

Annual Report and Accounts For the six months ended 31st March 2006



Annual Report and Accounts For the six months ended 31st March 2006



**The UK Government Decontamination Service is an
Executive Agency of the Department for Environment,
Food & Rural Affairs**

**Presented to Parliament in pursuance of section 7 of the
Government Resources and Accounts Act 2000**

Ordered by the House of Commons to be printed on 24th July 2006

Table of Contents

FOREWORD FROM THE CHIEF EXECUTIVE	2
MANAGEMENT COMMENTARY	3
VISION AND OBJECTIVES	5
ACHIEVEMENTS AGAINST KEY PERFORMANCE TARGETS	12
FINANCIAL REVIEW	17
REMUNERATION REPORT	18
REPORT FROM CHAIR OF AUDIT & RISK COMMITTEE	24
STATEMENT OF AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES	25
STATEMENT ON INTERNAL CONTROL	26
AUDIT OPINION.....	32
GOVERNMENT DECONTAMINATION SERVICE 2005-2006 ACCOUNTS	34
NOTES TO THE ACCOUNTS	37
ACCOUNTS DIRECTION GIVEN BY THE TREASURY	46
ANNEX 1 OUTLINE STRUCTURE OF BOARDS AND COMMITTEES RELATING TO GDS.....	47
ANNEX 2 GDS ORGANISATIONAL STRUCTURE 2006/07	48

Foreword from the Chief Executive

Following the announcement on 21 July 2005 by Margaret Becket, the then Secretary of State for Environment, Food and Rural Affairs (Defra), the Government Decontamination Service (GDS) was formed as an Executive Agency of Defra on 1 October 2005. As the first Chief Executive of the GDS, I have the singular honour of writing this foreword for the first annual report, covering the first six months of operation from October 2005 to 31 March 2006.

Setting up an agency, whilst maintaining a level of resilience, represents something of a challenge; particularly when the approach that agency will adopt is based on a novel concept in a new area, and one where science and technology are moving quickly. Nevertheless, by hard work and dedication, the project team ensured we delivered the service to specification and timetable: I am extremely grateful to them for their continued support and encouragement during the service's first six months of operation.

The purpose of the GDS is to increase the nation's resilience to the consequences of terrorist or major accidental incidents involving the release of chemical, biological, radiological or nuclear materials (CBRN). Although the Service will be the United Kingdom's national centre, providing access to expertise on dealing with the decontamination of the built and open environment following such incidents, the priority in the first six months was ensuring we had an agency that is fit for purpose: this we have achieved.

The GDS has three key functions:

- the provision of advice and guidance to responsible authorities;
- the assessment of the ability of companies in the private sector to carry out decontamination operations and ensuring responsible authorities have access to those services;
- advice to central government on the national decontamination capability.

Our stakeholders, whether they are part of central or local government, or from the private sector, are central to our activities. During the course of setting up the service, and during the first six months of operation as we have refined our concept of operations, we have consulted widely with them.

Finally, I would like to record my thanks to all those who worked in the project team, as well as those from elsewhere, in both the public and private sector, and who helped to bring about the GDS as an Executive Agency of Defra.

Robert Bettley-Smith FRICS, Chief Executive

27 June 2006

Management Commentary

This is the first report of the Government Decontamination Service (GDS); it covers the rationale leading to the creation of the Agency on 1 October 2005 and its activities since then. The GDS has been created to reinforce the UK's ability to recover from a CBRN or major HazMat ¹incident.

Operational Review

History

In 2003, Ministers asked officials to conduct a study to determine whether the UK needed an organisation to deal with the decontamination aspects of the recovery phase following an accidental (HazMat) or deliberate release of chemical, biological, radiological or nuclear (CBRN) materials. If the conclusion was that it did, to consider the feasibility, options, consequences and costs of setting one up. The report, delivered in December 2003, concluded that the UK did need a national decontamination service to address the problems presented by contamination of the built and open environment, and considered several ways to deliver such a service.

The Government took as its starting point the fact that local authorities (and others) are already responsible for planning for and dealing with the consequences of CBRN events². It also recognised that this was a highly specialised area. There were, therefore, significant efficiency gains to be realised by having a central organisation to draw together and disseminate information on best practice, rather than expect each local authority to become expert in an area that would rarely, if ever, be required by the vast majority. It was also apparent that there was a great deal of decontamination expertise available in the private sector. Ministers concluded that it would be more cost-effective to tap into that commercial expertise when necessary, rather than establish and maintain its own standing capability. A key objective of the GDS was therefore to assess and procure the services of private sector companies that could and would be willing to decontaminate the built and open environment following CBRN events. A framework of such companies would then be established.

To ensure that those needing the services of decontamination companies could make effective use of the GDS framework, it was decided that the service needed to provide appropriate advice and guidance during the planning phase and advice following incidents. This advice would be in terms of raising awareness of the practicalities and processes of decontamination, and of how the GDS and its framework would fit into the existing complex emergency response and recovery set up.

Over the following months the initial concept was built up into a working organisation. A diverse project team, benefiting from people with expertise in

¹ HazMat – an accidental release of hazardous materials

² This responsibility is set out in the Civil Contingencies Act 2004.

commercial procurement, emergency response procedures, project management, corporate services, communications and strategy, was set up. Through consultation, workshops and good teamwork the corporate and practical issues involved with setting up a new agency were resolved. This enabled the Secretary of State for Environment, Food and Rural Affairs to announce, on 21 July 2005, her intention to establish the GDS as an executive agency of Defra on 1 October 2005. The GDS was duly launched on 1 October, on time, to specification and within budget.

Status and Governance

The GDS is an executive agency of Defra. It is accountable to Parliament through the Secretary of State for Environment, Food and Rural Affairs, who chairs a board of ministerial colleagues from departments with an interest in the Service and the devolved administrations. The Ministerial Board provides a strategic steer for the service. An Ownership Board advises the Secretary of State on matters of overarching policy and strategy, and the annual process of target setting for the GDS. The Chief Executive chairs the GDS Management Board with representatives attending from the Defra policy sponsor and the Home Office alongside non-executive support and reports to the Ownership Board. Annex 1 sets out the structure of the governance arrangements for the agency.

Risk

The Audit and Risk Committee (ARC) has responsibility to consider the Agency risk strategy and the overarching risk register. Key risks have been identified and we are working through these to develop action plans to mitigate and control them (further information is detailed within the Statement of Internal Control). The risk register and strategy is relatively new and will continue to be developed and refined over time.

Development

Since the GDS was launched, we have completed the procurement process and established the framework of specialist decontamination service suppliers. We have now moved into the next phase, strengthening our relationships with our specialist suppliers and further testing their capabilities, recruiting the team to staff the agency, while members of the project team return to their home departments, and completing the documents setting out the GDS's operational procedures. Corporately, we have put many policies in place since 1st October, including our communications and stakeholder engagement strategy, and the recruitment and training strategy. We have also introduced structures and systems, such as the Audit and Risk Committee and Management Board, to ensure good governance and effective working within the team. We now need to embed those systems so that they deliver their intended benefits.

Vision and objectives

Mission

The UK Government Decontamination Service increases resilience by providing advice and guidance to those responsible for dealing with decontamination following a CBRN or major HazMat incident.

Vision

We, supported by our various stakeholders, see the GDS as a key element of the Government machinery that will help the country prepare for a CBRN or significant HazMat incident, and minimise its impact on people, society, the economy and the environment. To ensure the UK has a highly effective decontamination capability, the Service will fulfil three principal functions set out below:

Firstly, the Service will provide high quality advice and guidance to authorities responsible for responding to CBRN and significant HazMat incidents during their contingency planning and during actual incidents. We will regularly help validate and test the arrangements that are in place. We will do this by providing advice and developing guidance to build on that published by various departments in recent years.

Secondly, the Service will work hand in hand with specialist suppliers and advisers to rigorously assess the ability of companies in the private sector to carry out decontamination operations, and ensure that responsible authorities have ready access to those services if the need arises. If required, following a CBRN event or HazMat incident, the Agency will also help co-ordinate decontamination operations.

Finally, the Service will be the Government's eyes and ears on the national capability for the decontamination of buildings, infrastructure, mobile transport assets and the open environment. It will be a repository of information, and a source of expertise in the event of CBRN incident or major release of HazMat materials. The GDS will regularly review the United Kingdom's capability gaps.

The Service's work will be underpinned by scientific support and research pursued in concert with government departments, responsible authorities, specialist suppliers, research organisations and other nations to improve decontamination technologies and capabilities.

These key functions will allow the Government to collate centrally the expertise available in a coherent and comprehensive manner, which will allow responsible authorities to function more efficiently and to gain the benefit of an element of pre-planning rather than to procure the work independently.

