



Defence Electronics &
Components Agency

Annual Report and Accounts 2019/20







Ministry
of Defence

Defence Electronics and Components Agency

Annual Report and Accounts 2019/2020

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DEFENCE ELECTRONICS AND COMPONENTS AGENCY ANNUAL REPORT AND ACCOUNTS 2019/20

REPORT CONTENTS

PERFORMANCE REPORT

OVERVIEW

- 4 Introduction from the Chairman
- 6 Statement by the Chief Executive
- 8 Purpose, Aim, Values and Business Strategy
- 12 Board of Directors

PERFORMANCE ANALYSIS

- 19 Key Performance Indicators
- 21 Business Performance Review
- 27 Sustainability Report
- 31 Financial Performance Review

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

- 34 Directors Report
- 35 Statement of Accounting Officers Responsibilities
- 37 Governance Statement
- 44 Remuneration and Staff Report

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

- 54 The Certificate and Report of the Comptroller and Auditor General to the House of Commons

FINANCIAL STATEMENTS

- 56 Statement of Comprehensive Income
- 57 Statement of Financial Position
- 58 Statement of Cash Flows
- 59 Statement of Changes in Taxpayers Equity
- 60 Notes to the Accounts
- 71 Glossary

PERFORMANCE REPORT

Overview

This section provides an overview of the Defence Electronics and Components Agency (DECA). It sets out our purpose and structure, and provides an analysis of how we have performed against our strategic objectives.

An Army Mastiff armoured vehicle sits on the tarmac of Camp Bastion moments before being loaded onto an RAF C17 transport aircraft back to the UK

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Alec Don
DECA Board Chairman

INTRODUCTION BY THE CHAIRMAN

“As with most of British Industry, DECA’s recent trading life has been a story of pre and post the advent of COVID. Under Geraint Spearing’s leadership, the team at DECA has done an extraordinary job of protecting our people from COVID-19, whilst ensuring that the organisation focussed on sustained, safe delivery of critical outputs and adherence to Government guidance.”

There were limited impacts in the last financial year that were, of course, superbly managed by DECA, which maintained its critical outputs and trading relationships across the defence sector during the COVID-19 situation and was agile and ready to respond to MOD and Industry recovery plans with its trading base intact.

As MOD’s electrical, electronic avionic and general equipment hub, DECA is almost unique within the Ministry of Defence, with active ‘factory shop floors’ engaged in maintenance, repair overhaul, upgrade and calibration of vital components, equipment and sub-systems mounted on our nation’s defence platforms – vessels, submarines, land vehicles and of course aircraft. As well as on its shop floors, it has staff embedded in front-line postings and all of these staff are engaged in planning and undertaking preventative maintenance with MOD

and Industry customers to ensure that our defence equipment is at the required level of readiness for defence operations. DECA’s role has evolved into the provision of managed services, undertaking a role for all our armed services in keeping track of inventory, ensuring it is maintained and, through allied management of the relevant supply chain, creating savings and efficiencies across defence further driving the DECA philosophy of “Repair not replace”.

In the 2019/20 financial year the final result was overall slightly ahead of the prior year with turnover of £28M (2018/19: £27M) and an improved level of productivity across our sites. As in all walks of life, the COVID-19 situation impacted DECA’s performance substantially in the last month of the year and therefore the reported figures fully reflect the continued improvement and progress that has been made

within the Agency. Extensive preparations have been made for the commencement of DECA's contribution to F-35 component maintenance, repair, overhaul and upgrade activities which still remain on schedule for October 2020. Our Transformation programme remains on track and with increased levels of activity across the business, productivity and engagement are moving up.

Of more strategic significance has been the successful expansion of DECA's repair and support capability across Land, Maritime and Cyber domains which now represent over 41% of our activities and the steady expansion of our provision of services to private sector customers. With particular reference to defence, since formation we have identified over £110m of through-life cost avoidance savings across MOD including innovative support solutions working with MOD and Industry partners and managed services across new Land, Maritime and Submarine Delivery Agency customers. In the context of a £180bn 10 year Defence Equipment Plan, the true scope for through-life cost avoidance through repair not replace strategies and the application of DECA managed services is likely to be

multiples of what has been achieved to date. I think it is fair to say that work to identify DECA's true 'value' to Defence, including the defence supply chain, has only just begun.

All of this is a fantastic record of success for our staff. I would like to extend the warmest of congratulations and thanks to our staff for the work they have done to take DECA forward to the next level, at the same time as having to confront one of the most extraordinary challenges our country has had to face in living memory. As incoming Chairman, I would like to thank my predecessor Alex Jablonowski and Board colleagues past and present for their diligence and care in contributing to the development of DECA into the highly capable and clearly adaptable organisation it is today.



Alec Don
Chairman
29 June 2020

STATEMENT BY THE CHIEF EXECUTIVE



Geraint Spearing
DECA Chief Executive

" I am extremely pleased to be able to report, that for a fifth consecutive year, 2019/20 was characterised by stand-out financial performance and customer delivery, whilst the Agency maintained and often exceeded the exacting health, safety, quality, and environmental protection standards required within an airworthiness environment. It was a year too that saw further success in our work to expand DECA's strategic offering across Defence customers on key MOD defence and prosperity programmes."

DECA saw unprecedented challenge from the impacts of COVID-19 which significantly affected our Agency at the end of the year. Our Business Continuity Plan was successfully enacted to ensure that our response was efficiently and effectively structured and governed, with full support from DECA's Trades Unions. The effectiveness of these plans was shown in DECA remaining able to deliver its critical Defence outputs and providing additional support to Military Aid to the Civil Authorities (MACA) activities. At all times the health and safety of our workforce remained of paramount importance and at the forefront of our contingency plans. That we were

still able to meet all of our Agency Key Performance Indicators (KPIs) for this financial year is a true testament to the courage, dedication and ability of our workforce and we will need all of these attributes as we face the significant challenges of delivering our plan for FY2020/21.

DECA continues to operate as an MOD owned Executive Agency from our Head Office at Sealand in North Wales and from our second major site at MOD Stafford and as an integral part of Defence. We also continue to operate at customer locations across the UK and deploy overseas in support of

operations as required, with all operational sites continuing to provide positive contributions to the delivery of DECA's Business plans.

As such, DECA continues to form part of the overall consolidated MOD accounts but is required to produce its own standalone annual report and accounts. This maintains full transparency on how efficiently and effectively we have managed the assets entrusted to us.

As ever, we have continued to ensure delivery of MOD strategic direction and maintenance of customer outputs through monitoring against five KPIs. These are annually assessed and agreed by MOD to ensure they remain relevant and incentivise DECA to continually drive for increased efficiency and targeted growth of our 'value' adding support. Details of our performance against these can be found in the Performance Analysis section at page 18 of this Annual Report & Accounts (AR&A).

It is pleasing too that DECA's 'value' to MOD continues to be demonstrated in very significant and ever increasing levels of through-life cost avoidance across Defence that demonstrates the Agency's journey towards delivering MOD's objective to cement ourselves as the "repair and support provider of choice" across Air, Land, Maritime and Cyber domains.

Our successes have not been achieved by working alone. Over the last year I have been delighted to deepen our relationships with DE&S and Industry partners, explore new innovative support solutions with the Submarine Delivery Agency, and continue the work I highlighted in our last AR&A to establish an Advanced Technology and Research Centre centred at MOD Sealand in partnership with Welsh Government, MOD Centre and Dstl. These relationships are now generating tangible opportunities to work in partnership

with the UK's leading defence suppliers on projects that could lead to long-term skills generation and sustainment as well as regional and national prosperity and a long-term future for DECA.

As mentioned by our incoming Chair, work has continued at pace in successful preparation for our role, alongside our industry partners, as a key assignee on the F-35 Global Sustainment Solution, with initial operating capability due in this next Financial Year.

Achievement of these successes has only been realised by the continued excellence of our extremely dedicated workforce and so I was delighted to see an improvement in our overall engagement index, which has increased by 6% this year. I am also encouraged to see improvement across all of our nine key themes, which clearly reflects the efforts of all colleagues and we will continue to look for opportunities to build on these improvements in engagement across the business. This renewed focus, and increasing engagement will be essential as we look to recover post-COVID.

I continue to take great pleasure in being able to lead such a committed organisation.



Geraint Spearing
Chief Executive
06 July 2020

PURPOSE, AIM, VALUES AND BUSINESS STRATEGY

DECA's Purpose, Aim and Values (PAVs) were developed and agreed with senior managers, employees and trade unions. Agreement of the PAVs ensures that DECA's objectives continue to align with Defence Objectives and MOD's strategic requirements. We are a trusted partner to MOD and industry,

continuing to focus on supporting the UK's armed forces by delivering an assured capability and developing and growing the DECA skills and capabilities necessary to discharge this both now and in the future.



**Defence Electronics &
Components Agency**

OUR PURPOSE

To be a trusted MOD and Industry partner, assuring efficient delivery of electronics and components capability in support of Defence..

OUR AIMS

We aim to be a highly professional team driving efficiency and safely delivering benchmark support services to our customers

OUR VALUES

VALUE OUR PEOPLE BY:

- ▶ holding health, safety and welfare of our employees and anyone affected by our activities as our highest priority
- ▶ creating a culture where all employees are proud to be part of DECA
- ▶ engaging with individuals and Trades Unions to include their views in decision making
- ▶ offering opportunities to help employees realise their full potential and recognise achievement
- ▶ respecting the knowledge and expertise of all employees and encouraging engagement

PROMOTE TEAMWORK AND CO-OPERATION BY:

- ▶ providing inspired leadership, encouraging empowerment and accountability
- ▶ working together with each other to achieve our purpose and aims
- ▶ prioritising work to increase diversity of talent, experience, personal characteristics, perspective and background

CARE FOR OUR CUSTOMERS AND STAKEHOLDERS BY COMMITTING TO:

- ▶ continuously strive to develop DECA sustainably and minimise our impact on the environment
- ▶ understanding our customers' needs through the development of stronger relationships
- ▶ developing new capabilities in line with customer requirements delivering high quality products and reliable services
- ▶ responding with urgency and developing agile and forward thinking solutions
- ▶ working to nationally and internationally recognised standards and accreditations
- ▶ fostering a positive presence in our local community

DELIVER BEST VALUE FOR DEFENCE AND CONTINUOUSLY IMPROVE BY:

- ▶ striving for excellence in every aspect of our business
- ▶ further developing our responsiveness, flexibility and resilience
- ▶ being open to change and prepared to manage risk
- ▶ developing sovereign capabilities to support international collaboration, job sustainment, skills retention and meet changing Defence requirements
- ▶ delivering enterprise savings and generating positive regional and national economic impacts



www.gov.uk/deca

BUSINESS STRATEGY

BUSINESS STRATEGY

DECA has continued to develop its business strategy in alignment with HMG and the UK MOD Defence Support and Industrial Policy. The Agency remains focussed on its core maintenance, repair and overhaul capabilities, but is increasingly supporting identification of ways to expand support service offerings across Defence. This has ensured that the business remains aligned with wider Defence planning and priorities, whilst enabling transformation of the business so that the Agency can continue to develop in line with MOD's strategic direction for DECA to become:

- the UK MOD's electrical, electronic avionic and general equipment maintenance, repair, overhaul and upgrade delivery hub;
- the repair and support provider of choice for UK MOD across cyber, maritime, land and air domains;
- an assured, effective and efficient regional, national and global centre of excellence working in collaboration with strategic partners, UK devolved administrations as well as European, US and other allies;
- an internationally recognised provider of world class deployable services and managed service solutions.

DECA's business strategy is delivered through four enduring strategic objectives that have been revised and agreed with MOD and the DECA Board to ensure continued business focus on delivery and growth across Defence.

CONTROL OF THE BUSINESS

DECA's governance structure has been agreed with the Owner, HM Treasury and Cabinet Office and follows established best practice. This ensures that DECA maintains effective governance and financial control, efficient delivery of the endorsed financial plan and regularly reviews health, safety, quality, risk, materials, airworthiness, environmental and physical and information security management systems to drive continuous improvement.

This governance structure is outlined in the DECA Framework Document, which was uplifted with MOD Centre during 2019 and, following conclusion of DECA's Tailored Review, is planned for re-issue during 2020.

Robust financial processes are in place and are regularly reviewed to ensure compliance with MOD Resource Accounting and Budgeting policy.

CUSTOMER DELIVERY

DECA continues to provide MOD with assured, timely, cost effective, onshore and deployable through-life maintenance, repair, overhaul and upgrade (MRO&U) support services for in-service equipment and future platforms across Defence from its Sealand and Stafford sites and regional locations around the UK including:

- MRO&U 'hub' and Centre of Excellence development;
- bespoke test and filter bench capabilities;
- 'repair by repair' and obsolescence avoidance solutions;
- regional and mobile medical, dental and cryptographic services;
- Tri-service calibration Centre of Excellence;
- automated test equipment solutions and software development;
- general engineering services and ground support equipment;
- procurement and managed services;
- specialist development, support and manufacture capability;
- enhanced deployable capabilities in both peace time and transition to war.

The reaffirmed status of DECA by Defence Equipment and Support (DE&S) as a UK MOD strategic asset following the success of the UK's bid for the 'global' F-35 MRO&U and national F-35 Non-Aerial Vehicle assignments, has provided the long-term foundation (30+ years) on which the MOD customer is looking to expand its ambitions for utilising DECA capability in the future.

Key to realising these ambitions will be continued development and strengthening of the strategic relationships with all customers. DECA will work with the DE&S Customer to maintain the current relationship and alignment with DE&S corporate planning and will look to expand this to other Defence environments as appropriate.

DECA continues to maintain the capability to develop agile, deployable teams with the ability to enter areas of conflict or in need of humanitarian support in the UK and overseas and will look to grow this where appropriate and directed by MOD.



SUSTAINMENT AND BUSINESS GROWTH

DECA continues to work with MOD and industry to create sovereign capacity and capability within the UK and export supply chains and develop our role in providing subject matter expertise through managed services, repair technologies and obsolescence mitigation.

In addition, DECA has developed and continues to deepen strategic relationships, government-to-government arrangements, 'partnerships' and 'hub' concepts both regionally and nationally in support of the Government Skills Agenda, Union Strategy and Prosperity Agenda.

To support generation of DECA enterprise value across Defence, the Agency will further develop its role in assuring provision of subject matter expertise, through-life advisory services, 'repair by repair' technologies as well as obsolescence management and mitigation solutions on new and life-extended equipment.

TRANSFORMATION AND EFFICIENCY

Following UK Government's announcement and identification of DECA as a key enabler to the UK's Industrial Strategy in 2017, DECA has continued to develop coherent strategies to collaboratively work with MOD, industry and other arm's length bodies as it looks to expand its capabilities appropriately across MOD, other government departments and in partnership with devolved governments.

We are clear that this will require continuing transformation that brings with it challenges and opportunities in terms of capability development, cultural environment, and the size, structure and scalability of the business. To achieve this DECA have agreed a major transformation programme with the DECA Board that incorporates four key work streams: People, Technology, Infrastructure and Process.

Through development, implementation and sustainment of our People, Technology, Infrastructure and Process Transformation plans, DECA is continuously improving its delivery, performance and competitiveness. This will

maintain our commitment to deliver the stretching levels of business efficiency improvement agreed in DECA's FY19/20 Corporate Strategic Plan by FY23/24.

We will continue to work with our defence partners to maximise DECA value to both MOD and wider UK prosperity, helping to overcome budgetary, manpower and skills pressures within delivery teams, Front-Line Commands and Main Operating Bases.

Astute class submarine HMS Ambush is pictured during sea trials near Scotland

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BOARD OF DIRECTORS



ALEC DON

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Alec has over 20 years senior leadership experience within the ports industry, including his current appointment as Chief Operating Officer for the ports division of Abu Dhabi Ports. In his career he has also served as Chief Executive and Board Member of Milford Haven Port Authority, Director of the Port of Liverpool and as founding Chief Executive of the Maputo Port Development Company in Mozambique.

He has held roles as Chairman and Vice Chairman of the British Ports Association and the Welsh Ports Group, Vice Chairman of Port Skills and Safety Limited, and as a non-executive Director of marine technology developer Marimatech A/s.

