

Defence
Transport
Movements
Agency



INVESTORS IN PEOPLE

Annual Report and Accounts 2006

DTMA

Defence Logistics Organisation





DEFENCE TRANSPORT AND MOVEMENTS AGENCY (DTMA)

ANNUAL REPORT AND ACCOUNTS

2005/2006

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 in 21st July 2006

LONDON: THE STATIONERY OFFICE

HC 1552

£13.50



INVESTOR IN PEOPLE

© Crown Copyright 2007

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to
The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich, NR3 1BQ.
Fax: 01603 723000 or e-mail: licensing@cabinet-office.x.gsi.gov.uk

CONTENTS

CONTENTS	i
OPENING STATEMENT	4
REPORTING STATEMENT: MANAGEMENT COMMENTARY	
ROLE	6
STRUCTURE	6
THE MANAGEMENT BOARD	7
MISSION AND VISION	7
STRATEGY	8
OBJECTIVES	8
KEY PERFORMANCE INDICATORS	9
ANNUAL REVIEW OF ACTIVITY	
GENERAL	10
CUSTOMERS	10
OPERATIONS AND EXERCISES	10
AIR MOVEMENT	11
SURFACE MOVEMENT	12
PERSONNEL MOVEMENT	13
REMUNERATION REPORT	14
CORPORATE GOVERNANCE	16
COMMERCIAL SUPPORT	17
FREEDOM OF INFORMATION ACT 2000	17
RESOURCES	
FINANCIAL	18
MANPOWER	18
SUMMARY OF KEY FINANCIAL MOVEMENT	19
SOCIAL RESPONSIBILITY	20
THE YEAR AHEAD	21
DELIVERING OUTPUT TO CUSTOMERS	22
SUMMARY	23
ACCOUNTS 2005/6	24

4 OPENING STATEMENT

I present the 2005/2006 Defence Transport and Movements Agency's (DTMA) Annual Report and Accounts covering our seventh year in existence. Having taken over as Chief Executive in Financial Year 2005/06 from Brigadier Steirn, this is my first Agency report. This has been an extremely busy year for the Agency where the need to deliver strategic movement and responsive joint supply chains in support of operations has never been more important. The tempo of operational activity has been high throughout the period and remains significantly above the routine of steady state. To achieve this we have ensured that the operational output of DTMA continues to be unencumbered by other non-operational, but nevertheless vital Agency requirements; the operational output continues to underpin all that we do. However, the business needs of the Agency have been fully addressed and we have remained proactive in achieving cost effectiveness and demonstrating our added value. Moreover, we have remained customer orientated and have satisfied in full their demands and expectations. All of these elements have been addressed through the five challenging Key Targets which were refined and reviewed for 2005/2006. A brief overview of our successes to date is summarised below. It should be noted that the cost and income associated with meeting these operational objectives are not included within the Agency Accounts (attached) as they reflect only the cost of providing the services rather than the services themselves.

We have continued to meet the considerable demand for strategic lift in support of enduring operations in Iraq, Afghanistan and the Balkans and have met urgent surge requirements in all three Theatres. In addition we have also provided strategic movements support to Operation SHANDON (Hurricane Katrina) and Operation MATURIN (Pakistan Earthquake). In meeting its operational tasks, the Agency has worked very closely with the Front Line Commands and the Permanent Joint Headquarters (PJHQ), who depend upon the skill, professionalism and specialist knowledge of DTMA staff in order to deploy, sustain and recover military capability. In parallel DTMA has continued to support the Defence Exercise Programme (DXP) by arranging strategic transport lift to enable a comprehensive overseas exercise schedule. Our continually developing partnerships with 2 Group RAF and Foreland Shipping have enabled us to manage the multitude of strategic coupling bridges to great effect. Excellent teamwork between this Agency, the DLO Operations Centre (DLOC), Defence Logistics Organisation Integrated Project Teams (DLO 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) makes certain that the routine UK/ North West Europe distribution network continues to deliver.

The first large-scale overland movement to Afghanistan has taken place, which has defined a template for future International Security Assistance Force (ISAF) strategic movement. The Surface Line of Communication (SLOC) was conceived, planned and executed



by DTMA Movement Operations Division under PJHQ authority. A number of nations have shown interest in using the SLOC, or replicating it in the future.

The Agency has successfully provided RoRo vessel capability at Readiness States required.

The provision of a programme of strategic efficiencies has delivered a saving of £9.5M to the MoD budget in the Financial Year 2005/2006.

The Agency conducted a re-tender exercise for its Germany Trooping Contract in 2005/2006, incorporating a significant change to the way in which industry was approached to satisfy a far more flexible Statement of Requirement (SOR), achieving a saving of around £4M over a three year contract period.

We have successfully provided transactions and services within agreed Time, Quantity, Quality, Cost (TQQC) criteria.

DTMA has limited control over the demand against our contracts for which we hold the budget. Consequently we continued to disaggregate funds to our customers wherever sensible to do so, thereby better aligning accountability and responsibility. In doing so, we have placed greater emphasis on our desire to become the preferred choice of broker for all MoD movements and, to gain the greatest benefit for all by exploiting our resultant corporate buying power.

We have fully engaged in the implementation of the Future Defence Supply Chain Initiative (FDSCI), an Investments Approvals Board (IAB) approved project. The newly created Client Organisation

has responsibility for supporting the project's Senior Responsible Owner, Director General Logistics (Supply Chain) (DG Log (SC)) by monitoring and reporting the progress of the supplier in delivering benefits and service outputs.

Whilst our emphasis has rightly been upon support to operations, we have nevertheless been extremely proactive in improving the way we conduct business. We have continued to develop the Head Office Travel Scheme (HOTS) in order to meet fully the travel and movements needs of the MoD Centre. We have successfully identified and negotiated the transfer of in-scope Agency IT assets to DCSA and captured the benefits of this centralised provision. We have also completed a number of Lean Reviews to ensure that our business practices are meeting both Agency and customer needs and in addition have completed a European Foundation for Quality Management (EFQM) self-assessment which both demonstrated and provided opportunities for continued good practice.

The positive feedback that I have received through our customer surveys and the Customer Advisory Group, and the successful attainment of four of our Key Targets, bear testament to the achievements of my staff, underpinned by their individual dedication and professionalism.



Brigadier Jeff Mason MBE Chief Executive

6 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 Customer Supplier Agreements (CSAs), Internal Business Agreements (IBAs), Service Level Agreements (SLAs) and Reverse Tasking Agreements (RTAs) with elements of the Permanent Joint Headquarters (PJHQ), the Operational and Supporting Commands of the three Services and a range of Business Units, Defence Agencies and Trading Funds. Some services are also available to Other Government Departments (OGDs) and outside bodies on a repayment basis.

