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The Science Inside

Annual Report and Accounts

2022-2023

Ministry of Defence

[dstl] The Science Inside

Defence Science and Technology Laboratory

Annual Report & Accounts

→ 2022/23

Presented to the House of Commons pursuant to Section 7(1), (2) and (5) of the Government Resources and Accounts Act 2000.

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HC 1676

Notes:
On 1 July 2001, in accordance with the Statutory Instrument 2001 No. 1246, the Defence Science and Technology Laboratory (Dstl) was created as a result of the separation of the Defence Evaluation and Research Agency (DERA); Dstl continuing as the Trading Fund.
On 1 April 2017, in accordance with the Statutory Instrument 2017 No. 148, the Defence Science and Technology Laboratory Trading Fund Order 2011(S.I. 2011/1330) was revoked; Dstl continuing as an Executive Agency within the ambit of the Defence vote but no longer operating as a Trading Fund.

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Contents

Performance

Our Performance Report explains Dstl as an organisation, detailing our strategy, the principal risks we face in our delivery and the analysis of our performance.

Our Performance Report contains two sections:

Overview

Details Dstl's purpose – what we do and why, and our key risks. The overview provides information showing how we performed in 2022-23.

Performance Analysis

Explains how we measure our performance, using information from other parts of our Annual Report and Accounts to provide longer-term trend analysis.

1 / Overview

Chief Executive's statement

UK defence and security needs science, technology and innovation; more than ever before.

War in Ukraine has brought into sharp focus the need to support modern Armed Forces with ingenuity, speed and a singular focus on exploitable solutions. As the refreshed Integrated Review in March made clear, this comes with a backdrop of the epoch-defining challenge of China to the international order.

Dstl is rising to the challenges presented, working closely with Ministry of Defence (MOD) colleagues especially in the Defence Science and Technology (DST) organisation. Dstl's engaged, dedicated and incredibly talented staff have recognised the threats posed by malign actors around the world, and redoubled their efforts. I am proud and grateful that they have delivered more science-per-head than ever before in Dstl's history, including playing an exceptionally important role in supporting operations. We welcomed 717 new colleagues to Dstl this year, into a diverse and wide range of technical disciplines.

Our partners in industry and academia have stepped up their contribution too, with more than half of our science and technology (S&T) programme this year having been done under commercial contract. We are proud of the contribution these partners make to defence. Dstl, through its excellent suppliers, is undoubtedly an engine of scientific and technical wealth-generation in Government.

The incredible ingenuity and creativity of our work together gives our country an enviable edge against those who mean us harm, and so we are only able to hint at the impact we had this year in this report.

In our Armed Forces, in Whitehall and around the world, the importance of our work is being increasingly recognised and sought by those wrestling with the nation's most difficult defence and security challenges.

This year we have launched a new strategy and embarked on a transformation that will ensure that we continue to do better to rigorously understand, influence and deliver against defence's most important problems. We must ensure that the level of impact we had this year can be sustained and grown for years to come, and done in a way that always prioritises the safety of our people.

Looking to the future, Dstl is committed to cultivating a strong safety culture across the whole organisation, ensuring that safety is at the forefront of everything we do. My leadership team and I are developing a plan for a safe and secure Dstl, fostering an environment that allows our skilled and dedicated workforce to work safely at pace, to ensure the welfare of our people and to continue to deliver the innovative high impact S&T that is expected of us.

As you read this report and see the excellent performance this year, I hope you will see on every page why I am incredibly proud to lead Dstl and of the major contribution we make to the defence and security of our nation and its allies.

Paul Hollinshead

Chief Executive

19 July 2023

Impact #01

DragonFire

Operational advantage through novel hard power

Dstl has developed and tested the UK's first high-powered long-range laser weapon – successfully destroying a drone from a distance of 3.5km.

DragonFire, a prototype directed energy weapon, was fired with pinpoint accuracy during trials at Porton Down ranges in the autumn. This new UK sovereign capability is designed to provide short-range air defence and close-in protection for naval vessels using a range of different effects depending on the tactical scenario. These include identifying, tracking and deterring a potential threat by dazzling its targeting sensors, as well as damaging or even destroying incoming threats.

This technology could revolutionise the future battlefield by allowing armed forces to operate without ammunition, reducing the risk of collateral damage.

Designed to operate over even longer distances, DragonFire was deployed against representative targets including static sheets of metals and other materials of varying thicknesses, and mobile targets such as small uncrewed aerial vehicles (UAVs), widely known as drones.

The firing followed an active tracking accuracy trial at the QinetiQ Aberporth range. In difficult weather conditions due to Atlantic storms the system performed to its requirements and demonstrated the tracking accuracy necessary to maintain a constant lock on surface and air targets.

The future aspiration for the system is to conduct an above the horizon trial in the UK in 2023 and 2024 against instrumented surface and air targets to fully test system performance against a demanding target set.

The DragonFire consortium is a partnership between Dstl and industry, leveraging the innovation and expertise from the UK's world class industrial base, led by MBDA and comprising Leonardo, QinetiQ, Arke, BAE Systems, Marshall and GKN.

Who we are and what we do

We are Dstl – the science inside UK defence and security, providing operational advantage and world-leading capabilities.

As an Executive Agency of MOD, we play a crucial part in the S&T ecosystem, collaborating with industry and academia to deliver the best solutions to defence and security challenges.

We align with and support Government, defence and security strategies and priorities, helping the UK to become a great science super-power.

Our main customer is the MOD Chief Scientific Adviser (CSA) who is responsible for the direction of MOD's core S&T research portfolio. Working in close collaboration with DST to maximise impact and understand defence and security needs, we proudly deliver MOD CSA's research programme, including subcontracting more than half of this to industry and academia.

Our experts sustain and grow S&T capabilities that must remain in government, while helping to develop capabilities within the private sector. We understand, shape and deliver novel and cutting edge capabilities, concepts and impartial evidence-based advice that enhances UK defence and security by:

- → Creating operational advantage for the front line
- → Providing new S&T and capability for the future for defence and security
- → Aiding strategic decision-making
- → Strengthening international alliances through collaboration
- → Generating economic growth and prosperity by investing in skills, innovation and infrastructure all over the UK.

We work collaboratively with our international allies, providing defence and national diplomacy influence around the world. Security and policing partners depend on our skills, deep understanding and facilities to keep the UK safe from current and future threats. And by working closely with industry and academia we energise the innovation ecosystem to develop novel solutions at pace and accelerate generation after next technologies.

We have invested in Ploughshare, which was established in 2005 to take on the increasing commercialisation activities being conducted by Dstl and engage with industry to negotiate license deals and create spin-out companies. Ploughshare reaches out across MOD, connecting inventors and investors to accelerate products to market. From 01 April 2023, formal sponsorship of Ploughshare has been transferred to DST in MOD Head Office.

We are delighted to host DASA – the Defence and Security Accelerator. DASA is a cross-Government team that finds and funds exploitable innovation to support UK defence and security quickly and effectively, so we utilise their expertise and innovation partnering network to reach out to the wider S&T ecosystem within industry and academia.

Sustaining strategic advantage through S&T is recognised as an integral element of our national security and our experts at Dstl work tirelessly and collaboratively with our partners, suppliers and international allies to find the benefits S&T can bring to provide a safe and secure environment for all in the UK.

Our plans for the future – Our strategy

Delivering against our strategy

The Dstl 2018-2022 Strategic Direction and associated business change activities, delivered via our Strategy on a Page (SOAP), led to organisational changes that successfully enabled Dstl to support and then respond to the significant uplift in defence and security S&T investment announced in the 2021 Spending Review. More specifically the 2018-2022 strategy led to:

- Significantly improved stakeholder awareness and closer collaboration with DST in developing and now delivering the new five-year S&T portfolio, to meet the priorities set out by MOD CSA;
- A sharper focus on S&T opportunities to enable defence transformation through establishing and providing future visions for the strategic capabilities stewarded by Dstl;
- Improved access to new partners and suppliers of S&T delivered by Dstl through targeted activities and events to grow the "ecosystem" and implementation of enhanced commercial arrangements;
- Targeted recruitment and development of skills in priority S&T capability areas, enabling Dstl to adapt to increased demand through the S&T portfolio; and
- A proactive approach to Dstl's core and specialist digital services, working in tandem with Defence Digital and fully enabling hybrid working to ensure effective delivery throughout the COVID-19 pandemic.

Since the previous strategy was launched in 2018, the global and national context has radically changed. The global pandemic has seen unprecedented changes to both society and the national and global economy. In addition, global insecurity and growth in state and non-state actor threats has continued to increase, with the war in Ukraine leading to a rapidly increasing demand for S&T support to UK policy. The 2021 Spending Review recognised the continuing pace of change in S&T and the growing need for increased UK investment in S&T for both economic and defence reasons with the Government setting out "sustaining strategic advantage through science and technology" as one of four overarching Spending Review objectives.

In the context of the above and the 2022 launch of a new and ambitious S&T portfolio by DST in MOD Head Office, Dstl's S&T budget is now expected to exceed £1 billion in 2023/24. This can be compared with £626 million in 2018/19, the year our previous strategy was launched.

Whilst the 2018-2022 Strategic Direction successfully delivered many essential changes required to both prepare for and navigate through unprecedented times, there is now a need to update our strategy to ensure we can optimally focus on our stakeholders' most important challenges and ensure that pace and the impact of S&T delivered by Dstl is robustly effective in meeting the challenges of both today and tomorrow.

Time for a new approach

For further information on our strategic capabilities...

See page 009

Dstl's new Chief Executive arrived in February 2022 and rapidly set about leading the development of a new strategy for the organisation. Recognising the huge pressures on Dstl to deliver significantly increasing demand, challenges in sustaining and developing S&T capabilities to meet such demand, and the need to invest in infrastructure to keep pace with S&T change, a new 2023-2028 strategy was developed in consultation with Dstl's senior stakeholders. At its core, the new strategy will place a clear focus on working smarter, not harder and ensuring that Dstl delivers on the most important challenges facing defence and security and ensuring the impact of S&T is both understood and more rapidly exploited.

Keeping abreast of the ever increasing pace of change of technology means Dstl cannot continue to operate the way we used to; from how technology is used, how technologies converge, through to finding and understanding where new and emerging science and technologies will lead to innovations key to enabling future operational advantage for our defence and security capabilities. The scope and variety of the S&T advice, solutions and associated capabilities Dstl must both deliver and steward is not only increasing but constantly changing. We are a crucial part of the S&T enterprise and need to collaborate with industry and academia to help grow the UK's S&T capability.

To deliver greater impact at pace, focusing on our stakeholders' most important challenges, we have set out four strategic themes, developed in consultation with our stakeholders and our senior leaders. These are:

- Enabling operational advantage at pace - it is imperative that UK defence and security has the S&T it needs to support operations at home and abroad.
- Preparing for the future - to maintain an operational advantage in the future, UK defence and security will need new capabilities.
- Shaping the defence and security landscape - helping our customers and partners understand the threats and priorities and the best way to answer them.
- Leveraging and influencing internationally - using what Dstl is good at to leverage and influence our relationships to bring together the best groups of people to solve capability problems and have a greater impact.

These four themes are underpinned by improvements through investment (be that financial, training, ways of working etc.) in our people, estate and IT (our business enablers). We will focus on ensuring we can make the changes required to continue to operate safely and securely, invest in our estate and critical capabilities and retain/ attract and develop the skilled people Dstl needs.

Our new strategy was officially launched in April 2023.

Our 22 S&T Strategic Capabilities

Above Water Systems	Advanced Materials	AI & Data Science	Air Systems	CBR
Communications & Networks	Cyber	Electromagnetic Activities	Explosives & Energy	Homeland Security & CT Systems
Human & Social Sciences	Information Systems	Land Systems	Operational Research	Robotics & Autonomous Systems
Sensing	Space Systems	S&T Futures & Incubator	Strategic Systems	Survivability
Underwater Systems	Weapons			

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

Descriptions of Dstl's 22 S&T Strategic capabilities can be found in its **Annual Report and Accounts FY20/21**, pages 010-011.

Impact #02

National counter drone capability

Leveraging domestic and international expertise to keep the UK safe from new air threats

UK police and security partners will be able to prevent terrorist attacks, stop economic disruption, and counter drug drop-offs at prisons, thanks to Dstl scientists.

Dstl has played a pivotal role in developing the UK's ability to detect and 'effect' hostile and criminal drones.

Working with a broad stakeholder community, Dstl has leveraged its in-house expertise and international partnerships, gaining access to emerging US technology to build the first National Policing Drone Detection capability.

Alongside the Home Office and Department for Transport, Dstl scientists have drawn on understanding developed through its defence research and conducted trials which underpin essential technical advice around the procurement and use of jamming technology. This gives UK Police the ability to 'heatmap' drone use in key areas of the UK ahead of and during major events such as the Commonwealth Games and the Coronation.

In addition, Dstl is supporting the development and application of digital forensic techniques to help ensure people responsible for the criminal misuse of drones are brought to justice. Dstl hosted a 'first of its kind' event at the Defence Battlelab, in Dorset bringing together digital forensics examiners, drone manufacturers, software suppliers and specialist technology experts. Drone pilots were able to fly representative manoeuvers, while cutting-edge digital forensics tools and techniques were applied by leading experts in scenarios which participants had not previously encountered, resulting in a shared understanding of the current 'state-of-the-art' in the field.

These new and emerging capabilities will help save lives and keep the UK prosperous by deterring and disrupting hostile states, terrorists and serious organised crime groups.

Ensuring successful delivery

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

Risk is both inherent in our S&T activities and embarked upon to further the science that supports UK defence and security. Effective management of these risks helps to ensure the successful delivery of our objectives. We continue to apply MOD's risk management policy to our risk management arrangements. We have embedded risk management practices into our planning and forecasts, minimising disruption that could be caused by threats, as well as maximising the exploitation of opportunities.

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

Our Corporate Risks

Corporate Risks are those threats and opportunities which could impact Dstl's strategic objectives. Management of Corporate Risks is delegated to the Executive Management Committee (EMC) with oversight by the Board. Through a process of risk deep dives, the Board and its Audit and Risk Assurance Committee (ARAC) undertake assurance of these risks to review the effectiveness of controls and mitigations and risk response plans, and ensure the level of risk carried by the organisation is within both its tolerance and delegation.
Further assurance is provided by quarterly reporting to the ARAC, and reporting to our MOD sponsors.

The COVID-19 pandemic having subsided, the related Corporate Risk (CR21 in the summary table) was suspended during the last financial year (FY). The related contingencies and learning have been incorporated in our Pandemic Planning arrangements, the scope of which has been expanded from its original focus on influenza. As we deal with both the long-term effects of the pandemic (including 'long COVID' and mental health effects) and the ongoing cost of living concerns, our efforts to ensure our people continue to thrive at Dstl and choose to work here, are captured under the umbrella of CR51 (Attraction, retention and development of talent and critical skills). In spite of the STEM (Science, Technology, Engineering and Mathematics) sector-wide challenges, our proactive management of CR51 has resulted in our recruitment tracking well against targets over the FY.

In terms of both the rapidly-evolving cyber threat landscape, and the ongoing conflict in Ukraine, we continue to monitor the effects on our risks. This includes remaining sighted on the latest advice from partners such as the National Protective Security Authority (NPSA) and the National Cyber Security Centre (NCSC), mindful of implications for the direct and indirect work of Dstl and our stakeholders. The risk of cyber or information security breach or loss is listed as CR34 in the summary table.

In the coming FY, we will reinvigorate CR41 (Maintain a focus on Dstl strategy), to ensure that we can embrace the challenges and opportunities represented by the Dstl Strategy 2023-2028. The following table summarises our corporate risks, the targets we are progressing towards, our risk response and the key activities we are undertaking to address the risks.

Risk	Outline mitigations	Progress and changes in 2022/23
CR21 **Prolonged Pandemic Arrangements**	Contingencies to ensure we can continue to operate effectively and deliver our duty of care to our people, during the COVID-19 pandemic and the recovery phase.	→ This risk was suspended in 2022/23. → Management of the pandemic risk has been integrated into the enhanced scope of the former Dstl Influenza Plan and supporting arrangements.
CR22 **Dstl as a socially responsible organisation**	This risk has dual Risk Managers to ensure that both environmental and people implications receive due attention. Activities to manage this risk are designed to promote sustainability, diversity and inclusion.	→ This risk (formerly CR52) was re-scoped during 2022/23, with ownership transferred from the Chief People Officer to the Chief Operating Officer. → Implementation of the Sustainability Strategic Direction 2021-2026 continues to progress → Further re-scoping was planned for the coming FY in order to increase the momentum of activities to address this risk.
CR31 **Major health and safety event harms the public**	Dstl protects the public via effective defence-in-depth engineered safeguards. These are assured through an internal regime of first and second party audits of operating effectiveness and health and safety (H&S) compliance. Dstl's Safety Management System sets out Dstl's requirements for the management of H&S and associated roles and responsibilities.	→ There is systematic assessment of Dstl's arrangements for and management of high hazard and complex activities. → Additional, regulatory inspections have been conducted providing additional assurance that arrangements are appropriate.
CR32 **A failure in health and safety management causes a life-threatening injury to a worker**	Dstl requires adherence to suitable and sufficient risk assessments and comprehensive work procedures by competent, trained personnel. An audit programme of specific activities and deep dives is in place. All incidents and near misses are reported, with appropriate corrective action implemented, and lessons identified communicated to the rest of the business	→ Activities to make further improvements to Dstl's approach to Health and Safety Risk Assessments commended in 2022/23, as part of a wider programme to strengthen Safety Culture across Dstl. Progress updates form a regular Audit and Risk Committee Agenda item
CR33 **Key infrastructure component fails**	Dstl's infrastructure assets are protected and enhanced via a programme of integrity and maintenance schedules and projects. Additionally, key infrastructure components have associated resilience plans and Divisions have Business Continuity Plans.	→ This risk is managed through life, due to the varied and complex nature of Dstl's infrastructure and its evolution. This is approached through an ongoing cycle of pursuing funding avenues to upgrade our infrastructure, and managing and maintaining the infrastructure we have. → The programme of Resilience and Business Continuity planning is similarly iterative.
CR34 **Major information security breach or loss**	In line with MOD information security protocols, Dstl has robust policies, procedures and practices in place to ensure that its information remains protected and within its control.	→ Cyber and information security defences are regularly monitored, tested and audited to ensure they remain robust and balanced.
CR41 **Maintain a focus on Dstl strategy**	Focus is maintained through the prioritisation of EMC time for leading and delivering key actions, and a dedicated team to provide the direction, coherence and governance of the strategy and its implementation.	→ During 2022/23, work progressed to define Dstl's Strategy 2023-2028, and associated implementation plan; the strategy was launched in April 2023.

Continued on page 014

Risk	Outline mitigations	Progress and changes in FY2022/23
CR42 **Inability to Meet Current or Future Customer Demand**	Dstl has a series of measures in place to ensure that it maintains the capabilities it needs to meet existing demand, which include health checks on facilities, people, knowledge, and licences to practise. Through engagement with our customers on a number of levels, we are able to anticipate and advise on potential step changes in demand.	→ Maintenance of Strategic Engagement Plans. → Continued application of a flexible cross-function approach to resourcing and recruitment
CR43 **Poor Advice and Sub-Standard Products/Services**	Dstl prides itself on the quality of its outputs and therefore has a set of robust controls in place to ensure all formal S&T outputs undergo a process of Technical Quality Assurance. Our people are appropriately assessed against competence criteria, and customer scorecards ensure Dstl is either meeting or exceeding expectations. There is a robust process in place for raising a technical quality concern.	→ Delivery of further improvements to the Customer Satisfaction Process. → Drafting of a process to demonstrate Dstl alignment with the Concordat to Support Research Integrity.
CR44 **Dstl influence prior to stakeholder decision making**	Dstl ensures that it engages not only with its key stakeholders, but is an integral part of the decision-making process. This is supported by Dstl's Engagement Framework, Strategy and Plans, and active stakeholder analysis.	→ Development of a coherent approach to stakeholder knowledge management. → Activity to re-scope, develop and establish a regular review cycle for key Dstl stakeholder profiles.
CR51 **Attraction, retention and development of talent and critical skills**	Dstl recognises its people as a key asset and through a number of measures monitors its workforce levels against Divisional Plans. Dstl considers succession planning, critical roles and reviews key areas for skills shortages.	→ Additional effort conducted to attract people with specialist skill sets in identified areas, including cross-Division approaches, contributed to successful outcomes against recruitment targets over the FY, in spite of sector-wide challenges.
CR61 **Dstl being an adopter of technologies**	Dstl is an effective and innovative adopter of technologies which ensures it stays at the forefront of S&T.	→ Two projects identified as exemplars, to help champion the exploitation of developments in technology to enhance the business. → Workshops to encourage the sharing of innovative working practices within the Dstl S&T community.
CR62 **Pace and agility to respond to an external event**	Dstl ensures it has the capacity and capability to respond to sudden and emerging demands for its services and advice through an understanding of its current workloads and the implantation of scenario planning.	→ Maintaining a clear understanding of critical capabilities and dependencies. → Ongoing assessment of current prioritisation and resilience of key business areas. → Dstl's strengths in this area have been extensively demonstrated through our ongoing response to the Ukraine conflict.

Our performance summary

Foreword

Aligned to the Integrated and Spending Reviews we continue to grow our capabilities to respond to the challenge of S&T playing a greater role in defence and security. We enhanced our internal people capability by 9%, and external delivery through our diverse supplier base of industry and academic partners by 13%, to deliver an increase in operating income and scientific delivery of £108 million.

Operating income

Total operating income for the year was £984 million (2021/22: £876 million). Customer demand for Dstl's scientific services continues to grow, and Dstl has responded by increasing delivery across Core Research, Equipment and 'Support to Operations' programmes.

Our charge rates increased by 3.3%, with operational efficiencies absorbing most of the impact from an underlying UK CPI inflation rate of 10.1% (year to March 2023). There were no changes to fees and charges policies.

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

MOD accounted for 94% of the £948 million customer contract income (2021/22: 93%). The majority of MOD income is generated by the Core S&T Programme, where income backed by the Spending Review increased by £71 million to £497 million (2021/22: £426 million). This programme now represents 52% of total income (2021/22: 51%).

Other MOD income was also strong, increasing by £44 million to £390 million (2021/22 £346 million). Demand for Dstl's expert S&T services is buoyant with increases seen across all customer streams:

	2022/23 £ million	2021/22 £ million
MOD:		
Core S&T Programme	497	426
Other	390	346
	887	**772**
Non MOD:		
Wider Government	47	48
Non-Exchequer	14	14
Total Customer Sales	**948**	**834**
Other Operating Income	36	42
Total	**984**	**876**

- Head Office (Non-Core Programme) delivery was up £19 million to £110 million (2021/22 £91 million). Up 139% in the last two years.
- Defence Equipment and Support (DE&S) delivery was also up, increasing by £9 million to £95 million (2021/22: £86 million).
- Business with the rest of MOD, covering the other Front Line Commands (Air, Land, Navy, and Strategic) and Nuclear, increased by a further £16 million to £185 million (2021/22: £169 million).

Non-MOD delivery remained broadly static with delivery totalling £61 million (2021/22: £62 million). Dstl continues to deliver to a number of UK Government departments, with the Home Office our largest customer outside of MOD. Non-Exchequer income relates mainly to collaborative and jointly funded work with our defence allies.

Other operating income reduced by £6 million, to £36 million (2021/22: £42 million). This includes £24 million in respect of customer-funded (donated) assets and £11 million from the Defence Innovation Unit to finance seed funds.

External delivery costs

External delivery costs comprising subcontracted work and purchases of materials and services increased by 13% to £487 million (2021/22: £432 million), representing 51% of all S&T work delivered in the year (2021/22: 51%). We continue to work with our partners in academia and industry, to leverage S&T innovation. Aligned to our strategy we have now increased the value of contracts placed with external partners by 45% in just two years.

Operating expenses

Operating expenses increased by £64 million to £507 million (2021/22: £443 million). Staff costs increased by £37 million to £319 million (2021/22: £282 million), this reflects annual pay inflation and a 9% increase in the average number of staff employed due to increasing demand.

	2022/23 £ million	2021/22 £ million
Staff costs	319	282
Non-staff costs	154	135
Depreciation and amortisation	34	26
Total	**507**	**443**

Non-staff costs increased to £154 million (2021/22: £135 million). The cost increase reflects planned growth in capability, coupled with unavoidable inflationary pressures felt from service contract renewals and utility costs.

Depreciation and amortisation costs are up following building impairment reversals in 2021/22 as disclosed in note 12 of the Financial Statements.