Alec is an engineering science graduate of Oxford University and spent the first part of his career at Robert Fleming & Co, one of London's successful breed of traditional and long established Merchant Banks, where he was a corporate finance adviser working on flotations, mergers, acquisitions and takeovers.

LUKE DEARDEN

DEPARTMENTAL NON-EXECUTIVE DIRECTOR

Luke is a Senior Civil Servant with 20 years' of experience across five government departments. He is currently Political Counsellor in the UK Delegation to NATO, Brussels. Prior to that, he was responsible for arms and export control policy in the MOD.

Luke joined the MOD as a graduate in 2001, undertaking a wide range of posts, including communications, policy, operations, and private office roles.

Luke has also worked closely with the Royal Air Force on finance and equipment capability, and in the Cabinet Office, including as part of the Strategic Defence and Security Review team in 2010.

PETER SHORTT
NON-EXECUTIVE DIRECTOR

Peter is an experienced venture capitalist and corporate financier and has spent much of the last ten years working with Government on a range of corporate finance, governance, commercial and strategy issues. He currently chairs Defence Business Services, the MoD's back office and support function. Peter is a founding director of Sustainable Accelerator, an early stage clean tech venture capital fund where he also chairs the Investment Committee.

In 2007 Peter joined the Shareholder Executive (now UK Government Investments), the part of UK Government responsible for managing its interest in a number of commercial operations from the British Business Bank to the Ordnance Survey.

In 2012 he moved to the Ministry of Defence as Head of Business Governance and Strategy to lead on the sale of three defence assets: Marchwood Military Port, the Government Pipeline and Storage System (GPSS) and the Defence Support Group (DSG) which was his primary focus during his last year with the Department. Peter retired from the MoD in 2015.

DAVID JONES OBE DL
NON-EXECUTIVE DIRECTOR

David, a Chartered Electrical and Electronics Engineer, has over 20 years' senior leadership experience in further and higher education. His most recent executive role has been as Chief Executive of Coleg Cambria, one of the UK's largest colleges, formed in 2013 under his leadership, through the merger of four colleges.

As Chairman of the Deeside Enterprise Zone he led the development of the Advanced Manufacturing Research Centre (AMRC) Cymru in Flintshire. Other current Non-Executive roles include Chair of Qualifications Wales, Chair of the Advanced Manufacturing and Research Institute Local Advisory Board and membership of the Welsh Government's European Advisory Group. David is also a member of the NSPCC's Wales Appeals Board.

David spent the first part of his career in the electronics sector, initially with Plessey Marine, and has subsequently completed an MBA at Warwick Business School. He was appointed Deputy Lieutenant of Clwyd in March 2010, and awarded an OBE in the 2015 New Year's Honours List. He won the Tes UK Further Education Leader of the Year Award in February 2017, in recognition of his contribution to Further Education across the UK.

GERAINT SPEARING
CHIEF EXECUTIVE

Geraint Spearing became the Chief Executive of DECA upon launch of the Agency in April 2015. He took up the position as the CE (designate) in June 2014 where he led the formation of the Agency, during the sale of the Defence Support Group.

Prior to this Geraint was Chief Operating Officer of the Defence Support Group, heading up all UK operations and Corporate Support areas, also holding Executive responsibility for the Operational deployment of DSG in support of Op HERRICK in Camp Bastion, Afghanistan.

An experienced Chartered Director and Aerospace Engineer, Geraint is a Fellow of both the Royal Aeronautical Society and Institute of Directors. Geraint has a proven capability of running businesses and corporate support services through strong leadership and change management skills developed through repeated achievement of business objectives over his 30-year career in defence related businesses.

Geraint also represents the MOD on the Board of the Joint Venture set up to deliver F-35 MRO&U services on behalf of the UK.

LIN LONGMAN
FINANCE DIRECTOR

Lin Longman's accountancy career began overseas, initially working within the travel industry in Europe and then for the Australian government in Sydney.

Lin qualified as a member of the Chartered Institute of Management Accountants in 1999 and has over 20 years' experience working at a senior financial level in both commercial industry and the Ministry of Defence.

Prior to joining DECA's predecessors, the Defence Aviation Repair Agency (DARA) in 2004 and latterly as Financial Controller of the Electronics and Components Business Unit within the Defence Support Group, Lin was Head of Finance for Hoover Europe's UK Refrigeration and Service Division.

JASON LEEKS
HEAD OF STRATEGY, GOVERNANCE AND SECRETARIAT

Jason is an earth sciences graduate and member of the Chartered Institute for Procurement and Supply with over 20 years' experience working within the Ministry of Defence. During his MOD career, Jason has successfully undertaken a number of strategy, procurement, governance, asset disposal and policy roles across Defence Equipment and Support (DE&S), MOD centre and Air/Army Commands before joining DECA's predecessor, the Defence Support Group (DSG), in 2008.

Working as part of the team charged with the DSG sale, Jason played a vital role in developing and gaining approval for the strategy that saw DECA retained within MOD before leading the work to establish best practice corporate governance processes for the Agency.

Having firmly secured DECA's strategic position within MOD, Jason is currently leading the development of strategic programmes of work to ensure long-term DECA sovereign capabilities in support of UK Defence and Prosperity including the establishment of a DECA/Dstl innovation hub and development of the proposed Advanced Technology and Research Centre with Welsh Government at MOD Sealand.

WAYNE BAKER
OPERATIONS DIRECTOR

Wayne Baker began his career as an instrument technician apprentice in 1995, progressing to assume major roles within the Defence Aviation Repair Agency including Commercial, Operational Excellence and Project Management.

Wayne took on the role of Operations Manager at the DSG Electronics and Components Business Unit in 2011 before assuming the role of DSG Ashchurch Head of Business.

Throughout his role, Wayne doubled the size of this part of the business through capability growth and the development of the centre of excellence for BOWMAN Fleet Management activities and management of the Herrick Exchange Point during the UK's withdrawal from Afghanistan.

Wayne's commercial experience working closely with industry and government extends to transformation of supply chains, availability contracting, solution development and obsolescence management meeting key performance indicators.

As Operations Director, Wayne undertakes operational management of all DECA delivery functions including deployed teams, field service teams, inventory governance and the DECA Stafford operation. He is also responsible for the DECA Transformation Programme.

Wayne has a Masters' in Engineering Business Management from Warwick University Business School.

IAN DOUGHTY
SUPPORT SERVICES DIRECTOR

Ian Doughty is Support Services Director at DECA, holding a first class Manufacturing Engineering Degree and a Master's Degree in Engineering Business Management. Following a mechanical apprenticeship with Worthington Simpson Ltd, Ian developed his career within operations management at British Steel, David Brown and Vauxhall Motors.

Ian joined DARA in 2004 as Production Manager, and progressed through to Operations Manager before assuming

the role of DSG Head of Business Electronic Components Business Unit and Stafford in 2010.

In 2019, Ian successfully graduated from the prestigious Civil Service Future Leaders' Scheme and has been deploying his enhanced leadership skills in providing strategic and functional direction to ensure that the Agency's corporate support commitments (including Health, Safety, Environmental Protection, Fire, Quality, Airworthiness, People & Human Resources, Information Technology, Security, Estates, Infrastructure, 'Hard' and 'Soft' Facilities, Engineering and Test Solutions) are met in the long term.

KEITH PAVETT

COMMERCIAL AND CONTRACTS DIRECTOR

Keith Pavett began his MOD career joining the MOD Procurement Executive in 1982. Keith was appointed Commercial Manager for Fixed Wing Aircraft for DARA in 2000 and assumed the role of Head of Commercial for DSG. He held this position until 2015 when he joined DECA in his current role as Commercial and Contracts Director.

Keith has a Master's Degree in Business and Administration. In his role as Commercial and Contracts Director, he is accountable for all commercial, contracts and procurement activities for DECA, is responsible for establishing and building enduring relationships with DECA customers and suppliers and holds Commercial delegations from MOD on behalf of DECA.

IAN COLE, OBE

BUSINESS DEVELOPMENT DIRECTOR

Ian Cole began his MOD career at RAF St Athan in engineering development in 1989 following 12 years as a Mechanical Engineer in the Coal Mining Industry.

Ian was appointed Head of Business Development for the Fixed Wing Aircraft Unit at DARA before assuming the role of Head of Business Development at the Electronic and Components Business Unit, successfully establishing Base Protection intelligence, surveillance, target acquisition, and reconnaissance and counter improvised explosive device support to deployed operations.

Ian was responsible for managing the highly successful Equipment Support Sustainability UK Support Team for deployed operations. At DECA Ian has been instrumental in attracting new work into the Agency, and also broadening its portfolio across all MOD's domains. Ian has been the DECA Executive Management Board lead in DECA's role as part of Team UK, in our successful DoD JPO assignments for both Tier 1 and 2 components for F-35 Air Vehicle and Ground Support Equipment.

Ian has a Master's Degree in Business and Administration, and was appointed as an Officer of the Most Excellent Order of the British Empire (OBE) by Her Majesty the Queen in the 2020 New Year's Honours List for his "Services to Defence".

PERFORMANCE ANALYSIS



An Air Corps soldier taking part in section attacks as part of a 3-week long leadership course

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BUSINESS OVERVIEW

GOING CONCERN

MOD created DECA as an Executive Agency on 1 April 2015. As an Executive Agency DECA is wholly owned by and is an integral part of the MOD. DECA is tasked with covering its costs and making a profit by carrying out MRO&U tasks for MOD and commercial customers through long and short term contracts, but if required can obtain funding from MOD. DECA's assets and liabilities are contained within the overall balance sheet of MOD. The DECA Chief Executive approves a rolling five year Business Plan annually that is endorsed by the DECA Board and forms the basis of the DECA Budget. In addition, a strategic five year Corporate Plan is agreed with the Agency's ministerial owner, (the Minister for Defence Procurement), at least every 3-years with the extant plan approved in November 2017. Both plans reflect the long-term order book endorsed by the MOD customer.

DECA's retention as a strategic asset of the MOD has been demonstrated following the announcement of the assignment for F35 Avionic Component MRO&U in a joint arrangement, Sealand Support Services Ltd (SSSL). MOD holds a third equal shareholding in SSSL which is based at DECA's Sealand facility. DECA will support MOD in overseeing their element of the joint arrangement whilst also being a primary sub-contractor to SSSL in the delivery of the F-35 MRO&U program.

Throughout the Covid 19 crisis DECA has continued to operate, delivering critical support to defence both in the UK and in deploying overseas. DECA's strong financial position has been maintained despite the challenge of the pandemic. It is therefore expected that DECA will continue to operate for the foreseeable future and as such has adopted a going concern basis for the preparation of its Annual Report and Accounts.

PERFORMANCE SUMMARY

DECA exceeded its planned level of profitability by 27% (18/19: 9%) during 2019/20 with a net trading income of £1.4M (18/19: £2.4M). DECA also achieved delivery of at least 96% (18/19: 96%) of its agreed customer performance programmes. Further details of performance are shown in the performance analysis below.

RISK

The major corporate risks during 2019/20 were:

- Failure to develop planned, and secure new, business growth opportunities.
- Failure to maintain current capabilities and develop future capabilities.
- F35 – Delays in activation for the components relating to the Tier 1 and 2 assignments.

	(1) Very Low	(2) Low	(3) Medium	(4) High	(5) Very High
	1	2	3	4	5
Risk 1 - Failure to develop planned, and secure new business growth opportunities					
Tolerance	←————→				
Risk Appetite	★				
Risk Status		↑			
Risk 2 - Failure to maintain current capabilities and develop future capabilities					
Tolerance	←————→				
Risk Appetite	★				
Risk Status		↑			
Risk 3 - Delay in activation of F35 components post Tier 1 and 2 assignments					
Tolerance	←————→				
Risk Appetite	★				
Risk Status		↑			

←————→	Tolerance Range
★	Risk Appetite (1-5) Very low - Very High
↑	Actual current Risk Category Score (1-5) Very Low - Very High

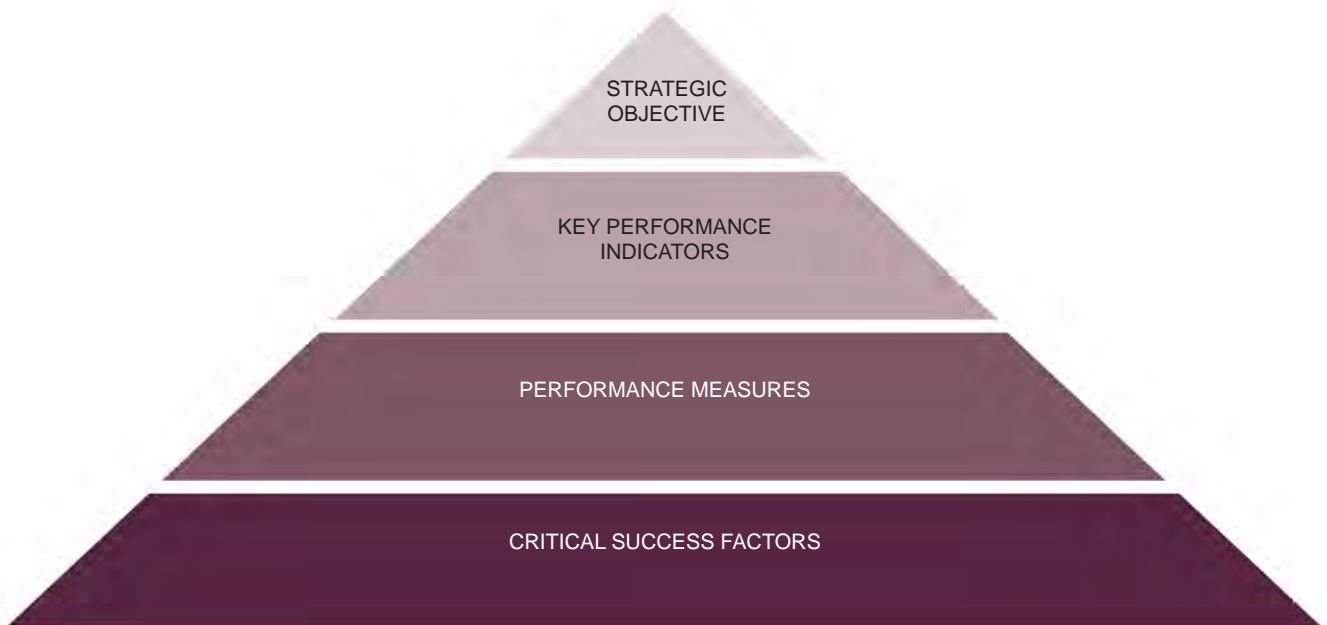
Note: the above risks are a snapshot at 31 March 2020 and do not take into account any future risk mitigation.

PERFORMANCE ANALYSIS

DECA measures its performance against its strategic objectives which are set out and agreed annually with the Sponsor and the DECA Board through the Agency Corporate Plan with input from relevant customer stakeholders to ensure they encompass all aspects of running the business, whilst also meeting the needs of Defence.

The Agency performance framework captures areas of focus creating a number of Critical Success Factors that are aligned with outcomes. All risks and uncertainties are also closely monitored through the risk management process, which introduce levels of management control and mitigations as appropriate.

The DECA performance management hierarchy



The performance management hierarchy above is designed to provide clear indicators and allow measurement of performance in areas critical to DECA from an owner, customer and agency perspective. These are cascaded, with clear accountabilities, throughout all levels of the Agency.

Progress towards achieving these indicators is measured regularly and reviewed at the DECA Executive Management Board. DECA Key Performance Indicators are additionally reviewed by the DECA Board and at MOD Performance and Risk Reviews.

KEY PERFORMANCE INDICATORS FOR 2019/20

In line with DECA's ministerial endorsed purpose and aim, our agreed strategic objectives and in order to maintain Agency efficiency and alignment with MOD planning assumptions and strategic priorities, DECA developed Key Performance Indicators (KPIs) for 2019/20 with the MOD Owner and Customer focal point. The KPIs were approved with the DECA Board and MOD Owner.