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 of transport and movements services to ensure that those involved in various operations are provided with the necessary level of support.

STRUCTURE

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

During 2005/2006 there has been a major internal change to the structure. The FDSCi Client organisation has been created and joined the Supply Chain Management Division (SCM). The old Freight Division has been disestablished with the Freight Contract Management Section joining SCM, and Freight Operations joining the old Operations Division to form the new Movement Operations Division (Mov Ops). However, part of Freight Operations, the Defence Freight Distribution Group (DFDG) has been transferred to Defence Storage and Distribution Agency (DSDA), our sister Agency. Corporate Services has moved from Transport and Corporate Services (T&CS) to join the Commercial Division to form the Commercial and Corporate Services Division (C&CS). T&CS has been renamed as the Movement Support Services Division (MSS) and the Defence Movements and Transport Policy (DMTP) Branch joined the Agency on 01 April 2006 from outside of DTMA. On 01 April 2006 JSCPM cell moved out of the Agency to join the DLO Operations Centre (DLOC). DTMA joined with the DLOC on the 01 October 2005 to form the Defence Supply Chain Operations and Movements (DSCOM).

DTMA now comprises three operating divisions: Supply Chain Management (SCM) Division, Movement Operations Division (including Duty Movements Staff), Movement Support Services (MSS) Division (including Unaccompanied Baggage, Business Travel, DPRC, Business Systems). The work of the operating divisions is supported by the Commercial and Corporate Services (C&CS) Division, Finance and Business Planning Division and DMTP. At the year ending 31 March 06 the average number of employees within the Agency was 96 military and 150 civilian staff across the DTMA's five Divisions.

THE MANAGEMENT BOARD

The composition of the Management Board at the year ending 31 March 06 is given at page 14 in the Remuneration Report.



DTMA's vision is:

To be an operationally focused and proactive Agency dedicated to meeting 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.

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. Within the ethos of meeting the operational requirement, the CE sees the success of DTMA as dependent upon five elements:

Brokerage.

DTMA will continue to use its bulk purchasing power and the expertise of its highly experienced staff to secure best value for customers in the provision of transport and movements services. Where cost effective to do so, DTMA also secures delivery of these services using internal MoD resources.

Preferred Choice within MoD, Leading to Market Growth.

DTMA will continue to provide at best value the complete range of transport and movement services, further reinforcing its position as the first choice among its customers, even after disaggregation of funds, which provides customers with enhanced supplier selection opportunities.

Management Information.

DTMA will continue to develop a customer focused information management system that is driven by integrated business needs, utilising a shared data environment and requiring data to be entered only once. This will provide improved customer service and improved internal management of the Agency.

Quality Ethos.

DTMA will continue to apply the principles of the EFQM Excellence Model across all areas of the Agency, with particular focus on our customers, our staff and our key processes.

Investors in People (IIP).

DTMA, as part of the DLO, has recently successfully achieved IIP accreditation.

8 STRATEGY and OBJECTIVES

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. The correlation of these objectives with the Balanced Scorecard is further identified thus demonstrating how performance against the set objectives is measured. 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.

Objective 1:

In Year Support.

To plan and manage the delivery of transport and movements capability and materiel delivery to meet operational needs and other requirements of our customers.

Objective 2:

Future Support.

To plan and ensure that the provision of future transport and movements capability matches customers' projected requirements.

Objective 3:

Continuous Improvement.

To seek progressive improvements to performance and value for money in Transport and Movements services provided or facilitated by the Agency.



Performance is reported routinely throughout the year. Reports are provided via the Balanced Scorecard to the Management Board (MB) monthly, although some serials are reported less frequently where appropriate. Performance is measured using traffic light gradings for the objectives and tasks which the Management Board requires DTMA to report on. In 2006/07 the reports will include forecast of performance as well as historical evidence.

The Key Targets (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 KT's are the principal method by which the Agency's performance is evaluated and assessed by the Owner, MoD, the Cabinet Office and Parliament. DTMA KT's for 2005/06 are as follows:

KT 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.

KT 2.

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

KT 3.

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

KT 4.

To meet customers' requirements as negotiated and agreed in Customer Supplier Agreements (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 94% of transactions against each service to be within agreed TQQC criteria.

KT 5.

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

PAST PERFORMANCE

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

Year	2004/05	2005/06
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	97% of transactions and services to be within TQQC. <i>99.4% achieved.</i>	98% of transactions to be within TQQC. <i>98.4% achieved.</i>
KT4b	92% of transactions against each service to be within TQQC. <i>96.9% achieved.</i>	94% of transactions against each service to be within TQQC. <i>98.4% achieved.</i>
Target KT5	To reduce the average unit cost of output by 2%. <i>Not achieved. 2% above target.</i>	To reduce the average unit cost of output by 1%. <i>Not achieved. 5.9% above target.¹</i>

In order to provide trend analysis the Key targets will remain with the same wording for 2006/07; we have, however, increased the target set for KT4b to 96%.

¹ The target was £1.018M, and we achieved £1.077M. KT5 has been re-base-lined to reflect new DSCOM structure and funding disaggregation

10 ANNUAL REVIEW OF ACTIVITY

GENERAL

Last year's Annual Report and Accounts' view of future developments has been relatively accurate. The Client Organisation has been created; efficiencies have been delivered; DSCOM has developed as planned; HOTS has rolled out; we have continued to disaggregate funds; Freight Transport Clearing House (FeTCH) has been developed in Germany and the Freight Centre has realigned itself with commercial activity; DFDG and Ex Works have transferred to DSDA. However, the Procurement Reform savings have been less than anticipated and the transfer of IS assets to DCSA is proving slower than originally planned.

The past year has again followed the very high operational tempo of the previous three and been exceptionally busy and demanding. Support to operations rightly remains DTMA's focus, with sustainment and roulement of forces deployed to Iraq, Afghanistan and the Balkans continuing at high levels and requiring significant planning and management. In addition, the extensive overseas exercise programme and support to overseas garrisons, has increased 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 six 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 £9.5M and so contribute towards the DLO's Strategic Goal to reduce total operating costs by 20% by 31 March 06.

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. 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 annual customer survey 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 Customer Supplier Agreements (CSA), 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 Key Targets 1, 2 and 4.

