



Annual Report & Accounts **2006-2007**

Smart Disposal



INVESTOR IN PEOPLE

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



What is the Disposal Services Agency?

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

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

DSA's Aim:

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

DSA's Mission:

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

DSA's Vision:

To be the best government Disposals organisation in the world.





A Defence Agency of the Ministry of Defence

Annual Report and Accounts 2006-2007



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Statement by the Chief Executive

Disposal Services Agency For 2006-2007 Annual Report and Accounts



This is the last annual report and accounts for the Disposal Services Agency (DSA). With the creation, in April this year, of the Defence Equipment and Support (DE&S), DSA now forms part of the new Joint Supply Chain within MoD's newly integrated procurement and support organisation. The DSA will be known as the Disposal Services Authority and I will become Director Disposal Services.

The removal of agency status will not change the scope of our operations but it will allow my organisation to become more integrated into the MoD's Supply Chain, thereby helping to deliver the MoD's through-life management plan's vision for cradle to grave management of equipment. We will continue (and wherever possible extend) our operations to the benefit of both the MoD and the wider public sector. I anticipate this being an area where the DSA can increasingly contribute to wider Government objectives on sharing services across departments.

Many of the benefits we have gained from holding agency status are now firmly embedded in our core processes and I intend to maintain a strong customer focus, clarity of objectives and outputs, as well as robust performance management and visibility of targets within DE&S. The Disposal Services Authority will continue to provide a full and informative account of the business via the MoD's Annual Report and Accounts and other Parliamentary scrutiny. We remain accountable internally for our performance through appropriate Service Delivery Agreements.

De-agencification provides an opportunity to reflect on the success of the Agency over the last twelve and a half years, during a period where the level of achievement has been significant. In its early days the Agency was engaged in the largest clearance of stockholding and surplus equipment since the end of the Second World War. Considerable efficiency savings were made through the reduction in Service storage costs under the Agency's innovative contracted-out storage and marketing agreements. Over the period of its existence, the Agency reinforced its position in the shrinking defence world market. It is acknowledged as the largest disposal operation of its kind in Europe, offering its services to other Governments and other government departments. Over £730M has been secured in gross sales income since 1994.

During this its last year, some of the highlights were the successful handover of two ex-Royal Navy Type 23 frigates, HMS Norfolk and HMS Grafton to the Chilean Navy. The regeneration work on HMS Sandown for Estonia; signing of the UK Submarine Rescue System Agreement with James Fisher Defence Ltd; and the Memorandum of Agreement (MOA) with BAE Systems.

We were pleased to see the successful launch of the Agency's online auction on St Valentine's Day and the continued high levels of customer satisfaction confirmed by the independent survey carried out by the market research company, ORC International.

The success of the Agency has been built with the hard work and dedication of Agency staff and I am most grateful for their support during this year. Together we look forward to being part of the new DE&S and the continued success of the Disposal Services Authority.

John Simkins
Chief Executive
Disposal Services Agency
25 June 2007



Management Report

Introduction

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

History

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

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

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

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

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

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

The Enabling Acquisition Change (EAC) Report of June 2006 made a number of recommendations surrounding the creation of an integrated procurement and support organisation, within MoD, called Defence Equipment & Support (DE&S). One of the recommendations was that the new organisation should not have agency status and that no sub-divisions of the organisation should have agency status.

On 1 April 2007 DSA ceased to become an agency of the Ministry of Defence and is to be known as the Disposal Services Authority.

Smart Disposal

Activities of the DSA are:

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

The principal activities of the DSA are:

Government-to-Government sales – A marketing and sales service assisting DESO in the realisation of diplomatic, industrial and other benefits to overall UK interests. Selling into markets with the support of industry in the initial sales phase and with the intention of providing an entry point for industry for future support and eventual sales of new equipment.

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

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

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

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

Consultancy and Valuations – A professional advisory service for all disposal issues. The DSA uniquely offers a comprehensive consultancy and valuation service in all aspects of disposal management. It works alongside its clients to position disposals as an integral part of the total logistics chain. Its specialist teams provide everything from individual waste audits to full partnership-like associations, identifying ways to control and reduce costs and optimise revenues.

Repayment – This involves sale of both excess and pre-ordered stock of Air and Sea inventory plus provision of repair services to OGDs, former MoD organisations, defence manufacturers, stockists and other governments.

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

Financial performance

The gross operating costs for the year were £10.457M a decrease of 39% from 2005-2006. This was largely due to an amount of £5.399M relating to outstanding payments due to a contractor for the period 1996 to 2003 for disposal activity conducted direct by the MoD and paid during 2005-2006. Operating Income for the year was £2.194M, a decrease of £0.485M (18%).

Expenditure for the Agency (excluding non-cash and notional costs) was £8.649M a decrease of £6.263M (42%) compared with 2005-2006 and was again, largely due to the 2005-2006 outstanding payments mentioned above.

Staff costs increased by £0.092M (2%) due to rises in MoD pay. The increase was small as it was offset by the decrease in average staff numbers (115 from 122).

Debtors at year end of £0.348M compares with £0.434M in the previous year due to prompt payments from OGD customers. Creditor and Accrual balances were down by £3.825M compared with 2005-2006, largely because of the outstanding payments due to a contractor included in 2005-2006.

In common with Government Departments, the future financing of DSA's liabilities is to be met by future grants of supply to the MoD to be approved by Parliament. Approval for amounts required for 2007-2008 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

The Agency's accounts for 2006-2007 are reproduced at pages 35 to 45.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	(£000)
Net Resource Outturn (Estimates)	(35,079)
Net Operating Cost	(35,079)
Net sales greater than those budgeted	(8,397)
Resource Budget Outturn of which:	
Departmental Expenditure Limits (DEL)	(26,682)

The above schedule details DSA's overall business activity compared to the allocated budget. The accounts on pages 35 to 45 are prepared as administration accounts and show the operating costs of running the Agency and include income received relating to the Agency's commission on provision of disposal services for non-MoD customers.

Business review

2006-2007 has been another successful year for DSA. It met all of its five Ministerial targets. It met or exceeded all but one of the performance standards with its principal customer, the Defence Logistics Organisation (DLO). The independently conducted Customer Satisfaction survey recorded a customer satisfaction rate of 94%. Amongst the larger fixed assets, DSA achieved the successful handover of two ex-Type 23 Frigates (HMS Norfolk and HMS Grafton) to Chile as well as initiating the regeneration work on HMS Sandown for Estonia. The edisposals website was developed further during the year.

2007-2008 will bring further challenges with the handover of the remaining ex-Type 23 Frigate (HMS Marlborough), the handover of the second Sandown vessel to Estonia and the sale of Sea Harriers to India. In addition the DSA will be involved in completing disposals from the Defence Storage and Distribution Centre (DSDC) sites at Llangennech, Longtown and Stafford. Further enhancements are planned to the IS system (eDart) to speed up the disposals process.

Owner's Advisory Board

The Secretary of State for Defence delegated ownership responsibilities during 2006-2007 to DLO DG Log (Supply Chain). The Owner is responsible for monitoring the strategic direction of the Agency, and for setting realistic but demanding targets. The Owner sets the tasks to be carried out and allocates the resources to be deployed on those tasks.



The Owner is assisted by his Advisory Board, whose members during 2006-2007 were:

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

Mr J Simkins
Chief Executive – DSA

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

Air Vice-Marshal G MacKay
Senior Military Adviser (DESO)

Mr D Richardson
Regional Marketing Director (DESO)

Commander I Bisson
DRP Centre-2, Maritime 2

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

The Advisory Board met twice during the year.

DSA Management Board

The Chief Executive is responsible for the conduct and efficiency of the Agency's business. DSA's strategic direction is agreed and monitored by the Agency's Management Board whose members during 2006-2007 were:

Mr J Simkins
Chief Executive

Mr C MacPhee
Deputy Chief Executive

Miss J Smith
Commercial Adviser/Non-Executive Director

Captain D Durston
Director Capital Sales

Mr P Taylor
Director Finance & Corporate Services
(to 31st December 2006)

Mr M Armstrong
Director Finance & Corporate Services
(from 22nd February 2007)

Mr P Kenny
Director Customer Services

Mr R Norris
Director of Operations

Mr L Taylor
Director Information Systems

Mrs M Southey
Director Commercial

Employment policies

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

Staff involvement, development and training

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

Creditor payment policy

The Agency's creditors are paid predominantly by the Defence Bills Agency (DBA). In 2006-2007, the DBA, as MoD's central bill payment authority, had a target of paying 99.9% of correctly presented bills within 11 calendar days of receipt. Actual performance against this target was 99.95% and all payments were made within the contractually agreed period, or 30 days if not stated. It is an implied term of all contracts entered into by the Disposal Services Agency that payment terms will comply with the Department's stated payment policy.