Principal objectives

Our principal objectives are to:

- become an acknowledged and highly respected provider of practical guidance and help, in both the planning and emergency response phases, to those who have to deal with decontamination after CBRN and major HazMat incidents;
- work with and assist other Government departments, the emergency services, local authorities and others to increase awareness, particularly in the public sector, of the need for detailed CBRN and major HazMat incident contingency planning;
- provide a round-the-clock point of access for advice on decontamination to ensure an immediate response to any incident; and
- establish and maintain a framework of specialist suppliers with proven expertise in decontamination through which responsible authorities can draw on their services;
- regularly take part in international, central Government-sponsored, and appropriate local authority-sponsored exercises to test and develop emergency preparations;
- advise ministers, the Lead and other central Government departments and Devolved Administrations on the national decontamination capability and steps that might be taken to improve it; and
- ensure that the UK incorporates examples of best practice from around the world wherever appropriate.

In the broader context, the GDS has been set up as one element of the UK's CBRN Resilience Programme led by the Home Office. It also contributes to Defra's Objective 1, as set out in the Spending Review 2004 Public Service Agreement's white paper:

"Protect and improve the rural, urban, marine and global environment and to lead integration of these with other policies across Government and internationally."

As part of the work being done to prevent major disruption to everyday life in the UK, and to minimise the impact and duration of disruption if it does occur, the GDS is an important part of the UK's drive towards sustainable development.

Human Resources/Resources

One key task has been to make a smooth transition from a GDS staffed largely by the project team that set up the Service to a permanently staffed organisation. In doing this we have faced the added difficulty, for part of the reporting period, of uncertainty on timing of the occupancy of permanent location for the GDS, and our occupation of temporary accommodation at the Defra site in Crewe in the meantime.

Our priority has been to recruit the Agency's senior management team and key personnel to provide front-line services, whilst maintaining an adequate capability. Recruitment progressed to plan and all senior management posts as well as six executive levels were filled by the end of the financial year. We expect to complete recruitment of the executive layer in the summer, and follow that with the remainder of the team, once we have moved into our new premises in September.

In developing the structure of the Service, we have minimised the size of the support teams in order to maximise the number of staff involved in preparation and delivery of our front-line services. (See Annex 2 for organisational structure.) We have done this by adopting Defra policies, procedures and practices as far as possible, and agreeing Service Level Agreements with many of Defra's corporate service providers, such as Accounting Services and Estates Divisions, to support our activities.

We also encourage diversity and a good work/life balance for our staff. For example, most staff work flexible working hours and we are currently allowing staff time off in lieu (or payment) for the additional time they are traveling to our temporary location at Crewe. The Chief Executive, whilst working in London and living near Crewe, worked one day per week from home and is a keen advocate of both diversity and an appropriate work life balance, with family friendly working practices, for all members of the agency and the project team.

As a new organisation staff are dealing with new work in a new environment and this brings with it challenges and stresses. We are committed to work with all staff to provide them with support through training and development to give them the skills to deal with these tests. Underpinning this, we have developed a training and development strategy including a framework of core skills (encompassing the Professional Skills for Government guidelines) showing the knowledge and experience required for each of the Agency's work streams. Individual training requirements are identified shortly after staff take up their posts, and meeting these requirements will be a high priority for us next year. We are also committed to gaining Investors in People (IiP) status by participating in Defra's IiP reassessment process, and have contributed fully to the process in the reporting year.

We carried out a staff satisfaction survey in 2005 and the results were very encouraging. GDS was in the top quartile for most aspects of the report categories, compared with Defra as a whole and Climate, Energy and Environmental Risks Directorate (our policy sponsor). We will produce an action plan to address areas of concern and undertake a further survey later in 2006.

As part of the ongoing policy development within GDS a Health and Safety policy will be developed. This will be embedded within the staff development plans and reviewed as to its effectiveness.

The GDS organisational structure is shown at Annex 2.

Stakeholder Engagement

Our approach is stakeholder and partner led. Stakeholders have had a significant impact on the development and form of the GDS prior to its launch. Stakeholders and partners cover other government departments including Defra, Cabinet Office and the Home Office plus local government organisations such as the regional resilience forum and the emergency services. The ability to be flexible and tailor our approach to respond to the needs of stakeholders is paramount and where resources permit, we will respond to additional requests for meetings. We feel it is important to retain vision to recognise and build upon opportunities. We aim to engage with stakeholders in the most appropriate method, which may include face-to-face meetings, seminars, workshops, conferences, and by e-mail and telephone. Our approach is to be informative, inclusive, open and receptive. Stakeholders within central government and elsewhere were consulted as the set of operational documents was developed. Currently, views are being sought on the resulting drafts.

In 05/06 GDS received funding from the following GDS key stakeholders;

- 1) Defra, GDS's parent department, provided the majority of funding, £950,000, during the period.³
- 2) GDS has received £250,000 from the Scottish Executive
- 3) GDS has invoiced and has received (after 31 March 2006) £55,000 from the Northern Ireland Office

Successes in 2005-06

GDS developed a set of objectives with stakeholder support. We sought views by means of a formal consultation, as well as informal contacts and engaged strategic and operational partners and stakeholders as early as possible.

GDS held a series of first contact meetings in 2005 to engage at regional level and using the Regional Resilience Forums as the gateway to our key end users, which includes Local Authorities. This was consistent with the approach employed by Home Office and the preferred route as advised by the Office of the Deputy Prime Minister (ODPM – now the Department for Communities and Local Government – DCLG). We have worked closely with the Regional Resilience Coordination Unit based in ODPM (now DCLG) to set up links and work through them to disseminate information. This included presentations to all Regional Resilience Forums and Devolved Administrations.

We held a successful GDS stakeholder event in 2005 where the following messages were delivered.

Key messages

- GDS is 'open for business'
- Has publicised the specialist supplier framework
- Explained how to access the specialist supplier framework

³ In 2004/05 the Cabinet Office transferred £5.22m to Defra to fund the research in to the set up of GDS and to give initial funding support to the running of the Agency.

- Publicised contact details
- Introduced the teams

The stakeholder database developed last year is still evolving and is a valuable tool designed to aid forward panning, and to record, capture and track our contacts and relationships. Further work is to be carried out with a Stakeholder Focus Group following parameters developed in a recent workshop.

Feedback and Evaluation

Following on from the 2005 stakeholder event and the engagement with Regional Resilience Forums we sought feedback to inform our approach and planning. Most responses were positive with Regional Resilience Directors appreciating GDS efforts to keep them informed. Feedback both formal and informal on our activities has been generally very positive and we aim to continue with this inclusive approach. The ability to be flexible and tailor our approach to respond to the needs of stakeholders is important to us.

Next steps

We will engage with our stakeholders through several mechanisms including formal and targeted visits, workshops and seminars. Work continues to secure agenda space and set up meetings as indicated in the plan. Identification and prioritisation of operational partners is a priority.

A letter to stakeholders to update them of progress was sent out in February 2006. This included the GDS Customer Satisfaction Survey. A further update to the Regional Resilience Directors of the Specialist Supplier Framework is planned.

The 2006 Stakeholder Engagement Plan, segmented into two parts, Strategic and Operational, has been drawn up: -

Strategic level Building on the first contact meetings of 2005 we are engaging at Regional level and using the Regional Resilience Forums as the gateway to our key end users and customers, which include Local Authorities. We will continue to work closely with the Regional Resilience Coordination Unit based in ODPM (now DCLG) to set up links and work through them to disseminate information.

Operational level Work continues with the Liaison Teams to prioritise their operational partners, and a workshop will shortly be arranged for that purpose.

The 2006 plan will be circulated to Home Office contacts to maximise a joined-up approach.

Framework creation and management

In January 2005, the GDS Project Team began work in earnest to recruit companies in the private sector that were capable of carrying out decontamination operations. The GDS procurement team (including in house scientific support and the help of Defra's Procurement and Contracts Division and the Office of Government Commerce) engaged scientific and procurement experts, and the industry itself,

throughout the restricted procurement process (as defined by EU rules). With the help of these experts, we advertised in the Official Journal of the EU for expressions of interest; issued and assessed the responders technical capability and their capacity; and contracted them onto a framework agreement under which they will provide their services if required.

The formal establishment of the framework, in October, resulted in the final supplier being contracted in December 2005. We are now concentrating on building our relationships with our specialist suppliers. This work will have an immediate benefit in reducing decontamination timelines in the event of a CBRN or significant HazMat incident. Introductory visits by the Chief Executive and the Head of Liaison responsible for that particular supplier have already been followed up with requests for case studies, designed to test suppliers' capability and in so doing further enhance the UK's resilience. This is the start of a process in which we will work closely with our suppliers, individually, and perhaps in groups, to develop our joint understanding and ability to work together.

