
Resource Accounting and Budgeting for Medical Services: The Territorial Army

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Abstract

Resource Accounting and Budgeting (RAB) was introduced across all central government departments in 2001 as part of the New Public Management agenda promising to deliver “better financial reporting” and promote more efficient financial management, decision-making and to enhance public accountability. This paper engages with the RAB employed by the Ministry of Defence (MoD) which historically was amongst largest government budgets second only to the National Health Service (NHS), and focuses specifically on the volunteer medical services of the Territorial Army (TA), which are recruited mainly from the NHS. The research debates whether a quasi-commercial style of accounting is applicable to defence and whether it provides democratic accountability in respect of the TA.

Resource Accounting and Budgeting for Medical Services: The Territorial Army

“The sinews of war, unlimited money”

Cicero 106-43BC: Fifth Philippic

(Oxford Dictionary of Thematic Quotations, 2000, p.403)

Introduction

This paper is concerned with the Resource Based Accounting (RAB) and accountability of the Ministry of Defence (MoD), and focuses specifically on the Territorial Army Medical Services (TAMS) within the overall defence budget. The Territorial Army (TA) is a part time volunteer military force supplementing the Regular Army and the majority of TAMS are recruited from National Health Service (NHS) staff¹. Significantly TAMS provides over 75% of the overall Army Medical Services personnel, and are responsible for 11 TA field hospitals compared with 3 Regular Army field hospitals (DeVilleville-Almond J, 2004). The research objective was an attempt to identify and explore the financial and non-financial consequences arising for the Army and the NHS arising from TAMS deployments in the current period of intense British military operations, and whether this information and detail is disclosed by the RAB in order to satisfy adequate levels of democratic accountability.

Research Methodology

The research approach was to examine the published MOD accounts that are made publically available under RAB, sundry relevant government armed forces reports, Hansard, and the defence audit reports issued by the Comptroller and Auditor General (C&AG). This agenda was extended to consider public and leaked commentary made by senior military personnel in order to contextualise the emerging military funding debates. This also involved directly communicating with and inviting opinions from opposition Members of Parliament (MP) who had raised military funding and accounting questions in the House of Commons. At the same time attempts were made to examine a sample of West Midlands based NHS Trusts' accounts and associated published data which was combined with direct approaches to identify NHS arrangements for dealing with the mobilisation of TAMS members.

Although a plethora of data is available it was difficult to obtain the relevant information, which had to be constructed from different and diverse sources including medical journals in order to build a coherent albeit incomplete analysis. In particular the NHS research co-operation proved disappointing and this area of data remained opaque.

1. The employment of Reservists by occupational sector reveals that 12% are recruited from health and medicine. This is the highest proportion recruited by employment sector and is only equalled by the civil service and local government. Education by comparison provides 6% of the Reserves and finance and accountancy 4% (C&AG, 2006, p.38)

The RAB

Until recently the size of the UK defence budget was indicative of its financial materiality representing 2% of Gross Domestic Product (GDP) although this represented a decline from 5% of GDP arising from the peace dividend following the collapse of the Soviet Bloc. The 2007 Comprehensive Spending Review (CSR) disclosed that the level of UK defence spending was £32.6 billion in 2007-08, which will increase to £36.9 billion by 2010-2011. In addition to this core defence budget the costs of military operations mainly in Iraq and Afghanistan between 2001-02 and 2006-07, incurred a further £6.6 billion. (HM Treasury, 2007). However, the effects of the current economic crisis and the ensuing government financial responses have reduced the military budget to comparative insignificance, and it remains to be seen whether the original budget projections will be achieved.

