



# DSA

*Disposal Services Agency*



**2005-2006**

ANNUAL REPORT  
& ACCOUNTS

**Smart**  
Disposal



Certificate No: LR01 4001662



INVESTOR IN PEOPLE

Government-to-Government Sales | Asset Realisation | Inventory Disposal |  
Site Clearances | Repayment Sales | Waste Management | Consultancy & Valuations



## What is the Disposal Services Agency?

The Disposal Services Agency (DSA) is the sole authority for the disposal process of all surplus defence equipment, with the exception of nuclear, land and buildings. The Agency targets potential markets particularly in developing countries in a pro-active manner; to enable them to procure formally used British defence equipment instead of equipment from other countries.

The principal activity of the Agency is the provision of disposal and sales services to MoD and other parts of the public sector. These services include Government-to-Government Sales, Asset Realisation, Inventory Disposal, Site Clearances, Repayment Sales, Waste Management and Consultancy and Valuations.

### DSA's Aim:

To secure the best financial return from the sale of surplus equipment and stores; to minimise the cost of sales and to operate as an intelligent contracting organisation with various agreements with British Industry and Commerce.

### DSA's Mission:

To provide Defence and other users with an agreed, effective and efficient disposals and sales service in order to support UK Defence capability.

### DSA's Vision:

To be the best government Disposals organisation in the world.



A Defence Agency of the Ministry of Defence

Annual Report and Accounts 2005-2006



Presented to the House of Commons pursuant to section  
7 of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 20 July 2006  
HC 1349 London: The Stationery Office £15.00



# Contents

|  |    |
|--|----|
| Statement by the Chief Executive                                 | 3  |
| Management Report  | 4  |
| The Agency, its Strategy and Roles                               | 8  |
| The DSA Organisation   | 9  |
| A Year in the Life of the DSA                                    | 10 |
| Capital Equipment Sales  | 11 |
| Customer Satisfaction  | 13 |
| Marketing Agreements   | 14 |
| Overseas Sales   | 16 |
| Disposal of Hazardous and Special Waste                          | 17 |
| Information Systems  | 18 |
| Corporate Services   | 19 |
| Parliamentary Business and Enquires from the Public              | 20 |
| Key Targets  | 21 |
| Future Events  | 23 |
| Remuneration Report  | 24 |
| Statement of the Agency's and Chief Executive's Responsibilities | 28 |
| Statement of Internal Control                                    | 29 |
| Certificate and Report of the Comptroller and Auditor General    | 32 |
| 2005-2006 Statement of Accounts                                  | 34 |
| DSA i  | 45 |

# Statement by the Chief Executive

## Disposal Services Agency for 2005-2006 Annual Report and Accounts



I was pleased to be appointed as the Agency's Chief Executive in November last year and to continue the successful work of my predecessor. I am the Agency's first Chief Executive appointed from outside the MoD and I am sure that my previous international experience in a broad range of commercial and industry markets, and in particular, the marine, ship management and telecommunications sectors, will help the Agency with the challenges ahead.

2005-2006 has been another successful year, the first full twelve months under new ownership, within the Defence Logistics Organisation (DLO) family. The new relationship is developing well and I, my fellow Directors and Agency staff are now part of a much larger organisation which is fully integrated in the DLO Business Model and under which the DSA will enhance Through Life Management and Smart Disposal for the Ministry's capital equipment programmes.

The major marketing and sales achievement in year was the signing of an agreement with the Chilean Navy for the sale of three ex - RN Type 23 frigates and the Letter of Intent signed with Estonia for three Sandown class vessels. We continue to work closely with the Defence Export Services Organisation (DESO) to market ex-MoD capital assets. Together with other day - to- day disposal sales business and repayment services, we were all pleased that the Agency's overall customer satisfaction level once again compared very favourably with the Public Sector Benchmarking Report, that included other central and local authorities.

At the earlier part of last year, the Agency re-launched its disposals website, which is likened to an eBay version for surplus public sector equipment and material. This together with a number of " DSA Road Shows" throughout the UK, the Guardian and Mail on Sunday articles on the Agency's activities, all engendered considerable interest in the DSA's disposal services both at home and abroad.

In 2006, the Agency was re-assessed by Lloyd's Register Quality Assurance (LRQA) against the ISO 9001:2000 assessment criteria and I am pleased to say that the DSA remains compliant.

During the eight months in post to date, I have focused my attention and those of my Directors on the future size, shape and direction for the Agency over the forthcoming years. Together, the staff and I look forward to meeting the challenges ahead. I am fully appreciative of the support and enthusiasm of all concerned.

A handwritten signature in black ink that reads "John Simkins". The signature is written in a cursive, flowing style.

John Simkins  
Chief Executive.  
Disposal Services Agency  
July 2006.



# Management Report

## Introduction

The Accounts, which report the Disposal Services Agency's eleventh year as an executive agency of the Ministry of Defence (MoD), have been prepared in accordance with a Direction dated 16 February 2005 given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

## History

There has been and will continue to be a need for the disposal of large volumes of surplus equipment, stores and spares on behalf of the Armed Forces, the MoD and Other Government Departments (OGDs).

A study commissioned by the then Chief of Defence Procurement (CDP) recommended that the fragmented arrangements within MoD for disposing of surplus equipment should be brought together. In April 1990 the Directorate of Sales (Disposals) was formed within the Defence Export Services Organisation (DESO).

Following a report on DESO, it was agreed to accelerate consideration of agency status for the Directorate and the Disposal Sales Agency (DSA) was established as a defence agency on 1 October 1994.

In November 2000, the quinquennial review process resulted in a renewal of the renamed Disposal Services Agency's status as an agency.

Following a recommendation by the 2004 End-to-End Disposals Review, the Agency changed its Ownership from DESO to Defence Logistics Organisation (DLO) with effect from 1 April 2005. It also merged on that date with the Head of Specialisation (Disposal and Sales) (HoS) organisation within DLO.

The merger with the HoS, a relatively small cost centre within the Supply Chain organisation of DLO, increased the number of staff in the new DSA from some 72 to 120, with target operating costs of £7.5M. In addition to its offices in London, Rosyth and Germany, DSA now extends over three more offices based at Bath, Wyton and Andover. The Disposal Services Agency retains its agency status post-merger.

## Principal aims and activities

The principal aims of the DSA are to:

- secure the best financial return to the Ministry of Defence from the sale of surplus equipment and stores;
- minimise the cost of holdings by securing savings in the storage of surplus items; and
- operate as an intelligent contracting organisation conducting Government-to-Government sales to overseas customers and placing contracts for disposal services, including commercial storage and regional marketing agreements, with British companies.

The principal activities of the DSA are:

**Asset Realisation** – A comprehensive collection and preparation for resale (as and if required) of surplus fixed assets. It covers capitalised items that are depreciated over a lifetime's use, and provides for their safe and certain removal.

**Inventory Disposal** – A complete collection-for-disposal service for all non-capital surpluses.

**Site Clearances** – A bespoke clearance service for projects of all sizes and complexities, covering everything from office floors to complete office blocks, factory units to whole industrial complexes and residential and commercial premises to entire estates. A dedicated team provides full support throughout each project and works with the chosen contractor(s) to ensure the effective and timely release of the surplus asset.

**Waste Management** – A UK-wide waste management service that complements the DSA's disposal activities. As well as providing a full-service metals, oils and chemicals facility, the Agency also works with licensed waste management specialists to provide a collection-for-disposal facility for all kinds of special (i.e. hazardous) wastes and for the recycling of fluorescent tubes and street lamps of all kinds.

**Consultancy and Valuations** – A professional advisory service for all disposal issues. The DSA uniquely offers a comprehensive consultancy and valuation service in

all aspects of disposal management. It works alongside its clients to position disposals as an integral part of the total logistics chain. Its specialist teams provide everything from individual waste audits to full partnership-like associations, identifying ways to control and reduce costs and optimise revenues.

Repayment – A new activity for the merged DSA is that of repayment sales. This involves sale of both excess and pre-ordered stock of Air and Sea Inventory plus provision of repair services to OGDs, former MoD organisations, defence manufacturers, stockists and other governments.

DSA is managed by its Chief Executive. He is directly accountable to the Ministry of Defence Accounting Officer for the propriety and regularity of the Agency's conduct.

## Financial performance

The comparison of financial performance between 2005-2006 and 2004-2005 is undertaken against the re-stated 2004-2005 balances that include the newly merged DSA and HoS. The gross operating costs for the year were £17.221M an increase of 72.5% from 2004-2005. This was due to an amount of £5.399M relating to outstanding payments due to a contractor for the period 1996 to 2003 – and was for disposal activity conducted direct by the MoD. Operating Income for the year was £2.679M - an increase of £1.391M (108%). This was due to increased trading activity with non-MoD organisations.

Expenditure for the Agency (excluding non-cash and notional costs) was £14.885M an increase of £6.81M (84%) compared with 2004-2005 and was, again, due to the outstanding payments mentioned above. Capital Expenditure was £0.027M and related to the purchase of additional IT equipment (mainly PCs) and enhancements to the Agency's e-dart system. This was a decrease of £0.031M below that of 2004-2005.

Staff costs increased by £0.723M (19%) as a direct consequence of increased average staff numbers (122 from 115.5).

Debtors at year end of £0.434M compares with £0.241M in the previous year. This essentially mirrors an increase in trading activity and a higher stated operating income. Creditor and Accrual balances were up by £3.781M compared with 2004-2005, largely because of the outstanding payments due to a contractor.

In common with Government Departments, the future financing of DSA's liabilities is to be met by future grants of supply to the MoD to be approved by Parliament. Approval for amounts required for 2006-2007 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

The Agency's accounts for 2005-2006 are reproduced at pages 34 to 44.

## Business review

2005-2006 has been another successful year for DSA. It met all but one of its five Ministerial targets. It met or exceeded all but one of the performance standards with its principal customer, the Defence Logistics Organisation (DLO). The independently conducted Customer Satisfaction survey recorded a customer satisfaction rate of 92%. Amongst the larger fixed assets, DSA initiated the sales agreement of three type 23 Frigates (HMS Norfolk, HMS Marlborough and HMS Grafton) to Chile. The edisposals website was developed further during the year.

## Owner's Advisory Board

The Secretary of State for Defence delegated ownership responsibilities during 2005-2006 to DLO DG Log (Supply Chain). The Owner is responsible for monitoring the strategic direction of the Agency, and for setting realistic but demanding targets. The Owner sets the tasks to be carried out and allocates the resources to be deployed on those tasks.



The Owner is assisted by his Advisory Board, whose members during 2005-2006 were:

Major General M Wood CBE  
Director General Logistics (Supply Chain) - Owner

Mr AJS Taylor  
Chief Executive – DSA (to 8 July 2005)

Mr J Simkins  
Chief Executive – DSA ( from 28 November 2005 )

Miss J Smith  
Commercial Adviser/Non-Executive Director – DSA

Air Vice-Marshal G MacKay  
Senior Military Adviser, DESO

Mr D Richardson  
Defence Export Services Organisation

Commodore I Bisson  
DRP Centre-2, Maritime 2

The salaries and expenses of the Owner and the Ministry of Defence members are borne by the MoD; the Commercial Adviser's expenses are shown in the Remuneration Report.

The Advisory Board met three times during the year.

