



# **DEFENCE TRANSPORT AND MOVEMENTS AGENCY (DTMA)**

## **ANNUAL REPORT AND ACCOUNTS 2006/2007**

**PRESENTED TO THE HOUSE OF COMMONS PURSUANT TO SECTION 7 OF THE  
GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000**

Ordered by the House of Commons to be printed on 17<sup>th</sup> July 2007

LONDON: THE STATIONERY OFFICE

**HC 749**

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## OPENING STATEMENT

I present the 2006/2007 Defence Transport and Movements Agency's (DTMA) Annual report and Accounts covering our eighth and final year in existence before we relinquish Agency status on the 1<sup>st</sup> April 2007. This has once again been an extremely busy and productive year for the Agency where our continued need to deliver strategic movement and responsive joint supply chains in support of operations has never been more crucial. The operational tempo has been extremely high throughout this reporting period, particularly in meeting the considerable demand for strategic lift in support of enduring operations in Iraq and Afghanistan. In meeting the operational requirements, DTMA has worked very closely with the Front Line Commands (FLCs) and the Permanent Joint Headquarters (PJHQ), who depend on the professionalism and knowledge of my staff in order to deploy, sustain and recover military personnel and equipment. The operational element of our business has been addressed through challenging Key Targets (KTs) and DTMA has achieved a HIGHLY SATISFACTORY score from PJHQ, the highest grade that can be awarded.

Whilst operational support has rightly been the Agency's main focus and priority, we have nonetheless continued to be proactive and responsive in the provision of routine business needs. Customer requirements as negotiated and agreed in our Customer Supplier Agreement (CSA) have been fully met, indeed 99% of transactions against each service (28 services in total) have been met within Time, Quantity, Quality and Cost (TQQC). Furthermore, in delivering our services we have sought to reduce expenditure through adoption of best practice procedures and more effective use of resources; this has delivered an in year strategic efficiency saving of £12.6M.

A brief summary of our key successes over the period of this report is set out below:

- The Agency provided multi-modal transportation assets through various operators in support of operations in Iraq, Afghanistan and the Balkans. The transportation for two Relief in Place (RiP) cycles per operation was successfully planned and active 24/7 management of resources by Mov Ops provided swift resolution for inevitable localised problems over what are, self-evidently, very challenging routes. In addition, Op HIGHBROW (Non-combatant Evacuation Operation (NEO) from the Lebanon to Cyprus) required DTMA to source both commercial sealift and airlift at extremely short notice.
- The Agency has successfully provided Roll on Roll Off (RoRo) vessel capability at the readiness states required. In addition, it has made maximum use of the RoRos when not deployed on operations by utilising them for commercial use and for re-supplying the Falkland Islands. A total of £3.2M of income was generated by the RoRos during 2006/2007.
- The Boeing Operational Control System (BOCS) was successfully introduced with Full Operating Capability (FOC) achieved on 31<sup>st</sup> March 2007. The system replaced existing systems for air tasking, spanning the complete airlift process from DTMA inputting airlift bids through to aircrew entering post-mission details on completion of the flight.
- Enabling contracts put in place by the Commercial staffs taken together with more selective purchasing of air fares through the American Express travel management contract have delivered substantial benefits for the Agency's customers Department-wide. There has been a 5.6% reduction in the average cost of a journey by air, a 12.4%

reduction in the average cost per mile flown and a 5.3% (£2m) reduction in the total cost of air tickets purchased.

- We have strengthened and developed our relationship with the European Airlift Centre (EAC) to ensure that UK assets are more effectively utilised in the provision of operational support whilst ensuring support to the UK exercise programme has been maintained. We will continue to exploit such benefits as well as the continued development of the Strategic Airlift Interim Solution (SALIS) scheme for the provision of heavy lift aircraft.
- We have successfully carried out 5 Lean Reviews to ensure that best practice procedures are in place as well as conducting a European Foundation of Quality Management self assessment, which focussed on People Management and People Results.
- We have processed over 85,000 invoices, 80% of them by electronic means against a managed contract spend of £166M.

It should be noted that the cost and income associated with meeting our operational objectives and programme costs are not included within the Agency Accounts as they reflect only the cost of providing the services, rather than the services themselves.

A handwritten signature in black ink, appearing to read 'J. Mason', is written over a diagonal line that extends from the top left towards the bottom right.

Brigadier Jeff Mason MBE  
Chief Executive

## **REPORTING STATEMENT: MANAGEMENT COMMENTARY**

### **THE ORGANISATION**

#### **ROLE**

DTMA, as part of the Defence Logistics Organisation (DLO), provides strategic transport and movements support on a Tri-Service basis. It is a vital contributor to the deployment, sustainment and recovery of a force and is under remit to provide a 24-hour service throughout the year. The Owner is Director General Logistic Supply Chain (DG Log (SC)), who in turn is responsible to the Chief of Defence Logistics (CDL).

DTMA is mandated to provide a range of strategic transport and movements services in accordance with its Framework Document. The mandate is fulfilled through CSAs, Internal Business Agreements (IBAs), Service Level Agreements (SLAs) and Reverse Tasking Agreements (RTAs) with a wide range of Business Units, Defence Agencies, Trading Funds and the Permanent Joint Headquarters (PJHQ). Some services are also available to Other Government Departments (OGDs) and outside bodies on a repayment basis. It is also responsible for the development and dissemination of Transport and Movement Policy across Defence and is the lead for Safety and Environmental Management Discipline (Assurance Authority).

For operations, the Ministry of Defence (MoD) provides the necessary policy, directives and overall priority for movements issues. PJHQ act upon these directives to plan and execute operations in response to MoD requirements. Direction is then given to DTMA as the provider and enabler of the coupling bridges, through the provision of air and surface strategic movement assets, to ensure that those involved in various operations are provided with the necessary level of support. Specifically DTMA manages and tasks the MoD RoRo fleet acquiring additional commercial chartered sealift as required and tasks the RAF Air Transport Fleet (ATF) operated by 2 Gp RAF and acquires commercial airlift for passenger and freight movement to supplement the in-house assets.

#### **STRUCTURE**

DTMA Headquarters is situated at DLO Andover and the Agency has an outstation in London at the Defence Passenger Reservation Centre (DPRC), detachments at Bielefeld (DTMA Germany) and at the European Airlift Centre (EAC)/Sealift Co-ordination Centre (SCC) (Eindhoven) and Freight Transport Clearing House (FeTCH) implants at Stafford, Longtown, Dulmen and Bicester. The Future Defence Supply Chain Initiative (FDSCi) Client Organisation has an outstation in Bicester.

DTMA comprises four operating divisions: Supply Chain Management (SCM), Movement Operations (including Duty Movements Staff), Movement Support Services (MSS) (including Unaccompanied Baggage, Business Travel, DPRC, Business Systems) and Defence Movement and Transport Policy (DMTP). The work of the operating divisions is supported by the Commercial and Corporate Services (C&CS) and Finance and Business Plans (F&BP) Divisions.



## **THE MANAGEMENT BOARD**

The composition of the Management Board at the year ending 31 March 2007 is given at page 19 in the Remuneration Report.

## **MISSION AND VISION**

### **VISION**

To be operationally focused and proactive Agency dedicated to meeting the Defence requirements through the acquisition of high quality, good value transport and movements support. Customer orientated and responsive, it delivers comprehensive, efficient, timely and effective solutions. It is the preferred choice of all of its users.

### **MISSION**

In executing the responsibilities required of its role, DTMA works to the following mission statement provided by the Owner:

To provide Defence and other authorised users with agreed transport and movements services world-wide in peace, crisis and war in order to support UK military capability, current and future.

## **STRATEGY**

DTMA corporate strategies articulate the way in which the Agency will deliver the capability encapsulated in the vision and mission. The Corporate strategies seek to ensure that DTMA meets the customer requirements and develops the customer base by achieving an increase in market share. Each strategy is accompanied by a number of objectives, which set out how the strategy will be implemented over the course of the year and the Director responsible for its implementation. DTMA's four strategies are:

- Strategy 1: Customer and Outputs. What we deliver to, and what relationships we have with our customers.
- Strategy 2: Finance and Resources Management. The efficient use of resources, including money and people.
- Strategy 3: Internal Processes. The effectiveness of the existing internal organisation.
- Strategy 4: Investing for the Future. What development is needed to shape the organisation for the future.

## KEY PERFORMANCE INDICATORS (KPIs)

Performance is reported routinely throughout the year. Reports are provided via the Level 1 Plan to the Management Board (MB) on a monthly basis. Performance is measured using traffic light gradings for the objectives and tasks which the MB requires DTMA to report on. Business Risk is also included in the Level 1 Plan, in order to articulate the impact of not delivering the objective against the stated milestone.

The KTs focus on the delivery of services to meet the customers' routine and operational requirements as well as assessing the Agency's efficiency and the value it adds to the MoD. The KTs are the principal method by which the Agency's performance is evaluated and assessed by the Owner, MoD, the Cabinet Office and Parliament. DTMA KTs for 2006/07 were as follows:

### KEY TARGET 1.

To achieve at least a 'SATISFACTORY' rating in the provision of planning and delivery of transport and movements support to emerging operations, an increase in the tempo of existing operations or other requirements.

