



*T r a i n i n g &  
R e c r u i t i n g*

ARMY TRAINING AND RECRUITING AGENCY

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AGENCY

ANNUAL REPORT AND ACCOUNTS  
2004 - 2005



# *T r a i n i n g & R e c r u i t i n g*

ARMY TRAINING AND RECRUITING AGENCY

## **Army Training and Recruiting Agency**

### **Annual Report and Accounts 2004 - 2005**

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# STATEMENT BY THE CHIEF EXECUTIVE

## Director General Army Training and Recruiting

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### Major General AJN Graham CBE



Over the period of this report, the ATRA achieved three of its four key targets, only narrowly missing the fourth. Most importantly we provided 656 Direct Entry commissioned officers and 7096 soldiers to the Field Army and 1416 to the other Services (RN/RAF). This considerable achievement comes in the context of a difficult recruitment environment and at a time when a high level of operational commitments have meant that the demand requirements for the Army's military capability has been considerable.

We have also progressed in other areas during the year particularly in terms of our response to the Director of Operational Capability report. A significant example of our success in this area is the provision of 179 additional supervisory staff at Phase 2 training establishments. Welfare manning has also been enhanced by the provision of nine additional WRVS Services Welfare Officers.

The ATRA, in common with its sister Training Agencies TGDA and NRTA, has been under sustained external scrutiny. The inspections by the Director of Operational Capability (DOC), the House of Commons Defence Committee (HCDC) and the Adult Learning Inspectorate (ALI) have looked at the care and supervision of service people in training. They have provided valuable recommendations for improvements while at the same time validating many of our practices as we work to deliver hard, fair, relevant and modern training.

My focus last year was to improve the quality of soldiers passing through the recruiting and training pipeline and joining the Field Army. Reports from the Field Army and a range of operational theatres are unanimous in their assessment of the quality of young officers and soldiers completing their special-to-arm Phase 2 training and taking their places in busy units. My intent for the coming year is to maintain and wherever possible improve the quality of that essential foundation training.

The impact of the reduced number of recruits entering the Army in 2004/05 will be seen in the training organisation in the coming year, and will wash through to the Field Army as a small but noticeable `black hole`. There are a number of factors that contribute to the difficult recruiting environment, equally there are a number of whole Army things that need to be done to heighten public awareness, bolster reputation and public confidence and persuade young people and their parents and guardians that the Army should be an employment of choice. In the coming year the Army faces a demanding recruiting target if the `black hole` is not to develop into something rather more substantial with significant and long-term effects on the Army`s manning profile.

Recruiting young men and women of the quality and in the quantity required will be an important challenge over the next few years; it will require us to adapt what is on offer to take account of the educational standards and aspirations of the civilian marketplace but without compromising on our insistence that qualifications are not a substitute for personal qualities, good character and soldierly potential.



**Major General AJN Graham CBE**  
**Chief Executive**  
**29 June 2005**

## **SECTION ONE: ABOUT THE AGENCY**

### **Historical Background**

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The 1990 "Options for Change" defence structure review, following the end of the Cold War, cut the size of the Army by about one third. The organisation of individual training was included in this review and from 1992, following the closure of twenty-eight training centres or schools, it was restructured into three clearly defined phases. At the same time, the Ministry of Defence, by embracing the Government's Next Steps Programme, was able to recommend that the individual training organisation be considered for Agency status. This process was accelerated by the increasing pressure on budgets, which culminated in a major review in 1994 recommending savings wedges totalling over £200M in the years 1995-1996 to 1998-1999.

There followed a period of intense planning which resulted in the formation, in April 1996, of the Army Individual Training Organisation (AITO) as a Defence Agency responsible for all aspects of individual training for soldiers and officers.

This planning process took into account that the formation of the AITO was essentially an interim measure and that the incorporation of Army recruiting into the Agency would achieve maximum coherence in the process of transforming a new recruit into a fully trained individual capable of taking his or her place in the Field Army.

This was achieved in 1997, and with effect from July of that year, the AITO was re-titled and re-launched as the Army Training and Recruiting Agency (ATRA) and the Chief Executive's military title was changed from Director General Individual Training to Director General Army Training and Recruiting (DGATR).

In April 2004, in furtherance of the objectives of the Defence Training Review programme, Defence Training Establishments (DTEs) became operational. Operating Divisions were incorporated into several Defence Training Establishments and became operational in their new tri-service roles. The ATRA became the lead Agency for the Defence College of Logistics (DCL) and the Defence College of Communications and Information Systems (DCCIS). The transition to DTEs has proceeded smoothly and has brought further changes to the ATRA structure.

The implementation of the DTEs has meant these accounts have been produced in accordance with Merger Accounting requirements and all Opening Balances have been restated to reflect the financial impact of the changes. The Balance Sheet valuation has decreased by £296m and the Operating Cost Statement has been reduced by £71m reflecting that the value of training establishments transferred to both the Navy and Royal Air Force was significantly greater than the value of establishments transferred in.

## **SECTION TWO: AIMS AND STRATEGIES**

### **The Aim of the ATRA**

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The ATRA is an integral part of the Adjutant General's Top Level Budget and receives its direction from him. The ATRA's aim, or Mission, is to "*Deliver the required number of appropriately trained and motivated officers and soldiers to meet the operational requirements of the Army and Defence.*"

The ATRA intends to fulfil this aim by:

- Attracting, selecting and enlisting appropriate officer cadets and soldier recruits.
- Delivering basic military training to these cadets and soldier recruits.
- Motivating, nurturing and inspiring these cadets and soldier recruits through the recruitment and training process.
- Delivering initial specialist training to officer cadets and soldier recruits to prepare them for their service in the Field Army in their particular trade and role.
- Delivering initial specialist training to certain RN and RAF recruits to prepare them for their service in their particular trade and role.
- Delivering further individual, career and personal development training to trained officers and soldiers.
- Delivering training to military personnel from the other services, to civilians and to foreign nationals.
- Managing the Agency's resources effectively and efficiently.

### **Strategies for Achieving the Aim**

In the year under review, the ATRA continued to implement strategies that sought to move the organisation towards greater efficiency and long-term stability. The most significant of these strategies has been the Defence Training Review Rationalisation Programme, one of MOD's largest change initiatives, which has had a direct impact on ATRA. The programme seeks significant benefits in terms of modernising existing training facilities, techniques, infrastructure and accommodation on a Defence-wide basis and through Public Private Partnership arrangements. It will also deliver significant savings by the more efficient use of a reduced training estate.

The creation of Defence Training Establishments (DTEs) provides a means of bridging the transition from existing, largely single-Service specialist training regimes, to the harmonised future training envisaged by the Defence Training Review Rationalisation Programme.

The Agency has also continued to seek to reduce or eliminate over-training or mis-training, and has taken a pan-Army approach to the design and delivery of training for both operational and non-operational capability. Ongoing

reviews of the conduct of training continue. The Director of Operational Capability's (DOC) report on the Tri-Service Appraisal of Initial Training in late 2002, updated in July 2003, has been reinforced by reports by the House of Commons Defence Committee and the Adult Learning Inspectorate. These studies have identified a series of measures to improve the welfare and well-being of our recruits and trainees. Assessments of the latest reports and the means of implementing their recommendations are taking a high priority. There has been a significant increase in manpower available for supervisory care and out-of-hours supervision, delivering notable improvements in the training, welfare, and administration of trainees.

The ATRA continued to make progress in the following areas:

- Sustaining the quality of new recruits.
- Improving the link between recruiting and the training pipeline.
- Reducing both wastage and injuries during training.
- Reducing the number of soldiers awaiting trade training.
- Gaining further support from improved Management Information Systems.

The measures significantly assisted the Agency in meeting its target outputs to the Field Army. Effort will now focus on seeking to ensure that funding for measures introduced in Short Term Plan 04 is sustained and that measures identified in Short Term Plan 05 are resourced.

Recruiting remains a challenge, particularly in attracting sufficient technical recruits. Lower achievement in soldier recruiting this year will manifest itself in reduced outputs to the Field Army over the next 2 years. A number of measures are being introduced to attract more recruits into those trades that remain "Operational Pinch Points".

## SECTION THREE: THE ORGANISATION

### The ATRA Organisation 2004-2005

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The ATRA's operations in the period of this report were divided into four inter-related functions:

<b>Recruiting and Selecting:</b>	Attracting and selecting suitable officer cadets and soldier recruits
<b>Recruit Training (Phase 1):</b>	Initial training for officer cadets and recruits in basic military skills.
<b>Specialist Training (Phase 2):</b>	Special to Arm training to prepare Service personnel for their first appointment.
<b>Career Training (Phase 3):</b>	Continuation training and professional development in order to enhance individual Service personnel and officers' career progression and to meet the need for specialists

The output of the ATRA is trained Service officers for the Army and Service personnel for the three Services. Director Manning (Army) sets the manning input requirements and Director Individual Training (Army) sets the annual Statement of Training Requirement (SOTR) for the Army, with Land Command as principal Customer. The Royal Navy (RN) and Royal Air Force (RAF) operate similarly.

The ATRA recruits and trains sufficient Service personnel to meet this demand.

The ATRA is organised into a number of Operating Divisions, two of which are now Defence Training Establishments (DTE), see subsequent pages for further details. Most Operating Divisions comprise a number of specialist Schools devoted to specific areas of Army training, the two DTEs also provide Specialist training for all three Services.

The following table illustrates the ATRA Recruiting and Training Pipeline:

<b>Raw Material</b>	<b>ATRA Activities</b>	<b>ATRA Outputs</b>
Civilian Population	Recruiting	Officer Cadets Soldier Recruits
Officer Cadets Soldier Recruits	Commissioning Course (Officers) Initial (Phase 1) Training (Soldiers)	Commissioned Officers Soldiers trained in basic Military skills

Phase 1 Trained Service personnel	Special to Arm Training (Phase 2)	Trained Service personnel with skills to take their place in the Field Army, RN and RAF
Newly Commissioned Officers	Special to Arm Training (Phase 2)	Trained Young Service Officers qualified to command a platoon or equivalent
Trained Personnel	Career (Phase 3) Training	Service personnel trained in specialist skills and with professional qualifications and qualifications for promotion
Trained Officers	Career (Phase 3) Training	Service Officers trained for career development and with professional qualifications

## The ATRA Operating Divisions

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In the period 2004-2005 the ATRA comprised ten Operating Divisions, plus a Headquarters based at Upavon in Wiltshire. Of these, three stood apart: The Recruiting Group for the recruitment of both officers and soldiers; the Royal Military Academy Sandhurst, primarily for officer selection and initial officer training; and the Initial Training Group for soldier selection and delivery of initial soldier training. Five of the remaining seven Operation Divisions delivered Army Special to Arm and Professional development training organised on a cap-badge or functional basis, as appropriate. The remaining two provided Special to Arm training and Career training on a tri-service basis in DTEs. Also under the Defence Training Rationalisation (DTR) programme Army personnel are trained in a further five tri-service DTEs under the command of other Training Agencies.

### Recruiting Group

Recruiting Group is the organisation which runs all Army Recruiting, using the nationwide network of 123 Careers Offices, 61 Schools Advisers, 26 Army Youth Teams and 93 Regimental Recruiting Teams. Other assets include Headquarters RG at Upavon, and the Army School of Recruiting, at Bovington in Dorset, where all Recruiters are trained. Recruiting Group's Marketing Branch produces and directs the national marketing operation, with additional campaigns run at Regional level. RG also has a Commonwealth Selection Team, which visits certain commonwealth countries to assess individuals for

their suitability to serve with the British Army, and an Ethnic Minority Recruiting Team, which reaches into UK ethnic communities.

2004/05 was a difficult year for Army Recruiting, with enlistments constrained in the early part of the year for financial reasons. An adverse news climate also contributed to Officer and Soldier Recruiting being below target, with 854 passes at RCB against the target of 903 and 10,395 Soldier enlistments against the target of 11,592. However RMAS continue to fully load all courses and the focus on Operational Pinch Point trades produced very good results. EM recruiting went well, reaching 3.8% overall, against the target of 3.4%. A significantly increased marketing expenditure in the second half of the year drove up enquiry and application levels, which should feed through into healthier enlistment levels at the start of the new recruiting year.