OPERATIONS AND EXERCISES

Movement Operations Division has faced an exceptionally challenging and busy period. Steady state support to Operations in Iraq, Afghanistan and the Balkans continued at high levels, although the Division's primary effort has for the first time shifted to Afghanistan, which is being serviced by both air and surface lines of communication. The Surface Line of Communication (SLOC) through Pakistan, which was conceived, planned and executed by Movement Operations Division under PJHQ authority, is the first large-scale overland movement to Afghanistan and has defined a template for future International Security Assistance Force strategic movement to that country. In Iraq, the roulement of Op TELIC forces and their movement for Rest and Recuperation created peaks in demand for both military and commercial lift. The requirement for aircraft operating into Afghanistan and Iraq to have Defensive Aids Suites (DAS) continues to challenge the management of airlift and increases the pressure on the Air Transport Fleet (ATF) necessitating swift and flexible planning. The pressure will reduce somewhat as more DAS-equipped aircraft come on line during the coming months, but this will in turn increase the requirement to backfill charter for non-operational tasks. Constraints on runway capability and airfield opening hours in Afghanistan further complicated



airlift planning and required imaginative solutions. The increase in the Afghanistan requirement also led to adjustments in the support provided to Iraq, although levels of service have been maintained. Elsewhere, the Division has provided strategic movement support to disaster relief operations following Hurricane Katrina and the Pakistan Earthquake, and the immediate aftermath of the London bombings.

Due to the high tasking rates for the ATF in support of both Operational theatres and the Defence Exercise Programme (DXP), the use of charter airlift has been significant. The Agency's excellent working relationship with industry has facilitated prompt, value for money responses to meet its requirements. The Joint Rapid Reaction Force (JRRF) RoRos have also continued to be heavily tasked in support of operations, and have been supplemented by chartered shipping as required. When not on operational tasking the RoRos have supported the DXP and NATO military tasking. NATO tasking takes place through the multinational Sealift Co-ordination Centre (SCC). DTMA ownership of the RoRo project is now well established and their capability proven. The ships have proved to be a popular choice with the SCC and two other nations are now considering similar PFI projects for their military sealift requirements.

AIR MOVEMENT

Aircraft

The ATF effort during the year has remained at consistently high levels, particularly in support of Operations. Whilst much of the focus has centred on operations in Iraq, since February 2006 there has been a significant increase in support of the expanding Afghan theatre with the introduction of dedicated passenger and freight schedules using Tristar and C17 aircraft. Serviceability has been an issue, with Tristar robustness in support of operations coming into sharp focus. The C130 fleet has also been subjected to upgrade programmes that have created a reduction in availability across the fleet. This has been compounded by the very high numbers of C130 aircraft deployed in-theatre in support of operations during the year. These issues have inevitably had an impact on customers, although much of this has been mitigated by proactive and reactive planning. Significant assistance has been provided through cooperation with our partners in the European Airlift

Centre (EAC) in direct support of exercises, for a number of short-notice tasks following ATF unserviceability and very short notice tasks for the movement of compassionate cases. The use of the EAC enabled UK assets to concentrate on operational activity whilst ensuring support to the UK exercise programme was maintained. We have also fostered increasing use of US assets using our reciprocal airlift agreement, initially in support of Hurricane Katrina relief operations and, more recently, to assist with the deployment to Afghanistan. However, on occasions demand has exceeded the military resources and we have had to resort to commercial solutions. Commercial lift has been utilised to carry some 10,459 tonnes of freight and more than 102,000 passengers. In addition, all bar one of the eight core trooping contracts were renewed over the period with the Germany renewal, which will deliver savings of around £4 million over the three year contract, being a particular success. For the future, the Strategic Airlift Interim Solution (SALIS) is a pan-European initiative to secure access to the outsize airlift provided by the An124 aircraft. The SALIS members have two aircraft on permanent charter with a further four on set periods of notice and available under defined circumstances. The UK signed up to SALIS in February 2006 with access to a specified number of An124 flying hours per annum. The capability has already been utilised in supporting the expansion of UK forces in Afghanistan.

Freight

The Air Freight Centre (AFC) is responsible for the receipt of all bids for the movement of sustainment air freight, both routine and operational, allocating loads and calling the freight forward for flights. Air freight is booked to both the RAF ATF and civilian carriers. The single Global Freight Transport Service (GFTS) contract, entered into with Exel, now DHL Global Forwarding, is responsible for all civil air bookings of freight, using upwards of fifty different carriers to fulfil 14,000 airlift bids during the year. The year has seen proportionately higher use of civil lift as ATF resources were directed towards support to operations. Civil consignments are flown, in the main, to support RN deployments worldwide, major RAF and Army exercises in North America and, increasingly, exercises in Eastern Europe. The air sustainment of Operation TELIC continues to be the main effort for the Air Freight Centre with on average two hundred bids per day to support operations. In total, the AFC handled 95,000 bids for air freight movements during the year.



SURFACE MOVEMENT

Sealift

The major focus for sealift throughout the year has been the continued provision of support to operations in Iraq and the Afghanistan deployment. For the Op TELIC roulement of forces in April 2005 and October 2005 there were nine return sailings, while three chartered ships left the UK in March 2006 for the first part of the April 2006 roulement. For Op HERRICK a total of seven shiploads were discharged in Karachi for onward movement by road. The Afghanistan SLOC has worked very well and most of the infrastructure will remain in place for a scheduled liner service to provide continuing support to this operational theatre. In addition, 48 maintenance sailings to the Falkland Islands, Germany, Gibraltar, Cyprus, Canada and St Kilda and forty six sailings in support of exercises have been undertaken. Despite the high operational tempo there was an opportunity to charter the JRRF RoRo MV EDDYSTONE to the commercial market during summer 2005 and in addition, in the latter part of the period spare JRRF RoRo capacity was offered to the SCC which assisted NATO nations with their sealift requirements – the total RoRo revenue for 2005/06 was £3.227M.

Strategic Surface Movement

The creation of the Op HERRICK Expansion SLOC from Karachi to Afghanistan was a major focus during this period. Careful, detailed planning and close liaison with the chosen contractor ensured that this unprecedented strategic movement activity was an outstanding success. By the end of the reporting period seven RoRos had discharged a total of 18,669 Linear Metres consisting of ISO Containers and equipment. These were transported in seventy seven convoys (1526 vehicle loads) via two routes covering a total distance of 2.25 million miles. Throughout, only seven vehicles required cross-loading due to breakdown of transport assets, and one road traffic accident resulted in damage to two containers. Considering the terrain, weather and the potential political and Force Protection issues the level of success has been remarkable.