### KEY TARGET 2.

To achieve at least a 'SATISFACTORY' rating in the provision of planning and delivery of transport and movements support to enduring operations.

### KEY TARGET 3.

To provide Roll-on Roll-off (RoRo) vessel capability at the Readiness States required.

### KEY TARGET 4.

To meet customers' requirements as negotiated and agreed in CSAs to deliver:

- a. KT 4a - 98% or more of Agency transactions and services, however provided, to be within agreed Time, Quantity, Quality and Cost (TQQC) criteria.
- b. KT4b - At least 96% of transactions against each service to be within agreed TQQC criteria.

### KEY TARGET 5.

To reduce the average unit cost of output by 1% in real terms (i.e. achieve a unit cost of £1.018).

### PAST PERFORMANCE.

Summaries of past performance and the current year are shown in the table below:

Year	2005/06	2006/07
Target KT1	To achieve at least a Satisfactory rating. <i>Achieved. Rated HIGHLY SATISFACTORY by PJHQ</i>	To achieve at least a Satisfactory rating. <i>Achieved. Rated HIGHLY SATISFACTORY by PJHQ</i>
Target KT2	To achieve at least a Satisfactory rating. <i>Achieved. Rated HIGHLY SATISFACTORY by PJHQ</i>	To achieve at least a Satisfactory rating. <i>Achieved. Rated HIGHLY SATISFACTORY by PJHQ</i>

Target KT3	To provide Ro-Ro capability at the Readiness states required. <i>Achieved. Readiness states have been met.</i>	To provide Ro-Ro capability at the Readiness states required. <i>Achieved. Readiness states have been met.</i>
Target KT4:		
KT4a	98% of transactions and services to be within TQQC. <i>99.8% achieved</i>	98% of transactions to be within TQQC. <i>99.8 % achieved</i>
KT4b	94% of transactions against each service to be within TQQC. <i>98.4% achieved.</i>	96% of transactions against each service to be within TQQC. <i>99.1% achieved.</i>
Target KT5	To reduce the average unit cost of output by 1%. <i>Not achieved. 5.9% above target</i>	To reduce the average unit cost of output by 1%. <b>ACHIEVED</b> (2% below target) <sup>1</sup>

## ANNUAL REVIEW OF ACTIVITY

### GENERAL

The past year has again followed the very high operational tempo of the previous four and been exceptionally busy and demanding. Support to operations rightly remains DTMA's primary focus, with sustainment and roulement of forces deployed to Iraq and Afghanistan continuing at high levels and requiring significant planning and management. Our continually developing partnerships with 2 Group RAF, Foreland Shipping and other commercial suppliers have enabled us to manage the multitude of strategic coupling bridges to great effect. Excellent teamwork between DTMA, Defence Logistics Organisation (DLO) Integrated Project Teams (IPTs) and other supply chain business units has ensured reliable materiel flow in support of worldwide deployments; our partnership with the Defence Storage and Distribution Agency (DSDA) ensures that the routine UK/North West Europe distribution network continues to deliver effectively.

In addition, the extensive overseas exercise programme and support to overseas garrisons has added to the demands placed on the Agency and its staff. These challenging circumstances have, once again, brought out the very best in the DTMA team who remain highly motivated, enthusiastic and consummately professional. Indeed, the undoubted success of DTMA in meeting the demands of such a testing and varied year is a tribute to the commitment and ability of its staff.

Over the period of this report DTMA has remained committed to the improvement of its internal business processes. DTMA has conducted five Lean Thinking Reviews and an EFQM self-assessment in order to ensure that the right processes and procedures are in place. Elsewhere the Agency continued the process of optimising its contractual arrangements by implementing 'e' procurement initiatives across more contracts.

Notwithstanding these successes the Agency has continued to seek ever more cost effective methods of conducting its business and over the past year its programme of strategic efficiencies saw the Agency deliver over £12.6M and so contribute towards the DLO's Strategic Goal to reduce total operating costs.

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<sup>1</sup> The target was to reduce to £1.018 and we over achieved by 2% (reduced to £0.998)

## **CUSTOMERS**

DTMA continues to place great emphasis on working with customers to ensure that the services provided meet the needs of the customer community and also represent best value for money. This is achieved through day-to-day desk level liaison for individual movements tasks, customer representation at contract review meetings, the analysis of customer feedback through the DLO and DTMA customer surveys and the provision of customer input to the development of contract statements of requirement. These arrangements are complemented by the development of robust and costed CSAs and liaison with customers through bi-annual Customer Advisory Group (CAG) meetings. A strong customer complaints procedure exists. Gauging customers' satisfaction with DTMA services has been key to the delivery of high quality services and is reported on at KT 4.

## **MOVEMENT OPERATIONS**

### **GENERAL**

Movement Operations continues to be the provider of multi-modal strategic transportation solutions in support of UK Defence world-wide. The extremely high tempo of current Defence commitments in Iraq, Afghanistan and the Balkans reflects directly back into the tempo of activity in the Operations Room. Overlaid on the operational picture is an overseas exercise training requirement that also has to be resourced. Careful synchronisation of asset tasking ensures that maximum use is made of scarce resources. Meticulous, continual and close management from the initial planning stage through to the final execution of the task, including monitoring en route, is demanded. Movement Operations specialise in 'squeezing quarts from pint pots' and are constantly engaged in ensuring that, as a service provider, DTMA continues to meet the highest possible standards of quality and effectiveness while ensuring that its solutions achieve the best value for money. The work of Movement Operations contributes directly to the preparedness of force elements and to operational capability in theatre and consequently, while the pace may be frenetic, motivation remains high.

### **OPERATIONS AND PLANS**

Movement Operations is DTMA's primary interface with PJHQ and the FLCs for strategic movements matters. The Operations and Plans Branch is the co-ordinating hub where new and emerging operational movement requirements for Defence are identified. They are subsequently progressed from their conceptual stage through to an outline strategic movement plan, before handing off at the appropriate moment to the tasking desks for the allocation of appropriate lift assets.

While Op TELIC remains Main Effort for Defence, Operations and Plans have focussed considerable attention during the year on Afghanistan and Op HERRICK. The geographical complexity of reaching and sustaining the country, along with concurrency and de-conflicting the allocation of limited strategic transport assets, particularly air transport, were the key issues.

During the period four separate rotations of forces (two for each main theatre) have been either successfully planned, or executed, or both. Towards the end of the period the pressure was especially intensive as both theatres began to benefit from significant equipment enhancement programmes and as the movement of sustainment stocks increased in line with the operational tempo. At the same time, periods of reduced fuel availability in Afghanistan led to reductions in the payload that aircraft could carry. These conflicting challenges required careful and proactive management.

Short notice deployments increase issues of concurrency and cause acute spikes of demand for strategic transportation on an already well loaded system. Op HIGHBROW required DTMA to source both commercial sealift and airlift at extremely short notice. The ability of the Agency to acquire such assets in competition with other nations, and over one of the busiest holiday periods of the year, was a major contributor to the success of the Operation.

## **AIR OPERATIONS**

Strategic air transport support to operations, particularly the movement of troops, continued to attract high profile attention in Parliament, the national media and within the Services. Not all of the commentary was well informed. While there were instances of delays that impacted significantly on individuals, the overall requirement to support operations has been met through careful planning, the judicious balancing of priorities, the optimum use of military and civilian resources and a huge amount of effort by all those involved.

RAF Tristar aircraft were tasked to support the Afghanistan theatre with direct flights into Kabul. Serviceability of the aircraft remained an issue, but a number of measures were put in place to increase the robustness of the service. In December 2006, improvements to the runway at Kandahar permitted the Tristar to operate closer to the UK operational area reducing journey times and the support required from intra-theatre movement by C130 aircraft. Freight movement to theatre has been by a mix of scheduled RAF C17 aircraft and commercial freighters, supplemented by ad hoc flights to meet specific tasks. Use was also made of the SALIS which came into effect in early 2006 through which the UK, along with a number of other nations, has access to two dedicated Antonov 124 outsize lift aircraft. In addition, use of American airlift was made to meet a number of specific tasks under the UK-USA reciprocal airlift agreement.

The Op TELIC passenger strategic air bridge into Iraq has been undertaken by civil charter airlift via a hub in the Middle East with onward movement into Iraq by RAF C130 aircraft. The Agency's excellent relationship with airlift brokers and the airlines remains key to ensuring good access to the civil market and that changing operational requirements can be met quickly and effectively. As with Afghanistan, the C17 also serves Iraq in the freight role and a twice weekly freight charter service supplements the sustainment requirement. The replacement of older commercial freighters with more modern A300 aircraft has seen a significant improvement in reliability. As with Op HERRICK, additional freight aircraft, both outsize and narrow-body, have been chartered to meet peaks of demand.

