



Defence Electronics &
Components Agency



Annual Report and Accounts

2020/2021

HC 613





Ministry
of Defence

Defence Electronics and Components Agency

Annual Report and Accounts 2020/2021

For period 1 April 2020 to 31 March 2021

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DEFENCE ELECTRONICS AND COMPONENTS AGENCY ANNUAL REPORT AND ACCOUNTS 2020/2021

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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.

Royal Navy Merlin from 846 RNAS dropping food supplies to HMS Prince of Wales off the coast of England.

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INTRODUCTION BY THE CHAIRMAN



Alec Don
Chairman

Throughout the last year, the country has been operating in a form of suspended animation due to the impacts of COVID-19. Within DECA, the impact of COVID-19 is evident in many different ways. In terms of operational impacts, attendance at the workplace was negatively impacted across the workforce, amounting to a loss of over 12,500 workdays (over 10% of DECA's annual capacity) across the year. DECA has also had to overcome the effects of large areas of the business having to work remotely and unsurprising direct/indirect impacts of increased levels of long-term sickness absence arising from the challenge of responding to the pandemic.

Given these significant impacts, DECA undertook a comprehensive review of activity in the early part of the financial year when it was recognised that COVID-19 would have a substantial impact on trading. The business quickly re-planned its operation, with the objective of preserving capacity and maintaining business outputs. It is a testament to the organisation and its leadership that over the financial year DECA succeeded in achieving these objectives, increasing its turnover from £28.3m in 2020 to £28.6m in 2021, and delivering a net operating profit of £528k, which was approximately 50% lower than in the previous financial year, but ahead of the revised plan, whilst continuing to deliver expected operational outputs and exceptional value to the customer.

Our work adds value in two important ways. First, through DECA's ability to reduce costs we are proposing to deliver by the end of FY2025/26, a 36% increase in volume at a cost that will reduce by 14% per unit. Second, DECA's ability to deliver innovative "Repair not Replace" technologies for

Defence equipment has allowed the Agency to demonstrate cost avoidance and savings in excess of £160m in the first six years of operation.

Overall, the items passing through DECA's hands represent only a small proportion of the totality of the Defence equipment currently in service, and opportunities for MOD to expand DECA's value adding capabilities across Defence are the heart of our aspirations to grow the Agency over the life of the Corporate Plan.

Not only do DECA's highly skilled staff deliver enormous value, but they play an indispensable role in keeping our country safe. Thank you to all our staff for the incredibly hard work over the past year and the contribution made towards building a strong future for DECA and its staff and families.

A handwritten signature in blue ink that reads "Alec Don".

Alec Don
Chairman
8 November 2021

STATEMENT BY THE CHIEF EXECUTIVE



Geraint Spearing
Chief Executive

The COVID-19 pandemic has had a substantial impact on all areas of society and has meant that we have all had to adapt our way of life. Businesses had to react and swiftly change how they operate, and DECA is no exception, with COVID-19 having had a significant impact on our operations during 2020 and 2021. I am proud of the way that all colleagues within the Agency have reacted with agility and purpose to ensure that we have maintained our critical Defence outputs.

Indeed, our outputs directly supported the COVID-19 response in the UK and beyond; a prime example being the way our Stafford teams re-conditioned Air Separation Units and delivered operator training for our RAF partners. These Air Separation Units were required at short notice to support production of oxygen at our Falklands military base and hospital in Port Stanley. Our team deployed alongside the units to carry out installation and training, delivering direct support to the COVID-19 pandemic.

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

We measure performance of our Agency through a suite of Key Performance Indicators (KPIs), and Critical Success Factors. These are reviewed annually and agreed with MOD to ensure the Agency delivers the value required by MOD. Despite the challenges of COVID-19, DECA delivered against the majority of KPIs, though a reduction in customer operating tempo resulted in a reduction in overall demand,

impacting our ability to achieve our Efficiency and Growth targets. Focus is now on recovery throughout 2021/22.

Despite the challenges, we have continued to diversify our support across all Defence domains, in particular the Land and Maritime domains, deploying our “repair not replace” capabilities to a much wider customer base in line with recommendations from the UK Government Investments Tailored Review of DECA, which was approved by MOD in early 2021. The approval of the Tailored Review sets the scene for increased MOD focus on the future strategy for DECA and on maximising the value that can be obtained through much greater utilisation of DECA across Defence. Our aim will be to continue to expand the value we offer to an ever-greater number of Defence customers, in support of key MOD and UK Prosperity programmes, and to our closest Global allies and partners.

Delivery of our business priorities during this most difficult of periods has only been realised through the continued excellence of our extremely dedicated workforce. I was delighted to see an improvement in our overall Employee Engagement index again this year, though there remains much to do in terms of engagement. We will continue to look for opportunities to build on these improvements as we look to recover post-COVID-19, and plan for operating in a “new norm”.

I continue to take great pride in being able to lead such a committed organisation, with such great people.

A handwritten signature in blue ink, appearing to read 'Geraint Spearing', written over a light blue horizontal line.

Geraint Spearing
Chief Executive
8 November 2021

PURPOSE, AIM, VALUES AND BUSINESS STRATEGY

OUR PURPOSE

We are a trusted MOD and industry partner assuring effective delivery of electronic and components capability in support of defence.

OUR AIM

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

OUR VALUES



WE 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



WE PROMOTE TEAMWORK 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



WE 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



WE 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

BUSINESS STRATEGY

DECA has continued to align and develop its business strategy within Defence Support and Industrial Policy. DECA continues to provide retained access to key specialist avionics obsolescence maintenance, repair and overhaul capability, but is increasingly supporting identification of ways for DECA to expand capability insertion. This is helping overcome Defence Budgetary pressures and maintaining the Agency's critical role in providing support to help ensure a fighting force fit for the challenges of the 21st century.

The Agency has continued to develop and implement its business strategy to evolve from a business providing assured services for largely legacy MOD equipment, to a business developing more holistic, regional and global, support solutions. 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.

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

These strategic objectives ensure the right balance between challenge and guidance to business planning development whilst maintaining alignment with MOD's strategic requirements.

CONTROL OF THE BUSINESS

DECA's governance structure is agreed with the owner, sponsor, 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 security management systems to ensure compliance is maintained whilst driving continuous improvement.

The Agency's governance structure is set out in the DECA Framework Document, which is currently under revision by MOD and will be re-issued during 2021.

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

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 for in-service equipment and future platforms across Defence from its Sealand and Stafford sites and deployed locations around the UK including:

- MRO&U 'hub' and Centre of Excellence development;
- 'repair not replace' and obsolescence technical mitigation solutions;
- regional and mobile medical, dental, cryptographic and calibration 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; and
- enhanced deployable capabilities in both peacetime and transition to war.

UK Government Investment's Tailored Review of DECA (2019/20) confirmed the Agency's strategic importance to UK MOD and DECA retention as an MOD owned Agency. MOD, DE&S and DECA will develop a revised MOD strategy for DECA, during 2021, that builds on the outstanding successes of securing 'global' F-35 MRO&U and national F-35 Non-Aerial Vehicle assignments and expansion of DECA services across all Defence domains. This provides



Ambush, the second of the Royal Navy's potent new Astute Class attack submarines, sails into Her Majesty's Naval Base Clyde to begin sea trials

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the long-term foundation (30+ years) on which MOD will expand DECA capability insertion where it offers best value within support solutions across Defence.

UK MOD has entered into a Joint Venture (JV) with BAE Systems and Northrop Grumman Corporation. The JV, incorporated as Sealand Support Services Limited (SSSL) will provide global maintenance, repair, overhaul, upgrade and sustainment services for the range of assigned components from the hub at DECA Sealand. Upon F-35 depot stand-up, DECA will become a first tier key supplier into SSSL.

Key to realising MOD's ambitions will be continued development and strengthening of the strategic relationship with our principle MOD customer, DE&S. DECA will work with DE&S to maintain and deepen the current relationship and align this within wider Defence Transformation and Defence Equipment Plan 2020.

DECA continues to maintain the capability to develop agile, deployable teams through active deployments at customer locations around the UK and provision of regional services in support of critical Defence outputs. DECA maintains the ability to enter areas of conflict or in need of humanitarian support in the UK and overseas, growing these services 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 to develop our role in providing subject matter expertise through managed services, repair technologies and technical obsolescence mitigation.

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

To support the 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 not replace' technologies as well as obsolescence management and mitigation solutions on new and life-extended equipment.

TRANSFORMATION AND EFFICIENCY

To ensure delivery of its key strategic priorities and forecast growth over the life of the Plan, DECA launched a Transformation Programme in 2019 to focus on development of an efficient organisation fit for the challenges of the future.

In response to the challenges of COVID-19, DECA sought to maintain critical operational capability and commissioned a temporary reallocation of its Transformation resource to critical business continuity activities. This has led to a re-prioritisation of activities following the Transformation resource returning when business continuity activities ceased. COVID-19 has demonstrated that DECA needs to be increasingly agile and efficient and this reinvigoration is already underway with endorsement from the DECA Board. Delivery of the programme's three key pillars of Future Workforce, Future Workplace and Future Business Systems has continued, with the completion of our Pay & Grading review and a sustained leadership and management development project. Building on the lessons learned during COVID-19, DECA continues to implement 'Smarter Working' across the business and an increased number of self-directed process ownership and improvement initiatives are increasing value within business procedures.

DECA's Transformation Programme is informed through the MOD Deputy Head of Profession Network to ensure alignment with wider MOD transformation programmes including across Business and Behavioural Change, Digital & Information Technology, Front-line Capability Support and People. We will continue to mature the Programme within this dynamic environment through wider MOD engagement and roll out of a new Project Delivery Functional Strategy within DECA. This has already enabled best practice methodology to be embedded within our Programme & Project Management Office in pursuit of a DECA Project Delivery Centre of Excellence.

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 AS.

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.

MICHELLE PESTER AND KATHERINE CARR DEPARTMENTAL NON-EXECUTIVE DIRECTOR (job share)

Michelle and Katherine are experienced Senior Civil Servants with extensive experience of leading policy, strategy and operational teams at the centre of government. As a job share partnership they currently lead the Ministry of Defence sponsorship team, building governance relationships between the centre of the department and a number of its Enabling Organisations, including the Defence Electronics and Components Agency, Defence Business Services, the Ministry of Defence Police, the Oil and Pipelines Agency and the Single Source Regulations Office. They sit as Non-Executive members on the Board of these organisations, as the representative of the MOD Chief Operating Officer.

Michelle has previously worked in several government departments including: the Home Office, leading on a number of high-profile immigration and border security issues; DWP, delivering transformational policy and legislative change for Universal Credit; and Defra, establishing the department's transformation programme, and latterly leading a team to develop regulation policy for the farming industry after the UK leaves the Common Agricultural Policy.

Katherine previously spent 13 years at the Home Office, working throughout the immigration system, and 3 years at Defra, first establishing the department's transformation programme, and latterly leading a team to develop regulation policy for the farming industry after the UK leaves the Common Agricultural Policy.

Michelle and Katherine are both passionate about flexible working and people issues, and jointly chair the MOD Flexible Working Network.

PETER SHORTT **NON-EXECUTIVE DIRECTOR**

Peter is an experienced venture capitalist and corporate financier and has spent a number of years working within Government on a range of corporate finance, governance, commercial and strategy issues.

Before his retirement in 2015 Peter worked for UK Government Investments (formerly the Shareholder Executive), part of the UK Government responsible for managing its interests in a number of commercial operations. In 2012 he moved to the Ministry of Defence 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. He was non-executive Chair of Defence Business Services until April 2021.

Peter now spends the bulk of his time as chief investment office of Sustainable Accelerator, one of the UK's leading early stage investors in clean tech and emerging energy technologies. He is an active private investor in start-ups and early stage businesses

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 North Wales. Other current and recent 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 Times TES UK Further Education Leader of the Year Award in February 2017, in recognition of his contribution to skills and training across the UK.

GERAINT SPEARING **CHIEF EXECUTIVE**

Geraint Spearing became the Chief Executive of the Defence Electronics Components Agency (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 DECA, during the sale of the Defence Support Group.

Prior to this Geraint was Chief Operating Officer of DSG, 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 25 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 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 KPIs.

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 along with Strategic Lead for F-35.

Wayne has a Masters' Degree 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 technician 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.

Ian is a graduate of the prestigious Civil Service Future Leaders' Scheme and provides 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. In FY19-20, Ian led DECA's COVID-19 crisis management, business continuity and response and recovery planning phases.

KEITH PAVETT COMMERCIAL 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. Currently Ian is the DECA lead for the US/UK Government to Government 'Atlantic Eagle' project, which sees collaboration between the United States Air Force Sustainment Command and MOD's DE&S on Air Platform support.

