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PRIME MINISTERTHE CENTRAL ORGANISATION FOR DEFENCE

I explained at the Cabinet yesterday the outcome of the work on defence organisation set in hand following the publication of the consultative document "MINIS and the Development of the Organisation for Defence."

/ 2. I attach a draft White Paper setting out the Government's intentions which has been prepared on the basis I outlined. I propose to publish the White Paper on 18th July* and to make an oral statement in the House of Commons to accompany publication. If you or Cabinet colleagues have comments on the draft, I should be grateful to have them by next Tuesday, 10th July.

3. I am sending copies to the other members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

Ministry of Defence
6th July 1984

* rather than 19th July as stated in the Cabinet conclusions.



10 DOWNING STREET

From the Principal Private Secretary

12 July 1984

The Central Organisation for Defence

I am writing to confirm my telephone message that the Prime Minister read, without comment, the draft White Paper which your Secretary of State circulated to Cabinet under his minute of 6 July.

I am copying this letter to Sir Robert Armstrong only.

F. E. R. BUTLER

Richard Mottram, Esq.,
Ministry of Defence

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CABINET DRAFT - 6 JULY 1984

THE CENTRAL ORGANISATION FOR DEFENCE

I - INTRODUCTION

1.1 It is almost exactly 21 years since the publication of "The Central Organisation for Defence" (Cmnd 2097) announcing the setting up of a unified Ministry of Defence. Since 1963 the organisation has been the subject of several reviews and a number of changes have taken place, notably the incorporation into the Ministry in 1972 of the defence functions of the then Ministry of Aviation Supply. The process of unification and of developing a defence-wide approach has been gradual. The Government believes that it is now timely to assess again the Central Organisation for defence and to make proposals for its further evolution to meet the challenge of today's circumstances.

1.2 In March of this year the Secretary of State for Defence published a consultative document, "MINIS and the Development of the Organisation for Defence" (Defence Open Government Document 84/3) which included outline proposals for the future higher organisation of the Ministry of Defence based on Ministerial scrutiny of this area using the new MINIS management information system. This has stimulated public debate and comment which has

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been of great value in the development of the plans outlined in this White Paper.

1.3 In parallel with this review of the central structure, an examination of the efficiency of the defence procurement process has also been set in train, with the assistance of a number of senior industrialists.

1.4 This White Paper sets out the Government's conclusions at the end of the first stage of this work. A major task of the new organisation will be to address the scope for further improvements in efficiency by clarifying responsibilities and the delegation of management authority outside headquarters.

II - CONTEXT

2.1 The Government continues to give high priority to strengthening the nation's defences. Substantial real increases in resources have been allocated to defence and considerable emphasis has been placed upon maintaining the morale of the Armed Services and their confidence about their future. Each of the three fighting Services continues to have a unique and vital part to play in the nation's defence. The Government is determined to uphold the leadership, loyalties and traditions which are essential to the morale of the individual Services and their

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fighting capability. This country's experience of modern warfare, most recently in the Falklands Campaign, has progressively demonstrated, however, the need for the Services to be equipped and trained to fight together. In our defence roles on the mainland of Europe, in the Eastern Atlantic and Channel and in the direct defence of this country, the individual Services provide complementary capabilities. The need to plan to fight together on an integrated basis, covering both our own forces and those of our Allies, is assuming greater significance. At the heart of the present review, therefore, has been the recognition that future policy for each Service must be shaped increasingly within a common defence framework.

2.2 In addition the Government is concerned to achieve the best possible value in defence terms from the resources devoted to defence. While these are substantial and increasing, developments in the potential threat to the security of the nation and changes in technology pose a major challenge for defence planning. Central machinery is needed to arrive at the best defence wide solutions, and the right management organisation is required to carry them through.

2.3 The full value of increased resources must be translated into increased fighting effectiveness, and not into unnecessary overheads and bureaucracy. Overlap between responsibilities must be avoided and the maximum delegation of management authority from headquarters down clear lines of

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accountability to Commands and outstations must be achieved. It is the intention to develop a system of Executive Responsibility Budgets on an extensive scale across Service and civilian establishments to provide the framework for this increased delegation, in accordance with the principles of the Government's Financial Management Initiative.