Military air transport continued to support the Balkan theatre and was also involved in the deployment of the Spearhead Lead Element to Op HIGHBROW, which demanded an extremely short notice approach to the charter market to provide airlift for the evacuation of UK nationals from Akrotiri to the UK during July 2006. A total of 22 flights were chartered on behalf of the Foreign and Commonwealth Office (FCO) in stiff competition with other nations.

With a significant proportion of military air transport being focused on operations, the EAC, under which member nations can make use of each other's airlift, has provided sterling support to the Defence Exercise Programme (DXP), most notably in securing short notice passenger moves for Exercise MEDMAN in Canada on behalf of HQ Land. The UK is a beneficiary of EAC membership, but continues to provide a significant level of support in return as well. The USA-UK reciprocal airlift agreement has also been utilised on a number of occasions to support the DXP as well as Defence Procurement Agency activity and the routine movement of C17 engines across the Atlantic for repair and overhaul.

Due to the majority of core trooping contracts being renewed in the last reporting period, the Core Trooping section of Airlift Charter has focused on bedding-in the new contracts. Financial support for the London-Brunei passenger route has been disaggregated to HQ LAND in line with the Agency's policy of passing funding to customers where it is sensible to do so. A contract was placed with BMI for the London-Hanover route as part of the School Children's Visit (SCV) contract. However, changes to British Airways' business plan resulted in their withdrawal from the core SCV contract and the need to put in place interim arrangements while a replacement contract is being sought.

## **SURFACE OPERATIONS**

DTMA continues to be the tasking authority for the four RoRos vessels<sup>2</sup> which provide the UK strategic sealift capability. At the start of the period the main focus for sealift was servicing the tail end of the Op HERRICK expansion via Karachi and the roulement of TELIC forces into Iraq. Two further rotations of forces took place, one to each theatre, later in the year. The surface line of communication to Afghanistan continues to work well. While the nature of the route leads to occasional disruptions these have been very minor and quickly resolved by DTMA and the contractor. In his role of DTMA Liaison Officer in Karachi, the work of WO1 Fletcher, on his third deployment, was recognised by a thoroughly well deserved Chief of Defence Logistics Commendation. For Op TELIC, congestion in Middle East ports led to significant delays in liner service delivery times. Changes in the ports used have resolved the problem and the contract timings are now being met. Removal of old and surplus stock from Iraq has generated a significant volume of return freight which has been moved back to the UK by the RoRos. Careful planning and scheduling has ensured that the vessels travel in both directions with full loads.

The Surface Operations team also made a major contribution to Op HIGHBROW by chartering a fast catamaran passenger vessel, the MV ALKIONI, which was used for the movement of British and other entitled nationals from Beirut to Cyprus.

When not fully tasked in support of operations the Strategic RoRos have undertaken a variety of other tasks including support to the DXP. Overseas exercises have been supported in the Middle East, Norway, Gibraltar and Belize. In addition, sea-trials on the new Royal Fleet Auxiliary Landing Ship Dock (Auxiliary) ships confirmed their suitability for carrying smaller equipment loads which would not be economical to allocate to a Strategic RoRo. DTMA has access to these vessels when they are not engaged on their primary amphibious tasking.

During the period maintenance sailings were undertaken in support of UK Forces in the Falklands, Germany, Gibraltar, Cyprus, Belize, Canada and St Kilda. Where possible, maintenance sailings were combined with Operational tasking to reduce costs.

Once again the very high operational tempo has meant that there has only been a limited opportunity to charter out the Strategic RoRos capacity for commercial use. One vessel, MV EDDYSTONE, was engaged on commercial work in the Baltic in January and February 2007. However, between operational tasks, spare capacity was offered to the SCC, the organisation that brokers the co-operative use of military shipping between members states, and resulted in taskings that enabled UK ships to assist with the deployment and recovery of a NATO Reaction Force Exercise and a EUFOR deployment to the Congo.

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<sup>2</sup> Two other RoRos are engaged on commercial work with the service provider and are available for MOD use at specified periods of notice to meet surge requirements.

The provision of support to Op ATHENA has continued to utilise the Pan Balkans Road Haulage Contract. The Service was used to conduct the RiP of forces during the year.

## **FREIGHT OPERATIONS**

The Airfreight Centre (AFC) receives all bids for the movement of routine and operational sustainment air freight. It then allocates loads and arranges call forward for flights, both military and civilian, as necessary. The air sustainment of Ops TELIC and HERRICK continues to be the main effort for the AFC with, on average, two hundred and fifty bids per day to support the combined operations. In total, the air freight centre handled 74,000 air waybill bids for air freight movements. These bids range from requests for small washers to 20 foot ISO containers.

The Global Freight Transport Service (GFTS) contract with DHL Global Forwarding includes making and managing civil air freight bookings. Some 14,800 airlift bids were made during the period April 2006 to March 2007, which were allocated to a variety of carriers. Civil consignments are flown mainly in support of Royal Navy deployments worldwide, along with major RAF and Army exercises in North America, Eastern Europe, the Far East and Africa.

The Surface Freight Centre (SFC) continues to support surface movements for Ops TELIC, HERRICK and ATHENA with the clearance and movement of returning freight and vehicles from UK ports. A mixture of in-house and commercial haulage assets are used and the SFC has continued to work closely with the FASTRAX Private Finance Initiative contractor, who operates the Heavy Equipment Transporter fleet for the Army, to use these vehicles when not engaged on their primary tasking.

The Freight Allocation Cell (FAC), developed to manage the GFTS contract and to provide an interface with the DHL Global Forwarding staff implant, continues to work effectively. The GFTS contract has now been extended for 2 years which will allow further areas for potential savings to be explored. Shipments to and from North America account for a major element of expenditure and through innovative planning by Freight Operations, Sealift Operations and the GFTS contractor, costs have continued to reduce.

## **PERSONNEL MOVEMENT**

### **BUSINESS TRAVEL**

DTMA continues to contribute to better value for money in the provision of business travel services for the whole Department. The enabling contracts put in place by the Commercial staffs taken together with more selective purchasing of air fares through the American Express travel management contract have delivered substantial benefits for the Agency's customers Department-wide. There has been a 5.6% reduction in the average cost of a journey by air, a 12.4% reduction in the average cost per mile flown and a 5.3% (£2m) reduction in the total cost of air tickets purchased. Additionally, surface travel has made savings of £1.5m against published rail fares and £250k saved by ferry customers.

### **UNACCOMPANIED BAGGAGE (UB)**

The contract for the movement of UB with a single management contractor remains successful; the contract has been extended for a period of 3 years until 31 March 2010 and savings of around £4M per year secured as a result. The business is conducted under an arrangement between DTMA and the contractor, supported by a panel of highly qualified and reputable removal and storage companies. The arrangement continues to offer operational and financial benefit to both parties through a benefit share pricing system that provides best value for money and is supported by a comprehensive management information system, giving the customer a full 'door-to-door' service.

### **DEFENCE TRAVEL PROJECT**

The Defence Travel (DT) project is a pan-Defence project, owned by the MOD Director General Information (DG Info) as Senior Responsible Officer (SRO), which aims to improve the travel process for the user and enable reductions in travel expenditure across Defence of between 10 and 20%<sup>3</sup>. It aims to achieve these savings by matching travel to the business need, offering better deals to the traveller and improving the way the MOD books travel. Key to the modernisation of the booking process is the introduction of an on-line self-booking facility, available on the user's desktop. This is intended to simplify travel booking for the booker/traveller and greatly improve the central visibility of the Department's travel expenditure. Consolidated spend data will help us centrally negotiate much better ticket prices, and also help to ensure the wider proper observance of travel policy. The greater the use of the centralised procurement process, the better the Management Information, and consequently, the stronger case the Department will have when negotiating future prices with travel suppliers.

In order to deliver the DT objectives, the MOD needs to adopt a more strategic approach to purchasing travel. A Defence Travel Management Organisation (DTMO) has been formed within DTMA. It will form the central point for all travel contract management and market intelligence but will also provide data analysis/modelling, drive continuous improvement, provide information for policy decisions and be the single focal point for both MOD customers and the travel industry.

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<sup>3</sup> Defence Travel Procurement Strategy dated 08 Jan 06.



## **DEFENCE PASSENGER RESERVATIONS CENTRE (DPRC)**

The successful partnership with American Express, Trainline and Expotel (the Central Hotel Booking Service contractor) has enabled DPRC to assist Head Office budget managers to target travel expenditure with increased confidence. Combined with increased use of the Head Office Travel Service (HOTS), this has enabled significant travel savings to be achieved within the Head Office travel budgets, whilst maintaining outputs. DPRC will contribute directly to the nascent Defence Travel Management Organisation (DTMO) to ensure lessons learnt from using travel and hotel contractors are applied to the new contracts which are about to be let. DPRC continues to provide pan-MOD support for Family postings abroad, Visa applications, Trooping and full/part charter flights and Navy ships afloat. Continued support to all these areas will be examined to ensure the most cost-effective approach has been adopted.

