



Defence Electronics &  
Components Agency

# Annual Report and Accounts

## 2021/2022



HC 434





Ministry  
of Defence

# Defence Electronics and Components Agency

## Annual Report and Accounts 2021/2022

For period 1 April 2021 to 31 March 2022

Presented to the House of Commons pursuant to Section 7 of the Government Resources  
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Any enquiries regarding this publication should be sent to us at the Defence Electronics and Components Agency, Welsh Road, Sealand, Deeside, Flintshire CH5 2LS

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# DEFENCE ELECTRONICS AND COMPONENTS AGENCY ANNUAL REPORT AND ACCOUNTS 2021/2022

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# PERFORMANCE REPORT

## Overview

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

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## INTRODUCTION BY THE CHAIRMAN



Alec Don  
Chairman

It is with great pleasure that I introduce this annual report of the Defence Electronics and Components Agency.

In this past financial year DECA continued to deliver excellent value for defence. It generated Revenue of £29M and profit of £0.73M. More significantly, its activity has generated measurable through-life cost savings across defence of over £40M in the year. To deliver this valuable outcome, DECA's high-skill staff works with cutting-edge technology to evaluate a wide range of defence components and systems and then implement solutions focused on repair and life extension of our high value defence assets. Work over the last two years has demonstrated that the DECA value proposition – repair not replace – can be applied much more widely, not only in relation to air systems but also to our land and sea defence platforms. Work in the non-air domains now accounts for circa 48% of DECA's business.

Although this is a positive trend, DECA's Revenue accounts for a fraction of the total defence equipment and procurement spending of DE&S. Strategic engagement between the DECA team, the MOD and DE&S has sought to identify the full potential of how to leverage DECA's unique combination of abilities and deliver a significantly bigger impact to the benefit of defence.

In the year under review DECA has continued to make progress on other strategic objectives including the delivery of its internal transformation programme to enhance the

efficiency of the Agency as a productive business unit operating a number of key manufacturing, testing and calibration centres. This characteristic of DECA as a business which is earning revenue from activity carried out on its shop-floor, has made the COVID pandemic a particularly challenging time. Working from home has not been an option for many of our activities, and I would like on behalf of the board to thank all of our staff for the exceptional efforts they have made to work together, and deliver all of our planned services to our customers in spite of the challenges.

I have now completed three years as Chairman of DECA and this will therefore be my last report. It is hard to envisage circumstances that could have been more challenging, not only for DECA but for most businesses throughout the country. I am proud therefore of what the management team and staff have achieved together over this period – including consolidating recognition that DECA is a dynamic business, generating substantial value for defence and capable, with the right investment and commitment, of delivering many times more than it does today. I am fully confident that DECA will go from strength to strength in the years to come.

Alec Don  
Chairman  
27 June 2022







## STATEMENT BY THE CHIEF EXECUTIVE



Geraint Spearing  
Chief Executive

After the significant challenges faced over the past two years, predominantly caused by the Coronavirus pandemic, I am extremely pleased to be able to report a strong end to 2021/22. I am particularly proud of the way our teams have faced the challenges head-on, maintaining delivery of our critical Defence outputs throughout. These efforts saw DECA uphold our high levels of quality, operational delivery and business performance, resulting in successful achievement our Key Performance Indicator (KPI) targets.

While we expect there will be ongoing challenges which continue to influence the business as society continues to recover from Coronavirus disruption, I am confident that DECA is well positioned for continued recovery and growth as we turn our focus to delivery of our 2022/27 Corporate Plan and diversification across Defence. Work in the non-air domains now accounts for circa 48% of DECA's business and is forecast to increase further over the life of our current plan.

Since our launch in 2015, DECA has demonstrated cost avoidance and through-life cost savings in excess of £200M for Defence, with over £40M of those savings identified in this financial year, predominantly by developing sustainable component repair solutions that enable equipment repair rather than replacement, and increasing immediate equipment availability for the front line.

Following DECA's first Tailored Review in 2021 conducted by UK Government Investments, MOD are now reviewing how to optimise the utilisation of DECA and maximise the value we offer. I am keen that we use this opportunity to shape the business in a way that meets our customer requirements and delivers greater value for Defence.

I continue to take great pride in being able to lead such a professional organisation, with committed people who have continued to deliver our critical outputs during this challenging period. Our Board, Executive Management Board and I are looking forward to increasing the value we provide to UK Defence, as well as supporting national and regional prosperity by continued expansion of our services across Defence.

Geraint Spearing  
Chief Executive  
13 July 2022



## PURPOSE, AIM, VALUES AND BUSINESS STRATEGY

### OUR PURPOSE

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

### OUR AIM

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

### OUR VALUES



#### WE VALUE OUR PEOPLE BY:

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



#### WE PROMOTE TEAMWORK BY:

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



#### WE CARE FOR OUR CUSTOMERS AND STAKEHOLDERS BY COMMITTING TO:

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



#### WE DELIVER BEST VALUE FOR DEFENCE AND CONTINUOUSLY IMPROVE BY:

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

## BUSINESS STRATEGY

DECA's strategic retention within MOD continues to provide assured, onshore access to essential capabilities. MOD has an enduring requirement for DECA capabilities to deliver strategic support capability for current and future Defence platforms. Crown ownership maintains access to certain MOD technical expertise, which, when coupled with DECA's IPR neutrality across industrial partners, allows the generation of innovative partnerships and support solutions for MOD.

DECA is increasingly identifying ways to expand capability insertion. This is helping overcome Defence Budgetary pressures and maintaining the Agency's critical role in providing support to help ensure a fighting force fit for the challenges of the 21st century.

The Agency has continued to develop and implement its business strategy to align with Defence requirements and policy and to evolve from a business providing assured services for largely legacy MOD equipment, to a business developing more holistic, regional and global, support solutions. This has ensured that the business remains aligned with wider Defence planning and priorities whilst enabling transformation of the business so that the Agency can continue to develop in line with MOD's strategic direction for DECA to become:

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

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

### Strategic Objective 1 - Control of the business

DECA's governance structure is agreed with the owner, sponsor, HM Treasury and Cabinet Office and follows established best practice. This ensures that DECA maintains effective governance and financial control, efficient delivery of the endorsed financial plan and regularly reviews health, safety, quality, risk, materials, airworthiness, environmental and security management systems to ensure compliance is maintained whilst driving continuous improvement.

The Agency's governance structure is set out in the DECA Framework Document and robust financial processes are in place, in line with MOD Resource Accounting and Budgeting policy, that are regularly reviewed to ensure compliance.

### Strategic Objective 2 - Customer delivery

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

- MRO&U 'hub' and Centre of Excellence development;
- 'repair not replace' and obsolescence technical mitigation solutions;
- regional and mobile medical, dental, cryptographic and calibration services;
- defence calibration Centre of Excellence;
- Automated Test Equipment (ATE) solutions and software development;
- general engineering services and ground support equipment;
- procurement and managed services;
- specialist development, support and manufacture capability; and
- deployable capabilities in both peacetime and transition to war.

UK Government Investments Tailored Review of DECA (2021) confirmed the Agency's strategic importance to UK MOD and DECA retention as an MOD owned Agency. MOD, DE&S and DECA are collaboratively developing a revised MOD strategy for DECA that builds on the successes since DECA's launch that have seen expansion of DECA services across all Defence domains. This will provide a long-term



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foundation on which MOD will expand DECA capability insertion where it offers best value within support solutions across Defence. Key to realising MOD's ambitions will be continued development and strengthening of the strategic relationship with our principle MOD customer, DE&S. DECA will work with DE&S to maintain and deepen the current relationship.

DECA continues to maintain the capability to develop agile teams through active deployments at customer locations around the UK and provision of regional services in support of critical Defence outputs. DECA maintains the ability to enter areas of conflict or in need of humanitarian support in the UK and overseas, growing these services where appropriate and directed by MOD.

The F-35 MRO&U assignment remains a key priority growth area to support the long term foundations on which MOD will expand DECA capability insertion where it supports best value for Defence. The UK MOD Joint Venture (BAE, Nothrop Grumman and UK MOD), incorporated as Sealand Support Services Ltd (SSSL) will provide MRO&U support for the assigned components from the hub at DECA Sealand. Upon depot stand up, DECA will become a first tier supplier into SSSL.

### **Strategic Objective 3 - sustainment and business growth**

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

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

To increase value across the Defence Enterprise, the Agency will further develop its role in assuring provision of subject matter expertise, through-life advisory services, 'repair not replace' technologies as well as obsolescence management and mitigation solutions on new and life-extended equipment.

### **Strategic Objective 4 - Transformation and efficiency**

Our Enterprise Transformation Programme is focused on improving the people, processes and technology required to ensure DECA has the right skills, tools and ways of working to deliver value to Defence. The creation of value relies on DECA delivering equipment and services effectively and efficiently to enable Defence to keep UK safe.

The transformation programme management office was set up in 2019 to ensure DECA's strategic change projects are delivered using best practice methodology from MOD's Project Delivery Centre of Excellence. In a short period of time the internally recruited transformation team have focused on developing their capabilities in project management. DECA achieved a Substantial finding in this year's DIA audit with recommendation for further emphasis on capturing, monitoring and realising benefits of change.



# BOARD OF DIRECTORS



## ALEC DON INDEPENDENT NON-EXECUTIVE CHAIRMAN

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

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

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

## MICHELLE PESTER AND KATHERINE CARR (End 4 February 2022)

### DEPARTMENTAL NON-EXECUTIVE DIRECTOR (job share)

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

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

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

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

#### AMANDA McKENNA – Start 21 March 2022 DEPARTMENTAL NON-EXECUTIVE DIRECTOR

Amanda was appointed co-Head of the Ministry of Defence (MOD) Enabling Organisations Sponsorship Team in March 2022. She is responsible for the sponsorship function for several of the Department's key organisations. Amanda has been appointed as the MOD Non-Executive Director on the Boards of Defence Business Services, Military Defence Police, Defence Safety Authority, Defence Electronics and Components Agency and the Oil and Pipeline Agency.

She joined MOD in 2019 as the Head of Assurance and then Head of Strategy for Defence Risk and Assurance. Working to the Defence Chief Risk Officer she supported the promotion of practical and effective risk management across the Department ensuring that risk and assurance reporting facilitated debate to improve or assure the effectiveness of resources and support the delivery of Defence.

Prior to joining MOD in 2019, Amanda gained 24 years experience leading in independent assurance, risk management and governance in the Foreign, Commonwealth & Development Office and latterly in the Home Office. Amanda is a Chartered Internal Auditor.

#### PETER SHORTT - End 30 June 2021 NON-EXECUTIVE DIRECTOR

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

Before his retirement in 2015 Peter worked for UK Government Investments (formerly the Shareholder Executive), part of the UK Government responsible

for managing its interests in a number of commercial operations. In 2012 he moved to the Ministry of Defence to lead on the sale of three Defence assets: Marchwood Military Port, the Government Pipeline and Storage System (GPSS) and the Defence Support Group (DSG) which was his primary focus during his last year with the Department. He was non-executive Chair of Defence Business Services until April 2021.

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

#### ROGER DUNSHEA – Start 11 July 2021 NON-EXECUTIVE DIRECTOR

Roger is a chartered public finance accountant and former member of the Senior Civil Service. He was director of finance and operations at Ofwat, the economic regulator of the water sector in England and Wales for over fifteen years. He has also held clinical, operational management and executive director roles in the NHS.

In the last ten years Roger has developed his non-executive director expertise in audit and risk assurance. This has included working with the Equality and Human Rights Commission, the Medical Research Council, the Geological Society, the Welsh Government, the Judicial Appointments Commission and the NHS. In recent years he has taken on leadership and governance non-executive responsibilities relating to health research, innovation, digital and artificial intelligence.

Roger is a volunteer with Natural England, working as a warden at an extensive Sites of Special Scientific Interest (SSSI) peat bog on the England and Wales border, helping to develop a natural carbon sink. In his younger years Roger was an officer with the Royal Marines Reserve.

#### DAVID JONES OBE DL NON-EXECUTIVE DIRECTOR

David, a chartered Electrical and Electronics Engineer, has over 20 years senior leadership experience in Further and Higher Education. His most recent executive role has been



as Chief Executive of Coleg Cambria, one of the UK's largest colleges, formed in 2013 under his leadership, through the merger of four colleges.

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

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

Over the past 12 months, David has undertaken assignments in Ireland, leading reviews of performance of Irish Government.

#### GERAINT SPEARING CHIEF EXECUTIVE

Geraint Spearing became the Chief Executive of the Defence Electronics Components Agency (DECA) upon launch of the Agency in April 2015. He took up the position as the CE (designate) in June 2014 where he led the formation of the DECA, during the sale of the Defence Support Group. Prior to this Geraint was Chief Operating Officer of DSG, heading up all UK operations and Corporate Support areas, also holding Executive responsibility for the Operational deployment of DSG in support of Op HERRICK in Camp Bastion, Afghanistan.

An experienced Chartered Director and Aerospace Engineer, Geraint is a Fellow of both the Royal Aeronautical Society and Institute of Directors. Geraint has a proven capability of running businesses and corporate support services through strong leadership and change management skills developed

through repeated achievement of business objectives over his 30-year career in defence related businesses.

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

#### LIN LONGMAN FINANCE DIRECTOR

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

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

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

#### JASON LEEKS HEAD OF STRATEGY, GOVERNANCE AND SECRETARIAT

Jason is an earth sciences graduate and member of the Chartered Institute for Procurement and Supply with over 25 years' experience working within the Ministry of Defence. During his MOD career, Jason has successfully undertaken a number of strategy, procurement, governance, asset disposal and policy roles across Defence Equipment and Support (DE&S), MOD Centre and Air/Army Commands before joining the Defence Support Group (DSG), in 2008.

Transferring to the joint MOD team charged with the DSG sale in 2014, Jason played a vital role in developing and gaining approval for the strategy that saw DECA retained within MOD in 2015 and has led work to establish DECA's corporate strategy and best practice corporate governance for the Agency. Jason has led work to firmly establish DECA's strategic position with MOD overseeing work to deliver the recommendations of UK Government Investments 2021 DECA Tailored Review that has agreed MOD strategic direction to





grow DECA capability across Defence over the next five years.

**WAYNE BAKER**  
**OPERATIONS DIRECTOR**

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

Wayne took on the role of Operations Manager at the DSG Electronics and Components Business Unit in 2011 before assuming the role of DSG Ashchurch Head of Business. Throughout his role, Wayne doubled the size of this part of the business through capability growth and the development of the centre of excellence for BOWMAN Fleet Management activities and management of the Herrick Exchange Point during the UK's withdrawal from Afghanistan.

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

As Operations Director, Wayne undertakes operational management of all DECA delivery functions including deployed teams, field service teams, inventory governance and the DECA Stafford operation. He is also responsible for the DECA Transformation Programme along with Strategic Lead for F-35.

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

**CAROL ANN GIFFIN**  
**PEOPLE & TRANSFORMATION DIRECTOR**

Carol Ann Giffin joined DECA in June 2021 in a newly established role responsible for the strategic direction of the Human Resource (HR) function and the Transformation programme management office. She is responsible for the people, process and technology projects, which will introduce the new ways of working and a culture of continuous improvement, required to ensure the agency has the capacity and capability to efficiently deliver forecasted growth.