Annual UK Public Major Spending Departments		Government Banking Sector Rescue	
	£billions		£billions
Health	111	Bank Debt Guarantee	250
Education	82	Bank of England Short Term Loans	200
Military	34	Treasury Injection	50
		Includes Northern Rock £119bn and Bradford and Bingley £14bn	
Total Annual UK Public Spending	618	Total Government rescue	500

Figure 1. Contextualising the UK Defence Budget in the “Credit Crunch Era ” 2008-2009

Source, HM Treasury 2008-09 near cash projections

The defence budget is accounted for within the RAB framework introduced for all government departments during 2001-2002, which in the case of the defence budget replaced an annual receipts and payments cash based system known as Estimate and Account, which was introduced in the mid-nineteenth century. This changeover to RAB accrual accounting has formed a central part of part of the New Public Management (NPM) agenda, whose aims would have been difficult if it not impossible to realise in practice. The key characteristics of the NPM are, privatisation, deregulation, encouraging competition, treating taxpayers and ministers as customers (principals), and performance management through which outcomes can be measured (Hepworth, 2002). Overall it is reasoned that the RAB provides more openness, improved use of assets, better measures of performance and improved financial/fiscal control allowing more meaningful comparisons with the wider economy (Archibald, 2002).

The introduction of RAB was initiated in 1993 under a Conservative administration and the process continued under successive Labour governments. The adoption of RAB involved the abandonment of the traditional cash based accounting system in favour of an accruals accounting framework thereby aligning government accounting with a quasi commercial style of accounting under UK Generally Accepted Accounting Practice (UK GAAP). The new system of accounting comprises two elements, which are Resource Budgeting (RB) by managing the Public Expenditure Survey on a Resource Accounting (RA) basis and presenting Supply Estimates to Parliament on an RA basis. Resource Accounting is defined as,

“...a set of accruals accounting techniques for reporting on the expenditure of central government and a framework for analysing expenditure by departmental aims and objectives, relating those to outputs wherever possible. Resources budgeting is planning and controlling public expenditure on a resource accounting basis.

...It also provides a much closer link between inputs and departmental aims, objectives and outputs.”

(Likierman, 1998)

Accruals accounting in the military is not a new phenomenon as it had been previously attempted between 1917-1927 but was abandoned due to a combination of the cost of running the system in tandem with the traditional cash based system, opposition from both the Treasury who were concerned that central financial control would be weakened, and also from Army commanders who viewed that the devolved administration of such a system was incompatible with their Army ethos (Black, 2001).

Nonetheless this prior experience did not prevent the advocates of RAB advancing the technical superiority of the new accounting system by arguing that it would deliver more efficient government, improve financial management in government and generate enhanced public accountability (Likierman,² 1995). The C&AG opined that it was "the most important reform of central government accounting and budgeting since Gladstone's reforms of the mid-19th century" and that "Resource accounting should improve departmental management, by providing a better picture of the true costs of activities and improving the accounting and stewardship for assets. The reforms should also lead to better financial reporting to Parliament" (C&AG, 1995).

The MoD Departmental Resource Accounts thus attempt to ape commercial practice by imposing a modified system of corporate accounting through series of schedules, (S1) A Summary Resource Return, (S2) An Operating Cost Statement, (S3) A Balance Sheet, (S4) A Cash Flow Statement, and (S5) A Statement of resource consumption by Departmental aims. Schedules 2, 3 and 4 correspond with the three main financial statements found in commercial accounts, albeit that the operating cost is much more limited than an income statement of a commercial entity. Schedules 1 and 5 though have no commercial equivalent with the former providing a parliamentary control schedule, comparing outturn with Estimate by Vote, and providing a link between resources and cash requirements. Schedule 5 provides the analysis linking inputs to aims and objectives (Likierman, 1995).

Unlike the previous cash accounts the Resource Accounts attempts to measure expenditure when it is consumed instead of when it is physically spent, and also measure and capture the non-cash costs of economic consumption including:

- The depreciation and impairment of non-current assets over their useful economic life.
 - A cost of capital charge comprising the opportunity and financing costs of holding capital. Collectively the depreciation and the cost of capital charge are referred to as capital charges.
 - Provisions for future payments, such as compensation or early retirement liabilities.
- (Likierman, 2003, p.46)

The adoption of RAB meant that these non-cash item adjustments had a material impact in inflating the defence budget more than any other departmental budget because of the substantial non-current asset values held by the MoD. The implementation of RAB also created unique problems distinct from other government departments because,

"Many central government departments simply process grants or social security payments. In such cases Resource Accounting and Budgeting will produce few changes. The MoD is different it deploys extremely expensive assets to produce a result which is tangible in concept, but mercurial in practice, 'fighting power'. This has conceptual, material and moral components".
(Gillibrand & Hilton, 1998)

2. Sir Andrew Likierman was the Chief Accountancy Adviser to HM Treasury and Head of the Government Accountancy Services from December 1993, and was responsible for the development and implementation of RAB (Likierman, 2003, p.45).