Surface Freight Movement

The Surface Freight Centre (SFC) continues to support movements for Op TELIC and HERRICK with the recovery of forces from the Theatre and the clearance of returning freight and vehicles from UK ports. The SFC uses rail and in-house road assets for the majority of these tasks, although the Centre has continued to rely on commercial haulage to meet in-house shortages, most notably the movement of heavy-lift and out-of-gauge loads. The SFC has continued to work closely with the FASTRAX Private Finance Initiative (PFI) contract and, with the support of HQ LAND, has made great inroads in balancing their tasking with that of the two UK-based Heavy Equipment Transporter Squadrons.

The Freight Transport Clearing House (FeTCH) scheme has continued to make considerable savings through the tasking of in-house irreducible spare capacity. However, with the transfer of

the Defence Freight Distribution Group to DSDA there has been a downturn in the availability of the Group's taskable assets. The SFC has continued to refine business processes, concentrating on high cost areas. Shipments to and from North America account for a major element of SFC expenditure and through innovative planning by both the SFC and the GFTS contractor, and closer scrutiny of movement bids, costs have been driven down still further. The instigation of a weekly scheduled container service to the British Army Training Unit Suffield, in Canada, has been both welcomed and effective and is something that will be developed with DSDA for other key garrisons. The DTMA Germany office has made a significant contribution to enhancing freight movement within North West Europe, with a member of staff now fully embedded in DSDC Dulmen to coordinate FeTCH and Ex Works tasking. DTMA Germany continues to work with IPTs to identify and coordinate deliveries into and from European manufacturers, key amongst which is the support given to the Tornado/Eurofighter IPTs by providing the weekly schedule between the respective German and UK depots in Erding and Stafford.

The Freight Allocation Cell (FAC), developed to manage the GFTS contract, and to provide an interface with the DHL Global Forwarding staff implant, has refined the movement bidding process. The new procedure now gives improved clarity and hence the ability to challenge proposed solutions on both cost and timeliness.

Defence Freight Distribution Group

The Defence Freight Distribution Group (DFDG), with its modern lease hire fleet of vehicles and trailers, dedicated professional drivers and experienced freight transport management team, operates from the DFDG transport nodes at Bicester, Stafford, Donnington and Longtown. The FDS continues to provide a cost-effective, efficient and reliable road freight transport network. As part of the FDSi in-house solution, responsibility for DFDG transferred to DSDA.

Freight Business

Freight Contract Management, which now forms part of Supply Chain Management Division, continues to manage freight contracts worth some £32M annually. The contracts for the movement of abnormal loads and for the provision of driver services have been extended; and the competition process has commenced to re-award these contracts in October 2006.

The £42M (whole life) Global Freight Transportation Service (GFTS) contract, which replaced six other surface and air freight forwarding contracts, has been in place for just over two years. The contract has been very successful, and further contractual and operational refinements continue to be addressed.

The Eurotunnel discounted fares scheme, which offers either a 15% discount on the standard fare for passengers and accompanied

vehicles or access to promotional fares for coach & freight movement, has been re-negotiated and continues to offer value for money prices to Defence.

The Mainline Rail Haulage contract has been extended and work has now commenced on developing a new Statement of Requirement (SOR) based on a recent Defence Essential Rail Capability Paper 2006; and a competition to re-let this contract will commence in April 2006.

Work has commenced to re-let a contract for the provision of Defence mail movement to and from North West Europe on behalf of the British Forces Post Office (BFPO) and a competition is currently taking place to re-award this contract in May 2006.

PERSONNEL MOVEMENT

Business Travel

DTMA MSS continues to exercise its corporate purchasing power to obtain value for money business travel services on behalf of the MoD. In 2005/2006 the enabling arrangements put in place by the DTMA achieved substantial savings for the MoD against published rail, air and ferry fares. Moreover the selective use of more restricted fares through the travel management contract with American Express Europe delivered additional savings in air travel. Following the successful trial of an on-line rail ticketing system, and in addition to the successful implementation of a similar system under HOTS, a 'Harry Weeks' ticketing system was installed in the DPRC serving personnel at St. George's Court, London.

Unaccompanied Baggage (UB)

The placement of the contract for the movement of UB with a single management contractor remains very successful. 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.

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 1,965 compassionate cases, also, 74 dangerously ill forwarding of relatives (DIFR). The DMS role also incorporates the handling of out-of-hours passenger or freight bookings and queries, further enhancing the DTMA one-stop-shop capability.

Defence Passenger Reservations Centre (DPRC)

DPRC has now been in partnership with American Express for 18 months and our HOTS is proving to be successful. From October 2005 DPRC became the focal point for the Central Hotel Booking Service (CHBS) Expotel contract for Head Office and wider MOD. The contract has a little over a year to run, and many lessons have been learned to help inform its replacement arrangement. DPRC continues to provide a pan MOD support service for Family movement, Visa applications, full and part charter flights and Navy ships afloat.

Business Travel (Air)

The Business Travels staffs continue with the American Express Europe inter-Departmental travel management agreement. This provides customers MoD-wide with comprehensive on and off-line booking facilities for commercial air travel, giving them access to a very wide range of negotiated and market fares. As a result of this initiative, the MoD is now the largest European user of the interactive on-line booking tool. More importantly, the increased visibility of cheaper fares has encouraged users to select more cost-effective travel solutions than hitherto and improved management information has enabled greater leverage on suppliers, which taken together have created a virtuous circle. Current indications point to continued savings in air fares of around £6M per annum.

Business Travel (Rail)

Business Travel has continued to sponsor the rail ticket facility for MoD Centre personnel in Main Building as part of the HOTS initiative. The supplier is 'thetrainline' and staffs can now book on-line and collect their tickets from a dedicated ticket machine outside the HOTS travel office. Apart from ease of use for travellers it is envisaged that greater savings will be achieved by more diligent selection of fares. In addition a second supplier 'Travelpackon-line' has installed on-line desktop rail ticket printing systems in the DPRC St. George's Court London, at Foxhill, HMS Sultan and at DLO Ennsleigh.



14 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 2005/2006 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 on the basis of a fair and open competition.