Previously Carol Ann led major change initiatives in HR functions in finance, energy and education sectors. Carol Ann graduated from University College Dublin with an honours Degree in Economics. She is CIPD qualified since 1999 with a Diploma in Personnel Management and gained her Prince2 qualification in Project Management in 2018.

Most recently she was awarded a CMI Level 7 Diploma in Leadership Coaching and Mentoring. Carol Ann is a Mental Health England qualified first aider and is passionate about employee wellbeing, engagement and inclusion.

**IAN DOUGHTY**  
**SUPPORT SERVICES DIRECTOR**

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

Ian joined DARA in 2004 as Production Manager, and progressed through to Operations Manager before assuming the role of DSG Head of Business Electronic Components Business Unit and Stafford in 2010. On the formation of DECA in 2015, Ian seized the opportunity to broaden his experience through a strategic move to lead Support Services.

Ian is a graduate of the prestigious Civil Service Future Leaders Scheme and a member of the Institute of Engineering and Technology, working towards Chartered Engineer status. Ian provides strategic and functional direction to ensure that the Agency's corporate support commitments (including Engineering Governance, Continuing Airworthiness, Health, Safety, Environmental Protection, Fire, Quality, Information Technology, Security, Fraud, Estates, Infrastructure, 'Hard' and 'Soft' Facilities, and Test Solutions are met in the long term. Throughout 2021/22, Ian continued to lead DECA's COVID-19 Response and Recovery.

**KEITH PAVETT**  
**COMMERCIAL DIRECTOR**

Keith Pavett began his MOD career joining the MOD



Procurement Executive in 1982. Following various roles in Human Resources, Finance and Business Development, Keith was appointed Commercial Manager for Fixed Wing Aircraft for DARA in 2000. In 2008 he assumed the role of Head of Commercial for the Defence Support Group (DSG). He held this position until 2015 when he joined DECA in his current role as Commercial and Contracts Director.

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

**IAN COLE OBE  
BUSINESS DEVELOPMENT DIRECTOR**

Ian Cole began his MOD career at RAF St Athan in engineering development in 1989 following 12 years as a Mechanical Engineer in the Coal Mining Industry. Ian was appointed Head of Business Development for the Fixed Wing Aircraft Unit at DARA before assuming the role of Head of Business Development at the Electronic and

Components Business Unit, successfully establishing Base Protection intelligence, surveillance, target acquisition, and reconnaissance and counter improvised explosive device support to deployed operations.

Ian was responsible for managing the highly successful Equipment Support Sustainability UK Support Team for deployed operations. At DECA Ian has been instrumental in attracting new work into the Agency, and also broadening its portfolio across all MOD's domains. Ian has been the DECA Executive Management Board lead in DECA's role as part of Team UK, in our successful DoD JPO assignments for both Tier 1 and 2 components for F-35 Air Vehicle and Ground Support Equipment. Currently Ian is the DECA lead for the US/UK Government to Government 'Atlantic Eagle' project, which sees collaboration between the United States Air Force Sustainment Command and MOD's DE&S on Air Platform support.

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



AS-90 moving to it's firing during Exercise Steel Sabre

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# BUSINESS OVERVIEW

## GOING CONCERN

MOD created DECA as an Executive Agency on 1 April 2015. As an Executive Agency DECA is wholly owned by and is an integral part of the MOD. Under Managing Public Money, DECA is tasked with recovering its costs and making a profit by carrying out MRO&U tasks for MOD and commercial customers through long and short term contracts, but if required can obtain funding from MOD. DECA's assets and liabilities are contained within the overall balance sheet of MOD. The DECA Chief Executive approves a rolling strategic five-year Corporate Plan annually that is approved by the DECA Board and endorsed by the Agency's ministerial owner, (the Minister for Defence Procurement), with the extant plan approved in August 2021.

The Plan forms the basis of the DECA Budget and reflects the long-term order book endorsed by the MOD customer. Both the Corporate plan and DECA Operating Plan reflect the long-term order book endorsed by the MOD customer.

UK Government Investment's Tailored Review of DECA (2019-21) concluded the Agency is of strategic importance to UK MOD and confirmed retention of DECA as an MOD owned agency. It is on this conclusion that DECA has adopted a going concern basis for the preparation of its Annual Report and Accounts.

The Executive Agency is dependent principally on its owning Department, MOD, as its main source of revenue. The DECA Chief Executive approves a rolled strategic five-year Corporate plan annually, approved by the DECA Board and endorsed by the Minister for Defence Procurement. The extant plan was approved in August 2021 and reflects the long-term order book endorsed by the MOD customer.

The strategic position of DECA, combined with the strong retained net income of £250k (2021: £103k), and liquidity in the form of its net current assets of £13,661k (2021: £13,099k), support the use of the going concern basis for the 12 months following the approval of the annual report and accounts and beyond.

## PERFORMANCE SUMMARY

DECA exceeded its planned level of profitability by 52% (2020/21: 24%) during 2021/22 with a net trading income

of £0.7M (2020/21: £0.5M). DECA also achieved delivery of at least 96% (2020/21: 96%) of its agreed customer performance programmes. Further details of performance are shown in the performance analysis below.

## RISK

The highest rated corporate risks during 2021/22 were:

- Digital Transformation Programme – supply chain challenge in terms of timescales & cost impact
- Recruitment and Retention of Staff – Competitive labour market coupled with increasing cost of living pressures and continuation of the pandemic
- Cyber Security – Increasing external threat
- Capability Growth – delay to strategic capability stand-up

		1 Very low	2 Low	3 Medium	4 High	5 Very high
		< £10K	£10K- £100K	£100K - £1M	£1M - £2.5M	>£2.5M
FROGS	Descriptors	< 1 month	1 - 2 months	2 - 3 months	3 - 6 months	> 6 months

Risk 1 - Digital transformation

Financial	Tolerance	←-----→				
	Risk appetite		★			
	Risk status			↑		

Risk 2 - recruitment and retention and Cyber security

Operational	Tolerance	←-----→				
	Risk appetite	★				
	Risk Status			↑		

Risk 3 - Capability stand-up

Strategic	Tolerance	←-----→				
	Risk appetite		★			
	Risk Status				↑	

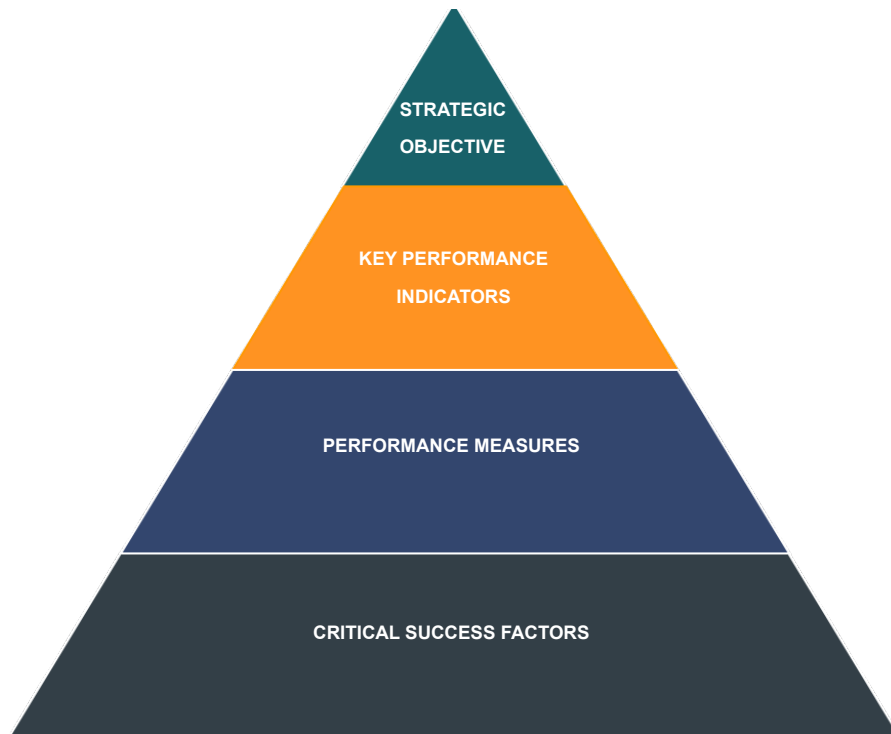
Note: the above risks are a snapshot at 31 March 2022 and do not take into account any future risk mitigation.

# PERFORMANCE ANALYSIS

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

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

## THE DECA PERFORMANCE MANAGEMENT HIERARCHY



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

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

## KEY PERFORMANCE INDICATORS FOR 2021/22

In line with DECA's ministerial endorsed purpose and aim, DECA developed and agreed Key Performance Indicators (KPIs) for 2021/22 with the MOD owner, customer focal point and the DECA Board.

<b>KPI 1: Control of the Business</b>	KPI 1a: <2% average variation in forecast accuracy	<b>Achieved</b>
	KPI 1b: Achieving £0.484M of profit in Year 1 of the Plan	
	KPI 1c: Maintaining independently assured Health, Safety and Environmental Protection Management Systems	
	KPI 1d: Maintaining an independently assured Quality Management Systems	
<b>KPI 2: Customer Delivery</b>	KPI 2a: >96% of agreed DECA customer Programmes in FY2021/22	<b>Achieved</b>
	KPI 2b: Zero attributable major customer concerns in FY2021/22	
	KPI 2c: less than 5 attributable minor customer concerns	
	KPI 2d: >70 customer confidence index	
<b>KPI3: Sustainment and Business Growth</b>	KPI 3a: >5% compound annual growth rate in manhours by the end of FY23/24	<b>Achieved</b>
	KPI 3b: 8 percentage point increase in share of total manhours across Land, Maritime, Cyber and Tri-Service activities by the end of FY2023/24	<b>Ongoing</b>
<b>KPI4: Transformation and Efficiency</b>	KPI 4a: Implementing the DECA Transformation Programme in line with the agreed plan	<b>Achieved</b>
	KPI 4b: Increase protected characteristics disclosure rates by 20%	<b>Ongoing</b>
	KPI 4c: 11% increase in direct labour utilisation by the end of FY2024/25	
	KPI 4d: 15% increase in direct/indirect ratios by the end of FY2024/25	<b>Achieved</b>
KPI 4e: Generating >£25M of benefits		

## PERFORMANCE MEASURES FOR FINANCIAL YEAR 2021/22

The proposed KPIs for FY 2022/23 are:

<b>KPI 1:</b> <b>To maintain control of the business through efficient and effective delivery of the Plan</b>	KPI 1a: <2% average variation in forecast accuracy
	KPI 1b: Achieving the level of profit forecast in 2022/23
	KPI 1c: Maintaining independently assured Health, Safety and Environmental Protection Management Systems
	KPI 1d: Maintaining an independently assured Quality Management System
<b>KPI 2:</b> <b>To deliver the agreed customer programmes and outputs whilst maintaining appropriate quality standards</b>	KPI 2a: Delivering >96% of agreed DECA customer Programmes in 2022/23
	KPI 2b: Zero attributable major customer concerns in 2022/23
	KPI 2c: <5 attributable minor customer concerns
	KPI 2d: >70 customer confidence index
<b>KPI 3:</b> <b>To deliver the agreed levels of targeted business growth in the Plan</b>	KPI 3a: Achieving the level of demand forecast in 2022/23
	KPI 3b: Growing the pipeline of potential opportunities not included in the Corporate Plan demand forecast by 5% in 2022/23
<b>KPI 4:</b> <b>To deliver the DECA Transformation Programme to ensure a more agile, efficient and effective business that is fit for the future</b>	KPI 4a: Implementing the DECA Transformation Programme in line with the agreed plan
	KPI 4b: Increasing disclosure rates of protected characteristics by 10%
	KPI 4c: 11% increase in direct labour utilisation by the end of 2024/25
	KPI 4d: 17% increase in direct/indirect ratios by the end of 2024/25
	KPI 4e: Generating >£25M of benefits

# BUSINESS PERFORMANCE REVIEW

## OVERVIEW

During the second year of the pandemic DECA has achieved all of its four KPIs and continues to maintain safe, delivery and financial performance against all of its agreed owner and customer priorities. Of particular note is the emerging realisation of the added 'value' the Agency delivers over and above this. This has resulted in a change of MOD focus and direction for DECA to unlock this potential value by maximising utilisation of the skills and experience that our people hold across Defence.

## OPERATIONAL HIGHLIGHTS

This year, more than ever, has seen DECA deliver an increasing number of services throughout the COVID-19 pandemic that further embed DECA as MOD's support provider of choice. These have been delivered through support across Defence from our main operating sites at MOD Sealand in North Wales, MOD Stafford, regional delivery teams around the UK and on deployment in support of MOD operations and Military Aid to Civil Authorities tasking.

During 2021/22, highlights have included:

- Regional and Deployed activities – continues to see an expansion of DECA's capabilities to countries around the globe, including Belgium, German, US and Falklands. The team have deployed technical support capability alongside MOD Royal Electrical and Mechanical Engineers (REME) to support the Watchkeeper programme which included operational training in Cyprus throughout the year. The teams continue to support deployments on the Queen Elizabeth Carrier at home and in international waters. Maritime requirements have increased throughout the year resulting in deployment on to ships supporting some heavy mechanical tasking through the year.
- New Capabilities – DECA continue to improve and expand its capability offerings across new platforms such as P8 and F35 along with general capabilities for Tri Service use including hydraulic hose capabilities, this has seen development of equipment, technical specifications, calibration procedures and manufacturing along with testing and certification. The team have also deployed to the US to undertake specific Original Equipment Manufacturer (OEM)

training on legacy Maritime equipment with a view to providing the customer with a capability solution for obsolescence management.

- Logistics – This year has seen DECA working closely with its Army customers in particular on a large inventory consolidation, repackaging and accounting project. This has seen approximately 450,000 items through the process and follow on work in technical engineering. This has provided improved control and visibility of Army stocks.
- Urgent Support – Operationally teams have been requested to support urgent deployments or operations through the year for Army, Maritime and Air customers, this included reconditioning of soldier equipment, communication equipment and ground support equipment all at short notice.

## INVESTMENT IN INFRASTRUCTURE AND NEW CAPABILITIES

DECA has continued to maintain focus on the compliance of the estate and buildings in order to deliver enhanced efficiency and sustainability, whilst aiming to reduce the Agency's environmental impact. This year we have completed the installation of electric vehicle charging points across the Sealand site, which offers the opportunity to help reduce the overall indirect carbon emissions of DECA and in turn, MOD.

Additionally, we replaced a number of end of life fire alarm systems, ensuring continued compliance with regulations, together with delivery of a further phase of upgrades to the HV main ring, thereby helping ensure security of power capacity to the Sealand site.

2021/22 was another successful year for infrastructure projects, with the construction of a new, state of the art, Calibration laboratory within the Main Operations Centre. In addition, DECA established a dedicated, bespoke, Additive Manufacturing facility, which is considered cutting edge and is part of a pilot for UK MOD, thereby establishing a service/support capability for Defence, providing both cost and resource efficiencies.



