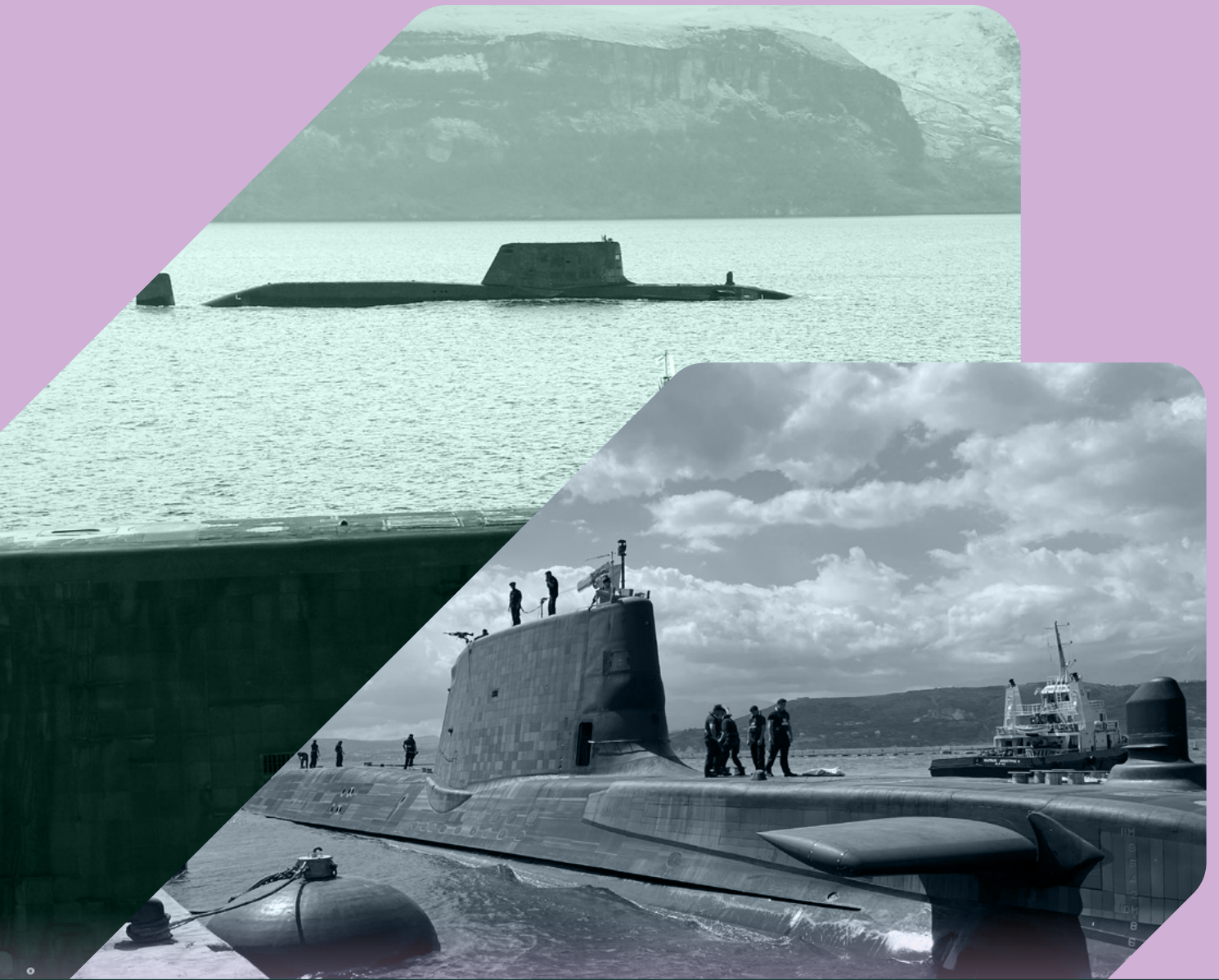




Submarine
Delivery Agency

Annual Report and Accounts 2021-22



Submarine Delivery Agency

Annual Report and Accounts

2021 -22

For the period 1 April 2021 to
31 March 2022

Presented to the House of Commons pursuant to section 7 of the
Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 19 January 2023



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ISBN 978-1-5286-3813-5
E02832526 01/23

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

Design by SDA Creative
Reference: SDA-22-017
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2021-22 highlights



In-service support

- Awarded contracts worth £140m to Babcock Marine for infrastructure design and enabling works to support Astute Class submarine maintenance at His Majesty's Naval Base (HMNB) Devonport.
- In conjunction with Defence Equipment and Support (DE&S), awarded four further contracts to Babcock Marine under the Future Maritime Support Programme to provide ongoing support at HMNB Clyde and Devonport, Plymouth.
- Matured a data-driven approach to in-service support enabling us to optimise submarine availability.
- Completed the removal of low-level radioactive waste from a third decommissioned submarine to time and cost.



Acquisition

- HMS Audacious, the fourth boat in the Astute Class of submarines, was formally commissioned on 23 September 2021 in a ceremony at HMNB Clyde in Faslane, following the successful completion of sea trials.
- Astute Class Boat 5, Anson, launched at the BAE Systems (BAES) shipyard in Barrow-in-Furness in April 2021, and successful completion of its first trim (test) dive in March 2022.
- Received all 12 missile tubes for the First of Class Dreadnought submarine, at the BAES shipyard – a significant milestone within the Dreadnought submarine build programme.
- Delivered infrastructure upgrades at both the BAES shipyard, and Rolls-Royce site at Raynesway, Derby, sustaining good progress in the construction of the Dreadnought programme.
- Awarded two contracts, each worth £85m, to BAES and Rolls-Royce to deliver design and concept work for a Submersible Ship Nuclear (Replacement) (SSN(R)) submarine programme.



Developing the SDA

- Following collaborative work across the Defence Nuclear Enterprise, we developed a comprehensive understanding of the impact of COVID on our business. We have continued to adapt to changing circumstances, using hybrid working to deliver from office, site and home environments, and simplifying and streamlining our processes, thereby improving business effectiveness.
- We undertook an internal review to understand whether the SDA's purpose remained appropriate, whether our governance and partnerships remain effective, and what could be learnt from experience gained to date. This review confirmed that the SDA role and purpose as a delivery agent remained valid and reflected best practice. It identified that there is a strong sense of commitment to a common purpose and a clear understanding of the urgency and importance of delivery.



Supply chain

- Through our supply chain risk programme, we collaborated with our Prime Contractors (BAES, Babcock Marine and Rolls-Royce) to actively monitor supply chain risk and resilience, maturing our approach through the year and incorporating improvements in our management of cyber risk.
- Our Tier 1 strategy work has continued to embed. There has been significant work in year on the strategy with Babcock Marine, seeking to progress our long-term collaborative relationship. We worked to ensure coherence with wider MOD Strategic Partnering Programme initiatives.

Chair's introduction

by Jonathan Simcock, SDA Chair



This report focuses on performance during financial year 2021-22. The Agency was overseen by Rob Holden as Chair of the SDA Board until September 2021 when I took over from Rob on an interim basis. Following a competitive recruitment process, I was confirmed in post in June 2022. Once again, the year was overshadowed by the Coronavirus pandemic, which impacted every aspect of the design, build and support of Royal Navy submarines. Undeterred, our staff maintained their focus on delivery, and all aspects of the Agency's business were maintained throughout the year. I thank our people for their dedication through what remained unprecedented times. With the lifting of restrictions, we have reviewed the learning from working through COVID and have continued in many areas with hybrid working, concentrating on delivery, regardless of location. We are learning how we can work more agilely away from the office, and how we can simplify and streamline our processes to improve business effectiveness.

2021-22 was a sound year for the SDA, despite the pandemic, we have continued to provide available and capable submarines to maintain the United Kingdom's Continuous at Sea Deterrent (CASD) and supported the Royal Navy in delivering its vital national security role. The newest submarine, HMS Audacious, was delivered to the Royal Navy, and the Astute, Dreadnought and SSN(R) programmes have made sound progress against their plans to design and deliver future submarines. In particular, Dreadnought Delivery Phase 3 represents the next and largest phase of the programme and will run until the First of Class, HMS Dreadnought exits the Barrow-in-Furness shipyard. We have also progressed investment in the UK's future submarine infrastructure on the Clyde and in Devonport. Our programme of work is growing and enduring. This year the workforce grew by over 300 people in line with our programme of acquisition and in-service work.

During the period of this report, and ahead of our fifth year of operation, an internal stocktake was conducted to review the Agency within the wider Defence Nuclear Enterprise (DNE). The aim was to understand whether the SDA's purpose remained appropriate, whether its construct, interfaces, governance and partnerships were effective, and what could be learnt from experience gained since the organisation was established in 2018. The stocktake confirmed that the construct reflects best practices for major complex delivery challenges and that, across the DNE, all those involved share a strong commitment to a common purpose, and a clear understanding of the urgency and importance of delivery. Recommendations from the review focused on the importance of all organisations in the DNE working effectively together to deliver our shared objectives, including building collaborative relationships, reducing duplication across organisational boundaries, and strengthening the role of the SDA Board.

Our business priorities have been updated to ensure that as we mature as an organisation, we continue to improve our delivery and grow our capabilities. For example, there are opportunities to simplify our processes and ways of working. With these opportunities in mind, the Board endorsed the Executive's three improvement 'head marks' – People and Capability, Simplification and Collaboration.

Since September 2021, I have led the SDA Board in its strategic oversight and governance of the Agency. As well as meeting regularly as a Board, we have engaged with industry partners and visited a number of our sites. We have seen first-hand the successes and challenges being experienced in our programmes, and challenged and supported the Executive team, our people and industrial partners, as well as colleagues across the DNE, as they strive to deliver for the Royal Navy.

Finally, as this report for 2021-22 is being finalised, Ian Booth has left his role as CEO SDA. On behalf of the Board, I would like to thank Ian for his exceptional service. He has led the Agency on a journey from its creation as a new Arm's Length Body through to the professional delivery Agency we see today.

As we look to the future, I was pleased to welcome Vice Admiral Sir Chris Gardner KBE as Ian's successor. I know he will continue Ian's drive towards our vision of being a leading a high-performing industrial enterprise that delivers safely, securely and more effectively every year.

Jonathan Simcock
SDA Chair



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Chief Executive Officer's statement

by Sir Chris Gardner KBE, Chief Executive Officer and Accounting Officer



Performance overview

The aim of the overview section is to provide information on our organisation: our purpose and how we have performed during financial year 2021-22.

The SDA was set up to strengthen the procurement, in-service support and disposal of the UK's nuclear submarine programmes. This is a challenging role that we are proud to deliver for the nation, working closely with colleagues across the Defence Nuclear Enterprise (DNE), in particular the Defence Nuclear Organisation and Navy Command – and have remained focused on working towards our vision of leading a high-performing industrial enterprise to deliver the UK submarine capabilities safely, securely, more effectively and cost efficiently. Across our programmes, every day counts, and so we have continued to strive for closer relationships with our industry partners, coupled with performance that will provide our customers with the capabilities they require.

This report is set against a backdrop of the COVID pandemic and the complexities caused by the necessary restrictions and adaptations in working practices. Despite these testing

times, we continued to deliver our core outputs across our build and in-service programmes, providing capable and available platforms for the Royal Navy. Our response during COVID, and that of our Industry partners remains well regarded in the Department and we are especially proud of the resilience our people have shown; continuing to deliver in the complex circumstances. Though the restrictions in the UK have now been lifted, and the Agency – in line with the rest of MOD – is now working under “Living with COVID” guidance, our focus has been and remains on safe and effective working wherever our people are located.

Supporting the Royal Navy to meet CASD remains our priority and financial year 2021-22 saw a number of significant achievements across the through-life management cycle of the capabilities we provide. Through planned improvement work, we have established a data-driven approach to in-service support

enabling us to drive towards a step change in submarine availability; this will not be a quick journey and sustained effort will be needed to embed and optimise improvements. Working with Babcock Marine and the Royal Navy, we have also learned many lessons through planned and emergent maintenance work and have identified innovative ways to address similar issues going forward. Successful joint working throughout 2021-22, has ensured that Enterprise-wide commitment remains strong to enable us to continue safely delivering Vanguard's planned period of deep maintenance and refuel work. Risks and challenges, however, resulting from capacity and capability reductions at HMNB Devonport and Clyde due to COVID, as well as periods of industrial action at HMNB Clyde, fully tested this shared resolve but identified where we can further adapt our ways of working to sustain the important outcomes the Royal Navy needs from us to sustain operational requirements. Along with colleagues in DE&S, we awarded 4 contracts to Babcock Marine under the Future Maritime Support Programme to provide ongoing support at HMNB Clyde and Devonport.

We were particularly proud to see HMS Audacious, the fourth boat in the Astute class, being formally commissioned on 23 September 2021 in a ceremony at HMNB Clyde, following the successful completion of sea trials. This closely followed the launch of Astute class Boat 5, Anson, in April 2021 at the BAE System's shipyard in Barrow-in-Furness.

Excitingly, Anson, successfully completed her first trim (test) dive in March 2022 as the financial year came to a close. Looking at the Dreadnought submarine programme, despite earlier procurement challenges due to quality shortfalls across the supply chain resulting in delayed delivery, we have now received all 12 missile tubes for the First of Class submarine, HMS Dreadnought. In addition, despite the effects of COVID and challenges in some parts of the supply chain, the Dreadnought programme continues to remain within overall budget and on track for HMS Dreadnought, to enter service in the early 2030s. This is a critical time for the Dreadnought programme, the securing of approvals of the delivery phase 3, with investments valued at over £2 billion awarded as part of the overall MOD Dreadnought equipment programme soon afterwards, reaffirms the SDA's role in this national endeavour. With the SSN(R) programme gathering pace, and two contracts each worth £85m awarded to BAES and Rolls-Royce to deliver design and concept work for a future class of Royal Navy submarine, we are excited not just to be supporting the Royal Navy today but preparing for the future.

Recognising historical challenges around Defence Nuclear Infrastructure, we have seen notable progress made in the last period. At Barrow, and Rolls-Royce's site at Raynesway, we have overseen the completion of major infrastructure upgrades and at HMNB Devonport, we awarded contracts worth £140m to Babcock Marine for infrastructure

design and enabling works to support Astute Class submarine maintenance. These improvements establish a sound pathway for both the build and support of the UK's submarine capabilities.

We have remained focused on our work at the end of the submarine life-cycle with work to mature our approach to submarine dismantling continuing to time and cost. In January 2022, following some initial delays due to COVID, we completed the removal of all low-level radioactive waste from Revenge and in February 2022, Repulse entered the dry dock at Rosyth to commence its low-level radioactive waste removal.

Alongside delivering submarine capabilities, we are determined to grow and develop as an Agency. Our capability is enshrined in our people, and we have continued to focus on obtaining the right people and skills to deliver our growing portfolio and the planned ramp up of major areas such as the Dreadnought Programme; sustaining the required recruitment activities has been a major achievement, noting how the UK labour marketplace has remained a competitive environment for technical, project management and business enabling skills. To further enhance our culture and organisational capabilities, we have introduced a range of learning and development activities, including a new mentoring scheme to support professional and personal growth, to bring to life our SDA code and show how we are developing the Agency as a high-performing organisation that is an exciting and rewarding place to work.

As the marketplace adjusts to the UK's current and future business needs, we recognise that we will need to sustain these efforts if we are to both attract and retain the skilled and talented workforce we need to deliver our programmes.

Overall, we have made sound progress throughout the period of this report. We delivered through the second year of the COVID pandemic and by working collaboratively with colleagues across the DNE, we have shared our learning, insight and innovations to robustly and quickly address emerging challenges. Ultimately, we have remained focused on our vision and supporting our people, whilst ensuring that the SDA continues, as part of the wider defence organisation, to help deliver the UK's strategic deterrent. While this is an outcome in which we can all be proud, as the new CEO, my aim is to build on these strong foundations and to set a course over the next five years, that will increase confidence in our performance, further strengthen a 'one team' culture across the DNE and ensure that the SDA is a trusted delivery agent for defence.



Sir Chris Gardner KBE
Chief Executive and Accounting Officer
16 January 2023

Chief Finance Officer's report

by Bruce Martin, Chief Finance Officer



Throughout the period covered by this report we have seen a year with continued challenges, as the UK started to emerge from the peak of the COVID pandemic. Our key focus remains on working across the DNE to improve delivery of submarine capability to our customers as efficiently and effectively as possible. At the heart of this has been our work to grow an inclusive organisation with the skills and capabilities needed to support our technically complex and nationally important programme of work and we have continually focused on improving our internal processes and controls.

Performance against our measures of corporate delivery (our Key Performance Indicators or KPIs) has continued to be positive through the second year of the COVID pandemic as we have continued to adjust our ways of working, while maintaining a strong collaborative effort jointly with our customers and industry partners. Through this, outputs have been maintained and our monthly Performance Committee has ensured programme delivery remained on track while

providing the opportunity for regular and open review of progress with our stakeholders. These engagements also facilitated early intervention to resolve emerging issues as required.

Equipment plan

During the last financial year, we have continued to work closely with our customers and industry partners prioritising resources to achieve the best outcome for defence. This has been key to our success given the global backdrop against which we operated. Through funding delegated to us by our customers – primarily DNO and Navy Command, we spent £4,223m supporting submarine capability and availability. This represented a 15% growth in the portfolio versus the prior year and is in addition to the 11% growth we saw the year before. This sustained growth in the programme represents a significant challenge for the DNE, but collectively we successfully delivered 0.4% under the overall budget.

Looking longer term we continue to see an increase in the programme as we invest in the nuclear infrastructure needed to support the construction, maintenance, and subsequent safe disposal of our submarine fleet, alongside progress with future programmes such as Submarine Submersible Nuclear Replacement (SSN(R)). To deliver and sustain improved value for money for our customers, we continue to work with our industry partners to identify opportunities and have over £2bn worth of efficiencies embedded in our forward plans.

Operating costs

This period, we spent £201m on the operating costs of the Agency, a small increase on last year but below the budget for the financial year as we looked to grow against the backdrop of a highly competitive labour market. We continue to invest in entry level talent alongside the development of existing colleagues throughout their careers, as we concentrate on the ongoing maturation of our professional skills base (Engineering, Finance, Commercial, Project Management and Controls, Logistics, Information Management and Technology, HR, and Corporate Services). Over time, this will enable us to build a sustainable and resilient organisation that is equipped to manage the scale and complexity of the submarine programme.

Our future ambition is for an SDA workforce that ensures we use specialist skills across the DNE to effectively manage peaks and troughs of programme activity. We will continue

to use Workforce Substitutes and Private Sector Support, where it represents best value for Defence and enables delivery of our programmes to cost and time. Longer term, we see that there will be a continued need to augment the Agency capacity and capability with these resources to support programme delivery.

Outlook

Looking forward to 2022-23, our focus remains on working with our customers and industry partners to ensure the successful delivery of a complex portfolio against an uncertain economic backdrop. This will undoubtedly present significant additional challenges, but sensible prioritisation of resources and investment in enabling activities now will enable successful delivery of the programmes in the future.

We will continue to drive improvements in the way we support our customers, ensuring a clear focus on managing risks to programme delivery. In support of this we will be:

- focusing on working towards the implementation of best practice project management tools including Project, Programme and Portfolio (P3M) Release 4. This will give us a far more integrated approach to project delivery and will introduce expanded functionality such as Approvals/Cost Management, Change Management and Reporting providing greater transparency and clearer accountability

- introduction of the Project Delivery function, which will draw together existing Project Management and Project Controls functions into a single area focused on delivery in collaboration with our customers, suppliers, and industry partners
- growing our cost estimating and cost engineering capability to better support our programmes, through partnering with the MOD Cost Assurance and Analysis Service on their Estimating Capability Development Scheme to grow the skills and capabilities needed for the future

Like the SDA Chair and CEO, I am proud of what we have achieved over the last year and the collaborative way we work across the DNE to deliver for Defence. We have a complex portfolio to deliver and challenging economic backdrop against which to do this. However, we have an excellent foundation on which to build and an exciting opportunity to continue to deliver year-on-year improvements, as we drive hard to deliver the programme and provide best value for the taxpayer.

About the SDA

Defence purpose

To protect the people of the United Kingdom, prevent conflict, and be ready to fight our enemies. We are prepared for the present and fit for the future.

SDA vision

Our vision is to lead a high-performing industrial enterprise to deliver submarine capability safely and securely and more effectively every year.

SDA purpose

In supporting the MOD to meet its overall purpose, the SDA has key areas of delivery. This is set out in our purpose which is to:

- maintain CASD by safely delivering available, capable, and reliable in-service submarines and systems
- lead the design and construction of all new UK submarines and, working with our customers and suppliers, bring them into service as effectively and efficiently as possible
- manage the delivery of the nuclear infrastructure needed to support the submarine fleet, including maintenance operations and new construction
- safely dispose of the UK's submarines that are no longer in-service
- ensure that we retain and develop the submarine technology base such that it meets our future requirements and retains our capability advantage

- support and fulfil our roles in international partnerships
- develop a sustainable industrial base for the Submarine Enterprise that is able to support all requirements efficiently, sustainably, safely and securely

We will deliver value for money across all our programmes through achieving an optimal balance of time, quality, safety and cost.

Who we are and what we do

The SDA is an Executive Agency of the MOD. We were established in April 2018 with the intent to strengthen the procurement, in-service support and disposal of the UK's nuclear submarine programmes, which are some of the most complex programmes in the world. Working together with our two primary customers, the DNO and Navy Command Headquarters (NCHQ), ensures we deliver our common goals and meet the nation's defence and security requirements. With our customers, we form the core of the DNE, which is made up of programmes, equipment and people, within the MOD and Industry, that all work together to design, produce and maintain submarines and nuclear warheads. Additionally, they ensure the right estate, people and support are in place for the success of the enterprise, enabling it to deliver the UK's strategic deterrent.

The SDA has some of the nation's most experienced defence nuclear experts in our workforce, as well as highly professional and

experienced civilian and military personnel across a range of functions such as engineering, project management, project controls, finance and commercial. We are continually growing this capability by improving and developing our skills in these areas. We deliver assured capabilities to the Royal Navy that are essential to the delivery of CASD. Our people are at the heart of our success, and we focus on creating the environment and conditions to enable them to deliver the best outcomes for defence. We also work alongside Defence Equipment & Support (DE&S), which provides some of the equipment on which submarines depend.

As a delivery organisation for defence, our focus is on operations alongside our Royal Navy customer at HMNBs Clyde and Devonport, and with our key suppliers BAES, Rolls-Royce and Babcock Marine across the UK. Most of our workforce is located at Bristol, from which it supports the work undertaken at other defence and industry sites. In the United States (US) we work with our colleagues in the US Department of Defense.

What we deliver

To achieve our vision and purpose, we undertake a range of acquisition, in-service support, infrastructure, disposal and business programmes of work. Our actions are vital to the Royal Navy's ability to meet its defence

commitments. Further information on how we deliver our purpose is provided in our [Corporate Plan \(2020-2023\)](#).

Our values

In 2020-21, we launched the SDA Code which brings together our purpose, values and behaviours. We remain committed to developing the SDA to be a high-performing organisation that is an exciting and rewarding place to work. We have immense pride in ensuring that all our people – regardless of job, grade or function – role model behaviours that support our strong diversity and inclusion (D&I) ethos.