2.4 In procurement, there must be increased competition for defence contracts, and a more effective relationship with industry to achieve better value for money for the tax payer. Placing more responsibility upon industry for the execution of projects will enable the Ministry to make better use of its resources and encourage the development of a broader, more self-reliant and free-standing industrial base.

2.5 The Ministry of Defence must at all times be fully capable of fulfilling its operational role. Throughout this central review and MINIS in general, considerable attention has been given to maintaining the capacity to respond quickly and effectively to operational demands. Proposals for change have been framed accordingly.

III - FUNDAMENTALS OF HIGHER ORGANISATION

3.1 Under the control and direction of the Secretary of State for Defence, the Ministry of Defence must ensure effective coordination of all policy and administrative matters affecting

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the fighting Services. Major questions of defence policy will continue to be dealt with by the Defence and Oversea Policy Committee of the Cabinet which is chaired by the Prime Minister and includes senior Ministers who have responsibilities relating to defence. The Chief of the Defence Staff will attend as required, as will the Chiefs of Staff when necessary.

3.2 Under the Secretary of State, the Defence Council will continue to exercise the prerogative powers of command and administrative control passed to it by Letters Patent in 1964, and the statutory powers given under the Defence (Transfer of Functions) Act 1964. It will consist of: the Secretary of State for Defence and his Ministers, the Chief of the Defence Staff, the Permanent Under Secretary of State, the three single Service Chiefs of Staff, the Vice Chief of Defence Staff, the Chief of Defence Procurement, the Chief Scientific Adviser, and the Second Permanent Under Secretary of State. The position of the Service Boards of the Defence Council will remain unchanged.

3.3 The changes in the Ministerial structure of the Department in 1981 to an extent anticipated the reorganisation now planned. Two new Ministers of State were appointed, one responsible for the Armed Forces and the other for Defence Procurement, each supported by a Parliamentary Secretary: this structure was introduced to strengthen political direction and to allow Ministers to carry greater functional responsibilities, thus emphasising the defence as against the single-Service

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responsibilities of the Ministry. The Secretary of State for Defence will continue to be assisted at Ministerial level on this basis. He will continue to be advised by other members of the Defence Council. His principal official advisers will be the Chief of Defence Staff (CDS) and Permanent Under Secretary of State (PUS).

3.4 CDS will, as now, be the Government's principal military adviser. His main responsibilities will include:

- a. tendering military advice on strategy, forward policy, overall priorities in resource allocation, programmes, current commitments and operations. In his advice he will take into account the views of the Chiefs of Staff and ensure that they are properly reflected;
- b. the planning, direction and conduct of all national military operations, including the issue of relevant operational directives;
- c. directing the work of the Defence Staff (see Section IV below).

He will continue to chair the Chiefs of Staff Committee.

3.5 The PUS is permanent Head of the Department and principal Accounting Officer. His responsibilities will include:

- a. the organisation and efficiency of the Ministry

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including the management of all civilian staff, the coordination of its business, and establishment of such machinery as may be necessary for this purpose;

b. the long term financial planning and budgetary control of the defence programme, the associated allocation of resources, and the proper scrutiny of the requirement for all proposals with expenditure implications;

c. advice on the political and parliamentary aspects of the Ministry's work and relations with other Government Departments.

3.6 The Service Chiefs of Staff will continue as the professional heads of their Services and as members of the Chiefs of Staff Committee. They will remain fully responsible for the fighting effectiveness, management, overall efficiency and morale of their Services, They will in future normally report and tender advice through the CDS to the Secretary of State while retaining their right of direct access to him and the Prime Minister. Management of the Services will be exercised through Service Executive Committees, chaired by the Chief of Staff, as sub-committees of the Service Boards (see Section VII below).