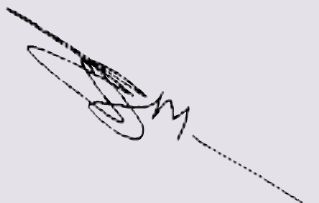
Executive Directors	Appointment	Date of Appointment
Brig CM Steirn CBE	Chief Executive	9th May 2003 until 6th Jan 2006
Brig JS Mason MBE	Chief Executive	20th Feb 2006
Gp Capt DB Cannon	Director Movement Operations	27th May 2003
Col R Prince	Director DLO Operations Centre	15th Dec 2003
Capt AR Forsyth RN	Director Movement Support Services	3rd Sep 2002 until 11th May 2005
Capt R Albon RN	Director Movement Support Services	10th May 2005
Col IC Alexander OBE	Director Supply Chain Management	11th Jul 2005
Mr D Clark	Director Finance & Business Plans	2nd Apr 2002
Mr S Woodger	Director Commercial & Corporate Services	15th Nov 2004

Directors Remuneration

The following table is subject to audit and sets out an analysis of pre-tax remuneration during the year ended 31 March 2006

Management Board Member	Age	Salary, including performance pay	Real increase in pension at age 60	Total Accrued Pension at age 60 on 31 March 2006	Benefits in kind	Employer contribution to partnership pension account including risk benefit cover
		£000	£000	£000	£000	£000
Brig C M Steirn CBE			Consent for disclosure withheld			
Brig J S Mason MBE			Consent for disclosure withheld			
Gp Capt D B Cannon			Consent for disclosure withheld			
Capt A R Forsyth RN			Consent for disclosure withheld			
Capt R Albon RN			Consent for disclosure withheld			
Col I C Alexander OBE			Consent for disclosure withheld			
Mr S Woodger			Consent for disclosure withheld			
Mr D Clark			Consent for disclosure withheld			
Mr J Parks - Non-Executive Director*		60	10-15			

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



Brigadier J S Mason MBE
Chief Executive
Date: 6th July 2006

16 CORPORATE GOVERNANCE

The application of Corporate Governance principles is fully embedded within the Agency's business processes. Corporate Governance is a standing agenda item at the monthly Management Board meetings. Every Board meeting considers the top risks contained in the Risk Register. Examples of top risks being carried forward from 2005/06 to the new year include: the liability to cover import Custom duties for other MoD branches; The Defence Business Travel Capability project and Strategic lift capacity.

In addition, the quarterly Audit Committee meetings, chaired by the Non-Executive Director (NED), review existing risks and identify new ones. Moreover, the Audit Committee, which is attended by the National Audit Office (NAO) and Defence Internal Audit, discusses Corporate Governance matters and provides advice to the Management Board on where to focus the activity of the Agency's Corporate Governance cell. The Agency also has in place a programme of internal compliance audits to provide further assurance to the Management Board. The Agency seeks to provide all staff with visibility of Corporate Governance issues through the Agency intranet website, Agency induction process, the bi-annual Staff Brief and access to the Business Risk Register. The Agency continues to implement MoD policy and to incorporate best practice.

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 Other Government Departments (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). The risk to DTMA will continue to decrease as programme funds are disaggregated to customers.

DTMA are 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



Alongside the 'routine' business of placing and monitoring (through KPIs or other Performance Management targets) a range of Travel and Transport contracts covering Air, Land and Sea requirements, our main focus has been to keep pace with the ever increasing tempo and need to provide commercial support to operational activity within the Agency. This has been exacerbated during the year as a number of longer term contracts originally placed for a period of three to five years have fallen due for renewal.

This year has seen commercial assistance playing a major role in contracting for services in order to provide strategic movements support to Operation TELIC, Operation HERRICK, Operation OCULUS, Operation SHANDON and Operation MATURIN.

In addition, to the day to day workload, the Division continues to provide a 24hr on-call service to support the DMS staff in providing for military personnel and their families who need urgent or immediate travel for compassionate reasons. This 24hr service has been utilised more extensively in FY 2005/06 than in previous years with twenty one requests for compassionate travel being satisfied by commercial charter outside of normal working hours.

The beginning of the year also saw the transfer of Sponsorship/ Commercial responsibility, to DTMA, of the Central Hotel Booking Service (CHBS) Contract, widening further the scope of activities administered through the Agency.

The team continues to engage with Procurement Reform Category Management Teams, embedded within the Agency, to ensure that optimum procurement strategies for Travel and Transport are identified and implemented. Resources within the existing Commercial Team have been seconded to provide specific Commercial advice at critical times within specific projects thus cementing a true team approach.

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 FOI 2000. Although there were fewer immediate questions than anticipated after the Act was implemented on 01 January 2005, by the end of the calendar year there had been twenty three questions directed to the Agency.

18 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, that 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 the Agency expenditure. Also, costs incurred in support of Conflict Prevention are not charged to the Agency Accounts. Recorded operating costs for the Agency are £16,669K.

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 tank 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 2005/2006 DTMA remained within its Agency Budget (excluding programmed costs).

MANPOWER

DTMA has some 96 military and 150 civilian staff employed in the Agency. 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.

OPERATING COST STATEMENT**Staff.**

(£9,222K in 2005/06, £8,756K in 2004/05)

Costs have risen to reflect:

- a. the annual salary increases paid to both military and civilian personnel; and
- b. the mix of military/civilian staff, which has resulted in an increase in the number of military personnel but a decrease in civilian personnel employed with in the Agency. As the capitation rate is higher for military personnel the staff costs have increased.

Supplies and Services.

(£4,028K in 2005/06, £1,824K in 2004/05)

The costs for supplies and services in 2005/06 are normal. However, there were exceptional costs reported in 2004/05 due to the upward revaluation of Assets by DLO TLB that resulted in net receipt for TLB communicated costs.

BALANCE SHEET**Creditors: Amounts Falling Due Within One Year**

(£142K in 2005/06, £667K in 2004/05)

The balance for 2005/06 is lower as a result of action taken to obtain invoices for payment from IT companies in a more timely manner.



20 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 seen some £5,000 raised. Fifteen employees hold, and are encouraged to hold, community roles such as school governorships. We have accepted seven work experience school children. Positive news stories concerning the Agency regularly appear in the local press and MoD newsletters.

Environmental

DTMA complies with the Secretary of State for Defence's Environmental Policy Statement (07 July 2000) and implement the Greening Government Initiative. When making its business decisions, DTMA considers the possible implications for the environment, created by emissions, noise, hazardous or harmful substances, storage, disposal arrangements and training. 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 the Agency as delegated to him by CDL. However, all staffs have a responsibility, as identified in the Director's SHEF Policy Statement, for taking reasonable care of the health and safety of themselves and others who may be affected by their acts and omissions at work. All staff must observe best practice and compliance with legislation in the protection of the environment and the conservation of energy. Monitoring is undertaken through the quarterly SHEF committee meetings to ensure that an effective framework is in place.