This means that we understand our core values and aim to live these daily. These are:

- **we support** – we are committed, inclusive and thrive on teamwork
- **we deliver** – we are accountable, open and sincere in all that we do
- **we aspire** – we are ambitious, trustworthy and proud of what we achieve together

The SDA Code helps our people, our industry partners, and those considering working in the SDA to understand our values and ways of working. It also ensures that our people can see how our values support and link to the Civil Service values and standard of behaviour as set out in the Civil Service Code¹.

¹ The Civil Service Code can be accessed at: <https://www.gov.uk/Government/publications/civil-service-code>.

SDA structure

Our corporate framework

As an Executive Agency, the SDA is part of the DNO as a Top-Level Budget area of the MOD and our Chief Executive Officer (CEO) receives their delegations and operating expenditure (OpEx) from the Director General Nuclear. The Defence Nuclear Organisation acts as the Departmental Sponsor for the SDA and engages on our business performance.

Our programme of work is agreed and set out in Submarine Acquisition and Support Plans (SASPs), which are our formal agreements with each of our customers. These capture the equipment, support and services that we will acquire on our customers' behalf, for what budget and to what timescale, and describe the outputs against which our teams will deliver. Our Sponsor monitors our delivery progress, and primarily measures our performance using our KPIs, which underpin our purpose.

The financial statements at Section 3 have been prepared in accordance with the accounting boundary agreed with the MOD, which delineates between the SDA operating activities reported in our financial statements and equipment procurement/support activities that are reported in the MOD Resource Account. More information regarding the

accounting boundary is set out in note 1.2 of the Financial Statements. The SDA prepares accounts under the Financial Reporting Manual (FRM) issued by HM Treasury and observes the standard financial processes and rules set out by the MOD Director General Finance as the Defence Authority.

Operating as an Executive Agency

As an Executive Agency of the MOD, we have a strong governance structure to manage our business in line with delegations afforded by the Department, which are flowed to us through the DNO's Director General Nuclear. We have also been allocated management freedoms, including those delegated by HM Treasury and the Cabinet Office, which allow the SDA to manage all aspects of our workforce as necessary to meet our business needs within our operating cost budget.

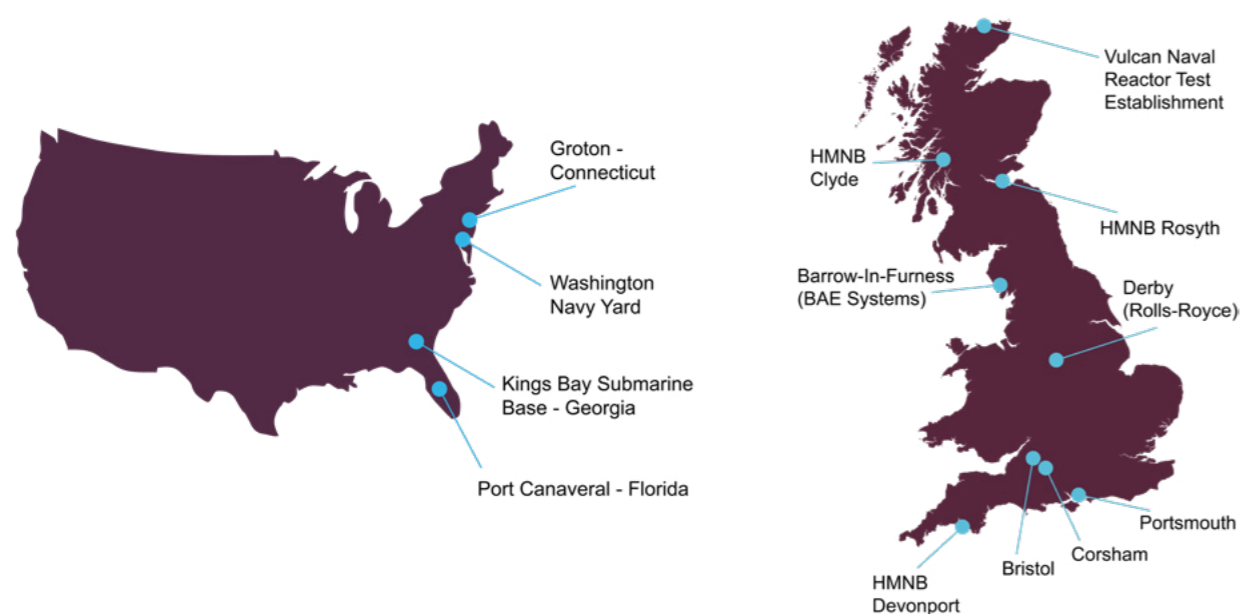
We are overseen by the SDA Board, which operates under the provisions of a Framework Document approved by the Secretary of State for Defence. Accountability for SDA activities rests with our CEO. Further information on our governance is provided in Section 2.

How we are organised

We are led on a day-to-day basis by the CEO and their Executive Team. As the most senior leaders of the SDA, the Executive Team manages the running of our business and leadership of our civilian and military workforce to ensure timely and cost-effective delivery of our customers' requirements. Further information on the roles and responsibilities of our Executive Team is provided in Section 2.

Our highly skilled workforce is located across the UK and with the UK's allies overseas. A strong focus on the delivery of critical defence capabilities to our customers is a central feature of our organisation. As such, most of the SDA's personnel are positioned in teams working on the acquisition or support of new and in-service submarines. These business areas focus on the outputs laid out in the SASPs with our customers.

Our enabling teams: Finance, Commercial, Corporate Operations, HR and Information, Security and Resilience (ISR) are vital in ensuring that resources and business management systems, including safety and security, operate effectively and efficiently. While employees work in delivery or enabling teams, they all have a functional 'home', for example engineering or project management, which facilitates and upholds professional standards across the SDA. This organisational set-up ensures that we are agile in our decision-making, deploying the right skilled personnel into the right business areas as required.



Our strategy – developing how we deliver for defence

The SDA operates a long-term business. Our programmes are enduring to ensure the Royal Navy gets the best support it requires over the next fifty years and beyond. Since the Agency's establishment, we have worked closely with our customers to shape the DNE, while working on common goals to achieve the nation's submarine defence requirements. We have strengthened and invested in our organisational capabilities and focused on the effectiveness and efficiency of several programme areas (such as the Dreadnought Alliance and the availability of the in-service flotilla) to improve current and future delivery. To be truly successful in the long-term, we will need to work across the DNE to ensure our approaches are aligned to the national endeavour that is CASD.

We remain committed to realising the ambitions set for the SDA of becoming a high-performing

Executive Agency and an employer of choice. Empowering our people in an agile environment and culture so that they can focus on what really matters will be key to our collective success.

To assist our people in delivering our purpose, we have ensured there is a clear line of sight between what we do and how we measure and communicate our performance. Our Corporate Plan sets out some of the important activities we will focus on to ensure that we deliver Defence's priorities and that our performance is effectively managed, measured and delivered. On the grounds of security and commercial sensitivity, we have withheld details of our programme plans, milestones and KPIs. This information is held within Government, and we are held responsible for our corporate and programme performance using a range of monitoring, reporting and review processes and fora.

Our strategy – linking our purpose, what we do and how we will develop for defence

Delivering the UK’s submarine capabilities:

SDA purpose link	Key work areas	SDA lead	Key performance indicator (KPI)
Maintaining CASD	Delivering today’s capable and available submarines through in-service technical authority provision, combat systems and maintenance delivery.	Director Submarine Support	Performance against the in-service support programme provides an overview of our confidence in the programme. These KPIs provide an overview of the health of the in-service programme including associated systems.
Construction of new submarines	Delivering future submarine capabilities through delivery of the Astute, Dreadnought and SSN(R) programmes.	Director Submarine Acquisition	Performance against our acquisition programmes provides an overview of our confidence in the programmes. Assessed against delivery of the strategic milestones on time and cost, the KPIs provide an overview of the health of the acquisition systems.
Nuclear infrastructure	Effectively operating and maintaining facilities at HMNB Devonport, as well as the development of new facilities to meet future requirements.	Technical Director/Chief Strategic Systems Executive (CSSE)	These KPIs will track progress with delivering the programme of work to support nuclear infrastructure requirements in support of the submarine programme. These KPIs provide an overview of the health of the programme to sustain submarine infrastructure now and in the future.
Safely disposing of the UK’s submarines	Actively managing the UK submarine nuclear legacies through defuelling activities at Devonport and dismantling services at Rosyth.	Technical Director/CSSE	Performance against the agreed programme of activities will provide confidence that we are making progress in developing our submarine disposal process, including the safe defuelling and maintenance of submarines that have left service.

Growing the SDA’s capabilities:

SDA purpose link	Key work areas	SDA lead	Key performance indicator (KPI)
Submarine technology and capability development	Provision of expert advice on safety, technical standards and future technology exploitation.	Technical Director/CSSE	These KPIs will check that the SDA is retaining our capability advantage as well as embedding a culture that achieves continuous improvement in safety through a robust and consistent application of processes and the development of lessons learned.
International partnerships	Delivery of Strategic Weapons Systems, Trident programme coordination and coherence, and fulfilling our roles in the 1963 Polaris Sales Agreement and 1958 Mutual Defence Agreement.	Technical Director/CSSE	While we are focused on supporting and fulfilling our role in international partnerships, as our work is part of wider Departmental activities, we do not have a specific KPI on this area.
Submarine Enterprise industrial base development	Ensuring industry delivers sustainably, safely and securely through supplier and supply chain development as well as better contracting.	Commercial Director	KPIs in this area will help us review the SDA’s relationship with industry and the supply chain to effectively and cost-efficiently deliver for the SDA’s customers.

Enabling SDA delivery	Enabling SDA Delivery through Financial and Project Controls.	Chief Financial Officer	These KPIs assess how we maintain and improve our financial and project controls. It includes measures as to whether the SDA is successfully delivering realistic financial forecasting accuracy and stability.
	Enabling SDA delivery through governance, HR, and resourcing, as well as security, accommodation management, communications and engagement.	Director Corporate Operations	In assessing the SDA's management and delivery of its corporate performance, we include KPIs such as ensuring that the SDA has the right people, with the right skills in its core workforce, and has an increasingly diverse and inclusive workforce. It also tracks that the SDA achieves continuous improvement in security management and culture through robust and consistent application of processes and the development of lessons learned.
	Focussing on becoming a world-class delivery agent and great place to work through improving performance and enabling effectiveness.	Deputy Chief Executive Officer	In recognition of the SDA's ambition to be a high-performing Executive Agency, this KPI area will assess how we are improving our internal performance and delivering our business improvement and development initiatives.

In reviewing progress on this development journey, we draw on feedback from our people, including the annual People Survey and leadership engagement events across our sites. These provide a rich source of information about what is working well in the SDA and where we might need to focus further action; additional information can be found in the “Engaging our people” section on page 23. We continue to involve colleagues across the Agency in such follow-on activities and in providing regular updates to our people demonstrating that we listen, care and will work together to improve the SDA.

Making the SDA a great place to work: diversity, inclusion, health and wellbeing

The SDA is dedicated to the creation of a diverse and inclusive organisation and to supporting the health and wellbeing (H&WB) of our people. During 2021-22, we built on the successful interventions we put in place to mitigate the effects of the COVID pandemic.

Diversity and Inclusion (D&I) remains a key part of the SDA people strategy and we are determined to create an environment where everyone is respected and can contribute fully to our success. Overseen by the D&I Steering Group, consisting of senior D&I champions from across our Agency and HR and functional specialists, our D&I Action Plan has driven our in-year programme of work, the highlights of which include introducing a mutual mentoring programme, introducing D&I Voice Events and establishing Fair Treatment Ambassadors within the Agency. Our staff networks and senior leaders have also continued to produce blogs, run events, workshops and discussion groups in support of national and international inclusion events. We have also sustained delivery of our bespoke SDA Respect and Dignity in the Workplace mandatory workshop, across the SDA, helping colleagues identify, understand and call out negative behaviours in the workplace.

To underline both our immediate priorities and the importance of our long-term approach,

we refreshed our H&WB Strategy and Action Plan during 2021-22, with a particular focus on mental health, supporting each other whilst working from home and the visibility and accessibility of support services. It sets out our commitments to our people and details our expectations, principles and focus on wellbeing for future years.

Following success of our Agency-wide mentoring programme, we introduced a mutual mentoring scheme, starting with a pilot to ensure we optimised best practice from similar public and private sector schemes. Our aim was to connect colleagues who identified as women, LGBTQ+, disabled, from an ethnic minority background or those who regard themselves as coming from a lower socio-economic background and to aid leadership and personal learning through the sharing of personal and career experiences.

Our pilot started in October 2021 and eight out of the ten partnerships have clearly thrived and continue to develop as their mentoring relationship continues. Using qualitative and quantitative feedback, we have recently measured the success of the pilot against our aims and are pleased to say it has been an extremely positive response. Some members have said they have gained a greater understanding of what it is like to be ‘in someone else’s shoes’, and are embedding and sharing their new learning. Others said they now appreciate the organisational context of culture and have insight into senior leaders’ perspectives.

With endorsement from the D&I Steering Group, we are working on next steps which will include a full launch of the scheme later in the financial year 2022-23. We are keen to engage more people from our Waterfront sites and see more partnerships flourish across the Agency. We will also be looking to evolve and mature the scheme using the shared knowledge of participants, plus formal evaluations against the scheme's aims and objectives.

Further information on our diversity, inclusion, and H&WB work can be found within the remuneration staff report sections on page 80.

Working with industry: our commercial improvements

During 2021-22, we prepared some of the largest and most ambitious contracts ever let by the SDA. The Dreadnought Alliance worked collaboratively across MOD and colleagues across Government to successfully secure the Dreadnought Delivery Phase 3 (DP3) approval at the turn of the financial year, with investments totalling over £2Billion being announced soon afterwards. We also supported Future Maritime Support Programme (FMSP) Lot 3 for Submarine Engineering Support, as well as a number of critical Infrastructure, Platform Equipment and Nuclear Propulsion contracts.

We have continued to actively monitor supply chain risk and resilience. Our approach continues to mature and we have incorporated

improvements in our management of cyber risk. Our collaborative approach ensures we are acting as one enterprise – the DNE – and managing our collective resources optimally. We worked proactively with 35 suppliers in our resilience programme. We managed significant Mergers and Acquisition activity over the year working across Government to make sure the UK submarine requirements were reflected and continued to be met by our supply chain. Our Supplier Management approach was recognised at the prestigious Chartered Institute of Procurement and Supply (CIPS) Excellence in Procurement Awards, where the SDA won Best Approach to Risk Mitigation.

Our Tier 1 strategy work has continued to embed, with a fruitful sequence of Board to Board meetings held with Rolls-Royce and BAES. There has been significant work on the strategy with Babcock Marine, seeking to progress our long term collaborative relationship through greater alliancing. We continue to work to ensure coherence with Front Line Command strategies and wider MOD Partnering Programme initiatives.

Engaging our people

The annual Civil Service People Survey gives our people the opportunity to highlight where they think we are doing well and where we need to improve.

79% of our people completed the 2021 survey. Although lower than the 92% achieved in 2020,

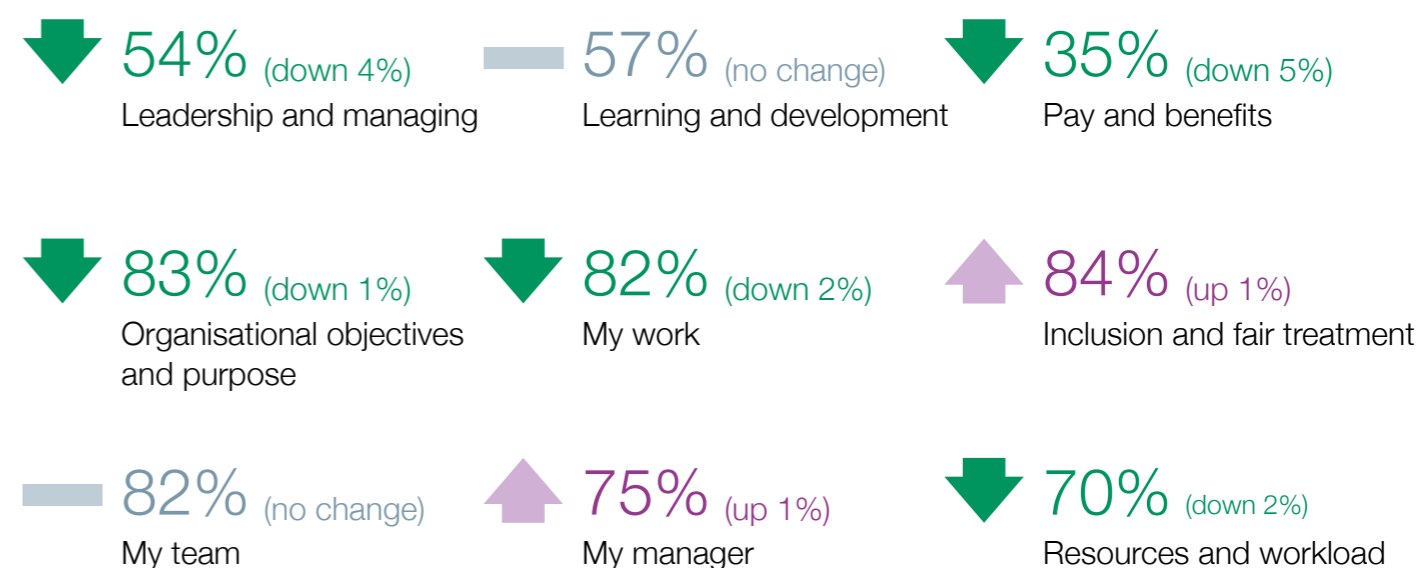
it was still the highest response rate achieved across the Ministry of Defence.

Due to the on-going pandemic and Government pay freeze, we anticipated a decline in our scores this year. However, our overall engagement index, which is calculated as the average score across five questions measuring pride, advocacy, attachment, inspiration and motivation, remained relatively stable, with a very slight 1% shift downwards from 64% to 63%.

We saw mixed results across the core themes. There were minimal shifts of between one to two points decrease across My Work, Organisational Objectives, and Resources and Workload, with more significant shifts in Pay and Benefits and Leadership and Managing Change (down five and four points respectively). There were no changes to Learning and Development and My Team

scores, and we saw slight improvements in My Manager and Inclusion – both up by one point. Positively, we also saw decreases in Discrimination and Bullying and Harassment (both down by two points), and improvements in Personal Wellbeing and our Proxy Stress Index. These are areas supported by strategy initiatives including the introduction of our mandatory Respect and Dignity in the workplace events to reinforce the values and behaviours set out in our SDA Code, ensuring we are looking after our people and offering a range of support mechanisms, and helping our managers to develop their skills and better understand their responsibilities

Our highest scoring areas again show the connection our people have with the purpose and objectives of the Agency and their work, and the strong sense of team working across the organisation.



While our scores remain lower in the areas of pay and benefits, learning and development, and leadership and managing change, we saw significant increases across all three, demonstrating that our efforts in those areas are having a positive impact. Pay and benefits rose slightly by 4% (to 40%), learning and development by 8% (to 57%) and in leadership and managing change, where we evolved our approach to leadership engagement during COVID through more regular communications and virtual events, our score improved by 13% (to 58%).

Although our results compare well with those across MOD, we recognise there is still more we can do to build on our year-on-year improvements, to reinforce our position across all nine theme areas and to increase overall engagement and achieve our vision of being a high performing team. We are working to achieve an engagement index to rival Civil Service Benchmark scores. Having assessed feedback through our annual People Survey, our SDA 21 initiative and team discussions, this has helped us to identify where we need to improve. To help support retention and recruitment, we are changing our approach to reward to address our people's concerns

over pay and we are doing more around career development and growth, providing a range of professional and personal development opportunities to help our people develop their skills and capabilities. We continue to drive towards an inclusive culture and through our business improvement activities, and our proactive approach to continuous improvement, we are focusing on the changes we feel will make a real difference. This includes providing the IT, information and support that will help us embrace more hybrid working as well as identifying opportunities to simplify what we do and how we do it.

As we continue to develop our leadership culture, we have been promoting the benefits of mentoring as a widespread business tool. In January 2021 we launched our mentoring programme. Mentoring enables us to nurture talent through sharing professional knowledge and experience. While we formally track the benefits of the mentoring and learning schemes managed by the Agency, we are proud that alongside such development opportunities, many of our people mentor and support colleagues' learning through other MOD, cross-Government and professional association schemes and channels.



Performance summary reporting on COVID-19

In spring 2021, as the Government set out its roadmap for the easing of COVID restrictions, we undertook work to collate the learning from remote working practices and set out recommendations regarding how we might operate in the future. Drawing on parallel work undertaken by MOD Head Office, as well as conclusions drawn in the wider private sector, we recognised that operating remotely has worked well for our business and our people and there will be significant benefits for continuing to work more flexibly, but with additional consideration for security and safety. As we moved into financial year 2021-22, a programme of work was launched to focus on the business and cultural changes required within the SDA to adopt a more sustainable hybrid working model, where our people will work both at home and in the workplace with the balance being determined by personal preferences and business information risk.

Most colleagues have been working remotely for the majority of the Covid pandemic. During financial year 2022-21, as national and local restrictions and policies were adapted, our people have greater use of our sites and it is customary practice to use a balance of on-site collaboration, hybrid meetings, or working from home to achieve business outputs. Senior leaders have empowered our workforce to make informed choices about where they choose to work. We have put our people at the heart of our 'smarter working' approach, and this includes a focus on ensuring everyone is

treated with the same level of respect, fairness, consistency, and inclusivity – regardless of whether they are working on site or remotely. The physical and mental health and wellbeing of our people is at the heart of both our smarter working and people strategies, and as part of our ongoing commitment to keep our people safe we have regularly refreshed and built on the strong guidance, initially provided during the lockdown period, to help our people look after and support each other.

At the start of financial year 2022-23, and in line with the Government's 'Living with COVID' guidance, our focus has been on the continued improvement to both on site and remote working. Physical changes include redesigning our office environments (including adjustable desks, collaboration zones, and meeting pods); the provision of new portable IT; and of the supply and fitting of new office-based IT such as docking stations and dual monitors. Most meeting rooms are furnished with equipment to support blended meetings, including television screens, speakerphones, and charging outlets.

As an organisation we are making sound progress towards embedding Smarter Working but recognise there is more to do as we go forward. Discussions continue at the team level on how, in practical everyday terms, smarter working will operate, and how floorplate layouts, furniture and IT solutions can be offered to meet smarter working requirements.



Performance analysis

Our programme of work is agreed with our customers and set out in our SASPs on an annual basis. Our supporting approach to performance management and analysis within the SDA strives to continuously improve the decision-making capabilities across the Agency, while also maximising our opportunities for successful delivery of our portfolio of activities. The performance analysis capability is delivered across the Agency and feeds into a corporate level summary for review in the monthly SDA Performance Committee. These reports are then shared as part of routine Departmental reporting procedures with our Board, Sponsor, customers, and other senior MOD stakeholders.

In setting our KPIs for 2021-22, we drew on private and public sector experience to re-structure our suite of indicators to ensure that they provided an optimum focus across the different elements of our corporate performance. Our revised approach for the financial year has seen us report corporate performance against 11 KPIs, which are underpinned by 29 Internal Performance Indicators (IPIs) that map across all elements of our SDA Purpose.

Our KPIs are endorsed by our Board and Sponsor, and subsequently agreed with the Secretary of State for Defence.

Further information is also provided in Section 2's Governance Report. As noted on page 51, on the grounds on security and commercial sensitivity, we have withheld details of our

programme plans, milestones and KPIs/IPIs. For the purposes of this report, we have provided an overview of our performance against the same themes as our strategic objectives.

