-type: none"> • defending the UK and its overseas territories; • providing strategic intelligence; • providing nuclear deterrence; • supporting civil emergency operations in times of crisis; • defending UK interests by projecting power strategically and through expeditionary interventions; • providing a Defence contribution to UK influence; and • providing security for stabilisation.
Output mapping		Output mapping describes (and prioritises), within the framework of the military tasks, the detailed outputs and effects that Head Office needs the Commands to be able to deliver. Within the DP, it will play an important part in formulating a CP and, when taken together, the output map and CP will create a clear link between our outputs and the constituent capabilities. Ultimately this defines an input-output relationship within Defence. The output maps also inform the context within which we can test planned force capabilities.
Project executive		The individual responsible to the senior responsible owner for delivering the project to agreed performance, cost and time parameters.

Term	Acronym	Definition
Resource departmental expenditure limit	RDEL	Cash Resource DEL is made up of the day-to-day running costs of the Department worked out on an accruals basis and including stock used and cash released against non-nuclear provisions. Direct RDEL includes a separate control total for those elements designated as administrative costs against which we have to show that we are delivering efficiencies in line with the terms of the spending review settlement.
Senior responsible owner	SRO	A UK government term for the individual responsible for making sure that a project or programme of change meets its aims and delivers the expected benefits. The person should be the owner of the overall business change that is being supported by the programme or project. The senior responsible owner should make sure that the change maintains its business focus, that it has clear authority, and that the context, including risks, is actively managed. This individual must be senior and must take personal responsibility for successfully delivering the project. The senior responsible owner should be recognized as the owner throughout the organisation.
Strategic force development	SFD	SFD forms a significant part of designing capability and force. Focused on the +5 to +20 year time frame, and using the SAG scenarios to test existing policy and force structure and propose future force structures to meet different policy aspirations or financial scenarios. Broken down into force-testing, force-exploration and force-design phases.
Strategy for Defence	SfD	Provides the overall direction for Defence, particularly into the medium and longer term. This is an unclassified version published by the Permanent Secretary and the Chief of the Defence Staff and a classified version within the Defence Strategic Guidance.

Lead Command status

Environment	Capability (CPG)	Model	Lead Command (Leads the Cap Planning and owns the delivery funding)	Delivery Command(s) (has the Cap Chg Prog SRO and delivers the programme outcomes and benefits)
Maritime	Above Water Warfare	Single Command	Navy	Navy
Maritime	Under Water Warfare	Single Command	Navy	Navy
Maritime	Littoral Manoeuvre	Lead Command 1	Navy	Navy
Maritime	Maritime Aviation	Lead Command 1	Navy	Navy
Maritime	Theatre Maritime Sustainment	Lead Command 1	Navy	Navy
Maritime	Maritime Information Superiority	Single Command	Navy	Navy
Land	Dismounted Close Combat	Lead Command 1	Army	Army
Land	Mounted Close Combat	Lead Command 1	Army	Army
Land	Air Manoeuvre	Single Command	Army	Army
Land	Land Fires	Lead Command 1	Army	Army
Land	Special Influence	Single Command	Army	Army
Land	Captured Personnel	Lead Command 1	Army	Army
Land	Military Engineering	Lead Command 1	Army	Army
Land	EOD and Search	Lead Command 1	Army	Army
Land	Equipment Support Aviation	Lead Command 1	Army	Army
Land	Equipment Support Land	Lead Command 1	Army	Army
Land	Land Logistics	Lead Command 1	Army	Army
Land	Land Training and Simulation	Lead Command 1	Army	Army
Land	Land Medical Support	Lead Command 1	Army	Army
Land	Land C4I	Lead Command 2	JFC	Army
Land	Land ISTAR	Lead Command 2	JFC	Army
Land	Military Working Animals	Lead Command 1	Army	Army
Air	Attack	Single Command	Air	Air
Air	Control of the Air	Single Command	Air	Air
Air	Protection of Air Ops	Lead Command 1	Air	Air
Air	Preparation for Air Ops	Lead Command 1	Air	Air
Air	Air Mobility	Single Command	Air	Air
Joint	Info Ops and Cyber	Lead Command 1	JFC	JFC
Joint	Infrastructure and Networks	Lead Command 1 and 2	JFC	JFC, Army, Navy or Air
Joint	C2I2 Services	Lead Command 1 and 2	JFC	JFC, Army, Navy or Air
Joint	Collect	Lead Command 1 and 2	JFC	JFC, Army, Navy or Air
Joint	Electronic Counter Measures	Lead Command 1	JFC	JFC
Joint	CBRN	Lead Command 2	JFC	Army, Navy or Air
Joint	Joint Medical	Lead Command 2	JFC	Army, Navy or Air
Joint	Special Forces	Single Command	JFC	JFC
Joint	Disablement	Lead Command 1	JFC	JFC
Joint	Joint Training and Simulation	Lead Command 1 and 2	JFC	JFC, Army, Navy or Air
N/A	Complex Weapons	Lead Command 2	HO	Army, Navy or Air
N/A	Test and Evaluation	Lead Command 2	HO	Army, Navy or Air
N/A	Warhead	Lead Command 2	HO	Navy
N/A	Deterrent	Lead Command 2	HO	Navy
N/A	Maritime Underwater Future Capability	Lead Command 2	HO	Navy

Index of Defence Authorities¹⁸

Function	Defence Authority
Corporate Design	Director Defence Strategy
Financial Management and Approvals	Director General Finance
People ¹⁹	Chief of Defence Personnel
Health, Safety and Environmental Protection	Director Safety and Environment Authority
Healthcare and Medical	Surgeon General
Logistics	CE DE&S, supported by ACDS Log Ops
Capability Coherence	DCDS Military Capability
Security	Director Business Resilience
Business Resilience	Director Business Resilience
Commercial	Director Commercial
Communications	Director Defence Communications
Statistics	Chief Statistician
Information	Chief Information Officer
Cyber and C4ISR	Chief of Defence Intelligence
Public and Parliamentary Accountability	SofS Chief of Staff
Technical and Quality Assurance	DE&S Technical
Sustainable Development	[To be determined]
Acquisition System	[To be determined]

¹⁸ Taken from Annex B of 'How Defence Works'.

¹⁹ CDP's role as Defence Authority for People encompasses all aspects of personnel management, training and education.