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Defence Science and Technology Laboratory

# Annual Report & Accounts

→ 2020/21



Ministry of Defence

HC 492







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Defence Science and Technology Laboratory

# Annual Report & Accounts

→ 2020/21

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of the Government Resources and Accounts Act 2000.

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HC 492

## Notes

On 1 July 2001, in accordance with the Statutory Instrument 2001 No. 1246, the Defence Science and Technology Laboratory (Dstl) was created as a result of the separation of the Defence Evaluation and Research Agency (DERA); Dstl continuing as the Trading Fund.

On 1 April 2017, in accordance with the Statutory Instrument 2017 No. 148, the Defence Science and Technology Laboratory Trading Fund Order 2011(S.I. 2011/1330) was revoked; Dstl continuing as an Executive Agency within the ambit of the Defence vote but no longer operating as a Trading Fund.



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# → Performance



These pages complement the detail in our financial statements, which begin on page 092.



# → Performance

## Contents

Our Performance Report contains two sections:

### 1 / Overview 004

*Provides information on Dstl, our purpose – what we do and why we do it and our key risks. The overview provides information showing how we performed in 2020-21.*

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### 2 / Performance Analysis 028

*Explains how we measure our performance. It uses information from other parts of our Annual Report and Accounts and provides longer-term trend analysis.*

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## Chief Executive's Statement

I am delighted to introduce Dstl's annual report and accounts for 2020/21.



**Dstl has seen exceptional progress in the past year despite COVID-19 posing the biggest challenge many of us have faced in our working lives.**

In the year 'the world stopped' Dstl did quite the opposite – demonstrating again why we are integral to defence. As the science inside UK defence and security, our world-class people have been an essential source of scientific support, providing fundamental and applied research to further the global knowledge of the virus. We have serviced nearly 800 requests, with over 300 staff (at peak) providing expert technical advice and services.

### **Our support to date includes:**

- converting our biological laboratories to create an accredited COVID-19 testing facility for public health, and later military, use to avoid added strain on the public health system;
- critical support to the production and supply of around 20,000 Respiratory Protection Equipment (RPE), bridging a critical national shortage of RPE Fit test chemicals to the NHS and enabling frontline workers to be supplied and fitted with RPE;
- supporting SAGE and SPI-M on disease forecasts;
- supporting the NHS with the vaccine rollout; and

## 1 / Overview



→ placing analysts across government, such as within the Cabinet Office to generate insights to be used both for decision making and the televised briefings, and within the Foreign, Commonwealth and Development Office to support international comparisons.

All of this activity has not only provided vital support now, it has also widened our understanding of pandemics for the future.

Away from COVID-19, it has also been a huge year for defence and national security – with the publication of the Integrated Review, the Defence Command Paper, the Defence and Security Industrial Strategy, as well as the £24 billion increase to MOD's budget announced in the Spending Review – including £6.6 billion for Research and Development (R&D). These publications all signify a greater role for Science and Technology (S&T) in defence and security, and align with the wider national prosperity agenda.

Dstl is at the forefront of delivering on this ambitious vision as we play our part in modernising the Armed Forces and helping the UK secure its science superpower status by 2030. This will inevitably bring change and increasing opportunities for Dstl. We have continued to make significant progress against the delivery of our strategic objectives, successfully enabling the organisation to deliver more impact, despite the disruption of COVID-19.

We are responding to the frenetic pace of technological change and, in line with our S&T planning framework, we have developed longer-term ambitions for our S&T Strategic Capabilities. These ambitions fully align with the increased focus on generation after next capabilities set out in the MOD S&T Strategy and re-affirmed in the Integrated and Spending Reviews and, due to our early preparation and planning,

we commence delivery from a well-informed position. Further details about how we are responding to the MOD S&T Strategy can be found on page 014 within 'The next steps for our strategy – 2021 and beyond'.

We are clear that to deliver the very best S&T, we have to work beyond organisational and sectorial boundaries. We work in close collaboration with industry, academia and international partners. We currently have over 1,600 suppliers including industry primes, SMEs (small and medium-sized enterprises) and academic institutions.

Due in large part to our Searchlight initiative, we are significantly over the Government-wide commitment to place more of our spend with SMEs, with 30% of our procurement spend being spent with SMEs.

Looking over the rest of the year, it again strikes me how vital our work is to life in the UK. For example, expert forensic evidence provided by our scientists helped to support one of the most significant terrorist trials of recent years, when the brother of the Manchester Arena bomber was convicted of the murder of 22 people and received the longest determinate prison sentence in UK criminal history.

Further detailed, high-impact S&T examples can be found throughout this report. We deliver with the aim of increasing the safety, efficiency and effectiveness of UK defence and security.

Our reputation for providing world-class expertise was highlighted further when we welcomed Her Majesty The Queen and His Royal Highness The Duke of Cambridge to open our state-of-the-art Energetics Analysis Centre, catapulting us in front of the world.

We have also improved the communication of our impact. Our brand refresh has seen greater engagement across Government,

suppliers and the general public – cementing who we are and the importance of what we do to the outside world.

As well as increase awareness of our role within defence and security, our brand refresh directly seeks to attract the best, most innovative scientists and engineers to come and work at Dstl, further diversifying our workforce with the recruitment of new talent.



Further detailed, high-impact S&T examples can be found throughout this report.

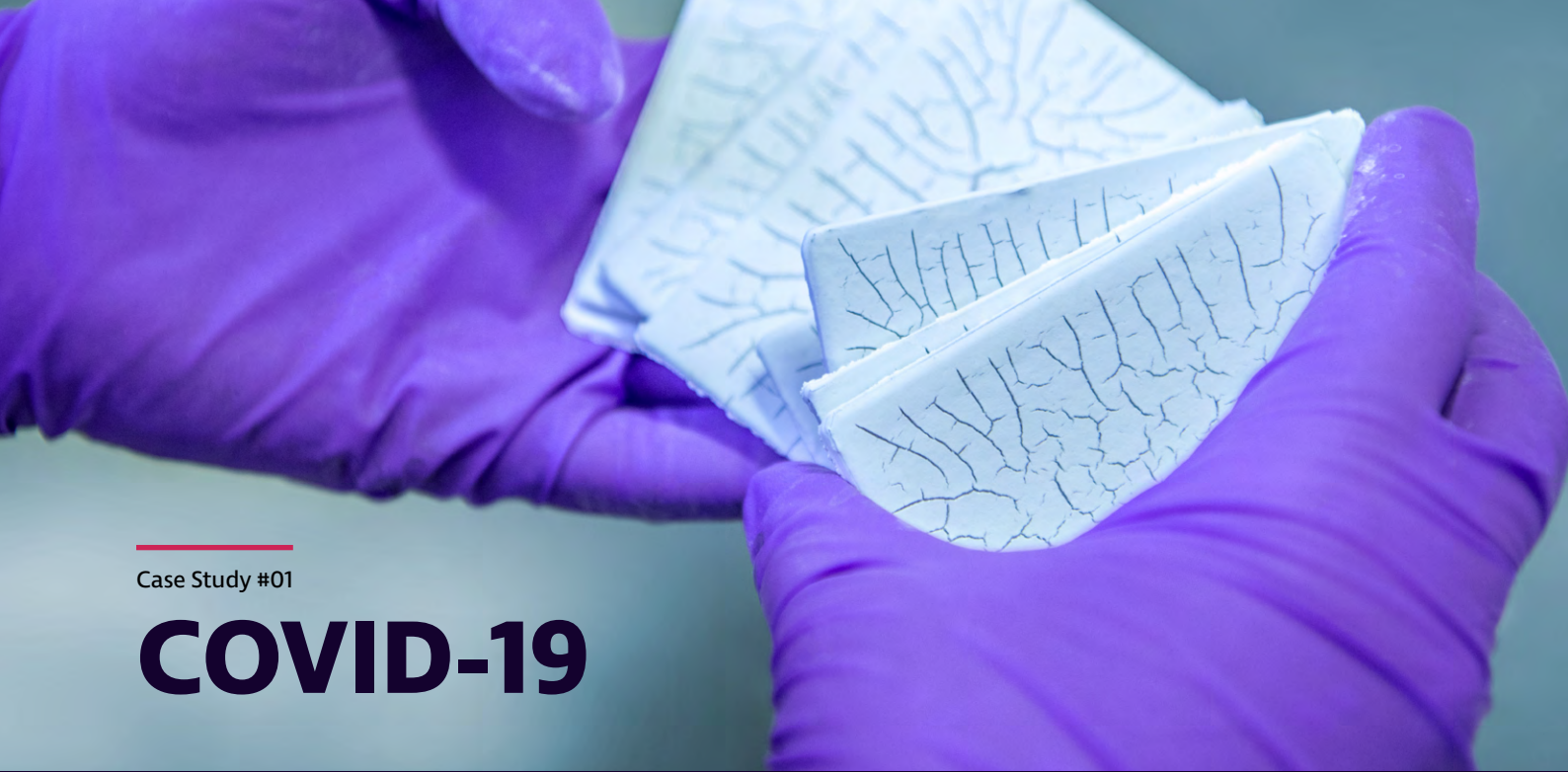
In closing, I would like to thank Gary Aitkenhead, our previous Chief Executive, who departed Dstl at the end of the financial year. Gary made an immense contribution to the success and reputation of Dstl. It is thanks to his leadership, along with our fantastic scientists, that we are in a strong position to continue the momentum to ensure Dstl continues to prosper. I look forward to leading the organisation as interim Chief Executive whilst a successor for Gary is sought.

My final thanks go to our people who are at the heart of the organisation. Without them, there would be no Dstl. It's because of their passion, dedication and expertise that we are at the centre of the future for UK defence S&T, providing the critical 'science inside'.

**Doug Umbers**

Interim Chief Executive

**22 November 2021**



Case Study #01

# COVID-19

## Dstl has played a crucial role to combat coronavirus to protect the health of the UK's citizens

Our expert scientific advice was sought at the highest level of government as well as the Health and Defence services. Seven hundred and eighty five requests and offers poured in from across government and external companies or individuals seeking Dstl support, some needing an urgent response within hours. More than 300 scientists have worked on a wide variety of coronavirus projects including secondment across government.

### → Supporting the Nation's Health Response

Our scientists with microbiology expertise deployed to hospital diagnostic laboratories around the country to help meet the government's coronavirus testing targets. Working away from home, 25 Dstl staff deployed for a week at a time, on 108 occasions and contributed to the analysis of approximately 210,000 patient samples.

### → Maintaining Defence Outputs

In just three weeks Dstl created a fully functioning diagnostics laboratory at our Porton Down site, using existing infrastructure and staff. The Defence COVID Laboratory (DCL) has processed 76,000 samples to date with a capacity of up to 500 samples daily, ensuring that personnel who need to deploy on urgent operations can be tested without the need to use NHS resources. The DCL ceased operation on 28 May as the national capacity for testing was sufficient to include the needs of defence without compromising the NHS.

### → Supporting the Government's Scientific Understanding

Dstl placed analysts across government, such as within the Cabinet Office to generate insights to be used for decision making, and within the Foreign, Commonwealth and Development Office to support international comparisons. Meanwhile, Dstl

experts provided short notice analytical support to the Dover crisis between Christmas and New Year, by helping the military and the police clear the backlog of heavy goods vehicles and their drivers.

### → Increasing Understanding of the Virus

The modelling support team within Dstl also used existing research in order to develop and deploy a methodology that combined multiple academic estimates to produce consensus projections, R values and prevalence estimates. These estimates and combinations were used by the Scientific Pandemic Influenza Group on Modelling (SPI-M) to inform the status of the epidemic. These outputs have appeared in the daily coronavirus briefings and been published across government to meet policy and healthcare requirements and inform key decisions for the COVID mitigation strategies on a national scale.

# Who we are and what we do

We are Dstl – the science inside UK defence and security.

## Role and purpose

**As an Executive Agency of the MOD, we provide world-class expertise and deliver cutting-edge S&T to give the UK clear advantage across science, technology, cyber and information.**

We supply specialist services to MOD and wider government, working collaboratively with external partners in industry and academia worldwide, providing expert research, specialist advice and invaluable operational support. In addition, our wholly-owned technology transfer company, Ploughshare Innovations Limited (PIL), seeks to maximise the benefit of new technologies and knowledge we have developed. We also host the Defence and Security Accelerator (DASA). DASA is a cross-Government organisation that finds and funds exploitable innovation to support UK defence and security quickly and effectively.

Dstl's expertise spans a broad range of S&T disciplines and in order to keep abreast of latest developments and enhance our 22 capability areas, we engage with our suppliers, academic institutions and peers (both nationally and internationally) to deliver solutions to the most challenging issues.

With a deep understanding of defence and security needs, we work collaboratively alongside government in order to work with our customers to demystify and harness the application of science and technology, offering credible, impartial and evidence-driven advice and solutions, to ultimately give clear military and security advantage.

We serve a wide range of customers, of which the main is the MOD Chief Scientific Adviser, MOD's principal adviser on S&T, responsible for the direction of MOD's core S&T research portfolio. We work in close collaboration with Defence Science and Technology (DST) to maximise the impact of S&T for the defence and security of the UK.

## Core values

- **Innovative**  
We deliver world-class science and technology.
- **Collaborative**  
We have inside knowledge and are government-savvy, to interpret and connect.
- **Impactful**  
We harness deep operational understanding of defence and security needs.

We hold ourselves accountable to these values, which define the essence of the kind of organisation Dstl should be today and will be in the future.

At Dstl, we take pride in the talent, passion and hard work of all our people within the organisation. Whichever department you visit or team you encounter, you can be assured that our people are committed to innovation, through collaboration and staying true to providing impact in the projects they deliver with the science inside.

## What we deliver

Here at Dstl we deliver original research and concepts, creating new capabilities for defence and security as well as S&T support to assess, evaluate and deliver current and next generation capabilities. We have specialist knowledge and facilities at the ready to meet priority needs, and we offer operational support to meet the urgency of our customers.

The Dstl brand represents a 'mark of assurance/quality' on the products and services we develop, giving our customers clear military and security advantage. We enhance UK defence and security with our credible, impartial, evidence-driven advice and solutions.





## Our plans for the future – Our strategy

Since the launch of our strategy in 2018, we have made good progress in achieving our three strategic objectives and these continue to be at the core of our strategic planning. Maintaining the continuity of our strategic direction over the longer term has delivered substantive improvements, many of which have underpinned Dstl's successful resilience during the ongoing COVID-19 situation.

The three Dstl Strategic Objectives 2018-2022 are:

1. Through our S&T, we will shape the future of Defence and Security via relentless focus on our customers' challenges and needs;
2. We will continue to ensure Defence and Security can exploit the best science and technology capabilities on demand;
3. We will become a more agile organisation that is fit for the future.

### → Strategic Objective One

Strategic Objective One has entirely reformed how Dstl engages with its strategic customers. Our well-established customer scorecard discussions maintain

working relationships, while senior leader engagement is more productive than ever, with regular dialogue and tailored visits, coordinated through our VIP visits office. We have also professionalised our communications, through our improved branding and communications coaching for our scientists and engineers. All of this is being put to good use in understanding and influencing the direction defence and security will take as we deliver the vision in the Integrated Review. We will continue to refine our customer focus to keep us close to our customers, as we both go through a significant period of change.

### → Strategic Objective Two

Strategic Objective Two has opened up new suppliers and partnerships to us. We have greatly increased the value of S&T contracting we conduct each year, enabling us to access the best S&T available and deliver more for our customers when they need it. We have sharpened our use of in-house expertise to inform policy-making, contributing to the thinking behind the Integrated Review. This success has been underpinned by our S&T Planning Framework 2020-2024 which defines our

guiding principles, 22 Strategic Capabilities and Products and Services. It facilitates improvements in our planning approaches and enables the development of our in-house capabilities to meet the expectations of our customers.

### → Strategic Objective Three

Strategic Objective Three underpins Dstl. We have delivered new training and development packages for our leaders and staff, new infrastructure and IT, successfully decommissioned old sites and commissioned new buildings to deliver critical facilities. Together, these measures have made Dstl stronger and more able to deliver. The revised processes and the experience gained in delivering these achievements will be invaluable as we move into the future.



Maintaining the continuity of our strategic direction over the longer term has delivered substantive improvements, many of which have underpinned Dstl's successful resilience during the ongoing COVID-19 situation.





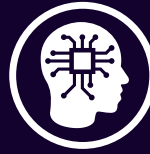
## Our 22 S&T Strategic Capabilities



Above Water Systems



Advanced Materials



AI & Data Science



Air Systems



CBR



Communications & Networks



Cyber



Electromagnetic Activities



Explosives & Energy



Homeland Security & CT Systems



Human & Social Sciences



Information Systems



Land Systems



Operational Research



Robotics & Autonomous Systems



Sensing



Space Systems



S&T Futures & Incubator



Strategic Systems




Survivability



Underwater Systems



Weapons

 **Note:** The 22 Dstl S&T Strategic Capabilities support the 17 MOD capabilities, where the MOD 'Systems Capability' has been expanded out as above with a cog.

## S&T products and services and Strategic Capabilities

Guided by our strategic objectives and with a focus on setting clarity around S&T for our current and future capabilities, during 2019 Dstl introduced our S&T products and services and, along with DST, the S&T Strategic Capabilities.



### Above Water Systems

Above Water Systems delivers the capabilities for the development, evaluation and demonstration of systems and concepts in the Above Water domain. It links the broader S&T and systems capabilities to the Above Water domain by providing the expertise to ensure the S&T is exploitable and relevant to this environment.



### Air Systems

Air Systems delivers the capabilities for the development, evaluation and demonstration of systems and concepts in the Air domain. It links the broader S&T and systems capabilities to the Air domain by providing the expertise to ensure the S&T is exploitable and relevant to this environment.



### Cyber

Cyber covers a number of capabilities including defensive cyber in order to allow freedom of manoeuvre in the presence of sustained cyber attack.



### Electromagnetic Activities

Electromagnetic Activities encompasses S&T capabilities that support and develop electromagnetic environment and mitigate threats from our own or other's use of that environment. It includes Electronic Warfare and support to MOD's Spectrum Awareness and Management capability.



### Advanced Materials

Covers all aspects of materials and structures research including materials selection and performance, manufacture, integration into structures, material ageing, operating environment, shock and impact resistance, corrosion, design and living. The capability covers most types of materials including electronic devices, metallics, polymers, ceramics, composites and functional materials.



### CBR

Chemical, Biological and Radiological (CBR) Sciences capability is a unique government led capability to deliver integrated research, development and advice on all aspects of counter-CBR defence and security. The capability provides authoritative advice and supports a wide range of work from policy, support to operations, and support to acquisition through to long-term research for a wide range of customers in MOD, and across Government. The capability draws upon a diverse and highly specialist skillset and facilities that enable work with experimental animals and highly toxic chemicals and pathogens in their most dangerous physical forms, in order to develop S&T solutions that deliver benefit under operational conditions.



### Explosives & Energetics

The explosives and energetics S&T capability area comprises scientific expertise across all aspects of conventional and improvised explosive materials including: design, safety through life, prototyping and small scale manufacture, trials and evaluation, analysis and advice, sensing and detection. Numerous other capabilities are reliant upon an underpinning SQEP in energetics and explosives, including: threat evaluation, conventional weapons, forensic exploitation, air platform protection and explosive ordnance disposal.



### AI & Data Science

Artificial Intelligence (AI) and Data Science covers the understanding and development of a broad spectrum of techniques for performing tasks intelligently and discovering insights from data using automatic process in addressing Defence and Security challenges safely and responsibly. This could include military decision making, autonomous platforms, computer network defence, sensing, defence logistics, policing and security, streamlining back-office functions.



### Communications & Networks

Communications and Networks covers a range of areas, spanning Command and Control, information management and exploitation, security and crypto.



### Homeland & CT Systems

Homeland Security and CT Systems includes capabilities specific to the Homeland Security and CT domain. It includes capabilities such as Forensic Intelligence, Counter-Improvised Explosive Devices, Specialist User and Crime and Policing.



### Human & Social Sciences

Human and Social Sciences encompass a broad range of S&T capabilities which, in accordance with UK Government's moral and ethical values and standards, expands our understanding of human behaviour, enables the generation of options to enhance capability and to meet the challenges posed by complex socio-technical systems in Defence and Security.



### Land Systems

Land Systems delivers the capabilities for the development, evaluation and demonstration of systems and concepts in the Land domain. It links the broader S&T and systems capabilities to the Land domain by providing the expertise to ensure the S&T is exploitable and relevant to this environment.



### Information Systems

Information Systems encompasses S&T capabilities that develop, demonstrate or support options for Command, Control, Computing, Planning, Targeting, Information Processing and Intelligence Production. This includes enabling capabilities such as those that improve the defence and protection of digital data and the supply chain or provide situational awareness and understanding to decision makers. It also includes development and implementation of tools and techniques to directly support intelligence operations, including support to the intelligence analyst.



### Operational Research

The Operational Research capability helps Users with complex policy, planning and operational problems using analytical methods and techniques. It enables evidence-based decision-making through the development and application of rigorous analysis and decision support approaches. It comprises single and multiple disciplinary

methods, models, techniques and tools (drawn from the applied sciences, formal sciences, humanities, natural sciences and social sciences) to inform evidence-based decisions across Defence and Security.



### Robotics & Autonomous Systems

The ability to understand, evaluate, integrate and demonstrate the tools, techniques and approaches of robotics and AI technologies to create effective and trustworthy Defence and Security unmanned platforms and autonomous systems. This includes the understanding and evaluation of threat RAS capabilities and systems.



### Sensing

Sensing encompasses a broad range of sensing approaches to: detect, track, recognise and identify threats; quantify threat materiel; support situational awareness; and provide information to tactical and strategic decision-makers.



### Space Systems

Space Systems covers a broad range of science, technology and advice associated with capabilities provided from, and operating in the space domain.



### S&T Futures & Incubator

This capability is optimised to identify, explore and incubate potentially-high-value technical areas and to develop these in ways that facilitate their early exploitation by Defence and Security. Typically, these high-risk and high-reward technologies are cross-cutting, highly-speculative and/or associated with disputed claims.



### Strategic Systems

Maintain and develop an impartial and credible national capability to assess system capability and effectiveness of a range of scenarios for strategic weapons and Ballistic Missile Defence (BMD) (national and allied systems)

by providing authoritative advice to Defence policy on BMD and Nuclear Deterrence, covering topics such as: threat reduction and characterisation; system survivability; re-entry vehicle deployment and performance; systems and architectures; novel technologies and future concepts; and special projects.



### Survivability

Survivability S&T capabilities assess the threats to our defence and security systems and develops the measures necessary to achieve optimum survivability at an affordable cost, enabling a mission to be completed successfully in the face of a hostile man-made environment. A systems approach is taken to optimise technical and non-technical measures in order to defeat the threat weapon engagement sequence and mitigate the effects to our systems and personnel.



### Underwater Systems

Underwater Systems delivers the capabilities for the development, evaluation and demonstration of systems and concepts in the Underwater domain. It links the broader S&T and systems capabilities to the Underwater domain by providing the expertise to ensure the S&T is exploitable and relevant to this environment.

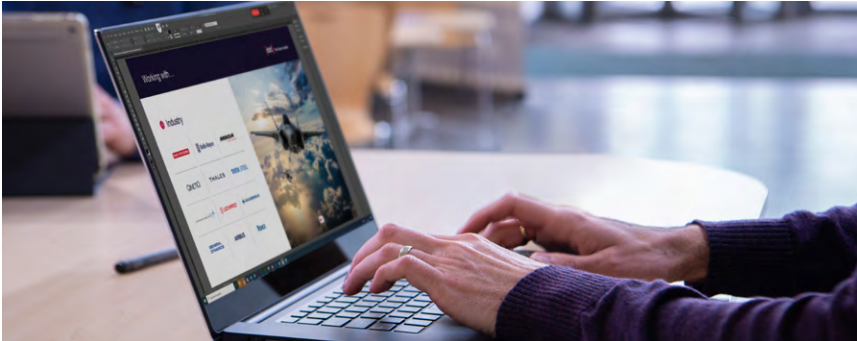


### Weapons

Weapon systems encompass a broad range of S&T capabilities that support the development, assessment, testing and advice on weapons technologies and systems. It considers all aspects of the weapon engagement cycle and system integration by the assessment of operational effectiveness including effects based targeting and collateral damage with expertise in support of service evaluation trials, platform/weapon integration for current systems in-service and future concept development. The S&T capabilities include strategic systems, general munitions, missiles, novel weapons and effects and non-lethal weapons.

## S&T products and service areas

To deliver to our customers, the S&T capabilities shown on the previous page are divided into four main S&T product and service areas:



1

### → Research

Original research and concepts to create new and enhanced capabilities for Defence and Security.



2

### → Requirements and Evaluation

S&T support to the assessment, evaluation and delivery of current and next generation capabilities.



3

### → Specialist Advice and Services

Specialist knowledge and facilities at readiness to meet priority needs.



4

### → Operational Support

Rapid and deployed S&T to meet the urgency of operations.



# National Cyber Force



## Helping to disrupt hostile state activities, terrorists and criminals threatening the UK's national security

Dstl is a founding member of the National Cyber Force (NCF), a Defence and Intelligence partnership which draws together personnel from intelligence, cyber and security agency GCHQ, the MOD, the Secret Intelligence Service (MI6) and Dstl under one unified command for the first time.

The NCF combines MOD's operational expertise, Dstl's scientific and technical capabilities and GCHQ's global intelligence, and SIS (MI6) expertise in recruiting and running agents alongside its unique ability to deliver clandestine operational technology.

The NCF was set up to conduct responsible cyber operations to support the UK's national security priorities, from disrupting hostile state activities and terrorists to supporting military operations

and countering serious crime. In its first year the NCF has been engaged in offensive cyber operations to defend British military assets on a daily basis.


Types of activity the NCF leads include:

- Interfering with a mobile phone to prevent a terrorist being able to communicate with their contacts
- Helping to prevent cyberspace from being used as a global platform for serious crimes, including sexual abuse of children and fraud
- Keeping UK military aircraft safe from targeting by hostile weapons systems

Dstl set up a dedicated business unit as part of this partnership

approach to focus on NCF priorities more effectively. By working in collaboration with NCF partners and capitalising on the breadth and depth of scientific specialisms within Dstl, the team has been able to meet the needs of NCF customers in record time. As a key partner of the NCF, Dstl has been able to provide cutting edge scientific advice, capabilities and resources to keep the UK safe in an ever changing cyber world.



 Government Communications Headquarters (GCHQ) in Cheltenham, Gloucestershire

## The next steps for our strategy – 2021 and beyond

**The Spending Review 2020 prioritised £6.6 billion of MOD's settlement for research, development and experimentation over the next four years, to be guided by the *Defence Science and Technology Strategy 2020*.**

Supporting MOD's Chief Scientific Adviser, Dstl has already helped to shape the strategy and spending review priorities and we are now in an advanced place to ensure we are positioned effectively to deliver the greater role the MOD's investment signifies for S&T. Over the next year as we begin to recover from the global pandemic and return to new ways of working, Dstl will focus on embracing new opportunities and exploiting our roles to further defence and security's goals. We are

confident that our existing strategic objectives will equip us to meet the new challenges and demands of the published *Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy* and the objectives and strategies set out in the subsequent Command Paper *Defence in a Competitive Age*.

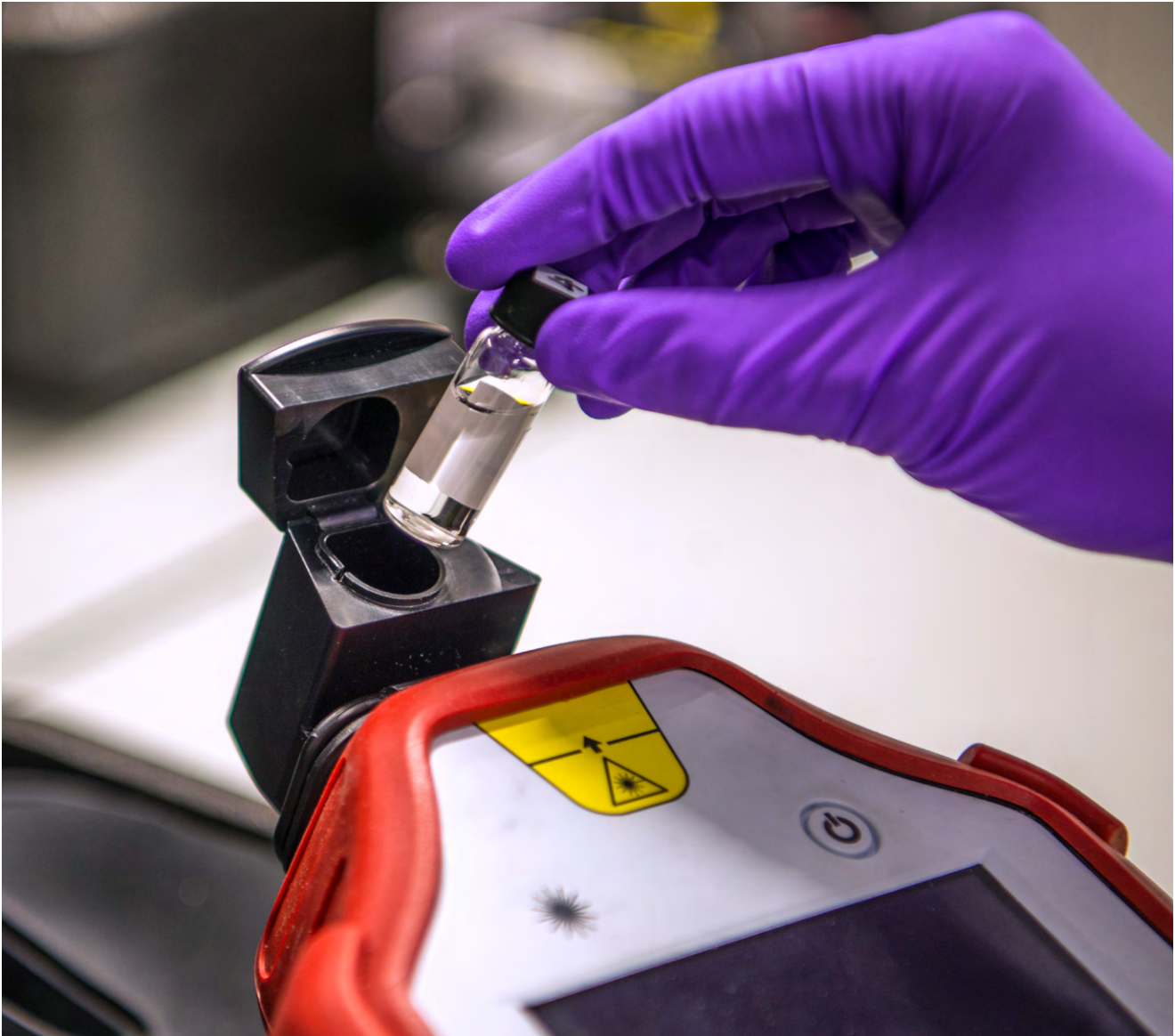
In 2021, Dstl expects to commence delivery of a multi-year response aligned to the Integrated Review and its supporting strategies. We will also be welcoming a new Chief Executive and although these do represent significant changes for Dstl, our Strategic Objectives and S&T Planning Framework will endure as the strategic guides for navigating the challenges ahead.



Dstl will focus on embracing new opportunities and exploiting our roles to further defence and security's goals.







The focus of the MOD Science and Technology Strategy 2020, reaffirmed in the Integrated Review, is on enabling *generation-after-next* capabilities and balancing S&T effort between addressing defence's challenges and nurturing promising technologies. We are reflecting this in our shift towards a twin track delivery approach; we will increase our focus on first of a kind experimentation, increasing maturation and earlier exploitation of S&T solutions, and we will more actively drive understanding of futures S&T opportunities and solutions through our recently

established Exploration Division which is tasked to identify generation after next S&T for defence and security (further details on our new Exploration Division can be found on page 016).

Internally, while we are busy planning for the delivery challenges that lay ahead we are acutely aware that Dstl has limited internal capacity to meet increasing demands. Therefore we will need to position ourselves appropriately and make better access and use of the strengths in our broadening network of suppliers and partners. More widely Defence is

facing significant efficiency pressures and Dstl will seek to improve its own efficiency as we deliver more for our customers. As we move into the final year of our strategic direction, we will aim to adapt and renew our objectives to keep in step and respond to the call of *Global Britain in a competitive age*.



As we move into the final year of our strategic direction, we will aim to adapt and renew our objectives to keep in step.

# Exploration Division

This year, Dstl is proud to have launched its new flagship venture: Exploration Division.



**Linda Knutsen**

Exploration Division Head  
Appointed April 2021

Exploration Division was created in response to the wider MOD S&T Strategy and the UK's Integrated Review (IR), which emphasises the need to understand the future, and to find, nurture and fund generation after next technologies.

Exploration Division was created to significantly increase Dstl's ability to identify and incorporate generation after next technology and concepts into future defence forces.

With a mission to help stakeholders discover and exploit things no one has done before, and pinpoint futuristic high-impact ideas with the greatest potential, Exploration Division is an interdisciplinary enterprise that brings organisations together to;

- identify or imagine transformative ideas,
- assess which have the most potential for Defence and Security,
- promote them so others invest in them, adopt them, develop them, or include them in their plans, strategy and policy.

The focus will be on high impact/high uncertainty science.



Dstl's current research is largely geared to supporting existing and medium-term defence requirements with science at a higher level of maturity and certainty that can be integrated into existing force structures. However, the new Division will now provide a focus for transformative technology, concepts and strategy for defence, security and UK resilience.