Maintain the Continuous at Sea Deterrent (CASD)

There are five SDA IPIs underpinning KPI 1 measuring the performance of our Support Programmes. These focus on in-year delivery of the agreed NCHQ programme of work and availability of submarine platforms for undertaking operational tasking.

The Support Programme maintains the in-service submarine platforms so that they are ready for defence taskings, including CASD. The IPIs that measure and analyse availability of submarine platforms for undertaking Royal Navy operational tasking were amended from financial year 2020-21 to better reflect requirements. The year remained challenging for SSN delivery, not least due to COVID and industrial action, but CASD was maintained throughout the year in line with Royal Navy operational requirements. Our work included direct contribution to the Carrier Strike Group deployment to the Indo-Pacific and other international commitments.

Against this backdrop we maintained our availability improvement focus, including improvements to waterfront delivery, equipment reliability as well as infrastructure availability, completing the first full year of our programme

to optimise our maintenance and support programmes to improve how we deliver. This included maturing a data-driven approach to in-service support, embedding Asset Management principles and taking a through-life approach to equipment, system and platform management to optimise submarine availability. Central to this data-driven approach is coordinating activity across the support enterprise to realise value from assets and achieve operational objectives.

Construction of new submarines

There are five SDA IPs underpinning KPI2, measuring the performance of our Acquisition Programmes. These focus on in-year delivery of the agreed programme of work and overall cost and schedule adherence for our Astute and Dreadnought Class build programmes.

The Astute Programme consists of seven nuclear attack submarines. Prior to 2021-22, the programme has already delivered HMS Astute, HMS Ambush, and HMS Artful into-service with the Royal Navy, with work on Audacious, Anson, Agamemnon, and Agincourt to complete. During the period of this report, the fourth of class, HMS Audacious, completed her sea trials in mid-2021 and is now operating in-service for the Royal Navy. The fifth of class, Anson, also reached a significant milestone this year following her launch in April 2021, by successfully completing her Basin Dive in March 2022. The commissioning efforts on Anson continues at pace, working towards an exit from the Barrow shipyard later in 2022

to allow the boat to commence her sea trials Boat 5 was commissioned into the Royal Navy on 31 August 2022 and will exit the Barrow-in-Furness shipyard later in 2022 for her new home at HMNB Clyde where she will prepare for sea trials. Construction on Agamemnon and Agincourt continues as scheduled. The SDA remains committed to delivering all Astute Class submarines from Barrow-in-Furness by the end of 2026.

Within the Dreadnought Programme, construction work has continued with First of Class, HMS Dreadnought, remaining on track to enter service in the early 2030s and build of the second of class, HMS Valiant, also well under way. The Dreadnought Alliance worked collaboratively across MOD and with wider-government colleagues to successfully secure the Dreadnought Delivery Phase 3 (DP3) approval at the turn of the financial year, with investments (valued at over £2bn) being committed soon afterwards. DP3 represents the next key and largest phase of the programme, which will run from Spring 2022 through to the exit of HMS Dreadnought from the Barrow shipyard. DP3 aims to ensure the programme focuses delivery of the submarines in build, using effective risk management to maintain critical schedule performance.

As previously reported, production and delivery of the Missile Tubes (MT) to form part of the Common Missile Compartment have been subject to quality shortfalls across the supply chain resulting in their delayed delivery. All 12 missile tubes for HMS Dreadnought have now

been delivered to the BAES Barrow shipyard, a significant milestone in the delivery of the programme. We continue to support our US colleagues in working with their US and UK suppliers to ensure future missile tube deliveries continue in a timely manner to support the Dreadnought programme.

The timely completion of planned investments – the regeneration of Core Production Capability (CPC) facility at Rolls-Royce Raynesway site and the Primary Build Facility at BAES' Barrow shipyard are important enablers for the Dreadnought Programme. The first phase, which provides the means to manufacture new reactor cores is on course for completion. The second phase will facilitate the production of nuclear fuel, and design efforts continue, incorporating lessons from the first phase of regeneration. Phase 2 will be conducted in line with industry best practice and approval for funding of construction will be sought from HM Treasury when a mature design is available.

The Primary Build Facility comprises two main facilities (buildings D58 and D59), a linked group of buildings within which the fabrication of the submarine reactor pipework and the assembly of the reactor is carried out, together with supporting office and welfare facilities. Building D59 is now complete and became an operational facility in July 2021. Building D58 is progressing in line with a revised planned schedule and activity is on-going to alleviate the increased costs outlined in the National Audit Office report published on the 10 January 2020 covering defence nuclear infrastructure.

The Dreadnought Alliance has continued to serve as an exemplar model of relationships between MOD and industry, demonstrating how delivery milestones can be (and were) successfully achieved over the year, when parties work together to ensure that 'every day counts'. Despite the positive progress made in-year, the Dreadnought Submarine Programme remains one of Defence's largest and most complex build programmes. We therefore expect that challenges will remain throughout the programme and that we will have to work closely across the DNE to find innovative solutions to ensure we continue to deliver for the Royal Navy.

The SSN (Replacement) Programme

The SSN (Replacement) Programme has now successfully completed the first two years of the programme definition and design phase, progressing design work to identify potential capability solution choices.

Submarine Build Capability Contract

In March 2022, the SDA entered a new long term portfolio arrangement with BAES – the Submarine Build Capability Contract (SBCC). The SBCC will enable the SDA to work with BAES to manage the Barrow shipyard as a strategic national asset, ensuring it is fit for purpose to enable the design and build of cutting-edge nuclear submarines through to the 2050s.

Maintain nuclear infrastructure

There is one holistic corporate KPI measuring the performance of SDA delivered Submarine Infrastructure, aligned to the timely delivery of customer agreed SASP milestones. The MOD continues to make progress on the recommendations made by the Public Accounts Committee (PAC) in their Defence Nuclear Infrastructure report of 13 May 2020. The MOD accepted the report's findings and continues to take steps to ensure lessons are learned and implemented to mitigate against similar experiences in the future. This area, therefore, remains a key focus for the Agency as it is essential to support submarine maintenance activities and drive submarine availability. Delivery in this area has been sustained throughout the pandemic, albeit remote working and on-site resource constraints have undoubtedly had an impact on collaborative working and delivery pace. Likewise, timely investment decision-making and historic resourcing and financial constraints, are challenges that the SDA continues to address with customers and industry partners.

Safely disposing of the UK's submarines

Aligned to our work on submarine infrastructure, there is one corporate KPI measuring the performance of the disposal of the UK's submarines aligned to the timely delivery of customer agreed SASP milestones. Good progress has been made in the Submarine Dismantling Project with limited in-

year impact from the pandemic. Key work on preparation and demonstration of dismantling solutions are examples of achievements in this area. This programme of work demonstrates the MOD's commitment to operating as a safe and responsible nuclear operator by safely dismantling and disposing of out-of-service nuclear submarines. Further information on our Submarine Dismantling Project can be found on page 42.

Following delivery of an internal change programme in April 2021, we moved our defuel, decommissioning and disposals activities alongside the Devonport Infrastructure Team, creating a single team - Submarine Disposals and Devonport Infrastructure – to provide dedicated leadership focus on both of these key business areas.

Develop submarine technology and capability

We have continued to work hard to ensure we retain and develop the submarine technology base such that it meets our future requirements and retains our capability advantage. As part of this we have sustained delivery of concept designs to improve the UK's capability in the underwater battlespace. In addition, the Engineering & Safety Directors Forum (ESDF), which is formed from Engineering & Safety Directors from across the Submarine Enterprise, established several workstreams aimed at simplifying safety and engineering, including one that has achieved an agreed set of Product Safety Liability Principles. These

will improve understanding of platform safety responsibilities across the SDA and our key industrial suppliers. Finally, we have developed an Organisational Optimisation pilot, as well as establishing a Lean Cell, which initiated key process improvements. The corporate KPI measures the timely delivery of SASP milestones in this area of which the SDA achieved the required level of performance for the reporting year.

Develop the Submarine Enterprise industrial base

Through our supply chain risk programme, we collaborate with our Prime Contractors (BAES, Babcock Marine and Rolls-Royce) to actively monitor supply chain risk and resilience, maturing our approach through the year and incorporating improvements in our management of cyber risk. We have actively monitored significant Mergers and Acquisition activity over the year working across Government to make sure the Submarine requirements are reflected and continue to be met by our supply chain.

Our Tier 1 strategy work has continued to embed, with a regular sequence of meetings held with Rolls-Royce and BAES. There has been significant work in year on the strategy with Babcock Marine, seeking to progress our long-term collaborative relationship. We have also worked to ensure coherence with wider MOD Strategic Partnering Programme initiatives.

Enabling SDA delivery

There are six corporate KPIs, supported by 18 IPIs, measuring the development of the SDA. These focus on the availability of SDA personnel and the maturity of our approach for long-term sustainability of our organisation, including our finance, safety and security management systems alongside the implementation of our internal Change Programme.

Our capability is enshrined in our people, and we have continued to focus on obtaining the right people and skills to deliver our increased portfolio. Through 2021-22 the SDA has increased its staffing to 95% of its affordable limit, with a net growth of over 11%, reflecting a major achievement in the face of an increasingly competitive recruitment market following the relaxation of COVID restrictions. We have an improving understanding of what people and skills we need to deliver our outputs, and work continues to refine this, forecast our future requirements and deliver those needs.

We also improved in the maturity of safety and security models achieving our targets and ensuring the SDA remains a safe and secure Agency. We also achieved 94% of our improvement actions in-year, as work to make the SDA a rewarding, enjoyable and stimulating environment continues and we strive to attract and retain highly skilled workers. Our efforts remain focused on ensuring we continue to achieve our ambition to a high-performing

delivery organisation that facilitates the best performance from both our own colleagues as well as our industry partners.

Our response to COVID remains well regarded in the Department, our vital outputs have been sustained throughout and we are especially proud of the resilience our people have shown; continuing to deliver in the most challenging of circumstances for most of the reporting period. Though the restrictions have now been lifted, and the Agency, in line with the rest of MOD, is transitioning to working under “Living with COVID” guidance, our focus has been and remains effective and productive working wherever staff are located.

In summary, our final KPI position was reasonable overall, however, challenges from the ongoing COVID pandemic and Industrial Action at the start of the financial year meant that, as described, we did not perform as well across all areas of our business and we will need to continue to push on with our improvement strategies to achieve both programme and organisational goals.



Safety, environmental protection, climate change, sustainability and security



Safety and environmental protection

Introduction

Our vision is 'to lead a high-performing, industrial enterprise to deliver this capability safely and securely, and more effectively and cost-efficiently every year,' and, as a result of international events since early 2020, the safety, security and H&WB of our people is as important now as ever and continues to remain at the core of everything that we do. Across the SDA we are championing clear leadership, management and assurance systems that engage our people, keeps our people safe, assures that products and facilities are demonstrably safe and prevents harm to the environment. The sub-sections below explain how we are doing this.

Safety management

At the end of financial year 2021-22, the SDA assessed itself against MOD Safety Assurance Standards at a substantial assurance level. This means that processes are repeatable and consistent, and management can effectively understand and control the "as-is" through metrics and indicators. Furthermore, management can identify ways to adapt the process for particular projects, without measurable losses of quality or deviations from specifications. The position has been agreed by the two principal regulators for SDA activities: Defence Maritime Regulator (DMR)

and Defence Nuclear Safety Regulator (DNSR). Activities have been undertaken during the year to address weaknesses within this period.

To ensure we meet our regulatory requirements we have, throughout the year, continued to mature our management arrangements through the issue of new or updated processes such as Risk Management and Management of Change and other areas pertaining to UK health and safety legislation.

We continued to report against our set of Safety Performance Indicators building on best practice established since the Agency was established. By the end of March 2022, we sustained our overall position against 2020-21 performance status.

Safety culture

Throughout 2021-22 we have continued to work hard to enhance our safety culture across the SDA. Changes to the Government's COVID advice and associated restrictions throughout the period meant that we have had to adapt our approach to delivering a positive environment and improving our safety culture, actively engaging our people in new and different ways. October 2021 saw the first ever hybrid Enterprise-wide Submarine Safety Symposium, on the theme of 'Submarine Sustainability and Sustainable Submarines focusing on: Leadership – Innovation – Collaboration'. The event was originally due to be hosted by Babcock in Glasgow, but uncertainty over UK-wide pandemic restrictions

meant that a decision was taken early in 2021 to move the event online. As October 2021 approached, COVID restrictions relaxed sufficiently to allow for the establishment of 'Hubs' at participating organisations around the country. This enabled participation either in person or online, enabling the event to be attended by a larger cohort than ever before. A wide variety of speakers contributed to the symposium and the feedback received indicated that the event significantly raised awareness in the area of sustainability. Learning from the symposium will be used to inform the format of future events.

We have continued to offer 'Learning is From Experience (LiFE)' sessions on a variety of topics. The sessions normally run on a monthly basis, with the exception of during Learning at Work Week in May 2021, where we offered daily sessions.

The 2021 annual Safety Culture Survey saw a reduced response rate compared to the 2020 survey (55% from 66%). This year's results indicate that the SDA has an overall average score of 3.90 (Managing, Calculative, Bureaucratic) against the Hudson Parker model of Safety Culture. Across the areas covered in this model, there is continued evidence of a 'plateauing' of scores, with only one area, 'Commitment to Improve', showing an increase on last year's results. Feedback generated from the survey has identified a number of recommendations for improvement. The overall action plan will be managed and led centrally but other actions require increased

line management focus on safety and process improvement. Support will be provided to Team Leaders and line managers so that we can share best practice across the Agency.

The Sixth Cycle of Submarine Enterprise Peer Review of Safety Culture started successfully at the turn of the financial year but was then 'paused' due to lockdowns and ongoing COVID restrictions. By November 2021 restrictions had relaxed sufficiently to allow a limited programme of Peer Reviews to be undertaken, the results from which will inform specific actions around how the Agency manages its health and safety responsibilities. A full programme of Peer Reviews is planned for 2022-23 to ensure that we identify best practice and address challenges across the Submarine Enterprise.

Occupational health and safety

During 2021-22, we worked hard across the Agency to complete our planned refresh of Occupational Safety, Health and Environment (OSHE) arrangements and ensure these were fully established in SDA's Safety Management System. In parallel to the production of these OSHE arrangements, we developed and rolled out a series of updated training packages to aid our sites and teams in communicating the revised arrangements. We also finalised development of our new methodology and tools to collate OSHE information. These will enhance the way that we collate safety KPI data and support internal assurance activities.

Environmental protection

The SDA remains committed to its duties of assurance, guidance, and delivery of environmental management arrangements and significant progress has been made in developing the corporate Environmental Management System (EMS) to conform to the ISO 14001 Standard. To reflect our key areas of responsibility and role in developing environmental protection and sustainability across the Submarine Enterprise we focused performance improvements across the following areas.

Air emissions and controlled gases

The SDA led workshops with MOD-wide stakeholders, including DE&S and the Royal Navy, to enhance the efficiency and accuracy of Fluorinated Gas data collection from the submarine flotilla and ensure the SDA meets its reporting obligations.

Biofouling, anti-fouling systems and ballast water management

In collaboration with the international experts at Plymouth Marine Laboratory, the first of its kind biofouling survey of an in-service submarine was carried out at HMNB Clyde, to determine the condition of fouling on the hull. Further surveys are scheduled, which will be fundamental in informing the risk assessment of the hazard of introducing invasive non-native species to UK waters.

Climate change resilience, Net Zero Carbon (NZC) and sustainability

Since the Agency was established in 2018, we have worked to improve our arrangements in sustainable procurement via the development of a Sustainable Procurement Strategy and supporting delivery plan. The SDA's position on NZC has also been strengthened via the release of the NZC Scoping Report and NZC Strategy, which outline the organisation's commitments and contributions to the UK Government and MOD's ambitions to achieve 'Net Zero' by 2050.

Environmental Management Systems (EMS)

During the last financial year, a full Environmental Management Review of the corporate EMS against ISO 14001 and the Defence Maritime Regulator's Risk Control Systems was conducted. The outcome has been a comprehensive action plan to bring together improvement workstreams.

Compliance obligations

The SDA Environmental Legislation Register has evolved into the SDA Compliance Obligations Register and features were re-designed to align more closely with ISO 14001 requirements. A programme of work has started to populate the SDA's compliance arrangements so that we demonstrate fulfilment of statutory and defence obligations, supported by revised Safety Processes to assist our project teams in effectively managing such compliance obligations.

Environmental risk assessment

During the year, the SDA's Environmental Risk Management Board (ERMB) completed its initial review of strategic environmental risks. A programme has now been established to ensure sufficient controls and mitigations are in place against each identified risk.

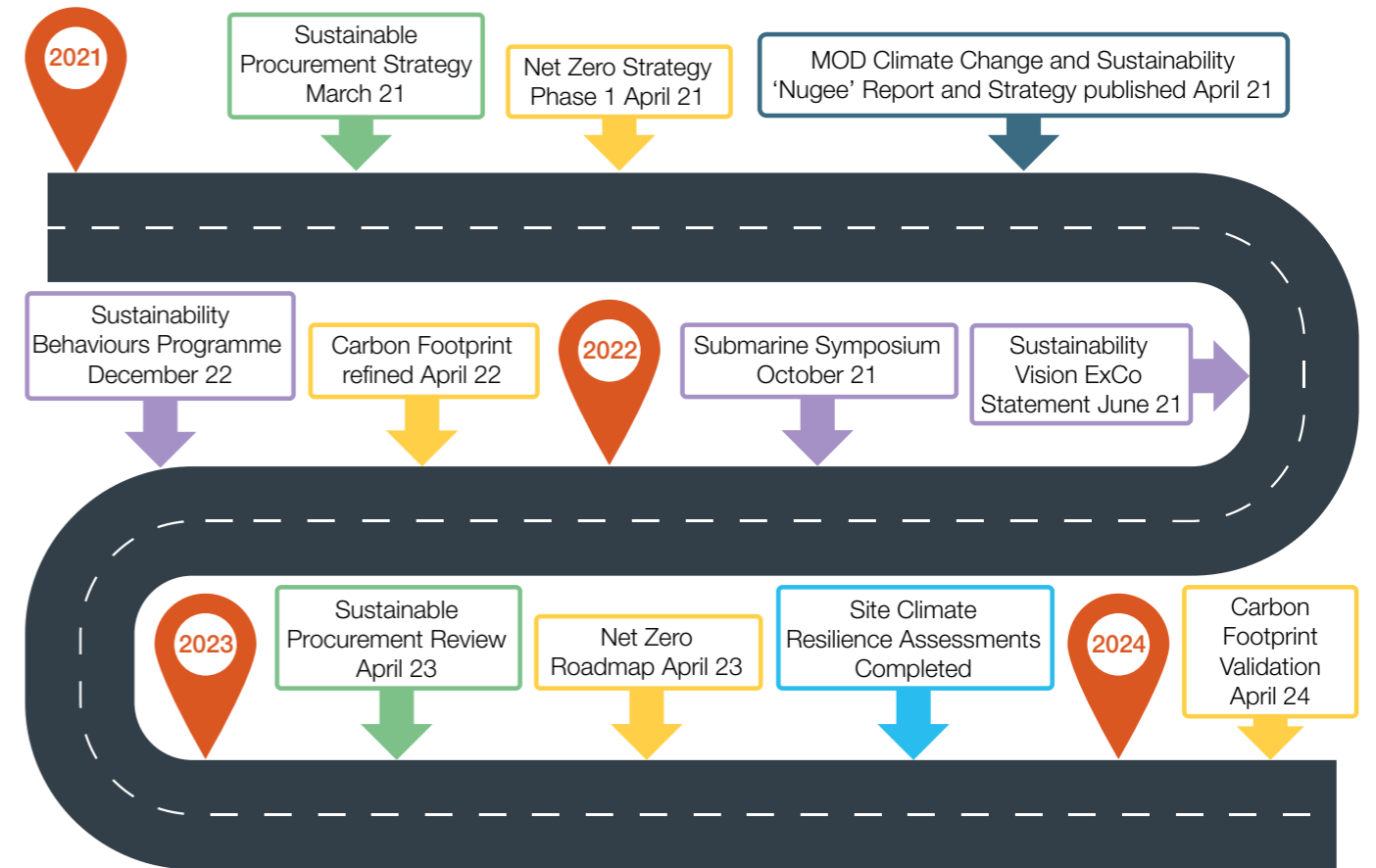
Hazardous Substances and Restricted Materials (HS&RMs Management)

The SDA's Restricted Materials Working Group has continued to maintain the SDA-wide Restricted Materials Tracker. This Tracker has been used to carry out spot checks on the status of compliance within our teams for HS&RM present in submarine equipment.

Resource Management and Critical Raw Materials (CRM)

The SDA's Integrated Waste Strategy identifies the waste streams for SDA products, activities and services. New Supply Chain Guidance and Questionnaires have been produced and issued across the Agency, to facilitate project teams' acquisition of CRM and HS&RM data from suppliers of equipment. The data collected is improving the SDA's overall understanding of its obligations and actions required to ensure sound through-life management of materials.

SDA sustainability roadmap



Engagement and behaviours

The period covered by this report saw the SDA holding engagement events, such as the World Environment Day, a World Oceans Day, and a sustainability focused submarine symposium (supported by Worldwide Fund for Nature (WWF UK) and the Institute of Environmental Management and Assessment (IEMA). Working with DE&S, we carried out an environmental survey, the results of which continue to support our future plans and activities.

Submarine dismantling project

We remain committed to the safe, sustainable, environmentally responsible and cost-effective defuelling and dismantling of all our decommissioned submarines. Building on the successful phases of dismantling, developed over the last six years, in total we have removed 129 tonnes of mainly metallic Low-Level radioactive Waste (LLW) from submarines Swiftsure and Resolution. A third submarine, Revenge commenced LLW removal work in

late March 2020 and while the impact of COVID initially caused some delays, the removal of all LLW including several large LLW components was completed on time in January 2022; In February 2022, a fourth submarine, Repulse, entered the dry dock at Rosyth undergoing its LLW removal. Our sustained commitment to this programme demonstrates that continuous improvement in cost and quality is being realised between successive submarines. To date, the Submarine Dismantling Project has completed over 900,000 hours working without a lost-time accident or environmental incident.

Plans for the decommissioning of Astute, Dreadnought and other future classes of submarine will be developed in the future.

HMNB Devonport infrastructure

Working closely with our customers and industry partners, particularly Babcock Marine who own and operate Devonport Royal Dockyard, the role of the SDA infrastructure projects at Devonport is to conduct the forward planning and programme management of these facilities to ensure planning coherence across the Submarine Enterprise. Programmes have continued at pace during 2021-22 with progress on the three approved projects as follows:

- Submarine Waterfront Infrastructure Future (SWIF) – conversion of 10 dock and a 5-basin berth, which together will form the facilities for deep maintenance projects on Astute Class submarines. Following completion of safety case and on-site

survey works, the dock and berth projects are in the design phase, however, significant physical works are now transforming the Devonport site to enable and de-risk the construction phase, including building demolition, site clearance and construction logistics planning

- Fleet 22 – the upgrade of 15 dock to produce an enduring fleet time docking facility for Astute Class submarines. Following design and on-site survey assessments, physical work has now commenced on site. Additionally, capability for a Hydrostatic Barrier has been integrated into the schedule in line with safety case requirements for the enduring capability ahead of the first docking
- Defuel 23 – the completion and commissioning of the nuclear defueling facility in 14 Dock to facilitate the defueling of PWR1 (Swiftsure and Trafalgar Class) decommissioned submarines. Inactive commissioning of the PWR1 defueling facility is well advanced. In addition, dock and enabling facility surveys to scope the supporting works necessary to commence and sustain PWR1 defuel operations are nearing completion

Security

During 2021-22, our security culture across the SDA has continued to strengthen, supported and overseen by the SDA Security Committee. The maturing of security governance and assurance remains at the heart of the organisation. The SDA remains committed

to the smooth transition and implementation of new security policies that address out top security risks. To enable this activity, the SDA operates a core central Security Team supported by Project Security Officers, Branch Security Officers, key industry partners and the DE&S Principal Security Advisor. As a key player in the Defence Nuclear Enterprise, the SDA also manages a range of work packages at an enterprise level, supporting security and management practices across the DNE, and managed through the DNO Security Resilience Board and Enterprise Security Working Group.