### **Royal Military Academy Sandhurst (RMAS)**

RMAS provides initial training for officer cadets and develops the qualities of leadership, character and intellect demanded of an Army Officer. Training at Sandhurst provides cadets with a firm grounding in the skills they will require as they progress through their careers. The excellence of the training is reflected in the numbers of overseas cadets who attend and then take back to their own Armies the values and standards instilled in them. Sandhurst also has responsibility for the Royal Military School of Music (RMSM) at Kneller Hall, the Army School of Physical Training at Aldershot and the Regular Commissions Board (RCB) and Territorial Commissions Board (TCB) at Westbury, where young people undergo initial selection for Army officer entry.

In 2004-2005, RMAS commissioned 656 Direct Entry Officers into the British Army and trained 61 Foreign and Commonwealth Officers to the same standards. In addition, a further 260 Late Entry Officers and 95 Professionally Qualified Officers (PQOs) successfully completed Regular Army courses at the RMAS and 146 Territorial Army (TA) Officers and 22 TA PQOs were commissioned. RCB filtered over 3000 candidates down to 1092, of who 747 received passes, while TCB passed 85 out of 123 candidates. At the RMSM, 49 British and 4 Foreign students passed Phase 2 Training and a further 212 Corps of Army Musician personnel successfully completed Phase 3 training courses. At ASPT, 757 soldiers from the Field Army and 166 instructors from the TA and Army Cadet Force passed Physical Training courses.

### **Initial Training Group (ITG)**

ITG is responsible for Phase 1 Training of all Junior Entry (JE) and non-infantry Standard Entry (SE) recruits. HQ ITG is collocated with HQ ATRA at Upavon and is responsible for the ITG Instructor School, four Recruit Selection Centres and five training units.

JE recruits undertake either a 42-week course at the Army Foundation College (AFC), Harrogate, which leads to a Foundation Modern Apprenticeship, or a 17-week Army Development Course at the Army Training Regiment (ATR) Bassingbourn in Cambridgeshire. Non-Infantry Standard

Entry recruits undertake a 12-week course at either ATR Lichfield in Staffordshire, ATR Winchester in Hampshire, or ATR Pirbright in Surrey.

ITG is responsible for the four Recruit Selection Centres, in Ballymena, Glencorse, Lichfield and Pirbright where all potential soldier recruits undergo initial selection.

17,485 potential recruits were assessed at the RSCs in 2004-2005; almost 6,000 fewer than the previous year and 11,000 fewer than in 2002-2003. 10,671 (61%) were offered places, a 1% improvement over the previous year but an actual reduction in numbers of 3,402 from the previous year.

7,749 recruits entered training with ITG units (others who had been offered places at the RSCs entered the School of Infantry). 6,410 successfully completed recruit training with ITG units. A total of 1,889 recruits (24%) were discharged having failed to complete Phase 1 training. The apparent distortion in the percentages was caused by the Army Technical Foundation College not accepting further intakes as it was to close during the year but outputting recruits who had begun training during the previous year.

### **The Armour Centre (Arm Cen)**

Based at Bovington and Lulworth, the Armour Centre provides career training for the officers and soldiers of the Royal Armoured Corps (RAC), and specialist training for commanders, crewmen and instructors on all the Army's armoured fighting vehicles in the linked disciplines of direct fire gunnery, mobility, and communications.

In 2004-2005 the Armour Centre delivered 361 trainees to the Field Army. Wastage for the year was at 15% in line with ATRA's Main Effort "Phase 2 output: the right numbers and better quality". 5% were re-allocated within the Army.

### **School of Infantry (SCHINF)**

The School of Infantry underwent a significant reorganization in the Autumn of 2004, which resulted in a more balanced and focused headquarters covering the 3 core sites of Catterick, Brecon and Warminster. Co-located with HQ SCHINF, Infantry Training Centre (ITC) Catterick conducts Infantry Training combining Phase 1 and Phase 2 on the Combat Infantryman's Course (although Junior soldiers destined for the Infantry continue to receive Phase 1 training at Bassingbourn and at the Army Foundation College in Harrogate). The Infantry Battle School at Brecon conducts a Phase 2 Battle Course for Infantry Officers, and Phase 3 Courses for Infantry WOs, Senior and Junior NCOs. The Support Weapons School at Warminster conducts Phase 3 Courses for Infantry Officers and Soldiers".

In 2004-2005 ITC Catterick provided 2,609 soldiers to the Field Army on completion of their 24 week course. A variety of Phase 2 and Phase 3 courses at the Infantry Battle School and Support Weapons School trained a total of 2,345 soldiers and officers.

## **Royal School of Artillery (RSA)**

Based at Larkhill, as part of the artillery centre, the RSA is the Army's centre of excellence for individual artillery training, providing career and specialist training for young officers and soldiers in Surface to Surface, Ground Based Surface to Air and Surveillance and Target Acquisition artillery. It is also the primary source of artillery technical knowledge and expertise. During 2004-2005 the RSA delivered 62 Phase 2 young officers and 610 Phase 2 trained recruits to the Field Army. In addition, 206 Phase 3 officers and 954 Phase 3 soldiers successfully completed career development and specialist courses.

The Royal Artillery is currently trialling the merger of the Operating Division into the Directorate Royal Artillery (DRA). The pilot commenced in Jul 04 and is due to finish in Jul 06.

## **Royal School of Military Engineering (RSME)**

The RSME is the Army's centre for Military Engineer training. It consists of two schools: the Combat Engineer School at Minley in Hampshire and the Construction Engineer School at Chatham in Kent. The RSME provides special to arm and career development training for Royal Engineer (RE) officers and soldiers in combat engineering, artisan, technical and professional construction engineering, communication and RE skills. In addition, the RSME provides All-Arms training in mine awareness, demolitions, watermanship and specialist training for assault pioneers and support troops.

RSME's main effort in 2004-2005 was the output of Phase 2 personnel to the Field Army, providing 1049 trained soldiers in 16 different Career Employment Qualifications (CEQs). Including Phase 3 and Pre-Deployment Training, RSME provided in the region of 316,000 Man Training Days. RSME also spent considerable staff effort on preparations for both its own Public Private Partnership Project and the Defence-wide C Vehicle PFI.

## **School of Army Aviation (SAAvn)**

SAAvn is located at Middle Wallop, Hampshire, and conducts all Phase 2 (initial) and Phase 3 training for Army Air Corps Aircrew and Groundcrew. All Army pilots conduct the Operational Training Phase of their pilots course at SAAvn and, if successful, their Conversion to Type course before being posted to an operational regiment. The school provides refresher training on different aircraft types and courses to enable experienced pilots to gain their instructional flying qualifications. SAAvn also run a number of different upgrading courses and career courses for NCOs and soldiers. A significant number of courses now being run are assisting with the delivery of the Attack Helicopter (AH) capability.

This has been a successful year for SAAvn, achieving an output of 229 Phase 2 soldiers. The 3rd Conversion to Type (CTT 3) for Attack Helicopter (AH)

completed at the end of the training year (TY) fulfilling the aim of getting the first AH regiment manned for Initial Operational Capability, with trained Aircrew. The school also trained a total of 1147 officers and soldiers on Phase 3 courses. Of this number, 54 officers and 357 soldiers successfully completed AH specific courses.

### **Defence College of Logistics (DCL)**

The DCL provides phase 2 and 3 training to all three Services. Formed on 1 Apr 04, with its HQ at Deepcut, it comprises the Defence Animal Centre (at Melton Mowbray), the Defence Explosive Munitions and Search School (at Kineton and Chatham), the Defence Food Services School (at Aldershot and Halton), the Defence Logistics and Supply School (at Deepcut, Bicester, Cranwell, Halton, Marchwood and West Moors), the Defence Movements School (at RAF Brize Norton), the Defence School of Transport (at Leconfield), the Royal Naval Logistics School (at Torpoint) and 25 Training Support Regiment RLC (at Deepcut).

The main effort of the period was Phase 2 output of over 400 RN officers and other rates, 1600 Army officers and soldiers as well as 500 RAF officers and other ranks to Front Line Commands. In addition, the College procured and trained 206 dogs and 49 horses as Service Working Animals whilst more than 2,000 RN personnel, 19,000 Army personnel and 1,700 RAF personnel have completed Phase 3 training. The College has continued to attract international students on key career and specialist operator courses and deployed training teams to support allied nations including Bahrain, Canada, Iraq, Kenya, the Netherlands, Norway, Saudi Arabia and Slovenia.

The College HQ also established a Transition Branch to support the Defence Training Review process and undertake bidder evaluations. Training Convergence and Rationalisation has also been a priority; success being achieved in the development and introduction of a common Defence Chef course (for Phase 2 students), the transfer of initial RAF Supply Officer Training from RAF Cranwell to Halton and the development and approval of a new tri-Service Joint Logistics Operations Course, which will commence at the Defence Academy in Jun 05.

### **Defence College of Communications and Information Systems (DCCIS)**

DCCIS is responsible for providing phase 2 and 3 CIS training for all three services and elements of the civil service, and was formed on 1 Apr 04 as a federated college, comprising the Royal School of Signals (RSS) at Blandford Forum, No 1 Radio School (No 1RS) at RAF Cosford (incorporating the Aerial Erector School at RAF Digby), the CIS Training Unit (CISTU) at MWS Collingwood and the Information Services Group at Shrivenham.

In 2004 - 2005 DCCIS provided phase 2 training to 1211 service personnel; 781 Army personnel at RSS, 252 RAF personnel at No 1 RS and 185 RN personnel at CISTU. In addition, DCCIS also provided phase 3 training to over 7600 personnel; more than 3,700 Army personnel, 1,600 RAF personnel

and 500 RN personnel have completed single service courses whilst, in addition, more than 1,800 UK armed forces personnel, civil servants and international students have been trained on joint or harmonised courses within DCCIS.

During its first year, DCCIS has maintained the high quality of training output to support all three Services and the Civil Service through the provision of communications and information systems training so that personnel can play their part in support of UK Operations and deployed UK, NATO, UN and coalition UN forces as directed by PJHQ, and in particular the Joint Rapid Reaction Force. Training harmonisation and rationalisation has also been a priority with the introduction of tri-service and defence courses, reviews of single service training and sharing of best practice between the services.

### **Defence Training Establishments (DTEs)**

There are five Defence Training Establishments (DTEs) under the control of other Training Agencies who provide Special to Arm training and Career training on a tri-service basis. On completion of Phase One training recruits progress to complete Phase 2 training in these DTEs.

Defence College of Intelligence (DCI) main output of Special to Arm training for Army personnel was 85 and Career training was 2,061. Defence Medical Education and Training Agency (DMETA) main output of Special to Arm training for Army personnel was 300 and Career training was 3,236. Defence College of Mechanical & Electrical Engineering (DCME) main output of Special to Arm training for Army personnel was 779 and Career training was 1,691. Defence College of Police and Personnel Administration (DCPPA) main output of Special to Arm training for Army personnel was 346 and Career training was 3,532. Defence College of Aeronautical Engineering (DCAE) main output of Special to Arm training for Army personnel was 106 and Career training was 76.