Environmental and conservation policy

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

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with Section 7(3)(b) of the Government Resources and Accounts Act 2000. The auditors charged a notional fee of £38,000 for audit services.

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

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



John Simkins
Chief Executive
25 June 2007



The Agency, it's Strategy and Roles

The Agency

The DSA is an executive agency of the Ministry of Defence (MoD). The DSA was established in 1993-1994, re-launched and re-named, the Disposal Services Agency in 2000. To the end of March 2007 the DSA had secured sales receipts of approximately £733M. In April 2005 the Head of Specialisation (Disposals & Sales) amalgamated with the DSA and re-launched as an integral part of the Defence Logistics Organisation (DLO). The DSA has established a reputation for deriving best value for UK interests in the disposal of surplus assets.

As from 1st April 2007, with the creation of Defence Equipment and Support (DE&S), an integrated procurement and support organization within MoD, agency status was withdrawn from DSA.

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

Strategy

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

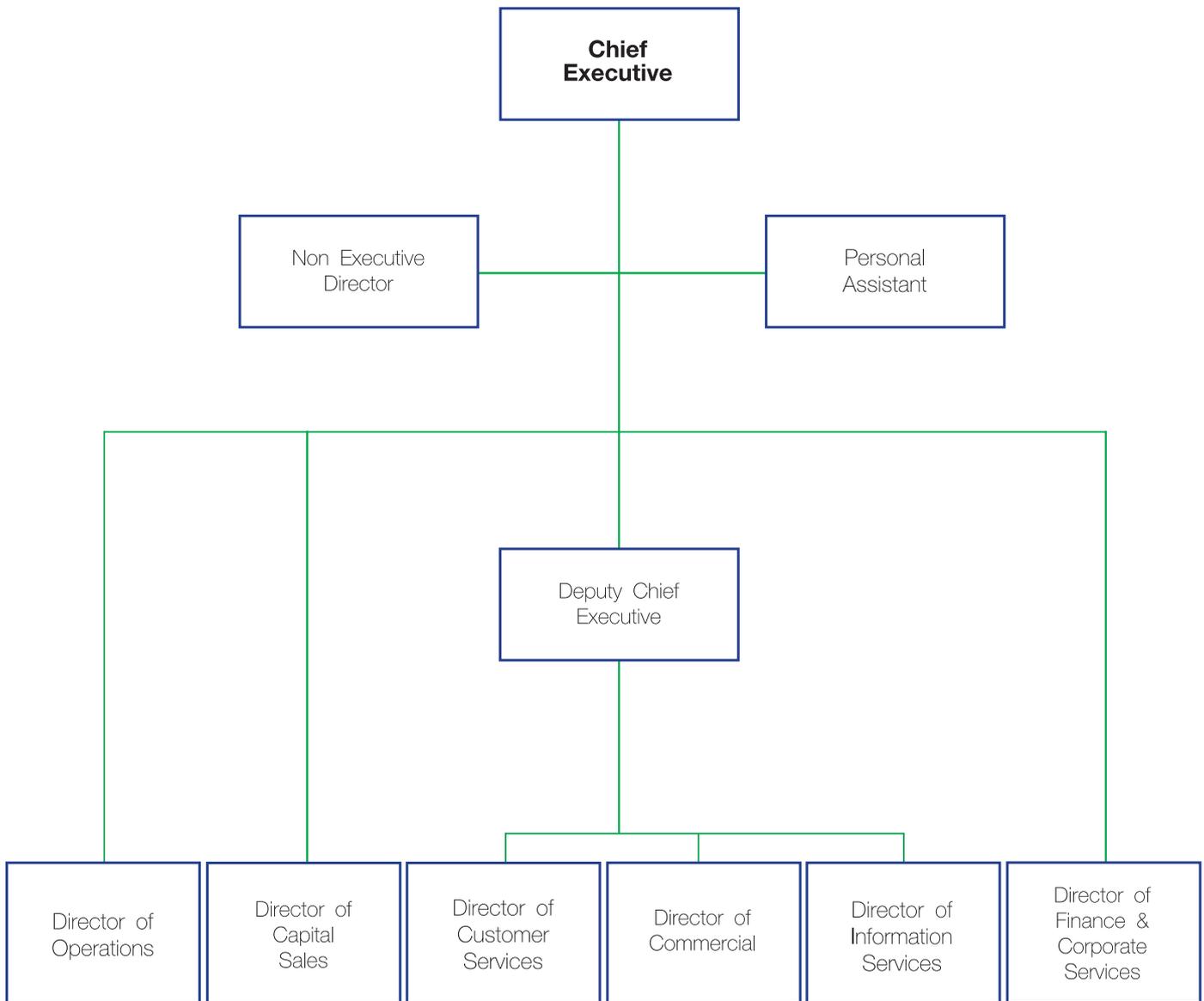
Roles

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



The DSA also has a presence in Germany

The DSA Organisation





A Year in the Life of the DSA

April 2006

- 'Public', the Guardian magazine features DSA and its website.
- Letter of Intent (LOI) signed with Estonia.

May 2006

- DSA presentations at DESO's 40th Anniversary.

June 2006

- OGC Procurement Exhibition at Earls Court, London.

July 2006

- DSA visit to Estonia.
- DSA visit to Pakistan Land Systems.
- DSA Team Building Event at Hythe.
- DSA stand at the 45th Farnborough International Air Show (FIAS 2006).

August 2006

- HMS Leeds Castle and HMS Dumbarton Castle (LOI) signed with Pakistan.
- Drawdown meeting at RAF Coltishall.
- Visit to Romanian Offset Agency, Bucharest.

September 2006

- UKSRS Sales Agreement signed.
- DGFM Wider Markets promotes DSA's website.
- Sandown Class Mine Countermeasure vessel sales agreement signed with Estonia.
- Scottish Chamber of Commerce and Scottish Enterprise – website exploitation.
- OGC/DSA Sustainability Road Shows – Leeds, Liverpool and London.
- DSA/British Naval Equipment Association – Industry Day for Estonian Navy.

October 2006

- DSA/James Fisher Defence Ltd. Agreement signed.
- OGC/DSA Road Shows – Glasgow, Belfast, Newcastle, Plymouth, Swansea and Birmingham.
- DCSA Exhibition, Cardiff.
- Joint Venture Agreement (JVA) signed with DESO.

November 2006

- DSA visit Gibraltar on HMS Sussex sale.
- Handover of Type 23 frigate, HMS Norfolk, to Chilean Navy.
- HMS Sandown RPSD
- DSA visit to Bosnia.
- OGC Sustainability Conference, QE II Conference Centre, London.

December 2006

- Sea training of Almirante Cochrane (ex-HMS Norfolk).
- DSA visit Brazilian Navy.
- Upholder Submarines / Main Contract Review in Ottawa.
- Retention of ISO 9001 accreditation.



January 2007

- Jordanian Armed Forces delegation visit to DSA.
- D/CE invited to Vebeg's New HQ, Frankfurt, and presentation of company accounts.

February 2007

- Chief of Estonian Navy visited DSA.
- MOA with BAE Systems, signed.
- IDEX exhibition in Abu Dhabi.
- DSA Commercial meeting with Thales.
- DSA visit to Delhi on Sea Harrier sale to India.
- St Valentine's Day launch of new DSA website.

March 2007

- Handover of Type 23 frigate, ex-HMS Grafton, to the Chilean Navy.
- Joint DSA/ABRO visit to Jordan on AHP Project.
- Jordanian Armed Forces procure surplus 'C' vehicle assets.
- ORC International Customer Satisfaction survey undertaken.





Capital Equipment Sales

This is an area of significant importance to the DSA as it realises a large proportion of annual sales income, as well as attracting significant political and Departmental scrutiny.