The 2021-22 security assurance cycle focused on previously identified areas for improvement to assess progress on the actions and recommendations. Our assessment shows that key areas of risk were addressed and significant improvement in security compliance and culture was realised. A range of external security audits were also undertaken during this period confirming that SDA performance in the Security arena was above that of our MOD peers. Our Security KPI was strengthened in year as we strive for continuous development and this further drove improvements, reducing security risk and strengthening our already strong security foundations. We have undertaken further alignment of the Strategic Security Risk with our KPI and Assurance activities and this has resulted in the KPI for 2022-23 being developed further.

Security education and awareness remains a core pillar of our security culture. The SDA General Security Threat Brief was updated to incorporate current trends in both security incidents and risk. The monthly SDA Security Moment and regular Security Summary continue to be shared with our people providing timely advice and guidance on security trends or emerging threats and are also periods of reflection where Learning from Event (LfE) has been identified from security incidents. We continue to record and analyse security incidents and near misses, allowing for the identification of trends, patterns, and generation of remedial or preventative actions. Those trends are also overseen and tracked by both the Security and Executive Committees.

During 2021-22, we have advanced our understanding of business resilience, generating new portfolio risk and mitigation strategies. This has led to the publishing of nine new policy and guidance documents representing a holistic management structure in which resilience risks can be recorded, analysed, and managed. In summary, work undertaken throughout the year has enabled our security culture to mature and respond to changes in the national and international environment. Our approach has enabled our people to feel empowered, supported by clear expectations regarding security governance and assurance. Further improvements are embedded in our business objectives for 2022-23.

Looking forward



As we look forward into the next financial year, we will continue our developmental journey as an Agency, learning from experience and aligning our activities with best practice gleaned from both the private and public sectors. 2022-23 is the fifth year of the SDA and we will carry on reviewing our overall strategy to ensure an ongoing clear and coherent view of how we deliver for defence as part of the DNE. Importantly, we retain a strong focus and vision - to lead the safe, secure, and efficient delivery of the UK's submarine capabilities to the Royal Navy. We also maintain a clear line of sight between what we do and how we measure and communicate our performance.

Our Corporate Plan, which is refreshed annually, details our strategic outlook, key programmes of work and highlights some of the improvement activities on which we will focus moving forwards. The SDA operates a long-term business; our order book spans some 50 years. As such we must seek continuous improvement across our programme areas, which span all elements of the through-life cycle, from those early concept and design stages, such as SSN(R) through

to disposals (for example, the Submarine Dismantling Project). While we are focused on building the submarine flotilla of the future, including the Dreadnought Class, we must also continue supporting the Royal Navy of today – the Trafalgar, Astute and Vanguard Classes.

We must also continue developing our organisational capabilities to sustain effective and efficient delivery as part of a Modern Civil Service ensuring we are skilled, innovative and ambitious in our approach; this will ensure that we are playing our part in providing high quality advice to the Government, outstanding service to the public and safeguarding the UK's prosperity and security at home and overseas. Building on the firm foundation of recent change activities, we will move to grow the SDA's capabilities and enhance our ways of working and culture. Our head marks of People and capability, Collaboration and Simplification are at the heart of this approach. Our change and improvement initiatives are linked to these and where we cannot link such initiatives to our plans, or we cannot resource them, we will stop them.

Our headmarks are:



People and capability

- Lead and empower our people
- Develop and reward capability
- Embed future ways of working



Collaboration

- Develop our Enterprise Strategy
- Clarify roles and responsibilities
- Improve our working relationships



Simplification

- Shape our organisational structure
- Streamline ways of working
- Improve Information Management.

In reviewing our progress in developing our capabilities, we will continue to welcome

the feedback from our people, as well as the constructive challenge provided through regular performance reviews with our customers and Sponsor. Where initiatives are not adding value, we will agree a course correction to ensure we remain true to our Vision and head marks. Ultimately, by enhancing our technical, programme and project management skills, working closely with stakeholders and customers, further developing our people strategies and processes, we are building an even better SDA not just for tomorrow but also for today.

Sir Chris Gardner KBE
Chief Executive and Accounting Officer
16 January 2023





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Corporate Governance Report



The Corporate Governance Report outlines the composition and organisation of the Submarine Delivery Agency (SDA), our governance structures, and how these support our purpose. It includes three sections:

- Directors' Report
- Statement of Accounting Officer's Responsibilities
- Governance Statement.

Directors' Report

Management

Details of the SDA Chair and Chief Executive Officer (CEO), and more information on the composition of the SDA Board and Executive Committee, are set out in the Governance Statement, and the Remuneration and Staff Report.

Directorships and significant interests

Members of the SDA Board must declare any other interests they have with current or potential customers or suppliers or, for example, other non-executive positions. A list of declarations of interest are held and Board members have the opportunity at the start of each Board meeting to update the list below.

Name	Declarations of interest
Rob Holden ²	<ul style="list-style-type: none"> • Nuclear Decommissioning Authority – Non-Executive Director • Electricity North West Limited – Non-Executive Director • Northwest Electricity Networks Finance PLC – Non-Executive Director • Electricity North West Capital Finance PLC – Non-Executive Director • Electricity North West Finance PLC – Non-Executive Director • Nuclear New Build (SZC) Limited – Non-Executive Director • London City Airport – Chair • Holden Heights Limited – Director (Personal Service Company providing consultancy) • Pension from the Shipbuilding Industries Pension Scheme (SIPS), now merged with the BAE Systems (BAES) pension scheme

² Rob Holden served as the SDA Chair until 31 August 2021.

Anne Baldock	<ul style="list-style-type: none"> Electricity North West Limited – Non-Executive Director. East West Railways Limited – Non-Executive Director. Restoration and Renewal Authority Limited – Non-Executive Director. Low Carbon Contracts Company Limited – Non-Executive Director³. Electricity Settlements Company Limited – Non-Executive Director⁴. Pantheon Infrastructure PLC– Non-Executive Director⁵.
Annette Hobhouse ⁶	<ul style="list-style-type: none"> Hobhouse Consulting – Director Annette Hobhouse left the SDA board on 30 April 2021
Sir Simon Bollom	<ul style="list-style-type: none"> DE&S CEO⁷ Royal Academy of Engineers – Trustee Owlstone Medical – Daughter’s employer
Jonathan Simcock	<ul style="list-style-type: none"> Sellafield Limited – Non-Executive Director Transport for London – Member of Independent Investment Programme Advisory Group Strategic Advisory services through own company (Nanagon Limited)
Chris Walton	<ul style="list-style-type: none"> Kazmunaygas NC – Chairman MOD – National Shipbuilding Strategy Client Board
Dominic Wilson ⁸	<ul style="list-style-type: none"> International Military Services Ltd – Board Member⁹
Ian Booth ¹⁰	<ul style="list-style-type: none"> Deferred member of the BAES pension scheme. This is a scheme in which BAES is an employing company Newton Europe – Son’s employer
Bruce Martin	<ul style="list-style-type: none"> None
Keith Beckett ¹¹	<ul style="list-style-type: none"> Fusion Technical Advisory Group – Member¹²

³ This Declaration of Interest was removed in July 2021.

⁴ This Declaration of Interest was removed in July 2021.

⁵ This Declaration of Interest was added in November 2021.

⁶ Annette Hobhouse left the SDA Board on 30 April 2021.

⁷ Sir Simon Bollom stood down from his role as DE&S CEO and a Government Non-Executive Director (NED) on the SDA Board at the end of July 2022. On 1 August 2022, following fair and open competition, Sir Simon was appointed as an Independent NED on the SDA Board.

⁸ In June 2022, Dominic Wilson left his role in the MOD and was appointed as Director General at the Northern Ireland Office. In September 2022 he stepped down from the Board.

⁹ This Declaration of Interest was added in February 2022.

¹⁰ Ian Booth left the SDA in September 2022. Keith Beckett will be the Interim CEO, pending the arrival of Sir Chris Gardner KBE as the new SDA CEO on 31 October 2022.

¹¹ Ian Booth left the SDA in September 2022. Keith Beckett will be the Interim CEO, pending the arrival of Sir Chris Gardner KBE as the new SDA CEO on 31 October 2022.

¹² This Declaration of Interest was added in February 2022.

During 2021-22, Ian Booth and Rob Holden served with SDA and were members of pension schemes managed by BAES. BAES is a prime contractor working with the SDA. Notification of this related party has been made through all appropriate channels. There have been no other relevant reported related party transactions.

Personal data related incidents

No personal data related incidents were reported to the Information Commissioner’s Office in 2021-22. Processes implemented across the Agency ensure any incidents suspected of relating to personal data are reported and investigated in accordance with Ministry of Defence (MOD) policy. SDA measurement of maturity against the Data Protection Act 2018 is governed through the SDA Security Committee. We continue to provide advice and guidance to our people throughout the year to drive policy-driven understanding to protect personal information in line with legislative requirements.

Information assurance

The SDA takes all data losses seriously and all security incidents are investigated. During 2021-22, no data losses were identified.

Statement of Accounting Officer Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the SDA to prepare, for each financial year, accounts detailing the resources acquired, used, held or disposed of during the financial year, and a statement of accounts in the form, and on the basis, set out in the Accounts Direction issued by HM Treasury on 23 December 2020. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SDA and of its net resource outturn, application of resources, changes in taxpayers’ equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) 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 judgments and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government FReM, have been followed, and disclose and explain any material departures in the accounts

- prepare the accounts on a going concern basis.

The Permanent Secretary of the MOD, as Departmental Accounting Officer, has designated the CEO of the SDA as Accounting Officer for the Agency's operating expenditure (OpEx). The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable; keeping proper records; and safeguarding SDA assets, as set out in *Managing Public Money*, published by HM Treasury.

As the Accounting Officer I am required to confirm that, as far as I am aware, there is no relevant audit information of which the Department or its auditors are unaware. As the Accounting Officer I have taken all the steps that I should have taken to make myself aware of any relevant audit information and to establish that the Department and its auditors are aware of that information.

I take personal responsibility for this annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

By Sir Chris Gardner KBE, Chief Executive Officer and Accounting Officer

Introduction

I, Chris Gardner, the CEO of the SDA, am responsible for maintaining a sound system of corporate governance and internal control to support the SDA's Purpose and strategic objectives, while safeguarding public funds and MOD assets for which I am personally responsible. Following reviews with the Defence Internal Audit (DIA) team, our Board and our Audit and Risk Committee, and having received sufficient assurances from the outgoing Accounting Officer, Keith Beckett, I conclude that the system of internal controls in the SDA complies with the HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments.

The Governance Statement represents my assurance that, as Accounting Officer, I am satisfied that this document accurately reflects the SDA's financial status and corporate position and that it is adequately controlled through sound financial management, systems, processes and controls.

My assessment has been further reinforced by the DIA's Annual Report for 2021-22. Overall, the DIA gave a 'substantial assurance' audit opinion, based on the results and weighting of the audits undertaken in year and the delivery of associated management actions.

This section of the Annual Report and Accounts will now explain the Governance Structure under which we operate, including providing details of our Board, Executive Team and Committee structure, and associated activities, and the SDA Risk and Control Framework.

Our governance structure

We are overseen by the SDA Board, which operates under the provisions of a [Framework Document](#) approved by Ministers. During financial year 2021-22, the Board was chaired by Rob Holden until 31 August 2021, and then chaired by Jonathan Simcock from 1 September 2021. Following competitive recruitment action, Jonathan Simcock was confirmed as SDA Chair in June 2022.

Ian Booth was CEO of the SDA until September 2022, following which Keith Beckett became acting CEO and assumed Accountability for SDA activities. I was appointed SDA CEO on 31st October 2022, but have been provided with sufficient assurances to sign off the Accounts as the new Accounting Officer.

The Framework Document

The [Framework Document](#) sets out the Secretary of State's requirements for our Agency and our Board. It provides us with the authority to pursue our strategy and the freedoms to manage our business effectively. It also specifies the governance arrangements for the Board and its Chair.

A comprehensive list of the roles and responsibilities of our Board can be found in the Framework Document. The principal roles of the SDA Board are to:

- endorse our strategy and ensure that this strategy is reflected in our Corporate and Business Plans and monitor and assess our performance against our Key Performance Indicators (KPIs) as agreed with the Departmental Sponsor
- provide advice and insight, challenge and support to me as the SDA CEO and our Executive team and hold us to account for delivery of our strategy, the Submarine In-Service Support and Acquisition Programmes and our financial performance
- oversee the financial and operating controls in the SDA and its programmes, ensuring they follow compliance with the delegations afforded to us and the CEO

The Board has a critical role in assuring itself that we are compliant with safety and security regulations and that we have sufficient competence and experience to conduct our nuclear-related support activities.

Departmental Sponsor

The DNO acts as the Departmental Sponsor for the SDA and engages with the SDA Board on our overall performance. They discharge a range of oversight functions including:

- producing the Framework Document, which sets out our Purpose and role, together with the governance policy, financial and human resources parameters that guide our day-to-day operations
- monitoring our performance against our Corporate KPIs including at Departmental review meetings
- engaging with our Board on overall performance
- assisting us in our corporate planning process by providing information about likely policy developments or other changes that could impact performance, including assuring that senior executives' appointments in the SDA are appropriate

The SDA sits within the DNO Top Level Budget (TLB) and my CEO delegations flow from the TLB Holder, Director General Nuclear.

The SDA Executive team

In leading the SDA, as CEO, I am supported by my Executive team. The structure of the team has remained stable in 2021-22, serving to bring focus and ensure that key workstreams are effectively supporting delivery of the SDA's purpose.

Jim Carter was deployed from within the MOD in June 2020 to cover the SDA's Commercial Director role and was confirmed in post in September 2021. Director Corporate Operations, Rachel Baguley, took up a role in MOD Head Office at the end of the financial year, with Ian Craddock replacing her from the start of financial year 2022-23.

Further information on the Executive team is provided on page 67.

The SDA Board

The SDA Board provides the strategic leadership for the SDA in delivering our objectives. It endorses our strategy and recommends approval of the Corporate Plan, Business Priorities Document and KPIs to our Sponsor and Ministers.

The Board also monitors and assesses our performance against our KPIs and oversees the financial and operating controls across the organisation and in our programmes. It provides advice, insight, challenge and support to me and my Executive team.

The Board has a critical role in assuring itself that the SDA is compliant with safety and security regulations and has sufficient competence and experience to conduct activities.

As set out in the Framework Document and associated Terms of Reference, the Board includes the following members:

- the Chair, who is responsible for leading the Board and ensuring it is effective in its overall role
- a maximum of three Governmental Non-Executive Directors (NEDs)
- at least three independent NEDs appointed from outside Government
- the SDA CEO
- the SDA Deputy CEO (DCEO) (as of May 2020)
- the SDA Chief Finance Officer (CFO)
- additional executives as deemed necessary by the Chair, subject to maintaining a majority of NEDs on the Board

Board Membership as at March 2022

- Rob Holden, SDA Chair¹³

Non-Government NEDs:

- Anne Baldock
- Annette Hobhouse¹⁴
- Jonathan Simcock¹⁵
- Chris Walton¹⁶

Government NEDs:

- Sir Simon Bollom (DE&S CEO)¹⁷
- Dominic Wilson (MOD Director General Security Policy)¹⁸

Other members:

- Ian Booth, SDA CEO¹⁹
- Keith Beckett, DCEO
- Bruce Martin, SDA CFO

¹³ Rob Holden left the Board on 31 August 2021.

¹⁴ Annette Hobhouse left the Board on 30 April 2021.

¹⁵ Jonathan Simcock was appointed as the Interim Chair from September 2021 following Rob Holden's departure.

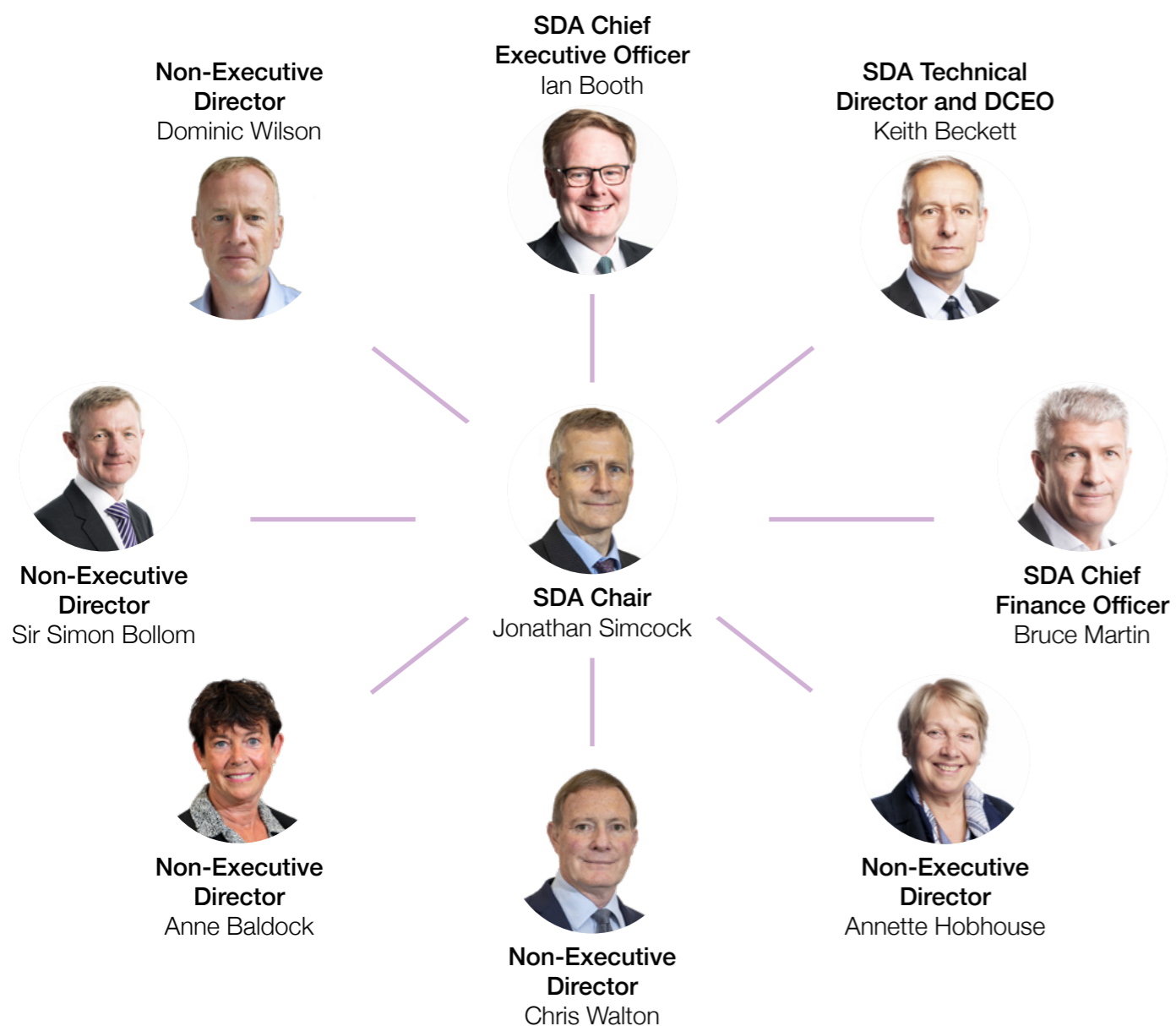
¹⁶ Chris Walton left his role as a Government Non-Executive Director (NED) Director (NED) on the SDA board in June 2022.

¹⁷ Sir Simon Bollom stood down from his role as DE&S CEO and a Government Non-Executive Director (NED) on the SDA Board at the end of July 2022. On 1 August 2022, following fair and open competition, Sir Simon was appointed as an Independent NED on the SDA Board.

¹⁸ In June 2022, Dominic Wilson left his role in the MOD and was appointed as Director General at the Northern Ireland Office. He remains a Government NED on the SDA Board.

¹⁹ Ian Booth left the SDA in September 2022. Keith Beckett was the Interim CEO until the arrival of Vice Admiral Sir Chris Gardner as the new SDA CEO on the 31 October 2022.

SDA Board as at March 2022*



*Following the departure of Annette Hobhouse and Chris Walton and after a fair and open competition, during Summer 2022, David Goldstone, Claire Hall and Martin Spencer were appointed to the Board. In addition, in September 2022, Gursharan Bansal and Air Marshal Richard Knighton were appointed to the Board as Government NEDs.

SDA Board activity as at March 2022

The SDA Board met 12 times during 2021-22 for nine formal Board Meetings, one Away Day and two Industry Engagement Visits.

Name	Number of meetings attended
Rob Holden	4 (4)
Non-Government NEDs	
Anne Baldock	12 (12)
Annette Hobhouse	1(1)
Jonathan Simcock	12 (12)
Chris Walton	11 (12)
Government NEDs	
Sir Simon Bollom	9 (12)
Dominic Wilson	10 (12)
Other members	
Ian Booth	12 (12)
Keith Beckett	12 (12)
Bruce Martin	11 (12)

The figures in brackets indicate how many meetings an individual was potentially able to attend whilst in post during financial year.

In addition, the Board held three separate extra-ordinary sessions to take detailed briefings on specific programme topics or MOD-wide initiatives such as the Future Maritime Support Programme and the SDA Stocktake.

SDA Board processes

The Board Support team, which reports to the SDA Director Corporate Operations (DCO), maintains and operates the processes and procedures affecting the Board. The role includes circulating meeting packs, producing formal minutes and keeping a record of actions and decisions, which are reviewed at every meeting. Other information is distributed to the Board out of Committee between meetings, as required, to keep members informed. The Board takes regular reports from me, the CFO, and the Director HR, as well as monthly updates from key programmes and on overall SDA performance. Papers are prepared and presented by those with the appropriate seniority and expertise on the subject and are evidence-based, ensuring that the information is current, balanced and accurate.

Board performance

By Jonathan Simcock, Board Chair

I took on the role of Chair from Rob Holden in September 2021 on an interim basis while recruitment for a permanent successor was undertaken. I was then appointed to the role in June 2022. Throughout 2021-22 I have led the SDA Board, providing constructive challenge where required and supported the CEO and his Executive team.

During 2021-22 our focus has been on effective delivery of the SDA's programme of work and continued improvement in the Agency's corporate performance. For a large part of the year, we continued to adapt, influenced by the impact of COVID, and we have been prioritising the health, safety and well-being of the Enterprise's workforce, to ensure delivery of the SDA's programmes.

As a Board, part of our role is to support the Executive team in their management of the Agency's complex programme of work. To do this, we have furthered our understanding of programme successes, challenges and risks as much as possible, engaging with SDA staff and industry partners.