### DSA Management Board

The Chief Executive is responsible for the conduct and efficiency of the Agency's business. DSA's strategic direction is agreed and monitored by the Agency's Management Board whose members during 2005-2006 were:

Mr AJS Taylor  
Chief Executive  
(to 8 July 2005)

Mr J Simkins  
Chief Executive  
(from 28 November 2005)

Mr C MacPhee  
Acting Chief Executive  
(from 9 July 2005 to 27 November 2005)  
Deputy Chief Executive  
(from 28 November 2005)

Miss J Smith  
Commercial Adviser/Non-Executive Director

Colonel M Frostick  
Director Al Hussein Project  
(to 30 September 2005)

Captain G Moodie  
Director Capital Sales  
(to 30 September 2005)

Captain D Durston  
Director Capital Sales  
(from 1 October 2005)

Mr T Brock  
Director Finance & Corporate Services  
(to 17 April 2005)

Mr P Taylor  
Director Finance & Corporate Services  
(from 1 August 2005)

Mr D Falgate  
Director Customer Services  
(to 4 September 2005)

Mr P Kenny  
Director Customer Services  
(from 5 September 2005)

Mr R Norris  
Director of Operations

Mr L Taylor  
Director Information Systems

Mr J Hancock  
Director Delivery  
(to 30 September 2005)

Mrs M Southey  
Director Commercial  
(from 11 July 2005)

## Employment policies

The Agency's employment strategy is to employ and promote staff on the basis of individual merit in a non-discriminatory manner. The Agency's policy encompasses the Ministry of Defence's Equal Opportunities Policy which seeks to ensure that the proportion of disabled staff and staff from ethnic minorities reflect the numbers in the community as a whole.

## Staff involvement, development and training

The Agency has been keen to keep staff up-to-date with the development of the business by arranging regular briefings, with information passed from the DLO and from the Agency Management Board, by the Chief Executive, posting minutes of Fortnightly Management meetings, Management Board and Owner's Advisory Board meetings and through an annual staff seminar. The Agency is fully committed to staff development and training. All new entrants to the Agency are welcomed through an induction process. In 2004-2005 DSA embarked on a programme of preparation for accreditation to the International Standard BS EN ISO 9001: 2000, achieving accreditation in March 2005. Accreditation was re-confirmed in March 2006.

## Creditor payment policy

The Agency's creditors are paid predominantly by the Defence Bills Agency (DBA). In 2005-2006, the DBA, as MoD's central bill payment authority, had a target of paying 99.9% of correctly-presented bills within 11 calendar days of receipt. Actual performance against this target was 99.98% and all payments were made within the contractually agreed period, or 30 days if not stated. It is an implied term of all contracts entered into by the Disposal Services Agency that payment terms will comply with the Department's stated payment policy.

## Environmental and conservation policy

The Agency is committed to comply with the letter and spirit of the Environmental Protection Act 1990 (which applies to all personnel, Service and Civilian) and with all subsequent amendments or additions to environmental legislation. Crown exemptions from legislation are only invoked where it is essential to maintain MoD operational effectiveness.

## Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with Section 7(3)(b) of the Government Resources and Accounts Act 2000. The auditors charged a notional fee of £90,000. This is analysed as follows:

|                                 |         |
|---------------------------------|---------|
| Audit Services .....            | £85,000 |
| Further Assurance Services..... | £5,000  |
| Total.....                      | £90,000 |

So far as I, as Accounting Officer of the Agency, am aware:

- There is no relevant audit information of which the Agency's auditors are unaware; and
- I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.



John Simkins  
Chief Executive  
July 2006



# The Agency, it's Strategy and Roles

## The Agency

The DSA is an executive agency of the Ministry of Defence (MoD). The DSA was established in 1993-1994, re-launched and re-named, the Disposal Services Agency in 2000. To the end of March 2006 the DSA had secured sales receipts of approximately £650M. In April 2005 the Head of Specialisation (Disposals & Sales) amalgamated with the DSA and re-launched as an integral part of the Defence Logistic Organisation (DLO). The DSA has established a reputation for deriving best value for UK interests in the disposal of surplus assets.

## Strategy

The DSA intends to continue in its role as the leading organisation in the UK for disposal services on behalf of the public sector. This will cover all saleable material that is surplus to requirements and will extend, where feasible, to hazardous waste (except nuclear waste). The Agency will seek to recycle equipment and material whenever possible, whilst contributing to disposal policies aimed at protecting and enhancing the environment.

## Roles

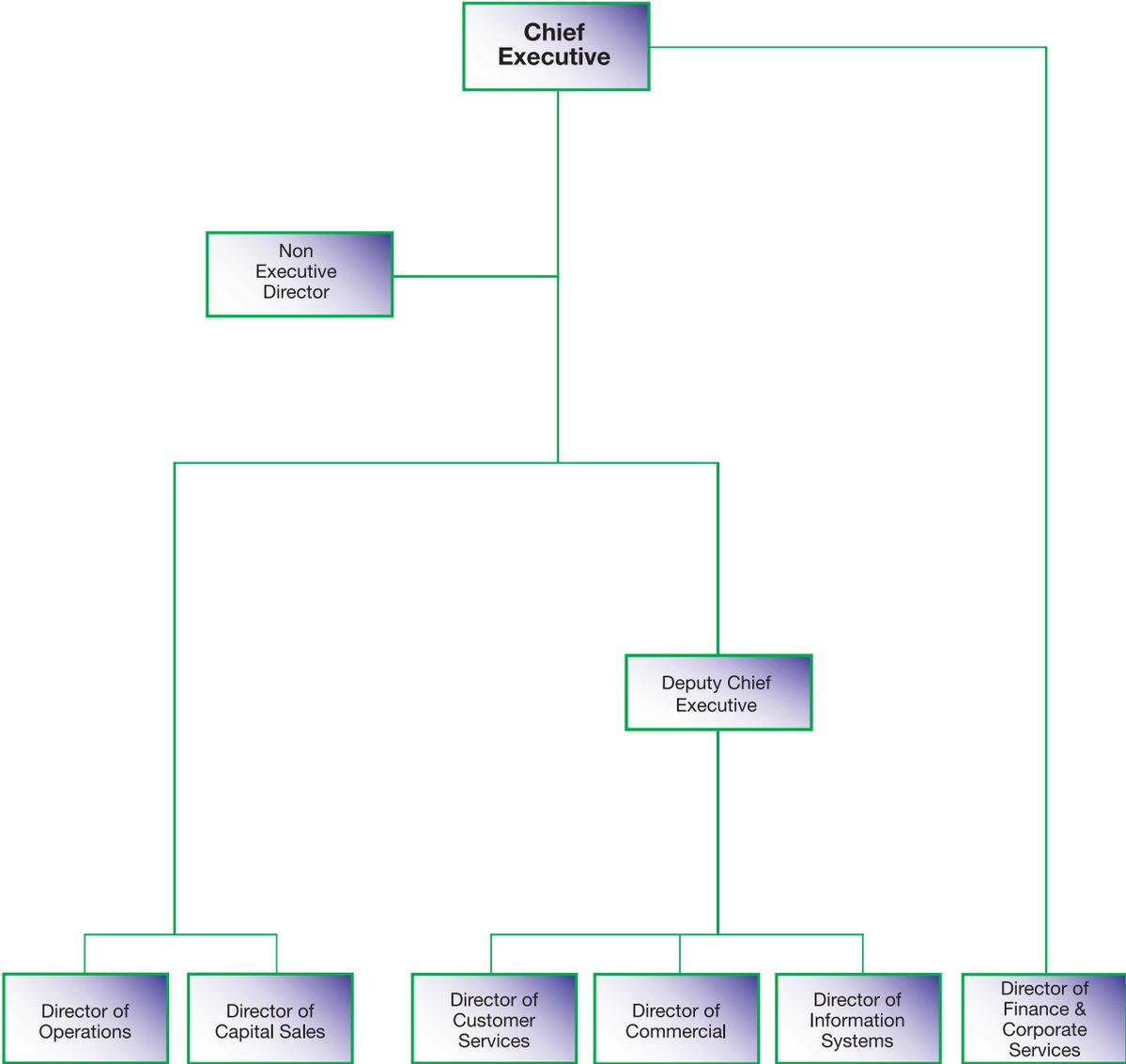
- To secure the best overall return to the taxpayer from the sale of publicly-owned major equipment and stockholding.
- To support Government policy by offering assistance, advice and disposal services to wider public sector customers comprising Other Government Departments (OGD's), agencies and local authorities, so they may benefit from the experience of the UK's largest seller of surplus public assets.

- To strive to find new areas of business so that wastage through duplication within the public sector is kept to an absolute minimum.
- To ensure that all its business is compliant with current legislation, especially in the increasingly important fields of Health & Safety and environmental law.
- To produce cohesive sales policy in order to increase the transparency of the Agency, so that its actions may be more clearly understood by its customers.



**The DSA also has a presence in Germany**

# The DSA Organisation





# A Year in the Life of the DSA

## April 2005

- DSA merged with Head of Specialisation (Disposals & Sales) to become an Agency within DLO

## May 2005

- edisposals.com re-launched

## June 2005

- DSA visited India to discuss sale of Sea Harrier
- DSA exhibited at Procurement Solutions for the Public Sector in London's Earls Court

## July 2005

- Chief Executive Sym Taylor retired

## August 2005

- Chilean Navy visited St George's Court, London and Portsmouth

## September 2005

- Type 23 Frigate contract signed with Chilean Government
- Defence Systems Equipment International (DSEI) Exhibition, EXCEL, London's Docklands
- DSA exhibited at the Authorities Buying Consortium (ABC)
  - 'Positive Practices in Procurement'

## October 2005

- SMART Disposal Seminar Roadshows in Glasgow, Coventry & Cardiff

## November 2005

- New Chief Executive Appointed
- Re-utilisation project meeting in Estonia

## December 2005

- SMART Disposal Seminar Roadshows in London, Peterborough & Newcastle

## January 2006

- The Money –Guardian produced an article making reference to edisposals.com increasing website hits and work for DSA's contractors

## February 2006

- MoDbay article in the Mail on Sunday attracted in excess of 1 million hits over 5 days on edisposals website.

## March 2006

- DSA in attendance at SOFEX Exhibition (Jordan)

# Capital Equipment Sales

## Ships

### Type 23 Frigates

Following a decision to reduce force structures, an agreement with the Chilean Government for the sale of three ex-Royal Navy Type 23 frigates, HMS Norfolk, HMS Grafton and HMS Marlborough, was signed on 7 September 2005 by Lord Drayson Minister for Defence Procurement and by the Chilean Minister of Defence Jaime Ravinet de la Fuente. BAE SYSTEMS, were awarded the prime contract to project manage the ships' reactivation work and training of the crews. Following a dockyard competition, Fleet Support Ltd at Portsmouth Naval Base won the ship reactivation work and crew training was awarded to Flagship Training Ltd.

Each Chilean crew will undergo an extensive shore and onboard training package and the first two ships will complete Basic Operational Sea Training (BOST) with Flag Officer Sea Training at Plymouth. All equipment and systems will undergo functional acceptance demonstrations and each ship will conduct a Seawolf missile firing to prove the combat systems.

Formal handover of the first ship will take place in September 2006. Handover of the final ship to the Chilean Navy is scheduled for February 2008.

A Chilean Navy project team will be based at Portsmouth Naval Base and will oversee the ship acceptance and crew training.

### Case Study

The global high regard for the United Kingdom Submarine Rescue System (UKSRS) should not be underestimated, and success in assisting in rescuing a trapped Russian mini-submarine crew (Priz) in August 2005 further amplifies its effectiveness and pedigree.