Dstl's Exploration Division will draw heavily on fundamental research and proposals in science and technology with Futures concepts, Systems Thinking, Wargaming and Simulation, Operational Research, Social Science and Strategy and Policy capabilities, plus Horizon Scanning and Technology Watch expertise, which are now all in one place as part of the new Division. Our main goal is to improve the development of concepts and policy through collaboration with key partners and suppliers. We will work across the Dstl organisation, MOD, Other Government Departments, industry and academia, to be the place where we can integrate these perspectives. Collaboration is at the heart of the Division's work and is key to finding the right expertise, the full diversity of perspectives, and avoiding group thinking while encouraging challenge.

The Division will bring expertise together to help us; and for us to help others co-create, access and promote, novel ideas. Suppliers will be accessed, in the near term at least, through existing routes to market. Medium term goals of the Division include developing an acquisition strategy to complement how we will engage with next generation technology ambitions, and establish enduring partnerships with new and non-traditional defence suppliers to bring fresh new perspectives to defence problems. A key priority is to ensure freedom of movement for people into and out of Dstl to work with partners and suppliers for the benefit of defence, security and UK resilience.

Our approach will allow customers and suppliers to test the value and fitness for purpose of transformative technologies, concepts, systems or services, using the best new and existing methods, and will keep the UK at the cutting edge of S&T for decades to come.

Exploration Division was officially launched on 31 March 2021 and has a presence at both Dstl's Porton Down site near Salisbury and its Portsmouth West site, near Portsmouth.

Dstl's Exploration Division has approximately 350 staff, though the Division relies on access to, and collaboration with, the S&T Enterprise across Dstl, industry, academia, and other scientific organisations to be able to deliver on our purpose.

Exploration's Division Head is Linda Knutsen, who has extensive experience across Dstl and wider MOD. Prior to taking on the role, Linda was most recently the Capability Leader for Platform Systems Division: the largest of the five Dstl Divisions and spanning a wide reach of capabilities in Maritime, Air, Land and Weapons and sub systems technologies. Linda is also the Executive Engagement Lead for the Royal Navy and the Executive Sponsor for Dstl's disability network, EnabledD.



Dstl's Exploration Division will draw heavily on fundamental research and proposals in science and technology; Futures concepts, Systems Thinking, Wargaming and Simulation, Operational Research, Social Science and Strategy and Policy capabilities, plus Horizon Scanning and Technology Watch expertise.





## Ensuring successful delivery

*Risk exists where future events may affect the achievement of our objectives. While it is uncertain whether risk events will occur or what their impact may be, it is important that we actively manage our risks so that we can minimise the threats, and maximise potential opportunities, in order to deliver our strategic objectives.*

**Risk is both inherent in our S&T activities and embarked upon to further the science that supports UK defence and security. Effective management of these risks helps to ensure the successful delivery of our objectives. At Dstl, risk management practices are embedded into our planning and forecasts, minimising disruption that could be caused by threats, as well as maximising the exploitation of opportunities.**

By proactively identifying, assessing, and managing the risks to the organisation, we improve the confidence of our stakeholders, and allow Dstl to improve its decision making and take the appropriate course of action in pursuit of its objectives.

We continue to apply the MOD's risk management policy to our risk management arrangements.

### Our Corporate Risks

Corporate Risks are those threats and opportunities which could impact on Dstl's strategic objectives. Management of Corporate Risks is delegated to the Executive Management Committee with oversight by the Board. Through a process of Risk Deep Dives, the Board and its Audit and Risk Assurance Committee undertake assurance of these risks to review the effectiveness of the mitigation plans and ensure the level of risk carried by the organisation is within both its tolerance and delegation.

At the end of FY20/21, the Corporate Risk Register comprised 16 risks, four of which were specifically identified and managed in response to the COVID-19 pandemic.

Over the course of FY20/21, two corporate risks relating to 'International Collaboration' and 'Access to Critical Suppliers' where mitigation plans had been completed were transferred from the Corporate Risk register to operational areas of the business.

The following table summarises our corporate risks at the end of Q4 2020-21, the targets we are progressing towards, our risk response and the key activities we are undertaking to address the risks.

Risk	Outline mitigations	Progress and changes in FY20/21
<b>CR1a</b> <b>Major Health and Safety Event Harms the Public</b>	Dstl protects the public via in depth engineered safeguards, which are functioning and being used correctly. Additionally through an internal assurance regime of 1st and 2nd Party Audits of operating and health and safety arrangements.	<ul style="list-style-type: none"> <li>→ Dstl continues to maintain assurance activities and ensure staff are competent and trained to undertake activities.</li> <li>→ For areas where high hazard and/or complex activities are being conducted, then additional systematic assessments of Dstl's arrangements are regularly reviewed.</li> <li>→ Additional, regulatory inspections have been conducted providing additional assurance that arrangements are appropriate.</li> </ul>
<b>CR1b</b> <b>Health and Safety Event Causes Life-threatening Injury to a Worker</b>	Dstl ensures adherence to suitable and sufficient risk assessments and comprehensive work procedures by competent, trained personnel. An audit programme of specific activities and deep dives is periodically carried out. Through a system of internal controls, all incidents and near misses are reported. Where appropriate corrective action has been completed, lessons learnt are communicated to the rest of the business.	<ul style="list-style-type: none"> <li>→ Reviewed existing Dstl Risk Assessment process through workshops involving multiple stakeholders across Dstl.</li> <li>→ Risk Assessment training for all staff was further improved.</li> <li>→ Dstl's Safety and Environment Management System was launched.</li> </ul>
<b>CR2</b> <b>Significant Drop in Sales</b>	Dstl regularly engages with customers to understand their income projections, in order to understand changes in funding. Through a system of internal financial controls, Dstl monitors and controls financial spend and tracks sales progression throughout the year. Regular forecasting exercises are conducted and results communicated to key stakeholders to ensure forecasts remain accurate.	<ul style="list-style-type: none"> <li>→ Significant changes to sales projections occurred as a result of MOD Spending Review, and planning exercises to understand implementation of changes commenced.</li> <li>→ Our future income forecast (next three years) is expected to grow.</li> </ul>
<b>CR3</b> <b>Key Infrastructure Component Fails</b>	Dstl's infrastructure assets are protected via a series of maintenance plans and ongoing investment. Additionally, key infrastructure components have resilience plans and Divisions have authored Business Continuity Plans.	<ul style="list-style-type: none"> <li>→ Exited Sandridge and Langhurst sites and returned them to the Ministry of Justice.</li> <li>→ HM The Queen officially opened Dstl's new £41 million state-of-art-building Energetics Analysis Centre (EAC).</li> <li>→ Projects controls and management arrangements for Investment Portfolio were matured and improved.</li> </ul>
<b>CR4</b> <b>Inability to Meet Current or Future Customer Demand</b>	Dstl has a series of measures in place to ensure that it maintains the capabilities it needs to meet existing demand, which include health checks on facilities, people, knowledge, and licences to practise. Through engagement with our customers on a number of levels we are able to anticipate and advise on potential step changes in demand.	<ul style="list-style-type: none"> <li>→ Change control process improved for consideration of new demands.</li> <li>→ Created a Customer Engagement Function.</li> <li>→ Increased the proportion of work conducted by suppliers and partners to develop a bigger supply chain ecosystem.</li> </ul>

Continued on page 020



Risk	Outline mitigations	Progress and changes in FY20/21
<b>CR5</b> <b>Failure to Embrace Key Technology Changes</b>	Dstl conducts regular horizon scanning so that it can respond and advise on emergent technologies as required.	→ Created a new division, Exploration, which will have a focus on transformative technology, concepts and strategy.
<b>CR8</b> <b>Poor Advice and Sub-Standard Products/Services</b>	Dstl prides itself on the quality of its outputs and therefore has a set of robust controls in place to ensure all formal S&T outputs undergo a process of Technical Quality Assurance. Its outputs are produced by staff who have been appropriately assessed against competence criteria and customer scorecards ensure Dstl is either meeting or exceeding expectations.	→ Improved processes for quality control (internal and external) and increased our focus on assuring effectiveness of those controls.
<b>CR9</b> <b>Major Information Security Breach or Loss</b>	In line with MOD security protocols, Dstl has robust policies, procedures and practices in place to ensure that its information remains protected and within its control.	→ Cyber and information security defences are regularly monitored, tested and audited to ensure they remain robust and balanced.
<b>CR10</b> <b>Our Core Capabilities are not Exploited, Recognised or Trusted</b>	Dstl raises awareness of its capabilities both internally and externally via Dstl Communications, Strategic Engagement and external partner engagement.	<ul style="list-style-type: none"> <li>→ Continued and improved engagement with MOD and Government scientific function.</li> <li>→ Launched new Dstl branding and increased digital presence to promote core capabilities.</li> <li>→ Contributed to national COVID response effort in support of UK Government.</li> </ul>
<b>CR11</b> <b>Adverse Change to Our Operating Conditions</b>	Stakeholder management activity ensures major policy or change initiatives are known early and provides Dstl with the opportunity to inform stakeholders of impact of proposed changes.	→ In year, updates to the Dstl Framework commenced.
<b>CR12</b> <b>Loss of Talent and Critical Skills</b>	Dstl recognises its people as a key asset and through a number of measures monitors its workforce levels against Divisional Plans. Dstl considers succession planning, critical roles and reviews key areas for skills shortages.	<ul style="list-style-type: none"> <li>→ Through recruitment and employee development, Dstl maintains the skills and talent required.</li> <li>→ Additional effort conducted to attract people with specialist skill sets in identified areas.</li> </ul>
<b>CR14</b> <b>Failure to Deliver our Strategic Direction</b>	Prioritisation of Executive Management Committee time for leading and delivering key actions. A dedicated team is in place to provide the direction, coherence and governance of the strategy and its implementation.	<ul style="list-style-type: none"> <li>→ Three years into delivery of the Strategic direction, 95% of the short term actions are completed and the focus has shifted to the long-term strategic actions.</li> <li>→ Introduced additional management controls to monitor progress against the strategic plan.</li> </ul>

## COVID-19 Risks

Dstl already had business continuity plans in place to deal with crises of this nature, including a plan for how we would respond to a pandemic flu. At the start of the pandemic, Dstl's Crisis Management Committee dealt with the rapidly changing situation. They were then replaced by a COVID-19 Sub-committee who continue to respond to and plan for changing requirements on a weekly basis.

Dstl's primary focus is to protect its people, therefore provisions in line with government restrictions and tiered arrangements have enabled us to continue our collaborative working with external regulatory bodies.

Over the past year, Dstl has set up dedicated management committees and a Situational Awareness Cell to manage operational risks in

response to the global pandemic. The arrangements to our working environments are continually monitored and revised in response to both Government and MOD guidance.

Over the reporting year, four specific COVID risks have been managed within the Corporate Risk Register.

Risk	Summary of activities in FY20/21
<b>CVDR1 Capex Delivery Shortfall</b>	Through prioritisation and replanning, Dstl has been able to optimise spend and maintain agility in order to respond to the changing context.
<b>CVDR2 IM Shortfall due to COVID 19 Working Practices</b>	Dstl managed to deliver the work we committed to before the pandemic, plus all COVID-related support requests. We established a new process for collating and triaging requests for COVID-19 support. We used existing processes for managing changes to our current programmes of work, in response to changing customer needs or where COVID-19 prevented us from delivering specific requirements.
<b>CVDR3 EM Delivery Shortfall</b>	We worked with our contracted delivery suppliers to replan external research where supplier base has capacity and understand alternative delivery methods. Proactive early engagement provided more time to consider alternative approaches.
<b>CVDR4 Failure and Fragility of Supply Chain</b>	We worked with our prime contractors to understand the risks and fragilities in their own supply chains, which also enabled us to implement mitigation activities, including sourcing alternative suppliers and introducing early payments to suppliers. We also engaged with a wider MOD working group on Supply Chain management to contribute to MOD overall assessment and monitoring of its Supply Chain.

## Corporate Risk Refresh

The Corporate Risk register has been managed and overall risk exposure reduced over the last three years. With changes to Dstl's external and internal environment, a review of the risk register has commenced to ensure it remains extant and pertinent to meet the current challenges. This process will be completed in early FY21/22.

As part of this risk refresh process the Board has also taken the opportunity to challenge its current management arrangements for Risk and concluded that it is satisfied with Dstl Risk Management arrangements.



With changes to Dstl's external and internal environment, a review of the risk register has commenced to ensure it remains extant and pertinent to meet the current challenges.

## Our performance summary



### Foreword

2020/21 was a strong year of delivery of S&T outputs, despite the impact of COVID-19 restrictions. Total operating income grew by £21m, a 3% increase on 2019/20, reflecting operational resilience in Dstl's capabilities and supplier base. 2020/21 also marked a new record level of capital investment that supports site rationalisation and positions Dstl's capabilities to meet the future requirements of our customers. We have responded to the challenge of the pandemic and mitigated the impact on our financial performance, alongside maintaining effective controls and governance.

### Operating income

Total operating income for the year was £743 million (2019/20: £722 million). Some of Dstl's resources were diverted to focus

on critical scientific support for the nation's health response – providing fundamental and applied research to further global knowledge of COVID-19. This focus led to two main principal areas of growth which were the MOD Core S&T programme and Wider Government Organisations that funded the response to the pandemic. Overall Dstl delivered £16 million of sales that relate directly to the Government's COVID-19 response.

Our charge rates increased by 3%, with operational efficiencies absorbing the impact of investment in long term transformation. There were no changes to fees and charges policies.

An analysis of our key top-level customer groups is set out in the table opposite:

	2020/21 £ million	2019/20 £ million
<b>MOD:</b>		
Core S&T Programme	364	350
Other	293	291
	<b>657</b>	<b>641</b>
<b>Non MOD:</b>		
Wider Government	56	46
Non-Exchequer	13	17
<b>Total Customer Sales</b>	<b>726</b>	<b>704</b>
Other Operating Income	17	18
<b>Total</b>	<b>743</b>	<b>722</b>



MOD accounted for 90% of the £726 million customer contract sales (2019/20: 91%). The majority of MOD sales are attributable to the core S&T Programme, where sales increased by £14 million to £364 million (2019/20: £350 million). This programme represented 50% of total sales (2019/20: 50%). Through this programme Dstl delivered £8 million of research activity to support the COVID-19 response.

Other MOD sales stabilised. Whilst demand continued to increase for defence work that remains managed within Government, growth was capacity constrained due to the COVID-19 pandemic. Health and safety work restrictions reduced the number of employees that were able to access onsite sovereign capabilities, and there were also some resources that were reprioritised in support of

the pandemic response. Defence Equipment and Support (DE&S), remains Dstl's largest non-core S&T customer with sales of £88 million (2019/20: £85 million). Sales to Strategic Command reduced to £61 million (2019/20: £70 million), due to the sensitive nature of this customers work and associated requirement of site access.

Business with the rest of MOD, covering the other Front Line Commands (Air, Army, Navy), Head Office and Nuclear, increased by 6% to £144 million (2019/20: £136 million). Aligned to the Government's ambition to adapt to threats with world leading technology, all areas of the Armed Forces will continue to seek to modernise their technologies with demand for Dstl's innovation set to increase.

Non-MOD sales increased to £69 million (2019/20: £63 million). Work for UK Government departments increased, with £8 million of sales to support the COVID-19 response. As well as converting biological laboratories into COVID-19 testing facilities, Dstl has directly supported: the provision of respiratory protection equipment; vaccine rollout; disease forecast; and embedded technical advisors to support ongoing operations. Non-Exchequer income relates mainly to collaborative and jointly funded work with our defence allies and alliances. Other operating income dropped slightly to £17 million (2019/20: £18 million). This includes £15 million in respect of customer-funded and donated assets.

## Cost of sales

External cost of sales comprising subcontracted work and purchases of materials and services increased by 4% to £335 million (2019/20: £322 million), representing 47% of all S&T work delivered in the year (2019/20: 46%). The results represent resilience in Dstl's supply chain where operations have been disrupted by COVID-19 working restrictions. The growth underpins Dstl's commitment to continue to deliver work in collaboration with partners in academia and industry, leveraging S&T innovation within a growing commercial sector.

## Operating expenses

Operating expenses increased by £63 million to £447 million (2019/20: £384 million). Staff costs increased by £15 million to £271 million (2019/20: £256 million) this

	2020/21 £ million	2019/20 £ million
Staff costs	271	256
Non-staff costs	123	118
Depreciation and amortisation	53	10
<b>Total</b>	<b>447</b>	<b>384</b>

reflects annual pay inflation and a 4% increase in the average number of staff employed (2020/21 year-end staff numbers actually fell below the 2019/20 level but the 2020/21 average is greater due to 2019/20 having a lower starting point).

Non-staff costs increased to £123 million (2019/20: £118 million). The cost increase represents planned investment in Dstl's IT

services and transformation projects. These cost increases were partially offset by reductions in travel and utility costs driven by changes in ways of working due to COVID-19.

Depreciation and amortisation costs increased significantly by £43 million to £53 million (2019/20: £10 million). This is a combination of two significant factors. An impairment of £22 million as a result of the Valuation Office Agency's (VOA) revaluation of building stock at Dstl's Porton site and that the 2019/20 baseline was suppressed due to a multiple number of one-off factors. The (VOA) valuation principles are applied consistently across the government estate and level of impairment is consistent with their expectation of new bespoke constructions.

## Net operating income

Our income arises principally from charges to customers. Our MOD customers are charged at rates representing the recovery of cash operating costs only, in accordance with the department's policy for internal charging. Charges to non-MOD customers continue to reflect full economic cost and include a contribution towards our capital costs in the form of a fee based on a representative proportion of our annual non-cash depreciation and financing charges. The proportion is based on estimates of projected sales to non-MOD customers at the time when budgets are finalised.

	2020/21 £ million	2019/20 £ million
Operating income	743	722
Cost of sales – direct purchases	(335)	(322)
Other operating expenditure	(447)	(384)
<b>Net operating income / (expenditure)</b>	<b>(39)</b>	<b>16</b>

The net operating expense for FY2020/21 is £39 million (2019/20: £16 million income). Excluding depreciation/amortisation costs of £53 million and customer-fund/donated asset income of £15 million the underlying net operating expense is £1 million (2019/20: £11 million income). The change in underlying performance was directly attributable to COVID-19, as compliance with new health and safety working restrictions reduced staff delivery. Dstl's operational resilience, through IT enablement to work from home, mitigated the full impact of restrictions keeping the financial impact to a minimum.

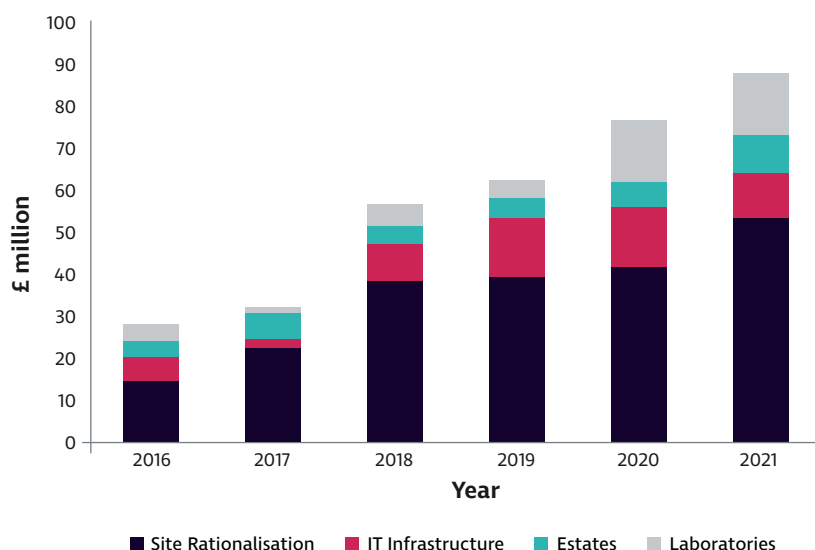
## Capital investment

Capital investment was £88 million (2019/20: £77 million), which included £15 million of assets either funded by MOD customers or donated by other government departments. We invested £54 million (2019/20: £42 million) in our site rationalisation project Helios, which accommodates the transfer of capabilities from Fort Halstead to Porton Down. The project is now in its final phase and plans to deliver its last major

construction, a new Chemical Weapons Defence Centre, by March 2022.

We invested £11 million to improve IT network resilience and security, upgrades to our operating systems, and enhancements to support remote working for our employees and collaboration with our external partners. Estates investment of £9 million, included £8 million of building refurbishment

to accommodate capabilities historically located at the Home Office's Sandridge and Langhurst sites. Refurbishment will complete in the winter of 2021, and fully integrate the Home Office's former 'Centre for Applied Science and Technology' capabilities into Dstl operations. Laboratory expenditure (£14 million) represents the acquisition of new specialist S&T equipment to support a range of in-house capabilities.



We invested £54 million (2019/20: £42 million) in our site rationalisation project Helios.

## Funding and treasury management

We are equity funded by MOD as explained in the financial statements and accompanying notes. The funding requirement arises from a combination of cash and non-cash transactions. We operate within the departmental control framework as described in the Parliamentary Accountability and Audit Report on pages 084-091. We receive cash directly from non-MOD customers and retain responsibility for settling external liabilities with the exception of payroll, which is funded directly by MOD. This gives rise to a net cash outflow that is funded by MOD Treasury.

## Supplier payments

During the year, we paid 95% of invoices within five days of being approved and cleared for payment (2019/20: 98%), against the target set by Government of 80%.

Under a change in Cabinet Office rules, in response to the COVID-19 pandemic, Dstl provided supplier relief of £0.5 million to support "At risk" supply chains through interim or advance payment for services.

## Group entities

Related group entities remain immaterial to the agency's accounts and have not been consolidated.

## Distorting factors

There were no significant distorting factors affecting our primary financial statements. A full explanation of our accounting policies and other explanatory information can be found within the notes to the financial statements on pages 092-129. We continue to prepare our financial statements on a going-concern basis based principally on funding projections from our parent department.





### Events after the reporting date

There have been no significant events since the end of the financial year that affect the results for the year or the year-end financial position, or that are likely to have a material impact on future performance.

### Accounting policies

These accounts have been prepared under International Financial Reporting Standards (IFRS), as adapted for the public sector in the Government Financial Reporting Manual (FRM), issued by Her Majesty's Treasury. There were no new accounting or reporting standards adopted in year. Any other changes to accounting policy, including the likely impact from future adoption of new accounting and reporting standards, are outlined in Note 1 to the financial statements commencing on page 092.

### Financial outlook

Our core purpose and role remain unchanged as a supplier of S&T services to defence and security customers, mainly within Government. We continue to

operate principally in specialist areas where there are often few private sector suppliers or no effective commercial market. Demand for our work has seen a strong resurgence in recent years, and the financial outlook is strong with projections of unprecedented increases in S&T funding. The Government's November Strategic Reset and associated Spending Review outcome provided the MOD with funding for a 'once in a generation modernisation' that included a £24 billion increase in investment spread over the next four years, in comparison to 2020/21. A key focus of that settlement was to modernise Armed Forces to adapt to threats with leading technology. As a result, this initiative comes with significant financial backing for Research and Development. Dstl, through work with our customer base, projects its demand for sales will be enhanced by £1.2 billion spread over the next four year period.

The importance of our work continues to be highlighted by media exposure in relation to the Salisbury Incident and support we have provided to the COVID-19 pandemic response. In 2021/22 we

will continue to contribute to a number of COVID-19 activities, again reprioritising our resources to meet the UK's most urgent requirements.

COVID-19 restrictions continue to be relaxed in accordance with the Government's Road Map, with further relaxations contingent on Government direction. In the interim some staff will continue to work from home, prioritising site access for staff who are reliant on localised equipment and infrastructure. Any hiatus in delivery and financial impact is assumed to be largely mitigated but is dependent on further relaxation, allowing full mobilisation in 2022.



Demand for our work has seen a strong resurgence in recent years, and the financial outlook is strong with projections of unprecedented increases in S&T funding.



# Space

## Support to UK Space Command to discover future concepts and conduct first-of-a-kind experimentation

**Dstl's research is supporting the Government's ambition that by 2030 the UK will have the ability to monitor, protect and defend our interests in and through space, using a mixture of national capabilities and burden-sharing partnerships with our allies.**

The UK will be a meaningful actor in space, with an integrated space strategy which brings together military and civil space policy for the first time. Research and Development in space will accelerate the development and adoption of new technologies.

Over the next decade the UK will spend an additional £1.4 billion on space to enhance our space domain awareness and develop a UK-built Intelligence, Surveillance and Reconnaissance satellite

constellation and a supporting digital backbone in space. This will be delivered through a new UK Space Command, formed in April 2021, underpinned by Dstl science and technology (S&T).

Dstl will continue to discover and understand future space S&T-enabled concepts, and conduct first-of-a-kind experimentation. Working primarily for defence but also with partners across Government and UK Space Agency, we will deliver value for money research with dual-use civil and military applications.

We will only do work that must be done in Government. Relationships and partnerships with industry and specialist suppliers will be deepened and broadened which will include the establishment of SpaceWorks to deliver the engineering prototypes

necessary to enable first-of-a-kind demonstration. We will collaborate internationally and engage with tech start-ups and small and medium-sized enterprises (SMEs) to harness the power of their ingenuity and innovation.



Over the next decade the UK will spend an additional £1.4 billion on space to enhance our space domain awareness and develop a UK-built Intelligence, Surveillance and Reconnaissance satellite constellation and a supporting digital backbone in space.





## Our performance headlines 2020-21



**£726m**

Sales for the year



**31**

Patents filed



**47%**

Externally delivered work



**65%**

Staff engagement level



**98%**

Customer satisfaction



**55.3%**

Chargeable utilisation of our staff

## 2 / Performance Analysis



Strategic Objective	Performance Area	What we Measure	2020/21 Target (Restated)	2020/21 Achieved
Shape the future of Defence and Security via relentless focus on our customers' challenges and needs	→ Financial performance	Our total sales delivered in £m	£738m	£726m
	→ Delivering for customers	Delivery of S&T Programme Outcomes benefiting defence and security from the baseline portfolio plan	Deliver 85% of planned S&T programme outcomes	<b>Delivered 87% planned S&amp;T programme outcomes</b>
		Customer Satisfaction Ratings via survey	95% of customers are satisfied with the service they have received	<b>98% of customers were satisfied with the service they have received</b>
Ensure Defence and Security can exploit the best science and technology capabilities on demand	→ Exploitation of Science and Technology	Exploitation of our S&T into IP Submissions	40 Patents, 300 subs	<b>31 Patents, 253 subs</b>
	→ Science and Technology capability	The capacity and health of the 22 Strategic Capabilities to meet demand	All strategic capabilities at amber health or better	<b>All strategic capabilities at amber health or better</b>
	→ External collaboration	% of External Delivery	46%	<b>47%</b>
Become a more agile organisation that is fit for the future	→ Operational effectiveness	Safety of our operations	Green	<b>Green</b>
		Security of our operations	Green	<b>Green</b>
	→ Operational efficiency	The progress of our Capital Plan	Track the progress of the plan against the Control Total for 2020-21 of £63m	£88m
		How our enabling costs compare to our delivery	19.4%	<b>19.6%</b>
		Chargeable utilisation of our staff (Dstl level)	55.9%	<b>55.3%</b>
	→ Our workforce	Workforce profile	Progress against the agreed levels of ambition: → Recruitment and attraction of ethnic minorities to 4% → Ethnic minorities workforce representation to 4% → Women senior representation at Dstl Levels 8-9 to 21% and Levels 7-8 to 24% → Disability engagement increase to 58%	<b>Progress against the agreed levels of ambition:</b> → <b>Recruitment and attraction of ethnic minorities to 3.8%</b> → <b>Ethnic minorities workforce representation to 3.4%</b> → <b>Women senior representation at Dstl Levels 8-9 = 21.7% and Levels 7-8 = 22.2%</b> → <b>Disability engagement increase to 63%</b>
		Level of staff engagement	62%	<b>65%</b>

# Measuring how we are doing

## Performance reporting

The performance of Dstl is reviewed and monitored through regular reporting to the Dstl Board (via the Dstl Executive Management Committee) and through quarterly business reviews (QBR) which are also attended by DST. This approach, which takes into account both current and future performance, enables Dstl to take prompt action to ensure we are able to meet our strategic objectives. Progress against KPI's performance is reported quarterly to the Dstl Board.

In addition to DST inclusion in the QBR, Dstl continues to work closely with our Board and MOD sponsor to improve the reporting of Dstl performance. Our MOD sponsor (MOD Chief Operating Officer, COO) considers our performance tri-annually as part of their Performance and Risk Reviews where they are joined by representatives from DST.

## Key Performance Indicators

Dstl works with our MOD sponsor, Board and DST to identify and agree the Key Performance Indicators (KPIs) used by the organisation. They represent performance areas across all aspects of the organisation and utilise a comprehensive range of measures and indicators which are used to inform management decisions at all levels of the organisation.

Aligned to our strategic objectives, Dstl's 2020-21 KPIs were identified and the associated targets set ahead of the COVID-19 pandemic. Over the first half of the year, and as the effects of the pandemic became clearer, Dstl's performance against the KPIs was closely monitored. So as to set stretching but realistic performance targets for our people, in November 2020, the Dstl Board reviewed and restated the target metrics for the KPIs. It is the restated metrics that have been used on page 029.



**87%**

of planned S&T programme outcomes were delivered

→ [Read more on page 031](#)



**3.2%**

customer sales growth

→ [Read more on page 031](#)



## Key performance messages 2020-21

*"Shape the future of Defence and Security via relentless focus on our customers' challenges and needs"*

### Customer sales

2020-21 was an unprecedented year and the impact of COVID-19 was, as like many other organisations, not insignificant, impacting on the delivery of our S&T Portfolio as Dstl adapted to new working arrangements. The safety of our people was (and continues to be) our top priority over the year and we are exceptionally proud of the agile way in which the organisation has responded to, and supported, the national response to the pandemic.

Despite the impact of the pandemic, we have continued to see an increased demand for Dstl S&T products and services. As a result of the Spending Review (SR) announced in October 2020, this trend looks set to continue over the next four years.

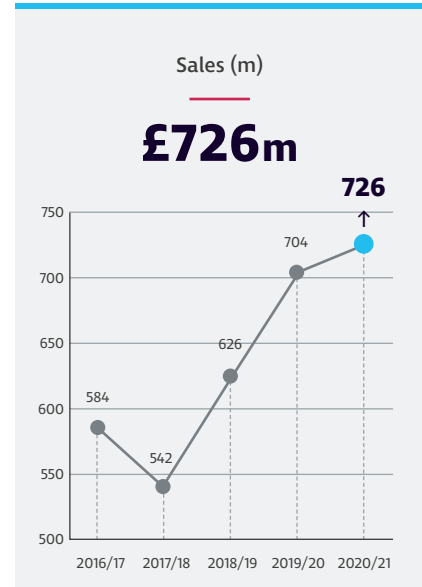
2020-21 saw customer sales grow by 3.2% to £726m.

### Customer delivery



Delivered 87% planned S&T programme outcomes against a target of 85%.

The delivery of our programme outcomes in excess of our target represents an excellent achievement, especially when considering the restrictions to working practices resulting from COVID-19. Crucial to this success has been the close working relationship with DST and our wider stakeholder community which enabled rapid and innovative re-scoping and planning of delivery, often using novel tools and techniques to enable different ways of working. It is important to note that some milestones were necessarily rescheduled for delivery into future years, the risk associated with this will be managed as a priority for this reporting year.



### Customer satisfaction

Whilst 2020-21 was an unprecedented year in many ways, Dstl remained committed to providing high impact S&T for our customers. Customer satisfaction is measured through the completion of Customer Satisfaction (CSAT) surveys and in 2020-21 Dstl achieved an overall customer satisfaction score of 98%, against a target of 95% (with 213 out of 600 surveys having been completed by customers, a return rate of 36%).

We are proud of the maintenance of our high customer satisfaction levels and will continue to build on that success over the coming period. In 2020-21, Dstl carried out a review

of its CSAT methodologies (with DST support) and we are now implementing changes to CSAT such that feedback is gathered more consistently and from the most appropriate source, and that the consequent quantitative and qualitative analysis of CSAT returns is carried out with increased depth, breadth and rigour. Primarily because of a change to the statistical analysis method employed, we will likely see an apparent fall in overall customer satisfaction in the next period, however the data we capture will provide greater insights on which to judge, and then act on, customer satisfaction and feedback.



We are proud of the maintenance of our high customer satisfaction levels.



## Sustaining capability

*"Ensure Defence and Security can exploit the best science and technology capabilities on demand"*

### Intellectual Property

Dstl works hard continuing to explore and exploit our S&T into Intellectual Property. 2020-21 was the second best year ever for Intellectual Property Reports and Dstl filed 31 applications for patents which is three more than the previous year and twice as many as filed in 2016/17.

The quality of the reports has remained at a high level.

### Developing capability

In order to deliver to our customers, Dstl and DST have agreed a set of 22 S&T capabilities that Dstl stewards. The assessment of the health of the capabilities examines 12 separate dimensions and utilises best-practise methodology, evidence and expert judgement. A RAG (red, amber, green) rating is then applied to the internal and external health of each capability and reported in

the capability sustainment KPI.

In 2020-21, we met the KPI target which said that Dstl assessment of the health of all strategic capabilities would be at amber health or better, with 18 assessed as amber internal health and four as green.

