



MINISTRY OF DEFENCE



ministry of defence



Annual Report & Accounts

2003 - 2004

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Ministry of Defence Annual Report and Accounts

**including the Annual Performance Report and
Consolidated Departmental Resource Accounts**

2003/04

(For the year ended 31 March 2004)

Laid in accordance with the Government Resources and Accounts Act 2000

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Foreword by the Secretary of State

In my foreword to last year's Annual Report and Accounts, I said that 2002/03 had been an extraordinarily demanding year for our Armed Forces and civilian staff. This remained the case throughout 2003/04. And our people continued to meet the challenges, from the front line wherever that lay in the world, to the offices and workshops of the United Kingdom. As Secretary of State for Defence, it is my privilege to work with them. I continue to admire their professionalism, determination and commitment. In particular, we all owe a continuing debt of gratitude and thanks to those who gave their lives during the year in the service of our country and to make the world a better place.

Defence business during the year was inevitably dominated by Iraq. UK Forces continued to serve there with distinction, often supported by civilian colleagues. But we should not forget how many other places they were operating. As this Report sets out, during the year, the Armed Forces were working in Afghanistan, the Balkans, Cyprus, and west and central Africa, as well as in the Middle East. And they were busy at home – in Northern Ireland, in providing emergency fire cover, and on more routine activities.

At the same time we have been working to ensure that that we will continue to have Armed Forces of the right size and shape, with the right equipment, to meet the challenges of the future. In December 2003, we published a White Paper, *Delivering Security in a Changing World* setting out our assessment of the future security environment. Against this baseline, in July 2004, we published a further White Paper, *Delivering Security in a Changing World: Future Capabilities*, that set out the capabilities and reformed force structure we need to meet the changes in international security requirements.

We have also been working to ensure that the Ministry of Defence is properly configured to support our Armed Forces as efficiently and effectively as possible. We have been pursuing a major programme of reform and efficiency for some time. This is necessary to enable us to build for the future, and the Annual Report shows the good progress we have been making. This work also formed the basis of the MoD's contribution to the cross-Government Lyons and Gershon Reviews, and of our Spending Review Settlement in July. Building on the programmes set



Rt. Hon. Geoff Hoon MP, Secretary of State for Defence

out in this Report, our challenge over the next three to four years is to complete the changes we have set out. I do not underestimate the size of the challenge. But I am confident that we can succeed.

Overall, this Report shows that the Armed Forces and the Ministry of Defence have delivered, are delivering, and will continue to deliver what they are required and resourced to do, often in the face of considerable challenges. I particularly welcome the fact that, for the first time, the Comptroller and Auditor General has this year approved the MoD's accounts without qualification. This is very significant achievement we have been working towards for several years.

The high operational tempo we have maintained in recent years is a demonstration of the Armed Forces' and Department's success in delivering what is required of them. At the same time, we are embarked on a major programme of modernisation and reform. And as the Report makes clear, they are making significant contributions to delivery of the wider Government agenda. We continue to ask a lot of all our people, military and civilian. I and my colleagues remain committed to ensuring they have the support they need and deserve to deliver on this ambitious programme of operational activity and organisational reform. I am confident that they will continue to meet the challenges and help make the world a safer place.