<p>KPI 1: Financial Performance</p>	<p>Operating efficiently and effectively by:</p> <ul style="list-style-type: none"> • achieving a less than 2% variation in forecast accuracy; • achieving at least the planned level of profit agreed in Year 1 of the Plan. 	<p>ACHIEVED</p>
<p>KPI 2: Health, Safety, Quality & Environmental Protection</p>	<p>Successfully operating the business to deliver the plan whilst maintaining the quality of products, services and processes by:</p> <ul style="list-style-type: none"> • maintaining independently assured Health, Safety and Environmental Protection Management Systems. • maintaining an independently assured Quality Management System. 	<p>ACHIEVED</p>
<p>KPI 3: Customer Satisfaction</p>	<p>Delivering the agreed DECA Customer Programmes, associated support and services by:</p> <ul style="list-style-type: none"> • achieving delivery of at least 96% of agreed DECA Customer Programmes in FY2019/20. • achieving zero attributable major customer concerns in FY2019/20. • maintaining DECA quality performance against the established baseline for minor customer concerns. • achieving a customer confidence index score of >70. 	<p>ACHIEVED</p>
<p>KPI 4: Business Development</p>	<p>Achieving planned levels of business growth agreed with the Owner by:</p> <ul style="list-style-type: none"> • securing a 4% increase in manhours from the FY2018/19 baseline. 	<p>ACHIEVED</p>
<p>KPI 5: Efficiency</p>	<p>Delivering the levels of transformation, efficiency and cost reduction agreed with the Owner by:</p> <ul style="list-style-type: none"> • achieving Sponsor endorsement of the approved Transformation Programme by end FY2019/20. • delivering the DECA Transformation Programme in line with the agreed plan. • delivering an increase in manpower efficiency across DECA by: • increasing direct labour utilisation by 11% by end FY2023/24. • increasing direct/indirect ratios by 17% by end FY2023/24. • continuing to demonstrate DECA 'value' to Defence by identifying and capturing a further £25M of through life cost avoidance/savings generated by the Agency in support of Defence. 	<p>ACHIEVED</p>

Note 1. The 2% variation in forecast does not reconcile with the trading results table.

PERFORMANCE MEASURES FOR FINANCIAL YEAR 2020/21

The proposed KPIs for FY 2020/21 are:

<p>KPI 1: Financial Performance</p>	<p>Operating efficiently and effectively by:</p> <ul style="list-style-type: none"> • achieving a less than 2% average variation in forecast accuracy; • achieving at least the planned level of profit agreed in Year 1 of the Plan.
<p>KPI 2: Health, Safety, Quality & Environmental Protection</p>	<p>Successfully operating the business to deliver the Plan whilst maintaining the quality of products, services and processes by:</p> <ul style="list-style-type: none"> • maintaining independently assured Health, Safety and Environmental Protection Management Systems; • maintaining an independently assured Quality Management System.
<p>KPI 3: Customer Satisfaction</p>	<p>Delivering the agreed DECA Customer Programmes, associated support and services by:</p> <ul style="list-style-type: none"> • achieving delivery of at least 96% of agreed DECA Customer Programmes in FY2020/21. • achieving zero attributable major customer concerns in FY2020/21. • maintaining DECA quality performance against the established baseline for minor customer concerns. • achieving a customer confidence index score of >70.
<p>KPI 4: Business Development</p>	<p>Delivering planned levels of business growth agreed with the Owner by:</p> <ul style="list-style-type: none"> • securing at least the planned levels of business growth in Year 1 of the plan.
<p>KPI 5: Transformation & Efficiency</p>	<p>Delivering the agreed levels of transformation, efficiency and cost reduction by:</p> <ul style="list-style-type: none"> • delivering the DECA Transformation Programme in line with the agreed plan. • delivering an increase in manpower efficiency across DECA by: <ul style="list-style-type: none"> • increasing direct labour utilisation by 11% by end FY2023/24. • increasing direct/indirect ratios by 17% by end FY2023/24. • continuing to demonstrate DECA 'value' to Defence by identifying and capturing a further £25M of through-life cost avoidance/savings generated by the Agency in support of Defence.

BUSINESS PERFORMANCE REVIEW

OVERVIEW

Despite the negative impacts of COVID-19 at the end of the year, the period of this report has seen DECA fully achieve its Key Performance Indicators and continue to maintain safe, financial and delivery performance against all of its agreed owner and customer priorities. Of particular note is the emerging realisation of the added 'value' the Agency delivers over and above this. This has resulted in a change of MOD focus and direction for DECA to unlock this potential value by maximising utilisation of the skills and experience that our people hold across Defence.

OPERATIONAL HIGHLIGHTS

This year, more than ever, has seen DECA deliver an increasing number of services that further embed DECA as MOD's support provider of choice. These have been delivered through support across Defence from our main operating sites at MOD Sealand, North Wales, MOD Stafford, regional delivery teams around the UK and on deployment in support of MOD operations and Military Aid to Civil Authorities taskings.

During 2019/20, highlights have included:

- Significant Maritime/Submarine cost avoidance - overcoming technical obsolescence, improving component availability and delivering urgent operational requirements to significantly increase equipment availability.
- Advanced Technology and Research Centre (ATRC) concept development – leading role and preferred location for the pioneering development of a joint UK/Welsh Government facility in support of local, regional and national Prosperity.
- Managed Services – 'proof of concept' and roll-out of DECA's managed service offering to new MOD Customers delivering significant cost savings in support of Electronic Counter Measure equipment.
- Regional and Deployed activities – expansion of DECA's Medical and Dental technical support to MOD's Surgeon General's area, maintaining priority tasking to customers during COVID-19 and development of a deployed technical support capability alongside MOD REME to support the Watchkeeper programme.

INVESTMENT IN INFRASTRUCTURE AND NEW CAPABILITIES

DECA has maintained a close focus on the upgrade of our estate and buildings to deliver enhanced efficiency and sustainability, whilst aiming to reduce the Agency's environmental impact. This year, building surveys were used to intelligently refresh our rolling maintenance and infrastructure upgrade plans. Project works delivered in-year supported our legislative compliance and included increasing resilience of the Sealand High Voltage Ring Main through upgrade and renewal of substations.

Smarter working practices within the Head Office facility at Sealand improved utilisation and allowed accommodation of DECA's Managed Services team within the existing footprint. The latest phase of DECA's Information Technology upgrade provided more staff than ever with the ability to work flexibly, increasing business resilience, and agility and employee engagement, whilst creating opportunities to further reduce DECA's environmental impact and reduce costs.

Investment in the DECA Stafford footprint and infrastructure continues to deliver business improvement and efficiencies.

In order to keep pace with emerging technologies and maintain DECA's strategic position in the electronic testing and repair market, DECA and MOD will continue to look to secure investment in new capabilities and test technology in support of MOD's agreed strategic requirements. This has and will continue to help ensure DECA's 'open architecture' approach to provide MOD with assured capability and interoperability of test systems, regardless of OEM supplier. Over the year DECA has expanded its repair capabilities and developed innovative solutions for a wide range of defence technologies including electrical and fibre-optic cables, calibration support and consultancy activities.

In addition to providing its traditional deployed activities for medical and dental and Cryptographic Services, DECA has successfully sought to expand its deployable offering. DECA Stafford technicians have also deployed in the UK and overseas to refurbish Watchman cabins and DECA technicians have deployed to HMNB Clyde in support of the Maritime and Submarine Delivery Agency customers to support component availability.

Over the reporting period, DECA has been developing its capabilities and increasing its activities in the maritime and land environments. For example:

- DECA has been supporting the Continuous At Sea Deterrent by completing tasking for both Marine Systems Support (MSS) Delivery Team and the Submarine Delivery Agency, delivering significant support to satisfy technical obsolescence, improve component availability and on urgent operational requirements for submarines and surface vessels.
- DECA has been successful in securing agreements from our land customers to install modifications on Mastiff Vehicles and to manufacture power pack lifting Beams and transmission lifting frames for Bulldog vehicles.

The end of the reporting period has seen DECA focusing its efforts on delivering and supporting those tasks which are critical to defence and national security interests during the Covid-19 emergency.

COMMERCIAL AND BUSINESS DEVELOPMENT FOCUS

During 2019/20, the commercial team's focus has been to establish long term agreements under the DECA Tasking Agreement (DTA) with MOD Delivery Teams and longer term contracts with industry partners. Notable successes have been a 5 year DTA with Force Protection for Electronic Counter Measure support and a 6 year contract with Boeing for the repair and overhaul of a range of aircraft components.

Throughout this period DECA has continued to deploy its business development sector strategies to meet the ever changing defence market requirements, while re-enforcing DECA's own commitment to support UK operations.

The continued breakthroughs in the land and maritime environments have seen increases in development and production tasks in these areas plus the deployment of DECA personnel in support of UK operations across the domains, working alongside the UK Forces operators and maintainers, and assisting with the full range of availability issues, in all cases demonstrating the versatility of DECA personnel. DECA continues to develop and expand its organic repair capabilities to meet changing customer requirements within DE&S, ISS, and SDA & Dstl.

DECA continues to offer support options for both new and existing platforms and looks to obtain a position at the

forefront of the support solution envelope for platforms such as Hawk T1 & T2, and across Unmanned Air Systems portfolio. In order to achieve this DECA is working both with DE&S and industry platform manufacturers and OEM's to establish a UK on-shore solution that can be sized and scaled to support future multi-national European and wider overseas operations.

DECA also maintains its role in developing and widening its portfolio in establishing support for the resolution of obsolescence issues on older equipments across all the defence domain's, in particular on land and maritime platforms, whilst also exploring and developing opportunities to partner with US and UK based defence companies to provide support to new capabilities on new equipment's.

Examples of this include:

- Manufacture and Installation of vehicle upgrade kits for Land Platforms.
- Development of diagnostic and repair capabilities for tactical communication systems.
- Logistics Tasks for the transition of communication inventory.
- Feasibility and development tasking for Maritime and Underwater Systems.

DECA alongside our colleagues from DE&S, also remain at the forefront of Government to Government Initiatives, working closely with our United States Air Force colleagues in providing joint solutions and support to equipment's on our 'like' platforms, a relationship which we will look to mature on both legacy and future equipment's in the coming years.

The F-35 Joint Program Office announcement of the release of the F-35 Tier 3 Component MRO&U Request for Information (RFI) by JPO, is still expected during FY 20/21, which will provide a further opportunity for the UK, together with our industry partners.

MARKETING AND BRANDING

DECA retains its close working relationship with MOD's Defence Directorate of Communication to ensure accuracy and consistency of any messaging related to the DECA and MOD brands. As DECA increases its visibility within MOD, industry and the wider Defence marketplace, it continues to promote and assist in broadening the knowledge of DECA

customers to our capabilities both internally within MOD, and more widely in the commercial Defence market through attendance at defence events. During this period DECA has attended the Royal International Air Tattoo (RIAT), and Defence Security Equipment International (DSEi). More locally DECA continues to promote itself through marketing events at DE&S, ISS and Front Line Commands in order to support generation of new opportunities for work.

DECA TRANSFORMATION PROGRAMME (DTP)

Our forecasted growth over the life of this plan is underpinned by a number of increasingly complex business opportunities. These prospects necessitate a growth in our capabilities, which led to the launch of our transformation programme in 2019/20, incorporating three key work streams supported by a pillar of work concerning our infrastructure:

- 1. People:** Our People work-stream strategy will further improve DECA culture through engagement of our employees, teams and trades unions ensuring we appropriately value our people. Significant progress in our comprehensive pay & grading review delivered an understanding of the current levels of remuneration at DECA, a commercially based remuneration market comparison and an understanding of the current relative position of DECA in the marketplace paving the way for further work to consider an appropriate performance management system that incorporates succession planning and talent management throughout the business. This will motivate efforts to increase efficiency, whilst increasing Diversity and Inclusion across the business. Once again, investment in our people increased, resulting in improved management & leadership capability throughout the business and ensuing qualified project delivery and change expertise aligned with the Governmental Project Delivery Professional Framework.
- 2. Technology:** Our Technology strategy will enhance capability whilst offering increased efficiency and value for money through new ways of working. Aligning with the Governmental strategies, the Greening Government ICT Strategy and the Smart Working Code of Practice, it sets the direction for future networking and Enterprise Resource Planning strategies. Over the duration of this

plan, we will deliver an improved, sustainable Enterprise Resource Planning tool that supports effective business process activity more efficiently, and information technology infrastructure improvements relating to broadband, data cleansing, and utilisation of Defence as a Platform (DaaP), including access to MODnet.

- 3. Process:** The process work stream is focussed on business process ownership and compliance, business performance measurement, advanced sales and operations planning and a process improvement initiative. Areas of focus for the near future include maturity of our process improvement events and best practice alignment with our customers and wider industry partners, a business performance measurement system that delivers the information needed to improve efficiency and effectiveness, and self-directed process ownership and improvement initiatives.
- 4. Enabler:** Infrastructure: Aligning with the Modernising Defence Programme, Government Estates Strategy and ongoing agreed activities with MOD's Defence Infrastructure Organisation through the Defence Estates Optimisation programme, options will be developed to invest in our infrastructure to ensure best utilisation of the estate as a cornerstone of transformation. Major investments generated through increased DECA efficiencies are included within this plan in utilities and infrastructure, including the development of an improved DECA Learning & Development area.

HEALTH AND SAFETY

With vigilance and continued emphasis on safety in the workplace, DECA achieved zero reportable incidents (RIDDOR) involving employees during the year. In addition, DECA continued to monitor closely the working environment to mitigate any risk and to ensure incidents continue to decrease whilst looking to constantly improve our incident reporting culture.

BRIBERY AND CORRUPTION

There were zero instances related to bribery or corruption in 2019/20 (2018/19: Nil). All staff have been made aware of the fraud and whistleblowing policies. All staff undertake a rolling 3 year programme of mandatory training in respect to counter fraud, bribery and corruption.

OUR ENVIRONMENTAL IMPACT

Environmental management is also a high priority for DECA where the Agency has continued to drive improved performance to support wider government initiatives and targets. DECA launched a tendering exercise following the decommissioning of the district heating system, with a view to installing modern standalone systems for heating and hot water, with the aim of reducing CO² emissions and reducing overall costs. Equally DECA maintained its outstanding performance in waste management by diverting 100% of its waste from landfill of which approximately 70% was recycled and 25% processed into Refuse Derived Fuel. Priority areas for DECA focus in future years will continue to target world class waste management, with initiatives aiming to drive increased energy efficiency, such as the consideration of photo voltaic to buildings in order to further reduce emissions from fossil fuel consumption, as well as initiatives to reduce paper use and potable water consumption.

DECA's policy is to manage the organisation in the most environmentally responsible manner, to comply with the applicable environmental legislation and with any other requirements necessary. The agency's direct environmental impacts include the greenhouse gas emissions associated with business travel and energy use, water use, paper consumption and waste generated in buildings. DECA has challenged sustainability targets in all these areas; the related data is shown in the sustainability report on page 27. It has assessed the environmental impact of its activities and used an environmental management system to provide a framework for setting and reviewing environmental targets to support continuous improvement. DECA recognises the importance of independent assurance and has continued to maintain ISO 14001:2015 certification for the environmental management system.

A Chinook Mk 6 from 18 Squadron, RAF Odiham and Puma HC2 from RAF Benson fly over RAF Halton during a graduation ceremony.

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Royal Air Force Aerobatic Team, The Red Arrows fly performing a mixed formation flypast with the USAF Thunderbirds, F-22 Raptors and F-35's

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SUSTAINABILITY REPORT 19/20

GREENHOUSE GAS (GHG) EMISSIONS DATA

DECA contributed positively to the Greening Government Commitment, which set out the actions UK government departments and their agencies had to take to reduce their impacts on the environment in the period 2016 to 2020. DECA recognises its biggest environmental impact as being on Green House Gas (GHG) emissions through energy consumption and embedded rigorous monitoring of these metrics through FY19/20.