This highly acclaimed system is due to be replaced by a new system – the NATO Submarine Rescue System (NSRS) in mid 2007 and the DSA are currently completing negotiations for the sale of the complete UKSRS to James Fisher Defence Limited (JFD Ltd), the current MoD rescue capability providers.

A formal Letter of Intent was signed in July 2005, and since that time an aggressive marketing campaign has been underway with DSA and JFD Ltd working together with DESO to engage a host of foreign governments including Brazil, Israel, Turkey, Pakistan, Chile, South Africa, China, Korea, India, Spain, Canada, Malaysia, USA, Russia, Singapore and Poland;

various sub rescue exercises are planned throughout this year, numerous interested countries are invited to view these. This low-risk sale guarantees a good net return to the MoD regardless of any further sales contract. Should marketing be successful and JFD Ltd secure a 3rd Party contract with a foreign government/governments, the net return to the MoD will potentially more than double in value. Once DLO gives final approval, a sales agreement will be negotiated and signed, allowing JFD Ltd to engage customers with confidence.

### The Sussex Project

One of the more unusual roles of the DSA is to consider applications, and to licence exploration of, and recoveries from, MoD vessels and British Sovereign warships that have throughout history been wrecked or sunk at sea.

In 2002, the DSA negotiated a Licence Agreement relating to the warship SUSSEX, an 80-gun 'third rater', which sank in a severe storm off Gibraltar in 1694. Historical records suggest it may have been carrying a significant cargo of gold or silver coins. These were to have been used as a payment to the Duke of Savoy to continue to prosecute a war against the French. ODYSSEY Marine Exploration, a US company based in Tampa, Florida, had determined through a combination of original historical research and archaeological survey, that a wreck that they located in 2001 in the Western Mediterranean had the characteristics of the SUSSEX.

The DSA, supported by guidance from a pan Whitehall Steering Group, has throughout the year continued to take the lead in discussions with ODYSSEY over the implementation of their Project Plan. The Agency took the lead in setting up appropriate safeguards and control measures to ensure that any recoveries from the wreck will be conducted under recognised and accepted archaeological methodologies, extending to recording and preservation of artefacts and their eventual conservation, publication, exhibition and disposal.

The Project Plan received official approval in March 2005, and the pre-disturbance survey, which included the mapping and recording of all exposed archaeological features, was carried out in December 2005 and evidence is undergoing analysis to assist in corroborating the identity of the wreck site. The next phase will involve gathering archaeological evidence aimed at positive identification. As well as returning the potentially valuable cargo for the benefit of the taxpayer, it is envisaged that the work on the site will eventually provide educational and cultural material, aimed at benefiting future generations of researchers, interest groups and the general public, worldwide.



## Aircraft

### Sea Harrier

Sea Harrier was finally withdrawn from service at the end of March 2006 and was marked by a ceremony and flypast at Yeovilton to commemorate its 27 distinguished years in service, which included operations in the Falklands, Bosnia, Kosovo, Southern Iraq and Sierra Leone. The Sea Harrier draw-down programme began in April 2002 and was completed over five separate Tranches, with most aircraft being fed into a spares recovery programme as they were withdrawn, to support the remaining fleet, before final disposal.

Some of the final squadron (801 NAS) aircraft are to be retained by the UKMoD for 'Dummy-Deck' aircraft handling training at RNAS Culdrose, however, a few examples will remain in storage whilst the DSA explores its disposal options.

### T-56 Engines

The DSA continue to work closely with Sigma Aerospace, who currently operate the T56 Engine Commercial Marketing Agreement with the DSA, regarding the disposal of surplus engines to a number of overseas operators. It is hoped that the remaining engines from the initial batch that became available when the RAF replaced half of its C130K fleet with the 'J' variant, will be sold during the first half of FY 2006-2007.



## Other Sales

During the year the DSA have also negotiated the sale of a number of Private Treaty sales for miscellaneous equipment and with UK Industry, in support of their defence export activities. These sales have generated over £400K in receipts over the past twelve months.

## Armaments

During the past year the DSA has been working actively together with its main armaments contractors, MBDA, Thales Air Defence Limited and BAE Systems Electronics Limited, Underwater Systems Division to pursue large scale sales opportunities to both existing and new users.

The DSA and UK Industry benefit from these joint marketing which provide a good return to the UK MoD on equipment that is brought out-of-service and also give UK Industry the opportunity to offer associated refurbishment and support contracts on specific equipment when sold to the customer. The Rapier B1X ground-based air defence system, Sting Ray Mod 0 advanced lightweight torpedo, Starburst close air defence system and most recently Starstreak, very short range air defence system, are ideally suited to this arrangement.

Following the success of the DSA's marketing contractors attendance at Defence Systems Equipment International (DSEI) exhibition September 2005 and as a new approach to overseas exhibitions, the two Land equipment marketing contractors, Withams Specialist Vehicles and Field Textiles attended the Special Operations Forces (SOFEX) Exhibition and Conference 2006. This co-ordinated approach proved to be extremely successful in helping to promote the DSA and its contractors' wider product ranges and improve the Agency's visibility in areas where links had been particularly weak previously. Their participation was extremely beneficial with both contractors receiving keen interest from a number of potential customers. A prime example of this is Withams sale of one Saxon, six armoured cars, two Land Rover Discoverys and one Range Rover to a major US security company. Withams also managed to form a working relationship with a Middle Eastern company to promote their products, all of this a direct result from attending SOFEX. This innovative approach to raising the DSA's profile has helped form the basis of future exhibitions with the Agency's contractors expressing keen interest in further participation at all events.

# Customer Satisfaction

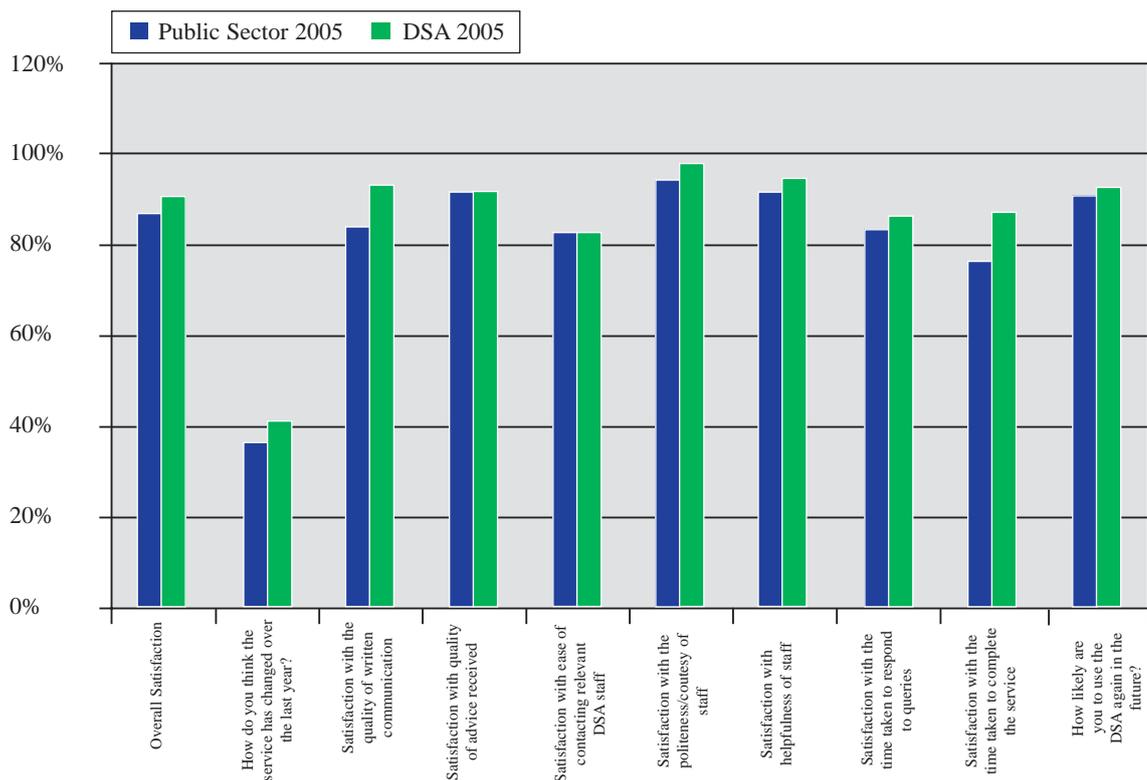
## Customer Satisfaction Survey

During the 2005 customer satisfaction survey, ORC International interviewed 350 customers, divided between 304 MoD Policy and Holding Unit customers and 46 non-MoD customers. Key findings from the survey showed that the DSA continued to maintain a high level of customer satisfaction. The results can be summarised as follows:

- **The overall satisfaction rate with the DSA remains high at 92%.** This figure is directly in line with the 2005 ORC International Public Sector Benchmark for government departments and agencies.
- MoD holding unit customers were the most satisfied across the board with the Agency and its appointed contractors' performance.

The table below compares the results of the DSA and Public Sector survey in 2005.

|  | Public Sector 2005 | DSA 2005 |
|--|--------------------|----------|
| Overall Satisfaction   | 88%                | 92%      |
| How do you think the service has changed over the last year? | 36%                | 41%      |
| Satisfaction with the quality of written communication       | 84%                | 93%      |
| Satisfaction with quality of advice received                 | 91%                | 91%      |
| Satisfaction with ease of contacting relevant DSA staff      | 84%                | 84%      |
| Satisfaction with the politeness/courtesy of staff           | 93%                | 98%      |
| Satisfaction with helpfulness of staff                       | 91%                | 95%      |
| Satisfaction with the time taken to respond to queries       | 84%                | 86%      |
| Satisfaction with the time taken to complete the service     | 75%                | 87%      |
| How likely are you to use the DSA again in the future?       | 91%                | 93%      |





# Marketing Agreements

The Agency has established a number of Marketing Agreements covering specialist commodity ranges in the field of IT equipment, clothing and textiles, naval, aircraft and motor transport spares, household and office equipment.

The Agency's contractors' performance is critical to DSA's success as a service provider. During 2005-2006 over 8,000 individual declarations of surplus material being collected on time provide testament to the quality of DSA's Industry partners and the processes the Agency has established to cope with this large volume of activity. This figure builds on the success of 2004-2005 and represents a 10% increase over the period.

At this time the Agency is in the process of reviewing future requirements and arrangements, which will take full advantage of advances made by Industry in disposing of surplus material, particularly in regard to Environmental Agency Hazardous Waste Regulations introduced during July 2005.

## Vehicle Sales

Witham Specialist Vehicles continues to be the MoD's primary route for the disposal of surplus vehicles on the UK mainland, with Wilsons selling via auction in Northern Ireland.

The DSA has continued with the disposal of the Green Goddess fleet, on behalf of the Office of the Deputy Prime Minister (ODPM), and together with Witham has taken charge of some 1,000 vehicles. The sale of these vehicles is providing an excellent return and attracting some novel ideas for further use.

Another major disposal of note involved the disposal by sale, of three Eagle Six Fire Tenders on behalf of QinetiQ, achieving a gross return of £450,000.

## IT Equipment

The Agency contractors, Silver Lining and Recommit Ltd, have once again had an extremely productive year,

with nearly 1,100 taskings undertaken between them. This volume of work is due to increase considerably as the MoD's Defence Information Infrastructure (DII) project commences rollout during 2006. The Agency, together with Defence Communication Services Agency (DCSA) DII, and their prime contractor, ATLAS, have reviewed the optimum disposal processes to be followed.

A major disposal task undertaken this year, was the collection of 1,253 items (approx. 90 pallets), across three buildings, for the Home Office in Croydon. A further major disposal was for DSTL, covering five sites and almost 400 pallets of surplus IT.