Beyond the Out – of – Service Date (OSD) of surplus ships, a typical sale will usually involve managing a refurbishment contract to adapt the equipment to meet the overseas government's own specification. The Agency assists MoD in the realisation of diplomatic, industrial and other benefits to overall UK interests, by selling into markets, with the support of the Defence Export Services Organisation (DESO) and British Defence Industry, in the initial sales phase, with the intention of providing an entry point for industry for future support and eventual new equipment.

Ships

Type 23 Frigates

Following the signing of an agreement with the Chilean Navy by Lord Drayson, Minister for Defence Procurement (Min DP), and by the Chilean Minister of Defence, Jaime Ravinet de la Fuente in September 2005, the handover of three ex-Royal Navy Type 23 frigates is nearing completion. BAE Systems, as prime contractor, continue to manage the project with reactivation work being carried out by Fleet Support Ltd at Portsmouth Naval Base and crew training by Flagship Training Ltd.

The first ship to be handed over, ex-HMS Norfolk, now Almirante Cochrane, has completed her training and an assessment under Flag Officer Sea Training (FOST), finishing with a very satisfactory result and successful Seawolf test firing. She will undergo further essential maintenance before leaving the UK for Chile in early June.

The ex-HMS Grafton, now Almirante Lynch, enjoyed a successful handover ceremony on the 28th March 2007 and is making good progress into her training and work up schedule and is due to leave the UK for Chile in the new year. The final ship, ex-HMS Marlborough, to be named Almirante Condell, remains on schedule for reactivation in March 2008.

The project has been marked by the positive attitude and high levels of motivation amongst the Chilean Naval Personnel selected to command and crew these vessels. The DSA and Chilean Navy Project offices at Portsmouth Naval Base continue to enjoy an excellent working relationship.

The sale will enhance the capability of the Chilean Navy and realise significant benefits to both the defence industrial

base in Chile and the UK Defence budget. It also offers the potential for the UK to secure future defence work in support of these vessels, as well as future sales of other equipment.

Major General Malcolm Wood, Director General Logistics (Supply Chain) officially transferred HMS Grafton at the handover ceremony in Portsmouth.

Sandown Class Single Role Mine Hunter

On 14th September 2006 onboard HMS Victory, Lord Drayson, Minister (Defence Procurement) and the Estonian Defence Minister Jurgen Ligi, signed an agreement between the UK and Estonian Governments for the sale of three Sandown Class Mine Hunters.



The three ships were declared surplus to the Royal Navy's requirements under the Strategic Defence Review in 2003. Their sale to Estonia will allow her Navy to begin dealing with the unexploded ordnances that remain in the Baltic following two World Wars and will make a significant contribution to NATO's MCM capability. ENS Admiral Cowan, (ex-HMS Sandown), is the first of the three ships to be handed over.

Lord Drayson said:

"As one of our newer export partners, Estonia has demonstrated a level of efficiency and sense of purpose that has enabled both sides to conclude the negotiations with commendable speed. We look forward to working closely with you in the future".

Jurgen Ligi added:

"This purchase is a strong addition to the close relationship between the armed forces of Estonia and Great Britain that started with British naval support for Estonian independence and continues today with Estonian troops deployed alongside the UK forces in Afghanistan".

14th September 2006
MoD's Preview Issue 152 (October 2006).

Castle Class Offshore Patrol Vessels (OPVs)

A Letter of Intent (LOI) was signed with Pakistan in August 2006 for the purchase of two Castle Class OPVs (ex-HMS Leeds Castle and ex-HMS Dumbarton Castle).



The Offshore Patrol Vessel (Helicopter) programme is to replace the two Castle Class vessels. This programme will deliver a single vessel (HMS Clyde) to provide the equivalent or better military capability in replacing the obsolescent Castle Class in the Falkland Islands Patrol Vessel (FIPV) role at a lower level of cost and available risk, while delivering savings to Defence. HMS Leeds Castle will undergo regeneration work by Babcock Engineering Systems (BES), while HMS Dumbarton Castle will not require such a programme. Pakistan has indicated that they are keen for UK Industry to provide spares support post hand over of the two ships, as well as the provision of training for Pakistan Naval personnel.

The proposed sale provides the opportunity to re-activate and deliver two warships no longer required by the Royal Navy to an important ally. The Pakistan Navy and the Royal Navy enjoy a close relationship sealed through the previous sale by DSA of a Type 21 frigate.

UK Submarine Rescue System (SRS)



In October 2006, James Fisher Defence Limited, which operates the Royal Navy's submarine rescue services, signed an agreement with DSA to acquire the operating assets of the UK Submarine Rescue Service (SRS). The SRS team, based in Renfrew, Scotland, was mobilised to the Kursk disaster in 2000 and in August 2005 rescued seven Russian submariners trapped in the mini-sub Priz at a depth of 625 feet off Russia's far eastern Kamchatka peninsula. It took about five hours to cut the discarded fishing nets, which had trapped the submersible. This was achieved amid estimates that the Russian submariners had less than 10 hours of air left.

Commenting on the DSA agreement, Roger Chapman, Vice Chairman of James Fisher Defence, said: *"This marks a significant step in the development and future plans for our submarine rescue capability"*

Brazil Landing Ship Logistic

An Invitation To Tender (ITT) for the reactivation of the ex-RFA Sir Galahad for the Brazilian Navy was issued on 13th March 2007. Although a Sales Agreement for this vessel has yet to be negotiated, signs are positive that a Letter of Intent (LOI) will be signed shortly.





Aircraft

A number of Private Treaty Sales for miscellaneous equipment with UK Industry has been negotiated by the DSA in the last year, supporting defence export activities and MoD programmes. These sales have generated receipts in excess of £1.1M. Included in this figure is the sale of Sea Harrier T8 ZD993 to QinetiQ. This was in support of the VAAC (Vectored Vertical Thrust Aircraft Advanced Flight Control) Joint Combat Aircraft programme at the Aircraft Test and Evaluation Centre. Also sales of a number of surplus Gazelle Helicopters for the Empire Test Pilots' School.



Land Equipment

During the past year the DSA has been working closely with its main armaments contractors, MBDA, Thales Air Defence Limited and BAE Systems Electronics Limited, Underwater Systems (UWS) Division in pursuing sales opportunities to both existing and new users.

The majority of the Agency's agreements involve equipment that is currently in service with the UK Forces, so not only does both the DSA and UK Industry jointly benefit from these arrangements by providing a good return to the UK MoD, but this enables the Agency to provide state of the art equipment to overseas governments at a margin of the normal cost.

The DSA has also recently negotiated the sale of 82 Plant Vehicles to Jordan, including Dump Trucks, Diggers and Excavators for £1.79M.



Overseas Sales

Over the past twelve months the Agency has been involved in overseas disposals in operational and non-operational locations. The DSA is increasingly involved with disposals in Iraq and Afghanistan. The DSA is also actively involved with non-operational disposals from wherever the MoD has a presence. The Agency has been active in Cyprus, Gibraltar, Falkland Islands, Belize, Sweden, Norway, Italy and in Germany.

Iraq

DSA have now completed the unit closure program out of Shiba Log Base (SLB); hand over of SLB to the Iraqi forces took place on the 24th April 2007.

It has been agreed that DSA will continue the disposal of all surplus equipment out of Basra Air Station and provide a professional disposal service as and when required.

Germany

DSA (G) & Vebeg GmbH, DSA's appointed disposal contractor, are involved in the drawdown of British Forces Germany, starting with the closure (by the end of 2008) of Osnabruck Garrison. With the largest overseas MoD presence, Germany provides the majority of overseas disposal receipts to the DSA. DSA (G) operates contracts through Vebeg providing a financial return on a wide variety of surplus stores, particularly surplus vehicles and associated spares.

Cyprus

The DSA continues to provide a disposal service to the Sovereign Base Area in Cyprus and has facilitated two auctions on the Island over the last twelve months.





Operations

Two of the core teams of the Agency are Customer Services and Operations teams. Together they receive and process the majority of the everyday disposal requirements for both the MoD and Other Government Departments (OGDs).

These teams have received over 7,900 individual declarations of surplus material, which have ranged from a bridge to a pallet of IT equipment, through to aircraft and furniture. Against a background of reducing staff resources, 93% of declarations were physically collected on time by the Agency's appointed contractors from a variety of units, depots, establishments and offices across the UK and overseas. The Customer Satisfaction survey results continue to demonstrate appreciation of the quality of the disposal services provided.