Geoffrey Hoon

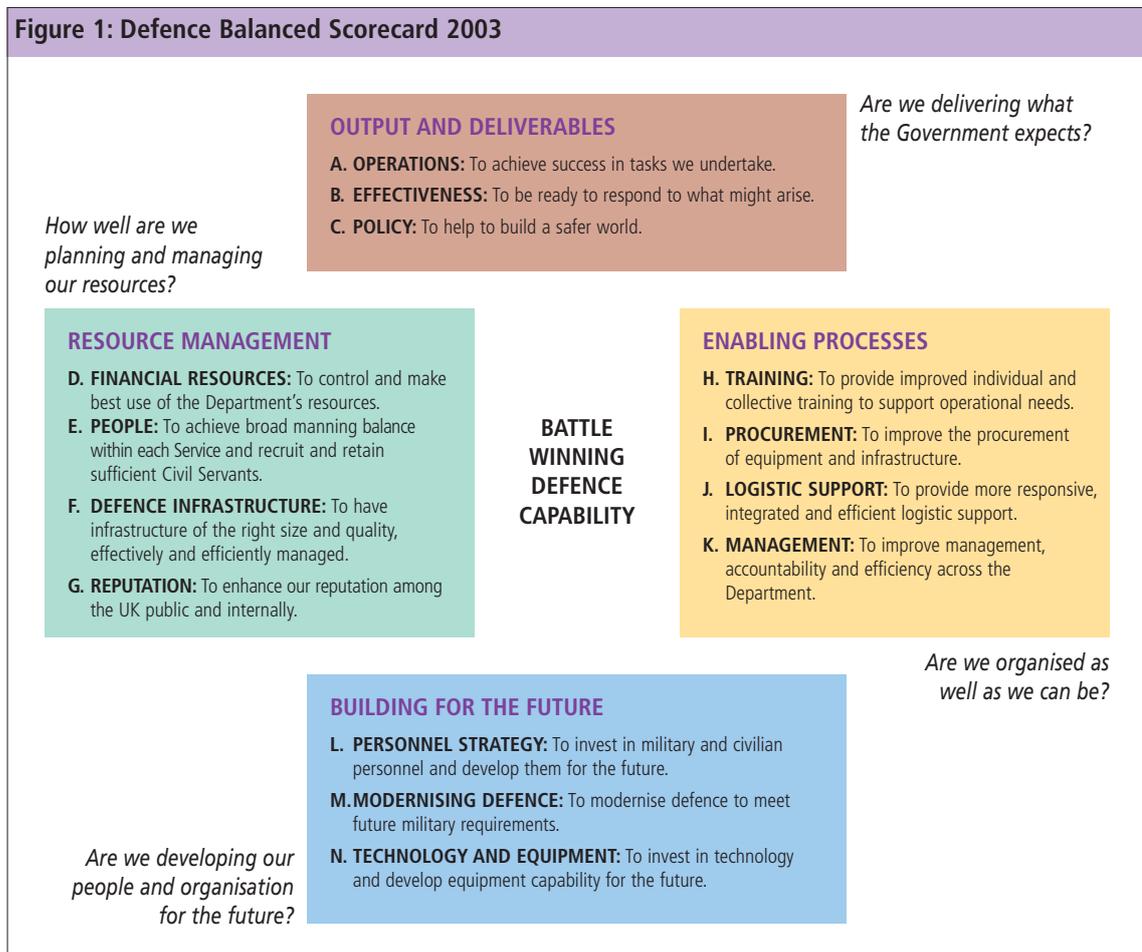
Introduction

Introduction

1. This year, the Ministry of Defence has again combined its Annual Performance Report and its Departmental Resource Accounts into one document: the MoD Annual Report and Accounts. Overall, it provides a comprehensive and clear record of the Department's performance during 2003/04. Section 1 sets out overall performance, beginning with a summary of progress against our Spending Review 2002 Public Service Agreement (PSA) objectives and targets. Section 2 contains the Departmental Resource Accounts. Additionally, the Report contains a series of Annexes offering background departmental information, including a list of further sources of information.

Section 1

2. Section 1 is structured along the same lines as the Balanced Scorecard, through which the Department's performance is reported internally. The Defence Balanced Scorecard encapsulates the Defence Management Board's key objectives and priorities over the whole range of MoD business. In the Report, these objectives are grouped into the four chapters (or 'perspectives'), shown below, of: Outputs and Deliverables, Resource Management, Enabling Processes and Building for the Future. Within these perspectives, the main section headings correspond to high-level Scorecard objectives (i.e. Operations, Effectiveness, Policy, etc.).



Performance Against PSA Objectives and Targets

3. The MoD's progress against its PSA objectives and targets is addressed throughout this Report, and the Department's performance against its current (SR 2002) PSA objectives is published quarterly on the Treasury and MoD websites. A summary of progress against SR 2002 PSA objectives and targets for 2003/04 to 2005/06 is set out at the front of the Report. A final assessment of progress against the MoD's SR 2000 PSA objectives and targets for 2001/02 to 2003/04 is at Annex B, together with the top level targets for 2005/06 to 2007/08 agreed this summer in SR 2004. Of the 16 individual targets in the 2002 Spending Review, the MoD is ahead on 1 target, on course to meet a further 10, and is showing slippage on 4. One more is yet to be assessed. Of the 25 SR 2000 individual targets, 16 were met in full, 2 were met with some slippage, 2 were partly met, 1 (which has been carried forward to SR2002) is on course, 3 were not met and 1 has not yet been finally assessed.

Section 2

4. Under the Government Resources and Accounts Act 2000, the Department is required to prepare resource accounts for each financial year, to conform with Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year. The Permanent Head of the Department, as Accounting Officer of the Department, is responsible for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General. In preparing the accounts, the Accounting Officer is required to comply with the Resource Accounting Manual, prepared by the Treasury.

5. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year. The Departmental Resource Accounts for 2003/04 are set out in Section 2, together with the Comptroller and Auditor General's certification and report to the House of Commons.

Further Information

6. Other sources of detailed information relevant to the MoD's performance are identified throughout the report, and listed in Annex F.