## **DUTY MOVEMENTS STAFF (DMS)**

The DMS provide a 24-hour service for military personnel and their families who need urgent or immediate travel for compassionate reasons. This year the DMS supported 1,920 compassionate cases and 93 Dangerously Ill Forwarding Of Relatives (DILFOR). The responsive service provided by the DMS continues to receive significant praise and is a key element of the support provided to Service personnel, particularly those deployed on Operations. The DMS role also incorporates the handling of out-of-hours passenger and freight bookings and queries. Since December 2006 additional categories of freight demands have been added to DMS coverage in silent hours and the staff are now handling much increased volumes. This has eliminated freight call forward delays occurring in silent hours and at weekends and is making a positive contribution to supply chain pipeline times.

## **DEFENCE MOVEMENT AND TRANSPORT POLICY**

### **GENERAL**

DMTP Division is responsible for delivering Transport and Movement Policy across Defence through 17 Joint Service Publications (JSPs). It is also the Defence Transport and Movements Safety and Environmental Management Discipline Lead (Assurance Authority) on behalf of CE DTMA to the DLO Functional Safety Boards. As such, it produces assurance reports to board timetables. The main areas covered by DMTP are set out below:

- Road Traffic Accident reporting receipt, process and reporting system (FMT3) on behalf of MOD central insurance claims and MOD TLB customer areas.
- Defence Road Safety Policy (culture and practise to reduce incidents and injury)
- Defence Driver Licensing and Testing Authority (including inspection)
- Defence Dangerous Goods Safety Assurance (including compliance audits)
- Defence central provision of Safety Data Sheets.
- Defence Containers & Vehicle Loading Safety.
- Defence Movement Policy including Air Freight and Passenger Policy.

## **CORPORATE GOVERNANCE**

Good governance within the Agency is essential to maintaining a high standard of service to customers and producing effective outcomes. The Agency's corporate governance is founded on two essential elements: an Audit Committee, chaired by the Non Executive Director, that provides independent advice to the Chief Executive and Management Board; and a robust risk management process that is embedded throughout the Agency's management structure.

In order for DTMA to provide its customers with efficient and effective transport and movement services, it must identify and manage all business risks that could prevent it achieving its mission. At the same time however, controlled risks may be taken that would optimise any forthcoming opportunities. It is recognised that risks will be present in every activity within DTMA, whether it be in the work processes, the demands placed upon the staff, the resources available, the environment, the aspirations of the staff or indeed the reputation of DTMA throughout the MoD and OGDs. The principles of business risk management have been widely promulgated within the Agency and personnel have a clear understanding of their duty to adhere to regulations, report incidents, express concerns and implement innovative solutions.

Negotiation of CSAs with customers has put a limit on the value of services each customer can automatically expect. This has helped customers to focus more keenly upon their predicted requirements for DTMA services and, therefore, contributes significantly to managing this risk. However, in many cases customers themselves have little direct control over demand, which arises as a consequence of decisions taken in another context, such as the issue of posting orders. Although volumes are controlled through CSAs, DTMA is open to cost increases particularly due to inflation (e.g. fuel).

DTMA is also responsible for the disclosure of relevant audit information. I can confirm that;

- a. There is no relevant audit information of which the auditors are unaware;
- b. I have taken all necessary steps to ensure that I am aware of the relevant audit information; and
- c. I have taken all necessary steps to establish that the auditors are aware of the information

## **COMMERCIAL SUPPORT**

The past year (FY06/07) has seen work on several large longer term contracts which are either shortly due for renewal or which have been renewed. Included in this list are contracts covering the Mainline Rail Freight Service, North Atlantic Trooping and Ocean Tanking Supply of Fuels. In addition a very wide range of other Travel and Transport contracts have been placed and subsequently monitored through Key Performance Indicators, Supplier and Customer Performance Measurement, as well as quarterly progress meetings.

This year has seen DTMA Commercial staffs again playing a major role in contracting for services in order to provide strategic movements support to Ops TELIC and HERRICK (across the Air, Sea and Land environments) with continuance of regular Liner Service Contracts and Airbridges to both operational theatres. DTMA Commercial staffs also contracted for services in support of Op HIGHBROW, described on pages 8 and 9.

In addition to the day to day workload, DTMA Commercial staffs continue to provide a 24hr on-call service to support the DMS in providing for military personnel and their families who need urgent or immediate commercial travel for compassionate reasons. The 24hr service has been utilised extensively in FY 2006/07, more so than in previous years, as the facility has also

been extended to support out of hours operational requirements, for both passenger and freight charters, in times of surge and unforeseen technical difficulties with the RAF ATF.

As well as these activities the Commercial team continues to engage with Procurement Reform (PR) Category Management Teams, embedded within the Agency, to ensure that optimum procurement strategies for Travel and Transport are identified and implemented across a range of travel services.

## **FREEDOM OF INFORMATION (FOI) ACT 2000**

DTMA has delegated responsibility for answering all types of Parliamentary Business and has used this experience to construct an organisation for responding to questions posed under the FOI Act 2000. Although there were fewer immediate questions than anticipated after the Act was implemented on 1<sup>st</sup> January 2005, by the end of the calendar year there had been twenty three questions directed to the Agency.

## **RESOURCES**

### **FINANCIAL**

The Agency's finances are based on the MoD's vote system. Its position is secure, only significant arbitrary cuts and significant inflation, which would result in reduced output, can be considered as being influencing factors.

The DTMA Agency Accounts include resources for the running of the Organisation. The programme cost of providing planned transport and movements services are not part of Agency expenditure. Also, costs incurred in support of Conflict Prevention are not charged to the Agency Accounts. Recorded operating costs for the Agency are £17,593K.

As a decider organisation involved in contract management, movement planning and the brokering of transport and movements the Agency owns no assets.

The other main factor in delivering the approved programme is the availability of agreed Service assets, including the RAF's ATF, the Royal Fleet Auxiliary (RFA) vessels, the Heavy Equipment Transporter fleet, and the military manpower required to operate the Air and Sea Mounting Centres and the military Air Ports of Embarkation. The costs of these are not incorporated into the DTMA Agency accounts and are borne elsewhere.

During 2006/2007 DTMA remained within its Agency Budget (excluding programmed costs).

### **MANPOWER**

First-rate people management and training and high levels of staff satisfaction have been, and continue to be, crucial for the Agency's professional well-being and success. DTMA recognises the need for continuous improvement through the adoption of the principles of business excellence in all areas of the Agency to encourage staff to realise their full potential. DTMA realises the importance of the annual DLO staff attitude survey as a vital part of the psychological contract with its staff, along with the EFQM reviews. The feedback received from both will be used to drive change and to maintain and enhance morale.

## **OTHER RESOURCES**

The Agency owns no tangible fixed assets. Instead it makes use of MoD aircraft, ships and vehicles whenever they are available and it is cost effective to do so. Also four RoRos on long term lease are available. In addition, commercial suppliers of ships, aircraft, trains and road vehicles are used.

## **SUMMARY OF KEY FINANCIAL MOVEMENTS**

### **OPERATING COST STATEMENT**

Staff. (£11,478K in 2006/07, £9,222K in 2005/06)

Costs have risen to reflect:

- a. the annual salary increases paid to both military and civilian personnel; and
- b. the increase in personnel numbers, which were predominantly higher grade military and civilian staff, resulting from the formation of the Defence Movements and Transport Policy Branch within the Agency.

Supplies and Services. (£3,952K in 2006/07, £4,028K in 2005/06)

Although there is no material movement in costs of supplies and services this is due to two compensating changes to the way communicated costs are calculated. There has been an increase in communicated costs from another part of the MoD and a reduction in capitation rate costs.

Administration. (£2,157K in 2006/07, £3,401K in 2005/06)

Costs have reduced due to:

- a. the operating costs for a main IT system transferring to another part of the MoD (Amadeus);
- b. the delay in upgrading a number of smaller IT systems due to difficulties with porting the systems to the Defence Information Infrastructure (DII);
- c. a reduction in communicated costs for administration from the DLO TLB; and
- d. a reduction in travel and subsistence costs resulting from an MoD initiative to drive down costs.

## **BALANCE SHEET**

Creditors: Amounts Falling Due Within One Year (£44K in 2006/07, £142K in 2005/06)

The balance for 2006/07 is lower mainly as a result of the reduction in expenditure on IT systems.

## **SOCIAL RESPONSIBILITY**

### **COMMUNITY RELATIONS**

DTMA recognises that it employs a substantial number of people drawn from the local community primarily in Andover and to a lesser extent at its outstations throughout the country. Although the Agency relies on the MoD as a whole to provide the main contribution regarding local community interaction, it nevertheless has taken steps to try and enhance its profile. In endeavouring to make a contribution towards the well-being of the local

community, staff organise a number of fund-raising activities throughout the year, where monies raised are paid to local charities - the Agency's charity work has raised over £2,500 in FY06/07. In addition, we have accepted a number of work experience school children and positive news stories concerning the Agency regularly appear in the local press and MoD journals.

## **ENVIRONMENTAL**

DTMA considers the possible implications for the environment, created by emissions, noise, hazardous or harmful substances, storage, disposal arrangements and training when making its business decisions. Where possible, DTMA seeks to use contractors that can have a positive environmental effect.