Net operating income/ expenditure

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

	2022/23 £ million	2021/22 £ million
Operating income	984	876
Cost of sales – direct purchases	(487)	(432)
Other operating expenditure	(507)	(443)
Net operating income / (expenditure)	**(10)**	**1**

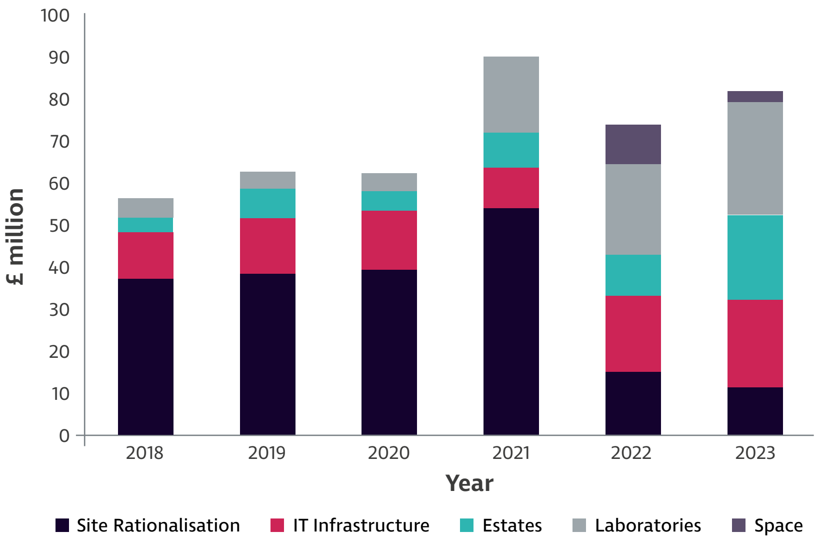
The net operating expense for 2022/23 is £10 million (2021/22 £1 million net operating income). Excluding depreciation/amortisation charges of £34 million and customer-funded (donated asset) income of £24 million the underlying net operating expense is £nil million (2021/22 £nil million income).

Capital investment

Capital investment was £81 million (2021/22: £77 million), which included £24 million of assets either funded by MOD customers or donated by other government departments.

Following the successful construction of a new Chemical Weapons Centre at Porton Down, which was the last major build of the Helios Site Rationalisation project, we successfully exited our Fort Halstead site. At the year-end the building was still undergoing commissioning and will be fully operational in 2023/24.

With site rationalisation nearing completion, a reduced investment of £11 million means that Helios no longer dominates the portfolio, allowing focus to shift to realisation of Dstl's long term infrastructure vision. This facilitated a marked increase in investment across the remainder of the portfolio in which: £23 million was spent on IT, £18 million on the wider estate, £25 million on Laboratory Equipment and £4 million on Space assets. IT networks continue to be upgraded to ensure our operating systems are fit to support future capabilities. Investment in our estate secured our future water supply and finalised the refurbishment of buildings that are now housing the Home Office's former 'Centre for Applied Science and Technology' capabilities. Laboratory expenditure represents the acquisition of new specialist S&T equipment to support current and expanding future S&T programmes. We also continued to invest in the development of space capability.



We sucessfully exited our Fort Halstead site in 2022/23.

Funding and Treasury management

We are equity funded by MOD as explained in the financial statements and accompanying notes. The funding requirement arises from a combination of cash and non-cash transactions. We operate within the departmental control framework as described in the Parliamentary Accountability and Audit Report on pages 082-088. We receive cash directly from non-MOD customers and retain responsibility for settling external liabilities with the exception of payroll, which is funded directly by MOD. This gives rise to a net cash outflow that is funded by MOD Treasury.

Supplier payments

During the year, we paid 90% of invoices within five days of being approved and cleared for payment (2021/22: 94%), against the target set by Government of 80%.

Group entities

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

Distorting factors

There were no significant distorting factors affecting our primary financial statements. A full explanation of our accounting policies and other explanatory information can be found within the notes to the financial statements on pages 095-129. We continue to prepare our financial statements on a going-concern basis based principally on funding projections from our parent department.

Events after the reporting date

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

Accounting policies

These accounts have been prepared under International Financial Reporting Standards (IFRS), as adapted for the public sector in the Government Financial Reporting Manual (FReM), issued by His Majesty's Treasury. Aligned to our parent department MOD, the Agency adopted IFRS16 Leases from 1 April 2022. There were no other new accounting or reporting standards adopted in year.
The likely impact from future adoption of new accounting and reporting standards, are outlined in Note 1 to the financial statements commencing on page 095.

Financial outlook

Our core purpose and role remains unchanged as a supplier of S&T services to defence and security customers, mainly within Government. We continue to operate principally in specialist areas where there are often few private sector suppliers or no effective commercial market.

Demand for our work continues to be strong and the financial outlook is underpinned by Spending Review commitment to S&T programmes. Next year marks the third of a four year commitment, with Dstl's sales budgeted to rise to £1,067 million for 2023/24.

The importance of our work continues to be highlighted by positive media exposure and the Integrated Review Refresh 2023 which signified a growing role for S&T in defence and security. Post 2025/26 demand will be committed through upcoming Integrated and Spending Reviews, with a clear direction from the Chancellor's budget announcement to move away from a baseline commitment of spending at least 2.0% of GDP on defence, to a new aspiration to reach 2.5%.

Impact #03

Team Pellonia

Driving UK prosperity and collaboration with sovereign capabilities and skills

Dstl is leading an innovative national approach to deliver the next generation of protection systems for military aircraft.

Working with Leonardo UK, Thales UK and Chemring Countermeasures, we have formed Team Pellonia to deliver the next generation of air survivability solutions to keep aviators and air assets safe from complex and emerging threats at life-saving speed.

This national collaborative approach will develop the best possible protective equipment while maintaining strategic skills and capabilities onshore.

The capabilities are already being exploited to deliver world-class protection systems for the RAF's fleet of Shadow surveillance aircraft and the new Wedgetail Airborne Early Warning (AEW) aircraft.

The team was recognised with a Vice Chief of Defence Staff commendation for being a "trailblazing example of a transformational, ambitious proactive approach, which has enabled MOD to embark on a new way to develop, deliver and support critical air survivability solutions". As the science inside UK defence and security, Dstl will act as technical partner to the team throughout the capability development, system integration and entry into service process, providing quality assurance throughout to ensure military advantage now and into the future.

As well as working together to provide the advanced capabilities of today, the Team Pellonia members have worked together to agree a roadmap for investment that draws on the strengths of each team member in a collaborative enterprise-wide approach to the future survivability of air platforms.

UK allies that share similar requirements will also be able to access self-protection systems from Team Pellonia. These systems will be compliant with the NATO Defensive Aids System (NDAS) standard and therefore have substantial export potential, bringing economic and social value back to the UK and boosting national prosperity and supporting highly-skilled jobs.

The close relationships forged through Team Pellonia will give UK defence and UK industry the confidence to invest in and develop cutting-edge new capabilities and maintain critical skills onshore, ensuring that the UK's armed forces continue to have access to the latest protective technologies for years to come.

2 / Performance Analysis

Performance analysis

Dstl's performance is measured and reviewed through monthly reporting to the Dstl Executive Management Committee (EMC) and quarterly at EMC Performance meetings. Performance is reported at quarterly Dstl Board meetings and our MOD sponsor considers our performance tri-annually as part of their Performance and Risk Reviews. From FY2023/24 the Performance and Risk Review meeting will be incorporated into Dstl Board meetings.

Dstl provides quarterly reports to the Dstl Board, where progress against our performance, including our Key Performance Indicators (below). The approach to reporting takes into account both current and future performance and enables Dstl to take prompt action to ensure we meet our KPIs.

Dstl continues to work closely with our Board and MOD sponsor to improve the reporting of Dstl performance.

Dstl's 2022-23 KPIs were identified, setting out stretching but realistic performance targets.

Our performance headlines

£984m
Operating income for the year

40.5%
Externally delivered work

92%
Customer satisfaction

Key performance indicators

Business Performance Area	What we measure (Leading KPI)	2022-23 Target	2022-23 Achieved
Efficiency and Productivity	Average S&T delivered per Full Time Employee (at Dstl level)	£191k	£196k
	EMR (Extra Mural Research) spend (sub contract only), as a %age of the Total Cost of Sales	42.7%	40.5%
Delivery	Delivery of S&T Programme Outcomes benefiting defence and security from the baseline portfolio plan	85%	85%
Customer Satisfaction	Customer Satisfaction Ratings via survey (CSAT returns)	90%	92%
Investment	Internal Portfolios Capital plan key project/programme milestones, delivered to time	70%	36%
Operational Effectiveness	Fewer than 140 RIDDOR injuries, per 100,000 employees	140	132
People	Achieve an overall Staff Engagement score of 60%	60%	60%
Sustainability[1]	Reduce overall greenhouse gas emissions from energy by at least 15% by end 2022/23 from the baseline year of 2017/18	15%	26%
	Increase recycled waste to at least 60% of total waste in-year	60%	66%

Notes:

[1] Sustainability performance can be found on page 025.

Dstl works with our MOD sponsor, Board and DST to identify and agree the KPIs used by the organisation. In addition to the KPIs, a range of wider performance measures (PMs) is tracked regularly. Together the KPIs and PMs represent performance areas across all aspects of the organisation and utilise a comprehensive range of measures and indicators which are used to inform management decisions at all levels of the organisation.

Measuring how we are doing

Efficiency and Productivity

Average S&T delivered per Full Time Employee (at Dstl level)

Our S&T delivery for 2022-23 was another year of significant delivery as a result of the additional funding received from the MOD Spending Review (SR), demanding a further increase in Dstl output. In order to deliver this continued growth, it was necessary for Dstl to maintain our extensive recruitment drive and to collaborate further with our partners in industry and academia to ensure delivery of the increasing demand.

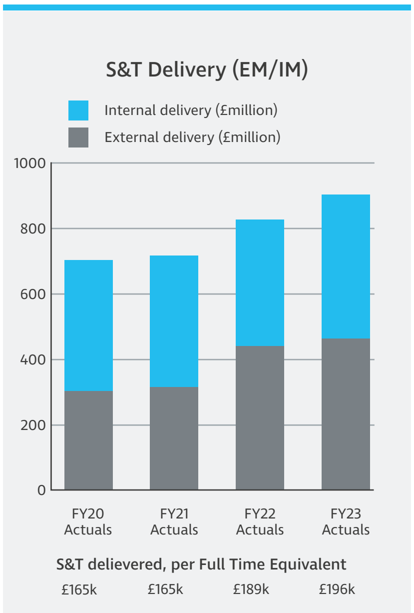
As a result of the increased funding, this metric of delivery per FTE has grown over the last 4 years with a significant rise from FY20 (£165k per FTE) to FY23 (£196k per FTE)

EMR (Extra Mural Research) spend (sub contract only), as a %age of the Total Cost of Sales

For Dstl to meet the SR ambitions, it is essential that we work hard to grow the volume of work that can be delivered through our external partnerships, with this metric focussing on sub-contracted research work only. EMR is a sub set of the total External costs (EM) and does not include items such as materials.

This metric is essential to ensure we are partnering with a wide range of organisations primarily from academia and industry, and to ensure we are not just growing our own internal capability.

In 2022/23 Dstl was able to place the contracts necessary to achieve its overall EMR targets but experienced delivery issues with our suppliers in terms of available S&T capacity and capability. Actions have been put in place this financial year to identify and mitigate this issue, specifically in the areas of supplier engagement and management.



Type	FY19/20	FY20/21	FY21/22	FY22/23
EMR	£249m	£266m	£354m	£388m
EMR%[1]	36%	37%	42%	40.5%

Notes:

1 EMR as a % of total cost of sales

Delivery

Delivery of S&T Programme Outcomes benefiting defence and security from the baseline portfolio plan

This year our reported S&T programme milestones achieved our target of 85% delivered to time.

This is an excellent achievement in the first year of the new 5 year S&T portfolio, which has presented specific challenges in terms of initiating new or significantly re-scoping existing programmes. This work ensures closer alignment to MOD S&T strategy and focuses on our stakeholders highest priority challenges. Close working with DST and our wider stakeholder community to understand requirements, supported rapid and clear engagement with our supplier base that resulted in delivery at pace against a growing portfolio.

Customer satisfaction

Customer Satisfaction Ratings via survey (CSAT returns)

Whilst 2022-23 was an unprecedented year in many ways, Dstl remained committed to providing high impact S&T for our customers. Product customer satisfaction is measured through the completion of Customer Satisfaction surveys and in 2022-23 Dstl achieved an overall customer satisfaction score of 91%, against a target of 90% (with 182 out of 434 surveys having been completed by customers, a return rate of 42%).

We are proud of the maintenance of our high customer satisfaction levels and will continue to build on that success over the coming period. 2022/23 saw us start to realise the benefit of our earlier improvement activities in the CSAT space, offering rich quantitative and qualitative data with increased depth, breadth and rigour. These data are now hosted on a centralised dashboard to maximise its exploitation, informing action planning and targeted engagement activities to enhance customer relationships.

Investment

Internal Portfolios Capital plan key project/programme milestones, delivered to time

During the year, Dstl saw delays in infrastructure projects and transfer of capabilities to new facilities. As a result of this, the outturn of the Capital Milestones fell short of the 70% target due to delays in delivery of milestone to time.

Taking into account those which were delivered later than planned, this increased the final figure to 65%.

For 2023/24 Dstl has ensured that commercial staff are more involved in the early stages of projects and the Internal Portfolio pipeline to mitigate late delivery. The Estates sub-portfolio has also restructured which will provide better oversight of dependencies and delivery risks.

Operational effectiveness

Fewer than 140 RIDDOR injuries, per 100k employees

There were a total of eight RIDDORS in 2022-23, which were all due to differing and isolated events. These reported RIDDORS amounted to 132 per 100k employees.

People

Achieve an overall Staff Engagement score of 60%

The results from the annual People Survey during 2022-23 saw the engagement index for Dstl remain at 60%, in line with our target for this year.

Sustainability

Reduce overall greenhouse gas emissions from energy by at least 15% by end 2022/23 from the baseline year of 2017/18.

Please see Sustainability section, page 036.

Increase recycled waste to at least 60% of total waste in-year
Please see Sustainability section, page 038.

Impact #04

Project Convergence

Collaborating internationally with allies

More than 25 Dstl scientists played a vital role in a large-scale experiment testing AI, cyber, autonomous and sensing technologies involving thousands of UK, US and Australian armed forces personnel.

Project Convergence 2022 sought to define how the three nations will fight in a multi-domain battlespace using cutting-edge technologies alongside traditional warfighting.

With the British Army, Dstl deployed an Artificial Intelligence Toolbox tested and trained to detect, recognise and identify enemy vehicles.

AI experts from the UK and US sat shoulder to shoulder in the middle of the trial, training and deploying AI models against data collected by UK and US platforms. This was the first step towards deploying collaborative AI and autonomy in future.

Amongst a list of achievements, Dstl also successfully tested electronic warfare (EW) deception capabilities at scale with troops from partner nations.

Dstl scientists and engineers were deployed to Fort Irwin, California during October and November as part of the project. Dstl worked closely with the UK's 20th Armoured Combat Battle Team (20 ABCT) and 2nd Battalion, The Yorkshire Regiment (2 YORKS) in delivering the UK component through a series of battlegroup and platoon level activities.

The experiment is designed to help make the British Army more effective on the battlefield, by cutting down on time and complications by testing a number of cutting-edge systems and technologies, including some for the first time.

This was achieved by experimenting in areas including image processing, deception or use of remote and autonomous systems.

Over several months, Dstl has worked with US counterparts, notably the Research and Analysis Center, White Sands Missile Range (TRAC-WSMR), to develop testing and observation methods. Dstl is an integral part of the Joint Interoperable Data Analysis Cell (JIDAC) which reported daily on experiment progress and will be preparing the final experiment reports.

Collaboration at experimental and operation levels with the US and other allies is considered essential in delivering future warfighting capability. The future battlefield will demand seamless interoperability between systems from different nations. It is only through experimentation with systems interoperability at scale that capability development and military effectiveness can be progressed.

Managing the impact of our activities

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

Sustainability Strategic Direction

We moved forward with our sustainability agenda, within our business and in support of the UK Government and MOD's sustainability ambitions. Our sustainability goals have continued to support, and closely align with, the UK Government's Net Zero greenhouse gas emissions by 2050 (NZ50) mandate, the Greening Government Commitments (GGC), and the MOD's S&T Strategy.

Work continued to understand our ambition, scope and desired outcomes for our corporate risk (opportunity) 'Dstl as a socially responsible organisation' (CR22) including the social pillar of sustainability.

Our Sustainability Committee, including leadership from the Executive, provides senior level direction, support and governance.

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

Development Goals where we can make an impactful difference using our seven Areas of Action.

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

Area of Action	United Nations Sustainable Development Goals Supported by Activities in 2022/23
Governance, Behaviour, Culture and Engagement	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 15 LIFE ON LAND; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS
Sustainable Use of Resources	2 ZERO HUNGER; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Net Zero Carbon Estate and Climate Resilience	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Science and Technology Research and Capability	13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS
Natural Capital	3 GOOD HEALTH AND WELL-BEING; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND; 17 PARTNERSHIPS FOR THE GOALS
Sustainable Procurement and Improved Generation of Social Value	1 NO POVERTY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS
Data and Management Information	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Notes:
https://www.un.org/sustainabledevelopment/sustainable-development-goals/

Looking forward to the future

Our 'Dstl Sustainability Strategic Direction 2021-2026' sets the landscape for sustainability, and how it will be developed and delivered over the coming years, bringing alive the Areas of Action. Our sustainability strategy aligns with the Dstl Strategy, and Defence Infrastructure Organisation (DIO) and MOD's strategic ambitions.

We created our Dstl Sustainability Policy which provides direction on how we will manage our responsibilities for sustainability, including environmental protection. We are creating additional sustainability related strategies, policies and supporting plans, which are intended to enhance our performance.

The availability of sufficient funding and resources necessary to deliver our strategic direction and the GGC remains challenging. We continue to engage with MOD and DIO to endeavour to find a solution.

Engagement

We have maintained collaboration and engagement with key stakeholders at MOD and DIO.

Through staff awareness campaigns, we have communicated on energy and water efficiencies, biodiversity enhancements, improvements to waste management, and supported staff working at home.

Staff and Trade Union representation was encouraged and took place via sustainability initiatives working groups.

Our new sustainability-related policies and strategies are developed and informed, where appropriate, through stakeholder engagement.

Greening Government Commitment

The latest GGC 2021-2025 use the baseline year of 2017/18, and have headline targets underpinned by sub-targets.

Defence scopes for GGC have been identified by MOD. In a number of areas, the scope and methodology for GGC 2021-2025 targets differ from 2016-2020. Therefore, the data for historic years' performance may differ from previously reported data in our Annual Report and Accounts.

The report below provides our performance to date against the GGC 2021-2025.

The report below provides our performance to date against the GGC 2021 to 2025.

Greening Government Commitment	2021-2025 Defence Targets	Defence Scope	Our position at 31 March 2023, compared to 2017/18 baseline	Status
A: Mitigating climate change: Working towards net zero by 2050				
Headline Targets	→ Reduce overall greenhouse gas emissions by 30% from a 2017/18 baseline	UK estate emissions from grid electricity, mains gas, oil, and LPG	25% Reduction	On target
	→ As part of overall target, reduce direct greenhouse gas emissions by 10% from a 2017/18 baseline	UK estate emissions from mains gas, oil and LPG	6% Reduction	On target
	→ Reduce domestic travelling emissions by 30% from a 2017/18 baseline[1]	Domestic UK to UK travel emissions from commercial flights, rail, grey and white fleet	31% Reduction	Achieved

Continued on page 028

Greening Government Commitment	2021-2025 Defence Targets	Defence Scope	Our position at 31 March 2023, compared to 2017/18 baseline	Status
Sub-targets	→ Meet the Government Fleet Commitment for 25% Ultra-Low Emissions Vehicles2 by 31 December 2022, and 100% of fleet to be fully zero emissions at the tailpipe by 31 December 2027	2022 target – leased and 6th day plus hire cars 2027 target – leased and 6th day plus hire cars, and N1 vans weighing under 3.5 tonnes	10%	Not achieved (2022 target) At risk (2027 target)
	→ Reduce emissions from domestic business flights by 30% from a 2017/18 baseline	Domestic business flights between UK airports via commercial airlines	5% Reduction	At risk
	→ Report distance travelled by international business flights, with a view to better understanding and reducing related emissions where possible[1]	International business flights via commercial airlines	28,464,109 pkm	Achieved (Reporting) On target (Understanding / reduction)
	→ Departments that already have policies in place to compensate for emissions are encouraged to report on their implementation	MOD does not have a policy in place to compensate for business travel emissions	Not Applicable	Not Applicable
	→ Update organisational travel policies so that they require rail travel to be considered first as an alternative to each planned flight	Dstl Travel Policy	Intend to review Travel Policy and process in next reporting year	On target

Continued on page 029

Greening Government Commitment	2021-2025 Defence Targets	Defence Scope	Our position at 31 March 2023, compared to 2017/18 baseline	Status
B: Minimising waste and promoting resource efficiency				
Headline Target	→ Reduce overall amount of (in-scope) waste generated by 15% from a 2017/18 baseline	UK mixed municipal waste streams	111% Increase	At risk
Sub-targets	→ Reduce amount of waste going to landfill to less than 5% of overall (in-scope) waste	UK mixed municipal waste streams	0%	Achieved
	→ Increase the proportion of waste which is recycled, composted or sent to anaerobic digestion to at least 70% of overall (in-scope) waste	Waste assigned for recycling, composting and anaerobic digestion	59%	On target
	→ Remove Consumer Single Use Plastic (CSUP) from the central Government office estate	Dstl out of defence scope	Not Applicable	Not Applicable
	→ Measure and report on food waste by 2022.	UK Estate Baseline 2021/22 with Defence action plan to follow	4 tonnes	Achieved
	→ Report on introduction of reuse schemes		No new reuse schemes introduced	At risk
	→ Reduce Government's paper use by at least 50% from a 2017/18 baseline	MOD stationery supply contract	42% Reduction	On target
C: Reducing our water use				
Headline Target	→ Reduce water consumption by 8% from a 2017/18 baseline	Aquatrine supplied water consumption, excluding distribution system losses	32% Increase	At risk
Sub-targets	→ Ensure all water is measured	Aquatrine supplied water	Delivered through Aquatrine measurement methodology	Achieved (incoming supplies)
	→ Provide a qualitative assessment to show what is being done to encourage the efficient use of water		Intend to commence introduction of qualitative assessment in next reporting year	On target
D: Procuring sustainable products and services				
Headline Target	→ Continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term, overall value for money for society	MOD systems in place and the action taken to buy sustainably. DEFRA to issue reporting template on an annual basis	Aligned to MOD systems	On target

Continued on page 030

Greening Government Commitment	2021-2025 Defence Targets	Defence Scope	Our position at 31 March 2023, compared to 2017/18 baseline	Status
E: Nature recovery – making space for thriving plants and wildlife				
Headline Target	→ Develop and deliver Nature Recovery Plans for land, estates, development and operations	To be confirmed by MOD Plans expected to include targets for: → Tree planting and woodland cover → Total peatland owned and leased (not applicable to Dstl) → Pollinator friendly habitat → Land as a contribution to the Nature Recovery Network → All protected sites under management	Intend to commence development of Nature Recovery Plans in next reporting year	On target
F: Adapting to climate change				
Headline Target	→ Develop an organisational Climate Change Adaptation Strategy across estates and operations. I. Climate Risk Assessments II. Climate Change Adaptation Action Plan		Climate Risk Assessments and Action plans completed Intend to commence development of Climate Change Adaptation Strategy in next reporting year	On target
G: Reducing environmental impacts from ICT and digital				
Headline Target	→ Report on the adoption of the Greening Government ICT and Digital Services Strategy and associated targets	Set strategy within the framework of the overarching Greening Government Commitment Strategy focusing on priority areas and delivering core data to support wider sustainability targets	Intend to enhance IT Strategy in next reporting year	On target

Notes:

LPG – liquid petroleum gas

N1 – small commercial vehicles designed for the carriage of goods and less than 3.5 tonnes

pkm – passenger kilometres

DEFRA – Department for Environment, Food and Rural Affairs

ICT – Information Communication and Technology

[1]MOD disaggregated target for Dstl

[2]50 grams carbon dioxide/kilometre emissions at tailpipe

Environmental management

We continue to review our environmental management procedures to ensure we can demonstrate continual improvement, taking into account both negative and positive impacts on the environment.