## SECTION FOUR: ACHIEVEMENTS IN YEAR AND PERFORMANCE AGAINST KEY TARGETS

### Achievements in Year

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#### Recruiting:

Soldiers:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Totals
Recruiting Target	2,222	4,240	1,890	3,240	11,592
Achievement	1,958	3,261	1,835	3,341	10,395
Shortfall/Surplus	-264	-979	-55	101	-1,197

Officers:

	May 2004	September 2004	January 2005	Totals
Target	230	250	240	720
Achievement	242	233	243	718
Shortfall/Surplus	+12	-17	+3	-2

The figures quoted are the numbers commencing the Commissioning Course at RMAS

## Performance Against Key Targets

Key Ministerial Targets	Targets, Outturns and Achievements 2000-2001	Targets, Outturns and Achievements 2001-2002	Targets, Outturns and Achievements 2002-2003	Targets, Outturns and Achievements 2003-2004	Targets, Outturns and Achievements 2004-2005
Throughput:					
Key Target 1:  To meet the Army's requirement for trained mainstream officers available to take up their first appointment within a permissible variance of 2 per cent	Target: 560  Achieved: 549 (98%)	Target: 575  Achieved: 557 (97%)	Target: 590  Achieved: 604 (102%)	Target: 600  Achieved: 622 (104%)	Target: 678  Achieved: 656 (97%)
Key Target 2 (TY 00 – 04) :  To meet the Army's requirement for soldiers available to take up their first appointment within a permissible variance of 5 per cent.	Target: 10,263  Achieved: 8,738 (82%)	Target: 9,442  Achieved: 8,789 (93%)	Target: 9,106  Achieved: 9,264 (101%)	To meet the Army's tasking on the ATRA for soldiers available to take up their first appointment within a permissible variance of -1 to +2 per cent.  Target: 9,475  Achieved: 9,794 (104%)	
Key Target 2 (TY 04-05) :  To meet the Army's tasking on the ATRA for soldiers available to continue training at non-ATRA Phase 2 training establishments.					Target: 1,918  Achieved: 1,718 (90%)

Key Target 3 (TY 04-05)  To meet the Army's tasking on the ATRA for soldiers available to take up their first appointment.					Target: 7087  Achieved: 7096 (100%)
Key Target 3 (TY 00 – 04):  Achieve a 98% first time pass rate for all officers made available to undergo career of professional development training.	Achieved: 97%	Achieved: 98%	To achieve a 98 per cent first time pass rate to externally endorsed training standards and within course duration for all officers who undergo career or professional development training after meeting entry standards.  Achieved: 93.6 %	Target: 98%  Achieved: 99%	
Key Target 4 (TY 00 – 04):  Achieve a 96% first time pass rate for all soldiers made available to undergo career of professional development training.	Achieved: 95%	Achieved: 96%	To achieve a 96 per cent first time pass rate to externally endorsed training standards and within course duration for all soldiers who undergo career or professional development training after meeting entry standards.  Achieved: 94.8 %	Target: 96%  Achieved: 95.5%	

Key Target 4 (TY 04-05)					Target: 96% Achieved: 95.7%
To achieve a 96 per cent first time pass rate for those made available to attend career or professional development training (after meeting entry standards). Officers and Soldiers combined.					

Efficiency:

Key Target 5:	Target: 3%	Target: 3%	To remain within 0% to -1% of the annual resource allocation whilst achieving targets.	Target: Subject to realism caveats, to reduce the per capita cost of training a successful military recruit to £52.2k by Apr 2006.	Target removed
To achieve a 3% improvement in the efficiency of ATRA operations.	Achieved: In the year in question, Efficiency Reports only covered some 75% of the ATRA. Data from this showed an increase in efficiency of greater than 3%	Achieved: 3.9%	Not Achieved: overspend of 0.2%	Target for TY 03-04: 52.9k Achieved for TY 03-04: 52.4k	

## SECTION FIVE: SUMMARY OF THE YEAR

### The ATRA Operation

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#### **Courses and Schools summary:**

Number of Course Types run by the ATRA	2075
Number of Courses run by the ATRA	c6800
Number of Schools	34
Number of Sites	33
Number of students attending ATRA courses (Phases 1,2 and 3)	60244

#### **Recruits:**

Number of Officer Cadets enlisted	718
Number of Soldiers enlisted	10395

#### **Officer Recruit Training**

Officer Cadets starting the Commissioning Course	718
Overseas Cadets starting the Commissioning Course	61
Officers and Officer Cadets attending other courses (Gap Year Course, Professionally Qualified Officers Course and Territorial Army)	590

## Training Summary

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### **Soldier Recruiting and Enlistment**

This has been a difficult year for recruiting. First in order to keep Army trained strength to the funded manpower limit, recruitment was paused by not filling course vacancies over the summer months, offers on course places were deferred by several months and potential recruit interest could not be revived. Moreover, the 04-05 marketing campaign could not be issued at its previous pitch because that would have generated premature interest that could not have been converted into enlistments. This exacerbated the impression that the Army was not recruiting. Second, the compound and negative effects of the “Deepcut factor”, HCDC and ALI reports and Iraq have been noticeable. Government policy on tertiary education opportunities is also an emerging issue in reducing the numbers we are able to recruit in the 16-18 age group. All these factors have contributed to a significant reduction in enlistment numbers. As a result, Recruiting Group has only achieved 10,395 enlistments against a target of 11,592<sup>1</sup> (a 10.3% shortfall). The shortfall is mostly in the more technically demanding trades but the infantry is also now showing a significant reduction.

### **Officer Recruiting**

This year’s Officer Recruiting target has not been met. The final figure is 850 passes against a target of 903.

Efforts to improve awareness amongst the target population continue, with attendance at Graduate Recruitment Seminars (GRS) enabling us to engage with high quality officer undergraduates at the correct time in their career decision cycle

### **Phase 1 (Initial) Training and Combined Infantry Training**

Overall Output to all Phase 2 training establishments was 6,410 against a target of 7,140. This poor performance achieving soldier enlistment targets will have a direct effect on output next year (TY 2005 – 2006) because course lengths means that training can occur across two training years. Moreover and due to the uncertainty of recruiting to meet the balance of trade skills, the TY 2005 -2006 targets are not likely to be fully met.

In respect of Officer Phase 1 training at Sandhurst, 656 officer cadets were commissioned into the Field Army, 97% of the target. The earlier mentioned decrease in the success rate at RCB indicates that this level of achievement is to be expected next year.

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<sup>1</sup> Target was revised upwards from 11,319 in year.

## **Phase 2 (Special to Arm) Training**

Output of soldiers from Phase 2 to the Field Army was 100% of target (7,096 against 7,087). This was due to a continued improvement in the leadership, training and management of trainees at many Operating Divisions. Output from Infantry Training Centre, Catterick achieved 96% output albeit against lower in-year targets achieved in order to keep Army trained strength to the funded manpower limit. This measure resulted in delaying the entry of 765 potential recruits to the Infantry when recruiting interest was high. On current reduced level of interest, an Infantry shortfall of approximately 650 against a target of 2,835 for the next year is forecast.

## **Training Pipeline Efficiency**

The efforts made in previous training years continue to bear fruit in the Training Year 2004-2005 in the form of improved First Time Pass Rates (FTPR), and reductions in Churn (which is turbulence in the pipeline caused by the remedial training or the training of transferees to another cap badge, either through choice or their inability to meet the training standards of their first-choice Arm or Service). Unfortunately wastage (loss to the Army) at Phase 1 and 2 have risen to 25.2% from last years low of 22.4%. However, this is still a reduction of 3.0% against the average wastage figure for all previous years.

## **Phase 3 (Career) Training**

The ATRA is dependent on the Field Army to fill places on Phase 3 courses. The ATRA now measures its performance by reference to a combined achievement of First Time Pass Rates (FTPR) for those Officers and Soldiers made available to commence training, and who meet the required entry standards. Officers and Soldiers combined achieved a FTPR of 95.7% against a target of 96%.

## **Outlook**

Low recruiting inflow, coupled with current numbers in training, mean that the ATRA will fail to meet the Whole Army Phase 2 output target (9,230) for 05/06 by at least 1,300. Any upsurge in recruiting for the shorter duration trades, particularly the infantry, may reduce the forecast shortfall but for the more technical and longer course trades, the impact on output will follow through into 06/07 and beyond.

## **SECTION SIX: ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005**

### **Foreword to the Financial Accounts for the year ended 31 March 2005**

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#### **Accounts Direction**

The financial accounts for the year ended 31 March 2005 have been prepared in accordance with a Direction given by Her Majesty's Treasury under section 7(2) of the Government Resources and Accounts Act 2000.

#### **History and statutory background**

The Army Training and Recruiting Agency (ATRA) was established as an Agency of the Ministry of Defence on 1 July 1997, when the Director Army Recruiting and the Defence Nuclear Biological and Chemical Centre were amalgamated with an existing Defence Agency, the Army Individual Training Organisation (AITO).

The ATRA lies within the military command structure of the Adjutant General's Personnel and Training Command. The Secretary of State for Defence retains ultimate responsibility for the policy and resources framework within which the Agency operates. In practice the Secretary of State's responsibilities are delegated to the Adjutant General.

#### **Aims and objectives and performance against key targets**

The aim of the ATRA is to provide the appropriate numbers of well trained and motivated soldiers to meet the operational requirements of the Army. The aims and objectives of the Agency and its performance against key targets in the year ended 31 March 2005 are fully described in foregoing sections of the Annual Report.

#### **Principal activities**

The principal activities carried out in pursuit of the Agency's main aim are:

- the selection and recruitment to the Army Service of suitable members of the public and
- the provision of training appropriate to their intended tasks in both the short term and the longer term.

These activities are more fully described in the preceding sections of the Annual Report.

## **Management of the Agency**

The Chief Executive of ATRA is responsible for the day to day running of the Agency. The Chief Executive of the Agency is directly accountable to the Departmental Accounting Officer of the MOD (the Permanent Under Secretary) for the propriety and regularity of the Agency's expenditure and its prudent and economical administration.

Major General Leakey CBE was appointed Chief Executive on 15 December 2001 and relinquished the appointment in October 2004 when he was replaced by Major General Graham CBE. The Chief Executive is chairman of the Agency's Main Board which is charged with overseeing the day to day running of the Agency. All military and civilian members of the Board, including the Chief Executive, were appointed and may have their appointments terminated, in accordance with the standard, official Ministry of Defence military procedures or the Civil Service Management Code. Non Executive Board Members are appointed in accordance with guidance issued centrally by the Ministry of Defence.

The salaries of all military and civilian Board members, including the Chief Executive, are determined at national level. Military Board members' salaries are recommended by the Armed Forces Pay Review Body and ratified by Parliament. The Deputy Chief Executive's remuneration was determined by the Senior Civil Service Salaries Review Body. The salaries of other civilian Board members were determined by negotiation between Ministry of Defence and Civil Service Trades Unions. Salaries of Non Executive members are determined by the Chief Executive in line with Ministry of Defence guidelines. Details of remuneration and pension entitlements of Board members are shown in Note 2 to the accounts.

The names and appointments of the Main Board members immediately follow this foreword.

## **Financial performance**

The gross operating costs of the Agency for the year ended 31 March 2005 were £1,211 million. The Agency received £11 million in operating income, resulting in a balance of net operating costs of £1,200 million, as shown in the Operating Cost Statement.

Total assets less liabilities at 31 March 2005 were £1,703 million. This represents the net book value of intangible and tangible fixed assets of £1,769 million and net current liabilities of £45 million, the balance of £21 million being represented by creditors falling due after one year and provisions for liabilities and charges. Changes in fixed assets are described in Notes 6 and 7 to the accounts.

The Agency is an on vote Executive Agency of the Ministry of Defence and receives its funding through the Ministry of Defence resource allocation system.

## **Review of business and future developments**

The implementation of the Defence Training Review (DTR) Rationalisation Programme on 1 April 2004 has seen changes to the shape and structure of the Agency. Under the Programme a greater proportion of the Agency's trainees are Royal Navy and Royal Air Force personnel. While assuming the tri-service lead in the provision of logistics training, through the Defence College of Logistics (DCL) and signals training, through the Defence College of Communications and Information Systems the Agency has handed responsibility for police and administration training at the Defence College of Police, Personnel and Administration to Training Group Defence Agency (TGDA), Electrical and Mechanical Engineer training to Naval Recruiting and Training Agency (NRTA) and Aeronautical Engineer training to TGDA. In tandem with the DTR Rationalisation Programme, the Agency has explored the applicability of infrastructure, service provision and training delivery under Public Private Partnership (PPP) arrangements. Estate rationalisation is a part of both the DTR Rationalisation Programme and other PPPs in order to reduce the size of the estate and for the future provision of modern living and technical accommodation, merging on a defence basis when it is logical to do so.

## **Pensions Liabilities**

Pension benefits for all military staff are provided through the Armed Forces Pension Scheme. On 1 October 2002 the new Civil Service Pensions (CSP) arrangements came into effect. From that date all new entrants to the Department have the option to join either the new defined benefits scheme, 'Premium' or to join a money purchase stakeholder based arrangement with a significant employer contribution, the 'Partnership Pension Account'. New entrants are not able to join the former Principal Civil Service Pension Scheme (PCSPS) which has been renamed 'Classic' and is now a closed scheme.

Existing members of the PCSPS have been given the option of remaining within the Classic scheme, transferring to the Premium or transferring to the 'Classic Plus' whereby they transfer to Premium but only in respect of service from 1 October 2002. Further information regarding the accounting for the schemes is shown in Note 2 to the accounts.