Ian is a Mechanical and Production Engineer and 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



Members of 45 Commando's Mortar Troop firing the 81mm Mortar.

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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 recovering 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 strategic five-year Corporate Plan annually that is approved by the DECA Board and endorsed by the Agency's ministerial owner, (the Minister for Defence Procurement), with the extant plan approved in August 2020. The Plan forms the basis of the DECA Budget and reflects the long-term order book endorsed by the MOD customer. 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 24% (19/20: 8%) during 2020/21 with a net trading income of £0.5M (19/20: £1.2M). DECA also achieved delivery of at least 96% (19/20: 96%) of its agreed customer performance programmes. Further details of performance are shown in the performance analysis below.

RISK

The major corporate risks during 2020/21 were:

- Failure to achieve the Financial Plan
- Failure in whole or in part to convert the Business Plan levels of demand.
- Failure to deliver agreed levels of efficiency in the plan



Risk 1 - Failure to achieve the Financial Plan

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

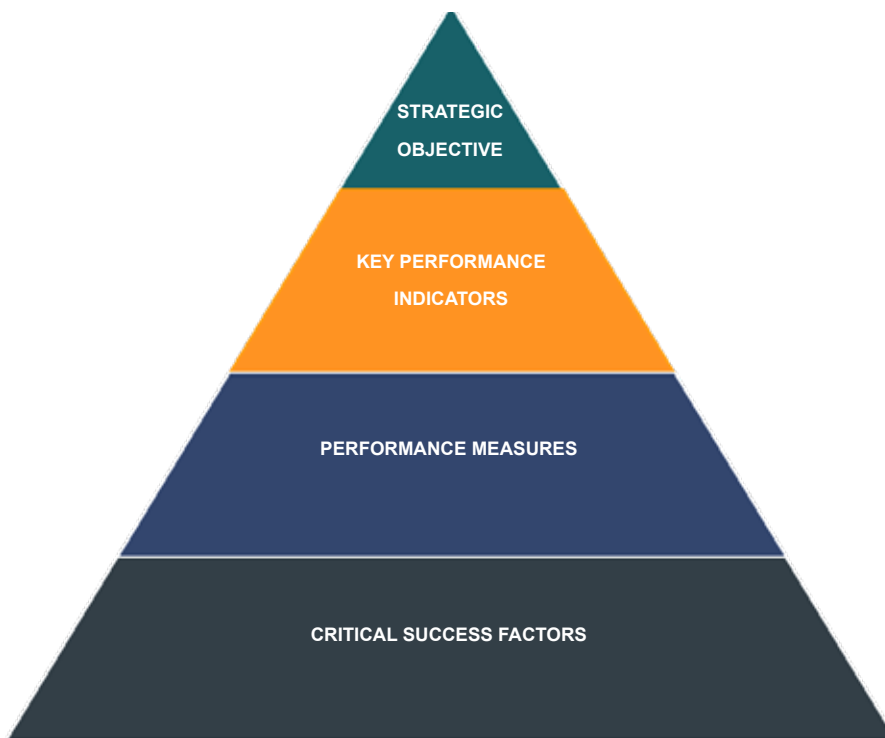
Note: the above risks are a snapshot at 31 March 2021 and do not take into account any future risk mitigation.

PERFORMANCE ANALYSIS

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

Our performance framework captures our areas of focus and aligns these with outcomes. We also closely monitor any risks and uncertainties that will prevent us from achieving our outcomes.

THE DECA PERFORMANCE MANAGEMENT HIERARCHY



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

DECA Executive Management Board regularly measures and reviews performance against these indicators. In addition, the DECA Board and MOD's DECA Performance and Risk Review challenge and review performance against KPIs.

KEY PERFORMANCE INDICATORS FOR 2020/21

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 KPIs (KPIs) for 2020/21 with the MOD owner and customer focal point. The KPIs were endorsed by the DECA Board and MOD sponsor and 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% average 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 through:</p> <ul style="list-style-type: none"> • independently assured Health, Safety and Environmental Protection Management Systems • 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 FY2020/21. • achieving zero attributable major customer concerns in FY2020/21 • maintaining DECA quality performance against the established baseline for minor customer concerns 	<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"> • achieving >6% compound annual growth rate in man hours by the end of FY2021/22# • securing an 8 percentage point increase in share of total manhours across Land, Maritime, Cyber and Tri-service activities by the end of FY2023/24 	<p>NOT 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"> • delivering the DECA Transformation Programme in line with the agreed plan • delivering an increase in workforce 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 benefits with at least £10M benefits from Land, Maritime, Cyber and Tri-service activities 	<p>NOT ACHIEVED</p>

Note: Due to the impact of COVID-19 and a subsequent reduction in customer demand volumes, DECA did not realise the planned levels of compound annual growth (KPI4) & the planned level of labour efficiency (KPI5). Workforce costs were reduced as far as possible to mitigate the impact through delayed recruitment, reduction in surge labour and in overtime

PERFORMANCE MEASURES FOR FINANCIAL YEAR 2021/22

The proposed KPIs for FY 2021/22 are:

<p>KPI 1: To maintain control of the business through efficient and effective delivery of the Plan</p>	<p>KPI 1a: <2% average variation in forecast accuracy KPI 1b: Achieving £1.158M of profit in Year 1 of the Plan KPI 1c: Maintaining independently assured Health, Safety and Environmental Protection Management Systems KPI 1d: Maintaining an independently assured Quality Management System</p>
<p>KPI 2: To deliver the agreed Customer programmes and outputs whilst maintaining appropriate quality standards</p>	<p>KPI 2a: >96% of agreed DECA Customer Programmes in FY2021/22 KPI 2b: Zero attributable major customer concerns in FY2021/22 KPI 2c: Less than 5 minor customer concerns KPI 2d: >70 customer confidence index</p>
<p>KPI 3: To deliver the agreed levels of targeted business growth in the Plan</p>	<p>KPI 3a: >5% compound annual growth rate in labour hours by the end of FY2023/24 KPI 3b: 8 percentage point increase in share of total labour hours across Land, Maritime, Cyber and Tri-service activities by the end of FY2023/24</p>
<p>KPI 4: To deliver the DECA Transformation Programme to ensure a more agile, efficient and effective business that is fit for the future</p>	<p>KPI 4a: Implementing the DECA Transformation Programme in line with the agreed plan KPI 4b: Report the number of DECA employees quarterly by gender and any protected characteristics disclosed KPI 4c: 11% increase in direct labour utilisation by the end of FY2024/25 KPI 4d: 15% increase indirect/indirect ratios by the end of FY2024/25 KPI 4e: Generating >£25m of benefits with at least £10m benefits from Land, Maritime, Cyber and Tri-service activities</p>

*KPI 3 related to growth is under review and may be revised in the course of the current year. Given the recognition that there is a clear link between growth in volumes, increased efficiency and Value to Defence, the Agency Board has launched a review of the Growth KPI to ensure that the business maximises efforts on appropriate and focussed growth, both in short-term opportunities and the medium/long-term pipeline.

BUSINESS PERFORMANCE REVIEW

OVERVIEW

Despite the negative impacts of COVID-19 during the year, the period of this report has seen DECA achieve three of its five KPIs and continues 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 throughout the COVID-19 pandemic 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 2020/21, highlights have included:

- Significant Maritime/Submarine cost avoidance - overcoming technical obsolescence, improving component availability and delivering urgent operational requirements to significantly increase equipment availability. This has been supported by deploying on board ship to carry out repairs to equipment and fixtures along with installation and commissioning of sensitive equipment on the Queen Elizabeth and Prince of Wales carriers.
- Regional and Deployed activities – continues to see an expansion of DECA's Medical and Dental technical support to MOD's Surgeon General's area, maintaining priority tasking to customers during COVID-19 including travelling into Europe in support of new units being declared on the contract. This was supplemented by installing and commissioning new unit capabilities such as x-ray and defibrillators. The team have continued to deploy technical support capability alongside MOD REME to support the Watchkeeper programme. The pandemic also resulted in urgent operational requirements for Air Separation Unit capability in strategic locations which meant servicing and repairing at short notice then deploying alongside the capability to

commission, this work resulted in employees receiving Award of Commander of British Forces South Atlantic Islands Medal of Excellence Medal.

- New Capabilities – DECA continue to improve and expand its capability offerings across new platforms such as P8, F35 and Mastiff vehicles, this has seen development of equipment, technical specifications, calibration procedures and manufacturing along with testing and certification.
- Logistics – This year has seen DECA working closely with its Army customers in particular on a large inventory consolidation, repackaging and accounting project. This has seen approximately 190,000 items through the process and follow on work in technical engineering. F35 warehouse has also been designed and setup in readiness for the first components being delivered.

INVESTMENT IN INFRASTRUCTURE AND NEW CAPABILITIES

DECA has maintained a close focus on the compliance of our estate and buildings in order to deliver enhanced efficiency and sustainability, whilst aiming to reduce the Agency's environmental footprint. This year we have completed a number of de-carbonisation projects following the successful grant application through Salix. Conversion to electric heating to four of our buildings at Sealand and the installation of enhanced insulation in the form of replacement windows and doors to another, are all contributing to reducing our carbon emissions. In parallel, we have also upgraded these buildings with sub metering in order to improve energy efficiency.

It has been a successful year for infrastructure project delivery. We have sustained our focus on sustaining our High Voltage network to ensure our supplies are secure and compliant. We have refurbished the roof of our Fuel Pump Test House, extending the longevity of this asset, which is used across Defence to repair and overhaul systems and equipment. Meanwhile a replacement chiller in our main operations building which has provided resilience to our operations with increased efficiency. We have also installed a replacement Air Handling Unit to one of our secure buildings, upgraded Fire Alarm systems to 2 of our main buildings and delivered a Gas Safety Management Plan

in order to ensure sustained compliance of our gas pipeline across the Sealand site.

There has also been a focus on delivering health and well-being improvements for our staff which have included a refurbishment and upgrade of toilet and break room facilities at Stafford.

In addition, DECA delivered a wide range of infrastructure enhancements to support COVID-19 safe working practices, some of which included installation of air purification systems to wash-rooms, installation of anti-microbial covers door handles, provision of hand sanitisation units throughout all buildings and the sustainment of enhanced cleaning regimes throughout our premises.

FY20-21 also saw the culmination of a project to relocate MOD's Security Services Group to MOD Sealand. This latest phase of DECA's Smarter working initiative has contributed enhanced capability for both DECA and SSG, whilst improving the utilisation of the Sealand site and offering better value for defence all round.

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.

Sustained investment by the MOD in the Automatic Test Equipment systems in DECA makes them ready to support current 5th generation aircraft (such as F35) with test instrumentation suitable to support 6th generation aircraft (Project Tempest and beyond) via smaller, cheaper, card updates. This latest capability investment also allows the ATE systems to support both legacy, modern and future Air, Land, Maritime and Submarine equipment for decades to come.

Test Solutions are world leaders in the development and promotion of ATE test programs that can be run on any capable ATE system. This work, now formalised in DEF STAN 66-31 part 8, will reduce dependency on OEM supplied and

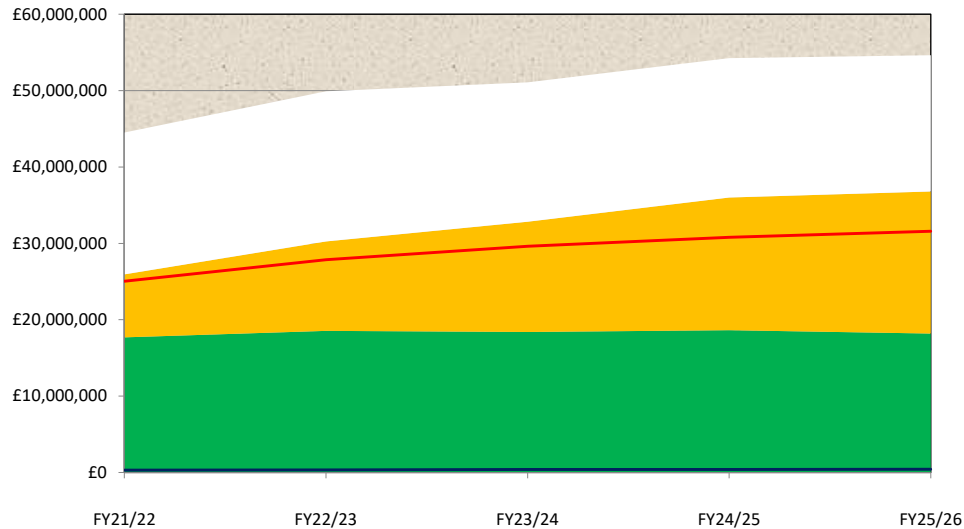
supported bespoke test systems. This reduced dependence helps to reduce long-term support costs for new equipment by allowing already in-service ATE systems and support mechanisms – like those the MOD have placed at DECA – to be used on newly procured equipment. Why buy again when you already have similar test equipment in service?