We are participating in the MOD review of Joint Services Publication (JSP) 418 Management of Environmental Protection in Defence to bring it up to date with current industry best practice.

The revised JSP 816 Defence Environmental Management System Framework document was published in February 2023 following consultation; Dstl provided comment from key internal stakeholders. We are now required to review our Environmental Management System against its 12 elements, accompanying expectations and performance criteria, and will be assessed against these in future years. We established an Environmental Protection Committee to ensure adequate focus and management review.

Our internal reporting system allows staff to report on actual and near miss environmental incidents, which are then investigated and corrective actions taken.

Mitigating climate change: Working towards Net Zero by 2050

Our sustainability goals have continued to support and closely align with the UK Government's NZ50 mandate.

We have GGC targets of 30% reduction in-scope overall greenhouse gas (GHG) emissions, and 10% reduction in-scope direct GHG emissions, along with a MOD disaggregated target of 30% reduction in-scope business travel emissions. All reductions are compared to a 2017/18 baseline.

Energy

As our Helios programme to move capabilities and staff from Fort Halstead to our other sites drew to a conclusion at the end of the reporting year, we were 'dual running' new buildings and older buildings awaiting decommissioning, impacting on our energy and water consumption, and waste production.

Once completed, our Helios programme is on track to deliver significant reduction in GHG emissions achieved by a reduction in demand for inter-site travel, commissioning of more carbon-efficient buildings, improved energy monitoring and tracking, and improved ways of working.

We continue to investigate the wider use of renewable energy and heat recovery, with our projects to install light-emitting diode (LED) internal lighting and enhance our building sub-metering to improve quantitative data, enabling improved management of the estate and reporting.

We commenced development of our Energy Management and Decarbonisation Strategy, which is intended to be implemented during the next reporting year along with a delivery plan.

Working with DIO, we intend to develop a sustainability delivery plan during the next reporting year.

Dstl Gross Finite Resource Consumption			Baseline year 2017/18	2019/20	2020/21	2021/22	2022/23
Energy[1]							
Non-financial indicators (kWh)	**Gross Direct Consumption - Scope 1**						
	Energy consumption	→ Electricity – renewable	4,275[7]	4,450[7]	5,140[7]	4,574[3,7]	10,198[7]
		→ Mains gas	46,047,589[2]	46,716,253[2]	48,076,576[2,3]	51,393,419[2]	52,660,289[4]
		→ LPG	432,481[2]	243,075[2]	283,765[2]	455,952[4]	196,980[4]
		→ Oil	12,557,256[2]	8,766,076[2]	9,642,006[2]	16,989,941[2]	8,070,636[4]
		Total direct consumption - Scope 1	**59,041,601**	**55,729,854**	**58,007,487**	**68,843,886**	**60,938,103**
	Gross Indirect Consumption – Scope 2						
	Energy consumption	→ Electricity – non-renewable	**50,210,960**[2]	**52,195,444**[2]	**55,644,789**[2]	**78,506,540**[2]	**51,739,468**[4]
	Total Gross Energy Consumption – Scopes 1 and 2						
	Total gross energy consumption - Scopes 1 & 2		**109,252,561**	**107,925,298**	**113,652,276**	**147,350,426**	**112,677,571**
	Normalisation						
	Normalisation gross energy consumption per FTE		29,041	26,807	25,783	31,338	22,290
	Normalisation gross energy consumption per NIFA		857	809	849	1,074	1,057
Financial indicators (£'000)	Electricity – renewable		0[7]	0[7]	0[7]	0[7]	0[7]
	Mains Gas		Note[5]	Note[5]	Note[5]	Note[5]	2,605[4]
	LPG		Note[5]	Note[5]	Note[5]	Note[5]	17[4]
	Oil		Note[5]	Note[5]	Note[5]	Note[5]	682[4]
	Electricity – non-renewable		Note[5]	Note[5]	Note[5]	Note[5]	9,358[4]
	Total energy expenditure		**7,778**	**9,156**[2]	**8,569**[2]	**10,168**[2,4]	**12,662**

Notes:

kWh – Kilowatt hour

FTE – Full time equivalent staff number. 2017/18 = 3,762, 2018/19 = 3,687, 2019/20 = 4,026, 2020/21 = 4,408, 2021/22 = 4,702, 2022/23 = 5,055

NIFA – Net internal floor area, as Valuation Office Agency's Code of Measuring Practice: Definition for Rating Purposes. 2017/18 = 127,506 m2, 2018/19 = 132,012m2, 2019/20 = 133,350 m2, 2020/21 = 133,910 m2, 2021/22 = 137,204 m2, 2022/23 = 106,575 m2

[1]Dstl consumption, including consumption of tenants and lodgers. This enables all consumption attributed to MOD energy contracts to be included in reporting

[2]Data source: MOD/DIO

[3]Estimated

[4]Data source: utility invoices

[5]Not available

[6]Dstl does not purchase accredited offsets therefore, no cost included

[7]Date source: Facilities Management Partner

Fluorinated gases

Decommissioning of older equipment at our Fort Halstead site, along with the replacement of older equipment at Porton Down and Portsdown West, resulted in the disposal of fluorinated GHGs (F-gases) in the reporting year. F-gases are also used in our statutory laboratory containment testing.

Our in-year focus was on system maintenance efficiency, including replacement of life expired refrigerant pipework insulation.

As equipment exceeds its design life, we intend to replace it with more efficient units using F-gases with lower global warming potential (GWP).

Business travel

Our business travel is procured through the Crown Commercial Services Framework.

For the reporting year, we took 1,912 domestic business flights, flying 995,501 passenger kilometres, and took 7,308 international business flights, flying 28,464,109 passenger kilometres.

During the reporting year, the number and passenger kilometres, and therefore emissions, for domestic flights remained stable, although increased compared to the previous reporting period. International business flights experienced a substantial rise compared to the previous reporting period due to returning to pre-COVID-19 ways of working.

We commenced a review of our Travel Policy and process with the intention to require rail travel to be considered first as an alternative to each planned flight, and to promote sustainable travel and transport as the norm. As MOD does not have a policy in place to compensate for business travel emissions, the GGC target to report on the implementation of such a policy does not apply. New sustainable travel initiatives were explored during the reporting period. We continued our car share support scheme.

We introduced the Virtual Car Club, a remotely located pool car system for business travel allowing cars to be parked off-site ready for use in locations that suit staff population hubs, reducing staff commuting and business travel. The cars could also be used on site to suit business needs.

We continued to support the increased use of car club vehicles, also reducing the need to deliver and pick up vehicles by the provider; therefore, reducing our supply chain emissions.

In collaboration with our shuttle bus provider we investigated introducing an electric bus on our busiest routes. However, it was found to significantly increase our costs due to low battery life and high cost of battery replacement.

We had an exceptional fourth reporting quarter for passenger numbers using our shuttle bus service, including 1116 passengers using the service in March, an increase of over 300 passenger on recent previous months.

Our telepresence video conferencing with full integration of Voice over Internet Protocol (VoIP) telephone system continued to prove successful and assisted in a reduction for staff to need to travel for business.

We offer staff a Dstl Cycle Scheme including Cycle to Work and Bike Rental, both salary sacrifice schemes. During the next reporting year, we intend to review ways to enhance our sustainable business travel.

Dstl Gross Business Travel[1]				Baseline year 2017/18	2019/20	2020/21	2021/22	2022/23
Non-financial indicators	Gross Business Travel (pkm)	Domestic business flights		968,469	1,209,827[2]	77,012	466,473	995,501
		International business flights	Short haul international class unknown	0	0	0	0	553,203
			Short haul international economy class	2,184,828	3,250,172	12,318	542,095	2,473,653
			Short haul international business class	7,200	41,783	0	90,623	298,234
			Long haul international class unknown	0	0	0	0	0
			Long haul international economy class	4,400,903	2,694,540	41,400	435,735	2,312,390
			Long haul international premium economy class	10,350,252	11,152,939	0	1,372,041	6,797,213
			Long haul international business class	13,162,363	14,301,682	77,084	2,954,461	11,644,338
			Long haul international first class	15,237	0	0	0	57,783
			International non-UK class unknown	Note[3]	Note[3]	Note[3]	0	0
			International non-UK economy class	Note[3]	Note[3]	Note[3]	210,499	668,666
			International non-UK premium economy class	Note[3]	Note[3]	Note[3]	9,008	160,085
			International non-UK business class	Note[3]	Note[3]	Note[3]	217,336	3,491,180
			International non-UK first class	Note[3]	Note[3]	Note[3]	4,114	7,364
			Total International business flights	30,120,783	31,441,116[2]	130,802	5,835,912	28,464,109
		National rail		2,427,415	Note[3]	Note[3]	667,733	1,542,631
		Eurostar rail		Note[3]	Note[3]	Note[3]	19,345	107,382
		Car		6,515,075	8,427,405[2]	1,704,381	3,121,071	4,448,796
		Bus		Note[3]	Note[3]	Note[3]	0	0
		Taxi		Note[3]	Note[3]	Note[3]	54,359	207,241
		Total business travel		**40,031,742**	**41,078,348**	**1,912,195**	**10,164,593**	**35,765,660**
		Normalisation per FTE		10,641	10,203	434	2,162	7,075
	Gross Flights (No.)	Domestic business flights		1,070	1,171	1,771[2]	112	1,912
		International business flights		Note[3]	Note[3]	Note[3]	Note[3]	7,308
		Total number business flights		**1,070[4]**	**1,171[4]**	**112[4]**	**2,400**	**9,220**
Financial indicators (£'000)[1]	Flight			Note[3]	Note[3]	Note[3]	1,661	7,250
	Rail			Note[3]	Note[3]	Note[3]	227	530
	Car			Note[3]	Note[3]	Note[3]	585	1,847
	Bus			Note[3]	Note[3]	Note[3]	0	0
	Taxi			Note[3]	Note[3]	Note[3]	132	531
	Total cost business travel			**6,964**	**9,000[2]**	**379**	**2,605**	**10,158**

Notes:

FTE – Full time equivalent staff number. 2017/18 = 3,762, 2018/19 = 3,687, 2019/20 = 4,026, 2020/21 = 4,408, 2021/22 = 4,702, 2022/23 = 5,055

[1] Data provided by Dstl Travel Partner

[2] Estimated

[3] Not recorded

[4] Domestic flights only, excludes international flights, data not available

Dstl Greening Government Commitment In-scope Business Travel Data[1]		Baseline year 2017/18	2018/19	2019/20	2020/21	2021/22	End Dec 2022 Target	End Dec 2027 Target
Non-financial indicators (pkm)	In-scope international business flights	30,120,783	35,714,598	31,441,116[2]	130,802	5,835,912	N/A	N/A
Dstl Greening Government Commitment In-Scope ULEV Data[1]		**Baseline year 2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**End Dec 2022 Target**	**End Dec 2027 Target**
Non-financial indicators (%)	In-scope vehicles as ULEV	Note[3]	Note[3]	Note[3]	Note[3]	8%	25%	100%

Notes:

pkm - passenger kilometres

ULEV - Ultra low emissions vehicle

[1] Data provided by Dstl Travel Partner

[2] Estimated

[3] Not recorded

Greenhouse Gas Emissions

Our direct GHG emissions, or Scope 1 emissions, are from sources that are owned or controlled by us, for example burning fuel for heat such as mains gas, oil and LPG, and company vehicles, along with fluorinated gases.

Our energy indirect GHG emissions, or Scope 2 emissions, are a result of purchased electricity.

Other indirect GHG emissions, or Scope 3 emissions, are as a consequence of our activities, but occur at sources owned or controlled by another entity, for example waste disposal, business travel, paper consumption, purchased goods and services, employee commuting, water and wastewater.

As the latest GGC targets have a specific scope for GHG emissions, we have included two parts to our reporting data below: gross GHG data and in-scope GGC GHG data.

We purchased renewable electricity through the MOD supply contract. Government policy requires us to account below using rolling grid average emissions factor.

Our gross GHG data includes emissions from business travel. To provide the most comprehensive assessment we included emissions from radiative forcing and 'well to tank'. Radiative forcing is the indirect effects of non-carbon dioxide emissions for flights. 'Well to tank' is the upstream Scope 3 emissions associated with extraction, refining and transportation of the raw fuels. Dstl Annual Report and Accounts prior to 2021/22 excluded radiative forcing and 'well to tank' emissions. The GGC business travel scope excludes radiative forcing and 'well to tank' emissions.

Dstl Gross GHG Emissions			Baseline year 2017/18	2019/20	2020/21	2021/22	2022/23
Non-financial indicators (tCO_2e)	**Gross Direct Emissions - Scope 1**						
	Energy[1]	Mains Gas	8,778[4]	8,588[4]	8,840[4]	8,808[4]	9,645[11]
		LPG	93[4]	52[4]	61[4]	98	42[11]
		Oil	3,466[4]	2,252[4]	2,475[4]	4,362[4]	1,942[11]
		Fugitive gases	35[5]	19[6]	1,257[7]	1,495[7,8]	3,860[7]
	Business Travel	Pool car	207	237	72	218	285[10]
	Total gross direct emissions - Scope 1		**12,579**	**11,148**	**12,705**	**14,981**	**15,774[10]**
	Gross Indirect Emissions - Scope 2						
	Grid electricity[1]		19,302[4]	14,474[4]	14,088[4]	18,144[4]	11,948[11]
	Gross Other Indirect Emissions - Scope 3						
	Energy	National grid transmission and distribution[9]	1,650	1,133	1,116	964	915[11]
	Business travel	Domestic business flights[2]	287	342	21	73	272[10]
		International business flights[2]	10,316	10,880	45	1,200	10,054[10]
		National rail[2]	131	Note[3]	Note[3]	29	69[10]
		International rail[2]	Note[3]	Note[3]	Note[3]	1	1[10]
		Hire car[2]	1,342	1,565	256	380	590[10]
		Pool Car 'well to tank'	78	17	17	59	76[10]
		Bus[2]	Note[3]	Note[3]	Note[3]	0	0[10]
		Taxi[2]	Note[3]	Note[3]	Note[3]	11	41[10]
	Water and wastewater		295	296	285	368	368[11]
	Waste		19	64	37	46	148[12]
	Total gross other indirect emissions - Scope 3		**14,118**	**14,297**	**1,777**	**3,131**	**12,534**
	Total gross direct, indirect and other indirect emissions – Scopes 1, 2 and 3		**45,999**	**39,919**	**28,570**	**36,256**	**40,175**
	Normalisation						
	Normalisation gross emissions per FTE		**12**	**10**	**6**	**8**	**8**
	Normalisation emissions per NIFA		**0.4**	**0.3**	**0.2**	**0.3**	**0.4**

Notes:

FTE – Full time equivalent staff number. 2017/18 = 3,762, 2018/19 = 3,687, 2019/20 = 4,026, 2020/21 = 4,408, 2021/22 = 4,702, 2022/23 = 5,055

NIFA – Net internal floor area, as Valuation Office Agency's Code of Measuring Practice: Definition for Rating Purposes. 2017/18 = 127,506 m2, 2018/19 = 132,012m2, 2019/20 = 133,350 m2, 2020/21 = 133,910 m2, 2021/22 = 137,204 m2, 2022/23 = 106,575 m2

1 Emissions for Dstl consumption, including consumption of tenants and lodgers. This enables all emissions attributed to MOD energy contracts to be included in reporting

2 Data includes radiative forcing (air travel only), and 'well to tank' emissions

3 Data not available

4 Data source MOD/DIO

5 Dstl Science and Technology use

6 Laboratory containment testing only

7 Laboratory containment testing and fugitive emissions from mechanical plant

8 Estimated

9 Emissions associated with energy loss that occurs in getting electricity from the power plant to the organisation that purchases it

10 Data source Dstl's Travel Partner, MOD and UK Government GHG conversion factors

11 Data source utility invoices, UK Government GHG conversion factors

12 Data source Dstl's Facilities Management Partner Waste Management Contract and UK Government GHG conversion factors

GGC in-scope GHG emissions

MOD has specific scopes for all GHG emission related GGC targets which are described in the notes to the table below.

From our performance in the reporting year of a 25% reduction in our in-scope overall GHG emissions, we are on track to achieve our target of a 30% reduction compared to the baseline.

Our in-scope direct GHG emissions reduced by 6% in the reporting year. We are on track to achieve our target of a 10% reduction compared to the baseline.

Dstl's pool car fleet was increased during the reporting year from 74 to 94 vehicles due to customer demands on business critical needs. Of this, electric vehicles were increased by 20% compared to the previous reporting period. Delivery of the Government's commitment for 25% of cars to be Ultra-low Emissions Vehicles (ULEVs) by December 2022 was not achieved, and 100% of cars to be ULEVs by December 2027 is at risk of not being achieved.

10% of our pool car fleet were ULEVs at the end of the reporting year. Although electric vehicle charging points are included as standard in the design of our new buildings, at this stage we are unable to support additional electric vehicles to our Car Club fleet due to infrastructure restrictions.

For in-scope emissions from domestic business travel we reduced our GHG emissions by 31% compared to the baseline, therefore we have achieved the Greening Government Commitment target to reduce in-scope emissions by 30%. Compared to the baseline we reduced our GHG emissions from domestic business flights by 5%, therefore we are at risk of not achieving the GGC target to reduce by 30% from the baseline. For all aspects of in-scope business travel emissions, we are moving back to pre-COVID-19 levels. Our challenge for the year ahead will be to reduce this by promoting alternative digital communications and sustainable travel options.

Dstl Greening Government Commitment In-scope Greenhouse Gas Emissions		Baseline year 2017/18[4]	2019/20[4]	2020/21[4]	2021/22[4]	2022/23[4]	End 2024/25 Target
Non-financial indicators (tCO^2e)	In-scope overall greenhouse gas emissions[1]	31,640[4,8]	25,365[4,8]	25,465[4,8]	31,412[4]	23,577[9]	22,148 tCO2e -30%[6]
	In-scope direct greenhouse gas emissions[2]	12,337[4]	10,892[4]	11,376[4]	13,268[4]	11,629[9]	11,103 tCO2e -10%[6]
	In-scope emissions from domestic travel[5,7]	1,289[4]	1,638	288	602[4]	890	902 tCO2e -30%[6]
	In-scope emissions from domestic business flights[3,5]	136[4]	163	10	64[4]	129	96 tCO2e -30%6

Notes:

[1] GHG emissions from UK estate grid electricity, mains gas, oil and liquid petroleum gas (LPG)

[2] GHG emissions from UK estate mains gas, oil and LPG

[3] GHG emissions from domestic business flights between UK airports on commercial airlines, excluding radiative forcing and 'well to tank' emissions

[4] Data source MOD (DIO)

[5] Data source Dstl's Travel Partner, MOD and UK Government GHG conversion factors, unless otherwise stated

[6] Against baseline year

[7] Emissions from domestic travel commercial flights, rail, grey and white fleet, taxi

[8] Dstl previously reported data included EDF specific emissions conversion factor, MOD data used Department for Business, Energy and Industrial Strategy (BEIS) general emissions conversion factor

[9] Data source utility invoices, UK Government GHG conversion factors

Waste management

Our waste management services were contracted out to our facilities management partner.

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

As our Helios programme progressed we again took the opportunity for equipment and goods to be reused, totalling approximately 26 tonnes. The Defence Equipment Sales Authority (DESA) continued to provide large capacity metal skips free of charge enabling over 64 tonnes to be recycled, in addition to a further 165 tonnes of recycled material. Helios assisted in increasing our gross recycling rate compared with the previous reporting year however, it also increased our overall gross weight of waste.

For the reporting year, 69% of our gross waste was recycled across all three core sites. No non-hazardous waste was sent to landfill, an excellent achievement. Overall our total gross weight of waste increased by 32% compared to the previous reporting year, and it increased by 138% compared to the 2017/18 baseline year.

We provide bespoke waste management training for our staff, and triage all of our waste requests, with the waste hierarchy applied, before being approved for disposal. We closely monitor the quantity of waste per disposal route, in particular disposal to landfill for which only hazardous ash from our Incinerator was disposed of via this route.

We commenced development of our Waste Management Strategy, which we intend to implement during the next reporting year along with a delivery plan.

As the latest GGC scope is limited to specific non-hazardous municipal and commercial waste streams, we have included two parts to our waste reporting data below: gross waste data and in-scope GGC waste data.

The cost of our waste management has been separated into hazardous and non-hazardous disposal routes. We intend to enhance the level of cost granularity during the next reporting year.

Dstl Gross Waste			Baseline year 2017/18	2019/20	2020/21	2021/22	2022/23
Non-financial indicators (tonnes)	Hazardous waste	On-site incineration	232	130	37	40	33
		Off-site disposal	163	470	169	78	59
	Total hazardous waste		**395**	**600**	**206**	**118**	**92**
	Non-hazardous waste	Incinerated (without energy recovery)	Note[1]	Note[1]	Note[1]	120	148
		Incinerated (with energy recovery)	165	613	417	363	368
		Recycled	265	551	1,093	852	1,354
		Composted	0	0	0	0	0
		Landfill	6	45	0	31	0
		Anaerobic Digestion	0	0	0	5	5
		ICT equipment	0	0	14	3	7
	Total non-hazardous waste		**436**	**1,209**	**1,524**	**1,374**	**1,882**
	Total waste		**831**	**1,809**	**1,730**	**1,492**	**1,974**
	Normalisation						
	Normalisation of waste per FTE		0.2	0.5	0.4	0.3	0.4
	Normalisation of waste per NIFA		0.007	0.01	0.01	0.01	0.02
Financial indicators (£'000)	Hazardous waste – disposal cost		129	503	403	350	504
	Non-hazardous waste – disposal cost		64	488	453	778	844
	Total disposal cost		**193**	**991**	**856**	**1,128**	**1,348**

Dstl Gross Paper		Baseline year 2017/18	2019/20	2020/21	2021/22	2022/23
Non-financial indicators (tonnes)	Paper	24	21	9	13[2]	14
Financial indicators (£'000)	**Total paper cost**	**39**	**39**	**31**	**12[2]**	**24**

Notes:

FTE – Full time equivalent staff number. 2017/18 = 3,762, 2018/19 = 3,687, 2019/20 = 4,026, 2020/21 = 4,408, 2021/22 = 4,702, 2022/23 = 5,055

NIFA – Net internal floor area, as Valuation Office Agency's Code of Measuring Practice: Definition for Rating Purposes. 2017/18 = 127,506 m2, 2018/19 = 132,012m2, 2019/20 = 133,350 m2, 2020/21 = 133,910 m2, 2021/22 = 137,204 m2, 2022/23 = 106,575 m2

Waste data source: Dstl's Facilities Management Partner Waste Management Contract and Dstl Incinerator

Paper data source: Crown Commercial Services Framework contract

[1] Included in 'Incinerated with energy recovery' figures

[2] Estimated

GGC in-scope waste management

The in-scope GGC waste is limited to specific European Waste Catalogue (EWC) Codes for municipal and commercial waste streams produced in the UK.

For the reporting year, 59% of our in-scope waste was recycled, composted or sent to anaerobic digestion, with 39% sent for incineration and conversion to energy. No in-scope waste was sent to landfill which exceeded the expectation of the GGC target that less than 5% of waste should be sent via this route. Overall, our total in-scope weight of waste increased by 111% compared to the 2017/18 baseline year, and increased by 96% compared with the previous reporting year. As we moved away from our Fort Halstead site, we produced an increased overall amount of waste with a higher recycling percentage than the previous reporting year. Our performance puts us at risk of not meeting the GGC target of a 15% reduction in overall amount of waste compared to the baseline.

Improving our recycling remains a challenge for us. We provided communication to staff on waste streams. However, contamination of recyclable waste remained a concern; this is an area for our continuing focus.

Our embedded 'Steptoe' on-line reuse platform provides the opportunity to internally advertise items that would otherwise be disposed of, to be shared and exchanged between Divisions.

Customer Single Use Plastic (CSUP) break down into micro-plastics which can have severely detrimental effects on ecology, and risk being transferred up the food chain. Although MOD's scope to remove CSUP excludes us, we have taken the decision to implement the initiative to assist in improving our environmental impacts.

Cup recycling receptacles were purchased to increase source segregation and enable enhanced measurement; the intent is to roll out the initiative during the next reporting year.

A GGC sub-target is to reduce paper use by at least 50% from the baseline year. We made excellent progress initially achieving the target in 2020/21. Although we reduced our paper consumption by 42% compared to the 2017/18 baseline year, there has been a steady increase year on year since 2020/21. Our blended and flexible ways of working support a reduction in paper.