## **HEALTH AND SAFETY**

CE DTMA is responsible for the effective implementation of Safety, Health, Environment and Fire (SHEF) management throughout DTMA as delegated to him by CDL and to facilitate this process bi-annual SHEF meetings are held. These meetings address any changes that may be required in the work environment as a result of audit recommendations or the experiences of staff. All staff have a responsibility, as identified in the Chief Executive's SHEF Policy Statement, for taking reasonable care of the health and safety of themselves and others who may be affected by their acts or omissions at work and must observe best practice and compliance with legislation in the protection of the environment and the conservation of energy.

## **DELIVERING THE OUTPUT TO CUSTOMERS**

### **INITIATIVES**

- To monitor projected benefits of the Future Defence Supply Chain Initiative (FDSCi) and help to ensure they are realised (over £50M per year by 2010 and over £440M over the next ten years). In particular, we will need to ensure that processes are in place to support the operational environment, whilst securing the full FDSCi benefits.
- Disaggregation has resulted in a shift of emphasis from 'provider to decider'. We therefore need to exploit the benefits of such a move in terms of driving down our overheads through further disaggregation of programme expenditure, thereby better aligning accountability and responsibility. Key to the success of this approach is the need to provide the customer with accurate Output Management information against which they can benchmark the price of the services provided by DTMA.
- Where appropriate, and in-conjunction with 2 Group RAF, we will introduce further improvements to the air tasking process. In particular we will review and develop processes following the introduction of BOCS.
- DTMA will ensure the continued delivery of support to the Air Movement Information System (AMIS), and the successful introduction of its replacement capability, Air Movement Operations (AMO), by December 2008 (Initial Operating Capability). The planning for this transition will take place during 2007/2008.
- To deliver Initial Operating Capability by September 2007 for the DT Project.
- DTMA will fully engage with PR to ensure that the Agency maximises potential savings (both resources and financial) that will accrue through the adoption of effective Category

Management principles and detailed examination of the Supplier Base. Provision of accurate data is key to informing negotiations with suppliers, which will enable better transport and travel deals for Defence.

- We will provide an accurate Management Information (MI) system to ensure DTMA meets the customer requirements and develops the customer base by achieving an increase in the MoD market share, thereby leading to market growth. We will continue to use bulk purchasing power and the expertise of our highly experienced staff to secure best value for customers in the provision of transport and movements services. Awareness of DTMA's organisation, achievements and services is therefore paramount and will be achieved by proactive marketing, which will seek to convey the benefit of using the unique overall service provided by DTMA, effective MI is key to successful market growth.
- We will continue to rigorously manage contracts and ensure the process of letting them gains optimum value for Defence.
- DTMA will continue to apply the principles of the EFQM Business Excellence Model across all areas of the Agency, with particular focus on our customers, our staff and our key processes.

### **SUMMARY**

The Agency has provided its customers with the best possible quality transport and movements services and has an accomplished track record of attaining the highest levels of performance under especially challenging circumstances, often when working under difficult constraints of time and resources. Even when it relinquishes Agency status on the 1<sup>st</sup> April 2007, the new Organisation (Defence Supply Chain Operations and Movements (DSCOM)) will remain wholly committed to working within the overall Defence Supply Chain to exploit further opportunities that will improve the quality of service delivery still further, yet continuing to provide excellent value for money.

Where relevant, this Annual Report has been prepared based on the Reporting Statement: Operating and Financial Review and relinquishment of Agency status means that this will be the last year of its production.

### **REMUNERATION REPORT**

#### Remuneration Policy.

The Chief Executive and members of the Board who are Service officers receive the normal remuneration, benefits, terms and conditions of service applicable to Royal Navy, Army and Royal Air Force officers. The salaries of Service officers are reviewed annually by the Armed Forces Pay Review Body, which provides independent advice to the MoD on salaries for service personnel up to and including the rank of Brigadier.

The remuneration for Civil Service executive directors is determined, and reviewed, in line with the Treasury Delegations to the MoD and the Cabinet Office guidance on pay and gradings systems for staff below the Senior Civil Service. Pay negotiations are conducted centrally within the MoD. These negotiations take into account the need to recruit, retain and motivate staff to perform efficiently, the need for effective budgetary control, and public sector pay policy as a whole.

Civil Service directors are eligible for performance pay awarded in accordance with the MoD bonus scheme. The award of a pay bonus is decided by cluster panels that are convened to review the performance of staff by grade. The performance of the DTMA Civil Service

directors is considered by a cluster panel for the Defence Supply Chain DLO. Pay bonus payments are not consolidated and are non-pensionable. Civil Service directors are also eligible for additional payments via the Special Pay Awards and Minor Awards schemes, which are open to all civil servants.

The executive members of the DTMA Management Board are members of the relevant non-contributory pension scheme, the Armed Forces Pension Scheme for the CE and Service directors and the Principal Civil Service Pension Scheme for the Civil Service directors.

In 2006/2007 the non-executive director received £600 per day, for a maximum of 24 days per year, plus any travel and subsistence costs incurred. The non-executive director is not involved in any discussion about his own remuneration. His fees are paid in arrears on receipt and verification of a claim submitted by the non-executive director. All payments made to the non-executive director are non-pensionable.

### Service Contracts

The Chief Executive DTMA is appointed through competition open to the three Armed Services (Royal Navy, Army, and Royal Air Force). The other executive members of the DTMA Management Board are appointed either through the Armed Service postings cells, for Service directors, or through the MoD internal recruitment scheme, for Civil Service directors. In accordance with all civilian appointments, the Civil Service director appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be on merit on the basis of a fair and open competition.

The non-executive director does not hold a civil service appointment.

### Salary and Pensions

The salaries and pensions for the Directors of DTMA are shown in the table on page 19. The information contained in the table is subject to audit and sets out an analysis of pre-tax remuneration during the year ended 31<sup>st</sup> March 2007.

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances or any other allowance to the extent that it is subject to UK taxation.

None of the officers received any benefits in kind during the year.

	Salary, including performance pay		Real increase in pension	Real increase in lump sum	Total accrued pension at 60 at 31/03/07	Total accrued lump sum at 60 at 31/03/07	Cash Equivalent Transfer Value		
	<i>(in bands of £5,000)</i>		<i>(in bands of £2,500)</i>				<i>(to the nearest £1,000)</i>		
	06/07 £000s	05/06 £000s	06/07 £000s	06/07 £000s	06/07 £000s	06/07 £000s	31 March 2007 £000s	31 March 2006 £000s	Real Increase Funded by Employer £000s
Brig JS Mason MBE Chief Executive	80-85	80-85	2.5-5.0	10.0-12.5	32.5-35.0	102.5-105.0	830	713	0
Gp Capt DB Cannon Director Movement Operations	75-80	70-75	0-2.5	5.0-7.5	37.5-40.0	112.5-115.0	406	768	-345
Capt R Albon RN OBE Director Movement Support Services (To 7 <sup>th</sup> November 2006)	70-75	70-75	0-2.5	2.5-5.0	25.0-27.5	80.0-82.5	640	612	22
Capt A Finlayson RN Director Movement Support Services (From 7 <sup>th</sup> November 2006)	70-75	70-75	0-2.5	2.5-5.0	27.5-30.0	87.5-90.0	714	681	25
Col IC Alexander OBE Director Supply Chain Management	70-75	65-70	0-2.5	2.5-5.0	30.0-32.5	92.5-95.0	725	687	28
Mr D Clark Director Finance & Business Plans (To 30 <sup>th</sup> June 2006)	15-20	50-55	0-2.5	N/A	27.5-30.0	N/A	546	536	3
Mr A Carine Director Finance & Business Plans (From 3 <sup>rd</sup> July 2006)	35-40	N/A	0-2.5	0-2.5	10.0-12.5	35.0-37.5	173	168	5
Mr S Woodger Director Commercial & Corporate Services	35-40	35-40	0-2.5	0-2.5	10.0-12.5	35.0-37.5	174	164	9
Mr R Burberry Director Movement & Transport Policy (From 16 <sup>th</sup> October 2006)	15-20	N/A	0-2.5	0-2.5	15.0-17.5	50.0-52.5	334	324	4
Mr J Parks Non-Executive Director	5-10	10-15					N/A	N/A	N/A



## Benefits

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme.

The factors used to calculate the CETV for members of the PCSPS were revised for 2006/07 following advice from the Cabinet Office. The figures for 31<sup>st</sup> March 2006 have been recalculated using the new factors and this has led to changes to the figures published last year.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.



Brigadier J S Mason MBE

Chief Executive

Date: 29<sup>th</sup> June 2007

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## ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2007

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## **Foreword to the Accounts**

### **History**

The Directorate of Transport and Movements (Army) was created in 1978 and this organisation gained Agency status on 4 April 1995, as part of the Government's Next Steps initiative, and became the Defence Transport and Movements Executive (DTMX).

The formation of the Defence Transport and Movements Agency (DTMA) on 1 April 1999, as a result of the Strategic Defence Review in 1998, saw DTMX, the Northwood elements of the Joint Transport and Movements Staff (JTMS) and elements of the former Air Movements Executive (AME) subsumed into the larger Agency.