Targets set for the year were broken down into three specific scopes:

1. Direct Greenhouse Gas Emissions (includes gas usage, fuel oil, LPG and fuel from vehicles owned and operated by DECA).
2. Energy Indirect Emissions (usage of electricity supplied to DECA).
3. Other Indirect Emissions (includes business travel by air, rail and hire/private car use).

The DECA GHG emissions performance is summarised in the table below.

	Type	Reporting period	Target	Reporting period
Scope	GHG	2018/19 Kg Co2e	5% reduction total	2019/20 Kg Co2e
1	Gas	412,300	391,685	260,400
2	Electricity	2,429,166	2,307,707	1,705,700
3	Travel	199,889	189,895	135,052

It is pleasing to report a significant reduction in the total CO2e burden from both Gas and Electrical consumption (Scope 1 and 2). Indirect emissions (Scope 3) which essentially covers business travel fell to meet the target for the year. Overall, increased travel to the USA in connection with F-35 means that essential international air travel makes for a significant proportion of the total CO2e total travel burden. New work streams in support of Land and Naval platforms across the UK resulted in increased travel demands. However, the impact was offset to a degree by increasing use of video conferencing and teleconferencing wherever practicable.

DECA staff are deployed throughout the UK for a variety of essential support roles to the UK MOD and DECA relies on vehicle rental, as a more flexible, efficient and effective alternative to fleet management, whilst ensuring that the smallest suitable vehicle type was used for each journey and car sharing was also facilitated wherever possible.

In tandem with this, DECA has a wide range of environmental improvement initiatives. There was progress towards a heating scheme at the Sealand Site which aims to significantly reduce gas consumption. Energy efficiency

awareness campaigns and repairs to building chillers contributed to reduced electricity consumption. DECA remains committed to pursuing demonstrable efficiencies against a background of an expanding, high energy dependent business with a global supply network.

DECA MANAGEMENT OF WASTE

DECA policy on waste management remains to constantly strive for waste reduction across all areas of the business. However, it can be seen that the Total Collection Weight of waste has risen significantly following the prioritisation of repurposing of buildings and the concomitant removal of legacy infrastructure to facilitate building handover or reuse. The continued drive to ensure a greater proportion of our waste is recycled saw this figure rise to 72% from 31% in FY18/19. All waste was diverted from landfill throughout FY19/20 meaning that only 28% (18/19: 50%) formed refuse derived fuel. The production of heat from incinerated waste has also provided an energy return recovered via the incinerator plant.

The table below shows the total waste produced and the increase in the ratio of recycling year on year.

	FY18/19	FY19/20
Total Collection Weight (kg)	35,347	61,320
Refuse Derived Fuel (RDF) (kg)	18,473	17,452
Recycled (kg)	10,898	43,868
Recycled & RDF Total Collection Weight (%)	31	72
Diverted from Landfill (%)	99	100

It should be noted that DECA continues to fully utilise the MOD disposal agency (DESA) to ensure that obsolescent, redundant, life expired, beyond economic repair and scrap equipment is returned to MOD for re-purposing wherever possible or disposal through an environmentally responsible route, which also enables MOD to recoup any residual monetary value. As a result of this activity, DECA's waste report does not include these items.

FINITE RESOURCE CONSUMPTION

DECA remains committed to reducing its consumption of finite resources so as to maintain its long term sustainability and minimising environmental impacts. Specific targets have been set for 2019/20 in alignment with the GGC, a consequence of which was intended to drive a reduction in paper consumption. Greater emphasis has been placed on 'electronic' files and processes that negate with the need for printed documents or records. Electronic circulation of meeting packs and double sided printing are standard practice, while any paper that is consumed is 100% recycled.

Paper Reams	2015/16	2016/17	2017/18	2018/19	2019/20
A4	1,780	2,575	1,736	1,646	1,572
A3	0	30	15	17	11
Total	1,780	2,605	1,751	1,663	1,583

DECA now has a baseline of paper consumption in different areas of the business which provides detail for understanding specific areas and drivers. This provides areas for future initiatives to maintain the reduction of paper consumption. These initiatives include the adoption of electronic files, which have already been incorporated in a number of areas of the business and have proved beneficial in a number of ways.

While DECA does not require water as a main resource for any of its production processes there is still a desire for reduction in potable water consumption through improved monitoring of water supplies. A working group has also been set up to implement the removal of single use plastics within DECA through identifying sustainable replacements or improving current processes.

SUSTAINABLE PROCUREMENT AT DECA

DECA promotes the procurement of sustainable and efficient products whilst, reducing the impact of the supply chain on the environment. There are processes to identify and maintain a list of approved suppliers who can be regularly reviewed. Our procurement strategy encourages the use of MoD framework agreements that provide financial benefits as well as acceptance of an organisations environmental credentials. These operate over a range of areas from avionic piece part spares to the use of Crown Commercial Service framework contracts for employment of the Main Facilities Contractor. This also ensures alignment with MOD sustainability policy for all common goods and services.

The Department promotes sustainability in procurement by:

- working closely with its suppliers, buying products and services with local businesses which are less environmentally damaging through closer location to DECA than national companies.
- SHEF advisors regularly monitor newly enacted or amended law to ensure DECA compliance with environmental legislation and regulatory requirements.
- including relevant environmental conditions or criteria in specifications and tender documents, and evaluating supplier offers accordingly.
- raising awareness of environmental issues within the Department, and amongst suppliers and contractors.
- our facilities management provider has introduced more efficient machinery as well as vending machines that reduce paper cup consumption. They are also certified to the latest ISO 14001 standard.

OUR PEOPLE

Recognising our position as an Executive Agency of the Ministry of Defence, DECA's innovative Human Resources and People Strategy continues to blend the best of the Civil Service values with best of commercial efficiency and outcome

focused delivery. Our strategy creates the environment and framework in which people can deliver high performance, develop and use their skills, knowledge and experience, and work creatively and collaboratively. It is an environment in which they can be recognised for their achievements and be proud to be part of DECA. We believe our people are at the heart of the Agency's success, and our leaders set the direction and tone for all by living the DECA values.

We are committed to ensuring that the right mix of capable and motivated people, are available, now and in the future. Our business wide transformation programme is driving change through a number of people focused initiatives to increase personal effectiveness and efficiency and ensuring appropriate reward and recognition programmes underpin retention and recruitment of key capabilities. These initiatives are targeted to ensure that DECA is a nimble business, proactive in identifying and satisfying the ever changing needs of our customers.

As at 31 March 20, 350 (18/19: 344) employees operate from DECA's Centre of Excellence for MRO&U based at Sealand, North Wales (within the Deeside Enterprise Zone) and a further 85 (18/19: 85) employees operate from our satellite site in Stafford, our customer base at Abbey Wood and various other deployed locations according to customer needs. Through our transformation programme, we are looking at smarter working initiatives and the use of technology to augment people's work/life balance experience, improve efficiency and support DECA's environmental focus.

We communicate honestly, openly and authentically with all our people through a range of channels, we actively encourage our people to provide feedback and we listen to their views. Once again we participated in the 2019 Civil Service People Survey (CSPS) which provides valuable insight into employee opinions. DECA was proud to achieve an improvement in our overall engagement index, which has increased from 47% last year to 53% this year. Also encouraging was improvement across all of our nine key themes, which clearly reflects the efforts of all colleagues as we look to improve engagement across the business. However, the employee engagement index remains stubbornly low and we are committed to driving

further improvement. Acting on the results of the survey, an action plan was developed with key focus being given to management, leadership and managing change, learning and development and facilities and IT. Our leaders continue to actively work to increase their visibility and accessibility to all.

We take a holistic approach to employee engagement at DECA, recognising that the whole is greater than the sum of the parts. This year we have focused on informing employees about the value of the DECA business and our initiatives to enhance efficiency. We have also continued to strengthen DECA's people management and leadership skills through defined programmes to enhance performance management, talent management and succession planning for leadership, senior and critical roles.

Fundamental to DECA's people/HR strategy is how we recognise and reward our employees, celebrating success and valuing individual and collective contribution and output.

Our pay and grading review has made significant strides forward this year, delivering updated DECA job descriptions, evaluating each generic job using a proprietary market leading methodology, benchmarking the DECA jobs to the market and an examination of the output data. The information gleaned enables DECA to consider further options for change as necessary.

Our pay remit for 2019/20, which fully complied with HM Treasury Civil Service pay guidance, was approved by Minister for Defence Procurement and was successfully negotiated and implemented, whilst further strengthening positive industrial relations.

WELL-BEING

We recognise that healthy and well-motivated employees have a positive impact on the productivity and effectiveness of DECA and understand that health and wellbeing is about being emotionally and physically healthy; feeling able to cope with everyday stresses in the work place and contributing to a feeling of fulfilment. We understand the importance of wellbeing in our workforce and seek to create environments where individuals can feel informed, empowered, healthier and happier.

A support network is available to help employees with alcohol and substance misuse, nutrition, physical activity, smoking and understanding and managing stress.

A confidential well-being helpline, manned by fully trained well-being consultants, is available, which supports employees experiencing emotional problems as a result of domestic or work related issues.

Additionally, a speak-safe helpline is also available to give employees a safe space to discuss issues related to bullying, harassment and discrimination in the workplace with experienced practitioners who will offer confidential and impartial advice. DECA plans to partner with Main MOD to train a number of speak-safe volunteers this year.

Within DECA, we are proud to have 17 (2018/19: Nil) employees who are certified mental health first aiders and who form the DECA Connections Team. This represents 4% (18/19: Nil) of the workforce. Championed by the Chief Executive and sponsored by the Finance Director and Head of Strategy, Governance & Secretariat, the team are trained to spot early signs of mental health issues, to provide an empathetic ear at a time of need and to help signpost colleagues to other support services that are available. Members of the team provide an informal, non-judgmental and confidential listening service which may help during a mental health crisis or help to prevent worsening of an existing mental health issue.

LEARNING & DEVELOPMENT

DECA's workforce continues to develop in order to meet the challenges of a competitive electronics and components sector.

DECA's internal development programme, open to all employees, has two overarching goals; for individuals to maximise their potential and for DECA to gain maximum benefit from developing its employees. The programme seeks to enhance an individual's performance in their current role and to encourage and foster innovation and creativity. It supports individuals, teams and the organisation in engaging positively and productively with ongoing transformation of the business.

Developing DECA's management capability through the 'DECA Management Development Programme' continues to be a success and is now in its third delivery year. This modular programme, in association with the Institute of Leadership and Management (ILM), develops managers in areas of engagement, managing diverse teams, managing projects and risks, leading change and effective communications. A DECA cohort of 16 employees have now completed the programme and gained Level 4 qualification and a further nine employees are due to commence the programme.

DECA also continues to encourage employee participation in new development opportunities such as MOD apprenticeships and Positive Action Pathway and remains an active participant in the Civil Service Senior Leaders Scheme (SLS), the Future Leaders Scheme (FLS), the MOD's High Potential Development Programme and Means of Identifying Internal Talent (MIDIT) scheme. It has also expanded innovative internal secondment career opportunities.

The DECA Apprenticeship Scheme has seen a further recruitment of 8 technical apprentices at Sealand this year, the largest intake since the formation of DECA. This adds to the 9 successful apprenticeships already taking place at Sealand and the 7 taking place at Stafford. Apprentices now represent more than 5.5% of the workforce. Apprenticeships are delivering new capability and skills, whilst we were particularly proud that three of our first year Apprentices scooped the 'Team Gold' award in the National Welsh Skills competitions, whilst one of our second year apprentices claimed an individual Bronze Award.

In 2019, DECA successfully participated in national Learning at Work and delivered business focused taster sessions (at both Sealand and Stafford), to pique the appetite for learning across a wide audience.

Recruitment of a dedicated Learning and Development Manager is underway and work is ongoing on the proposed development of a dedicated Learning and Development (L&D) Hub, which will support the running of all L&D activities in DECA, including apprentice programmes.

FINANCIAL PERFORMANCE REVIEW

TRADING RESULTS

DECA successfully completed its fifth year as an Executive Agency with a net operating income of £1.412M which was a significant increase on plan.

Although there was an increase in variable costs in year and therefore net costs, this also generated an increase in income.

	2019/20		2018/19	
	Plan £M	Actual £M	Plan £M	Actual £M
Turnover	25.578	28.331	24.187	26.770
Non Turnover Receipts	0.549	0.348	0.270	0.280
Total Operating Income	26.127	28.679	24.457	27.050
Variable Costs	1.078	2.958	0.545	2.613
Production Overheads	23.938	24.309	21.747	22.081
Total Operating Expenditure	25.016	27.267	22.292	24.694
Profit	1.111	1.412	2.165	2.356

Note the figures above are contained within Statement of Comprehensive Income (Page 56) and Statement of Cash Flows (Page 58)

As part of the Corporate Bonus Scheme any surplus profit above plan can be distributed to all employees below SCS level. 42% of surplus profit, £0.220M was awarded in 2019/20 (2018/19: 53%, £0.213M).

At the 31 March 2020 the land and buildings occupied by DECA and all capital equipment were revalued following the application of Modified Historical Cost Accounting (MHCA) Indices provided by the MOD.

CASH FLOW AND FUNDING

Cash flow remained strong, despite there being a level of accrued revenue. The cash balance increased due to much of the trade receivables being received before year end.

ADMINISTRATION AND ACCOUNTING

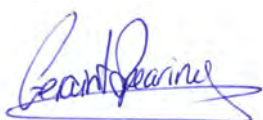
DECA, in its fifth year of trading, continued to successfully operate its own accounting and administration systems.

CAPITAL INVESTMENT

The capital investments for the year were barcode reading equipment (£0.032M), test equipment to aid production (£0.140M), laptops (£0.043M), additional High Voltage works (£0.083M), Building 13 fire alarm (£0.049M).

APPROVAL

The performance report is approved.



Geraint Spearing
Accounting Officer
06 July 2020

ACCOUNTABILITY REPORT



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Directors who served during the year were:

- Geraint Spearing Chief Executive
- Belinda Longman Finance Director
- Jason Leeks Head of Strategy, Governance and Secretariat
- Wayne Baker Operations Director
- Ian Doughty Support Services Director
- Ian Cole, OBE Business Development Director
- Keith Pavett Commercial & Contracts Director

Non-Executive Directors who served:

- Alex Jablonowski Chairman (Non-executive Director) until 31st July 2019
- Alec Don Chairman (Non-executive Director) from 1st August 2019
- Peter Shortt Non-executive Director
- Tim Walton Non-executive Director until 30th June 2019
- David Jones Non-executive Director from 28th October 2019
- Luke Dearden MOD Non-executive Director

An Air Separation Unit loaded and ready to
deploy to the Falkland Islands

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DIRECTORS REPORT

There have been six non-executive directors who are detailed below. In addition there were three executive directors on the DECA Agency Board, Geraint Spearing (Chief Executive), Lin Longman (Finance Director) and Jason Leeks (Head of Strategy, Governance and Secretariat).

Board members provide a valuable contribution to the ongoing work of DECA. The Non-executive Board members for 2019/20 are listed below.

Non-Executive Director	Date of original appointment	Date current or most recent appointment ends	Current Term (Years)	Audit & Risk Assurance Committee	Remuneration Committee
Alex Jablonowski	1st April 2015	31st July 2019			
Alec Don	1st August 2019	31st July 2022	3		
Peter Shortt	1st July 2015	30th June 2021	2	Chair	
Tim Walton	1st July 2015	30th June 2019			Chair
David Jones	28th October 2019	27th October 2022	3		Chair
Luke Dearden	31st July 2017	30th July 2020	3	✓	✓

Note: Alec Don replaced Alex Jablonowski as Chair during the year. David Jones replaced Tim Walton as NED and RENCO Chair during the year.

DOMICILE

DECA is an Executive Agency of the UK Ministry of Defence, domiciled in the United Kingdom. Its principal place of business is at Welsh Road, Deeside, Flintshire, CH5 2LS, United Kingdom.

COMPOSITION OF MANAGEMENT BOARD

The composition of the management board can be found on page 33.

PENSION LIABILITIES

Details of the pension liabilities and their treatment is contained within the Remuneration and staff report on page 44 and in the notes to the accounts.