This year, DECA focused on delivering health and wellbeing improvements for our staff, including the refurbishment and reopening of the Sealand Health & Wellbeing Centre, which encompasses sports hall, fitness gym and workout room, with further improvements planned. We have also created a multifunctional events space that will benefit the business as a briefing venue and meeting space, whilst further enhancing our links with the service veteran's community, through the provision of a 'base' for groups to meet. Early successes include a growing relationship with Woody's Lodge. [www.woodyslodge.org](http://www.woodyslodge.org)

We have provided a new training facility and workshop for our apprentices, allowing them dedicated space for learning and development, which aids the transition from college based learning into deployment within our operations.

During the year, we dealt responsibly and compliantly with legacy stocks of MOD assets. This successful initiative contributed to improved utilisation of buildings, freed-up space to support capability growth and provided a financial return to MOD, through the sale of surplus assets.

We have begun exploring specific opportunities that may offer potential to further enhance the utilisation of the MOD Sealand site, with benefits to the public purse. We are developing relationships with other public sector organisations, including North Wales and Cheshire Police forces, under the One Public Estate initiative. This program supports locally led partnerships of public sector bodies to collaborate around their estate needs, aiming to achieve efficiency savings for central government and offers potential to reduce the burden of estate costs for DECA.

Sustained investment by the MOD in the Automated Test Equipment (ATE) systems in DECA has helped to ensure a capability ready to support current 5th generation aircraft (such as F35) and additionally, investment in test instrumentation, has added capability to support 6th generation aircraft (Project Tempest and beyond). This latest capability investment also allows the ATE systems at DECA to support both legacy, modern and future Air, Land, Maritime and Submarine equipment for decades to come.

DECA's Test Solutions capability continues with the development and promotion of ATE test programs that can be

run on any capable ATE system. This work, now formalised in DEF STAN 66-31 part 8, will support Through Life Obsolescence of test equipment and re-use of MOD's capital equipment.

This year, DECA has continued to develop its relationship with DE&S, who have recognised the unique skills and knowledge that Test Solutions offer. DE&S and DECA have embarked on a joint review to explore the potential for DECA to deploy our expertise to help ensure MOD's support equipment procurement policies remain current, are fit-for-defence and are complied with.

These opportunities, as well as cementing DECA's strategic position as Subject Matter Experts in ATE use, the work of Test Solutions is offering exciting new avenues of growth for DECA in markets at home and abroad while maintaining front-line availability for the MOD on an ever-increasing footprint of current equipment.

#### **FUTURE WORKLOADS**

The detail of future revenue forecasting is as per the figure below, (extracted from the Corporate Plan 2022/27). Tailored Reviews of both DECA and DE&S are now completed and a joint MOD/DE&S/DECA team has been established to deliver the recommendations of these Tailored Reviews including revised MOD strategic direction and the most appropriate governance arrangements to assure delivery of MOD's strategy.

#### **COMMERCIAL AND BUSINESS DEVELOPMENT FOCUS**

2021/22 saw the post pandemic landscape start to form. The Agency did experience an improvement in its workload, achieving the 2021/22 planned levels. However, this is still below pre pandemic numbers due in the main to the retirement of some air platforms and the changes in operational flying requirements. Recovering the shortfall remained challenging during the early part of the year due to the continued COVID-19 situation, which restricted DECA from carrying out business winning activities and customer engagements under normal working conditions. However, as restrictions started to lift locally and nationally, customer engagements improved and opportunities were realised, resulting in a 98% achievement of the revised planned workload.







DECA continues to expand its Typhoon capabilities and are in the process of commissioning the Typhoon Test Generator Rig for use in the coming year. We have also experienced an extension of the logistical support provided to Bowman and Tactical Comms And Information Systems (BATCIS), as well as new work for Puma Gazelle and UK Strategic command. Additionally, DECA has continued to secure longer agreements with MOD customers for the provision of maintenance, repair, overhaul, upgrade and managed services.

In 2021/22 DECA Business Development and Commercial Teams have continued to pursue the sector strategies to meet the dynamic nature of the defence market and in particular our customer's existing and new requirements. Whilst the Air Domain has been busy throughout this period the Teams have continued to build the Land and Maritime portfolios, which now equates to 25% of DECA's business and has seen an increase in development and production tasks as well as a broadening of DECA's capabilities such as Logistical Support. DECA has maintained its ability to support UK Forces in operations at both home and with the addition of the crypto maintenance and medical and dental deployed teams supporting the UK Maritime pillar in overseas activity. This, once again, demonstrated the agility and versatility of DECA personnel as well as DECA's ability to develop and grow its in-house repair capabilities to meet ever changing customer requirements.

During this period DECA has maintained its role of continuing to propose support options for both new and mature equipment. DECA has engaged and worked with DE&S, ISS, SDA, Dstl, industry platform manufacturers and OEMs to establish solutions on various equipment that can be sized and scaled to support future UK, multi-national European and wider overseas operations. DECA has further developed and broadened its portfolio by establishing support solutions, the resolution of obsolescence issues on older equipment across all domain's, including land and maritime platforms and maturing opportunities to partner with US and UK based defence companies. Examples of this include:

- The completion of the programme of works to manufacture and Install vehicle upgrade kits for Land Platforms;

- The continued support of logistical tasking for BATCIS/ISS communication inventory and the diagnostic and repair capabilities for tactical communication systems;
- Continued development of an opportunity to on-shore in the UK an UAS repair capability;
- Expansion of the feasibility, development repair and overhaul tasking for Maritime and Underwater Systems;
- Commencement and development of an enhanced Air Domain portfolio to include Battle of Britain Memorial Flight equipment, and opportunities on new platforms such as E7 and P8.

DECA and DE&S jointly continued to lead US/UK Government to Government Initiatives, working closely with our United States Air Force colleagues in providing joint solutions for the 'Atlantic Eagle' Project, with a view to supporting equipment's on common UK/US platforms, and/or similar equipment types. This relationship has matured significantly during this period with initial equipment's scheduled to commence work at DECA Sealand in mid-2022. This project is set to embrace both equipment repair and joint test architecture development now and into the future.

Building upon the success of the Agency's F35 workload secured through Tier 1 and Tier 2 Assignments, the intent is to work collaboratively with our JV Partners to submit appropriate bids through the UK Government Assignee for future F35 activity and volumes.

#### **MARKETING AND BRANDING**

As a Ministry of Defence in-house support provider, we continue to promote our diverse capability to our MOD customers through various channels including exhibitions, conferences, digital platforms and publications. The easing of restrictions imposed during the pandemic allowed us to resume our exhibition calendar, attending Defence Security Equipment International DSEi in September 2021 which provided an opportunity to both promote our capabilities and also rekindle face-to-face business relationships. In addition to this, DECA is planning its attendance at further future events such as the Farnborough International Airshow and Defence Vehicle Demonstration.

We have also continued to mature our online presence and





press releases to ensure continued communications with both existing and new customers within Defence Equipment and Support, Information Systems and Services, Front Line Commands, the Submarine Delivery Agency and Dstl to support the generation of new work. We also continue to broaden knowledge of our capability within the wider Defence markets through digital platforms, industry body membership and events alongside attendance at other appropriate Defence events. The Agency works closely with MOD's Defence Directorate of Communication to ensure accuracy and consistency of any messaging related to the DECA and MOD brands.

### **DECA TRANSFORMATION PROGRAMME (DTP)**

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

The Transformation Programme looks to support the organisation through delivery of the Corporate Plan to become the go to, acknowledged, Centre of Excellence for Electronics and Components capability across Defence by 2025. During the COVID-19 pandemic the programme team remained crucially involved with business continuity and supported a number of functions throughout the organisation, supporting the minimal impact to the organisation's performance and more importantly the safety of our employees.

### **PEOPLE**

People project work during the last year has seen comprehensive benchmarking activity coupled with focus group work with employees, managers and TUs and extensive research into what good looks like has informed the objectives of the People Project going forward which identified 5 change initiatives:

- Design a framework to support the introduction of Capability Pay Progression within HMT parameters
- Implement a Performance Management system incorporating 121s, succession planning and talent management focusing on engagement and alignment to DECA's purpose.
- Revise the Corporate Bonus Scheme to ensure fit for

purpose as a tool to reward and recognise employees based on 'What and How' people deliver.

- Introduce Success Profiles as a set of standards of behaviours required by grade and role.
- A series of Organisation Development and Design interventions to facilitate; the adoption of new ways of working, use of technology, collaborative work practices and a coherent platform of decision making to ensure the business can evolve and succeed in a complex and changing environment.

### **TECHNOLOGY**

There are two major work streams focusing on improving the technology required to enable smarter ways of working and easier access to information and resources.

The first work stream looks to deliver upgrades to DECA's Active and Passive servers and networks together with the development of a business case to select the Future Desktop infrastructure and communication including options, analysis, synthesis and selection. The result was the decision to move to Modnet and M365. The project implementation plan will be prepared in 2022.

The second work stream will address the replacement/ upgrade to DECA's Enterprise Resource Planning (ERP) system. A small project team has been set up and has prepared the Project Mandate justifying the requirement for a significant investment in software, project delivery and change management. Ultimately a new ERP system is required to assure resilience as well as supporting future growth and driving workforce efficiencies. The next deliverable is the development of a business case required to draw down the allocated capital funding.

### **PROCESS**

This transformation workstream is focused on driving, facilitating and sustaining incremental continuous improvement (CI) in DECA's key business processes. DECA's approach is rooted in 'lean' methodology, deployed throughout industry. This year, DECA accelerated its programme through investment in developing in house trainers and facilitators, leading to the launch of an extensive cross-cutting education programme, to ensure that the DECA workforce is empowered to deliver change within their teams. Crucially, robust governance mechanisms are in place to set the pace,



coordinate the impact of change and to track the benefits delivered by CI events.

### **HEALTH AND SAFETY**

Throughout 2021/22, COVID-19 safety has remained a priority, in order to ensure the safety of DECA staff whilst DECA has remained operational in line with Government guidance throughout the COVID-19 pandemic. DECA has continued to deliver key Defence and National Security outputs, support overseas operations (where possible), and support MOD contingency plans held at readiness to provide Military Assistance to the Civil Authorities.

As the financial year drew to a close, with the UK Government announced the withdrawal of Covid-19 legislation and DECA responded by preparing to enable our workplaces to return to normal. DECA continues to maintain a risk-based approach, sustaining engagement with our Trades Unions, Safety Representatives and subject matter experts. With Covid-19 now considered endemic, DECA retains certain pragmatic Covid-19 controls, including hygiene, mechanical ventilation and cleaning, which will remain in place whilst we balance freedom of operation with our commitment to help protect the health and wellbeing of our employees and visitors.

Against this background, with vigilance and continued emphasis on safety in the workplace, DECA achieved zero reportable incidents (RIDDOR), exceeding the target of less than 1 per 100,000 output hours. Additionally, DECA is proud to have achieved seven injury free months, surpassing three injury free months in the previous year. DECA focused on reinforcing an open reporting culture and consequently, near miss reports increased 16% compared to the previous year.

DECA sustained its Safety Management System throughout 2021/22, maintain 3rd party assured certification to ISO45001 and ISO14001. In addition, DECA conducted an internal compliance assessment against the requirements of MOD JSP 375 Chapter 2, reporting a self-assessed rating of FULL ASSURANCE. Throughout the year, DECA continued to monitor closely the working environment to mitigate any risk and to maintain our commitment to continuous improvement in Health & Safety, driving to reduce incidents

and constantly looking to improve our safety culture.

### **BRIBERY AND CORRUPTION.**

There were zero instances related to bribery or corruption in 2021/22 (2020/21: Nil). All staff have been made aware of the fraud and whistleblowing policies. All staff undertake a rolling 3 year programme of mandatory training in respect to counter fraud, bribery and corruption.

### **OUR ENVIRONMENTAL IMPACT**

Environmental protection is a high priority for DECA, where the Agency has continued to drive improved performance to support wider government initiatives and targets. With the aim of reducing CO2 emissions and reducing overall costs, in 2021/22 DECA has focused on optimising the programming and control of heating systems to achieve further efficiencies and reduced CO2 emissions, despite an 6.1% increase in operational output.

Equally DECA maintained its outstanding performance in waste management by diverting 100% of its waste from landfill of which 67% was recycled and 33% processed into Refuse Derived Fuel. Priority areas for DECA focus in future years will continue to target world class waste management, with initiatives aiming to drive increased energy efficiency, such as the consideration of photo voltaic to buildings in order to further reduce emissions from fossil fuel consumption, as well as initiatives to reduce paper use and potable water consumption.

DECA's policy is to manage the organisation in the most environmentally responsible manner possible, to comply with the applicable environmental legislation and with any other requirements necessary. The agency's direct environmental impacts include the greenhouse gas emissions associated with business travel and energy use, water use, paper consumption and waste generated in buildings. DECA has challenged sustainability targets in all these areas; the related data is shown in the sustainability report on page 25. DECA has assessed the environmental impact of its activities and has embedded an environmental management system, to provide a framework for setting and reviewing environmental targets to support continuous improvement. DECA recognises the importance of independent assurance and sustained ISO 14001:2015 certification.



Pictured are Royal Marines preparing for project HERMOD2 © Crown copyright



# SUSTAINABILITY REPORT 2021/22

DECA continued to contribute positively to the Greening Government Commitment, which set out the actions UK government departments and their agencies had to take to reduce their impacts on the environment in the period 2021 to 2025. DECA recognises its biggest environmental impact as being on Green House Gas (GHG) emissions through energy consumption and sustained rigorous monitoring of these metrics through 2021/22.

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

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

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

Scope	Source	Units	2018/19	2019/20	2020/21	2021/22
1	Gas	T Co2e	412.3	260.4	339.0	<b>357.5</b>
2	Electricity	T Co2e	2,429.2	1,705.7	1,428.7	<b>1,371.9</b>
3	Travel	T Co2e	199.9	135.1	121.9	<b>126.8</b>
<b>Totals</b>		T Co2e	3,041.4	2,101.2	1,889.6	<b>1,856.2</b>

Note: In 2021/22, DECA's operational output increased 6.1% compared to the previous year, thus 1.8% reduction represents a **significant net Co2e efficiency achievement**.

DECA staff are deployed throughout the UK for a variety of essential support roles to MOD. DECA relies on vehicle rental, as a more flexible, efficient and effective alternative to fleet management, whilst ensuring that the smallest suitable vehicle type was used for each journey. Notwithstanding that DECA's business travel emissions increased by 4.0% in 2021/22, because of a gradual 'return to normal' following the Covid-19 pandemic, they remained below pre-Covid levels.

for any of its production processes, there is still a desire for reduction in potable water consumption through improved monitoring of water supplies. This year, the planned refurbishment of the water tower was delivered. This addressed the source of a significant leak, saving approximately 5,000 m3 per annum of potable water, as demonstrated in the consumption table below.

While DECA does not require water as a main resource

Water consumption is summarised in the table below.

	Units	2018/19	2019/20	2020/21	2021/22
Water	m <sup>3</sup>	14,911	16,688	20,495	<b>15,026</b>

## DECA MANAGEMENT OF WASTE

DECA policy on waste management remains to constantly strive to reduce waste production in the first instance. We have maintained our focus on recycling and we are justifiably proud to have sustained 100% diversion of waste from landfill in 2021/22, for the third year running. The production of heat

from incinerated waste has also provided an energy return (Refuse Derived Fuel) recovered via the incinerator plant.