External and internal change will impact upon DTMA throughout the year ahead as new capabilities become available and external and internal initiatives gather pace. Such change will require us to learn new skills and techniques, develop new relationships and be extremely flexible in the face of challenge. We will ensure that the operational output of the Agency continues to be unobscured by other non-operational, but nevertheless vital, DTMA requirements; the operational output continues to underpin all that we do. That said, the business needs of the Agency will continue to be addressed and we will remain pro-active to achieve cost effectiveness and demonstrate added value. Moreover, we will continue to remain customer orientated and satisfy in full their demands and expectations within resource allocations. The year ahead will be challenging and demanding: a range of external initiatives will have significant impacts upon the way we do our business and we have a leading role in a number of MoD and DLO schemes e.g. Defence Travel MoDernisation (DTM) programme.

The uncertainty of our operating environment, both from an operational and re-organisational perspective, means that DTMA will need to be proactive and forward leaning in re-designing and developing new procedures and crystallising on commercial best practice.

DTMA is a proactive and dynamic organisation focused on providing global Tri-Service operational support and is dedicated to meeting customers' requirements in peace, crisis and war. A major challenge now facing DTMA is delivering this capability within budget when faced with continuing constraints on funds, manpower and resources. With regard to the latter, we are dependent upon the commercial market and the provision of aircraft, ships, road and rail vehicles – we continually review how we can maintain continuing supply e.g. we have joined the SALIS scheme for the provision of heavy lift aircraft. We must, therefore, ensure that our resources are managed effectively so that available funding and manpower is allocated where it is most needed and ensure that we fully utilise other's resources to provide us with a cost effective service. The challenge we face is not only achieving value for money but to demonstrate the extent to which this is achieved by the use of appropriate performance measures using systems and processes designed by the Centre.

In the year ahead DTMA will continue to fully engage in the implementation of the FDSCi process. DTMA, through the Client Organisation, will be fully involved in the transformation phase of the project. The key role of the Client Organisation is the strategic and tactical oversight of the formal arrangements between the MoD and the FDSCi supplier (DSDA) in contributing to the delivery of an effective Defence Supply Chain. DTMA will strive to help deliver its share of the efficiencies expected from FDSCi implementation.

We must ensure that the changes in Human Resource (HR) services brought about by HR Transformation do not adversely affect DTMA's ability to recruit, retain and manage the civilian staff it requires. DLO as a whole is undergoing extensive reorganisation and centralisation. Although DTMA will challenge any unfounded initiatives, it will support the changes in full whilst ensuring the output is maintained at the optimum level.

DTMA is fully engaged with Procurement Reform (PR), and will work closely with DG Procurement's staff to identify and implement the optimum procurement strategies for travel and transport. In doing so, we will jointly aim both to reduce cost and improve service delivery, whilst maintaining or enhancing our ability to support operations.

DTMA is determined to assist the MoD in implementing the recommendations from the Defence Travel MoDernisation (DTM) programme by 2008; achieve an Early Operating Capability (EOC) by March 2007, and Initial Operating Capability (IOC) by September 2007, and to extract the benefits of introducing such change. This is to include development, improvement and refinement of the Central Hotel Booking Service (CHBS), rationalisation of Defence Passenger Reservation Centre (DPRC) and the creation of a Defence Travel Management Organisation (DTMO) for Defence wide travel. The DTMO, firmly resting within MSS Division, will be developed and will be pivotal for the successful implementation of the new Business Travel booking process which will be instrumental in enabling the delivery of up to £60M in annual savings across all Top Level Budgets (TLB).

DTMA will need to promote itself as the only brand name for transport and travel services for Defence; particular emphasis must be given to ensuring that both suppliers and customers have a full understanding of the services we provide. The Agency will continue to place great emphasis on our desire to become the preferred choice of all MoD; through more proactive internal marketing we can gain the greatest benefit for all by exploiting our resultant corporate leverage in order to ensure guaranteed access to charter aircraft, thereby reducing any potential strategic reach delta.

DTMA has submitted a Business Case to relinquish Agency status by 01 April 2007. The case has been considered by the Owner (DG Log SC) and was submitted for Ministerial approval in June 2006.

22 DELIVERING THE OUTPUT TO CUSTOMERS

INITIATIVES

To develop the FDSCi Client Organisation Business Operating MoDel to ensure that it is able to represent customer needs and expectations to the supplier (DSDA). Furthermore, we must monitor projected benefits and help to ensure they are realised (over £50M per year by 2010 and over £440M over the next ten years). Operating principles will need to be defined to ensure that there is sufficient coherence between the 'Do Different' strategic goals and those of the Defence Logistics Transformation Programme (DLTP). In particular, we will need to monitor that processes are in place to support the operational environment, whilst securing the full FDSCi benefits.

The removal of DFDG to DSDA 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 and exploiting the potential that will accrue through the introduction of PR.

Where appropriate, and in-conjunction with 2 Group STC, we will introduce further improvements to the air tasking process. In particular we will look, by March 2007, to examine the tasking mechanism post the introduction of the Boeing Operational Control System (BOCS).

We will conduct Value for Money reviews of the Strategic Sealift Service (JRRF RoRo) at five yearly intervals, commencing June 2007 and during 2006/2007 we will prepare for the review. Additionally, by end of 2011 we will decide whether current arrangements are appropriate to meet Defence needs until 2024, in accordance with the RoRo contract.

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 March 2008 (IOC). During 2006/2007 the planning for this will take place.

DTMA will fully engage with the 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 seek 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 (corporate leverage) and the expertise of our highly experienced staff to secure best value for customers in the provision of transport and movements services. When this has been achieved, OGDs such as Department for International Development (DFID) will then be encouraged to utilise our 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.

DTMA will continue to develop a customer focused information management system that is driven by integrated business needs, utilising a shared data environment and requiring data to be entered only once. This will provide improved customer service and improved internal management of the Agency.

We will continue to rigorously manage contracts and ensure the process of letting them, gains optimum value for Defence, particularly for the high profile and high value contracts of UB, Main Line Rail and North Atlantic Charter.

It is recognised that DTMA has limited control over the demand against its contracts and for which it holds an element of the associated budget. Consequently, we will continue to seek to disaggregate the budget to the customers wherever sensible to do so, thereby better aligning accountability and responsibility. As our output costing work matures we will seek, with our customers, to identify further efficiencies whilst again ensuring that the quality of service provided remains at the optimum level.

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.

DMTP Branch joined DTMA on 01 April 2006. During 2006/2007 the branch will be absorbed into DTMA operating procedures, and potential benefits will be sought from any synergy between the development of policy and its use in day to day DTMA operations.



The Agency continues to provide its customers with the best possible quality of 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. DTMA remains 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.