The new Agency also includes the Defence Passenger Reservation Centre (DPRC), formerly the Joint Services Booking Centre, and, from 3 October 1999, the Defence Freight Distribution Group (DFDG). The DFDG controls the Freight Distribution Service (FDS) which brought together the freight operations of the Army, represented by 25 Squadron RLC at Bicester, with the Royal Navy elements in the former Naval Bases & Supply Agency at Portsmouth, and the RAF within Logistics Command at Stafford. As part of the FDSCi in-house solution, the responsibility for DFDG transferred to DSDA on 1 April 2005 and the Supply Chain Management (SCM) Division was established within DTMA.

On 11<sup>th</sup> January 2007, the Minister for the Armed Forces announced to the House of Commons, that from the 1<sup>st</sup> April 2007 the Defence Transport and Movements Agency would cease being an Agency. Consequently, these are the last set of accounts to be prepared on the Agency basis. The activities of the Agency will continue within the Ministry of Defence and therefore it remains appropriate for these accounts to be prepared on a going concern basis.

### **Aims and Objectives, Business Developments and Review of Activities**

These are fully described in the foregoing Report.

### **Financial Review for the Year Ended 31 March 2007**

The net operating cost for the Agency in the year ended 31 March 2007 was £17,593K (2005/2006 £16,669K). Total assets less current liabilities at 31 March 2007 amounted to liabilities of £44K (2005/2006 liabilities of £142K).

These Agency Accounts do not include programme expenditure. Programme expenditure is defined as that expenditure which relates to the delivery of supplies and provision of services by the Defence Logistics Organisation, either on behalf of the Ministry of Defence (MoD) as a whole or for one particular Service.

### **Pensions**

Details of the pension schemes covering Agency staff, and of treatment of pension liabilities, are given in Notes 1.1 and 3.c to the Accounts respectively.

### **Creditor Payment Policy**

The Agency's suppliers are paid through the Defence Bills Agency (DBA). As the MoD's central bill payment authority DBA has a target of paying 99.9% of correctly presented bills within 11 calendar days of receipt. Actual performance against this target, as audited by Defence Internal Audit, was 99.95% in 2006/2007. In 2006/2007 DTMA did not incur any liability under the Late Payment of Commercial Debts (Interest) Act 1998.

## **Board of Directors**

Details of the composition and remuneration of the Board are shown in the Remuneration Report. Normal Royal Navy, Army and Royal Air Force posting procedures appointed military members of the Board. Civilian members, other than the Non-Executive Director, were appointed by MoD Civil Service standard procedures.

## **Employment Policies**

DTMA is committed to a policy of equal opportunity. In accordance with the Civil Service Order in Council 1995, recruitment to DTMA is based on the principle of fair and open competition and selection on merit, free from any form of discrimination. The Agency abides by existing legislation and the MoD Disabled and Equal Opportunity Policy.

DTMA believes that all staff, without discrimination, should receive training appropriate to their function.

## **Employee Involvement**

The Agency conducts regular monthly Staff Briefings, covering updates on ongoing activities in the Agency, security issues, introductions and farewells and general administrative issues. Coupled with these the Chief Executive holds a weekly briefing (“prayers”) at which the senior management are briefed. They in turn pass information on through a cascading system of Team Briefings. A bi-annual staff briefing is held where there is opportunity to publicly raise relevant issues. There is a monthly newsletter which takes a somewhat lighter view of issues and suggestions from staff at all levels are encouraged and actively followed up.

## **Accounts and Auditors**

The accounts have been prepared in accordance with the Accounts Direction issued by HM Treasury on 19<sup>th</sup> December 2006. The accounts of the Agency are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The notional cost of the statutory audit is £32,000. The auditors received no remuneration for the provision of non-audit service during the year.



Brigadier J S Mason MBE

Chief Executive

Date: 29<sup>th</sup> June 2007

## **Statement of the Agency's and Chief Executive's Responsibilities**

Under Section 7(2) of the Government Resources and Accounts Act 2000 the Treasury have directed the Defence Transport and Movements Agency to prepare a statement of accounts for each financial year, in the form and on the basis set out in the Resource Accounting Manual.

The financial statements are to be prepared on an accruals basis and must give a true and fair view of the state of the Agency's affairs at the year end, and of its income, expenditure and cash flows for the financial year.

In preparing the financial statements the Agency is required to:

- Observe the Accounts Direction issued by the Treasury, including relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting and financial reporting standards have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Departmental Accounting Officer for the Ministry of Defence has formally delegated to the Chief Executive of the Defence Transport and Movements Agency responsibilities analogous to those of an Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in "Government Accounting".

## **STATEMENT ON INTERNAL CONTROL**

### **SCOPE OF RESPONSIBILITY**

As Defence Transport and Movements Agency (DTMA) Chief Executive, I have responsibility for maintaining a sound system of internal control that supports the achievement of Agency policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with responsibilities assigned to me in Government Accounting. During 2006/07 the structure of the Agency changed to facilitate the Agency's amended responsibilities for transport and movements policy for the Ministry of Defence. This change resulted in the formation of the Defence Movements and Transport Policy Division. DTMA is now comprised of six Divisions; each managed by an Assistant Director with delegated responsibilities. Each Assistant Director provides regular reports on performance to me and sits on the Agency Management Board.

### **Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide

reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in DTMA for the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

### **Capacity to Handle Risk**

The Agency risk management strategy, endorsed by my Management Board, ensures the identification, evaluation and management of risks relating to the Agency's objectives and targets. The Agency Non-Executive Director is the nominated Business Risk Management lead within my Management Board and acts as chairman of the Agency Audit Committee. Day to day control of the risk management process rests with my Corporate Governance Manager (CGM).

Management Board members have the relevant previous experience to undertake Business Risk Management. The CGM has received training in Internal Audit and Business Risk and will continue to be provided with the opportunity to develop these skills. The CGM maintains her knowledge of best practice through established contacts across the Ministry of Defence and Defence Logistics Organisation.

### **The Risk and Control Framework**

The Agency's risk appetite, endorsed by the Management Board, is set out in the Chief Executive's risk management strategy. Risk management is firmly embedded into the Agency's activities. Risks to Agency objectives and targets are actively identified, evaluated and controlled. The process has been successful in identifying risks and in drawing up plans to mitigate the risk.

Each risk is linked to the Agency's Business Plan Objectives on the Level 1 Plan. All risks have a nominated Owner (Board Member) and Manager. At each Management Board the Agency 'Top Risks' are reviewed in detail. Other risks are reviewed by the Audit Committee which meets quarterly.

Staff at all levels are encouraged to submit input to the Business Risk process. A Business Risk Folder exists on the electronic Agency Shared Drive where all staff can view the Business Risk Registers and Risk Management Action Plans. Risk Owners and Managers regularly review and update the Risks and associated Management Action Plans.

A fundamental part of my Risk Management process is Business Continuity Management. The aim of the Business Continuity Plan (BCP) is to ensure the continuity of the Agency's critical functions and outputs in the event of a major disruptive incident/disaster – thereby maintaining essential levels of operational and routine support to Defence. The BCP is managed by my Military Assistant who has undertaken formal Business Continuity training.

### **Review of Effectiveness**

As Defence Transport and Movements Agency Chief Executive, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board, the

Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In line with Departmental guidance, I have established the following processes:

- A Management Board which meets in 11 months of the year to consider the strategic direction of the Agency, approve plans and also monitor progress against the Level 1 Plan. It also considers monthly the Budgetary and Strategic Efficiency position. It comprises the senior members of the Agency and has a Non-Executive Director who also acts as Chairman of the Defence Transport and Movements Agency Audit Committee. The Agency 'Top Risks' are reviewed in detail by the Risk Owners at every Management Board meeting.
- A weekly meeting between myself and my Executive Directors to discuss daily business and potential problems.
- An Audit Committee which meets quarterly with the Non-Executive Director as Chairman. He leads the discussion on Risk Management and the review of Other Risks. The Audit Committee also considers reports from internal and external audits on the system of internal control and any material control weaknesses. In this respect, representatives from both the National Audit Office and Defence Internal Audit (DIA) are invited to attend all meetings. The Chairman ensures that the outcome of the meetings is reported to the Management Board by means of the monthly Corporate Governance Brief, and members of the Board receive the Minutes of all these meetings, as do all Heads of Branches for cascading as necessary.
- Other sub-committees of the Management Board which are chaired at Assistant Director level, including the Safety, Health, Environment and Fire (SHEF) Committee, Business Process and Reporting Committee (BPRC), Training and Staffing Committee (T&SC), and Information Systems Committee (ISC). These committees report directly to the Management Board and have the opportunity to raise appropriate matters with the Audit Committee.
- A Performance Management system based on the Joint Supply Chain Campaign Plan / Level 1 Plan. Key Agency objectives, performance indicators and targets are defined annually by my Management Board. Performance is monitored at each Management Board meeting including explicit consideration of key risks.
- Staff briefing are held monthly, to keep staff informed on business matters. We also publish an in-house magazine (Joint Account) on a monthly basis to enhance communication across the Agency.
- A series of Standing Instructions which explain many of the standard operating procedures and routine activities and responsibilities that exist to ensure the smooth daily conduct of activities within the Agency. These Standing Instructions supplement Ministry of Defence wide regulations and are reviewed annually to ensure that they are both up to date and cover the appropriate range of topics.
- The Corporate Governance Manager conducts compliance audits as tasked by my Management Board and the Agency Audit Committee against both local, DLO and MOD Centre identified areas of concern. This is supplemented by the work of the Defence Logistics Organisation Assurance Team and other functional assurance providers (e.g.