The table below shows the total waste produced and the percentage of waste diverted from landfill:

Waste	Units	2018/19	2019/20	2020/21	2021/22
Total Collection Weight	kg	35,347	61,320	45,242	61,716
Refuse Derived Fuel (RDF)	kg	18,473	17,452	14,726	20,027
Recycled	kg	10,898	43,868	30,516	41,689
Diverted from Landfill	%	99	100	100	100

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

## FINITE RESOURCE CONSUMPTION

DECA remains committed to reducing its consumption of finite resources so as to maintain its long term sustainability and minimising environmental impacts. Our adoption of a hybrid working approach provided further impetus to the drive to digitize workflows and we continued the adoption of digital approvals where appropriate. Meanwhile, we have continued to promote positive behaviours such as the electronic circulation of meeting packs, double sided printing by default and we sustained 100% recycling of waste paper.

Business in the latter part of the financial year were mitigated in part through hard copy backups of critical business data. This led to a marginal increase in paper consumption overall and we aim to resume progress towards reduced consumption once the situation has stabilized.

The table below summarises DECA's consumption of paper:

Paper	Units	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
A4	Reams	2,575	1,736	1,646	1,572	1,508	1,523
A3	Reams	30	15	17	11	5	7
Total	Reams	2,605	1,751	1,663	1,583	1,513	1,530

Notwithstanding, DECA made further progress in our drive towards electronic files and processes, focusing this year this year on the electronic review and authorisation of Engineering Reports. This success demonstrated the potential to streamline processes and the intent is to explore a wider rollout through workshops, planned as part of DECA's

Transformation programme. Remote working continued to reinforce the electronic circulation of meeting packs. Where printing is essential, EU Ecolabel paper is standard, whilst all printers are set to double sided printing by default and 100% of used paper is recycled.



## SUSTAINABLE PROCUREMENT AT DECA

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

The Department promotes sustainability in procurement by:

- working closely with its suppliers –buying products and services with local businesses which are less environmentally damaging through closer location to DECA than national or international companies
- Health Safety & Environmental Protection professionals regularly monitor newly enacted or amended law to ensure DECA compliance with environmental legislation and regulatory requirements
- including relevant environmental conditions or criteria in specifications and tender documents, and evaluating supplier offers accordingly
- raising awareness of environmental issues within the Department, and amongst suppliers and contractors
- our facilities management continues to collaborate with us on a range of environmental protection and sustainability improvement initiatives. Significantly, our provider has sustained their certification to the latest ISO 14001 standard

## SUSTAINING OUR WORKFORCE

DECA aims to have the right people, with the right skills, at the right time as required to deliver our purpose and future planned growth. As at 31 March 22, 357 (Mar 21: 352) employees operate from DECA's Centre of Excellence for MRO&U based at Sealand, North Wales (within the Deeside Enterprise Zone) and a further 81 (Mar 21: 88) employees operate from our satellite site in Stafford, our customer base at Abbey Wood and the remote teams who work from MOD

locations throughout the UK. We are developing our Future Workplace Strategy which incorporates our learning from our COVID-19 experiences and technological initiatives to augment people's work/life balance experience, improve effectiveness and efficiency, whilst supporting DECA's environmental and sustainability focus.

DECA continues to demonstrate efficiencies and savings in the way it works but also creates wider value to Defence. As a result MOD decided to further grow DECA across Defence to generate further cost avoidance.

The Transformation Programme provides the governance and project management support to deliver an ambitious set of projects. The aim is to improve ways of working across DECA which collectively will foster a culture of innovation and collaborative working.

In conjunction with these projects DECA has bolstered the human resources team with the establishment of two new roles, the People & Transformation Director and the Learning & Development (L&D) Manager in June 21. The focus for the service is to ensure an innovative approach is adopted to review current practices and identify improvements in service and to develop a more strategic approach to planning resources, recruitment, succession planning and the provision of learning and development.

The Technical Apprenticeship Scheme is an important source of attracting and upskilling DECA's electronic technicians of the future. DECA secured 12 permanent technician posts from the graduating Yr3 cohort. Despite the challenges of COVID restrictions apprentices were recruited to target at both Sealand (8) and Stafford (3) sites in September 21. Apprentices now represent 7% (Mar 21: 6%) of the total workforce.

New facilities including a Learning & Development room and practical workshop area were commissioned this year to help Apprentices feel a part of the business. Supported by Mentor Masters in operations the aim of the apprenticeship is to ensure they are ready and able to take up permanent technical roles once qualified. An in-depth review of the



Apprenticeship curriculum was completed in quarter 4 which identified a series of improvements in terms of content, delivery and resources.

The upgrade of the Time and Attendance software (Clockwise) was completed in Aug 21. An additional Clockwise 9.2 software upgrade was purchased in Mar 22. Expected benefits: Self-service access to information on annual leave and additional functionality including the opportunity to convert manual and time consuming administrative tasks such as identifying work location of employee, dashboard of live personnel data for both managers and employee. This latest version has the potential to customise HR transactional processes such as performance management reviews, sickness absence management recording and monitoring mandatory training and compliance qualifications into online versions with automated workflows.

Two pay remits were implemented in 2020/21. The first was the 2.5% award which was approved by Minister for Defence Procurement and Secretary of State for Defence and Trades Unions on the agreement that a review of Performance Management and the Corporate Bonus Scheme were undertaken. Back dated pay adjustments were prepared by the HR team to recognise the award in effect from 1st August 2020. The first pay freeze in DECA's operation was negotiated and implemented within year with uplifts for those earning under £25,000 implemented in August 2021.

## WELL-BEING

DECA's successful business performance is dependent on its healthy and engaged workforce. DECA promotes emotional resilience through;

- safeguarding frameworks and strategies to enable staff to access support including 24/7 confidential helpline and occupational health provision.
- incorporating mental health and wellbeing into organisational safeguarding strategies, including counselling sessions and trained mental health champions in the DECA Connections Team championed by the Chief Executive
- mandating Human Factors (ergonomics) as a discipline to considers both the physical and mental characteristics of people as well as the organisational factors as a way of working at DECA

Human factors is about ensuring a good 'fit' between the people, tools, tasks and environment in which they work in order to make work safer, healthier and more productive. A key part of this is effective two-way communication, good work planning, high competence levels and having a health and safety culture.

DECA participated in the Civil Service People Survey (CSPS). The results, published in Dec 21, provide a valuable temperature check into employee engagement. Senior managers and TUs have reviewed the results to understand the collective areas of focus and action.

Overall participation rates were lower than 2020 at 42% and engagement index dropped 5% to 52% 2021 (57% in 2020). Each of the core themes dropped except for My Manager, which remained at 56% (CS Median 75%).

The drivers for the drop in engagement needs further analysis in order to develop an action plan that will respond appropriately to the concerns and suggestions raised however it is clear from the comments provided that Pay and Benefits continue to be an area of concern. Methods to address concerns, within our pay freedoms, will form the basis for future pay awards and the activity already underway in the Transformation People Project.

## LEARNING AND DEVELOPMENT

DECA's continues to develop the talent and potential of its employees. In 2021/22 over £100k was invested in training and development.

DECA continued to provide development of management capability and confidence across the business for managers and aspiring individuals. The Management Development Programme a modular programme, which results in a professional qualification from Institute of Leadership and Management (ILM). 20 staff attended courses between Level 2 and Level 4 for training in areas of engagement, managing diverse teams, managing projects and risks, leading change and effective communications.



Completed qualifications in year:

- 2 x completed ILM2 leadership and management qualifications April 22
- 9 x completed ILM 4 management training in March 22
- 1 x Award in Education and Training to support Apprentice training
- HNC – 10 members of staff, including 4 apprentices, are undertaking HNCs. 2 in Stafford, 3 at Llandrillo College and 5 at Coleg Cambria.
- PRINCE 2 Foundation and Practitioner courses were successfully completed by 10 members of staff
- 49 members of staff have completed a wide variety of courses, including lifting gear examiners, hoist training, forklift - initial and refresher, auditor courses, authorised persons courses.
- Change management training for 4 at the Civil Service College
- CIPS qualification 1
- 12 First Aid re-qualification.

DECA continues to offer internal career development opportunities by ensuring permanent posts are advertised internally before external recruitment. With the move to Success Profiles DECA employees can now access online resources on how to apply for vacancies in DECA and across the Civil Service. Awareness session for recruiting managers were also provided in Q4.

DECA invested in training 27 staff as STEM ambassadors who, with the lifting of COVID restrictions, have resumed outreach activities in local schools and colleges with DECA presence at Job Fairs, Apprenticeship and Women in Science events. As part of our corporate social responsibility DECA participated in the We mind the Gap initiative with the first male cohort graduating at a ceremony in March 22. DECA supported 2 sponsored work placements during March 22 for 16 year old children from local schools.

Pictured is the first RAF F-35B Lightning II aircraft to arrive on British soil. With the British aircraft are 2 USAF F-35B's and two RAF Typhoons  
© Crown copyright



Pictured is a Chinook (CH47) from 27 Squadron, RAF Odiham which landed on the flight deck of HMS Prince Of Wales on 12th May 2021.  
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# FINANCIAL PERFORMANCE REVIEW

## TRADING RESULTS

DECA successfully completed its sixth year as an Executive Agency with a net operating income of £0.734M which was an increase on plan.

	2021/22		2020/21	
	Plan £M	Actual £M	Plan £M	Actual £M
Turnover	28.442	28.992	27.735	28.631
Non Turnover Receipts	0.563	0.654	0.536	0.512
<b>Total Operating Income</b>	<b>29.005</b>	<b>29.646</b>	<b>28.271</b>	<b>29.143</b>
Variable Costs	3.440	4.486	3.569	4.301
Production Overheads	25.081	24.426	24.277	24.314
<b>Total Operating Expenditure</b>	<b>28.521</b>	<b>28.912</b>	<b>27.846</b>	<b>28.615</b>
<b>Profit</b>	<b>0.484</b>	<b>0.734</b>	<b>0.425</b>	<b>0.528</b>

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

## CASH FLOW AND FUNDING

Cash flow remained strong throughout the year and has increased on the previous year due to a reduction of trade receivables.

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

There was a net gain of £577K due to the end of year revaluation of our land and buildings in line with DIO's valuation.

## CAPITAL INVESTMENT

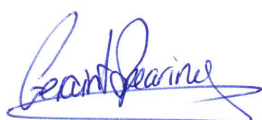
The capital investments for the year were for a TEPL lab cleanroom (£0.278M), IT Network upgrades (£0.324M), ULEV Charging points (£0.090M), Building improvements (£0.100M), HVLV upgrades (£0.060M), and new equipment to aid production (£0.035M).

## ADMINISTRATION AND ACCOUNTING

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

## APPROVAL

The performance report is approved.



**Geraint Spearing**  
**Accounting Officer**  
**13 July 2022**

# ACCOUNTABILITY REPORT

## INTRODUCTION

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

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

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

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

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



The Red Arrows performing a low level flypast over 04 threshold at RAF Scampton  
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# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

Directors who served during the year were:

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

Non – Executive Directors who served:

- Alec Don Chairman (Non-executive Director)
- Peter Shortt Non-executive Director until 30 Jun 2021
- David Jones Non-executive Director
- Michelle Pester/Katherine Carr MOD Non-executive Director until 4 Feb 2022
- Amanda McKenna MOD Non-executive Director from 21 Mar 2022
- Roger Dunshea Non-executive Director from 11 Jul 2021

# DIRECTORS REPORT

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

Board members provide a valuable contribution to the ongoing work of DECA. The Non-executive Board members for 2020/21 are listed below:

Non-Executive Director	Date of original appointment	Date current or most recent appointment ends	Current Term (Years)	Audit & Risk Assurance Committee	Remuneration Committee
Alec Don	1st August 2020	31st July 2022	3		✓
Peter Shortt	1st July 2015	30th June 2021	2	Chair	
David Jones	28th October 2019	27th October 2022	3		Chair
Michelle Pester	1st August 2020	4th February 2022	3	✓	✓
Katherine Carr	1st August 2020	4th February 2022	3	✓	✓
Roger Dunshea	11th July 2021			Chair	
Amanda McKenna	21st March 2022			✓	✓

Note: Amanda McKenna replaced Michelle Pester and Katherine Carr as a Departmental NED during the year. Roger Dunshea replace Peter Shortt as non-executive Director during the year.

## DOMICILE

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

## COMPOSITION OF MANAGEMENT BOARD

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

## PENSION LIABILITIES

Details of the pension liabilities and their treatment is contained within the Remuneration and staff report on page 46 and in the notes to the accounts.

## COMPANY DIRECTORSHIPS AND OTHER SIGNIFICANT INTERESTS HELD BY BOARD MEMBERS

Geraint Spearing held a non-executive directorship of MOD's joint arrangement SSSL. Alec Don held a directorship of AutoTerminal Khalifa LLC, a company within Abu Dhabi Ports and Zura Properties Limited. No other directors of the DECA Board held any company directorships or other significant interests out with their DECA positions that would provide conflict with their DECA positions.

## REMUNERATION PAID TO THE AUDITORS FOR NON-AUDIT WORK

DECA made no remuneration to the auditors for non-audit work in the year 2021/22 (2020/21: Nil).

## SICKNESS ABSENCE

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

## REPORTING OF PERSONAL DATA RELATED INCIDENTS

No personal data related incidents were reported for the financial year 2021/22 (2020/21: Nil reported and subsequently dismissed).

The first delivery of the upgraded FV430 Mk3 Bulldog  
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# STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Section 7 (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed DECA to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of DECA and of its income and expenditure, Statement of Financial Position and cash flows for the financial year. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern

basis; and

- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable taking personal responsibility for the judgements required for determining that it is fair, balanced and understandable.

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

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





RAF Typhoon flies the flag over iconic white cliffs ahead of Battle of Britain anniversary © Crown copyright



# GOVERNANCE STATEMENT

## OVERVIEW

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

## SCOPE OF RESPONSIBILITY

I was appointed as Accounting Officer for the Agency on its formation on 1 April 15 with responsibility for the preparation of these seventh DECA Agency Accounts for 2021/22. As Accounting Officer, I must be able to assure Parliament and the public of high standards of probity in the management of public funds.

The Annual Report and Accounts for 2021/22 as presented here have been produced under the guidance and oversight of the members of the Audit and Risk Assurance Committee. In order to sign this statement, I can confirm that I have sought advice and assurance from various sources including:

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

## GOVERNANCE FRAMEWORK

From the reviews I have undertaken, I believe the Governance Structure and systems of Internal Control within DECA, to the extent that it is deemed relevant and practical, have followed the requirements of the good practice guidance laid down in HMT Corporate Governance in Central Government Departments: Code of Good Practice 2017. The Governance Policy and processes were defined and agreed through the DECA Framework Document which re-issued in January 2022. Work continues to ensure that DECA Corporate Governance remains in line with established MOD best practice and wider government guidelines.