In a material sense the resource accounts now treat most military equipment as investments (Likierman, 2003, p.46) so that a defence balance sheet can be prepared. Nevertheless, conceptually and morally there is a problem in identifying and measuring military inputs and outputs in a quasi-commercial manner. The military it is argued here is a unique public sector organisation that is significantly different to other public goods and cannot be accounted for under RAB in the same manner as the police, highways, parks and education. This is because the military (albeit with minor exceptions) are the only legitimately empowered agents of the state to use violence in fulfilling state policies. As the military philosopher Clausewitz stated war is, “a continuation of policy by other means” (Van Creveld, 2000, p.118) and the military’s major function is to exist to fight the state’s wars as a deliberate political act.

Nonetheless, the MoD in further pursuance of the corporate sector model produces an “Annual Performance Report” within a spending review Public Sector Agreement framework. This it is claimed represented the contract between the MoD and the taxpayer as to what the department will deliver. The major objectives for 2005-2006 and 2007-2008 is “to deliver security for the people of the United Kingdom and the Overseas Territories by defending them, including against terrorism, and act as a force for good by strengthening international peace and security” (MoD, 2006, p.8). This is complimented by three main objectives and six targets.

Objective	Targets
Achieve success in the Military Tasks we undertake at home and abroad.	1 Achieve the objectives established by Ministers for operations and Military Tasks in which the United Kingdom's Armed Forces are involved, including those providing support to our civil communities.
	2 By 2008, deliver improved effectiveness of UK and international support for conflict prevention by addressing long-term structural causes of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular Africa, Asia, Balkans and the Middle East. (Joint target with the Foreign and Commonwealth Office and the Department For International Development.)
Be ready to respond to the tasks that might arise.	3 Generate forces which can be deployed, sustained and recovered at the scales of effort required to meet the Government's strategic objectives.
	4 Play a leading role in the development of the European Security Agenda, and enhance capabilities to undertake timely and effective security operations, by successfully encouraging a more efficient and effective NATO, a more coherent and effective European Security and Defence Policy (ESDP) operating in strategic partnership with NATO, and enhanced European defence capabilities. (Joint target with the Foreign and Commonwealth Office.)
	5 Recruit, train, motivate and retain sufficient military personnel to provide the military capability necessary to meet the Government's strategic objectives.
Build for the future	6 Deliver the equipment programme to cost and time

Figure 2. MoD Objectives and Targets
(MoD, 2006, p.9).

The completion of the quasi corporate model also extends to the adoption of a defence balanced score card based on the model devised by the Harvard academics Kaplan and Norton (1996), which it is claimed permits a strategic focus to be adopted focused on the four perspectives of Purpose, Resources, Enabling Processes and Future Capabilities. The attainment of these objectives is measured against targets, and required levels of performance via a series of detailed performance indicators and metrics.

TAMS: Inputs and Outputs

The TA is largest element of the UK Volunteer Reserve. It was formed in the aftermath of the Second Boer War (1899-1901) from disparate volunteer force units, which were amalgamated in 1908 to form the Territorial Force following the passage of the Territorial and Reserve Forces Act (1907), (Peedle, 1990). This part time force was originally designed solely for home defence but its members accepted the call for overseas duties at the outbreak of the Great War (1914-1918), and this remains the case today. Indeed TA members' availability for overseas service remains prominent,

"...everyone who joins now understands that they stand a strong chance of being mobilised to go on operations"
(TAQ, 2007).