### Working in partnership

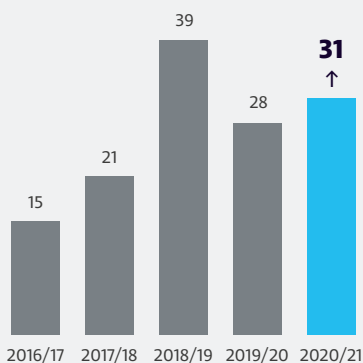
For Dstl to meet the SR ambitions, it is essential that we work hard to grow the volume of work that can be delivered through our external partnerships. Dstl partners with a wide range of organisations primarily from the worlds of academia and industry. 2020-21, £335m (47%) was delivered by working in partnership.



2020-21 was the second best year ever for Intellectual Property Reports and Dstl filed 31 applications for patents which is three more than the previous year and twice as many as filed in 2016/17.

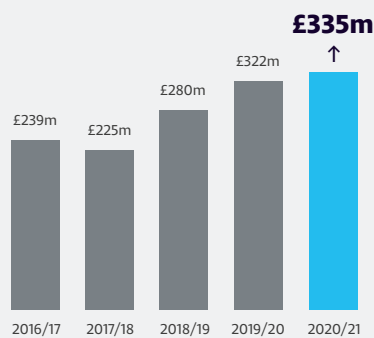
Number of filed patents

**31**



Externally delivered work

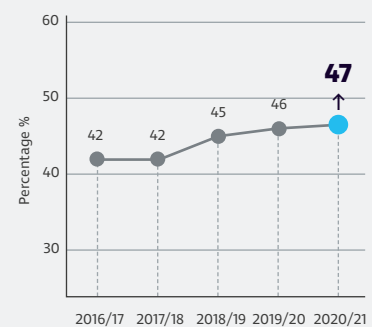
**£335m**



Percentage of extramural\*

**47%**

\*externally delivered work



## Ensuring Dstl is fit for the future

*"Become a more agile organisation that is fit for the future"*

### Efficiency

Efficiencies can be achieved in a range of ways. Either by improving outputs, by reducing costs/overheads or by improving the return on investment achieved. Dstl pursues a wide range of such activities to drive greater efficiencies: reducing our enabling cost base, making savings to operations whilst also growing the amount of work output by the organisation, particularly externally delivered work. Finally, Dstl also generates return on investment from the products and services delivered.

Dstl therefore measures efficiency through three key performance indicators:

- The utilisation of workforce
- How our enabling costs compare to our delivery costs
- The capital investments we are making

### Our people and their utilisation

In a year underpinned by COVID-19, during 2020-21 the number of Dstl Full-time Equivalent (FTE) fell from 4,428 (2019-20) to 4,391. Over the next few years, the demand for Dstl products and services is expected to continue to rise and so overall number of FTE will grow to support this.

COVID-19 had a direct impact on Dstl utilisation which decreased slightly in 2020-21 by 1.8%.

### Enabling Costs over Dstl Total Costs

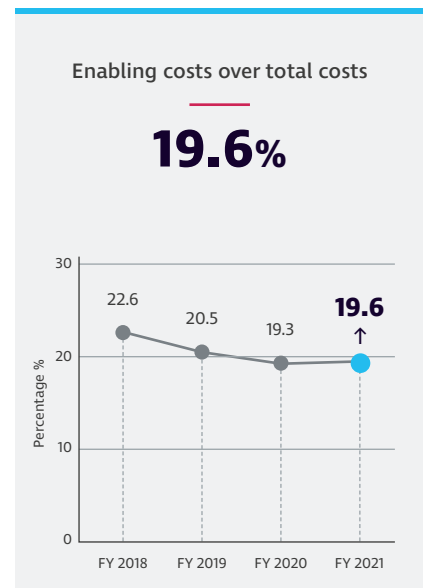
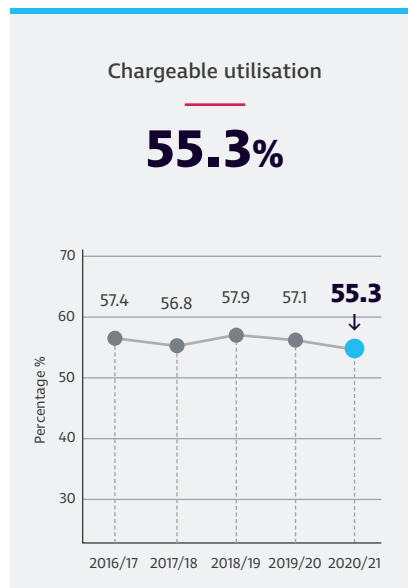
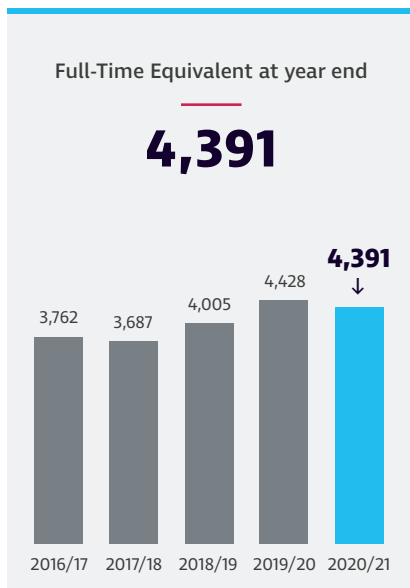
In 2020-21, the percentage of enabling costs as a proportion of the Dstl total rose by 0.3% to 19.6%.

### Capital investment

In 2020-21 we achieved a new record level of capital investment, investing £88m to support site rationalisation and renew ageing infrastructure to help ensure Dstl's capabilities meet the future requirements of our customers.



In 2020-21 we achieved a new record level of capital investment, investing £88m to support site rationalisation and renew ageing infrastructure.



## Ensuring Dstl is fit for the future (continued)

*"Ensure Defence and Security can exploit the best science and technology capabilities on demand"*

### Operational effectiveness

#### Security

Significant effort within the reporting period has been devoted to addressing the challenges presented by the COVID-19 pandemic which forced a different working approach to be adopted through the year. A strong focus on our information security has been successfully maintained throughout the period (Corporate Risk 9). Dstl employed additional control measures to maintain critical Internal Control during this period. Within the reporting period there have been no significant or gross security incidents within Dstl. Any incidents raised at

any level are thoroughly documented and investigated. As a result, Dstl has been able to maintain and exceed its baseline assurance checks and critical controls, demonstrated to and assessed by the external authorities. For the first time in ten years there have been two Animal Rights protests conducted at the Porton Down campus, both were conducted legally and peacefully, in compliance with national COVID-19 restrictions and with full co-operation between Dstl, PHE, Wiltshire Police and MOD Police to enable the protests to take place.

#### Health and Safety

The health and safety of our people is of prime importance to us and like

many organisations, this has been challenged over the past year with the COVID-19 pandemic. There has been no change to our Corporate Risks (1a and 1b) during the year however we have specifically generated risk (CVDR2) to cover the impact of COVID-19 on our operations on our sites and for the substantial number of people working from home.

During the year Dstl had three RIDDOR events reportable to the Health and Safety Executive however there were no incidents reported of people being significantly injured during the period. There have been no COVID-19 outbreaks within Dstl sites during the reporting period.







Case Study #04

# Autonomous Systems

## Largest collaborative evaluation of military UAVs takes off

A swarm of 20 drones completed the largest collaborative, military focused evaluation of swarming uncrewed aerial vehicles (UAVs) in the UK. The exercise was the culmination of Dstl's 'Many Drones Make Light Work' competition, funded by MOD through the Defence and Security Accelerator (DASA).

The evaluation explored the technical feasibility and military utility of a swarm of up to 20 small UAVs operating collaboratively. The research contract was delivered by an industry team led by Blue Bear Systems Research including Plextek DTS, IQHQ, Airbus and Durham University.

The swarm consisted of five different types and sizes of fixed

wing drones, with different operational capabilities, together with six different payload types. Three operators in Blue Bear's Mobile Command and Control System (MCCS) managed the entire swarm whilst simultaneously handling different, collaborative payload analysis tasks. The UAVs flew simultaneous Beyond Visual Line Of Sight (BVLOS) cooperative tasks, with Blue Bear collaborative autonomy ensuring they all contributed to overall mission goals. Throughout the two weeks of trials, more than 220 sorties were undertaken.

Dstl has been driving research in autonomous systems across different platforms and domains for many years. This 18 month collaboration has resulted in the demonstration

of an operationally relevant capability and will inform and de-risk future choices and decisions about swarming drone capability.



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# Managing the impact of our activities

At Dstl, we are committed to building a sustainable future for our environment, for each other, and for our community

During a year of significant challenge due to COVID-19, our main focus was to safely maintain the capability and infrastructure required to enable the continued delivery of science and technology in support of UK Government and its interests.

Our sustainability programme continued throughout COVID-19. We enhanced our environmental management and training packages, and identified and implemented energy saving initiatives across the estate. Sustainable procurement moved forward on improving the

generation of social value, while our sustainable travel and transport offerings progressed with the delivery of a Staff Travel Survey and updated Travel Plan.
































## Sustainability strategic direction

As global knowledge expands on the nature and implications of climate change, along with the speed at which it impacts, we have embarked on our preparations of our medium to long term view for sustainability. In taking the sustainability challenges of the world seriously, we have been moving forward with our sustainability agenda, within our business and in support of the UK Government and the Ministry of Defence's (MOD) sustainability ambitions. Our sustainability goals have continued to support, and closely align, with the UK

Government's Net Zero greenhouse gas emissions by 2050 (NZ50) mandate, Greening Government Commitment Targets, and the MOD's Science and Technology Strategy.

The three pillars of sustainability of social, environmental and economic, along with the 17 United Nations Sustainable Development Goals continued to be integral to our sustainability agenda. We have focused on the Sustainable Development Goals where we can make an impactful difference using our seven Areas of Action.

- Governance, Behaviour, Culture and Engagement
- Sustainable Use of Resources
- Net Zero Carbon Estate and Climate Resilience
- Science and Technology Research and Capability
- Natural Capital
- Sustainable Procurement and Improved Generation of Social Value
- Data and Management Information

Area of Action	United Nations Sustainable Development Goals Supported by Activities in 2020/21					
<p>→ <b>Governance, Behaviour, Culture and Engagement</b></p>	<p><b>4</b> QUALITY EDUCATION</p> 	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p><b>13</b> CLIMATE ACTION</p> 	<p><b>14</b> LIFE BELOW WATER</p> 
<p>→ <b>Sustainable Use of Resources</b></p>	<p><b>2</b> ZERO HUNGER</p> 	<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 				
<p>→ <b>Net Zero Carbon Estate and Climate Resilience</b></p>	<p><b>6</b> CLEAN WATER AND SANITATION</p> 	<p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p> 	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p><b>13</b> CLIMATE ACTION</p> 
<p>→ <b>Science and Technology Research and Capability</b></p>	<p><b>13</b> CLIMATE ACTION</p> 	<p><b>17</b> PARTNERSHIPS FOR THE GOALS</p> 				
<p>→ <b>Natural Capital</b></p>	<p><b>3</b> GOOD HEALTH AND WELL-BEING</p> 	<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p><b>13</b> CLIMATE ACTION</p> 	<p><b>14</b> LIFE BELOW WATER</p> 	<p><b>15</b> LIFE ON LAND</p> 	<p><b>17</b> PARTNERSHIPS FOR THE GOALS</p> 
<p>→ <b>Sustainable Procurement and Improved Generation of Social Value</b></p>	<p><b>1</b> NO POVERTY</p> 	<p><b>3</b> GOOD HEALTH AND WELL-BEING</p> 	<p><b>5</b> GENDER EQUALITY</p> 	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<p><b>10</b> REDUCED INEQUALITIES</p> 	<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 
<p>→ <b>Data and Management Information</b></p>	<p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 					



## Looking forward to the future

**As we move forward, we aim to support NZ50 by producing a Sustainability Strategic Direction document and a 30 year 'Sustainability Roadmap to 2050'.**

Our strategic direction will set the landscape for sustainability and how it will be developed and delivered over the coming years, bringing alive the Areas of Action. The sustainability

strategy will align with our own Operations Division Strategy, and the Defence Infrastructure Organisation (DIO) and MOD's strategic ambitions.

Science based evidence and robust climate change assumptions will be used to model the various milestones and activities required to reach our end goal. This modelling process will consider existing and developing

technologies and our identified positive environmental impacts. Utilising our extensive estate, we will take the opportunity provided by our potential to develop on-site carbon sequestration, the capturing and storing of atmospheric carbon dioxide, and optimisation of biodiversity.



## Engagement

**We have increased staff engagement opportunities with the creation of an informal Sustainability Forum and a regular 'Sustainability Thought of the Week' article in our on-line staff newsletter.**

In addition to this, we communicate about our energy and water reduction, clean air, food waste reduction, sustainable travel, supporting biodiversity, and improvements to waste management through staff awareness information.

We have also expanded our collaboration with key stakeholders, with representation at MOD and DIO. We provided reports on climate change to MOD in order to help inform future decisions regarding sustainability.



### Greening Government Commitment Targets

2020/21 was expected to have been the first year of the new phase of the Greening Government Commitment Targets 2020-2025. However, for reasons outside of our control the targets were not approved by the MOD and therefore, not disseminated to us.

The report below compares our performance against the previous target set for 2016-2020 and its baseline year of 2009/10.



**82%**

reduction in paper consumption compared to 2009/10 baseline.

Greening Government Commitment	2016-2020 Government Operational Targets	Our position at 31 March 2021, compared to 2009/10 baseline year	Status at end of 2016-2020 target period
<b>Greenhouse gas (GHG) emissions</b> (Scope 1, 2 and 3)	→ 32% reduction from the whole estate and UK business transport	64% reduction	Achieved
<b>GHG emissions – Fuel</b>	→ Normalised against full time equivalent staff numbers (FTE). No target	3.75 Tonnes CO <sub>2</sub> e/FTE <sup>1</sup>	Not applicable
<b>Waste</b>	→ Reduce landfill to less than 10% of overall waste	0% of waste sent to landfill <sup>2</sup>	Achieved
<b>Waste</b>	→ Continued reduction in waste	21% reduction	Achieved
<b>Waste</b>	→ Continued increase in recycling	27% reduction	Not achieved
<b>Waste</b>	→ Normalised against FTE. No target	0.4 Tonnes/FTE <sup>1</sup>	Not applicable
<b>Water</b>	→ Reduction in water consumption	47% reduction	Achieved
<b>Water</b>	→ Normalised against FTE. No target	50m <sup>3</sup> /FTE <sup>1</sup>	Not applicable
<b>Paper</b>	→ 50% reduction in paper consumption	82% reduction	Achieved
<b>Domestic business flights</b>	→ 30% reduction in number of flights	92% reduction	Achieved

Notes:

CO<sub>2</sub>e – Carbon dioxide equivalent emissions

m<sup>3</sup> – Cubic metres

<sup>1</sup> Greening Government Commitments are normalised against full time equivalent (FTE) and are not a comparison to the baseline year

<sup>2</sup> Non-hazardous waste



## Environmental management

We are currently undergoing a review in to our environmental management procedures, taking into account our negative and positive impacts, as we strive for continual improvement. As a part of this, we revisited our Safety and Environmental Management System.

The review included the specific arrangements for managing environmental protection, which was expanded to include more explicit governance expectations. Our robust continuing 'line two' assurance, undertaken by the Central Health, Safety and Environmental

Protection Team, accounts for this within their audit structure.

We have enhanced our Climate Impact Risk Assessment Methodology matrix enabling risks from climate change to be identified and assessed. We have also continued to assure ourselves against identified legal and other applicable compliance obligations, and enhanced our Gas Management Plan in support of continuing improvement.

In line with the relevant requirements of the Joint Services Publications, environmental impact assessments

continue to be carried out on our projects and trials. A new way of accounting for environmental protection risks and impacts during trials has been developed to enable greater opportunity for early engagement during trials planning.

Our ongoing Our Better Normal programme, addressing improved working methods as a result of the COVID-19 period, includes the outcomes for sustainability benefits of reduced emissions from business travel and reduced on-site emissions.



Greenhouse Gas Emissions		Baseline year 2009/10	2020/21
Non-financial indicators (tCO <sub>2</sub> e) <sup>1</sup>	Gross emissions for scopes 1 and 2 energy		
	→ Oil	6,431	4,118
	→ Electricity consumed	26,747	4,125
	→ Gas	9,392	6,984
	→ LPG	0	39
	→ Fugitive gases	69	1,257
	<b>Total gross emissions for Scope 1 and 2 energy</b>	<b>42,639</b>	<b>16,523</b>
	→ Gross emissions for scope 3 energy		
	→ Business travel (air and road)	4,827	441
	→ Water	434	232
<b>Total gross emissions for Scope 3</b>	<b>5,261</b>	<b>673</b>	
Financial indicators (£'000)	Expenditure on energy and water	6,978	9,274
	Expenditure on business travel	8,734	379
	<b>Total expenditure on energy and business travel</b>	<b>15,712</b>	<b>9,653</b>

<sup>1</sup> Emissions calculated in tonnes carbon dioxide equivalent for consumption of energy, fuel and fugitive gases



## Waste management

Our waste management services are contracted out to our facilities management partner, EMCOR UK. Waste generated from facilities management and projects that were related to our Helios project, remained the responsibility of the contractors and as such were excluded from the waste figures reported here.

Our own hazardous waste incinerator was used to process both our own and third-party hazardous and sensitive waste. This facility was regulated via a permit issued by the Environment Agency.

For the reporting year, 64% of our waste was recycled across all three core sites, with 26% sent for incineration and conversion to energy. 0% of non-hazardous waste was sent to landfill which exceeded the wider Government aspiration that 'less than 10% of waste' should be sent via this route. Overall our total weight of waste reduced by 4% compared to the previous year.

As our Helios project progressed we took the opportunity to implement a number of initiatives to reuse equipment and furniture rather than disposing of them, totalling approximately 157 tonnes. Equipment and furniture was collected by the Defence Equipment Sales Authority to be sold, and they provided large capacity metal skips free of charge enabling substantial quantities of metal to be recycled. In both cases funds from sales were returned to the MOD. We have also successfully enabled others to benefit from the reuse of our appropriate waste electrical items.

An opportunity was recognised by our Sustainability Team to develop our waste management practice, setting into motion a review of our processes. A number of improvements have been identified and acted upon. The review will continue into the next reporting year.



# 64%

of waste was recycled across all three core sites.



# 157t

157 tonnes of equipment and furniture has been reused rather than disposed of.

Waste		Baseline year 2009/10	2020/21	
Non-financial indicators (tonnes)	Hazardous waste, internal incineration, solid	225	27	
	Hazardous waste, internal incineration, wet	47	10	
	Hazardous waste, external disposal	62	169	
	<b>Total hazardous waste</b>	<b>334</b>	<b>206</b>	
	Non-hazardous waste	→ Land fill	114	0
		→ Reused/recycled	1,517	1,093
		→ Incinerated/energy from waste	209	417
		→ Composted	0	0
		→ IT equipment recycled	0	14
	<b>Total non-hazardous waste</b>	<b>1,840</b>	<b>1,524</b>	
<b>Total waste</b>	<b>2,174</b>	<b>1,730</b>		
Financial indicators (£'000)	Total disposal cost	207	856	
	Hazardous waste – total disposal cost	204	403	

## Utilities

### Energy

We have commissioned a number of new buildings in line with our Helios Project, but older buildings that are awaiting decommissioning still remain. This 'dual-running' will continue across the breadth of our estate until the Helios Project concludes, impacting on our energy and water consumption, and waste production.

Once completed, our Helios Project is on track to deliver a significant reduction in greenhouse gas emissions. This will be achieved by a reduction in demand for inter-site travel, the commissioning of more carbon-efficient building stock, improved energy monitoring and tracking, and improved ways of working. We are continuing to investigate the wider use of solar photovoltaic arrays, wind turbines, heat recovery and district heat networks.

We commenced an exciting project to produce a Decarbonisation of Heat Roadmap for our Porton Down site which would form a major step in our route to the decarbonisation of our built estate. The decarbonisation roadmap would lay the basis for a business-wide Sustainability Roadmap to 2050 supporting the UK Government's NZ50 mandate.

From our work to date to undertake Display Energy Certificate energy audits, we identified sustainable and energy efficiency opportunities at our Porton Down and Portsdown West sites, including heat recovery from steam generation and plant room processes, improved maintenance, and sustainable asset replacement programmes.

We collaborated with our partners and technology companies to progress opportunities to phase out large gas operated plant and boilers at their mid to end of life.



We have commissioned a number of new buildings in line with our Helios Project, but older buildings that are awaiting decommissioning still remain.

Our sustainable asset renewals continued with four boilers being replaced at our Portsdown West site with improved energy efficient models.

We continued to progress our review of building sub-meters to improve the qualitative and quantitative data provided to enable improved management of the estate. Phase One – replacement, recommissioning and repair of meters to operational buildings. Phase Two – producing a sub-metering strategy to improve monitoring and targeting capabilities leading to identification of energy efficiency opportunities.

### Water

We have continued to closely monitor water consumption to ensure it is used efficiently and effectively as part of ongoing operations. Our strategic review of future water requirements, in partnership with other organisations within the Porton Down campus boundary, has progressed to form part of a Water Resilience project. The project, nearing the end of its design review period, will identify opportunities for water reduction and resilience.

Progress continues at our Fort Halstead site to identify and repair water leaks, this work will continue until we vacate the site as part of our Helios project.

A reduced and variable head count level on-site during the reporting period resulted in a reduction in peaks in water consumption, although the level of constant draw remained similar to previous years due to critical works being maintained. In having a reduced head count we increased the flushing of our water infrastructure as a preventative measure to reduce the risk from Legionella bacteria. In doing so, our water consumption increased but the potential risk to health reduced. We have commenced investigation of alternative more sustainable solutions to maintain our potable water supplies that still offer the level of health protection required.

### Paper

Our reported paper usage and expenditure related to supplies we procured via Government contracts. Our strategic supply chain partners used additional paper, but this has not been included as the volumetric data is unavailable.

Finite resource consumption – energy			Baseline year 2009/10	2020/21
Non-financial indicators	Energy consumption (kWh) <sup>1</sup>	→ Electricity – non-renewable	49,166,919	47,408,355
		→ Electricity – renewable	0	5,140
		→ Gas	51,045,180	37,981,813
		→ LPG	0	182,699
		→ Oil	24,929,426	15,640,090
Financial indicators (£'000)	Total energy expenditure	6,212	8,569	
Finite resource consumption – water				
Non-financial indicators	Water consumption (m <sup>3</sup> ) <sup>1</sup>	→ Supplied	191,543	115,480
		→ Abstracted	225,540	104,617
Financial indicators (£'000)	Water supply costs <sup>2</sup>	776	705	
Finite resource consumption – paper				
Non-financial indicators	→ Volume metric (tonnes)	49	9	
Financial indicators (£'000)	→ Total paper expenditure	66	12	

<sup>1</sup> Consumption figures taken from invoiced data. Exclude consumption by 3rd party tenants and lodgers

<sup>2</sup> VAT not chargeable on water supply or wastewater services





## Travel

**Our Travel Plan, which includes proposals for sustainable travel and transport options, was updated following completion of the Staff Travel Survey. Working with our partners, we investigated improved sustainable travel and transport initiatives to and from our sites, between sites and on site.**

Our travel is procured through the Crown Commercial Services Framework. Improved data and subsequent analysis has enabled us to better understand the travel behaviours of our staff, and to devise intervention that improved the use of low-carbon travel options and minimised cost. Our travel booking partner now provides details of journey emissions to inform the user of the environmental impact of their proposed journey.

Our three core sites are located in rural locations, with limited public transport services. In order for us to meet the needs and travel expectations of our staff, the provision of our commuter bus services is essential in providing transport links between our sites and key public transport hubs located within the reach of our staff. As the contract for our staff commuter bus service between our three sites was

coming to an end, we embarked on a substantial review of the service to consider expanding the scope to include additional routes and to cover a broader range of postcodes.

Collaboration with stakeholders on sustainable travel continued including engagement with Wiltshire Council on the Bourne Valley Cycle Routes proposal, as well as other cycle routes within our local area.

As part of our continued commitment to reduce our carbon footprint and to allow for access to cleaner vehicles for business travel, our pool car fleet was improved. We provided a further 19 hybrid ultra-low emissions vehicles and reduced the number of internal combustion engine vehicles by 13. An evaluation of the supporting electrical infrastructure and charging points took place and electric car charging points are now included as standard in the design of our new buildings.

We explored remotely located pool car systems for business travel where cars are parked off-site ready for use in locations that suit staff population hubs, reducing staff commuting and business travel. In collaboration with a travel partner, on-site electric powered cycles

were considered, supported by staff cycling proficiency training. A salary sacrifice scheme was progressed that would enable staff to purchase their own ultra-low emission vehicle.

We have continued to invest in technological solutions that could substantially reduce the need for business travel between our sites. We significantly enhanced the abilities of our internal telephone system to support staff working from home to attend virtual meetings and staff 'dial-ins', whilst providing a wide range of supporting presentation tools.

In light of COVID-19, we anticipate new ways of working requiring a much reduced need for business travel, and where it remains necessary for sustainable travel to be the norm. This will be a key area of focus over the coming year.



We provided a further 19 hybrid ultra-low emissions vehicles to our pool car fleet.



## Conservation and biodiversity

**The Porton Down Site of Special Scientific Interest (SSSI) comprises 1,519 hectares and constitutes one of the largest uninterrupted tracts of semi-natural chalk grassland in Britain. The grassland and scrub areas of the Porton Down SSSI support nationally rare flora and fauna, including many orchid species such as Lady Orchid, the large Juniper population and its breeding Stone-curlew. As part of the UK Government's biodiversity targets, we continued with an intensive programme of scrub management and conservation in order to achieve 'Favourable Condition' status. A proportion of this work was funded from the DIO Fund.**

The Dstl Porton Down Stone-curlew Conservation Project was established in 2014 to improve productivity and achieve a sustainable Porton Down Stone-curlew population. Monitoring of breeding attempts continued as part of our Section 106 Agreements. We continued with ongoing electric fencing of plots in order to protect nests from mammalian predation and to improve nesting success. We achieved ongoing significant advances in protecting nests at the egg stage however, fledgling success still remained challenging.

In response, we are carrying out further research into factors around this issue.

Our Porton Down site is part of the Environmental Change Network, one of 16 sites across the UK that has been running for over 25 years. As part of this network we collected and interpreted a wide range of long-term data. This was shared with the network coordinators at the Centre for Hydrology and Ecology to provide a unique national resource that will help improve the UK's understanding of how and why environments change.

We have over 200 monuments on our Porton Down site making it an important area for archaeology. 34 of the monuments are included in the Schedule of Monuments kept by the Secretary of State for Digital, Culture, Media and Sport. Previously, 16 of the Scheduled Monuments were on the 'at risk register' as a consequence of natural ecological encroachments. Over the past five years we have undertaken our Monument Protection Plan with the aim of reducing the number of Scheduled Monuments deemed to be at risk. Excellent progress has been made with now only one monument remaining on the 'at risk' register.

Work to remove the remaining 'at risk' monument is programmed for the coming year, after being delayed due to COVID-19 access restrictions. The hard work and commitment that we have undertaken over the past five years for this project was recognised in a nomination for the 2020 Ministry of Defence Sanctuary Awards for conservation and sustainability.

We have implemented a plan to provide further biodiversity enhancements and staff well-being at our Portsdown West site to complement the wildlife pond, wildflower meadow, sustainable mowing programme and bee boxes already established. A Site Ecological Plan for Portsdown West is planned for production in the coming year.

At Porton Down, work has continued to provide staff with a well-being area including a pond, seating, tree planting, various wildlife habitats and planting areas. Flower beds with mown pathways were created. Dstl also manages 131 hectares of previously farmed fields where biodiversity enhancements have been provided, benefiting farmland birds that have experienced a national decline in numbers over many years.

Commitment	Work achieved in 2020/21
Scrub clearance from chalk downland	<ul style="list-style-type: none"> <li>→ Approx. 9.0 hectares of new scrub cleared<sup>1</sup></li> <li>→ Approx. 35-40 hectares of scrub cleared that had been cut at least once before</li> </ul>
Dstl Stone-curlew Conservation Project	<ul style="list-style-type: none"> <li>→ 17 plots in total</li> <li>→ 13 plots fenced</li> <li>→ 9 breeding pairs</li> <li>→ 8 fledged young</li> <li>→ 0.89 productivity</li> <li>→ 11 pair average over five years</li> <li>→ 0.64 five year productivity average</li> </ul>
Archaeology	<ul style="list-style-type: none"> <li>→ Maintenance of monuments worked on in the last five years</li> </ul>
Biodiversity enhancements	<ul style="list-style-type: none"> <li>→ Seven fields taken back into our management for biodiversity enhancements over past five years</li> <li>→ 16 hectares of seeds sown for biodiversity</li> </ul>

<sup>1</sup> New scrub: scrub not cut for at least 20 years

## Sustainable procurement

### **Dstl are bound by EU and UK legislation, and Government and MOD Policy in relation to the letting and management of contracts with third parties.**

Where defence contractors are engaged by us to provide services directly in support of defence activities, we are obliged to ensure that they comply with the requirements of the Health, Safety and Environmental Protection Policy Statement issued by the Secretary of State for Defence and, in addition, any enhancement of these requirements described within the Defence Safety Authority Publications. We apply the contractor requirements as detailed within the MOD Joint Service Publication (JSP) 418 (Management of Environmental Protection in Defence) and the MOD Sustainable Procurement Commercial Policy Statement, which details MOD's

commercial policy and guidance on sustainable procurement, as applicable in our contracting arrangements.

1 January 2021 saw the introduction of the Cabinet Office Social Value model requiring all Public Contract Regulation procurements to include Social Value evaluation criteria at a minimum of 10% of total scoring where commensurate and reasonable to do so. Supporting the implementation of this policy, Dstl Commercial became members of the Defence Commercial Climate Change and Sustainability Community of Interest, contributing to the development and introduction of complimentary Defence Commercial strategic direction and policy. In addition Dstl published a blog shared across MOD explaining Social Value which received recognition from Senior MOD stakeholders including

Director General Finance. Dstl also acted as part of a cross Government panel for Dstl suppliers answering questions on Social Value.

Our strategy, driven by Dstl Strategic Objective Two, is intended to create a culture of sustainable procurement across our whole business and through our supply chain. In 2020/21 30% of Dstl's external spend was spent with SMEs (small and medium-sized enterprises), which is above the 25% Government target for MOD. In 2020/21, 75% of Dstl's direct suppliers were SMEs, showing an increase against 2019/20 (74%) and 2018/19 (65%). Additionally, approximately 43% of our contract tasks were awarded indirectly to SMEs, again an increase from 2019/20 (41%) and 2018/19 (36%).

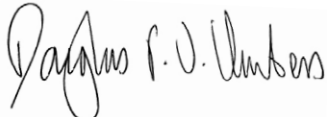
## Community

**Since the review of our corporate charity approach, we have continued to allow individual employees to support their preferred charities of choice in fundraising activities in their own time at work, and with the appropriate site permissions where necessary. Our annual remembrance service in November allows contributions to the Royal British Legion to be made.**

Many of our staff continue to volunteer in the communities around our sites. We recognise that it is a rewarding way to use and develop skills while making a big difference to our communities. Members of our staff contribute to a wide variety of voluntary roles, from helping out at

a community farm, at local youth sports clubs, the MOD-sponsored Cadet organisations, and in the scouting and guiding movement, to more formal voluntary roles such as justices of the peace, and the Samaritans. We also support members of our staff who are reservists in the Armed Forces. In addition to these volunteering activities, Dstl employees are encouraged to register as Science Technology Engineering and Maths (STEM) Ambassadors, working with schools, colleges and universities to encourage more young people to pursue further study and careers in Science, Technology, Engineering and Maths. For 2020/21, 67 employees have booked more than 1,045 hours to volunteering activities.

Our people are civil servants and as such, the Civil Service governs our people policies. We ensure that our procedures and employment contracts are in line with the Civil Service Management Code and that they reflect the fundamental principles of the Human Rights Act 2000.



**Doug Umbers**

Interim Chief Executive

**22 November 2021**





Case Study #05

# Weapons

© MBDA UK Limited

## Next generation weapon systems will benefit from greater commonality and adaptability through industry collaboration

On behalf of MOD, Dstl awarded a £300 million contract to QinetiQ in April 2020 for the accelerated development of disruptive weapon technologies to provide the armed forces with the battle winning technology to fight future conflicts including directed energy, complex and conventional weapons technologies.

The Weapons Sector Research Framework (WSRF) contract runs for five years. Delivered as an Enterprise Approach collaboration between Dstl, industry and academia, stakeholders work together, planning, tasking and delivering accelerated weapons science and technology (S&T) research.

The WSRF works with the supply base to encourage innovation and growth throughout the contract's lifespan. A Community of Interest (COI)

across the supply chain of industry, academia and small and medium-sized enterprises (SMEs) spurs the development and maintenance of essential UK technical capabilities, weapons critical expertise and facilities.

This route to market ensures the MOD is able to respond to the ever increasing pace and diversity of threats from the modern battlefield, and enhance UK sovereignty and prosperity. Among work being carried out under the framework is the investigation of options and key enabling technology to provide the Army with next generation mounted and dismounted anti-armour weapon systems. Working collaboratively with industry partners, a key aim is to enable platforms to accommodate any missile or rapid adaption to different missile systems, providing greater

commonality and adaptability of future systems than at present. Through work being conducted within the WSRF, key technology is being developed to enable improved precision at an extended range with the ability to be deployed beyond line of sight or potentially remotely operated by troops across the battlefield. This will provide the Army with a future capability while meeting the Integrated Review aims of overmatching the threat.



The WSRF works with the supply base to encourage innovation and growth throughout the contract's lifespan.