The governance structure in place during 2021/22 was as follows:

- DECA Performance and Risk Review (P&RR), the P&RR was chaired by MOD's Director of Sponsorship

and Organisational Policy (DSOP) on behalf of the Departmental Sponsor (MOD's Chief Operating Officer) with delegated responsibility for oversight of DECA on behalf of MOD's Permanent Under Secretary and DECA's owner, the Minister for Defence Procurement. The permanent membership of the P&RR comprised DSOP, DECA's Departmental NED, DECA Chairman, the Chief Executive of DECA, the DECA Finance Director and DECA's Head of Strategy, Governance and Secretariat. The P&RR supports and advises the sponsor and owner on the review and setting of DECA's strategic objectives, KPIs, the approval of the Corporate Plan and major business decisions as well as supporting and challenging business delivery and risk management to assure DECA's strategic direction and performance. The P&RR met four times during the year.

- DECA Board ("the Board"), the Board was chaired by our independent Non-Executive (NED) Chairman and comprises three additional NEDs, one of whom are the departmental NED as representative of MOD. In addition, DECA's Chief Executive, Finance Director and Head of Strategy, Governance and Secretariat are all full members of the Board. The main responsibilities of the Board are to provide expert advice, challenge and guidance to the Executive Management Board including reviewing the performance of DECA against the Corporate Plan, DECA's risk appetite and controls for risk management as well as supporting the development and endorsement of the Corporate Plan and Annual Report and Accounts. The Board met seven times during the year.
- Audit and Risk Assurance Committee (ARAC), the ARAC is a sub-committee of the DECA Board, which was chaired by an independent NED, with the departmental NED also a member. It is attended by invited members of DECA management, the NAO and Defence Internal Audit (DIA). The main responsibilities of the ARAC are to support the Board and Chief Executive, as Accounting Officer, in monitoring DECA's corporate governance, risk and control systems. The ARAC met six times during the year. The Chair of the ARAC reports to the DECA Board on its proceedings. The Internal Audit service is undertaken by DIA, the in-



house audit function for the MOD. Operating to standards defined in the Public Sector Internal Audit Standards it has carried out on my behalf independent checks on the adequacy and effectiveness of DECA controls.

- Remuneration & Nomination Committee (RENCO), the RENCO is a sub-committee of the DECA Board, which was chaired by an independent NED, with the departmental NED and DECA Chair also members. It is attended by the DECA People & Transformation Director and the DECA Head of HR (who also acts as Secretary). The RENCO Chair may also invite the DECA Chief Executive, any other DECA Executive Directors, and/or any other Subject Matter Experts (SMEs) from within DECA, as appropriate. The main responsibilities of the RENCO were to advise the owner, sponsor, Chief Executive and Board on matters relating to DECA's pay and reward strategy. The RENCO met 5 times during the year.
- DECA Executive Management Board (XMB), the XMB is chaired by the DECA Chief Executive and attended by all members of the Executive Management team (DECA's Operations Director, Support Services Director, People & Transformation Director Commercial and Contracts Director, Business Development Director, Finance Director and Head of Strategy, Governance and Secretariat). The purpose of the XMB is to support and advise the Chief Executive on the day-to-day

management of the Agency to ensure delivery of the approved Corporate Plan. The XMB met twelve times during the year.

- Executive Governance Review, the Chief Executive, as Accounting Officer, chaired the Executive Governance Review, which included all XMB members. The main responsibilities were to review the governance policy and processes of DECA and manage the internal audit and risk management policies and processes. The Executive Governance Group met four times during the year.
- Executive Compliance Review (XCR), the XCR is chaired by the Chief Executive and attended by all members of the XMB, plus the Focal Point for each of DECA's four recognised Trades Unions, the Safety, Health & Environment (SHE) Manager and the Quality & Airworthiness Manager. In addition, functional managers such as the Operations Manager and the Estates & Facilities Manager attend as required. The XCR acts to hold the business to account for all aspects of compliance (including, but not limited to Health & Safety, Quality, Environmental, Airworthiness and Security), primarily in accordance with the direction set out in the Chief Executive's Safety, Health, Environment and Quality Statement of Intent. The occurrence of the Review is fixed in relation to the Compliance Review and the Whitley Meeting to allow for timely escalation of compliance concerns if required.



Image of a Royal Air Force A400M Atlas aircraft lifting out of RAF Akrotiri  
© Crown copyright



Schedule of meetings and attendance during 2020/21:

Meeting	Members	Meetings held	No. attended	% attendance	% Overall attendance	No. of members	Scheduled frequency				
DECA Performance & Risk Review	Dir DSOP (Chair)	4	4	100%	96%	6	Up to 3 annually				
	MOD NED	4	4	100%							
	DECA Board Chair	4	4	100%							
	DECA CE	4	4	100%							
	Head of Strategy & Governance	4	3	75%							
	Finance Director	4	4	100%							
Agency Board	DECA Board Chair	5	5	100%	94%	7	At least 6 times quarterly				
	Independent NED (ARAC)	5	4	80%							
	Independent NED (RENCO)	5	5	100%							
	MOD NED	5	5	100%							
	DECA CE	5	5	100%							
	DECA Finance Director	5	5	100%							
	Head of Strategy & Governance	5	4	100%							
Audit and Risk Assurance Committee	Independent NED (Chair)	6	6	100%	100%	5	Up to 6 times annually (minimum 2)				
	MOD NED	6	6	100%							
	DECA CE (by invitation) (Note 1)	1	1	100%							
	DECA FD (by invitation)	6	6	100%							
	DECA Chair (by Invitation) (Note 1)	2	2	100%							
Remuneration Committee	Independent NED (Chair)	5	5	100%	96%	5	Up to 6 times annually (minimum 2)				
	MOD NED	5	5	100%							
	DECA Board Chair	5	4	80%							
	DECA Support Services Director/ DECA People & Transformation Director (note 2)	5	5	100%							
	DECA Head of Human Resources	5	5	100%							
Executive Management Board	Chief Executive (Chair)	12	12	100%	87%	8	Monthly				
	Finance Director	12	12	100%							
	Commercial Director	12	12	100%							
	Support Services Director	12	10	83%							
	Operations Director	12	10	83%							
	Business Development Director	12	9	75%							
	People & Transformation Director (note 2)	10	9	90%							
	Head of Strategy & Governance	12	8	67%							
	Executive Governance Review	Chief Executive (Chair)	4	4				100%	88%	8	Up to 6 times annually (minimum 2)
		Finance Director	4	4				100%			
Commercial Director		4	4	100%							
Support Services Director		4	4	100%							
Operations Director		4	4	100%							
Business Development Director		4	2	50%							
People & Transformation Director (note 2)		4	4	100%							
Head of Strategy & Governance		4	2	50%							
Executive Compliance Review		Chief Executive (Chair)	4	4	100%	81%	8	Up to 4 times annually			
	Finance Director	4	4	100%							
	Commercial Director	4	3	75%							
	Support Services Director	4	4	100%							
	Operations Director	4	2	50%							
	Business Development Director	4	2	50%							
	People & Transformation Director (note 2)	3	3	100%							
	Head of Strategy & Governance	4	3	75%							

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

Note 2. - New Executive Board role, People and Transformation Director start 02/06/22

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

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

There was a register of member's interests maintained by

the DECA Head of Human Resources and this included any relevant interests of the Executive Board members.

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

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



## BOARD PERFORMANCE

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

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

The DECA Chairman reviews the performance of the Board and sub-committees each year and determined that, during 2021/22 the Board and sub-committees had all performed satisfactorily and that there had been no departures from the Corporate Code of Good Practice.

In line with best practice, a Stage 2 “Developing the Board” review of Board performance took place at the beginning of 2021/22.

## HIGHLIGHTS OF BOARD COMMITTEE REPORTS

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

### AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)

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

The audit programme was designed to provide validation that the 2020/21 KPIs had been achieved and through three further audits to provide assurance on Risk Management, Physical Security and Risk Management.

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

- KPIs (2020-21) (Validated)
- Fraud Management (Substantial Assurance)
- Physical Security (Full Assurance)
- Risk Management (Substantial Assurance)

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

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

## REMUNERATION AND NOMINATIONS COMMITTEE (RENCO)

The RENCO's core activity has been to review and endorse the annual proposed DECA Pay Remit for employees below Senior Civil Service, prior to onward submission through MOD Centre, to our Minister for final approval and to undertake a review of DECA's corporate bonus scheme alongside the endorsement of payment arising from the current year's business performance.

Additionally RENCO reviewed any wider activities across the MOD with potential to impact on DECA.

## EXECUTIVE COMPLIANCE REVIEW (XCR)

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

## CORPORATE GOVERNANCE

The structure of Corporate Governance in DECA has been effectively maintained and was regularly reviewed internally throughout the year in 2021/22. Therefore, in the CE's opinion, DECA has followed the HM Treasury Corporate Governance Code's requirements to the extent that it is deemed relevant and practical.



## INFORMATION REPORTING

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

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

## RISK MANAGEMENT

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

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

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

## ASSESSMENT OF THE MAIN RISKS

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

Key business risks 2021/22	Inherent risk score		Residual risk score	
	Probability	Impact	Probability	Impact
Digital transformation	High	High	Medium	High
Recruitment and retention	High	High	Medium	High
Cyber	High	High	Low	High
Capability growth	High	High	Low	High

## RISK MANAGEMENT WITHIN DECA IS STRUCTURED AS FOLLOWS:

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

Functional Risk Registers owned by Executive Board Directors and cover all the functions within DECA and include risks that have been downgraded due to mitigation actions.

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

The Risk Management Process is structured as follows:

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

## INFORMATION ASSURANCE

DECA has successfully maintained its network accreditation against criteria set down by the Cyber Defence and Risk (CyDR) department and has worked with the Joint Cyber Unit to ensure systems are secure. DECA continues to satisfy all network joining rules set down by the MOD Defence Digital (DD) organisation and has maintained authority to operate on the MOD network.

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

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

DECA has no business critical systems that are unsupported.

## SECURITY ASSURANCE

MOD Sealand is routinely audited by UK MOD specialists to ensure continued compliance with departmental standards, supplemented by quarterly security alarm system inspections by the Security Services Group (SSG). This involves both Internal and External audits carried out internally by DECA Assurance team and externally via Defence Internal Audit (DIA) teams to ensure a level of substantial and above assurance is maintained.

In addition to these audits, annual security risk assessments are undertaken by the site security team using the Classified Material Assessment Tool (CMAT). CMAT reports are used to identify any non-compliance or areas for improvement to inform the maintenance and improvement of physical security of buildings on the DECA estate. DECA has taken on the Principal Security Adviser (PSyA) responsibilities this year ensuring that all security reporting requirements have been delivered and that DECA has been represented at all MOD centre security meetings.

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

## FRAUD & WHISTLEBLOWING

DECA has counter fraud processes in place and has a zero tolerance policy in operation in line with the rest of the Department. DECA maintains a specific fraud risk register

which is regularly reviewed. DECA has designated a Fraud Focal Point and engages regularly with MOD Fraud Defence. There were no reported / detected fraud attempts in 2021/22 (2020/21: One, which originated outside DECA).

The Public Interest Disclosure Act (PIDA) 1998 applies to people at work raising genuine concerns about fraud, crimes, civil offences (including negligence, breach of contract, breach of administrative law), miscarriages of justice, dangers to health and safety or the environment and the cover up of any of these. Under PIDA it is unlawful for an employer to dismiss or victimise a worker for having made a 'qualifying disclosure' and the protection it provides is not subject to any qualifying period of employment.

DECA fully complies with these requirements through the MOD Policy on Whistleblowing and Raising a Concern applies to the DECA workforce, which includes contractors, trainees, agency staff and home workers.

## BUSINESS CONTINUITY

The organisation's risk of exposure to internal and external threats is reviewed regularly and forms the basis of the Business Continuity Plan (BCP). This considers threats such as natural disasters, loss of incoming power supply, major IT failure, Cyber-attack, data breaches, terrorism and factors affecting the availability of labour such as industrial action or pandemic illness. DECA's BCP includes disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning.

The plan is subject to regular review, which reflects developments within the business, and any new requirements are considered during the new service provision process. The effectiveness of our BCP plan was proven twice during 2021/22. On the first occasion, the BCP was activated as a precaution, in response to a concern raised through our legionella management plan and on the second occasion, it was activated in response to a loss of mains water to the Sealand site, originating outside DECA. On both occasions, DECA remained fully functional, delivering critical Defence and COVID-19 contingency outputs, as required by our customers, whilst ensuring that the health and safety of our workforce remained of paramount importance at all times. Formal lessons learned exercises followed both activations, which fed forward into management action, further strengthening our BCP plans.

**HEALTH & SAFETY**

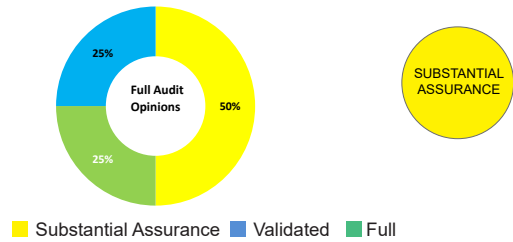
Throughout 2021/22, COVID-19 safety has remained a priority, in order to ensure the safety of DECA staff whilst DECA has remained operational in line with Government guidance throughout the COVID-19 pandemic. DECA has continued to deliver key Defence and National Security outputs, support overseas operations (where possible), and support MOD contingency plans held at readiness to provide Military Assistance to the Civil Authorities.

During 2021/22, there were periods of heightened vigilance in response to the emergence of the Delta and Omicron variants. However, as the financial year drew to a close, the UK Government announced the withdrawal of Covid-19 legislation and DECA began to prepare to return to normal. DECA continues to maintain a risk-based approach, sustaining engagement with our Trades Unions, Safety Representatives and subject matter experts. With Covid-19 now considered endemic, DECA retains certain pragmatic Covid-19 controls, including hygiene, mechanical ventilation and cleaning, which will remain in place whilst we balance freedom of operation with our commitment to help protect the health and wellbeing of our employees.

Against this background, with vigilance and continued emphasis on safety in the workplace, DECA achieved zero reportable incidents (RIDDOR), exceeding the target of less than 1 per 100,000 output hours. Additionally, DECA is proud to have achieved seven injury free months, surpassing three injury free months in the previous year. DECA focused on reinforcing an open reporting culture and consequently, near miss reports increased 16% compared to the previous year.

DECA sustained its Safety Management System throughout 2021/22, maintain 3rd party assured certification to ISO45001 and ISO14001. In addition, DECA conducted an internal compliance assessment against the requirements of MOD JSP 375 Chapter 2, reporting a self-assessed rating of FULL ASSURANCE. Throughout the year, DECA continued to monitor closely the working environment to mitigate any risk and to maintain our commitment to continuous improvement in Health & Safety, driving to reduce incidents and constantly looking to improve our safety culture.

**ANNUAL AUDIT OPINION – HEAD OF INTERNAL AUDIT**



DECA Audit Assignments and Audit Opinions	
Audit	Audit opinion
Performance targets validation	Validated
Fraud management	Substantial
Physical security DECA Sealand	Full
Risk management	Substantial

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

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

**GOVERNANCE**

DECA continues to maintain best practice Governance practices, which were reviewed by DIA in 2021/22 and obtained Substantial Assurance. DECA has an established Audit and Risk Assurance Committee (ARAC) as a Sub Committee of the Board with responsibilities for issues of risk, control and governance and to support the Board's assurance requirements. DIA regularly attends the ARAC and provides updates on programme delivery and briefs on the outcome of specific assignments. In turn, the ARAC has required attendance from responsible officers from within the business to provide assurance on actions being taken to address risks identified.