The government's Strategic Defence Review (1998) initiated the extensive restructuring of the TA with the "aim of making it more relevant, more usable, and more fully integrated into our regular armed forces" (mod.uk./DefenceInternet). The current structure of the TA is provided below

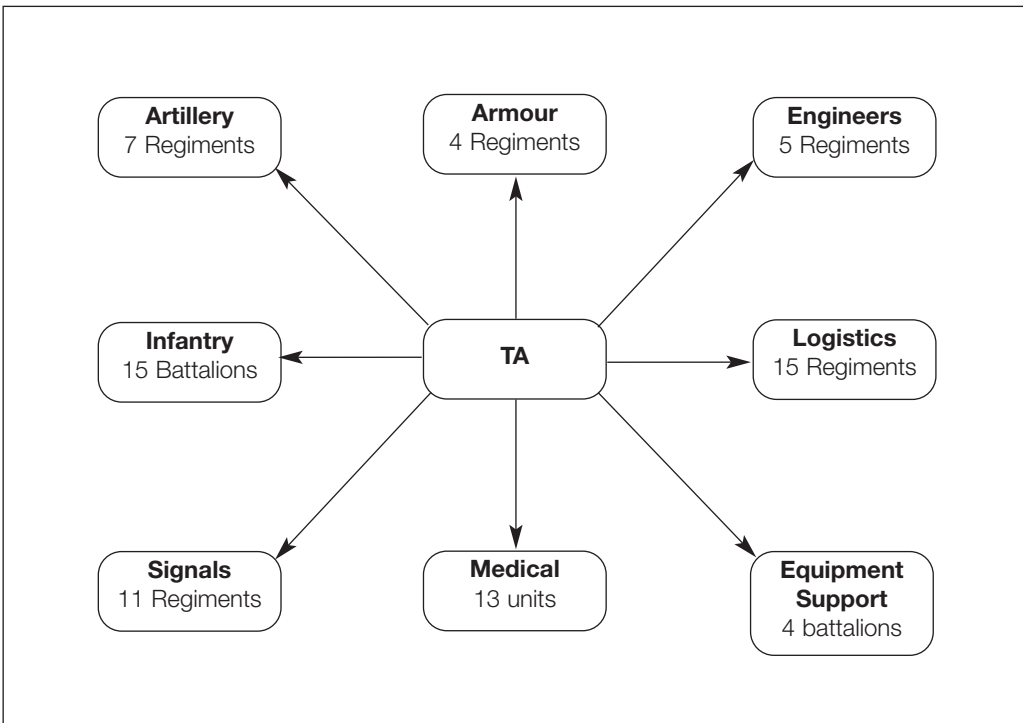


Figure 3. Territorial Army Regiments and Infantry Battalions (as at 1st January 2006*)

*The 2006 numbers reflect the implementation of the Future Army Structure (FAS) announced on 16th December 2004 but the reorganisation is not due for completion until 2012. The above does not include TA joint units, Special Forces or Military Police. (armedforces.co.uk/UKDS/ Chpt3/ Table 3.2, UK Defence Statistics, 2006)

The current restructuring of the TA it has been argued is designed to meet the new operational demands that it is likely to face in the 21st century. These involve,

- To maintain close links with the community and society at large through a broad presence across all regions of the country
- To provide a degree of insurance to allow the generation of a larger force if required at some time in the future.
- To become more closely integrated with the regular Army
- To become more responsive in meeting changed operational demands
- To be trained to operate modern battle-winning equipments
- To become more demanding but also more rewarding to those who volunteer.

In order to do this the TA now "concentrates on roles such as artillery, air defence, signallers, logisticians and *particularly medical services* (author's emphasis)"

(www.mod.uk/DefenceInternet/AboutDefence/Organisation/Key Facts AboutDefe., p.2-3)

At present the official strength of the TA is 42,000 personnel, including the University Office Training Corps (TAQ, 2007) but other sources indicate that it is under-strength.