Looking at specifics, in the second half of 2021-22, we restarted our regular schedule of engagements with our Tier 1 industry partners, with visits to HMNB Devonport in November 2021 and BAES at their Barrow shipyard in March 2022. This was a welcome

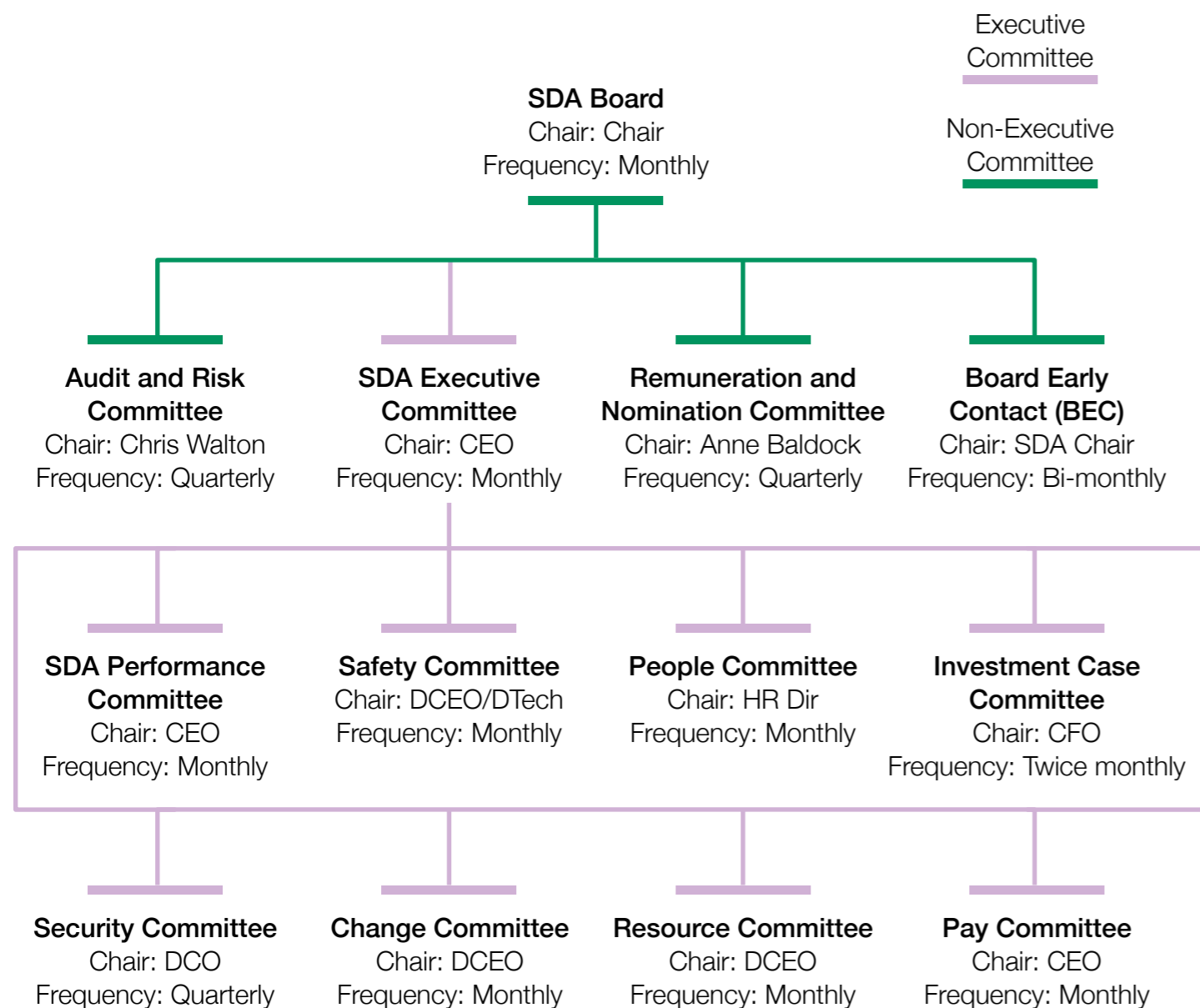
opportunity to reinvigorate our review and support of relationships with industry following a prolonged period where only virtual engagement was possible due to the pandemic. We have worked closely with our Sponsor within the DNO, developing KPIs for 2021-22 and providing input as required into governance issues. Board members have also sought feedback from our Sponsor and customers, including through the MOD Performance and Risk Reviews and non-executive committees, such as the SDA's Performance, Audit and Risk, and Safety Committees.

With this increased and joint understanding, our independent Non-executive Directors have been better placed to share their expertise and advice, thereby supporting first-hand issues of the day as well as bolstering relationships across the DNE. Finally, this year we also welcomed and contributed to a review of the SDA's first four years of operation by Sir Jonathan Stephens. In its conclusions, the review confirmed that the SDA reflects best practices on major complex projects, there is a strong sense of commitment to a common purpose and a clear understanding of the urgency and importance of delivery. It also recommended that the Board should play a fuller role in governing the SDA's corporate performance to ensure the Agency remains focused on the needs and priorities of its customers. In 2022-23 we will work with colleagues across the DNE on the conclusions drawn from this review.

Other highlights of business discussed during 2021-22 are detailed below.

Subject	Discussion	Outcomes
SDA business updates	The Board received regular business updates on SDA Programmes, Safety, Security, People and Finance. In addition, there were Deep Dives on specific programmes including the SSN(R) and Dreadnought Submarine Programmes.	The Board evaluated the updates and provided appropriate support and challenge to the Executive team.
Key Performance Indicator data and design	The Board received monthly reports on all KPIs, highlighting corporate and programme performance data as well as progress with key milestones. The Board engaged in the design of SDA KPIs for 2022-23.	The Board considered the performance information provided, seeking clarification and challenging updates, and providing advice to the Executive Team as appropriate. The Board endorsed the KPIs for 2022/23, aligned with overall delivery of Enterprise defence requirements. It was agreed that performance would be assessed at the end of the year and discretion used, if appropriate, to accurately reflect SDA achievement.
Risk	The Board received quarterly updates on the SDA's Performance and Risk Reviews and the work of the Audit and Risk Committee. In addition, it had two extended sessions on strategic risk.	The Board noted the issues raised and provided recommendations and guidance as required.
Corporate documentation	The Board reviewed the Corporate Plan and Business Priorities Documents.	The Board endorsed the documents, suggesting areas for improvements prior to final approval and publication.
SDA Committees	The Board received reports from its sub-committees and considered the work being taken forward.	The Board noted the work undertaken by sub-committees, providing recommendations and guidance as required.

SDA Board and Committee framework as at March 2022



SDA Board sub-committees

The SDA Chair and NEDs attended the following Non-Executive and Executive sub-committees in financial year 2021-22:

Name	Committee (meetings attended)
Rob Holden ²⁰	Remuneration and Nomination Committee (REMCO) (2/2) Audit and Risk Committee (1/1) Safety Committee (3/4)
Non-Government non-executive directors	
Anne Baldock ²¹	Remuneration and Nomination Committee (Chair) (3/4) Safety Committee (2/7)
Annette Hobhouse ²²	Safety Committee (1/1)
Jonathan Simcock ²³	Performance Committee (9/10) Audit and Risk Committee (3/3) Remuneration and Nomination Committee (REMCO) (2/2)
Chris Walton	Remuneration and Nomination Committee (6/7) Audit and Risk Committee (Chair) (5/5) Board Early Contact (BEC) Committee (5/5)
Government non-executive directors	
Sir Simon Bollom	Board Early Contact (BEC) Committee (4/5)
Dominic Wilson	Remuneration and Nomination Committee (4/7) Board Early Contact (BEC) Committee (4/5)

²⁰ Rob Holden left the Board on 31 August 2021.
²¹ Anne Baldock replaced Annette Hobhouse and Rob Holden in supporting the Safety Committee and, as an interim arrangement, attended on a best endeavours.
²² Annette Hobhouse left the Board on 30 April 2021.
²³ As interim Chair, Jonathan Simcock attended the REMCO and Audit and Risk Committee following Rob Holden's departure in August 2021.

Audit and Risk Committee

The SDA Audit and Risk Committee supports the Board and the CEO SDA as Accounting Officer. The Committee challenges the adequacy of internal controls and oversees the risk management assurance processes. This Non-Executive Committee is chaired by a NED and takes place quarterly. The Committee may be supported by observers from Governmental audit agencies such as the DIA or the NAO.

The meetings are currently chaired by Chris Walton (NED) and members include the SDA Chair – Rob Holden (up to 31 August 2021) and then Jonathan Simcock. Regular attendees are Bruce Martin (SDA CFO) and SDA Head of Finance.

The Audit and Risk Committee's programme of business during the 2021-22 period focused on the following:

- DIA Audit Plan progress and Action List for 2021-22 and forward audit planning for 2022-23
- NAO: 2020-21 Agency Accounts Audit update and Completion Report, 2021-22 Audit Planning Report, MOD Audit including SDA Equipment Plan and Nuclear Provisions – summary of relevant findings
- Financial procedural and policy updates
- COVID-19 response and impact on internal controls
- Supply Chain Fragility (including the impact of COVID-19)
- Cyber Updates – Impact of changing risk environment

- Fraud controls and status updates
- Risk Management Process and updates
- Annual Assurance Report completion
- Annual Committee Performance

The SDA is a member of the MOD Fraud Board. During 2021-22, we have continued to respond to the threat of fraud and corruption to ensure that the defence and SDA Purposes can be met free from the destructive impact of fraud and corruption. Our values are supported and enforced through our policies, procedures, behaviours, and culture so that our actions are optimised for the disruption and prevention of fraud and corruption. As such, we pursue a zero-tolerance approach to fraud and corruption, which is further reinforced by the standards and behaviours enshrined in the values of the Armed Services, the Civil Service Code, SDA Code of Business Ethics and the MOD Counter Fraud Function

Remuneration and Nomination Committee (REMCO)

Our REMCO is a sub-committee of our Board. It is chaired by a NED, currently Anne Baldock, and comprises three NEDs as well as the SDA's HR Director. The SDA Chair has a standing invitation to attend, and other executives or non-executives are invited to attend as appropriate. The REMCO advises the SDA Board and the CEO on matters relating to the proper development and application of the SDA's total compensation strategy, including our pay structures. It also advises the Board on CEO remuneration and that of the civilian

Executive team and other senior staff as appropriate, where these are not set by Senior Civil Service (SCS) or Departmental guidelines.

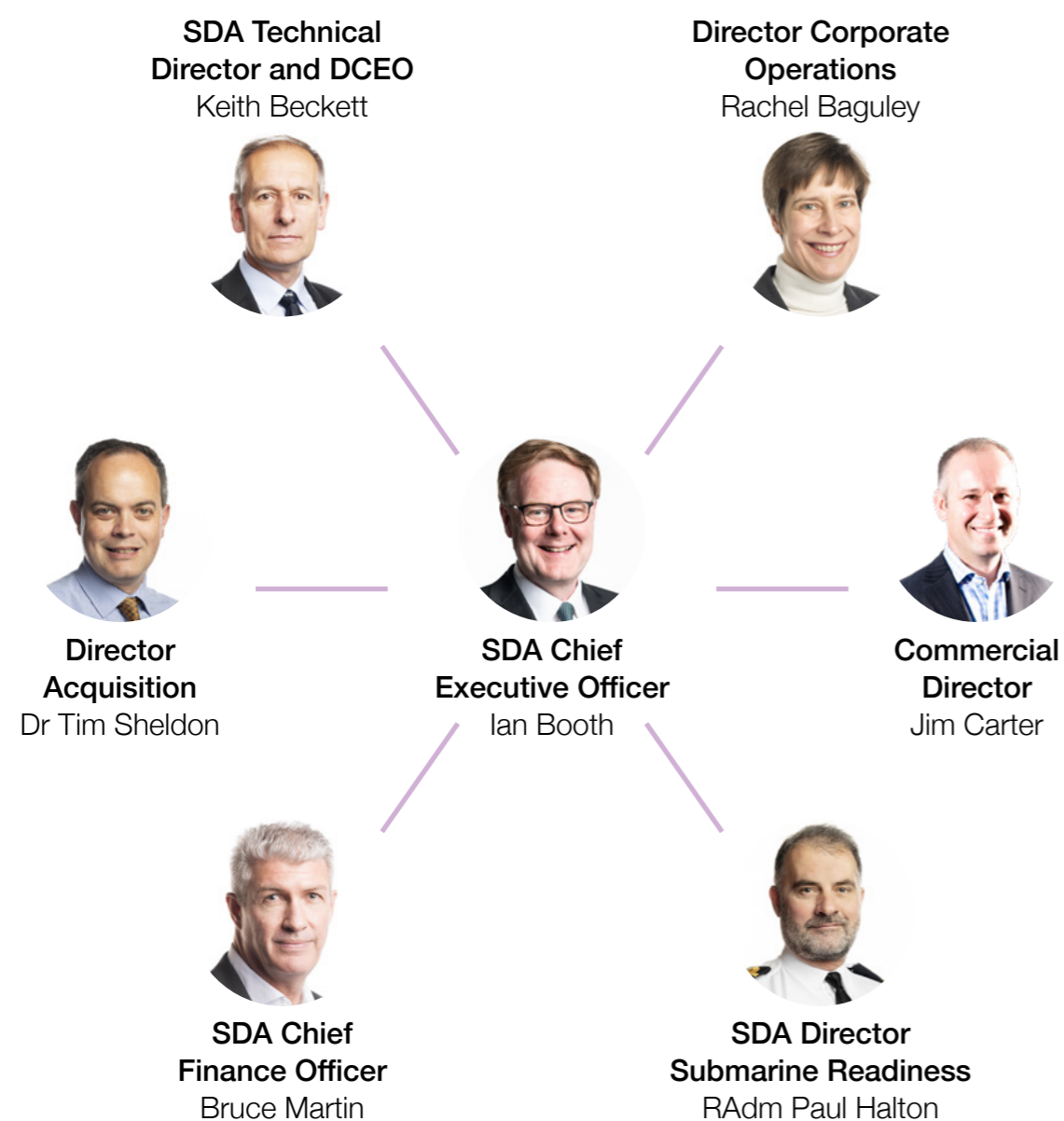
The REMCO met four times during 2021-22 with the discussions focused on developing the business case for the implementation of the Pay and Reward Strategy, and SCS appointments were also presented for consideration at the Committee. All elements of the remuneration package were considered by the Committee, following engagement with colleagues in DE&S and the SDA Executive Committee.

Board Early Contact Committee

The Board Early Contact Committee (BEC) allows the Board to explore the SDA strategic direction for SDA Business Cases before the procurement strategy is set. In financial year 2021-22, there were no Business Cases presented via the BEC as the approvals stage for the major programme cycles did not fall in-year. However, the Board was kept informed of programme progress via 'Deep Dives' into the Dreadnought and SSN(R) programmes and were updated on Commercial Strategies with our Tier 1 suppliers in two Board meetings. A revised approach to engaging the Board on commercial matters, encompassing Business Cases, is to be introduced in financial year 2022-23; this is likely to lead to the evolution of the BEC Committee approach.

SDA Executive Committee

SDA Executive Committee as at 31 March 2022



My Executive Committee supports and advises me in the delivery of our duties to ensure we deliver our purpose. Formally, the Executive Committee helps discharge the delegations and responsibilities set out in my CEO's Letter of Delegation as Accounting Officer and Letter of Authority from Director General Nuclear. The Executive Committee also serves as the forum where our Executive team focuses on key issues affecting the SDA and its delivery, proposing strategies and plans to the SDA Board for endorsement where appropriate. We work within the context of driving delivery against the SDA Corporate Plan, and ensuring that effective working relationships are maintained between the SDA, our Sponsor, customers, suppliers and other delivery agents, including DE&S.

During 2021, the Executive Committee had the following membership:

- Ian Booth, CEO²⁴
- Keith Beckett, Deputy CEO and Technical Director²⁵
- Bruce Martin, SDA CFO
- Rear Admiral Paul Halton, SDA Director Submarine Support (DSMS)²⁶
- Dr Tim Sheldon, SDA Director Submarines Acquisition (DSMA)
- Rachel Baguley, SDA DCO²⁷
- Jim Carter, SDA Commercial Director²⁸

In addition, the following SDA people also attend the Executive Committee to support the meeting as required:

- SDA Human Resources Director
- SDA Head of Corporate Operations
- Chief of Staff to CEO
- Executive Committee Secretary

²⁴ Ian Booth left the SDA in September 2022. Keith Beckett was the Interim CEO until the arrival of Vice Admiral Sir Chris Gardner as the new SDA CEO on the 31 October 2022.

²⁵ Ian Booth left the SDA in September 2022. Keith Beckett will be the Interim CEO, pending the arrival of Vice Admiral Sir Chris Gardner KBE as the new SDA CEO on 31 October 2022.

²⁶ Paul Halton left the SDA and Royal Navy in [Autumn] 2022. Mike Cushen is covering this role pending the completion of open and fair competition for this role.

²⁷ Rachel Baguley left the SDA at the end of financial year 2021-22, with Ian Craddock replacing her in April 2022.

²⁸ Jim Carter was deployed from within the MOD in June 2020 to take up the Commercial Director role. He was permanently appointed into the role in September 2021.

The following key business areas were discussed at the SDA Executive Committee during 2021-22:

Security	The Executive Committee reviewed a ‘Security Moment’ every month, looking at a specific security issue, prior to it being shared throughout our organisation. In addition, a monthly dashboard from the Security Committee was provided, covering topics such as security breaches, challenges, and KPI data.
Safety	A ‘Safety Moment’ was reviewed each month, looking at a specific safety issue, prior to this also being distributed throughout the SDA. There was also monthly safety report including Occupational Safety, Health and Environment (OSHE) and Safety Performance Indicators (SPIs), as well as the findings of the annual staff Safety Culture Survey. In addition, there were two extended deep dives into safety during the year.
Performance	The Executive Committee reviewed the performance of the SDA using KPI data and other corporate and programme reports as appropriate. It was also kept informed and advised on the Departmental quarterly Performance and Risk Reviews. The Executive Committee received a monthly report from our CFO on financial performance including an overview of the SDA's OpEx.
Risk	Risk was a monthly area of focus for the Executive Committee with deep dives into specific strategic risks. Such discussions were held alongside the Departmental quarterly Performance and Risk Reviews as well as the Board quarterly rolling review programme of the Agency's strategic risks.
People	The Executive Committee reviewed People issues monthly, looking at topics including diversity and inclusion (D&I), health and wellbeing (H&WB) (including mental health), and resourcing. In addition, the Executive Committee charted progress against the recommendations from the SDA's Diversity and Inclusion Plan, which included the SDA's actions in response to the MOD's Wigston Review into inappropriate behaviours; as a result of these reviews, the development of bespoke mandatory staff training was commissioned to focus on these topics and improve behaviours.
Change	In the latter stages of 2020-21 ‘SDA 21’ was established as a change programme to encompass a wider focus on improvement action, and regular updates on the programme was presented to the Executive Committee through 2021-22. Future ways of working, building on working through the COVID pandemic were also discussed, alongside process and organisational improvements.

Corporate Operations

The Executive Committee reviewed in-year recognition awards, ensuring fair and effective use of budgets. It also reviewed the outcome of the People Survey and endorsed the resulting action plan. Discussions were held around the preparation of the SDA's Corporate Plan, associated KPIs and the Business Priorities Document for 2022-23.

SDA Executive Committee sub-committees

Several sub-committees support the work of the Executive Committee; these are shown on the SDA Board and Committee Framework (page 63).

- **The Performance Committee** drives delivery against our KPIs and Submarine Acquisition Support Plans (SASPs). The Performance Committee serves as the forum where our senior leadership team (Executive team and Team Leaders) can focus on key issues affecting delivery, prioritising activity to improve our outputs and outcomes. Our Performance Committee includes representatives from our customers, NCHQ and DNO, to facilitate an organisational view on performance and agree where wider support is required to address challenges. It is chaired by the CEO and is attended by a NED.
- **The Safety Committee** provides support and advice to me, as CEO, in my role as a Senior Duty Holder and acquisition and support safety lead for our organisation. The Safety Committee also has oversight of our safety and environmental performance

and directs work to deliver improvements in this key area for the business. It is chaired by the Technical Director and supported by a NED. Anne Baldock took on the role following the departure of Annette Hobhouse.

- **The People Committee** provides direction and oversight of our people activities in accordance with our Corporate Plan. It engages and updates stakeholders on the current issues and initiatives arising from implementation of our People Strategy and developments in other people and HR matters. It is chaired by our Director HR.
- **The Investment Case Committee** provides assurance that the costs, schedule, and levels of contingency for customer – e.g. NCHQ – projects or programmes are appropriate to deliver the capability or service required. It also reviews whether the specific commercial strategy for the project is appropriate for the procurement required and that this is consistent with the overall suite of SDA strategies. It is chaired by our CFO and is attended by our Chair – up to August 2021 this was Rob Holden. Since then, the Committee has been supported by Jonathan Simcock.

- **The Security Committee** reviews our performance and provides direction across all elements of our security including physical, personnel, and cyber security, as well as our business resilience. It is attended by all Team Leaders (or their Deputy) and chaired by our DCO, ensuring our security risks are regularly reviewed, updated and actioned as required.
- **The Resource Committee** considers how resourcing demands are being fulfilled through all supply routes. It reviews forward demand forecasts and supports teams in resolving resourcing conflicts based on our agreed priorities. It is chaired by our DCEO.
- **The Pay Committee** seeks to advise our Remuneration Committee on matters pertaining to pay and benefits. It is chaired by the CEO.
- **The Change Committee** drives delivery of change programmes to meet the SDA's Vision of being a high-performing organisation. It is chaired by our DCEO.

The Dreadnought Alliance

The Dreadnought programme is managed by an Alliance between the MOD (in the form of the SDA, BAES and Rolls-Royce (RR)). The Alliance meets a broad Government commitment to work closely with its industry partners with the shared aim of improved delivery performance – in this case across the Dreadnought programme. Sir Peter Gershon is the independent chair of the Alliance and its most senior Board – the Alliance Leadership

Board (ALB) – whilst the Alliance Project Team (APT), which has day-to-day accountability for delivering the programme, is led by a senior civil servant in the role of Alliance Managing Director. Updates on progress with the Dreadnought Submarine Programme are provided throughout this report and in the [annual updates](#) to Parliament on the UK's future nuclear deterrence.

SDA risk and control framework

Risk management

During 2021-22, and after development work in previous years, the SDA focused on ensuring strategic risk management governance structures were fully implemented. Risk management review drumbeats were matured to ensure that strategic risks were reviewed at a minimum of a quarterly basis and all appropriate parties were aware of their responsibilities. In addition to quarterly reviews, several of the SDA strategic risks were socialised in relevant subject matter expert working groups to ensure the risks linked to their areas of expertise were fully understood. The working groups were also used to look at these risks from a holistic viewpoint, helping to identify further causes, controls and mitigating actions. All SDA strategic risks were subject to 'deep dive' at the SDA Executive Committee and Board ensuring further review and, if needed, enhancement of risk data. The SDA

strategic risks have now been reported into the Submarine Enterprise Management Office to ensure a holistic view of enterprise risks are being considered. During 2022-23, the focus of deep dives will be to further explore mitigation actions to provide assurance that current mitigation actions are the most appropriate to manage the risk and support target risk scores. In terms of wider risk management activities, work is also ongoing to ensure programme and portfolio risks are fully identified and linked to our strategic risks. The identification and management of programme and portfolio risks will enable the SDA to understand any potential 'knock on' effects to strategic risks at an earlier stage.