Brigadier J S Mason MBE

Chief Executive

Date: 6th July 2006



DEFENCE TRANSPORT AND MOVEMENTS AGENCY (DTMA)
ANNUAL REPORT AND ACCOUNTS
2005/2006

FOREWORD TO THE ACCOUNTS	27
STATEMENT OF THE AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES	28
STATEMENT OF INTERNAL CONTROL 2005/2006	29
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS.	31
OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2006	32
STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005	32
BALANCE SHEET AS AT 31 MARCH 2006	33
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006	34
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006	35



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.

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 2006

As stated above, responsibility for DFDG transferred to DSDA on 1 April 2005 as a result of the implementation of the FDSCI in house solution. It has, therefore, been necessary to restate the operating costs from the 2004/2005 DTMA Agency Accounts to remove the costs associated with DFDG to enable comparison of the Agency operating costs for 2005/06. The net operating cost for the Agency in the year ended 31 March 2006 was £16,669K (2004/2005 £23,038K adjusted to £14,001K to account for the DFDG transfer). Total assets less current liabilities at 31 March 2006 amounted to liabilities of £142K (2004/2005 liabilities of £919K adjusted to £659K for the DFDG transfer).

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.I and 2.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 99.99% in 2005/2006. In 2005/2006 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 16th January 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 £30,000. The auditors received no remuneration for the provision of non-audit service during the year.



Brigadier J S Mason MBE

Chief Executive

Date: 6th July 2006

28 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".



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 2005/06 the structure of the Agency changed to facilitate the Agency's amended responsibilities resulting from the Future Defence Supply Chain Initiative (FDSCi). These changes included the formation of the Client Organisation to monitor the costs and benefits of FDSCi and the transfer of responsibility for the Defence Freight Distribution Group to the Defence Storage and Distribution Agency. DTMA is now comprised of five Divisions; each managed by a Director with delegated responsibilities. Each 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 2006 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 and by taking opportunities to attend events where latest developments in both the private and public sector are discussed.

The Risk and Control Framework

The Agency's risk appetite, endorsed by the Management Board, is set out in the Chief Executive's risk policy statement. 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 and Balanced Scorecard. All risks have a nominated Owner (Board Member) and Manager. The CGM works closely with Risk Managers providing guidance to ensure understanding and implementation of the risk management process. At each Management Board the Agency 'Top Risks' (Tier One) 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.

During the latter part of 2005/06, and following the change of the composition of the Agency, a comprehensive review of the BCP was conducted. The revised plan also serves to ensure that all outstations, such as the Defence Passenger Reservation Centre, are comprehensively catered for within the Agency BCP, as well as ensuring that their individual BCP requirements are fully integrated into their host unit's BCP.

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.

30 STATEMENT OF INTERNAL CONTROL


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 Balanced Scorecard. It also considers monthly the budgetary 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 Tier 2 (Other Risks) & 3 (Archived for Annual Review) of the Risk Register. The Managers of a minimum of three 'other' Risks are called before the Audit Committee to present a detailed review of their Risk, having cleared the presentation with the Risk Owner. 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 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 formally report to each other, and have the opportunity to raise appropriate matters with the Audit Committee.
- A Performance Management system based on the Balanced Scorecard. Key Agency objectives, performance indicators and targets are defined annually by my Management Board. Performance is monitored monthly at each Management Board meeting including explicit consideration of key risks.
- Informal staff and team briefings are held monthly in accordance with HQ DLO advice and a more formal briefing is held bi-annually, in January and July, 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 letting of commercial contracts is a very important element of the Agency's business. In order to ensure that contractors deliver our requirements we ensure that all appropriate measures are taken to scrutinise the commercial/financial viability of potential suppliers. In addition during 2005/06 the Defence Procurement Agency Commercial Services Group reviewed our current risk mitigations against contractor failure and have confirmed that the Agency are following MoD best practice in this area.
- 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. DLO Principal Security Adviser). During 2005/06, a total of 10 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 Planning staff, the Low Value Purchase Mentor and monthly checks and reconciliations of financial transactions by Finance Managers within the Agency.
- In addition to internal compliance audits, assurance is also provided through Defence Internal Audit assignments. In 2005/2006, four DIA audit assignments either wholly or partially involved the Defence Transport and Movements Agency. Of the two wholly DTMA audit assignments completed at the time of this report, both 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

There were no significant internal control problems identified during 2005/06.



Brigadier J S Mason MBE
Chief Executive
Date: 6th July 2006

The Certificate and Report of the Comptroller and Auditor General to the House of Commons 31

I certify that I have audited the financial statements of the Defence Transport and Movements Agency for the year ended 31 March 2006 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.

Respective Responsibilities of the Agency, the Chief Executive [1] and the Auditor

The Agency and Chief Executive are responsible for preparing the Annual 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 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 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 29 reflects the Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency'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. This other information comprises only the Reporting Statement: management Commentary [2]. 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.

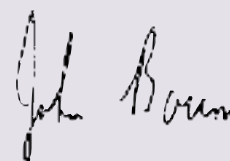
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, 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

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 2006 and of the surplus, total 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
- 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.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General
Date: 13th July 2006
National Audit Office
157-197 Buckingham Palace Road, Victoria, London. SW1W 9SP

[1] Or other official appointed as Accounting officer

[2] The other information that is 'read' is the content of the printed Annual Report other than the financial statements and those parts of the Remuneration Report to be audited. The description of the information that has been read is tailored to reflect the terms used in the Annual Report.

32 OPERATING COST STATEMENT

Operating Cost Statement for the Year ended 31 March 2006

Operating Costs	Note	2005 - 2006 (£000)	2004 - 2005 (£000)
Staff	2	9,222	8,756
Supplies and Services	3	4,028	1,824
Accommodation	4	31	5
Other Administration	5	3,401	3,438
Gross Operating Costs		16,682	14,023
Income			
Less: Income from non MoD customers		0	0
Net Operating Costs before Interest		16,682	14,023
Interest Charge on Capital		(13)	(22)
Net Operating Costs	11	16,669	14,001

All activities result from continuing operations. There were no material acquisitions or disposals during the year. As part of the FDSCi in-house solution, the responsibility for DFDG transferred to DSDA on 1 April 2005. This has resulted in the re-statement of all figures contained in the financial statements and notes to the accounts for 2004-2005.