Exercises and Incidents

In 2005-06, members of GDS project team observed and gathered information from a number of exercises, and since October GDS staff have taken on the role of players. These included international as well as exercises at national, regional and local levels, and have covered a range of scenarios. GDS members have undertaken several strategic and working level roles in these exercises.

Participation in exercises is seen as a major element in the training and familiarisation of GDS staff at all levels. Equally important, the involvement contributes to the raising of the GDS profile generally and to the establishment of its credentials with partners and to the integration of GDS plans with those of partners.

Exercises also provide an effective forum for the airing and discussion of issues of mutual concern to GDS and its partners.

Trends

This is the first report of the Agency and trend information on a new start up operation is difficult to supply. We are participating in research on the scientific development of decontamination procedures and with the rest of Government in tackling the changing CBRN environment. Overall we have carefully managed our budgets and taken a planned approach to recruitment of staff and the improvement of supplier capabilities. So far, the Agency has demonstrated a good record of meeting, and in some cases exceeding, its targets. We have every confidence that we can continue to deliver further improvements expected of us.

Changes in the External Environment

Part of the work of the Agency is to monitor and review the external environment with regard to changing CBRN issues and develop a response to this for the UK. This echoes one of the five Long Term Challenges to be considered in the context of the Comprehensive Spending Review 2007 (CSR07) – Global Uncertainty. We have

been working closely with other Government Departments to build relationships and ways of responding to incidents. We have attended demonstrations by various overseas administrations to learn from their experiences and participated in both open and closed seminars.

Environmental Performance

Even as a small business operation we are concerned that we contribute as far as possible towards the environment. We embrace the initiatives that Defra promote and make the best use, as far as possible, of energy efficient equipment and ecologically friendly services. We regularly remind staff to turn off equipment and use energy efficient computer screens. Our current accommodation is within Defra buildings that encompass energy efficient principles. We will relocate from Central London, where GDS began, to Stafford, which will be beneficial in terms of local economic regeneration. As an interim the major part of the organisation is now in Defra offices in Crewe. We will be working with contractors to ensure that accommodation in Stafford (using a brown field site), that will be available later in 2006, is refurbished to get the best energy saving environment that is possible.

GDS actively engages with key stakeholders and specialist suppliers nationally and internationally. This is an essential aspect of our business. Staff undertake a significant amount of travel but, where practicable, use public transport, share cars and avoid air transport. We have followed Defra's example by using the Green Cab Service.

Achievements against Key Performance Targets

Summary

The GDS was set some challenging targets in its first business plan's six main areas of activity. Set out below is a summary of what has been achieved in the first six months of its existence.

Under each heading the target is in italics, and the assessment of our performance follows.

Specialist suppliers

We will put in place the first framework of contracts with specialist suppliers who have CBRN decontamination expertise, and as far as possible ensure the framework is scientifically robust, by the end of October 2005.

We completed the process of tendering for and procuring private sector services to fulfil our stakeholders' potential decontamination needs in the autumn. We signed contracts with the majority of our specialist suppliers by the end of the October deadline, and finalised the process shortly after that, agreeing the last contract on 4 December following final discussions with one supplier. We took care throughout the process to ensure that the framework was as robust as possible by including operational and business process and scientific experts on the assessment panel.

Operations

We will define our operational structure, role and response arrangements, agree them with our stakeholders and secure the approval of the Ownership Board, by the end of March 2006.

We are building up a full understanding of the field in which we work and developing an operational capability that is properly integrated into the existing complex set of relationships and processes in place to respond to and recover from CBRN incidents. Following discussions with stakeholders and partners, we have defined our operational structure and role. We have also completed the drafting and internal sign off of our response arrangements, which we have exposed extensively to our stakeholders during development and which we now expect to sign off formally by the end of June 2006, as a further round of discussions, on these key documents, was considered beneficial. They were circulated to members of the Ownership Board with Ministerial representation on the Ministerial Board by 31 March 2006. Once in place, they will provide a firm foundation for building our detailed internal response procedures.

Meanwhile, we have established contact arrangements, and mechanisms to support that service, so that our stakeholders can obtain advice and guidance from us whenever they might need it.

We will have put in place a comprehensive training programme for our staff, by the end of December 2005, who will be fully engaged in CBRN response preparation and

planning with stakeholders through participation in Regional Resilience Forum CBRN working groups and their equivalents in Scotland, Wales and Northern Ireland by the same date.

We considered all of the roles within the GDS, identified the competences required for each, and drew up a generic training plan well within this deadline. A delay in delivery of the GDS's new accommodation that, in turn, has affected recruitment plans, has meant that not all individuals' training needs had been identified by this date. However, based on an analysis of current and required competences, all members of staff are including a training plan in their performance and development plans within two months of taking up post. Individual training plans are reviewed regularly and updated as necessary as part of the Agency's appraisal processes.

The GDS is fully engaged with CBRN preparation and planning through a wide range of forums. We have identified the Regional CBRN working groups and their equivalents in Scotland and Wales as our principal point of influence and have formed good links with each. As different Regions develop their CBRN Regional Capability Co-ordination Plans there are now appropriate references to the GDS included in them.

Technical Knowledge and Expertise

We will establish effective working relationships with centres of excellence for scientific advice on CBRN hazards and their decontamination through mechanisms such as memoranda of understanding or the establishment of regular exchanges of information, by the end of October 2005.

We worked very closely with many individual experts and Centres of Scientific Excellence during the process of procuring the services of specialist suppliers for the framework. We have extended these relationships through bilateral discussions and our management of a number of the projects funded by the Home Office Science and Technology programme. These centres include the Health Protection Agency (HPA), Defence Science and Technology Laboratory, the Atomic Weapons Establishment, and the Environment Agency amongst others. We are a signatory to a multi-agency memorandum of understanding with the HPA. Work is now in hand to develop these relationships further.

We will have created a database of information on contaminants, their effects and relevant decontamination techniques for use within the GDS, and introduced a programme to ensure that it is reviewed and updated regularly, by the end of December 2005.

We completed the database on target, and we have agreed a programme of review and potential development.

We will be working with other Government Departments, particularly through the Home Office Science and Technology Programme, to improve understanding through research projects with academia and industry.

We remain fully integrated with the Home Office Science and Technology programme. The GDS science team was involved with the process of assessing and selecting projects in the 2005 procurement round, and has taken on management of seven of the projects as well as participating on the steering boards for several other Home Office and ODPM led projects.

We are now engaging with the current round of procurement targeted at a small number of areas, including leading development of the technical requirements for the work on decontamination.

People

We will focus on developing a successful GDS team by developing and implementing (by December 2005) a succession and recruitment plan that values diversity and talent, and by setting a clear training plan and starting the process of becoming accredited to the Investors in People standard by the end of March 2006.

We agreed a succession and recruitment plan and recruitment of senior managers (G7 and above) was completed by the end of December, but the change in the timetable for the redevelopment of our permanent site in Stafford caused a delay to the recruitment of other staff. Some members of the project team have been retained for a longer period to cover these changes. We now expect to complete the main executive appointments and the remaining scientific posts by the end of July 2006. Permanent administrative staff will be recruited once we take up residence in the new headquarters, in September. Several members of the GDS Project Team have moved on, but others will remain in post to see the project through to a logical conclusion.

As stated above, the competence requirements for each post have been agreed. Individual training needs have been identified for all staff currently in post, and this will continue as new recruits are engaged.

We are well ahead of our target to start down the road to Investors in People (IiP) accreditation by the end of March. The GDS was included in the IiP health check carried out in Defra's Climate, Energy and Environmental Risks Directorate in Autumn 2005, and has secured agreement that it can be included in Defra's re-accreditation assessment in 2006. As part of that process, the independent external assessor has interviewed several staff and indicated a favourable outcome. A recommendation is for a separate GDS IiP application after this round

By the end of March 2006 we will have established a baseline for staff satisfaction so that we can address areas where improvement is necessary in future years.

We carried out a full staff survey in November and December 2005, and have considered the implications of the report. The survey included both Agency staff and Project Team members to ensure a representative sample and revealed some very encouraging results. Results have been shared with staff.

The next stage is to agree some objectives in the areas that need improving and decide how we are going to go about achieving them.

Stakeholders and Partners

We will engage with our potential stakeholders and partners to deliver a new user-friendly and effective GDS. We will carry out a stakeholder satisfaction exercise to establish a baseline against which to set standards and objectives for the future.

Stakeholders have had a significant impact on the development and form of the GDS prior to its launch. Informal feedback and a spot survey carried out at the stakeholder conference held in June 2005 have been generally very positive. We have now also completed a formal stakeholder satisfaction survey, which gives us a baseline and some valuable information on which to support our future development.