COMPANY DIRECTORSHIPS AND OTHER SIGNIFICANT INTERESTS HELD BY BOARD MEMBERS

Geraint Spearing held a non-executive directorship of MOD's joint arrangement SSSL. No other directors of the DECA Board held any company directorships or other significant interests out with their DECA positions which would provide conflict with their DECA positions.

REMUNERATION PAID TO THE AUDITORS FOR NON-AUDIT WORK

DECA made no remuneration to the auditors for non-audit work in the financial year 2019/20 (2018/19: Nil).

SICKNESS ABSENCE

DECA's sickness absence data is shown in the Staff Report, which can be found on page 48.

REPORTING OF PERSONAL DATA RELATED INCIDENTS

One personal data related incident was reported for the financial year 2019/20 but was subsequently dismissed (2018/19: Nil).

UK' operational F-35 jets mark First landing on HMS Queen Elizabeth

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STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Section 7 (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed DECA to prepare, for each financial year, a statement of accounts 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 state of affairs of DECA and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM 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 as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;

- prepare the financial statements on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Chief Executive as Accounting Officer of DECA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding DECA's assets, are set out in Managing Public Money published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that DECA's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.





An RAF Typhoon aircraft being made ready for take off at Nellis Air Force Base in Nevada during Exercise Red Flag

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

I was appointed as Accounting Officer for the Agency on its formation on 1 April 15 with responsibility for the preparation of these fifth DECA Agency Accounts for 2019/20. As Accounting Officer, I must be able to assure Parliament and the public of high standards of probity in the management of public funds. The Annual Report and Accounts for 2019/20 as presented here have been produced under the guidance and oversight of the members of the Audit and Risk Assurance Committee. In order to sign this statement, I can confirm that I have sought advice and assurance from various sources including:

- the Directors and senior management and their direct reports
- Internal and External Audit
- Management Board sub-committees

GOVERNANCE FRAMEWORK

From the reviews I have undertaken, I believe the Governance Structure and systems of Internal Control within DECA, to the extent that it is deemed relevant and practical, have followed the requirements of the good practice guidance laid down in HMT Corporate Governance in Central Government Departments: Code of Good Practice 2017. The Governance Policy and processes were defined and agreed through the DECA Framework Document prior to Agency launch and were subject to review and Defence Internal Audit throughout 2017/18 where arrangements received substantive assurance. Further work throughout 2019/20 has ensured that DECA Corporate Governance remains in line with best practice. The governance structure in place during 2019/20 was as follows:

- DECA Performance and Risk Review (P&RR), the P&RR was chaired by MOD's Director of Sponsorship and Organisational Policy (DSOP) who was the Departmental Sponsor with delegated responsibility for oversight of DECA on behalf of MOD's Permanent Under Secretary and the Minister for Defence Procurement. The permanent membership of the P&RR comprised DSOP, DECA's Departmental NED, DECA Chairman and the Chief Executive of DECA. The P&RR supports and advises the Sponsor on the review and setting of DECA's strategic objectives, Key Performance Indicators,

the approval of the Corporate Plan and major business decisions as well as supporting and challenging business delivery and risk management to assure DECA's strategic direction and performance. The P&RR met two times during the year.

- DECA Board ("the Board"), the Board was chaired by our independent Non-Executive (NED) Chairman and comprises three additional NEDs, one of whom is the departmental NED as representative of MOD. In addition, DECA's Chief Executive, Finance Director and Head of Strategy, Governance and Secretariat are all full members of the Board. The main responsibilities of the Board are to provide expert advice, challenge and guidance to the Executive Management Board including reviewing the performance of DECA against the Corporate Strategic Plan, DECA's risk appetite and controls for risk management as well as developing and endorsing the Corporate Strategic Plan and Annual Report and Accounts. The Board met six times during the year.
- Audit and Risk Assurance Committee (ARAC), the ARAC is a sub-committee of the DECA Board which was chaired by an independent NED, with the departmental NED also a member. It is attended by invited members of DECA management, the NAO and Defence Internal Audit (DIA). The main responsibilities of the ARAC were to support the Board and Chief Executive, as Accounting Officer, in monitoring DECA's corporate governance, risk and control systems. The ARAC met four times during the year. The Chair of the ARAC reports to the DECA Board on its proceedings. The Internal Audit service is undertaken by DIA, the in-house audit function for the MOD. Operating to standards defined in the Public Sector Internal Audit Standards it has carried out on my behalf independent checks on the adequacy and effectiveness of DECA controls.
- Remuneration & Nomination Committee (RENCO), the RENCO is a sub-committee of the DECA Board which was chaired by an independent NED, with the departmental NED also a member. It is attended by the DECA Support Services Director and the DECA Head of HR (who also acts as Secretary) and, since January 2020, the DECA Chair. The RENCO Chair may

also invite the DECA Chief Executive, any other DECA Executive Director, and/or any other Subject Matter Expert (SME) from within DECA, as appropriate. The main responsibilities of the RENCO were to advise the Owner, Chief Executive and Board on matters relating to DECA's pay and reward strategy. The RENCO met four times during the year, which included one extraordinary meeting.

- DECA Executive Management Board (XMB), the XMB is chaired by the DECA Chief Executive and attended by all members of the Executive Management team (DECA's Operations Director, Support Services Director, Commercial and Contracts Director, Business Development Director, Finance Director and Head of Strategy, Governance and Secretariat). The purpose of the XMB is to support and advise the Chief Executive on the day-to-day management of the Agency to ensure delivery of the approved Corporate Strategic Plan. The XMB met twelve times during the year.
- Executive Governance Group, the Chief Executive, as Accounting Officer, chaired the Executive Governance Group which included all XMB members. The main

responsibilities were to review the governance policy and processes of DECA and manage the internal audit and risk management policies and processes. The Executive Governance Group met three times during the year.

- Executive Compliance Review (XCR), the XCR is chaired by the Chief Executive and attended by all members of the XMB, plus the Focal Point for each of DECA's four recognised Trades Unions, the Safety, Health & Environment (SHE) Manager and the Quality & Airworthiness Manager. In addition, functional managers such as the Operations Manager and the Estates & Facilities Manager attend as required. The XCR acts to hold the business to account for all aspects of compliance (including, but not limited to Health & Safety, Quality, Environmental, Airworthiness and Security), primarily in accordance with the direction set out in the Chief Executive's Safety, Health, Environment and Quality Statement of Intent. The occurrence of the Review is fixed in relation to the Compliance Review and the Whitley Meeting to allow for timely escalation of compliance concerns if required.



Schedule of meetings and attendance during 2019/20:

Meeting	Members	Meetings held	No. attended	% attendance	% Overall attendance	No. of members	Scheduled frequency
DECA Performance & Risk Review	Dir DSOP (Chair) MOD NED DECA Board Chair DECA CE	2 2 2 2	2 2 2 2	100% 100% 100% 100%	100%	4	Up to 3 times
Agency Board	DECA Board Chair Independent NED Independent NED MOD NED DECA CE DECA Finance Director Head of Strategy & Governance	6 6 6 6 6 6 6	6 6 6 6 6 5 4	100% 100% 100% 100% 100% 83% 67%	93%	7	At least quarterly
Audit and Risk Assurance Committee	Independent NED (Chair) MOD NED DECA CE (by invitation) (Note 1) DECA FD (by invitation) DECA Chair (by Invitation) (Note 1)	4 4 1 3 1	4 4 1 3 1	100% 100% 100% 100% 100%	100%	5	Up to 6 times annually (minimum 2)
Remuneration Committee	Independent NED (Chair) MOD NED DECA Board Chair (Note 2) DECA Support Services Director DECA Head of Human Resources	4 4 2 4 4	4 4 1 4 4	100% 100% 50% 100% 100%	90%	4	"Up to 6 times annually (minimum 2)"
Executive Management Board	Chief Executive (Chair) Finance Director Commercial Director Support Services Director Operations Director Business Development Director Head of Strategy & Governance	12 12 12 12 12 12 12	12 11 12 12 12 10 8	100% 92% 100% 100% 100% 83% 67%	92%	7	Monthly
Executive Governance Review	Chief Executive (Chair) Finance Director Commercial Director Support Services Director Operations Director Business Development Director Head of Strategy & Governance	3 3 3 3 3 3 3	3 3 3 3 3 3 2	100% 100% 100% 100% 100% 100% 67%	95%	7	"Up to 6 times annually (Minimum 2)"
Executive Compliance Review	Chief Executive (Chair) Finance Director Commercial Director Support Services Director Operations Director Business Development Director Head of Strategy & Governance	4 4 4 4 4 4 4	4 4 4 4 4 3 3	100% 100% 100% 100% 100% 75% 75%	93%	7	"Up to 4 times annually"

Note 1 - Number of meetings attended differs as attendance is by invitation

Note 2 - Membership changed January 2020 to include DECA Board Chair as a member

Formal minutes were taken and agreed at all of the meetings above. There was a requirement to report to DECA's CE, as Accounting Officer, any significant issues/risks and, if these arose, demonstrate how they were being effectively managed/mitigated including the assignment of owners and appropriate management through reviews of the Corporate, Functional and Project risk registers.

DECA's NEDs continued to make a valuable contribution to the board meetings and governance of DECA.

There was a register of member's interests maintained by the DECA Head of Human Resources and this included the Executive Board members.

Declaration of any conflicts of interest is a standing item on the DECA Board, ARAC and RENCO meeting agendas.

There were subsidiary committees that report to the XMB in respect of Compliance (including Security, Health & Safety, Environmental Control, and Business Continuity), Remuneration, Risk Management and Internal Audit.

BOARD PERFORMANCE

The Performance and Risk Review was held twice during the year with the DECA Board and Board sub-committees (Audit and Risk Assurance Committee (ARAC) and Remuneration and Nominations Committee (RENCO)) meeting six, four and four times respectively during the year.

The Executive Management Board and ARAC received regular reports from DECA Support Services (compliance, security and business continuity) and Finance (risk management and internal audit) including any corporate governance issues arising in compliance, internal audit and risk management. All meetings were quorate and minutes and actions were recorded.

The DECA Chairman reviews the performance of the Board and sub-committees each year and determined that, during 2019/20 the Board and sub-committees had all performed satisfactorily and that there had been no departures from the Corporate Code of Good Practice.

Due to the changes in DECA Board membership during the year, in line with best practice and following agreement with the Board, Tailored Review Team and MOD Centre, we scheduled a Stage 1 "Establishing the Board" review of Board performance for the beginning of FY2020/21.

HIGHLIGHTS OF BOARD COMMITTEE REPORTS

Highlights of the ARAC, RENCO, Risk Management and Compliance meetings were raised to the Executive Board along with any relevant reports.

AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)

The ARAC has been proactive in reviewing the Internal Audit activities and attending to process improvements for both Internal Audit and Risk Management; approving the annual internal audit plan and monitoring its progress during the year. During the year the committee reviewed the definitions and scoring of the Corporate Risk Register as well as undertaking Deep Dive reviews of IS Programme and Operations Directorate risk registers.

The audit programme was designed to provide validation that the FY2018/19 key performance Indicators had been achieved and through three further audits to provide assurance on

financial controls on payroll, health and safety governance arrangements, and Government Procurement Card governance.

DIA provided the following levels of assurance in these areas during the year:

- Key Performance Indicators (FY2018/19) (Validated)
- Financial Controls – Payroll (Substantial Assurance)
- Health & Safety Governance Arrangements (Substantial Assurance)
- Government Procurement Card Governance (Substantial Assurance)

The overall audit opinion provided by DIA was substantial assurance with all due management actions completed and closed in year.

The committee reviewed and approved the Annual Report and Accounts with no significant issues raised.

REMUNERATION AND NOMINATIONS COMMITTEE (RENCO)

The RENCO's core activity has been to review and endorse the annual proposed DECA Pay Remit for employees below Senior Civil Service, prior to onward submission through MOD Centre, to our Minister for final approval. Additional RENCO activity included the endorsement of the DECA Corporate Bonus Scheme and the review of wider activities across the MOD with potential impact on DECA.

EXECUTIVE COMPLIANCE REVIEW (XCR)

The XCR ensures that DECA's safety culture remains high on the agenda and consequently flows down through all the compliance review meetings across the business. This in turn promotes an ethos of 'no blame' incident reporting and proactive health and safety behaviour. There were no major attributable customer concerns or RIDDOR incidents during the year.

CORPORATE GOVERNANCE

The structure of Corporate Governance in DECA has been effectively maintained and was regularly reviewed internally throughout the year in 2019/20. Therefore, in the CE's opinion, DECA has followed the Corporate Governance Code's requirements to the extent that it is deemed relevant and practical.

INFORMATION REPORTING

DECA has a consolidated single enterprise resource planning system from which management and performance information is supplied.

The DECA Performance and Risk Review, Board, Board sub-committees, XMB and DECA senior management review management information at all meetings and as business requirements dictate. Assessments by these bodies have provided recommendations for improvement to the data produced during the year to ensure that this remained aligned to best practice and have confirmed their satisfaction with the levels of data generated to assist management decision-making throughout the year.

RISK MANAGEMENT

Both the DECA Board and Executive Management Board carried out regular reviews of the Corporate Risk Register including further in-year work to conduct 'deep dive' activity on both Corporate and Functional Risk Registers to ensure focus on business delivery, business efficiency, business growth, forecast demand delivery and IS risks.

The focus of Risk Management within DECA during its fifth year has been to mature the risk management categorisation framework; Financial, Reputational, Operational, Governance and Strategic (FROGS), which enable the management of risk appetite and tolerance levels within the business.

The DECA XMB accepts that some degree of business risk is inevitable, being a normal part of the operation of an organisation. Within the in-depth reviews of the Corporate Risk Register, the XMB has demonstrated its tolerance with the different categories of risk and through its Directors has given guidance to the functional Risk Co-ordinators. Similar decisions have been made in respect of new business, key projects and business plans with decisions on risk levels communicated to those responsible for managing those risks or risk areas.

ASSESSMENT OF THE MAIN RISKS

Following an in-depth assessment, those risks identified as the main priority and highest potential impact to the business were:

- Failure to secure Business Growth
- Failure to maintain current & develop future capability
- Delay in F35 component activation

RISK MANAGEMENT WITHIN DECA IS STRUCTURED AS FOLLOWS:

Corporate Risk Register – owned and reviewed by the DECA Board and Executive Management Board. Risks included are those identified as affecting DECA as a whole and requiring Board members to manage them.

Functional Risk Registers owned by Executive Board Directors and cover all the functions within DECA. Risks are identified as those not affecting DECA as a whole and include risks that have been downgraded due to mitigation actions.

Project Risk Registers are required for all major projects and proposals.

The Risk Management Process is structured as follows:

- DECA Board – owns the Corporate Risk Register and is responsible for ensuring mitigation is in place.
- XMB – carry out more frequent in-depth reviews of the corporate risks and recommend downgrading or approving and accepting upgrades of risks.
- Audit Committee – has approved the Risk Policy and Process and through Head of Internal Audit (HIA) receives regular updates to incorporate central government advice and recommendations and implement recommendations from Internal Audit activity. The Audit Committee also carried out reviews of the Corporate Risk Register and Functional Risk Registers.
- Risk Management Committee – meets at least 4 times a year and manages the policy and process for the Audit and Risk Assurance Committee. The chair is the Finance Director or their delegated deputy and membership includes Board Directors, or their deputies, and functional heads. Risk escalations or reductions of are reviewed and proposed in this meeting.

INFORMATION ASSURANCE

DECA has successfully maintained its network accreditation against criteria set down by the Defence Assurance and

Information Security (DAIS) department and has worked with the Joint Cyber Unit to ensure systems are secure. DECA continues to satisfy all network joining rules set down by the MOD Information System Services (ISS) and has maintained authority to operate on the MOD network.

All employees have undertaken mandatory managing information training in accordance with their role in the organisation.

There have been no breaches of the Information Management Asset Process and no loss of corporate data or corporate IT hardware.

DECA has no business critical systems that are unsupported.