Dstl GGC In-Scope (Gross) Water Data[3]			Baseline year 2017/18[3]	2019/20	2020/21	2021/22	2022/23	End 2024/25 Target
Non-financial indicators (tonnes)	In-scope waste[1]	Incinerated (without energy recovery)	8[2]	1	9	9	20	N/A
		Incinerated (with energy recovery)	197[2]	0	152	259	320	N/A
		Recycled (excluding food)	188[2]	61	238	153	484	N/A
		Composted	0[2]	0	0	0	0	N/A
		Landfill[5]	0[2]	95	0	0	0	5%
		Anaerobic Digestion – Food waste only	0[2]	0	0	1[4]	4[4]	Report
		Total In-scope waste	**393[3]**	**157**	**399**	**422**	**828**	**334 tonnes -15%**
Non-financial indicators (%)		**Total in-scope recycled/composted/ anaerobic digestion waste**	**48%[2]**	**39%**	**60%**	**36%**	**59%**	**70% (in year)**
Dstl GGC In-scope Paper Data			**Baseline year 2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**End 2024/25 Target**
Non-financial indicators (tonnes)	In-scope paper		24	21	9	13[2]	14	12 tonnes -50%
Dstl GGC In-Scope ICT Waste Data			**Baseline year 2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**End 2024/25 Target**
Non-financial indicators (tonnes)	In-scope ICT waste	Recycled	0	0	10[2]	2	7	N/A
		Incinerated (without energy recovery)	0	0	4[2]	1	0	N/A

Notes:

Waste data source - Dstl's Facilities Management Partner Waste Management Contract and Dstl Incinerator, unless otherwise noted

Paper data source – Crown Commercial Services Framework contract

[1] In-scope waste EWC Codes

- Paper and Cardboard 15 01 01 and 20 01 01
- Plastic 15 01 02 and 20 01 39
- Metallic packaging and metals 15 01 04 and 20 01 40
- Glass 15 01 07 and 20 01 02
- Residual waste 20 03 01
- Dry mixed recycling 20 03 01
- Food (biodegradable kitchen waste) 20 01 08

[2] Estimated

[3] Gross data provided by MOD/DIO. Weights per disposal stream proportioned

[4] Food waste trial period

Water

All of our incoming water supplies and wastewater services at our core sites are provided and measured through our water contract. Water at our Porton Down site is abstracted and agreement was reached with the Environment Agency as to the amount that can be abstracted under licence. Maintenance work on the Porton Down wastewater treatment works is ongoing and expected to conclude during the next reporting year. There are three rainwater harvesting points located on our Porton Down site.

We continued to closely monitor water consumption to ensure it was used efficiently and effectively as part of ongoing operations.

Our Long-Term Water Resilience project at Porton Down progressed in accordance with the programme. With the agreement of water abstraction rates, development of a water strategy can be taken forward during the next reporting year, along with a delivery plan.

In addition to the GGC headline target to reduce water consumption by 8% compared to the baseline, we are anticipating additional water consumption and returning effluent to groundwater targets from the Environment Agency over the next few years.

Our Scope 1 water is abstracted. Our Scope 2 water is purchased as mains water supplies.

As the GGC scope for water includes gross consumption, one table has been provided below that reflects our overall and GGC performance. Our water consumption increased by 32% in the reporting year compared to the baseline. Our performance puts us at risk of not achieving the GGC target of an 8% reduction in consumption compared to the baseline.

We intend to commence introduction of qualitative assessment to encourage staff in the efficient use of water in the next reporting year.

Dstl GGC In-Scope (Gross) Water Data[3]		Baseline year 2017/18	2019/20	2020/21	2021/22	2022/23	End 2024/25 Target
Non-Financial Indicators (m^3)	Scope 1 – abstracted	165,548[1]	78,855[1]	129,837[1]	243,156[1]	235,484	N/A
	Scope 2 – mains water supplies	115,041[1]	202,770[1]	140,655[1]	118,994	135,069	N/A
	Total water consumption	**280,589[1]**	**281,625[1]**	**270,492[1]**	**362,150**	**370,553**	**258,142** **-8%**
Dstl Gross Water Data		**Baseline year 2017/18**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**N/A**
Non-Financial Indicators (m^3)	Normalisation of gross water consumption per FTE	75	70	61	77	73	N/A
	Normalisation of gross water consumption per NIFA	2	2	2	3	3	N/A
Financial indicators (£'000)	Water supply costs[2]	1,370	1,695	705	1,662	1,916	N/A

Notes:

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NIFA – Net internal floor area, as Valuation Office Agency's Code of Measuring Practice: Definition for Rating Purposes. 2017/18 = 127,506 m2, 2018/19 = 132,012m2, 2019/20 = 133,350 m2, 2020/21 = 133,910 m2, 2021/22 = 137,204 m2, 2022/23 = 106,575 m2

Water data source – Water Supply Contract, unless otherwise noted.

Consumption figures include consumption by 3rd party tenants and lodgers. This enables all consumption attributed to MOD water contracts to be included in reporting

[1]Total consumption figures provided by MOD/DIO, pro-rata between abstracted and mains water supplies.

[2]Financial data taken from invoices, including licence costs

[3]Estimated

Rural Proofing

We intend to consider the development of a Rural Proofing Process where policies could have the potential to significantly affect rural communities.

Sustainable construction

We aim to achieve MOD policy of Defence Related Environmental Assessment Methodology (DREAM) ratings of 'Excellent' for our new builds and 'Very Good' for major refurbishments. The MOD's Sustainability Environmental Assessment Tool (SEAT) is used for construction projects as required.

Our construction projects can include responsible sourcing certificates, undertaking Construction Pollution Control Plans, evaluation of local supply chain for procurement, and training schedule for operators to use the building most efficiently where practicable. Construction projects and programmes have gateway reviews to ensure sustainability commitments and requirements, including environmental protection and biodiversity, are included.

As we are not the 'Waste Producer' for construction and demolition waste, weights are not included in the 'Waste Management' section of this report. Our major construction projects, over £300 thousand, produce a Site Waste Management Plan that measure and report on volumes and disposal streams.

Our Construction Spoil Policy ensures safety and environmental protection are delivered in the disposal of spoil.

Climate adaptation

By adapting to climate change we protect our staff, estate, and capability by making them less vulnerable to its impacts and improving resilience.

We have developed our Climate Change Risk Assessment for Porton Down and Portsdown West, and intend to commence production of a Climate Change Adaptation Strategy over the next reporting year.

Governance for climate change adaptation is provided by the Sustainability Committee. We have commenced reviewing and revising our Construction Management Process and associated gateways to enhance alignment with MOD policy and ensure climate change adaptation and sustainability is properly recognised; we intend to continue over the next reporting year. We comply with JSP 655 Investment Approvals providing programme and project gateways, and JSP 850 Infrastructure and Estate Policy providing climate change adaptation, sustainability and environmental protection requirements. Our DREAM assessments are periodically reviewed.

Conservation and biodiversity

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

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

Winter 2022/23 saw the restoration of a pond, Lake Hern. It had previously fallen into disrepair and was no longer holding water, due to degradation and deer damage of the liner. This is an important water source as no other exists on the SSSI. The pond is used by many species including smooth newts, frogs and UK Birds of Conservation Concern Red List bird species such as skylarks, linnets and yellowhammers. The restoration of the pond met a specific objective set out in our Site Ecological Plan, under our overarching Biodiversity Enhancement Plans for Ponds. Lake Hern supports species listed on the SSSI designation as well as a number of Section 41 species; therefore, restoration of this waterbody will deliver SSSI management and enhancement, and Natural Environment Research Council (NERC) ACT commitments. The pond profile was changed to reduce the steep sides, preventing future damage. The majority of replanting the pond has been completed, with the remainder to be carried out in the next reporting year. Future monitoring will be undertaken to assess how the pond and species have benefited.

Our Porton Down site is one of 16 UK Environmental Change Network sites that have been running for over 25 years. We collect a wide range of long-term data, sharing it with the network coordinators at the Centre for Hydrology and Ecology, providing a unique national resource to help improve the UK's understanding of how and why environments change.

We have implemented a plan to provide further biodiversity enhancements and staff wellbeing at our Portsdown West site to complement the wildlife pond, wildflower meadow, sustainable mowing programme and bee boxes already established. We have developed a Site Ecological Plan for Portsdown West.

Over the next reporting year, we intend to develop Nature Recovery Plans, and consider introducing a Natural Capital Approach.

At Porton Down, a staff well-being area was provided including a pond, seating, tree planting, various wildlife habitats and planting areas, along with flower beds with mown pathways.

We manage 131 hectares of previously farmed fields where biodiversity enhancements have been provided, benefiting farmland birds and providing large areas for pollinating insects, both of which have experienced a national decline in numbers over many years.

Commitment	Work Achieved in 2022/23
Scrub clearance from chalk downland	→ Approx. 2.2 hectares of new scrub cleared[1] → Approx. 60 hectares of scrub cleared that had been cut at least once before
Dstl Stone-curlew Conservation Project	→ 17 plots in total → 16 plots fenced → 8 breeding pairs → 6 fledged young → 0.75 productivity → 9 pair average over five year → 0.79 five year productivity average
Archaeology	→ 9 monuments maintained in the last five years
Biodiversity enhancements	→ 11 fields taken back into our management for biodiversity enhancements over the last five years → 24 hectares of seeds sown for biodiversity

Notes:

[1] New scrub: scrub not cut for at least 20 years

Sustainable Information Communication and Technology (ICT)

Our IT Strategy 2020-2025 aligns to the Defence Digital Strategy, supported by a plan for delivery.

The management of our ICT is contracted out to a strategic partner. We commenced working with their Sustainability Team to enhance social value and sustainability, and aim to update our strategy over the next reporting year.

When we draw up ICT contract documents they contain a sustainability focus.

A new project was launched to replace much of our Data Centre with new more efficient equipment, assisting in reducing our GHG emissions.

We maintained our flexible working approach encouraging less business travel, increasing our focus on tools to support this culture including development of Microsoft 365 and Teams. Due to business growth, we experienced a significant increase in IT equipment. Compared to the previous reporting year, desktop use increased by 25%, laptops decreased by approximately 5%, smartphones increased by approximately 10%, and thin clients (equipment that connects desktop peripherals to a server) increased by approximately 25%. The use of thin clients helps us to reduce our electricity consumption.

The use of electronic-conferencing increased by 30% from the previous reporting year as we brought in more supporting tools including Microsoft Teams upgrades and additional Virtual Teleconferencing Centre (VTC) rooms to cope with demand. In the reporting year, Jabber communication was used 166,713 times, Microsoft Teams 140,806, telepresence 1,148, and Media Bench 180 times. However, we encourage face-to-face meetings to support staff well-being to assist in reducing feelings of isolation.

As part of our Data Centre project, and to improve measuring and monitoring, we intend to install electricity sub-meters over the next reporting period.

The reporting year brought heavy focus on our ICT spend, with internal audits delivering substantial savings, for example £400+ thousand from Microsoft and a similar amount from Oracle licensing. Our hardware support contract is under review to identify any savings, and a program of works is underway to bring procurement in-house which is intended to deliver further efficiencies.

We are increasing our attention on cloud infrastructure, including our own cloud environment and MODCloud, and encouraging its use to reduce hardware and licensing. Our focus in the next reporting year will include enhancing digital tools for remote access and video conferencing, and a cloud strategy to improve extent, use and ease of access of associated tools, reaching a wider audience, and decreasing the amount of hardware. We also intend to enhance automation through asset management services to speed up provision of service, and provide easier user self-help facilities, along with investigating how this could enhance our ICT sustainability reporting.

Compared to the previous reporting year, recycled ICT waste increased from 2.4 tonnes to 6.6 tonnes, and ICT waste incinerated with energy recovery reduced to zero. No digital waste was sent to landfill in the reporting year, an excellent achievement.

Sustainable procurement

Our procurements and contract management are delivered in line with UK Government and MOD policies, ensuring we comply with the requirements of the Health, Safety and Environmental Protection Policy Statement issued by the Secretary of State for Defence. We apply the MOD Sustainable Procurement Policy, which embeds the Government Buying Standards into applicable procurements. The Policy incorporates directives such as the Timber Procurement Policy, Energy Efficiency, and the Modern Slavery Act, and requires Dstl Commercial Lead to confirm with Project Managers that Sustainable Procurement objectives in the specification comply with applicable legislation.

In the reporting year, we continued to apply the Cabinet Office Social Value (SV) Model, and achieved a variety of commitments from suppliers, including:

→ Support to local schools, providing funding and volunteers to support British Science Week

→ Development of project specific sustainable solutions to minimise environmental impacts and reduce GHG emissions

→ Delivery of Climate Solutions Accelerator training to project staff (Dstl and supplier) to influence environmental protection and improvement within the project and future projects

→ Development and implementation of a SV Plan with our current Hard Facilities Management supplier which focusses on the key themes of tackling economic inequality, fighting climate change, and equal opportunity for the remainder of the contract term

We have continued to ensure that Carbon Reduction Plans are requested from Bidders in procurements with a value >£5 million per annum. As a result, our recently re-let employee transport services contract has seen supplier emissions reduce by 40% year-on-year; with the trend continuing.

In December 2022, we transitioned into the MOD corporate solution for the delivery of its Soft Facilities Management services such as cleaning and catering. The supplier delivers a number of social value and sustainability commitments across the Defence Estate which we will experience the benefit from in the coming reporting year. In the immediate short term, the recording of catering food waste will assist in accurate reporting, enabling action plans to be developed to reduce food waste. The supplier is also committed to operate in accordance with the legislation to remove certain single use plastic by October 2023.

Our Sustainable Strategic Direction 2021-2026, intends to create a culture of sustainable procurement across our whole business and through our supply chain. In the reporting year, 35% of our external spend was with small to medium enterprises (SMEs), and 23% of our direct suppliers were SMEs, with 12% of our contract tasks placed indirectly with SMEs.

Looking ahead, Dstl Commercial is committed to enhancing its application of the SV Model, developing performance measurement mechanisms to greater incentivise suppliers in delivery of SV through the life of the contract and beyond.

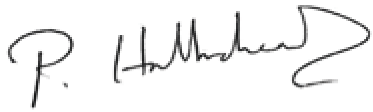
Community

Many of our employees continue to volunteer within the local communities surrounding our sites. We recognise that volunteering is a rewarding way to use our unique skills while making a big difference within our communities. Many of our people contribute to a wide variety of voluntary roles, from supporting sporting events, the MOD-sponsored Cadet and scouting and guiding organisations, to more formal voluntary roles such as volunteering with school governing bodies, the Red Cross, Royal National Lifeboat Institution (RNLI) and the Samaritans. We also support team members who are Armed Forces Reservists.

Included in these volunteering activities are STEM Ambassadors – Dstl employees, working with schools, colleges and universities to encourage more young people to pursue further study and careers in STEM.

Throughout 2022/23, Dstl employees have booked more than 9,000 hours to volunteering activities.

Under the Dstl corporate charity approach, we ensure that our procedures and employment contracts are in line with the Civil Service Management Code, and that they reflect the fundamental principles of the Human Rights Act 2000. Our annual remembrance service in November ensures contributions to the Royal British Legion can be made by our community. Throughout 2022/23, we have also continued to support our employees who choose to take part in fundraising activities in their own time.



Paul Hollinshead
Chief Executive

19 July 2023

Impact #05

Quantum Leap

Preparing Defence for the technology that could change everything

Dstl is playing a leading role in advancing and accelerating the development of quantum technologies so the UK can obtain early adoption of these game-changing capabilities.

We have funded more than 60 PhDs, allocated £28 million of MOD funding into specialist skills and expertise, and played a central role in stewarding a combined £1 billion investment of private and public commitment over the past decade.

In 2022, Dstl purchased the UK Government's first quantum computer from UK Oxford University spinout ORCA Computing, which will be based in the National Quantum Computing Centre. It will be applied to complex machine learning and optimisation tasks to realise opportunities in image analysis, handwriting recognition and decision-making.

Quantum technologies have the potential to deliver significant operational advantage for UK defence and security – as well as safeguarding the nation against future threats.

Dstl has identified four areas of interest which could have the biggest impact:

Computing – allowing complex machine learning, image analysis, and the processing and interpretation of colossal amounts of data for military decision makers, enhancing command and control.

Communication – the potential to provide ultra-secure encryption for military communications, and identifying adversary attempts at espionage or interference.

Sensors & Timing – gravity sensing that could allow navigation anywhere in the world including in GPS denied environments, and detect changes in materials that are under your feet, allowing troops to identify power sources or tunnels.

Imaging – allowing soldiers to see through foliage, clutter and camouflage as well as the ability to see things that are not visible to the naked eye or traditional cameras.

The potential applications of quantum technologies cannot be understated and countries that first harness them will achieve strategic advantage and economic superiority over those that do not.

Civil uses could range from identifying natural resources at a fraction of the cost, to allowing doctors to monitor the brain and transform dementia research.

Accountability Report

Our Accountability Report presents information on Dstl's key accountability requirements to Parliament as the primary user of our Annual Report and Accounts.

Our Accountability Report contains three sections:

Corporate Governance

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

Directors' report

Statement of the Accounting Officer's responsibilities

Governance statement

Remuneration and Staff

Shows how we have complied with the key rules and requirements related to the remuneration of our directors and other staff, as well as demonstrating what it is like for our staff working at Dstl.

Remuneration policy

Senior management remuneration and pension entitlement

Our people

Parliamentary accountability and audit

Provides a summary of the main information relating to the resource and capital spending set by Parliament, as well as detailing the accountability and decision-making role of our organisation.

Statement of Parliamentary Supply

Regularity of expenditure

Remote contingent liabilities

Losses and special payments

Fees and charges

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

3 / Corporate Governance

Directors' report

In last year's report I highlighted the defining nature of the year under review in which Dstl delivered a record level of S&T in the most extraordinary and challenging circumstances. It is therefore with great pride and grateful appreciation to all employed by Dstl, our myriad of partners in industry and academia, as well as colleagues across MOD and other government departments, that I can report on behalf of the Board that in 2022/23 Dstl successfully surpassed last year's record delivery. This is all the more remarkable given the added and continuing challenge of support to operations, particularly in respect of the conflict in Ukraine, and a testing economic climate that has put pressure on aspects of our ability to source from industry as well as invest in our capital programme.

With further forecast growth in demand for S&T to support defence and security, coupled with Dstl's position as a leading public sector research establishment and the opportunity to play a significant role in the Government's ambition to be a science super-power, the Board recognised that a strategy refresh would be prudent. I am pleased that throughout the year the Board has been able to support the development of that refresh as well as the commensurate changes to the way in which the organisation can better prioritise in meeting the demands of defence.

The Board has also continued to focus on the quality of the S&T it delivers and I would therefore like to recognise Professor Sarah Spurgeon who chairs the External Review College – which uses external independent panel members to assure the health and technical quality of our S&T capabilities – and thank all involved in its important work.

With such rapid growth some growing pains in the organisation emerged during the year. Along with the Audit and Risk Assurance Committee, ably chaired by David Tonkin, the Board has significantly increased its focus on health and safety. In the year ahead we will be supporting the Executive in embedding an enhanced culture of safe working at pace.

I would also like to thank other Board colleagues for their contribution through the year: Jeremy Monroe who has kindly agreed to stay on for a further year; and Dr Brian Bowsher for the support he can draw from the wider S&T community.

Dstl's impact on the defence landscape is only made possible through collaboration with our MOD colleagues, particularly DST in setting the strategy for S&T and its commissioning. I would also like to extend my congratulations to Professor Dame Angela McLean on her recent appointment as Government Scientific Advisor, and my sincere gratitude for her support to Dstl during her time as MOD CSA.

Finally I would like to express my thanks to the Executive Team and Dr Paul Hollinshead in particular, who in his first full year as our Chief Executive, has so ably led the organisation and firmly cemented Dstl as the science inside UK defence and security.

Adrian Belton

Adrian Belton
Chair of the Dstl Board

10 July 2023

Our leadership

The Dstl Board and Executive Management Committee (for the financial year 2022/23)

Our Board provides a forum for independent, non-executive support and challenge to our Chief Executive and our Executive Management Committee members. It provides assurance to MOD by monitoring Dstl's performance against its delivery objectives and ensuring that the organisation is compliant with the appropriate policies and standards.

For more information about Dstl Board members...

See pages 052-055

→ **Adrian Belton**	Non-executive Chair
→ **Brian Bowsher**	Non-executive member
→ **Jeremy Monroe**	Non-executive member
→ **Tara Usher**	Non-executive member (MOD)
→ **Sarah Spurgeon**	Non-executive member
→ **David Tonkin**	Non-executive member
→ **Paul Hollinshead**	Chief Executive
→ **Andy Bell**	Chief Technical Officer
→ **David English**	Chief Finance Officer / interim Chief Operating Officer from 7 November 2022
→ **Doug Umbers**	Chief Operating Officer - Departed 6 November 2022

The Dstl Executive Management Committee (for the financial year 2022/23)

Our Executive Management Committee ensures the effective and efficient strategic leadership and operational delivery of Dstl. It monitors business delivery and financial performance to ensure our strategic direction remains appropriate to our customers' needs. It also ensures that we operate safely and securely by reviewing performance and managing risks.

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

See page 061

Members of the Dstl Executive Management Committee (EMC) as at 31 March 2023	
Paul Hollinshead	Chief Executive Officer (CEO)
Andy Bell	Chief Technical Officer (CTO)
David English	Chief Finance Officer (CFO) / interim Chief Operating Officer (COO) from 7 November 2022
Doug Umbers	Chief Operating Officer (COO) – Departed 6 November 2022
Robyn Wedderburn	Chief People Officer (CPO)
Matt Chinn	Division Head – Platform Systems (PLS)
Simon Earwicker	Division Head – Chemical, Biological and Radiological (CBR)
Paul Kealey	Division Head – Cyber and Information System (CIS)
Linda Knutsen	Division Head – Exploration (EXP)
Mike Smith	Division Head – Counter-Terrorism and Security (CTS)

Non-executive members of the Dstl Board (as at 31 March 2023)

Adrian Belton

Chair

Appointed as chair of the Board on 1 August 2019

Key strengths

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

Experience

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

Declarations of Interest in year

Non-executive Director of NHS Property Services Limited; and Lay Member of the Council of the University of Sheffield (interim Chair in 2022).

Brian Bowsher

Non-executive member

Appointed to the Board on 1 September 2018

Key strengths

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

Experience

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

Declarations of Interest in year

Member of Southampton University School of Chemistry Advisory Board; former CEO of the Science and Technology Facilities Council and the National Physical Laboratory; and independent reviewer of governance and effectiveness of UK Space Agency (Dec 22–Apr 23).

Jeremy Monroe

Non-executive member,
Chair of the Remuneration Committee

Appointed to the Board on 1 February 2017

Key strengths

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

Experience

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

Declarations of Interest in year

Chair of VSPM Ltd; Director of Falstaff Consulting Ltd; and family member of Sarah Munby, Permanent Secretary of the Department for Science, Innovation and Technology (DSIT).

Non-executive members of the Dstl Board (as at 31 March 2023)

Sarah Spurgeon

Non-executive member

Appointed to the Board on 1 July 2018

→ Key strengths

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

→ Experience

Sarah is Professor of Control Engineering, and Head of the Department of Electronic and Electrical Engineering at University College London; she is currently a Vice President of the IET as well as Vice President Publications of the International Federation of Automatic Control and was a past President of the Engineering Professors' Council and a Past President of the Institute of Measurement and Control. In 2000, she was awarded the Institute of Electrical and Electronics Engineers millennium medal, and in 2010, she received the Honeywell international medal for distinguished contribution as a control and measurement technologist to developing the theory of control. Sarah is currently a member of the Police Science Council.

→ Declarations of Interest in year

Professor, University College London; Vice President of the Institute of Engineering and Technology; and Member of the Police Science Council.

David Tonkin

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

Appointed to the Board on 1 September 2017

→ Key strengths

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

→ Experience

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

→ Declarations of Interest in year

Chair and Director of the Railway Industry Association.

Tara Usher

Non-executive member (MOD)

Appointed to the Board on 1 October 2019

→ Key strengths

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

→ Experience

Tara co-heads the MOD Enabling Organisations Sponsorship Team. Tara joined MOD in 2018 after working for the Department for Transport, first as a legal adviser (maritime and aviation) and subsequently in policy and governance roles. Her work included creating a new governance and portfolio management framework for DfT's large-scale capital investments and later leading the sponsorship team for the newly created National Highways GovCo. Prior to joining the Civil Service Tara worked in the City, initially at the law firm, Freshfields, and latterly in investment banking. Tara is also the MOD Board representative for the UK Hydrographic Office and the Single Source Regulations Office (SSRO).

