



Defence Electronics &  
Components Agency

# **Defence Electronics and Components Agency**

## **Framework Document**

1 April 2015

## Version 1.0

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## **1. INTRODUCTION**

DECA was established on 1 April 2015 as an Executive Agency with the remit to provide through-life electronics and components maintenance, repair and overhaul services that are of benefit to Defence.

This Framework Document sets out DECA's purpose, and role, together with the governance, policy and financial parameters that guide its day-to-day operations. It also captures the MOD's expectations for the new Agency, including its top level objectives, and the arrangements that are in place to ensure the effective delivery of those expectations. As a MOD Agency, DECA's activities are funded entirely by the payment for delivery of services provided to its MOD customers, and contracts between DECA and private sector customers.

DECA currently employs approximately 430 staff, at its main site in Sealand in Flintshire, Wales, and its main satellite site at Stafford and other sites across the UK for deployed DECA activities.

This Framework Document and further information on DECA and its role can be found on the DECA website. The Framework Document will be reviewed at least every three years and following each formal Agency status review.

## **2. STATUS, ROLE AND PURPOSE**

### **2.1. Status and Role**

DECA was established as a MOD Executive Agency on 1 April 2015 with the remit and operating framework to provide services to both MOD and industry customers.

Its role is to provide through-life electronics and components maintenance, repair and overhaul (MRO), upgrade, and procurement services for Defence equipment. This includes the provision of an avionics obsolescence management capability and deployable services for a diverse range of electronic and mechanical equipment and components.

### **2.2. Strategic Objectives**

DECA has its own strategic objectives and priorities which are aligned with MOD's. These objectives are reviewed on an annual basis with the Owner and published in the DECA Corporate Plan.

## **3. GOVERNANCE AND ACCOUNTABILITY**

The corporate governance and accountability arrangements for DECA draw on best practice in the public and private sectors, and reflect its position both as part of a Government Department and as a service-providing organisation. The relationship between the key roles, boards and committees that comprise the governance arrangements is illustrated at Annex A.

### 3.1. Secretary of State for Defence and Minister(DEST)

The Secretary of State for Defence is the **Departmental Owner** of DECA. The SofS is accountable to Parliament for all aspects of DECA's performance, including its strategy, operation, performance and the effectiveness of its governance arrangements. The SofS delegates the day-to-day ownership responsibilities for DECA to the Minister for Defence Equipment, Support and Technology (Min(DEST)). As such, the Owner, Min(DEST) is responsible for:

- defining DECA's policy and financial framework;
- approving its strategy and financial objectives;
- approving the Corporate Plan;
- reviewing DECA's performance and intervening to address under-performance;
- approving the appointments of the DECA Chair and independent Non-Executive Directors (NEDs) and agreeing their remuneration;
- endorsing the appointment of the DECA Chief Executive;
- ensuring that remuneration within DECA is consistent with public sector pay policy and Cabinet Office and HM Treasury guidance on pay for the Senior Civil Service;
- being satisfied that the DECA Board is working effectively<sup>1</sup>;
- approving plans, programmes and projects that exceed delegated powers.

### 3.2. MOD Customer

MOD's role as Owner and Sponsor of DECA is discharged, separately from that of the customer. The majority stakeholder by volume of work is the MOD Customer represented by the Defence Equipment and Support (DE&S) Chief of Materiel (Air) as Lead Customer. The DE&S Head of Customer Support Team (Air) is the nominated principal MOD Customer senior representative.

### 3.3. MOD's Permanent Secretary (PUS)

PUS is the senior civilian adviser on defence and MOD's Principal Accounting Officer (PAO). PUS designates the Chief Executive of DECA as its Accounting Officer, with responsibility for effective management of financial, contractual, safety and environmental protection, pay and personnel aspects of DECA's operation. (The respective responsibilities of the PAO and the DECA Accounting Officer are set out in Chapter 3 of *Managing Public Money* and are sent separately to the accounting officer on appointment.

The PAO is accountable to Parliament for issues concerning DECA and is responsible for advising Min(DEST) on an appropriate framework of objectives and targets for DECA in the light of the Department's wider strategic aims and priorities. The PAO must be satisfied that DECA is operating in full compliance with the guidance in *Managing Public Money*. The PAO also provides advice on how well DECA is achieving its strategic objectives and whether it is delivering value for money for the exchequer as a whole. In addition, the PAO is responsible for ensuring arrangements are in place to monitor DECA's activities and address significant issues that may arise, making such interventions as are judged necessary. This

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<sup>1</sup> The Chair will report to the Minister on the effectiveness of the Board.

includes a periodic assessment of the risks both to the Department and the DECA objectives.

While the day-to-day running of DECA is the responsibility of the Chief Executive, PUS will expect to be consulted on, and approve, any changes to DECA's complement of staff at Senior Civil Service (SCS) level. PUS delegates the oversight of DECA's operations to the Director General Head Office and Commissioning Services (DG HO&CS), while line management of the DECA Chief Executive is delegated to the MOD Director Resources, Head Office and Corporate Finance (D Res HOCF).

### **3.4. MOD Director General Head Office & Commissioning Services**

DG HO&CS has delegated responsibility for oversight of MOD Agencies and Trading Funds and is the **Departmental Sponsor** for DECA. DG HO&CS is the Chair of the DECA Steering Group on behalf of PUS and Min(DEST).

### **3.5. MOD Director Resources, Head Office and Corporate Finance**

D Res HOCF is responsible for the line management of the DECA Chief Executive and the annual performance assessment, and may draw on the advice of the DECA Chair, NEDs on the DECA Board, the Head of Business Strategy and Governance (BSG) and senior MOD customer representatives in forming this assessment.