The majority of disposals are undertaken through the DSA's Marketing Agreements Contracts for the following commodities:

Vehicle Sales

The MoD disposes of a large number of surplus vehicles, primarily through the Agency's Marketing Agreement for UK and its specialist appointed contractor in Germany.



Information Technology

The DSA's two specialist contractors have had another extremely productive year providing a disposal service to MoD and many non-MoD organisations. Both these companies are List X certified which means they are able to undertake the disposal of both confidential and secret / classified material.



Clothing & Textiles

The DSA's contractor maintained their performance for timely collection, with a 100% record throughout the year. Their sales techniques aimed at the end user market, through their own retail outlets, together with their website and coupled with sales to overseas governments, provided a significant return to the Department.

Furniture

The DSA's two furniture contractors have the capability to meet demands of both MoD and OGDs for any type of furniture disposal, from individual offices to whole establishments.

Naval Aircraft & Armoured Vehicles

The Agency's specialist contractor combines the inventories of all three Services for spares in support of the primary equipments. The DSA is able to provide an efficient collection service, consistent with other governments' Service customers' requirements. The contractor's marketing strategy aims to make the maximum use of the Internet.

Memorabilia Auctions

The DSA has a contract with a London Auction House to dispose of the more valuable and attractive items of memorabilia. Items often include ships' bells, musical instruments, official gifts and antiques.

Miscellaneous

The two Regional Marketing contracts covering the whole of the UK have now been in operation for over seven years.

Tender Sales

In addition to disposal through marketing agreements, the DSA also sells surplus capital assets, including ships and aircraft for recycling, through competitive tender sales. Such declarations include surplus assets suitable for display purposes only, such as the Buccaneer aircraft, through to assets suitable only for recycling, such as the Tornado aircraft.

HMS INTREPID



One of the major and high profile disposal activities this year was the recycling of HMS Intrepid. The former Royal Navy assault ship was a key part of the Fleet that led the campaign to retake the Falkland Islands 25 years ago.

An Invitation To Tender (ITT) for the recycling of ex-HMS Intrepid was issued to thirty companies by DSA in July 2006. Eleven formal (national and international) bids were received from the UK, France, Belgium, Netherlands and Turkey. This was an excellent response indicating an encouragingly high level of interest from industry.

All the bids were subject to the receipt of additional licences or approvals of some kind. These included a requirement for Trans-Frontier Shipment (TFS) of Waste Notification Application, approvals for overseas recyclers, or for permits such as waste management licences applications.

This excellent response to the ITT provided encouragement to DSA in assisting the development of UK Government policy on ship recycling. The establishment of a safe and properly monitored UK ship recycling facility is a positive step for MoD and a far better disposal solution than uncontrolled ship breaking of ex-UK MoD vessels.

DSA convened an Evaluation Committee comprising representatives from MoD, DEFRA and DfT, which was charged with technical compliance and evaluation of the Ship Recycling Plans. The Evaluation Committee findings resulted in the decision to confer Preferential Bidder Status on a UK company.

HMS Intrepid will remain at Portsmouth Naval Base until all necessary permissions are in place.

Recycling Contracts

The DSA adheres to MoD policy and strategy on the management of waste, which is driven by legislation relating to waste and the requirements of the Government's Sustainable Development (SD) initiative. With strict environmental regulations the Agency's policies are aimed at protecting and enhancing the environment wherever possible. The DSA will seek to recycle equipment and make safe in order to minimise disposal costs while aiming to maximise re-utilisation. As with its Marketing Agreements, the Agency's waste recycling and disposal contracts are available for use by all Government Departments, other non-departmental public bodies and their facilities management contractors.

Hazardous Waste

The call-off contract with the Agency's specialist contractor is proving to be most successful covering all manner of hazardous waste, including PCB-bearing equipment, controlled drugs and a wide range of toxins, solvent and chemicals.

Toner and Ink-jet Cartridges

The Agency's contract for the collection, (free-of-charge), of spent toner and ink-jet cartridges is another disposal service on offer across the public sector. The contractor is able to recycle the majority of items and thereby save resources by the further use of such material. The contract ensures that any items, which cannot be recharged with ink and only fit for scrap, are disposed of in an environmentally-friendly manner, in full compliance with current legislation.

Oils, Rubber and Batteries

All of which are recycled.

Scrap Metal

The Agency's two contractors provided a UK-wide scrap disposal service for the MoD and other parts of the public sector.

In 2006-2007 the DSA measured, for the first time, the level of the Agency's disposal activity in terms of their ultimate disposal route with an aim to exceed the Government's Green initiative target. DSA disposed of in excess of 33,700 tonnes of surplus material across all the Agency's commodities, of which just 3% was land filled. This represented an excellent measure of how the DSA's incentivised contracts for surplus material focused on sales for further use and recovery.



Repayment Sales

The DSA provides access to current Royal Navy and Royal Air Force inventory to other Governments, direct and through Industry, through its Repayment Sales team based at RAF Wyton and Foxhill, in Bath.

This team establishes availability and provides quotations and subsequently processes orders to despatch. This activity is critical to support UK equipment in service with other Government defence forces, supplied either new by Industry, or sold previously by DSA. Countries around the world look to UKMoD, particularly for long lead-time or operational requirements. The DSA's role is to try to meet many of these tight timescales, which is of considerable assistance to defence forces overseas.

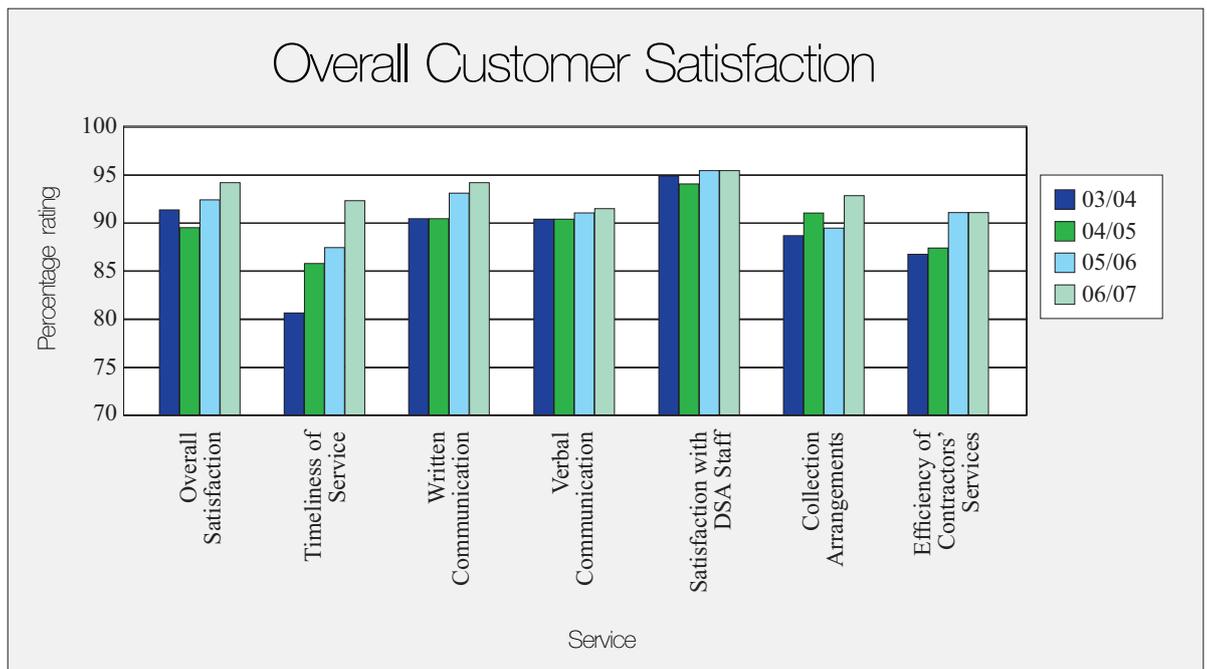
Additionally the DSA operates Service Logistic Agreements (SLA) with operators of Lynx and Sea King helicopters which allows for forward procurement and subsequent ad hoc demands to maintain the operational effectiveness of fleets, as well as providing invaluable dedicated technical support.

Together these teams contributed over £10M to the DSA's income in 2006-2007.