SHEF). During 2006/07, a total of 11 compliance audits from these assurance providers were completed within the Defence Transport and Movements Agency.

- The Agency also draws on other additional sources of assurance by way of management checks and other compliance activity. This includes activities conducted by Freight Contract Management staff, the Low Value Purchase Mentor and monthly checks and reconciliations of financial transactions by Assistant Finance Managers within the Agency.
- In addition to internal compliance audits, assurance is also provided through Defence Internal Audit assignments. In 2006/2007, 6 DIA audit assignments either wholly or partially involved the Defence Transport and Movements Agency. The one wholly DTMA audit assignment completed at the time of this report, gained 'substantial assurance'. In response to the accepted recommendations placed on the Agency, a Management Action Plan is drawn up for each audit and implementation monitored through the Management Board.

### **Significant Internal Control Problems**

I am content that there were no significant failures of control within DTMA during 2006/07. However we have the following [significant] issues and concerns:

- Joint Personnel Administration. The pay and expenses for the RAF and the RN transferred to the new JPA system in year. Due to difficulties experienced by the Armed Forces Pay and Personnel Agency, no breakdown of RAF pay is available for April 2006, with the result that it cannot be proved. However, comparison with other months in the year give confidence that the sum posted to the general ledger is reasonable. In addition, there is no breakdown of travel and subsistence claims for either RAF or RN personnel, the latter since migration to JPA in October. Again, extrapolation of known and proved data suggests that the sums reported are reasonable.



Brigadier J S Mason MBE

Chief Executive

Date: 29<sup>th</sup> June 2007

## **Defence Transport and Movements Agency**

### **The Certificate and Report of the Comptroller and Auditor General to the House of Commons**

I certify that I have audited the financial statements of the Defence Transport and Movements Agency for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective Responsibilities of the Agency, the Chief Executive and the Auditor**

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises an opening statement, a management commentary and a remuneration report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of Audit Opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of

evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinions**

### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2007, and of the net operating cost, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report, which comprises an opening statement, a management commentary and a remuneration report, is consistent with the financial statements.

### **Audit Opinion on Regularity**

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Report**

I have no observations to make on these financial statements.



**John Bourn**

Comptroller and Auditor General

Date: 3<sup>rd</sup> July 2007

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W9SP

### Operating Cost Statement for the Year Ended 31 March 2007

Operating Costs	Note	2006-2007 £000	2005-2006 £000
Staff	3	11,478	9,222
Supplies and Services	4	3,952	4,028
Accommodation	5	9	31
Other Administration	6	2,157	3,401
<b>Gross Operating Costs</b>		<b>17,596</b>	<b>16,682</b>
<b>Income</b>			
Less: Income from non-MoD customers		0	0
<b>Net Operating Costs before Interest</b>		<b>17,596</b>	<b>16,682</b>
Interest Charge on Capital		(3)	(13)
<b>Net Operating Costs</b>	12	<b>17,593</b>	<b>16,669</b>

All activities result from continuing operations. There were no material acquisitions or disposals during the year

### Statement of Recognised Gains and Losses for the Year Ended 31 March 2007

	Note	2006-2007 £000	2005-2006 £000
Unrealised gain/(loss) on revaluation of fixed assets		0	0

## Balance Sheet as at 31 March 2007

	Note	31/3/07		31/3/06	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible Fixed Assets			0		0
<b>Current Assets</b>					
Stocks	7	0		0	
Debtors	8	0		0	
			0		0
<b>Current Liabilities</b>					
Creditors:					
Amounts falling due within one year	9		(44)		(142)
<b>Net Current Liabilities</b>			<b>(44)</b>		<b>(142)</b>
<b>Total Assets Less Current Liabilities</b>			<b>(44)</b>		<b>(142)</b>
<b>TAXPAYERS' EQUITY:</b>					
General Fund	12	(44)		(142)	
Revaluation Reserve		0		0	
	<b>15</b>		<b>(44)</b>		<b>(142)</b>

The low assets base means that the Agency continues to operate with negative equity but this does not reflect on the ability of the Agency to continue as a going concern and it remains an efficient authority in the management of transportation and movements for the MoD. See Note 1.k to the Accounts.



Brigadier J S Mason MBE

Chief Executive

Date: 29<sup>th</sup> June 2007

The Financial Statements were authorised to be issued on 3rd July 2007. The authorised for issue date represents the date of despatch by the Chief Executive for laying before the House of Commons

### Cash Flow Statement for the Year Ended 31 March 2007

	Note	2006-2007 £000	2005-2006 £000
Net Cash outflow from operating activities	13	13,805	13,216
<b>Capital Expenditure</b>			
Purchase of Tangible fixed assets		0	0
<b>Net Cash Outflow before Financing</b>		<b>13,805</b>	<b>13,216</b>
<b>Financing</b>			
Payments on Defence Resource Accounts		13,805	13,216
Receipts on Defence Resource Accounts		0	0
<b>Net cash inflow from Financing</b>		<b>13,805</b>	<b>13,216</b>
Net Change In Cash		0	0

## Notes to the Accounts for the Year Ended 31 March 2007

### 1. Accounting Policies

#### a) Basis of Accounting

These accounts have been prepared in accordance with the Financial Reporting Manual (FReM) issued by HM Treasury. The accounts have been prepared under the historical cost convention, modified by the revaluation of fixed assets to reflect their value to the business by reference to their current costs.

#### b) Operating Costs

This represents the cost of managing the Programme Expenditure on behalf of the Director General Logistics (Supply Chain) and the direct supply of some asset based services to other Top Level Budget Holders.

#### c) Value Added Tax

The Agency is not separately registered for Value Added Tax (VAT) as VAT is accounted for centrally by the MoD. Amounts included in the Operating Cost Statement and Balance Sheet are exclusive of VAT where it is recoverable from Customs and Excise in respect of certain contracted out services as directed by the Treasury.

#### d) Income

Income comprises the value of transactions of services to repayment customers. The amounts charged are calculated to reflect the full cost to the Agency of providing the services. No value is attributed in the accounts to services provided to other organisations within the MoD. The MoD funding of DTMA is shown in cash terms in the Cash Flow Statement.

#### e) Notional Charges

Notional charges are included in the accounts in order to demonstrate the full cost of operation of DTMA as follows:

##### i) Interest on Capital

A notional charge for interest on capital is included in the operating cost statement. This is calculated as 3.5% of the average value of total net assets in accordance with MoD accounting policy.

##### ii) Intra Departmental Charges

Notional amounts are included in the Operating Cost Statement in respect of services provided from other areas of the MoD. These notional charges reflect the value to DTMA of those services or supplies, which it receives from other sections of the MoD, where there is no direct cash transfer. These notional amounts include, for example, central MoD costs, and those associated with lodger status at Andover and Bicester.

##### iii) Audit Fee

DTMA is not charged an audit fee by the National Audit Office. The audit fee in the Operating Cost Statement represents the notional charge based on the cost of services. No additional non-audit work is undertaken by the NAO.

**f) Tangible Fixed Assets**

**i) Computer and Communications Assets**

Computer and communications assets are capitalised where the useful life exceeds one year and the cost of acquisition and installation exceeds £10,000. At 31 March 2007 no assets exceeding this value were owned.

**ii) Valuation**

The values of fixed assets are revised annually, between formal revaluations, using indices provided by the Department.

**iii) Depreciation**

Depreciation is calculated to write off the cost or valuation of assets by equal instalments over their estimated useful lives.

**g) Operating Leases**

Rentals due under operating leases are charged over the lease term on a straight-line basis or on the basis of actual rentals payable where this fairly reflects usage.

**h) Stock**

Stocks are valued at the lower of current replacement cost or net realisable value.

**i) Targets**

The Agency's financial and business targets and resulting performance are detailed at page 5 of the Annual Report.

**j) Foreign Currency**

Defence Bills Agency handles all foreign currency transactions.

**k) Going Concern Basis**

DTMA ceased to be an Agency with effect from 1<sup>st</sup> April 2007. DTMA's functions will continue within Defence Equipment and Support (DE&S) as Defence Supply Chain Operations and Movements (DSCOM). The accounts have therefore been prepared on a going concern basis.

**l) Pensions**

Staff are covered by the provisions of the Principal Civil Service Pension Scheme or the Armed Forces Pension Scheme. Contributions are paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. These contributions were charged to the Agency as a cash cost for the period of these financial statements. Liability for payment of future benefits payable under the schemes is a charge on the PCSPS and AFPS.