3.7 Following its review, the Government has decided to make

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changes in the structure of the Ministry which will enable it more efficiently to carry out its complementary functions of Department of State and Headquarters of the Armed Services. The main elements of the new organisation are set out in the Annex and are described below. These changes will enable savings to be made in both military and civilian senior posts * amounting to four 3-star and five 2-star posts, representing some 29% and 15% respectively of the number of such staffs directly affected. As arrangements for the supporting detailed management at lower levels are completed it is the intention to carry through the savings now identified at senior levels. The opportunity is being taken wherever possible to bring together Service, administrative, scientific and other specialist staffs whilst ensuring that the necessary professional advice is properly reflected in decisions taken at a senior level.

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- * Senior posts in the Ministry are graded in the following way:
- 4-star (General and Service equivalent/ Permanent Secretary, Second Permanent Secretary)
 - 3-star (Lt General and Service equivalent/Deputy Under Secretary)
 - 2-star (Major General and Service equivalent/Assistant Under Secretary)
 - 1-star (Brigadier and Service equivalent/Assistant Secretary)

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IV - THE DEFENCE STAFF

4.1 A new unified Defence Staff will be established. Its essential role will be, in the words of the 1963 White Paper, "the corporate duty of finding the best solution to the problems of the day, whether of an operational nature, strategic planning, defence policy or equipment priorities".

4.2 The Defence Staff will include the functions of the existing central military staffs and the greater part of the present Naval, General and Air Staffs reporting to the Service Vice Chiefs of Staff. These latter posts will therefore lapse. It will also contain secretariat and scientific staffs. Responsibility for directing the work of the Defence Staff will in general rest with CDS who will be responsible specifically for all military aspects of its work, including in particular the direction of military operations. The Defence Staff will be responsible to PUS for the political and parliamentary aspects of its work and coordination with other Government Departments.

4.3 Day to day direction of the Defence Staff will be undertaken by a Vice Chief of Defence Staff (VCDS) at 4-star level. He will act in all respects as Chief of Staff to CDS. He will be a member of the Chiefs of Staff Committee and of the Defence Council.

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4.4 The structure of the new Defence Staff provides for four groupings:

a. a Strategy and Policy grouping, headed by a Deputy Secretary, consisting of both military and civilian staffs. It will be organised so as to provide an enhanced capability for long term thinking covering the strategic, policy and operational aspects of both conventional and nuclear deterrence. The present arrangements for the command, control and maintenance of the strategic nuclear deterrent will not be affected.

b. a Programmes and Personnel grouping, headed by a Service Deputy Chief of Defence Staff (DCDS) at 3-star level. This grouping will be charged with determining military priorities in the allocation of resources and include both a central capability to address programmes on a defence wide basis and single-Service Directorates. It will also provide central coordination of Service personnel matters, including the medical services (see paragraph 8.1 below). The post of VCDS(Personnel and Logistics) will lapse.

c. a Systems grouping, headed by a DCDS at 3-star level, responsible for the formulation of operational concepts, the determination and sponsorship of operational

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requirements for equipment, and setting the aims of the military research programme. This grouping will bring together all the staffs of the present Service operational requirements organisations, and those in the present central staffs, together with integral scientific support. It will also deal with Command, Control, Communications and Information Systems on a defence wide basis. The operational requirements staffs will be organised initially on a systems basis - sea, land and air. This, coupled with the creation of a strengthened central concepts staff, represents a significant step forward in the evolutionary process of making procurement decisions on a defence wide basis; further progress in this direction is likely as experience of the new arrangements grows;

d. a Commitments grouping, headed by a DCDS and organised on a geographical basis. This grouping will formulate policy for defence commitments, including joint and single Service plans for operational deployments and transition to war, and issue directives for operations and major exercises. It will include a strengthened capability for central logistics and movements planning. The grouping will bring together the present central military and secretariat staffs concerned with these matters.

4.5 The new organisation preserves the separate identity of

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the Defence Intelligence Staff which, following MINIS examination earlier this year, will be restructured and streamlined under a 3-star Chief of Defence Intelligence, reporting to CDS and PUS.