→ Declarations of Interest in year

Head of Enabling Organisations Sponsorship at MOD; MOD Observer on the Board of SSRO; and MOD Non-executive Member for UK Hydrographic Office.

Executive Management Committee members on the Dstl Board (as at 31 March 2023)

Paul Hollinshead

Chief Executive

Appointed to the Board on 14 February 2022

→ Key strengths

Management of large complex projects and organisations; leading multi-disciplinary teams; and setting strategy and direction.

→ Experience

Paul joined Dstl as Chief Executive in February 2022, having led complex, large science and technology programmes in the defence and civil sector for more than 20 years.
His varied career has included policy and strategy work including involvement in several strategic defence reviews and national strategy development in the Prime Minister's Strategy Unit. He was Head of Wealth Creation at DERA, Science and Innovation Director in the Department of Energy and Climate Change, and led nuclear research collaboration with the USA.
Paul was most recently Operations Director for Defence Test and Evaluation and a Director in the Defence Nuclear Organisation. He was the Procurement Director and Senior Responsible Owner for a large portfolio of complex defence and energy programmes including submarines, strategic systems, nuclear infrastructure and green energy.

→ Declarations of Interest in year

Nothing significant to report.

Andy Bell

Chief Technical Officer

Appointed to the Board on 22 October 2018

→ Key strengths

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

→ Experience

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

→ Declarations of Interest in year

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

David English

Chief Finance Officer and interim Chief Operating Officer from 7 November 2022

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

→ Key strengths

Finance; government relations; governance.

→ Experience

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

→ Declarations of Interest in year

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

Executive Management Committee members on the Dstl Board (as at 31 March 2023)

Doug Umbers

Chief Operating Officer
Departed 6 November 2022

Appointed to the Board on 10 December 2018

Key strengths

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

Experience

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

Declarations of Interest in year

Non-executive Director on the RAF Audit and Risk Assurance Committee; Ordinary Shares with Babcock International

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

Total length of service by the Board's Non-executive members at 31 March 2023

	Total length of service	Date of most recent appointment	Date of expiry
Adrian Belton[1]	3 years, 8 months	1 May 2022	31 January 2024
Brian Bowsher	4 years, 7 months	1 September 2021	31 August 2024
Jeremy Monroe[2]	6 years, 2 months	1 February 2023	31 January 2024
Sarah Spurgeon	4 years, 9 months	1 July 2021	30 June 2024
David Tonkin	5 years, 7 months	1 September 2020	31 August 2023
Tara Usher[3]	3 years, 6 months	1 October 2022	30 September 2025

Notes:

[1] Dstl Chair's appointment was extended from 1 August 2022 to 31 January 2024.

[2] Jeremy Monroe's appointment was extended in January 2023 to 31 January 2024

[3] Tara Usher's appointment was extended by MOD in September 2022 to 30 September 2025

Impact #06

Agile Science & Technology Operations

Delivering operational advantage to Ukraine

Since the start of Russia's illegal invasion, Dstl has played a pivotal role in the UK's efforts to help the Ukrainian armed forces defend their country.

With agility and innovation, Dstl has made use of every skill, idea and technology that we and our partners have to offer.

What we have done to date has been a critical factor in strategic and tactical success – ensuring MOD science and technology adds impact and advantage to Defence and National Security operations.

Hundreds of our experts have been called upon including in areas such as:

- Counter drone technology
- Counter electronic warfare
- Protection systems
- Analytic insight

We have also provided ongoing operational support and advice to the armed forces and our security partners since the start of the conflict covering many more areas.

Our rapid support to operations and crises is only made possible because of MOD's enduring science and technology investment in research, key capabilities and facilities, allowing it to provide an indispensable source of novel and diverse technical support at pace.

We will continue to provide support to the UK response to the invasion of Ukraine.

We stand united with Ukraine.

Statement of the Accounting Officer's responsibilities

Under Sections 7(1), (2) and (5) of the Government Resources and Accounts Act 2000, His Majesty's (HM) Treasury has directed Dstl to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Dstl and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

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

Parliamentary Accountability and Audit Report

See pages 082-088

Governance statement

This Governance statement, for which I, Paul Hollinshead as Accounting Officer for Dstl, take personal responsibility, aims to provide an insight into the effective running of Dstl and to offer a clear understanding of our governance arrangements.

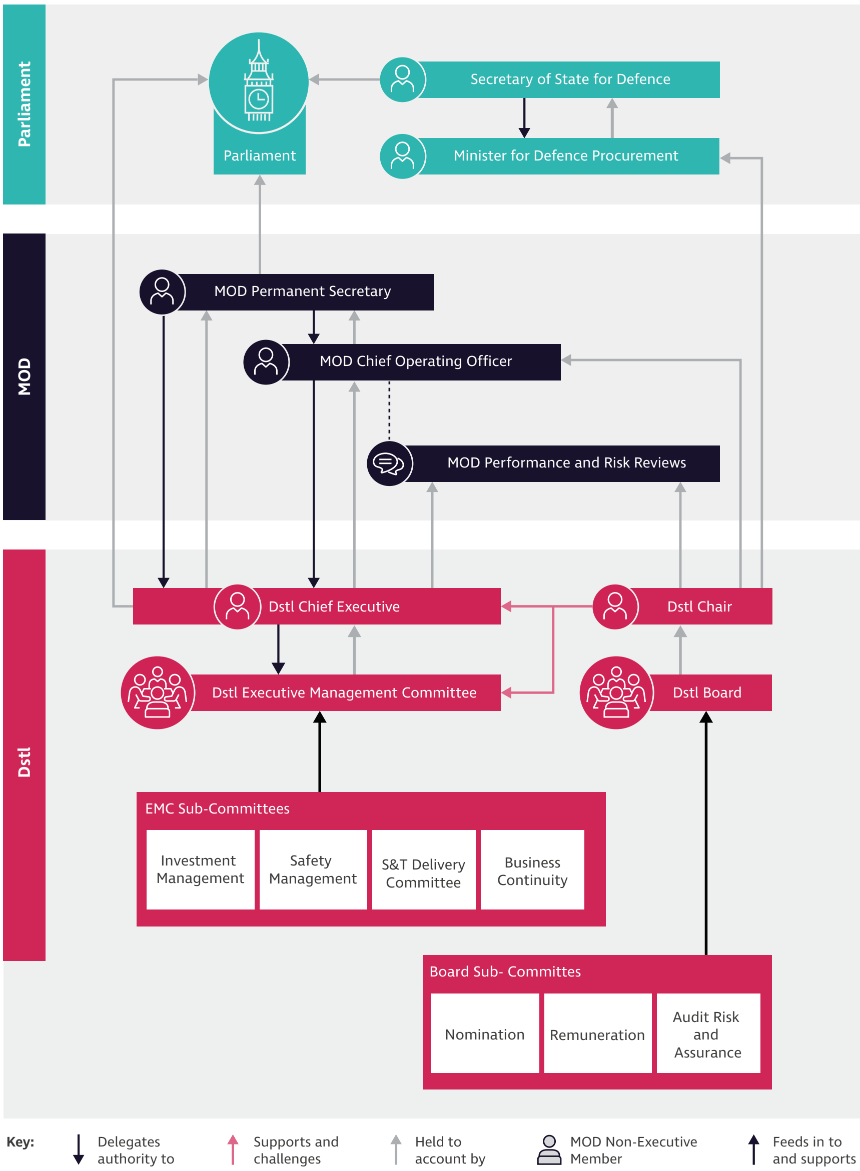
Scope of responsibility

As Accounting Officer for Dstl, it is my responsibility to ensure that there is a sound system of governance, risk management and internal control in place. In addition, I ensure that Dstl business is conducted in accordance with Managing Public Money so that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To demonstrate this, our Governance statement covers:

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

Our corporate governance

We comply with HM Treasury's Code of Good Practice on Corporate Governance in Central Government Departments (2016). As at 31 March 2023, our corporate governance framework is summarised in the diagram:



Dstl's relationship with MOD is defined by the Dstl Framework Document, which was refreshed in July 2021, and described by the MOD Accounting Officer System Statement. Dstl's Operating Model was agreed by the MOD Operating Model Board on 31 March 2022, as a component of the Defence Operating Model.

The Remuneration and Nomination committees did not sit in 2022/23 and are established when required.

The Dstl Board

The Dstl Board held eight regular meetings during the year.

Membership

Doug Umbers left the Board as Chief Operating Officer on 6 November 2022. David English fulfilled the role of interim Chief Operating Officer, as well as Chief Finance Officer, from 7 November 2022.

Non-executive Chair (NEM) Adrian Belton was re-appointed for a further 18 month term from 1 August 2022. NEM Jeremy Monroe was re-appointed for a further 12 month term on 1 February 2023.

The Chief People Officer attends by invitation to represent our most important asset – our people.

Attendance of Board meetings in 2022/23

Board member	Date started	Date ended	Number of meetings attended	Number of meetings that could have been attended
Adrian Belton (Chair)	–	–	8	8
Jeremy Monroe	–	–	8	8
David Tonkin	–	–	6	8
Sarah Spurgeon	–	–	8	8
Brian Bowsher	–	–	8	8
Tara Usher	–	–	7[1]	8
Paul Hollinshead	–	–	8	8
Andy Bell	–	–	6	8
David English	–	–	8	8
Doug Umbers	–	06 November 2022	4	4

Notes:

[1] At the May 2022 Board meeting, MOD NEM Tara Usher was represented by MOD's Director Defence Sponsorship and Organisational Policy, Mark Preston.

Business 2022/23

The business taken at Board meetings reflects the responsibilities of the Dstl Board, in its advisory capacity to exercise strategic oversight of Dstl in the delivery of its objectives.

Along with monitoring performance of Dstl's delivery, a strong focus of Board business this year has been oversight of development of the new Dstl Strategy.

Ensuring a focus on the health of Dstl's capabilities, two External Review Colleges (ERC) were held and reported to the Board this year, providing independent assessment of four of Dstl's capabilities. The Board also considered the findings on one 'Follow Up Review', which reviewed progress made since the previous ERC.

The Board continued to devote time to deep dives of Dstl's corporate risks, as well as oversight of major programmes, Dstl's safety arrangements and key strategies related to Dstl's financial model, estates, and IT.

Standing items include an update from the Chief Executive and from the Chair of the Audit and Risk Assurance Committee (ARAC) following the quarterly ARAC meetings.

Annual review of effectiveness

The annual review of effectiveness this year was commissioned with an independent external organisation. The review was ongoing at the end of the financial year, and will report in 2023/24.

Audit and Risk Assurance Committee

The ARAC met four times during 2022/23.

Membership

There are four NEMs who sit on this committee – David Tonkin (Chair), Brian Bowsher, Jeremy Monroe and MOD NEM Tara Usher. The Chief Executive attends by invitation, as do the Chief Finance Officer, Chief Operating Officer, Head of Risk, Assurance and Governance and Head of Finance. Representatives from the National Audit Office and MOD Defence Internal Audit also attend by invitation.

Attendance at Dstl Audit and Risk Assurance Committee for 2022/23

Board member	Role	Number of meetings attended	Number of meetings that could have been attended
→ David Tonkin	NEM (Chair)	3[1]	4
→ Jeremy Monroe	NEM	4	4
→ Brian Bowsher	NEM	4	4
→ Tara Usher	MOD NEM	3[2]	4

Notes:

[1] At the September 2022 meeting Jeremy Monroe was the Acting Chair.

[2] At the June 2022 Board meeting, MOD NEM Tara Usher was represented by MOD's Deputy Head for Enabling Organisations Sponsorship.

Business 2022/23

The ARAC conducted its regular review of Dstl's financial performance, the Corporate Risk Register, the outcomes of internal and external audits, Dstl's counter-fraud activities, health and safety, and information risk and assurance. The ARAC also continued its review of individual Division risk management and assurance approaches and those of Dstl's Safety Technical Authorities. This year, risk deep dives also encompassed key operational level risks, as well as our Corporate Risks.

Commenting on the work of the committee over the past year, the Chair of the ARAC David Tonkin said: "The committee's approaches and standards continue to be evolved. The core of the ARAC is based on the assurance themes and the encouragement to the organisation to improve its level 1 assurance, plus continued focus on risk deep dives. This year has seen more emphasis on the operational risk framework and how the divisions ensure their risk frameworks enhance and support the overall corporate risk mitigations. The central quarterly risk and assurance report has evolved to ensure all four levels of assurance are brought together around assurance themes to give a comprehensive report on the assurance and control environment. The rapid growth in the organisation as it responds well to the demands placed on it, coupled with the transition between CEOs involving an interim CEO for a year has had some consequences for the organisation. The organisation has reported a limited assurance opinion on the control and assurance environment. While disappointing, the assurance and control frameworks remain robust and in place but, due to the stated factors, the amount of effort and focus required improvement. Now with a settled leadership and a refreshed approach to the workload prioritisation, the next two years should see Dstl return to a substantial assurance rating. This places an extra onus on the ARAC and the Board to ensure attention is properly focused on the key risks and controls. The current refresh of the H&S approach for the organisation is symptomatic of this focus. The committee's focus will continue to provide the Board with the necessary assurance that the organisation maintains the delivery of its strategic plans in an effective and proportionately controlled manner."

Annual review of effectiveness

A self-assessment of the effectiveness of the ARAC was conducted using the new NAO effectiveness tool, and reported in March 2023. Overall, the assessment concluded that the ARAC is operating effectively and meeting required standards. Opportunities for improvement in succession planning for the NEMs were identified, to ensure an appropriate ongoing skills mix of ARAC members.

Executive Management Committee

The Executive Management Committee has continued to be the key meeting for the Executive Team to ensure the effective and efficient strategic leadership and operational delivery of Dstl. The Executive Management Committee met twice per month, with one meeting per quarter focused on performance, strategy or the internal change portfolio.

The Executive Management Committee membership as of March 2023

Paul Hollinshead
Chief Executive

Andy Bell
Chief Technical Officer

Matt Chinn
Division Head PLS

Simon Earwicker
Division Head CBR

David English
Chief Finance Officer / Interim Chief Operating Officer

Paul Kealey
Division Head CIS

Linda Knutsen
Division Head EXP

Mike Smith
Division Head CTS

Robyn Wedderburn
Chief People Officer

Following in-year consultation, the Chief Executive is implementing changes to the structure of the Executive Management team from the next financial year. We will be able to report on this implementation and its impact in next year's report.

Executive Management Committee sub-committees

The efficiency of the EMC has been improved by the use of three formal sub-committees during the year, the purposes of which are outlined in the following table.

Changes to Dstl's Executive Structure at the end of 2022/23 will require review of the Executive Management Committee sub-committees, and review and refresh of their terms of reference in 2023/24.

Executive Management Sub-Committee	Purpose
→ **Investment Management**	To assist the Chief Executive in the execution of his financial delegations. The Investment Management Committee (IMC) ensures that expenditure proposals are subject to requirement and financial scrutiny. The IMC is responsible for considering all investment proposals (capital and significant revenue) above a defined threshold. The IMC is chaired by the Chief Finance Officer and is held monthly
→ **Health and Safety**	To address cross-cutting health, safety and welfare (HS&W) issues, risks and organisational change, informed by assurance and performance data and emerging themes from incident reporting and investigation. The sub-committee was chaired by the Division Head Chemical, Biological and Radiological in April 2022, and thereafter by the Chief Operating Officer. It met seven times.
→ **The Delivery Committee for S&T (DCS&T)**	To support the Chief Executive in governing and risk-assuring S&T planning, delivery and operation and ensures that Dstl develops and executes effective and integrated plans for stewarding S&T capability and delivering S&T impact. In addition, the DCS&T is responsible for approving, championing and assuring Dstl's S&T Portfolio and Strategic Engagement Plans. The DCS&T is chaired by the Chief Technical Officer and held quarterly.

Our risk management

Dstl's risk management framework is designed to ensure we counter or exploit the uncertainties faced by both Dstl and our delivery partners.

We have embedded our risk management practices across the organisation, allowing us to consider tactical and operational risks as well as long-term strategic risks to the successful delivery of our objectives. Dstl's central risk management function defines, supports and maintains our risk management practices. They conduct assurance and promote a consistent approach and continuous improvement, alongside their support to the Executive and Board to ensure risk management arrangements are proportionate and effective. The Board and the ARAC regularly review our Corporate Risks. In addition, the Board and its ARAC undertake assurance of these risks to review the effectiveness of controls and mitigations and the progress of risk response plans, to ensure the level of risk carried by the organisation is within both its tolerance and delegation. In this year, Dstl has continued to embed an Enterprise Risk Management approach across our Corporate-, Operational- and Divisional-level risks, supported by Risk Business Partnering of Risk Managers and our Business Managers. This approach seeks to allow Risk Owners and Process Owners to make risk-informed decisions, to enhance the operation of organisational activities, protecting and enhancing value.

Managing risk

Dstl's risk management practices comply with the directives and guidance of the MOD's JSP 892 – Risk Management, which in turn aligns with the principles of HM Treasury's Orange Book (Management of Risk – Principles and Concepts).

Dstl's core process for risk management reflects the MOD's four step process of Risk Identification; Risk Assessment; Risk Response; and Risk Monitoring and Reporting. The process is iterative and supported by further activities such as assurance and escalation. The identification process takes account of Dstl's operating context. Following the appropriate articulation of a risk, it is assessed, taking into account existing controls and mitigations, to give an indication of current likelihood and impact. Assessed risks are assigned an appropriate response. The progress of implementing any further planned controls and mitigations is monitored, along with the ongoing effectiveness of existing controls, and other changes to the risk profile. Through escalation, emerging or increasing risks are brought to the attention of relevant areas of the business best suited to manage the risk.

Our control environment

We continue to promote a control environment that sets the tone for how our people engage in their day-to-day activities in line with behavioural and ethical standards. In addition, we also clearly clarify our people's responsibilities and the limits to their authority. Our written policies and processes, standards of conduct and codes of ethics are available on Dstl's internal Business Management System "Themis".

Dstl processes

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

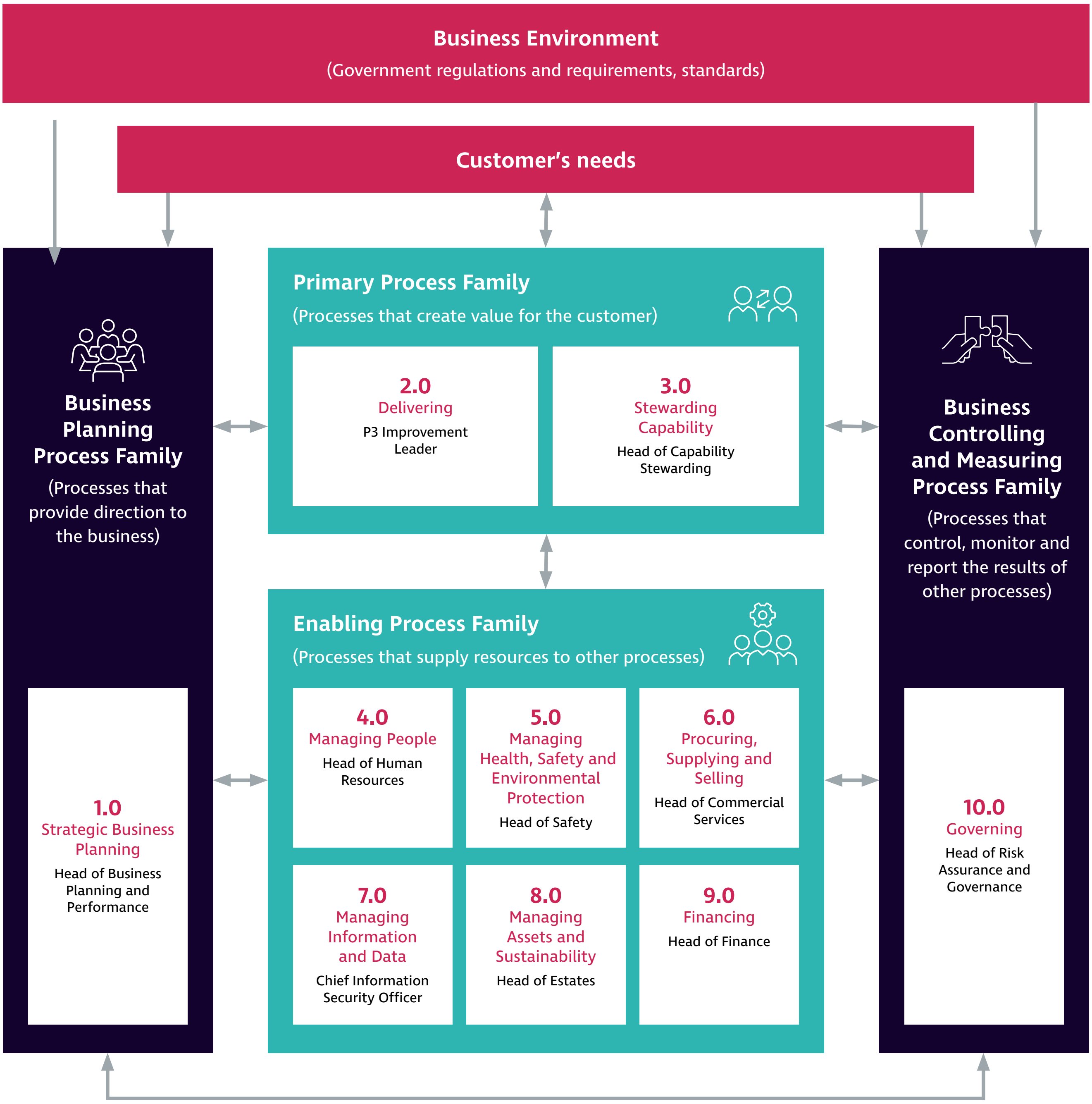
These are aligned with our ten process families – the key sets of activities that Dstl performs in order to help manage corporate risks while achieving our purpose of delivering high-impact S&T. We have continued to design, review and improve our business processes to ensure that they:

→ meet the needs of our staff, customers and other stakeholders;

→ continue to support delivery of our strategic intent;

→ mitigate risk to the operation of Dstl's business.

This year, we have completed the migration of our Business Management System (Themis) to a new platform that brings further improvements to the accessibility and inclusivity of our policies and processes, whilst simplifying our ability to manage changes and conduct reviews and monitoring.



Our control activities

Our control activities are established through our policies and processes, to mitigate risks to the achievement of our objectives, to ensure the effectiveness and efficiency of our operations, and to ensure compliance with applicable laws and regulations. Their effectiveness is assured through delivery of our assurance strategy, which is currently undergoing a review and update to align our assurance activities across the Four Lines of Defence to our corporate and operational risk controls.

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

Incident investigations

We remain committed to learning from incidents in order to prevent reoccurrence and improve our business, thereby adding value to our stakeholders. We actively promote the reporting of near misses and incidents, together with the application of a "just culture". Assessment of incidents at our weekly corporate incident triage meeting allows us to proportionately investigate significant incidents based on the potential impact the incident could have in balance with the actual harm or damage caused.

Eight of the safety incidents reported in 2022/23 were reportable to the Health and Safety Executive (HSE) under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations).

Whistleblowing

We remain committed to achieving the highest possible standards of service and ethics in public life. This is demonstrated by our whistleblowing process, which is written in line with the Public Interest Disclosure Act 1998, the Fraud Act 2006 and the Bribery Act 2010. We always take any such incidents extremely seriously, undertaking an assessment of any issue followed by a corporate investigation if appropriate. This year there were no incidents raised formally via our whistleblowing process. However, two concerns raised regarding standards in public life / the Civil Service Code were resolved informally.

Identifying and managing conflicts of interest

We take pride in exemplifying integrity and impartiality, which we do through our "Standards in Public Life" process. In line with the Civil Service Management Code, this requires all employees to declare any actual conflict or potential conflict of interest arising between their personal and financial interests and their official dealings as a Civil Servant. These declared interests are scrutinised by line managers, seeking further advice where appropriate. Failure to declare such interests may be treated as misconduct. Declarations made by Senior Civil Servants in Dstl are reviewed by MOD. We publish interests declared by our Board members on pages 052-055.

Protected personal data incidents

In 2022/23, there were no reported breaches of personal information by Dstl declared to the Information Commissioners Office. Dstl has a comprehensive and effective security plan, assured by MOD's Directorate of Security and Resilience. Given the importance of protecting our critical national assets, I have determined that it is not in the public interest to reveal whether or not there has been any significant lapse in security. This statement should not be interpreted as meaning that there were, or were not, any such incidents.