### **3.6. MOD's Head of Business Strategy and Governance**

Head of BSG represents the interests of the Ministerial Owner and the Departmental Sponsor. Specifically, the Head of BSG is responsible for:

- producing the Framework Document which sets out what MOD requires from DECA and the associated governance arrangements;
- ensuring that DECA's Chief Executive has the necessary delegations of authority for effective delivery and continual improvement of DECA's outputs;
- advising Min(DEST) on the effectiveness of the Chair's performance on an annual basis and ensuring that the Chair also reviews the performance of the independent NEDs.

The Head of BSG is also the MOD's formal NED, on the DECA Board, and advises the DECA Chief Executive on compliance with Government and MOD corporate and fiscal policies.

BSG act as the Owners representatives and are responsible for overseeing the governance of the Agency. BSG also provide the secretariat to the DECA Steering Group and take the lead on Ministerial and Parliamentary business that relate to DECA's MOD Agency status. In practice this entails:

- advising the Owner and Sponsor on the strategic direction and performance of DECA in the wider Departmental and cross-Governmental context;
- advising the Chief Executive on the implications of DECA's activities to ensure that they most effectively support the delivery of MOD's objectives;

- ensuring the periodic review of DECA's business model<sup>2</sup> is undertaken and assisting the Chief Executive with addressing the implications of any recommendations from such reviews.

This responsibility requires balancing MOD and wider Government interests in DECA, including Owner and Sponsor; sponsor of policy and standards; and customer.

### **3.7. Chair of the DECA Board**

The independent DECA Chair is accountable to the Owner for leading the DECA Board and ensuring its effectiveness in all aspects of its role<sup>3</sup>. The Chair sets the Board's agenda, promoting a culture of openness and debate, and has a personal role in advising the Owner about the high-level business issues affecting DECA and will also provide advice to the Sponsor.

Appointed by the Owner for a fixed term. Normally up to three years following an open competition managed by MOD in accordance with the main features from the Code of Practice for Public Appointments<sup>4</sup>. Reappointment for a further term is subject to meeting required performance standards, and should not normally exceed six years. In addition, the Chair has the following leadership responsibilities:

- formulating the Board's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible Minister or the Department;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety.

The Chairman is responsible for:

- ensuring that the Board is effective, including assessing the performance of the Board and of individual NEDs, and making recommendations on areas of development;
- encouraging all Board members to express their views frankly and challenge constructively in order to improve the standard of discussion in Board meetings;
- managing the frequency, content and conduct of Board meetings, ensuring that systems are in place to provide members with accurate, timely and quality information to allow the Board to consider properly all matters before it;
- determining and agreeing the composition of the Board with the Owner, taking into account its diversity and ensuring a balance of relevant expertise and experience, and obtaining approval for the appointment of new NEDs;
- ensuring that the Board is supported by effective and properly constituted Audit and Risk Assurance and Remuneration and Nomination subcommittees;
- providing advice to the Owner and Sponsor on DECA's strategic direction, objectives and risks, its business performance and its governance arrangements;

<sup>2</sup> DECA's status and business model is reviewed every five years.

<sup>3</sup> Corporate Governance in Central Government Departments: Code of good practice 2011 – Guidance Note. HM Treasury and the Cabinet Office, July 2011.

<sup>4</sup> The role is outside the remit of the Office of the Commissioner of Public Appointments (OCPA)

- providing advice and counsel to the Chief Executive;
- advising on the appointment of the Chief Executive, including sitting on the selection panel;
- together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- assessing the performance of individual Board members when being considered for re-appointment;
- ensuring there is a Board Operating Framework in place setting out the role and responsibilities of the Board consistent with the Government Code of Good Practice for Corporate Governance;
- ensuring there is a code of practice for Board members in place, consistent with the Cabinet Office *Code of Conduct for Board Members of Public Bodies*.

The Chair has a standing right of access to the Owner and will maintain a regular dialogue through at least one face-to-face meeting each year. They will also maintain regular dialogue with the Departmental Sponsor through the DECA Steering Group. In the event that the Chair, with the agreement of the Board, believes that the Chief Executive may not be delivering on his/her Accounting Officer responsibilities, the Chair will seek to remedy this in discussion first with the Chief Executive, then if resolved, through the MOD NED, the Sponsor and MOD PUS.

### **3.8. DECA's Chief Executive**

MOD's Permanent Secretary designates the Chief Executive as Accounting Officer for DECA. The Chief Executive is personally responsible for the day to day operations and management of DECA and should ensure that DECA is run on the basis of the governance, decision-making and financial management standards set out in Box 3.1 of *Managing Public Money*. As Accounting Officer, the Chief Executive must also prepare and sign financial statements which are included in the Annual Report and Accounts. The DECA Chief Executive is directly responsible to Parliament for the stewardship of DECA's resources (see also section 7.1 of *Managing Public Money*).

To discharge these responsibilities, the Chief Executive has delegated authority from DG HO&CS to lead and manage DECA<sup>5</sup> resources. The Letter of Authority requires the Chief Executive to ensure the effective, efficient and proper conduct of DECA's business in accordance with Ministerial direction, to set demanding objectives aimed at improving performance to give full consideration to the potential Parliamentary, political, policy, and presentational aspects of all proposals and to the interests of Defence, consulting as necessary with the appropriate policy staffs and Ministers. It sets out their authority in the areas of finance, audit, counter-fraud, commercial, people, pay, safety, health, environmental protection, security, and resilience, and these will be sub-delegated within DECA by the Chief Executive.

The Chief Executive is authorised to commission contractual commitments but authority to place or amend contracts, or to deal with claims arising, may only be exercised by staff in receipt of a commercial letter of delegation issued by MOD's

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<sup>5</sup> The Chief Executive must have regard to the Civil Service Management Code and other policies and regulations as appropriate in exercising their delegations.

Director Commercial to the DECA Commercial Director. Financial and contracting authority will not be vested in the same individual.