V - ARMS CONTROL

5.1 In line with the importance which the Government attaches to realistic and verifiable arms control a new Defence Arms Control Unit (DACU) will be established to strengthen the Ministry's capabilities in this area. It will be separate from the Defence Staff and will be directly responsible to PUS. It will concentrate existing military and civilian arms control expertise within the MOD. It will include a policy review section charged with fostering and maintaining close links with academic and other outside bodies.

VI - DEFENCE SCIENCE

6.1 The present scientific staffs in the Ministry provide, through a complex system of cross-reporting, support for the Chief Scientific Adviser (CSA), for the individual Services and for the Controller R&D Establishments, Research and Nuclear (CERN). In an increasingly technological environment it is essential that the best scientific advice is available to inform the whole range of defence decisions. In recognition of this, it

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has been decided to reorganise the scientific staffs so as to make better use of their expertise, clarify lines of responsibility and end split reporting.

6.2 CSA will be responsible to the Secretary of State through PUS and will have a small staff to provide the necessary capability for independent long term thinking and scrutiny, and to allow central management of operational analysis work, including that currently carried out by the three Service Chief Scientists, whose posts will lapse. Scientific staff will also be deployed within the Defence Staff to ensure that constructive relationships between the relevant staffs are maintained and developed, particularly in the Systems area. These staff will be professionally accountable to the CSA.

6.3 The structure of the organisation under CERN is also being streamlined. Taken together with the above changes, this will allow a reduction in the number of senior scientific posts.

VII - SINGLE SERVICE HEADQUARTERS ORGANISATION

7.1 The Ministry of Defence will continue to contain the Headquarters of the three Armed Services. As the professional head of his Service, each Service Chief of Staff will be the senior adviser to CDS and, through him, to the Secretary of State on matters related to employment of his Service and its current

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and future effectiveness. Detailed management of the Services will be exercised through Service Executive Committees, in accordance with policy directives and budgets for main areas of expenditure determined centrally in consultation with the single Services. To ensure the necessary linkage between policy making and management, the single-Service Chiefs of Staff will have access to the Defence Staff who, in common with other parts of the Ministry, will be responsive to their needs. Each Service Chief of Staff will have sufficient single Service staff to enable him to direct the work of his Service, including that of the Principal Personnel Officer and Principal Administrative Officer and their staffs.

[7.2 The Government's commitment to the reserve forces and cadets is demonstrated by the retention of a two-star officer and supporting staff, reporting to the Chief of the General Staff, who will be responsible, as at present, for the Territorial Army and cadet matters. This officer, and those responsible for reserve matters in the other single-Service Executive Staffs, will also provide general policy advice on reserve forces and cadet matters to the Deputy Chief of Defence Staff (Programmes and Personnel): an important task of the Defence Staff will be to address how to make the fullest use of our volunteer reserves, which the Government believes provide a most cost-effective contribution to our defence capability.]

7.3 A high priority of the three Service Executive Committees

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will be to continue the work they already have in hand to streamline their area. This will include further delegation, where practicable, of authority for day-to-day administration to Commanders in Chief. Further steps will be taken to strengthen the fighting elements of the Services by transferring resources to the front-line from savings in the training and support areas and in the chain of command (such as the Army's exercise SHARP SWORD) as described in the recent Statement on the Defence Estimates (Cmnd 9227).

VIII - RATIONALISING SERVICE SUPPORT AND LOGISTICS

8.1 As part of this search for economies in the training and support areas, the Government intends fully to pursue opportunities for rationalisation:

a. in Headquarters we are reviewing the scope for managing activities on an integrated basis. For example, the Government has recently received the first report from Sir Henry Yellowlees on his review of the Defence Medical Services which considers the organisation of the work at Ministry level. While the Government is firmly committed to the continuance of three separate uniformed medical Corps, we have accepted the major recommendation of this report that the policy for the defence medical services should be brought together under a single unified