Principal strategic SDA risks and mitigation action during 2021-22

The principal strategic SDA risk picture remains stable and continues to focus on the causes and factors that may contribute to the SDA being unable to successfully achieve our purpose and are based around the following key areas:

- output risks – linked to delivery of our objectives; these risks are based on the novel and complex nature of our programmes
- supplier risks – these consider factors around which key dependencies for delivering our objectives fail
- organisation risks – these are threats that our organisational construct, tools, processes and/or relationships are not sustainable to support our purpose

- enabler risks – focused on challenges to achieving our purpose due to lack of resources

Risk reduction activities during 2021-22 have shifted from focusing on the pandemic as the global situation has gradually improved to re-considering risks associated with the way the SDA operates. Mitigating actions include, strengthening our supply chain, improving our IT systems and a renewed focus on asset management through all stages of the project lifecycle. Some of the mitigation actions are longer and will take time to see tangible benefits, but these are underpinned by control actions to ensure risks remain stable. No new Strategic risks have been identified in the last fiscal year; however, several strategic risks have been updated to contain a more holistic view of the subject matter and to ensure the impact of current global events is fully understood.

Principal internal controls

Each year we complete an Annual Assurance Report (AAR) as part of the overall MOD risk framework. This report assures me that the SDA's risk and control management systems are working, and it draws my attention to any concerns about the operation of our governance arrangements as well as helping to identify intended future plans to sustain and improve assurance (where necessary). The report is reviewed by our senior leaders and the Audit and Risk Committee prior to my sign off, as the SDA Accounting Officer. This

document also informs the Defence Audit and Risk Committee and the Permanent Secretary's reports (as Accounting Officer) to Parliament as part of the MOD's Annual Governance Statement.

Financial

At the start of the financial year (2021-22), the DNO agrees an operating cost envelope with us. As set out in our Framework Document, within this cost envelope, the SDA has the freedom to manage all aspects of its workforce as necessary to meet its business needs. We are mindful of the responsibilities of the Permanent Secretary as Principal Accounting Officer and continue to have regard to wider Government pay policies, working with the Chief of Defence People to agree changes to personnel policy or practice that might have wider implications for the rest of the Department.

As an Executive Agency of the MOD, we ensure that our freedoms are exercised transparently, through the agreed governance mechanisms including SDA Committees and the Board. We also comply with Government policy to publish relevant information and provide details both to HM Treasury and the Cabinet Office for monitoring purposes.

Commercial

In 2021-22, we delivered improvements in our data and assurance via internal commercial audit, as well as meeting all our Cabinet

Office Controls and transparency obligations, including publishing our Forward Contract Pipeline. Our KPIs also show an improvement in our contract management capability, based on regular assessments against the Commercial Continuous Improvement Framework (CCIAF); we have stretching targets to further raise capability next year (2022-23). Alongside in-year improvements, we have made good progress on maturing and implementing our category management approach. We are placing category management at the heart of our development agenda and have independently benchmarked our maturity to track progress. We have ambitious targets for next year (2022-23) to deliver direct and indirect category strategies and associated benefits, working closely with our Tier 1 suppliers.

We continue to invest in our people to increase our commercial capability and our professionalism through the following methods:

- Formal Chartered Institute of Procurement and Supply (CIPS) training and memberships:
Staff are required to hold a given level of CIPS (either levels 4 or 6 depending on their organisation grade) in order to hold a commercial license and delegation. This goes hand in hand with the point below. Once the CIPS qualification has been achieved, staff are encouraged to maintain and record a minimum of the CIPS-recommended 30 hours CPD (continuous professional development) annually

- Cabinet Office-led Assessment and Development Centres (A&DC) and MOD-run practitioner accreditation panels:
The A&DCs are taken by our senior commercial officers and must be re-taken (at a higher level) every time a promotion is either sought or achieved. They must also hold a CIPS level 6 qualification.
For our middle managers and junior staff, we run accreditation practitioner panels to test commercial competence in both the sourcing and contract management areas. As of March 2022, any commercial colleague who has not passed the panel (along with holding CIPS level 4 qualification) is not able to hold a commercial delegation
- For our most junior staff, i.e. those joining with little or no commercial experience, they are given the choice to undertake a Commercial Apprenticeship or enrol in a facilitated Structured Learning Programme (SLP). Both Apprenticeship and SLP are run as "cohorts," so staff build up a network of colleagues in similar positions to promote joint learning. Staff are given a series of targeted training interventions covering the basic commercial subjects, which is then enhanced through their on-the-job learning. Towards the end of the programme they are automatically enrolled on the CIPS level 4 training
- SDA colleagues also have access to a Commercial Training Library – an online tool run by MOD-centre that provides access to a wide range of commercial training interventions. These include but are not

limited to: training run by Defence Academy or Government Commercial College. They also have access to other training tools such as e-learning, videos and podcasts and policy guidance and documents.

Our people

Our HR team have continued to support the SDA to champion diversity and inclusion and have developed and embedded a range of services and resources to promote this across the Agency. Our trained Fairness and Equality Advisors (FEA) have continued to be an asset to our people by signposting their colleagues to a wealth of relevant information and services. Our fully trained Mental Health First Aiders (MHFA) also work across the SDA to offer advice and guidance to those in need.

We are committed to empowering and educating our people to build an inclusive workplace where everyone is supported to pursue a meaningful and rewarding career in an inclusive environment. As such, during 2021-22, we launched our SDA Talent Development Programme for our junior (Level 1) colleagues to support career development and networking opportunities. The scheme is part of our commitment to fostering a climate of learning and knowledge-sharing and grow our capability to meet our immediate and long-term business through the development of our people. Initial feedback indicates that this has been welcomed across the Agency, providing valuable advice and support. As a result, we will continue to develop and grow the scheme

in the next financial year. The scheme is part of our commitment to fostering a climate of learning and knowledge sharing to help grow our capability to meet our immediate and long-term business needs whilst supporting the development of our people.

Following success of the mentoring programme, early in 2021-22, we set about introducing a mutual mentoring for inclusion pilot. We aimed to increase our pool of mentors with colleagues who identified as women, LGBTQ+, or disabled, and/or were from an ethnic minority background or those who regard themselves as coming from a lower socio-economic background. Our pilot started in October 2021 and eight out of the ten partnerships have thrived and are continuing to develop their relationships. Feedback against our initial scheme has been extremely positive with several members confirming that they have gained a greater understanding of what it is like to be in 'someone else's shoes' and adapting their ways of working and/or behaviours in light of this learning. With endorsement from the D&I Steering Group, we are working on next steps for this scheme, which will include roll-out of the approach across the Agency by the end of 2022.

As we continue to develop our leadership culture, we have been promoting the benefits of mentoring as a widespread business tool. Mentoring enables us to nurture talent through sharing professional knowledge and

experience. In January 2021 we launched our mentoring programme. Responding to feedback, in June 2022 we upgraded the programme with the launch of 'Mentor Me', our new all-inclusive platform set up to connect prospective mentors and mentees. We currently have a total of 30 mentors within the SDA and continue to invite new mentors and promote the Mentor hub through a variety of communication channels.

In addition to continuing to deliver our mandatory Respect and Dignity training, which focuses on workplace behaviours and the impact these have on others. We have also rolled out training to focus on developing empowered, knowledgeable, and supportive managers to embody the behaviours and values of the Agency. This training includes courses such as 'Future Engage Deliver', which aims to grow our leadership capability, supported by revised and extensive resources for managers available to all staff via the HR Portal. We are committed to empowering and educating our people to build an inclusive workplace where everyone is supported to pursue a meaningful and rewarding career in an inclusive environment. The effectiveness of these initiatives and the positive participation of our staff is reflected in the People Survey results for 2021, which saw increases across our wellbeing and inclusion themed scores (see also page 23).

Safety and security

In spring 2021, as the Government set out its roadmap for the easing of COVID restrictions from the initial waves of the pandemic, we undertook work to collate the learning from remote working practices and set out recommendations regarding how so called 'hybrid' or smarter working' might be deployed across the SDA in the future. Further information on work undertaken during financial year 2021-22 and into the next period is provided on page xx. Our approach remains flexible and, in line with Government guidance, we have supported our people in optimising their working practices to support business delivery. Further information on safety and security can be found in our Safety, Environmental Protection, climate change, sustainability and security section – page 37.

Information architecture

Building on the work completed in 2020-21, implementation of the lower-level design has progressed over the course of the last reporting year. In particular, steps to increase connectivity with Tier 1 suppliers have been taken. This work enhances collaboration across the Enterprise, along with our ability to manage information securely.

Quality assurance of analytical models

The Project Controls function conducted the annual review of the Quality Assurance (QA) of its Business-Critical Models (BCM) for 2021-22, where 27 BCMs were reviewed. The outcome of the review found that there is substantial assurance that the Quality Assurance of SDA models had been conducted in a way that satisfies the requirements of the HM Treasury Aqua Book²⁹. We continue to implement learning from experience in this area to ensure we are sustaining leading practice within our assurance processes.

The 2022 list of BCMs in Defence is due to be published in June 2022. The 2021 published list including those in use in SDA is available [online](#).

Whistleblowing and raising a concern

The SDA is committed to ensuring the highest standards of quality and we take responsibility for everything we do. We value the role of Whistle-blowers, who, by raising their concerns, assist us in getting things right. The Whistleblowing Policy is a MOD wide policy, and the SDA fully embraces this approach. The awareness of this policy and associated reporting procedures are shared with our people through internal communications and publications. The MOD Confidential Hotline

²⁹ [HM Treasury Aqua Book: Guidance on providing Quality analysis for Government, March 2015](#)

is the secure single point of contact for all – whether Service personnel, civilian staff or contractors. Management information on the nature and conduct of our whistleblowing is provided by the MOD to the Cabinet Office every six months.

Conclusion

The overall governance assessment of SDA takes into account the inputs of and reviews of the DIA, our Board and our Audit and Risk Committee, together with the assurance assessments made by our control leads as part of our annual review of assurance.

We have worked closely with the MOD's Defence Risk and Assurance (DRA) Team on our Annual Assurance Report (AAR). This Report captures our key risks, where improvements are required and outlines how relevant controls have operated during the year. Since our AAR from 2020-21, we have further developed and strengthened our assurance process, ensuring that our governance systems are in line with best practice. By reviewing the data collated through AAR assessments – both

at the mid-year and end of year points, we have demonstrated that we have sustained the substantial level of assurance previously achieved. We have also shown clear and continued improvement in areas including governance, compliance, assurance and resources.

Building on previous years, we have consistently shown that our governance system and internal controls support our business, enabling our teams to focus on providing submarine capabilities for the Royal Navy. I can confirm that the risk management and internal controls described have operated for the year under review and up to the date of the approval of these accounts. As we move into 2022-23, we will continue to drive improvement to further optimise our ways of working and corporate performance.



Sir Chris Gardner KBE
Chief Executive and Accounting Officer
16 January 2023


Chair's assessment

By Jonathan Simcock, SDA Chair

While there have been challenges across our programmes due to external factors, we have worked hard to deliver our agreed programme of work and meet the targets set for us to the best of our abilities. Our motivation and commitment to our vision remains steadfast and through this, we have continued to provide available and capable submarines and, therefore, support the Royal Navy in delivering Continuous at Sea Deterrent (CASD). This report demonstrates how our governance has continued to mature. I have worked with the SDA Board and Executive team, customers and Sponsor to work through each stage of the review cycle – ensuring we look, listen and learn from the feedback and evidence collated. Work with our Audit and Risk Committee, supported by our AAR, indicates that we have a reliable system of internal controls to facilitate business delivery and effective performance monitoring throughout the Agency.

Ongoing support from the DIA team, with its assessments across a range of SDA areas, has kept continuous improvement high on the agenda across our strategies. These reviews have helped us to evolve as an Agency and importantly, the valuable feedback received from the DIA, enables us to continue to focus our efforts. We were, therefore, pleased to be awarded through the annual DIA assessment process a substantial audit opinion for the third year in a row.

The changes detailed in this section of the report show that the SDA continues to learn from feedback provided by stakeholders and the people who work within the Agency. Overall, I view the internal controls and overall governance system as being effective during 2021-22. I am confident that our appetite for improvement - will enable the SDA, within its delegated budgetary responsibilities and accountabilities, to continue to comply with governance best practice as we deliver for the Royal Navy and Defence as a whole.



Remuneration and staff report

SDA remuneration policy

The following remuneration policy refers to the appointment of the SDA Directors to the SDA Board and Executive Committee.

The SDA has been granted the freedom to manage our workforce as necessary to meet our business needs in line with Annex A of the [Framework Document](#). This delegated authority is carried out under the provisions of the Civil Service (Management Functions) Act 1992. In exercising this authority, we must be cognisant of best practice across the wider Civil Service and Government and the MOD policies on Civil Service terms and conditions.

In setting the remuneration of our civilian senior executives, we consider the advice of our REMCO and our military senior executives are bound by the remuneration policy for senior officers of the armed forces. The broad role and composition of the REMCO is set out earlier in Section Two of this report.

Performance and reward

The 2021-22 Statement of Comprehensive Net Expenditure reflects payments made or due to Directors during the financial year. Salary and reward for the SDA CEO was considered by our REMCO. All our people were evaluated against their objectives to determine end of year performance outcomes, upon which salary increases are determined. In line with our pay arrangements, a non-consolidated

performance award was paid to all staff who were awarded a performance rating 3 or higher in the 2021-22 performance year. Owing to the impact of the COVID pandemic and continued levels (in March-April 2022) of remote working, end of year performance management conversations largely took place online.

The NED's remuneration is set in accordance with MOD public appointments policy. NED performance is reviewed to consider the impact of individuals on the performance of the Board and sub-committees, recognise the contribution of the NED, identify ways this could be improved, and to provide feedback

Senior manager contracts

The Constitutional Reform and Governance Act 2010 requires appointments to the Civil Service to be made based on fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may otherwise be made. Unless otherwise stated, the civilian 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.

The terms and conditions of our Chair and independent NEDs on our Board are determined by the MOD and set out in their individual appointment letters. Independent NEDs and our Chair are appointed for a fixed term through a transparent recruitment and selection process, with appointment on merit, thus following the Office of the Commissioner of Public Appointment principles. While they are paid by the SDA, they are not SDA employees or appointed as civil servants.

A NED's appointment 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 will be immediate. The NEDs are initially contracted to three years with the option to reappoint. MOD standard practise is for all public appointments to not exceed six years in total. However, this can vary depending on the merits of each

situation and individual. NEDs and our Chair are not involved in any discussion about their own remuneration and all payments made are non-pensionable. There are no compensation entitlements for early termination.

Remuneration and pension entitlements (subject to audit)

The following pages contain details of the pay, pensions and benefits-in-kind of individuals who served as members of the SDA Board during the financial year. The disclosures cover only the periods individuals were Board Members in the SDA (for example, an individual moves Department during the year the disclosure covers only remuneration earned to that date).

SDA Board senior executive salaries, taxable benefits-in-kind and pension benefits (subject to audit)

2021-22					
SDA board directors ³⁰	Salary ³¹ £000	Annual performance award ³² £000	Benefits in kind £00	Pension ³³ benefits £000	Totals to nearest £000
Ian Booth	285-290	90-95	-	-	380-385
Keith Beckett	180-185	50-55	-	25-30	260-265
Bruce Martin	175-180	50-55	-	25-30	250-255
2020-21					
Ian Booth	285-290	90-95	-	-	380-385
Keith Beckett	180-185	40-45	-	25-30	250-255
Bruce Martin	170-175	40-45	-	25-30	240-245

³⁰ The SDA Board Terms of Reference sets out the Board structure to include the CEO, Chief Finance Officer (CFO), Deputy Chief Executive Officer (DCEO) and non-executive Directors (NEDs). This design has been agreed to ensure consistency with the structure of Defence Equipment and Support (DE&S) Board and to ensure the Agency has a meaningful ratio of Board Directors to NEDs.

³¹ Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

³² From the 20-21 annual report onward SDA changed the basis for the reporting of annual performance awards from the award accrued to the award paid. The figures shown for 21-22 are the award paid in 21-22 in respect of performance in 20-21.

³³ Ian Booth is a member of a personal private pension scheme. Keith Beckett and Bruce Martin are not members of the Principal Civil Service Pension scheme and have elected to be members of the Partnership Scheme.

SDA Board non-executive salaries (subject to audit)

SDA Board non-executives ³⁴	2021-22 £000	2020-21 £000
Rob Holden SDA Chair ³⁵	60-65	145-150
Anne Baldock	20-25	20-25
Jonathan Simcock	65-70	25-30
Annette Hobhouse	0-5	25-30
Chris Walton ³⁶	20-25	25-30
Dominic Wilson ³⁷	-	-
Sir Simon Bollom ³⁸	-	-

Number of SDA Senior Leadership Group (SLG) Staff as at 31 March 2022

SLG pay band	2021-22	2020-21
Band 1	23	22
Band 2	6	6
Band 3	1	1

34 Board NED salaries include gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowances to the extent that it is subject to UK taxation. The remuneration stated above are based on attendance and claims for services submitted by NEDs. None of the NEDs received annual performance awards, benefits in kind, or pension benefits in relation to their role on the SDA Board.

35 The Chair, Rob Holden, is remunerated for working up to 150 days per year. Independent NEDs are remunerated for working up to 24 days per year. Rob Holden left the Board at the end of August 2021.

36 Chris Walton is also listed as a NED on the National Shipbuilding Strategy Client Board. The emoluments shown for Chris Walton represent only SDA related activities

37 Dominic Wilson is a Government employee and receives no remuneration from the SDA for his services.

38 During 2021-22, Sir Simon Bollom was a Government employee and received no remuneration as a Government Non-Executive member of the SDA Board. Sir Simon's salary details as CEO DE&S were reflected in the DE&S Annual Report and Accounts. On 1 August 2022, following fair and open competition, Sir Simon was appointed as an Independent NED on the SDA Board.

Pay multiples (subject to audit)

The following table provides details of pay multiples – the ratio between the highest paid SDA military and civilian executives and the median remuneration of the workforce. 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.

The banded remuneration of the highest paid civilian director in 2021-22 ranged between £380k-£385k. This was 9.33 times the median remuneration of the workforce, which was £41k. The civilian salary range is between £17.1k - £385k (2020-21: £16.8k - £385k).

The banded remuneration of the highest paid military employee in 2021-22 ranged between £130k-135k. This was 1.76 times the median remuneration of the military workforce, which was £75.1k. The military employee salary range is between £20k - £135k (2020-21: £20k - £130k).

No employee, either military or civilian, received remuneration in excess of the highest paid director during 2021-22 (2020-21 - nil).

	2021-22 £	2020-21 £
Mid-point of the £5,000 band for the annual equivalent remuneration of the highest earning military employee.	132,500	127,500
Number of employees in receipt of remuneration above the highest paid Board member	0	0
Median total remuneration of armed forces personnel	75,119	76,329
Military pay ratio	1.76	1.67
Mid-point of the £5,000 band for the annual equivalent remuneration of the highest earning civilian Board member in the tables above	382,500	382,500
Median total remuneration of civilian staff	41,000	40,897
Civilian Pay Ratio	9.33	9.35

Percentage change from previous year in total salary and allowances, and performance pay and bonuses for the highest paid director and the staff average

Salary and allowances	2021-22	
	Military	Civilian
Highest paid director	3.92%	0.00%
Staff average	-1.59%	0.25%
Performance pay and bonuses		
Highest paid director	-	-
Staff average	-	-2.05%

Ratio between the highest paid directors' total remuneration and the lower quartile, median and upper quartile for staff total pay and benefits

	Military					
	Lower quartile		Median		Upper quartile	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Salary	62,592	63,728	75,119	76,905	84,678	87,010
Total pay and benefits	62,592	63,728	75,119	76,905	84,678	87,010

	Civilian					
	Lower quartile		Median		Upper quartile	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Salary	30,000	31,600	39,855	39,855	50,150	50,150
Total pay and benefits	30,859	31,600	41,000	40,897	51,607	51,125

Lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits

	Military					
	Lower quartile		Median		Upper quartile	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Salary	62,592	63,728	75,119	76,905	84,678	87,010
Total pay and benefits	62,592	63,728	75,119	76,905	84,678	87,010

	Civilian					
	Lower quartile		Median		Upper quartile	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Salary	30,000	31,600	39,855	39,855	50,150	50,150
Total pay and benefits	30,859	31,600	41,000	40,897	51,607	51,125

The information relates to remuneration for civilian and military personnel during 2021-22.

The civilian pay ratio is effectively unchanged. The minor increase in military pay ratio since 2020-21 arose because the FTE increase in military staff included a number of lower paid staff while the highest paid military employee's salary increased slightly.

2. Staff report

Staff numbers (subject to audit)

The number (head count) of SCS within the SDA SLG, as at the end of the financial year (March 2022) is as follows:

SCS pay band	2021-22	2020-21
Band 1	24 ³⁹	22 ⁴⁰
Band 2	6 ⁴¹	6 ⁴²
Band 3 and above	1	1
Total	31	29
SDA military at 1* and above	3	4
Grand Total	34	33

The number of SCS reflects the implementation of the organisational design requirements for delivery and forward management of the SDA as an Executive Agency of the MOD.

Average numbers of full-time equivalent (FTE) persons employed are as follows:

Average staff nos (Full time equivalent):	2021-22			2020-21		
	Permanent employee staff	Contingent labour	Total	Permanent employee staff	Contingent labour	Total
Armed Forces	199	-	199	178	-	178
Civilian	1867	76	1943	1642	95	1737
Total	2065	76	2142	1820	95	1915

39 One SCS PB1 is a Work Force Substitute and is included in this year's figures. This individual was not included in 2021/22.

40 One SCS PB1 is a Work Force Substitute and is on loan from the Government Commercial Organisation (GCO) but for completeness has been shown within this table.

41 A member of the SDA Executive Committee is a work force substitute and is on loan from the Government Commercial Organisation (GCO) but for completeness has been shown within this table.

42 A member of the SDA Executive Committee is a work force substitute and is on loan from the Government Commercial Organisation (GCO) but for completeness has been shown within this table.

To align with the total pay costs incurred during the year, the number of FTE civilian and military staff for the SDA (shown above) is based on an average for the financial year and is used to compensate for organisational and structural changes during the 12-month period.

The number of FTEs employed in the year 2021-22 increased by 314 relative to the number employed in 2020-21. This is consistent with an overall increase in staff costs. Increases in staff numbers are to address resource shortfalls across all functions. Contingent labour shows an increase of 16 FTE, reflecting the continued increase in overall numbers to support the Agency's purpose. The staff turnover across the SDA is 13.2%, this is comprised of an average civilian headcount of 1915 against a total turnover of 253.

Staff costs (subject to audit) (see also note 2 to the financial statements)

The aggregate staff costs, including allowances paid were as follows:

Staff costs comprise:	2021-22			2020-21		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Salaries and wage costs	99,456	11,886	111,341	91,328	16,487	107,815
Social security costs	10,763	-	10,763	9,688	-	9,688
Other pension costs	28,494	-	28,494	25,554	-	25,554
Total	138,713	11,886	150,599	126,570	16,487	143,057
Paid to:	£000	£000	£000	£000	£000	£000
Armed Forces	23,921	-	23,921	22,472	-	22,472
Civilian	114,792	11,886	126,678	104,098	16,487	120,585
Total	138,713	11,886	150,599	126,570	16,487	143,057
Adjustment for NSRS rebate of staff costs	(510)	-	(510)	(405)	-	(405)
Net staff costs	138,204	11,886	150,089	126,165	16,487	142,652

During 2021-22, the Agency's recruitment increased. This led to an increase to the overall total staff cost when compared with last year.