## **Equal Opportunities Policy**

Through its Equality and Diversity Policy and Plan the Agency is committed to continuing to establish and maintain a working environment in which all military and civilian personnel, including those undergoing training, are treated fairly and with respect. It will not tolerate prejudice or discrimination on grounds of race, ethnicity, religion, gender, marital status, sexual orientation, disability, or anything else unconnected with an individual's ability to do the job.

This approach goes beyond that of equal opportunities by recognising and valuing an infinite number of differences between people and focusing on the individual, their potential, and what they can contribute to the organisation. This recognition of

diversity within the workforce enables a more positive use of ATRA's most important resource.

### **Staff Involvement**

The Agency seeks to maximise every communication channel to employees in order to integrate them in the running of the organisation. This is achieved through the existing ATRA communication policy that promotes a variety of methods, including an annual staff attitude survey, regular in-house newsletters and bulletins, management briefings, trade union consultations and widespread training programmes.

The Agency has recently been successful in its Investors in People (IIP) re-accreditation assessment. This demonstrates its commitment to the development of its staff in support of business objectives and ensuring that the contribution of each and every employee is fully recognised.

### **Creditor Payment Policy**

The Agency's creditors are paid predominantly by the Ministry of Defence's central bill paying authority, the Defence Bills Agency. Other bills are paid through local Cash Offices.

In order that the Ministry of Defence should comply with its statutory obligations under the Late Payment of Commercial Debts (Interest) Act 1998, the Defence Bills Agency states that it has a target of paying 99.9% of correctly presented bills within 11 calendar days of receipt. Actual performance against this target was 99.98% in 2004-2005. It is an implied term of all contracts entered into by the Agency that payment terms will comply with the Department's stated payment policy. The Agency incurred no liability for interest payments under the Act.

Where bills were settled locally through the Agency's Cash Offices all, except a small number of payments were made within the contractually agreed credit period or 30 days where not stated.

### **Auditor**

The accounts of the Agency are audited by the Comptroller and Auditor General in accordance with section 7 (3)(b) of the Government Resources and Accounts Act 2000. Notional charges include £76,000 in respect of audit services only. The external auditors carried out no other work for the Agency.



**Major General AJN Graham CBE**  
**Chief Executive**  
**29 June 2005**

## ATRA Main Board

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The members of the Agency's Main Board during the year 2004-2005 were:

Chief Executive/Director General Army Training and Recruiting  
**Major General AD Leakey CBE** ( to 5 October 2004)  
**Major General AJN Graham CBE** ( from 5 October 2004)

Deputy Chief Executive  
**DTF Dick Esq.**

Commandant Royal Military Academy Sandhurst  
**Major General AS Ritchie**

Chief Of Staff HQ ATRA  
**Colonel DC Eccles**

Commander Recruiting  
**Brigadier CR Sexton** (to 14 December 2004)  
**Brigadier AC Jackson** (from 15 December 2004)

Assistant Chief Of Staff Training HQ LAND Command  
**Brigadier J Cooper** (to 6 May 2004)  
**Brigadier GW Berragan** (from 6 May 2004)

Commandant Armour Centre  
**Colonel NQW Beer** (to 25 June 2004)  
**Colonel RN Wertheim** (from 21 June 2004)

Commandant Royal School of Artillery \*  
**Lieutenant Colonel JRM Gower** (to 8 June 2004)  
**Colonel CJ Nicholls** (from 21 June to 30 June 2004)

Commander Directorate of Royal Artillery \*  
**Brigadier CC Wilson CBE ADC** (from 1 July 2004 to 5 Jan 2005)  
**Brigadier RM McQ Syks** (from 6 January 2005)

Commandant Royal School of Military Engineering  
**Brigadier JD Wootton MBE**

Commandant Defence College of Communications and Information Systems \*\*  
**Brigadier JA Terrington**

Commandant School of Infantry  
**Brigadier HBHE Monro**

Commandant School of Army Aviation  
**Colonel C Collett**

Commander Defence Logistics Support Training Group  
**Brigadier CR Elderton OBE** (to 17 December 2004)  
**Brigadier JR Wallace** (from 1 January 2005)

Commander Initial Training Group  
**Brigadier JR Cook OBE MC** (to 7 June 2004)  
**Brigadier DS Homer MBE** (from 7 June 2004)

Head of Resources, Programmes and Finance HQ ATRA  
**RT Riordan Esq.**

Head of Strategy HQ ATRA  
**Colonel PRL Lane** (to 28 April 2004)  
**Colonel P Davis** (from 1 May 2004)

Head of Operations and Plans HQ ATRA  
**Colonel JR Ibbotson** (to 30 September 2004)  
**Colonel A Pope** (from 30 September 2004)

Head of Personnel HQ ATRA  
**P Allen Esq.**

Head of Integrated Project Team HQ ATRA  
**M Horrell Esq.**

Head of Management Information Systems HQ ATRA  
**Colonel TJ Wilton MBE** (to 1 September 2004)  
**Colonel RL Rouse** (from 1 September 2004 to 31 Jan 2005)  
**Lt Col PA Lamb** (from 1 February 2005)

Head of Commercial Branch HQ ATRA  
**JP Richards Esq.** (to 27 June 2004)  
**BC Dewdney Esq.** (from 28 June 2004)

Director of Performance and Analysis MOD  
**IM Woodman Esq.**

Non Executive Board Members  
**JH Ellicock Esq.**  
**JRP Pike Esq.**

\* DRA took up RSA place on main board from 1 July 2004

\*\* replaced Royal School of Signals 1 April 2004

The following members joined or left the Agency's Main Board between 31 March 2005 and the date the Annual Report and Accounts were signed by the Chief Executive

Members leaving the Main Board (date)

Head of Management Information Systems HQ ATRA  
**Lt Col PA Lamb** (31 May 2005)

Members joining the Main Board (date)

Head of Management Information Systems HQ  
ATRA  
**Colonel JRL Semberg** (31 May 2005)

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

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Under Section 7(2) of the Government Resources and Accounts Act 2000 the Treasury have directed the Army Training and Recruiting Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on the accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its net operating cost, recognised gains and losses and cash flow for the financial year.

In preparing the accounts the Agency is required to:

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

The Permanent Under Secretary of State for Defence, as the Ministry of Defence Accounting Officer for the Vote from which the Agency draws its funds, has formally tasked the Chief Executive of the Army Training and Recruiting Agency with responsibilities analogous to those of an Accounting Officer for the Agency. His relevant responsibilities in this role, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in 'Government Accounting'.

## **Statement on the System of Internal Control**

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### **Scope of Responsibility**

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of ATRA policies aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities accorded to me in Government Accounting.

The Agency provides regular reports to Adjutant General (AG) as the Agency owner. The ATRA comprises a Headquarters and 10 Operating Divisions each managed by an Intermediate Higher Level Budget (IHLB) or Basic Level Budget (BLB) Holder with delegated responsibilities. Each provides regular reports on performance and sits on the Agency Main Board.

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

The system of internal control is designed to manage risk to a reasonable level rather than 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 ATRA 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 ATRA for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. Areas of risk are detailed in the Risk Register, which is an integral part of my Corporate Plan.

### **Capacity to handle risk**

The Head of Strategy is the Headquarters Branch Head nominated as Business Risk Management lead. Management of risks is allocated to the appropriate Branch Heads to ensure that interfaces with stakeholders in their relevant business areas are managed. This provides the basis upon which risk is managed and, upon which Senior Management review the Risk Management process.

Within ATRA HQ there is a core group of people who have the knowledge and skills to manage the risk. The Staff Board comprising HQ Branch Heads have ownership of the management of risk and collectively identify risks and monitor the process of preparing plans to mitigate risk and their management in year. Risk management practice is developed and improved through participation in workshops led by AG's Command risk management staffs and improved practices are cascaded to the Staff Board and Op Divs. My capacity to handle risk in financial terms is limited by the

finite discretionary resources allocated to me in my budget and the scope for prioritising uncommitted funding.

### **The risk and control framework**

Objectives to be met are set out in my Balanced Scorecard along with responsibilities for completion and reporting requirements. Both the Balanced Scorecard and the areas of risk are set out in my Corporate Plan. My Staff Board assessed the risks at the beginning of the year and considered these risks against the overall ATRA output. A Risk Register was produced using the Balanced Scorecard and the top 9 risks identified for mitigation and mitigation plans were prepared. During the year risks and mitigation plans were reviewed on a regular basis by my Executive Group and Staff Board. The Risk Management process was reviewed by the ATRA Assurance Committee. As part of my quarterly Performance report to the AG the status of current risks is reviewed and reported.

My Corporate Plan 2005/06 includes those risks identified through AG's Command and ATRA Risk workshops. For this year Operating Divisions were also asked to identify risks and those risks beyond their capacity to manage locally. A comprehensive Risk Register has been developed with the top risks covered by mitigation plans written to mitigate those risks. Those risks identified as appropriate to ATRA are included in the Corporate Plan.

### **Review of Effectiveness**

As Accounting Officer, 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 ATRA 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 Board and the Assurance Committee and a plan to address any identified weaknesses and ensure continuous improvement of the system is in place as described below.

In line with departmental guidance the following structures and processes are established in ATRA:

- A Main Board, comprising ATRA Operating Division Commanders, Deputy Chief Executive (DCE), Chief of Staff (COS), Head of Resources Plans and Finance (Hd RP&F), HQ Branch Heads and Non Executive Directors, that sits quarterly and is concerned with information flow and corporate decision making.
- An Executive Group, which I chair, that meets weekly and consists of DCE, COS and Hd RP & F, with Head of Strategy and Head of Operations and Plans in attendance. This is the primary in-year management body. The Executive Group also manages the Risk in the Risk Register.

- A Staff Board, chaired jointly by DCE and COS, and comprised of HQ Branch Heads, that meets weekly and is mainly concerned with information flow. It is the main forum for passage of instructions and decisions from the Executive Group, and it contributes heavily to the prioritising and raising of issues for consideration by the Executive Group.
- An Agency Assurance Committee, Chaired by a Non Executive Director (NED), and with a membership that encompasses DCE, some Operating Division Commanders, COS and Hd RP & F, some HQ Branch Heads, and with attendance from the TLB Business Assurance team, Defence Internal Audit (DIA) and National Audit Office (NAO). This is the prime body for reviewing and advising me on all aspects of propriety and corporate governance and for directing the work of the ATRA Assurance Team. The Committee also has oversight of risk with a remit to ensure that risk is being managed by the Executive Group.

During 2004-2005 the ATRA Assurance Team conducted six audits. The audits assessed the Statement of Assurance process, Delegated Recruitment Authority, the Bonus and Clustering process, the Purchase and Disposal of Horses (conducted jointly with ATRA Agency Accounts), the Private Healthcare Initiative and a follow up audit of Royal Military Academy Sandhurst. An audit of Civilian Overtime Payments was conducted jointly with the TLB Assurance Team. Statements of Assurance from Operating Division Commanders provided further indication of the effectiveness of controls and levels of assurance.

The ATRA Accounts Compliance Team also completed visits to each ATRA unit throughout the year. These visits verify compliance with financial best practice as laid down in the HQ ATRA Resource Accounting and Budgeting Policy Manual. The Compliance Team provide an annual report to the Assurance Committee which identifies areas of weakness and issues raised.

Audits were also undertaken by the AG Business Assurance Team and DIA. DIA undertook one audit specific to ATRA, covering Digitization, during the year.

### **Significant Internal Control Problems**

A range of issues continues to be highlighted across my Agency. I am addressing them as follows:

- Significant additional funds, over and above those agreed in Short Term Plan 04, were required to enable me to deliver my agreed outputs last year. Providing early forecasting of these issues, passing these on to my Commanders and the Defence Management Board allowed me to minimise the risk in 04/05. Additional funding for the following year has not been made available and the level of financial risk inherent in the ATRAs' operation has accordingly increased.
- The implementation of the recommendations contained in the Directorate of Operational Capability (DOC) reports on Appraisal of Initial Training continues. Responsibility for taking forward the recommendations has been assigned in ATRA. In addition, the House of Commons Defence Committee and Adult

Learning Inspectorate reports into the training organisations were received at the end of 2004/05 and their recommendations have been examined in detail.