The appointment of the Chief Executive is managed by MOD, with the endorsement of the Owner, taking into account advice from the Chair. Specific responsibilities of DECA's Chief Executive include:

- delivering the DECA strategic objectives in the Corporate Plan;
- leading and motivating the DECA Executive team and other staff;
- developing the DECA Corporate Plan, in light of the Department's wider strategic aims and agreed priorities, for endorsement by the Board and approval by the Owner;
- developing, with the support of the Board, an annual Corporate Plan;
- informing the Department on progress against objectives and use of resources in the delivery of these;
- developing appropriate internal strategies, policies and capabilities;
- reporting regularly to the DECA Board and DECA Steering Group on business performance and on any matters requiring their attention;
- embedding independent audit mechanisms that give assurance on the state of internal control throughout the organisation and the integrity of its financial systems;
- ensuring timely forecasts and monitoring information on performance and finance are provided to the Department and that corrective action is taken; and that any significant problems (financial or otherwise), and whether detected by internal audit or by other means, are notified to the Department in a timely fashion;
- ensuring that DECA operates in full compliance with the guidance in *Managing Public Money*;
- preparing an Annual Report and Accounts for endorsement by the Board before being laid before Parliament, in accordance with Government Financial Reporting Manual, *Managing Public Money*, and any Cabinet Office and HM Treasury instructions that may apply;
- advising the Board on DECA performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed.

The Chief Executive will maintain a regular dialogue with the Owner and at least one face to face meeting each year. In the event that the Chief Executive believes that the position of the DECA Board is in conflict with their responsibilities as Accounting Officer, the Chief Executive will seek to remedy this in discussion first with the Chair of the DECA Board, the Sponsor and then PUS.

### **3.9. DECA Steering Group**

The DECA Steering Group supports and advises the Sponsor (on behalf of the responsible Minister) on the review and setting of DECA's strategic objectives, the approval of the Corporate Plan and major business decisions, and on performance.

The Group is chaired by DG HO&CS and meets at least three times a year. Min(DEST), as the responsible Minister, may attend and chair meetings. Membership includes senior MOD Finance, Defence customer, MOD I NED on the DECA Board, D Res HO&CS and DECA's Chair and Chief Executive.

### **3.10. DECA Board**

The DECA Board provides the strategic leadership for DECA in delivering its objectives. It provides a forum for independent, non-executive, support and constructive challenge to DECA's Chief Executive and their Executive Directors. The Board has an independent, non-executive, Chair. To strike the right balance of skills, experience and objectivity, the Chair will agree the size, composition and meeting frequency of the Board with the Chief Executive, taking into account guidance and best practice on boards in the public and private sectors, subject to approval from Min(DEST). At a minimum it will comprise:

- an independent, non-executive, Chair;
- DECA Chief Executive;
- senior DECA Directors;
- formal MOD NED;
- an independent NEDs with a range of experience and expertise appropriate for the activities that DECA undertakes.

The NEDs are to provide expert advice, guidance and challenge to the Executive. The DECA Board is specifically responsible for<sup>6</sup>:

- ensuring DECA's purpose and role, aligns with the policy and commercial constraints under which it operates, and meets relevant good practice across the Government and private sectors;
- establishing and taking forward the DECA strategic aims and objectives are consistent with its overall strategic direction and within the policy and resources framework determined by the Owner;
- supporting the development and endorsement of the DECA Corporate Plan, prior to submission to the Owner for approval;
- endorsing other plans, programmes and projects with a value above certain defined thresholds, as set out in Annex B, including the development of recommendations to the Owner where appropriate;
- the allocation of financial and human resources to achieve the Corporate Plan and to address the customers' long-term capability requirements;
- DECA's risk appetite and the controls that are in place to manage risks and threats and to address opportunities;
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control;
- monitoring DECA's performance against the Corporate and Business Plans;
- supporting the development and endorsement the DECA Annual Reports and Accounts.

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<sup>6</sup> Corporate governance in central government departments: Code of good practice. HM Treasury and Cabinet Office, July 2011.

DECA's independent NEDs will be appointed with the agreement of the Owner, following a process of open and fair competition managed by DECA. Appointments are normally for a fixed term of three years which may be extended for a further term of up to three years, subject to their meeting required performance standards. Individual NED appointments totalling more than six years will be considered only in exceptional circumstances and justified in the Annual Report and Accounts. DECA will ensure that new NEDs (independent and formal) receive an appropriate induction and the support to enable them to contribute effectively to the Board's activities.

The DECA Board members are expected to comply with the Cabinet Office's *Code of Conduct for Board Members of Public Bodies*<sup>7</sup>.

The effectiveness of the Board and its Sub-Committees will be assessed annually by the Chair. Any deficiencies in the Board's performance or composition, or of its Sub-Committees, will be addressed by the Chair.

The performance of the independent Chair and the independent NEDs will be assessed annually on whether each continues to demonstrate appropriate commitment to the role (including commitment of time for Board and Committee meetings and other duties) and contributes effectively, including measurement against:

- amount and level of strategic challenge provided;
- scrutiny of management decisions and ensuring controls in place;
- ensuring effective decisions are made based on sound management information (risk);
- ensuring appropriate challenge on the skills of the management team (people), behaviour and people engagement.

The performance of the Chair will be assessed by the Head of BSG on behalf of the Owner, while the Chair will assess the performance of the independent NEDs. The quorum necessary for the transaction of business is two NEDs (including the Chair or a lead NED appointed in the absence of the Chair) and two Executive Directors.

### **3.11. DECA Board Sub-Committees**

In discharging its role and responsibilities, the Board delegates some activities to Sub-Committees of the Board. The DECA Chair will ensure that the Board receives adequate and timely feedback on the work of these Sub-Committees and that it is able to consider their recommendations.

#### **3.11.1. Audit and Risk Assurance Committee**

The role of the Audit and Risk Assurance Committee is to support the DECA Board and Chief Executive, as Accounting Officer, in monitoring the organisation's corporate governance and control systems. It is chaired by an independent NED with relevant experience. Members are responsible for reviewing the comprehensiveness, reliability, and integrity of controls, and reviewing the financial statements. The Audit and Risk Assurance Committee advises the Board and the Chief Executive on<sup>8</sup>:

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<sup>7</sup> Code of Conduct for Board Members of Public Bodies, Cabinet Office, June 2011.