The value of this work has been recognised by the United States JPO and is now forming part of the World-wide support policy for the F35 platform. As well as cementing DECA's strategic position as Subject Matter Experts in ATE use, the work of Test Solutions is offering exciting new avenues of growth for DECA in markets at home and abroad while maintaining front-line availability for the MOD on an ever-increasing footprint of current equipment.

FUTURE WORKLOADS

The detail of future revenue forecasting is shown on page 21 (extracted from the approved Corporate Plan FY2021-26). To note, a review is underway following recommendations from the Tailored Reviews of both DECA and DE&S, to understand whether DECA/DE&S can work more closely to maximise growth, utilisation and value from DECA's services. A team has been established to identify the core services required, agree levels of growth ambition, identification of joint process improvements, along with any investments that may be required and identification of the benefits and value that will be delivered as a consequence of any recommended change. The review will identify the most appropriate sponsorship and governance model focussed on growth and sustainment of the Agency. It is expected that recommendations for any improvements will be made through Director Sponsorship & Organisational Policy before the end of 2021.

BUSINESS PROJECTIONS (REVENUE) BY CATEGORY



Category (Revenue)	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26
Cat A (High)	£17,706,143	£18,556,073	£18,389,264	£18,641,239	£18,199,744
Cat B (Medium)	£8,223,488	£11,696,186	£14,434,814	£17,349,075	£18,595,957
Cat C (Low)	£18,586,323	£19,663,482	£18,259,384	£18,253,981	£17,830,167
Total potential revenue	£44,515,954	£49,915,741	£51,083,462	£54,244,295	£54,625,868
Projected revenue	£25,053,314	£27,867,182	£29,630,985	£30,792,697	£31,587,745

COMMERCIAL AND BUSINESS DEVELOPMENT FOCUS

2020 presented challenges that were both unanticipated and unprecedented in nature due to the COVID-19 pandemic. These have been felt within the Agency through a 13% shortfall in anticipated workload against the original Plan for FY2020/21. The bulk of the reduction was felt in Quarter 1 with the whole of the UK in its first national lock-down. While DECA remained operational in line with Government guidance its focus was to deliver key Defence and National Security outputs, support overseas operations (where possible), and MOD contingency plans held at readiness to provide Military Assistance to the Civil Authorities. Examples of this included the urgent repair and refurbishment of Air Purifying Units to produce medical grade oxygen as well as supporting their installation overseas. At the same time, both DECA and its customers, were implementing measures to facilitate remote and digital working. Recovery of this shortfall was challenging due to the continued COVID-19 situation which restricted DECA from carrying out business winning activities under normal working conditions.

However, new opportunities were identified and realised throughout the year, each contributing to a reduction in the overall shortfalls. This resulted in a 95% achievement of the revised planned workload. These included inventory management for Land customers, the introduction of an Additive Manufacturing capability, the commencement of feasibility studies for Battle of Britain Memorial Flight and expansion of Typhoon calibration. Additionally, DECA has continued to secure longer agreements with MOD customers for the provision of repair, maintenance and managed services.

In 2020/21 DECA Business Development and Commercial Teams have continued to pursue the sector strategies to meet the dynamic nature of the defence market and in particular our customer's existing and new requirements. Whilst the Air Domain has been busy throughout this period the Teams have continued to build the Land and Maritime portfolios, which has seen increases in development and production tasks as well as a broadening of DECA's

capabilities such as Logistical Support. DECA has maintained its ability to support UK Forces in operations at both home and overseas, including support to COVID-19 requirements as well as ensuring availability of traditional equipment types. This once again demonstrated the agility and versatility of DECA personnel as well as DECA's ability to develop and grow its in-house repair capabilities to meet ever changing customer requirements.

During this period DECA has maintained its role of continuing to propose support options for both new and mature equipment's and continues to look to attain a position at the front-end of the support solution envelope. Examples of this include Hawk T1 & T2 support via the Hawk 2020 Programme which ran throughout the year, and across a number of Land and Maritime platforms. DECA engaged and worked with DE&S, ISS, SDA, Dstl and industry platform manufacturers and OEM's to establish solutions on various equipment's that can be sized and scaled to support future UK, multi-national European and wider overseas operations.

DECA further maintained its portfolio in the development and broadening of its portfolio in establishing support for logistical, packaging and storage of equipment's in the Land Sector and for the resolution of obsolescence issues on older equipment's across all domain's, including land and maritime platforms, and also continued to mature opportunities to partner with US and UK based defence companies. Examples of this include:

- The completion of the Programme of works to manufacture and Installation of vehicle upgrade kits for Land Platforms
- The introduction of logistical tasking for BATCIS/ISS communication inventory and the diagnostic and repair capabilities for tactical communication systems
- Continued development of an opportunity to on-shore in the UK an UAS repair capability for SAR Radar
- Expansion of the portfolio for feasibility and development tasking for Maritime and Underwater Systems including moving items to a production status
- Commencement and development of an enhanced Air Domain portfolio to include DECA as a preferred provider for Battle of Britain Memorial Flight equipment's, and opportunities on new platforms such as E7 and P8.

DECA and DE&S jointly continued to lead US/UK Government

to Government Initiatives, working closely with our United States Air Force colleagues in providing joint solutions for the 'Atlantic Eagle' Project, with a view to supporting equipment's on similar UK platforms, and/or similar equipment types. This relationship has matured significantly during this period with initial equipment's scheduled to commence work at DECA Sealand in mid-2021. This project is set to embrace both equipment repair, and joint test architecture development now and into the future.

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 2021/22, which will provide a further opportunity for the UK, together with our industry partners. Building upon the success of the Agency's F35 workload secured through Tier 1 and Tier 2 Assignments, the intent is to work collaboratively with our JV Partners to submit appropriate bids through the UK Government Assignee for future F35 activity and volumes in line with planned F35 JPO RFI Tier 3 process during 2022.

MARKETING AND BRANDING

During a difficult year, DECA has continued to promote its diverse capability as an in-house provider delivering best value for Defence to its MOD customers through various channels including virtual events, digital platforms and internal publications. Although the 2020 pandemic meant that face-to-face customer interaction has not been appropriate, the development of a more comprehensive online presence and the internal news releases has enabled continued communications with both our existing and new customers within Defence Equipment and Support (DE&S), Information Systems and Services (ISS), Front Line Commands (FLC), the Submarine Delivery Agency (SDA) and Defence Science and Technology Laboratory (Dstl) to generate new work. DECA also continues to broaden knowledge of its capability within the wider Defence markets through digital platforms, industry body membership and events and attendance at appropriate key Defence events, both virtual and face-to-face, such as Defence Security Equipment International (DSEI), Farnborough International Airshow (FIA) and Defence Vehicle Demonstration (DVD). DECA retains a 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 and the

recent adoption of new MOD branding conventions ensures DECA is fully aligned with the MOD brand.

DECA TRANSFORMATION PROGRAMME (DTP)

We plan to build on our achievements so far and go further, developing our Transformation strategies to work collaboratively with MOD, industry and other arm's length bodies as we look to expand capabilities appropriately across the organisation in pursuit of an increased value proposition to Defence.

The Transformation Programme looks to support the organisation through delivery of the Corporate Plan to become the go to, acknowledged, Centre of Excellence for Electronics and Components capability across Defence by 2025.

During the COVID-19 pandemic the programme team remained crucially involved with business continuity and supported a number of functions throughout the organisation, supporting the minimal impact to the organisation's performance and more importantly the safety of our employees.

On re-engagement, the Transformation Programme implemented various mitigations and re-prioritisation of programme fundamentals to ensure as minimal impact to the programme as possible. In parallel to this work an internal 'root-and-branch' review of the programme was delivered along with a Defence Internal Audit (Achieving a Substantial audit opinion).

PEOPLE

Our People work-stream strategy continues to improve DECA culture through engagement with employees, teams and trades unions ensuring we appropriately value our people. In completion of our comprehensive pay and grading review we revalidated over 400 job descriptions and re-invigorated engagement with colleagues across the business. This along with the remuneration comparison data already achieved will inform an intelligent and appropriate performance management system incorporating succession planning and talent management throughout the organisation. Investment in our people increased, even though difficult circumstances ensued, and DECA

maintained the Leadership & Management development programme, provided continuity of learning through access to the online learning environment ILX and participated in the MOD trial for the Governmental Online Skills Tool (GOST).

TECHNOLOGY

Our Technology work-stream strategy has enhanced capability and increased efficiency and value for money through new ways of working. Implementation of early Smarter Working elements ensured the organisation was in an acceptable position from which to react to the pandemic. Significant work within the IS department ensured business system access for all employees within a commendable timeframe. Delivery of Phase 1 of both the Business System Analysis and recommendation and the active & passive infrastructure synthesis and recommendation have ensured DECA are best positioned for migration to an updated desktop solution (MODnet) and have the infrastructure backbone to accommodate any Enterprise Resource Planning upgrade. Improvements to communication channels with increasing access to MODnet for internal users ensured accessibility to best practice functional environments in support of a single platform of knowledge within defence and simpler customer engagements. Further technology upgrades include faster, more efficient connectivity through broadband and Wi-Fi improvements, plus conference facility upgrades incorporating wider usage of collaborative, integrated business platforms in support of Smarter Working and new ways of working through interactive, virtual attendance in meetings and a flexible, more effective office environment in preparation for a return to the new normal.

PROCESS

The process work stream remains focussed on business process ownership and compliance, business performance measurement, advanced sales and operations planning and process improvement. Continuous improvement initiatives have further developed project delivery and in-house PMO capability aligned with both the MOD Transformation programme and MOD's Project Delivery Centre of Excellence ensuring best practice project and change expertise embedded within the organisation. PMO support has enabled growth within the organisation with delivery

support for broader programmes such as: F-35, Additive Manufacturing and BATCIS.

HEALTH AND SAFETY

Throughout 2020-21, COVID-19 safety has been of the utmost priority, to ensure the safety of DECA staff whilst DECA has remained operational in line with Government guidance throughout the COVID-19 pandemic, delivering key Defence and National Security outputs, support overseas operations (where possible), and MOD contingency plans held at readiness to provide Military Assistance to the Civil Authorities.

The ongoing measures and social distancing restrictions we have introduced are unprecedented. We have adapted our workshops, offices and welfare facilities to enable our technical and direct support workforce to work safely, whilst we swiftly responded with IT solutions to work from home where they can. We have continually engaged our workforce, Trades Unions, Safety Representatives and subject matter experts, listening to what has worked well and what has not, aligning mitigations with MOD's overarching strategy, to provide the greatest flexibility and agility during these particularly challenging times.

Against this background, with vigilance and continued emphasis on safety in the workplace, DECA achieved its target of less than 1 reportable incident (RIDDOR) per 100,000 output hours during the year. Two RIDDORs in March, have driven renewed focus on manual handling risk reduction. With a reduction in presence on our sites, there was a corresponding reduction in the near miss reporting and we strived to ensure that health & safety messaging was prominent in all our employee communications. In addition, DECA continued to monitor closely the working environment to mitigate any risk and to maintain our commitment to continuous improvement in Health & Safety, driving to reduce incidents and constantly looking to improve our incident reporting culture.

BRIBERY AND CORRUPTION.

There were zero instances related to bribery or corruption in 2020/21 (2019/20: Nil). All staff have been made aware of the fraud and whistle-blowing policies. All staff undertake a rolling 3 year programme of mandatory training in respect to counter fraud, bribery and corruption.

OUR ENVIRONMENTAL IMPACT

Environmental protection is a high priority for DECA, where the Agency has continued to drive improved performance to support wider government initiatives and targets. With the aim of reducing CO2 emissions and reducing overall costs in 2019-20, DECA decommissioned an inefficient district heating system, replacing this with the first phase of a modernisation programme based on modern, standalone, electric systems for heating and hot water in three key operational buildings at the Sealand site. In addition, we delivered a complimentary scheme to improve the efficiency (thereby reducing gas consumption and emissions) of the gas boilers serving our Head Office and Main Operating Centre. This scheme delivered the added benefits of improved the resilience, reliability and longevity of the system.

Equally DECA maintained its outstanding performance in waste management by diverting 100% of its waste from landfill of which 67% was recycled and 33% 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 26. 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.

SUSTAINABILITY REPORT 2020/21

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 2020/21.

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.