We handled four Data Subject Access Requests (DSAR) under the Data Protection Act (DPA) 18. There were also eight enquiries to the Porton Down Former Volunteers Helpline, all of which were handled in accordance with the DPA.

Fraud management

We continue to focus on the control and monitoring of the procurement process, our highest likely risk of fraud and a core objective of our Counter Fraud Policy. We are fully compliant with the Cabinet Office's Government Functional Standard and align to the Defence Counter Fraud Strategy. Additionally, in the reporting period, we achieved Level 3 (Business Enabled) in our fraud risk management maturity model assessment undertaken by MOD Fraud Defence. We continue to explore the feasibility of using data analytics to aid detection, following implementation of our new cloud hosted enterprise reporting systems and, in the forthcoming year, plan a series of fraud risk 'Deep Dives' to establish the effectiveness of our fraud risk controls.

During the reporting period, there have been ten reports of unusual activity from both internal and external sources. We used our investigation process to investigate the activities, nine of which have been satisfactorily resolved. The remaining incident remains under investigation but has already identified vulnerabilities in our controls and provides the opportunity to tighten them.

Quality assurance of analytical models

A model is a way to appraise, assess, evaluate, plan or forecast future responses or outcomes by processing a variety of input data and assumptions. Our Modelling and Simulation Strategy Group manages the coherence and governance of our modelling. Every six months, we declare our business critical models – as defined following the Macpherson Review in 2013– to MOD. We continue to work with MOD and wider government to improve the quality and operation of analytical modelling through the mutual sharing of best practice. During the reporting period, Dstl has carried out a comprehensive review of its software development processes and guidance making them more accessible to our modelling community.

Group Head of Defence Internal Audit summary

In line with Public Sector Internal Audit Standards, the Group Head of Defence Internal Audit (DIA) must provide a professional opinion on the adequacy and effectiveness of Dstl's arrangements for risk management, internal control and governance. I have used the following DIA audit opinion to help me in the production of this year's Governance Statement; it summarises the results of DIA's internal audit work relevant to our objectives from April 2022 to March 2023. Seven Dstl sponsored audits were delivered by DIA. One audit delayed from the FY2021/22 audit plan also reported in the year. The Group Head DIA has said:

"Overall, and based on the internal audit work delivered throughout FY22/23, DIA provide limited assurance over Dstl's systems of governance, risk management and internal control. Our key reviews relating to Health and Safety, CHESS anti-fraud controls and People related assurance processes identified that further work was required to improve the respective control frameworks and sufficiently demonstrate the mitigation of core risks. Further, whilst it was determined that there was an adequate process in place to provide oversight and monitoring on the completion of agreed management actions stemming from Line 3 and 4 audits and Corporate Investigations, the number of overdue actions, particularly at Line 3, indicated additional robustness at the action setting stage would help ensure they were sufficiently costed and realistic. Notwithstanding, it was recognised that largely adequate and effective controls were in place to plan and oversee delivery of Dstl's Internal Portfolio, to prepare for the disaggregation of its Information Systems contract, and to monitor customer satisfaction of its products and services."

As Accounting Officer, I recognise the critical importance of having robust controls, and will ensure that all remedial actions to address our limited assurance findings are addressed in 2023/24. In particular there will be a strong focus on improving our health and safety culture and controls, making sure that everyone works safely.

The internal audits that took place at Dstl in 2022/23, their timings and owners, were:

Audit title	When	Owner
→ Interface Between Facilities Managers and Workplace Managers	July 2022[1]	Chief Operating Officer
→ NISSS disaggregation and preparedness	June 2022	Chief Operating Officer
→ Safety Culture and Human Factors	October 2022	Chief Operating Officer
→ Audit and Investigation Agreed Management Actions	November 2022	Chief Finance Officer
→ Capital Planning – Internal Portfolio Definition Cycle	November 2022	Chief Operating Officer
→ People Process Assurance Regime	December 2022	Chief People Officer
→ Customer Satisfaction Process	March 2023	Chief Technical Officer
→ CHESS System Controls	April 2023[2]	Chief Finance Officer

Notes:
[1]Delayed from 2021/22
[2]Fieldwork completed in Q4 2022/23 and reported in Q1 2023/24

External certification

In November 2022 BSI Assurance UK Ltd conducted Dstl's surveillance audit, recommending continuation of Dstl's ISO 9001:2015 (Quality Management Systems) and TickITplus (software development) certifications.

Chief Executive's summary

The arrangements I describe above set out how I manage and control the use of resources in Dstl and are the basis upon which I accept the responsibilities as Dstl's Accounting Officer. I have carefully considered the governance, risk and control issues identified through our ARAC and our internal audit programme. I accept that while the majority of our system of internal control is working effectively, there are significant weaknesses in specific areas. Remedial actions will be monitored through our Executive Management Committee and the ARAC.

4 / Remuneration and Staff

Remuneration policy

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

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

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

Dstl applies Business Appointment Rules which cover the employment of ex-Crown Servants outside government to ensure there is no cause for suspicion of impropriety. Its purpose is to safeguard Dstl and its employees, as Crown Servants, against criticism on those grounds. Dstl Business Appointment Rules applications are monitored by Dstl Employee Services. The rules are available on Dstl's Management System and Line Managers must ensure that this procedure is complied with.

In 2022/23, Dstl had one SCS exit where the guidance was applied.

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

Performance conditions

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

Service contracts

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

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

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

Fees paid to non-executive members of the Dstl Board for the financial year 2022/23

This information is subject to audit opinion	Fee 2022/23 £'000	Fee 2021/22 £'000
→ **Adrian Belton**	25-30	25-30
→ **Brian Bowsher**	15-20	15-20
→ **Jeremy Monroe**	15-20	15-20
→ **Sarah Spurgeon**	15-20	15-20
→ **David Tonkin**	15-20	15-20
→ **Tara Usher**[1]	0	0

Notes:

[1] Tara Usher did not receive a fee in 2022/23; she is a MOD civil servant and represents MOD as a non-executive member (and receives a standard civil service salary from MOD). This is a related party with which Dstl has material transactions. Please see Related Party Note at Note 22. Tara began her tenure on 1 October 2019.

Senior management remuneration and pension entitlement

Remuneration paid to executive directors for the financial year 2022/23

Note: This information is subject to audit opinion	Salary Band 2022/23 £'000	Salary Band 2021/22 £'000	NCPA 2022/23 £'000	NCPA 2021/22 £'000	Pension Benefits 2022/23 Nearest £'000	Pension Benefits 2021/22 Nearest £'000	Total 2022/23 £'000	Total 2021/22 £'000
→ **Andy Bell***	95-100	95-100	5-10	0	-4	18	100-105	110-115
→ **Matt Chinn**	90-95	90-95	0-5	0-5	-25	19	70-75	110-115
→ **Simon Earwicker**	80-85	80-85	0-5	0-5	-20	17	65-70	95-100
→ **David English***	85-90	80-85	0-5	5-10	25	17	115-120	105-110
→ **Paul Hollinshead***	145-150	5-10 *145-150*	0	0	319	1	465-470	5-10
→ **Paul Kealey**	85-90	85-90	0-5	0-5	25	31	115-120	115-120
→ **Linda Knutsen**	75-80	70-75 *75-80*	0-5	0-5	-6	46	75-80	120-125
→ **Mike Smith**	80-85	85-90	0-5	0-5	15	24	100-105	110-115
→ **Doug Umbers*[1]**	75-80 *125-130*	120-125	5-10	0	30	48	115-120	170-175
→ **Robyn Wedderburn**	90-95	90-95	0	0	36	36	125-130	125-130

Figures in italics denote full-year equivalent salary

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

[1] *Doug Umbers departed on 6 November 2022.*

Executive Agency Board members' emoluments

We have shown the details of Board members in the table on page 068. They are summarised as follows:

Note: This information is subject to audit opinion	2023	2022	2021
→ **Salaries, NCPAs and fees (£'000)**	536.1	420.4	603.0

Figure for 2023 is higher than previous years due to various senior post changes – Paul Hollinshead being in post for a full year – although still lower than 2021 due to David English covering COO role following Doug Umbers departure and the post not being filled as 31 March 2023.

Pension provision for executive directors for the financial year 2022/23

Note: This information is subject to audit opinion	Real increase in pension *[and related lump sum at pension age]* £'000	Total accrued pension at pension age at 31/03/23 *[and related lump sum]* £'000	Cash equivalent value at 31/03/23 £'000	Cash equivalent value at 31/03/22 £'000	Real increase in cash equivalent transfer value as funded by employer £'000
→ **Andy Bell**	0-2.5 *[0]*	40-45 *[85-90]*	898	816	-17[1]
→ **Matt Chinn**	0 *[0]*	40-45 *[75-80]*	765	716	-35[1]
→ **Simon Earwicker**	0 *[0]*	35-40 *[65-70]*	640	597	-28[1]
→ **David English**	0-2.5	40-45	624	550	10
→ **Paul Hollinshead**	15-17.5 *[35-37.5]*	75-80 *[205-210]*	1,775	1,288	310
→ **Paul Kealey**	0-2.5	20-25	253	223	12
→ **Linda Knutsen**	0	35-40	589	537	-14[1]
→ **Mike Smith**	0-2.5	25-30	454	404	4
→ **Doug Umbers**	0-2.5	10-15	162	130	19
→ **Robyn Wedderburn**	0-2.5	5-10	100	66	23

Notes:

Pension information is provided by MyCSP, the administrators of civil service pensions. All other directors belong to the classic, classic plus or alpha CSPSs. All schemes are part of the civil service pension arrangements. See pension information on page 80.

[1] Taking account of inflation, the cash equivalent transfer value funded by the employer has decreased in real terms.

Fair pay disclosure

Relationship between the highest-paid director and the workforce median

Note: This information is subject to audit opinion	2022/23		2021/22	
	Total Pay and Benefits	Salary Component of Total Pay and Benefits	Total Pay and Benefits	Salary Component of Total Pay and Benefits
→ **Band of highest-paid director total remuneration**	£145,000-£150,000	£145,000-£150,000	£145,000-£150,000	£145,000-£150,000
→ **Median Pay**	£39,816	£38,072	£39,266	£38,457
→ **Median Pay Ratio**	3.70	3.87	3.76	3.84
→ **25th Percentile Pay**	£30,228	£29,228	£30,188	£29,228
→ **25th Percentile Pay Ratio**	4.88	5.05	4.89	5.05
→ **75th Percentile Pay**	£48,757	£47,057	£48,007	£47,488
→ **75th Percentile Ratio**	3.03	3.13	3.07	3.11

Notes:

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

The banded remuneration of the highest-paid director in Dstl in the financial year 2022/23 was £145,000-£150,000 (2021/22: £145,000-£150,000). This was 3.70 times (2021/22: 3.76) the median remuneration of the workforce, which was £39,816 (2021/22: £39,266).

In 2022/23, remuneration ranged from £14,608 to £145,000-£150,000 (2021/22: £14,608 to £145,000-£150,000). Total remuneration includes salary, non-consolidated performance-related pay. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Percentage change in total salary and bonuses for the highest paid director and staff average

Note: This information is subject to audit opinion	2022-23		2021-22	
	Total Salary & Allowances	Bonus Payments	Total Salary & Allowances	Bonus Payments
→ **Staff average**	9%	22%	4%	-8%
→ **Highest Paid Director**	2.20%	No change	1%	-100%

Notes:

There was no change in highest paid director bonus payments as none were received, the same as the prior year.

Impact #07

Wargaming and strategic analysis

Shaping the defence and security landscape

Dstl helps shape decision-making at the highest levels of Government and influences billions of pounds of defence spending through its unique wargaming and strategic analytical capabilities.

As the only organisation that can bring together the threat picture, the funded MOD equipment plan, military planners and defence scientists, Dstl delivers in-depth analysis to ministers, defence chiefs and senior officials on whether His Majesty's Armed Forces can achieve success in any given scenario.

Home to the Defence Wargaming Centre, our strategic analysts and modellers provide unique evidence-based insights into the current and future force performance, as well as policy and strategy.

Our specialist work includes:

- → force effectiveness wargaming and simulation
- → strategic gaming and historical analysis
- → tactical wargaming and simulation
- → wargaming advice, research and design

We have supported decision making for more than £2 billion in defence expenditure into priority areas in recent years, including in areas such as AI, autonomy, cyber, space, and novel weapons systems. Our research has been used to shape the UK's integrated review of Foreign, Defence, Security, and Development strategy.

Dstl is recognised as the UK centre of excellence for wargaming and has been meeting increasing demand for its services as a tool to support decisions and to develop insights into the complex issues facing UK defence and security now and in the future.

We run wargames for customers across UK defence and security, from the frontline armed forces to the Cabinet Office. We also work with partners across other government departments, industry and academia.

Our physical infrastructure can be configured to deliver a wide variety of wargames of different types and sizes for a range of purposes.

Our teams have experience in delivering manual, computerised and hybrid wargames, all designed to suit the analytical requirements of our customers.

For the first time we have wargamed the 'grey zone' between the conventional thresholds for war, as well as the complexity of responding concurrently to challenges from 3 hostile states and the threat of violent extremism.

As well as traditional, near-peer threats being examined, the focus on 'persistent engagement' was the first time Defence could understand how its new policy of discrete, multiple small-scale engagements would both succeed and impact upon its ability to field a credible fighting force if called upon urgently.

Our people

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

Our people continue to make us proud and have received prestigious recognition throughout the year. We are delighted to share that within the Queen's Birthday 2022 Honours we had one OBE awarded to an employee in recognition of their service through their pioneering novel applied data science capabilities, helping analysts and senior defence leaders make timely decisions in a wide variety of situations.

In the New Year 2023 Honours, Dstl's most senior non-commissioned military adviser was awarded the Meritorious Service Medal (MSM) in recognition of more than 20 years good, faithful, valuable and meritorious service throughout which they have set the highest standards of behaviour and performance for themselves and others.

A Vice Chief of the Defence Staff (VCDS) Commendation was awarded in the New Year to an individual for their outstanding contribution to the defence and security of the United Kingdom, alongside exceptional scientific research output.

We also had a member of staff awarded an Honorary Fellowship at the University of Winchester for their actions as a passionate advocate for menopause awareness at Dstl, and their broader commitment to diversity and inclusion (D&I).

And the NATO 2021 Science & Technology Office Scientific Excellence Award (awarded in May 2022) recognised a colleague's impact on the development of NATO's S&T capabilities in the areas of Modelling and Simulation and System Concepts & Integration, and their exploitation into military capability across the Alliance.

We are incredibly proud of our people, and for the recognition of their work.

Right size, right shape, right skills

We welcomed 717 new starters to Dstl this year and currently have 400 new starters in the recruitment pipeline beyond accepting our employment offer. In addition we inducted 65 apprentices onto our programmes, of which 36 are new recruits and 29 are developmental apprenticeships (compared to 71 last year of which 30 were new recruits and 41 were developmental). We had a total of 986 applications for our ongoing graduate campaigns (1323 including those rejected due to eligibility), and have so far made 114 offers. We also had 46 inward rotations, seconded from across civil service and other organisations, into our organisation this financial year.

We have spent a total of £527 thousand on Early Careers and Experienced Hire recruitment advertising, campaigns and some targeted STEM outreach activities, which is agreed within Civil Service Frameworks, with our advertising partner and other approved suppliers, developing advertising materials and products to use across all media.

Exciting, innovative and supportive workplace

In 2022, we continued to work on our Diversity and Inclusion (D&I) Strategy to set out the D&I vision for the organisation for the next three years, and our three strategic D&I objectives:

- **Representation – Strategic Objective 1 Increase Diversity**: 'We will aim to increase the diversity of our workforce including at the most senior levels, to more closely reflect the society we represent and serve.'
- **Inclusion – Strategic Objective 2 Ensure Inclusion:** 'We will develop an open, collaborative and inclusive working environment where the principles of fairness and employee wellbeing are promoted and everyone is encouraged to reach their full potential and take account for their own development.'
- **Growth and Development – Strategic Objective 3 Maintain Equality:** 'We will continue to strive for best practice to be an equal opportunity employer and for every person to have access to opportunities, exploring how we can achieve this through data, science and technology, education, and celebrating our achievements.'

We continue to strive to create a more inclusive Dstl and to attract the widest range of candidates in an increasingly competitive pool to improve representation across Dstl.

In late 2021, Dstl upgraded from iCAS, the enterprise resource planning system and moved over to the Cloud Hosted Enterprise Service Solution (CHESS), a government cloud hosted software solution. Due to this and other unforeseen circumstances, there have been some challenges migrating D&I data from iCAS to CHESS. We have been working to address the challenges from moving our D&I data from iCAS to CHESS and have piloted an initiative to increase declaration rates. The more of our people who declare their diversity data, the more fully we can understand the makeup of our workforce and benchmark where we are. We can also use this to inform where we prioritise our resources, monitor, and, if necessary, change the impact of our D&I interventions.

Representation - Increase Diversity:

As a knowledge-based organisation, Dstl can only achieve its role, purpose and delivery requirements by maintaining a talented, diverse, engaged and innovative workforce, with outstanding national and international professional networks. It is therefore critical to our success that the lab continues to recruit, retain, rotate and develop the right balance of suitably qualified and experienced people (SQEP), to continue to provide world-class expertise and deliver cutting edge S&T for the benefit of the nation and our allies.

The Dstl Learning & Talent team focusses on building skills and capability, driving engagement as well as supporting the attraction and retention of our talented people.

When advertising job opportunities at Dstl, all adverts now include positive action statements and gender neutral language. To support people during the application process, we have continued to offer support through our Candidate Pack, ensuring we get the best from our candidates at every stage of the process.

In the next year we will be looking at our candidate experience and how this can allow those from a diverse background to shine and be supported through our recruitment process.

To further attract people from underrepresented groups, when they interact with material from Dstl, we want them to feel as though they would belong in our organisation and they can 'see themselves' working here. To achieve this, we will continue the steps above and pursue additional work such as:

- Sharing stories on Dstl's social media platforms which promote our inclusive culture or what makes our people different and how that brings strength to Dstl.
- Working with our Employee Support Networks and Divisional D&I networks to build a library of images of our people to use in corporate posts, such as on GOV.uk, in our social media etc. This will cover different working locations, different workplace adjustments, and different subject areas and will look to incorporate people from a variety of demographics.
- Exploring opportunities to attract people from different backgrounds into Dstl, such as a Summer Diversity Internship programme and Code First Girls, in person events at careers fairs and developing partnerships with companies such as 'Women in Data'.

As part of our outreach programme at Dstl, we engage with young people to encourage them to consider STEM subjects and careers in order to meet our own future resourcing requirements, and also to play our part in addressing the UK-wide shortfall in STEM skills.

Inclusion - Ensure Inclusion:

Inclusion is vital; our strategy aims to identify any barriers or challenges specific to a minority demographic and strives to remove these challenges, so that every person in Dstl feels able to succeed, progress and reach their potential.

This year we celebrated World Menopause Day and held a number of events across a week to raise awareness and understanding of the menopause and how it impacts our colleagues across Dstl.

We also held our first ever Gender Equality Network (GEN) conference focussing on Embracing Women's Potential. This one-day event took place on International Women's Day and saw over 300 colleagues from across Dstl register to come together to hear from a wide range of inspirational internal and external speakers.

In November we celebrated International Men's Day and took the opportunity to highlight positive role models and raise awareness of men's wellbeing. This was supported by the Defence Women's Network holding a range of virtual events across the month, continuing to promote gender equality not only across Dstl, but across defence.

This year we delivered a pilot of a development programme for people from underrepresented groups, called 'Power of Choice'. This programme will help us identify and tackle any barriers they have to progressing in the organisation and ensure greater representation leads to greater diversity of thought.

Growth and Development - Maintain Equality:

We want our people to continue to learn and educate themselves in D&I and regularly celebrate our inclusion and representation achievements.

We continue to promote campaigns for our people to lead and collaborate inclusively, and as well as celebrating Pride month, we have an 'LGBTQ+ Line Managers Guide', developed by our staff network for gender identity and sexual orientation. We also celebrated Neurodiversity week; highlighting the support options and workplace adjustments we offer our neuro-diverse staff to perform at their best. In October we celebrated Black History Month with a calendar of events and activities, and it was a real opportunity for us all to learn more, celebrate our diverse history and reflect on what D&I means to Dstl in this context.

We continue to support people with disabilities by adhering to the Civil Service Recruitment Principles of open and fair competition with a guaranteed interview for disabled applicants who meet the essential job criteria for our vacancies. The Equality Act 2010 places a requirement on employers to make adjustments for their employees to help them overcome disadvantages resulting from their disability; our D&I policy sets the overall framework of how we promote and support those with protected characteristics.

Our workplace adjustments process ensures that adjustments are available for the continuation of employment of new recruits and during employment to accommodate all our people and Dstl is now recognised as a Disability Confident Leader having successfully achieved Level 3 status in the Disability Confident Scheme. We have been awarded this rating for our ongoing commitment to inclusive recruitment and our efforts in keeping and developing our people.

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

→ sexual orientation and gender identity

→ faith and culture

→ parents and carers

→ alternative working

→ gender equality

→ new starters

→ people with visible and non-visible disabilities

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

We have successfully secured a multi-year pay agreement with the Cabinet Office, HM Treasury and Trade Unions over three years from 2022-2025. This will make a significant improvement in our pay offering and associated challenges within our pay structure, and set a platform for Dstl to consider pay and reward in the long-term beyond the expiry of the current deal in 2025. As well as this, the new pay award is helping us to comply with our legal duties under the equal pay through the shortening of our pay ranges. We will continue to look at how we can offer a flexible, fair and modern pay and reward offering for our staff now and in the future.

Our leaders are vital to the organisation and we will invest in the development of our Team and Group Leaders as a Learning and Development priority for the coming years.

We offer exciting career opportunities and a range of flexible working options alongside a range of rewards and benefits, which are continually reviewed to ensure they are fair and attractive. We need to continue to be creative and flexible in our approach to rewarding our people for the skills they provide, in order to ensure we can attract and retain our workforce and deliver Dstl's strategic aims. Our staff turnover for 2022/23 was 8.3%.

The health and wellbeing of our employees is of upmost importance to us and we work closely with our onsite occupational health team and our Employee Assistance Programme provider to support our employees' wellbeing. We saw 2.76% of hours lost due to sickness absence this year, compared with 2.2% in 2021/22.

Our workforce

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

Note: This information is subject to audit opinion	Permanent (UK) employment contract		Agency and short-term contract staff		Inward secondees		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
→ **Professional and technical staff**	3,652	3,337	283	247	63	70	3,998	3,654
→ **Administrative and industrial staff**	834	762	46	40	0	0	880	802
Total	**4,486**	**4,099**	**329**	**287**	**63**	**70**	**4,878**	**4,456**

Staff costs

Staff costs incurred during the year comprise:

Note: This information is subject to audit opinion	2023 £m	2022 £m	2021 £m
→ **Wages and salaries**	209.9	185.8	180.5
→ **Social security costs (including apprenticeship levy)**	24.6	20.4	20.0
→ **Other pension costs**	54.1	48.0	47.2
→ **Inward secondees**	7.1	7.7	7.4
→ **Agency and contract staff**	25.1	22.1	19.0
→ **Less recoveries in respect of outward secondments**	(1.9)	(2.4)	(2.7)
Total	**318.9**	**281.6**	**271.4**

Notes:

No staff costs were capitalised during the year (**2021/22: £nil**).

Our off-payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to HM Treasury on 23 May 2012, Dstl must publish information on our highly paid and/or senior off-payroll engagements. To complement our committed employed workforce, and to cover temporary capacity or to deliver particular niche scientific expertise for which there is no permanent need, we engage a number of Contracted Temporary Workers (CTWs)/Contingent Labour. Identified in the following tables are the numbers of our non-permanent staff (contractors) at Dstl whom we hire under contingent labour route – PSR (Public Sector Resourcing) framework RM3749. CTWs are not employees and nor are they off-payroll appointments to public office, for which there is none at Dstl.

All off-payroll engagements	
→ Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater	196
of which	
→ Number that have existed for less than one year at time of reporting	67
→ Number that have existed for between one and two years at time of reporting	54
→ Number that have existed for between two and three years at time of reporting	18
→ Number that have existed for between three and four years at time of reporting	57
→ Number that have existed for four or more years at time of reporting	0

→ All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater	257[1]
of which	
→ Not subject to off-payroll legislation	0
→ Subject to off-payroll legislation and determined as in-scope of IR35	250
→ Subject to off-payroll legislation and determined as out-of-scope of IR35	7
→ No. of engagements reassessed for compliance or assurance purposes during the year	0[2]
→ Of which: no. of engagements that saw a change to IR35 status following review	0

Notes:

[1]Figure is total of those engaged at any point during the year ended 31 March 2023, and therefore doesn't show those whose contracts have ceased.