- The initial organisational realignments required under the Defence Training Rationalisation (DTR) programme and the move to Federated Defence Training Establishments were successfully implemented. The risk remains that the procurement will not provide the benefits sought at an affordable price but this will not be known until the competition is complete, probably in 2006/07.
- I continue to report on the ongoing deterioration of the ATRA Estate and the issues surrounding the availability of funds to repair and maintain the infrastructure and the estate.



**Major General AJN Graham CBE**  
**Chief Executive**  
**29 June 2005**

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

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I certify that I have audited the financial statements on pages 33 to 63 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 36 to 40.

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

As described on page 26, the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 27 to 30 reflects the Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

### **Basis of Audit Opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are

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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Army Training and Recruiting Agency at 31 March 2005 and of the net operating cost, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by the Treasury; 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**  
**National Audit Office**  
**157-197 Buckingham Palace Road**  
**Victoria**  
**London SW1W 9SP**

**5 July 2005**

## OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	2004-05	2003-04 restated
		£000	£000
<b>Operating Costs</b>			
Staff costs	2	584,630	594,109
Supplies and services	3	402,878	392,388
Accommodation	3	131,485	121,953
Other administration	3	92,015	70,487
<b>Gross Operating Costs</b>		<b>1,211,008</b>	<b>1,178,937</b>
Income	5	(11,084)	(13,565)
<b>Net Operating Cost</b>		<b>1,199,924</b>	<b>1,165,372</b>

All activities result from operations that are continuing.

## STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2005


	2004-05	2003-04 restated
	£000	£000
Unrealised net (gain)/loss:		
on revaluation of fixed assets	(186,769)	(84,006)
on donated assets	(646)	(470)
<b>Recognised gains and losses for the year</b>	<b>(187,415)</b>	<b>(84,476)</b>

The notes on pages 36 to 63 form part of these accounts.

## BALANCE SHEET AS AT 31 MARCH 2005

	Note	2005		2004 restated	
		£000	£000	£000	£000
Fixed Assets					
Intangible assets	6	115,824		111,738	
Tangible assets	7	<u>1,653,001</u>		<u>1,425,054</u>	
			1,768,825		1,536,792
Current assets					
Stocks and work in progress	8	13,648		16,791	
Debtors	9	<u>7,075</u>		<u>7,920</u>	
		20,723		24,711	
less					
Creditors: amounts falling due within one year	10	<u>(65,796)</u>		<u>(46,380)</u>	
Net current liabilities			<u>(45,073)</u>		<u>(21,669)</u>
Total assets less current liabilities			1,723,752		1,515,123
Creditors: amounts falling due after one year	11		(15,674)		(17,329)
Provisions for liabilities and charges	12		(5,324)		(5,584)
Net assets			<b>1,702,754</b>		<b>1,492,210</b>
Taxpayers' equity					
General fund	13		1,235,403		1,215,210
Revaluation reserves	14		463,986		274,113
Donated asset reserve	15		3,365		2,887
			<b>1,702,754</b>		<b>1,492,210</b>

The notes on pages 36 to 63 form part of these accounts.

  
**Major General AJN Graham CBE**  
**Chief Executive**  
**29 June 2005**

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	2004-05	2003-04 restated
		£000	£000
Net cash outflow from operating activities	17	838,750	825,380
Interest element of finance leases and PFI contracts		1,304	1,240
Capital expenditure		23,961	28,700
<b>Net cash outflow before financing</b>		<b>864,015</b>	<b>855,320</b>
<b>Financing</b>			
Net financing from Defence Resource Account	13	864,780	856,026
Repayment of principal under finance leases and PFIs		(765)	(706)
<b>Net Financing</b>		<b>864,015</b>	<b>855,320</b>
<b>(Increase)/Decrease in cash</b>		<b>0</b>	<b>0</b>

The notes on pages 36 to 63 form part of these accounts.

# NOTES TO THE FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

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## 1. ACCOUNTING POLICIES

### a. Basis of accounting

The accounts have been prepared in accordance with the requirements of the Resource Accounting Manual issued by HM Treasury and version 4.1 of the Ministry of Defence (MoD) Resource Accounting and Policy Manual. The following accounting policies set out the framework within which the Agency conducts financial management and have been applied with consistency in dealing with items considered material to the accounts.

These accounts have been prepared under the accruals concept of accounting and the historical cost convention, modified to include revaluation of fixed assets as set out below.

These accounts have been prepared in accordance with FRS 6, Merger Accounting following the implementation of the first phase of the DTR programme from 1 April 2004. The Agency was changed as a result of the following transfers out;

Royal Electrical and Mechanical Engineering (REME) to the Navy

School of Electrical Aeronautical Engineering (SEAE), Adjutant General Corp Training (AGC) and Royal Military Police Training School (RMPTS) to the RAF.

In addition the following transferred into the Agency:

No 1 Radio School (Cosford), Aerial Erector School (Digby), CIS Practitioner Training (RAF Cranwell) and RAF Movements School (Brize Norton) from the RAF

RN Logistics & Supply School (Raleigh) and CIS Training Unit (Collingwood) from the Navy

Practitioner Element of the Information Systems Division from the Centre

The impact of the merger accounting is shown with the restatement of all 2003-2004 comparator balances. The Balance Sheet valuation has decreased by £296m and the Operating Cost Statement has been reduced by £71m.

Without limiting the information given, the accounts comply with the accounting and disclosure requirements of the Companies Acts 1985 and 1989 (Amended) and UK Generally Accepted Accounting Practice (GAAP) including the Accounting Standards issued by the Accounting Standards Board, in so far as those requirements are appropriate to a Vote funded Agency within the MoD.

### b. 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. All other input VAT is considered irrecoverable by the Agency and therefore is included in the cost of the related expenditure or asset.

### c. Income

Income comprises the invoiced value of transactions with the Private Sector and the wider Public Sector including non UK Government Departments and other Government departments. The charging

regime is based on achieving the higher of market rate and simple capitation rate plus marginal costs. No value is attributed in the accounts to services provided to the MoD itself.

The funding of the Agency by the MoD in cash terms is shown in the Cash Flow Statement.

**d. Notional and other non cash charges**

A notional charge reflecting the cost of capital utilised by the Agency is included in the Operating Cost Statement. The charge is calculated using the Treasury's standard rate of 3.5% (3.5% in 2003-2004) on the average balance of all assets and liabilities with the exception of all donated assets.

Notional communicated charges are included in the Operating Cost Statement in respect of services provided from and to other areas of the MoD. These have been calculated using centrally produced departmental capitation rates.

The Agency is not charged an audit fee by the National Audit Office. The audit fee shown in the Operating Cost Statement represents the notional charge based on the cost of services provided.

**e. Cash balances and liabilities**

Apart from minor transactions through imprest accounts, which are cleared to nil balances at the balance sheet date, the Agency does not pay or receive money on its own account. The majority of cash payments are made, and receipts collected, by the MoD's central accounting organisations on behalf of the Agency. All transactions, both locally and centrally processed, are brought to account by

the MoD in the Departmental Resource Account and are disclosed in aggregate in the Cash Flow Statement.

As the MoD charges the Agency during the year with gross payments due to Agency employees, inclusive of PAYE and National Insurance contributions, the Department is liable for the payment of any liabilities which may be due to the Inland Revenue or Department of Social Security at the balance sheet date, and these are not disclosed in the Agency's Balance Sheet.

**f. Private Finance Initiative (PFI)**

Where the substance of the transaction is such that the risks and rewards of ownership remain with the Agency, the assets and liabilities remain on the Agency's balance sheet.

Service charges in respect of the on-balance sheet PFI deal are apportioned between reduction in the capital obligation and charges to the Operating Cost Statement for service performance and finance cost.

Where the risks and rewards are transferred to the private sector, the transaction is accounted for in the Operating Cost Statement through service charges in accordance with FRS 5 and HM Treasury guidance.

**g. Provision for liabilities and charges**

Provisions for liabilities and charges have been established under the criteria of FRS 12 and are based on realistic and prudent estimates of the expenditure required to settle future legal or constructive obligations that exist at the Balance Sheet date. Provisions are charged to the Operating Cost Statement. All long term provisions are discounted to current prices by the use of HM Treasury's Discount Rate, currently 3.5% (3.5% in 2003-2004). The discount is unwound over the remaining life of the provision and is shown as an interest charge in the Operating Cost Statement.

**h. Pension costs**

Pension benefits are provided for staff through the Armed Forces Pension Scheme (AFPS) and the Civil Service Pension arrangements (CSP). The majority of civilian employees are covered by the provisions of the former Principal Civil Service Pension Scheme (PCSPS) with a small number

covered by the Teachers Superannuation Scheme (TSS) or the NHS Superannuation Scheme (NHSSS). The Agency recognises the cost of providing pensions on a systematic basis over the period during which it benefits from employees' services by making regular payments of Accruing Superannuation Liability Charge (ASLC) into the above schemes at rates determined by the Government Actuary. Liability for payment of future pension benefits to members is a charge on the schemes and not a liability of the Department.

**i. Research and development costs**

Pure and applied research expenditure incurred in the creation and development of training facilities is charged to the Operating Cost Statement except where classified as intangible fixed assets.

**j. Revaluation and impairment of fixed assets**

Tangible fixed assets are subject to quinquennial revaluation by professional external valuers in accordance with FRS 15. In order that the assets are expressed at their value to the Agency on an inflation-adjusted basis and in accordance with the Modified Historical Cost Accounting Convention (MHCA), tangible and intangible fixed assets are revalued annually, between professional revaluations, through the application of departmental indices. The indices are applied at the beginning of each financial year and apply one year's worth of revaluation. Professional valuations since 2001 have all been conducted by the Valuation Office Agency (VOA), a Government Agency independent of the MoD.

Any reduction in valuation below historical cost, arising either from professional valuations or the use of departmental indices, is treated by the Agency as impairment and is charged to the Operating Cost Statement.

**k. Intangible assets**

Two types of intangible asset are now identified within ATRA. Assets transferred from the Defence Procurement Agency (DPA) relating to development expenditure on fighting equipment and software licenses procured to support the training for the new Bowman equipment. Intangible assets are amortised on a straight-line basis over the useful economic life of the tangible fixed asset to which it relates. The carrying value and useful economic life of intangible assets is reviewed annually.

**l. Land and buildings – Dwellings and Non-Dwellings**

Where the Agency is the principal beneficial user of departmental estate, such estate is treated as an asset of the Agency although legal ownership rests with the Secretary of State for Defence. Where the site is shared, with other MoD users, only the relevant areas are included as assets. The Agency's property assets are valued on the basis of their existing use to the business. Land and buildings are capitalised where their value exceeds the Agency's capitalisation threshold of £10,000.

Land and buildings were all professionally valued at depreciated replacement cost as at 1 April 2002. A proportion has since been re-valued professionally as at 31 March 2005 as part of the rolling revaluation programme introduced following completion of the 2002 process.

**m. Single Use Military Equipment (SUME)**

Land systems SUME is managed on behalf of the Agency by the Defence Logistics Organisation (DLO). Gross costs and accumulated depreciation are reported to ATRA via automated departmental feeder systems and included on the Agency's Balance Sheet. In year depreciation is charged to the Agency's Operating Cost Statement. The application of policy for asset lives, revaluations and indexation is retained by DLO. The Revaluation Reserve for SUME is retained by DLO.

Air systems SUME is managed by the Agency itself and recorded on its own fixed asset register. All of this equipment is held at the School of Army Aviation, Middle Wallop. Equipment is capitalised where the cost of acquisition and installation exceeds the Agency's threshold of £10,000.

Both the land systems and air systems SUME were professionally re-valued as at 1 April 2002.

n. **Transport – Equipment, Transport - Other**

For the year 2004-2005 this new asset category has been created and includes assets previously categorised as FE and PMV. A proportion of both the Transport – Equipment and Transport – Other is managed by the Agency itself and recorded on its own fixed asset register. This equipment is capitalised where the cost of acquisition and installation is greater than £10,000. There is also a proportion of the equipment that is managed by DLO and as with SUME gross costs and depreciation are reported to ATRA via automated departmental feeder systems. DLO also applies the policy in relation to asset lives, revaluation and indexation.