## Clothing and Textiles

Field Textiles, has again maintained their excellent reputation by collecting 100% of items either on time or ahead of schedule. 2006 has seen the introduction of a new website from Field as well as the opening of their fourth retail outlet.

## Medical and Dental

The disposal of surplus Medical and Dental equipment has been undertaken, since August 2005, by Field Textiles, Field have given the same excellent level of service as with their Clothing contract and they have produced some £91,000 in gross sales in just six months of trading.

## Furniture

The DSA has three contractors, PAL, AZCOM and Donelan Trading. Between them they have undertaken nearly 600 taskings, with 96% of these being collected on time.

## Naval, Aircraft and Armoured Vehicle Spares

Since going live in August 2003, this marketing agreement has seen continued improvement in collection and disposal of equipment, with a better balance being found between internet/web sales and the more traditional market, as well as increased direct to end-user sales, particularly foreign navies.

## Equipment from Surplus RN Ships

The DSA, in conjunction with its contractors, Liquidity Services Limited and Leafield Logistic & Technical Services, has revised and improved the process for removing equipment from surplus RN ships prior to their disposal. This has so far proved useful in realising an improved return for equipment from the three decommissioned Type 42 frigates, HMS Glasgow, HMS Newcastle and HMS Cardiff.

## Aircraft

The public interest in the sale of surplus MoD aircraft via tender remains high and this has been complemented by the advertising campaign undertaken in the commercial publication 'FlyPast'. The DSA now has 150 registered parties on its Invitation to Tender list, who regularly receive details of electronic tenders, conducted using the Agency's edisposals website. In addition to the more traditional tender sales of surplus aircraft into the commercial market-place, the Agency carried out a successful trial of sale of aircraft through its contractor LSI, raising in excess of £30,000 for Bulldog aircraft, with sales on other aircraft almost complete.

## Other Government Departments (OGDs)

The Agency has been successful in its use of partnership-like working and innovation to improve the quality and responsiveness of its services.

End-of-life and disposal are areas often neglected in procurement plans and DSA can make its experience and expertise available to public sector organisations.

The Agency has a unique opportunity, to attract interest and to invest outside the MoD. In offering disposal services across the wider public sector, the DSA is able to allow larger and smaller public organisations and agencies to benefit from the economies of scale and consequential increased return or improved unit costs associated with surplus sales. This is achieved by pooling non-MoD customer surpluses with the wider range of larger quantities released by the MoD. By increasing volumes of material for sale from the supply side into the market place, the DSA seeks to maintain optimum levels of receipts through incentivised contracts, with benefits for MoD and a low cost service to all other organisations who use the Agency's commercial arrangements.



# Overseas Sales

Over the past twelve months Customer Services (CS) has been involved in overseas disposals in operational and non-operational locations. The DSA is increasingly becoming involved with disposals in Iraq and Afghanistan. The DSA is also actively involved with non-operational disposals from wherever the MoD has a presence.

## Iraq

DSA has now completed the valuations for gifting/disposal out of Shiba Log base (SLB). All details are now with PJHQ awaiting final decision. It has been agreed that DSA will be present in SLB to assist in all disposal matters.

## Germany

With the largest overseas MoD presence, Germany provides the majority of overseas disposal receipts to the DSA. DSA(G) operates contracts through Vebeg GmbH providing a financial return on a wide variety of surplus stores including the following:

- Vehicle sales every four months
- Scrap vehicle batteries
- Scrap metal
- Surplus unserviceable vehicle tyres

## Cyprus

The DSA continues to provide a disposal service to the Sovereign Base Area in Cyprus and has facilitated two auctions on the Island over the last twelve months. The DSA has been actively involved in ensuring that the strictest EU standards and controls are in place for disposal of hazardous material.

## Defence Attaches

DSA is now giving presentations to all Defence Attaches prior to them taking up their posts, providing an efficient disposal service to all embassies worldwide. DSA are now receiving taskings from various embassies around the world.



# Disposal of Hazardous and Special Waste

## DSA Waste/Recycling Contracts

During the year the Waste Industry was faced with major changes in legislation. New Hazardous Waste Regulations were brought into effect in England and Wales on 16 July 2005 which involved producers having to register their sites with the Environment Agency. In addition, many items previously designated as non-hazardous waste were now classified as hazardous, including broken T.V's and fluorescent tubes. The DSA offered a registration service to its customers to facilitate the move to the new system, which proved popular with both MoD and non-MoD customers alike.

This year's Key Target 4 was to develop a benchmark to enable the measurement, for environmental re-use and recovery, of MoD surplus material through the Agency. This will now, as from 2006-2007, measure the success of the MoD in its environmental targets with regard to disposal of all surplus material.

The current call-off contract with Veolia, is continuing to prove successful. The value of business conducted

over the last year exceeded £2M. Over 560 individual declarations were received, covering all manner of hazardous waste, including over 5,000 chemical agent monitors, 60 tonnes of contaminated earth from a farmer's field in Yeovilton, together with paints, PCB's and a wide range of toxins and chemicals.

## Oils, Rubber and Batteries

There have been over six million litres of waste oils/fuels recycled and just over 400 tonnes of rubber and over 100 tonnes of lead acid batteries disposed of during the past year.

## Scrap Metal

DSA have two scrap metal contractors and one stock and specialist metal contractor, who between them successfully dealt with over 2,000 collections from all around the UK, including over 50 aircraft and tanks in addition to the routine skip exchanges. This valuable and efficient service has provided a substantial financial return to the MoD and its public sector customers.





# Information Systems

## edisposals: Growing the Business

### edisposals vs. eBay:

On 1st May 2005 edisposals.com "went consumer" as a totally new look and feel was successfully launched. The new look caused the Mail on Sunday (19th February 2006) to call the site "MoD BaY" obviously drawing a positive comparison with eBay. With the new version came a number of additional features which will be rolled out during 2006-2007 providing opportunity to increase sales revenue and continue to exploit the benefits of the website application.

### Business Process Maps:

The amalgamation of Head of Specialisation (Disposal and Sales) with the DSA has resulted in significant effort to update and create process maps to reflect the enlarged Agency. This work had added impetus in order to prepare the Agency for its re-accreditation with LRQA at the end of March 2006.

### "Back Office" System:

eDart is the 'Back Office' System to handle the declaration of all surplus stores (including waste) from Agency customers through to the DSA's Contractor organisations and their subsequent sale or environmentally friendly disposal. While this system, eDart, continues to handle the declaration of all surplus material (including waste) from the Customer through to the DSA's Contractor organisation, it was decided to enhance the system in order to provide opportunity for further efficiency within the Agency. The re-development has taken longer than was originally planned and is now scheduled for release in the autumn of 2006. None the less the existing system is successfully handling the increased volume (10% up on 2004-2005) of business. Enhanced statistical reporting from the eDart database was implemented in January 2006 and this will form the basis for the new reporting when eDart2 is implemented during 2006-2007. The take up of the electronic declaration facility within the various MoD units is being developed while for non-MoD Customers it is presented as THE way to do business. The use of electronic declarations

is a key factor in the Agency being able to process the increase in declarations. (This growth is currently in excess of 10% year-on-year).

### edisposals:

edisposals is the DSA's website which allows the Agency's Contractor Organisations to advertise and sell surplus equipment. Customers can also declare their surplus stores through the web based declaration form. As mentioned above, a completely revamped look and feel for the website was launched in the summer of 2005 and this has been well received by users and contractors alike. The increase in items available for sale, along with the more consumer style of the site have clearly been factors in increasing the positive "hits" on the website. In January 2006 the Money Guardian carried an article with reference to the website and this clearly increased interest in the website. Then in February 2006 The Mail on Sunday carried a full-page colour article on the sale of HMS Sir Percival and MoD Bay. The article was exceptionally positive towards the DSA and the [www.edisposals.com](http://www.edisposals.com) website and resulted in the hits on the website topping 1.3 million over a 3 day period. This has also led to over 400 new registered users for the site and augurs well for the next release in the summer which enables Credit Card and Auction sales direct from the website. The increase in web traffic has also resulted in increased activity at the DSA's Contractor websites and an increase in the level of their day-to-day business. The success of the site has also been recognised internally with continued accreditation by Defence Security Standards Organisation (DSSO), and recognition by DSSO of the quality of the security measures implemented on the website.

The DSA is now a regular exhibitor at the Office of Government Commerce (OGC's), EXPO and DCSA's annual exhibitions in London and Cardiff respectively. The Website is attracting positive press coverage including the Guardian, Mail on Sunday and Time Online. The websites availability continues at 97%, generating more business and revenue for both the DSA and its contractors. Further developments in marketing of the Agency and the Website are planned including a new promotional video.

# Corporate Services

## Continuous Improvement

The DSA, as part of its Continuous Improvement Programme, continually looks at ways of improving the performance of the organisation and undertakes a six monthly staff satisfaction survey. Results are discussed by the DSA's Continuous Improvement Team, consisting of staff from each of its Directorates, and recommendations that will further improve the Agency's performance are forwarded to the Agency's Management Board and incorporated into an action plan where progress is monitored.

## European Foundation for Quality Management

The European Foundation for Quality Management (EFQM) is a framework, which can be used to help an organisation to assess its performance, both in terms of its results and the processing used to achieve them.

The DSA is continuing to use this model and will be undertaking a self-assessment involving staff from its four sites.

## Investors in People

The Agency was IiP accredited whilst part of the DESO organisation pre-April 2005. It will be included in the Department's re-accreditation exercise at the end of 2006 as part of the DLO.

## Training

Staff development continues to be encouraged by the Agency's senior management. During the past year, staff have attended a wide range of training activities identified through the annual Performance Review process. Staff have also attended various courses including Environmental Policy leading to certification, that has ensured current changes in legislation are adhered to, and commodity management training to improve further existing relationships and services provided to customers.

In recognition of the Agency's commitment to ISO 9001:2000 additional staff were trained as internal auditors. This ensures best business practice is continued within the Agency.



# Parliamentary Business and Enquires from the Public

| Subject                   | PQs (MPs) | MC | FOI | Enquires from Public |
|---------------------------|-----------|----|-----|----------------------|
| Purchase of MoD Equipment | 1         | 3  |     | 222                  |
| Donation of MoD Equipment |           | 4  |     | 29                   |
| Facts & Figures on Sales  | 7         |    | 32  | 90                   |
| Policy Issues             | 8         | 7  | 10  | 74                   |
| Miscellaneous             | 8         | 4  |     |                      |
| Total                     | 24        | 18 | 42  | 415                  |

| Member of Parliament  | Constituency                        |   |
|-----------------------|-------------------------------------|---|
| Michael Hancock       | Portsmouth South                    | 2 |
| Dr Julian Lewis       | New Forest East                     | 3 |
| Andrew Turner         | Isle of Wight                       | 1 |
| Ann Winterton         | Congleton                           | 2 |
| Mark Fisher           | Stoke-on-Trent Central              | 1 |
| Nick Brown            | Newcastle-upon-Tyne East & Wallsend | 1 |
| Lindsay Hoyle         | Chorley                             | 1 |
| David Heathcote-Amory | Wells                               | 7 |
| Jonathan Djanogly     | Huntingdon                          | 2 |
| Tim Loughton          | Worthing East & Shoreham            | 1 |
| Gerald Howarth        | Aldershot                           | 1 |
| Robert Key            | Salisbury                           | 1 |
| Lord Hanningfield     |                                     | 1 |

Note:

- PQ - Parliamentary Question
- MC - Ministerial Correspondence
- FOI- Freedom of Information

# Key Targets

Key Targets (KTs) are the measure of the services provided by DSA to its customers and the means by which the Chief Executive is accountable to the Agency Owner and Ministers. The Agency KT's are agreed annually with the Owner and Minister (Defence Procurement) and are subsequently announced in Parliament.