Scope	Type GHG	2018/19 Kg Co2e	2019/20 Kg Co2e	FY 20/21 target (5% reduction)	2020/21 Kg Co2e
1	Gas	412,300	260,400	247,380	339,000
2	Electricity	2,429,166	1,705,700	1,620,415	1,428,700
3	Travel	199,889	135,052	128,299	121,926
Total		3,041,355	2,101,152	1,996,094	1,889,626

It is pleasing to report a 10% decrease in our overall annual carbon position for reporting period 2020/21. Within this substantial (16.2%) reduction in CO2e from electricity consumption offset a temporary increase in gas consumption, which was the result of firing a reduced number of boiler modules harder, to enable other modules to be withdrawn for upgrade. This work was completed in year and will lead to reduced carbon emissions in the longer term. Overall, there has been a decrease in travel. Our

response to the Covid-19 pandemic saw travel significantly reduced in the period from November 19 to March 2020. Business continuity was enabled by timely investment in our IT infrastructure and we aim to benefit permanently from the best aspects of video conferencing and collaborative remote working, which have the potential to reduce travel and drive better utilisation of the DECA estate in the long term. Summary of annual expenditure found below:

	2020/21 £'000	2019/20 £'000
Expenditure on energy and water	903	868
Expenditure on business travel	126	198
Total expenditure on energy and business travel	1,029	1,066

DECA staff are deployed throughout the UK for a variety of essential support roles to MOD. 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. During the year, we launched a competitive tender for the scheduled

replacement of our Medical and Dental fleet cars, where we are committed to seeking Ultra Low Emissions alternatives to our current diesel fleet.

DECA MANAGEMENT OF WASTE

DECA policy on waste management remains to constantly strive to reduce waste production in the first instance. We have maintained our focus on recycling, and are proud to have sustained 100% diversion of waste from landfill in 2020/21, for the second year running. The production of heat from incinerated waste has also provided an energy return recovered via the incinerator plant.

The tables below shows the total waste produced and the percentage of waste diverted from landfill and also the total costs for the disposal of waste.

	2018/19	2019/20	2020//21
Total Collection Weight (kg)	35,347	61,320	45,242
Refuse Derived Fuel (RDF) (kg)	18,473	17,452	14,726
Recycled (kg)	10,898	43,868	30,516
Recycled & RDF Total Collection Weight (%)	31	72	67
Diverted from Landfill (%)	99	100	100

	2020/21 £'000	2019/20 £000'
General waste	30	34
Recycled waste	7	7
Special or hazardous waste	4	4
Total expenditure on waste	41	45

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. We have made further progress in our drive towards electronic files and processes that negate with the need for printed documents or records, with a focus this year in the reduction of Engineering and Personnel records held in 'hard copy'. DECA also began a trial of electronic signature software, which has the potential to streamline process, increase security and further reduce the need for printed forms and records. Remote working reinforced the electronic circulation of meeting packs, double sided printing is standard practice and all paper that is consumed is 100% recycled.

Paper Reams	2015/16	2016/17	2017/18	2018/19	2019/20	2021/21
A4	1,780	2,575	1,736	1,646	1,572	1,508
A3	0	30	15	17	11	5
Total	1,780	2,605	1,751	1,663	1,583	1,513

DECA routinely measures paper consumption in different areas of the business against established baselines, which provides detail for understanding and control, achieving a sustained year on year reduction, every year since 2016/17.

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. Infrastructure works completed this year as part of MOD's "Project Aquatrine" saw a complete refurbishment of the water tower, addressing a potential source of significant leakage loss.

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 or international companies.
- Health Safety & Environmental Protection professionals 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 continues to collaborate with us on a range of environmental protection and sustainability improvement initiatives. Significantly, our provider has sustained their certification to the latest ISO 14001 standard.

SUSTAINING OUR WORKFORCE

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 continues to drive change through a number of people-focused initiatives to increase personal effectiveness and efficiency and ensure 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 2021, 352 (2019/20: 350) employees operate from DECA's Centre of Excellence for MRO&U based at Sealand, North Wales (within the Deeside Enterprise Zone) and a further 88 (2019/20: 85) employees operate from our satellite site in Stafford, our customer base at Abbey Wood and various other deployed locations according to customer needs. We are developing our Future Workplace Strategy which incorporates our learning from our COVID-19 experiences and technological initiatives to augment people's work/life balance experience, improve effectiveness and efficiency, whilst supporting DECA's environmental focus, through better utilisation of our estate and reduced travel.

We communicate honestly, openly and authentically with all our people through a range of channels and we actively encourage and act on feedback of our communication methods. This has been exceptionally important during this unprecedented year due to the COVID-19 pandemic. Once again we participated in the 2020 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 increased from 53% in 2019 to 57% in 2020. Also encouraging was improvement across all of our nine key themes, with the key improvements being Leadership & Change (12% improvement), Organisational Objectives (11% improvement) and My Manager (8% improvement). This clearly reflects the efforts of all colleagues as we look to improve engagement across the business. However, although gradually improving, we recognise our engagement index remains low and we are committed to driving further improvement. Acting on the results of the survey, an action plan has been developed.

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 keeping employees fully engaged throughout the COVID-19 pandemic, particularly given that an average of 42% of the workforce have been working from home either full time or partially. This has included the introduction of a number of comprehensive employee information packs, regular all-employee dial ins and corporate briefings and 1-1 well-being and professional performance meetings with direct reports. 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 was completed in year and managers engaged with all employees on an individual basis to confirm and discuss the outcome of evaluation for their role. All of the valuable information gathered by the review will inform our thinking and provide a rational and balanced basis for any future project activity around potential changes, which would be fully consulted with the Trades Unions.

Our pay remit for 2020/21, which fully complied with HM Treasury Civil Service pay guidance, was approved by Minister for Defence Procurement and Secretary of State for Defence and has been successfully negotiated with Trades Unions, 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 well-being 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 well-being 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 MOD to train a number of speak-safe volunteers this year.

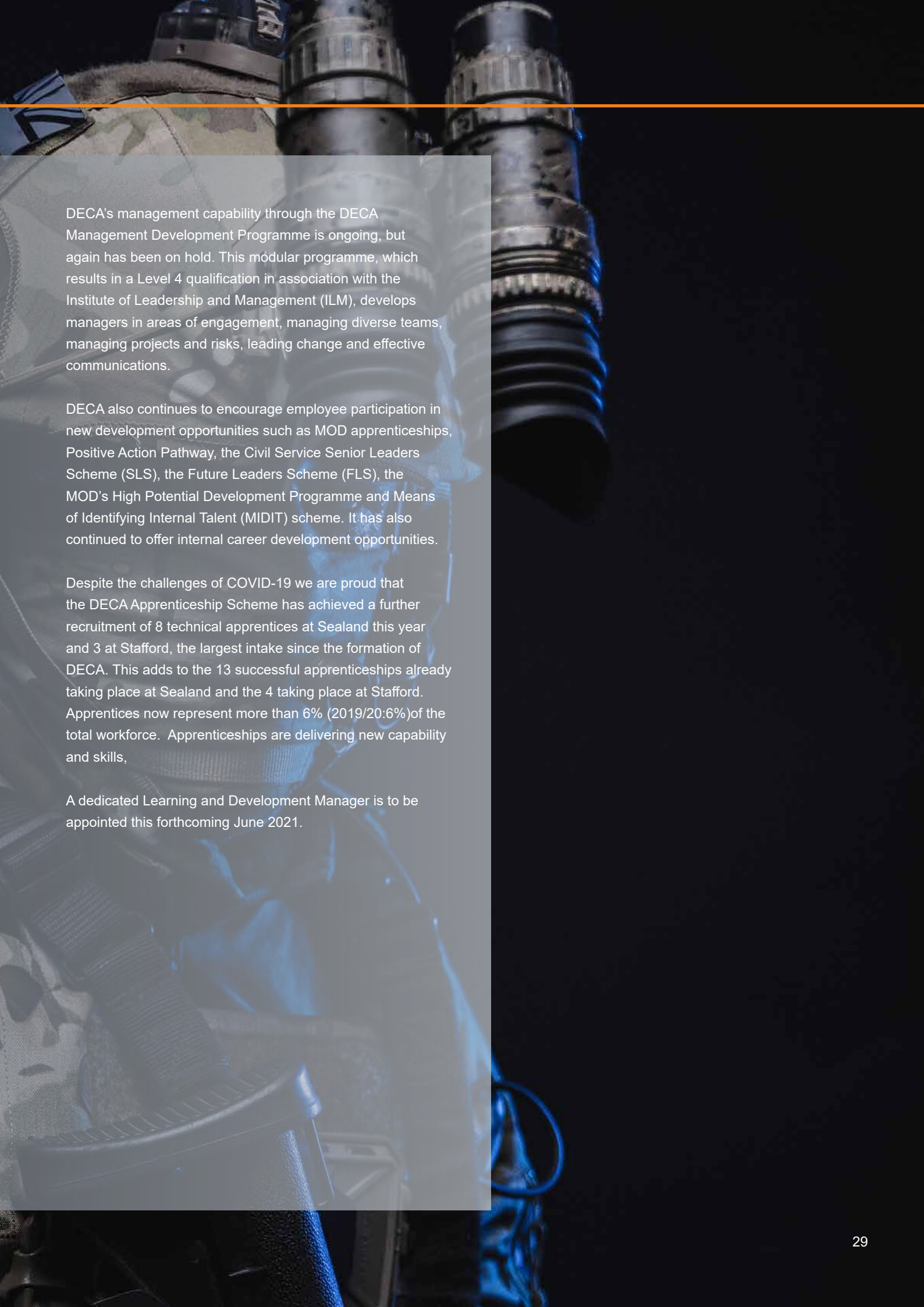
Within DECA, we are proud to have 17 employees who are certified mental health first aiders (19/20:17) and who form the DECA Connections Team. This represents 4% (19/20: 4%) of the workforce. Championed by the Chief Executive and sponsored by the Finance Director and Head of Strategy, Governance & Secretariat, 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.

We have been very conscious of mental health concerns during the COVID-19 pandemic. All managers have held regular 1-1 well-being meetings with members of their teams and appropriate support has been offered when needed.

LEARNING AND DEVELOPMENT

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

Although on hold during the year, DECA's internal development programme is extant and open to all employees. It 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.



DECA's management capability through the DECA Management Development Programme is ongoing, but again has been on hold. This modular programme, which results in a Level 4 qualification 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.

DECA also continues to encourage employee participation in new development opportunities such as MOD apprenticeships, Positive Action Pathway, 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 continued to offer internal career development opportunities.

Despite the challenges of COVID-19 we are proud that the DECA Apprenticeship Scheme has achieved a further recruitment of 8 technical apprentices at Sealand this year and 3 at Stafford, the largest intake since the formation of DECA. This adds to the 13 successful apprenticeships already taking place at Sealand and the 4 taking place at Stafford. Apprentices now represent more than 6% (2019/20:6%) of the total workforce. Apprenticeships are delivering new capability and skills,

A dedicated Learning and Development Manager is to be appointed this forthcoming June 2021.



An RAF Chinook Helicopter arriving at Knook Camp, Salisbury Plain, where French Paratroopers from 2e Regiment Etranger de Parachutistes wait to carry out training on the aircraft.
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FINANCIAL PERFORMANCE REVIEW

TRADING RESULTS

DECA successfully completed its sixth year as an Executive Agency with a net operating income of £0.5M which was an increase on plan.

	2020/21		2019/20	
	Plan £M	Actual £M	Plan £M	Actual £M
Turnover	27.735	28.631	25.578	28.331
Non Turnover Receipts	0.536	0.512	0.549	0.348
Total Operating Income	28.271	29.143	26.127	28.679
Variable Costs	3.569	4.301	1.078	2.958
Production Overheads	24.277	24.314	23.938	24.529
Total Operating Expenditure	27.846	28.615	25.016	27.487
Profit	0.425	0.528	1.111	1.192

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

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.

NET GAIN/(LOSS) ON REVALUATION OF PROPERTY/ PLANT AND EQUIPMENT

There was a net loss of £2,936K due to the impairment of two buildings no longer in use and also following the de-recognition of a production building which was leased to Sealand Support Services LTD.

CAPITAL INVESTMENT

The capital investments for the year were an air handling unit (£0.066M), laptops (£0.033M), interactive display screens (£0.028M), Server Clusters (£0.067M) additional High Voltage works (£0.127M), Buildings 15 and 16 fire alarms (£0.105M), gas management safety plan and heating solution for several buildings (£0.092M) and replacement roof for building 21 (£0.024M).

At the 31 March 2021 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.

ADMINISTRATION AND ACCOUNTING

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

APPROVAL

The performance report is approved.