Transport – Equipment and Transport – Other were professionally re-valued within their former categories in 2002-2003.

o. **Plant & machinery, information technology (IT) & communications equipment.**

The bulk of plant and equipment, including machinery, IT and communications equipment, is managed by the Agency itself and recorded on its own fixed asset register. This equipment is capitalised where the cost of acquisition and installation is greater than £10,000. There is a small amount of P&M that is managed by DLO and as with SUME gross costs and depreciation are reported to ATRA via automated departmental feeder systems. DLO also applies the policy in relation to asset lives, revaluation and indexation. Where an item is less than the capitalisation threshold but forms an integral part of a project whose total value exceeds the capitalisation threshold, the asset is capitalised as a grouped asset.

P&M and IT and Communications were professionally re-valued by VOA in 2002-2003.

p. **Finance leases**

The Agency's extant finance leases are all PFI arrangements as covered above. As at the Balance Sheet date, the Defence Helicopter Flying School PFI project at the School of Army Aviation, Middle Wallop and the Defence Animal Centre PFI have been included on balance sheet.

In both cases the lease payments consist of three elements being, repayment of principal, interest and service charges. Interest and services are charged to the Operating Cost Statement. Repayment of the principal reduces the long term creditor on the balance sheet. The Defence Animal Centre PFI also includes, within the Balance Sheet, a prepayment in respect of an area of land, sold by the contractor for redevelopment. The revenue for this transaction is relayed to the Agency by way of a reduced monthly unitary charge, which is increased by a release from the prepayment, resulting in the correct unitary charge being included within the Operating Cost Statement.

q. **Assets under construction**

Assets under construction are shown on the face of the Balance Sheet and include accruals and retention amounts held at year end. The balances on each project are revalued annually through the use of departmental indices. During the year, when projects are complete the project values are reclassified to the relevant tangible fixed asset category.

r. **Depreciation**

The asset categories and their useful economic lives, depreciated on a straight line basis, are:

<b>Asset Category</b>	<b>Estimated Useful Standard Life</b>
<hr/>	
<b>Intangible Fixed Assets</b>	
Development Expenditure	Useful economic life of the tangible fixed asset to which it relates

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**Tangible Fixed Assets**

Land	Indefinite, not depreciated
Buildings - Dwellings	Not exceeding 50 years
- Non-Dwellings	
Single Use Military Equipment	5 - 40 years
Transport – Equipment	5 – 40 years
Transport - Other	5 – 15 years
Plant & Machinery	5 – 25 years
IT and communication equipment	3 – 10 years
Assets in the course of construction	Not depreciated

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**s. Donated assets**

Donated tangible fixed assets are capitalised within the asset category to which they relate, at their valuation on receipt. The initial valuation is credited to the donated asset reserve together with any subsequent revaluations and depreciation.

**t. Leased assets**

All leases other than finance leases are operating leases. Expenditure under operating leases is charged to the Operating Cost Statement in the period in which it is incurred.

**u. Stock**

Stock items are valued at the lower of current replacement cost (or historical cost if not materially different) and net realisable value. Cost comprises purchase price and/or cost of conversion and includes expenses incidental to acquisition including irrecoverable VAT. Current replacement cost represents the cumulative revaluation of stock using latest cost of stock or indexation. Net realisable value applies to stocks that are not expected to be used or sold in the normal course of business.

General Stores and Engineering and Technology Stores are treated as consumable items and these stock balances are not held on the Balance Sheet. This treatment is reviewed annually to ensure that the items within these categories are assets below the capitalisation threshold or consumables.

**v. Reserves**

Taxpayers' equity comprises the General Fund, Revaluation Reserve and Donated Asset Reserve. The General Fund represents the total net assets of the Agency to the extent that they are not represented by other reserves. Net funding from HM Treasury and realised gains and losses are reflected in the General Fund. The Revaluation Reserve represents the unrealised element of the cumulative balance of revaluation and indexation adjustments to fixed assets.

## 2. STAFF COSTS & NUMBERS

### a. Staff Numbers

The average number of whole time equivalent employees including initial trainees and Main Board members but excluding staff seconded out of the Agency was:

	2004-2005	2003-2004 restated
Service - Officers	1,294	1,532
Service - Other Ranks	16,066	18,977
Civil Service - Non Industrial	3,001	3,085
Civil Service - Industrial	1,031	964
	<b>21,392</b>	<b>24,558</b>

### b. Staff costs for the year were:

	2004-2005	2003-2004 restated
	£000	£000
Wages and salaries	433,410	449,210
Social Security costs (ERNIC)	30,617	31,205
Pensions costs	79,338	82,887
Other staff related costs	41,265	30,807
	<b>584,630</b>	<b>594,109</b>

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

Other staff related costs include: Satisfied Soldier Bounty Scheme payments; allowances for clothing, excess rent and lodging, messing and food and local overseas service; refunds of insurance premiums; injury warrant payments; early retirement and redundancy payments and recruitment costs.

These costs include the following amounts in respect of seconded and agency and temporary staff:

	2004-2005		2003-2004 restated	
	£000	£000	£000	£000
Staff seconded out to other organisations	34		69	
Staff seconded in or on loan from other organisations	<u>47</u>		<u>139</u>	
		81		208
Agency / temporary and contract staff costs included in payroll costs above	171		178	
Agency / temporary and contract staff costs paid under other operating costs	<u>2,322</u>		<u>2,882</u>	
		2,493		3,060
		<b>2,574</b>		<b>3,268</b>

## c. Main Board

The salary and pension entitlements of Agency Main Board members were as follows:

	Salary, including performance pay 03/04 £k	Salary, including performance pay 04/05 £k	Benefits in kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/3/05 and related lump sum (£k)	CETV at 31/3/04 (nearest £k)	CETV at 31/3/05 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)
Major General AD Leakey CBE Chief Executive/Director General Army Training and Recruiting to 6 Oct 2004	85 - 90	70 - 75		(7.5 - 10) plus (25 - 27.5) lump sum	30 - 35 plus 95 - 100 lump sum	926	726	(195)
Major General AJN Graham Chief Executive/Director General Army Training and Recruiting from 5 Oct 2004	80 - 85	85 - 90		2.5 - 5 plus 7.5 - 10 lump sum	35 - 40 plus 110 - 115 lump sum	823	887	60
Mr DTF Dick * Deputy Chief Executive	85 - 90	80 - 85		0 - 2.5 plus 0 - 2.5 lump sum	25 - 30 plus 80 - 85 lump sum	444	469	4
Colonel DC Eccles Chief Of Staff	65 - 70	65 - 70		0 - 2.5 plus 2.5 - 5 lump sum	25 - 30 plus 80 - 85 lump sum	622	660	27
Mr RT Riordan Head of Resources, Programmes and Finance HQ ATRA	40 - 45	50 - 55		0 - 2.5 plus 0 - 2.5 lump sum	10 - 15 plus 30 - 35 lump sum	109	123	7
Colonel PRL Lane Head of Strategy HQ ATRA to 28 April 2004	65 - 70	65 - 70		0 - 2.5 plus 0 - 2.5 lump sum	20 - 25 plus 70 - 75 lump sum	603	599	1
Mr P Allen Head of Personnel HQ ATRA				Consent to disclosure withheld				
Mr JP Richards Head of Commercial Branch HQ ATRA	45 - 50	50 - 55		0 - 2.5 plus 0 - 2.5 lump sum	10 - 15 plus 40 - 45 lump sum	165	174	3
Colonel TJ Wilton MBE Head of Management Information Systems HQ ATRA to 1 Sept 2004	65 - 70	75 - 80		(0 - 2.5) plus (0 - 2.5) lump sum	30 - 35 plus 100 - 105 lump sum	732	718	(4)
Major General AS Ritchie Commandant Royal Military Academy Sandhurst	85 - 90	75 - 80		(2.5 - 5) plus (12.5 - 15) lump sum	35 - 40 plus 105 - 110 lump sum	913	821	(100)
Brigadier AC Jackson Commander Recruiting Group from 15 Dec 2004	75 - 80	75 - 80		0 - 2.5 plus 2.5 - 5 lump sum	35 - 40 plus 105 - 110 lump sum	795	813	25
Brigadier CR Sexton Commander Recruiting Group to 14 Dec 2004	75 - 80	85 - 90		0 - 2.5 plus 0 - 2.5 lump sum	30 - 35 plus 95 - 100 lump sum	755	765	5
Brigadier JR Cook Commander Initial Training Group to 7 June 2004	75 - 80	80 - 85		0 - 2.5 plus 0 - 2.5 lump sum	20 - 25 plus 70 - 75 lump sum	573	564	2

Brigadier HBHE Monro Commandant School of Infantry	75 - 80	80 - 85	0 - 2.5 plus 2.5 - 5 lump sum	35 - 40 plus 110 - 115 lump sum	785	819	29
Brigadier DS Homer MBE Commander Initial Training Group from 7 June 2004	75 - 80	75 - 80	0 - 2.5 plus 2.5 - 5 lump sum	25 - 30 plus 80 - 85 lump sum	621	663	26
Brigadier JD Wootton MBE Commandant Royal School of Military Engineering	70 - 75	80 - 85	0 - 2.5 plus 2.5 - 5 lump sum	30 - 35 plus 90 - 95 lump sum	710	745	21
Brigadier CR Elderton Commander Defence Logistics Support Training Group to 17 Dec 2004	75 - 80	80 - 85	0 - 2.5 plus 0 - 2.5 lumps sum	30 - 35 plus 100 - 105 lump sum	781	786	3
Lt Col PA Lamb Acting Head Management Information Systems from 1 Feb 2005	60 - 65	60 - 65	0 - 2.5 plus 0 - 2.5 lump sum	25 - 30 plus 80 - 85 lump sum	620	629	18
Colonel NQW Beer Commandant Armour Centre to 25 June 2004	65 - 70	70 - 75	0 - 2.5 plus 0 - 2.5 lump sum	30 - 35 plus 90 - 95 lump sum	714	697	0
Colonel CJ Nicholls Commandant Royal School of Artillery from 21 May 2004 to 30 June 2004	70 - 75	70 - 75	0 - 2.5 plus 0 - 2.5 lump sum	30 - 35 plus 90 - 95 lump sum	709	692	1
Lieutenant Colonel JRM Gower Commandant Royal School of Artillery to 21 June 2004			Consent to disclosure withheld				
Brigadier JA Terrington Commandant Defence College of Communications & Information Systems	85 - 90	90 - 95	0 - 2.5 plus 2.5 - 5 lump sum	25 - 30 plus 80 - 85 lump sum	628	667	28
Colonel P Davis Head of Strategy HQ ATRA from 1 May 2004	65 - 70	65 - 70	2.5 - 5 plus 10 - 12.5 lump sum	20 - 25 plus 65 - 70 lump sum	471	574	94
Colonel C Collett Commandant School of Army Aviation	60 - 65	65 - 70	2.5 - 5 plus 12.5 - 15 lump sum	20 - 25 plus 15 - 20 lump sum	473	587	104
Colonel RL Rouse Head Management Information Systems HQ ATRA from 1 Sep 2004 to 31 Jan 2005	85 - 90	90 - 95	0 - 2.5 plus 0 - 2.5 lump sum	30 - 35 plus 90 - 95 lump sum	715	712	0
Brigadier RMMcQ Syks Commander Directorate of Royal Artillery from 6 Jan 2005	65 - 70	65 - 70	0 - 2.5 plus 2.5 - 5 lump sum	30 - 35 plus 100 - 105 lump sum	789	809	25
Brigadier JR Wallace Commandant Defence College of Logistics from 1 Jan 2005	65 - 70	65 - 70	0 - 2.5 plus 2.5 - 5 lump sum	30 - 35 plus 100 - 105 lump sum	763	779	24
Brigadier RN Wertheim Commandant Armour Centre from 21 June 2004 to 31 March 2005	75 - 80	80 - 85	0 - 2.5 plus 5 - 7.5 lump sum	25 - 30 plus 80 - 85 lump sum	599	660	47
Brigadier CC Wilson CBE ADC Commander Directorate of Royal Artillery from 1 July 2004 to 5 Jan 2005	80 - 85	80 - 85	0 - 2.5 plus 0 - 2.5 lump sum	35 - 40 plus 105 - 110 lump sum	796	800	3

Mr BC Dewdney Head of Commercial Branch HQ ATRA from 28 June 2004	45 - 50	55 - 60	0 – 2.5 plus 0 – 2.5 lump sum	20 – 25 plus 60 – 65 lump sum	257	283	10
Mr MH Horrell Head of Integrated Project Team HQ ATRA	45 - 50	50 - 55	0 – 2.5 plus 2.5 – 5 lump sum	15 – 20 plus 55 – 60 lump sum	285	318	14
Mr IM Woodman Director of Performance and Analysis MOD			Not remunerated by ATRA				

The following payments were made under other operating costs to non executive main board members:

Mr JH Ellicock    £7,643.20  
Mr JRP Pike        £17,147.72

\* Mr DTF Dick 0304 salary restated to include taxable allowances

Notes:

Salaries and pensions amounts are not apportioned for part years served.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. No Main Board members were in receipt of any taxable benefits in kind.