SECURITY ASSURANCE

MOD Sealand is routinely audited by UK MOD specialists to ensure continued compliance with departmental standards, supplemented by quarterly security alarm system inspections by the Security Services Group (SSG). This involves both Internal and External audits carried out internally by DECA Assurance team and externally via Defence Internal Audit (DIA) teams to ensure a level of substantial and above assurance is maintained. In addition to these audits, annual security risk assessments are undertaken by the site security team using the Classified Material Assessment Tool (CMAT). CMAT reports are used to identify any non-compliance or areas for improvement to inform the maintenance and improvement of physical security of buildings on the DECA estate.

All employees have undertaken mandatory security training in accordance with DECA policy.

FRAUD & WHISTLEBLOWING

DECA has counter fraud processes in place and has a zero tolerance policy in operation in line with the rest of the Department. There have been no reported incidents of fraud during the year (2018/19: Nil).

BUSINESS CONTINUITY

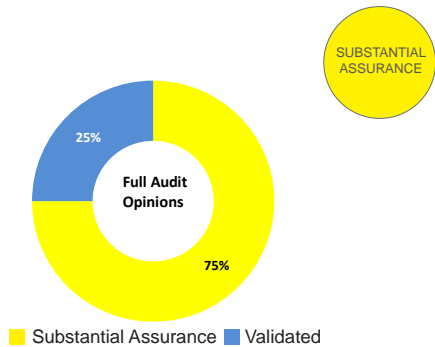
The organisation's risk of exposure to internal and external threats is reviewed regularly and forms the basis of the Business Continuity Plan (BCP). This considers threats such

as natural disasters, loss of incoming power supply, major IT failure, data breaches, terrorism and factors affecting the availability of labour such as industrial action or pandemic illness. DECA's BCP includes disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning. The plan is subject to regular review, which reflects developments within the business, and any new requirements are considered during the new service provision process. DECA undertook two BCP exercises during the year. Significantly, the BCP was successfully enacted following the COVID-19 related lockdown announced by the Government. The DECA BCP ensured that our response was efficiently and effectively structured under three work streams, with overall governance at an executive level, including the full involvement of DECA's Trades Unions. The effectiveness of our BCP plan was proven as DECA remained functional, delivering critical Defence and COVID-19 contingency outputs, as required by our customers, whilst ensuring that the health and safety of our workforce remained of paramount importance at all times.

HEALTH & SAFETY

The number of work-related reportable incidents during the year decreased from three in 2018/19 to zero in 2019/20. Near miss reporting ensures potential problems are captured early and these continue to be recorded and thoroughly investigated. Independent 3rd party auditing from Lloyds Register Quality Assurance (LRQA) ensures the integrity of the Health and Safety Management system.

ANNUAL AUDIT OPINION – HEAD OF INTERNAL AUDIT



DECA Audit Assignments and Audit Opinions	
Audit	Audit Opinion
Key Performance Indicators (FY18-19)	Validated
Financial controls - payroll	Substantial
Health & Safety governance arrangements	Substantial
Government procurement card governance	Substantial

This is DECA's fifth full year of operation and we continue to evidence maturing and effective systems of control. Management within DECA have demonstrated an ongoing commitment to internal control.

While there remain opportunities to strengthen the control environment still further, and acknowledging that the Agency's operations will undergo significant change over the next couple of years as a result of the F-35 support contract, the overall picture is positive. DIA's audits over the course of this financial year indicate that there are adequate and effective processes over risk management, internal control and governance. Therefore, an overall opinion of Substantial Assurance is provided.

GOVERNANCE

DECA continues to maintain best practice governance practices which will next be reviewed by DIA in FY2020/21 following the outcomes of DECA's Tailored Review. DECA has an established Audit and Risk Assurance Committee (ARAC) as a subcommittee of the Board with responsibilities for issues of risk, control and governance and to support the Board's assurance requirements. DIA regularly attends the ARAC and provides updates on programme delivery and briefs on the outcome of specific assignments. In turn, the ARAC has required attendance from responsible officers from within the business to provide assurance on actions being taken to address risks identified.

CONCLUSION

DECA's corporate governance arrangements have continued to evolve during the year to meet the needs of its status as an Executive Agency and reflect established best practice.

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT REMUNERATION AND NOMINATION COMMITTEE (RENCO)

The RENCO is a sub-committee of the DECA Board, which was chaired by an independent NED with the MOD NED also a member. Standing DECA Members are the Support Services Director and the Head of HR (who also acts as Secretary) and, since January 2020, the DECA Chair.

The RENCO Chair may also invite any or all of the following, as appropriate:

- the DECA Chief Executive,
- any other DECA Executive Director.
- any other Subject Matter Expert (SME) from within DECA,

The main responsibilities of the RENCO were to advise the Owner, Chief Executive and Board on matters relating to DECA's pay and reward strategy. The RENCO met 4 times during the year, which included 1 extraordinary meeting.

SERVICE CONTRACTS

The Constitutional Reform and Governance Act 2010 require Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

MOD appointed the independent Non-Executive Directors (NEDs) for a fixed term but not as Civil Servants, they are paid on a MOD administered payroll. Contracts may be terminated at one month's notice by either party or on dissolution of the Board, unless found guilty of gross misconduct when termination would be immediate.

Remuneration for (NEDs) was set at a fixed annual rate determined by the Department's Permanent Under Secretary. Fees were set on the basis that the role should require around

30 days' work per year. NEDs were not involved in any discussion about their own remuneration and all payments made were non-pensionable. There were no compensation entitlements for early termination.

REMUNERATION POLICY

DECA has no pay costs for Ministers.

The Chief Executive is a senior civil servant (SCS). As such his pay was set through recommendations made by the Review Body on Senior Salaries. The Review Body on Senior Salaries provides independent advice to the Prime Minister and Secretary of State for Defence on the remuneration of the SCS taking account of evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at <https://www.gov.uk/government/organisations/office-of-manpower-economics>.

All other employees had their remuneration determined by a process consistent with MOD and Treasury guidance.

The Chief Executive had delegated powers for the setting of terms and conditions of employment, including pay, for all DECA employees below SCS. The delegation required him to consult with MOD and receive Min (DP) approval before agreeing to any changes to pay. This was achieved through the pay remit process whereby DECA pay proposals were submitted through MOD for Ministerial approval before negotiation with staff representatives. The outcome of negotiations was reported back to HM Treasury through the annual outturn statement.

For the 2019/20 pay settlement year, all DECA pay spines below SCS and DECA Allowances were revalorised by 2%. The overall total cost did not exceed 2% of the pay bill.

The award was endorsed by the DECA Board and RENCO and was designed to achieve the Corporate Business Strategy having due regard to the financial success of DECA, current Government and MOD policies and targets, and HM Treasury Civil Service Pay Guidance.

The DECA Board and RENCO may approve changes to pay and conditions of service prior to commencing the pay negotiating process with the Trades Unions.

Performance Bonuses for SCS are considered as part of the overall performance appraisal process, the outcome of which is not usually known until after the publication of the Annual Accounts. Bonus payments to SCS Directors are reported in the year in which they are approved.

DECA directors and staff below SCS are eligible for a Corporate Bonus payment under a profit sharing scheme, the outcome of which will not be definitely known until after the publication of the Annual Report & Accounts. An accrual for the estimated overall level of the Corporate Bonus payment has been included in the Accounts.

HMS Argyll takes part in day and night gunnery firing exercises with HMAS Stuart whilst on Exercise Bersama Lima in the Far East.

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REMUNERATION (SALARY, BENEFITS IN KIND AND PENSIONS, SUBJECT TO AUDIT OPINION)

The following section provides details of the remuneration and pension interests of the most senior management (i.e. Board members).

Officials	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (to nearest £'000)		Total (£'000)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Geraint Spearing	80 - 85	80 - 85	5 - 10	-	-	-	33	24	120 - 125	105 - 110
Operations Director Wayne Baker	60 - 65	65 - 70	0 - 5	0 - 5	-	-	43	27	110 - 115	90 - 95
Finance Director Belinda Longman	70 - 75	70 - 75	0 - 5	0 - 5	-	-	33	32	100 - 105	100 - 105
Support Services Director Ian Doughty	65 - 70	65 - 70	0 - 5	0 - 5	-	-	28	27	95 - 100	90 - 95
Head of Strategy, Governance & Secretariat Jason Leeks	50 - 55	50 - 55	0 - 5	0 - 5	-	-	22	21	75 - 80	70 - 75
Business Development Director Ian Cole	65 - 70	60 - 65	0 - 5	0 - 5	-	-	18	2	85 - 90	65 - 70
Commercial & Contracts Director Keith Pavett	65 - 70	65 - 70	0 - 5	0 - 5	-	-	24	7	90 - 95	70 - 75

Note: During 2019/20 all members of the board, excluding Chief Executive, were awarded a bonus of £487.50 (2018/19: £244.17) each in line with the Corporate Bonus Scheme

SALARY

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

BONUSES

Bonuses are reported in the year in which they are approved and become payable to the individual.

PENSION BENEFITS (SUBJECT TO AUDIT OPINION)

Officials	Accrued pension at pension age as at 31/03/20 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/20	CETV at 31/03/19	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive Geraint Spearing	35 - 40 plus lump sum of 80 - 85	0 - 2.5 plus lump sum of 0 - 2.5	605	558	17
Operations Director Wayne Baker	20 - 25 plus lump sum of 45 - 50	0 - 2.5 plus lump sum of 0 - 2.5	312	275	21
Finance Director Belinda Longman	25 - 30	0 - 2.5 plus lump sum of 0	532	478	22
Support Services Director Ian Doughty	20 - 25	0 - 2.5 plus lump sum of 0	304	273	15
Head of Strategy, Governance & Secretariat Jason Leeks	20 - 25 plus lump sum of 10 - 15	0 - 2.5 plus lump sum of 0 - 2.5	326	299	11
Business Development Director Ian Cole OBE	20 - 25 plus lump sum of 70 - 75	0 - 2.5 plus lump sum of 0 - 2.5	546	504	17
Commercial & Contracts Director Keith Pavett	30 - 35 plus lump sum of 90 - 95	0 - 2.5 plus lump sum of 0 - 2.5	714	665	17

Pension information is supplied by MyCSP, the administrators of Civil Service pensions. All Directors belong to the classic or alpha Civil Service pension schemes. All schemes are part of the Civil Service pension arrangements.

Note. The CETV at 31/03/19 for the Chief Executive was mis-stated in the printed Annual report and Accounts for FY18/19 as £588,000.

PAY MULTIPLES (SUBJECT TO AUDIT OPINION)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

This information is subject to audit opinion	2019/20	2018/19
Band of highest paid Director total remuneration	£85,000 - £90,000	£80,000 - £85,000
Median total remuneration	£28,752	£28,188
Ratio	3.04	2.93

The remuneration of DECA's staff was in the range £14,853 per annum (2018/19: £14,562) to £85K to £90K per annum, these figures are for a full year. The median remuneration of the workforce was £28,752 (2018/19: £28,188).

The banded remuneration of the highest-paid director in DECA in the financial year 2019/20 was £85K to £90K (2018/19, £80K - £85K) (See Remuneration (salary, benefits in kind and pensions table)). This was 3.04 times the median remuneration of the workforce, which was £28,752 (2018/19: £28,188). The change in the median remuneration of all DECA staff is affected by the pay award in 2018/19 which, in line with Government pay constraints, was 2% for those below Senior Civil Service.

In 2019/20, zero employees received remuneration in excess of the highest-paid director (2018/19: Nil).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

COMPENSATION FOR LOSS OF OFFICE (SUBJECT TO AUDIT OPINION)

There have been no payments by DECA for compensation for loss of office for Financial Year 2019/20. (2018/19: Nil).

OFF PAYROLL APPOINTMENTS

There were no new or existing off payroll appointments during the financial year (2018/19: Nil).

REMUNERATION DETAILS OF NON-EXECUTIVE DIRECTORS (SUBJECT TO AUDIT OPINION)

Non-Executive Director	Fees 2019/20 £'000	Fees 2018/19 £'000
Alex Jablonowski (End 31 July 2019)	5-10	20-25
Alec Don (Start 01 August 2019)	10-15	Nil
Peter Shortt	10-15	10-15
Tim Walton (End 30 June 2019)	0-5	10-15
Luke Dearden (Note 1)	Nil	Nil
David Jones (Start 28 October 2019)	5-10	Nil

Note 1 Luke Dearden received no fee as representative of the MOD as a Non-Executive Director.

STAFF REPORT

STAFF NUMBERS (SUBJECT TO AUDIT OPINION)

The average number of persons employed during this year was	2019/20	2018/19
Senior management	15	14
Civilian personnel	386	386
Agency staff	10	6
Total	411	406

All staff listed above are on permanent contracts with the exception of 10 Agency staff (2018/19: 6 Agency staff) and 22 Fixed Term Appointments (2018/19: 14 Fixed Term Appointments) who are included in the civilian personnel number.

The figure for senior management includes one member of the Senior Civil Service and is a Band 1.

The employees consisted of the following numbers of males and females:

	2019/20		2018/19	
	Males	Females	Males	Females
Senior management	11	4	10	4
Civilian personnel	330	56	336	50
Agency staff	6	4	4	2

PAYROLL COSTS £'000 (SUBJECT TO AUDIT OPINION)

	2019/20	2018/19
Salaries, wages and allowances	12,578	12,173
Social security	1,177	1,171
Pension costs	3,225	2,428
Agency staff	330	288
Total payroll costs	17,310	16,060

Note: 2019/20 includes £47,599 (2018/19 £44,998) apprenticeship levy costs. The Apprenticeship Levy was introduced in April 2017, requiring employers with a pay bill more than £3 million each year to pay the levy

SICKNESS ABSENCE

The total number of days lost due to sickness absence was 3,372 which equates to 7.9 days per employee, based on average employee number for the year (2018/19 2,921.5 at 6.9 days per employee).

EMPLOYMENT OF DISABLED PERSONS

As a disability Confident Employer, DECA takes positive action to improve how we recruit, retain and develop disabled people. We are committed to demonstrate that all employees are treated fairly and draw from the widest possible pool of talent. Having met the criteria to become a member of the scheme, it also evidences to the public, our customers and our employees that DECA is a business committed to equality in the workplace.

DECA has a diversity and Inclusion committee that led an accessibility evaluation conducted by Disability Information and Advice Line (DIAL) West Cheshire that has helped us to identify our short-term targets, long-term targets and future aspirations.

DECA operates a guaranteed interview scheme for disabled candidates who meet the minimum essential criteria.

CONSULTANCY & CONTINGENT LABOUR

There was no requirement for consultancy within DECA during 2019/20 (2018/19: Nil). Contingent Labour costs for 2019/20 were £330K (2018/19: £288K) and was driven by the need to fill any shortfall in capacity as well as to fill any short term vacancies due to the higher than expected attrition rate.

PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial 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. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%.

In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

For 2019/20, the employer contributions of £3.2 million were payable to My CSP (2018/19: £2.4 million) at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019/20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. 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 salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). The accrued pension quoted is the pension the member is entitled to receive when they reach pension

age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website

www.civilservicepensionscheme.org.uk

CASH EQUIVALENT TRANSFER VALUES

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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

REAL INCREASE IN CETV

This reflects the increase in CETV that is funded by the employer. It does not include 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. No contributions were due to the partnership pension providers at the balance sheet date.

There were two resignations on the grounds of ill-health during the year (2018/19: One).

REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES (SUBJECT TO AUDIT OPINION)

Exit costs are accounted for in full in the year of departure except for the annual compensation costs of certain packages which fall into future years and are accounted for in the year of payment.

There were no DECA exit packages for agreed or compulsory departures during the year or any costs relating to such packages (2018/19: nil). There were no DECA voluntary or compulsory redundancies during the year (2018/19: Nil).

Further details about the Civil Service pension arrangements can be found at the website:

www.civilservicepensionscheme.org.uk



Pictured are two aircraft from the Battle of Britain Memorial Flight (BBMF) in the skies above Lincolnshire.