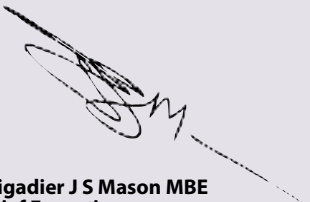
Statement of Recognised Gains and Losses for the Year Ended 31 March 2006

	Note	2005 - 2006 (£000)	2004 - 2005 (£000)
Unrealised gain (loss) on revaluation of fixed assets		0	0

Balance Sheet as at 31 March 2006

	Note	31/3/06		31/3/05	
		£000	£000	£000	£000
Fixed Assets					
Tangible Fixed Assets			0		0
Current Assets					
Stocks	6	0		0	
Debtors	7	0		8	
			0		8
Current Liabilities					
Creditors:					
Amounts falling due within one year	8		(142)		(667)
Net Current Assets (Liabilities)			(142)		(659)
Total Assets Less Current Liabilities			(142)		(659)
TAXPAYERS' EQUITY:					
General Fund	11	(142)		(659)	
Revaluation Reserve		0		0	
	14		(142)		(659)

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: 6th July 2006

34 CASH FLOW STATEMENT

Cash Flow Statement for the Year Ended 31 March 2006

	Note	2005 - 2006 (£000)	2004 - 2005 (£000)
Net Cash outflow from operating activities	12	13,216	12,094
Capital Expenditure			
Purchase of Tangible fixed assets		0	0
Net Cash Outflow before Financing		13,216	12,094
Financing			
Payments on Defence Resource Accounts		13,216	12,094
Receipts on Defence Resource Accounts		0	0
Net cash inflow from Financing		13,216	12,094
Net Change in Cash			0

1. Accounting Policies

a) Basis of Accounting

These accounts have been prepared in accordance with the Financial Reporting Manual (FRM) 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 2006 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 9 of the Annual Report.

j) Foreign Currency

Defence Bills Agency handles all foreign currency transactions.

k) Going Concern Basis

The amounts required to meet the Agency's liabilities falling due in 2006/2007, have already been included in the Department's Requests for Resources for that year, which have been approved by Parliament, and there is no reason to believe future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements

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.

2. 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:

	2005-2006	2004-2005
Service Officers	44	37
Service (Other Ranks)	52	49
Civilian (Non Industrials)	149	162
Civilian (Industrials)	1	1
Total	246	249

b) Staff Costs

The total staff costs for the year were:

	2005-2006	£000	2004-2005	£000
Salaries, Wages and Allowances	7,132		6,911	
Social Security	550		538	
Pension Costs	1,540		1,307	
Total	9,222		8,756	

Included in the staff costs, above, is £166K 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 2001 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.

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 1/80th 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 1/60th 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 2005/2006, employers' contributions of £1,540K were payable (2004/2005 £1,307K) at rates in the range 12 to 33.8 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.

3. Supplies and Services

	2005-2006	£000	2004-2005	£000
Hire of Vehicles	43		32	
Fuel	22		11	
Consumables	10		(6)	
Communicated Costs	3,953		1,787	
Total	4,028		1,824	

The above charges include notional costs, which are detailed in Note 13 to the Accounts.

4. Accommodation

	2005-2006	£000	2004-2005	£000
Maintenance and Services	29		22	
Utilities	0		3	
Rent	2		(20)	
Total	31		5	

Rent disclosure for 2004/05 is a rebate following the move of DPRC from Hampton House to St Georges Court.

5. Other Administration

	2005-2006	£000	2004-2005	£000
Information Technology	2,696		2,494	
Travel, Subsistence and Hospitality	421		548	
Audit Fee	30		28	
Training	64		69	
Consultants	(7)		243	
Doubtful Debts	0		0	
Other Administration	197		56	
Total	3,401		3,438	

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

6. Stocks

	2005-2006	£000	2004-2005	£000
Consumable stocks	0		0	

7. Debtors and Prepayments

	2005-2006	£000	2004-2005	£000
Trade Debtors	0		8	
Total	0		8	

8. Creditors - Amounts Falling Due Within One Year

Operating expenditure amounts falling due within one year.

	2005-2006	£000	2004-2005	£000
Trade Creditors	0		10	
Accruals relating to Non-Government Departments	142		657	
Total	142		667	

9. 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.

10. Commitments under Leasing Activities

a) Operating Leases

As at 31 March 2006, the Agency was committed to making the following payments during the subsequent year.

	2005-2006	£000	2004-2005	£000
Land and Buildings:	0		0	
Within one year	0		0	
Within two to five years	0		0	
Other				
Within two to five years	0		0	

b) Finance Leases

The Agency has no Finance Leased Assets.

11. Statement of Movements on General Fund and Revaluation Reserve

General Fund	2005-2006	£000	2004-2005	£000
Brought forward	(659)		545)	
Add				
Net Voted Expenditure	13,216		12,094	
Notional Items (Note 13)	3,970		1,793	
Net Operating Cost	(16,669)		(14,001)	
Carried forward	(142)		(659)	

12. Reconciliation of Net Cash Outflow from Operating Activities

	2005-2006	£000	2004-2005	£000
Net Operating Costs	16,669		14,001	
Adjustment for items not involving the movement of cash				
Departmental overhead charge	See Note 13	1,870	1,793	
Other non-cash costs	See Note 13	2,113	22	
Interest on Capital	See Note 13	(13)	(22)	
Total of Notional Items		3,970	1,793	
Net Operating Cost less Notional items		12,699	12,208	
Movement in Net Current Assets				
Increase/(Decrease) in Stock		0	(12)	
Increase/(Decrease) in Debtors		(8)	(84)	
(Increase)/Decrease in Creditors		525	(18)	
Net Cashflow outflow from operating activities		13,216	12,094	

13. Notional Items

	Notes	2005-2006	£000	2004-2005	£000
Departmental Overhead Charge		1,870		1,793	
Central Services		2,083		(6)	
Communicated costs	3	3,953		1,787	
Audit Fee	5	30		28	
Interest on Capital		(13)		(22)	
Funded through General Fund	11	3,970		1,793	
Total		3,970		1,793	

The increase in Communicated Costs is due to a TLB asset revaluation resulting in a credit of £1,131K to DTMA for 2004/05.

14. Reconciliation of Movement in Taxpayers' Equity

	2005-2006	£000	2004-2005	£000
Taxpayers' Equity Brought Forward	(659)		(545)	
Revaluation reserve movement in year	0		0	
General Fund movement in year	517		(114)	
Taxpayers' Equity Carried Forward	(142)		(659)	

15. 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.

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline Lo-call 0845 7 023474

Email bookorders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

Email bookshop@parliament.uk

Internet bookshop.parliament.uk

TSO@Blackwell and other Accredited Agents