<sup>8</sup> Audit and Risk Assurance Committee Handbook. HM Treasury. April 2013.

- the strategic processes for risk, control and governance, and the Governance Statement;
- the accounting policies, the accounts, and the Annual Report, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity;
- assurances relating to the corporate governance requirements for DECA;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Audit and Risk Assurance Committee comprises a minimum of two NEDs (including the Chair of the Audit and Risk Assurance Committee and MOD's formal NED), plus by invitation (but not part of the committee) the DECA Chief Executive, Finance Director, Head of Internal Audit and a representative from the National Audit Office. Defence Internal Audit (DIA) may attend as observers.

The Audit and Risk Assurance Committee will annually review its effectiveness and report the results of that review to the Chair and to the Board.

The quorum necessary for the transaction of business is two NEDs (including the Chair of the Audit and Risk Assurance Committee).

### **3.11.2. Remuneration and Nomination Committee**

The Remuneration and Nomination Committee (REMNCO) exists to:

- advise the DECA Chair on appointments to the DECA Board (except for the Chair, whose appointment is the responsibility of the Owner);
- advise the Owner, Chief Executive and the Board on matters relating to DECA's pay and reward strategy and remuneration for senior DECA executives, operating within the framework set by Government-wide and Departmental guidelines and where applicable, those for the Senior Civil Service (SCS).<sup>9 10</sup>

Specific responsibilities include:

- overseeing the appointment of proposed independent NEDs to ensure that they are selected on merit against objective criteria, and succession planning;
- supporting the Chair to evaluate regularly (at least every three years) the balance of skills, knowledge and experience of the DECA Board;
- reviewing and commenting on the DECA pay and reward strategy, providing advice to the DECA Board and Chief Executive<sup>11</sup>;
- endorsing the objectives, performance and recommendations on bonus payments for senior executive staff;

<sup>9</sup> Guidance on Terms of Reference Remuneration Committee. Institute of Chartered Secretaries and Administrators (ICSA), October 2010.

<sup>10</sup> Corporate Governance in Central Government Departments: Code of Good Practice. HM Treasury and Cabinet office, July 2011.

<sup>11</sup> The DECA's annual pay remit is approved by the Owner.

- reviewing and commenting on the DECA pay and reward strategy, providing advice to the DECA Board and the Chief Executive
- the suitability and appropriateness of any proposed special bonus award greater than £2000 in value;
- any other remuneration and conditions of employment issues as directed by or requested by the DECA Chair or the DECA Chief Executive.

The Committee comprises a minimum of two NEDs, one of whom will be the Owner's representative (the MOD NED). The DECA Chair will act as the REMNCO Chair. The quorum for the transaction of business will be two members.

### **3.12. DECA Executive Management Board**

The purpose of the DECA Executive Management Board is to support and advise the Chief Executive on their management of the DECA business, and is an advisory body to the Chief Executive. The Executive Management Board will achieve this by:

- providing collective leadership for the organisation;
- ensuring the business operates safely and securely, reviewing performance and managing risks;
- manage business delivery and financial performance;
- taking action as necessary to ensure overall business performance is to the standards set by the Owner and within the remit prescribed in this Document.

Where higher-level approval or endorsement is required, the Executive Management Board will make recommendations to DECA's Board. Membership of the Executive Management Board is flexible and is determined by the Chief Executive, with support from DECA's Chair as necessary. The frequency of meetings is also determined by the Chief Executive.

### **3.13. DECA Principles of Operations**

The Principles of Operations set out clearly the basis on which DECA will operate in providing services of benefit to defence, and they are set out in Annex C.

### **3.14. DECA Corporate Plan**

The DECA Corporate Plan sets out the strategic direction of DECA for a rolling period of five years. It is reviewed annually by the DECA Executive Management Board, and endorsed by the DECA Board and encompasses:

- the strategy for delivering DECA's purpose and aim;
- the main activities and investments that will deliver this strategy;
- how success will be measured, including delivery against objectives and milestones;
- the wider context and key underpinning assumptions;
- a financial analysis and projections over the five-year period.

When approved by the Owner, it forms the authoritative basis against which all business decisions within DECA are taken. Approval also underpins key assumptions on which the business is entitled to plan. Individual business decisions flowing from these assumptions still require specific approval under the framework at Annex B.

### **3.15. Annual Report and Accounts**

The DECA Chief Executive is required to prepare an AR&A in accordance with legislation, directions and instructions issued by HM Treasury<sup>12</sup>. It provides details of DECA's business and financial performance over the previous financial year and includes a detailed financial statement which meets the accounting and disclosure requirements set by HM Treasury in the latest published Government Financial Reporting Manual. The financial statements are audited by the NAO, and a certificate is included in the AR&A.

## **4. POLICY FRAMEWORK**

As part of MOD and Government, DECA is bound by certain policies and standards, the main elements of which are set out in this section.

### **4.1. Parliamentary Accountability**

The responsible Minister remains accountable to Parliament on all matters concerning DECA and retains the right to intervene in the operations of DECA if public or parliamentary concerns justify it.

As an Accounting Officer, the Chief Executive is directly responsible to Parliament for the stewardship of DECA's resources. Where a Select Committee wishes to take evidence on matters assigned to DECA, it will normally fall to the Chief Executive to give evidence. MOD PUS has responsibility for assuring their self about the capacity and performance of DECA. Accordingly a select committee may choose to invite MOD PUS and/or policy officials together with representatives of DECA to give evidence together. Staff within DECA are subject to Cabinet Office's *Guidance on Giving Evidence to Select Committees*.

Enquiries about DECA from Members of Parliament, Members of the European Parliament, and Members of the National Assembly for Wales, the Northern Ireland Assembly and the Scottish Parliament who specifically seek a Ministerial response are normally dealt with personally by the Owner. The Owner may also ask the Chief Executive to reply directly to correspondence and about issues delegated to him. Parliamentary Questions relating to the operation of DECA would normally be answered by the Owner.