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PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT



HMD Daring sailing to Gibraltar

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REGULARITY OF EXPENDITURE (SUBJECT TO AUDIT OPINION)

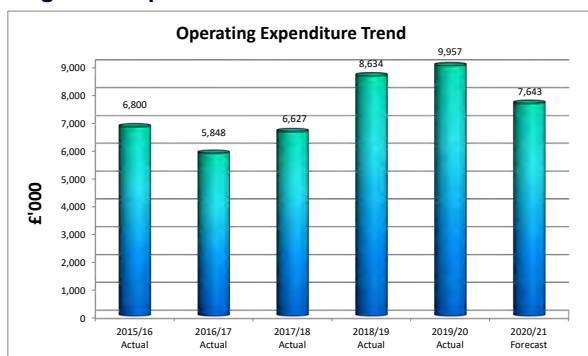
All expenditure made during the year was made in pursuit of DECA's business objectives.

And there were no improper or irregular payments (2018/19: Nil).

There were no material losses or special payments (2018/19: Nil).

There were no severance payments or write-offs (2018/19: Nil).

Long-term expenditure trends



Note the above figures represent expenditure less pay costs.

FEES AND CHARGES (SUBJECT TO AUDIT OPINION)

An analysis of the Agency's fees and charges are shown below. It charges prices for its services based on negotiated contract prices with individual customers. No services are provided below full cost. In agreeing prices to be charged for work to be carried out for the MOD an agreed profit rate on costs is used to calculate prices.

	MOD	Commercial	Total
	£'000	£'000	£'000
FY 2019/20			
Revenue (Based on hours)	22,325	2,920	25,245
Variable revenue	3,007	77	3,084
Total revenue	25,332	2,997	28,329

Variable costs	2,891	67	2,958
Production overheads	21,545	2,414	23,959
Total costs	24,436	2,481	26,917
Surplus	896	516	1,412

	MOD	Commercial	Total
	£'000	£'000	£'000
FY 2018/19			
Revenue (Based on hours)	20,011	4,856	24,867
Variable revenue	1,655	248	1,903
Total revenue	21,666	5,104	26,770

Variable costs	2,397	216	2,613
Production overheads	17,544	4,257	21,801
Total costs	19,941	4,473	24,414

Surplus	1,725	631	2,356
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Total revenue and expenditure does not agree to the primary statements due to rental income and non-rental income not being included in the tables above. This is due to them not being fees and charges and are based on 100% cost recovery. The commercial figure in the table includes the £0.999M (2018/19 £0.828M)] of revenue not through contracts per note 2 in the primary statements.

This analysis is not for International Financial Reporting Standards (IFRS) 8 (Segmental Reporting) purposes.

REMOTE CONTINGENT LIABILITIES (SUBJECT TO AUDIT OPINION)

DECA has no remote contingent liabilities in 2019/20. (2018/19: Nil).

APPROVAL

The Accountability report is approved.

Geraint Spearing
Accounting Officer
06 July 2020

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

OPINION ON FINANCIAL STATEMENTS

I certify that I have audited the financial statements of Defence Electronics and Components Agency for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows and Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Defence Electronics and Components Agency's affairs as at 31 March 2020 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

OPINION ON REGULARITY

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

BASIS OF OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Defence Electronics and Components Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

CONCLUSIONS RELATING TO GOING CONCERN

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Defence Electronics and Components Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Defence Electronics and Components Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Defence Electronics and Components Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Electronics and Components Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Defence Electronics and Components Agency's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Defence Electronics and Components Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Defence Electronics and Components Agency to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

OTHER INFORMATION

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion

thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

OPINION ON OTHER MATTERS

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Gareth Davies

Date 08 July 2020

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

		2019/20	2018/19
	Note	£'000	£'000
Income from contracts with customers	2	27,332	25,942
Other operating income	2	1,347	1,108
Total operating income		28,679	27,050
Staff costs	5	(17,310)	(16,060)
Purchase of goods and services	3	(8,004)	(6,887)
Depreciation and impairment charges	4, 6	(625)	(596)
Other operating expenditure (excluding depreciation)	4	(1,328)	(1,151)
Total operating expenditure		(27,267)	(24,694)
Net operating income		1,412	2,356
Total net income		1,412	2,356
Amounts due to parent department	10	(1,111)	(2,165)
Retained net income		301	191
OTHER COMPREHENSIVE INCOME			
Items which will not be reclassified to net operating income:			
Net gain on revaluation of property, plant & equipment*	6	257	313
Total comprehensive income for the year		558	504

*This is the total revaluation in year (including indexation) less the recalculated accumulated depreciation. This method is consistent as per the previous year

The notes on pages 60 to 70 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	2019/20 £'000	2018/19 £'000
NON CURRENT ASSETS			
Property, Plant and Equipment	6	20,351	20,372
Total Non Current Assets		20,351	20,372
Current assets			
Inventories and work in progress	7	313	346
Trade and other receivables	8	9,222	17,556
Cash and cash equivalents	9	11,685	1,753
Total current assets		21,220	19,655
Total Assets		41,571	40,027
Current liabilities			
Trade and other payables	10	(8,927)	(8,502)
Provisions	11	(75)	(51)
Total current liabilities		(9,002)	(8,553)
Total assets less total liabilities		32,569	31,474
Financed by:			
Taxpayers equity and other reserves			
Revaluation reserve	SOCTE	19,140	18,883
General fund	SOCTE	13,429	12,591
Taxpayers' equity		32,569	31,474

Geraint Spearing
Accounting Officer
06 July 2020

The notes on pages 60 to 70 form part of these accounts.

STATEMENT OF CASH FLOWS AS AT YEAR ENDED 31 MARCH 2020

		2019/20	2018/19
CASH FLOWS FROM OPERATING ACTIVITIES	Note	£'000	£'000
Net operating income	SOCI	1,412	2,356
Adjustments for non cash transactions:			
Depreciation charges	6,4	625	596
Notional audit fee	4	40	31
MJDI Supplied Materials	3	88	86
DIO Notional Costs	4	409	399
Decrease in inventories and work in progress	7	33	199
(Increase) / decrease in receivables	8	8,334	(9,868)
(Decrease) / increase in payables	10	(686)	2,183
Increase in provisions for liabilities and charges	11	24	0
Inflow / (Outflow) from operating activities		10,279	(4,018)
Capital Expenditure	6	(347)	(12)
Net cash outflow from investing activities		(347)	(12)
Cash flows from financing activities			
Repayment of funding to parent department		0	(4,899)
Net cash inflow from financing activities		0	(4,899)
Inflow / (Outflow) in cash and cash equivalents		9,932	(8,929)
Cash and cash equivalents at start of year		1,753	10,682
Cash and cash equivalents at end of year	9	11,685	1,753

Note: The decrease in payables figure does not reconcile to note 10 as no payment was made to MOD in financial year 2019/20.

The notes on pages 60 to 70 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2020

		Revaluation Reserve	General Fund	Taxpayers' Equity
	Note	£'000	£'000	£'000
Taxpayers' equity at 31 March 2019		18,883	12,591	31,474
Recognised in Statement of Comprehensive income for the year:				
Net operating income	SOCI	0	1,412	1,412
Parent departments profit share	SOCI	0	(1,111)	(1,111)
Gain on revaluation of property, plant and equipment	6	257	0	257
Other movements:				
DIO Communicated costs	4	0	409	409
Repayment of equity to Parent department	10	0	0	0
MJDI Supplied Materials	3	0	88	88
Notional audit fee	4	0	40	40
Taxpayers' equity at 31 March 2020		19,140	13,429	32,569

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2019

		Revaluation Reserve	General Fund	Taxpayers' Equity
	Note	£'000	£'000	£'000
Taxpayers' equity at 31 March 2018		18,570	14,272	32,842
Recognised in Statement of Comprehensive income for the year:				
Net operating income	SOCI	0	2,356	2,356
Parent departments profit share	SOCI	0	(2,165)	(2,165)
Gain on revaluation of property, plant and equipment	6	313	0	313
Other movements:				
DIO Communicated costs	4	0	399	399
Repayment of equity to Parent department		0	(2,388)	(2,388)
MJDI Supplied materials			86	86
Notional audit fee	4	0	31	31
Taxpayers' equity at 31 March 2019		18,883	12,591	31,474

The notes on pages 60 to 70 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared in accordance with the Government Financial Reporting Manual (FReM) for 2019/20 and the Accounts Direction, both issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of DECA for the purpose of giving a true and fair view is selected. The particular policies adopted by DECA are described below. They are applied consistently in dealing with items considered material in relation to the accounts.

GOING CONCERN

DECA adopts the going concern basis for the preparation of its Annual Report and Accounts. Covid-19 has not had a significant impact on DECA's financial performance and consequently the going concern basis has been adopted for the preparation of the financial statements.

DOMICILE

DECA is an Executive Agency of the UK Ministry of Defence, domiciled in the United Kingdom. Its principal place of business is at Welsh Road, Deeside, Flintshire, CH5 2LS, United Kingdom.

ACCOUNTING CONVENTION

These accounts are prepared in accordance with the accruals concept and the historical cost convention, modified to account for the revaluation of land and buildings and other non-current assets, at current costs or value to the business.

REVENUE

Revenue comprises the invoiced and accrued value of services (excluding VAT and other sales taxes) and is recognised in line with the underlying sales contract which may result in turnover and costs recognised prior to job completion.

Revenue from contracts with customers introduced changes to the timing of revenue recognition for contracts, matching

revenue to performance obligations and is a change in accounting policy. DECA has applied IFRS 15, as adapted by the FReM, in full. The definition of 'contract' includes arrangements covered by Memoranda of Understanding (MoU), even though these are not legally enforceable. The remaining contracts were categorised as either: outside the scope of IFRS 15; in scope of IFRS 15, but the accounting treatment is assessed as being unchanged; or in scope but the accounting treatment has changed. The bulk of what DECA provides to external customers is the provision of services on a rolling basis, e.g. repair and maintenance services. The performance obligations in these contracts are satisfied over time using output methods to recognise revenue on the basis of direct measurement of value to the customer using methods such as milestones and time elapsed as per appendix B paragraph B15 of the Standard. Income recognition on such contracts will not change under IFRS 15. DECA has not discounted the promised consideration when it expects, at contract inception, that the period between the transfer of a promised good or service to a customer and the date the customer pays for it will be for one year or less.

PROPERTY, PLANT AND EQUIPMENT

• BASIS OF RECOGNITION

Expenditure on plant, equipment, computers and transport equipment is periodically reviewed and capitalised where the useful life exceeds one year and the cost of acquisition exceeds the threshold of £25,000 excluding VAT. The value of capitalised plant, equipment and transport equipment is reviewed annually.

Non-current assets are recognised initially as Assets in the Course of Construction which are not depreciated. At the point that an asset becomes fully available for use, it is re-categorised appropriately and depreciation commences.

• BASIS OF VALUATION

Property plant and equipment is carried at fair value. A quinquennial professional valuation of Land and Buildings is carried out by the Valuation Office Agency under the instruction of the Defence Infrastructure Organisation who is certified by the Royal Institute of Chartered Surveyors. In the years between quinquennial valuations land and buildings are revalued using indices.

All other property, plant and equipment are valued at year end using Modified Historical Cost Accounting (MHCA) indices provided by the Valuation Office Agency under the instruction of the Defence Infrastructure Organisation. DECA Management have reviewed these indices given and deemed them appropriate for the valuation of its buildings. Given the information that was available management considered the impact of Covid-19 is not significant due to the indices resulting in a small movement in valuations overall.

- **IMPAIRMENT OF ASSETS**

On an annual basis DECA reviews its assets for any indication that an asset may be impaired (i.e. that its carrying amount may be higher than its recoverable amount). If any asset is found to be impaired its value is reduced to its recoverable amount.

- **DEPRECIATION**

Freehold land is not depreciated. Depreciation on buildings, plant and equipment, transport equipment and IT equipment is calculated to reflect the consumption of economic benefit of assets by equal instalments over their estimated useful lives. The lives of the assets are periodically reviewed with reference to obsolescence and continued asset usage.

The depreciation rates applied to the main categories of assets are based on the following initial estimates of useful life:

- **Buildings - Not exceeding thirty five years**
- **Plant & Equipment - Between ten and twenty five years**
- **IT Equipment - Between five and seven years**

PENSION COSTS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. The cost of pension cover provided is by payments of charges (Accrued Superannuation Liability Charges - ASLC) based on a percentage of salary. Salaries include gross salary, certain performance bonuses and recruitment and retention allowances. It does not include the estimated monetary

value of benefits in kind. Payments are made at contribution rates determined by the Government Actuary's Department. The Executive Agency is unable to identify its share of the underlying assets and liabilities and therefore it accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the schemes in respect of the accounting period.

INVENTORIES

Inventory is valued on a first in first out basis (FIFO) and at the lower of cost or net realisable value. Following periodic reviews, inventory may be written down to address obsolescence, surpluses and defective items using two main criteria based on redundancy and technical validity.

WORK IN PROGRESS

Work in progress is valued on the basis of direct labour, where this is applicable to the contract, and indirect production support, plus those business overheads that are directly related to normal levels of production activity. For spares inclusive contracts, the cost of the spares consumed is also included in the WIP valuation. The value is reviewed to reflect the lower of cost or net realisable value. The rates used to value WIP are reviewed at least annually.

PROVISION FOR BAD AND DOUBTFUL DEBTS

DECA makes provision for bad and doubtful debts as soon as they are deemed to be irrecoverable based on analysis and reviews of aged receivables.

CASH

Cash is held via a Government Banking Service bank account. DECA does not hold any cash equivalents.

REPAYMENT OF PLANNED PROFITS

Each year under the agency's framework document, DECA is required to repay to its parent department the planned level of profit.

OPERATING LEASES

Rentals under operating leases are charged to the Statement of Comprehensive Income as incurred.

There are no finance leases.

VALUE ADDED TAX

DECA has a single registration for VAT with HMRC and accounts for VAT on an accruals basis. Where VAT is recoverable by the Department, amounts are included net of VAT. Irrecoverable VAT is included in operating costs and capital additions. The amount due to or from HM Revenue and Customs in respect of VAT is included within receivables or payables as appropriate.

EMPLOYEE BENEFITS

DECA accrues for untaken employee leave entitlement at the end of the financial year. For permanent employees the leave year runs to 30th April and employees are able to carry forward an element of entitlement at the end of the financial year. These amounts fall due within one year and the value of the liability is calculated using records of actual untaken leave and average pay rates to comply with IAS 19.

FOREIGN EXCHANGE

All foreign denominated transactions are translated at the average exchange rate for the previous month, being a proxy rate for that ruling at the time of the transaction. At 31 March balances are translated into Sterling at a year-end spot rate. Foreign exchange differences are taken directly to the Statement of Comprehensive Income.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

DECA management makes judgements and assumptions concerning future impacts on the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions, by definition, seldom equal to the related actual results but are based on historical experience and expectations of future events. The risk generated by these judgements and estimates is therefore mitigated as far as is practical. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

PROVISIONS

Provisions are made for various liabilities of uncertain timing or amount. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

ACCOUNTING ACCRUALS

Accruals for the costs of goods and services received are recognised based on the best information available at the reporting date. Any difference between accounting accruals and the actual liability when presented are accounted for in the period when such determination is made.

REVENUE RECOGNITION

Revenue is stated net of trade discounts, provisions, VAT and similar taxes. The majority of Revenue arises from UK sources. DECA recognises revenue when an individual task or service within a contract is completed to the customer's satisfaction. Any incomplete tasks are accounted for as work in progress until such time as they are completed to the customer's satisfaction.

Substantially all revenue relates to the same class of business, the repair, overhaul and maintenance of equipment and components belonging to MOD.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There have been no changes in accounting policy and no disclosures to report.

IFRS'S ISSUED BUT NOT YET EFFECTIVE

IFRS 16 Leases – specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting unchanged from the previous standard International Accounting Standard (IAS) 17 Leases. DECA currently has two operating leases for vehicles. One runs until 31 March 2020 and then from 1st April 2020 is on a monthly rolling contract. This would therefore not be affected by the new standard. The second lease ends in July 2022 and would be classed as a low value asset when the standard becomes effective for the reporting period 2021-22.

IFRS 17 Insurance Contracts – effective from 1st April 2022 for public sector entities and it is anticipated to have no material impact on the financial statements.