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headquarters in the Ministry, supported by functional Directorates. This new unified Medical Services HQ organisation will be headed by an officer of 3-star rank who will be supported by two uniformed Deputies at 2-star level: he will report to the DCDS (Programmes and Personnel). The next step is to prepare a detailed executive plan for early implementation.

b. studies are in hand or are planned on the scope for the further rationalisation of Service training. In the Statement on the Defence Estimates 1984, the Government reported the co-location of catering training at Aldershot and the integration of language training at Beaconsfield, and stated that musician training was to be concentrated at a single location. A period of consultation will now begin on plans to establish the new Defence School of Music at Deal, with an intended completion date there in about 1988, although elements will be on site before then.

c. in logistics management some 23 separate ranges of stores embracing 25% of the Defence inventory are already managed by one Service on behalf of all. Renewed attention is being given to the scope for further rationalisation of this kind.

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IX - OFFICE OF MANAGEMENT AND BUDGET

9.1 The Government wishes to see within the Ministry of Defence much stronger central determination of priorities for expenditure and control of resource allocations. To assist this process the PUS's responsibility for long term financial planning and allocation and for the scrutiny and control of expenditure will in future be concentrated in an Office of Management and Budget (OMB) under the Second Permanent Secretary. Under this arrangement the present three Deputy Secretary posts covering single Service areas will lapse.

9.2 Under the 2nd PUS the OMB will cover the following four main areas of work, each supervised by a Deputy Secretary:

a. Resources and Programmes This grouping will be responsible for coordinating the Ministry's annual long term costing, including the issue of assumptions in accordance with priorities developed in conjunction with the Defence Staff, and for the Ministry's contribution to the Government's Public Expenditure Survey. Major proposals for expenditure including new equipment programmes will be scrutinised by the OMB on behalf of PUS;

b. Finance This grouping will be headed by the

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Principal Finance Officer (PFO) and be responsible for the Ministry's financial management, including cost control and accounts and matters of parliamentary accountability and propriety. All senior staff in the Ministry with financial duties will have a responsibility to the PFO. One of the major tasks of these finance staffs will be the development of the system of Executive Responsibility Budgets;

c. Administration The Deputy Secretary (Administration) will have important functions, currently undertaken by the single Service Deputy Secretaries, in supervising and directing financial and secretariat aspects of single Service personnel and logistics work. In addition this grouping will exercise central responsibility for the financial scrutiny of expenditure proposals in the Service personnel area and will deal with Defence lands, claims, and health and safety policy;

d. Civilian Management This grouping will be headed by the Ministry's Principal Establishment Officer. It will be responsible for civilian personnel management, training and conditions, industrial relations and a variety of other support functions, including headquarters security and office services. Consideration is being given to changes in this area designed to allow delegation of personnel management responsibilities for civilian staff to

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9.3 An important task of the OMB will be the provision of a central capability for inspection and audit of defence activities. This will include work designed to further, where appropriate, rationalisation and standardisation between the three Services and other parts of the Ministry.

9.4 The primary objective of the OMB will thus be to achieve stronger control over the Ministry's corporate financial planning, the commitment of resources, and the financial and management systems which the Ministry follows throughout its work. It will aim to provide a constructive service to all levels of management and will be organised to allow the closest relationships between its staff and those of the Defence Staff, Service headquarters staffs and other parts of the Ministry. 2nd PUS will be a member of the Defence Council, and each Service Board and Executive Committee. PUS will continue to chair the Financial Planning and Management Group which brings together at a senior level those principally concerned with these subjects in the Ministry, including the Chiefs of Staff.

X - EQUIPMENT APPROVAL PROCEDURES

10.1 The establishment of the new Defence Staff and OMB will allow the central equipment committee structure and procedures to be streamlined. There will be a single Equipment Policy

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Committee to advise Ministers and Chiefs of Staff. The Committee will advise on the equipment production and development programme, and the balance of equipment investment, so as to ensure that they are matched to operational requirements, resources, defence policy, industrial and sales considerations, and technical feasibility. Membership of the Committee will reflect these interests as appropriate and other Government Departments will have the opportunity to attend meetings as necessary. The new Committee will replace the present Defence Equipment Policy Committee and Operational Requirements Committee and will be supported by sub-Committees dealing with individual areas of the equipment programme.