### **4.2. Parliamentary Commissioner for Administration**

DECA is subject to the jurisdiction of the Parliamentary Commissioner for Administration. The Chief Executive is responsible for the preparation of replies on any matter concerning DECA.

### **4.3. Customer Complaints**

DECA complies with MOD and Government guidance on dealing with complaints. Any external complaints or concerns can be raised by telephone, email or post and the complaints procedure and contact details are available on the DECA website.

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<sup>12</sup> DECA will also produce information in accordance with the instructions issued by the MOD for the consolidated accounts.

#### **4.4. Information Governance**

The Chief Executive will be accountable to Secretary of State for Defence and MOD PUS for handling the Agency's information holdings in accordance with MOD's information management policy and the Agency's statutory obligations under relevant legislation including the Freedom of Information, Data Protection and Public Records Acts and the Environmental Information Regulations.

#### **4.5. National Accreditation**

In order to meet best-practice standards as an employer and supplier, DECA will maintain accreditation under ISO 9001 (Quality Management Standard) and ISO 14001 (Environmental Management Standard).

#### **4.6. Safety, Health, Environmental Protection and Sustainable Development**

DECA will comply with the Secretary of State's Policy Statement on Health, Safety and Environmental Protection, including the requirement for the Chief Executive to be a Senior Duty Holder for the safety of defence activities in his/her area of responsibility. DECA will be regulated by appropriate internal and external bodies.

#### **4.7. DECA's responsibilities under Competition Law**

In the provision of any services which compete or may compete with private sector suppliers of similar services, DECA will ensure that it is – and is seen to be – fully compliant with competition (anti-trust) legislation and that it operates in full compliance with the guidance in *Managing Public Money* including, in particular, the guidance in Chapter 6 on fees, charges and levies. As part of that, DECA will amongst other things ensure that the issue of misuse of dominant position in a market sector does not arise.

#### **4.8. Intellectual Property Rights (excluding Crown Copyright)**

The IPR generated in DECA as a result of work paid for by the MOD (i.e. orders between MOD and DECA) remain vested in the Secretary of State for Defence and are administered in accordance with the business arrangements agreed between MOD and DECA. IPR generated as a result of work funded by a private sector customer that will be subject to an agreement negotiated between DECA and that customer.

#### **4.9. External Stakeholders**

##### **4.9.1. HM Treasury and Cabinet Office**

DECA complies with current HM Treasury guidance including *Managing Public Money* and any instructions and guidance to Government Departments and Agencies. DECA also follows all relevant Cabinet Office instructions and guidance.

##### **4.9.2. Her Majesty's Stationery Office (HMSO)**

Crown copyright is vested by Letters Patent in the Controller of Her Majesty's Stationery Office and Queen's Printer (the Controller). HMSO is part of the National Archives, which is an Executive Agency of the Ministry of Justice.

The Controller of HMSO has, subject to some constraints, delegated to the DECA Chief Executive powers to administer and exploit Crown copyright and database

rights, whether arising out of the work of DECA or acquired by it, including the determination of terms and conditions under which permission for their reproduction and use is granted.

DECA is committed to the principles of fair, open and transparent information trading and its practices in respect of the Information Fair Trade Scheme are subject to regular verification by the Office of Public Sector Information.

#### **4.9.3. Scotland, Wales and Northern Ireland**

DECA has responsibility for providing its services for the whole of the UK, and will maintain links as necessary with the devolved administrations (Scottish Government, Northern Ireland Executive, and Welsh Government).

#### **4.9.4. Members of the Public**

DECA will aim to respond substantively within 20 working days to requests for information from members of the public, ensuring compliance with all applicable statutory requirements.

### **4.10. Human Resources**

DECA manages its employees in accordance with Civil Service principles. The DECA Chief Executive will maintain a human resources and people strategy that enables DECA to recruit, retain, develop and motivate customer-focussed staff from all parts of the community in the numbers and with the appropriate skills and expertise to meet its aims and objectives, while observing the principle of equitable treatment of all.

#### **4.10.1. Status of Staff and Conditions of Service**

DECA's civilian staff are Crown employees and subject to the provisions of the Civil Service Management Code and any relevant Cabinet Office instructions and guidance. For day-to-day management of staff, DECA operates as a discrete body within the MOD.

Subject to its delegated authorities, DECA shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

Staff may become members of the Principal Civil Service Pension Scheme or make their own alternative arrangements.

The Chief Executive has authority for setting the terms and conditions of service for all DECA staff below Senior Civil Service (SCS) level, including pay bargaining, under their letter of authority. This is carried out under the provisions of the Civil Service (Management Functions) Act 1992. In exercising this authority, he or she will take into account best practice across the wider Civil Service and Government and MOD policies on Civil Servants' terms and conditions, including any constraints that might apply from time to time.

Where the Chief Executive wishes to make proposals for changes to existing terms and conditions of employment that would exceed current management flexibilities,

these will be agreed with the MOD, HM Treasury and the Cabinet Office, as appropriate.

The terms and conditions of SCS staff are determined by MOD in accordance with Government policies and constraints and postings will be managed in consultation with MOD's Director of Human Resources. Remuneration for the SCS will be set by HRD taking into account the advice of the DECA Remuneration and Nomination Committee.

The terms and conditions of the DECA Chair and independent NEDs on the DECA Board are determined by MOD and set out in their individual appointment contracts. While their fees and expenses are paid by DECA, they are not civil servants or DECA employees.