We will endeavour to meet (within the constraints of the resources available) the needs of stakeholders for advice and guidance. To do this we will draw up a communications plan, incorporating a strategy for stakeholder engagement, and secure the approval of the Ownership Board, by the end of November 2005. The plan will include our strategic objectives in communications, the resources we will commit to the task, and the range of opportunities that we will seek to make use of to deliver the plan.

We completed the communications strategy and secured its sign-off by the Ownership Board on schedule. Ongoing implementation, principally by the liaison teams, supported by others on several occasions, has seen a great deal of GDS liaison with a wide range of stakeholders to keep them up to speed with developments in the GDS and the field of decontamination more generally.

The stakeholder engagement plan is now also complete, and will underpin our outward-facing work over the next year.

Advice requirements in relation to potential incidents have been fully met. GDS advice has been sought and provided on four occasions in 2005-06.

Finance

By the end of October 2005, we will have established an Audit and Risk Committee (as set out in the Framework Document), established its terms of reference, and completed a comprehensive review of risks to the Service's core business and an action plan to address them.

The Audit and Risk Committee (ARC) was established and the first meeting took place on 27 January 2006, under the chairmanship of non-executive member Bryan Dennis. Terms of Reference have been agreed and a workshop to review the GDS's risks took place in late February in which risks were identified and prioritised.

We will work towards improving our efficiency by modelling, with the relevant specialist suppliers, the costs of two decontamination scenarios, so that we can set a baseline and show efficiency gains in future years. We will also establish a baseline for the GDS's running costs and meet the Defra year on year 2.5% efficiency savings objective by end March 2006.

We have exceeded the first part of this objective; having already completed 3 case studies, including projected cost schedules, with our specialist suppliers.

As a new organisation we are establishing our baseline costs and participating in the existing Defra efficiency proposals (Shared Services etc). A formal Efficiency Delivery Plan is being prepared to take this forward as the Agency develops. This will be discussed with the Defra Efficiency Team.

We will balance the GDS's books for the financial year 2005-06 within Government guidelines (end financial year in March 2006).

GDS has participated fully in Defra's faster closing exercise. We are showing lower than budgeted expenditure due to delayed spending on the refurbishment of the Agency's Headquarters building and staff recruitment. The expenditure incurred in the period is within the total funding available to the Service.

Looking forward to 2006-07 – challenges and opportunities

We have given consideration to our priorities for the coming twelve months. These include bringing GDS up to its full staffing complement and completing the training programme.

We will occupy our new premises in Stafford, from where we will test our internal procedures and exercise our framework contractors. Our liaison activity will focus upon embedding GDS into regional and local response and recovery plans throughout the UK. We will strengthen links with the Environment Agency (EA) and Health Protection Agency (HPA) and other key partners. We will strengthen decontamination capability through research and development carried out under the CBRN Science and Technology Programme. We will also identify objectives for a further round of specialist supplier procurement.

All this will be facilitated by a review of the first year's operation, forward planning and securing future funding through CSR 07.

Financial review

Financial performance

The Agency is a new operation and is funded through the Defra Estimate and contributions from other Government Departments and Devolved Administrations. It is regarded as being a Front Line operation and expenditure is considered as Programme Costs. Total expenditure for the six months to 31st March 2006 is £950,000. A £305,000 contribution from the Scottish Executive and the Northern Ireland Office was received towards the funding of the service. There was a considerable saving against the original projected budget mainly due to the delay in securing an agreement on accommodation and a slower than expected recruitment process. However all senior posts are now filled and plans are in place for the accommodation to be finished in 2006.

Financial review statement

The main expenditure was on staff costs (£446,000) and this will continue to be one of the most significant areas of expenditure. The cost of maintaining and developing the supplier capabilities began in this period but it is expected that this will rise significantly in a full year. Other costs include travel and subsistence expenses of £84,000. There was no capital expenditure in the period and no significant asset purchases are planned. The GDS was funded from the main Defra supply estimates with contributions from other government departments.

Accounting policies

The financial statements have been prepared on a going concern basis under modified historical cost accounting convention as instructed under the HM Treasury Accounts Direction.

Pensions

Pension benefits are provided through the Civil service pension 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). A full explanation is included in the Remuneration Report.

Supplier Payment

GDS expects to pay all suppliers within 30 days of receipt of invoice in accordance with government guidelines.

Auditors

The Agency's auditor, appointed by statute, is the Comptroller and Auditor General. A notional audit fee of £32,000 has been agreed for 2005-06

Robert Bettley-Smith FRICS, Chief Executive

27 June 2006

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on senior salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.
- regional/local variations in labour markets and their effects on the recruitment and retention of staff.
- government policies for improving the public services including the requirement on departments to meet the targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it received about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioner's 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.

Robert Bettley-Smith was appointed on a four year contract commencing on 1 October 2005.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

The Chief Executive is a permanent Civil Servant and was appointed as Chief Executive designate on the 4 July 2005, and then Chief Executive from the 1 October 2005 on the launch of the Agency. His total remuneration including non-pensionable performance bonus for the period is shown on the following table. The Chief Executive's remuneration is set according to an employment contract with Defra. The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme (PCSPS). There are no other taxable benefits, compensation or redundancy arrangements payable for premature loss of office.

The Deputy Chief Executive is a permanent Civil Servant and was appointed on 1 December 2005. His total remuneration for the period is shown on the following table. The Deputy Chief Executive's remuneration is set according to an employment contract with Defra. The Deputy Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme (PCSPS). There are no other taxable benefits, compensation or redundancy arrangements payable for premature loss of office.

Members of the Ownership Board are from the following Government Departments:

- a) Defra
- b) Home Office
- c) Office of the Deputy Prime Minister
- d) Department of Trade and Industry
- e) Department for Transport
- f) Department of Health
- g) HM Treasury
- h) Ministry of Defence
- i) Cabinet Office
- j) Scottish Executive
- k) Northern Ireland Office
- l) Welsh Assembly Government

Each of these Government Departments bears the costs of their representatives. In addition, the Ownership Board includes three non-Executive members. The cost of these non-Executive members is borne by core Defra.

The salaries and pension information relating to the Management Board is summarised as follows:

2005-06	1. Salary (as defined below) (£000)	2. Real increase in pension and related lump sum at age 60 (£000)	3. Total accrued pension at age 60 and related lump sum (£000)	4. CETV at 31 March 2005 (£000)	5. CETV at 31 March 2006 (£000)	6. Real increase in CETV after adjustments for inflation and changes in market investment factors (£000)	7. Employer contribution to partnership pension account including risk benefit cover to nearest £100
Mr R Bettley-Smith Chief Executive Officer Commenced 1/10/05	35-40	10-12.5	105-107.5	370	526	46	0
Mr N Wilson Deputy Chief Executive Officer Commenced 1/12/05	10-15	0-2.5	22.5-25	106	156	18	0
Mr D Hewlett Head of Science Commenced 19/12/05	5-10	0-2.5	20-22.5	60	90	9	0
Mr S Thomas Corporate Strategy Commenced 3/01/06	5-10	0-2.5	40-42.5	104	138	7	0
Mr S Varley Liaison Team 3 Representative Commenced 14/11/05	10-15	2.5-5	37.5-40	89	183	22	0

Mr Bryan Dennis was appointed on 1st January 2006 as a non-Executive member of the Management Board. He received no remuneration from GDS during the financial year ending 31 March 2006.

Salaries include gross salaries, reserved rights to London weighting or London allowances, recruitment and retention allowances and Chief Executive's performance bonus.

Pension benefits are provided through the Civil Service Pension arrangements. Civil Servants may be in one of the 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. New employees may choose between membership of Premium or a 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, but there is no automatic lump sum on retirement. Classic Plus is essentially a variation of Premium, but with benefits in respect of service prior to 1 October 2002 calculated broadly as per Classic.

The partnership pension account is a stakeholder pension arrangement where the employer pays a basic contribution of between 16.2% and 24.6% (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

these will be matched by the Employer up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit (death in service and ill health retirement).

Further details about the Civil Service Arrangements can be found on the internet www.civilservice-pensions.gov.uk

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Columns 4 and 5 of the table on the previous page shows the member's Cash Equivalent Transfer Value (CETV) accrued at the end of the reporting period and twelve months prior to this date. Row 6 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 period.

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

The increase in the CETVs from 31 March 2005 to 31 March 2006 is attributable to changes in the basis of actuarial valuations.

Summary and explanation of the remuneration policy and methods used by GDS to assess performance.

The Government Decontamination Service is a small Agency. In order to concentrate its resources on delivery of its main functions and to ensure efficiency, a conscious decision has been taken to keep the number of support staff to the lowest practicable level. The Agency has therefore elected to adopt Defra terms and conditions, standards, systems, practices and procedures wherever possible. The remuneration of the Agency's Chief Executive is determined by Defra's Remuneration Committee, membership of which is detailed in Defra's Annual Report.