Customer Satisfaction Survey

Considering manpower reductions and increasing workloads, the DSA improved on its overall customer satisfaction mark by two percentage points, compared with last year's survey results.

The Agency, together with 65 other public sector organisations, is part of the ORC International's Government Departments and Agencies Benchmarking Group. The DSA exceeded the Benchmarking Group median figures for every question of this year's survey and scored the highest mark of 96% of all members of the Group on 'How likely are you to continue using/being a customer of this organisation in the future?' *This was very encouraging – more work, less staff – better customer satisfaction!*



Business Development

Going for Growth – new business, new partners, new markets

The DSA is playing a key role in using its relationships with many of the world's defence forces to meet the demands of a host of clients. The Agency uses various international bodies (such as NATO and the UN) as part of its business development programme.

As a member of NATO Maintenance and Supply Agency (NAMSA), the DSA is taking advantage of NATO's Logistic Stock Exchange by trading surplus UK equipment with NATO members.

Promotional Activities

The DSA's Business Development team held a number of highly successful promotional seminars in 2006-2007. These events were marketed under the heading of *SMART Disposal* and were specifically aimed at non-MoD organisations. The events were held in partnership with several of the DSA's commercial marketing agreement contractors. They provided key insight into the disposal cycle and emphasised the myriad of legislative issues that now face all organisations, whether public or commercial.

Due to the considerable interest generated in the DSA's disposal services, the Agency's marketing team utilised these seminars as a key tool within their marketing programme and have also joined forces with the Office of Government Commerce (OGC) Buying Solutions for their Sustainability Road Shows and Conference; Scottish Chamber of Commerce and Scottish Enterprise, with website exploitation; and the Society of Procurement Officers (SOPO) at their Sustainability Conference in order to target potential customers within the public sector.

The Guardian newspaper published its magazine called Public, for senior executives across the public sector, with a special feature in April 2006 called '*Scrapheap challenge for Army surplus*'. The pullout and keep booklet emphasised the wide range of DSA disposal services and highlighted the Agency's drive for excellence and commercial success.

International Interests

Visits were made to India, Pakistan, Romania, South Africa and the USA, with presentations on disposal services, including the Agency's website also given to delegations from Oman, Pakistan and forty international delegates at DESO's 40th Anniversary presentations in May 2006.



Information Systems (IS)

Maintaining Business an ever Changing Environment

The changes made to handle the Agency were all completed and the DSA was successfully audited by LRQA and thereby maintained its ISO 9001:2000 accreditation. In 2006-2007 it was business as usual (**maintenance**); while DSA undertook an organisational restructure and implemented a new “Back Office” system (**change**); and ensured that the Agency and its appointed contractors complied with the latest legislation relating the **environment**.

Business Process Maps:

With the pressure to reduce headcount and to further improve efficiency the Business Process Maps became an integral part in the specification of the enhanced “Back Office” system. Processes have been refined rather than rewritten and this will continue as DSA strive to improve the overall efficiency of the organisation.

eDart:

The number of declarations to the DSA of items to be disposed of continues to grow.

The existing information system needed to be enhanced and the re-development of **eDart2** was undertaken during the year and the new system was launched late 2006. The system is more intuitive in operation and not only enables more effective data entry it also has much more sophisticated data analysis capability.

eDisposals and Auctions:

The most radical change during the year has been the launch of the online auction functionality. The launch was accompanied by two brief news bulletins on Radio 4 and 5, and a press release. The effect of this minimal publicity was almost immediate and the website experienced a period of intense activity, four times the volume of that experienced in 2006 following the article in the Mail- on -Sunday when the newspaper compared eDisposals with eBay. On St Valentine’s Day the DSA successfully launched its own online auction facility. Publicity was limited to two 46-second news briefs on the radio late on Sunday evening. At its peak the website was receiving over 500 new users every hour, and over 90,000 visits in the two week period following the news bulletins. Unlike many other websites, the system remained active despite the sudden and excessive demand. Publicity was not restricted to the DSA; several of the DSA’s appointed contractors reported increased business, which could be linked directly to the launch of the auction functionality.

The success of the auctions and the use of credit card for payment online is another first for the DSA and will be built upon during the coming year as the website will have the “shopping basket” functionality switched on. This will then enable buyers to purchase items either by bidding through the auction or direct by paying the displayed price.

The security on the website remains a prime consideration; website has remained free from embarrassment from the “hacking fraternity”. During 2007 the security of the website will also be subject to improvement as DSA will switch to using mobile telephony for the provision of secure passwords to key users.

Corporate Services

Continuous Improvement

The DSA, as part of its Continuous Improvement Programme, continually looks at ways of improving the performance of the organisation and undertook a six-monthly staff satisfaction survey. The results of this survey were discussed by the DSA's Continuous Improvement Team, consisting of staff from each of its Directorates, and the recommendations to further improve the Agency's performance were forwarded to the Agency's Management Board and were incorporated into an action plan.

Training

Staff development continues to be encouraged by the Agency's senior management. During the past year, DSA personnel attended a wide range of courses, identified through the annual staff Performance Review process.



Parliamentary Questions (PQs) and Enquiries from the Public



PQ, Ministerial Correspondence (MC) and enquiries received from the public, by subject.

Subject	PQs (MPs)	MC	FOI	Enquiries from the public
Purchase of MoD Equipment		2	1	139
Donation of MoD Equipment		2		17
Facts & Figures on Sales	16		8	11
Policy Issues	24	2	1	11
Miscellaneous		1	3	33
Total	40	7	13	211

Member of Parliament	Constituency	
David Heathcoat-Amory	Wells	10
Jonathan Djanogly	Huntingdon	4
Willie Rennie	Dunfermline & West Fife	4
Mark Francois	Rayleigh	3
Nicholas Brown	Newcastle-upon-Tyne East & Wallsend	2
Andrew George	St Ives	2
Michael Weir	Angus	2
Michael Hancock	Portsmouth South	2
Gerald Howarth	Aldershot	2
Andrew Rosindell	Romford	2
Mark Pritchard	The Wrekin	1
John Hayes	South Holland & The Deepings	1
Anthony Steen	Totnes	1
Angus Robertson	Moray	1
Julian Lewis	New Forest East	1
Gordon Marsden	Blackpool South	1
Lord Astor of Hever		1
Total		40

Key Targets

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

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

The Key Targets are set within the following parameters:

- They should be specific and challenging
- They should demonstrate continuous improvements and be achievable (but stretching)
- They should be set in the context of customer requirements as well as maintaining relevance to the Agency
- They should measure output, efficiency and quality (and timeliness of outputs)

Key Ministerial Targets		Targets, Outturns and Achievements			Targets for
		2003-2004	2004-2005	2005-2006	2006-2007
Output					
To achieve a disposal sales gross cash receipt from the sales of surplus Government- owned equipment and stores and repayment business	Target	£20M	£20M	£50M	£63M
	Outturn	£22M	£22M	£58.4M	£83M
Efficiency					
To secure target sales per person employed for commercial sales activities	Target	£360K	£365K	£370K	
	Outturn	£364K	£379K	£457K	
To ensure the Agency administration costs do not exceed target.	Target			£7.5M	£6M
	Outturn			£6.8M	£5.9M
Quality					
To meet key performance standards agreed with DSA's customers and specified in Internal Business Agreements (IBA's) and in Customer Supplier Agreements (CSA's) with other public bodies.	Target	100%	100%	100%	100%
	Outturn	Achieved	Not fully achieved	Not fully achieved	Achieved



Key Ministerial Targets		Targets, Outturns and Achievements			Targets for
		2003-2004	2004-2005	2005-2006	2006-2007
To ensure that the Agency is at or above the standard of the Public Sector Benchmarking (PSB) Report for overall satisfaction.	Target	PSB 79%	89% October 2004	89%	90%
	Outturn	DSA 90%	89% October 2004	92%	94%
The Agency should maintain the level of customer satisfaction and improve the number of very satisfied customers.	Target			19%	25%
	Outturn			36%	40%
To develop a benchmark to enable the Agency to both measure and exceed HMG's target for environmental re-use and recovery for all MoD material through the DSA.	Target			Benchmark Development	
	Outturn			Achieved	
To demonstrate value recovery of surplus arisings handled by DSA through resale, recycling, composting or energy generation (or any other accepted method of landfill avoidance).	Target				70%
	Outturn				97%
eDisposal					
To develop an electronic exchange pilot programme for surplus IT equipment.	Target			Spring 04	
	Outturn			Achieved	
To ensure the e-Trade Exchange is operational during 2004-2005 and to ensure that 30% of Agency contractors utilise the Exchange and use it.	Target		30% of eligible contractors to use e-Trade Exchange		
	Outturn		Achieved		

As from 1st April 2007, the Disposal Services Authority is obliged to answer for its performance within the tightly defined management framework of DE&S strategic objectives. DSA will continue to provide a full and informative account of the business via the MoD's Annual Report and Accounts and other Parliamentary scrutiny.