#### **4.10.2. Staff Recruitment and Retention**

The Chief Executive will maintain the optimum balance of civilian, military and contract staff on permanent and fixed-term appointments to ensure the most effective and efficient delivery of DECA's products and services. He or she has delegated authority to manage DECA's staff complement up to the level of the SCS and to recruit to fill vacant posts directly, determining their tenure and other conditions of appointment. Any changes to the total staff complement should be made within the context of the Principles of Operation (Annex C). Any changes outside the Principles should take into account MOD and wider Government constraints on public sector employment and will require external justification and agreement with MOD and potentially HMT and/or the Cabinet Office. Recruitment of all staff will be based on merit and undertaken on the basis of fair and open competition in accordance with the Civil Service Commission Recruitment principles and any Government constraints that may apply. The Agency will be required to provide information on recruitment for audit purposes.

MOD's Director of Human Resources will manage the recruitment of SCS-level staff on DECA's behalf. The establishment of new SCS posts and any changes to the SCS complement will be justified by a business case with the endorsement of the DECA Board and the approval of MOD PUS.

DECA will maintain succession plans so that it can quickly replace departing key staff with suitably qualified and competent persons and minimise any adverse consequences to the organisation's performance. Such plans will, however, respect the principle of fair and open competition for posts and appointments on merit.

#### **4.10.3. Staff Conduct and Discipline**

All DECA staff will be expected to comply with the civil service code and its standards of integrity, honesty, objectivity and impartiality and uphold the highest professional standards.

The Chief Executive will ensure that civilian disciplinary and poor performance cases are handled in accordance with MOD guidelines. He or she will have full powers within their delegations in matters relating to the conduct and discipline of all employees, which include dismissal, demotion, loss of seniority, loss of pay, reprimands and postings.

Any conduct or disciplinary issues involving military personnel working for DECA will be taken forward in consultation with the appropriate personnel staffs in the Front Line Commands.

#### **4.10.4. Employee Relations, Trade Unions and Whistle-blowing Procedures**

The Chief Executive will ensure that staff are fully consulted about any proposed changes to terms and conditions of service. DECA should recognise the negotiating rights of the Trade Unions on matters related to pay and conditions of service and engage openly and constructively with them in discussing any proposals for changes affecting DECA staff. DECA should ensure that it has whistle-blowing procedures in place that are consistent with the Public Interest Disclosure Act.

#### **4.10.5. Equality and Diversity**

The Chief Executive will promote best practice in the area of Diversity and Equal Opportunities, ensuring compliance with all applicable legislation and MOD's Equality and Diversity policy. He or she will ensure that their staff are provided with a working environment free from discrimination and harassment.

#### **4.10.6. Welfare**

The Chief Executive will ensure the welfare of DECA's staff and contractors and any visitors to DECA sites, ensuring compliance with all statutory requirements and MOD policy.

### **5. FINANCE AND CONTROL FRAMEWORK**

The broad financial basis on which DECA operates, and related policies and standards, are set out below, which adhere to the standards, rules, guidance and advice in *Managing Public Money*.

#### **5.1. Business Model**

The sole sources of income for DECA will be from fees for each product and service provided to MOD and, fees for any services provided to private sector customers.

#### **5.2. Major Decision Making**

The policy governing key financial decisions in DECA is outlined at Annex B. This sets out the circumstances in which the Chief Executive is required to consult the Board and Owner before a decision is taken. It also sets out when approval is required from HM Treasury and the Cabinet Office.

#### **5.3. Charging**

In compliance with the guidance in *Managing Public Money* chapter 6 (and its annexes), DECA will charge internal MOD customers in line with the full cost of each service it provides. Any fees charged for services provided to external, private sector customers will be set at full cost in full compliance with the guidance in *Managing Public Money* chapter 6 (and its annexes) and, as part of that, in reliance on an appropriate power to charge.

Single Source Pricing Regulations do not apply to DECA when charging for its services to MOD and industry as they contract on behalf of the Secretary of State for Defence. Therefore applicable profit and cost rates agreed through the annual Corporate Plan process.

#### **5.4. Income and Expenditure**

DECA revenue arises from fees for its services. All sums received by DECA are paid into, and all expenditure incurred paid out of the Agency.

#### **5.5. Financial Objectives**

The Owner will set financial objectives that are consistent with the guidance set out in *Managing Public Money*. These will be agreed through the Corporate Plan.

#### **5.6. Cash Defunded Back to MOD**

Unless specifically agreed otherwise, at the end of each financial year DECA will return to MOD a cash equivalent to its in year operating profit.

#### **5.7. Provision of financial information to MOD**

DECA will provide the financial information that is required to allow MOD to manage its financial processes, taking into account the requirements and timescales associated with the annual planning and budgeting round and the publication of the MOD's Annual Report and Accounts.

#### **5.8. Assets**

DECA retain, maintains and renews only the assets needed for its business and disposes of any surplus land, buildings, plant and equipment to achieve economy in its operations.

Any proposals to alter significantly the assets held by DECA will be considered during the corporate planning process and endorsed by the DECA Board and approved by the Owner. Appraisals for all major investments are undertaken in accordance with HM Treasury guidance.

DECA will have the freedom and the delegation to invest towards the maintenance and upgrade of the assets and will determine the future utilisation of these assets to support its overall business strategy agreed with the Owner.

The assets appointed to the Agency are set out in the MOD Single Balance Sheet Owners' (SSBO) accounts. DE&S are the SSBO for equipment assets and Defence Infrastructure Organisation (DIO) for the Land and Buildings.

DIO and DE&S will inform DECA of any change to DECA's assets values, and these will be charged or credited to DECA's accounts.

DECA will follow the DIO standards, rules and procedures, but it is not mandated to use the DIO Estate and Facilities services.

## **5.9. Liabilities**

MOD is responsible for all DECA liabilities, but DECA is trusted to manage them. MOD is also responsible for the settlement of third-party claims in respect of incidents that occurred prior to this date.

## **5.10. Capital Investment**

DECA's capital investment programme is set out in the Corporate Plan following consideration and endorsement by the DECA Board. Approval of the Corporate Plan and the investment programme authorises the assumptions on which DECA is entitled to plan. Decisions on individual investments in the programme require specific approval under the framework at Annex B. Where DECA is unable to fund capital expenditure using in-year resources, it will make a case to Head Office and Corporate Services (on behalf of the Owner) for funding as part of the MOD's annual budgeting and in-year management planning cycle.