Geraint Spearing
Accounting Officer
8 November 2021

ACCOUNTABILITY REPORT

INTRODUCTION

The purpose of the accountability report is to meet key accountability requirements to Parliament. The accountability report has three sections:

- Corporate governance report
- Remuneration and staff report
- Parliamentary accountability and audit report

The corporate governance report explains the composition and organisation of the DECA's governance structures and how they support the achievement of our objectives. The corporate governance report comprises:

- the Directors' report
- the Statement of Accounting Officer's responsibilities
- the Governance statement

The remuneration and staff report sets out DECA's remuneration policy for Board members and how that policy has been implemented. In addition, the report provides details on remuneration and staff that are fundamental to demonstrating transparency and accountability. The Parliamentary accountability and audit report brings together the key Parliamentary accountability disclosures including the Certificate and Report of the Comptroller and Auditor General to the House of Commons.



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Directors who served during the year were:

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

Non-Executive Directors who served:

- Alec Don Chairman (Non-executive Director)
- Peter Shortt Non-executive Director
- David Jones Non-executive Director
- Luke Dearden MOD Non-executive Director until 31st July 2020
- Michelle Pester/Katherine Carr MOD Non-executive Director from 1st August 2020 (Job share)

DIRECTORS REPORT

There have been five 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 2020/21 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
Alec Don	1st August 2019	31st July 2022	3		
Peter Shortt	1st July 2015	30th June 2021	2	Chair	
David Jones	28th October 2019	27th October 2022	3		Chair
Luke Dearden	31st July 2017	31st July 2020	3	✓	✓
Michelle Pester/ Katherine Carr	1st August 2020	31st July 2023	Not applicable	✓	✓

Note: Michelle Pester and Katherine Carr (job-share) jointly replaced Luke Dearden as Departmental NED 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, Wales, United Kingdom

COMPOSITION OF MANAGEMENT BOARD

The composition of the management board can be found on page 10.

PENSION LIABILITIES

Details of the pension liabilities and their treatment is contained within the Remuneration and Staff Report on page 48 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. Alec Don held a directorship of AutoTerminal Khalifa LLC, a company within Abu Dhabi Ports and Zura Properties Limited. No other directors of the DECA Board held any company directorships or other significant interests outwith their DECA positions that 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 2020/21 (2019/20: Nil).

SICKNESS ABSENCE

DECA's sickness absence data is in the Staff Report, which is at page 48.

REPORTING OF PERSONAL DATA RELATED INCIDENTS

No personal data related incidents were reported for the financial year 2020/21 (2019/20: One reported and subsequently dismissed).

A Mastiff 2 Armoured vehicle leads the way at the Leconfield testing track in North Yorkshire.

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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:

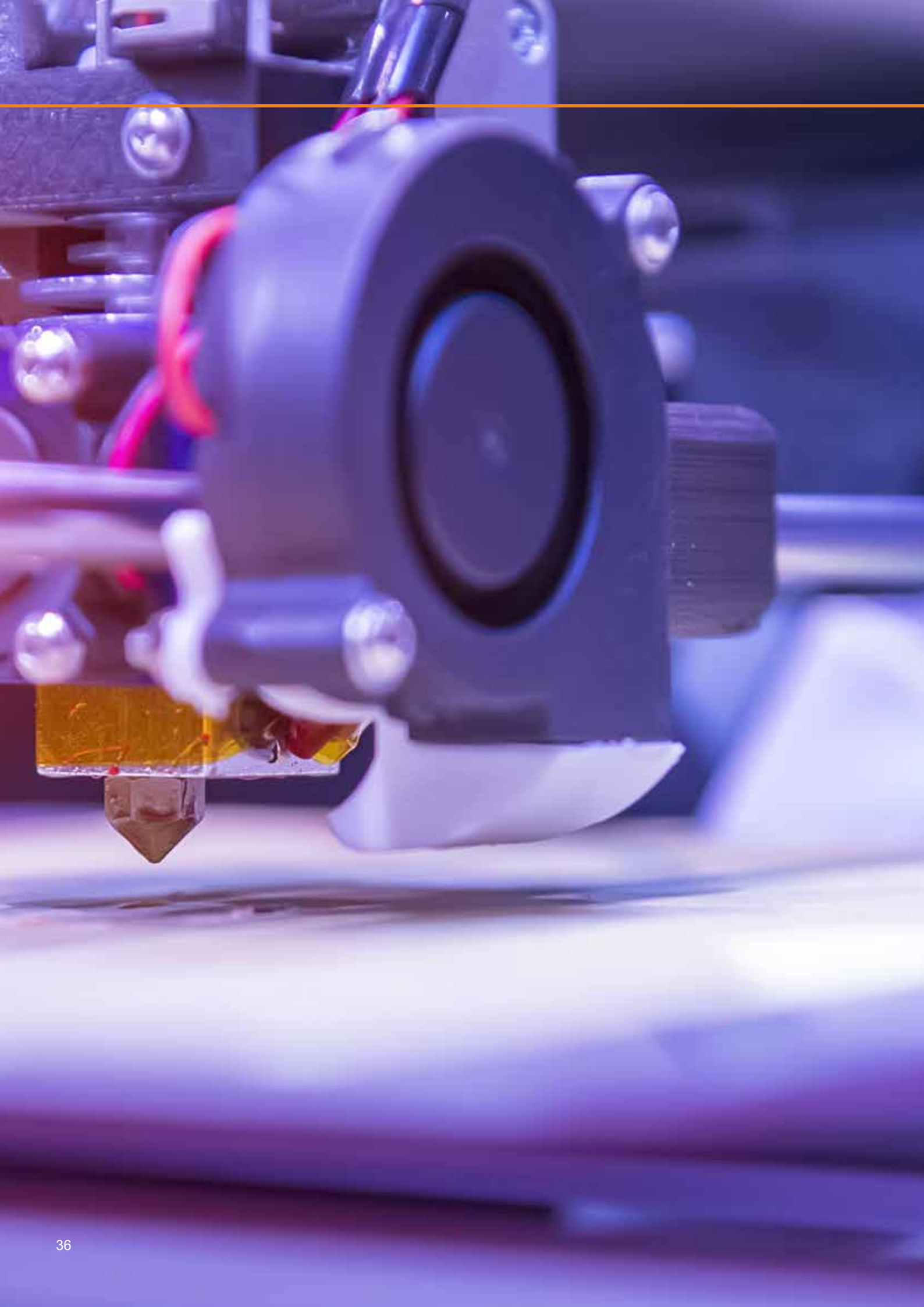
- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the 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 taking personal responsibility for the judgements required for determining that it is fair, balanced and understandable.

HM Treasury, through MOD's Permanent Secretary (PUS), 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.





GOVERNANCE STATEMENT

OVERVIEW

As Accounting Officer, the Chief Executive of DECA ensures that it adheres to the principles and standards set out in HM Treasury's 'Managing Public Money' guidance, including in terms of governance, decision-making and financial management. This governance statement sets out frameworks, processes and supporting evidence to provide assurance on how we have managed risks and complied with good corporate governance.

SCOPE OF RESPONSIBILITY

I was appointed as Accounting Officer for the Agency on its formation on 1 April 2015 with responsibility for the preparation of these sixth DECA Agency Accounts for 2020/21. 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 2020/21 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 Executive Directors and senior management and their direct reports
- Internal and External Audit
- Executive 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 that is currently under review and will be uplifted and re-issued during 2021. These policies and processes were subject to review by Defence Internal Audit throughout 2020/21 where arrangements received Substantial Assurance. Work continues to ensure that DECA Corporate Governance remains in line with established MOD best practice, the developing 2021 DECA Framework

Document and wider government guidelines.

The governance structure in place during 2020/21 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) on behalf of the Departmental Sponsor (MOD's Chief Operating Officer) with delegated responsibility for oversight of DECA on behalf of MOD's Permanent Under Secretary and DECA's owner, the Minister for Defence Procurement. The permanent membership of the P&RR comprised DSOP, Head Office Finance, DECA's Departmental NED, DECA Chairman and the Chief Executive of DECA. The P&RR supports and advises the sponsor and owner on the review and setting of DECA's strategic objectives, KPIs, 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 four times during the year.
- DECA Board ("the Board"), the Board was chaired by our independent Non-Executive (NED) Chairman and comprises four additional NEDs, two of whom are the departmental NED (job share) 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 Plan, DECA's risk appetite and controls for risk management as well as supporting the development and endorsement of the Corporate Plan and Annual Report and Accounts. The Board met eight times during the year, which included one extraordinary meeting.
- 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 and DECA Chair also members. It is attended by the DECA Support Services Director and the DECA Head of HR (who also acts as Secretary). The RENCO Chair may also invite the DECA Chief Executive, any other DECA Executive Directors, and/or any other Subject Matter Experts (SMEs) from within DECA, as appropriate. The main responsibilities of the RENCO were to advise the owner, sponsor, Chief Executive and Board on matters relating to DECA's pay and reward strategy. The RENCO met five times during the year.
- 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 Plan. The XMB met twelve times during the year.

- Executive Governance Review, the Chief Executive, as Accounting Officer, chaired the Executive Governance Review, 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.



Soldiers from the 3rd Battalion the Parachute Regiment Battlegroup fire live rounds with their 7 Parachute Regiment Royal Horse Artillery (7 RHA) 105mm Light Gun during Ex Askari Storm Kenya. (1)

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Schedule of meetings and attendance during 2020/21:

Meeting	Members	Meetings held	No. attended (Note 1)	% attendance	% Overall attendance	No. of members	Scheduled frequency
DECA Performance & Risk Review	MOD Director of Sponsorship and Organisational Policy (Chair)	4	4	100%	94%	4	Up to 4 annually
	MOD NED	4	3	75%			
	DECA Board Chair	4	4	100%			
	DECA CE	4	4	100%			
DECA Board	DECA Board Chair	8	8	100%	100%	7	At least 6 times annually
	Independent NED – ARAC Chair	8	8	100%			
	Independent NED – RENCO Chair	8	8	100%			
	MOD NED	8	8	100%			
	DECA CE	8	8	100%			
	DECA Finance Director	8	8	100%			
	DECA Head of Strategy & Governance	8	8	100%			
Audit and Risk Assurance Committee	Independent NED (Chair)	4	4	100%	100%	5	Up to 6 times annually (minimum 2)
	MOD NED	4	4	100%			
	DECA CE (by invitation) (Note 1)	1	1	100%			
	DECA Finance Director (by invitation)	4	4	100%			
	DECA Chair (by invitation) (Note1)	1	1	100%			
Remuneration and Nomination Committee	Independent NED (Chair) MOD NED	5	5	100%	100%	4	Up to 6 times annually (minimum 2)
	DECA Support Services Director	5	5	100%			
	DECA Head of Human Resources	5	5	100%			
		5	5	100%			
Executive Management Board	Chief Executive (Chair)	12	12	100%	90%	7	Monthly
	Finance Director	12	12	100%			
	Commercial Director	12	12	100%			
	Support Services Director	12	12	100%			
	Operations Director	12	10	83%			
	Business Development Director	12	9	75%			
	Head of Strategy & Governance	12	9	75%			
Executive Governance Review	Chief Executive (Chair)	3	3	100%	95%	7	Up to 6 times annually (minimum 2)
	Finance Director	3	3	100%			
	Commercial Director	3	3	100%			
	Support Services Director	3	3	100%			
	Operations Director	3	3	100%			
	Business Development Director	3	2	67%			
	Head of Strategy & Governance	3	3	100%			
Executive Compliance Review	Chief Executive (Chair)	4	4	100%	86%	7	Up to 4 times
	Finance Director	4	4	100%			
	Commercial Director	4	3	75%			
	Support Services Director	4	4	100%			
	Operations Director	4	4	100%			
	Business Development Director	4	3	75%			
	Head of Strategy & Governance	4	2	50%			

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

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 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 any relevant interests of 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), Transformation, Remuneration, Risk Management and Internal Audit.

BOARD PERFORMANCE

The Performance and Risk Review was held four times during the year with the DECA Board and Board sub-committees (Audit and Risk Assurance Committee (ARAC) and Remuneration and Nominations Committee (RENCO)) meeting eight, four and five 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 2020/21 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 previous financial year, in line with best practice and following agreement with the Board, DECA's Tailored Review Team and MOD Centre, a Stage 1 "Establishing the Board" review of Board performance took place at the beginning of 2020/21. A Stage 2 "Developing the Board" review is underway and is expected to report during Jul 2021.

HIGHLIGHTS OF BOARD COMMITTEE REPORTS

Highlights of the ARAC, RENCO, Risk Management and Compliance meetings were raised to the Executive Board and DECA Board as appropriate along with any relevant reports. Significant items from these meetings were:

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 the non-corporate level Human Resources and Finance Directorate risk registers.

The audit programme was designed to provide validation that the 2019/20 KPIs had been achieved and through three further audits to provide assurance on financial controls on Corporate Governance, Assurance over COVID-19 Controls, and Transformation.

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

- KPIs (2019-20) (Validated)
- Corporate Governance (Substantial Assurance)
- Assurance over COVID-19 Controls (Full Assurance)
- Transformation Programme (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 and to undertake a review of DECA's corporate bonus scheme alongside the endorsement of payment arising from the current year's business performance.