Remuneration Report

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

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

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



Salary and Pension Entitlements

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

	Year	Salary Incl Performance Pay £000	Real Increase in pension £000	Accrued pension at 31 March 2007 £000	Lump Sum at 31 March 2007 £000	Real Increase in Lump Sum £000	CETV at 31 March 2007 £000	Real Increase in CETV £000
Mr J Simkins Chief Executive	2006-2007 2005-2006	80-85 25-30	0-2.5 <2 YEARS 0-2.5	0-2.5 0	N/A-Premium N/A-Premium	N/A-Premium N/A-Premium	35 7	23 7
Mr C MacPhee Deputy Chief Executive	2006-2007 2005-2006	55-60 55-60	0-2.5 0-2.5	22.5-25 22.5-25	70-72.5 67.5-70	2.5-5 2.5-5	453 360	13 26
Mr R Norris Director	2006-2007 2005-2006	45-50 45-50	0-2.5 0-2.5	12.5-15 12.5-15	42.5-50 40-42.5	0-2.5 0-2.5	196 170	7 10
Mr L Taylor Director	2006-2007 2005-2006	80-85 75-80	0-2.5 0-2.5	2.5-5 0-2.5	N/A-Premium N/A-Premium	N/A-Premium N/A-Premium	62 29	23 19
Capt D Durston Director	2006-2007 2005-2006	80-85 55-60	0-2.5 0-2.5	35-37.5 32.5-35	105-107.5 102.5-105	0-2.5 2.5-5	383 762	-371 21
Mr P Kenny Director	2006-2007 2005-2006	45-50 15-20	0-2.5 0-2.5	20-22.5 17.5-20	N/A-Premium N/A-Premium	N/A-Premium N/A-Premium	337 235	31 25
Mrs M Southey Director	2006-2007 2005-2006	50-55 30-35	0-2.5 0-2.5	17.5-20 17.5-20	57.5-60 52.5-55	0-2.5 0-2.5	425 307	14 13
Mr P Taylor Director (to 31 Dec 2006)	2006-2007 2005-2006	30-35 30-35	0 0	27.5-30 27.5-30	N/A-Premium N/A-Premium	N/A-Premium N/A-Premium	612 420	-6 -5
Mr M Armstrong Director (from 22 Feb 2007)	2006-2007 2005-2006	0-5 N/A	0-2.5 N/A	5-7.5 N/A	15-17.5 N/A	0-2.5 N/A	56 N/A	0 N/A

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London Weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

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

The Salary and Pension entitlements of the Management Board are shown above. The disclosure note has been drawn up in accordance with Employer Pensions Notice (EPN) whereby written consent, from members of the Management Board prior to the publication of their salary details, is not required.

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

The Commercial Adviser/Non-Executive Director's expenses for the year were £8,167. (These costs are included under Other Operating Costs within the Operating Cost Statement).

Fees - £8,000 (2005-2006 £5,200)

Travel & Subsistence - £167 (2005-2006 £149)

Benefits in kind

None of the Board members received any benefits in kind in 2006-2007.

Pension

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable pay (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk



Cash Equivalent Transfer Value (CETV)

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

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

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension and Salary Costs

For 2006-2007, employers' contributions of £703,000 (2005-2006 £649,000) were payable at rates in the range 17.1 to 25.5 per cent of pensionable pay for the PCSPS and 21.3 to 34.3 per cent for the AFPS, based on salary bands. The Schemes' Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

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

John Simkins
Chief Executive
25 June 2007

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

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

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

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

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



Statement of Internal Control

1. Scope of Responsibility

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

I am accountable to the department's principal Accounting Officer for enabling him to discharge his overall responsibility in respect of ensuring that the Agency, as part of MoD, has adequate financial systems and procedures in place. I ensure that Minister (Defence Procurement) is kept informed and invited to make decisions when necessary at his level on major sales and other relevant issues.

The DSA does not deliver its responsibilities in a vacuum and in particular, DESO are the MoD's principle focus for support to the marketing of defence equipment. To delineate respective responsibilities an agreement between DSA and DESO was signed in October 2006. The underlying aim of the Agreement is to improve the Department's performance in delivering Defence Diplomacy and Defence Export targets. DSA's responsibilities are to support DESO in marketing surplus capital assets and inventory sales under Logistic Support Agreements and to negotiate and project manage the subsequent sale and transfer of such assets. DSA also provides post-sales support services. DESO's responsibilities are to establish and chair Joint Marketing Boards to provide corporate and strategic direction to the marketing and sales activity. The Agreement has given much needed clarity to our respective responsibilities and we intend to maintain this Agreement for the foreseeable future.

As a result of the merger of the Defence Logistics Organisation (DLO) and the Defence Procurement Agency (DPA) to form Defence Equipment & Support (DE&S), the DSA lost Agency status. However I intend to maintain the Audit Committee in its present composition until the end of September 2007 to ensure that these Accounts, and any subsequent activities, are completed. Thereafter I intend to maintain a Risk and Assurance Committee, which will include external members, to ensure that proper standards of corporate governance are maintained.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives: it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place, in the Agency, for the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

3. The Capacity to Handle Risk

Risk Management is recognised as a key internal control. The framework for its effective operation in the Agency is responsibility of the Director of Finance and Corporate Services on behalf of the Accounting Officer. The Agency Management Board and Audit Committee had (and will continue to have) the Risk Register as a standing agenda item so that risk management and internal control is considered on a regular basis during the year. Risk management has been incorporated into the corporate planning and decision-making processes of the Agency. The Risk Register is examined at Audit Committee meetings chaired by the Commercial Adviser and Non-Executive Director (NED) where the effectiveness of the processes in place is assessed and changes to risk impact and likelihood are requested as necessary. The Risk Register is held on the DE&S IS-enabled risk tool allowing risks to be raised and elevated where necessary.

The Board requires regular updating from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects, by means of a quarterly report by Directors to the CE confirming the appropriate controls are in place to properly manage the risks in their area. Staff and Audit Committee members are also being encouraged to undertake Risk Management training. Risk Management also underlies the discussions at the Fortnightly Management Meeting chaired by the Deputy Chief Executive, or his nominated representative, where staff at middle management level from across the Agency, discuss current operational issues.

The Agency has a Business Continuity Management strategy from which a Business Continuity (BC) Plan was produced during the year. The BC Plan is currently under review to ensure that it reflects properly the DSA's critical tasks and the speed with which they need to be recovered. The DSA also has a presence at Foxhill, Wyton, Rosyth, Andover and Germany and I have nominated discrete Business Continuity Co-ordinators (BCCs) at each site to act as directorate focal points for all matters relating to Business Continuity Management.

4. The Risk and Control Framework

During 2006-2007, the Agency reported to its Owner, Director General Logistics (Supply Chain) (DG Log (SC)). Formal reports were made during the Owner's Advisory Board, Performance Reviews and Performance and Issues Group meetings. In addition, meetings on major issues also took place between DSA staff and DG Log (SC) throughout the year. In doing so we ensured that the Owner was kept informed of DSA's activities and that his views were sought when required. Relevant DLO, DESO and Central scrutiny and assurance personnel have also been involved throughout the year in decisions on major Government- to-Government disposal sales.

The main features of the Agency's process to identify, evaluate and control risk are:

- The Agency's Management Board, which meets on a monthly basis to consider the plans and strategic direction of the Agency. The primary role of the Board is the identification and setting of Agency key and business performance targets through the Corporate Planning process.
- An Audit Committee, which meets quarterly. A representative of the NAO attends the meetings. The key role of the Audit Committee is to make recommendations to the Accounting Officer. Risk Management is discharged as a standing Agenda item at both the Management Board and Audit Committee meetings. The Audit Committee also reviewed these accounts prior to NAO review and again prior to publication.
- An organisation-wide business planning process, which produces a business plan that identifies risks, associated with the achievement of the Agency's targets, which are cascaded down to the appropriate owners. This is formalised in the processes underpinning the Agency's BS EN ISO 9001:2000 accreditation and re-accreditations.