**m) Fees and Charges**

As stated in the foreword to these accounts, these Agency Accounts do not include programme expenditure. Programme expenditure is defined as that expenditure which relates to the delivery of supplies and provision of services by the Defence Logistics Organisation, either on behalf of the Ministry of Defence (MoD) as a whole or for one particular Service. Where spare capacity exists within the programme, a range of services are provided to external organisations. The majority of these services are in the form of military support to foreign governments and other



government departments. Where appropriate, costs are recovered in accordance with Treasury Fees and Charges Guide. On a smaller scale, services are provided to support charities, local community initiatives as well as commercial companies where there is a defence interest.

## 2. Post Balance Sheet Events

On 11<sup>th</sup> January 2007, the Minister for the Armed Forces announced to the House of Commons, that from the 1<sup>st</sup> April 2007 the Defence Transport and Movements Agency would cease being an Agency. Consequently, these are the last set of accounts to be prepared on the Agency basis.

## 3. Staff Numbers and Costs

### a) Staff Numbers

The average number of persons (full time equivalents) employed by the Agency during the year, analysed by category, was as follows:

	2006-2007	2005-2006
Service Officers	49	44
Service (Other Ranks)	55	52
Civilian (Non Industrials)	180	149
Civilian (Industrials)	1	1
<b>Total</b>	<b>285</b>	<b>246</b>

### b) Staff Costs

The total staff costs for the year were:

	2006-2007 £000	2005-2006 £000
Salaries, Wages and Allowances	8,767	7,132
Social Security	683	550
Pension Costs	2,028	1,540
<b>Total</b>	<b>11,478</b>	<b>9,222</b>

Included in the staff costs, above, is £127K for contract/agency staff.

### c) Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) and the Armed Forces Pension Scheme (AFPS) are unfunded multi-employer defined benefit schemes but DTMA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003 for the PCSPS and at 31 March 2005 for the AFPS. Details can be found in the resource accounts of these schemes which are published and laid before the House of Commons. The PCSPS is also available on the web at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium and Classic Plus). New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

## **Classic Scheme**

Benefits accrue at the rate of 1/80<sup>th</sup> of pensionable salary for each year of service. In addition a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5 percent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

## **Premium Scheme**

Benefits accrue at the rate of 1/60<sup>th</sup> of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the table assumes maximum commutation. Members pay contributions of 3.5 percent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them from undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

## **Classic Plus Scheme**

This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic. Pensions payable under Classic, Premium and Classic Plus are increased in line with the Retail Prices Index.

## **Partnership Pension Account**

This is a stakeholder type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

For 2006/2007, employers' contributions of £2,028K were payable (2005/2006 £1,540K) at rates in the range 17.1 to 36.3 percent of pensionable pay, based on salary bands. Employer contributions for the PCSPS are to be reviewed every four years following a full scheme valuation by the Government Actuary. Employer contributions for the AFPS were reviewed during 2002/2003. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

#### 4. Supplies and Services

	<b>2006-2007 £000</b>	<b>2005-2006 £000</b>
Hire of Vehicles	56	43
Fuel	28	22
Consumables	11	10
Communicated Costs	3,857	3,953
<b>Total</b>	<b>3,952</b>	<b>4,028</b>

The above charges include notional costs, which are detailed in Note 14 to the Accounts.

#### 5. Accommodation

	<b>2006-2007 £000</b>	<b>2005-2006 £000</b>
Maintenance and Services	9	29
Utilities	0	0
Rent	0	2
<b>Total</b>	<b>9</b>	<b>31</b>

#### 6. Other Administration

	<b>2006-2007 £000</b>	<b>2005-2006 £000</b>
Information Technology	1,522	2,696
Travel, Subsistence and Hospitality	238	421
Audit Fee	32	30
Training	67	64
Consultants	22	(7)
Doubtful Debts	0	0
Other Administration	276	197
<b>Total</b>	<b>2,157</b>	<b>3,401</b>

The Audit Fee is a notional charge. See Note 14 to the Accounts.

#### 7. Stocks

	<b>2006-2007 £000</b>	<b>2005-2006 £000</b>
Consumable stocks	0	0

#### 8. Debtors

	<b>2006-2007 £000</b>	<b>2005-2006 £000</b>
Trade Debtors	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 9. Creditors - Amounts Falling Due Within One Year

	2006-2007 £000	2005-2006 £000
Trade Creditors	0	0
Accruals relating to Non-Government Departments	44	142
<b>Total</b>	<b>44</b>	<b>142</b>

## 10. Derivatives and Other Financial Instruments

FRS 13, Derivatives and Other Financial Instruments requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Because of the largely non-trading nature of its activities and the way in which government Agencies are financed, the Agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities, or for trading. The fair values of all the Agency's financial assets and liabilities approximate to their book values. In line with FRS 13, short term debtors and creditors (those which mature or become payable within 12 months from the balance sheet date) have been excluded from these disclosures (except for those relating to currency risk).

### Interest Rate Risk

The Agency has no financial assets and liabilities on which interest is earned or paid, and is therefore not exposed to significant interest rate risk.

### Currency Risk

The Agency does not hold assets or liabilities in a foreign currency, and expenditure denominated in a foreign currency is negligible. The Agency is therefore not exposed to significant currency risk.

The Ministry of Defence, through whose Resource Account the Agency is financed, enters into forward purchase contracts annually with the Bank of England to cover the majority of its foreign exchange requirements for the following year. The details of the outstanding foreign currency contracts are given in its Departmental Resource Account.

### Liquidity Risk

The Agency is not exposed to significant liquidity risk, as the liquidity requirements are met by financing from the Ministry of Defence Resource Account, and it has no borrowing facilities. The Department's resource requirements are voted annually by Parliament.

## 11. Commitments under Leasing Activities

### a) Operating Leases

As at 31 March 2007, the Agency was committed to making the following payments during the subsequent year.

<b>Operating leases which expire:</b>	<b>2006-2007 £000</b>	<b>2005-2006 £000</b>
<b>Land and Buildings:</b>		
Within one year	0	0
Within two to five years	0	0
<b>Other:</b>		
Within two to five years	0	0
	<b>0</b>	<b>0</b>

### b) Finance Leases

The Agency has no Finance Leased Assets.

## 12. Statement of Movements on General Fund and Revaluation Reserve

<b>General Fund</b>	<b>2006-2007 £000</b>	<b>2005-2006 £000</b>
Brought forward	(142)	(659)
Add		
Net Voted Expenditure	13,805	13,216
Notional Items (Note 13)	3,886	3,970
Net Operating Cost	(17,593)	(16,669)
Carried forward	<b>(44)</b>	<b>(142)</b>

## 13. Reconciliation of Net Cash Outflow from Operating Activities

	<b>2006-2007 £000</b>	<b>2005-2006 £000</b>
Net Operating Costs	17,593	16,669
Adjustment for items not involving the movement of cash		
Departmental overhead charge      See Note 14	2,168	1,870
Other non-cash costs                  See Note 14	1,721	2,113
Interest on Capital                      See Note 14	(3)	(13)
<b>Total of Notional Items</b>	<b>3,886</b>	<b>3,970</b>
<b>Net Operating Cost less Notional items</b>	<b>13,707</b>	<b>12,699</b>
Movement in Net Current Assets		
Increase/(Decrease) in Stocks	0	0
Increase/(Decrease) in Debtors	0	(8)
(Increase)/Decrease in Creditors	98	525
<b>Net Cashflow outflow from operating activities</b>	<b>13,805</b>	<b>13,216</b>

#### 14. Notional Items

	Notes	2006-2007 £000	2005-2006 £000
Departmental Overhead Charge		2,168	1,870
Central Services		1,689	2,083
<b>Communicated costs</b>	<b>4</b>	<b>3,857</b>	<b>3,953</b>
<b>Audit Fee</b>	<b>6</b>	<b>32</b>	<b>30</b>
<b>Interest on Capital</b>		<b>(3)</b>	<b>(13)</b>
<b>Funded through General Fund</b>	<b>12</b>	<b>3,886</b>	<b>3,970</b>
<b>Total</b>		<b>3,886</b>	<b>3,970</b>

The increase in Departmental Overhead Charges is due to a change in the way costs have been calculated by another part of the MoD. The decrease in Central Services costs is due to changes to Capitation Rates resulting from items being directly charged to business units that was previously apportioned.

#### 15. Reconciliation of Movement in Taxpayers' Equity

	2006-2007 £000	2005-2006 £000
Taxpayers' Equity Brought Forward	(142)	(659)
Revaluation reserve movement in year	0	0
General Fund movement in year	98	517
<b>Taxpayers' Equity Carried Forward</b>	<b>(44)</b>	<b>(142)</b>

#### 16. Related Party Transactions

The Defence Transport and Movements Agency is an Agency of the Ministry of Defence. The Ministry of Defence is regarded as a related party. During the year, DTMA has had various related party transactions with the Ministry of Defence and with other entities for which the Department is regarded as the parent Department.

In addition, DTMA has had various material transactions with Government Departments. Most of these transactions have been with the Foreign and Commonwealth Office. During the year, none of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with DTMA.





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