For the year ended 31 March 2022, of the total pension contributions for SDA in the table above, £22.1m were payable in respect of the various schemes in which civilian staff were members.

For the year ended 31 March 2022, of the total pension contributions for SDA in the table above, £7.6m were payable in respect of the armed forces Pension Scheme in which military staff were members.

Where employees opened a Partnership pension account with an employer contribution, we made contributions of £333k to the relevant pension providers. Further details of pension schemes covering SDA personnel are detailed below.

Principal Civil Service pension scheme

The PCSPS and the Civil Service and Other Pension Scheme, known as "Alpha," are unfunded multi-employer defined benefit schemes. An actuarial valuation of the PCSPS has been completed and can be found at: <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>.

Contributions to the PCSPS in 2021-22 were calculated at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The Scheme Actuary

usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The contributions to the PCSPS for the 2021-22 period was aligned to those from 2020-21 and incorporate additional costs associated with the 2015 Remedy Programme, also known as the McCloud Judgment: <https://www.civilservicepensionscheme.org.uk/your-pension/2015-remedy/>.

Employees can opt to open a partnership pension account; employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. Further details about the Civil Service Pension arrangements can be found at: <https://www.civilservicepensionscheme.org.uk/>.

There were no contributions due to the partnership pension providers at the balance sheet date and no contributions have been prepaid.

Armed Forces Pension Scheme

The AFPS is an unfunded, non-contributory, defined benefit, salary related, contracted out, occupational scheme. As such, this scheme is not consolidated in the accounts; separate accounts are prepared, details of which can

be found at: <https://www.gov.uk/guidance/pensions-and-compensation-for-veterans>.

Employer's contribution rates are determined by the Government Actuary. For 2021-22, the employer's contribution rates remained unchanged from 2020-21 at 65.5% of pensionable pay for officers and other ranks. These include a contribution towards the Armed Forces Compensation Scheme at 2% for officers and other ranks. No changes to the contribution rates are expected until 2023-24.

Scheme members are entitled to a taxable pension for life and a tax-free pension lump sum if they leave the regular armed forces at or beyond normal retirement age. Those who have at least two years' service and who leave before aged 55 will have their pension preserved until age 60 or 65 depending on the scheme. The scheme also includes an Early Departure Payment (EDP) scheme for those who leave before aged 55, providing they have at least 18 years' service and are at least 40 years of age. The EDP scheme pays a tax-free lump sum and income of between 50% and 75% of preserved pension between the date of the individual's departure from the armed forces and age 55.

Staff sickness

During 2021-22 overall levels of sickness absence rose consistently from April 2021 until March 2022. Short-term absence increased by 47% in total in the rolling year to date (RYTD) and long-term absence increased by 36%

in total over the same period. SDA absence rates still compare favourably with the rest of MOD and followed the trend in rising sickness absence over the year; as of January 2022, the average number of days for sickness absence was 4.4 days per employee.

Levels of absence attributed to anxiety/stress/depression also rose in the SDA and we did not meet our target of a 10% reduction in days lost in 2021 compared to those lost in 2019. Absence due to anxiety/stress/depression rose by 35 in the RYTD (April 21 to March 22) and by 6% in 2021 compared to 2019. We have used the 2019 total days lost figure to measure ourselves against as we saw unusually low sickness absence levels throughout 2020 due to the impact COVID had on attendance and reporting.

To combat our rising levels of sickness absence, we have continued to promote the importance of managers having meaningful wellbeing and 'return to work' conversations to ensure support is available where needed to help mitigate the risk of initial and repeated absence. We provide a monthly wellbeing focus, aligning to our strategy and national initiatives, which contains information, guidance and support for staff which is communicated via multiple channels. We also have a comprehensive Health and Attendance policy and our HR team is supported by a dedicated casework team.

As expected, during this period we have continued to see a significant rise in absence

due to COVID, however, this does reflect the national picture. For the second year running it is our second biggest reported absence reason behind anxiety/stress/depression.

We have continued to develop information and guidance on the newly refreshed SDA H&WB portal, including promoting the Employee Assistance Programme and our Mental Health First Aider network. As part of our monthly wellbeing focus communications, we provide leaders and managers with guidance on wellbeing themes and encourage them to have dedicated conversations about them with their teams. We have created a Wellbeing Calendar which outlines our wellbeing focuses for the year and provides links to support services, webinars and self-help programmes from a range of partner organisations such as Health Assured and the Charity for Civil Servants.

3. Staff policies

Diversity and inclusion

We remain committed to further growing a diverse and inclusive organisation and supporting our dedicated staff networks⁴³, which aim to cover the needs of all employees and are sponsored by members of our SLG, as Champions. These communities and Champions, along with the leads of our Functions, fulfil a crucial role of supporting our policies and work as advocates for our

continuing behavioural and cultural changes. Both the Network Champions and Functional Leads are members of the SDA D&I Steering Group, chaired by our DCO to support our CEO in driving D&I issues in the SDA through our output-based D&I Action Plan. This plan continues to ensure that all SDA activities are joined up and build on the Wigston Review⁴⁴ recommendations as a springboard to further progress.

As part of our commitment to creating an environment in the SDA where everyone is respected and can contribute fully to our success, during the year, we have continued to run a bespoke SDA Respect and Dignity in the Workplace mandatory workshop.

Our diversity and inclusion objectives

D&I remains an integral part of the SDA core values and reinforces our stance of having a zero-tolerance approach to bullying, harassment and discrimination. Alongside progress in implementing our D&I Action Plan, we continue to work to meet our Levels of Ambition targets with regard the levels of representation in specific protected groups. Together, our efforts aim to ensure that our environment and behaviours welcome and value everyone.

This year we have continued to develop our approach to outreach, with a range of activity

taking place for the purpose of recruitment, entry talent development or relationship building. Outreach activities are intended to provide greater access to resources and information about working in the SDA. Our aim is to inform and develop understanding – either for now or in the future – of the SDA as a great place to work. A key objective of our outreach activity is to connect with groups currently underrepresented within SDA.

To achieve our D&I objectives, we will continue to:

- ✓ ensure our people understand what acceptable behaviour looks like and are confident and supported to challenge poor behaviour
- ✓ share our new D&I Action Plan and make rapid progress against it to really make a difference for all our teams
- ✓ measure progress on diversity by publishing and reporting on diversity targets
- ✓ embrace diversity and inclusivity with the support and training to do this well
- ✓ compete effectively for the best talent to recruit and retain a diverse workforce
- ✓ proactively promote national initiatives which improve the representation of diversity groups and support our people to take part
- ✓ support employee networks to be ambassadors and critical friends in the delivery of our D&I ambitions

- ✓ embrace our obligations under the Equality Act to consider and promote the interest of those with protected characteristics in all our decision making

As noted within our D&I objectives, the SDA is dedicated to achieving a more diverse and inclusive civilian workforce and is committed to recruiting the best people for the job. We offer a guaranteed interview through the Disability Confident Scheme (DCS), whereby individuals who declare a disability will be invited to interview providing they meet the minimum requirements for the role. All SDA managers are required to complete inclusion in the Civil Service training prior to participating in any recruitment activity. In line with Civil Service policy for recruitment into the SCS, all selection panels have an ethnic minority and/or disabled member. To attract diverse and high-quality candidates to the Agency that reflect wider society, all SDA communications and training materials are designed to optimise accessibility for all colleagues and are used across a variety of communication channels

In accordance with the Public Sector Equality Duty⁴⁵, the SDA has a legal obligation to eliminate discrimination and advance equality of opportunity, and this includes our commitment to supporting colleagues who become disabled whilst employed by the SDA. All disabled staff are supported by Occupational Health and

⁴³ Some of our staff networks are shared with DE&S or the wider MOD.

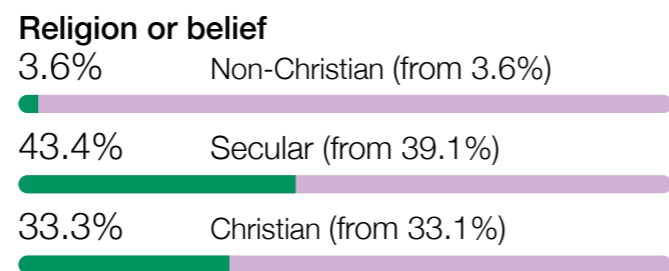
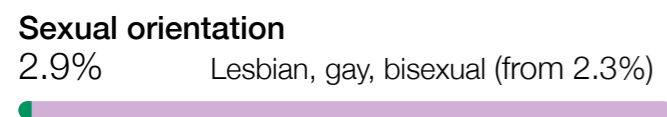
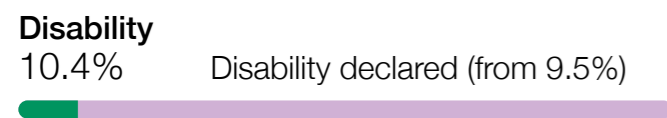
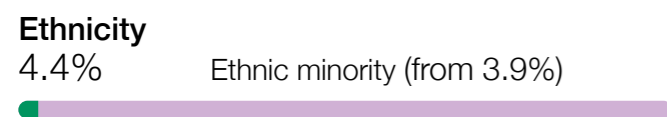
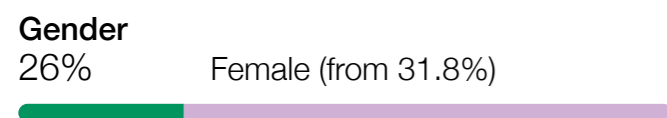
⁴⁴ <https://www.gov.uk/Government/publications/wigston-review-into-inappropriate-behaviours>

⁴⁵ Section 149 of the Equality Act 2010.

the external Employee Assistance Programme as well as provided with the necessary reasonable adjustments to ensure equity. A range of learning packages are also provided to disabled staff and their line managers.

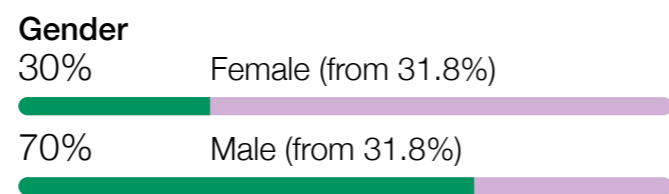
The following tables reflect the civilian composition of the organisation by protected characteristics over the year. The information provided in table i relies on staff making the necessary declarations on our Human Resource Management System (HRMS) and therefore may not be representative of the whole of our workforce.

i. Staff breakdown



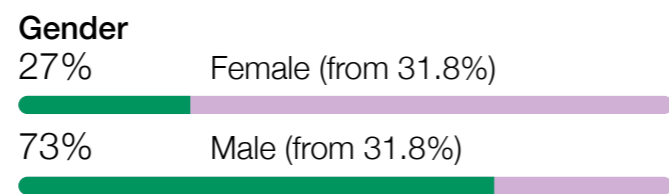
ii. Gender breakdown at SDA Board and executive team level (civilian)

Total SDA Board and executive team⁴⁶ = 14



iii. Gender breakdown over the year at SCS level (civilian)

Total SDA SLG (SCS) =



⁴⁶ Ian Booth and Bruce Martin sit on the SDA Board and SDA Executive Committee and have been counted twice to reflect this.

Pay and reward

We are committed to recognising our people for their efforts. There are five principles providing the foundation for performance and reward:

- competitive – consideration is given to the external and internal market practices when shaping our total reward package
- fair – assurance is sought that our policies and practices are properly governed, applied consistently and transparently and in the public interest
- simple – it is important our approach is easy to understand, delivered on time, accurately and with proportionate effort
- sustainable – it must be flexible, affordable, value for money and aligned to our business strategy and performance, enabling individual growth and progression
- transparent – providing clarity on how our people can progress their pay.

Recruitment

The SDA is responsible for managing all aspects of its workforce planning including the recruitment of high quality and suitably experienced/qualified personnel to deliver our business outputs. The majority of recruitment campaigns in Bristol are shared jointly with DE&S, particularly in niche and critical skill areas. In our other locations, recruitment campaigns are focused only on our Agency recruitment needs.

The SDA has continued to improve our approach to recruitment so that we can ensure we obtain the right people, with the right skills at the right time in order to deliver an optimal and sustainable level of resourcing. Significantly, during the last financial year, we took on responsibility for and matured our approach to function management and have commenced transition of all remaining HR services from DE&S to the SDA so that we are responsible for all elements of our People Strategy. In support of these decisions and recognising the importance to robust and efficient workforce planning across defence and wider Civil Service, we developed our initial SDA Workforce Strategy and Plans underpinned by a Workforce Planning Framework. This work will be matured in 2022-23 and used to drive our approach for our recruitment and the management of critical skills.

The SDA continues to grow as the scope of our business requires and we are developing strategies to mitigate risks and consequent impacts and continuing to improve our Employee Value Proposition to development, reward and retention.

Trade union relationships

In line with historical and current governance arrangements, DE&S and SDA have a joint approach to Trade Union (TU) engagement. An Employee Relations Framework Agreement was subsequently created to govern successful

engagement between DE&S/SDA and the TUs, including the principles, behaviours and processes under which both parties will operate to ensure good employee relations. The agreement was signed by the Chief of Defence Materiel⁴⁷ and the five recognised TUs on 2 February 2015. The HR team within DE&S leads on TU consultation for DE&S and the SDA. Consultation with the TUs takes place in compliance with the law and to initiate engagement in the spirit of reaching agreement.

The TU (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employees to collate and publish, on an annual basis, data on the amount and cost of facility time. DE&S and SDA currently act within the same collective bargaining unit, with TU representatives undertaking TU duties across both organisations. Consequently, facility time costs for 2021-22 are shared between DE&S and SDA and these are reflected in the annual facility time data return as a combined expenditure. This information is shown below for the period 1 April 2021 to 31 March 2022:

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
25	24.6

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	10
1-50%	15
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time (total combined cost with DE&S)	£23,291.12
Total SDA annual civilian pay bill ⁴⁸	£104,099,000
Percentage of total civilian pay bill spent on facility time	0.02%

⁴⁷ Chief of Defence Materiel was the predecessor to the DE&S Chief Executive Officer who was appointed when DE&S became a Bespoke Trading Entity. The principles outlined in the agreement remain applicable to the SDA following its establishment as a separate Agency in April 2018 and underpins the joint DE&S and SDA approach.

⁴⁸ The total SDA annual civilian pay bill. The sum of direct wages and salaries, pension contributions and National Insurance contributions.

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	0.00% ⁴⁹
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TU activities means time taken away from main role duties under section 170 (1) (b) of the 1992 TULR(C)A. These might include attendance at branch; regional or national TU meetings or conferences; meeting with full time officers regarding issues related to the workplace; and voting in TU elections.

The above information is also published by the Cabinet Office online at: <https://www.gov.uk/Government/statistical-data-sets/public-sector-trade-union-facility-time-data>.

Civil Service and other compensation schemes exit packages (subject to audit)

There were no payments to civilian staff for early retirement and redundancy during 2021-22. This would include redundancy and other departure costs paid in accordance with the Civil Service Compensation Scheme (CSCS). Where the SDA agrees early retirements, the costs are met by the SDA and not by the Civil Service Pension Scheme. In 2021-22, there are no reported payments of this kind.

We may occasionally make use of early release schemes to reduce the number of civilian personnel who are not members of the CSCS.

No such usage was made during 2021-22.

Expenditure on consultancy and temporary staff

Our operating cost envelope includes the engagement of contingent labour (also known as workforce substitution) and other external support defined as Private Sector Support (PSS). Contingent labour relates to individuals who are engaged by the SDA on a demand basis to temporarily fill vacancies within the organisation. The costs of contingent labour are shown as a separate entry in the staff costs at note 2 to the accounts.

PSS is defined by the SDA as external support to supplement our capacity and capability to manage our programme of work. This includes packages of work aimed at delivering business improvements in line with our strategic objective of developing the SDA. PSS within the SDA includes consultancy assistance and other external support. PSS is also used within the SDA to address resource and skills gaps in project, logistics and commercial management capability. The analysis of the SDA PSS expenditure is at note 3.

High paid off-payroll appointments

Details of SDA's most highly paid off-payroll appointments are shown below. These represent temporary workers who are employed for limited periods of time, usually

⁴⁹ The SDA and DE&S do not approve payment for TU officials to undertake TU activities.

to fill short term vacancies, to deliver finite pieces of work, or to provide key skills needed to deliver the business which are not available in-house.

Government policy is that individual Departments must exercise governance over such appointments where the appointees are not engaged directly on Departmental payrolls. All these employees are engaged through contracting mechanisms which provide assurance that they paid the right amount of tax and national insurance contributions in 2021-22.

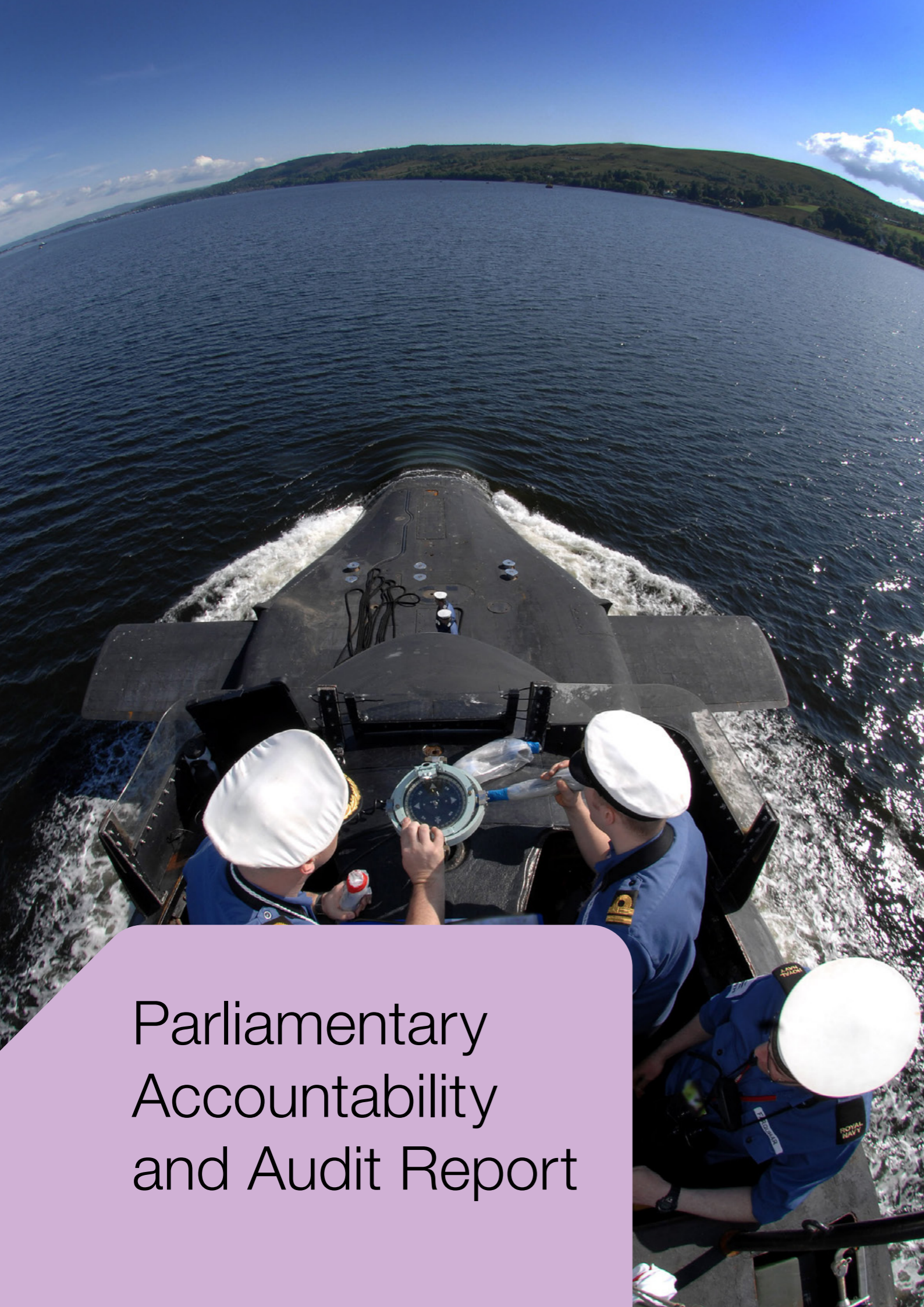
Temporary off-payroll worker engagements as at 31 March 2022 and paid more than £245 per day.

Submarine Delivery Agency	2021-22
Number of existing arrangements as of 31 March 2022	94
Of which...	
No. that have existed for less than one year at time of reporting.	68
No. that have existed for between one and two years at time of reporting.	19
No. that have existed for between two and three years at time of reporting.	3
No. that have existed for between three and four years at time of reporting.	4
No. that have existed for four or more years at time of reporting.	0

All temporary off-payroll workers engaged at any point during the year ended 31 March 2022 and paid more than £245 per day.

Submarine Delivery Agency	2021-22
No. of off-payroll workers engaged during the year ended 31 March 2022	132
Of which...	
Not subject to off-payroll legislation	118
Subject to off-payroll legislation and determined as in-scope of IR35	6
Subject to off-payroll legislation and determined as out of scope of IR35x	8
No. of engagements reassessed for compliance or assurance purpose during the year	59
Of which: No. of engagements that saw a change of IR35 status following review	0

The use of contingent labour principally reflects the use of external contractors recruited on a temporary basis into critical roles through the main (shared) DE&S and SDA delivery partner contracts across Project Management, Project Controls, Engineering and Commercial functions to meet demand requirements as the submarine programme of work continues to grow. Their use enables us to supplement our capability and capacity more quickly than we would be able to build a core workforce.



Parliamentary Accountability and Audit Report

Parliamentary Accountability Report

In 2021-22 we responded to 18 written Parliamentary questions; we also dealt with Ministerial and Treat Official correspondence from Members of Parliament, Peers and the public; exceeding our Departmental targets for on-time delivery. Particular areas of interest included the Dreadnought and Astute programmes and the Submarine Dismantling Project. We provided briefings to support a range of Parliamentary business.

We have continued to fulfil our statutory obligations under the Freedom of Information Act 2000 in responding to requests for information from members of the public, answering 18 requests for information.

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) investigate complaints from individuals who feel they have been treated unfairly, improperly or have received a poor service from Government Departments or their agencies. In 2021-22, as in previous years, the PHSO received no complaints about the SDA.

External reviews

No External Reviews have taken place in the period covered by this report.

Parliamentary Accountability Disclosures

The SDA's accounts include costs relating to the OpEx of the Agency. Costs relating to the Equipment Plan are accounted for in the MOD resource account.

Losses and special payments (subject to audit)

Losses and special payments are unpredictable, as such Parliament cannot envisage when funding is required to cover these costs. They are emergent in nature arising as a result of an unexpected incident or failure of process, as such they are subject to a higher level of scrutiny and approval than would be the case for normal business transactions.

Losses during 2021-22 totalled £29,280. The SDA has no cases requiring to be reported separately by value.

Remote contingent liabilities (subject to audit)

The SDA does not have any reportable remote contingent liabilities.

Regularity of expenditure (subject to audit)

All material expenditure and income incurred by the SDA in 2021-22 was in accordance with the requirements of HM Treasury and other Government guidance.

Sir Chris Gardner KBE
Chief Executive and Accounting Officer
16 January 2023

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 Submarine Delivery Agency for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Submarine Delivery Agency's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, 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 statements have been prepared under the accounting policies set out within them. 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 Submarine Delivery Agency's affairs as at 31 March 2022 and of the net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's

Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Submarine Delivery 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 Submarine Delivery 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 Submarine Delivery 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.