**CONCLUSION**

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

# REMUNERATION AND STAFF REPORT

## REMUNERATION REPORT

### OVERVIEW

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

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

### REMUNERATION AND NOMINATION COMMITTEE (RENCO)

The RENCO is a sub-committee of the DECA Board, which was chaired by an independent NED with the MOD NED also a member. Standing DECA Members are the Chair, the People Director and Head of HR (who also acts as Secretary). The RENCO Chair may also invite any or all of the following, as appropriate:

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

The main responsibilities of the RENCO were to advise the owner, Chief Executive and Board on matters relating to DECA's pay and reward strategy below Senior Civil Service. The RENCO met 5 times during the year, which included 1 extraordinary meeting.

### SERVICE CONTRACTS

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

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

Further information about the work of the Civil Service

Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

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

Remuneration for (NEDs) was set at a fixed annual rate determined by the Department's Permanent Under Secretary. Fees were set on the basis that the role should require around 30 days' work per year. NEDs were not involved in any discussion about their own remuneration and all payments made were non-pensionable. There were no compensation entitlements for early termination.

### REMUNERATION POLICY

DECA has no pay costs for Ministers.

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

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

The Chief Executive had delegated powers for the setting of terms and conditions of employment, including pay, for all DECA employees below SCS. The delegation required him to consult with MOD and receive Minister for Defence Procurement and Secretary of State of Defence approval before agreeing to any changes to pay. This was achieved through the pay remit process whereby DECA pay proposals were submitted through MOD for Ministerial approval before negotiation with staff representatives. The outcome of





negotiations was reported back to HM Treasury through the annual outturn statement.

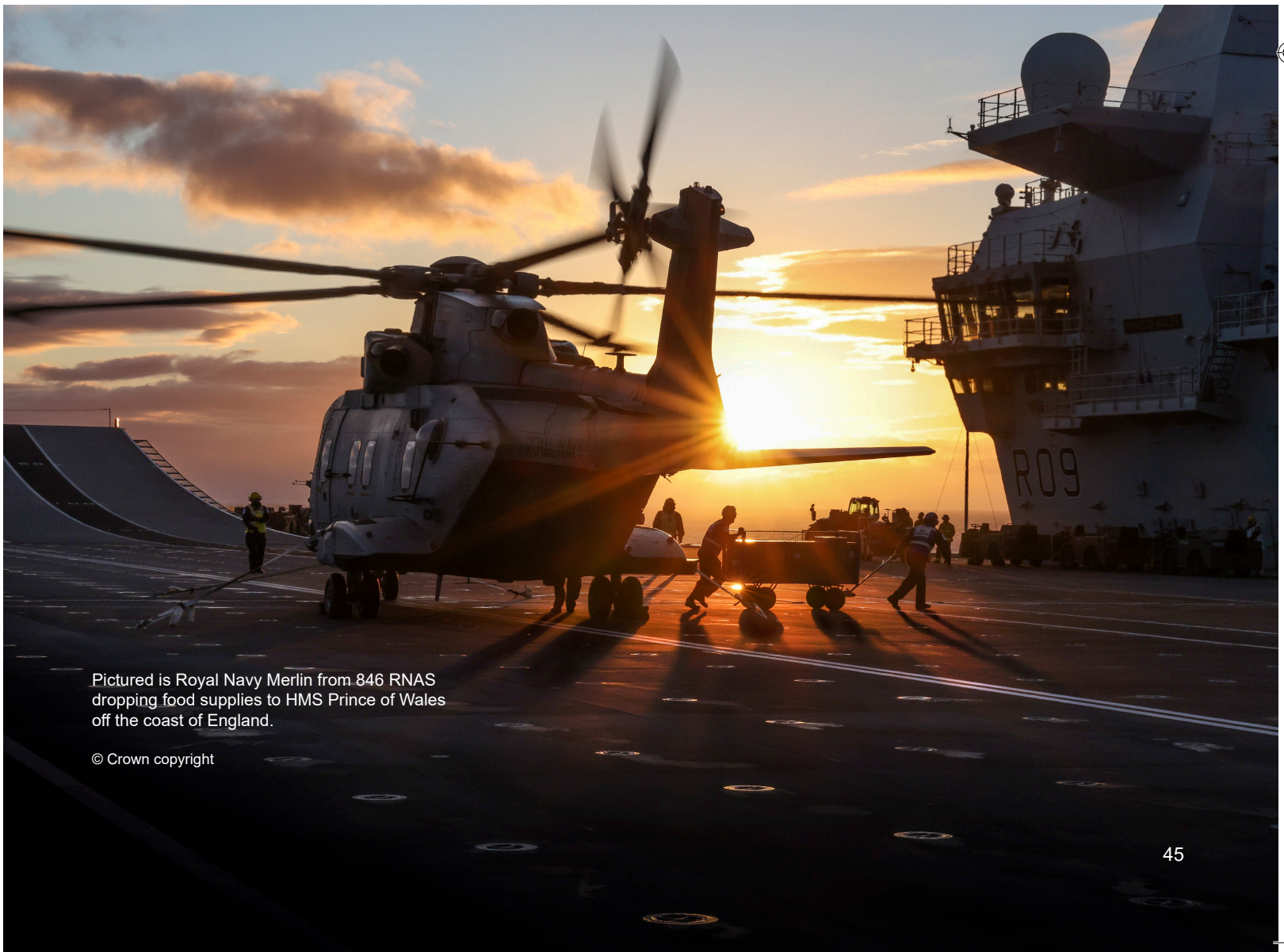
For the 2021/22 pay settlement year, the Chancellor announced as part of the Spending Review 2020 that there will be a temporary pause on pay rises for most public sector workforces in 2021/22, including the Civil Service. With exception of a £250 increase for staff earning less than £24,000. The overall total cost equated to 0.19% of the pay bill.

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

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

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

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



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

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

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

Officials	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (to nearest £'000)		Total (£'000)	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000	£'000	£	£'000	£'000	£'000	£'000
Chief Executive Geraint Spearing	85 - 90	85 - 90	5 - 10	5 - 10	0	0	14	53	110 - 115	145 - 150
Operations Director Wayne Baker	65 - 70	60 - 65	0 - 5	0 - 5	0	0	17	30	90 - 95	95 - 100
Finance Director Belinda Longman	70 - 75	70 - 75	0 - 5	0 - 5	0	0	20	35	100 - 105	105 - 110
Support Services Director Ian Doughty	70 - 75	65 - 70	0 - 5	0 - 5	0	0	21	28	100 - 105	95 - 100
Head of Governance & Secretariat Jason Leeks	65 - 70	55 - 60	0 - 5	0 - 5	0	0	78	30	145 - 150	85 - 90
Business Development Director Ian Cole OBE	60 - 65	55 - 60	0 - 5	0 - 5	0	0	3	13	70 - 75	70 - 75
People and Transformation Director Carol Ann Giffin	55 - 60	0	0	0	0	0	21	0	80 - 85	0
Commercial Director Keith Pavett	70 - 75	65 - 70	0 - 5	0 - 5	0	0	11	28	90 - 95	95 - 100

Note: During 2021/22 all members of the Executive Management board, excluding Chief Executive, were awarded a bonus of £222 (2020/21: £500) each in line with the Corporate Bonus Scheme for year ending 31 March 2021. The Chief Executive receives a bonus as part of the MOD Performance Bonus Scheme.

### SALARY

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

### BONUSES

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

### PENSION BENEFITS (SUBJECT TO AUDIT OPINION)

Officials	Accrued pension at pension age as at 31/03/22 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/22	CETV at 31/03/21	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive Geraint Spearing	40 - 45 plus a lump sum of 80 - 85	0 - 2.5 plus a lump sum of 0	701	661	1
Operations Director Wayne Baker	25 - 30 plus a lump sum of 45 - 50	0 - 2.5 plus a lump sum of 0	368	343	4
Finance Director Belinda Longman	30 - 35	0 - 2.5	639	586	9
Support Services Director Ian Doughty	20 - 25	0 - 2.5	363	334	9
Head of Governance & Secretariat Jason Leeks	25 - 30 plus a lump sum of 10 - 15	2.5 - 5 plus a lump sum of 0 - 2.5	443	362	58
Business Development Director Ian Cole OBE	25 - 30 plus a lump sum of 75 - 80	0 - 2.5 plus a lump sum of 0	622	585	0
People and Transformation Director Carol Ann Giffin	0 - 5	0 - 2.5	16	0	12
Commercial Director Keith Pavett	35 - 40 plus a lump sum of 95 - 100	0 - 2.5 plus a lump sum of 0	822	773	1

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

## PAY MULTIPLES (SUBJECT TO AUDIT OPINION)

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

This information is subject to audit opinion	2021/22	2020/21
Band of highest paid Director total remuneration	£90,000 - £95,000	£90,000 - £95,000
Median total remuneration	£28,808	£28,752
Ratio	3.21	3.22

The remuneration of DECA's staff was in the range £15,474 per annum (2020/21: £14,853) to £90K to £95K per annum, these figures are for a full year. The median remuneration of the workforce was £28,808 (2020/21: £28,752).

The banded remuneration of the highest-paid executive director in DECA in the financial year 2021/22 was £90K to £95K (2020/21: £90K - £95K) (See Remuneration (salary, benefits in kind and pensions table)). This was 3.21 times the median remuneration of the workforce, which was £28,808 (2020/21: £28,752).

The percentage change in 2021/22 from the previous year in respect of the highest paid Director was 0%. The average percentage change in 2021/22 from the previous year in respect of the employees was a reduction of 2.74%.

The table below shows the salary and total pay including benefits for the 25th, 50th and 75th percentile of pay and benefits.

Pay Type	25th Percentile pay ratio	50th Percentile pay ratio	75th Percentile pay ratio
Salary	25,826	28,808	31,569
Total pay (inc benefits)	34,507	39,370	42,924

The table below shows the ratios between the midpoint of the banded remuneration of the highest paid Director and the pay of the employees whose pay is on the 25th, 50th (Median) and the 75th percentile of pay and benefits of the employees for the financial year.

Year	25th Percentile pay ratio	Median pay ratio	75th Percentile pay ratio
2021-22	3.58:1	3.21:1	2.93:1
2020-21	3.67:1	3.22:1	3.0:1

As at the reporting date based on annualised full time equivalent salaries the below pay relationships existed.

- (1) The banded remuneration of the highest paid director in 2021/22 was 3.58 (2020-21: 3.67) times the 25th Percentile of the remuneration of the workforce.
- (2) The banded remuneration of the highest paid director in 2021/22 was 2.93 (2020-21: 3.0) times the 75th Percentile of the remuneration of the workforce.

In 2021/22, zero employees received remuneration in excess of the highest-paid executive director (2020/21: Nil).

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

## COMPENSATION FOR LOSS OF OFFICE (SUBJECT TO AUDIT OPINION)

There have been no payments by DECA for compensation for loss of office for Financial Year 2021/22. (2020/21: Nil).

## OFF PAYROLL APPOINTMENTS

There were no new or existing off payroll appointments during the financial year (2020/21: Nil).

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

Non-Executive Director	Fees 2021/22 £'000	Fees 2020/21 £'000
Alec Don	20 - 25	20 - 25
Peter Shortt (End 30th June 21)	0 – 5	10-15
David Jones	10-15	10-15
Roger Dunshea (Start 11th July21)	10-15	Nil
Michelle Pester (Note 1) (Start 1st Aug 20) (End 4th Feb 22)	Nil	Nil
Katherine Carr (Note 1) (Start 1st Aug 20) (End 4th Feb 22)	Nil	Nil
Amanda McKenna (Note 1) (Start 21st Mar 2022)	Nil	Nil

Note 1 Michelle Pester, Katherine Carr and Amanda McKenna received no fee as representative of the MOD as a Non-Executive Director.

## STAFF REPORT

All staff listed below are on permanent contracts with the exception of 18 Agency staff (2020/21: 8 Agency staff) and 40 Fixed Term Appointments (2020/21: 27 Fixed Term Appointments) who are included in the civilian personnel number.

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

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

## HEADCOUNT (SUBJECT TO AUDIT OPINION)

The average number of persons employed during the year was:	2021/22		2022/21	
	Males	Females	Males	Females
Senior management	12	5	11	4
Civilian personnel	335	59	332	61
Agency staff	15	3	6	2
<b>Total</b>	<b>362</b>	<b>67</b>	<b>349</b>	<b>67</b>

## PAYROLL COSTS £'000 (SUBJECT TO AUDIT OPINION)

	2021/22	2020/21
Salaries, wages and allowances	12,688	13,043
Social security	1,246	1,183
Pension costs	3,436	3,259
Agency staff	559	224
<b>Total payroll costs</b>	<b>17,929</b>	<b>17,709</b>

Note: 2021/22 includes £50,463 (2020/21: £48,212) apprenticeship levy costs. The Apprenticeship Levy was introduced in April 2017, requiring employers with a pay bill more than £3 million each year to pay the levy

## SICKNESS ABSENCE

The total number of days lost due to sickness absence in 2021/22 was 3,361.5 days (not including COVID related absence) which equates to 8.6 days per employee based on average employee number for the year (2020/21: 1,937 at 4.7 per employee).

## STAFF TURNOVER

The staff turnover figure for 2021/22 was 6.9% compared to 2020/21: 2.9%. This equates to 29 employees from established and fixed term contract posts (not agency). In the same period we recruited 30 established/fixed term posts.

## EMPLOYMENT OF DISABLED PERSONS

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

the workplace.

DECA has a diversity and Inclusion committee that leads our Diversity & Inclusion Strategy.

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

### **CONSULTANCY AND CONTINGENT LABOUR**

During 2021/22 a consultant was engaged to undertake a review of the DECA Integrated Business Planning process at a cost of £17K (2020/21: £8K). Contingent Labour costs for 2021/22 were £559K (2020/21: £224K) and was driven by the need to fill any shortfall in capacity as well as to fill any short term vacancies due to the higher than expected attrition rate.

### **TRADE UNION RELATIONSHIPS**

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

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

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

### **PENSIONS**

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension

age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three

years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

For 2021/22, the employer contributions of £3.4 million were payable to MyCSP (2020/21: £3.3 million) at one of four rates in the range 26.6 per cent to 34.1 per cent of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions.

#### **CASH EQUIVALENT TRANSFER VALUES**


A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

#### **REAL INCREASE IN CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. No contributions were due to the partnership pension providers at the balance sheet date

There were no resignations on the grounds of ill-health during the year (2021/20: Nil).