With reference to the remuneration of its staff, the Agency uses the same pay scales and allowances as those used within Defra. Before recruiting staff below Chief Executive level, job descriptions were drawn up for each post within the Agency's structure and sent to Defra's Job Evaluation team to obtain their confirmation that the grading of the posts was appropriate.

GDS believes that those of its staff who consistently produce good quality results should be both recognised and rewarded. Again, we have elected to adopt the same approach for the payment of in-year and annual bonuses as are used by our parent Department. Defra's SCS Pay Strategy sets out the circumstances which govern the basis for line managers making pay recommendations, based on Cabinet Office guidance. The SCS Pay Committee chaired by the Permanent Secretary takes the final decisions on relative assessments of staff performance; the Defra Human Resources team carries out the calculations to make individual payments based on a matrix.

Individual performance for the majority in the SCS is assessed relative to all others in their peer group; consolidated pay awards and unconsolidated bonuses are calculated entirely on the basis of their achievements. Each consolidated award is different depending on their position on the pay range and their level of performance.

Performance management is a vital ingredient in the successful delivery of the Agency's priorities. The Agency has also decided to use the Defra procedures to assess performance for staff below SCS level. Shortly after their recruitment (and on an annual basis thereafter), staff and their line manager agree personal objectives underpinning the corporate objectives stated in the Agency's business plan.

Performance is regularly reviewed by each staff member together with their line manager throughout the year and honest feedback is provided to enable staff to know how well they are performing and to identify skills gaps and development requirements that need to be met. These skills gaps are then provided on a prioritized basis.

Below Senior Civil Service level, Defra operates a High Performance Bonus Scheme, the key elements of which are Annual bonuses (payable to the top 10% of staff for outstanding performance during the year) and In-Year bonuses (payable to permanent and casual staff) in recognition of outstanding work or achievement of goals within a more limited period. Awards may be paid to individuals or teams and may not normally exceed £750 per individual, whether or not as part of a team.

Summary and explanation of policy on duration of contracts, notice periods and termination payments.

The contract for the Chief Executive conforms to standard Senior Civil Service contracts as determined by the Cabinet Office. The Chief Executive has to give three months notice on resignation; on dismissal for inefficiency the department would have to give 5 weeks for less than 4 years service, for 4 years and over, 1 week plus one week for every year of continuous service up to a maximum of 13 weeks, or if terminated compulsorily 6 months notice. The Civil Service compensation scheme would apply in the case of redundancy/early departure/severance.

The majority of staff below Senior Civil Service level working for the GDS Agency are on permanent contracts that include standard Civil Service terms. Under their terms and conditions, if their employment is terminated before the end of four weeks' service, they will be given a period of notice appropriate to the circumstances. This will not exceed five weeks and will not be less than two weeks.

Permanent staff with at least four weeks continuous service but less than four years' service will receive five weeks notice.

Staff with four or more years continuous service will receive a minimum notice period not less than one week for each year of continuous employment plus one week up to a maximum of 13 weeks.

Other than in misconduct cases if the minimum period of notice cannot be given staff will receive pay instead of the outstanding period.

One member of the GDS Management Board is currently seconded to GDS from the Marine and Coastguard Agency. His terms and conditions are also based on standard Civil Service terms.

Robert Bettley-Smith FRICS, Chief Executive

27 June 2006

Report from Chair of Audit & Risk Committee

The first meeting of the GDS Audit & Risk Committee (ARC) was held on 27 January 2006 and subsequent meetings were held on 26 April and 22 May 2006. To date we have:

1. reviewed and agreed our terms of reference and these have been subsequently endorsed by the GDS Management Board. The appointment of a third non-executive member is expected to be made before the next meeting;
2. determined and agreed our modus operandi and have scheduled meetings through to the Autumn of 2006;
3. reviewed the NAO draft management letter in relation to the 2005/06 GDS Accounts;
4. reviewed the Annual Report & Accounts for 2005/06 and we are able to provide assurance to the Chief Executive.
5. reviewed the Statement on Internal Control for 2005/06 and we are able to provide assurance to the Chief Executive.
6. reviewed and agreed the risk management strategy, which has subsequently been endorsed by the GDS Management Board. We appreciate that the process has yet to be fully implemented and that there are some teething problems to be ironed out, for example presentation and layout of the summary report.

Bryan Dennis
Chair, GDS Audit & Risk Committee

Statement of Agency's and Chief Executive's Responsibilities

Under the Government Resources and Accounts Act 2000 the Treasury has directed the Government Decontamination Service to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction on page 47 of these financial statements. 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 income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required to comply with the FreM prepared by the Treasury, and in particular to:

- Observe the accounts direction issued by the 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.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Agency will continue in operation.

The Accounting Officer for the Department for Environment, Food & Rural Affairs has designated the Chief Executive of the Government Decontamination Service as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for keeping of proper records, are set out in the Accounting Officers Memorandum, issued by the Treasury and published in "Government Accounting".

Statement on Internal Control

Scope of Responsibility

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

GDS delivers its aims and objectives as agreed with the Secretary of State, and the Agency's cross-departmental Ministerial Board, and within delegations from Defra. These delegations are described in the Accounting Officer letters, Framework Document and other documents as applicable. This statement contributes to the assurances in Defra's Statement on Internal Control.

The purpose of the Statement on Internal Control

The system of internal control is designed to manage risk at a reasonable level, rather than to eliminate all risk of failure to achieve the aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The development of the system of internal control is an ongoing process, designed to identify and prioritise the risks to the achievement of our aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically. The system of internal control has been developed during this first period of the Agency's existence, up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Governance

Ministerial Board

The Agency is governed by a Ministerial Board chaired by the Secretary of State for Environment Food and Rural Affairs and has as its members representatives from the Service's main sponsor departments. These include

- the Home Office;
- the Office of the Deputy Prime Minister;
- the Department for Transport;
- the Department for Trade and Industry; and
- Ministers from the three Devolved Administrations where the matters under discussion are devolved.

The Secretary of State, advised by the Ministerial Board will:

- determine the overall policy and strategy of the Service;
- set annual performance targets;
- amend the function of the Service;
- review the need for the Service; and
- appoint the chairman of the Ownership Board.

The Ministerial Board meets when the Chair, acting on advice from the Chief Executive, other Board Members, or the sponsor in Defra, deems it necessary; otherwise matters are generally dealt with by correspondence. No meetings took place in 2005/06.

Ownership Board

The Ministerial Board has reporting to it an Ownership Board chaired by the Director General, Environment, Defra and with representatives from the other Government Departments as represented on the Ministerial Board plus representatives from Cabinet Office, Department of Health, Ministry of Defence and HM Treasury. The Ownership Board also includes three non-executive members. The Ownership Board has met twice in this period and in future intends to meet quarterly.

The Ownership Board:

- advises the Ministerial Board on the matters set out above and any other matters it deems necessary;
- monitors, on behalf of the Ministerial Board, the performance of the Service against its targets;
- provides advice, support and assistance to the Chief Executive; and
- advises the Secretary of State and the Ministerial Board whether the Service is acting within the overall aims, objectives and operating framework of Government policy on CBRN, HazMat and counter-terrorism.

Management Board

The GDS Management Board, chaired by me as the CEO, provides the strategic lead for the Agency. The Management Board reviews the strategic risks to the delivery of our aims and objectives and the progress against the Service's business plan. The Management Board is responsible for ensuring effective performance, risk management and control. The Board comprises the CEO, Deputy CEO, the head of Corporate Strategy, the head of Science and one of the Liaison Team heads (on rotation) plus one non-executive, Bryan Dennis of the National School for Government, who was appointed in January. He also chairs the Audit and Risk Committee. This Board met twice in the period. A further two non-executives are being appointed and Alan Doig, Chief Fire Officer Stafford, joined in April. The final appointment will be made in May but an interim appointment is in place to advise on finance matters.

The Board aims to meet at least 10 times during a full year. The non-executive members will be people drawn from business, government and the emergency services who challenge and advise on risks and performance measures as required. One of the most important functions is to consider the Business Plan, which focuses on the main areas of the business: the specialist suppliers, building and using technical knowledge, the operational needs, our people, our customers or stakeholders and effective financial planning, management and control.

The Head of Science will report to myself and the Management Board on scientific matters affecting our work and we are seeking independent peer-review by the wider scientific community for matters affecting our work.

A business continuity plan (BCP) has been produced for the on-going operation of the Agency and this has been adapted for the changing accommodation and business priorities. This will be further updated and tested when the permanent headquarters accommodation at Stafford is available and occupied.