They are intended to be long-term measures wherever possible allowing comparisons of performance over time. The KT's for 2006-2007 reflect the requirements of the Agency's Customers, Consumers and Owner.

The Key Targets are SMART:

- Specific
- Measurable
- Achievable (but stretching)
- Relevant
- Timely

| Key Ministerial Targets   |         | Targets, Outturns and Achievements |           |              | Targets for |
|---|---------|------------------------------------|-----------|--------------|-------------|
|   |         | 2003-2004                          | 2004-2005 | 2005-2006    | 2006-2007   |
| <b>Output</b>   |         |                                    |           |              |             |
| To achieve a disposal sales gross cash receipt from the sales of surplus Government-owned equipment and stores  | Target  | £20M                               | £20M      |              |             |
|   | Outturn | £22M                               | £22M      |              |             |
| To achieve a disposal sales income of £50 million from sales of surplus government-owned equipment and repayment business within an agency net operating cost of £7.5 million | Target  |                                    |           | £50M/£7.5M   |             |
|   | Outturn |                                    |           | £58.4M/£6.8M |             |
| To achieve a disposal sales gross income of £63 million from sales of surplus Government-owned equipment and repayment business   | Target  |                                    |           |              | £63M        |
|   | Outturn |                                    |           |              |             |
| <b>Efficiency</b>   |         |                                    |           |              |             |
| To secure target sales per person employed for commercial sales activities  | Target  | £360K                              | £365K     | £370K        |             |
|   | Outturn | £364K                              | £379K     | £457K        |             |
| To keep within an Agency administrative cost of £6M for Financial Year 2006-2007  | Target  |                                    |           |              | £6M         |
|   | Outturn |                                    |           |              |             |



| Key Ministerial Targets   |         | Targets, Outturns and Achievements |   |                       | Targets for |
|---|---------|------------------------------------|---|-----------------------|-------------|
|   |         | 2003-2004                          | 2004-2005   | 2005-2006             | 2006-2007   |
| <b>Quality</b>  |         |                                    |   |                       |             |
| To meet the key performance standards agreed with DSA's customers and specified Internal Business Agreements and in Customer Supplier Agreements with other public bodies   | Target  | 100%                               | 100%  | 100%                  | 100%        |
|   | Outturn | Achieved                           | Not fully achieved                                  | Not fully achieved    |             |
| To ensure that the Agency is at a standard, or above the standard of the Public Sector Benchmarking Report  | Target  | PSB 79%                            | 89% October 2004                                    |                       |             |
|   | Outturn | DSA 90%                            | 89% October 2004                                    |                       |             |
| To ensure that the Agency is at or above the standard of the public sector benchmarking Report for overall customer satisfaction. The Agency should maintain the level of customer satisfaction and improve the number of very satisfied customers. | Target  |                                    |   | 89% / 19%             | 90%/25%     |
|   | Outturn |                                    |   | 92% / 36%             |             |
| To develop a bench mark to enable the Agency to both measure and exceed HMG's target for environmental re-use and recovery for all MoD material through the DSA.  | Target  |                                    |   | Benchmark Development |             |
|   | Outturn |                                    |   | Achieved              |             |
| To demonstrate value recovery of surplus arisings handled by DSA through resale, recycling, composting or energy generation (or any other accepted method of landfill avoidance).   | Target  |                                    |   |                       | 70%         |
|   | Outturn |                                    |   |                       |             |
| <b>edisposal</b>  |         |                                    |   |                       |             |
| To develop an electronic exchange pilot programme for surplus IT equipment  | Target  |                                    | Spring 2004   |                       |             |
|   | Outturn |                                    | Achieved  |                       |             |
| To ensure the e-Trade Exchange is operational during 2004-2005 and to ensure that 30% of Agency contractors utilise the Exchange and use it.  | Target  |                                    | 30% of eligible contractors to use e-Trade Exchange |                       |             |
|   | Outturn |                                    | Achieved  |                       |             |

## Future Events

- Establish online auction and credit card sales by September 2006
- Complete disposals resulting from drawdown of Shaibah Log Base, Iraq by January 2007
- Complete disposals from Banja Luka Metal Factory resulting from theatre drawdown by March 2007
- Sign additional Internal Business Agreements (IBAs) with a number of MoD Customers by March 2007
- Restructure to deliver reduced civilian staff Manpower Control Totals as directed by DLO by April 2007
- Complete rollout of eDart IT system to IPTs by May 2007
- Complete disposals from DSDC Stafford by December 2007
- Establish one DSA franchise overseas by December 2007
- Complete disposals from DSDC Llangennech by July 2008
- Complete disposals from DSDC Longton by December 2009
- Agency to review and move staff from current locations to Bath or Bristol by March 2010

## Challenges and the Way Ahead

- Expand business with Other Government Departments, the Private Sector and National/International Organisations aimed of raising revenue
- Reduce and eliminate the net cash by the DSA to the DLO/MoD
- Develop a clear relationship with IPTs and DESO
- Exploit further the DSA's propriety electronic systems
- Provide fee-based consultancy services
- **TO BE THE DISPOSAL SOLUTION PROVIDER OF CHOICE WORLDWIDE**



# Remuneration Report

All details contained in this report have been subject to audit.

## SERVICE CONTRACTS

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Chief Executive, Mr John Simkins, was appointed in November 2005 following a full and fair open competition run in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment on merit. The appointment is for a period of three years with the possibility of extension beyond 2008 dependant upon satisfactory performance and mutual agreement. The other board members, apart from Miss J Smith, the Commercial Adviser/Non-Executive Director, hold substantive Civil Service contracts or are in the Armed Forces. Miss Smith was appointed in September 1999 through the Cabinet Office Public Appointments Unit. Her appointment was for a period of 4.75 years. Her contract was extended for a further three years in July 2004. Mr L Taylor became a Civil Servant from 1 July 2004 for a fixed term of one year. Following a board, Mr Taylor retained his post for a fixed term until 16 June 2009.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

## Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Agency's Management Board:

|   | Year                   | Salary incl<br>Performance<br>Pay £000 | Real increase<br>in pension<br>£000 | Accrued<br>pension at<br>31 March 2006<br>£000 | Lump Sum<br>at 31 March<br>2006<br>£000 | Real Increase<br>in Lump Sum<br>£000 | CETV at<br>31 March<br>2006<br>£000 | Real<br>increase<br>in CETV<br>£000 |
|---|------------------------|--|-------------------------------------|--|---|--------------------------------------|-------------------------------------|-------------------------------------|
| Mr S Taylor<br>Chief Executive<br>(to 8 July 2005)  | 2005-2006<br>2004-2005 | 20-25<br>70-75                         | 0-2.5<br>0-2.5                      | 5-7.5<br>0-5                                   | 15-17.5<br>10-15                        | 0-2.5<br>0-2.5                       | 93<br>88                            | 5<br>14                             |
| Mr J Simkins<br>Chief Executive<br>(from 28 Nov 05) | 2005-2006<br>2004-2005 | 25-30<br>N/A                           | < 2 Years<br>N/A                    | 0<br>N/A                                       | N/A-Premium<br>N/A                      | N/A-Premium<br>N/A                   | 7<br>N/A                            | 7<br>N/A                            |
| Mr C MacPhee<br>Deputy Chief<br>Executive           | 2005-2006<br>2004-2005 | 55-60<br>50-55                         | 0-2.5<br>0-2.5                      | 22.5-25<br>20-25                               | 67.5-70<br>60-65                        | 2.5-5<br>2.5-5                       | 360<br>319                          | 26<br>25                            |
| Mr R Norris<br>Director                             | 2005-2006<br>2004-2005 | 45-50<br>45-50                         | 0-2.5<br>0-2.5                      | 12.5-15<br>10-15                               | 40-42.5<br>35-40                        | 0-2.5<br>0-2.5                       | 170<br>152                          | 10<br>11                            |
| Mr L Taylor<br>Director                             | 2005-2006<br>2004-2005 | 75-80<br>35-40                         | 0-2.5<br>< 2 Years                  | 0-2.5<br>0                                     | N/A-Premium<br>0                        | N/A-Premium<br>< 2 Years             | 29<br>12                            | 19<br>12                            |
| Capt D Durston<br>Director<br>(from 1 Oct 2005)     | 2005-2006<br>2004-2005 | 55-60<br>N/A                           | 0-2.5<br>N/A                        | 32.5-35<br>N/A                                 | 102.5-105<br>N/A                        | 2.5-5<br>N/A                         | 762<br>N/A                          | 21<br>N/A                           |
| Mr P Kenny<br>Director<br>(from 5 Sep 2005)         | 2005-2006<br>2004-2005 | 15-20<br>N/A                           | 0-2.5<br>N/A                        | 17.5-20<br>N/A                                 | N/A-Premium<br>N/A                      | N/A-Premium<br>N/A                   | 235<br>N/A                          | 25<br>N/A                           |
| Mrs M Southey<br>Director<br>(from 11 July<br>2005) | 2005-2006<br>2004-2005 | 30-35<br>N/A                           | 0-2.5<br>N/A                        | 17.5-20<br>N/A                                 | 52.5-55<br>N/A                          | 0-2.5<br>N/A                         | 307<br>N/A                          | 13<br>N/A                           |
| Mr P Taylor<br>Director<br>(from 1 Aug 2005)        | 2005-2006<br>2004-2005 | 30-35<br>N/A                           | 0<br>N/A                            | 27.5-30<br>N/A                                 | N/A-Premium<br>N/A                      | N/A-Premium<br>N/A                   | 420<br>N/A                          | -5<br>N/A                           |
| Mr T Brock<br>Director<br>(to 17 April 2005)        | 2005-2006<br>2004-2005 | 05-10<br>40-45                         | 0-2.5<br>0-2.5                      | 12.5-15<br>10-15                               | 42.5-45<br>40-45                        | 0-2.5<br>2.5-5                       | 215<br>207                          | -3<br>10                            |
| Mr D Falgate<br>Director<br>(to 4 Sep 05)           | 2005-2006<br>2004-2005 | 20-25<br>N/A                           | 0-2.5<br>N/A                        | 17.5-20<br>N/A                                 | 47.5-50<br>N/A                          | 2.5-5<br>N/A                         | 311<br>N/A                          | 24<br>N/A                           |
| Mr JP Hancock<br>Director<br>(to 30 Sep 2005)       | 2005-2006<br>2004-2005 | 35-40<br>N/A                           | 0-2.5<br>N/A                        | 10-12.5<br>N/A                                 | 27.5-30<br>N/A                          | 0-2.5<br>N/A                         | 145<br>N/A                          | 6<br>N/A                            |
| Capt G Moodie<br>Director<br>(to 30 Sep 05)         | 2005-2006<br>2004-2005 | 75-80<br>N/A                           | 0<br>N/A                            | 35-37.5<br>N/A                                 | 105-107.5<br>N/A                        | 0<br>N/A                             | 751<br>N/A                          | -1<br>N/A                           |
| Col M Frostick<br>Director<br>(to 30 Sep 05)        | 2005-2006<br>2004-2005 | 40-45<br>70-75                         | 0-2.5<br>2.5-5                      | 30-32.5<br>25-30                               | 95-97.5<br>85-90                        | 2.5-5<br>7.5-10                      | 747<br>693                          | 37<br>59                            |



## Salary

'Salary' includes 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.