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

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

There were no DECA exit packages for agreed or compulsory departures during the year or any costs relating to such packages (2020/21: Nil). There were no DECA voluntary or compulsory redundancies during the year (2020/21: Nil). Further details about the Civil Service pension arrangements can be found at the website: [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

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

© Crown copyright



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

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# PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

## REGULARITY OF EXPENDITURE (SUBJECT TO AUDIT OPINION)

## REGULARITY OF EXPENDITURE (SUBJECT TO AUDIT OPINION)

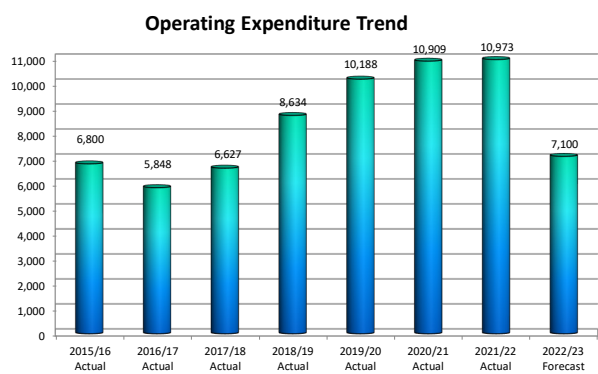
All expenditure made during the year was made in pursuit of DECA's business objectives.

There were no improper or irregular payments (2020/21: Nil).

There were no material losses or special payments (2020/21: Nil).

There were no severance payments or write-offs (2020/21: Nil).

## LONG-TERM EXPENDITURE TRENDS



## FEES AND CHARGES (SUBJECT TO AUDIT OPINION)

	MOD	Commercial	Total
2021/22	£'000	£'000	£'000
Revenue (Based on hours)	20,744	3,408	24,152
Variable revenue	4,845	0	4,845
<b>Total revenue</b>	<b>25,589</b>	<b>3,408</b>	<b>28,997</b>
Variable costs	4,486	0	4,486
Production overheads	20,507	3,269	23,777
<b>Total costs</b>	<b>24,993</b>	<b>3,269</b>	<b>28,263</b>
<b>Surplus</b>	<b>596</b>	<b>139</b>	<b>734</b>

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

Variable costs	4,294	7	4,301
Production overheads	20,551	3,251	23,802
<b>Total costs</b>	<b>24,845</b>	<b>3,258</b>	<b>28,103</b>

<b>Surplus</b>	<b>444</b>	<b>84</b>	<b>528</b>
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An analysis of the Agency's fees and charges are shown above. It charges prices for its services based on negotiated contract prices with individual customers. No services are provided below full cost. In agreeing prices to be charged for work to be carried out for the MOD an agreed profit rate on costs is used to calculate prices.

## REMOTE CONTINGENT LIABILITIES (SUBJECT TO AUDIT OPINION)

DECA has no remote contingent liabilities in 2021/22. (2020/21: Nil)

## APPROVAL

The Accountability report is approved

Geraint Spearing  
Accounting Officer  
xx July 2022

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

## OPINION ON FINANCIAL STATEMENTS

I certify that I have audited the financial statements of the Defence Electronics and Components Agency for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

- The financial statements comprise: the Defence Electronics and Components Agency's
- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Defence Electronics and Components Agency affairs as at 31 March 2022 and its Retained net income for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## OPINION ON REGULARITY

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

## BASIS FOR OPINIONS

I conducted my audit in accordance with International Standards on Auditing (UK) (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 Electronics and Components Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

## OTHER INFORMATION

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Chief Executive as Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material

misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### **OPINION ON OTHER MATTERS**

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

#### **MATTERS ON WHICH I REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the Defence Electronics and Components Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability report.

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept the Defence Electronics and Components Agency 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the

accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; and
- assessing the Defence Electronics and Components Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

**Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Defence Electronics and Components Agency's accounting policies, key performance indicators and performance incentives
- Inquiring of management, the Defence Electronics and Components Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Defence Electronics and Components Agency's policies and procedures relating to:
  - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Defence Electronics and Components Agency's controls relating to including the Defence Electronics and Components Agency's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Defence Electronics and Components Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Defence Electronics and Components Agency's framework of authority as well as other legal and regulatory frameworks in which the Defence Electronics and Components Agency operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Defence Electronics and Components Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, employment law and tax Legislation.

In addition, I considered 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.

**AUDIT RESPONSE TO IDENTIFIED RISK**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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.

#### **OTHER AUDITOR'S RESPONSIBILITIES**

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

**Date: 15 July 2022**



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# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Note	2021/22 £'000	2020/21 £'000
Income from contracts with customers	2	28,271	27,597
Other operating income	2	1,375	1,546
<b>Total operating income</b>		<b>29,646</b>	<b>29,143</b>
Staff costs	5	(17,929)	(17,709)
Purchase of goods and services	3	(9,246)	(9,178)
Depreciation charges	4,6	(636)	(729)
Other operating expenditure (excluding depreciation)	4	(1,101)	(999)
<b>Total operating expenditure</b>		<b>(28,912)</b>	<b>(28,615)</b>
<b>Net operating income</b>		<b>734</b>	<b>528</b>
<b>Total net income</b>		<b>734</b>	<b>528</b>
<b>Amounts due to parent department</b>	<b>10</b>	<b>(484)</b>	<b>(425)</b>
<b>Retained net income</b>		<b>250</b>	<b>103</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items which will not be reclassified to net operating income:</b>			
Net gain (losses) on revaluation of property, plant & equipment	6	577	(2,936)
Interest from Finance lease	12	96	
<b>Total comprehensive income for the year</b>		<b>923</b>	<b>(2,833)</b>

The notes on pages 62 to 72 form part of these accounts.

# STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Note	2021/22 £'000	2020/21 £'000
<b>Non current assets</b>			
Property, Plant and Equipment	6	17,200	16,370
Finance Lease Receivable	12	1,933	1,836
<b>Total Non Current Assets</b>		<b>19,133</b>	<b>18,206</b>
<b>Current assets</b>			
Inventories and work in progress	7	277	288
Trade and other receivables	8	9,489	13,283
Cash and cash equivalents	9	14,008	10,261
<b>Total current assets</b>		<b>23,774</b>	<b>23,832</b>
<b>Total Assets</b>		<b>42,907</b>	<b>42,038</b>
<b>Current liabilities</b>			
Trade and other payables	10	(10,056)	(10,676)
Provisions	11	(57)	(57)
<b>Total current liabilities</b>		<b>(10,113)</b>	<b>(10,733)</b>
<b>Total assets less total liabilities</b>		<b>32,794</b>	<b>31,305</b>
<b>Financed by:</b>			
<b>Taxpayers equity and other reserves</b>			
Revaluation reserve	SOCTE	15,185	14,608
General fund	SOCTE	17,609	16,697
<b>Taxpayers' equity</b>		<b>32,794</b>	<b>31,305</b>

The notes on pages 62 to 72 form part of these accounts.

**Geraint Spearing**  
**Accounting Officer**  
**13. July 2022**

# STATEMENT OF CASH FLOWS AS AT YEAR ENDED 31 MARCH 2022

		2021/22	2020/21
CASH FLOWS FROM OPERATING ACTIVITIES	Note	£'000	£'000
Net operating income	SOCI	734	528
<b>Adjustments for non cash transactions:</b>			
Depreciation charges	6,4	636	729
Notional audit fee	4	43	41
MJDI Supplied Materials	3	93	91
DIO Notional Costs	4	430	461
Decrease in inventories and work in progress	7	11	25
(Increase) / decrease in receivables	8	3,794	(4,062)
(Decrease) / increase in payables	10	(1,104)	1,323
Use of provisions for liabilities and charges	11	-	(18)
<b>Inflow / (Outflow) from operating activities</b>		<b>4,637</b>	<b>(882)</b>
Capital Expenditure	6	(891)	(542)
<b>Net cash (outflow) from investing activities</b>		<b>(891)</b>	<b>(542)</b>
<b>Cash flows from financing activities</b>			
Repayment of funding to parent department			
<b>Net cash inflow from financing activities</b>		<b>0</b>	<b>0</b>
<b>Inflow / (Outflow) in cash and cash equivalents</b>		<b>3,746</b>	<b>(1,424)</b>
Cash and cash equivalents at start of year		10,261	11,685
Cash and cash equivalents at end of year	9	14,008	10,261

The notes on pages 62 to 72 form part of these accounts.



## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Note	Revaluation Reserve £'000	General Fund £'000	Taxpayers' Equity £'000
<b>Taxpayers' equity at 31 March 2021</b>		<b>14,608</b>	<b>16,697</b>	<b>31,305</b>
Recognised in Statement of Comprehensive income for the year:				
Net operating income	SOCI		734	734
Parent departments profit share	SOCI		(484)	(484)
Gain/ (loss) on revaluation of property, plant and equipment	6	577		577
Impairment				0
Interest on finance lease	12		96	96
Other movements:				
DIO communicated costs	4		430	430
Repayment of equity to Parent department	10			0
MJDI Supplied Materials	3		93	93
Notional audit fee	4		43	43
<b>Taxpayers' equity at 31 March 2022</b>		<b>15,185</b>	<b>17,609</b>	<b>32,794</b>

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

	Note	Revaluation Reserve £'000	General Fund £'000	Taxpayers' Equity £'000
<b>Taxpayers' equity at 31 March 2020</b>		<b>18,720</b>	<b>12,991</b>	<b>31,711</b>
Recognised in Statement of Comprehensive income for the year:				
Net operating income	SOCI		528	528
Parent department's profit share	SOCI		(425)	(425)
Gain / (Loss) on revaluation of property, plant and equipment	6	161		161
Impairment		(4,273)	1,177	(3,096)
Creation of finance lease	12		1,833	1,833
Other movements:				
DIO Communicated costs	4		461	461
Repayment of equity to Parent department	10			0
MJDI Supplied Materials	3		91	91
Notional audit fee	4		41	41
<b>Taxpayers' equity at 31 March 2021</b>		<b>14,608</b>	<b>16,697</b>	<b>31,305</b>

The notes on pages 62 to 72 form part of these accounts.

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

### 1 ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The accounts are prepared in accordance with the Government Financial Reporting Manual (FReM) for 2021/22 and the Accounts Direction, both issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of DECA for the purpose of giving a true and fair view is selected. The particular policies adopted by DECA are described below. They are applied consistently in dealing with items considered material in relation to the accounts.

#### GOING CONCERN

DECA will continue to operate for the foreseeable future and as such has adopted a going concern basis for the preparation of its Annual Report and Accounts, however the department is looking at options around its governance and future business model. The functions will remain in government as part of the MOD legal entity so this review does not represent a going concern risk.

#### DOMICILE

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

#### ACCOUNTING CONVENTION

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

#### REVENUE

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

DECA has applied IFRS 15, as adapted by the FReM, in full.

The contracts are categorised as either: outside the scope of IFRS 15; in scope of IFRS 15.

The bulk of what DECA provides to external customers is the provision of services on a rolling basis, e.g. repair and maintenance services. The performance obligations in these contracts are satisfied over time using output methods to recognise revenue on the basis of direct measurement of value to the customer using methods such as milestones and time elapsed.

#### PROPERTY, PLANT AND EQUIPMENT

##### • BASIS OF RECOGNITION

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

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

##### • BASIS OF VALUATION

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

All other property, plant and equipment are valued at year end using Modified Historical Cost Accounting (MHCA) indices provided by the Valuation Office Agency under the instruction of the Defence Infrastructure Organisation. DECA Management have reviewed these indices given and deemed them appropriate for the valuation of its buildings. A physical valuation was carried out for DECA's land & buildings in Nov 2018



- **IMPAIRMENT OF ASSETS**

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

- **DEPRECIATION**

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

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

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

**PENSION COSTS**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. The cost of pension cover provided is by payments of charges (Accrued Superannuation Liability Charges - ASLC) based on a percentage of salary. Salaries include gross salary, certain performance bonuses and recruitment and retention allowances. It does not include the estimated monetary value of benefits in kind. Payments are made at contribution rates determined by the Government Actuary's Department. The Executive Agency is unable to identify its share of the underlying assets and liabilities and therefore it accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the schemes in respect of the accounting period.

**INVENTORIES**

Inventory is valued on a first in first out basis (FIFO) and

at the lower of cost or net realisable value. Following periodic reviews, inventory may be written down to address obsolescence, surpluses and defective items using two main criteria based on redundancy and technical validity.

**WORK IN PROGRESS**

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

**PROVISION FOR BAD AND DOUBTFUL DEBTS**

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

**CASH**

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

**REPAYMENT OF PLANNED PROFITS**

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

**OPERATING LEASES**

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

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

**FINANCE LEASE – LESSOR**

At the commencement of the lease term the leased asset is de-recognised from property, plant and equipment with a finance lease receivable recognised, being at an amount equal to the net investment in the lease. Any difference is recognised in the statement of comprehensive income. The net investment in the lease is calculated as the discounted

future lease payments receivable. Subsequently, the balance is unwound using the implicit interest rate over the lease term, recognising the corresponding finance income in the statement of comprehensive income.

#### **VALUE ADDED TAX**

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

#### **EMPLOYEE BENEFITS**

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

#### **FOREIGN EXCHANGE**

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

#### **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

The following areas represent significant judgments and estimates that DECA has made in applying the accounting policies:

- Accrued Income
- Land and Buildings valuation

#### **PROVISIONS**

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

#### **ACCOUNTING ACCRUALS**

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

#### **REVENUE RECOGNITION**

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

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

#### **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

#### **IFRS'S ISSUED BUT NOT YET EFFECTIVE**

**IFRS 16 Leases** – specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low

value. Lessors will continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting unchanged from the previous standard International Accounting Standard (IAS) 17 Leases.

DECA currently has two operating leases for vehicles. One lease is on a monthly rolling contract and is therefore not affected by the standard. The second lease ends in July 2022 and is classed as a low value asset and again is not affected by the standard.

DECA has a Finance Lease Receivable of which the accounting treatment is unchanged from IAS17.

**IFRS 17 Insurance Contracts** – effective from 1st January 2023 for public sector entities and it is anticipated to have no material impact on the financial statements.

## 2. INCOME

	Timing of income recognition	2021/22	2020/21
		£'000	£'000
MOD Revenue	At a point in time	13,453	11,324
MOD Revenue	Over time	12,136	13,964
Non- MOD Revenue	At a point in time	911	934
Non-MOD Revenue	Over time	1,771	1,375
<b>Total</b>		<b>28,271</b>	<b>27,597</b>

## OTHER OPERATING INCOME

	2021/22	2020/21
	£'000	£'000
Rental income	639	504
Non rental income	10	8
Income not through contracts	726	1,034
<b>Total</b>	<b>1,375</b>	<b>1,546</b>

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

## 3. PURCHASES OF GOODS AND SERVICES

	2021/22	2020/21
	£'000	£'000
Cash costs		
Materials and sub contract costs	4,643	4,283
Accommodation costs	1,227	1,326
IT and Telecommunications	583	838
Utilities	939	903
Security	509	514
Equipment Support	372	447
Other services	880	776
<b>Total Cash Costs</b>	<b>9,153</b>	<b>9,087</b>

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

<b>Non - Cash Costs</b>	<b>£'000</b>	<b>£'000</b>
MJDI supplied materials	93	91
<b>Total Non - Cash Costs</b>	<b>93</b>	<b>91</b>
<b>Total Purchases of goods and services</b>	<b>9,246</b>	<b>9,178</b>

#### 4. OTHER OPERATING EXPENDITURE

	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash costs</b>		
Training	98	45
Insurance	233	219
Travel and subsistence	105	59
Other professional services	80	64
Lease and hire costs of plant, machinery and vehicles	112	110
Miscellaneous costs	0	0
<b>Total cash costs</b>	<b>628</b>	<b>497</b>
<b>Non cash costs</b>		
Notional Audit Fee	43	41
Notional Costs for DIO (see note)	430	419
Depreciation	636	729
Notional Costs for DIO upgrade	0	42
<b>Total non - Cash Costs</b>	<b>1,109</b>	<b>1,231</b>
<b>Total other operating costs</b>	<b>1,737</b>	<b>1,728</b>
<b>Total other operating expenditure (excluding depreciation)</b>	<b>1,101</b>	<b>999</b>

Note: During 2016/17 financial year, Defence Infrastructure Organisation decided not to charge DECA for its use of the Stafford site on account of DECA being Executive Agency of the MOD. However, DECA each year recognises a notional charge to represent the true cost of its activities. The amount recognised in 2021/22 is £430K (2020/21: £419K).