Payments to non executive board member Mr Pike include £605.30 in respect of travel expenses.

Columns 6 and 7 show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 8 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

All civilian members of the Main Board elected to remain in the Classic pension scheme.

## d. Pensions

Pension benefits for all military staff are provided through the AFPS and for the large majority of civilian staff through the former PCSPS, now the CSP with a small number of specialist staff receiving benefits from the TSS or NHSSS. With the exception of the Pension Partnership Account arrangement within the CSPA, these schemes are all unfunded, multi-employer defined benefit schemes but the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the AFPS was carried out at 31 March 2001, for the PCSPS at 31 March 2003, for the NHSSS at 1 April 2003 and for the TSS at 1 April 2001. Details can be found in the separate resource accounts of these schemes which are published and laid before Parliament and for PCSPS in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004-2005 employers' contributions of £70,304,014 were payable to the AFPS at the rates shown in the table below. Employers' contributions payable to the civilian schemes were £8,950,486 to PCSPS and £247,410 to non PCSPS civilian schemes.

Pension contributions were paid to the Paymaster General at the rates determined by the Government Actuary and advised by the Treasury. The contribution rates reflect the benefits as they are accrued, not when the costs are actually incurred and reflect the past experiences of the scheme. Employer contribution rates to the AFPS are to be reviewed as part of a full scheme review taking place at present but which is unlikely to be introduced before 2005-2006. Employer contribution rates to the PCSPS/CSPA are reviewed every 4 years following a full scheme valuation by the Government Actuary. Rates will increase from 2005-06.

For each class of member, the employer's contribution rates in 2004-2005 were as shown below.

Scheme	Class of Member	2004-2005	
AFPS	Officers	33.8%	
	Other Ranks	18.2%	
PCSPS	Non Industrial and Industrial Civilians	Gross salary	Rate
		60,501 and above	18.5%
		35,001 – 60,500	16.5%
		17,001 – 35,000	13.5%
		17,000 and under	12.0%
TSS	Teaching Staff (Burnham Lecturers)	6.0%	
NHSSS	Medical staff	14.0%	

### Civil Service Pension Arrangements (CSP)

Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic 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. For premium, 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 give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder

pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### 3 OTHER OPERATING COSTS

Other operating costs include cash and non cash costs as follows:

	Note	2004-2005	2003-2004 restated
		£000	£000
<b>Supplies and Services</b>			
Externally procured services		64,852	59,827
Stock and materials consumed		80,120	78,448
Equipment fuels		6,047	5,353
Departmental overhead		25,862	44,785
Departmental administration and recruitment		45,349	32,220
Personnel, recruitment and training		89,594	81,430
Transport and movements		17,326	21,566
Operating lease charges for Plant & Machinery		2,484	2,374
Food and clothing		22,287	20,719
Depreciation on Fighting Equipment	7	32,691	37,006
Depreciation on Plant & Machinery	7	3,214	4,278
Depreciation on Transport	7	4,805	0
Sundry expenditure		8,247	4,382
		<b>402,878</b>	<b>392,388</b>
<b>Accommodation Costs</b>			
Estate maintenance and management		79,650	74,480
Utilities		13,833	9,549
Rent and rates		6,442	7,237
Depreciation on buildings	7	31,560	30,687
		<b>131,485</b>	<b>121,953</b>
<b>Other Administration Costs</b>			
Movements in provision for bad and doubtful debts		93	309
Movements in other provisions		(147)	1,613
Depreciation on intangible assets	6	6,052	6,323
Depreciation on IT & communications	7	754	1,119
Loss/(gain) on disposal of fixed assets		1,354	3,460
Impairment of fixed assets	7	22,091	(3,975)
Interest on finance leases		751	762
Imputed interest on PFI finance		553	478
Interest on unwinding discount factor		185	11
Interest charges on capital	4	56,590	57,018
Other administration		3,663	3,299
Audit fee	4	76	70
		<b>92,015</b>	<b>70,487</b>

#### 4 NOTIONAL AND OTHER NON CASH COSTS

The notional and communicated costs received and charged out included under the headings of staff costs, supplies and services, accommodation and other administration costs are as follows:

	2004-2005	2004-2005	2003-2004	2003-2004
	£000	£000	restated	restated
			£000	£000
<b>Staff Costs</b>				
Wages and allowances	(2,094)		(1,481)	
		<b>(2,094)</b>		<b>(1,481)</b>
<b>Supplies and Services</b>				
Departmental overhead	25,862		44,784	
Departmental administration and recruitment	45,349		32,220	
Personnel, recruitment and training	89,594		81,430	
Stocks and materials consumed	2,661		6,114	
Transport and movements	13,697		18,583	
Sundry expenditure	8,248		4,382	
		<b>185,411</b>		<b>187,513</b>
<b>Accommodation</b>				
Estate maintenance and management	289		521	
Utilities	454		(87)	
Rent and Rates	(779)		(1,145)	
		<b>(36)</b>		<b>(711)</b>
<b>Other administration</b>				
Other administration	834		402	
Interest charges on capital	56,589		57,018	
Audit fee	76		70	
		<b>57,499</b>		<b>57,490</b>
<b>Total notional and communicated costs</b>		<b>240,780</b>		<b>242,811</b>

## 5. INCOME

An analysis of income is as follows:

	2004-2005		2003-2004 restated	
	£000	£000	£000	£000
International Defence Training, Wider Markets and other personnel related income		(8,687)		(8,953)
Rental Income				
from MoD Agencies and Other Government Departments	(127)		(303)	
from external bodies	<u>(459)</u>		<u>(458)</u>	
		(586)		(761)
Other Receipts		(1,811)		(3,851)
		<b>(11,084)</b>		<b>(13,565)</b>

In addition to the provision of recruiting and training facilities and services for the Field Army, the Agency also sells its services and access to its facilities to non Ministry of Defence organisations from both the private and public sectors and to foreign governments on a repayment basis. The Agency conducts such Income Generation through the Adjutant General's specialist cell, International Defence Training (Army), in accordance with HM Treasury and Ministry of Defence guidelines on selling services into Wider Markets.

The Agency is required, in accordance with HM Treasury's Fees and Charges Guide, to disclose performance results for the areas of activities where fees and charges are made. The segmental analysis below is not intended to meet the requirements of Statement of Standard Accounting Practice 25: Segmental Reporting. In accordance with the guidelines referred to above, marginal cost is employed to represent the relevant cost of providing services out of irreducible spare capacity.

<b>Income from Non-Departmental Customers</b>	2004-2005		2003-2004 restated	
	£000	£000	£000	£000
International Defence Training	5,899		8,206	
Wider Markets	<u>1,136</u>		<u>949</u>	
Total from Income Generation		7,035		9,155
Cost		(218)		(302)
<b>Surplus</b>		<b>6,817</b>		<b>8,853</b>

## 6. INTANGIBLE ASSETS

	2004-2005
	£000
<b>Cost or Valuation at 1 April 2004 restated</b>	<b>123,459</b>
Additions	5,875
Transfers (to)/from other parts of MoD	1,426
Disposals	0
Revaluation	2,874
<b>Cost or Valuation at 31 March 2005</b>	<b>133,634</b>
<b>Amortisation at 1 April 2004 restated</b>	<b>11,721</b>
Charged in Year	6,052
Transfers (to)/from other parts of MoD	(231)
Disposals	0
Revaluation	268
<b>Amortisation at 31 March 2005</b>	<b>17,810</b>
<b>Net Book Value at 31 March 2005</b>	<b>115,824</b>
<b>Net Book Value at 31 March 2004 restated</b>	<b>111,738</b>

## 7. TANGIBLE FIXED ASSETS

	Land and Buildings non dwell (Freehold)	Land and Buildings (Leasehold)	Land and Buildings dwelling (Freehold)	Single Use Military Equipment	Plant and Machinery	Transport	IT and Communications	Assets under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
Opening balance as at 1 April 2004 restated	822,120	371	0	929,587	48,352	0	6,208	17,480	1,824,118
WGA reclassification	(13,812)	0	13,812	(146,985)	16,766	130,219	0	0	0
Opening balance restated post WGA as at 1 April 2004	808,308	371	13,812	782,602	65,118	130,219	6,208	17,480	1,824,118
Additions	5,697	0	0	0	794	11	421	9,878	16,801
Donations	0	0	0	0	0	0	0	0	0
Transfers (to)/from other parts of MoD	19,484	0	(3,683)	58,652	(17,360)	(23,654)	(1,548)	50,056	81,947
Disposals	(419)	0	0	0	(842)	(11)	(295)	0	(1,567)
Revaluation	190,302	14	1,988	9,553	2,957	949	(485)	547	205,825
Permanent diminution	0	0	0	0	0	0	0	(21)	(21)
Reclassifications	21,773	0	0	27,496	5,186	7,062	1,544	(63,061)	0
<b>Closing balance as at 31 March 2005</b>	<b>1,045,145</b>	<b>385</b>	<b>12,117</b>	<b>878,303</b>	<b>55,853</b>	<b>114,576</b>	<b>5,845</b>	<b>14,879</b>	<b>2,127,103</b>

	Land and Buildings non dwell (Freehold)	Land and Buildings (Leasehold)	Land and Buildings dwelling (Freehold)	Single Use Military Equipment	Plant and Machinery	Transport	IT and Communications	Assets under Construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Depreciation</b>									
Opening balance as at 1 April 2004 restated	59,925	56	0	289,610	47,036	0	2,437	0	399,064
WGA reclassification	(1,162)	0	1,162	(84,551)	14,960	69,591	0	0	0
Opening balance restated post WGA as at 1 April 2004	58,763	56	1,162	205,059	61,996	69,591	2,437	0	399,064
Charged in Year	31,051	39	470	32,691	3,214	4,805	754	0	73,024
Transfers	702	0	(262)	11,803	(44,414)	(7,367)	(837)	0	(40,375)
Disposals	(338)	0	0	0	(272)	0	(86)	0	(696)
Revaluation	21,196	2	(197)	306	(32)	263	(523)	0	21,015
Permanent diminution	38,984	0	435	0	446	0	362	0	40,227
Permanent diminution write back	(18,137)	0	0	0	(20)	0	0	0	(18,157)
Reclassifications	(769)	0	0	0	781	(12)	0	0	0
<b>Closing balance as at 31 March 2005</b>	<b>131,452</b>	<b>97</b>	<b>1,608</b>	<b>249,859</b>	<b>21,699</b>	<b>67,280</b>	<b>2,107</b>	<b>0</b>	<b>474,102</b>
<b>Net Book Value as at 31 March 2005</b>	<b>913,693</b>	<b>288</b>	<b>10,509</b>	<b>628,444</b>	<b>34,154</b>	<b>47,296</b>	<b>3,738</b>	<b>14,879</b>	<b>1,653,001</b>
<b>Net Book Value as at 31 March 2004 restated</b>	<b>762,195</b>	<b>315</b>	<b>0</b>	<b>639,977</b>	<b>1,316</b>	<b>0</b>	<b>3,771</b>	<b>17,480</b>	<b>1,425,054</b>

### Asset valuations

During 2002-2003 the Land and Building properties occupied by the Agency were revalued by the Valuation Office Agency (VOA), under a contract let by the Defence Estates Agency as part of the MoD Quinquennial review of fixed assets. The VOA is a Government Agency independent of the MoD. The properties were revalued as at 1 April 2002 on the basis of existing use value, or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost subject to prospect and viability of the occupation and use.