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

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

In 2022/23, spend on contingent labour was £25 million (2021/22 £22 million).

Exit packages

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

The Agency completed its departure from the Fort Halstead site on 31 March 2023 and the remaining provision relating to early departures, under the Helios project, was fully utilised during the year.

Exit package cost band *Note: This information is subject to audit opinion*	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2023	2022	2023	2022	2023	2022
→ Less than £10,000	0	0	0	0	0	0
→ £10,000 - £25,000	0	0	1	3	1	3
→ £25,001 - £50,000	0	0	0	4	0	4
→ £50,001 - £100,000	0	0	2	9	2	9
→ £100,001 - £150,000	0	0	0	1	0	1
→ £150,001 - £200,000	0	0	0	0	0	0
→ More than £200,000	0	0	0	0	0	0
Total number of exit packages	**0**	**0**	**3**	**17**	**3**	**17**
Total cost of exit packages (£)	**0**	**0**	**154,491**	**970,766**	**154,491**	**970,766**

In addition, there is a net charge of £4,691 that relates to adjustments made for previous years. This is due to differences between estimates, and final settlements made in the current year.

Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career-average basis with a normal pension age equal to the member's state pension age or 65 if higher.

From 1 April 2015, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three (classic, premium, classic plus) provide benefits on a final-salary basis with a normal pension age of 60, and one (nuvos) provides benefits on a whole-career basis with a normal pension age of 65.

Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 switched or switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. As a result all members in the older schemes outlined above were moved into Alpha with effect from the 1 April 2022. The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

These multi-employer defined benefit schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha increase annually in line with Pensions Increase legislation. The Executive Agency is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022/23 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Details can be found in the resource accounts of the Cabinet Office: www.civilservicepensionscheme.org.uk/about-us/resource-accounts

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha. For the year ending 31 March 2023, the Agency's employer contributions of £53.7m were payable to MyCSP (2021 to 2022: £47.6m) at one of four rates in the range 26.6% to 30.3% of pensionable earnings (2021/22: 26.6% to 30.3%), based on salary bands. More details on the classic, premium, classic plus, nuvos and alpha pension schemes, including information about benefits and contributions, are available at www.civilservicepensionscheme.org.uk

Since October 2002, employees joining the Agency can opt for either the appropriate defined-benefit arrangement as above or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account). The Agency makes a basic contribution of between 8.0% and 14.75% (depending on the age of the member) into the stakeholder pension. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). For the year ending 31 March 2023, employer contributions of £319,594 (2021/22: £359,384) were paid into partnership pension providers. Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement). Contributions due to the partnership pension providers at 31 March 2023 were £10,963 (2021/22: £12,286) There were no prepaid contributions at that date.

This year, there were two individuals who retired on Ill Health Grounds; for the first individual there were accrued pension liabilities of £26,380.73 due to an upper tier being applied. For the second individual there was no liability, as was enhancement was given due to a lower tier being applied. Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Our Staff Composition

As of 31 March 2023, the gender numbers for our non-executive members, senior leadership team members, senior civil service (SCS) and employees were:

	Male	Female	Total
→ **Non-executive members**[1]	4	2	6
→ **Senior Leadership Team**[2]	7[3]	2	9
→ **Senior civil service**[4]	0	1	1
→ **Employees**[5]	3,238	1,879	5,117
Totals	**3,249**	**1,884**	**5,133**

Notes:

[1] The MOD non-executive member on the Dstl Board is senior civil service.

[2] The Chief Executive, Chief Finance Officer, Chief Operating Officer, Chief People Officer, and Chief Technical Officer roles are senior civil service.

[3] David English has held the roles of CFO and interim COO since Doug Umbers' departure on 06/11/2022.

[4] There is one other member of the SCS at Dstl who is not a member of the Dstl Senior Leadership Team.

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

5 / Parliamentary Accountability and Audit

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

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

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

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

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

- signing the Dstl Annual Report and Accounts ensuring that proper records are kept and that accounts are properly prepared
- ensuring that effective procedures for handling complaints about Dstl are established and widely communicated
- acting in accordance with: Managing Public Money; the Dstl Framework Document; and, other instructions and policy as issued by MOD, His Majesty's Treasury and the Cabinet Office
- giving evidence, normally with the MOD's Principal Accounting Officer, when summoned before the Public Accounts Committee.

Our annual report and accounts is subject to audit by the Comptroller and Auditor General, who heads the National Audit Office and is responsible for scrutinising public spending and safeguarding the interests of taxpayers on behalf of Parliament. The Comptroller and Auditor General's audit certification of this report is on page 85.

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

Statement of Outturn against Parliamentary Supply (subject to audit)

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

Regularity of expenditure

Our internal controls identified no material breaches of regularity, and all expenditure has been applied to the purposes intended by Parliament.

Remote contingent liabilities (subject to audit)

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

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

Our research activities are clearly related to the activities, materials and equipment used in the defence and security context, and by inference we are therefore exposed to similar hazards and risks during the conduct of trials, experimentation and engineering development. The nature of the special and generic risks and indemnities arising from such activities are self-insured and long-term residual liabilities are underwritten by our parent department.

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

Satellite collision (subject to audit)

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

Losses and special payments (subject to audit)

There were no individual losses of £300k or more. Dstl recorded stores losses totalling £18k, all of which was investigated and relate to closed cases.

Fees and charges (subject to audit)

We charge for goods and services in accordance with the principles in Managing Public Money. Our core activity is to provide S&T services to MOD and wider Government. Please see pages 015-018 for details of these services. Operating income recognised in return for the provision of these services is disclosed in Note 3 to the financial statements on page 107. The cost of providing these services, purchase of direct goods and services, can be found in Note 4 on page 108. Other operating income is derived from receipts relating to non-core activities. Further details can be found in accounting policy Note 1 (u) to these financial statements on page 100.

Public spending and administration budgets

Our Chief Executive receives his letter of authority as Accounting Officer directly from the MOD Permanent Secretary. We recover our resource costs as an Executive Agency via charges to our customers; we do not classify these as administrative costs. All our operating expenditure is associated with delivery of our S&T outputs. See page 017 for our long-term expenditure trends. Our capital costs are subject to a separate funding line within MOD's overall control framework. All of our capital expenditure is associated with the provision of equipment, facilities and infrastructure to enable the delivery of our S&T outputs.

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

Opinion on financial statements

I certify that I have audited the financial statements of the Defence Science and Technology Laboratory (Dstl) for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise Dstl's:

- Statement of Financial Position as at 31 March 2023;
- 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 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 Dstl's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

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

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of Dstl 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 my 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 Dstl'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 Dstl'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 Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Dstl is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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 financial statements and my auditor's certificate and report thereon. The 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.

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.

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Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.
In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of Dstl and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- I have not received all of the information and explanations I require for our audit; or
- adequate accounting records have not been kept by Dstl or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Dstl from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing Dstl'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 Dstl 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 our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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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, I:

- considered the nature of the sector, control environment and operational performance including the selection and application of Dstl's accounting policies, key performance indicators and performance incentives.
- inquired of management, Dstl's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Dstl'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 Dstl's controls relating to Dstl's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money.
- inquired of management, the Dstl's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with 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 Dstl for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

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

I considered:

- the results of analytical procedures designed to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviews of internal audit reports.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I test the appropriateness of journal entries and other adjustments; I assess whether the judgements made in making accounting estimates are indicative of a potential bias; and I evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I attended Audit & Risk Assurance Committee meetings and had regular communication with management and internal audit to identify any instances of fraud, non-compliance with laws and regulation, or 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
National Audit Office,
157-197 Buckingham Palace Road
Victoria,
London SW1W 9SP

Dstl Annual Report and Accounts 2022/23

Our annual report and accounts is prepared in line with the Government Financial Reporting Manual (FReM), Managing Public Money and any applicable HM Treasury instructions. Dstl's Framework Document requires us to prepare our own annual report and accounts and present it to Parliament following certification by the Comptroller and Auditor General to the House of Commons (see page 085).

The Dstl Board endorsed this report out of committee on the 10 July, and signed the accounts on 19 July 2023.

I can confirm that our annual report and accounts gives a fair, balanced and understandable view of Dstl's activities for the year ended 31 March 2023 and of our financial position as at 31 March 2023. I also confirm that I am personally responsible for this annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

As required in the FReM, I have signed and dated our Performance Report on page 045, as well as signing the Accountability Report here, which meets Dstl's key accountability requirements to Parliament. I have also signed our Statement of Financial Position on page 092, as part of the fully audited Financial Statements that follow in the rest of this document.

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

Paul Hollinshead
Chief Executive

19 July 2023

Financial Statements

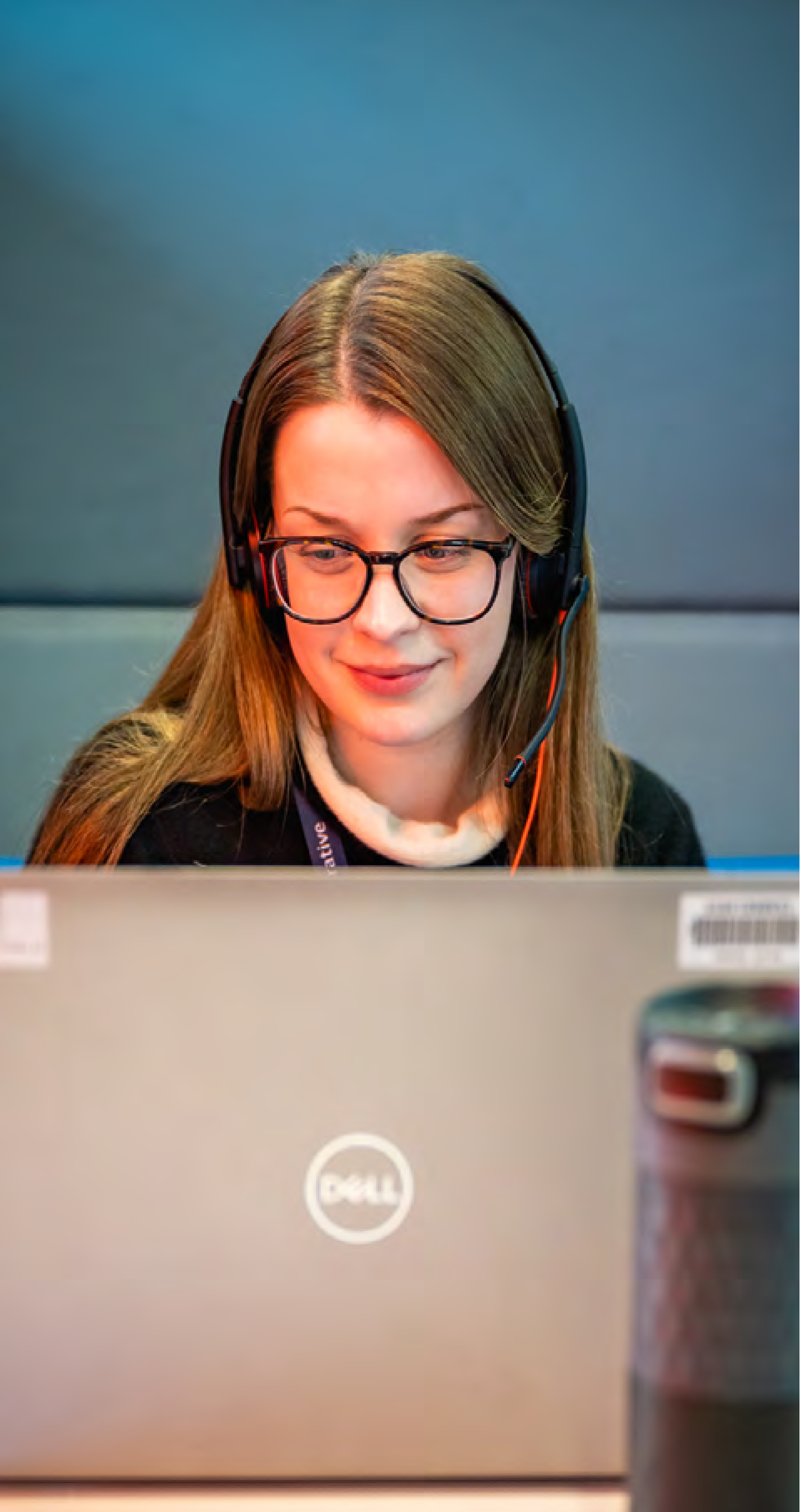
Our financial statements and disclosure notes make up the final report in this year's annual report and accounts; they have been audited by the Comptroller and Auditor General.

Our accounts have been prepared under International Financial Reporting Standards (IFRS), as adapted for the public sector in the Government Financial Reporting Manual (FReM), issued by His Majesty's Treasury. We have outlined the new reporting standards and any changes to accounting policy that affect our financial statements in Note 1 on page 095. Changes are driven by a desire to align, where appropriate, with the policies of our parent department (MOD), subject to relevance and materiality considerations.

Our Financial Statements Report contains six sub-sections:

Accounting Information

Statement of Comprehensive Net Expenditure (SoCNE)
Statement of Financial Position (SoFP)
Statement of Cash Flows (SoCFs)
Statement of Changes in Taxpayers' Equity (SoCiTE)
Notes to the accounts



6 / Accounting Information

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

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

We have outlined the new reporting standards and any changes to accounting policy that affect our financial statements is disclosed in Note 1 on page 095.

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

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

View the notes which form an integral part of these accounts

See pages 095-129

Statement of Comprehensive Net Expenditure (SoCNE)

For the year ended 31 March 2023

	Note	2023 £ million	2022 £ million
Operating income from contracts with customers	2	947.4	833.6
Other operating income		36.4	42.2
Total operating income	3	**983.8**	**875.8**
Staff costs		(318.9)	(281.6)
Purchase of direct goods and services		(487.0)	(431.8)
Depreciation, amortisation and impairment charges		(34.2)	(25.8)
Provision expense		(0.5)	(3.0)
Infrastructure running costs		(108.8)	(95.5)
Other operating expenditure		(44.3)	(36.6)
Total operating expenditure	4, 5	**(993.7)**	**(874.3)**
Net operating (expenditure) / income		**(9.9)**	**1.5**
Finance income	6	0.0	0.0
Finance expense	7	0.0	0.0
Net income / (expenditure) for the year		**(9.9)**	**1.5**
Other comprehensive net income			
Items which will not be reclassified to net operating income / (expenditure):			
Net surplus on revaluation of property, plant and equipment	SoCiTE	11.0	19.4
Net surplus on revaluation of intangible assets	SoCiTE	0.4	0.0
Items which may be reclassified to net operating expenditure:			
Net surplus on revaluation of non-current financial asset investments	SoCiTE	0.0	0.0
Total comprehensive net income for the year		**1.5**	**20.9**

View the notes which form an integral part of these accounts

See pages 095-129

Statement of Financial Position (SoFP)

as at 31 March 2023

	Note	2023 £ million	2022 £ million
Assets			
Non-current assets			
Property, plant and equipment	8	754.0	690.9
Financial assets	9	1.4	1.6
Intangible assets	10	14.5	12.4
Leases: Right of use assets	11	0.8	0.0
Receivables	14	3.5	2.1
Total non-current assets		**774.2**	**707.0**
Current assets			
Work in progress	13	0.0	0.1
Receivables	14	25.5	28.2
Cash and cash equivalents	15	24.9	16.4
Total current assets		**50.4**	**44.7**
Total assets		**824.6**	**751.7**
Current liabilities			
Trade payables and other liabilities	16	260.6	239.9
Short-term lease liabilities	17	0.4	0.0
Short-term provisions	18	6.5	8.2
Total current liabilities		**267.5**	**248.1**
Non-current assets less net current liabilities		**557.1**	**503.6**
Non-current liabilities			
Trade payables and other liabilities	16	1.8	3.8
Long-term lease liabilities	17	0.3	0.0
Long-term provisions	18	1.2	1.2
Total non-current liabilities		3.3	5.0
Assets less liabilities		**553.8**	**498.6**
Taxpayers' equity and other reserves			
Revaluation surplus	SoCiTE	233.7	222.3
General fund	SoCiTE	320.1	276.3
Total taxpayers' equity		**553.8**	**498.6**

The financial statements were signed on 19 July 2023. The Accounts were authorised for issue on the date of certification by the Comptroller and Auditor General.

P. Hollinshead

Paul Hollinshead

Chief Executive

View the notes which form an integral part of these accounts

See pages 095-129

Statement of Cash Flows (SoCFs)

for the year ended 31 March 2023

	Note	2023 £ million	2022 £ million
Cash flows from operating activities			
Net operating income / (expenditure)	SoCNE	(9.9)	1.5
Adjustments for non-cash transactions:			
Depreciation and impairment	4, 8	30.0	23.5
Loss on sale of property, plant and equipment	4	0.0	0.4
IFRS16 first-time adoption capitalisation of prepaid rentals[1]	1 (aa)	(0.2)	0.0
Amortisation and impairment	4, 10	4.0	2.5
Reclassification of previous year property, plant and equipment spend as revenue	8	2.3	1.7
Reclassification of previous year intangible asset spend as revenue	10	0.2	0.0
Notional audit fee	4	0.1	0.1
Impairment/ (Reversal of impairment) of non-current financial asset	4	0.2	(0.2)
Provisions provided in year	4	0.6	3.0
Provisions not required written-back	4	(0.1)	0.0
Net operating income before changes in working capital		**27.2**	**32.5**
Decrease in work in progress		0.1	0.0
Decrease in trade receivables and other receivables		1.3	0.3
Equity received in subsidiary in exchange for debt		0.0	0.0
Increase in trade payables and other liabilities[2]		13.0	74.3
Use of provisions		(2.2)	(4.0)
Net cash inflow from operating activities		**39.4**	**103.1**
Cash flows from investing activities			
Purchases of property, plant and equipment[2]	8	(72.1)	(77.3)
Purchases of intangible assets[2]		(5.5)	(7.2)
Finance income		0.0	0.0
Net cash outflow from investing activities		**(77.6)**	**(84.5)**
Cash flows from financing activities			
Net funding received from MOD in-year[3]	SoCiTE	47.0	(23.1)
Repayment of lease liability principal	17	(0.3)	0.0
Net cash inflow / (outflow) from financing activities	15.2	**46.7**	**(23.1)**
Net financing			
Net increase / (decrease) in cash and cash equivalents		8.5	(4.5)
Brought forward cash and cash equivalents		16.4	20.9
Carried forward cash and cash equivalents	15	**24.9**	**16.4**

Notes:

[1] The Agency had prepaid lease rentals of £0.2 million at 31 March 2022 for lease agreements that transitioned to IFRS16 on 1 April 2022 (see Note 1AA). The capitalisation of the prepayment as a right of use asset under the new standard is not an operating activity trade receivable and other receivables cash flow.

[2] Increase in cash inflows from trade payables and other liabilities is after taking account of £5.7 million increase in non-cash movement for purchase of non-current assets (2021/22: £8.1 million decrease). Property, plant and equipment additions of £78.5 million in Note 8 includes an increase in non-cash trade payables and other liabilities, and provisions of £6.4 million. Intangible asset additions of £4.8 million in Note 10 includes a decrease in non-cash trade payables and other liabilities of £0.7 million.

[3]

	Note	2023 £ million
Cash received from MOD		719.5
Bookkeeping adjustments for transactions with MOD		(672.5)
Net funding received from MOD in-year	SoCiTE	**47.0**

View the notes which form an integral part of these accounts

See pages 095-129

Statement of Changes in Taxpayers' Equity (SoCiTE)

For the year ended 31 March 2023

	Note	General Fund £ million	Revaluation Surplus £ million	Total Taxpayers' Equity £ million	Total Comprehensive Net Expenditure £ million
Balance at 1 April 2021		**290.1**	**202.9**	**493.0**	
Surplus on revaluation of property, plant and equipment	8		27.0	27.0	27.0
Surplus on revaluation of intangible assets	10		0.1	0.1	0.1
Transfer to general fund realised depreciation			(7.6)	(7.6)	(7.6)
Transfer to general fund realised amortisation			(0.1)	(0.1)	(0.1)
Net gains and losses recognised in the Statement of Comprehensive Net Expenditure		**0.0**	**19.4**	**19.4**	**19.4**
Auditor's remuneration (notional)	4	0.1		0.1	
Net operating income	SoCNE	1.5		1.5	1.5
Net finance income/ (expense)	6, 7	0.0		0.0	0.0
Transfer from revaluation surplus realised depreciation and amortisation		7.7		7.7	
Net equity investment received from MOD during the year		(23.1)		(23.1)	
Balance at 31 March 2022		**276.3**	**222.3**	**498.6**	**20.9**
IFRS16 first-time adoption initial recognition at 1 April 2022[2]		0.0		0.0	
Surplus on revaluation of property, plant and equipment	8		17.6	17.6	17.6
Surplus on revaluation of intangible assets	10		0.4	0.4	0.4
Transfer to general fund realised depreciation			(6.6)	(6.6)	(6.6)
Transfer to general fund realised amortisation			0.0	0.0	0.0
Net gains and losses recognised in the Statement of Comprehensive Net Expenditure		**0.0**	**11.4**	**11.4**	**11.4**
Auditor's remuneration (notional)	4	0.1		0.1	
Net operating expenditure	SoCNE	(9.9)		(9.9)	(9.9)
Net finance income/ (expense)	6, 7	0.0		0.0	0.0
Transfer from revaluation surplus realised depreciation and amortisation		6.6		6.6	
Net equity investment received from MOD during the year[1]	15.1	47.0		47.0	
Balance at 31 March 2023		**320.1**	**233.7**	**553.8**	**1.5**

Net equity investment received from MOD

	Note	General Fund £ million
Balance at 31 March 2022		145.5
[1] Net equity investment received during the year	15.1	47.0
Balance at 31 March 2023		**192.5**

Notes:

[2] The Agency adopted the "modified retrospective approach" for first-time adoption of IFRS16. Comparatives are not restated using this method. See Note 1(aa).

View the notes which form an integral part of these accounts

See pages 095-129

Notes to the accounts

1. Accounting policies

(a) Statement of accounting polices
The financial statements have been prepared in accordance with the 2022/23 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The particular policies adopted by the Executive Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

(b)

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

(ii) Going concern
The Executive Agency is dependent principally on its owning Department, MOD, as its main source of revenue. Demand for the Agency's services is enduring and there is no planned change to the Agency's status. The Agency's going concern assertion has not been affected by the on-going conflict in Ukraine.

(c) Consolidation with MOD
The Executive Agency is within the Accounting Boundary of MOD and its financial statements are consolidated within those of the Department.

(d) Critical accounting judgements and key sources of estimation uncertainty
In the application of the Executive Agency's accounting policies, there are necessary judgements, estimates and assumptions made that affect the carrying amounts of certain assets and liabilities. Where information is not readily available, estimates and assumptions are made with reference to advice from management, technical experts, professional third parties, and from historical experience. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

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

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

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

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

→ **Biological High Containment Facility**
This facility enables the Executive Agency to maintain the UK strategic sovereign capability for assessing hazards from current and emerging chemical and biological threats. It consists of several assets, including a building, operated together as a distinct facility. As an Agency inside the Department boundary, there is a

more integrated approach to strategic capability planning that includes the facility, particularly as it is used principally for MOD project work. MOD revalues the facility building asset on a DRC basis providing the Agency with further assurance that the Department intends to sustain this capability and strategic asset for the foreseeable future.

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

→ **Leases**

The accounting policies applied for first-time adoption can be found in Note 1(aa) below.

Lease contracts are not material to the Agency. On transition date, 1 April 2022, right of use assets represented less than 0.1% of the Agency's property, plant and equipment carrying value. Lease liabilities represent just over 0.3% of the Agency's total liabilities. The main area of judgement is in determining whether; where the Agency as the lessee has an option to extend or terminate the lease contract, it is reasonably certain to be exercised. Two property leases have options that enable the Agency either to extend their contract terms, or to terminate the lease at a specified future date. If all options:
i. to extend lease terms are exercised; and
ii. options to terminate are not exercised;
no property lease contract would exceed three and a half years in duration from the opening Statement of Financial Position date.

Considerations when determining whether the Agency is reasonably certain to exercise an extension option, or an option to terminate, include operational need, and where alternatives exist, value for money.