The GDS has adopted many of the existing Defra services and is contracting, via an SLA, for HR services and various other needs. The existing Whistleblowers and Fraud policy is owned by Defra HR and will be adopted by the Management Board. A formal note of this will be put forward to a subsequent meeting.

The Management Board will review the development of the Agency Health and Safety policy and monitor issues. We are working with the Defra Health and Safety advisors to provide robust procedures that minimise risk. During site visits we endeavour to ensure compliance with on-site safety and other requirements. Consideration will be given to whether particular arrangements or instructions are needed. We also encourage staff to ensure they make themselves familiar with safety and emergency arrangements generally when travelling but this will be stressed when travelling by air. A GDS Health and Safety Policy and Statement of Intent will be available shortly.

Audit and Risk Committee

The Audit and Risk Committee (ARC) is chaired by a non-executive member of the Management Board and will have two other non-executive members (who are also members of the Management Board). It considers the adequacy of audit arrangements (internal and external) and is continuing to develop a strategic oversight and challenge to assurances from Internal Audit (a bought-in service from Defra), and the audit and management reports from the NAO. The ARC had its initial meeting in January 2006 and aims to meet at least four times a year. The ARC, in April, has now considered the Service's risk management strategy, which was being developed from a workshop in February 2006 facilitated by Internal Audit. Risks are a major area of our planning for the improvement of the UK's resilience to CBRN and HAZMAT incidents. The Agency will build on the Defra strategy published in April 2002. From this, a risk register of strategic and tactical risks will be produced and will be regularly reviewed and updated. The Management Board in May 2006 adopted the risk management strategy for GDS.

A programme of internal audit work for 2006/07 is being agreed with the Defra internal audit team and this will provide independent assurance to the ARC and myself as Accounting Officer. I shall direct audits to cover areas where I feel I need assurance or to systems that require testing. Internal Audit operates to Government and professional Internal Audit Standards and continually reviews the quality of its service.

Strategy and Planning

The GDS strategy is based on the requirements of the Framework Document published in July 2005 and the three year Corporate Plan agreed with the Ownership Board and Ministers. An annual business plan is also agreed and monitored by the Board. This plan includes the Vision, Mission and Objectives for the Agency. The key performance targets are included and linked to objectives. These are also reported in this Annual Report and Accounts.

The business plan and the targets contained within that document are underpinned by a risk assessment and mitigation action for those risks. The risks are considered by the Management Board and reported to the Ownership Board. This work is continuing to be developed as the Agency builds its knowledge and expertise in this area.

Change Management

The Corporate Plan is reviewed and updated in line with changing circumstances. The first revision has been agreed by the Ownership Board and this is translated into the 2006/7 Business Plan that is being put before Ministers. GDS, as part of its remit, is monitoring the changing CBRN horizon and planning for any change in decontamination requirements. We have begun a programme of exercising the specialist suppliers and our teams to reflect these needs. We will also review the UK recovery requirements and seek further specialists to assist with this work if necessary.

Performance Management

The agreed Business Plan forms the basis for individual performance management agreements and objectives. The targets set in that plan and for individuals are to be SMART – specific, measurable, achievable, relevant and time-limited. We will look to incorporate this into a suitable form of scorecard and this will be taken forward next year. We have developed a communications strategy. This covers our relationships with stakeholders, specialist suppliers and staff.

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 the internal auditors and the managers within the Agency and comments from the external auditors made in their management letter and other reports. I have been advised on the implications of the results from my review of the effectiveness of the system of internal control by the Management Board and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is to be put in place. This plan will be regularly reviewed and updated, as necessary, in agreement with the Management Board and Audit and Risk Committee.

Financial control

Authority for the financial control of the Agency has been delegated to me by the Accounting Officer for Defra. I have delegated day to day control to the Deputy Chief Executive and Finance Director, a qualified accountant. Further delegation is agreed by me and published in delegation tables. Budgets and forecasts are well understood with close consultation with the heads of the business areas. The Management Board will formally review budgets against spend and revised forecasts during the year and adjusts priorities in line with delivery targets. We are reliant on the accounting systems and transaction services of the core Defra Accounting Services Division in accordance with a Service Level Agreement.

Significant internal control issues

Internal control issues for the Agency not only encompass our work to meet our business objectives but also issues that may be raised in the Defra statement as it may affect our business operation. There was some delay in setting the governance and financial controls in place. A formal Management Board was not constituted until February 2006 although regular meetings of the Heads of Business took place. The Audit and Risk Committee did not meet until January 2006 and has now taken its place. There are still areas to address as stated below.

- Legal basis – while the department has set up the agency under the general powers of the Secretary of State, a more formal legislative basis may be necessary for continued operation. The need for additional legislative cover will need to be assessed and appropriate or necessary steps taken in conjunction with our Defra sponsor, other Departments, and the Defra legal team.
- A credit card fraud was discovered in November 2005 and following consultation with the card provider all costs were recovered. It is understood that the card may have been 'cloned'. Although we had put in place a rigorous monitoring and checking system the case did raise concern over the use protection and control of the government procurement card, and I have taken steps to raise awareness of this within the Agency, as well as ensuring staff are aware of the support available to them and the actions Barclaycard will take in such circumstances. This included a presentation by Barclaycard on general card fraud matters and future steps being taken to mitigate this. I will consider what further controls can be introduced in GDS to prevent fraud and monitor the issue and use of the cards. I believe that this is a general public sector and commercial issue as well.
- As the Agency evolves with the use of core departmental services it has become increasingly apparent that the need for Service Level Agreements (SLA's) is taking more time than anticipated. We continue, at this time, to receive the services necessary to support the day to day business. Control over certain services, such as HR, could be reviewed by senior managers of GDS in the light of matters that have become apparent towards the end of 2005/06. This would include a review of the control of bank accounts following issues pointed out by the auditors over the period.

- As travel and subsistence expenditure is a significant part of our costs I wish to review the current arrangements for authorising and checking claims. I will also institute a simple business case value for money review for overseas meetings and significant UK events.

Robert Bettley-Smith
Accounting Officer for the Government Decontamination Service
27 June 2006

Audit Opinion

THE 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 Government Decontamination Service 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 27 to 32, reflects the Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises pages 2 to 26 of the Annual Report and includes the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2006 and of the deficit, 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
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
Date: 5 July 2006*

Government Decontamination Service 2005-2006 Accounts

Operating Cost Statement for the six months ended 31 March 2006

		2005 – 2006	
	Note	£'000s	£'000s
Programme Cost Expenditure			
Staff Costs	2	446	
Depreciation and Revaluation Losses		0	
Other Programme Costs	3	417	
GDS Programme Costs for the year			863
Departmental Charges and Other Costs			
Defra service recharges		55	
Notional audit fees - NAO		32	
			87
Operating Costs for the year			950
Operating surplus/(deficit) brought forward			0
Operating Costs for the year			950
Operating deficit carried forward			950
Statement of Recognised Gains and Losses			
Operating Costs for the year			950
Fixed Asset Revaluations not reported in the operating surplus/deficit			0
Total expenditure for the first accounting period/gains recognised since the last annual report			950

All Activities arise from continuing operations

The notes on pages 38 to 46 form part of these financial statements

Balance Sheet as at 31 March 2006

	Note	£'000s	£'000s
Current Assets			
Debtors and prepayments	4	56	
Cash at bank		20	
		76	
Creditors: amounts falling due within one year			
Creditors	6	-605	
Net Current Assets			-529
Total assets less current liabilities			-529
Financed by			
General Fund	7		-529

The notes on pages 38 to 46 form part of these financial statements

Robert Bettley-Smith
Accounting Officer for the Government Decontamination Service
27 June 2006

Cash Flow Statement for the six months ended 31 March 2006

		2005 – 2006
	Note	£'000s
Net cash outflow from operating activities	8	-314
Capital expenditure and financial investment		0
Cash outflow before financing		-314
Financing		
Receipt of Defra operational funding		20
Receipt of Funding from OGD's		305
Receipt of MOD staff funding		9
Increase in cash in the year	8	20

The notes on pages 38 to 46 form part of these financial statements

Notes to the accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2005 – 2006 Financial Reporting Manual (FReM) issued by HM Treasury. Where FReM permits a choice of accounting policy, the accounting policy which has been judged to be 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.

a) **Accounting Convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets (as applicable) at their value to the business by reference to their current costs.

b) **Tangible fixed assets**

Tangible fixed assets are capitalised if the purchase cost equals or exceeds £2,000 and where there is an expected useful economic life of more than one year. All tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Fixed assets are restated to current value each year. Land buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of published indices appropriate to the type of land or building. Non-property operational assets are restated to current value using published indices.

c) **Depreciation**

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation is charged in the month of disposal but not in the month of purchase. Asset lives are normally in the following ranges:

Freehold land	Not depreciated
Freehold buildings	40 years
Computer equipment	3-5 years
Computer software inc. licences	2-20 years
Furniture and fittings	10 years
Office equipment	10 years

d) Value Added Tax (VAT)

Most of the activities of the agency are outside the scope of VAT and, in general output tax does not apply and most input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of fixed assets.

e) Defra service recharges

Central overheads from the core Department for Environment, Food and Rural Affairs (Defra) are charged on a notional basis and included in the accounts. The charges cover central services such as Establishments, Human Resources, Accounting Services Division and Procurement and Contracts.

f) Administration, Programme Expenditure and Income

The Agency is a service provider and has been set up to deal with one of Defra's Top 10 Threats. Accordingly the Agency is deemed to be a Front Line Service and all expenditure is therefore classified as programme rather than administration. Programme costs reflect administration costs of frontline services and all the other non-administration costs, including certain staff costs where they relate directly to service delivery. The classification of expenditure and income as administration or programme follows the definition of administration costs set by HM Treasury.

g) Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling at the date of each transaction. Balances held in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. These translation differences are dealt with in the Operating Cost Statement. In line with HM Treasury guidance, gains are treated as Consolidated Fund Extra Receipts (CFERs) and losses as programme expenditure.

h) Provisions

The Agency provides for obligations arising from past events where it is probable that it will be required to settle the obligation and a reliable estimate can be made where material, the future costs have been discounted using the rate 3.5% per annum as directed by HM Treasury.

i) Pensions

Pension benefits are provided through the Principle Civil Service Pension 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 provisions of the Principle Civil Service Pension Scheme (PCSPS) cover past and present employees; which is mainly non-contributory and unfunded except in respect of dependent's benefits.

Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Agencies covered by the PCSPS meet the cost of the pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate statement for the PCSPS as a whole. In respect of defined contribution schemes, the Agency recognises the contributions payable for the year.

Further information is provided in in the Remuneration Report (page 19) and Note 2.

j) Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. If the present value of the minimum lease payments amount to 90% or more of the fair value of the assets, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease.

Both the asset value and liability to pay future rentals under a finance lease are discounted at the interest rate implicit in the lease to derive the present value. Assets obtained under a finance lease are revalued and depreciated. The Agency does not have material finance lease commitments.

2. Staff Numbers and Costs

2A Staff costs

Staff costs consist of:

Agency Programme Costs

	Permanently		Six months ending
	Employed staff	Others	31 March 2006
	£000	£000	Total £000
Salaries and wages	287	76	363
Social security costs	27	1	28
Other pension costs	55	0	55
Total net costs	369	77	446

No persons retired early on ill health grounds.

The average number of whole-time equivalent persons employed, including senior management, during the 6 months was 15.

2B Pensions

FRS17 – PCSPS is an unfunded multi-employer defined benefit scheme and the Agency is unable to identify its share of the underlying assets and liabilities.

For 2005-06, employer's contributions were payable to the PCSPS based upon on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation.

Further information concerning pensions is contained within the remuneration report.

2C Loans

Loans are made to staff to cover season ticket advances and to relocate. As at 31 March 2006 there were outstanding balances to staff totalling £176.

3 Other Programme Costs

	Six months ending 31 March 2006
These are made up as follows:	£'000
Training	7
Other costs	53
Professional Fees	61
Travel and Subsistence	84
Accommodation charges	91
Specialist Supplier Payments	121
Total Other Programme Costs	417

4. Debtors and Prepayments

Amounts falling due within one year:	As at 31 March 2006
	£'000
Other debtors	56
Total Debtors and Prepayments	56

5. Going Concern

The balance sheet at 31 March 2006 shows negative Taxpayers' Equity of £529,000. This reflects the inclusion of liabilities falling due in future years which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet Net Cash Requirement of the Department for Environment Food and Rural Affairs of which the Government Decontamination Service is part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund by the the Department for Environment Food and Rural Affairs other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the Government Decontamination Service's liabilities is accordingly to be met by future grants of Supply to the Department for Environment Food and Rural Affairs and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2006-07 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 a going concern basis for the preparation of these financial statements.

6. Creditors

Amounts falling due within one year	As at 31 March 2006 £'000
Trade creditors	0
Other taxation and social security	0
Accruals Owing to Defra and its agencies	471
Accruals owing to Other Government Depts	13
Other Accruals	121
Total Creditors	605

7. General Fund

The GDS is funded by its sponsor, the Department of the Environment, Food and Rural Affairs (Defra) and by contributions from various Government Departments. In 2005/06 these include the MoD, Northern Ireland Office and the Scottish Executive. The position is shown in the 'Financed by' section of the Balance Sheet by means of the General Fund.

	General Fund £'000
Balance at 1 October 2005	0
Non-cash charges:	
Audit Fee	32
Defra Service Charges	55
Receipt of Defra Operational Funding	20
Receipt of Funding from the Northern Ireland Office and the Scottish Executive	305
MOD Staff Funding Contribution	9
Operating Costs for the period	-950
Balance at 31 March 2006	-529

All activities arise from continuing operations.

The balance at 31 March 2006 of -£529,000 represents funding from the Defra.

8. Notes to the Cash Flow Statement Reconciliation of operating deficit

To net cash outflow from operating activities

	Six months ending 31 March 2006
	£'000
Operating deficit for the period	-950
Defra service charges	55
Other notional charges added back	32
Increase in debtors and prepayments	-56
(Increase) in creditors	605
Net cash outflow from operating activities	-314

Reconciliation of net cash flow

To movement in cash at bank

	As at 31 March 2006
	£'000
Increase in cash in the period	20
Cash at bank at 1 October 2005	0
Cash at bank at 31 March 2006	20

9. Capital Commitments

GDS has no capital commitments as at 31 March 2006.

10. Contingent Liabilities

GDS is not aware of any contingent liabilities as at 31 March 2006.

11. Related Party Transactions and Senior Management Interests

As the GDS is an Executive Agency of the Department for the Environment, Food and Rural affairs and is sponsored by them, the Department is regarded as a related party. During the year, the GDS has had significant material transactions with the

Department and two of its agencies, Central Science Laboratory and the Health Protection Agency.

In addition, GDS has had various material transactions with other central Government bodies. These include receiving funding from the Cabinet Office , Northern Ireland Office and Scottish Executive. We have also had material transactions with the Home Office, Defence Scientific & Technology Laboratory, Emergency Planning College, National School of Government, the Essex Fire Authority and the Maritime Coast Guard Agency.

None of the Senior Management has had any financial interest in the GDS during the financial year or since.

12. Financial Instruments

The Agency is required to disclose the role financial instruments had during the period, in creating or changing the risks faced in undertaking its activities. The non-trading nature of the Agency's activities and the way the Government departments are financed, means the Agency is not exposed to the degree of financial risk faced by business entities. The GDS has no powers to borrow or invest surplus funds. Financial assets and liabilities generated by the day to day operational activities are not held to change the risks facing the Agency in undertaking its activities

Liquidity Risk: There is no exposure to liquidity risk, given that the Agency's net resource requirement is financed through resources provided by other Government departments.

Interest Rate Risk: There is limited exposure to interest rate risk; the Agency's main financial assets and liabilities have either nil or fixed rates of interest.

Foreign Currency Risk: This is not significant, as there is no income and minimal expenditure in foreign currencies. Invoices received in foreign currency, mainly US Dollars, are converted to sterling for accounting purposes and paid in foreign currency when due. This may give rise to a gain or loss on exchange. There were no significant differences at the year end. No hedging contract have been put in place as HM Treasury have advised that there is a legal impediment against this.

13. Intra-Government Balances

	Debtors: Amounts Falling due Within one year	Creditors: Amounts Falling due Within one year
	£000	£000
Balances with other central government bodies	55	484
Balances with bodies external to government	1	121
Total At 31 March 2006	56	605

14. Accounting Officer's audit disclosure statement

So far as the Accounting Officer is aware, there is no relevant audit information of which the GDS auditors are not aware.

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the GDS auditors are aware of that information.