# → Accountability



Our Accountability Report presents information on Dstl's key accountability requirements to Parliament.

# → Accountability

## Contents

Our Accountability Report contains three sections:

### 3 / Corporate Governance 050

*Demonstrates that we have the right governance structure in place to meet our objectives, and that we practise good corporate governance. It includes an introduction from the Chair of our Board, information about our leadership, and our comprehensive Governance Statement.*

Directors' Report	050
Statement of the Accounting Officer's responsibilities	059
Governance statement	060

### 4 / Remuneration and Staff 070

*Shows how we have complied with the key rules and requirements related to the remuneration of our directors and other staff, as well as demonstrating what it's like to work here.*

Remuneration policy	070
Senior management remuneration and pension entitlements	072
Our people	074

### 5 / Parliamentary Accountability and Audit 084

*A summary of the information relating to our resource and capital spending set by Parliament, as well as details that are useful with regards to accountability and decision-making purposes.*

Statement of Parliamentary Supply	085
Regularity of expenditure	085
Remote contingent liabilities	085
Losses and special payments	086
Fees and charges	086
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	087





## Directors' Report

MOD looks to the Dstl Board to scrutinise Dstl's performance, capability and delivery.



**Over what has been an extraordinary year dominated by the pandemic, I am pleased to report that the Board was still able to conduct its business and discharge its role in advising the Executive and providing assurance to the MOD owner in regard to the effectiveness and efficiency of Dstl's delivery of Defence's priorities.**

I am particularly pleased that we were also able to play an influential role in the Government's Integrated Review of Security, Defence and Foreign Policy, the concurrent Spending Review, and settlement for Defence that has resulted in a boost to investment in Science and Technology (S&T) over the next four years.

That Dstl is well placed to deliver on this opportunity is evidenced by the way the organisation has assimilated growth in demand over the past two years, resulting in income rising from £626 million to £726 million. The Board will be focused on how we can support the Executive in delivering the projected further growth that will result in income of over £1 billion per annum by 2022/23.

Central to this is the strength of the relationships that Dstl forges with its main commissioner for S&T, the Chief Scientific Adviser for Defence, the many other customers of Dstl's work, and the myriad of partners with

## 3 / Corporate Governance



whom Dstl works. For 2021/22, my Board colleagues and I are looking forward to getting out and about to renew and further strengthen those relationships after the constraints of lockdown.

**Particular highlights for the Board this past year have been:**

- supporting the development of the MOD Defence Science and Technology Strategy, launched at the end of 2020
- supporting the Executive in successfully maintaining an extraordinarily high level of activity in delivering on commissioned work
- overseeing the safe operation of the organisation with many sensitive activities necessarily conducted on site
- assuring the continued high quality of the work delivered during the constraints of the pandemic

- the support provided by Dstl to the national effort in tackling the pandemic, especially across Government and for the Military
- the increasing profile and recognition of the vital importance to the nation of the work undertaken by Dstl, including the Royal Visit in October 2020.

It is for all these reasons and more that I am particularly proud of, and grateful to, colleagues for their unstinting, and at times unsung, commitment and endeavour.

**I would also like to express particular thanks and appreciation to:**

- Gary Aitkenhead, our Chief Executive who, after three years of superb leadership left us on the 1 April 2021 to accept a role in the private sector
- Doug Umlers for agreeing to stand in as Interim Chief Executive while we undertake

the recruitment of a successor to Gary

- my Board colleagues for their support and wisdom.

*Adrian Belton*

**Adrian Belton**

Chair of the Dstl Board

**16 November 2021**



Highlights include the Royal Visit in October 2020.



## Our leadership

### The Dstl Board and Executive Management Committee (for the financial year 2020/21)

Our Board exercises strategic oversight of Dstl in the delivery of our objectives. It provides a forum for independent, non-executive, support and reasonable challenge to our Chief Executive and our Executive Management Committee members. It monitors performance and output against plans and forecasts, and ensures that we operate in compliance with relevant policies and standards.



For more information about  
Dstl Board members...

[See pages 054 - 057](#)

#### Members of the Dstl Board as at 31 March 2021

→ Adrian Belton	Non-executive Chair
→ Brian Bowsher	Non-executive member
→ Jeremy Monroe	Non-executive member
→ Tara Usher	Non-executive member (MOD)
→ Sarah Spurgeon	Non-executive member
→ David Tonkin	Non-executive member
→ Gary Aitkenhead <sup>1</sup>	Chief Executive
→ Andy Bell	Chief Technical Officer
→ David English	Chief Finance Officer
→ Doug Umbers	Chief Operating Officer

<sup>1</sup> Gary Aitkenhead departed Dstl at the end of the financial year with Doug Umbers acting as interim Chief Executive from April 2021



## The Dstl Executive Management Committee (for the financial year 2020/21)

Our Executive Management Committee provides day-to-day leadership and management to ensure that our strategic direction is appropriate to meet the scientific requirements of our customers. It ensures that we operate safely and securely by reviewing performance and managing risks, and monitoring business delivery and financial performance.



For more information about the Dstl Executive Management Committee...

[See pages 056 - 057](#)

### Members of the Dstl Executive Management Committee (EMC) as at 31 March 2021

→ Gary Aitkenhead	Chief Executive Officer (CEO)	–
→ Andy Bell	Chief Technical Officer (CTO)	–
→ Matthew Chinn	Division Head – Platform Systems Division (PLS)	–
→ Simon Earwicker	Division Head – Chemical, Biological and Radiological Division (CBR)	–
→ David English	Chief Finance Officer (CFO)	–
→ Paul Kealey	Division Head – Cyber and Information Systems Division Head (CIS)	–
→ Mike Smith	Division Head – Counter-Terrorism and Security Division (CTS)	–
→ Doug Umbers	Chief Operating Officer (COO)	–
→ Robyn Wedderburn	Chief People Officer (CPO)	–

### Former members of the Dstl Executive/EMC who served during financial year 2020/21

→ Robert Solly	Division Head – Defence and Security Analysis Division (DSA)	Appointment ceased 5 March 2021
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## Non-executive members of the Dstl Board (as at 31 March 2021)



**Adrian Belton**  
Chair of the Dstl Board

*Appointed as chair of the Board on 1 August 2019*



**Brian Bowsher**  
Non-executive member

*Appointed to the Board on 1 September 2018*



**Jeremy Monroe**  
Non-executive member, Chair of the Remuneration Committee

*Appointed to the Board on 1 February 2017*

### → Key strengths

Corporate governance, risk management, financial management, strategic leadership and stakeholder management at the interfaces of the public, private and academic sectors.

### → Experience

Adrian was Chief Executive of the Government's Food and Environment Research Agency (FERA) from 2009 to 2014, having established it from a four way merger including the Central Science Laboratory (CSL) and the UK Government Decontamination Service. He was Chief Executive of the CSL 2008-9. From 2014 to 2016 Adrian was Chief Executive of the Construction Industry Training Board (CITB) from where he stepped down from full-time executive work to pursue a non-executive career. His earlier career was with Barclays where he held a number of senior executive roles, followed by roles in local Government and in establishing a new Non Departmental Public Body in Defra.

### → Declarations of Interest in year

Non-executive Chair of Stockport NHS Foundation Trust until the 30 April 2021; Non-executive Director of NHS Property Services Limited (from 4 May 2021); and member of the Council of the University of Sheffield.

### → Key strengths

Strategic and change leadership; operational/assurance excellence; research and innovation (national and international); stakeholder engagement.

### → Experience

In 2018, Brian retired as the Chief Executive of the Science and Technology Facilities Council (STFC). He has also been a member of the governing bodies of CERN, the Square Kilometre Array, and the Diamond Light Source. From 2009 to 2015, Brian was the managing director of the National Physical Laboratory (NPL) and before joining NPL, he was on the executive board of AWE initially as Director of Research and Applied Science and then as Director Systems Engineering. He is a Fellow of the Royal Society of Chemistry and the Institute of Physics, an Honorary Fellow of the Institute of Measurement and Control, and holds an Honorary Doctorate of Science from the University of Southampton.

### → Declarations of Interest in year

Advisory board to the chemistry department at the University of Southampton and occasional involvement with STFC and NPL as former CEO.

### → Key strengths

Transformation and management of change; IT strategy; programme design; commercial experience; customer relationships.

### → Experience

Jeremy started in manufacturing with a physics degree and changed to management consultancy, in time becoming a partner in PricewaterhouseCoopers (PwC) and a member of its Supervisory Board. On the sale of PwC's consulting business, Jeremy became vice-president in IBM's public sector consulting and systems integration business. Latterly he designed, sold and led large public sector IT enabled transformational projects, particularly for the MOD and the Home Office, building organisational relationships that lasted many years. His final role at IBM was as Global Leader Defence and Intelligence, bringing people together across the globe.

### → Declarations of Interest in year

Non-executive member of NHS Blood and Transplant; chair of VSPM; director of Falstaff Consulting Ltd; trustee of Seafarers UK.



## Sarah Spurgeon

**Non-executive member**

*Appointed to the Board on 1 July 2018*

### → Key strengths

Engineer; research and innovation management; education and skills development; science and technology evaluation.

### → Experience

Sarah is Professor of Control Engineering, and head of the Department of Electronic and Electrical Engineering at University College London; she is immediate past President of the Engineering Professors' Council and a Past President of the Institute of Measurement and Control. In 2000, she was awarded the Institute of Electrical and Electronics Engineers millennium medal, and in 2010, she received the Honeywell international medal for distinguished contribution as a control and measurement technologist to developing the theory of control. Sarah was previously a member of the Defence Scientific Advisory Council.

### → Declarations of Interest in year

EngineeringUK, Board Member; Big Bang Education CIC, Director; Engineering Professors Council, Director; and University College London, Professor of Control Engineering and Head of Department of Electronic and Electrical Engineering.



## David Tonkin

**Non-executive member, Chair of the Audit and Risk Assurance Committee**

*Appointed to the Board on 1 September 2017*

### → Key strengths

Improving business performance; implementing and managing financial and organisational risk management frameworks; leading organisational change; process improvement; health and safety management.

### → Experience

David is a commercially focused business leader with more than 20 years' experience in strategic and operational leadership. He has held both senior general management and financial leadership roles in complex multi-site operations, internationally and across various industry sectors. His last full-time role was with Atkins Plc as Chief Executive of the UK's largest engineering consultancy. He is now pursuing a non-executive career.

### → Declarations of Interest in year

Chair of the Railway Industry Association.



## Tara Usher

**Non-executive member (MOD)**

*Appointed to the Board on 1 October 2019*

### → Key strengths

MOD civil servant and former City solicitor, banker and company secretary: governance, assurance and portfolio management. Conduit with MOD Head Office.

### → Experience

Tara co-heads the MOD Enabling Organisations Sponsorship Team. On behalf of the MOD Chief Operating Officer the Team performs the sponsorship function for many of the Department's key organisations, also including the Defence Infrastructure Organisation (DIO) and Defence Business Services (DBS). Tara joined MOD in 2018 after working for the Department for Transport (DfT), first as a legal adviser (maritime and aviation) and subsequently in policy and governance roles. Her work included creating a new governance and portfolio management framework for DfT's large-scale capital investments and later leading the sponsorship team for the newly created Highways England GovCo. Prior to joining the Civil Service Tara worked in the City, initially at the law firm, Freshfields, and latterly in investment banking.

### → Declarations of Interest in year

Head of Enabling Organisations Sponsorship at MOD and Non-executive member (MOD) for the UK Hydrographic Office.



## Executive Management Committee members on the Dstl Board (as at 31 March 2021)



### Gary Aitkenhead

#### Chief Executive

*Appointed to the Board on 1 January 2018, departed Dstl on 1 April 2021*



### Andy Bell

#### Chief Technical Officer

*Appointed to the Board on 22 October 2018*



### David English

#### Chief Finance Officer

*Appointed Finance Director on 1 January 2016. He joined the Board on 30 May 2015 as the MOD non-executive director*

#### → Key strengths

Research and development; commercial leadership; revenue growth; business transformation.

#### → Experience

After achieving a first-class honours degree in electrical and electronic engineering from Strathclyde university, Gary has spent his career in the development and supply of mission-critical wireless communications solutions to public safety, industrial and transportation sectors. Prior to joining MOD, Gary held senior global positions at Sepura and at Motorola Solutions for more than 20 years, covering sales, services, operations and product management.

#### → Declarations of Interest in year

Director of Scanish Ltd; consultancy services on the public safety radio industry.

#### → Key strengths

Strategic outlook; broad science and technology knowledge; leadership; cross-government experience; change programmes.

#### → Experience

Following a degree (University of Oxford) and PhD in Chemistry, and three post-doctoral research posts (in Japan, France and the UK) Andy joined MOD in 1994 as a scientist researching chemical weapon detection technologies. He was seconded to the Home Office in 2005 as chief scientist for CBRN, returning to Dstl in 2007. Andy was the Dstl Chief Technical Officer from 2012 to 2015, when he left to head up the Centre for Applied Science and Technology (CAST) at the Home Office. Andy led the CAST integration to Dstl, returning to Dstl with CAST in 2018. Andy is a Non-Executive Member of the Ploughshare Innovation Ltd Board and chair of a Charitable Trust improving youth accessibility to music making.

#### → Declarations of Interest in year

Non-executive director (NED) of Ploughshare Innovations Ltd.

#### → Key strengths

Finance; government relations; governance.

#### → Experience

Before joining Dstl, David was the Head of Business Strategy and Governance in MOD. He joined MOD in 1996 having achieved a first class honours degree in Avionic Systems Engineering at Bristol University and some hands-on engineering in industry. During his MOD career, David has worked in the Defence Evaluation and Research Agency, central MOD finance, Defence Equipment and Support, and has been a Private Secretary to the Defence Secretary. He has also completed an MBA with distinction at Imperial College and is a graduate of the Higher Command and Staff Course.

#### → Declarations of Interest in year

Non-executive director (NED) of Ploughshare Innovations Ltd.



**Doug Umbers**  
Chief Operating Officer\*

*\*Interim Chief Executive from April 2021  
Appointed to the Board on 10 December 2018*

→ **Key strengths**

A strategic people leader; broad commercial and operational delivery experience in both the private and public sector; programme and project management; customer focus and relationship management.

→ **Experience**

Before joining Dstl, Doug was the interim Chief Operating Officer at FCDO Services, a trading fund owned by the Foreign and Commonwealth and Development Office (FCDO). Prior to this, he spent 20 years in and around the world of defence and security, operating in senior roles at private-sector businesses providing engineering and technology services, including for MOD, the intelligence services, the mobile operators and the BBC. Doug has been on the executive boards of VT Group plc (now Babcock International plc) and terrestrial TV, radio and wireless communications infrastructure provider Arqiva.

→ **Declarations of Interest in year**


Non-executive director (NED) on the RAF Air Risk and Audit Committee.



Our Executive Management Committee provides day-to-day leadership and management to ensure that our strategic direction is appropriate to meet the scientific requirements of our customers.

Total length of service by the Board's Non-executive members <sup>1</sup>			
	Total length of service	Date of most recent appointment	Date of expiry
→ <b>Adrian Belton</b>	1 year, 8 months	1 August 2019	31 July 2022
→ <b>Brian Bowsher</b>	2 years, 7 months	1 September 2018	31 August 2021
→ <b>Jeremy Monroe</b>	4 years, 2 months	1 February 2020	31 January 2023
→ <b>Tara Usher</b>	1 year, 6 months	1 October 2019	30 September 2022
→ <b>Sarah Spurgeon</b>	2 years, 9 months	1 July 2018	30 June 2021
→ <b>David Tonkin</b>	3 years, 7 months	1 September 2020	31 August 2023

<sup>1</sup> At 31 March 2021



Case Study #06

# Project Mosquito

© Spirit AeroSystems

## Uncrewed combat aircraft demonstrator aims for 2023 take off

**Innovative Combat Air technologies that offer radical reductions in cost and development time based on Dstl concept work have moved closer to reality, with the contract award for the design, manufacture and flight test of a full-scale uncrewed combat aircraft demonstrator system.**

Following a successful first phase, the RAF's Rapid Capability Office (RCO), in partnership with Dstl and DE&S, placed a £30 million three year contract in November 2020 with Spirit AeroSystems Belfast to lead 'Team Mosquito' in further developing and building the RAF's Lightweight Affordable Novel Combat Aircraft (LANCA) prototyping and demonstrator system under Project Mosquito. The demonstrator flight-test programme is expected by the end of 2023. Team Mosquito, also includes Northrop Grumman UK and Intrepid Minds as key partners in addition to other industry suppliers.

The project is part of the Systems of Systems approach under the Future Combat Air Systems Technology Initiative (FCAS TI) programme. Known as 'uncrewed adjuncts' and designed to fly at high-speed in partnership with crewed fighter jets, the aircraft's flexibility will provide the optimum protection, survivability and information. Armed with missiles, surveillance and electronic warfare technology, the concept aims to provide an affordable battle-winning advantage over hostile forces. If successful, Project Mosquito's findings could lead to this revolutionary capability being deployed alongside the Typhoon and F-35 Lightning jets by the end of the decade. Dstl is also undertaking further concept and analysis work to inform adjunct design considerations for the new Tempest fighter.

The Mosquito demonstrator project is investigating the contribution from new technologies and methodologies across the system life-cycle that

offer substantial reductions in traditional cost (10x reductions) and development timelines (5x reductions) compared to traditional modern crewed Combat Aircraft. These include:

- the use of model-based and synthetic design and engineering environments;
- robotic manufacture and assembly, novel materials and structures;
- modular open-systems architectures and modern software development practices;
- new methods for safe certification;
- different operational deployment and support concepts.

On behalf of the RCO, Dstl provides the MOD technical authority for the Mosquito demonstrator project, including technical partnering for Team Mosquito, subject matter expertise and technical project management.





## Statement of the Accounting Officer's responsibilities

**Under Sections 7(1) and 7(2) of the Government Resources and Accounts Act 2000, Her Majesty's (HM) Treasury has directed Dstl 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 Dstl and of its net resource outturn, application of resources, changes in taxpayers' equity 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, unless it is inappropriate to presume that Dstl will continue in operation
- confirm that, as far as the Accounting Officer is aware, there is no relevant audit information of which Dstl's auditors are unaware and that the Accounting Officer has taken all the steps that ought to have been taken to make himself aware of any relevant audit information and to establish that Dstl's auditors are aware of that information
- confirm that the Dstl Annual Report & Accounts 2020/21 as a whole gives a fair, balanced and understandable view of Dstl's activities for the year ended 31 March 2021 and its financial position as at 31 March 2021 (page 096)
- confirm that the Accounting Officer is personally responsible for this annual report and accounts and for the judgements required for determining that it is fair, balanced and understandable (page 091).

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

### Parliamentary Accountability and Audit Report

[See pages 084 - 091](#)

# Governance statement

This Governance statement, for which I, Doug Umbers as Accounting Officer for Dstl, take personal responsibility, aims to provide an insight into the effective running of Dstl and to offer a clear understanding of our governance arrangements. For the Financial Year 2020-21, the arrangements I describe were under the leadership of my predecessor as Accounting Officer, Gary Aitkenhead who departed Dstl on 1 April 2021.



## Scope of responsibility

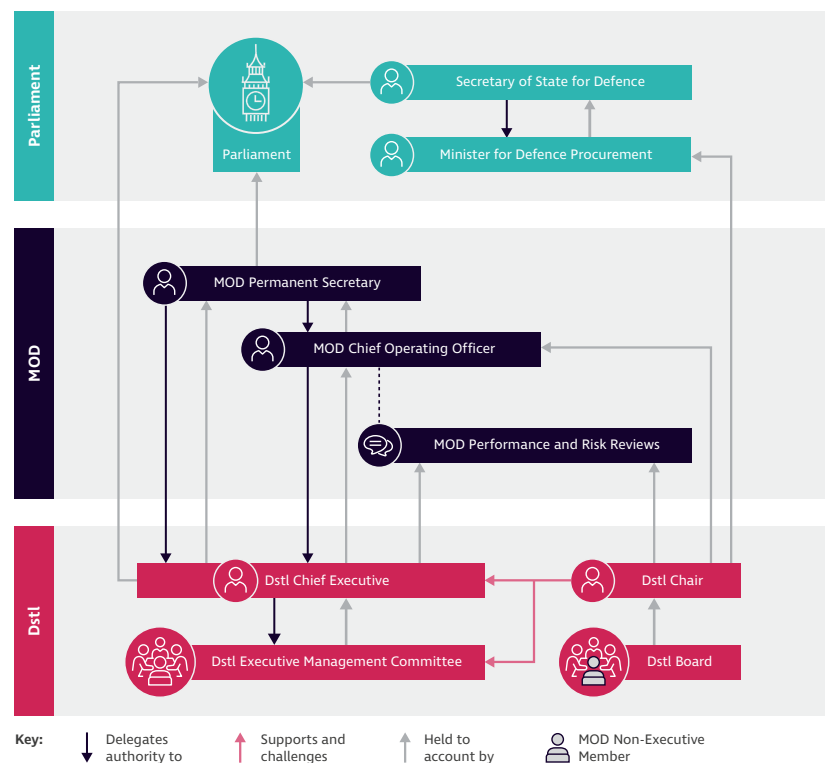
For the period until 1 April 2021, Gary Aitkenhead was Accounting Officer for Dstl. From 2 April 2021, I have acted as Accounting Officer, relying on our handover process (including at the March Board meeting) for assurances as I stepped up as interim Chief Executive. As Accounting Officer for Dstl, it is my responsibility to ensure that there is a sound system of governance, risk management and internal control in place, and that Dstl business is conducted in accordance with Managing Public Money to ensure public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

To demonstrate this, our Governance statement covers:

- our corporate governance
- our risk management
- our control environment
- our control activities
- our performance reporting.

## Our corporate governance

We continue to comply with HM Treasury's Code of Good Practice on Corporate Governance in Central Government Departments (2016). As at 31 March 2021, our corporate governance framework is summarised as below:



## The Dstl Board

Under Adrian Belton's leadership, the Board held eight regular meetings during the year. In line with the whole organisation's rapid shift to remote working, seven of these were held remotely using video-conferencing facilities. We exploited this technology additionally to hold a number of informal meetings and discussions, especially to ensure continuity and good governance following Gary Aitkenhead's decision to leave the organisation.

### Membership

Membership of the Dstl Board remained unchanged through the year. Gary Aitkenhead left the Board on 1 April 2021.

## Attendance at Board meetings in 2020/21

Board member	Date started	Date ended	Number of meetings attended	Number of meetings that could have been attended
→ Adrian Belton (Chair)	–	–	8	8
→ Jeremy Monroe	–	–	8	8
→ David Tonkin	–	–	8	8
→ Sarah Spurgeon	–	–	8	8
→ Brian Bowsher	–	–	8	8
→ Tara Usher	–	–	8	8
→ Gary Aitkenhead	–	–	8	8
→ Andy Bell	–	–	8	8
→ David English	–	–	8	8
→ Doug Umbers	–	–	7	8

## Business 2020/21

The business taken at Board meetings reflects the responsibilities of the Dstl Board, the implementation of Dstl's strategy and the management of its corporate risks. Standing items include an update from the Chief Executive and from the Chair of the Audit and Risk Assurance Committee (ARAC) following the quarterly ARAC meetings.

This year's business has inevitably focussed on managing the risks and impacts of COVID-19, alongside longer-term strategic issues such as the implementation of MOD's new Science and Technology Strategy, and overseeing the Helios Programme. The Board's business continued largely unaffected by COVID-19, except for the necessary suspension of External Review Colleges, which would normally invite independent external experts onto our sites to scrutinise the health of our capabilities. We intend to reinvigorate these Reviews as soon as restrictions permit it.

## Annual review of effectiveness

The Board conducted a self-assessment of its performance in August 2020; approximately a year after the appointment of Adrian Belton as Chair. This self-assessment was positive about the effectiveness of the Board, the business it considers, its leadership, relationships among its memberships, and the activities members undertake outside of meetings. The need to meet virtually has contributed to a sense of 'distance' for some members of the Board, which has continued as a result of subsequent 'lockdowns'. The Board has planned a series of events to meet and engage staff in the new financial year as restrictions are lifted.



This year's business has inevitably focussed on managing the risks and impacts of COVID-19, alongside longer-term strategic issues such as the implementation of MOD's new Science and Technology Strategy, and overseeing the Helios Programme.



## Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) met four times during 2020/21.

### Membership

Membership of the committee comprised three Dstl NEMs – David Tonkin (Chair), Brian Bowsher and Jeremy Monroe, and MOD NEM Tara Usher.

I attend by invitation, as do my Chief Finance Officer, my Chief Operating Officer, my Head of Finance, and my Head of Risk, Assurance and Governance. The National Audit Office and MOD Defence Internal Audit also attend by invitation.

This year, the ARAC continued to concentrate on its key purpose of supporting the Dstl Board on issues of risk, control and governance, being careful to maintain its independence at all times.

The ARAC continued with its regular review of Dstl's Corporate Risk Register, outcomes of internal and external audit, Dstl's counter-fraud activities and information risk and assurance. This year the committee was also provided with regular updates on Dstl's response to the COVID-19 pandemic, particularly as it related to risk and assurance. This included a deep dive into one of the new corporate risks (CVDR4) arising from the pandemic regarding

the failure and fragility of Dstl's supply chain.

The quarterly Assurance Report continued to be a valued source of information used to ensure the Board and Accounting Officer's assurance needs are being met, and one by which the reliability and integrity of assurance can be examined. Over the past year, assurance activities have been reported by theme, against the four lines of defence, to provide a holistic picture of Dstl's governance, risk management and internal control systems.

Commenting on the work of the committee over the past year, the Chair of the ARAC David Tonkin said:

*"The committee continues to review Dstl's systems and controls to ensure that Dstl operates its business within a robust and effective assurance and risk framework. The assurance framework has been reviewed to ensure that the Line One controls, those at the day-to-day level in the business across the divisions are operating effectively and there is a consistent approach in how they are applied and monitored. The assurance framework provides a series of themes against which the committee's regular assurance report, reports progress on the four levels of assurance so a comprehensive position can be assessed. The committee is now increasing its focus on the operational risk register and the*

*divisional risk registers to build a better feel on how the whole risk profile is managed within the organisation. The risk deep dives have continued both through the board and the committee to assess the adherence to the risk register and the planned mitigations. The committee is increasingly exposing the divisional management to the work of the committee to again get a better understanding of the effectiveness of the assurance and risk framework throughout the organisation. The committee's focus will continue to provide the Board with the necessary assurance that the organisation maintains the delivery of its strategic plans in an effective and proportionately controlled manner."*



The committee continues to review Dstl's systems and controls to ensure that Dstl operates within a robust and effective assurance and risk framework.

A self-assessment review of the effectiveness of the ARAC was last reported in June 2020, and demonstrated a high level of satisfaction with its effectiveness. A further self-assessment was conducted at the end of 2020/21 that will be reported in early 2021/22.

### Attendance at Dstl Audit and Risk Assurance Committee for 2020/21

	Role	Number of meetings attended	Number of meetings that could have been attended
→ David Tonkin	NEM/Chair	4	4
→ Jeremy Monroe	NEM	3	4
→ Brian Bowsher	NEM	4	4
→ Tara Usher	MOD NEM	4	4

## Remuneration Committee

This year, there has been no formal meeting of the Remuneration Committee or of the Nomination Committee. However, the Board has participated in a number of discussions in support of succession planning for the Chief Executive, both outside of formal meetings and in meetings of the full Board.

## Executive Management Committee

My Executive Team has continued to refine its ways of working, including

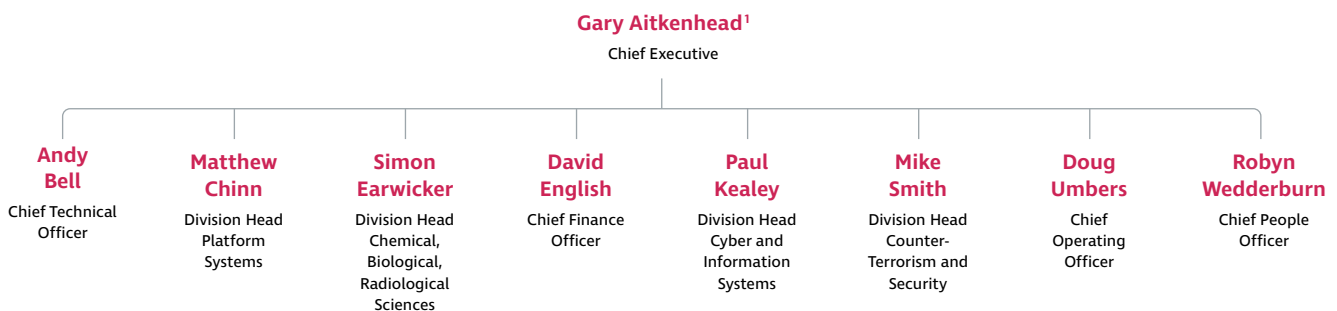
in formal, twice-monthly Executive Management Committee (EMC) meetings. In June 2020, we approved refreshed Terms of Reference for this meeting, and have used this as the basis for ensuring our focus has been on the most important and strategic decisions, and in showing the leadership the organisation looks to us for.

EMC meetings have been supplemented by dedicated Quarterly Business Performance Reviews, and Strategy reviews, which together have kept our focus on

delivering effectively and efficiently.

As well as our routine business, the EMC held an additional ten ad hoc meetings in the weeks following the COVID-19 outbreak, to ensure we continued to deliver for our customers across government, while paying particular attention to the health and wellbeing of all our staff. Many of our meetings have necessarily been conducted virtually by secure video call, but we were able to hold several COVID-safe meetings at times of lower prevalence.

### The Executive Management Committee membership as of March 2021



<sup>1</sup> Gary Aitkenhead departed Dstl at the end of the financial year with Doug Umbers acting as interim Chief Executive from April 2021

## Executive Management Committee sub-committees

To improve efficiency of the EMC, there are four formal sub-committees with the purposes as outlined in the table opposite.

While the initial COVID response was overseen by the Crisis Management Committee in line with our rehearsed resilience plans, we quickly established a COVID Executive Subcommittee to oversee operations, supported by a standing 'Situation Cell'. We monitored and reviewed this arrangement through the year, merging the COVID Subcommittee with the existing temporary Brexit Subcommittee in the autumn and then transitioning to a Business Continuity Subcommittee in the spring.

Executive Management Sub-Committee	Purpose
→ Investment Management	To assist the Chief Executive in the execution of his financial delegations. The Investment Management Committee (IMC) ensures that expenditure proposals are subject to requirement and financial scrutiny. The IMC is responsible for considering all investment proposals (capital and significant revenue) above a defined threshold.
→ Safety Management	To ensure that Dstl provides a safe place of work for Dstl staff, partners and suppliers. The Safety Management Committee also provides the formal management review of Dstl's Health, Safety and Environmental Management systems.
→ Security and Resilience	To provide advice, guidance and assurance with regard to the Executive's responsibilities for security and resilience.
→ The Delivery Committee for S&T (DCS&T)	To support the Chief Executive in governing and risk-assuring S&T planning, delivery and operation and ensures that Dstl develops and executes effective and integrated plans for stewarding S&T capability and delivering S&T impact. In addition, the DCST is responsible for approving, championing and assuring Dstl's S&T, Portfolio and Strategic Engagement Plans.

## Our risk management

**Dstl's risk framework ensures we counter or exploit the uncertainties faced by both Dstl and our delivery partners.**

Our risk management practices are embedded across the organisation and allow it to consider near-term tactical risks as well as long-term strategic risks against our objectives. Dstl's risk management practices are defined, supported and maintained by a central risk management function. This central risk team carry out assurance, continuous improvement exercises, as well as

supporting the Executive and Board to ensure risk management arrangements are proportional and effective.

Corporate Risks are regularly reported for review by our Executive Management Committee and Board. Additionally the Board and its Audit and Risk Assurance Committee undertake assurance of these risks to review the effectiveness of the mitigation plans and ensure the level of risk carried by the organisation is within both its tolerance and delegation.

**In this year, Dstl has:**

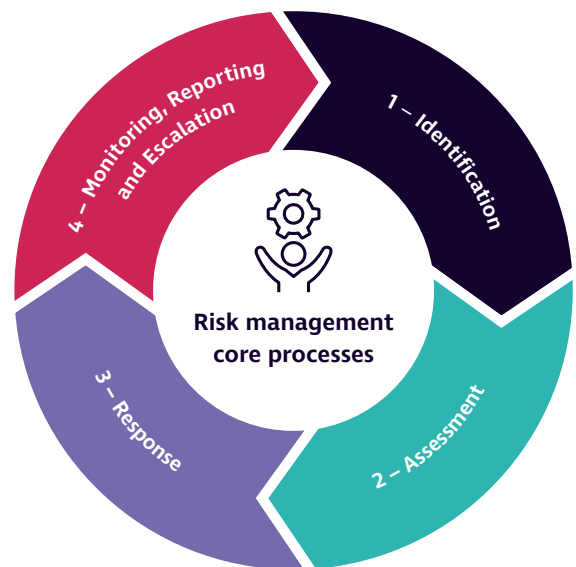
- commenced a process of refreshing the Corporate Risk Register to ensure it remains extant and pertinent to the internal and external context in which we deliver our strategic objectives;
- improved and formalised our understanding of the organisation's operational risks which could impact on its ability to deliver;
- strengthened its central risk team in which to further support the organisation.

## Managing risk

**Dstl's risk management practices comply with the MOD's wider risk processes and assurance arrangements such as MOD's Joint Service Publication 892 and adopts practices from the Government Finance Function's Orange Book.**

The core process for risk management at Dstl consists of an iterative four step process of 1. Identify, 2. Assessment, 3. Response and 4. Monitor, Reporting and Escalation.