- Periodic reports are received from the Defence Internal Audit, to Government Internal Audit Standards, including any periodic audits on Corporate Governance, Commercial, the eDisposal Project and other areas.
- Regular compliance audits are carried out to ensure line management are performing basic checks on Travel and Subsistence claims, flexible working hours, season tickets, overtime, travelling time and other such areas.
- All new entrants to DSA are provided with fraud awareness training as part of their induction programme.
- All internal and external Fraud Policy and Response Plans are in place for all staff to view on a continuing basis.
- The DSA has produced a Safety, Health, Environment and Fire (SHEF) plan.
- DSA complies with the Freedom of Information (FOI) Act and the Environmental Information Regulations.

Overall average staff numbers remained fairly similar to the previous year although a number of changes arose within the General Clerical and Executive Grades during the year. However there was a significant degree of turnover and a number of staff retired on 31 March 2007. Corporate Governance was been maintained throughout the year by Finance and Corporate Services. Two key management posts were occupied by new staff during the period (Director Finance and Corporate Services and Head of Finance). Each post holder had sufficient experience and accounting qualifications to maintain the efficiency of the posts concerned. I have also strengthened my Quality and Improvement team with the appointment of a new Quality Manager and a new Health and Safety Officer.

5. Review of Effectiveness

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



- A Review of Internal and External Fraud and Whistle blowing Policies had been undertaken. The policies have been updated and circulated to all staff.
- Line management carries out compliance audits regularly. We have found no instances of fraud or improper behaviour.
- The DSA is subject to audit by the MoD Defence Internal Audit (DIA), which operates to standards defined in the Government Internal Audit Manual. The work of internal auditors is informed by an analysis of the risks to which the Department as a whole is exposed, and annual audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Defence Audit Committee and approved by the Permanent Under Secretary. Given the small size of the Agency in relation to the Department, it follows the Agency's systems of internal control is not separately examined by the DIA every year. However, DIA audits that occurred during the years are as follows:

- DIA's Review of Health of DSA was the first to be completed and the general conclusion was that there is an effective level of assurance and governance within DSA.
- DIA's audit of Contracts Processes, which gave a limited assurance. Action is in hand to implement DIA's recommendations including the recruitment of additional commercial staff.
- DIA's audit of the Disposal of Military Equipment, which gave a substantial assurance of the disposal process.

A handwritten signature in black ink that reads 'John Simkins'.

John Simkins
Chief Executive
25 June 2007

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 Disposal Services Agency for the year ended 31 March 2007 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective Responsibilities of the Agency, the Chief Executive and Auditor

The Agency, and Chief Executive as Accounting Officer, is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made there under 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 and the part of the Remuneration Report to be audited 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 report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Report, the parts of the Remuneration Report not audited and the section covering the Agency, its strategy and roles, is consistent with the financial statements. 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.

In addition, I report to you 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 HM Treasury regarding remuneration and other transactions is not disclosed. I review whether the Statement of Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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



Opinions

Audit Opinion:

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made there under by HM Treasury, of the state of the Agency's affairs as at 31 March 2007 and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- The information given within the Annual Report, which comprises the Management Report, the parts of the Remuneration Report not audited and the section covering the Agency, its strategy and roles, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and
Auditor General
2 July 2007

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

2006-2007 Statement of Accounts

OPERATING COST STATEMENT for the Year Ended 31 March 2007

	NOTE	2006-2007 £000	2005-2006 £000
OPERATING COSTS			
Staff Costs	2	4,632	4,540
Supplies and service consumed	3	3,054	9,786
Accommodation and associated costs	3	1,421	1,345
Other administration costs	3	1,350	1,550
GROSS OPERATING COSTS		10,457	17,221
OPERATING INCOME			
Less Income from customers	4	(2,194)	(2,679)
NET OPERATING COST		8,263	14,542

THE NOTES ON PAGES 37 TO 45 FORM PART OF THESE ACCOUNTS

The Disposal Services Agency ceased to be an executive agency of the Ministry of Defence with effect from 1st April 2007. The DSA business functions will continue within the Disposal Services Authority, part of the MoD's Defence Equipment and Support (DE&S) and the accounts have therefore been prepared on a going concern basis.

Recognised gains or losses are recognised in the Operating Cost Statement.



BALANCE SHEET as at 31 March 2007			
	NOTE	31 March 2007 £000	31 March 2006 £000
FIXED ASSETS			
Tangible Fixed Assets	6	109	191
CURRENT ASSETS			
Debtors	7	348	434
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	(542)	(4,367)
NET CURRENT LIABILITIES		(194)	(3,933)
NET ASSETS		(85)	(3,742)
TAXPAYERS' EQUITY			
General Fund	10	(85)	(3,742)
		(85)	(3,742)

THE NOTES ON PAGES 37 TO 45 FORM PART OF THESE ACCOUNTS

John Simkins
Chief Executive
25 June 2007

CASH FLOW STATEMENT for the year ended 31 March 2007			
	NOTE	31 March 2007 £000	31 March 2006 £000
Net Cash Flow from Operating Activities	11	10,194	(8,618)
Capital Expenditure			
Payments to acquire tangible fixed assets		0	(27)
Net Cash Outflow before Financing		10,194	(8,645)
FINANCING			
Payments from the Defence Resource Account		12,474	11,131
Receipts to the Defence Resource Account		(2,280)	(2,486)
Net Financing from the Defence Resource Account		10,194	8,645
Net Increase/(decrease) in cash in the period		0	0

Notes to the Accounts for the Year Ended 31 March 2007

1. Statement of Accounting Policies

a. Basis of Accounting

The Disposal Services Agency ceased to be an executive agency of the Ministry of Defence with effect from 1st April 2007. The DSA business functions will continue within the Disposal Services Authority part of the MoD's Defence Equipment and Support (DE&S), and the accounts have therefore been prepared on a going concern basis.

On 1 April 2006 the Ministry of Defence transferred responsibility for accounting for Agency fixed assets from the DSA to other parts of the Department. Where the Agency retains the risks and rewards of ownership of these assets they continue to be accounted for on the Agency's balance sheet in accordance with FRS 5 and SSAP 21. In all other cases the costs of the use of these assets are communicated to the DSA by the current asset owners and charged to the Agency's operating cost statement.

The financial statements have been prepared in accordance with the 2006-2007 FReM issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

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

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

b. Net Operating Costs

Costs are charged to the Operating Cost Statement in the period in which they are incurred and matched to any related recoveries.

Income from services provided to third parties is included in operating income, net of related VAT. Overhead costs which are directly attributed to output are shown net of VAT. The Agency is not separately registered for VAT and VAT collected is accounted for centrally by the MoD. The Agency's accounts do, however, include non-recoverable VAT attributable to its activities.

c. Income

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

Income does not include sales receipts for items disposed.

d. Notional Charges

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



(i) **Audit Fees**

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

(ii) **Intra-departmental Charges**

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

MoD HQ Costs

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

Centrally managed expenditure

Telecom charges
 Property charges
 Office services and furniture
 Treasury Solicitor charges

(iii) **Cost of Capital Charge**

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

e. Tangible Fixed Assets and Depreciation

(i) **Plant, Equipment, Information Technology and Vehicles**

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

(ii) **Depreciation**

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

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

f. Creditors due within one year

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

g. Foreign Exchange

Transactions denominated in foreign currencies arising in the normal course of business are translated into sterling using the MoD's General Accounting Rate (GAR) ruling at the date of each transaction. US\$ and Euros are purchased forward from The Bank of England.

h. Stocks

The Agency does not hold significant stocks.

i. Pension Costs

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

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

j. Cash balances

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

k. Taxation and Social Security

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

2. Staff Numbers and Costs

The costs relating to the agency staff are recorded below:

The average number of staff employed during the year was as follows:		
	2006-2007 Number	2005-2006 Number
Executive Grades	67	70.5
General Clericals	35.5	38
Service Staff	8	8
Locally Employed Civilians (Germany)	4.5	4.5
Agency staff	0	1
	115	122