XI - MANAGING DEFENCE PROCUREMENT

11.1 The centralised Procurement Executive management structure established in 1972 remains basically sound. The review carried out within the Ministry with the assistance of Mr Peter Levene, the Personal Adviser to the Secretary of State for Defence, and other senior industrialists has confirmed that improvements should be sought in the way procurement is conducted. Expenditure on equipment accounts for approximately 46% of the defence budget, and is expected to amount to some £7,800 million in the present year. Better value for money needs to be sought, both from British industry, of which the Ministry is the single largest customer, and elsewhere, in particular through the

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important collaborative and co-production arrangements made with our Allies.

11.2 The Government's policy is that better value can be obtained from the private sector through more extensive and effective competition in the supply of defence equipment. It also believes that only certain essential activities need be retained within the public sector. Subject to legislation now before Parliament, the Government intends to transfer the Royal Ordnance Factories to Companies Act status and as soon as possible thereafter involve private capital so that this important national asset will be better able to develop its business on a fully commercial basis. Steady progress has been made in recent years in the disengagement of the Procurement Executive from activities more appropriate to the supplier than the customer. In line with this policy, the direct quality assurance oversight of defence contractors has been very considerably reduced, and more design and development work is now being done in industry rather than in the Ministry's own R&D Establishments. These trends will continue. More emphasis is being placed on the use of performance (or Cardinal Points) specifications when stating equipment needs, thus permitting industry to contribute more positively to the design of new equipment with a view to a better product both for the Armed Services and for the needs of the export market.

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11.3 This general approach must be sustained by changes of attitude and emphasis within the Ministry itself. The undoubted commercial awareness and professionalism amongst those responsible for defence purchasing must be fully harnessed if the full potential from the greater emphasis on competition is to be realised. Greatly increased stress will be placed in future on the contribution which the commercial expertise of the Ministry's contracts staff can make in achieving better value for money for the taxpayer and the defence budget. In the vital area of project management, project leaders need to be supported by balanced and integrated teams reflecting the various disciplines required; they must be given clear authority to match their responsibilities, and the necessary incentives to exercise judgement in achieving better value for money and taut financial control, while meeting the basic objectives of the tasks they have been set. Throughout the Ministry it is the intention to develop interchanges of staff at different levels with the private sector. We shall pay particular attention to the need to inject best business practice into the work of the Procurement Executive.

11.4 Support and maintenance costs form a very considerable part of equipment expenditure and it is therefore essential that they be recognised as an indivisible element of the procurement process. The Government intends to consider further the boundaries between the Service support organisations and the

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procurement staffs to see whether, on a case by case basis, there is a need for change.

XII - IMPLEMENTATION

12.1 The new structure described above will come into effect on 2nd January 1985: steps will, however, be taken to form the Defence Arms Control Unit in advance of that date. Every opportunity will be taken to co-locate staffs so as to facilitate the necessary close working relationship between the main elements of the organisation. New practices and procedures will be required and it is to be expected that further refinement of the new organisation will be needed over the next year or so leading to additional staff savings. Account will also be taken, as necessary, of work in hand to improve equipment procurement practices and associated organisational arrangements as described above in order to ensure maximum value for money in defence procurement.