Risks can be identified via a number of mechanisms such as formal risk identification workshops or an individual raising a potential concern within their business unit or project. Once risks have been appropriately articulated they are then assessed by taking into account existing controls to give an indication of significance. Assessed risks are assigned a response in order to decide how best to manage the risk. Any further mitigations arising from a response plan, together with the totality of the risk, are monitored and reviewed to ensure the risk can be used to improve decision making and inform stakeholders. Through process of escalation, emerging risks are brought to the attention of and managed by the area of the business best suited to enact identified mitigations.



## Our control environment

We continue to promote a control environment where people understand their responsibilities and the limits to their authority,

where they are committed to doing what is right, and where they follow behavioural and ethical standards. Dstl's written policies and processes,

standards of conduct and codes of ethics are available on the Dstl Management System.



## Dstl processes

We operate a process hierarchy that gives strategic direction and intent to our business processes, sub-processes and process activities.

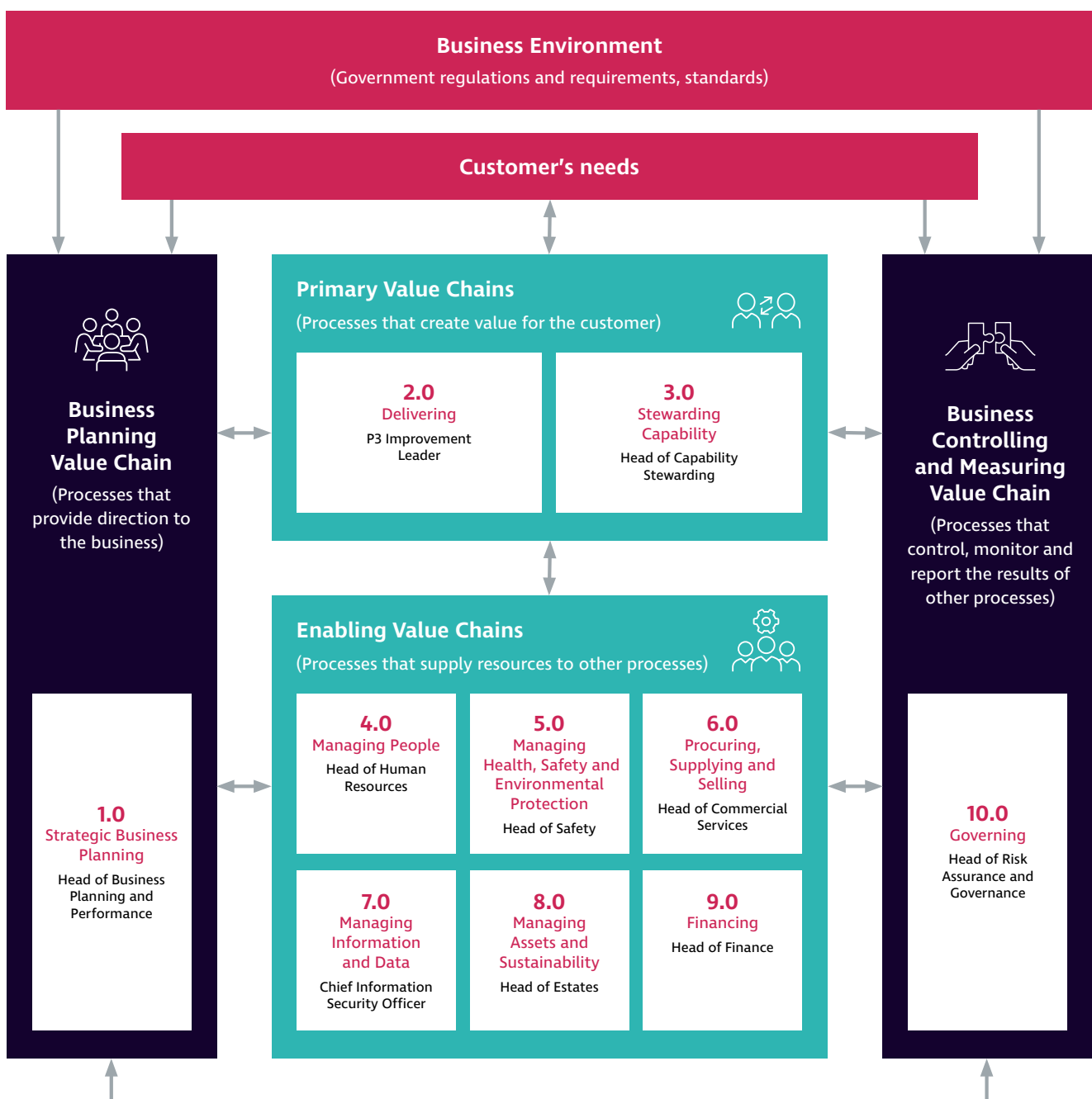
These are aligned with our ten core value chains – the key sets of activities that Dstl performs in order to help manage corporate risks while achieving our purpose of delivering high-impact S&T.

We have continued to design, review and improve our business processes to ensure that they:

- meet the needs of our staff, customers and other stakeholders
- continue to support delivery of our strategic intent
- mitigate risk to the operation of Dstl's business.

This year we have needed to adapt some of our process to support the delivery of our business during the COVID-19 pandemic.

We continue to ensure the inclusivity of our Management System, through equality impact assessment of our policies and processes and by adhering to accessibility standards.



## Our control activities

Our control activities are established through our policies and processes, to mitigate risks to the achievement of our objectives, to ensure the effectiveness and efficiency of our operations, and to ensure compliance with applicable laws and regulations. Their effectiveness is assured through delivery of our assurance strategy, conducting assurance activities across the Four Lines of Defence.



First Line of Defence	Second Line of Defence	Third Line of Defence	Fourth Line of Defence
The way that risks are managed and controlled day to day. Assurance coming directly from those responsible for delivering specific objectives. It may lack independence but its value comes from those who know the business well.	The way the organisation oversees the control framework. Providing assurance that is separate from those responsible for delivery, but not independent of the management chains.	Objective and independent assurance e.g. internal audit. Providing reasonable (not absolute) assurance of the overall effectiveness of governance, risk management and internal controls.	Assurance from external independent bodies. Assurance from independent bodies who may not have familiarity with the organisation but who can bring a new and valuable perspective.
E.g. Line Manager checks of staff training records.	E.g. Health and Safety workplace safety inspections.	E.g. Defence Internal Audit internal audits.	E.g. Health and Safety Executive inspections, National Audit Office audits.

## Incident investigations

We remain committed to being an organisation that seeks to learn from incidents to prevent reoccurrence and improve our business, thereby adding value to our stakeholders. To do this we actively promote the reporting of near misses and incidents, with the application of a 'just culture' assuring our people that incident investigations are for the purpose of organisational learning rather than for the purpose of disciplinary action. Incidents are

assessed at our weekly corporate incident triage meeting, investigating significant incidents based on the potential the incident could have as well as in balance with actual harm or damage caused.

Three of the safety incidents reported were reportable to the Health and Safety Executive under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations).



We remain committed to being an organisation that seeks to learn from incidents to prevent reoccurrence and improve our business.

Description	RIDDOR category
→ Electrical fire in workshop	Dangerous occurrence – electrical fire
→ COVID-19 infection	Reportable disease
→ Animal bite	Reportable disease

## Whistleblowing

We remain committed to achieving the highest possible standards of service and ethics in public life. This is demonstrated by our whistle-blowing process, which is written in line with the Public Interest Disclosure Act 1998, the Fraud Act 2006 and the Bribery Act 2010.

This year there were three incidents raised via our whistle-blowing process. We take such incidents extremely seriously and, in each instance, we undertook an assessment of the issues followed by a corporate investigation. All three incidents were concluded satisfactorily.

## Identifying and managing conflicts of interests

We take pride in exemplifying integrity and impartiality, which we do through our "Standards in Public Life" process. In line with the Civil Service Management Code, this requires all employees to declare any actual conflict or potential conflict of interest arising between their personal and financial interests and their official dealings as a Civil Servant. These declared interests are scrutinised by line managers, seeking further advice where appropriate. Failure to declare such interests may be treated as misconduct. Declarations made by Senior Civil Servants in Dstl are reviewed by the Ministry of Defence. We publish interests declared by our Board members on pages 054-057.

## Protected personal data incidents

There were no personal data breaches reported to the Information Commissioners Office (ICO) by Dstl in this reporting period. We continue to participate in the overarching MOD General Data Protection Regulation (GDPR) and Data Protection Act 18 (DPA18) programme making improvements to the Data Protection Impact Assessment (DPIA) and Data Subject Access Request (DSAR) Regimes. We handled four DSARs under DPA18. Additionally, there were five enquiries to the Porton Down Former Volunteers Helpline, which were also handled in accordance with the DPA.

## Fraud management

Whilst continuing to focus on control and monitoring of the procurement process, this year we have developed a Counter Fraud Policy and appointed a Senior Lead for Counter Fraud as part of our strategy to align with the Cabinet Office's Government Functional Standard. We have further strengthened our relationship with MOD Fraud Defence which has enabled us to mature our Fraud Risk Register, explore the possibility of using data analytics to aid detection and delivered us a seat on the Defence Fraud Board. During the reporting period, there have been four reports of unusual activity from internal sources. We used our investigation process to investigate the activities, all of which have been satisfactorily resolved.

## Quality assurance of analytical models

A model is a way to appraise, assess, evaluate, plan or forecast future responses or outcomes by processing a variety of input data and assumptions. Our Modelling and Simulation Strategy Group manages the coherence and governance of our modelling. Every six months, we declare our business critical models – as defined following the Macpherson Review in 2013 – to MOD. We continue to share best practice with MOD and wider Government, and to continue to improve the quality and operation of such models.



We continue to share best practice with MOD and wider Government.



## Group Head of Defence Internal Audit's summary

In line with Public Sector Internal Audit Standards, the Group Head of Defence Internal Audit (DIA) must provide a professional opinion on the adequacy and effectiveness of Dstl's arrangements for risk management, internal control and governance. I have used the following DIA audit opinion to help me in the production of this year's Governance Statement; it summarises the results of DIA's internal audit work relevant to our objectives from April 2020 to March 2021. From an original audit plan consisting of seven Dstl-sponsored audits, DIA completed six. The planned High Impact / Strategic

Decision Making audit was cancelled in agreement with the Dstl Audit and Risk Assurance Committee.

The Group Head DIA has said *"Overall, and based on the internal audit work delivered, DIA can provide substantial assurance over the governance, risk management arrangements and system of internal control in Dstl. Our audit work highlighted positive steps being taken to strengthen the control framework of the Internal Portfolio and to improve assurance processes relating to regulatory compliance. More widely, we noted further progress implementing the aims of the Dstl Assurance Strategy via the associated assurance plans and*

*control frameworks. Consequently, we were able to provide positive assurance over the rollout of the new Health and Safety assurance process. Notwithstanding, there was recognition that selected areas of the organisation require further development and opportunities exist for improving the control environment. These included greater governance, scrutiny and control of IT demand projects and increased oversight and coordination of Business Continuity processes."*

The internal audits that took place at Dstl in 2020/21, their timings and owners, were:

Audit title	When	Owner
→ Internal Portfolio Change Control and Risk Management	September 2020	Chief Operating Officer
→ Regulatory Controls	November 2020	Chief Operating Officer
→ IT Project Delivery	January 2021	Chief Operating Officer
→ Business Continuity	March 2021	Chief Operating Officer
→ CHESSE Programme	March 2021	Chief Finance Officer
→ Health and Safety Assurance Regime	March 2021	Chief Operating Officer



## External certification

This year Dstl successfully maintained certification to ISO 9001:2015 (Quality Management Systems) and TickITplus (software development). Due to the impact of the COVID-19 pandemic this year's recertification audits, conducted by BSI Assurance UK Ltd, needed to be conducted in two stages. Stage one was successfully completed in September/October 2020 with Stage two successfully conducted in May 2021.



## Chief Executive's summary

As for many people around the world, the past 12 months have been full of remarkable challenges for Dstl. Many of the assumptions we made about everyday life have been tested and upturned. Dstl's systems and controls have proven themselves against this rapid change in the external environment and shown that they are fit for purpose, effective and adaptable. Above all, the challenges have shown the calibre and skill of our people, and their commitment to the values of selfless public service.

I am satisfied that I have received sufficient confirmation that sound financial control was maintained during 2020-21 from my predecessor, in addition to our Chief Finance Officer who has been in post throughout this reporting period, and my own service on the Dstl Executive and Board since December 2018. I am not only confident in the governance of the agency I am now accountable for; I am deeply proud of everyone who makes up the organisation I am privileged to lead.







## 4 / Remuneration and Staff

### Remuneration Policy

Dstl has no pay costs for ministers. At year end, five directors were members of the Senior Civil Service (SCS) and subject to SCS terms and conditions, including the remuneration policy. These directors were: Gary Aitkenhead; Andy Bell; David English; Doug Umbers and Robyn Wedderburn. As SCS, their pay is set through recommendations made by the Review Body on Senior Salaries (SSRB). The SSRB provides independent advice to the Prime Minister and to the Secretary of State for Defence on the remuneration of the SCS. Further information about the SSRB's work can be found at: [www.gov.uk/government/organisations/review-body-on-senior-salaries](http://www.gov.uk/government/organisations/review-body-on-senior-salaries).

Their non-consolidated performance award arrangements fall under SCS rules rather than the Dstl performance-award system.

The remaining directors at year end (Matthew Chinn, Simon Earwicker, Paul Kealey and Mike Smith) are Dstl employees and subject to the same performance-related remuneration policy as all other non-SCS Dstl staff.

The non-executive members (NEMs) are not Dstl employees and, apart from one who is employed by MOD, are paid a fee for their services.

#### Performance conditions

Directors who are subject to SCS terms and conditions are also subject to the SCS performance conditions. The remaining directors are subject to the Dstl performance management rules.





### Service contracts

The Constitutional Reform and Governance Act 2010 requires 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 specifies the circumstances when appointments may be made otherwise.

Unless otherwise stated, the officials named in this report hold appointments that are open-ended. Early termination would result in the individual receiving compensation (except in cases of misconduct) as outlined in the Civil Service Compensation Scheme. There were no awards made to past senior managers.

Further information about the work of the Civil Service Commission can be found at: [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

### Fees paid to non-executive members of the Dstl Board for the financial year 2020/21

<i>Note: This information is subject to audit opinion</i>	Fee 2020/21 £'000	Fee 2019/20 £'000
→ Adrian Belton	25-30	15-20 25-30
→ Brian Bowsher	15-20	15-20
→ David Tonkin	15-20	15-20
→ Jeremy Monroe	15-20	15-20
→ Sarah Spurgeon	15-20	15-20
→ Tara Usher <sup>1</sup>		

*Figures in italics denote full-year equivalent fee*

<sup>1</sup> Tara Usher did not receive a fee in 2020/21; she represents MOD as a non-executive member. This is related party with which Dstl has material transactions. Please see Related Party Note at Note 21. Tara began her tenure on the 1 October 2019.

# Senior Management Remuneration and Pension Entitlement

Remuneration paid to executive directors for the financial year 2020/21

<i>Note: This information is subject to audit opinion</i>	Salary Band 2020/21 £'000	Salary Band 2019/20 £'000	NCPA† 2020/21 £'000	NCPA† 2019/20 £'000	Pension Benefits 2020/21 Nearest £'000	Pension Benefits 2019/20 Nearest £'000	Total 2020/21 £'000	Total 2019/20 £'000
→ Gary Aitkenhead*	145-150	140-145	55-60	30-35	57	56	255-260	230-235
→ Andy Bell*	95-100	90-95	0	5-10	44	40	135-140	140-145
→ Matthew Chinn	85-90	85-90	5-10	5-10	34	57	130-135	155-160
→ Simon Earwicker	75-80	75-80	5-10	0-5	30	33	110-115	110-115
→ David English*	80-85	80-85	0	0	34	35	115-120	115-120
→ Paul Kealey	75-80	75-80	5-10	0-5	30	29	115-120	110-115
→ Mike Smith	80-85	85-90	5-10	0-5	33	31	120-125	120-125
→ Robert Solly	70-75 80-85	85-90	5-10	0-5	28	33	105-110	120-125
→ Doug Umbers*	120-125	120-125	0	0	47	48	170-175	165-170
→ Robyn Wedderburn	90-95	25-30 85-90	0	0	36	10	125-130	30-35

Figures in italics denote full-year equivalent fee

\* Denotes that this executive director is or was also a member of the Dstl Board. The salary bands set out above relate only to emoluments paid during the period of these directors membership of the Dstl Board and the Dstl Executive Membership Committee (EMC)

† Non-consolidated performance awards (NCPAs). NCPAs were awarded in line with SCS and Dstl performance management rules.

## Executive Agency Board members' emoluments

We have shown the details of Board members in the table on page 071. They are summarised as follows:

<i>Note: This information is subject to audit opinion</i>	2021	2020
→ Salaries, NCPAs and fees (£'000)	603.0	580.9

For further information on our workforce and staff costs...

 See pages 076 - 077

## Pension provision for executive directors for the financial year 2020/21

<i>Note: This information is subject to audit opinion</i>	Real increase in pension [and related lump sum at pension age] £'000	Total accrued pension at pension age at 31/03/21 [and related lump sum] £'000	Cash equivalent value at 31/03/21 £'000	Cash equivalent value at 31/03/20 £'000	Real increase in cash equivalent transfer value as funded by employer £'000
→ Gary Aitkenhead	2.5-5	10-15	143	96	32
→ Andy Bell	2.5-5 [0-(2.5)]	40-45 [80-85]	766	705	29
→ Matthew Chinn	0-2.5 [0]	35-40 [75-80]	663	620	18
→ Simon Earwicker	0-2.5 [0]	30-35 [65-70]	553	517	15
→ David English	0-2.5	35-40	516	479	17
→ Paul Kealey	0-2.5	15-20	198	172	14
→ Mike Smith	0-2.5	20-25	365	328	21
→ Robert Solly	0-2.5 [0]	30-35 [65-70]	579	543	15
→ Doug Umbers	2.5-5	5-10	88	48	28
→ Robyn Wedderburn	0-2.5	0-5	36	8	22

Pension information is provided by MyCSP, the administrators of civil service pensions. All other directors belong to the classic, classic plus or alpha CSPSs. All schemes are part of the civil service pension arrangements. See pension information on page 080.

## Fair pay disclosure

### Relationship between the highest-paid director and the workforce median

<i>Note: This information is subject to audit opinion</i>	2020/21	2019/20
→ Band of highest-paid director total remuneration	£200,000-£205,000	£175,000-£180,000
→ Median total remuneration	£37,699	£37,322
→ Ratio	5.37	4.76

Dstl is required to disclose the relationship between the remuneration of the highest-paid director in our organisation and the median remuneration of our organisation's workforce. The banded remuneration of the highest-paid director in Dstl in the financial year 2020-21 was £200,000-£205,000 (2019/20: £175,000-£180,000). This was 5.37 times (2019-20: 4.76) the median remuneration of the workforce, which was £37,699 (2019-20: £37,322).

In 2020-21, remuneration ranged from £14,075 to £200,000-£205,000 (2019-20: £14,075 to £175,000-£180,000). 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.



## Our people

*Dstl employs some of the world's brightest people. We recognise that a highly skilled, inquisitive and dedicated workforce is crucial to delivering our high-impact work.*



**This financial year saw an incredible effort across Dstl to support the COVID-19 response efforts both nationally, and within our organisation.**

We formed a People Engagement Communications Working Group to supplement the Organisational COVID-19 Crisis Management Committee, which provided safe working practices, working from home equipment and guidance to enable safe ways of working over the last year. We switched to on-line learning, virtual recruitment and assessment centres and provided real time staff communications with site related guidance. We have worked closely with our Employee Networks to ensure we can support all of our colleagues through these unprecedented times. Our efforts were recognised by our people with an increase of 3% to 65% in our engagement scores for the People Survey, our highest score since the survey began.

We are delighted to share that within Her Majesty The Queen's Birthday Honours 2020, we had one OBE awarded to an employee for service to the NHS during COVID-19, particularly for their leadership

during the pandemic to ensure the provision of vital PPE to front line health workers. In Her Majesty The Queen's New Year Honours 2021, we had one OBE awarded to an employee for service to the COVID-19 Scientific Pandemic Influenza Modelling Group (SPI-M) which informed the Scientific Advisory Group for Emergencies (SAGE) and one MBE for their service to the NHS during COVID-19, through repeated deployments. Additionally, the COVID-19 S&T Response Team were awarded a Minister for Defence Procurement Acquisition Award for Support to COVID-19 Response, which recognised approximately 270 of our employees for their contributions. We are incredibly proud of our people, and for the recognition of their work.

### Right size, right shape, right skills

We welcomed 222 new starters to Dstl this year and whilst we continue to take advantage of our entry-level talent pipeline, our numbers were lower due to the growth we experienced in previous years. We also had 17 new apprentices and 44 graduates join Dstl this year, with 16 students working with us throughout the year. We also

had 63 inward rotations, seconded from across civil service and other organisations, into our organisation this financial year.

We achieved recognition from GTI's School Leaver as one of the top 200 employers in the UK. We also ranked 16th in TheJobCrowd top 50 apprentice employers, 63rd in the TheJobCrowd top 75th graduate employers and won the award for Graduate Work/Life Balance. These awards are based on employee feedback so it is fantastic to be recognised, especially for the work/life balance award as this reflects our values and is acknowledged by our employees.

In seeking continual improvement as an organisation, and in alignment with our strategy to increase our people's knowledge and expertise, we have spent £124k on consultancy. We have spent £132k on Early Careers Advertising, Campaigns and STEM Outreach activities and £128k on Experienced Hire recruitment advertising, which is agreed within Civil Service Frameworks, with our advertising partner, developing advertising materials and products to use across all media. We have no other advertising or marketing costs at Dstl.

## Exciting, innovative and supportive workplace

Dstl is a place where everyone can thrive, succeed and achieve their ambitions, regardless of background, different circumstances, experiences or characteristics.

At Dstl we achieve amazing things when we work together, so we work hard to make sure everyone can be themselves, have their voice heard, and can reach their full potential. We do this by both proactively attracting and retaining a diverse workforce and being an inclusive employer where everyone feels they belong and are comfortable to bring their whole self to work.

We continue to take pride in our dedication and commitment to the diversity and inclusion of our employees. This year we have refreshed our levels of ambition to provide motivational goals across the whole employee life cycle. Since 2020, we have achieved 7 out of 16 of these levels of ambition which are supported by our Executive Team. Significantly, we achieved our graduate recruitment target to increase the number of Ethnic Minority candidates successful at interview by 10%.

The organisation has also recently made a commitment to develop, draft and publish a specific diversity and inclusion strategy during 2021, which will reaffirm our dedication to being an inclusive and equal employer and to increase representation of minority demographics within the organisation during 2021-22. Diversity and inclusion starts at the top of an organisation and our leaders have actively committed to:

- listen to equality, diversity and inclusion issues
- act to change things for the better
- share stories of lived experiences to celebrate success

One of the ways our leaders listen is through our many active Employee Support Networks, which are run by our people and supported by our senior management teams and Executive champions. These groups help us get honest feedback from our people, influence and facilitate change, help us develop our policies and culture, and provide support for individuals who may need it. Our networks cover different protected characteristics and interests, including:

- sexual orientation and gender identity
- faith and culture
- parents and carers
- alternative working
- gender equality
- new starters
- people with visible and non-visible disabilities

Dstl has signed up to the [Race at Work Charter](#), the [Armed Forces Covenant](#) and the [Derby House Principles](#), showing our commitment to embedding diversity and inclusion within our organisation.

We continue to support people with disabilities by adhering to the Civil Service Recruitment Principles of open and fair competition with a guaranteed interview for disabled applicants who meet the essential job criteria for our vacancies. The Equality Act 2010 places a requirement on employers to make adjustments for their employees to help them overcome disadvantage resulting from their disability; our Diversity and Inclusion policy sets the overall framework of how we promote and support those with protected characteristics. Our workplace adjustments process ensures that adjustments are available for the continuation of employment of new recruits and during employment to accommodate all our people and as with the rest of

the Civil Service, we are looking to achieve disability confident status.

Our people are civil servants and as such, the civil service governs our people policies. We ensure that our procedures and employment contracts are in line with the civil service management code and that they reflect the fundamental principles of the Human Rights Act 2000.

We continue to drive the working in partnership agenda with our Trade Unions based on mutual trust and respect. We work in partnership to reach agreement on issues that affect employees, their terms and conditions of service, and their working environment.

We have ongoing engagement challenges linked to pay and reward within Dstl. We believe our total rewards package is good. We offer exciting career opportunities, and flexibility of working alongside a range of benefits, which are continually reviewed to ensure they are fair and attractive. We need to continue to be creative and flexible in our approach to rewarding our people for the skills they provide, in order to ensure we can attract and retain our workforce and deliver Dstl's strategic aims. This will require us to continue to work hard to develop and submit proposals to the Cabinet Office and Her Majesty's Treasury.

The health, wellbeing and safety of our employees is of upmost importance to us and we work closely with our onsite occupational health team and our Employee Assistance Programme provider to support our employees' wellbeing. It is now mandatory for all our Line Managers to complete a Mental Health Awareness course and we have successfully introduced resilience training in order to support staff members during COVID-19. We saw 1.9% of hours lost due to sickness absence this year, compared to 2.2% in 2019/20.



## Our workforce

The average Full-Time Equivalent number of people (including Board members) employed during the year was:

<i>Note: This information is subject to audit opinion</i>	Permanent (UK) employment contract		Agency and short-term contract staff		Inward secondees		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
→ Professional and technical staff	3,295	3,166	248	277	64	60	3,607	3,503
→ Administrative and industrial staff	732	680	39	46	0	2	771	728
<b>Total</b>	<b>4,027</b>	<b>3,846</b>	<b>287</b>	<b>323</b>	<b>64</b>	<b>62</b>	<b>4,378</b>	<b>4,231</b>







## Staff costs

Staff costs incurred during the year were:

<i>Note: This information is subject to audit opinion</i>	2021 £m	2020 £m
→ Wages and salaries	180.5	171.2
→ Social security costs (including apprenticeship levy)	20.0	19.0
→ Other pension costs	47.2	44.0
→ Inward secondees	7.4	6.7
→ Agency and contract staff	19.0	17.8
→ less recoveries in respect of outward secondments	(2.7)	(3.2)
<b>Total</b>	<b>271.4</b>	<b>255.5</b>

No staff costs were capitalised during the year (2019/20: £nil).

## Our off-payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to HM Treasury on 23 May 2012, Dstl must publish information on our highly paid and/or senior off-payroll engagements. To complement our committed employed workforce, and to cover temporary capacity or to deliver particular niche scientific expertise for which there is no permanent need, we engage a number of Contracted Temporary Workers (CTWs).

Identified in the following tables are the numbers of our non-permanent staff (contractors) at Dstl whom we hire under contingent labour route – PSR (Public Sector Resourcing) framework RM3749. CTWs are not employees and nor are they off-payroll appointments to public office, for which there is none at Dstl.



# 171

new off-payroll workers engaged during the year ended 31 March 2021.

### All off-payroll engagements

→ Number of existing engagements as of 31 March 2021 for more than £245 per day and that last longer than six months	167
<b>of which</b>	
→ Number that have existed for less than one year at time of reporting	43
→ Number that have existed for between one and two years at time of reporting	51
→ Number that have existed for between two and three years at time of reporting	43
→ Number that have existed for between three and four years at time of reporting	21
→ Number that have existed for four or more years at time of reporting	9

### All new off-payroll engagements

→ No. of off-payroll workers engaged during the year ended 31 March 2021	171
<b>of which</b>	
→ No. determined as in-scope of IR35	167 <sup>1</sup>
→ No. determined as out of scope of IR35	4
→ No. of engagements reassessed for compliance or assurance purposes during the year	4
→ Of which: no. of engagements that saw a change to IR35 status following review	0
→ No. of engagements where the status was disputed under provisions in the off-payroll legislation	0 <sup>2</sup>
→ Of which: no. of engagements that saw a change to IR35 status following review	0

<sup>1</sup> All of Dstl's contingent labour requirements are engaged via the Crown Commercial Services' CL One Framework and the supply chain within that framework. It is the responsibility of the framework's supply chain, be it a specialist recruitment company or umbrella company, to deduct the appropriate tax and national insurance.

<sup>2</sup> Dstl does not undertake a reassessment for consistency/assurance purposes due to the small number of contracts falling outside of IR35. Dstl would only perform a consistency check where the scope and nature of a role changed mid-contract.

### Off-payroll and on-payroll engagements of Board members and/or senior officials with significant financial responsibility

→ Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility during the financial year	0
→ Total number of individuals on-payroll and off-payroll that have been deemed Board members and/or senior officials with significant financial responsibility during the financial year	15

## Exit packages

Redundancy and other departure costs were paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme, made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Executive Agency has agreed early departures, the additional costs are met by the Agency, not the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table below.

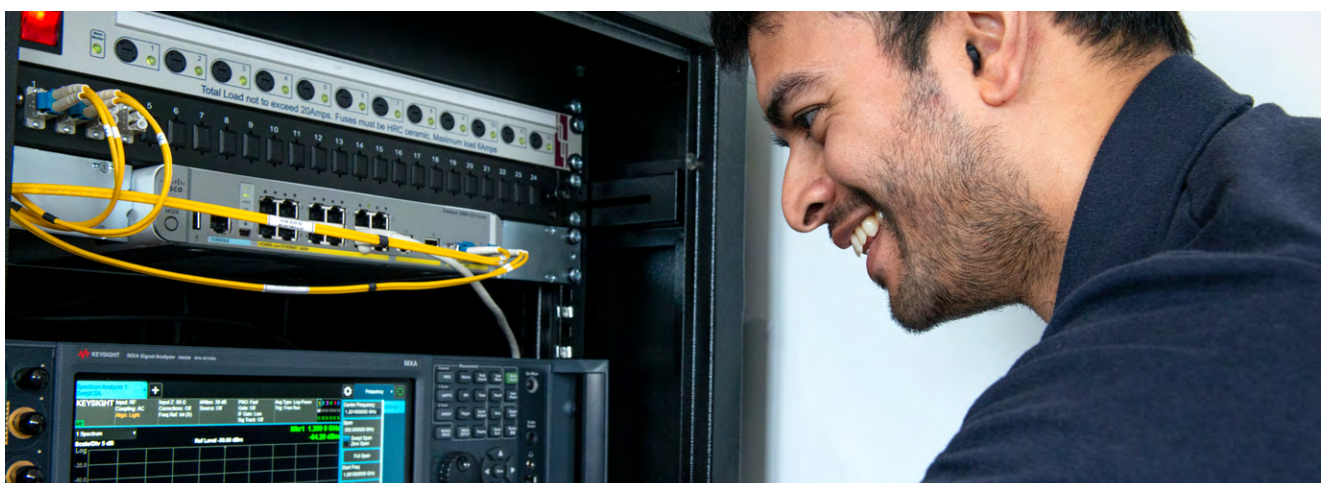
In addition, there was a net charge of £20,918 that relates to adjustments made for previous years. This was mainly due to differences between estimates, and final settlement made in the current year.



0

compulsory redundancies during the year ended 31 March 2021.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2021	2020	2021	2020	2021	2020
→ Less than £10,000	0	0	1	0	1	0
→ £10,000 - £25,000	0	0	1	13	1	13
→ £25,001 - £50,000	0	0	7	10	7	10
→ £50,001 - £100,000	0	0	2	9	2	9
→ £100,001 - £150,000	0	0	0	0	0	0
→ £150,001 - £200,000	0	0	0	0	0	0
→ More than £200,000	0	0	0	0	0	0
<b>Total number of exit packages</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>32</b>	<b>11</b>	<b>32</b>
<b>Total cost of exit packages (£)</b>	<b>0</b>	<b>0</b>	<b>455,255</b>	<b>1,238,148</b>	<b>455,255</b>	<b>1,238,148</b>





## 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 1 April 2015, 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: three (classic, premium, classic plus) provide benefits on a final-salary basis with a normal pension age of 60, and one (nuvos) provides benefits on a whole-career basis with a normal pension age of 65.

Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and thirteen years and five

months from their normal pension age on 1 April 2012 switched or 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. 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).

These multi-employer defined benefit schemes 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 increase annually in line with Pensions Increase legislation. The Executive Agency is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Details can be found in the resource accounts of the Cabinet Office: [www.civilservicepensionscheme.org.uk/about-us/resource-accounts](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts).