Salaries of the Board are determined through the Senior Civil Service Salaries Review Body, the Armed Forces Pay Review Body (AFPRB), the Senior Salaries Review Body or as part of the Departmental pay award as appropriate. The only exception to standard salary level being Miss J Smith (the Commercial Adviser/Non-Executive Director).

The Salary and Pension entitlements of the Management Board are shown above. The disclosure note has been drawn up in accordance with DAO(GEN)12/00 dated 21 December 2000 whereby written consent has been obtained from members of the Management Board prior to the publication of their salary details.

All non-military executive members of the board are eligible to receive performance related bonuses. Recommendations are made by Senior Line Management and the final decision is made by the appropriate MoD cluster panel.

The Commercial Adviser/Non-Executive Director's expenses for the year were £5,349. (These costs are included under Other Operating Costs within the Operating Cost Statement).

Fees - £5,200 (2004-2005 £5,550)

Travel & Subsistence - £149 (2004-2005 £103)

## Benefits in kind

None of the Board members received any benefits in kind in 2005-2006

## Pension

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 based 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 pay (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)

## Cash Equivalent Transfer Value (CETV)

The above table also shows the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. It also 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 from 2004-2005 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual 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.

## Real increase in CETV

This 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.

## Pension and Salary Costs

For 2005-2006, employers' contributions of £649,000 (2004-2005 £430,000) were payable at rates in the range 16.2 to 24.6 per cent of pensionable pay for the PCSPS and 21.3 to 34.3 per cent for the AFPS, based on salary bands. The Schemes' Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution.

Salary costs include taxable payments attributable to special bonus and minor award schemes whereby civilian staff are paid a bonus in recognition of a well-performed one-off task. Currently, there is no limit on the number of awards that can be made within a financial year, although the total value of these bonus payments should not exceed 0.2% of the overall civilian payroll. A new additional bonus scheme in respect of team awards was introduced in 2001-2002, also with a ceiling of 0.2% of the overall civilian payroll.



John Simkins  
Chief Executive  
July 2006



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

Under Section 7(2) of the Government Resources and Accounts Act 2000 the Treasury have directed the Disposal Services 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 an 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 flows for the financial year.

In preparing the accounts the Agency is required to comply with the Government Financial Reporting Manual (FRM) prepared by HM Treasury and in particular to:

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

It has been agreed with HM Treasury that, although Chief Executives of Defence Agencies are not appointed Agency Accounting Officers, analogous arrangements will apply. These responsibilities, including responsibility for the propriety and regularity of the public finances for which the Chief Executive is answerable and for keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in 'Government Accounting'

# Statement of Internal Control

## 1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Disposal Services Agency's policies, aims and objectives, set by the department's Ministers, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

I am accountable to the department's principal Accounting Officer for enabling him to discharge his overall responsibility in respect of ensuring that the Agency, as part of MoD, has adequate financial systems and procedures in place.

I ensure that Minister (Defence Procurement) is kept informed and invited to make decisions when necessary at his level on major sales and other relevant issues.

The Agency reported back to its Owner, Director General Logistics (Supply Chain), on many occasions during 2005-2006. Formal reports were made during the Owner's Advisory Board (OAB) meetings and during Agency Performance Reviews between the Owner and me. In addition, meetings on major business issues also took place between DSA staff and DG Log (SC) throughout the year. This was to ensure that he was kept informed and his views were sought when required. Relevant DLO and Centre Investment and Economic Appraisal personnel have also been involved in decisions on major disposal sales.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them

efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

Risk Management is recognised as a key internal control. The framework for its effective operation in the Agency is the responsibility of the Director of Finance and Corporate Services on behalf of the Accounting Officer. The Agency Management Board has the Risk Register as a standing agenda item so that risk management and internal control is considered on a regular basis during the year. Risk management has been incorporated into the corporate planning and decision making processes of the Agency. The Risk Register is examined at Audit Committee meetings chaired by the commercial adviser and Non-Executive Director (NED) where the effectiveness of the processes in place is assessed and changes to risk impact and likelihood are requested as necessary. It is acknowledged that the format of the Risk Register must be changed to reflect the current DLO template and will require further development. From 2006-2007 information from the Risk Register will be placed on the DLO Risk Management IT system which will be used to raise risk issues to DLO as necessary.

The Board requires regular updating from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects. From 2006-07 this will be done by means of a quarterly report by Directors to the CE confirming that appropriate controls are in place to properly manage the risks in their area. Staff are also being encouraged to undertake Risk Management training. Risk Management also underlies the discussions at the Fortnightly Management Meeting chaired by the Deputy Chief Executive where current operational issues are discussed by staff at middle management level from across the Agency.

At present the Agency does not have in place a Business Continuity (BC) Plan of its own as directed by the DG Log (SC) BC Strategy. This was previously covered under the DESO Plan but work will be undertaken shortly to formulate a separate Agency plan in compliance with DLO Instructions.



#### 4. The risk and control framework

The Agency has a Management Board which meets on a monthly basis and an Audit Committee, which meets quarterly. The Audit Committee Meetings are attended by a representative of the NAO as requested. Risk is discussed as a standing Agenda Item at both of these meetings.

The Agency has in place Risk Registers containing risks owned by each Director

Sectional process plans are drawn up and maintained for all key processes to ensure standardisation and to minimise the risks that would otherwise threaten to destabilise the Agency's smooth operation. This has been extended to the newly-merged sections of DSA and is a cornerstone of the DSA's achievement of the ISO9001 accreditation;

- Periodic reports are received from Defence Internal Audit, to Government Internal Audit Standards, including any periodic audits on Corporate Governance, the eDisposals Project and other areas. In September 2005 the Agency was reviewed, by a DLO Supply Chain team on a range of areas from the point of view of Governance and Risk – as part of a planned series of visits to Agencies and Business Units within the DLO SC. Their report made a number of recommendations which were actioned by DSA.
- Travel & Subsistence, Overtime and Travelling Time claims by staff – audit took place in February/March 2006, and a 'substantial' assurance was given and no evidence of fraudulent activity was found. Recommendations made by the Audit Team are being addressed.
- Safety, Health, Environment and Fire (SHEF) management – audit took place in February/March 2006. I acknowledge that the lack of a published Agency SHEF plan was the major weakness identified by the audit but this was the result of DSA's move out of DESO. DSA had been part of the DESO plan. A draft DSA SHEF plan has now been finalised and all recommendations are being addressed.
- Freedom of Information (FOI) – This audit undertaken in late 2005 sought to provide CDL with an independent assurance that the DLO has appropriate arrangements in place to ensure compliance with the FOI Act and the Environmental Information Regulations. DLO as a whole was given a 'Substantial'

assurance and DSA fared well in that it had not had any complaints or appeals during the first year of operation, which was particularly credit-worthy given that the Agency, within the DLO Supply Chain Secretariat, had the most, and perhaps the more difficult, Requests for Information (RFIs) during the period.

Regular compliance audits are carried out to ensure that line managers are performing basic checks on Travel and Subsistence claims, flexible working hours, season tickets, overtime and other such areas. All new entrants to DSA are provided with fraud awareness training as part of induction. Internal and external Fraud Policy and Response Plans are in place for all staff to view on a continuing basis.

#### 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of NAO, Defence Internal Audit (DIA), DLO auditors, and executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework. I have been advised on the implications of the result of my review by the Agency Management Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Agency has established the following processes to maintain internal control:

- The Agency Management Board (AMB) meets regularly to consider the performance and strategic direction of the Agency. Directors take actions to implement improvements to performance and revised strategies and policies, and direct their staff accordingly; Compliance audits are carried out regularly by line managers to ensure that basic checks in areas such as Travel and Subsistence claims, flexible working hours, season tickets and overtime claims are being performed;
- A Fortnightly Management Meeting is held at which section representatives discuss cross-sectional business issues and the resulting actions are determined, documented and allocated; Progress on achievement of Key Targets is monitored by the Agency Management Board and reported to the Owner's Advisory Board at their meetings;

- The Audit Committee reports to the Agency Management Board and meets quarterly. It assesses the financial health and operational processes of the Agency, reviews the Agency's response to risks and its effectiveness in managing these, determines the areas for future audit work and discusses the resulting reports and Agency responses. It also considers the management letter from the external audit undertaken by NAO. The work required to gain ISO 9001 accreditation was also monitored by the Audit Committee. Any concerns are raised by the Chair of the Audit Committee at Agency Management Board meetings. An annual report on the Committee's actions and effectiveness is provided by the Chair to the Owner's Advisory Board;
- All risks identified in the DSA Risk Register have a risk owner responsible for control and mitigation;
- The Disposal Services Agency is subject to audit by the MoD Defence Internal Audit (DIA), which operates to standards defined in the Government Internal Audit Manual. The work of the internal auditors is informed by an analysis of the risks to which the Department as a whole is exposed, and

annual audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Defence Audit Committee and approved by the Permanent Under Secretary. Given the small size of the Agency in relation to the Department, it follows that the Agency's system of internal control is not separately examined by the DIA every year. Although the DIA undertook some internal audit examination of the Agency during the 2005-2006 financial year, this did not include a review of, and opinion on, the Agency's system of internal control.

- The recommendations made by the Risk and Regularity Team (Andover) after their visit to DSA have been implemented resulting in improved processes being adopted.



John Simkins  
Chief Executive  
July 2006



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

I certify that I have audited the financial statements of the Disposal Services Agency for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if

I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 29 to 31 reflects the Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

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

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial

statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made there under by HM Treasury, of the state of the Agency's affairs as at 31 March 2006 and of the net operating cost,

recognised gains and losses and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**John Bourn**  
**Comptroller and**  
**Auditor General**  
**July 2006**

**National Audit Office**  
**157-197 Buckingham Palace Road**  
**Victoria**  
**London SW1W 9SP**

## 2005-2006 Statement of Accounts

OPERATING COST STATEMENT for the Year Ended 31 March 2006

| OPERATING COSTS                    | NOTE | 2005-2006<br>£000 | Restated<br>2004-2005<br>£000 |
|------------------------------------|------|-------------------|-------------------------------|
| Staff Costs                        | 2    | 4,540             | 3,817                         |
| Supplies and service consumed      | 3    | 9,786             | 3,503                         |
| Accommodation and associated costs | 3    | 1,345             | 1,254                         |
| Other administration costs         | 3    | 1,550             | 1,411                         |
| <b>GROSS OPERATING COSTS</b>       |      | <b>17,221</b>     | <b>9,985</b>                  |
| <b>OPERATING INCOME</b>            |      |                   |                               |
| Less Income from customers         | 4    | (2,679)           | (1,288)                       |
| <b>NET OPERATING COST</b>          |      | <b>14,542</b>     | <b>8,697</b>                  |

THE NOTES ON PAGES 34-44 FORM PART OF THESE ACCOUNTS.

All activities undertaken during the year are continuing. All balances relating to 2004-2005 have been re-stated to incorporate the merger with the Head of Specialisation (Disposal and Sales) organisation within DLO.

Recognised gains or losses are recognised in the Operating Cost Statement. The effect of the merger of DSA and HoS and the resulting restatement of the 2004-2005 Balance Sheet has led to a decrease in Net Assets of £99,000.