Following the completion of this process the Department introduced a rolling programme for all future professional valuations. The programme allows for the estate to be completely revalued over a three year period with the first valuations received with a date of 1-Apr-05. However, because of the issue surrounding the revaluation reserves it was determined that all Land and Building assets would be revalued as at 1-Apr-05 and so those not valued through physical inspection would be valued by means of a desktop exercise. Both valuations were provided by the VOA.

Single Use Military Equipment (previously Fighting Equipment) was revalued under the MoD Quinquennial review of fixed assets. The Department, through the VOA, determined the valuation of core fighting equipment as at 1 April 2002 and disseminated the values through the "Beacon Book". For assets not contained within the Beacon Book the VOA was contracted to determine the valuation of the asset.

Plant and Machinery, Vehicles and IT and Communications equipment have also been revalued as at 1 April 2002 as part of the Quinquennial review using the Beacon Book. Where values have not been determined by the Beacon Book, the VOA was contracted to determine the valuation.

All assets are subject to MHCA revaluation and have been uplifted using centrally provided indices.

### PFI Assets

	Land & Buildings (Freehold)	Plant and Machinery	Transport	IT & Comms Equipment	Total
	£000	£000	£000	£000	£000
Gross Cost	16,548	485	7,970	106	25,109
Accumulated Depreciation	2,280	179	2,387	66	4,912
<b>Net Book Value as at 31 March 05</b>	<b>14,268</b>	<b>306</b>	<b>5,583</b>	<b>40</b>	<b>20,197</b>
In Year Depreciation Charge	668	239	805	22	1,734

### Reconciliation of Note 7 Fixed Asset Additions to Capital Expenditure in Cash Flow

	£000
Capital Additions per note 6 and note 7	22,677
Found Assets	1,284
Capital Expenditure as per Cash Flow	23,961

### Leasehold Properties

Figures quoted relate to three ACIO properties for which a peppercorn rent is paid. All assets have a life of less than 50 years.

## 8. STOCKS

	2004-2005	2003-2004 restated
	£000	£000
Armaments	5,110	7,372
Clothing	7,955	8,968
Oil, Fuel and Lubricants	583	451
	<b>13,648</b>	<b>16,791</b>

## 9. DEBTORS AND PREPAYMENTS

	2004-2005	2003-2004 restated
	£000	£000
Trade debtors – central government agencies	60	0
Trade debtors - other	3,014	4,060
Other debtors	345	577
VAT debtors	0	1
Staff loans and advances	368	434
Accrued income	1,349	651
Prepayments	2,750	2,988
	<b>7,886</b>	<b>8,711</b>
less provision for bad debts and doubtful debts	(811)	(791)
	<b>7,075</b>	<b>7,920</b>

## 10. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004-2005	2003-2004 restated
	£000	£000
Trade Creditors – other government agencies	1,365	0
Trade Creditors – other	9,306	10,061
Accruals	47,788	34,113
Deferred income	6,248	1,240
Obligations under finance leases	997	931
Other Creditors	92	35
	<b>65,796</b>	<b>46,380</b>

## 11. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	2004-2005	2004-2005	2003-2004 restated	2003-2004 restated
	£000	£000	£000	£000
Obligations under PFI/finance leases:				
- amounts payable 1 - 2 years	968		891	
- amounts payable 2 - 5 years	4,797		4,411	
- amounts payable over 5 years	<u>9,351</u>		<u>10,705</u>	
		<b>15,116</b>		<b>16,007</b>
Other creditors		558		1,322
		<b>15,674</b>		<b>17,329</b>

## 12. PROVISIONS FOR LIABILITIES AND CHARGES

	Early Departure Commitments	Other Provisions	Total
	£000	£000	£000
<b>Provision at 1 April 2004 restated</b>	<b>1,074</b>	<b>4,510</b>	<b>5,584</b>
Unwinding of discounting from OCS	17	168	185
Change to Provision	(434)	(11)	(445)
<b>Provision at 31 March 2005</b>	<b>657</b>	<b>4,667</b>	<b>5,324</b>

Early departure costs relate to pan ATRA redundancy liabilities. Other provisions relate to the contractual liability for terminal redundancy at REME Training Group (£4,024 million) which is likely to crystallise in March 2008 and a legal cost liability for an equal pay for equal work case.

### 13. GENERAL FUND

	Note	2004-2005	2003-2004 restated
		£000	£000
<b>As at 1 April</b>		<b>1,215,210</b>	<b>1,554,884</b>
Net financing from Defence Resource Account		864,780	856,026
Other net transfers		117,661	(392,895)
Notional and other non cash costs	4	240,780	242,811
Transfer (to)/from Revaluation Reserve	14	(3,104)	119,752
Transfer from Donated Asset Reserve	15	0	4
Net Operating Costs		(1,199,924)	(1,165,372)
<b>As at 31 March</b>		<b>1,235,403</b>	<b>1,215,210</b>

### 14. REVALUATION RESERVE

	Note	2004-2005	2003-2004 restated
		£000	£000
<b>As at 1 April</b>		<b>274,113</b>	<b>341,147</b>
In Year Revaluation		208,135	60,862
Depreciation		(21,366)	(8,144)
Transferred to/(from) the General Fund	13	3,104	(119,752)
<b>As at 31 March</b>		<b>463,986</b>	<b>274,113</b>

### 15. DONATED ASSET RESERVE

	Note	2004-2005	2003-2004 restated
		£000	£000
<b>As at 1 April</b>		<b>2,887</b>	<b>3,527</b>
Additions	7	0	0
Revaluation in year		646	111
Realised on transfers to General Fund	13	0	(4)
Transfers		0	(576)
Depreciation released to OCS		(168)	(171)
<b>As at 31 March</b>		<b>3,365</b>	<b>2,887</b>

## 16. RECONCILIATION OF MOVEMENTS IN GOVERNMENT FUNDS

	2004-2005	2003-2004 restated
	£000	£000
<b>As at 1 April</b>	<b>1,492,210</b>	<b>1,899,558</b>
General fund movement in year	20,193	(339,673)
Revaluation reserve movement in year	189,873	(67,034)
Donated asset reserve movement in year	478	(641)
<b>As at 31 March</b>	<b>1,702,754</b>	<b>1,492,210</b>

## 17. RECONCILIATION OF OPERATING COST TO OPERATING CASHFLOWS

	Note	2004-2005	2003-2004 restated
		£000	£000
<b>Net Operating Cost</b>		<b>1,199,924</b>	<b>1,165,372</b>
Adjustments for items not involving the movement of cash:			
Notional and other non cash costs	4	(240,780)	(242,811)
Depreciation		(74,270)	(79,412)
Impairment to value of fixed assets	3	(22,091)	3,975
Loss on disposal of fixed assets	3	(1,354)	(3,460)
Interest on Finance Leases	3	(751)	(762)
Imputed Interest on PFI Finance	3	(553)	(478)
Charged against provision		298	0
Interest on Unwinding Discount Factor	3	(185)	(11)
Adjustments for movements in working capital:			
Increase/(Decrease) in Stock		(3,142)	148
Increase/(Decrease) in Debtors		(845)	(10,575)
(Increase)/Decrease in Creditors		(17,761)	(1,118)
Adjustments for movements in provisions:			
(Increase)/Decrease in Long Term Provisions	12	260	(5,488)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>838,750</b>	<b>825,380</b>

## 18. CAPITAL COMMITMENTS

Contracted capital commitments in respect of works projects for which no provision has been made in these accounts amounted to **£16.2 million** (£12 million in 2003-2004) at the year end.

## 19. FINANCIAL COMMITMENTS

The Agency had the following annual commitments under non cancellable operating leases.

	2004-2005	2003-2004 restated
	£000	£000
Land and Buildings leases expiring:		
within one year	46	140
between two and five years	437	262
between six and ten years	685	1,820
between eleven and fifteen years	468	0
between sixteen and twenty years	579	0
between twenty one and twenty five years	0	0
over twenty five years	0	0
	<b>2,215</b>	<b>2,222</b>
Plant and machinery leases expiring:		
within one year	0	1,827
between two and five years	0	0
between six and ten years	1,800	0
between eleven and fifteen years	0	0
between sixteen and twenty years	0	0
between twenty one and twenty five years	0	0
over twenty five years	0	0
	<b>1,800</b>	<b>1,827</b>
<b>Total annual commitments under operating leases</b>	<b>4,015</b>	<b>4,049</b>

## 20. PRIVATE FINANCE INITIATIVE (PFI) COMMITMENTS

The following information is provided for all off balance sheet PFI schemes and for the services element of on balance sheet PFI schemes.

Project Title and Description	Contract Start Date	Contract End Date	Charged to OCS in 2004-05 £000
Off Balance Sheet schemes in their entirety:			
<b>Army Foundation College</b> - teaching and training facilities for further vocational education and military training of school leavers with an estimated capital value of £73million.	04-Feb-00	21-Dec-29	16,656
<b>TAFMIS</b> - Agency wide IT services with an estimated capital value of £41million.	09-Aug-96	09-Aug-07	22,347
<b>School of Army Aviation</b> – LATS PFI – Lynx simulator training with an estimated capital value of £25million.	13-Jul-00	31-Mar-13	3,398
<b>School of Army Aviation</b> – ATIL Training PFI – Attack Helicopter training services with an estimated capital value of £190million.	01-Jul-98	01-Sep-17	11,735
<b>Lex White Fleet</b> – Army wide fleet of non combat vehicles with a variable call off contract value.	26-Jan-01	25-Jan-11	2,313
<b>Defence Fixed Telecommunications System</b> – integration of 50 fixed telecommunications networks used by the Armed Forces and MOD, estimated capital value £70m	01-Jul-97	01-Jul-07	1,769
The service element relating to on balance sheet schemes:			
<b>Defence Animal Centre</b> - design, build, finance and operate the Defence Animal Centre comprising HQ accommodation, single living accommodation, mess facilities and related services.	26-Jan-02	01-Nov-26	2,836
<b>Defence Helicopter Flying School</b> - provision of support services and the operational training phase.	01-Apr-97	31-Mar-12	8,146
			<b>69,200</b>

Annual payments which the Agency is committed to make during 2005-06 and future years, analysed by period in which the commitment is due to expire, are as follows:

Contracts expiring within:	2 - 5 years £000	5 - 10 years £000	10 - 15 years £000	15 - 20 years £000	20 - 25 years £000
Army Foundation College					14,412
TAFMIS	18,351				
School of Army Aviation – LATS PFI		3,680			
School of Army Aviation – ATIL Training PFI			12,028		
Lex White Fleet *		2,371			
Defence Fixed Telecommunications System	1,813				
Defence Animal Centre **					3,506
Defence Helicopter Flying School ***		9,601			
	<b>20,164</b>	<b>15,652</b>	<b>12,028</b>	<b>0</b>	<b>17,918</b>

\* Charges in future years are dependent on demand and are variable. From 2004 - 2005 onwards the annual uplift is based on 90% of RPI, assumed at 2.5% per annum.

\*\* From 2004 - 2005 onwards the annual uplift is based on 90% of RPI, assumed at 2.5% per annum.

\*\*\* Contract prices for the first five years were fixed but are now subject to an annual variation on price clause based on indices incorporated in the contract terms and conditions. An uplift of 3.15% was agreed in 2004-2005 (2.82% 2003-2004).

## 21. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2005.

## 22. RELATED PARTY TRANSACTIONS

The Army Training and Recruiting Agency is an Agency of the Ministry of Defence.

The Ministry of Defence is regarded as a related party. During the year, the Army Training and Recruiting Agency had various significant transactions with the Ministry of Defence and with the following other entities for which the Ministry of Defence is regarded as the parent department:

Defence Bills Agency  
Pay and Personnel Agency  
Meteorological Office  
Defence Housing Executive

During the year none of the Board Members, key management staff or other related parties have undertaken any material transactions with the Army Training and Recruiting Agency.

## **23. FINANCIAL INSTRUMENTS**

FRS13 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 Army Training and Recruiting 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 than would be typical of the listed companies to which FRS13 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 net 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.

### **Interest rate risk**

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

### **Foreign currency risk**

The Agency does not hold assets or liabilities denominated in a foreign currency and does not transact in foreign currencies on its own behalf. The Agency, therefore is not exposed to foreign currency risk.

### **Liquidity risk**

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

## **24. POST BALANCE SHEET EVENTS**

There have been no events since the end of the financial year that would affect the understanding of the accounts.