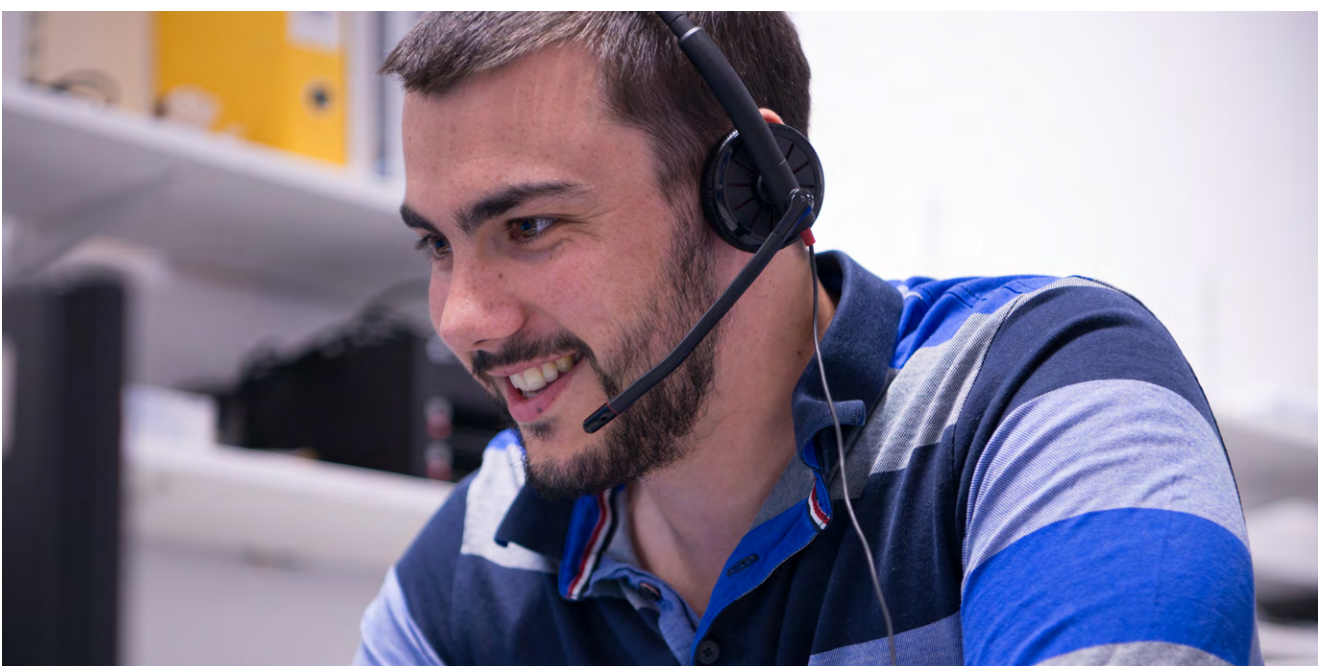


The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the year ending 31 March 2021 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employee contributions are salary-related and range between 4.6% and 8.1% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. For the year ending 31 March 2021, the Agency's employer contributions of £46.8 million were payable to MyCSP (2019/20: £43.6 million) at one of four rates in the range 26.6% to 30.3% of

pensionable earnings (2019/20: 26.6% to 30.3%), based on salary bands.

More details on the classic, premium, classic plus, nuvos and alpha pension schemes, including information about benefits and contributions, are available at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).







Since October 2002, employees joining the Agency can opt for either the appropriate defined-benefit arrangement as above or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account). The Agency makes a basic contribution of between 8.0% and 14.8% (depending on the age of the member) into the stakeholder pension. 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). For the year ending 31 March 2021, employer contributions of £390,108 (2019/20 £383,117) were paid into partnership pension providers. 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). Contributions due to the partnership pension providers at 31 March 2021 were £13,364. There were no prepaid contributions at that date.

This year, no-one retired early on ill-health grounds; there were no accrued pension liabilities in the year for this individual. Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).



This year, no-one retired early on ill-health grounds.





## Our Staff Composition

As at 31 March 2021, the gender numbers for our non-executive members, senior leadership team members, senior civil service (SCS) and employees were:

	Male	Female	Total
→ Non-executive members <sup>1</sup>	4	1	5
→ Senior Leadership Team <sup>2</sup>	9	1	10
→ Senior civil service <sup>3</sup>	0	1	1
→ Employees	3066	1599	4665
<b>Totals</b>	<b>3079</b>	<b>1602</b>	<b>4681</b>

All the above figures are headcount. Employee numbers include our permanent staff, our apprentices, and our fixed-term appointments.

<sup>1</sup> The MOD non-executive member on the Dstl Board is senior civil service.

<sup>2</sup> The Chief Executive, Chief Finance Officer, Chief Operating Officer, Chief People Officer, and Chief Technical Officer are senior civil service.

<sup>3</sup> There is one other member of the SCS at Dstl who is not a member of the Dstl Senior Leadership Team.







## 5 / Parliamentary Accountability and Audit

*This section presents information about Dstl that is useful to readers for accountability and decision-making purposes*

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**As Accounting Officer, our Chief Executive is personally accountable to the MOD Permanent Secretary (who is directly accountable to Parliament) for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Additionally, our Chief Executive is personally accountable to the MOD Chief Operating Officer for the performance and management of Dstl.**

Our Chief Executive is designated as Dstl's Accounting Officer by the MOD Principal Accounting Officer (the MOD Permanent Secretary), and must operate in accordance with Managing Public Money. This designation is conveyed via an Accounting Officer letter of delegation from the MOD Permanent Secretary.

As the Dstl Accounting Officer, our Chief Executive may be called to account directly by Parliament. He is personally responsible for: safeguarding the public funds for which he has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and, for the day-to-day operations and management of Dstl.



Our Chief Executive is designated as Dstl's Accounting Officer by the MOD Principal Accounting Officer (the MOD Permanent Secretary), and must operate in accordance with Managing Public Money.

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## The Dstl Accounting Officer's specific accountabilities to Parliament include:

- signing the Dstl Annual Report and Accounts ensuring that proper records are kept and that accounts are properly prepared
  - ensuring that effective procedures for handling complaints about Dstl are established and widely communicated
  - acting in accordance with: Managing Public Money; the Dstl Framework Document; and, other instructions and policy as issued by MOD, Her Majesty's Treasury and the Cabinet Office
- giving evidence, normally with the MOD's Principal Accounting Officer, when summoned before the Public Accounts Committee.
- Our annual report and accounts is subject to audit by the Comptroller and Auditor General, who heads the National Audit Office and is responsible for scrutinising public spending and safeguarding the interests of taxpayers on behalf of Parliament. The Comptroller and Auditor General's audit certification of this report is on page 087.

More details on our governance, key roles and our accountabilities relating to the MOD ownership function of Dstl's governance are published in our Framework Document. Our ownership structure is designed to balance the risk of Dstl's operations to MOD, and to encourage diversity of thought and reasonable challenge. Our Framework Document is available to view at: [www.gov.uk/government/publications/defence-science-and-technology-laboratory-framework-document](http://www.gov.uk/government/publications/defence-science-and-technology-laboratory-framework-document).

### Statement of Parliamentary Supply (subject to audit)

As an on-vote Executive Agency, we operate within MOD's control framework and are subject to delegated control totals for (net) resource and capital funding from within MOD's departmental allocation. We require net cash funding from MOD to cover the balance of expenditure that cannot be met from receipts paid directly to Dstl. We conduct our transactions within MOD on a non-cash basis via intra-departmental accounting and bookkeeping constructs. Our financial statements represent the result of transactions pertaining to our operations, set in the context of MOD's overall Statement of Parliamentary Supply.

### Regularity of expenditure

All expenditure for the year was regular.



We conduct our transactions on a non-cash basis via intra-departmental accounting and bookkeeping constructs.

### Remote contingent liabilities

In addition to any contingent liabilities reported in the Notes to the Accounts, we also disclose relevant material remote contingent liabilities. The likelihood of a transfer of economic benefit arising is too remote to meet the definition of a contingent liability in accounting standard IAS37 (provisions, contingent liabilities, and contingent assets).

Remote contingent liabilities are by nature uncertain and very unlikely, but we recognise that they could lead to further expenditure if certain conditions are met. They could materialise as a combination of unlikely and uncertain future conditions or events that are not wholly within the Agency's control.

Our research activities are clearly related to the activities, materials and equipment used in the defence and security context, and by inference we are therefore exposed to similar hazards and risks during the conduct of trials, experimentation and engineering development. The nature of the special and generic risks and

indemnities arising from such activities are self-insured and long-term residual liabilities are underwritten by our parent department.

The following is a potential remote material liability that relates to the Agency's working environment, nature of activities performed, and equipment used in its operations.

### Satellite collision

The Agency has invested in a new space operation capability, a satellite ground station to task satellites for research purposes. Mitigations are in place against accidents but there remains a remote possibility of satellite collision through software or system failure, or by human error during the operation of a satellite. HM Treasury approval has been received for up to £500 million to cover this remote contingent liability for operations that commenced during October 2020. The contingent liability is estimated to expire by 31 December 2027.





### Losses and special payments

Dstl's subsidiary, Ploughshare is no longer consolidated. We carry out an impairment review of the carrying value of the investment. Based on a review of Ploughshare's draft audited accounts at 31 March 2021, this resulted in an impairment of £0.3 million (2019/20: £2.2 million) being expensed in 2020/21.

### Fees and charges

We charge for goods and services in accordance with the principles in Managing Public Money. Our core activity is to provide S&T services to MOD and wider Government. Please see pages 022-026 for details of these services. Operating income recognised in return for the provision of these services is disclosed in

Note 3 to the financial statements on page 109. The cost of providing these services, purchase of direct goods and services, can be found in Note 4 on page 110. Other operating income is derived from receipts relating to non-core activities. Further details can be found in accounting policy Note 1 (t) to these financial statements on page 103.

### Public spending and administration budgets

Our Chief Executive receives his letter of authority as Accounting Officer directly from the MOD Permanent Secretary. We recover our resource costs as an Executive Agency via charges to our customers; we do not classify these as administrative costs. All our operating expenditure

is associated with delivery of our S&T outputs. Our capital costs are subject to a separate funding line within MOD's overall control framework. See page 024 for our long-term expenditure trends. All of our capital expenditure is associated with the provision of equipment, facilities and infrastructure to enable the delivery of our S&T outputs.

#### Long-term expenditure trends

[See page 024](#)

#### View our financial statements

[See pages 092 - 129](#)



## 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 Science and Technology Laboratory 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 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 Science and Technology Laboratory affairs as at 31 March 2021 and of the Defence Science and Technology Laboratory net expenditure 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 entities. I am independent of the Defence Science and Technology Laboratory 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 Science and Technology Laboratory'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 Science and Technology Laboratory'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 report 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 report, 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.

Continued on page 088

## 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 Science and Technology Laboratory 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 Science and Technology Laboratory'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 Science and Technology Laboratory's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Defence Science and Technology Laboratory'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 Science and Technology Laboratory'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 Science and Technology Laboratory's framework of authority as well as other legal and regulatory frameworks that the Defence Science and Technology Laboratory 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 Science and Technology Laboratory. 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](http://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.

### Report

I have no observations to make on these financial statements.

### Gareth Davies

Comptroller and Auditor General  
National Audit Office,  
157-197 Buckingham Palace Road  
Victoria,  
London SW1W 9SP

29 November 2021



Case Study #07

# Border Force

## Harnessing novel science and technology to support priority tasks on land and sea

**Organised criminal gangs exploit vulnerable people by using illegal means to facilitate entry to the UK. This places lives at risk and denies UK authorities the opportunity to check whether new arrivals might pose a threat to the UK.**

Following the tragic deaths of 39 people in a refrigerated trailer at Purfleet in 2019, Dstl has worked with Border Force and Home Office Science to minimise the risk of such a tragedy reoccurring. We assessed the operational utility of the detection capabilities employed to find concealed people at five UK and corresponding overseas ports. We conducted the UK's first independent scientific assessment of body detection dogs, providing evidence that they are an efficient and effective method of screening

for concealed people in common trailer types.

We also evaluated an innovative single-sided X-ray scanner in a van that can be driven past a row of trailers to generate images of their contents. The evaluation provided a clear understanding of the strengths and weaknesses of the system. The results were used to support Border Force's procurement of five systems, which will be deployed in roles in mainland UK and at the Northern Ireland border.

In addition, we supported the Home Office's Clandestine Channel Threat Command (CCTC) with the assessment and demonstration of technology for countering illegal immigration via small boats. This included technical advice

to support operations, trials of military and commercial-off-the-shelf technology, and options for Border Force, Immigration Enforcement and CCTC to exploit advanced technology being developed through MOD-funded research.





# Dstl Annual Report & Accounts 2020/21

Our annual report and accounts is prepared in line with the *Government Financial Reporting Manual (FReM)*, *Managing Public Money* and any applicable HM Treasury instructions. Dstl's *Framework Document* requires us to prepare our own annual report and accounts and present it to Parliament following certification by the Comptroller and Auditor General to the House of Commons (see page 087).

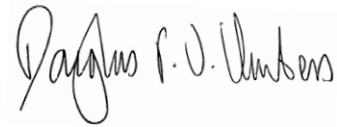
The Dstl Board endorsed this report out of committee on 19 November 2021, and the Chair of the Dstl Board and I, as Accounting Officer, signed the accounts on 22 November 2021.

I confirm that our annual report and accounts gives a fair, balanced and understandable view of Dstl's activities for the year ended 31 March 2021 and of our financial position as at 31 March 2021. I also confirm that I am personally responsible for this annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

As required in the FReM, I have signed and dated our Performance Report on page 046, as well as signing here our Accountability Report, which meets Dstl's key accountability requirements to Parliament. I have also signed our

Statement of Financial Position on page 096, as part of the fully audited Financial Statements that follow in the rest of this document.

I hope you find our annual report and accounts helpful to your understanding of Dstl's business and performance over the past financial year.



**Doug Umbers**

Interim Chief Executive

22 November 2021







# → Financial Statements



Our financial statements and disclosure notes make up the final report in this year's annual report and accounts; they have been audited by the Comptroller and Auditor General.

# → Financial Statements

## Contents

*Our Financial Statements Report contains five sub-sections:*

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*Our financial statements and disclosure notes make up the final report in this year's annual report and accounts; they have been audited by the Comptroller and Auditor General.*

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We have prepared our accounts under International Financial Reporting Standards (IFRS), as adapted for the public sector in the Government Financial Reporting Manual (FRoM), issued by Her Majesty's Treasury.

We have outlined the new reporting standards and any changes to accounting policy that affect our financial statements in Note 1 on page 099.

Our desire to align with the policies of our parent department, MOD, where appropriate, drives these changes, subject to relevance and materiality considerations.



We have prepared our accounts under International Financial Reporting Standards (IFRS).

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## 6 / Accounting Information

View the notes which form an integral part of these accounts

 See pages 099 - 129



# Statement of Comprehensive Net Expenditure (SoCNE)

for the year ended 31 March 2021

	Note	2021 £ million	2020 £ million
Operating income from contracts with customers	2	725.9	703.5
Other operating income		16.9	18.3
<b>Total operating income</b>	3	<b>742.8</b>	<b>721.8</b>
Staff costs		(271.4)	(255.5)
Purchase of direct goods and services		(335.3)	(321.5)
Depreciation, amortisation and impairment charges		(52.9)	(10.2)
Profit on sale of asset classified as held for sale	15	0.0	2.2
Provision expense		(3.8)	(1.6)
Infrastructure running costs		(90.5)	(89.2)
Other operating expenditure		(27.9)	(30.1)
<b>Total operating expenditure</b>	4, 5	<b>(781.8)</b>	<b>(705.9)</b>
<b>Net operating income / (expenditure)</b>		<b>(39.0)</b>	<b>15.9</b>
Finance income	6	0.0	0.1
Finance expense	7	0.0	0.0
<b>Net income / (expenditure) for the year</b>		<b>(39.0)</b>	<b>16.0</b>
<b>Other comprehensive net income / (expenditure)</b>			
Items which will not be reclassified to net operating income / (expenditure):			
Net surplus on revaluation of property, plant and equipment	SoCITE	(2.7)	9.3
Net deficit on revaluation of intangible assets	SoCITE	(0.1)	0.0
Items which may be reclassified to net operating expenditure:			
Net surplus on revaluation of non-current financial asset investments	SoCITE	0.0	0.0
<b>Total comprehensive net income / (expenditure) for the year</b>		<b>(41.8)</b>	<b>25.3</b>



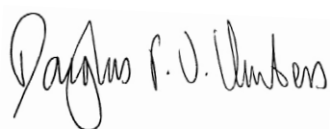
# Statement of Financial Position (SoFP)

as at 31 March 2021

	Note	2021 £ million	2020 £ million
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	623.3	585.5
Financial assets	9	1.4	1.7
Intangible assets	10	4.6	3.6
Receivables	13	3.1	3.5
<b>Total non-current assets</b>		<b>632.4</b>	<b>594.3</b>
<b>Current assets</b>			
Work in progress	12	0.1	0.3
Receivables	13	27.5	31.5
Cash and cash equivalents	14	20.9	50.1
<b>Total current assets</b>		<b>48.5</b>	<b>81.9</b>
<b>Total assets</b>		<b>680.9</b>	<b>676.2</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	16	175.9	154.6
Short-term provisions	17	9.1	0.3
<b>Total current liabilities</b>		<b>185.0</b>	<b>154.9</b>
<b>Non-current assets less net current liabilities</b>		<b>495.9</b>	<b>521.3</b>
<b>Non-current liabilities</b>			
Trade payables and other liabilities	16	1.7	1.5
Long-term provisions	17	1.2	1.6
<b>Total non-current liabilities</b>		<b>2.9</b>	<b>3.1</b>
<b>Assets less liabilities</b>		<b>493.0</b>	<b>518.2</b>
<b>Taxpayers' equity and other reserves</b>			
Revaluation surplus	SoCITE	202.9	205.7
General fund	SoCITE	290.1	312.5
<b>Total taxpayers' equity</b>		<b>493.0</b>	<b>518.2</b>

The financial statements were signed on 22 November 2021.

The Accounts were authorised for issue on the date of certification by the Comptroller and Auditor General.



**Doug Umbers**

Interim Chief Executive

# Statement of Cash Flows (SoCFs)

for the year ended 31 March 2021

	Note	2021 £ million	2020 £ million
<b>Cash flows from operating activities</b>			
Net operating income / (expenditure)	SoCNE	(39.0)	15.9
Adjustments for non-cash transactions:			
Depreciation and impairment	4, 8	51.3	7.6
Loss on sale of intangible assets	4	0.0	0.1
Profit on sale of assets classified as held for sale	15	0.0	(2.2)
Write-on of building asset	3	(0.2)	0.0
Amortisation and impairment	4, 10	1.3	0.4
Reclassification of previous year property, plant and equipment spend as revenue	8	1.5	0.2
Reclassification of previous year intangible asset spend as revenue	10	0.4	0.0
Notional audit fee	4	0.1	0.1
Write-down of non-current financial asset	4	0.3	2.2
Provisions provided in year	4	4.2	1.7
Provisions not required written-back	4	(0.4)	(0.1)
<b>Net operating expenditure before changes in working capital</b>		<b>19.5</b>	<b>25.9</b>
(Increase) / decrease in work in progress		0.2	(0.2)
(Increase) / decrease in trade receivables and other receivables		4.4	(3.2)
Increase in trade payables and other liabilities <sup>1</sup>		15.3	8.3
Use of provisions		(0.3)	(1.3)
<b>Net cash inflow from operating activities</b>		<b>39.1</b>	<b>29.5</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment <sup>1</sup>	8	(77.9)	(78.9)
Proceeds from sale of asset held for sale	15	0.0	2.6
Purchases of intangible assets <sup>1</sup>		(0.9)	(0.5)
Finance income		0.0	0.1
<b>Net cash (outflow) from investing activities</b>		<b>(78.8)</b>	<b>(76.7)</b>
<b>Cash flows from financing activities</b>			
Net funding received from MOD in-year <sup>2</sup>	SoCiTE	10.5	81.7
<b>Net cash inflow from financing activities</b>	14.1	<b>10.5</b>	<b>81.7</b>
<b>Net financing</b>			
Net increase / (decrease) in cash and cash equivalents		(29.2)	34.5
Brought forward cash and cash equivalents		50.1	15.6
<b>Carried forward cash and cash equivalents</b>	14	<b>20.9</b>	<b>50.1</b>

<sup>1</sup> Increase in cash inflows from trade payables and other liabilities is after taking account of £6.1 million increase in non-cash movement for purchase of non-current assets (2019/20: £2.2 million reduction), and a capital provision of £5.0 million.

Property, plant and equipment additions of £89.8 million in Note 8 includes an increase in non-cash trade payables and other liabilities, and provisions of £11.7 million, and an asset written-on of £0.2 million.

Intangible asset additions of £0.3 million in Note 10 include a decrease in non-cash trade payables and other liabilities of £0.6 million.

	Note	£ million
Cash received from MOD		454.0
Bookkeeping adjustments for transactions with MOD		(443.5)
<b>Net funding received from MOD in-year</b>	<b>SoCiTE</b>	<b>10.5</b>



# Statement of Changes in Taxpayers' Equity (SoCiTE)

for the year ended 31 March 2021

	Note	General Fund £ million	Revaluation Surplus £ million	Total Taxpayers' Equity £ million	Total Comprehensive Net Expenditure £ million
<b>Balance at 1 April 2019</b>		<b>217.1</b>	<b>196.4</b>	<b>413.5</b>	
Net equity investment received from MOD during the year		81.7		81.7	
Surplus on revaluation of property, plant and equipment	8		6.9	6.9	6.9
Transfer from general fund realised depreciation			2.4	2.4	2.4
<b>Net gains and losses recognised in the Statement of Comprehensive Net Expenditure</b>		<b>0.0</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>
Auditor's remuneration (notional)	4	0.1		0.1	
Net operating expenditure	SoCNE	15.9		15.9	15.9
Net finance income	6, 7	0.1		0.1	0.1
Transfer to revaluation surplus realised depreciation and amortisation		(2.4)		(2.4)	
<b>Balance at 31 March 2020</b>		<b>312.5</b>	<b>205.7</b>	<b>518.2</b>	<b>25.3</b>
Net equity investment received from MOD during the year <sup>1</sup>	14.1	10.5		10.5	
Surplus on revaluation of property, plant and equipment	8		3.2	3.2	3.2
Transfer to general fund realised depreciation			(5.9)	(5.9)	(5.9)
Transfer to general fund realised amortisation			(0.1)	(0.1)	(0.1)
<b>Net gains and losses recognised in the Statement of Comprehensive Net Expenditure</b>		<b>0.0</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>(2.8)</b>
Auditor's remuneration (notional)	4	0.1		0.1	
Net operating expenditure	SoCNE	(39.0)		(39.0)	(39.0)
Net finance income	6, 7	0.0		0.0	0.0
Transfer from revaluation surplus realised depreciation and amortisation		6.0		6.0	
<b>Balance at 31 March 2021</b>		<b>290.1</b>	<b>202.9</b>	<b>493.0</b>	<b>(41.8)</b>

## Net equity investment received from MOD

	Note	£ million
<b>Balance at 31 March 2021</b>		<b>158.1</b>
<sup>1</sup> Net equity investment received during the year	14.1	10.5
<b>Balance at 31 March 2021</b>		<b>168.6</b>

# Notes to the accounts

## 1. Accounting policies

### (a) Statement of accounting policies

The financial statements have been prepared in accordance with the 2020/21 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The particular policies adopted by the Executive Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

(b)

### (i) Accounting convention

These accounts have been prepared under the historical cost convention, modified for the application of fair value where appropriate. The balances affected are property, plant and equipment (see Note 1(f) below), intangible assets (see Note 1(j) below), and non-current financial assets (see Note 1(d) (ii) below).

### (ii) Going concern

The Executive Agency is dependent principally on its owning Department, MOD, as its main source of revenue. Demand for the Agency's services is enduring and there is no planned change to the Agency's status.

The Agency's going concern assertion has not been affected by the Covid-19 pandemic. Baseline future spending assumptions have not materially changed because of the pandemic. The Spending Review settlement for 2022 - 2026 indicates that the Agency's funding from MOD will be enhanced by £1.2 billion during this period.

### (c) Consolidation with MOD

The Executive Agency is within the Accounting Boundary of MOD and its financial statements are consolidated within those of the Department.

### (d) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Executive Agency's accounting policies, there are necessary judgements, estimates and assumptions made that affect the carrying amounts of certain assets and liabilities. Where information is not readily available, estimates and assumptions are made with reference to advice from management, technical experts, professional third parties, and from historical experience.

The estimates and underlying assumptions are reviewed on an ongoing basis.

There have been no revisions of accounting judgement, or revisions to the application of estimation technique during the year. Revisions to accounting estimates are recognised during the period of revision, and future periods if the revision affects both current and future periods.

### (i) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates (see (ii) below), that the Executive Agency has made in the process of applying its accounting policies. These have had significant effects on the financial statements.

#### → Valuation of property

The accounting policy for the valuation of freehold land and buildings is disclosed in Note 1(f), and the valuations are disclosed in Note 8. The Executive Agency has concluded that the most appropriate method of valuation provided by the Royal Institute of Chartered Surveyors (RICS) is Depreciated Replacement Cost (DRC). The market for the Agency's specialised laboratories and secure accommodation is extremely limited. The large size of the two main sites (Porton Down and Portsdown West) and their remote locations has a limiting effect on the number of alternative users.

The DRC estimation technique for the valuation of freehold land employs the Alternative Site Approach. This represents the lowest price the Agency would pay for an alternative plot of land that is in an appropriate location, and is appropriate for the Agency's operations.

#### → Consolidation of subsidiary undertaking

Ploughshare Innovations Ltd (Ploughshare) is a wholly owned subsidiary that the Executive Agency has the power to control. The Agency does not consider Ploughshare to be material and has decided not to produce Group accounts. Consolidation would require significant additional disclosure for minor adjustments and would not improve readers' understanding of the Agency's financial performance. Ploughshare will be reviewed each year for materiality.

→ **Biological High Containment Facility**

This facility enables the Executive Agency to maintain the UK strategic sovereign capability for assessing hazards from current and emerging chemical and biological threats. It consists of several assets, including a building, operated together as a distinct facility. As an Agency inside the Department boundary, there is a more integrated approach to strategic capability planning that includes the facility, particularly as it is used principally for MOD project work. During 2017/18, MOD valued the facility building asset on a DRC basis providing the Agency with further assurance that the Department intends to sustain this capability and strategic asset for the foreseeable future.

For these reasons, the Agency has concluded that going forward, the most appropriate valuation method is DRC for the building, with the application of indices provided by Defence Statistics between independent professional quinquennial valuations. For plant and equipment assets, appropriate indices provided by Defence Statistics are applied. This also aligns with MOD's valuation method. See Note 8.

→ **Leases**

The Executive Agency occupies a site at Fort Halstead under the terms of a property lease. The Agency considers the lease to be an operating lease because there is a no-penalty termination notice period of five years and the Agency has given notice to terminate the lease agreement in October 2025. Negotiations to exit the site at an earlier and mutually beneficial date of March 2023, are advanced.

There are a few other non-material property operating leases where the Agency occupies a building, or part of a building under terms that have a duration of five years or less. It is unlikely that these leases would be extended to the point where the Agency would consume substantially all of the asset's useful economic benefit, and therefore it is considered appropriate to account for them as operating leases. Commitments under leases are disclosed in Note 18. The impact of adoption of the new standard for leases, IFRS16: Leases, from 1 April 2022 is discussed in Note 1(y), below.

(ii) **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a

material adjustment to the carrying amounts of assets and liabilities during the next year.

→ **Accruals**

Accruals are estimated with reference to available documentation, advice from the relevant Project Manager, information provided by third parties, and from experience gained from previous years. Third-party verification is sought from suppliers of all sub-contracted research where the value of uninvoiced work is expected to be £100,000 or above. The total accrual relating to purchase of direct goods and services is £95.1 million (2019/20: £84.4 million).

Staff holiday is not recorded on central management information systems and therefore the holiday pay accrual calculation is an area of estimation uncertainty. The estimate is based on daily pay, using the mid-point for each pay scale. This is applied to the total calculated holiday entitlement for all employees by pay scale. An appropriate proportion is assumed to be outstanding at the year-end. The proportion applied was derived from sample testing. The sample test resulted in an estimate of 32% of all annual holiday to be outstanding at the year end. The total annual holiday accrual liability is £8.7 million (2019/20: £8.3 million). A variance of 5% to the proportion of holiday entitlement would vary this liability by £1.4 million.

→ **Fair value of non-current financial assets**

The fair value of the Executive Agency's investment in Ploughshare is determined by taking the subsidiary's net assets, and adjusting for items already recognised in the Agency's Statement of Financial Position. A further adjustment is made for non-current assets where it is considered difficult to realise any value. Further information on Ploughshare is provided in Note 9.

→ **Modified Historic Cost Accounting (MHCA)**

Non-current plant and equipment and non-current intangible assets are reported at fair value by applying various indices provided by Defence Statistics. Freehold land and buildings are subject to a rolling programme of quinquennial revaluation by an independent professional valuer. Indices provided by Defence Statistics are applied to land and building valuations in the years between independent professional valuations.

There are inherent valuation uncertainties. A professional's valuation will depend on the method applied (DRC) and judgement on



factors such as functional obsolescence, age obsolescence, and the quality of surrounding infrastructure. Where indices are applied, the values are dependent on the particular index adopted. For consistency and comparability, the index used for each class of asset will be applied every year. Further information is provided in Note 1(f) and 1(j).

→ **Impact of Covid-19**

For the period ended 31 March 2020, the potential impact of the Covid-19 pandemic on property values was considered an event after the reporting period. The lockdown period from late March 2020 cast more than normal uncertainty on the veracity of property valuations, and the indices applied for the reporting period.

Subsequent indices based on market observations during the year to mid-February 2021 indicate property values have remained stable. Confidence has been returning as the road map of reduced lockdown restrictions, on a sustainable basis, remain on-track. The Agency acknowledges however, that despite less uncertainty, it is prudent to continue to apply more caution than normal to property values. A sensitivity analysis that illustrates the potential impact on the financial statements, of a movement in indices on property is disclosed in Note 8.

→ **Depreciation and amortisation**

Depreciation of property, plant and equipment, and amortisation of intangible assets, is based on the useful economic life of the asset. It is rare for any of the Executive Agency's assets to have a residual value. They are often very specialised assets that are used until obsolete. Remaining useful economic lives are reviewed at least annually. The basis for estimating a remaining useful economic life includes experience of similar assets, the condition and performance of the asset, and knowledge of technological advances and obsolescence. Remaining useful economic lives are revised, where appropriate, to reflect any change in these circumstances. The net book value of the asset at the time of the revision, will be depreciated on a straight-line basis over the revised remaining useful economic life.

With respect to the depreciation of buildings, an independent professional evaluation of their remaining useful economic lives is performed during the quinquennial rolling revaluation programme. Further information is provided in Note 1(f) and 1(j).

→ **Provisions**

The measurement of early departure provisions is derived from information provided by the Cabinet Office (My Civil Service Pension). Variations between estimated values and the final cost on crystallisation of the liabilities are not considered material. The measurement of the dilapidation provision is based on a third-party estimate provided during 2021.

Provisions relating to disputes with suppliers are measured following assessment of a range of settlement values attributed to likely outcomes that mature as negotiations progress. For further details, see Note 17.

Any change in expectations, or difference between expectation and the actual liability on crystallisation, is accounted in the period of determination.

(e) **Basis of consolidation**

The Executive Agency has not consolidated its wholly owned subsidiary, Ploughshare, on grounds of materiality. See Note 1(d)(i) above.

(f) **Property, plant and equipment**

The majority of the Executive Agency's property, plant and equipment is held on MOD's non-current asset register where Defence Statistics indices are applied. For consistency, the Agency applies the same Defence Statistics indices for the balance of property, plant and equipment assets held on its own non-current asset register.

Property, plant, machinery, transport, IT and communication equipment are capitalised where the cost of acquisition is greater than £25,000.

All assets are independently inspected on a five-year rolling programme. Assets are carried at current value in existing use or fair value. The valuation methods for different classes of asset are as follows:

**Land and buildings:**

Where independent professional valuations are carried out, they are performed using RICS Red Book methods.

Land	DRC
Buildings	DRC
For land and buildings that have been declared surplus	Market Value
Plant, machinery, transport, and IT and communication equipment	MHCA

For land, the DRC is derived with reference to the lowest amount that a purchaser would pay to acquire an alternate site appropriate for its operations in a relevant location at the valuation date. This would not necessarily be the value that the Agency's land could be sold for.

Property is revalued in the years between professional independent valuations using indices provided by Defence Statistics. Plant, machinery, transport, IT and communication equipment assets are revalued using indices provided by Defence Statistics.

Depreciation is provided on a straight-line basis over the useful economic lives of the assets, which are as follows:

Buildings	5-50 years
Plant and machinery	5-30 years
Transport	3-35 years
IT and communication equipment	3-30 years

Land that has a useful economic life of more than one year is not depreciated.

Details of property, plant and equipment values included within these financial statements are disclosed in Note 8.

**(g) Grant-funded assets**

Grants received or receivable for the acquisition or construction of property, plant or equipment are recognised as other operating income after the activity that creates the entitlement has been performed. They are not material and are therefore only separately disclosed within the property, plant and equipment note in the year of their acquisition.

**(h) Donated assets**

Property, plant and equipment donated to the Executive Agency for which no consideration is given or conditions are attached, are brought onto the Statement of Financial Position at their fair value and are revalued, and depreciated or amortised on the same basis as purchased assets. The fair value at initial recognition is credited to the Statement of Comprehensive Net Expenditure as other operating income. The assets are revalued, and depreciated or amortised on the same basis as other non-current assets of the same class.

**(i) Customer-funded assets**

Where a customer has funded in part or in whole, the purchase or construction of an asset that meets the definition of a non-current asset, and the customer retains an interest in that asset, the asset is initially brought onto the Statement of Financial Position at

cost. The asset is depreciated and revalued on the same basis as other non-current assets of the same class. The customer funding is released to other operating income during the period that the customer has an interest in the asset.

**(j) Intangible assets**

Intangible assets comprise purchased software licences and the cost of software developed in-house where there is reliable cost information and the asset will give rise to future economic benefit. The minimum level for capitalisation of intangible assets is £25,000.

Amortisation is on a straight-line basis over the shorter of the licence term, or the software's useful economic life. Intangible assets are revalued annually by applying indices provided by Defence Statistics.