## **5.11. Internal Audit**

The Chief Executive and the DECA Audit and Risk Assurance Committee shall establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards.

The Head of Defence Internal Audit (DIA) is tasked by PUS and the Defence Audit Committee to carry out audits on all MOD departments. DIA should have continuous unrestricted access to all records, personnel, property and operations of the MOD including its arms length bodies, with strict responsibility for confidentiality and safekeeping, and compliance with all statutory instruments relating to the use, retention and disclosure of data. DIA may attend Audit and Risk Assurance Committee meetings as observers.

DECA will use the services of DIA and will set up an annual internal audit programme with them.

## **5.12. Internal Control**

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control in accordance with Government guidance. This review shall be informed by the work of the internal auditors and by the senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework. This is augmented with advice from external auditors.

The Chief Executive provides regular updates to the DECA Board and Audit and Risk Assurance Committee to address any weaknesses, lessons learned and to ensure continuous improvement.

## **5.13. Risk Management**

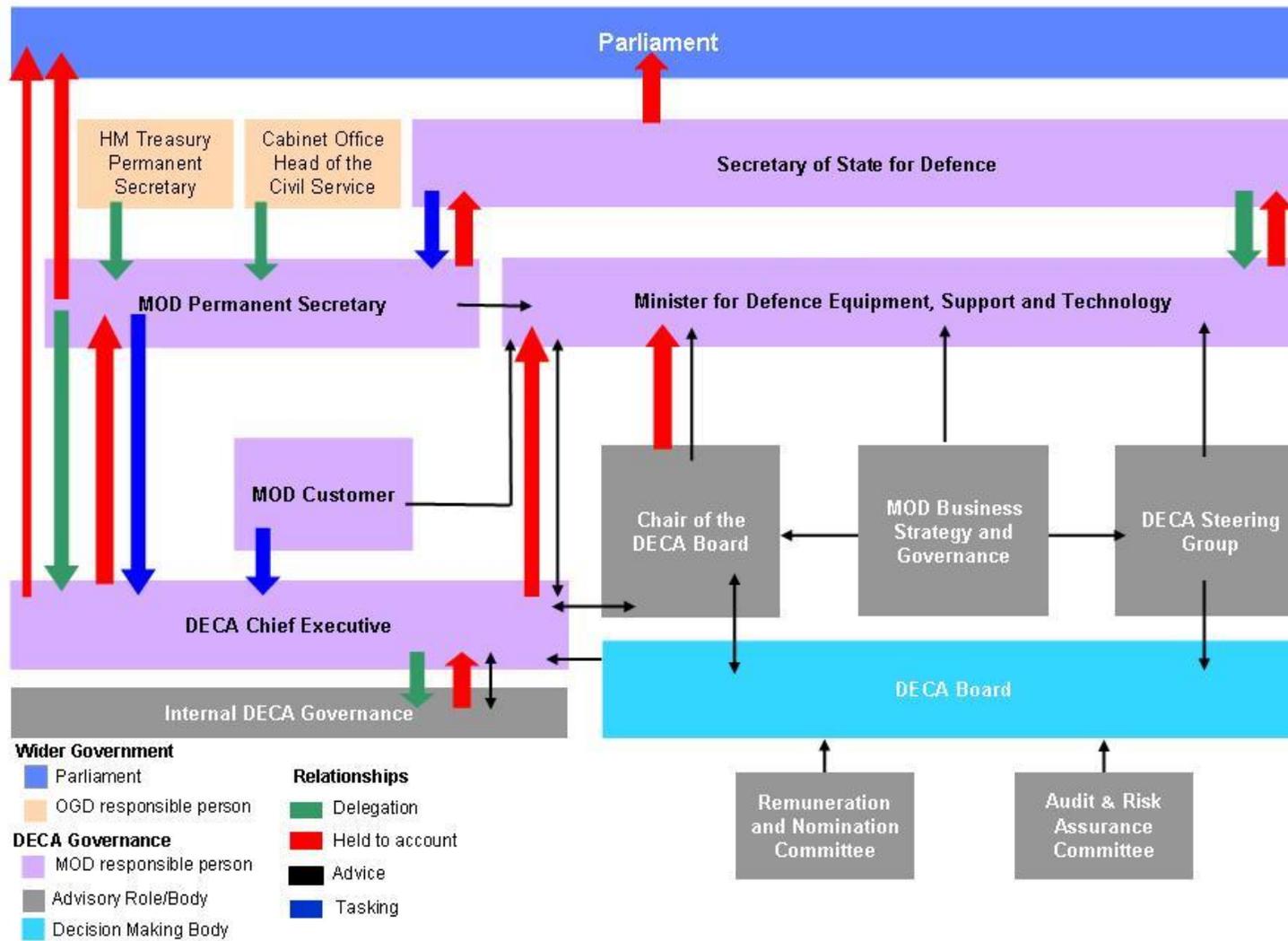
DECA operates risk management processes at all levels from strategic risks through to project delivery. The DECA Audit and Risk Assurance Committee reviews the risk management strategy and, in particular, assesses the adequacy of the internal controls

operating within all key processes in relation to risk identification, assessment, response and monitoring.

## **ANNEXES**

- A DECA governance arrangements
- B Framework for Specific Major Business Proposals and government efficiency constraints
- C DECA Principles of Operation

## Annex A – DECA Governance Arrangements



## Annex B – Framework for Specific Major Business Proposals and Government efficiency constraints

### Governance arrangements for Major Business Decisions

In general, the DECA Chief Executive may exercise the financial authority delegated by DG HOCS. However, in accordance with Managing Public Money, all expenditure which is novel, contentious or repercussive, or in some other way at odds with HM Treasury guidance, must be approved by HM Treasury. Before incurring any such expenditure DECA should seek D Res HOCS advice and agreement before seeking Department's approval.