2. INCOME

	Timing of income recognition	2019/20	2018/19
		£'000	£'000
MOD Revenue	At a point in time	12,041	11,561
MOD Revenue	Over time	13,293	10,105
Non- MOD Revenue	At a point in time	1,998	4,276
Total		27,332	25,942

OTHER OPERATING INCOME

	2019/20	2018/19
	£'000	£'000
Rental income	289	270
Non rental income	59	10
Income not through contracts	999	828
Total	1,347	1,108

DECA is effectively a single business and it is not possible to allocate income or profit to different business segments.

3. PURCHASES OF GOODS AND SERVICES

	2019/20	2018/19
	£'000	£'000
Cash costs		
Materials & sub contract costs	3,246	2,648
Accommodation costs	1,369	1,591
IT and Telecommunications	698	531
Utilities	868	844
Security	449	461
Equipment Support	602	409
Other services	684	317
Total Cash Costs	7,916	6,801

Purchases of goods and services are those costs incurred directly in carrying out the production activities of DECA.

Non - Cash Costs	£'000	£'000
MJDI Supplied materials	88	86
Total Non - Cash Costs	88	86
Total Purchases of goods & services	8,004	6,887

4. OTHER OPERATING EXPENDITURE

	2019/20	2018/19
	£'000	£'000
Cash costs		
Training	150	113
Insurance	210	216
Travel & subsistence	249	266
Other professional services	44	64
Lease and hire costs of plant, machinery & vehicles	202	204
Release of deferred income	24	(142)
Total cash costs	879	721
Non cash costs		
Notional Audit Fee	40	31
Depreciation	625	596
Notional Costs for Rent & Rates (see note below)	409	399
Total Non - Cash Costs	1,074	1,026
Total other operating expenditure	1,953	1,747

Note: During 2016/17 financial year, Defence Infrastructure Organisation decided not to charge DECA for its use of the Stafford site on account of DECA being Executive Agency of the MoD. However, DECA each year recognises a notional charge to represent the true cost of its activities. The amount recognised in 2019/20 is £409k (2018/19: £399k).

Other operating expenditure is cost incurred by DECA of an overhead nature in supporting the operation.

Audit is the cost of the external audit of DECA's Annual Report & Accounts. DECA's external audit is carried out by the National Audit Office on behalf of the Comptroller & Auditor General.

5. STAFF COSTS

	2019/20	2018/19
	£'000	£'000
Salaries, wages and allowances	12,578	12,173
Social security	1,177	1,171
Pension costs	3,225	2,428
Agency Staff	330	288
Total payroll costs	17,310	16,060

6 PROPERTY, PLANT AND EQUIPMENT

The movements in each class of assets during 2019/20 were:

	Land	Buildings	Plant & Machinery	IT	Assets in Course of Construction	Total Tangible Assets
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2019	7,407	14,125	528	209	22	22,291
Additions	0	0	246	75	26	347
Disposals	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Revaluation	127	145	11	4	0	287
At 31 March 2020	7,534	14,270	785	288	48	22,925

Depreciation:

At 1 April 2019	0	1,623	156	140	0	1,919
Depreciation charged during the year	0	569	39	17	0	625
Disposals	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Revaluation	0	24	3	3	0	30
At 31 March 2020	0	2,216	198	160	0	2,574

Net book value

At 31 March 2020	7,534	12,054	587	128	48	20,351
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The movements in each class of assets during 2018/19 were:

	Land	Buildings	Plant & Machinery	IT	Assets in Course of Construction	Total Tangible Assets
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018	7,226	13,981	521	131	87	21,946
Additions	0	0	0	0	12	12
Disposals	0	0	0	0	0	0
Reclassification	0	0	0	77	(77)	0
Revaluation	181	144	7	1	0	333
At 31 March 2019	7,407	14,125	528	209	22	22,291

Depreciation:

At 1 April 2019	0	1,073	124	106	0	1,303
Depreciation charged during the year	0	533	30	33	0	596
Disposals	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Revaluation	0	17	2	1	0	20
At 31 March 2019	0	1,623	156	140	0	1,919

Net book value

At 31 March 2019	7,407	12,502	372	69	22	20,372
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Note: There were no finance leases during the year (2018/19: Nil).

7. INVENTORIES AND WORK IN PROGRESS

	2019/20	2018/19
	£'000	£'000
Opening Balance	70	309
Net movement during year	4	(239)
Balance at 31st March	74	70
Work in progress		
Opening Balance	276	236
Net transfers to operating expenses during the year	(37)	40
Balance at 31 March	239	276
Total at 31 March	313	346

8. TRADE AND OTHER RECEIVABLES

	31 March 2020	31 March 2019
	£'000	£'000
Amounts falling due within 1 year:		
Trade and sundry invoiced receivables	4,763	13,618
Other receivables	28	12
Prepayments	350	392
Accrued income	4,081	3,534
Total as at 31 March	9,222	17,556

All above balances fall due within 1 year

Aged Trade and Sundry Invoiced Receivables Analysis	Not Yet Due	"30 to 60 Days"	" 60 to 90 Days "	"90 to 120 Days"	120 to 365 Days	"365+ Days"	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	3,909	258	86	31	271	208	4,763
At 31 March 2019	12,560	800	73	112	48	25	13,618

9. CASH AND CASH EQUIVALENTS

	31 March 2020	31 March 2019
	£'000	£'000
Cash held with Government Banking Service (GBS)	11,685	1,753
Total	11,685	1,753

Cash position has significantly increased compared to the prior year due to a reduction in unbilled debt at year end.

10. TRADE AND OTHER PAYABLES

	31 March 2020	31 March 2019
	£'000	£'000
Amounts falling due within 1 year:		
Trade payables	262	465
Taxation and social security	297	318
Value Added Tax	2,228	2,419
Accruals	1,616	1,996
Deferred income	412	464
Amounts due to pension schemes	329	265
Sundry payables	507	410
Payable to Parent Department	3,276	2,165
	8,927	8,502

Each year DECA is required to repay its parent department the level of planned operating profit. This is classed as a short term payable. In 2019/20 DECA did not repay any equity back to its parent department (2018/19: £2,388k).

The £686k decrease in payables in the Statement of Cash Flows at page 58 excludes the payable to the parent department £3,276k because no payment was made in financial year 2019/20. Therefore the decrease is calculated as £8,927k less £3,276k = £5,651k which is a decrease of £686k when compared with the 2018/19 total of £6,337k (calculated as £8,502k less £2,165k).

The amount payable to the department comprises of the return payable to MOD for both 2018/19 and 2019/20.

11. PROVISIONS

	2019/20
	Total
	£'000
Balance at 1 April 2019	51
Created during year	75
Utilised in year	(51)
Balance at 31 March 2020	75

	2018/19
	Total
	£'000
Balance at 1 April 2018	51
Created during year	0
Utilised in year	0
Balance at 31 March 2019	51

The balance on the provision at 31st March 2020 was required to meet an obligation for additional contractual requirements.

12. OPERATING LEASES

Operating Lease payments recognised as expenses in the period were:	2019/20	2018/19
	£'000	£'000
Leases of other Land and Buildings	409	399
Leases of vehicles & Other Equipment	202	204
Total operating leases paid (i)	611	603

(i) Contained within note 4

None of these payments were contingent rents or sublease payments.

No future minimum lease payments under non-cancellable operating leases are due.

None of DECA's leasing arrangements have renewal or purchase options, rentals are payable on fixed instalments over the duration of the lease.

There are no restrictions imposed by lease arrangements on dividends or further debt.

Note: DECA has lease of land and buildings at Stafford with DIO for £409k (2018/19 £399k) which is treated as a notional cost based on a market rental valuation.

Future minimum lease payments where DECA is acting as lessor:	31 March 2020	31 March 2019
	£'000	£'000
Receivable within one year	408	204
Total	408	204

DECA received £289K in year from the rental lease of 2 buildings and office space in Building 13 (£270K in 2018/19).

Operating Lease payments going forward:	31 March 2020	31 March 2019
	£'000	£'000
Payable within one year	3	64
Payable after one year and less than five years	4	3
Total	7	67

13. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

DECA had no capital commitments at 31 March 2020 (Nil at 31 March 2019).

There are no financial commitments at 31 March 2020 (Nil at 31 March 2019).

There are no contingent assets at 31 March 2020 (Nil at 31 March 2019).

There are no contingent liabilities at 31 March 2020 (Nil at 31 March 2019).

14. FINANCIAL INSTRUMENTS

DECA's treasury operations are restricted to collecting cash remittances from receivables and paying off liabilities as they fall due. DECA's financial instruments comprise cash deposits, receivables and payables. Any cash surplus cash balances are remitted to the Government Banking service overnight. DECA has no powers to borrow or invest surplus funds. The main risks that arise from the financial instruments are foreign currency and liquidity risks. DECA's policies for managing these risks are set to achieve compliance with the regulatory framework including the rules contained within Managing Public Money. Risks are reviewed as part of the management board and none have materialised or are expected to materialise soon, but this is kept under review.

CURRENCY RISK

DECA conducts business in Sterling, US Dollars and Euros and is therefore subject to foreign exchange risk. At 31 March 2020 there are no existing liabilities. (2018/19: Nil).

LIQUIDITY RISK

Current liquidity throughout the year was strong. Cash at bank is available on demand.

COUNTERPARTY / CREDIT RISK

DECA's approach is to minimise counter-party risk by aiming only to enter into contracts with institutions with long term credit ratings of AA or better. Because the majority of sales are to the MOD, we have determined they have very low credit risk and there is no expected credit loss to recognise as at 31 March (2018/19: Zero losses).

CAPITAL MANAGEMENT

The financial strategy of DECA supports its aim of sustaining its operating capability and achieving the return on capital objectives set by its owner. The key elements of the strategy are:

- Sufficient flexibility for the funding of necessary capital expenditure and working capital required for any expansion of the business.
- As DECA is part of the MOD and sits under Head Office & Commissioning Services (HOCS) it may rely on its parent department to underpin any financial risk.
- Avoidance of risk and compliance with HM Treasury policies.

DECA is not subject to covenants in any of its financing agreements.

DECA did not retain any assets classed as held to maturity investments or available for sale financial assets, or any financial assets or liabilities held for trading. For all assets and liabilities, amortised cost was a proxy for fair value due to the short term nature of the instrument.

FINANCIAL ASSETS

		31 March 2020	31 March 2019 (Restated)
		£'000	£'000
Trade, sundry and other receivables	8	8,872	17,164
Cash at bank and in hand	9	11,685	1,753
Total Financial Assets		20,557	18,917

FINANCIAL LIABILITIES

		31 March 2020	31 March 2019 (Restated)
		£'000	£'000
Trade and other payables	10	5,990	5,301
Total Financial Liabilities		5,990	5,301

Note:

- Trade, sundry and other receivables does not reconcile to Note 8 as it does not include prepayments which are not classed as financial instruments.
- Trade and other payables do not reconcile to note 10 as the VAT, deferred income and tax and social security balances are not classed as financial instruments.
- 2018/19's balances have been restated as they were incorrectly presented last year.

15. RELATED PARTIES

The Ministry of Defence (MOD) was a related party and has a representative on the DECA Board. During the year, DECA has had material transactions with the Department and with other entities for which MOD is the parent department. None of the DECA Board members or key managerial staff has declared any related party interests which may conflict with their management responsibilities.

DECA also has a related party with MOD's joint arrangement, Sealand Support Services Ltd (SSSL) which is based at DECA's Sealand facility. DECA has seconded one of its employees into SSSL to undertake the role as Finance Manager. In addition, Geraint Spearing, DECA Chief Executive represents MOD as one of its nominated non-executive directors on the SSSL Board.

During the year DECA provided management service to SSSL to the value of £999k (2018/19: £828K).

The following balances for Sealand Support Services were held in DECA's accounts at year end.

	2019/20	2018/19
	£'000	£'000
Trade Receivables	69	27
Accrued Income	306	228
Total	375	255

16. LOSSES AND SPECIAL PAYMENTS

There were no material losses or special payments. (2018/19: Nil).

17. AUDITORS

The Government Resources and Accounts Act require DECA's Annual Report and Accounts to be audited by the Comptroller and Auditor General. DECA's auditor is the National Audit Office (NAO). The cost of this audit is £40K. (2018/19: £31K).

18. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting period.

These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

GLOSSARY

LIST OF ACRONYMS AND ABBREVIATIONS

AMRC	Advanced Manufacturing Research Centre	GBS	Government Banking Service	GHG	Greenhouse Gas
AR&A	Annual Report and Accounts	GGC	Green Government Commitment	GPSS	Government Pipeline and Storage System
ARAC	Audit and Risk Assurance Committee	HIA	Head of Internal Audit	MyCSP	My Civil Service Pension
ASLC	Accrued Superannuation Liability Charges	HM	Her Majesty's	NAO	National Audit Office
ATP	Authority To Proceed	HMG	Her Majesty's Government	NATO	North Atlantic Treaty Organization
BCP	Business Continuity Plan	HMNB	Her Majesty's Naval Base	NED	Non-Executive Chairman/Director
CE	Chief Executive	HMRC	Her Majesty's Revenue & Customs	NSPCC	National Society for the Prevention of Cruelty to Children
CETV	Cash Equivalent Transfer Value	HMT	Her Majesty's Treasury	OBE	Order of the British Empire
CMAT	Classified Material Assessment Tool	HOCS	Head Office & Commissioning Services	OEM's	Original Equipment Manufacturer
CO2	Carbon Dioxide	HR	Human Resources	PAVs	DECA's Purpose, Aim and Values
CO2e	Carbon Dioxide Equivalent	IAS	International Accounting Standards	PCSPS	Principal Civil Service Pension Scheme
CSPS	Civil Service People Survey	ICT	Information and Communications Technology	P&RR	Performance & Risk Review
DaaP	Defence as a Platform	IFRS	International Financial Reporting Standards	RAF	Royal Air Force
DAIS	Defence Assurance & Information Security	ILM	Institute of Leadership and Management	RENCO	Remuneration & Nomination Committee
DARA	Defence Aviation Repair Agency	ISA's	International Standards on Auditing	RDF	Refuse Derived Fuel
DE&S	Defence Equipment and Support	ISO	International Organization for Standardization	RIAT	Royal International Air Tattoo
DECA	Defence Electronics & Components Agency	ISS	Information System Services	RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
DESA	Defence Equipment Sales Authority	IT	Information Technology	RFI	Request For Information
DIA	Defence Internal Audit	JPO	Joint Programme Office	SOCI	Statement of Comprehensive Income
DIAL	Disability Information and Advice Line	JV	Joint Venture	SCS	Senior Civil Servant
DIO	Defence Infrastructure Organisation	KPIs	Key Performance Indicators	SDA	Submarine Delivery Agency
DoD JPO	Department of Defence, Joint Program Office	L&D	Learning and Development	SHE	Safety, Health & Environment
DSEI	Defence & Security Equipment International	LPG	Liquid Petroleum Gas	SHEF	Safety Health Environment Fire
DSG	Defence Support Group	LRQA	Lloyd's Register Quality Assurance	SLS	Senior Leader Scheme
DSOP	Director of Sponsorship and Organisational Policy	MACA	Military Aid to the Civil Authorities	SME	Subject Matter Expert
DSTL	Defence Science & Technology laboratory	MBA	Master of Business Administration	SSSL	Sealand Support Services Limited
DTA	DECA Tasking Agreement	MIDIT	Means of Identifying Internal Talent	SSG	Security Services Group
DTP	DECA Transformation Programme	Min(DP)	Minister for Defence Procurement	VAT	Value Added Tax
FIFO	First In First Out Basis	MJDI	Management of the Joint Deployed Inventory	UK	United Kingdom
FLS	Future Leaders Scheme	MHCA	Modified Historical Cost Accounting	US	United States
FReM	Financial Reporting Manual	MOD	The Ministry of Defence	WIP	Work in Progress
FROGS	Financial, Reputational, Operational, Governance and Strategic	MRO&U	Maintenance, Repair and Overhaul and Upgrade	XCR	Executive Compliance Review
FY	Financial Year	MSS	Marine Systems Support	XMB	Executive Management Board

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