The majority of the Agency's intangible assets are held on MOD's non-current asset register where Defence Statistics indices are applied. For consistency, the Agency applies the same Defence Statistics indices to the balance of intangible assets held on its own non-current asset register.

The useful economic lives of intangible assets are considered to fall within one to ten years.

**(k) Impairment**

The carrying value of the Executive Agency's non-current assets is reviewed during the year to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairments are first offset through other comprehensive net expenditure where sufficient revaluation surplus exists. If impairment is due to consumption of economic benefit, or there is insufficient revaluation surplus, it is charged through profit or loss. Impairment losses will be reversed if there is an increase in the fair value or service potential of a previously impaired asset. The increased carrying amount attributable to a reversal of an impairment is first credited to profit or loss to the extent of any original impairment charge to profit or loss. Any remaining balance, or the whole reversal (if impairment was fully offset through other comprehensive net expenditure), will be credited through other comprehensive net expenditure.

**(l) Research and development**

Research and development expenditure incurred during work on a contract for a customer is chargeable to the customer. Internally, funded research expenditure is charged to the Statement of Comprehensive Net Expenditure as incurred.

**(m) Grant funding agreements**

The terms and conditions of a grant agreement follow guidance provided by the Cabinet Office. Grant payments provided to academia bodies for eligible science and technology research are to cover expenditure incurred by the recipient for specified funded activities. The Agency will not pay the grant until it is satisfied that the grant recipient has paid for the funded activities in full and the funded activities have been delivered during the funding period. Eligible science and technology research may be funded by a single payment for specified performance criteria, or by a series of payments linked to multiple performance milestones. Where funding is provided to the Agency to design, put in place and project manage a grant agreement, the Agency is acting as a principal, and revenue and cost of sales are recognised as the performance criteria and deliverables specified in the agreement are met.

**(n) Work in progress**

Work in progress represents the value of partially completed milestones on firm-price contracts, and is stated at the lower of cost and net realisable value.

**(o) Contract assets**

Contract assets represent operating income recognised in excess of the values invoiced (net of VAT) on cost-plus contracts and include an appropriate amount of profit attributed to the contract. For firm-price contracts, contract assets are recognised where there is a timing difference between income recognition (such as on delivery of a milestone) and issuing an invoice to the customer.

**(p) Financial instruments**

Financial assets and liabilities are recognised in the Executive Agency's Statement of Financial Position where the Agency has become a party to contractual terms of an instrument. With respect to the Agency's investment in Ploughshare, the method of accounting that has been adopted is fair value through profit or loss. For information on the Agency's exposure to risk and categories of financial instruments, see Note 20.

**(q) Provisions**

Provisions are made where the Executive Agency has a present legal or constructive obligation as a result of a past event, and where it is probable that a reliably measured economic outflow will result. Provisions are measured taking into account the risks and uncertainties surrounding the obligation. Where possible, information from third parties is used as a basis for deriving the estimated liability.

**(r) Pensions**

Past and present employees are covered by pension

benefits provided through Civil Service pension arrangements that are unfunded multi-employer schemes providing benefits based on either final salary, indexed average lifetime salary, or a mixture of both. 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 Net Expenditure represents the contributions paid and payable to the schemes in respect of the accounting period. Details of rates and amounts of contributions during the year are disclosed in Our People, starting on page 074.

**(s) Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currency are retranslated at the rates of exchange ruling at the Statement of Financial Position date. Gains and losses arising on retranslation are included in the Statement of Comprehensive Net Expenditure.

**(t) Operating income**

The amount of operating income recognised by the Executive Agency reflects the consideration due from the transfer of control for promised goods and services to customers. Control is when the customer has the ability to direct the use of, and obtain substantially all of the benefits of the goods or services.

For cost-plus contracts, the transfer of control passes to the customer over time. The customer simultaneously receives and consumes the benefits of the services. The services are specialised, have no alternative use, and the Agency has an enforceable right to payment for the completed performance to date. The recognition of operating income reflects the pattern of consumption of benefits by the customer, and includes the attributable contract profit rate. The total amount of operating income recognised is capped at the contract price limit.

For firm-price contracts, the transfer of control passes to the customer at a point in time. Each point in time reflects the transfer of a performance obligation to the customer (a contract milestone), and each performance obligation has an attributed contract price. The recognition of operating income reflects the price of an achieved performance obligation that is accepted by the customer. Some firm-price contracts have a single performance obligation where there are no specified interim milestones. Operating income is accrued as contract assets



where there is a timing difference between income recognition and invoicing. Operating income is deferred as contract liabilities where a contract allows amounts to be invoiced ahead of the trigger point for income recognition (such as before the completion of performance obligations). Losses are recognised as soon as they are foreseen. Pre-contract costs, which are not material, are expensed within other operating expenditure.

More than 90% of the Agency's operating income from contracts with customers is from MOD. All contracts with MOD are charged at cost, with no profit. Under this arrangement, no formal invoicing takes place and therefore no trade receivable is recognised. The Agency recognises operating income over time, which is simultaneously expensed by MOD using intra-Department bookkeeping.

Other operating income is recognised for receipts relating to non-core activities that are not the supply of scientific and technical services. See Note 3 for further information. The Agency does not have any contracts where the period between the transfer of the promised goods and services to the customer and payment from the customer exceeds a year. Consequently, the Agency does not adjust the contract prices for the time value of money.

**(u) Value Added Tax (VAT)**

The Executive Agency's VAT falls within MOD's VAT registration. The Agency accounts for VAT and transfers the net value to MOD on a quarterly basis for inclusion within MOD's VAT return. Where the VAT is irrecoverable, it is charged to the relevant expense category, or if capital, to the relevant non-current asset class.

**(v) Segmental reporting**

The principal business activities of the Executive Agency are managed through Divisions, and the segmental analysis in Note 2 is presented according to the Agency's internal management reporting structure. The accounting policies of the operating segments are the same as those of the Agency. Corporate overheads are allocated to operating segments on the basis of headcount with the exception of estates management charges, which are allocated on area of occupancy. Inter-segment trading is at cost.

**(w) Reserves within taxpayers' equity**

The revaluation surplus represents taxpayers' equity arising from increases in the value of the Executive Agency's non-current assets.

**(x) General fund**

Net funding received from the owning Department, MOD, is recorded as equity within the general fund. The Statement of Changes in Taxpayers' Equity discloses the movement in net funding received from MOD during the year. The Statement of Cash Flows discloses the cash funding received from MOD within cash flows from financing activities, and the associated footnote 2.

**(y) IFRS, amendments and interpretations in issue but not yet effective or adopted**

IAS8: Accounting Policies, Changes in Accounting Estimates and Errors requires disclosures in respect of new IFRS, amendments and interpretations that are or will be applicable after the reporting period.

The following new standard will be adopted by the Executive Agency as directed, interpreted or adapted by the FReM from 1 April 2022:

**IFRS16: Leases**

The standard was issued during January 2016 and intended to replace the previous standard for leases, IAS17. The standard provides a single lessee accounting model for recognising, measuring, presenting and disclosing leases. It requires recognition of all lease agreements whose duration extends beyond 12 months and the value of the underlying asset is not low. Measurement of a right of use asset will mainly be the present value of lease payments discounted using the implicit interest rate within the lease agreement. There will be a matching lease liability. The right of use asset will be depreciated on a straight-line basis during the term of the lease, and there will be an associated finance expense. The FReM mandates the cumulative effect catch-up transitional arrangement (simplified method), with the net adjustment taken to the general fund. The comparatives are not restated. Where the implicit interest rate within the lease is not available, the lease payments will be discounted by the incremental borrowing rate as promulgated by HM Treasury. Re-measurements using revised rates will only occur where the lease term is amended.

The standard has been reviewed and its impact is likely to depend on the exit arrangements and subsequent negotiations surrounding the lease for property at Fort Halstead. This is the Executive Agency's only material lease. The current annual rental charge for the property lease at Fort Halstead is £3.6 million. See Note 18 for further information.

The following is a draft extract of the expected opening SoFP adjustments relating to all extant right of use assets if the standard was to be implemented on 1 April 2022.

	Land and Buildings £ million	Buildings £ million	Plant and Machinery £ million	Transport £ million	Total £ million
Right of use asset	14.0	1.0	0.2	0.0	15.2
Lease liability due within 1 year	(3.0)	(0.3)	0.0	0.0	(3.3)
Lease liability due after more than 1 year	(10.2)	(0.6)	0.0	0.0	(10.8)
Prepayment	0.2	0.0	0.0	0.0	0.2

Lease payments have been discounted using rates promulgated by HM Treasury for use during 2021/22. These figures assume the Fort Halstead lease will remain in place for the full notice period to October 2025.

The following is a comparison of the impact to SoCNE that IFRS16 is expected to have during 2021/22 when compared to the current standard for lease accounting, IAS17. It excludes lease arrangements that are outside of the scope of IFRS16 from the rentals expense for IAS17.

Year ending 31 March	IAS17 Rentals Expense £ million	IFRS16 Depreciation £ million	IFRS16 Finance Expense £ million	IFRS16 Irrecoverable VAT £ million	IFRS16 Total Charge £ million
2022	4.2	3.5	0.1	0.6	4.2
2023	3.9	3.4	0.1	0.5	4.0
2024	3.8	3.2	0.1	0.5	3.8
2025	3.8	3.2	0.0	0.5	3.7
2026	2.2	1.9	0.0	0.3	2.2

IFRS16 will have a negligible impact to SoCNE. The principal impact will be the increase in assets and liabilities on the SoFP.

The following new standard will be adopted by the Executive Agency as directed, interpreted or adapted by the FReM:

#### **IFRS17: Insurance contracts**

The standard was issued during May 2017 and replaces the previous standard for insurance contracts, IFRS4. There is currently no firm HM Treasury adoption date.

The objective of the standard is to ensure insurance contracts are accounted for on a consistent basis, measured at the present value of future cash flows.

Currently, no future impact of the standard is expected as the Agency does not have any assets or liabilities recognised as insurance contracts.

## 2. Statement of net expenditure by operating segment

All of the Executive Agency's business reporting segments are disclosed to enable users of these financial statements to evaluate the nature and financial effects of the Agency's business activities. The Agency's corporate support functions have been aggregated.

All Divisions derive their revenues from the provision of specialist scientific and technical services. The Agency derives more than 90% of its operating revenues from MOD, and more than 98% of its revenues from wider Government. More detailed disclosures can be found in Note 21, related-party transactions.

The measure of profit presented to the Board, the chief decision-maker, is the underlying operating profit that excludes the significant non-recurring operating items described in Note 5, and separately identified below. No measure of segmental assets and liabilities has been disclosed because this information is not regularly provided to the Board.

More than 98% of revenue is derived from UK sources. The Board does not review the business on a geographical basis. A geographical analysis would not be necessary to aid users' understanding of these financial statements.

### Operating segment analysis for the year ending 31 March 2021:

	Note	Chemical, Biological and Radiological Division	Cyber and Information Systems Division	Counter-Terrorism and Security Division	Defence and Security Analysis Division	Defence and Security Platform Systems Division	Defence and Security Accelerator	Corporate	Internal Trading Adjustments	Total as Per Financial Statements
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
MOD Chief Scientific Adviser		38.9	87.8	45.7	39.7	146.9	2.6	2.7		364.3
MOD other		24.1	45.5	58.3	11.2	135.7	17.3	0.4		292.5
Wider Government		11.4	0.9	39.1	2.0	0.1	1.8	0.9		56.2
Non-Exchequer income		3.7	1.2	1.2	0.0	0.2	0.0	6.6		12.9
Operating income from contracts with customers	3	78.1	135.4	144.3	52.9	282.9	21.7	10.6		725.9
Other operating income	3	1.5	3.7	2.3	0.0	4.7	0.0	4.7		16.9
Income from other operating segments <sup>1</sup>		7.9	13.9	12.5	40.0	21.4	0.0	1.4	(97.1)	0.0
<b>Operating income (internal and external)</b>		<b>87.5</b>	<b>153.0</b>	<b>159.1</b>	<b>92.9</b>	<b>309.0</b>	<b>21.7</b>	<b>16.7</b>	<b>(97.1)</b>	<b>742.8</b>
Underlying net operating income / (expenditure) <sup>2</sup>		(10.0)	9.5	(0.3)	7.4	15.7	2.5	(28.1)		(3.3)
Significant non-recurring operating items	5	0.0	0.0	0.0	0.0	0.0	0.0	(35.7)		(35.7)
<b>Net operating income / (expenditure)<sup>3</sup></b>		<b>(10.0)</b>	<b>9.5</b>	<b>(0.3)</b>	<b>7.4</b>	<b>15.7</b>	<b>2.5</b>	<b>(63.8)</b>		<b>(39.0)</b>
Finance income	6	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Finance expense	7	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
<b>Net income / (expenditure) for the year</b>		<b>(10.0)</b>	<b>9.5</b>	<b>(0.3)</b>	<b>7.4</b>	<b>15.7</b>	<b>2.5</b>	<b>(63.8)</b>		<b>(39.0)</b>

<sup>1</sup> Internal trading where staff and facility resource, owned by an operating segment, is utilised on an external customer project that is owned and managed by another operating segment. This represents recovery of the cost of providing these services to the recipient operating segment. Cost recovery is included in internal financial performance reporting which is reviewed by the Board.

<sup>2</sup> Underlying net operating income / (expenditure) is the measure of profit or loss routinely presented to the Board.

<sup>3</sup> Within net operating income / (expenditure) are depreciation, amortisation and impairments expensed as follows:

	Note	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Depreciation and impairment of property, plant and equipment		0.0	0.0	0.0	0.0	0.0	0.0	51.3		51.3
Amortisation and impairment of intangible assets		0.0	0.0	0.0	0.0	0.0	0.0	1.3		1.3
Impairment of investment in non-current financial asset		0.0	0.0	0.0	0.0	0.0	0.0	0.3		0.3
<b>Total depreciation, amortisation and impairment</b>	<b>4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>52.9</b>		<b>52.9</b>

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The comparatives for the year ending 31 March 2020:

	Note	Chemical, Biological and Radiological Division	Cyber and Information Systems Division	Counter-Terrorism and Security Division	Defence and Security Analysis Division	Platform and Security Division	Defence and Security Accelerator	Corporate	Internal Trading Adjustments	Total as per Financial Statements
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
MOD Chief Scientific Adviser		41.9	83.2	44.4	35.4	141.5	3.1	0.1		349.6
MOD other		24.6	48.3	57.4	10.1	134.6	16.3	0.1		291.4
Wider Government		5.5	1.4	37.4	0.4	0.2	1.1	0.0		46.0
Non-Exchequer income		8.1	0.0	2.5	0.0	0.3	0.0	5.6		16.5
Operating income from contracts with customers	3	80.1	132.9	141.7	45.9	276.6	20.5	5.8		703.5
Other operating income	3	2.6	2.3	2.2	0.0	3.4	0.0	7.8		18.3
Income from other operating segments <sup>1</sup>		7.8	12.8	12.2	38.5	20.3	0.0	1.6	(93.2)	0.0
<b>Operating income (internal and external)</b>		<b>90.5</b>	<b>148.0</b>	<b>156.1</b>	<b>84.4</b>	<b>300.3</b>	<b>20.5</b>	<b>15.2</b>	<b>(93.2)</b>	<b>721.8</b>
Underlying net operating income / (expenditure) <sup>2</sup>		(3.5)	10.1	(1.4)	4.2	14.0	2.2	(4.1)		21.5
Significant non-recurring operating items	5	0.0	0.0	0.0	0.0	0.0	0.0	(5.6)		(5.6)
<b>Net operating income / (expenditure)<sup>3</sup></b>		<b>(3.5)</b>	<b>10.1</b>	<b>(1.4)</b>	<b>4.2</b>	<b>14.0</b>	<b>2.2</b>	<b>(9.7)</b>		<b>15.9</b>
Finance income	6	0.0	0.0	0.0	0.0	0.0	0.0	0.1		0.1
<b>Net income / (expenditure) for the year</b>		<b>(3.5)</b>	<b>10.1</b>	<b>(1.4)</b>	<b>4.2</b>	<b>14.0</b>	<b>2.2</b>	<b>(9.6)</b>		<b>16.0</b>

<sup>1</sup> Internal trading where staff and facility resource, owned by an operating segment, is utilised on an external customer project that is owned and managed by another operating segment. This represents recovery of the cost of providing these services to the recipient operating segment. Cost recovery is included in internal financial performance reporting which is reviewed by the Board.

<sup>2</sup> Underlying net operating income / (expenditure) is the measure of profit or loss routinely presented to the Board.

<sup>3</sup> Within net operating income / (expenditure) are depreciation, amortisation and impairments expensed as follows:

	Note	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Depreciation and impairment of property, plant and equipment		0.0	0.0	0.0	0.0	0.0	0.0	7.6		7.6
Amortisation and impairment of intangible assets		0.0	0.0	0.0	0.0	0.0	0.0	0.4		0.4
Impairment of investment in non-current financial asset		0.0	0.0	0.0	0.0	0.0	0.0	2.2		2.2
<b>Total depreciation, amortisation and impairment</b>	4	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>10.2</b>		<b>10.2</b>

## A summary of the business activities of the operating segments

### → Chemical, Biological and Radiological (CBR)

The CBR Division provides an integrated chemical, biological, radiological and medical sciences capability. The Division delivers longer-term research as well as short-term advice and consultancy, and supports both the Front Line Commands and wider Government.

### → Cyber and Information Systems (CIS)

The CIS Division maintains and develops a range of capabilities that achieve the Division's vision of delivering transformational information superiority. Working with partners, the Division offers the capabilities that provide the skills, knowledge, expertise and facilities that underpin the outcomes needed to support Defence in Cyber, C4ISR and Space related areas – both now and in the future.

### → Counter-Terrorism and Security (CTS)

The CTS Division delivers innovative science and technology and solutions to support CTS operations, both for MOD and wider Government. With in-house laboratories, workshops and other specialised facilities, the Division provides rapid response to operational demands. The Division maintains the Sovereign UK Energetics capability and provides a source of threat information throughout the Executive Agency.

### → Defence and Security Analysis (DSA)

The DSA Division is the single focus for military and security capability analysis, consulting and enterprise-level system engineering. The Division covers work for MOD Head Office and all Commands, plus the human systems and analysis and simulation sub-capabilities.

### → Platform Systems (PLS)

The Platform Systems Division provides a single focus for platform-based capability covering all mission and weapons systems, and the related integrated survivability capabilities. The Division is responsible for all advice and solutions to capability gaps that require platform based solutions. This Division primarily supports the Front Line Commands.

### → Defence and Security Accelerator (DASA)

DASA consists of personnel from Dstl, MOD including Defence Equipment and Support, and Home Office. Its remit is to provide funding and other support to wider Government, private sector, and academia to help solve the UK's most pressing defence and security challenges, and to link the Executive Agency's partners together.

### → Corporate

Main functions and activities include:

- corporate governance, and centralised functions such as finance and treasury management, human resources, and commercial contracting management
- estate and facilities management
- business information and communication systems
- knowledge services, providing services to the Executive Agency's internal knowledge base, MOD-funded reports and the wider scientific and technical literature, together with a range of information and analysis services
- strategy portfolio and capability, the interface between scientific Divisions, key customers, and suppliers, to develop effective programmes and capability plans.

### 3. Operating income

The Executive Agency derives revenue from contracts with customers over time and at a point in time, analysed by major class of customer as follows:

	Timing of Income Recognition	2021 £ million	2020 £ million
<b>MOD</b>		656.8	641.0
Chief Scientific Adviser	Over time	364.3	349.6
Other	Over time	292.5	291.4
<b>Non-MOD</b>		69.1	62.5
Wider Government	Over time	54.5	44.6
Wider Government	At a point in time	1.7	1.4
Non-Exchequer income	Over time	8.2	11.9
Non-Exchequer income	At a point in time	4.7	4.6
<b>Total</b>		<b>725.9</b>	<b>703.5</b>

Operating income from contracts with customers is categorised according to the main contracted customer. All revenue is from the sale of goods and services and relates to the same class of business, which is the supply of specialist scientific and technical services. This is conducted principally in the UK in sterling. No other geographical market has contributed significantly to operating income. See Note 2 for operating segment disclosures.

	2021 £ million	2020 £ million
<b>Other operating income</b>		
Transferred from deferred income for non-MOD customer-funded non-current assets	0.2	0.1
MOD donated non-current assets	11.5	10.1
Other miscellaneous income	5.2	8.1
<b>Total</b>	<b>16.9</b>	<b>18.3</b>

The main items representing other miscellaneous income includes receipts totalling £3.8 million from Home Office (2019/20: £6.7 million) for the transitioning of former Centre for Applied Science and Technology staff and facilities into the Agency, and £0.4 million recovery of non-salary costs for outward secondees (2019/20: £0.8 million). Income received from Ploughshare totalled £0.2 million for the provision of patent protection services and reward to inventors (2019/20: £0.2 million).

CBR Division received £0.2 million income for support to Public Health England (2019/20: £0.2 million) and £0.4 million for the provision of biological samples (2019/20: £nil).

During a visit to the Porton Down site by VOA they valued a structure as a building asset that the Agency had expensed in a previous year. This was written-on as other operating income at the valuation of £0.2 million.

Other operating income excludes recovery of salary costs for outward secondees which is treated as an offset against staff costs. See Our People on page 077.



#### 4. Other expenditure

##### Material items charged / (credited) before stating net operating expenditure:

	2021 £ million	2020 £ million
<b>Staff costs<sup>1</sup></b>		
Wages and salaries	180.5	171.2
Social security costs (including apprenticeship levy)	20.0	19.0
Other pension costs	47.2	44.0
Other staff costs	23.7	21.3
	<b>271.4</b>	<b>255.5</b>
<b>Other cash items</b>		
Purchase of direct goods and services	335.3	321.5
Operating lease rentals:		
Property	3.4	3.5
Plant	0.0	0.1
Travel, subsistence and hospitality	1.3	3.7
Training	1.4	2.5
Professional services	7.0	6.8
Foreign exchange losses	0.1	0.0
Purchase of other indirect goods and services	105.1	104.7
<b>Total cash costs</b>	<b>725.0</b>	<b>698.3</b>
<b>Non-cash items</b>		
Depreciation and impairment charge for year:	51.3	7.6
Depreciation of owned property, plant and equipment	18.0	9.8
Exceptional costs of impairment of property, plant and equipment	25.7	0.0
Exceptional costs of reversal of impairment of property, plant and equipment	0.0	(5.1)
Adjustment valuation of property, plant and equipment	7.6	2.9
Amortisation and impairment charge for the year:	1.3	0.4
Amortisation of software licences	1.2	0.4
Adjustment valuation of software licences	0.1	0.0
Loss on disposal of intangible assets	0.0	0.1
Profit on sale of assets classified as held for sale <sup>2</sup>	0.0	(2.2)
Impairment of non-current financial asset investment <sup>3</sup>	0.3	2.2
Auditor's remuneration and expenses <sup>4</sup>	0.1	0.1
Doubtful debt provision <sup>5</sup>	0.0	(2.2)
Provisions provided in year	4.2	1.7
Provisions not required written-back	(0.4)	(0.1)
<b>Total non-cash costs</b>	<b>56.8</b>	<b>7.6</b>

<sup>1</sup> Staff costs are disclosed in more detail in Our People on page 077.

<sup>2</sup> Comparative for the sale of Portsdown Main site during 2019/20. See Note 15.

<sup>3</sup> Impairment of the carrying value of the Executive Agency's investment in Ploughshare. See Note 9.

<sup>4</sup> The notional audit fee for 2020/21 is £93,000 (2019/20: £79,000). During the year, the Agency did not contract any non-audit services from its external auditor, the National Audit Office (NAO).

<sup>5</sup> This comparative relates to the reversal of doubtful debt provision owed by Ploughshare. See Note 9.

## 5. Significant non-recurring operating items

Significant non-recurring operating items are defined as operating income or operating expenses that are not routine to the core business and due to their size or incidence are material. They warrant supplementary disclosure to aid user understanding of the Executive Agency's underlying operating performance. They may occur as a single in-year item, or they can be part of a project that spans several years and whose continued disclosure enable users to assess the on-going impact on financial performance.

	2021 £ million	2020 £ million
Helios <sup>1</sup>	9.7	7.8
Impairment of property, plant and equipment <sup>2</sup>	25.7	0.0
Reversal of Impairment of property, plant and equipment <sup>3</sup>	0.0	(5.1)
Impairment of non-current financial asset <sup>4</sup>	0.3	2.2
Reversal of doubtful debt provision <sup>4</sup>	0.0	(2.2)
Profit from sale of Portsdown Main site <sup>5</sup>	0.0	(2.2)

<sup>1</sup> Costs of withdrawal from the Agency's site at Fort Halstead under the Helios Project. This includes a provision for costs expected to be incurred to exit the lease agreement.

<sup>2</sup> The impairment consists of:

- a) A downward revaluation of recently constructed magazine and energetics facilities (Porton Down) resulting in an impairment of £21.8 million. See Note 8 for further details; and
- b) Index movements, mainly impacting buildings, reducing asset values by a further £3.4 million; and
- c) A write-down of £0.5 million against two IT projects that did not succeed in meeting their objectives.

<sup>3</sup> There was a building indexation reduction for the year resulting in no reversals of previous impairment through profit or loss.

<sup>4</sup> Impairment of the carrying value of the Agency's investment in Ploughshare. The comparative impairment figure includes a reversal of doubtful debt following a debt for equity exchange. See Note 9.

<sup>5</sup> The sale of the Portsdown Main site, an asset classified as held for sale, generated proceeds of £2.6 million realising a profit of £2.2 million.

## 6. Finance income

	2021 £ million	2020 £ million
Interest received and receivable from bank accounts	0.0	0.1
<b>Total</b>	<b>0.0</b>	<b>0.1</b>

## 7. Finance expense

	2021 £ million	2020 £ million
Interest paid and payable on loans	0.0	0.0
Unwinding of provision discounting	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

Six payments totalling £144.69 were made under the Late Payments of Commercial Debts (Interest) Act 1998 (2019/20: £nil).

## 8. Property, plant and equipment

### Property, plant and equipment movements during the year:

	Note	Land £ million	Buildings £ million	Plant and Machinery £ million	Transport and IT Equipment £ million	Communication £ million	Assets Under Construction £ million	Total £ million
<b>Valuations and gross modified historic cost</b>								
<b>Balance at 1 April 2019</b>		95.4	297.9	38.6	0.3	22.1	100.1	554.4
Transfers between asset class		0.0	(3.4)	3.4	0.0	0.0	0.0	0.0
Additions		0.0	0.0	3.7	0.0	0.2	72.3	76.2
Transfers		0.0	41.9	2.0	0.0	4.3	(48.2)	0.0
Transfers to intangible assets under construction		0.0	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Reclassified as non-capital spend <sup>1</sup>		0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)
Disposals		0.0	0.0	(1.1)	0.0	(6.1)	0.0	(7.2)
Revaluations		9.1	2.7	0.8	0.1	0.3	0.0	13.0
Impairment Reversal		0.0	4.7	0.0	0.0	0.0	0.0	4.7
<b>Balance at 31 March 2020</b>		<b>104.5</b>	<b>343.8</b>	<b>47.4</b>	<b>0.4</b>	<b>20.7</b>	<b>124.0</b>	<b>640.8</b>
Transfers between asset class		0.0	(0.3)	0.3	0.0	0.0	0.0	0.0
Additions		0.0	0.2	2.6	0.0	0.4	86.6	89.8
Transfers		0.0	0.0	12.2	0.1	26.4	(38.7)	0.0
Transfers from intangible assets under construction		0.0	0.0	0.0	0.0	0.0	0.2	0.2
Transfers to intangible assets under construction		0.0	0.0	0.0	0.0	0.0	(2.6)	(2.6)
Reclassified as non-capital spend <sup>1</sup>		0.0	0.0	0.0	0.0	(0.1)	(1.4)	(1.5)
Disposals		0.0	0.0	(0.2)	0.0	(2.7)	0.0	(2.9)
Revaluations		5.5	(3.0)	0.5	0.0	0.8	0.0	3.8
Impairment		0.0	(26.5)	0.0	0.0	0.0	(0.5)	(27.0)
<b>Balance at 31 March 2021</b>		<b>110.0</b>	<b>314.2</b>	<b>62.8</b>	<b>0.5</b>	<b>45.5</b>	<b>167.6</b>	<b>700.6</b>
<b>Depreciation</b>								
<b>Balance at 1 April 2019</b>		0.0	(19.3)	(10.4)	(0.2)	(14.2)	0.0	(44.1)
Charge for year:								
historical		0.0	(2.2)	(4.3)	(0.1)	(3.2)	0.0	(9.8)
supplementary		0.0	(2.1)	(0.6)	0.0	(0.2)	0.0	(2.9)
impairment reversal		0.0	0.4	0.0	0.0	0.0	0.0	0.4
Disposals		0.0	0.0	1.1	0.0	6.1	0.0	7.2
Revaluations		0.0	(5.4)	(0.5)	0.0	(0.2)	0.0	(6.1)
<b>Balance at 31 March 2020</b>		<b>0.0</b>	<b>(28.6)</b>	<b>(14.7)</b>	<b>(0.3)</b>	<b>(11.7)</b>	<b>0.0</b>	<b>(55.3)</b>
Charge for year:								
historical		0.0	(5.9)	(5.7)	(0.1)	(6.3)	0.0	(18.0)
supplementary		0.0	(4.1)	(0.8)	0.0	(2.7)	0.0	(7.6)
impairment		0.0	1.3	0.0	0.0	0.0	0.0	1.3
Disposals		0.0	0.0	0.2	0.0	2.7	0.0	2.9
Revaluations		0.0	(0.4)	0.0	0.0	(0.2)	0.0	(0.6)
<b>Balance at 31 March 2021</b>		<b>0.0</b>	<b>(37.7)</b>	<b>(21.0)</b>	<b>(0.4)</b>	<b>(18.2)</b>	<b>0.0</b>	<b>(77.3)</b>
<b>Net modified historic cost:</b>								
<b>Balance at 31 March 2021</b>		<b>110.0</b>	<b>276.5</b>	<b>41.8</b>	<b>0.1</b>	<b>27.3</b>	<b>167.6</b>	<b>623.3</b>
<b>Balance at 1 April 2020</b>		<b>104.5</b>	<b>315.2</b>	<b>32.7</b>	<b>0.1</b>	<b>9.0</b>	<b>124.0</b>	<b>585.5</b>

<sup>1</sup> Reclassified as non-capital spend

Included within this balance are purchases of bulk items that individually do not meet the capitalisation criteria and consumables that had been erroneously included in assets under construction.

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Land and buildings are subject to a quinquennial revaluation by an independent, professional valuer in accordance with IAS16: Property, Plant and Equipment.

Accounting Policy Notes 1(d) and 1(f) provide the basis of valuation.

The land and building assets at Portsdown West were valued by Valuation Office Agency (VOA), an Executive Agency of HM Revenue and Customs, as at 1 November 2019. The land and majority of building assets at Porton Down were valued by VOA as at 1 November 2017.

During the year, VOA valued thirty newly constructed, or recently commissioned buildings as at 1 November 2020. These buildings mainly relate to the magazine and energetics facilities at Porton Down, and were impaired by £21.8 million. Significant impairment is normal for a first professional valuation of newly constructed buildings. There are several reasons for this. The FReM adopted DRC method of valuation considers the whole site is built instantly from greenfield, without the need for infrastructure and utility extension or rework, and additional groundworks. Therefore, considerable savings are assumed for valuation purposes. Costs of maintaining existing operations during new construction work, such as for protecting staff from construction risks and maintaining the security of the site, are disregarded. This is because for instant build valuation purposes, the site is considered non-operational. Instant build valuations include the significant economies of scale savings that would have theoretically been made by offering a larger contract to construct the whole site at once. Instant build valuations do not take into account aspects such as Sites of Special Scientific Interest (SSSI) or Special Protection Areas (SPA) designed for nature conservation. The Porton Down site is subject to these designations that could add additional costs to building construction projects to preserve nature. There were further building asset impairments totalling £3.4 million that relate to indexation movements, and a £0.5 million impairment of AUC. See Note 5.

Included within land and buildings are properties from which rental income is derived. They are not material and are not disclosed separately.

During the year there were acquisitions of plant and equipment that were funded by non-MOD customers. They are not material, and are not separately identified.

Included within plant and equipment and assets under construction are assets donated by MOD and wider Government.

The following is a sub-set of the note relating to these donated assets:

	Note	Plant and Machinery £ million	Transport £ million	IT and Communication Equipment £ million	Assets Under Construction £ million	Total £ million
<b>Gross modified historic cost</b>						
<b>Balance at 31 March 2020</b>		2.4	0.1	0.2	12.4	15.1
Additions		2.2	0.0	0.4	13.3	15.9
Transfers		3.4	0.0	1.6	(5.0)	0.0
Transfers from intangible assets under construction		0.0	0.0	0.0	0.1	0.1
Reclassified as non-capital spend		0.0	0.0	0.0	(0.8)	(0.8)
Revaluations		0.0	0.0	0.1	0.0	0.1
<b>Balance at 31 March 2021</b>		<b>8.0</b>	<b>0.1</b>	<b>2.3</b>	<b>20.0</b>	<b>30.4</b>
<b>Depreciation</b>						
<b>Balance at 31 March 2020</b>		(0.3)	(0.1)	0.0	0.0	(0.4)
Charge for year:						
historical		(0.9)	0.0	(0.5)	0.0	(1.4)
<b>Balance at 31 March 2021</b>		<b>(1.2)</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>0.0</b>	<b>(1.8)</b>
<b>Net modified historic cost:</b>						
<b>Balance at 31 March 2021</b>		<b>6.8</b>	<b>0.0</b>	<b>1.8</b>	<b>20.0</b>	<b>28.6</b>
<b>Balance at 1 April 2020</b>		<b>2.1</b>	<b>0.0</b>	<b>0.2</b>	<b>12.4</b>	<b>14.7</b>

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<sup>1</sup> Within AUC is a balance of £8.7 million for re-provisioning facilities and accommodation at Porton Down as part of the integration of former Centre for Applied Science and Technology (CAST) staff. CAST had been an arm's length body of the Home Office, and their primary provider for science and technology. From 1 April 2018, this responsibility transferred to the Agency, and as part of the transition, the Home Office were invoiced for the cost of the integration, which included the capital cost of creating new facilities. From late October 2020, the source of funding was amended. The Home Office transferred a capital budget to the Agency's owning Department MOD to cover the completion of these facilities. The balance within donated AUC represents the capital cost invoiced and paid by the Home Office up until the capital budget transfer. The facilities are expected to complete during 2021, and once brought into service, will no longer be disclosed as donated assets because they are part-funded.