1990	1997	2002	2003	2004	2005	2006	2007
000's	000's	000's	000's	000's	000's	000's	000's
81.9	57.7	40.7	39.3	38.1	37.3	38.5	36.8

Table 1. Army Volunteer Reserve Strength 1990-2007

(UK Defence Statistics 2007, Table 21.4)

The Regular Army's official strength is 106,200 but in practice it too is also under strength, and disguises the fact that 8,000 non UK nationals are serving in its ranks being mainly recruited from the Commonwealth and from Nepal for the Gurkha regiments (Economist, 2004). Since the Regular Army is under-strength the TA has been deployed more frequently to meet recent increased operational demands. This has led to unprecedented criticisms of UK Government defence policies and budgets in the House of Lords, which the government has refuted by former chiefs of the defence staff, General Guthrie, Admiral Boyce, Field Marshall Bramall, Field Marshall Inge and Air Chief Marshal Craig in October 2007. The government's position was further undermined by public criticism levelled at it by the current Chief of the Army, General Sir Richard Dannant following his leaked memorandum in 2007. This identified two major concerns that,

- Our reserves to meet the unexpected (as well as for current operations) are now almost non-existent.
- The long term effect on people and material of enduring operations at the current scale and intensity.

..... And we are looking at ways of redistributing TA activity resources to sustain their support (1,200 soldiers per annum at present)...."

(ECAB Commentary on the Quarter Performance Report, 2006/07)

The C&AG Reserve Forces Report (2006) identified the importance of the UK Reserve Forces and placed particular emphasis of the TAMS. The 1994 'Defence Costs Study 15' instituted a

substantial reduction in the manning of the Regular Defence Medical Services, and the closure of all but one of the former military hospitals³. (This in turn has led to several high profile cases of wounded military personnel being inadequately treated as patients in NHS hospitals). Indeed the problem of attracting Regular Army medical staff has not prospered even with the offer of financial incentives,

“An £8,000 'golden hello' offer to bring nurses into the Army, RAF and Navy has failed to attract a single taker in its first year. The MoD believed the one off payments would help address a chronic shortfall of nurse numbers in the forces, but the proportion of unfilled posts remains high. Vacancy rates are running at 42 per cent in the Army...”

(Nursing Standard, 2005)

This formed part of an unsuccessful advertising campaign launched in September 2003 to promote the Regular Army and the TA that cost £2.5 million but “the dual promotion was deliberately designed to reflect the latter force's importance to Great Britain's military effort” (Campaign [UK] 2003). As a result of the manning reductions, the Army Medical Services became reliant on the medical skills of TAMS especially in the deployments to Iraq and later Afghanistan.

These deployments have been compromised further by a high level of TAMS under-manning, whereby the required 5,176 personnel (excluding vets, dentists, logistical or other support) only attained 3,049 staff (C&AG/HC964/ Session 2005/06, Table,26, p.57), a manning level of 58.9%. These deficits in strength were further analysed by medical disciplines revealing deficits in all areas.

	Requirement	Manning	Shortfall	Manning as a % requirement
Medical Officers (doctors)	683	295	388	43%
Nurses	2,469	1,054	1,415	43%
Allied Health Professionals	443	201	242	45%
Command and non-technical (including Combat Medical Technicians)**	1,063	704	359	66%
Total	4,658	2,254	2,404	48%

Figure 4. Manning Strength Against Requirement for Territorial Army Medics for Role 3* as at 1st December 2005.

(C&AG 2006, p.58)

* *Role 3 is in broad terms the same medical roles as in civilian health care and personnel are recruited from across the health care sector. They include doctors and nursing personnel, clinical support staff (known as 'Allied Health Professionals'), and non-technical personnel. The TAMS capability delivers much of its care in field hospitals near to the battle zone or peacekeeping operations*

** *An important element of any medical provision in theatre, such as a field hospital, may also include dentists and vets and a considerable quantity of logistical support such as chefs, engineers and drivers.*

3. There are four Ministry of Defence Hospital Units; military units located in NHS Trust hospitals in close proximity to Service populations. They are located at Derriford (Plymouth), Frimley Park (near Aldershot), Northallerton and Peterborough. Each unit is responsible for all military patients and a comprehensive share of the care of civilian patients. This it is argued enables military medical staff to benefit from experience of a greater variety of NHS cases, whilst retaining a military ethos.