Additionally RENCO reviewed any wider activities across the MOD with potential to 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 and two 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 2020/21, as well as a DIA Governance Audit which obtained Substantial Assurance. Therefore, in the CE's opinion, DECA has followed the HM Treasury 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 sixth year has been to establish 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 and risk appetite with the different categories of risk and through its Executive 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 and the impacts of Covid-19, those risks identified as the main priority and highest potential impact to the business were:

- Financial Performance
- Demand

Key business risks 2020/21	Current risk		Target risk	
	Probability	Impact	Probability	Impact
Financial performance	High	High	Medium	High
Demand	High	High	Medium	High

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.

- Executive Risk Management Committee – meets at least three 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 XMB Directors, or their deputies. 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 Cyber Defence and Risk (CyDR) 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 Defence Digital (DD) organisation 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. DECA has taken on the Principal Security Adviser (PSyA) responsibilities this year ensuring that all security reporting requirements have been delivered and that DECA has been represented at all MOD centre security meetings.

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 was one incident of attempted fraud, originating outside DECA, during the year (19/20: Nil). The attempt was intercepted, with no loss to DECA, was reported to MOD and the authorities, whilst being fully investigated by DECA, with learning fed forward into management action, which has further reinforced DECA anti-fraud processes.

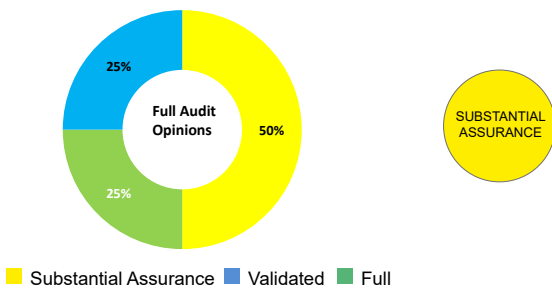
BUSINESS CONTINUITY

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. Significantly, the BCP activation, initiated in March of the previous financial year, remained 'live' throughout April and into May in response to the ongoing 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. In addition, the BCP was successfully enacted following a power outage incident in January 20. The DECA BCP ensured that our response was efficiently and effectively managed and demonstrated that IT services were protected on site and that Facilities support arrangements were able to bring services back quickly, minimising any impact on Operations.

HEALTH & SAFETY

Throughout FY2020-21, COVID-19 safety has been of the utmost priority, to ensure the safety of DECA staff whilst DECA has remained operational in line with Government guidance throughout the COVID-19 pandemic. Although there were two work-related reportable incidents in 2020/21 (zero: 2019/20), DECA achieved its target of less than 1 reportable incident (RIDDOR) per 100,000 output hours during the year, which has driven renewed focus on manual handling risk reduction. Near miss reporting ensures potential problems are captured early and although reduced presence on our sites saw a reduction, where reports were made these continue to be thoroughly investigated. Encouragingly, near miss reporting provided early opportunities to improve COVID-19 safety and home working. 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



This is DECA's sixth 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.

From the audit work completed over the past year we noted that there were adequate and effective frameworks in place to ensure effective systems of governance, risk management and internal control. This is reflected in our overall opinion of Substantial Assurance.

GOVERNANCE

DECA continues to maintain best practice Governance practices, which were reviewed by DIA in 2020/21 and obtained Substantial Assurance. DECA has an established Audit and Risk Assurance Committee (ARAC) as a Sub Committee 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.

DECA Audit Assignments and Audit Opinions	
Audit	Audit opinion
Key Performance Indicators (2019/20)	Validated
Corporate governance	Substantial
Assurance over COVID-19 controls	Full
Transformation Programme	Substantial

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

OVERVIEW

This report sets out the remuneration policy and provides details on remuneration and staff that Parliament considers key to accountability. The following sections are subject to audit:

- Remuneration (salary, benefits in kind and pensions) of Executive Board members
- Fees paid to Non-Executive Board members
- Pension benefits of Executive Board members
- Staff costs
- Average number of persons employed

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 Chair, the People Director and Head of HR (who also acts as Secretary). 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 below Senior Civil Service. The RENCO met 5 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

Independent Non-Executive Directors (NEDs) are appointed for a fixed term period 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 Cabinet Office and HM 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 Minister for Defence Procurement and Secretary of State of Defence 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 2020/21 pay settlement year, All DECA pay spines below SCS and DECA Allowances were revalorised by 2.5%. The overall total cost did not exceed 2.5% 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 Cabinet Office 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.



An E-3D Sentry, or AWACS, at RAF Akrotiri flying in support of Defence Operations.

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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)"	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000	£	£	£'000	£'000	£'000	£'000
Chief Executive Geraint Spearing	85 - 90	80 - 85	5 - 10	5 - 10	-	-	53	33	145 - 150	120 - 125
Operations Director Wayne Baker	60 - 65	60 - 65	0 - 5	0 - 5	-	-	30	43	95 - 100	110 - 115
Finance Director Belinda Longman	70 - 75	70 - 75	0 - 5	0 - 5	-	-	35	33	105 - 110	100 - 105
Support Services Director Ian Doughty	65 - 70	65 - 70	0 - 5	0 - 5	-	-	28	28	95 - 100	95 - 100
Head of Strategy, Governance & Secretariat Jason Leeks	55 - 60	50 - 55	0 - 5	0 - 5	-	-	30	22	85 - 90	75 - 80
Business Development Director Ian Cole	55 - 60	65 - 70	0 - 5	0 - 5	-	-	13	18	70 - 75	85 - 90
Commercial & Contracts Director Keith Pavett	65 - 70	65 - 70	0 - 5	0 - 5	-	-	28	24	95 - 100	90 - 95

Note: During 2020/21 all members of the Executive Management board, excluding Chief Executive, were awarded a bonus of £500 (2019/20: £487.50) each in line with the Corporate Bonus Scheme for FY ending 31 March 2020. 2 executive directors received a further bonus under the special bonus scheme. The Chief Executive receives a bonus as part of the MOD Performance 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 31/03/21 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/21	CETV at 31/03/20	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive Geraint Spearing	35 - 40 plus lump sum of 80 - 85	2.5 - 5 plus lump sum of 0 - 2.5	661	605	32
Operations Director Wayne Baker	20 - 25 plus lump sum of 45 - 50	0 - 2.5 plus lump sum of 0 - 2.5	338	312	13
Finance Director Belinda Longman	30 - 35	0 - 2.5 plus lump sum of 0	586	532	24
Support Services Director Ian Doughty	20 - 25	0 - 2.5 plus lump sum of 0	334	304	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	358	326	19
Business Development Director Ian Cole OBE	20 - 25 plus lump sum of 70 - 75	0 - 2.5 plus lump sum of 0 - 2.5	580	546	14
Commercial & Contracts Director Keith Pavett	30 - 35 plus lump sum of 95 - 100	0 - 2.5 plus lump sum of 0 - 2.5	761	717	18

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.

PAY MULTIPLES (SUBJECT TO AUDIT OPINION)

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

This information is subject to audit opinion	2020/21	2019/20
Band of highest paid Director total remuneration	£90,000 - £95,000	£85,000 - £90,000
Median total remuneration	£28,752	£28,752
Ratio	3.22	3.04

The remuneration of DECA's staff was in the range £14,853 per annum (2019/20: £14,853) to £90K to £95K per annum, these figures are for a full year. The median remuneration of the workforce was £28,752 (2019/20: £28,752).

The banded remuneration of the highest-paid executive director in DECA in the financial year 2020/21 was £90K to

£95K (2019/20, £85K - £90K) (See Remuneration (salary, benefits in kind and pensions table)). This was 3.22 times the median remuneration of the workforce, which was £28,752 (2019/20: £28,752). In line with Government pay constraints the proposed pay increase for 2020/21 was 2.5% for those below the Senior Civil Service. The backdated award is due to be implemented in 2021/22 and has been accrued.

In 20/21, zero employees received remuneration in excess of the highest-paid executive director (2019/20: 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 2020/21. (2019/20: Nil).

OFF PAYROLL APPOINTMENTS

There were no new or existing off payroll appointments during the financial year (2019/20: Nil).

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

Non-Executive Director	Fees 2020/21 £'000	Fees 2019/20 £'000
Alex Jablonowski (End 31st July 2019)	Nil	5 - 10
Alec Don (Start 1st August 2019)	20 - 25	10 - 15
Peter Shortt	10 - 15	10 - 15
Tim Walton (End 30th June 2019)	Nil	0 - 5
David Jones (Start 28th October 2019)	10 - 15	5 - 10
Luke Dearden (Note 1)	Nil	Nil
Michelle Pester (Note1)	Nil	Nil
Katherine Carr (Note 1)	Nil	Nil

Note 1 Luke Dearden, Michelle Pester and Katherine Carr 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 the year was	2020/21	2019/20
Senior management	15	15
Civilian personnel	393	386
Agency staff	8	10
Total	416	411

All staff listed above are on permanent contracts with the exception of 8 Agency staff (2019/20: 10 Agency staff) and 27 Fixed Term Appointments (2019/20: 22 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:

	2020/21		2019/20	
	Males	Females	Males	Females
Senior management	11	4	11	4
Civilian personnel	332	61	330	56
Agency staff	6	2	6	4

PAYROLL COSTS £'000 (SUBJECT TO AUDIT OPINION)

	2019/20	2018/19
Salaries, wages and allowances	13,043	12,578
Social security	1,183	1,177
Pension costs	3,259	3,225
Agency staff	224	330
Total payroll costs	17,709	17,310

Note: 2020/21 includes £48,212 (2019/20 £47,599) 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 1,937 which equates to 4.7 days per employee, based on average employee number for the year (2019/20 3,372 at 7.9 days per employee).

STAFF TURNOVER

The staff turnover figure for the rolling 12 months to 31 March 2021 stands at 2.9%. Leaving reasons comprise 10 Resignations/Retirements, 1 End of Contract and unfortunately 1 Death in Service (2019/2020: turnover 4.8%, comprising 14 Resignations/Retirements, 2 Transfers, 1 End of Contract and unfortunately 1 death in Service)

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 leads our Diversity & Inclusion Strategy.

DECA operates a guaranteed interview scheme (GIS) for disabled candidates who meet the minimum essential criteria. During this year, as a member of the Armed Forces Covenant and a Silver Employer Recognition Award winner, DECA also introduced GIS for Armed Forces veterans.

CONSULTANCY AND CONTINGENT LABOUR

During 2020/21 a consultant was engaged to undertake a review of the DECA Integrated Business Planning process £8K (2019/20: Nil). Contingent Labour costs for 2020/21 were £224K (2019/20: £330K) 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.

TRADE UNION RELATIONSHIPS

DECA has a recognition agreement with PCS, Prospect, Unite, GMB and FDA for the purposes of negotiation and consultation (although FDA has no DECA members and is not currently represented).

Relationships with represented Trades Unions are very effective. We operate a Whitley system at agency and local level and involve TU reps in key business activity such as Transformation Programme Board, Executive Compliance Review, Apprentice Training Committee and Diversity and Inclusion Group.

Additionally, we have an agreed Engagement Policy with TU's, which details the agreed level of engagement, consultation or negotiation required depending on the circumstances. Informal engagements also take place regularly with Functional leads, primarily the HR functional lead who holds an informal engagement with TU focal points monthly.

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 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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

For 2020/21, the employer contributions of £3.3 million were

payable to MyCSP (2019/20: £3.2 million) at one of four rates in the range 26.6 per cent to 34.1 per cent of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions.

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 no resignations on the grounds of ill-health during the year (2019/20: Two).



**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 (2019/20: nil). There were no DECA voluntary or compulsory redundancies during the year (2019/20: Nil). Further details about the Civil Service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk.

Pictured are Royal Marines from Bravo Company preparing for Project HERMOD 2 on Bovington Training Area, Dorset

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HMS Queen Elizabeth berthed at a jetty in Augusta, Sicily during the Carrier Strike Group Deployment 2021

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PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

REGULARITY OF EXPENDITURE (SUBJECT TO AUDIT OPINION)

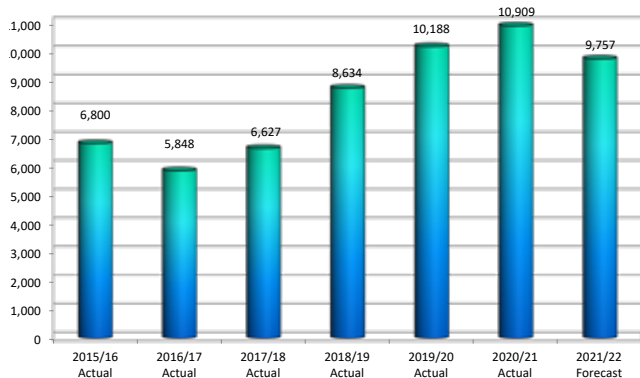
All expenditure made during the year was made in pursuit of DECA's business objectives .