## Impact of Covid-19

For the period ended 31 March 2020, the impact of the Covid-19 pandemic, on property values in particular, was an event after the reporting period. The lockdown, which had been put in place from the second half of March 2020 created more than normal uncertainty on property values, and the degree of reliance that could be placed on them. There was no objective evidence to identify whether or not the Covid-19 pandemic had a material impact on carrying values of property, due to the lack of market activity at that time.

During the year ending 31 March 2021, property indices provided by VOA for March, based on market observation to the end of February 2021, indicates that property values have remained robust.

The property market has remained stable since the March 2020 lockdown. In the context of reducing restrictions that have remained to timetable, and growing confidence, uncertainty related to the Covid-19 pandemic is much reduced for the current reporting period, and is not expected to adversely impact values during the next year.

The Agency does not currently hold any surplus property assets that are earmarked for sale, and therefore is not exposed to open market conditions. Many of the Agency's high value building assets, some of which are currently under construction, are specialist buildings containing laboratories, experimental test environments or trial facilities which do not have an alternative use. Their locations within secure Government sites also inhibit occupation by alternative users. Demand for their intended use is currently unabated, and we are not yet seeing any significant threat of funding reductions for our services.

Caution should continue to be applied to property values, since it represents more than 90% of the Agency's property, plant and equipment carrying value.

The following sensitivity analysis provides readers with an understanding of the potential impact that a movement in property indices would have on property values in the context of these financial statements:

Reduction in Index (%)	Land Reduction in Carrying Value	Land Reduction in Revaluation Surplus	Land Impairment Charge to SoCNE	Buildings Reduction in Carrying Value	Buildings Reduction in Revaluation Surplus	Buildings Charge to SoCNE	Buildings Realised Revaluation to General Fund
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
1	(1.1)	1.1	0.0	(2.8)	1.4	1.2	0.1
3	(3.3)	3.3	0.0	(8.3)	4.1	4.0	0.2
5	(5.5)	5.5	0.0	(13.8)	6.6	6.8	0.3

## 9. Non-current financial assets

	Note	Subsidiary Undertaking £ million
<b>Valuation</b>		
<b>Balance at 1 April 2019</b>		1.4
Additions		2.5
Impairment	11	(2.2)
<b>Balance at 31 March 2020</b>		1.7
Impairment	11	(0.3)
<b>Balance at 31 March 2021</b>		1.4

The Executive Agency's wholly owned subsidiary, Ploughshare, is not consolidated on grounds of materiality. See Note 1(d)(i).

During the previous year, there was a capital reconstruction of Ploughshare, approved by HM Treasury. In exchange for £2.5 million debt owed to the Agency, Ploughshare issued 2,500,000 £1 ordinary shares at par value, initially increasing the Agency's carrying amount of its investment. Since the Agency had a doubtful debt provision relating to the Ploughshare debt, the capital reconstruction did not increase the value of the Agency's investment. The additional investment was therefore fully impaired. The doubtful debt provision of £2.2 million (net of VAT bad debt relief) was released. The charging arrangement with Ploughshare for their management of the Agency's intellectual property was revised so that from 1 April 2019, an increased amount is charged by Ploughshare, representing a fairer value for the services that they provide.

The Agency re-assessed the value of its investment in Ploughshare as at 31 March 2021, which resulted in an impairment for the year of £0.3 million (2019/20: £2.2 million). See Note 1(d)(ii) for details of the approach taken to calculate the recoverable amount. The method of accounting is fair value through profit or loss.

During the year, the Agency sold its shares in Tetricus Ltd. The valuation of Tetricus was not material and had no value on the SoFP. The sale proceeds of £34,746 is recorded as a gain on sale.

### Impact of Covid-19

Ploughshare's assessment of the impact of Covid-19 is disclosed in their audited financial statements for the year ended 31 March 2021. They state that the outbreak did not have a material impact on their business, and based on current knowledge, they do not anticipate a material impact going forward.

The Agency's valuation of its investment in Ploughshare, which is on a net current asset basis, remains relevant. Although some uncertainty remains, the investment in Ploughshare is not material in the context of the Agency's Statement of Financial Position.



## 10. Intangible assets

Intangible asset movements during the year were:

	Purchased Software Licences £ million	Software Assets Under Construction £ million	Total £ million
<b>Gross modified historic cost</b>			
<b>Balance at 1 April 2019</b>	5.5	0.8	6.3
Additions	0.3	0.7	1.0
Transfers	0.7	(0.7)	0.0
Transfers from property, plant and equipment assets under construction	0.1	0.0	0.1
Disposals	(0.6)	0.0	(0.6)
Revaluations	0.1	0.0	0.1
<b>Balance at 31 March 2020</b>	<b>6.1</b>	<b>0.8</b>	<b>6.9</b>
Additions	0.0	0.3	0.3
Transfers	2.6	(2.6)	0.0
Transfers from property, plant and equipment assets under construction	0.0	2.6	2.6
Transfers to property, plant and equipment assets under construction	0.0	(0.2)	(0.2)
Reclassified as non-capital spend	0.0	(0.4)	(0.4)
<b>Balance at 31 March 2021</b>	<b>8.7</b>	<b>0.5</b>	<b>9.2</b>
<b>Amortisation</b>			
<b>Balance at 1 April 2019</b>	(3.3)	0.0	(3.3)
Charge for year:			
historical	(0.4)	0.0	(0.4)
Disposals	0.5	0.0	0.5
Revaluations	(0.1)	0.0	(0.1)
<b>Balance at 31 March 2020</b>	<b>(3.3)</b>	<b>0.0</b>	<b>(3.3)</b>
Charge for year:			
historical	(1.2)	0.0	(1.2)
supplementary	(0.1)	0.0	(0.1)
<b>Balance at 31 March 2021</b>	<b>(4.6)</b>	<b>0.0</b>	<b>(4.6)</b>
<b>Net modified historic cost:</b>			
<b>Balance at 31 March 2021</b>	4.1	0.5	4.6
<b>Balance at 1 April 2020</b>	<b>2.8</b>	<b>0.8</b>	<b>3.6</b>

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The following is a sub-set of the note relating to intangible assets donated by MOD:

	Purchased Software Licences £ million	Software Assets Under Construction £ million	Total £ million
<b>Gross modified historic cost</b>			
<b>Balance at 31 March 2020</b>	0.2	0.2	0.4
Additions	0.0	0.2	0.2
Transfers to property, plant and equipment assets under construction	0.0	(0.1)	(0.1)
<b>Balance at 31 March 2021</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>
<b>Amortisation</b>			
<b>Balance at 31 March 2020</b>	0.0	0.0	0.0
Charge for year:			
historical	(0.1)	0.0	(0.1)
<b>Balance at 31 March 2021</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.1)</b>
<b>Net modified historic cost</b>			
<b>Balance at 31 March 2021</b>	0.1	0.3	0.4
<b>Balance at 1 April 2020</b>	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>

## 11. Impairments

Impairments occurring during the year were charged either to profit or loss, or other comprehensive net expenditure as follows:

	2021 Profit or Loss £ million	2020 Profit or Loss £ million	2021 Other Comprehensive Net Expenditure £ million	2020 Other Comprehensive Net Expenditure £ million
Investment in non-current financial asset <sup>1</sup>	0.3	2.2	0.0	0.0
Property, plant and equipment assets under construction <sup>2</sup>	0.5	0.0	0.0	0.0
Property, plant and equipment valuation <sup>3</sup>	25.2	0.0	6.4	0.0
Property, plant and equipment valuation impairment reversal <sup>4</sup>	0.0	(5.1)	0.0	0.0
Intangible assets valuation <sup>5</sup>	0.0	0.0	0.0	0.0
Intangible assets valuation impairment reversal <sup>6</sup>	0.0	0.0	0.0	0.0
<b>Total</b>	<b>26.0</b>	<b>(2.9)</b>	<b>6.4</b>	<b>0.0</b>

<sup>1</sup> The Executive Agency assessed the value of its investment in Ploughshare by taking the approach described in Note 1(d)(i).

<sup>2</sup> The impairment relates to the Identity Access Management system (iDAM) (£0.3 million) and Services Integration Tooling (SIT) (£0.2 million).

<sup>3</sup> The impairment relates to the application of indices, and professional valuations of property assets during the year.

<sup>4</sup> The impairment reversal relates to the application of indices, and professional valuations of property assets during the year. There was a building indexation reduction for the year resulting in no reversals of previous impairment.

<sup>5</sup> The impairment relates to the application of indices.

<sup>6</sup> The impairment reversal relates to the application of indices.

## 12. Work in progress

	2021 £ million	2020 £ million
<b>Total work in progress</b>	<b>0.1</b>	<b>0.3</b>
Central Government bodies	0.1	0.2
Non-public sector organisations	0.0	0.1



### 13. Trade receivables and other assets

#### Amounts falling due within one year:

	2021 £ million	2020 £ million
<b>Trade receivables</b>	6.8	11.1
Central Government bodies	5.1	9.6
NHS Trusts	0.8	0.0
Local authorities	0.1	0.1
Non-public sector organisations	0.8	1.4
<b>Contract assets</b>	10.1	9.2
Central Government bodies	8.2	7.1
NHS Trusts	0.5	0.0
Non-public sector organisations	1.4	2.1
<b>Deposits and advances – staff receivables</b>	0.2	0.3
<b>Other receivables</b>	0.1	2.0
Central Government bodies	0.1	2.0
<b>Prepayments and accrued income</b>	10.3	8.9
Central Government bodies	0.6	0.7
Local authorities	1.1	1.1
Non-public sector organisations	8.6	7.1
<b>Total</b>	<b>27.5</b>	<b>31.5</b>

#### Amounts falling due after more than one year:

	2021 £ million	2020 £ million
<b>Deposits and advances – staff receivables</b>	0.2	0.2
<b>Prepayments and accrued income</b>	2.9	3.3
Non-public sector organisations	2.9	3.3
<b>Total</b>	<b>3.1</b>	<b>3.5</b>

The other receivables comparative was mainly represented by amounts owed by Home Office for the transitioning of former Centre for Applied Science and Technology staff and facilities into the Executive Agency £nil (2019/20: £1.8 million). During the current year, the amounts owed were cleared, and the capital funding arrangement for the transitioning was amended. Instead of invoicing the Home Office for capital costs incurred, from November 2020 the Home Office transferred some of their capital budget to cover the remaining investment. See Note 8. The Agency continues to invoice the Home Office for non-capital expenditure.

Prepayments consist of mainly software licence agreements and software maintenance agreements £8.8 million (2019/20: 8.1 million) of which £2.6 million (2019/20: £3.2 million) relates to periods beyond a year, and rentals, service charges and rates on property leases £0.9 million (2019/20: £0.9 million).

## 14. Cash and cash equivalents

	2021 £ million	2020 £ million
<b>Balance brought forward</b>	50.1	15.6
Net change in cash and cash equivalent balances	(29.2)	34.5
<b>Balance carried forward</b>	<b>20.9</b>	<b>50.1</b>

The following balances were held at:

Government Banking Service	17.1	34.2
Commercial banks	3.8	15.9
<b>Balance carried forward</b>	<b>20.9</b>	<b>50.1</b>

### 14.1. Reconciliation of cash flows arising from financing activities to net equity investment

	Cash flows	Non-cash flow bookkeeping for transactions with MOD				Total Net Cash Inflow from Financing Activities
	£ million	£ million	£ million	£ million	£ million	£ million
<b>Balance at 31 March 2020</b>	1,333.0	(96.8)	(1,722.4)	59.2	585.1	<b>158.1</b>
Net change in financing activities for the year	454.0	(46.1)	(670.6)	24.4	248.8	<b>10.5</b>
<b>Balance at 31 March 2021</b>	<b>1,787.0</b>	<b>(142.9)</b>	<b>(2,393.0)</b>	<b>83.6</b>	<b>833.9</b>	<b>168.6</b>

<sup>1</sup> The balance at 31 March 2020 includes proceeds of £2.6 million retained by MOD from the sale of asset held for sale.

## 15. Assets classified as held for sale

	2021 £ million	2020 £ million
<b>Balance brought forward</b>	0.0	0.4
Sale	0.0	(0.4)
<b>Balance carried forward</b>	<b>0.0</b>	<b>0.0</b>

The Portsdown Main site was sold by auction during June 2019, and completed during July 2019. The sale proceeds were £2.6 million, realising a profit on sale of £2.2 million.

## 16. Trade payables and other liabilities

### Amounts falling due within one year:

	2021 £ million	2020 £ million
<b>Other taxation and social security</b>	2.1	2.0
<b>Contract liabilities</b>	7.5	6.1
Central Government bodies	0.8	0.8
Local authorities	0.0	0.1
Non-public sector organisations	6.7	5.2
<b>Trade payables</b>	37.4	32.2
Central Government bodies	0.6	1.1
Local authorities	2.8	4.2
Non-public sector organisations	34.0	26.9
<b>Other payables</b>	2.2	2.0
Central Government bodies	2.2	2.0
<b>Pay and expenses – staff payables</b>	4.6	4.4
<b>Accruals and deferred income</b>	122.1	107.9
Central Government bodies	5.2	4.1
Local authorities	11.4	10.7
Non-public sector organisations	104.3	91.1
Staff	1.2	2.0
<b>Total</b>	<b>175.9</b>	<b>154.6</b>

### Amounts falling due after more than one year:

	2021 £ million	2020 £ million
<b>Accruals and deferred income</b>	1.7	1.5
Central Government bodies	1.3	1.2
Local authorities	0.2	0.2
Non-public sector organisations	0.2	0.1
<b>Total</b>	<b>1.7</b>	<b>1.5</b>

Long-term payables are held undiscounted. The effect of discounting is not material.

Trade payables mainly relate to the purchase of direct goods and services £33.7 million (2019/20: £27.7 million) of which £26.4 million relates to subcontracted research (2019/20: £23.3 million).

Other payables mainly consist of the pension liability associated with holiday pay accrual £2.1 million (2019/20: £1.9 million).

Within accruals are direct costs £95.1 million (2019/20: £84.4 million) of which £85.2 million is subcontracted research (2019/20: £78.7 million). Capital accruals account for £4.8 million (2019/20: £4.2 million). Deferred income mainly relates to customer funded assets where the customer has retained an interest in the asset £1.9 million (2019/20: £1.6 million) of which £1.7 million falls due after more than one year (2019/20: £1.5 million).



## 17. Provisions for liabilities and charges

	Dilapidations and Remediation £ million	Facilities Management Provider Redundancies £ million	Supplier Claims £ million	Early Departure Costs £ million	Total £ million
<b>Balance at 1 April 2020</b>	1.3	0.4	0.2	0.0	1.9
Provided in the year	3.6	0.0	5.0	0.5	9.1
Provisions not required written-back	(0.2)	(0.1)	(0.1)	0.0	(0.4)
Provisions utilised in the year	0.0	0.0	(0.1)	(0.2)	(0.3)
<b>Balance at 31 March 2021</b>	<b>4.7</b>	<b>0.3</b>	<b>5.0</b>	<b>0.3</b>	<b>10.3</b>

### Analysis of expected timing of cash flows:

	Dilapidations and Remediation £ million	Facilities Management Provider Redundancies £ million	Supplier Claims £ million	Early Departure Costs £ million	Total £ million
Between 1 April 2021 and 31 March 2022	3.5	0.3	5.0	0.3	9.1
Between 1 April 2022 and 31 March 2023	0.0	0.0	0.0	0.0	0.0
Between 1 April 2023 and 31 March 2026	1.2	0.0	0.0	0.0	1.2
Between 1 April 2026 thereafter	0.0	0.0	0.0	0.0	0.0
<b>Balance at 31 March 2021</b>	<b>4.7</b>	<b>0.3</b>	<b>5.0</b>	<b>0.3</b>	<b>10.3</b>

No amounts are expected to be called after 31 March 2026 and therefore no further analysis is necessary for amounts after this date. The provision that is expected to crystallise after more than a year has been discounted. The discount value is not material.

### Dilapidations and remediation

A lease is in place for a facility (operated by the Executive Agency) remaining at the Farnborough site. This defers a dilapidation obligation under the terms of the lease to beyond a year. Utilisation of the provision will not be until beyond the expiry date of the new lease, 31 March 2026.

During redevelopment of an area of the Porton Down site, an obligation to clear contamination arose in the year, which has completed and resulted in a released unutilised value of £0.2 million.

The Agency has an obligation to repair the roof of a listed building at the Fort Halstead site. This provision is expected to be utilised during the year ending 31 March 2022.

The Agency's departure from the Fort Halstead site is maturing, and the necessary 5-year notice period to cancel the lease, October 2025, has been given. Negotiations to exit the site at an earlier date, transfer the liability to the lessor for any risk of contaminated land that may require remediation, and settle any dilapidations, are advanced. The lessor has plans to redevelop the site, and therefore settlement is expected to be reached during the next year.

### Facilities management provider redundancy costs

The Agency is committed to leaving the Fort Halstead site. On departure of the site, the Agency will be obligated to meet the redundancy costs for the employees of its facilities management partner based at the site. The provision is measured after considering some underlying variables such as staff turnover and future pay reviews, and will remain under review as the exit strategy matures. During the year, the estimate was revised which resulted in the provision being reduced by £0.1 million.

### Supplier claims

The Agency has some supplier disputes in relation to its S&T services. Negotiations continue and settlements are expected to be reached during the year ending 31 March 2022. One of the disputes was settled during the year resulting in an unutilised value of £0.1 million being released.

### Early departure costs

The Executive Agency meets the additional cost of benefits beyond the normal Civil Service pension arrangements in respect of employees who depart early, by paying the required amounts to the Cabinet Office (My Civil Service Pension). The Agency provides for this in full when the early departure agreement becomes binding. Payment values are established by My Civil Service Pension. The closing balance relates to the Agency's exit of the Fort Halstead site under the Helios Project.

### Comparatives for the year ending 31 March 2020:

	Dilapidations and Remediation £ million	Facilities Management Provider Redundancies £ million	Supplier Claims £ million	Early Departure Costs £ million	Total £ million
<b>Balance at 1 April 2019</b>	1.4	0.0	0.2	0.0	1.6
Provided in the year	0.0	0.4	0.0	1.3	1.7
Provisions not required written-back	(0.1)	0.0	0.0	(1.3)	(1.4)
<b>Balance at 31 March 2020</b>	<b>1.3</b>	<b>0.4</b>	<b>0.2</b>	<b>0.0</b>	<b>1.9</b>

### Analysis of expected timing of cash flows:

	Dilapidations and Remediation £ million	Facilities Management Provider Redundancies £ million	Supplier Claims £ million	Early Departure Costs £ million	Total £ million
Between 1 April 2020 and 31 March 2021	0.1	0.0	0.2	0.0	0.3
Between 1 April 2021 and 31 March 2022	0.0	0.4	0.0	0.0	0.4
Between 1 April 2022 and 31 March 2027	1.2	0.0	0.0	0.0	1.2
From 1 April 2027 thereafter	0.0	0.0	0.0	0.0	0.0
<b>Balance at 31 March 2020</b>	<b>1.3</b>	<b>0.4</b>	<b>0.2</b>	<b>0.0</b>	<b>1.9</b>

## 18. Commitments under leases

### Operating leases

Commitments under non-cancellable operating leases to pay rentals after 31 March 2021 are analysed as follows:

	2021 £ million	2020 £ million
<b>Property</b>		
Due within one year	4.1	4.0
Due after one year but within five years	13.2	14.8
<b>Total</b>	<b>17.3</b>	<b>18.8</b>
<b>Plant and equipment</b>		
Due within one year	0.1	0.0
<b>Total</b>	<b>0.1</b>	<b>0.0</b>

The Executive Agency leases various properties, including land, under short-term cancellable operating lease agreements. There is only one significant lease – the property at Fort Halstead. To cancel the lease, a notice period of not less than five years is required of the Agency. The landlord does not have a right to cancel. No renewal or purchase options exist. There is a rent review every five years, performed on a Market Value basis. The next rent review from the period 1 April 2017 has not yet concluded. There is no contingent rent or any significant restrictions concerning the use of the property.

The Agency has given the landlord five years notice to cancel the lease in October 2025. Negotiations to exit the site at an earlier date of March 2023 are advanced. Agreement is likely to include resolution of the rent review, and an amount payable by the Agency to transfer the risk of any future remediation of the site for contamination. These financial statements include a provision for an estimate of likely settlement. This is not separately identified in Note 17, provisions for liabilities and charges, because of commercial sensitivity.



## 19. Capital commitments

	2021 £ million	2020 £ million
<b>Property, plant and equipment</b>		
Capital expenditure that has been contracted but has not been provided for in the accounts	15.3	59.8
Capital expenditure that has been authorised but has not been provided for in the accounts	22.6	26.5
<b>Intangible assets</b>		
Capital expenditure that has been contracted but has not been provided for in the accounts	0.0	0.0
Capital expenditure that has been authorised but has not been provided for in the accounts	0.0	0.0

During 2017/18, the Executive Agency obtained updated Ministerial approval for the Helios Project that will result in migration away from the Fort Halstead site following completion of replacement facilities at Porton Down. The scope of this updated approval was revised to include the proposed Chemical Weapons Defence Centre. Ministerial approval of £225.9 million at 2017 prices was granted, comprising £205.0 million capital and £20.9 million revenue amounts.

This increased approval to £254.0 million at 2021 prices comprises £219.5 million capital and £34.5 million revenue. Within the approved £219.5 million capital authorisation, £91.8 million has been capitalised on completed projects. For the Core Enclosure element of the Helios Project, and the Chemical Weapons Defence Centre, which are both in progress, £108.0 million has been capitalised, £9.6 million has been contracted but has not been provided for, and £10.1 million has been authorised but not yet contracted.

## 20. Financial instruments

The Executive Agency reviews its credit risk by applying the simplified approach of the expected credit loss model to trade receivables and contract assets. There is currently no expectation of current or future material loss.

During the year ended 31 March 2020, the Agency released its doubtful debt provision of £2.6 million relating to its subsidiary, Ploughshare. Following Ploughshare's capital reconstruction in that year, and a revised charging arrangement, there is no expectation of future credit losses. See Note 9.

The Agency's principal financial instruments comprise cash, current receivables and current payables.

Cash generated from sales, supplemented with funding provided by MOD, are the primary sources of finance for the Agency.

Trade receivables and trade payables arise directly from the Agency's operations. As the cash requirement of the Agency is met mainly from funding through its parent organisation, MOD, financial instruments play a limited role in the creation and management of risk when compared with a non-public sector body. More than 90% of the Agency's sales are with MOD. Consequently, the overall risk relating to financial instruments created by sales contracts is minimal. Other financial instruments relate to contracts to acquire non-financial items in line with the Agency's requirements for supply of external resource and services.

The Agency is not exposed to significant credit, liquidity, foreign currency or market risk. The Chief Financial Officer is responsible for the policies to manage these risks on behalf of the Board. These policies have remained unchanged throughout the year.

It has been the Agency's policy throughout the year that no trading in financial instruments for speculative purposes should be undertaken.

### Impact of Covid-19

The Covid-19 pandemic has had no impact on the Agency's financial instruments, and liquidity. This is expected to continue. The Agency's funding requirements are met by MOD. There is no link between the Agency's ability to generate cash, and the availability of funds necessary to meet its operational obligations.

The Agency's customer profile leaves little exposure to credit risk. Approximately 98% of the Agency's operating income is derived from wider government. No customers have requested a payment holiday, and there is no evidence that the pandemic will result in bad debt write-off or impairment of contract assets.

Since the Agency is not exposed to significant foreign currency risk, movements in exchange rates attributed to Covid-19 will not have a material impact.

### Categories of financial instruments

Trade and other receivables, and cash and cash equivalents, have been classified as loans and receivables. Trade and other payables have been classified as other financial liabilities. The fair value of these financial assets and financial liabilities approximates the carrying value due to the short-term nature of these financial instruments.

The Agency's investment in its wholly owned subsidiary, Ploughshare, is classified as a non-current financial asset and is accounted for using the fair value through profit or loss method. See Note 9. The category of financial instrument that has produced finance income received and receivable, and the category of financial instrument that has produced finance charges paid and payable, are disclosed in Notes 6 and 7.

No capital disclosures are necessary. A buffer for risk to creditors does not arise because public sector financing is tax based.

## 21. Related-party transactions

Dstl is an Executive Agency of MOD.

### MOD

MOD is a related party and has non-executive representation on the Board. During the year, the Agency had various material transactions with MOD, all of which were carried out under contract terms and subject to the normal course of internal and external audit:

	2021 £'000	2020 £'000
Operating income	668,859.0	651,752.6
Purchases	23,792.9	22,679.4
Receivables	0.0	0.0
Prepayments	457.4	251.3
Accruals	859.5	1,330.4

### Ploughshare Innovations Ltd

Ploughshare is a wholly owned subsidiary undertaking of the Agency. During the year, the following trading occurred with Ploughshare, which is carried out under standard contract terms:

	2021 £'000	2020 £'000
Operating income	219.9	226.2
Purchases	1,455.0	1,346.5
Receivables	67.0	78.1
Accruals	0.0	0.0

### Tetricus Ltd

Tetricus was an associate of the Agency. There has been no trading with Tetricus during the current or previous year. The Agency sold its investment in Tetricus during the year for £34,746.

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## Other public sector bodies

Other public sector bodies are regarded as related parties by virtue of being under the same common control. During the year, the Agency had various material transactions with certain public sector bodies. All transactions are carried out on standard contract terms and are subject to the normal course of internal and external audit.

	Operating Income		Purchases <sup>1</sup>		Trade Receivables <sup>1</sup>		Trade Payables <sup>1</sup>	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cabinet Office (excluding My Civil Service Pension)	1,452.0	190.3	2,170.1	135.4	66.3	42.0	82.6	12.9
Centre for Protection of National Infrastructure	1,514.2	2,446.7	0.0	0.0	148.5	747.9	0.0	0.0
Defence Chemical, Biological, Radiological and Nuclear Centre	2.4	166.4	0.0	0.0	0.0	0.0	0.0	0.0
Defence Electronics and Components Agency	7.7	13.4	263.2	252.0	2.4	0.0	0.0	0.0
Department of International Trade	14.0	30.0	0.0	0.0	16.8	36.0	0.0	0.0
Department for Business, Energy and Industrial Strategy	18.3	40.4	0.0	0.0	0.0	0.0	0.0	0.0
Department for the Environment, Food and Rural Affairs	281.8	270.3	58.3	15.1	108.4	61.7	0.0	0.0
Department for International Development	0.0	200.0	0.0	0.0	0.0	0.0	0.0	0.0
Department for Transport	11,202.5	10,454.1	0.0	0.0	267.8	465.4	0.0	0.0
Department of Health and Social Care	3,598.5	0.0	0.0	1,000.0	0.0	17.8	0.0	0.0
Engineering and Physical Sciences Research Council	0.0	0.0	1,944.7	1,897.8	0.0	0.4	251.6	324.5
Foreign and Commonwealth Office	85.5	148.7	9.3	12.0	120.5	7.7	0.0	0.0
Government Communications Bureau	772.2	557.6	301.7	1,801.9	403.0	398.4	0.0	0.0
Government Communications Centre	2,951.3	3,404.6	2,462.9	1,785.8	194.1	48.1	0.0	13.5
Government Legal Department	0.0	0.0	32.3	43.9	0.0	0.0	0.0	0.0
Health and Safety Executive	301.6	0.0	195.0	150.9	209.5	0.0	42.5	47.9
Home Office	32,040.1	32,468.6	31.0	102.6	2,259.0	5,561.9	134.8	15.0
Innovate UK	408.9	69.1	0.0	121.5	0.0	0.0	0.0	0.0
Medical Research Council	430.3	721.8	0.0	0.0	86.9	652.1	0.0	0.0
Meteorological Office	0.8	4.0	60.1	100.5	0.0	0.0	0.0	0.0
National Crime Agency	355.0	230.9	0.0	0.0	63.0	48.1	0.0	0.0
Porton Biopharma	665.4	657.2	0.0	0.0	467.1	410.0	0.0	0.0
Public Health England	3,215.7	370.5	563.4	810.5	1,236.8	585.0	10.1	257.7
Science and Technology Facilities Council	0.0	0.0	486.3	262.7	0.0	0.0	120.0	36.9
UK Space Agency	864.8	1,255.7	0.0	0.0	35.0	484.6	0.0	0.0

<sup>1</sup> Purchases are represented by invoices processed through the purchase ledger during the year. No account of movements in accruals is taken. Only trade receivables and trade payables recorded through the sales and purchase ledgers are disclosed. This more simplified approach focuses on invoices processed through the primary ledgers and is considered more meaningful and comparable with the Agency's related parties.

No Minister, Board member, key manager or other related parties has undertaken any material transactions with the Agency during the year. Any compensation paid to senior management is disclosed in the Remuneration Report on page 072. Tax and pension payments are made by MOD on behalf of the Agency.

## 22. Contingent liabilities

During the year, the Agency agreed two contract amendments, both limited to £295,000 and with the same supplier, to cover additional building construction costs incurred because of the Covid-19 pandemic. The limited liability relates to the possibility that the supplier and its supply chain cannot meet its obligations due to the risk of not being able to source labour or materials. A reasonable value for this risk could not be agreed within the firm price of the original contracts because of the inherent uncertainty of the impact of the pandemic.

There were no contingent liabilities at 31 March 2020. For remote contingent liabilities, see page 085.

## 23. Events after the reporting period

The accounts were authorised for issue on the date of certification by the Comptroller and Auditor General.

There have been no significant events since the end of the financial year that affect the results for the year, or the year-end financial position.



<b>ARAC</b>	Audit and Risk Assurance Committee
<b>CAST</b>	Centre for Applied Science and Technology
<b>CETV</b>	Cash Equivalent Transfer Value
<b>CRR</b>	Corporate Risk Register
<b>CSA</b>	Chief Scientific Adviser
<b>CSAT</b>	Customer Satisfaction Survey
<b>CTW</b>	Contracted Temporary Worker
<b>DASA</b>	Defence and Security Accelerator
<b>DIA</b>	Defence Internal Audit
<b>DIO</b>	Defence Infrastructure Organisation
<b>DPA</b>	Data Protection Act
<b>DST</b>	Defence Science and Technology
<b>FOI</b>	Freedom of Information
<b>FReM</b>	Financial Reporting Manual
<b>FTE</b>	Full-Time Equivalent
<b>GCHQ</b>	Government Communications Headquarters
<b>HM</b>	Her Majesty's
<b>HMRC</b>	HM Revenue and Customs
<b>HR</b>	Human Resources
<b>IAS</b>	International Accounting Standard
<b>ICC</b>	Intelligent Client Capability
<b>IFRS</b>	International Financial Reporting Standards
<b>IR</b>	Integrated Review
<b>IS</b>	Information Systems
<b>ISO</b>	International Organisation for Standardisation
<b>IT</b>	Information Technology
<b>JSP</b>	Joint Services Publication
<b>KPI</b>	Key Performance Indicators
<b>MOD</b>	Ministry of Defence
<b>MyCSP</b>	My Civil Service Pension
<b>NCF</b>	National Cyber Force
<b>NCPA</b>	Non-Consolidated Performance Award
<b>NEM</b>	Non-Executive Member
<b>NISSS</b>	New IS Service Solution
<b>NZ20</b>	Net Zero Greenhouse Gas Emissions by 2050
<b>P3</b>	Portfolio, Programme and Project
<b>PIL</b>	Ploughshare Innovations Limited
<b>PSRE</b>	Public Sector Research Establishments
<b>PwC</b>	PricewaterhouseCoopers
<b>Q</b>	Quarter
<b>RIDDOR</b>	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
<b>RPE</b>	Respiratory Protection Equipment
<b>S&amp;T</b>	Science and Technology
<b>SAB</b>	SSRC Assurance Board
<b>SAGE</b>	Scientific Advisory Group for Emergencies
<b>SCS</b>	Senior Civil Service
<b>SIRO</b>	Senior Information Risk Owner
<b>SME</b>	Small and Medium-sized Enterprise
<b>SPA</b>	State Pension Age
<b>SPI-M</b>	Scientific Pandemic Influenza – Modelling
<b>SR</b>	Spending Review
<b>SSRB</b>	Review Body on Senior Salaries
<b>SSRC</b>	Strategic Security Risk Co-ordinator
<b>SSSI</b>	Site of Special Scientific Interest
<b>STEM</b>	Science, Technology, Engineering and Mathematics
<b>UTC</b>	University Technical College
<b>VOA</b>	Valuation Office Agency

## 7 / Glossary







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