The C&AG indicated this TAMS level requirement was later changed under the FAS programme by 1,598 personnel (to a revised theoretical strength of 3,578). The explanation for this reduction was given as,

"The reduction in the size of the [T]AMS is a 'realism' measure - it recognises we have never been able to recruit up to the full strength of the [T]AMS, so we have adjusted the authorised strength to a more realistic strength and allocated the manpower to other areas" (i.e. Royal Engineers, Military Police, Intelligence Corps and Army Air Corps)
(TAQ, 2007, p.2)

The former cash accounts disclosed the amount spent or cash inputs on the TA, AMS and the Army as a whole, but this is not the case under RAB. Attempts to identify the cost of the TA have remained difficult to isolate and remain unanswered. The total cost and overall percentage of defence expenditure incurred on the TA was raised in the House of Commons in December 2006 by Daniel Kanwczynski MP (Conservative, Shrewsbury and Atcham) that elicited the following government reply,

"Information on how much is spent on the Territorial Army is not held centrally. Costs are spread over a variety of budgets, and these will vary according to the composition of the units, their role and where they are deployed. These details could be obtained only at disproportionate cost.
Derek Twigg MP, Secretary of State for Defence, (Hansard, 2006)

The same question was asked again the following year in the House (Mark Harper MP, Conservative, Forest of Dean, and Shadow Defence Minister) and the same reply was offered by the government. (Hansard, 2007). Enquiries by the author regarding the context of these questions provided the following response,

"The questions were asked as part of a project that we were doing on the medical services in the TA when Mark was Shadow Minister for Defence. I am afraid that I cannot remember the exact background to the questions. I think it was related to the cuts to various exercise and aspects of the TA."

Barnaby Wharton, Political Advisor to Mark Harper MP (Forest of Dean), Shadow Minister for Disabled People, House of Commons, 21st January 2008

Indeed, the G&AG has only been able estimate the cost of the Reserves as £440 million, albeit this is not because it excludes the use by Reservists of Regular Army infrastructure. The C&AG added that the implication was that the average cost of a member of the TA for example is estimated at £10,000 per year when not deployed compared to the cost of £55,000 for a soldier in the Regular Army (C&AG 2006, p.2).

Volunteer Reserves	TA £m	Royal Naval Reserve £m	Royal Marines Reserve £m	Royal Auxiliary Air Force Reserve £m	Total £m
Standing Cost	342.9	21.4	9.2	17.3	390.8
Additional Cost on operations	22.2	-	-	0.2	22.4
Total	365.1	21.4	9.2	17.5	413.2
Cost per Volunteer Reservist (in £)	9,600*	7,700	11,400	9,200	
Regular Reserves					2.2
Full Time Reserve Service					24.8
Directorate of Reserve Forces and Cadets and SaBRE					3.8
TOTAL					444.0

Figure 5. Breakdown of the Cost of Reserve Forces 2004-2005
(C&AG, 2006, p.19)

Thus, it is discernible that on average TA member costs £45,000 or 82% less per annum than a regular soldier which, *prima facie* offers large economic savings.

The NHS

An attempt was made to identify NHS national and local financial and non-financial policies relating to the employment of NHS staff serving in the TA. This part of the research was thwarted by an almost universal lack of co-operation by a sample of NHS bodies that were approached in the West Midlands. The only evidence offered was anecdotal, and provided by the Public Relations Officer of The Mid Staffordshire General Trust. This source confirmed that several consultants and other staff had been mobilised for operations during the Second Iraq War, which had created difficulties in securing cover for these absent posts (TA operational deployments normally last 6 months). The financial and accounting arrangements surrounding these arrangements were not answered although the aforementioned PR Officer hazarded this would be treated in a similar manner to staff called for jury service. Although many Trusts websites have copious volumes of information displayed including pages reserved for staff no mention of TA membership could be located, and no TA financial expenditures or reimbursements could be identified in the various NHS Trust accounts.

This lack of specific information is surprising given that the majority of TA medical staff is drawn from the NHS and the key role that they continue to play in Army medical cover. The recent and continuing high profile recruitment campaigns, which that have been used (Nursing Standard, 2004a, p8) has been effectively sought via the Department of Health through attempts to attract senior NHS executives to witness first hand the alleged benefits that participation can attract (SaBRE, 2005⁴) although the level of participation cannot be accurately determined.