There were no improper or irregular payments (2019/20: Nil).

There were no material losses or special payments (2019/20: Nil).

There were no severance payments or write-offs (2019/20: Nil).

Long-term expenditure trends



Fees and Charges (subject to audit opinion)

	MOD	Commercial	Total
2020/21	£'000	£'000	£'000
Revenue (Based on hours)	20,813	3,335	24,148
Variable revenue	4,476	8	4,483
Total revenue	25,289	3,342	28,631

Variable costs	4,294	7	4,301
Production overheads	20,551	3,251	23,802
Total costs	24,845	3,258	28,103
Surplus	444	84	528

	MOD	Commercial	Total
2019/20 (Restated)	£'000	£'000	£'000
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	21,740	2,439	24,179
Total costs	24,631	2,506	27,137

Surplus	704	491	1,192
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An analysis of the Agency's fees and charges are shown above. 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.

REMOTE CONTINGENT LIABILITIES (SUBJECT TO AUDIT OPINION)

DECA has no remote contingent liabilities in 2020/21. (2019/20: Nil)

APPROVAL

The Accountability report is approved

Geraint Spearing
Accounting Officer
8 November 2021

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 the Defence Electronics and Components Agency for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards (IFRS) as interpreted by the HM Treasury's Government Financial Reporting Manual.

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 the Defence Electronics and Components Agency affairs as at 31 March 2021 and of the Defence Electronics and Components Agency net operating income for the year then ended; and
- 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 FOR OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019.

I have also elected to apply the ethical standards relevant to listed entries. I am independent of the Defence Electronics and Components Agency in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Defence Electronics and Components Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Defence Electronics and Components Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Chief Executive as Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

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 certificate thereon. The Chief Executive as Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies

or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Defence Electronics and Components Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability report. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE AS 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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Defence Electronics and Components Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Defence Electronics and Components Agency's head of internal audit and

those charged with governance, including obtaining and reviewing supporting documentation relating to the Defence Electronics and Components Agency's policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Defence Electronics and Components Agency's controls relating to Managing Public Money and the Government Resources and Accounts Act 2000
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and management override of controls;
- obtaining an understanding of the Defence Electronics and Components Agency's framework of authority as well as other legal and regulatory frameworks that the Defence Electronics and Components Agency operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Defence Electronics and Components Agency. The key laws and regulations I considered in this context included Managing Public Money, the Government Resources and Accounts Act 2000, Tax legislation and Employment law; and
- specific risk assessments performed in respect of significant risks relating to fraud: risk-based sampling of manual journals to identify those presenting higher risk of fraud, informed by planning risk assessment and review of outturn against budget; review of estimates presented within the accounts; analysis of individual income streams to address the potential risk of fraud in revenue recognition.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;

- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- substantive testing of manual journals including journals with fraud characteristics; reviewing estimates within the account and challenging underlying assumptions and methodologies; and substantive testing of income streams to address risk of fraud in revenue recognition.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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.

Gareth Davies **Date: 11 November 2021**
Comptroller and Auditor General

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



Sqn RAF Regiment practicing vehicle drills, section and individual attacks as well as dismounting drills with the Foxhound Vehicle

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FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

		2020/21	2019/20 (Restated)
	Note	£'000	£'000
Income from contracts with customers	2	27,597	27,332
Other operating income	2	1,546	1,347
Total operating income		29,143	28,679
Staff costs	5	(17,709)	(17,310)
Purchase of goods and services	3	(9,178)	(8,004)
Depreciation charges	4,6	(729)	(845)
Other operating expenditure (excluding depreciation)	4	(999)	(1,328)
Total operating expenditure		(28,615)	(27,487)
Net operating income		528	1,192
Total net income		528	1,192
Amounts due to parent department	10	(425)	(1,111)
Retained net income		103	81
OTHER COMPREHENSIVE INCOME			
Items which will not be reclassified to net operating income:			
Net gain (losses) on revaluation of property, plant & equipment*	6	(2,936)	249
Total comprehensive income for the year		(2,833)	330

Note : 2019/20's primary statements have been restated due to MOD revaluation of assets that was not reflected in the previous accounts

The notes on pages 62 to 74 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	2020/21 £'000	2019/20 (Restated) £'000	1 April 2019 (Restated) £'000
Non current assets				
Property, Plant and Equipment	6	16,370	19,493	19,742
Finance Lease	12	1,836	0	0
Total Non Current Assets		18,206	19,493	19,742
Current assets				
Inventories and work in progress	7	288	313	346
Trade and other receivables	8	13,283	9,222	17,556
Cash and cash equivalents	9	10,261	11,685	1,753
Total current assets		23,832	21,220	19,655
Total Assets		42,038	40,713	39,397
Current liabilities				
Trade and other payables	10	(10,676)	(8,927)	(8,502)
Provisions	11	(57)	(75)	(51)
Total current liabilities		(10,733)	(9,002)	(8,553)
Total assets less total liabilities		31,305	31,711	30,844
Financed by:				
Taxpayers equity and other reserves				
Revaluation reserve	SOCTE	14,608	18,720	18,473
General fund	SOCTE	16,697	12,991	12,371
Taxpayers' equity		31,305	31,711	30,844

Geraint Spearing
Accounting Officer
8 November 2021

The notes on pages 62 to 74 form part of these accounts.

STATEMENT OF CASH FLOWS AS AT YEAR ENDED 31 MARCH 2021

		2020/21	2019/20 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES	Note	£'000	£'000
Net operating income	SOCI	528	1,192
Adjustments for non cash transactions:			
Depreciation charges	6,4	729	845
Notional audit fee	4	41	40
MJDI Supplied Materials	3	91	88
DIO Notional Costs	4	461	409
Decrease in inventories and work in progress	7	25	33
(Increase) / decrease in receivables	8	(4,062)	8,334
(Decrease) / increase in payables	10	1,323	(686)
Increase in provisions for liabilities and charges	11	(18)	24
Inflow / (Outflow) from operating activities		(882)	10,279
Capital Expenditure	6	(542)	(347)
Net cash outflow from investing activities		(542)	(347)
Cash flows from financing activities			
Repayment of funding to parent department		0	0
Net cash inflow from financing activities		0	0
Inflow / (Outflow) in cash and cash equivalents		(1,424)	9,932
Cash and cash equivalents at start of year		11,685	1,753
Cash and cash equivalents at end of year	9	10,261	11,685

The notes on pages 62 to 74 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Note	Revaluation Reserve £'000	General Fund £'000	Taxpayers' Equity £'000
Taxpayers' equity at 31 March 2020		18,720	12,991	31,711

Recognised in Statement of Comprehensive income for the year:

Net operating income	SOCI	0	528	528
Parent departments profit share	SOCI	0	(425)	(425)
Gain on revaluation of property, plant and equipment	6	161	0	161
Impairment		(4,273)	1,177	(3,096)
Creation of finance lease	12	0	1,833	1,833

Other movements:

Communicated costs	4	0	461	461
Repayment of equity to Parent department	10	0	0	0
MJDI Supplied Materials	3	0	91	91
Notional audit fee	4	0	41	41

Taxpayers' equity at 31 March 2021		14,608	16,697	31,305
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STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Note	Revaluation Reserve £'000	General Fund £'000	Taxpayers' Equity £'000
Taxpayers' equity at 31 March 2019		18,473	12,371	30,844

Recognised in Statement of Comprehensive income for the year:

Net operating income	SOCI	0	1,192	1,192
Parent departments profit share	SOCI	0	(1,111)	(1,111)
Gain on revaluation of property, plant and equipment	6	247	2	249
Disposals				0
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		18,720	12,991	31,711
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The notes on pages 62 to 74 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared in accordance with the Government Financial Reporting Manual (FReM) for 2020/21 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. A physical valuation was carried out for DECA's land & buildings in Nov 2018.

- **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.

DECA has one Finance Lease for which it is the Lessor. This relates to the lease of building 14 by Sealand Support Services Limited (SSSL).

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 2022-23.

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.

PRIOR PERIOD ADJUSTMENTS

Revaluation of Assets - Following the sale of DSG and the Creation of DECA, the DIO undertook a physical valuation of the land and buildings at the Sealand site on the 25th May 2016. The closing balance for fixed assets in DECA's 2015-16 accounts reflected these values and were audited by the NAO. Only the values for buildings in use and above the

capital threshold of £25K were reflected in DECA's accounts. Following this DECA has been using indexation rates provided by the MOD to revalue the assets at year end with the next physical valuation taking place at the end of FY2020/21.

Following consultation with the DIO to arrange the valuation to take place it was highlighted that a physical valuation of the land and buildings of the Sealand site had taken place in November 2018 as part of the MOD Quinquennial review.

This has resulted in the assets being revalued as at the valuation date of 1st November 2018. Indexation has been applied to the assets annually thereafter.

Impact on Financial statements

STATEMENT OF COMPREHENSIVE INCOME

	2018/19	Adjustment	2018/19 (Restated)	2019/20	Adjustment	2019/20 (Restated)
	£000'	£000'	£'000	£'000	£000'	£'000
Income from contracts with customers	25,942		25,942	27,332		27,332
Other operating income	1,108		1,108	1,347		1,347
Total operating income	27,050		27,050	28,679		28,679
Staff costs	(16,060)		(16,060)	(17,310)		(17,310)
Purchase of goods and services	(6,887)		(6,887)	(8,004)		(8,004)
Depreciation charges (Note 1)	(596)	(102)	(698)	(625)	(220)	(845)
Other operating expenditure (excluding depreciation)	(1,151)		(1,151)	(1,328)		(1,328)
Total operating expenditure	(24,694)	(102)	(24,796)	(27,267)	(220)	(27,487)
Net operating income	2,356	(102)	2,254	1,412	(220)	1,192
Total net income	2,356	(102)	2,254	1,412	(220)	1,192
Amounts due to parent department	(2,165)		(2,165)	(1,111)		(1,111)
Retained net income	191	(102)	89	301	(220)	81
OTHER COMPREHENSIVE INCOME/(EXPENDITURE)						
Items that will not be reclassified to profit or loss						
Net gain (Loss) on revaluation of property, plant & equipment (Note 2)	313	(528)	(215)	257	(8)	249
Total comprehensive Income/ (Expenditure) for the year	504	630	(126)	558	228	330

Note 1: Depreciation has increased in 2018/19 & 2019/20 by £102k and £220k respectively due to a combination of increase of value to assets as well as a reduction in useful life

Note 2: The loss on revaluation in PPE has increased in 2018/19 & 2019/20 by £528k & £8k respectively

STATEMENT OF FINANCIAL POSITION

	1 April 2019	Adjustment	1 April 2019 (Restated)	2019/20	In year adjustment	Adjustment (Cumulative)	2019/20 (Restated)
	£000'	£000'	£'000	£000'			£000'
Non current assets							
Property, Plant and Equipment (Note 1)	20,372	(630)	19,742	20,351	(228)	(858)	19,493
Total Non Current Assets	20,372	(630)	19,742	20,351	(228)	(858)	19,493
Current assets							
Inventories and work in progress	346		346	313			313
Trade and other receivables	17,556		17,556	9,222			9,222
Cash and cash equivalents	1,753		1,753	11,685			11,685
Total current assets	19,655	0	19,655	21,220			21,220
Total Assets	40,027	(630)	39,397	41,571	(228)	(858)	40,713
Current liabilities							
Trade and other payables	(8,502)		(8,502)	(8,927)			(8,927)
Provisions	(51)		(51)	(75)			(75)
Total current liabilities	(8,553)		(8,553)	(9,002)			(9,002)
Total assets less total liabilities	31,474	(630)	30,844	32,569	(228)	(858)	31,711
Financed by:							
Taxpayers equity and other reserves							
Revaluation reserve (Note 2)	18,883	(410)	18,473	19,140	(10)	(420)	18,720
General fund (Note 3)	12,591	(220)	12,371	13,429	(218)	(438)	12,991
Taxpayers' equity	31,474	(630)	30,844	32,569	(228)	(858)	31,711

Note 1: Net Book Value of PPE was reduced by £630k on 1 April 2019 and a further £228k in 2019/20, giving a cumulative reduction on 2019/20's published accounts of £858k

Note 2: The Revaluation reserve was reduced by £410k on 1 April 2019 with a further £10k reduction in 2019/20 giving a cumulative reduction on 2019/20's published accounts of £420k

Note 3: The General Fund was reduced by £220k on 1 April 2019 with a further £218k reduction in 2019/20 giving a cumulative reduction on 2019/20's published accounts of £438k

Other Financial statements

The fees and charges table was corrected to show the revised profit level for 2019/20 to account for the increase in depreciation

The Statement of Cash Flows has been restated to adjust for the additional depreciation charges for 2019&20, there is no impact on the end of year cash balance

The Statement of Tax Payer equity has been adjusted for the revised profit levels and changes due to the revaluation as per the changes in the SOCI & SOFP

The PPE Note 6 has been restated to show the revised figures based on the DIO revaluation and also the changes using indices for 2019/20.