## BALANCE SHEET as at 31 March 2006

| <b>FIXED ASSETS</b>                            | <b>NOTE</b> | <b>31 March 2006</b> | <b>Restated</b> |
|--|-------------|----------------------|-----------------|
|  |             | <b>£000</b>          | <b>31 March</b> |
|  |             |                      | <b>2005</b>     |
|  |             |                      | <b>£000</b>     |
| Tangible Fixed Assets                          | 6           | 191                  | 329             |
| <b>CURRENT ASSETS</b>                          |             |                      |                 |
| Debtors  | 7           | 434                  | 241             |
| <b>CURRENT LIABILITIES</b>                     |             |                      |                 |
| Creditors: amounts falling due within one year | 8           | (4,367)              | (586)           |
| <b>NET CURRENT LIABILITIES</b>                 |             | <b>(3,933)</b>       | <b>(345)</b>    |
| <b>NET ASSETS</b>                              |             | <b>(3,742)</b>       | <b>(16)</b>     |
| <b>TAXPAYERS' EQUITY</b>                       |             |                      |                 |
| General Fund                                   | 10          | (3,742)              | (16)            |
|  |             | <b>(3,742)</b>       | <b>(16)</b>     |

THE NOTES ON PAGES 34-44 FORM PART OF THESE ACCOUNTS.



John Simkins.  
Chief Executive  
July 2006

## CASH FLOW STATEMENT for the year ended 31 March 2006

|  | <b>NOTE</b> | <b>31 March 2006</b> | <b>Restated</b> |
|--|-------------|----------------------|-----------------|
|  |             | <b>£000</b>          | <b>31 March</b> |
|  |             |                      | <b>2005</b>     |
|  |             |                      | <b>£000</b>     |
| Net Cash Outflow from Operating Activities             | 11          | (8,618)              | (5,901)         |
| <b>Capital Expenditure</b>                             |             |                      |                 |
| Payments to acquire tangible fixed assets              |             | (27)                 | (58)            |
| <b>Net Cash Outflow before Financing</b>               |             | <b>(8,645)</b>       | <b>(5,959)</b>  |
| <b>FINANCING</b>                                       |             |                      |                 |
| Payments from the Defence Resource Account             |             | 11,131               | 8,030           |
| Receipts to the Defence Resource Account               |             | (2,486)              | (2,071)         |
| <b>Net Financing from the Defence Resource Account</b> |             | <b>8,645</b>         | <b>5,959</b>    |
| Net Increase/(decrease) in cash in the period          |             | 0                    | 0               |

## Notes to the Accounts for the Year Ended 31 March 2006

### 1. Statement of Accounting Policies

#### a. Basis of Accounting

The financial statements have been prepared in accordance with the 2005-2006 FReM issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

These accounts have been prepared under the Modified Historical Cost Accounting convention to account for the revaluation of fixed assets.

Following the publication of the End-to-End Business Process Review (E2E BPR), in August 2004, into the Disposals Process within MOD, Minister (DP) agreed to the retention of in-house disposal expertise, the transfer of the Agency from DESO to DLO and the merger of the Agency and the DLO Head of Specialisation (Disposal and Sales) (HoS). This has meant that all 2004-2005 balances have had to be restated to account for the financial implications of HoS.

The Accounts have been prepared as administration accounts and show the operating costs of running the Agency and include income received relating to the Agency's commission on provision of disposal services for non-MoD customers. Receipts from the sale of MoD property, contractors' commissions and the costs of bringing assets to sale have not been included - but are included with the MoD's Departmental Resource Accounts.

#### b. Net Operating Costs

Costs are charged to the Operating Cost Statement in

the period in which they are incurred and matched to any related recoveries.

Income from services provided to third parties is included in operating income, net of related VAT. Overhead costs which are directly attributed to output are shown net of VAT. The Agency is not separately registered for VAT and VAT collected is accounted for centrally by the MoD. The Agency's accounts do, however, include non-recoverable VAT attributable to its activities. Surpluses and deficits on sale of fixed assets are included within Other Operating Costs (see note 3).

#### c. Income

Income comprises the value of transactions, net of VAT, receivable during the year for disposal services to Other Government Departments (OGDs) and the wider public sector. The provision of MoD-related disposal services have been offered to non-MoD customers consistent with Treasury and Departmental policy on wider marketing of existing capacity. Disposal services include asset realisation, inventory disposal, site clearances, waste management, consultancy services and valuations. This is taken account of in the terms and scope of the customer supplier agreements with each non-MoD customer. Details of such customers are provided at note 12.

Income does not include sales receipts for items disposed.

#### d. Notional Charges

Notional amounts are included in the Operating Cost Statement for charges in respect of certain services provided to the Agency. The amounts charged are calculated to reflect the full cost of providing these services to the Agency and the main services for which the charge is made are:

##### (i) Audit Fees

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

##### (ii) Intra-departmental Charges

Notional amounts are included in the Operating Cost Statement for charges in respect of services provided from other areas of MoD. The amounts charged are calculated to reflect the full cost of providing these services to the Agency, and the main services for which the charges are made are as follows:

**MoD HQ Costs**

Civilian management  
 Shared cost of training  
 MoD supplied stores and services  
 Accommodation charges

**Centrally managed expenditure**

Telecom charges  
 Property charges  
 Office services and furniture  
 Treasury Solicitor charges

**(iii) Cost of Capital Charge**

A charge, reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated using HM Treasury's standard rate of 3.5% on the average value of net total assets at the start and end of the year.

**e. Tangible Fixed Assets and Depreciation****(i) Plant, Equipment, Information Technology and Vehicles**

These are capitalised where the useful life exceeds one year and the cost of acquisition and installation exceeds £1,000. Assets are revalued annually using appropriate indices advised by the MoD Corporate Financial Controller and adjustments are made for technological obsolescence.

**(ii) Depreciation**

Depreciation is provided at rates calculated to write off the cost or valuation less estimated realisable value of tangible fixed assets by equal instalments over the assets' estimated useful lives. Asset lives are periodically reviewed for technological obsolescence. Estimated useful lives are as follows:

|                        |           |
|------------------------|-----------|
| Information Technology | 3-5 years |
|------------------------|-----------|

**f. Creditors due within one year**

Creditors due within one year represent the amount due to suppliers within one year for goods and services received, including accrued expenses and liabilities.

**g. Foreign Exchange**

Transactions denominated in foreign currencies arising in the normal course of business are translated into sterling using the MoD's General Accounting Rate

(GAR) ruling at the date of each transaction. US\$ and Euros are purchased forward from The Bank of England.

**h. Stocks**

The Agency does not hold significant stocks.

**i. Pension Costs**

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and for military personnel serving in the Disposal Services Agency, the Armed Forces Pension Scheme (AFPS). These are defined benefit schemes and are non-contributory and unfunded. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS or AFPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS or AFPS.

The PCSPS and AFPS are unfunded multi-employer defined benefit schemes but the DSA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003 for the PCSPS and at 31 March 2001 for the AFPS. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

**j. Cash balances**

The Agency does not pay or receive money on its own account. All cash payments are made and receipts collected by the MoD's central accounting organisation on behalf of the Agency. All transactions are brought to account in the MoD Resource Account and are disclosed in aggregate in the Cash Flow Statement.

**k. Taxation and Social Security**

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

## 2. Staff Numbers and Costs

The costs relating to the agency staff are recorded below:

| <b>The average number of staff employed during the year was as follows:</b> | <b>2005-2006<br/>Number</b> | <b>Restated<br/>2004-2005<br/>Number</b> |
|---|-----------------------------|--|
| Executive Grades  | 70.5                        | 66                                       |
| General Clericals   | 38                          | 37.5                                     |
| Service Staff   | 8                           | 7  |
| Locally Employed Civilians (Germany)  | 4.5                         | 4  |
| Agency staff  | 1                           | 1  |
|   | <b>122</b>                  | <b>115.5</b>                             |

| <b>The staff costs were as follows:</b> | <b>2005-2006<br/>Number</b> | <b>Restated<br/>2004-2005<br/>Number</b> |
|---|-----------------------------|--|
| Salaries, Wages and Allowances          | 3,603                       | 3,144                                    |
| Social Security Costs                   | 274                         | 235                                      |
| Pension Costs                           | 649                         | 430                                      |
| Subtotal                                | 4,526                       | 3,809                                    |
| Agency Staff                            | 14                          | 8  |
| <b>Total</b>                            | <b>4,540</b>                | <b>3,817</b>                             |

## 3. Other Operating Costs

| <b>SUPPLIES AND SERVICES CONSUMED:</b> | <b>2005-2006<br/>£000</b> | <b>Restated<br/>2004-2005<br/>£000</b> |
|--|---------------------------|--|
| Disposal Expenditure – Advertising     | 120                       | 22                                     |
| Support Services                       | 3,090                     | 2,671                                  |
| Hospitality                            | 78                        | 39                                     |
| Administration Overheads               | 27                        | 24                                     |
| Exceptional Item                       | 5,399                     | -                                      |
| Contract/Consultancy Fees              | 210                       | 311                                    |
| IT Maintenance and Software            | 862                       | 436                                    |
|  | <b>9,786</b>              | <b>3,503</b>                           |

NOTE: The Exceptional Item is the sum representing outstanding payments due to a contractor for the period 1996 – 2003 for disposal activity conducted direct by the MOD. It has not been possible to accurately apportion this expenditure to prior years therefore no adjustment has been made. The amount payable was not determined until a settlement was reached with the contractor in 2005-2006.

| <b>ACCOMMODATION AND ASSOCIATED COSTS:</b> | <b>2005-2006<br/>£000</b> | <b>Restated<br/>2004-2005<br/>£000</b> |
|--|---------------------------|--|
| Property Management                        | 432                       | 412                                    |
| Other Accommodation Costs                  | 130                       | 120                                    |
| Utilities                                  | 98                        | 86                                     |
| Rent and Rates                             | 621                       | 583                                    |
| Telecommunications                         | 64                        | 53                                     |
|  | <b>1,345</b>              | <b>1,254</b>                           |

| <b>OTHER ADMINISTRATION COSTS:</b> | <b>2005-2006<br/>£000</b> | <b>Restated<br/>2004-2005<br/>£000</b> |
|------------------------------------|---------------------------|--|
| Travel and Subsistence             | 815                       | 691                                    |
| Office Running Costs               | 55                        | 43                                     |
| Training                           | 29                        | 41                                     |
| Notional Services provided by MoD  | 377                       | 406                                    |
| Treasury Solicitor's Bills         | 87                        | 22                                     |
| Depreciation                       | 74                        | 118                                    |
| Impairment of Fixed Assets         | 91                        | 44                                     |
| Auditor's Remuneration             | 90                        | 29                                     |
| Interest on Capital                | (68)                      | 17                                     |
|                                    | <b>1,550</b>              | <b>1,411</b>                           |

#### 4. Operating Income

|   | <b>2005-2006</b> | <b>Restated</b>  |
|---|------------------|------------------|
|   | <b>£000</b>      | <b>2004-2005</b> |
|   |                  | <b>£000</b>      |
| Services provided to Other Government Departments | 801              | 219              |
| Recovery of AHP                                   | 765              | 679              |
| Government-to-Government sales refunds            | 518              | -                |
| UKLSA   | 251              | 163              |
| Other   | 344              | 227              |
|   | <b>2,679</b>     | <b>1,288</b>     |

#### 5. Non-Cash and Notional Items

|                                   | <b>2005-2006</b> | <b>Restated</b>  |
|-----------------------------------|------------------|------------------|
|                                   | <b>£000</b>      | <b>2004-2005</b> |
|                                   |                  | <b>£000</b>      |
| Notional Services provided by MoD | 377              | 406              |
| Treasury Solicitor's Bills        | 87               | 22               |
| Exceptional Item                  | 329              | -                |
| Accommodation                     | 1,281            | 1,201            |
| Telecommunications                | 64               | 53               |
| Training                          | 11               | 20               |
| Auditor's Remuneration            | 90               | 29               |
| Depreciation                      | 74               | 118              |
| Impairment of Fixed Assets        | 91               | 44               |
| Interest Charge on Capital        | (68)             | 17               |
|                                   | <b>2,336</b>     | <b>1,910</b>     |

NOTE: The Exceptional Item relates to payments made to a contractor and is explained at NOTE 3.