Although official encouragement for active NHS support of the TAMS the NHS enjoys grounds for exemption from mobilisation available to all employers under The Reserve Forces Act 1996, which allows the employer of a Reservist to seek exemption or deferral from, mobilisation if it is thought that this will cause serious harm to the business. It also permits employer to apply for financial assistance if mobilisation occurs (SaBRE, 2007, p.14). The maximum amount an employer can claim for additional costs is currently set at £110 per day, approximately equivalent to £40,000 a year. The MoD will pay for every day that the employee is serving as a Reservist on permanent service, not just working days, and will normally pay monthly (SaBRE, 2007, p.18). However, an exemption from mobilisation is not guaranteed because a formal process of application has to be followed. It is not apparent whether any NHS organisation has yet made an appeal against any of their employees being mobilised.

Officially NHS staff mobilisations have not proved overtly controversial, and the All Parliamentary Group report on the Reserve Forces Group (Recognising the Opportunity, 2007, p.14) was told by members of 256 Field Hospital (TA) that members had enjoyed a good level of support from their employers, mostly hospital trusts, on their first call-out but were encountering a less happy reaction to a further mobilisation. Young doctors had encountered severe problems with breaks in their career development. The biggest problem arises for junior doctors and their relationship with the Royal Colleges who do not recognise the value of an operational deployment because it does not contribute towards a junior doctor's seniority or development programme. This problem has consequently been raised this with the MoD and Department of Health (Recognising the Opportunity 2007, p.20).

4. SaBRE, (Supporting Britain's Reservists and Employers) is an impartial body created to provide a readily accessible interface between employers, Reservists and the Ministry of Defence (MoD). SaBRE provides information on everything from a Reservist's training obligations to an employer's legal rights and responsibilities, and the benefits of employing Reservists. In September 2005 it invited Chief Executives, Human Resource Directors, Medical Directors and Directors of Nursing to a large scale demonstration of a Military Field Hospital Capability at University Hospital Birmingham NHS Foundation Trust.

The increasing ambiguity surrounding the mobilisation of the reserve forces has led to their role and position including that of employers to be clarified. The MoD via SaBRE has issued a policy statement, which it has, encouraged employers to adopt so that all parties fully understand their commitments and obligations.

Due to the lack of cooperation experienced with the NHS the level of adoption of the above policy by NHS employers cannot be gauged.

Conclusion

The commitment of British military forces to wage two separate and continuing wars on the basis of liberal interventionism formed on the rhetoric of a just humanitarian war persists in provoking critical and acrimonious debate regarding the legitimacy of British foreign policy. The active interventionism in Iraq though has since ended in April 2009 releasing 4,000 troops who it is planned will have returned to the UK by the summer of 2009. However, these as explained by the Chief on the Defence Staff are not intended for redeployment to Afghanistan, "It's crucial that we reduce the operational tempo for our Armed Forces. So it cannot be, even if the situation demanded it, it cannot be just a one for one transfer from Iraq to Afghanistan. We have to reduce that tempo" (BBC: 2008). Therefore, British troop commitments are planned to be capped at 7,800 personnel, and be primarily engaged in training Afghan forces rather than combat which will be undertaken more by increasing numbers of American troops. The morality of the UK government policy of foreign interventionism, and its continuance is beyond the parameters of this paper, but this policy has served to increase attention on the military budget and its supporting accounting methodology. Indeed yet another government defence review and military reorganisation has been launched in April 2009 which includes the TA. The MoD review indicates that the TA will be cut by 10,000 personnel in what is claimed to be a streamlining exercise so that will integrate the TA with the regular Army and create a more professional force. It not clear yet as to the impact that this will have on the TAMS but the All-Parliamentary Reserve Forces Group has recommended that medical authorities such as the Royal Colleges of Medicine should encourage young doctors to spend time in the reserves to help fill key gaps in military provision (Telegraph: 2009). Critics have argued that this has been driven by the "credit crunch" and the need to cut overall government departmental spending although no clear financial strategy is available yet to reduce the demands of the sinews of war. A senior TA officer has been reported as stating, "Treasury bean counters have ordered the ...MoD to cut all budgets, so TA units will have to be axed or amalgamated and the number of training days cut to the minimum". This has been refuted by the MoD which has argued that, "This not about the cost of the reserves. Its aim is to ensure that our reserve forces, including the Territorial Army, are correctly structured, supported and resourced to meet current and future challenges" (TimesOnline:2009).