2. INCOME

	Timing of income recognition	2020/21	2019/20
		£'000	£'000
MOD Revenue	At a point in time	11,324	12,041
MOD Revenue	Over time	13,964	13,293
Non- MOD Revenue	At a point in time	934	782
Non-MOD Revenue	Over time	1,375	1,216
Total		27,597	27,332

OTHER OPERATING INCOME

	2020/21	2019/20
	£'000	£'000
Rental income	504	289
Non rental income	8	59
Income not through contracts	1,034	999
Total	1,546	1,347

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

	2020/21	2019/20
	£'000	£'000
Cash costs		
Materials & sub contract costs	4,283	3,246
Accommodation costs	1,326	1,369
IT and Telecommunications	838	698
Utilities	903	868
Security	514	449
Equipment Support	447	602
Other services	776	684
Total Cash Costs	9,087	7,916

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	91	88
Total Non - Cash Costs	91	88
Total Purchases of goods & services	9,178	8,004

4. OTHER OPERATING EXPENDITURE

	2020/21	2019/20
	£'000	£'000
Cash costs		
Training	45	150
Insurance	219	210
Travel & subsistence	59	249
Other professional services	64	44
Lease and hire costs of plant, machinery & vehicles	110	202
Release of deferred income		24
Total cash costs	497	879
Non cash costs		
Notional Audit Fee	41	40
Notional Costs for DIO (see note)	419	409
Depreciation	729	845
Notional Costs for DIO upgrade	42	0
Total non - Cash Costs	1,231	1,294
Total other operating costs	1,728	2,173
Total other operating expenditure (excluding depreciation)	999	1,328

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 2020/21 is £419k (2019/20 -: £409k).

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

The notional cost of £42k for the DIO upgrade at the Stafford site was refurbishment of toilet and canteen facilities.

5. STAFF COSTS

	2020/21	2019/20
	£'000	£'000
Salaries, wages and allowances	13,044	12,578
Social security	1,182	1,177
Pension costs	3,259	3,225
Agency Staff	224	330
Total payroll costs	17,709	17,310

6 PROPERTY, PLANT AND EQUIPMENT

The movements in each class of assets during 2020/21 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 2020	7,109	12,735	785	288	48	20,965
Additions	0	0	0	0	542	542
Impairments	0	(3,565)	0	0	0	(3,565)
Reclassification	0	0	0	0	0	0
Revaluation	394	(233)	0	0	0	161
At 31 March 2021	7,503	8,937	785	288	590	18,103
Depreciation:						
At 1 April 2020	0	1,114	198	160	0	1,472
Depreciation charged during the year	0	654	49	26	0	729
Disposals	0	0	0	0	0	0
Impairment	0	(468)	0	0	0	(468)
Revaluation	0	0	0	0	0	0
At 31 March 2021	0	1,300	247	186	0	1,733
Net book value						
At 31 March 2021	7,503	7,637	538	102	590	16,370

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

	Land	Buildings	Plant & Machinery	IT	Assets in Course of Construction	Total Tangible
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2019	6,987	12,617	528	209	22	20,363
Additions	0	0	246	75	26	347
Impairments	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Revaluation	122	118	11	4	0	255
At 31 March 2020	7,109	12,735	785	288	48	20,965
Depreciation:						
At 1 April 2019	0	325	156	140	0	621
Depreciation charged during the year	0	789	39	17	0	845
Disposals	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Revaluation	0	0	3	3	0	6
At 31 March 2020	0	1,114	198	160	0	1,472
Net book value						
At 31 March 2020	7,109	11,621	587	128	48	19,493

The movements in each class of assets during 2018/19 were: (Restated)

	Land	Buildings	Plant & Machinery	IT	Assets in Course of Construction	Total Tangible
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
Impairments	0	(933)	0	0	0	(933)
Reclassification	0	0	0	77	(77)	0
Revaluation	(239)	(431)	7	1	0	(662)
At 31 March 2019	6,987	12,617	528	209	22	20,363

Depreciation:

At 1 April 2018	0	1,073	124	106	0	1,303
Depreciation charged during the year	0	635	30	33	0	698
Disposals	0	0	0	0	0	0
Impairment	0	(105)	0	0	0	(105)
Revaluation	0	(1,278)	2	1	0	(1,275)
At 31 March 2019	0	325	156	140	0	621

Net book value

At 31 March 2019	6,987	12,292	372	69	22	19,742
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7. INVENTORIES AND WORK IN PROGRESS

	2020/21	2019/20
Stocks	£'000	£'000
Opening Balance	74	70
Net movement during year	(8)	4
Balance at 31st March	66	74

Work in progress

Opening Balance	239	276
Net transfers to operating expenses during the year	(17)	(37)
Balance at 31 March	222	239

Total at 31 March	288	313
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8. TRADE AND OTHER RECEIVABLES

	31 March 2021	31 March 2020
Amounts falling due within 1 year:	£'000	£'000
Trade and sundry invoiced receivables	8,460	4,763
Other receivables	14	28
Prepayments	518	350
Accrued income	4,291	4,081
Total as at 31 March	13,283	9,222

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 2021	7,390	265	57	61	298	388	8,460
At 31 March 2020	3,909	258	86	31	271	208	4,763

9. CASH AND CASH EQUIVALENTS

	31 March 2021	31 March 2020
	£'000	£'000
Cash held with Government Banking Service (GBS)	10,261	11,685
Total	10,261	11,685

10. TRADE AND OTHER PAYABLES

	31 March 2021	31 March 2020
	£'000	£'000
Amounts falling due within one year:		
Trade payables	413	262
Taxation and social security	291	297
Value Added Tax	2,631	2,228
Accruals	1,910	1,616
Deferred income	577	412
Amounts due to pension schemes	332	329
Sundry payables	821	507
Payable to Parent Department	3,701	3,276
	10,676	8,927

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 2020/21 DECA did not repay any equity back to its parent department (2019/20: £0).

The £1,323k increase in payables in the Statement of Cash Flows on page 60 excludes the payable to the parent department £3,701k because no payment was made in financial year 2020/21. Therefore the increase is calculated as £10,676k less £3,701k = £6,975k which is an increase of £1,323k when compared with the 2019/20 total of £5,651k (calculated as £8,927k less £3,276k).

The amount payable to the department comprises of the return payable to MOD for both 2018/19, 2019/20 & 2020/21.

11. PROVISIONS

	2020/21
	Total
	£'000
Balance at 1 April 2020	75
Created during year	
Utilised in year	(18)
Balance at 31 March 2021	57

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

12. LEASES

Operating Lease payments recognised as expenses in the period were:

	2020/21	2019/20
	£'000	£'000
Leases of other land and buildings	419	409
Leases of vehicles & other equipment	110	202
Total operating leases paid (i)	529	611

(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 £419k (2019/20 £409k) which is treated as a notional cost based on a market rental valuation

Operating lease payments going forward

	31 March 2021	31 March 2020
	£'000	£'000
Payable within one year	3	3
Payable after one year and less than five years	1	4
Total	4	7

Future minimum lease payments where DECA is acting as lessor:

	31 March 2021	31 March 2020
	£'000	£'000
Receivable within one year	348	408
Total	348	408

Finance Lease	31 March 2021	31 March 2020
	£'000	£'000
Finance Lease	1,836	0
Total	1,836	0

The Finance lease relates to the lease of Building 14 to Sealand Support Services Ltd (SSSL)

Amounts receivable under non-cancellable Finance Leases are as follows:

	31 March 2021	31 March 2020
	£'000	£'000
Less than one year	0	0
Between one and five years	215	0
More than five years	2,760	0
Total undiscounted lease assets at 31 March 2021	2,975	0

13. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

DECA had capital commitments to the value of £87k at 31 March 2021 (Nil at 31 March 2020).

There are no financial commitments at 31 March 2021 (Nil at 31 March 2020).

There are no contingent assets at 31 March 2021 (Nil at 31 March 2020).

There are no contingent liabilities at 31 March 2021 (Nil at 31 March 2020).

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 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 2021 there are no existing liabilities. (Nil at 31 March 2020).

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 21 (2019/20: 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 2021	31 March 2020
		£'000	£'000
Trade, sundry and other receivables	8	12,765	8,872
Cash at bank and in hand	9	10,261	11,685
Finance Lease	12	1,836	0
Total Financial Assets		24,862	20,557

FINANCIAL LIABILITIES

		31 March 2021	31 March 2020
		£'000	£'000
Trade and other payables	10	7,177	5,990
Total Financial Liabilities		7,177	5,990

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.

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. MOD 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 £1,034k, (2019/20: £999k)

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

	2020/21	2019/20
	£'000	£'000
Trade Receivables	85	69
Accrued Income	0	306
Total	85	375

16. LOSSES AND SPECIAL PAYMENTS

There were no material losses or special payments. (2019/20: 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 £41K. (2019/20: £40K)

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	FROGS	Financial, Reputational, Operational, Governance and Strategic	NAO	National Audit Office
AR&A	Annual Report and Accounts	FY	Financial Year	NED	Non-Executive Chairman/Director
ARAC	Audit and Risk Assurance Committee	GBS	Government Banking Service	NSPCC	National Society for the Prevention of Cruelty to Children
ASLC	Accrued Superannuation Liability Charges	GHG	Greenhouse Gas	OBE	Order of the British Empire
ATE	Automatic Test Equipment	GIS	Guaranteed Interview Scheme	OEM's	Original Equipment Manufacturer
BCP	Business Continuity Plan	GOST	Government Online Skills Tool	PCSPS	Principal Civil Service Pension Scheme
CE	Chief Executive	GPSS	Government Pipeline and Storage System	PMO	Project Management Office
CETV	Cash Equivalent Transfer Value	HIA	Head of Internal Audit	PSyA	Principal Security Adviser
CMAT	Classified Material Assessment Tool	HM	Her Majesty's	P&RR	Performance & Risk Review
CO2	Carbon Dioxide	HMRC	Her Majesty's Revenue & Customs	PUS	Permanent-Under Secretary
CO2e	Carbon Dioxide Equivalent	HMT	Her Majesty's Treasury	RAF	Royal Air Force
CSPS	Civil Service People Survey	HOCS	Head Office & Commissioning Services	RENCO	Remuneration & Nomination Committee
CyDR	Cyber Defence and Risk	HR	Human Resources	REME	Royal Electrical and Mechanical Engineers
DARA	Defence Aviation Repair Agency	IAS	International Accounting Standards	RDF	Refuse Derived Fuel
DD	Defence Digital	IFRS	International Financial Reporting Standards	RID-DOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
DE&S	Defence Equipment and Support	ILM	Institute of Leadership and Management	RFI	Request For Information
DECA	Defence Electronics & Components Agency	ISO	International Organization for Standardization	SOCI	Statement of Comprehensive Income
DESA	Defence Equipment Sales Authority	ISS	Information System Services	SCS	Senior Civil Servant
DIA	Defence Internal Audit	IT	Information Technology	SDA	Submarine Delivery Agency
DIO	Defence Infrastructure Organisation	JPO	Joint Programme Office	SHE	Safety, Health & Environment
DoD JPO	Department of Defence, Joint Program Office	JV	Joint Venture	SLS	Senior Leader Scheme
DSEI	Defence & Security Equipment International	KPIs	Key Performance Indicators	SME	Subject Matter Expert
DSG	Defence Support Group	LPG	Liquid Petroleum Gas	SSSL	Sealand Support Services Limited
DSOP	Director of Sponsorship and Organisational Policy	LRQA	Lloyd's Register Quality Assurance	SSG	Security Services Group
DSTL	Defence Science & Technology laboratory	MBA	Master of Business Administration	VAT	Value Added Tax
DTP	DECA Transformation Programme			UK	United Kingdom
DVD	Defence Vehicle Demonstration	MHCA	Modified Historical Cost Accounting	US	United States
DWP	Department for Work and Pensions	MIDIT	Means of Identifying Internal Talent	WIP	Work in Progress
FIA	Farnborough International Air show	MJDI	Management of the Joint Deployed Inventory	XCR	Executive Compliance Review
FIFO	First In First Out Basis	MOD	The Ministry of Defence	XMB	Executive Management Board
FLC	Front Line Commands	MOU	Memoranda of Understanding		
FLS	Future Leaders Scheme	MRO&U	Maintenance, Repair and Overhaul and Upgrade		
FRem	Financial Reporting Manual	MyCSP	My Civil Service Pension		

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