## 6. Tangible Fixed Assets

| <b>Information Technology</b> |            |
|-------------------------------|------------|
| <b>£000</b>                   |            |
| <b>Cost or Valuation</b>      |            |
| At 1 April 2005               | 697        |
| Additions                     | 27         |
| Revaluations                  | (125)      |
| At 31 March 2006              | <b>599</b> |
| <b>Depreciation</b>           |            |
| At 1 April 2005               | 368        |
| Charged in year               | 74         |
| Backlog Depreciation          | (34)       |
| At 31 March 2006              | <b>408</b> |
| <b>Net Book Value</b>         |            |
| At 31 March 2005              | 329        |
| At 31 March 2006              | 191        |

The above opening balances have not been restated as the merger with the HoS had no effect on Fixed Asset information

## 7. Debtors

|                                      | <b>2005-2006</b> | <b>Restated</b>  |
|--------------------------------------|------------------|------------------|
|                                      | <b>£000</b>      | <b>2004-2005</b> |
|                                      |                  | <b>£000</b>      |
| Amounts falling due within one year: |                  |                  |
| Miscellaneous/Sundry Debtors         | -                | 38               |
| Trade Debtors                        | 360              | 93               |
| Prepayments                          | 74               | 110              |
|                                      | <b>434</b>       | <b>241</b>       |

## 8. Creditors

|                                      | <b>2005-2006</b> | <b>Restated</b>  |
|--------------------------------------|------------------|------------------|
|                                      | <b>£000</b>      | <b>2004-2005</b> |
|                                      |                  | <b>£000</b>      |
| Amounts falling due within one year: |                  |                  |
| Trade Creditors                      | 325              | 552              |
| Accruals                             | 4,042            | 34               |
|                                      | <b>4,367</b>     | <b>586</b>       |

## 9. Intra-Government Balances

|   | <b>Debtors due<br/>Within 1 Year<br/>£000</b> | <b>Creditors due<br/>Within 1 Year<br/>£000</b> |
|---|---|---|
| Balances with central government bodies             | 75  | -   |
| Balances with local authorities                     | 2   | -   |
| Balances with Public Corporations and Trading Funds | 110   | -   |
| Balances with bodies external to Government         | 247   | 4,367   |
| <b>At 31 March 2006</b>                             | <b>434</b>                                    | <b>4,367</b>                                    |
| Balances with central government bodies             | 74  | -   |
| Balances with local authorities                     | 1   | -   |
| Balances with Public Corporations and Trading Funds | 7   | -   |
| Balances with bodies external to Government         | 159   | 586   |
| <b>Restated - At 31 March 2005</b>                  | <b>241</b>                                    | <b>586</b>                                      |

## 10. Statement of Movements on General Fund

|   | <b>2005-2006<br/>£000</b> | <b>Restated<br/>2004-2005<br/>£000</b> |
|---|---------------------------|--|
| The General Fund brought forward                | (16)                      | 974                                    |
| Add:  |                           |  |
| Net Financing from the Defence Resource Account | 8,645                     | 5,959                                  |
| Non-Cash Items (Note 5)                         | 2,171                     | 1,748                                  |
| Less:   |                           |  |
| Net Operating Cost                              | (14,542)                  | (8,697)                                |
| General Fund carried forward                    | (3,742)                   | (16)                                   |

## 11. Reconciliation of Net Operating Cost to Operating Cost Cash Flow

|  | <b>NOTE</b> | <b>2005-2006<br/>£000</b> | <b>Restated<br/>2004-2005<br/>£000</b> |
|--|-------------|---------------------------|--|
| Net Operating Costs  |             | 14,542                    | 8,697                                  |
| <b>Adjustments for items not involving movement of funds</b>   |             |                           |  |
| Depreciation charges   | 5           | (74)                      | (118)                                  |
| Impairment arising from a Fall in Market Value of Fixed Assets | 5           | (91)                      | (44)                                   |
| Other non-cash items   | 5           | (2,171)                   | (1,748)                                |
| <b>Movement in net current assets</b>                          |             |                           |  |
| Increase in debtors and prepayments                            | 7           | 193                       | (783)                                  |
| Increase in creditors  | 8           | (3,781)                   | (103)                                  |
| Net cash outflow from operating activities                     |             | <b>8,618</b>              | <b>5,901</b>                           |

## 12. Related Party Transactions

The Disposal Services Agency is an executive agency of the Ministry of Defence. The Ministry of Defence is regarded as a related party. During this year, the Disposal Services Agency has had significant material transactions with the Ministry of Defence, and with four other entities for which the Ministry of Defence is regarded as the parent Department, viz:

- |        |            |
|--------|------------|
| • ABRO | Met Office |
| • DARA | DSTL       |

In addition, the Disposal Services Agency has had a number of material transactions with Other Government Departments and other public sector bodies. Most of these transactions have been with:

- |  |                                 |
|--|---------------------------------|
| • Office of the Deputy PM                  | HM Prison Service               |
| • British Transport Police                 | Inland Revenue                  |
| • Department for International Development | Northern Ireland Police Service |
| • Department for Trade and Industry        | Northumbria University          |
| • Department for Work and Pensions         | Office of Government Commerce   |
| • Driving Standards Agency                 | OFCOM                           |
| • Highways Agency                          | Scottish Parliament             |
| • Suffolk Constabulary                     | Wiltshire Fire service          |

During the year, none of the Board Members, members of the Key Management Staff or other related parties have undertaken any material transactions with the Disposal Services Agency.

## 13. OPERATING LEASES

Rental of £995.56 each year is payable for the hire of a photocopier at Wyton and will be charged to the Operating Cost Statement over the remaining hire period of 3 years.

## 14. CAPITAL COMMITMENTS

The Agency had no Capital Commitments at 31 March 2006.

## 15. CONTINGENT LIABILITIES

The Agency had no Contingent Liabilities at 31 March 2006.

## 16. LOSSES AND SPECIAL PAYMENTS

In November 2001 one of the Agency's appointed contractors started legal proceedings against the MoD regarding non-compliance with certain terms of their commercial Marketing Agreement with the Agency. A number of Preliminary Issues were determined by the Arbitrator at an Interim Arbitration hearing in July 2002. The Arbitrator declared in favour of MoD on some issues and in favour of the contractor on others. A final settlement was agreed in 2006.

The sum of £5,399,000 included as an exceptional item, within the accounts, represents outstanding payments (resulting from this issue) due to a contractor for the period 1996 – 2003 for disposal activity conducted direct by the MOD.

## 17. POST BALANCE SHEET EVENTS

On 1 April 2006 the Ministry of Defence transferred responsibility for accounting for fixed assets from the Disposal Services Agency to other parts of the Ministry of Defence. Where the agency retains the risks and rewards of ownership of these assets they will continue to be accounted for on the Agency's balance sheet in accordance with FRS 5 and SSAP 21.

In other cases the costs of the use of these assets will be communicated to the Disposal Services Agency by the asset owners and charged to the operating cost statement. Consequently, these centrally accounted for assets will not be included on the Agency's balance sheet as they will be accounted for as operating leases under SSAP 21

There is no effect on the 2005-2006 accounts as a result of this change, and as a result no adjustments have been made to these financial statements.

There is also an on-going issue to determine whether DSA should become the owners of those assets declared for disposal – and whether these assets should be transferred to the Agency's Balance Sheet at Net Book Value (and subsequently impaired) prior to disposal activity

## 18. FINANCIAL INSTRUMENTS

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

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

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

### **Interest rate risk**

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

### **Foreign Currency risk**

The Agency does not hold assets or liabilities denominated in a foreign currency, and income and expenditure denominated in a foreign currency is negligible. The Agency is therefore not exposed to significant currency risk. The Ministry of Defence, through whose Resource Account the Agency is financed, enters into forward purchase contracts annually with the Bank of England to cover the majority of its foreign exchange requirements for the following year. The details of the outstanding foreign currency contracts are given in its Departmental Resource Account.

### **Liquidity risk**

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

# DSA i

## Addresses

Disposal Services Agency  
Ministry of Defence  
2nd Floor, St George's Court  
2-12 Bloomsbury Way  
London WC1A 2SH  
United Kingdom

## Web Site Address

[www.edisposals.com](http://www.edisposals.com)

## Administration Manager:

Tel: 020 7305 3147  
Fax: 020 7305 3241

For general queries, please include your full name  
and postal address and e-mail to:

[query@edisposals.com](mailto:query@edisposals.com)

Should you have equipment, waste or recycling for  
disposal please contact:

## Customer Services:

Tel: 020 7305 3283/3164  
Fax: 020 7305 3242

## Repayment Sales

Tel: 01480 52451 7043/6998  
Fax: 01480 446342

If you wish to purchase surplus material, please contact the appropriate  
Commodity section on :

|  |           |
|--|-----------|
| Ammunition.....                                | 3104      |
| Armaments.....                                 | 3104      |
| Armoured Vehicles .....                        | 3073      |
| Armoured Vehicle Spares .....                  | 3161      |
| Artillery .....                                | 3167      |
| Auxiliary Vessels – Govt – to – Govt .....     | 2943      |
| Auxiliary Vessels – non Govt – to – Govt ..... | 3245      |
| Canteen Equipment .....                        | 3245      |
| Clothing & Textiles .....                      | 3073      |
| Bridging .....                                 | 3245      |
| Communications Equipment .....                 | 3245      |
| Electrical Equipment .....                     | 3245      |
| Electrical Test Equipment .....                | 3273/3245 |
| Engines & Aircraft Systems .....               | 3273/3161 |
| Fixed & Rotary Wing Aircraft, Aero.....        | 3245      |
| Fixed & Rotary Wing Aircraft Spares.....       | 3273/3161 |
| Furniture .....                                | 3235      |
| Gymnasium.....                                 | 3245      |
| Hand-held Communications Equipment .....       | 3245      |
| IT Equipment.....                              | 3235      |
| Medical & Dental Equipment .....               | 3073      |
| Memorabilia .....                              | 3235      |
| Miscellaneous Equipment .....                  | 3245      |
| Missiles .....                                 | 3167      |
| Naval Spares.....                              | 3161      |
| Non-Armoured Vehicle Spares.....               | 3245      |
| Photographic & Surveying .....                 | 3245      |
| Plant & Machinery .....                        | 3245      |
| Small Craft.....                               | 3245      |
| Storage Containers & Media .....               | 3245      |
| Tools & Engineering Equipment.....             | 3245      |
| Valves.....                                    | 3245      |
| Vehicles.....                                  | 3073      |
| Warships – Govt – to – Govt.....               | 2943      |
| Warships – non Govt – to – Govt.....           | 3245      |
| Wreck Agreements.....                          | 3823      |



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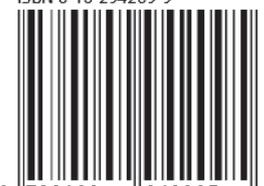
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ISBN 0-10-294209-9



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