This paper has chronicled the abandonment of the former cash based system in favour of a commercial style accruals based accounting framework across all government departments including defence as part of the NPM agenda. The justification for the discarding of annual cash accounting in favour of a commercially derived RAB has promised to provide,

"...more useful information than a simple record of cash paid out and received. They record the full costs of activities... They provide incentives to departments to improve management of what it owns and what it owes (its assets and liabilities). They provide information on how resources have been used to meet objectives. And they enable users of the accounts to assess more easily whether taxpayers are receiving value for money".

(HM Treasury, 2001, p2)

The essential problem for defence is that budgets and forces are measurable and military capabilities can be estimated, but the final outputs remain intrinsically intangible because they lack

a market valuation (Smith, 2007). Nonetheless, it is claimed that RAB contributes as, “part of the wider commitment to openness and accountability” (Likierman, 1998, p17). However, the introduction of the RAB system of accounting with its promise of superior accounting for decision-making and financial accountability has rendered the cost identification of the TA and the TAMS opaque and relies instead on the estimates and assurances of the C&AG. Indeed, the C&AG had earlier argued that “Resource accounting should improve departmental management, by providing a better picture of the true costs of activities and improving the accounting and stewardship for assets. The reforms should also lead to better financial reporting to Parliament” (C&AG, 1995). Conversely it has been demonstrated that democratic accountability has suffered because the accounting system is incapable of answering simple questions raised by MP’s in Parliament about the cost of the TA and TAMS with the explanation offered being that the accounting system is incapable of providing it, and that it would be too expensive to do otherwise.

Prima facie the TA provides economically value for money (VFM) that the RAB seeks to deliver because it is substantially cheaper than employing regular forces. This official interpretation of VFM has been viewed differently by some TAMS members who have argued, “that skilled reservists have long been hired on the cheap ... the MoD gets expert medical and nursing personnel through the TA, but much cheaper than regular recruits... over the years the TA has been relied upon more and more. The Army medical services cannot exist without us” (Nursing Standard, 2004b, p.6). As the levels of the TA and TAMS have declined this appears to have become a diminishing resource asset, which is creating relationship friction with the NHS (Recognising the Opportunity, 2007, p.14), and that “The financial situation for NHS Trusts supplying a significant number of Reserves may become more of an issue in the increasingly tight budgetary environment of the coming years. It can be expensive for a trust to employ a locum to replace a Reserve, and on occasion it can be difficult to obtain a replacement at all, given the current demand for medical personnel in the NHS” (C&AG 2006, p.61).

This paper has argued through the attempted examination of one uncontroversial item of Army expenditure that plain and straightforward answers cannot be readily answered by the RAB. The RAB MoD accounts have become far more technical and less accessible than before and the danger is that their understanding is confined to a small and knowledgeable élite with access to technical expertise diminishing a wider democratic accountability. The Accounting Standards Board (ASB) defined the objectives of public sector financial statements to provide:

“Information about the reporting entity’s financial performance and financial position that is useful to [users] evaluating the proper and efficient use of the entity’s resources and in assessing the entity’s future cash needs and its financial adaptability. It also recognises that for some stakeholders the financial statements provide a means to assess the adequacy of stewardship exercised by the entity’s management and not always to make economic decisions”
(ASB, 2003, p.26).

This does not necessarily mean that commercial style accounting for government is the solution, because “Anglo-Saxon commercial accounting involving accruals-based annual financial statements is [not] necessary for accountability, control and decision-making relating to government” (Nobes, 1988, cited in Wynne A, 2003). As Wynne has further argued,

“Perhaps an alternative approach should be adopted. If the range of financial statements published by many governments over the last 150 years are not considered to be adequate, then an approach should be developed which correctly identifies to whom governments should be accountable and what their financial information needs are. We should recognise that the aims and objectives of public sector organisations are fundamentally different from those of private sector companies. Consequently their financial statements are also likely to be fundamentally different.
(Wynne, 2003, p.18)

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