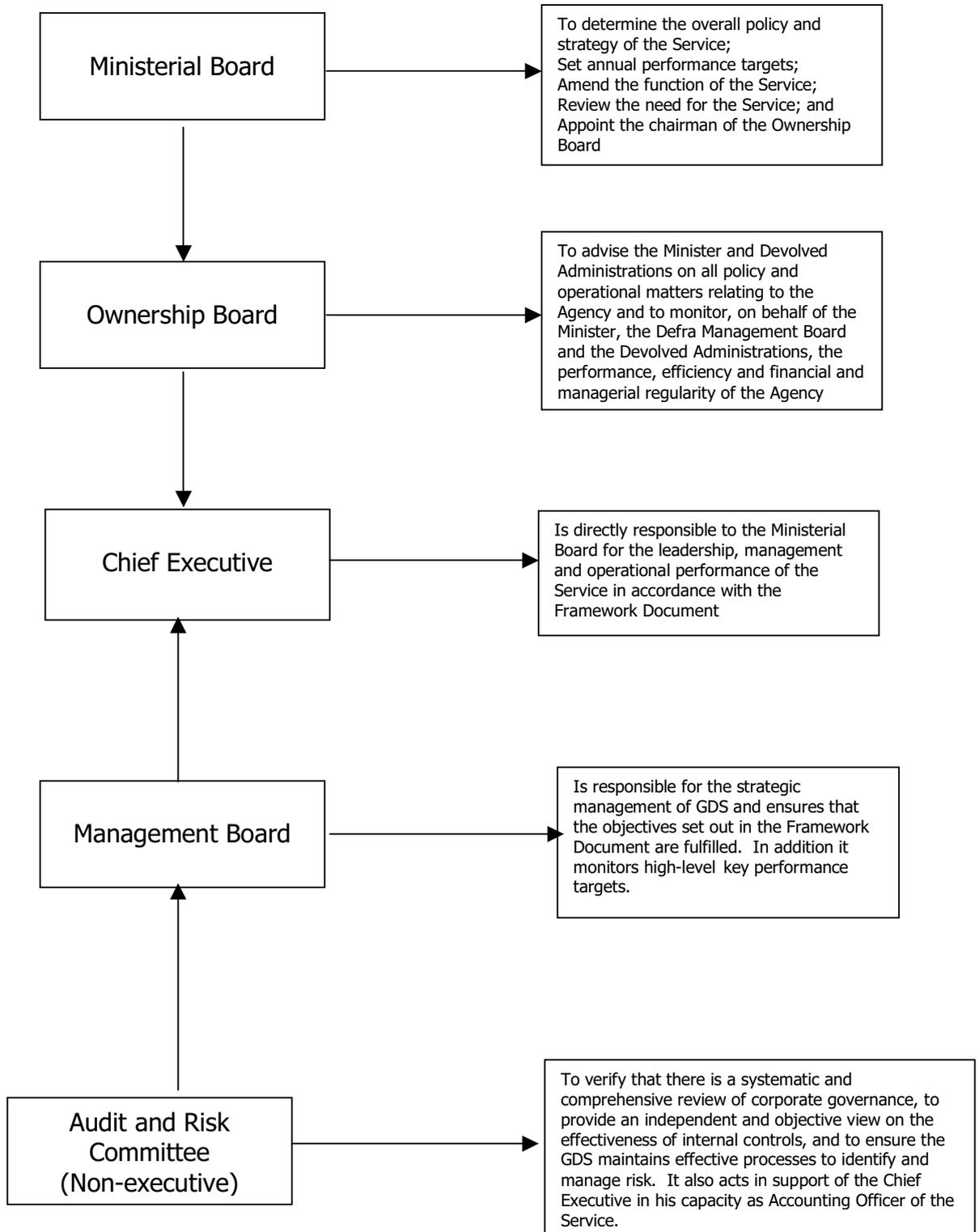
Accounts Direction Given by the Treasury

(in Accordance with section 7 (2) of the Government Resources and Accounts Act 2000)

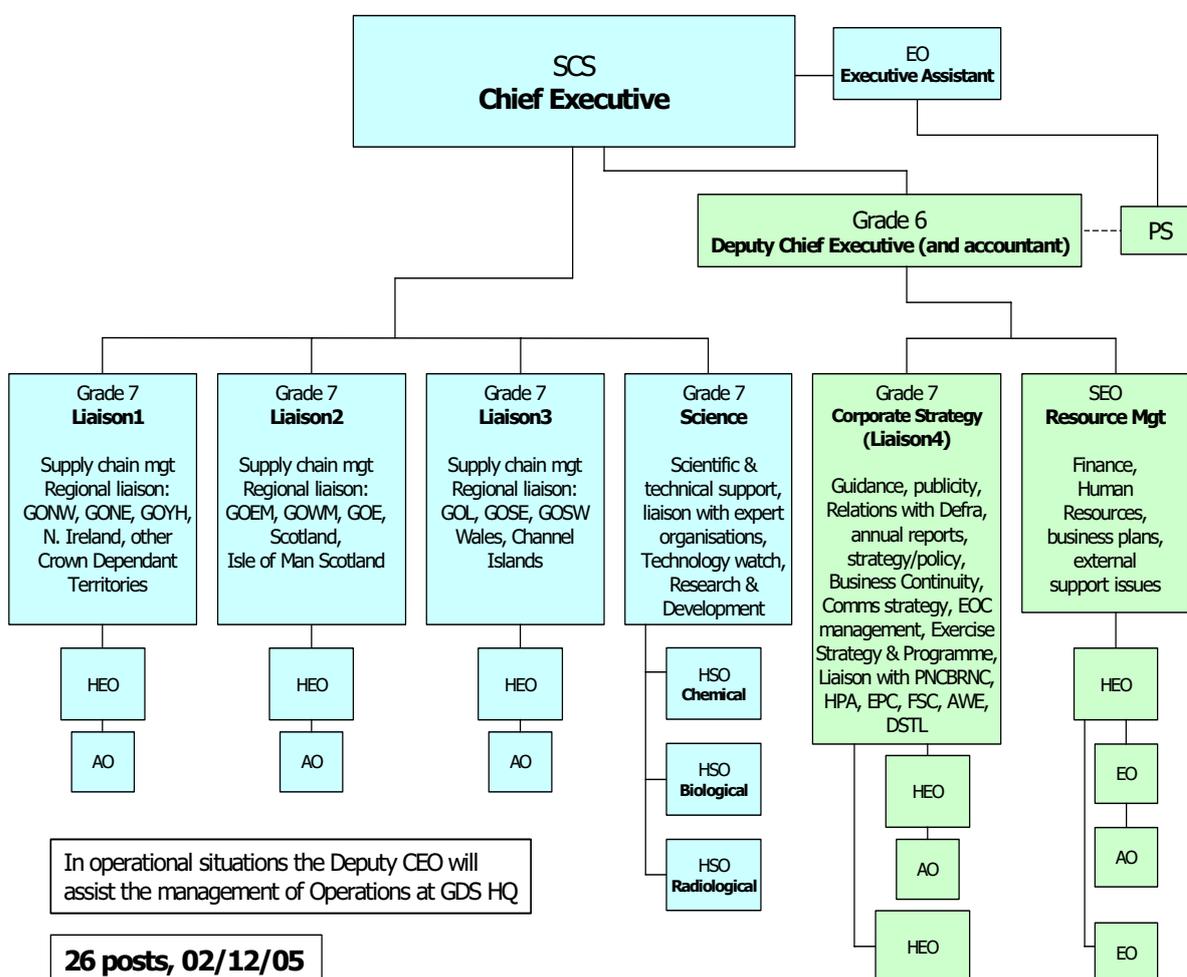
1. This direction applies to the Government Decontamination Service, an executive agency of the Department for Environment, Food and Rural affairs.
2. This executive agency shall prepare accounts for the year ended 31 March 2006 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury which is in force for 2005-06.
3. The accounts shall be prepared so as to:
 - (a) give a true and fair view of the income and expenditure, total recognised gains and losses, and cash flows of the agency for the financial year, and of the state of affairs as at 31 March 2006; and
 - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FrM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FrM is inconsistent with the requirement to give a true and fair view, the requirements of the FrM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment, which should be consistent with both the characteristics of the circumstances concerned and the spirit of the FrM. Any material departure from the FrM should be discussed in the first instance with the Treasury.

David Cruden FCA
Head of the Central Accountancy Team, Her Majesty's Treasury

Annex 1 Outline Structure of Boards and Committees Relating to GDS



Annex 2 GDS Organisational Structure 2006/07



Key to abbreviations:	
SCS	Senior Civil Service
SEO	Senior Executive Officer
HEO	Higher Executive Officer
HSO	Higher Scientific Officer
EO	Executive Officer
AO	Assistant Officer
PS	Personal Secretary
GONW	Government Office North West
GONE	Government Office North East
GOYH	Government Office Yorkshire
GOEM	Government Office East Midlands
GSWM	Government Office West Midlands
GOE	Government Office East
GOSW	Government Office South West
EOC	Emergency Operations Centre
PNCBRNC	Police National CBRN Centre
HPA	Health Protection Agency
EPC	Emergency Planning College
FSC	Fire Service College
AWE	Atomic Weapons Establishment
DSTL	Defence, Science & Technology Laboratory

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

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Email bookorders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(See Yellow Pages)

and through good booksellers

ISBN 0-10-294266-8



9 780102 942668