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

#### 5. STAFF COSTS

	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Salaries, wages and allowances	12,688	13,044
Social security	1,246	1,182
Pension costs	3,436	3,259
Agency Staff	559	224
<b>Total payroll costs</b>	<b>17,929</b>	<b>17,709</b>

## 6 PROPERTY, PLANT AND EQUIPMENT

The movements in each class of assets during 2021/22 were:

	Land	Buildings	Plant & Machinery	IT	Assets in Course of Construction	Total Tangible Assets
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2021	7,503	8,937	785	288	590	18,103
Additions	0	0	0	0	891	891
Impairments	0	0	0	0	0	0
Reclassification	0	514	0	126	(642)	(2)
Revaluation	150	427	0	0	0	577
<b>At 31 March 2022</b>	<b>7,653</b>	<b>9,878</b>	<b>785</b>	<b>414</b>	<b>839</b>	<b>19,569</b>

### Depreciation:

At 1 April 2021	0	1,300	247	186	0	1,733
Depreciation charged during the year	0	553	43	40	0	636
Disposals	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
<b>At 31 March 2022</b>	<b>0</b>	<b>1,853</b>	<b>290</b>	<b>226</b>	<b>0</b>	<b>2,369</b>

### Net book value

<b>At 31 March 2022</b>	<b>7,653</b>	<b>8,025</b>	<b>495</b>	<b>188</b>	<b>839</b>	<b>17,200</b>
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The movements in each class of assets during 2020/21 were:

	Land	Buildings	Plant & Machinery	IT	Assets in Course of Construction	Total Tangible
Cost or valuation:	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	7,109	12,735	785	288	48	20,965
Additions	0	0	0	0	542	542
Impairments	0	(3,565)	0	0	0	(3,565)
Reclassification	0	0	0	0	0	0
Revaluation	394	(233)	0	0	0	161
<b>At 31 March 2021</b>	<b>7,503</b>	<b>8,937</b>	<b>785</b>	<b>288</b>	<b>590</b>	<b>18,103</b>

### Depreciation:

At 1 April 2020	0	1,114	198	160	0	1,472
Depreciation charged during the year	0	654	49	26	0	729
Disposals	0	0	0	0	0	0
Impairment	0	(468)	0	0	0	(468)
Revaluation	0	0	0	0	0	0
<b>At 31 March 2021</b>	<b>0</b>	<b>1,300</b>	<b>247</b>	<b>186</b>	<b>0</b>	<b>1,733</b>

### Net book value

<b>At 31 March 2021</b>	<b>7,503</b>	<b>7,637</b>	<b>538</b>	<b>102</b>	<b>590</b>	<b>16,370</b>
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## 7. INVENTORIES AND WORK IN PROGRESS

	2021/22	2020/21
	£'000	£'000
<b>Stocks</b>		
Opening Balance	66	74
Net movement during year	5	(8)
<b>Balance at 31st March</b>	<b>71</b>	<b>66</b>
<b>Work in progress</b>		
Opening Balance	222	239
Net transfers to operating expenses during the year	(16)	(17)
<b>Balance at 31 March</b>	<b>206</b>	<b>222</b>
<b>Total at 31 March</b>	<b>277</b>	<b>288</b>

## 8. TRADE AND OTHER RECEIVABLES

	31 March 2022	31 March 2021
	£'000	£'000
Amounts falling due within 1 year:		
Trade and sundry invoiced receivables	4,941	8,460
Other receivables	6	14
Prepayments	462	518
Accrued income	4,080	4,291
<b>Total as at 31 March</b>	<b>9,489</b>	<b>13,283</b>

All above balances fall due within 1 year

Aged Trade and Sundry Invoiced Receivables Analysis	Not Yet Due	30 to 60 Days	60 to 90 Days	90 to 120 Days	120 to 365 Days	365+ Days	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 March 2021</b>	<b>2,866</b>	<b>308</b>	<b>517</b>	<b>100</b>	<b>857</b>	<b>293</b>	<b>4,941</b>
<b>At 31 March 2020</b>	<b>7,391</b>	<b>265</b>	<b>57</b>	<b>61</b>	<b>298</b>	<b>388</b>	<b>8,460</b>

## 9. CASH AT BANK AND IN HAND

	31 March 2022	31 March 2021
	£'000	£'000
Cash held with Government Banking Service (GBS)	14,008	10,261
<b>Total</b>	<b>14,008</b>	<b>10,261</b>

The Cash balance at year end excludes a BACS payment of £0.513m that was cleared on 5th April 2022



## 10. TRADE AND OTHER PAYABLES

	31 March 2022	31 March 2021
Amounts falling due within one year:	£'000	£'000
Trade payables	160	413
Taxation and social security	309	291
Value Added Tax	1,395	2,631
Accruals	1,906	1,910
Deferred income	1,198	577
Amounts due to pension schemes	343	332
Sundry payables	560	821
Payable to Parent Department	4,185	3,701
<b>Total</b>	<b>10,056</b>	<b>10,676</b>

Each year DECA is required to repay its parent department the level of planned operating profit. This is classed as a short term payable. In 2021/22 DECA did not repay any equity back to its parent department (2020/21: £ Nil).

The £1,104K decrease in payables in the Statement of Cash Flows on page 67 excludes the payable to the parent department £4,185K because no payment was made in financial year 2021/22. Therefore the decrease is calculated as £10,056K less £4,185K = £5,871K which is a decrease of £1,104K when compared with the 2020/21 total of £6,975K (calculated as £10,676K less £3,701K).

The amount payable to the department comprises of the return payable to MOD for both 2018/19, 2019/20, 2020/21 and 2021/22.

## 11. PROVISIONS

	2021/22
	Total
	£'000
Balance at 1 April 2021	57
Created during year	
Utilised in year	
<b>Balance at 31 March 2022</b>	<b>57</b>

	2020/21
	Total
	£'000
Balance at 1 April 2020	57
Created during year	
Utilised in year	
<b>Balance at 31 March 2021</b>	<b>57</b>

## 12. LEASES

Operating Lease payments recognised as expenses in the period were:

	2021/22	2020/21
	£'000	£'000
Leases of other land and buildings	430	419
Leases of vehicles and other equipment	112	110
<b>Total operating leases paid (i)</b>	<b>542</b>	<b>529</b>

(i) Contained within note 4

None of these payments were contingent rents or sublease payments.

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

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

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

Note: DECA has lease of land and buildings at Stafford with DIO for £430K (2020/21: £419K) which is treated as a notional cost based on a market rental valuation.

Operating lease payments going forward:

	31 March 2022	31 March 2021
	£'000	£'000
Payable within one year	1	3
Payable after one year and less than five years	0	1
<b>Total</b>	<b>1</b>	<b>4</b>

Future minimum lease payments where DECA is acting as lessor:

	31 March 2022	31 March 2021
	£'000	£'000
Receivable within one year	360	348
<b>Total</b>	<b>360</b>	<b>348</b>

Finance Lease

	2021/22
	Total
	£'000
Finance Lease balances at 1 April 2021	1,835
Interest earned on Lease	96
<b>Balance at 31 March 2022</b>	<b>1,933</b>

	2021/22
	Total
	£'000
Finance Lease balance at 1 April 2020	0
Finance Lease created 1 Oct 2020	1,835
<b>Balance at 31 March 2021</b>	<b>1,835</b>

The Finance lease relates to the lease of Building 14 to Sealand Support Services Ltd (SSSL). The expected earned interest for FY 2022/23 is £68k

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

	31 March 2022	31 March 2021
	£'000	£'000
Less than one year	0	0
Between one and five years	215	215
More than five years	2,760	2,760
<b>Total undiscounted lease assets at 31 March 2022</b>	<b>2,975</b>	<b>2,975</b>

### 13. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

DECA had capital commitments to the value of £119K at 31 March 2022 (£87K at 31 March 2021).

There are no financial commitments at 31 March 2022 (Nil at 31 March 2021).

There are no contingent assets at 31 March 2022 (Nil at 31 March 2021).

There are no contingent liabilities at 31 March 2022 (Nil at 31 March 2021).

### 14. FINANCIAL INSTRUMENTS

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

#### CURRENCY RISK

DECA conducts business in Sterling, US Dollars and Euros and is therefore subject to foreign exchange risk. At 31 March 2022 there are no existing liabilities. (Nil at 31 March 2021).

#### LIQUIDITY RISK

Current liquidity throughout the year was strong. Cash at

bank is available on demand.

#### COUNTERPARTY / CREDIT RISK

DECA's approach is to minimise counter-party risk by aiming only to enter into contracts with institutions with long term credit ratings of AA or better. Because the majority of sales are to the MOD, we have determined they have very low credit risk and there is no expected credit loss to recognise as at 31 March 2022 (2020/21: Nil losses).

#### CAPITAL MANAGEMENT

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

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

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

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

## FINANCIAL ASSETS

		31 March 2022	31 March 2021
		£'000	£'000
Trade, sundry and other receivables	8	9,027	12,765
Cash at bank and in hand	9	14,008	10,261
Finance Lease	12	1,932	1,836
<b>Total Financial Assets</b>		<b>24,967</b>	<b>24,862</b>

## FINANCIAL LIABILITIES

		31 March 2022	31 March 2021
		£'000	£'000
Trade and other payables	10	7,155	7,177
<b>Total Financial Liabilities</b>		<b>7,155</b>	<b>7,177</b>

Note:

- Trade, sundry and other receivables does not reconcile to Note 8 as it does not include prepayments which are not classed as financial instruments.
- Trade and other payables do not reconcile to note 10 as the VAT, deferred income and tax and social security balances are not classed as financial instruments.

## 15. RELATED PARTIES

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

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

During the year DECA provided management service to SSSL to the value of £726K, (2020/21: £1,034K)

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

	2021/22	2022/21
	£'000	£'000
Trade Receivables	635	85
Accrued Income	0	0
<b>Total</b>	<b>635</b>	<b>85</b>

## 16. LOSSES AND SPECIAL PAYMENTS

There were no material losses or special payments.  
(2020/21: Nil)

## 17. AUDITORS

The Government Resources and Accounts Act require DECA's Annual Report and Accounts to be audited by the Comptroller and Auditor General. DECA's auditor is the National Audit Office (NAO). The cost of this audit is £43K. (2020/21: £41K)

## 18. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting period.

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

# GLOSSARY

## LIST OF ACRONYMS AND ABBREVIATIONS

AMRC	Advanced Manufacturing Research Centre	FROGS	Financial, Reputational, Operational, Governance and Strategic	OBE	Order of the British Empire
ARAC	Audit and Risk Assurance Committee	GBS	Government Banking Service	OCONUS	Outside Continental US
ASLC	Accrued Superannuation Liability Charges	GHG	Greenhouse Gas	OEM's	Original Equipment Manufacturer
ATE	Automatic Test Equipment	GIS	Guaranteed Interview Scheme	PCSPS	Principal Civil Service Pension Scheme
BATCIS	Bowman and Tactical Comms And Information Systems	GPSS	Government Pipeline and Storage System	PIDA	Public Interest Disclosure Act
BACS	Bankers Automated Clearing Services	HIA	Head of Internal Audit	PSyA	Principal Security Adviser
BCP	Business Continuity Plan	HM	Her Majesty's	P&RR	Performance & Risk Review
CE	Chief Executive	HMRC	Her Majesty's Revenue & Customs	PUS	Permanent-Under Secretary
CETV	Cash Equivalent Transfer Value	HMT	Her Majesty's Treasury	RAF	Royal Air Force
CIPD	Chartered Institute of Personnel and Development	HOCS	Head Office & Commissioning Services	RENCO	Remuneration & Nomination Committee
CMAT	Classified Material Assessment Tool	HR	Human Resources	REME	Royal Electrical and Mechanical Engineers
CMI	Chartered Management Institute	HVLV	High Voltage Low Voltage	RDF	Refuse Derived Fuel
CI	Continuous Improvement	IAS	International Accounting Standards	RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
CO2	Carbon Dioxide	IFRS	International Financial Reporting Standards	RFI	Request For Information
CO2e	Carbon Dioxide Equivalent	ILM	Institute of Leadership and Management	SOCI	Statement of Comprehensive Income
CSPS	Civil Service People Survey	IPR	Intellectual Property Rights	SCS	Senior Civil Servant
CyDR	Cyber Defence and Risk	ISO	International Organization for Standardization	SDA	Submarine Delivery Agency
DARA	Defence Aviation Repair Agency	ISS	Information System Services	SHE	Safety, Health & Environment
DD	Defence Digital	IT	Information Technology	SME	Subject Matter Expert
DE&S	Defence Equipment and Support	JPO	Joint Programme Office	SSSI	Sites of Special Scientific Interest
DECA	Defence Electronics & Components Agency	JV	Joint Venture	SSSL	Sealand Support Services Limited
DESA	Defence Equipment Sales Authority	KPIs	Key Performance Indicators	SSG	Security Services Group
DIA	Defence Internal Audit	L&D	Learning & Development	STEM	Science, Technology, Engineering and Mathematics
DIO	Defence Infrastructure Organisation	LPG	Liquid Petroleum Gas	TEPL	Test Equipment Production Line
DoD JPO	Department of Defence, Joint Program Office	MBA	Master of Business Administration	TU	Trade Unions
DSEI	Defence & Security Equipment International	MHCA	Modified Historical Cost Accounting	VAT	Value Added Tax
DSG	Defence Support Group	MJDI	Management of the Joint Deployed Inventory	UK	United Kingdom
DSOP	Director of Sponsorship and Organisational Policy	MOD	The Ministry of Defence	UAS	Unmanned Air Systems
DSTL	Defence Science & Technology laboratory	MRO&U	Maintenance, Repair and Overhaul and Upgrade	ULEV	Ultra-low-emission vehicle
DTP	DECA Transformation Programme	MyCSP	My Civil Service Pension	US	United States
DWP	Department for Work and Pensions	NAO	National Audit Office	WIP	Work in Progress
ERP	Enterprise Resource Planning	NED	Non-Executive Chairman/Director	XCR	Executive Compliance Review
FIFO	First In First Out Basis	NHS	National Health Service	XMB	Executive Management Board
FRem	Financial Reporting Manual	NSPCC	National Society for the Prevention of Cruelty to Children		



**General enquiries**

Defence Electronics and Components Agency  
MOD Sealand  
Welsh Road  
Sealand  
Deeside  
Flintshire  
CH5 2LS

[decainfo@deca.mod.uk](mailto:decainfo@deca.mod.uk)  
[www.gov.uk/deca](http://www.gov.uk/deca)

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