The overriding constraint relates to the need to ensure full compliance with *Managing Public Money* and other government-wide corporate guidance and instructions. Subject to that, these governance arrangements (set out in the table below) are reviewed from time to time by the Owner in conjunction with the DECA Chair and Chief Executive. Additional external approvals may also be required. Thresholds relate to proposals' whole life costs.

Type of Expenditure <sup>13</sup> or other item	Threshold above which the DECA Chief Executive will seek the DECA Board's endorsement <sup>14</sup>	Threshold above which DECA Chief Executive will seek the Owner's approval <sup>15</sup>
<b>1. Approval Thresholds</b>		
Capital expenditure (excluding property) included in the Corporate Plan	£2,000,000	£4,000,000
Capital expenditure (excluding property) not included in, or going beyond, the Corporate Plan	£1,000,000	£4,000,000
Non-capital investment and expenditure (excluding property) included in the Corporate Plan	£2,000,000	£4,000,000
Non-capital investment and expenditure (excluding property) not included in, or going beyond, the Corporate Plan	£1,000,000	£4,000,000
Capital Expenditure on Land and Buildings (excluding maintenance)	£500,000	£1,000,000
<b>2. Other Financial Commitments</b>		
Actions leading to write-offs/write downs	£500,000	£1,000,000
<b>3. Bids and Sales Contracts</b>		
Aggregate value of binding bids and sales contracts specified in the Corporate Plan	£5,000,000	£20,000,000
Aggregate value of binding bids and sales contracts not specified or going beyond the Corporate Plan	£3,000,000	£12,000,000

<sup>13</sup> All expenditure will additionally be subject to DECA's own internal approvals processes.

<sup>14</sup> All expenditures should be subject to DECA's own internal approvals processes

<sup>15</sup> The approval route is sequential i.e. DECA must consult the Board; then approach D Res HO&CF for advice and agreement before securing the Owner's approval.

### **Government efficiency constraints**

Government efficiency constraints on Departmental expenditure require HOCS, MOD, HM Treasury and Cabinet Office approval of expenditure above certain limits and the use of the Crown Commercial Services (CCS) for the procurement of common goods and services.

DECA will publish online information on all organisational expenditure over £25,000, in accordance with the format specified by the Cabinet Office.

## Annex C – DECA Principles of Operation

- a. DECA will retain, and potentially be able to expand, its capacity to fulfil its core function<sup>16</sup>. This work consists of:
- i. existing work for industry customers through direct commercial arrangements and new work that it obtains direct from industry customers in the future;
  - ii. existing work for MOD customers that is either awarded direct or has been won through a MOD-run competitive tendering process and new work that it obtains from MOD.
- b. DECA will set out in its Corporate Plan the commercial work that it intends to bid for over the five year period. This plan will be approved annually by the responsible Minister and be copied to the MOD's Permanent Secretary and DECA's Departmental Sponsor. DECA's Board (see paragraph i. below) will consider any additional proposals to bid for significant packages<sup>17</sup> of work that arise in-year over and above the agreed Corporate Plan, and escalate to the Minister for agreement as required.
- c. DECA will compete directly for MOD work that is offered through a competitive tendering process that follows relevant legislation and MOD commercial policy.
- d. DECA will be allowed to expand its capacity by increasing the size of its permanent workforce to build the long term viability of its business, where the new work is of benefit to Defence. The emphasis will be on undertaking work that is required as part of DECA's remit. On a case-by-case basis DECA may be allowed to increase its workforce for work awarded to it by MOD without competition where it is the sole supplier, it provides a stepping stone for obtaining further work from industry or best value for defence.<sup>18</sup>
- e. DECA will continue charging internal MOD and external customers for each service that it delivers. Each charge which is set for a service provided by DECA will be in line with the guidance on fees and charges set out in chapter 6 *Managing Public Money* (MPM) with the level of charge set in line with full cost as defined in MPM.<sup>19</sup>
- f. The revenue it raises from charging will cover its operating costs and MOD will not provide a budget for DECA.<sup>20 21</sup>
- g. DECA will retain the Terms and Conditions of Service (TACOS) that currently apply to its permanent civilian workforce below SCS as part of the Defence Support Group. (Its employees will remain civil servants, but they would not be transferred to MOD main TACOS, for example DSG has a different pay and grading structure).<sup>22</sup>
- h. DECA's Chief Executive will be designated as its Accounting Officer by the MOD's Permanent Secretary as the Department's Principal Accounting Officer. DECA will publish its own Annual Report and Accounts which will be audited by the NAO.
- i. DECA will have a Board chaired by a lead non-Executive Director with membership drawn from DECA executives and other non-Executive Directors.

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16 Managing Public Money allows DECA, as a public body, to have the capacity (resources) it needs to fulfil its core function / undertake core work. This work may come from MOD or industry customers, provided it is in support of Defence related activity and is of benefit to Defence.

17 A significant package of commercial work is defined as having a value greater than 10% of the agency's annual revenue.

18 Governance arrangements will monitor the impact of proposed increases in workforce on sources of revenue, and the emphasis would be on achieving planned efficiencies with the existing workforce before it could be increased to take on work awarded to DECA by MOD without competition.

19 Charges for services provided by public sector organisations normally pass on the full cost of providing them (including the standard cost of capital). Where a service is one which competes with similar services provided by private sector suppliers, the charge should be set to recover the full cost of the service provided including a real rate of return on capital employed in line with the rates achieved by comparable businesses facing a similar level of risk (see A6.1.10 of MPM).

20 The budget for the work it undertakes direct for MOD will remain with its internal customers rather than being transferred internally to DECA when it is on vote.

21 MOD may provide DECA with a 'float' at the start of a financial year.

22 This will avoid incurring the costs arising from aligning the current TACOS with MOD core TACOS, where some elements may have to be 'bought out' eg. to align pay structures.