12.2 These changes represent a substantial further step in the progress towards a more integrated and coherent higher defence organisation. But it must not be supposed that there are no further advances to be made. There is much to be done, for example, in delegating work outside the Ministry's headquarters. The Government will continue to seek improvements in the

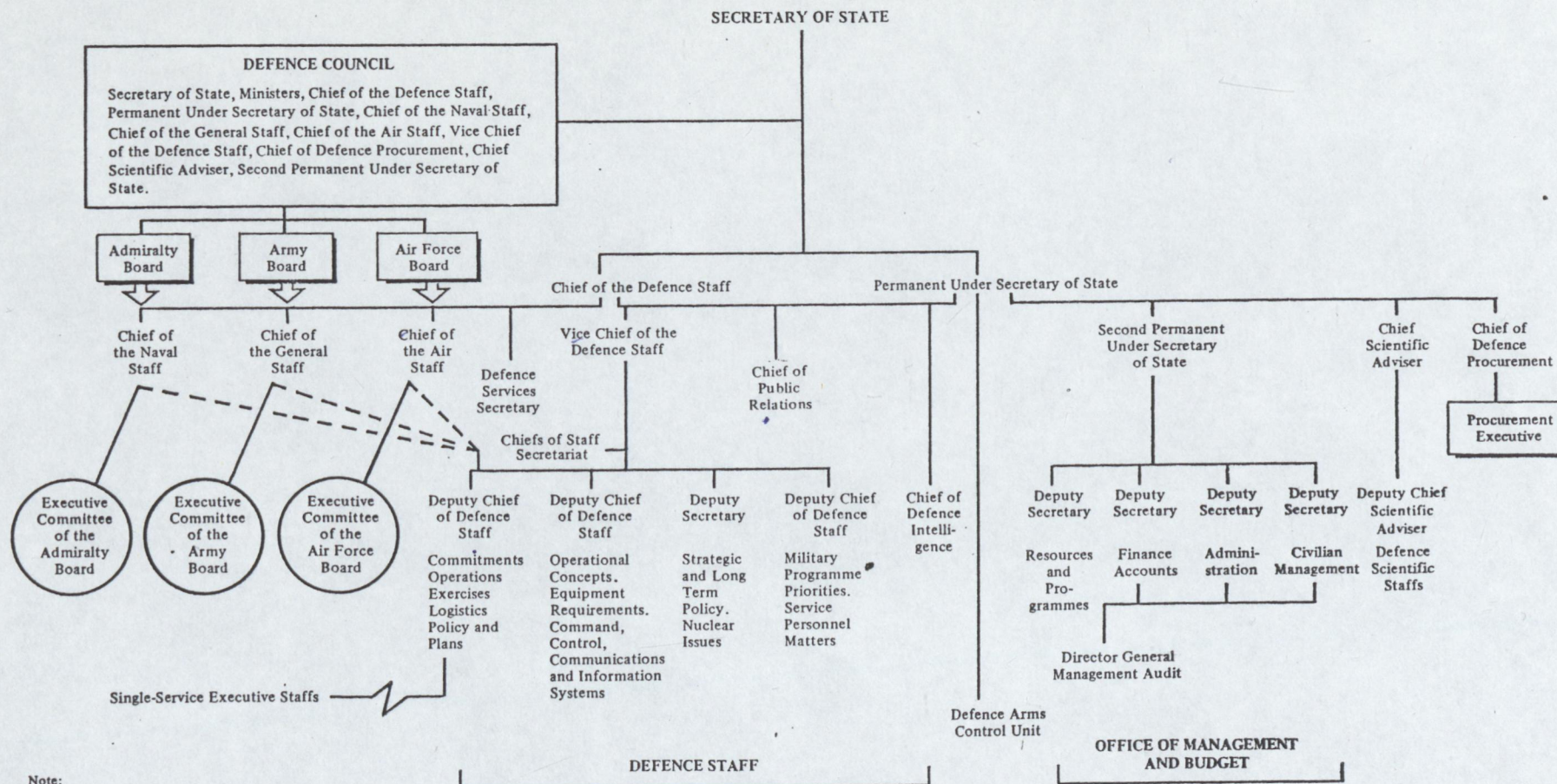
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efficiency of defence organisation and management when such advances are compatible with the overall defence interests of the nation

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THE HIGHER ORGANISATION OF THE MINISTRY OF DEFENCE



Note:

1. Single Service Chiefs of Staff have access to staffs of Vice Chief of Defence Staff, Chief of Defence Intelligence and Chief of Public Relations