The going concern basis of accounting for the Submarine Delivery Agency is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Chief Executive as Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements 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 Submarine Delivery 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 the information and explanations I require for my audit; or
- adequate accounting records have not been kept by Submarine Delivery 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 to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or 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 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 Submarine Delivery 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 anticipates that the services provided by the Submarine Delivery Agency will not continue to be provided in the future.

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 based on 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 regulation, 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 Submarine Delivery Agency's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, the Submarine Delivery Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Submarine Delivery 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 Submarine Delivery Agency's controls relating to 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 Submarine Delivery Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, 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 Submarine Delivery Agency's framework of authority as well as other legal and regulatory frameworks in which the Submarine Delivery Agency operates, focusing on those laws

and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Submarine Delivery Agency. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2021, Managing Public Money, employment law, tax legislation and Health and Safety legislation.

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 and Risk Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board and appropriate 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

- Attendance at Audit and Risk Committee meetings and regular communication with management and internal audit to identify any instances of fraud, non-compliance with laws and regulations and irregular transactions.

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

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

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

Date: 18 January 2023

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



Section 3 The Financial Statements

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Accounting information

Statement of comprehensive net expenditure for the year ended 31 March 2022

	Notes	2021-22 £000	2020-21 £000
Expenditure – programme costs			
Direct Staff Costs	2	150,089	142,652
Private Sector Support Costs	3	41,997	44,637
Other Programme Costs	4	8,884	11,058
Total Direct Programme Costs		200,970	198,347
Net Direct Programme Expenditure		200,970	198,347
Expenditure – non-cash items			
Communicated Costs from other MOD organisations	5	18,253	14,727
Non-Cash Charges DE&S Corporate Overhead	5	8,084	6,424
Auditors' Remuneration	6	100	100
Amortisation Costs		58	58
Provisions		0	(835)
Total Non-Cash Items		26,495	20,474
Net Operating Expenditure		227,465	218,821
Total Comprehensive Net Expenditure		227,465	218,821

The Notes which follow the Statement of Changes in Taxpayers' Equity form part of these accounts.

Statement of financial position as at 31 March 2022

	Notes	2021-22 £000	2020-21 £000
Non-current assets			
Intangible fixed assets		158	216
Total non-current assets		158	216
Current assets			
Trade and Other Receivables	7	534	454
Total Current Assets		534	454
Total assets		692	670
Non-current liabilities			
Provisions	9	0	0
Current liabilities			
Trade and Other Payables	8	(32,313)	(25,108)
Provisions	9	0	0
Total Current Liabilities		(32,313)	(25,108)
Assets Less Liabilities		(31,621)	(24,438)
Reserves			
General Fund		(31,621)	(24,438)
Total Reserves		(31,621)	(24,438)



Sir Chris Gardner, KBE

Accounting Officer 16 January 2023

The Notes which follow the Statement of Changes in Taxpayers' Equity form part of these accounts.

Statement of cash flows for the year ended 31 March 2022

	Notes	2021-22 £000	2020-21 £000
Cash flows from operating activities			
Net Operating Expenditure	SoCNE	(227,465)	(218,821)
Adjustments for non-cash transactions			
Communicated Costs	5	18,253	14,727
Non-Cash Charges DE&S Corporate Overhead	5	8,084	6,424
Auditor's Remuneration	6	100	100
Amortisation Intangible Assets		58	58
(Increase) in trade and other receivables	7	(80)	765
Increase in trade and other payables	8	7,205	485
Decrease in Provisions	9	0	(1,160)
Net Cash Outflow from Operating Activities		(193,845)	(197,422)
Cash Flows from investing activities			
Purchase of intangible assets		-	-
Net Cash outflow from Investing Activities		-	-
Cash flows from financing activities			
Net Parliamentary Funding – drawn down		193,845	197,422
Net increase/(decrease) in cash and cash equivalents in the period		-	-

The Notes which follow the Statement of Changes in Taxpayers' Equity form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2022

	Notes	General fund £000	Total reserves £000
Balance at 1 April 2020		(24,290)	(24,290)
Net Comprehensive Expenditure for the year	SoCNE	(218,821)	(218,821)
Balance at 31 March 2021		(24,438)	(24,438)
Balance at 1 April 2021		(24,438)	(24,438)
Net Comprehensive Expenditure for the year	SoCNE	(227,465)	(227,465)
Balance at 31 March 2022		(31,621)	(31,621)

The Notes which follow the Statement of Changes in Taxpayers' Equity form part of these accounts.

Notes to the accounts

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements contained within the Annual Report and Accounts relate to the financial year 1 April 2021 to 31 March 2022 (2021-22).

The accounts have been prepared in accordance with the Accounts Direction issued by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000 and International Financial Reporting Standards as adapted and interpreted for the public sector context in the FReM.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the circumstances of the SDA for the purpose of giving a true and fair view has been selected. The policies adopted by the SDA are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The functional and presentational currency is pounds sterling and figures are expressed in thousands of pounds unless expressly stated in a note.

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, modified by the revaluation of assets and liabilities to fair value as determined by the relevant accounting standards, and subject to the interpretations and adaptations of those standards in the FReM.

1.2 Basis of preparation of annual accounts – accounting boundary

In supporting the MOD to meet its overall purpose, the SDA has key areas of delivery including maintaining CASD by safely delivering available, capable, and reliable in-service submarines and systems; leading the design and construction of all new UK submarines; managing the delivery of the nuclear infrastructure needed to support the submarine fleet; safely disposing of the UK's submarines that are no longer in-service; ensuring that we retain and develop the submarine technology base such that it meets our future requirements and retains our capability advantage; supporting and fulfilling our roles in international partnerships; and developing a sustainable industrial base for the Submarine Enterprise. The SDA's purpose and role, together with the governance, policy, financial and human resources parameters that guide day-to-day operations are set out in the Framework Document, which is approved by Secretary of State for Defence. The Chief Executive Office is appointed by the Ministry of Defence (MOD) Permanent Secretary as an additional accounting officer, with responsibility for the operating costs of the Agency. Delegations

to run the Agency are granted through the DG Nuclear. The operating cost envelope specifically encompasses staff costs, other operating costs (including travel and training), and private sector support (PSS) expenditure and any associated revenue. The financial statements also include costs incurred by other MOD organisations in support of the SDA operations as non-cash communicated costs (please see item 1.8 below and Note 5 to the financial statements).

PSS is defined as external support to supplement the SDA capacity and capability to manage our programme of work including those elements of external support that are being employed to deliver business improvement and transformation within the organisation (please see Note 3). It encompasses contracts for the employment of manpower support, consultancy assistance and specialised support activities. As such, PSS addresses resource and skills gaps in our project and logistics management capability. The SDA has developed and implemented accounting policies defining those activities that are to be treated as PSS.

Equipment Programme (EP) costs are those directly attributable to building the assets and bringing them into use; operational expenditure is the costs associated with the project and programme management to deliver the programme, (that is the non-attributable overhead). These accounts do not account for the EP, which is included in the MOD accounts.

1.3 Critical accounting judgments and key sources of estimation uncertainty

The key areas in which judgment and estimates are necessary are as follows:

Accounting boundary: the SDA has a well-established policies and governance arrangements supporting the delineation of costs between those recognised as operating costs and reported in the Agency's financial statements from those equipment procurement/support activities that are reported in the MOD financial statements. The SDA documents these policies and governance arrangements in its Finance Manual, and they have been paramount in the preparation of these accounts. Decision making continues to be supported by the SDA Operating Costs Controls Steering Group (OCCSG), which is chaired by a senior finance manager, providing structured consideration of accounting boundary decisions.

Costs which cannot be in-sourced are not accounted for within SDA operating expenditure (OpEx). The SDA often procures activities to be performed by industrial contractors that match activities which the SDA would usually be responsible for, but which are integral and indivisible from the other Equipment Plan activities in the main contracts. The SDA could not in-source these integral

and indivisible activities and it would therefore be inappropriate for such arrangements to be accounted for within the SDA operating costs.

DE&S Charges: DE&S charges the SDA for its share of the DE&S corporate overheads consumed by Agency. Corporate Services are defined as those which collectively enable the operational day-to-day running of the Agency. This enables the appropriate overheads to be included in the accounts of both the SDA and DE&S. A Business Agreement between SDA and DE&S sets out the basis for these charges. A budget transfer from DE&S to the SDA is raised at the end of the first quarter of each financial year for the SDA's share of the DE&S corporate services costs through the transfers process covering 1 year of the budget. Charging is based as a monthly apportionment of the agreed budget through a monthly journal and the charge is based on 1/12 of the budget. To ensure costs are materially accurate in the SDA and DE&S accounts DE&S reconciles costs to charges regularly, typically quarterly. If the reconciliation demonstrates that the difference between costs to charges is greater than the materiality threshold of £300K then a budget adjustment is made with a year-end true up if needed.

Communicated costs: The SDA receive several benefits driven by the activities of other MOD organisations which support our operations. There is no mechanism in place for these costs to be directly charged to the SDA, so these costs are recognised within the Agency's accounts as communicated costs. These costs reflect the best estimates available and the majority are allocated based on an apportionment of costs based on staff number ratios. Note 5 provides further detail on communicated costs.

Accruals: payables and receivables: In instances where revenue/expenditure has been earned/incurred but not invoiced, an estimate is made of the amount to be accrued as a payable or receivable item. The SDA reviews annually the appropriateness of the materiality level set to ensure it continues to remain relevant. For 2021-22, a guideline recognition threshold of £5,000 has been applied in the recognition of payables and receivables.

1.4 Changes during 2021-22 which have affected preparation of these annual accounts

There have been no significant events that would affect the preparation of the SDA accounts during 2021-22.

1.5 Going concern

The SDA is funded on the same basis as other central Government organisations (known as “on vote” or net parliamentary funding) and therefore receives funding allocations through the MOD. As the SDA does not operate a bank account, with liabilities being met by the MOD, the year-end net liabilities position in the Statement of Financial Position represents a timing difference that will be offset by future net parliamentary funding from the MOD. The SDA is a fundamental part of the MOD operating model; therefore, the SDA considers there is no reason to believe that future parliamentary approvals will not be forthcoming and further considers that this assumption is not impacted by Coronavirus (COVID-19).

1.6 Revenue and expenditure recognition

Funding received for revenue purposes from the MOD is treated as Net Parliamentary Funding from MOD rather than operating income and is therefore credited directly to the general fund. Any revenue and expenditure generated directly from SDA activities is recognised in the SoCNE on an accruals basis, determined by when the related goods and services are provided and where an assessment of the stages of completion of revenue and expenditure generating activities can be reliably measured. The SDA has no main sources of revenue but would use IFRS15 to recognise any income. The SDA does occasionally, where agreed in contract, receive rebates for project activity. During 2021-22, a rebate has been recognised (see Note 7).

1.7 Programme costs

The SDA expenditure is reported as programme costs in line with MOD annual accounts reporting requirements. Where the SDA civilian staff are temporarily reassigned to work in other areas of the MOD their salary costs are charged to those other areas. Similarly, where other areas of the MOD temporarily reassign their staff to support the SDA management activities, salary costs are charged to the SDA. The SDA recognition threshold for manual accruals in the Agency is £5k (SDA Finance Manual, 3.3.1 and 13.2) with a line item minimum of £500 (regarding ledger adjustments).

The freedoms granted to us as an ALB include the ability to manage all aspects of the workforce as necessary to meet business needs and we regularly review the appropriateness of letters of delegation as part of routine business. The freedoms granted to us also mean that in 2021-22, we were exempt from certain Cabinet Office controls, which were, redundancy and compensation, learning and development and dispute disclosure. Additionally, we have an agreed approval threshold of £150 million for contracts, with sole source only being used in exceptional

circumstances, and excluding contracts via Foreign Military Sales, NATO Agencies or other International Contracting Authorities. This threshold is higher than Other Government Departments. During 2021-22, the Cabinet Office updated their controls in relation to external assistance (consultancy, professional services and contingent labour), with exceeded durations and thresholds now requiring approval from or reporting to the Cabinet Office.

1.8 Communicated costs

Communicated costs are indirect costs in support of the SDA's operations that are incurred through activities with other MOD organisations. These costs have been included (on an estimated basis) as a non-cash item in the SDA's Statement of Comprehensive Net Expenditure, to ensure that a full representation of OpEx is reported. Note 5 provides an analysis of these costs identifying the other MOD organisations involved and the key assumptions applied in determining the costs.

1.9 Value Added Tax (VAT)

Most of the operating activities of the SDA are deemed to be outside the scope of VAT as they relate to direct manpower costs. Irrecoverable VAT is charged where appropriate to other expenditure categories. Expenditure associated with recoverable VAT is treated as excluding VAT in the SDA accounts, with formal recovery administered by the MOD. The SDA is not separately registered for VAT and VAT collected, or any associated recoveries are processed centrally by the MOD.

1.10 Non-current assets

Where assets are purchased for the sole benefit of the SDA and funded through our Operating Cost Expenditure budget these are considered for capitalisation where they meet the recognised threshold of £25k and are intended for use for a period of over 12 months. The SDA holds a small number of non-current intangible assets. Given the relatively low volume and value of assets purchased specifically for the SDA use, it is not our current policy to pool assets. We re-visit this policy annually to ensure that we are not omitting any significant assets from our Non-Current Asset Register.

All Equipment Programme Non-Current Assets are held on the MOD register and managed separately to any Non-Current Assets that may meet the capitalisation threshold and are registered as Agency assets.

1.11 Amortisation

All assets are amortised on a straight-line basis. The useful life of a tangible asset is based on the estimated out of service date and for intangible assets the estimated period of use. The Useful Economic Lives (UEL) of all assets are reviewed annually and revised where necessary to reflect changing circumstances.

The principal asset category along with their useful life is set out in the table below:

Main category	Sub category	UEL	Basis
Intangibles	Software licences	3-5	Length of licence

1.12 Cash and cash equivalents

Cash payments and any receipts are processed on behalf of the SDA by the MOD. The SDA does not, therefore, operate its own bank accounts, nor does it have separate cash, or cash equivalent balances within the Statement of Financial Position.

1.13 Financial instruments – receivables and liabilities

IFRS9 divides all financial assets into 2 classifications – those measured at amortised cost and those measured at fair value. Goods or services provided or received by SDA but not yet invoiced are accrued at estimated fair value.

1.14 Employee benefits

A charge is made in these accounts for the value of employees' annual leave entitlements earned, but not yet taken at 31 March each year. This has been valued by reference to the SDA average staff costs, by grade, based on a 365-day year, in line with the MOD policy on recognition of untaken leave.

The value of employee performance bonuses reflected within the Statement of Comprehensive Net Expenditure reflects those earned for performance in 2020-21.

The SDA has no voluntary, or compulsory redundancies to report in 2021-22.

1.15 Funding transfers for staff movements

The movement of staff from or to other MOD organisations is subject to the agreement of funding transfers between the SDA and the other transacting party before implementation. The exporting organisation continues to record expenditure until this agreement has been reached.

1.16 IFRS 8 segmental reporting

The requirement for segmental reporting under IFRS 8 is not considered appropriate for the SDA, as the organisation is operated and managed as a single entity, rather than as separate operational segments. The SDA's sponsor Department, the Defence Nuclear Organisation (DNO), recognises the SDA as a single entity operating and managed from a single central location in Bristol.

1.17 Reserves

The General Fund reserve represents the balance of taxpayers' equity in the SDA. Specifically, the General Fund reflects the net assets held at the end of financial year 2021-22. The SDA has no other reserves.

1.18 Provisions for liabilities and charges

Provisions for liabilities and charges have been established under the criteria of IAS 37 – Provisions are based on realistic estimates of the expenditure required to settle legal or constructive obligations that exist at the Reporting Period Date. On initial recognition provisions are charged to the SoCNE (see Note 10).

1.19 IAS 8 accounting policies, changes in accounting estimates and errors

IFRS 16 Leases – This is effective for accounting periods starting from 1 April 2021 and is effective in the SDA's 2021-22 accounts. The potential impact of IFRS 16 on the SDA has been assessed in 2021-22. As SDA holds no leases there is no effect.

1.20 Impact of COVID-19 pandemic

The World Health Organisation declared COVID-19 as a pandemic on 11 March 2020. The Agency has considered the impact of the pandemic and the associated lockdown measures in this annual report.

2. STAFF NUMBERS AND RELATED COSTS

2.1 Staff costs comprise:

Staff costs comprise:	2021-22			2020-21		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Salaries and wage costs	99,456	11,886	111,342	91,328	16,487	107,815
Social security costs	10,763	0	10,763	9,688	0	9,688
Other pension costs	28,494	0	28,494	25,554	0	25,554
Total	138,713	11,886	150,599	126,570	16,487	143,057
Paid To:	£000	£000	£000	£000	£000	£000
Armed Forces	23,921	-	23,921	22,472	-	22,472
Civilian	114,792	11,886	126,678	104,098	16,487	120,585
Total	138,713	11,886	150,599	126,570	16,487	143,057
Adjustment for NSRS rebate of staff costs	(510)	-	(510)	(405)	-	(405)
Net staff costs	138,204	11,886	150,089	126,165	16,487	142,652

The North Atlantic Treaty Organisation (NATO) Submarine Rescue System (NSRS) project rebate from co-nations involved with the programme. This has been taken as a SoCNE credit against staff costs.

The SDA has increased recruitment during 2021-22 as part of requirements to deliver its customer-agree programme of work (for example, the continued ramp up of the Dreadnought Submarine Programme) and planned development of the of the Agency's capabilities. The increase in staff numbers has resulted in various associated salary increases. Partly for this reason during this financial year, there has been a decrease in usage of contingent labour contracts through SDA/ DE&S Delivery Partners. This has resulted in a decrease in the value of expenditure on contingent labour.

2.2 Average number of persons employed:

Average staff nos (full time equivalent):	2021-22			2020-21		
	Permanent employee staff	Contingent labour	Total	Permanent employee staff	Contingent labour	Total
Armed Forces	199	-	199	178	-	178
Civilian	1,867	76	1,943	1,642	95	1,737
Total	2,066	76	2,142	1,820	95	1,915

The SDA continued to grow and deliver the programme of benefits to MOD during 2021-22.

3. PRIVATE SECTOR SUPPORT (PSS):

	2021-22 £000	2020-21 £000
Manpower support	603	6,554
Consultancy and specialist PSS	41,395	38,083
Total	41,998	44,637

The overall level of PSS contractor support has reduced as we have increased in-house staff.

4. OTHER PROGRAMME COSTS

In 2021-22 we increased expenditure on travel and subsistence owing to reducing COVID-19 restrictions on travel. The COVID-19 pandemic initially meant increased IT and Infrastructure costs (to permit working from home as the default), which have now reverted to historic levels. Training costs increased owing to reductions in restrictions.

	2021-22 £000	2020-21 £000
Staff travel and subsistence costs	2,403	663
IT and telecommunications	2,737	4,656
Other infrastructure expenditure	628	3,367
Staff training costs	1,130	406
Rentals	982	935
Other costs	1,004	1,031
Total	8,884	11,058

5. COMMUNICATED COSTS AND DE&S NON-CASH CHARGES

Communicated costs

The SDA incurred the following costs from other MOD organisations in support of SDA activities. We include these costs as a non-cash item in the SDA statement of Comprehensive Net Expenditure to ensure we report a complete representation of Operating Expenditure. There is no hard charge for these costs, which we apportion on an equitable basis.

MOD organisation	Description of activities	Method of apportionment	2021-22 £000	2020-21 £000
Defence Digital	Information systems and communication services	SDA staff as percentage of total MOD staff	8,858	7,209
Defence Infrastructure Organisation	Infrastructure and facilities management costs; MOD Guard Service	SDA proportion of costs based on staff numbers	4,883	3,647
Strategic Command	Defence Academy training; medical services	SDA proportion of costs based on staff numbers	340	1,650
Navy Command	Nuclear training (previously within Defence Academy)	SDA proportion of costs	1,244	-
Defence Business Services	Personnel and payroll services	Various	2,493	1,919
Head Office and Corporate Services	Various	Various	435	302
Total			18,253	14,727

DE&S non-cash charges

As set out in the Business Agreement between the SDA and DE&S, DE&S charges the SDA for its share of the DE&S corporate overheads. This enables the appropriate overheads to be included in the accounts of both the SDA and DE&S. The Business Agreement formalises the service provision arrangements between these organisations, identifies the programme dependencies and sets out how to manage them. The DE&S Corporate Overhead Charge for 2021-22 was £8,084k (2020-21: £6,424k).

6. AUDITORS' REMUNERATION

The SDA is audited by the Comptroller and Auditor General. The charge of £100k (2020-21: £100k) reflects the costs incurred by the auditor in respect of the audit of the SDA 2021-22 Annual Report and Accounts.

7. TRADE RECEIVABLES AND OTHER ASSETS

	2021-22 £000	2020-21 £000
Amounts falling due within 1 year:		
Other receivables	514	454
Prepayments	20	-
Totals	534	454

£510K of the Other Receivables balance relates to the NATO Submarine Rescue System (NSNR) rebate shown in note 2 (staff costs).

8. TRADE PAYABLES AND OTHER LIABILITIES

	2021-22 £000	2020-21 £000
Amounts falling due within 1 year:		
Private sector support accruals	(12,448)	(8,742)
Direct staff accrual	(17,266)	(14,226)
Trade payables	(2,599)	(2,140)
Sundry payables	-	-
Totals	(32,313)	(25,108)

The direct staff accrual includes the SDA's accrual for annual leave untaken as of year-end, and a non-cash adjustment of £5,915k, reflecting the SDA share of the MOD year-end timing liabilities for PAYE, NI contributions and Pension contributions.

9. PROVISIONS

The SDA has no provisions at year end.

10. COMMITMENTS UNDER LEASES

Operating leases

The SDA had one operating lease which has now ceased with no further liability.

11. RELATED PARTY TRANSACTIONS

The SDA is an executive Agency of the MOD. As such and for the purpose of these accounts the MOD is regarded as a related party. Funding comes in the form of Parliamentary funding with all payments and receipts relating to the SDA operations being processed by the MOD on the Agency's behalf.

The MOD continues to undertake a number of transactional activities on behalf of the SDA with other Government Departments and other central Government bodies. The most significant of which relate to the calculation and processing of taxation with HM Revenue and Customs and pension benefits for both the Armed Forces Pension Scheme and the Principal Civil Service Pension Scheme.

DE&S provides corporate services to the SDA to assist the SDA in delivering its objectives and to maintain compliance with the requirements of being part of a Department of State. Corporate Services include, but are not limited to, business support, function management, HR services, communications and infrastructure and estate. As noted in Section 5, the SDA is charged by DE&S for its share of the DE&S corporate overheads, for 2021-22 this was £8,084k (2020-21: £6,424k).

Details of individuals who served as Board Members during the year are listed in the Remuneration Report. No Board Member or their related parties has undertaken any material transactions with the Agency during the year.

12. EVENTS AFTER THE REPORTING DATE

The accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's audit certificate. The Agency has assessed the impact of COVID-19 on its assets and liabilities as well as key assumptions. It has also reviewed the impact on suppliers and the support the Agency gives them. While there has been reduced activity and delays indicated by suppliers none of these impacts are material. There have been no other events since the reporting period that would give rise to any additional disclosures.





Submarine
Delivery Agency

ISBN 978-1-5286-3813-5
E02832526