The staff costs were as follows:		
	2006-2007 £000	2005-2006 £000
Salaries, Wages and Allowances	3,654	3,603
Social Security Costs	275	274
Pension Costs	703	649
Subtotal	4,632	4,526
Agency Staff	-	14
	4,632	4,540



3. Other Operating Costs

Supplies and Services Consumed:	2006-2007 £000	2005-2006 £000
Disposal Expenditure – Advertising	55	120
Support Services	1,996	3,090
Hospitality	43	78
Administration Overheads	47	27
Exceptional Item	-	5,399
Contract/Consultancy Fees	311	210
IT Maintenance and Software	602	862
	3,054	9,786

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

Accommodation and Associated Costs:	2006-2007 £000	2005-2006 £000
Property Management	472	432
Other Accommodation Costs	151	130
Utilities	105	98
Rent and Rates	624	621
Telecommunications	69	64
	1,421	1,345

Other Administration Costs	2006-2007 £000	2005-2006 £000
Travel and Subsistence	869	815
Office Running Costs	63	55
Training	44	29
Notional Services provided by MoD (See Note 5)	299	377
Treasury Solicitors Bills (See Note 5)	23	87
Depreciation (See Note 5)	59	74
Impairment of Fixed Assets (See Note 5)	12	91
Fixed Asset Communicated Costs (See Note 5)	10	-
Auditor's Remuneration (See Note 5)	38	90
Interest on Capital (See Note 5)	(67)	(68)
	1,350	1,550

4. Operating Income

	2006-2007	2005-2006
	£000	£000
Services provided to Other Government Departments	544	801
Recovery of Project Team costs	221	765
Government-to-Government sales refunds	844	518
UKLSA	143	251
Other	442	344
	2,194	2,679

5. Non-Cash and Notional Items

	2006-2007	2005-2006
	£000	£000
Notional Services provided by MoD	299	377
Treasury Solicitor's Bills	23	87
Exceptional Item	-	329
Accommodation	1,352	1,281
Telecommunications	69	64
Training	13	11
Auditor's Remuneration	38	90
Depreciation	59	74
Impairment of Fixed Assets	12	91
Fixed Asset Communicated Costs	10	-
Interest Charge on Capital	(67)	(68)
	1,808	2,336

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



6. Tangible Fixed Assets

Cost or Valuation	Information Technology £000
At 1 April 2006	599
Additions	-
Write offs	(273)
Transfers out	(24)
Revaluations	(20)
At 31 March 2007	282
Depreciation	
At 1 April 2006	408
Charged in year	59
Write offs	(273)
Transfers Out	(13)
Revaluations	(8)
At 31 March 2007	173
Net Book Value	
At 31 March 2006	191
At 31 March 2007	109

On 1st April 2006 the Ministry of Defence transferred responsibility for accounting of all IT assets to the Defence Communication Services Agency (DCSA). Where DSA retains the risks and rewards of ownership of these assets they continue to be accounted for on the Agency's balance sheet in accordance with FRS 5 and SSAP 21

7. Debtors

	2006-2007 £000	2005-2006 £000
Amounts falling due within one year:		
Miscellaneous/Sundry Debtors	-	-
Trade Debtors	258	360
Prepayments	90	74
	348	434

8. Creditors

	2006-2007	2005-2006
	£000	£000
Amounts falling due within one year:		
Trade Creditors	253	325
Deferred Income	115	-
Accruals	174	4,042
	542	4,367

9. Intra-Government Balances

	Debtors due	Creditors due
	Within 1 Year	Within 1 Year
	£000	£000
Balances with central government bodies	12	90
Balances with local authorities	9	13
Balances with Public Corporations and Trading Funds	5	2
Balances with bodies external to Government	322	432
At 31 March 2007	348	537
Balances with central government bodies	75	-
Balances with local authorities	2	-
Balances with Public Corporations and Trading Funds	110	-
Balances with bodies external to Government	247	4,367
At 31 March 2006	434	4,367

10. Statement of Movements on General Fund

	2006-2007	2005-2006
	£000	£000
The General Fund brought forward	(3,742)	(16)
Add:		
Net Financing from the Defence Resource Account	10,194	8,645
Non-Cash Items (excluding depreciation and impairment and Transfers Out (Notes 5 and 6))	1,726	2,171
Less:		
Net Operating Cost	(8,263)	(14,542)
General Fund carried forward	(85)	(3,742)

13. Operating Leases

Rental of £995.56 each year is payable for the hire of a photocopier at Wyton and will be charged to the Operating Cost Statement over the remaining hire period of 2 years. Amounts are included at Note 3.

14. Capital Commitments

The Agency had no Capital Commitments at 31 March 2007.

15. Contingent Liabilities

The Agency had no Contingent Liabilities at 31 March 2007.

16. Losses and Special Payments

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

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

17. Post Balance Sheet Events

On 28th March 2007 Minister of State (Armed Forces) Ministry of Defence, announced to the House of Commons that from the 1st April 2007 the DSA would cease being an Agency. Consequently, these are the last set of accounts to be prepared on the Agency basis. The activities of the Agency will continue within the Ministry of Defence and therefore it remains appropriate for these accounts to be prepared on a going concern basis.

The accounts were authorised for issue on 23rd July 2007. The authorised for issue date represents the date of despatch by the Accounting Officer for laying before the House of Commons.

18. Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government agencies are financed, the Agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

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

Interest Rate Risk

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

Foreign Currency Risk

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

Liquidity Risk

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



So it's Goodbye DSA...

Under one form or another the Armed Forces have been disposing of their unwanted items for hundreds of years.

In 1661, as the Clerk of the Acts at the Navy Office, Samuel Pepys inspected ships – ‘sold by the candle’ – with auction bids closing as the candle burnt out.

“ We have much to do to tell who did cry last”, wrote Pepys.

Today, the DSA operates its own online auctions. When edisposal.com “went consumer”, the ‘Mail – on – Sunday’ called the site:

“MoDBaY”.

Over the years the disposal operation has changed significantly from widespread public auctions to the current specialist contracted-out discrete disposal services. From direct Government – to – Government sales of capital platforms through to the current joint-venture agreement with DESO, in support of Defence Diplomacy and with Industrial participation, involving major British Defence companies.

In its twelve and a half years, the Agency has secured over £730M in sales; saved several hundreds of million pounds in savings in storage overheads and transportation costs of disposals; has driven down the unit cost of generating sales; and has expended its disposal services to the wider public sector.

DSA – you will be remembered (now, and in the future, under DE&S, as the Disposal Services Authority – DSA).

So it's really a Good “buy” DSA





Addresses

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

Web Site Address

www.edisposals.com

Administration Manager:

Tel: 020 7305 3147
Fax: 020 7305 3241

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

query@edisposals.com

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

Customer Services:

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

Repayment Sales:

Tel: 01480 52451 7043/6998
Fax: 01480 446342

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

Ammunition	3245	Medical & Dental Equipment	3073
Armaments	3245	Memorabilia	3235
Armoured Vehicles.....	3073	Miscellaneous Equipment.....	3245
Armoured Vehicle Spares.....	3245	Missiles	3170
Artillery.....	3170	Naval Spares	3161
Auxiliary	3092	Non-Armoured Vehicle Spares	3245
Auxiliary Vessels – Govt to Govt	3245	Photographic & Surveying.....	3245
Auxiliary – non-Govt to Govt.....	3245	Plant & Machinery.....	3245
Canteen Equipment.....	3073	Small Craft	3245
Clothing & Textiles.....	3245	Storage Containers & Media.....	3245
Bridging	3245	Tools & Engineering Equipment.....	3245
Communications Equipment.....	3245	Valves	3245
Electrical Equipment.....	3245	Vehicles	3073
Engines & Aircraft Systems.....	3245	Warships Govt to Govt.....	3092
Fixed & Rotary Wing Aircraft, Aero.....	3245	Warships non-Govt to Govt	3245
Fixed & Rotary Wing Aircraft Spares.....	3280	Wreck Agreements	3823
Furniture.....	3245	Metal – Ferrous & Non Ferrous (Scrap & Stock).....	3159
Gymnasium	3245	Used Tyres & Other Scrap Rubber	3159
Hand-held Communications Equipment.....	3245	Petrol, Oils & Lubricants	3159
IT Equipment	3154	Hazardous Waste.....	3248

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DSA
Disposal Services Agency



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