The cost model has been used as a proxy for current value in existing use, or fair value, to determine subsequent re-measurement of the Agency's right of use assets. The cost model is an appropriate proxy because the Agency have only seven IFRS16 lease contracts, their right of use values are not material, and their useful lives are short. The most significant lease is for a property with total remaining lease payments of less than £0.5 million. Lease payments are adjusted annually based on an inflation index resulting in a remeasurement of the lease liability and the right of use asset. This lease expires on 31 March 2025. The Agency's other lease contracts have much lower right of use asset values. The next largest lease contract right of use asset value is £0.2 million and this lease expires in August 2027.

(ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next year.

→ **Accruals**

Accruals are estimated with reference to available documentation, advice from the relevant Project Manager, information provided by third parties, and from experience gained from previous years. Third-party verification is sought from suppliers of all sub-contracted research where the value of uninvoiced work is expected to be £100,000 or above. The total accrual relating to purchase of direct goods and services is £150.0 million (2021/22: £125.3 million).

Staff holiday is not recorded on central management information systems and therefore the holiday pay accrual calculation is an area of estimation uncertainty. The estimate is based on daily pay, using the mid-point for each pay scale. This is applied to the total calculated holiday entitlement for all employees by pay scale. An appropriate proportion is assumed to be outstanding at the year-end. The proportion applied was derived from sample testing. The sample test resulted in an estimate of 32% of all annual holiday to be outstanding at the year end. The total annual holiday accrual liability is £9.2 million (2021/22: £8.7 million). A variance of 5% to the proportion of holiday entitlement would vary this liability by £1.5 million.

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

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

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

There are inherent valuation uncertainties. A professional's valuation will depend on the method applied (DRC) and judgement on factors such as functional obsolescence, age obsolescence, and the quality of surrounding infrastructure. Where indices are applied, the values are dependent on the particular index adopted. For consistency and comparability, the index used for each class of asset will be applied every year. Further information is provided in Note 1(f) and 1(j).

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

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

→ **Leases**
With respect to lease liabilities, and right of use assets, the main area of estimation uncertainty is the rate used as the Agency's incremental cost of borrowing for discounting lease payment cash flows. The implicit interest rates used in the lease contracts are not readily determined. HM Treasury rates, published for use as a proxy for government incremental cost of borrowing are used.

At date of first-time adoption, it is estimated that if a cost of borrowing rate of 5.0% was applied (instead of the HM Treasury rate of 0.95%), the right of use asset and lease liability measurements would be reduced by less than £0.1 million.

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

Provisions relating to disputes with suppliers are measured following assessment of a range of settlement values attributed to likely outcomes that mature as negotiations progress. For further details, see Note 18.

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

→ **Contingent liabilities**
The Executive Agency left the Fort Halstead site during the year, and the lease expired on 31 March 2023. The Agency is liable to remediate any contamination of land identified in the future. All known contamination has been remediated at the SoFP date. Based on the nature of contamination found so far, and the costs incurred to remediate, a worse case value of £300,000 has been estimated. See Note 23.

→ **Remote contingent liabilities**
The measurement of the satellite collision remote contingent liability has been derived on a worst case scenario by assessing the typical insurance cover held by commercial space companies for satellite loss and service disruption. For further details see page 083.

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

(f) Property, plant and equipment

The majority of the Executive Agency's property, plant and equipment is held on MOD's non-current asset register. The Agency classifies and measures its property, plant and equipment in accordance with IAS 16: Property, Plant and Equipment as adapted by the FReM.

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

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

Land and buildings:

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

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

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

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

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

Buildings	5-50 years
Plant and machinery	5-30 years
Transport	3-20 years
IT and communication equipment	3-20 years

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

Assets under construction are capitalised during the period of construction. On completion of the project, or on delivery of an asset with phased deliveries, the costs are transferred to the asset register.

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

(g) Grant-funded assets

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

(h) Donated assets

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

(i) Customer-funded assets

Where a customer has funded in part or in whole, the purchase or construction of an asset that meets the definition of a non-current asset, and the customer retains an interest in that asset, the asset is initially brought onto the Statement of Financial Position at cost. The asset is depreciated and revalued on the same basis as other non-current assets of the same class. The customer funding is released to other operating income during the period that the customer has an interest in the asset.

(j) Intangible assets

Intangible assets are capitalised in accordance with IAS 38: Intangible Assets as adapted by the FReM. Intangible assets comprise purchased software licences and the cost of software developed in-house where there is reliable cost information and the asset will give rise to future economic benefit. The minimum level for capitalisation of intangible assets is £25,000.

Amortisation is on a straight-line basis over the shorter of the licence term, or the software's useful economic life. Intangible assets are revalued annually by applying indices provided by Defence Statistics. The majority of the Agency's intangible assets are held on MOD's non-current asset register where Defence Statistics indices are applied. For consistency, the Agency applies the same Defence Statistics indices to the balance of intangible assets held on its own non-current asset register.

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

(k) Right of use assets

The Agency adopted IFRS16: Leases, from 1 April 2022. Details of first-time adoption can be found further below, Note 1(aa).

The Agency applies the short-term lease recognition exemption for new lease contracts starting from 1 April 2022. The definition of a short-term lease is:

i. a contract for twelve months or less; or

ii. any option to extend beyond a term of twelve months is not reasonably certain to be exercised; or

iii. any lease contract for a term of more than twelve months where the Agency has an option to terminate the lease contract in twelve months or less, and is reasonably certain to exercise the option; or

iv. any lease where both the Agency and the lessor has the right to terminate the lease contract in twelve months or less.

Any lease contract that has an option to purchase the underlying asset at the end of the lease term cannot be a short-term lease regardless of whether or not the option is likely to be exercised. The election is across all underlying asset classes. Short-term lease rental payments are expensed on an accruals basis.

The Agency applies the recognition exemption to all new lease contracts starting from 1 April 2022 whose underlying asset values, when new, are low. The Agency has lease contracts whose underlying asset values do not qualify as low-value, as defined by the standard, but the values are not material. The Agency has applied the same materiality threshold, of £25,000 or more, to right of use assets that has been applied to other categories of non-current assets. This complies with the materiality objectives of IAS1: Presentation of financial statements. The election is across all lease contracts. Lease contracts that have been excluded from IFRS16 accounting because the underlying asset is low-value (or not material), are expensed on an accruals basis.

The cost model has been used as a proxy for current value in existing use or fair value to determine subsequent remeasurement of the Agency’s right of use assets. The cost model has been applied to all underlying asset classes. See Note 1(d)(i) above for further information.

Right of use assets are depreciated on a straight-line basis over the lower of expected lease term, and the useful economic life of the underlying asset. The expected lease term includes any options to extend the term that is reasonably certain to be exercised. Where the Agency has an option to terminate the lease contract, the expected term will not exceed the date of this termination option where it is reasonably certain that the option will be exercised.

(l) Impairment

The carrying value of the Executive Agency's non-current assets is reviewed during the year to determine whether there is any indication of impairment. An impairment may also arise following application of indices. See Note 12.
An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairments are first offset through other comprehensive net expenditure where sufficient revaluation surplus exists. If impairment is due to consumption of economic benefit, or there is insufficient revaluation surplus, it is charged through profit or loss. Impairment losses will be reversed if there is an increase in the fair value or service potential of a previously impaired asset. The increased carrying amount attributable to a reversal of an impairment is first credited to profit or loss to the extent of any original impairment charge to profit or loss. Any remaining balance, or the whole reversal (if impairment was fully offset through other comprehensive net expenditure), will be credited through other comprehensive net expenditure.

(m) Research and development

Research and development expenditure incurred during work on a contract for a customer is chargeable to the customer.

Internally, funded research expenditure is charged to the Statement of Comprehensive Net Expenditure as incurred.

(n) Grant funding agreements

The terms and conditions of a grant agreement follow guidance provided by the Cabinet Office. Grant payments provided to academia bodies for eligible science and technology research are to cover expenditure incurred by the recipient for specified funded activities. The Agency will not pay the grant until it is satisfied that the grant recipient has paid for the funded activities in full and the funded activities have been delivered during the funding period.

Eligible science and technology research may be funded by a single payment for specified performance criteria, or by a series of payments linked to multiple performance milestones. Where funding is provided to the Agency to design, put in place and project manage a grant agreement, the Agency is acting as a principal, and revenue and cost of sales are recognised as the performance criteria and deliverables specified in the agreement are met.

(o) Work in progress

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

(p) Contract assets

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

(q) Financial instruments

Financial assets and liabilities are recognised in the Executive Agency's Statement of Financial Position where the Agency has become a party to contractual terms of an instrument. With respect to the Agency's investment in Ploughshare, the method of accounting that has been adopted is fair value through profit or loss. For information on the Agency's exposure to risk and categories of financial instruments, see Note 21.

(r) Provisions

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

(s) Pensions

Past and present employees are covered by pension benefits provided through Civil Service pension arrangements that are unfunded multi-employer schemes providing benefits based on either final salary, indexed average lifetime salary, or a mixture of both. The Executive Agency is unable to identify its share of the underlying assets and liabilities and therefore it accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the contributions paid and payable to the schemes in respect of the accounting period. Details of rates and amounts of contributions during the year are disclosed in Our People, starting on page 073.

(t) Foreign currencies

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

(u) Operating income

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

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

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

For firm-price contracts, the transfer of control passes Operating income is deferred as a contract liability where a contract allows amounts to be invoiced ahead of the trigger point for income recognition (such as before the completion of performance obligations). Losses are recognised as soon as they are foreseen. Pre-contract costs, which are not material, are expensed within other operating expenditure.

94% of the Agency's operating income from contracts with customers is from MOD. All contracts with MOD are charged at cost, with no profit. Under this arrangement, no formal invoicing takes place and therefore no trade receivable is recognised.
The Agency recognises operating income over time, which is simultaneously expensed by MOD using intra-Department bookkeeping.

Other operating income is recognised for receipts relating to non-core activities that are not the supply of scientific and technical services. See Note 3 for further information.

The Agency does not have any contracts where the period between the transfer of the promised goods and services to the customer and payment from the customer exceeds a year. Consequently, the Agency does not adjust the contract prices for the time value of money.

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

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

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

(y) General fund
Net funding received from the owning Department, MOD, is recorded as equity within the general fund. The Statement of Changes in Taxpayers' Equity discloses the movement in net funding received from MOD during the year.

The Statement of Cash Flows discloses the cash funding received from MOD within cash flows from financing activities, and the associated footnote 3.

(z) IFRS, amendments and interpretations in issue but not yet effective or adopted
IAS8: Accounting Policies, Changes in Accounting Estimates and Errors requires disclosures in respect of new IFRS, amendments and interpretations that are or will be applicable after the reporting period.

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

IFRS17: Insurance contracts
The standard was issued during May 2017 and will replace the previous standard for insurance contracts, IFRS4. The UK Endorsement Board has approved the adoption of the standard, effective from 1 January 2023. HM Treasury are considering their interpretation and necessary adaptions to the standard for the public sector context, and anticipate adoption for the reporting period beginning on 1 April 2025.

The objective of the standard is to ensure insurance contracts are accounted for on a consistent basis, measured at the present value of future cash flows. It sets out clearer requirements with respect to recognition, classification, and measurement of assets and liabilities arising from insurance contracts.

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

(aa) IFRS16: Leases - First-time adoption
The Agency has adopted IFRS16: Leases, from 1 April 2022. Five of the lease contracts that were previously recognised as operating leases, where the Agency is the lessee, are now recognised as right of use assets (Note 11), with lease liabilities (Note 17), and associated expenses disclosed in Notes 4 and 7.

The new standard applies to a contract, or part of a contract, that conveys the right for the Agency to control an asset for a term of more than twelve months, in exchange for consideration. Control is conveyed where the Agency has the right to direct the underlying asset's use, and obtains substantially all of the economic benefits of that use. A lease contract that meets the standard's criteria is brought onto the SoFP with the simultaneous recognition of a right of use asset, and a lease liability.

All references to a "lease" are where the Agency is the lessee.

→ **"Modified retrospective approach"**
The Agency has adopted the "modified retrospective approach" for first-time adoption of the standard. Comparatives are not restated using this method. Instead, 1 April 2022 adjustments have been made to these financial statements and a cumulative catch-up adjustment has been scored against general fund. This approach allows for some optional practical expedients which are explained further below.

→ **"Grandfather" assessment of contracts**
The Agency does not have any lease contracts reported under IFRS16 that was not considered a lease contract under the previous standard, IAS17: Leases, or IFRIC4: Determining whether an arrangement contains a lease. The practical expedient not to reassess whether a contract is a lease, or contains a lease, has been applied.

→ **Right of use asset measurement**
On 1 April 2022, right of use assets have been measured at a value equal to the lease liability, adjusted for any prepayments and accruals.

There is a dilapidation provision related to the lease to accommodate the Dstl Missile Evaluation Centre (DMEC) facility.

The right of use asset measurement does not include the value of its dilapidation provision because this is not required under the standard's transition arrangements.

Future dilapidation provisions that relate to a lease will be included in the right of use asset measurement, and depreciated over the lease term.

The "practical expedients"

→ **Discounting**
The implicit interest rate used in the Agency's lease contracts cannot be readily determined. The Agency has used nominal discount rates published by HM Treasury as a proxy for its incremental borrowing rate. These rates are derived from yield curves on government gilts as a measure of the cost of government borrowing. The rates have been applied consistently across all lease contracts.

The HM Treasury rates used to discount the lease liabilities on first-time adoption are:

	Financial Year		
	2022/23 %	2023/24 %	2024/25 to perpetuity %
Nominal rate	0.95	0.95	0.95

→ **Impairment and onerous leases**
At the date of first-adoption, 1 April 2022, the Agency did not have any lease contracts that were onerous.

→ **Short remaining terms, and leases with low-value underlying assets (when new)**
i. Short remaining terms:
The Agency has applied the short remaining term practical expedient to all qualifying lease contracts. "Short remaining term" is defined as twelve months or less. Where lease contracts have short remaining terms, the Agency has not treated them as within the scope of the standard. Their rental payments are expensed on an accruals basis.

Where there is an option to extend the lease term, if assessed that it is reasonably certain to be exercised, the extension has been included as part of the remaining term.

Where the Agency has an option to terminate the lease contract, if assessed that it is reasonably certain to be exercised, the lease will be considered to have a short remaining term where the termination date is twelve months or less from the date of transition. Where both the Agency and the lessor has the right to terminate the lease in twelve months or less, the lease will be considered to have a short remaining term.

A lease contract cannot be considered short-term where an option to purchase the underlying asset exists, regardless of whether the purchase option is reasonably certain not to be exercised. The Agency does not have any lease contracts that contain a purchase option.

The Agency's most significant lease contract, previously accounted for as an operating lease, was for the Fort Halstead site. Lease payments for the year totalled £3.4 million. The Agency left the site during the year, and the lease expired on 31 March 2023. The practical expedient has been applied, and this lease contract has been accounted for as a short-term lease. See Note 4, Footnote 2 for further information.

ii. Low-value underlying assets (when new):
The Agency has applied the low-value underlying asset practical expedient to all of its qualifying lease contracts. The standard's example of "low value" is extremely low.

The Agency has underlying lease assets that do not qualify as low-value, as defined by the standard, but these are not material. The Agency has applied the same materiality threshold, of £25,000 or more, to right of use assets that has been applied to other categories of non-current asset. This complies with the materiality objectives of IAS1: Presentation of financial statements.

Lease contracts that have been excluded from IFRS16 accounting because the underlying asset when new is low-value (or not material), are expensed on an accruals basis.

→ **Initial incremental direct costs**
The practical expedient to exclude from the right of use asset measurement the initial direct incremental costs incurred when setting up a lease contract, is not relevant because the "modified retrospective approach" has been adopted. This approach is prospective.

→ **Use of hindsight**
The use of hindsight when determining the lease term where a lease contract contains an option for the Agency to extend or to terminate the lease, has had no benefit in practice. This is because the Agency has elected to measure its right of use asset values equal to the lease liability, adjusted for accruals and prepayments. Current information has been used at the date of first-time adoption.

→ **Irrecoverable VAT**
Irrecoverable VAT incurred on lease payments are expensed. Irrecoverable VAT is not included within the IFRS16 definition of 'lease payment.'

Reconciliation between lease commitments reported 2021/22 and lease liability balances reported 1 April 2022.
The reconciliation is disclosed in Note 17. The following are the first-time adoption adjustments made on 1 April 2022:

Lease name	Right of use asset £'000	Lease liability due within one year £'000	Lease liability due after more than one year £'000	01 April 2022 prepayment capitalised £'000
Accommodation for the DMEC facility	488.1	(177.5)	(269.6)	(41.0)
Accommodation for the Tempest facility	125.8	(84.1)	(28.0)	(13.7)
Harwich trials facility and storage	122.7	(63.2)	(59.5)	0.0
University of Newcastle office hub	64.7	(32.2)	(32.5)	0.0
Leonardo Laser	145.4	0.0	0.0	(145.4)
Total	**946.7**	**(357.0)**	**(389.6)**	**(200.1)**

2. Statement of net expenditure by operating segment

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

All Divisions derive their revenues from the provision of specialist scientific and technical services. The Agency derives 94% of its operating revenues from MOD, and 99% of its revenues from wider government. More detailed disclosures can be found in Note 22, related-party transactions.

More than 99% of revenue is derived from UK sources. The chief decision-maker does not review the business on a geographical basis. A geographical analysis would not be necessary to aid users' understanding of these financial statements.

Operating segment analysis for the year ending 31 March 2023:

	Note	Chemical, Biological and Radiological Division	Cyber and Information Systems Division	Counter-Terrorism and Security Division	Exploration Division	Platform Systems Division	Defence and Security Accelerator	Corporate	Internal Trading Adjustments	Total as per Financial Statements
		£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ milion	£ million
MOD Chief Scientific Adviser		74.8	163.3	58.3	38.3	150.0	1.4	10.5		496.6
MOD other		35.7	60.2	65.4	7.5	187.8	33.3	0.0		389.9
Wider Government		8.8	(0.1)	34.0	3.5	0.1	0.9	0.0		47.2
Non-Exchequer income		2.8	(0.1)	4.5	0.1	0.1	0.1	6.2		13.7
Operating income from contracts with customers	3	122.1	223.3	162.2	49.4	338.0	35.7	16.7		947.4
Other operating income	3	2.5	7.3	3.2	6.0	11.3	5.0	1.1		36.4
Income from other operating segments[1]		13.4	18.7	17.0	12.7	26.2	0.1	2.9	(91.0)	0.0
Operating income (internal and external)		**138.0**	**249.3**	**182.4**	**68.1**	**375.5**	**40.8**	**20.7**	**(91.0)**	**983.8**
Underlying net operating income / (expenditure)		(6.0)	16.0	(3.3)	2.4	21.7	2.6	(28.9)		4.5
Significant non-recurring operating items	5	0.0	0.0	0.0	0.0	0.0	0.0	(14.4)		(14.4)
Net operating income / (expenditure)[2]		**(6.0)**	**16.0**	**(3.3)**	**2.4**	**21.7**	**2.6**	**(43.3)**		**(9.9)**
Finance income	6	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Finance expense	7	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Net income / (expenditure) for the year		**(6.0)**	**16.0**	**(3.3)**	**2.4**	**21.7**	**2.6**	**(43.3)**		**(9.9)**

Notes:

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

[2] Within net operating income / (expenditure) are depreciation, amortisation and impairments expensed as follows:

	Note	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Depreciation and impairment of property, plant and equipment		0.0	0.0	0.0	0.0	0.0	0.0	29.6		29.6
Depreciation of right of use assets		0.0	0.0	0.0	0.0	0.0	0.0	0.4		0.4
Amortisation and impairment of intangible assets		0.0	0.0	0.0	0.0	0.0	0.0	4.0		4.0
Impairment of investment in non-current financial asset		0.0	0.0	0.0	0.0	0.0	0.0	0.2		0.2
Total depreciation, amortisation and impairment	4	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**34.2**		**34.2**

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The comparatives for the year ending 31 March 2022:

	Note	Chemical, Biological and Radiological Division £ million	Cyber and Information Systems Division £ million	Counter-Terrorism and Security Division £ million	Exploration Division £ million	Platform Systems Division £ million	Defence and Security Accelerator £ million	Corporate £ million	Internal Trading Adjustments £ million	Total as per Financial Statements £ million
MOD Chief Scientific Adviser		60.7	111.4	51.6	36.8	160.3	2.4	2.5		425.7
MOD other		28.4	51.3	66.9	9.4	166.8	23.6	0.1		346.5
Wider Government		8.1	1.2	35.1	1.9	0.1	1.3	(0.2)		47.5
Non-Exchequer income		4.0	0.6	1.0	0.0	1.1	0.1	7.1		13.9
Operating income from contracts with customers	3	101.2	164.5	154.6	48.1	328.3	27.4	9.5		833.6
Other operating income	3	3.3	10.1	3.9	5.1	9.4	9.0	1.4		42.2
Income from other operating segments[1]		11.6	17.5	14.2	30.1	23.1	0.0	2.9	(99.4)	0.0
Operating income (internal and external)		**116.1**	**192.1**	**172.7**	**83.3**	**360.8**	**36.4**	**13.8**	**(99.4)**	**875.8**
Underlying net operating income / (expenditure)		(6.3)	18.3	2.4	1.5	20.8	2.5	(37.5)		1.7
Significant non-recurring operating items	5	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)		(0.2)
Net operating income / (expenditure)[2]		**(6.3)**	**18.3**	**2.4**	**1.5**	**20.8**	**2.5**	**(37.7)**		**1.5**
Finance income	6	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Net income / (expenditure) for the year		**(6.3)**	**18.3**	**2.4**	**1.5**	**20.8**	**2.5**	**(37.7)**		**1.5**

Notes:

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

[2] Within net operating income / (expenditure) are depreciation, amortisation and impairments expensed as follows:

	Note	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Depreciation and impairment of property, plant and equipment		0.0	0.0	0.0	0.0	0.0	0.0	23.5		23.5
Amortisation and impairment of intangible assets		0.0	0.0	0.0	0.0	0.0	0.0	2.5		2.5
Impairment of investment in non-current financial asset		0.0	0.0	0.0	0.0	0.0	0.0	(0.2)		(0.2)
Total depreciation, amortisation and impairment	4	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**25.8**		**25.8**

A summary of the business activities of the operating segments

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

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

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

- **Exploration (EXP)**
  The EXP Division identifies and accelerates the delivery of transformative technology, systems, concepts and strategy for Defence and Security.

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

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

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

3. Operating income

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

	Timing of Income Recognition	2023 £ million	2022 £ million
MOD		886.5	772.2
Chief Scientific Adviser	Over time	496.6	425.7
Other	Over time	389.9	346.5
Non-MOD		60.9	61.4
Wider Government	Over time	46.5	46.6
Wider Government	At a point in time	0.7	0.9
Non-Exchequer income	Over time	10.4	9.3
Non-Exchequer income	At a point in time	3.3	4.6
Total		**947.4**	**833.6**

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

	2023 £ million	2022 £ million
Other operating income		
Transferred from deferred income for non-MOD customer-funded non-current assets	0.3	0.2
MOD donated non-current assets	23.7	26.7
MOD other operating income[1]	10.9	13.7
Other miscellaneous income	1.5	1.6
Total	**36.4**	**42.2**

Notes:

1 During 2022/23, MOD Defence Innovation Unit (DIU) provided £10.9 million of other operating income. Of this, £5.0 million was a contribution towards the Defence and Security Seed Fund (D2S Fund) (2021/22: £9.0 million), and £5.4 million was a contribution towards Ploughshare's accelerator fund (2021/22: £4.7 million). In addition, MOD Royal Navy provided £0.5 million of other operating income towards Ploughshare's accelerator fund (2021/22: £nil).

The main items representing other miscellaneous income includes receipts totalling £0.5 million from Home Office (2021/22: £0.5 million) for the transitioning of former Centre for Applied Science and Technology staff and facilities into the Agency, and £0.5 million recovery of non-salary costs for outward secondees (2021/22: £0.4 million). Income received from Ploughshare totalled £0.2 million for the provision of patent protection services and reward to inventors (2021/22: £0.2 million). The Agency received £0.2 million income for support to Public Health England (2021/22: £0.2 million)

Other operating income excludes recovery of salary costs for outward secondees which is treated as an offset against staff costs. See our People on page 073.

4. Other expenditure

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

	2023 £ million	2022 £ million
Staff costs[1]		
Wages and salaries	209.9	185.8
Social security costs (including apprenticeship levy)	24.6	20.4
Other pension costs	54.1	48.0
Other staff costs	30.3	27.4
	318.9	**281.6**
Other cash items		
Purchase of direct goods and services	487.0	431.8
Short-term rental expenses[2]:		
Property	3.2	3.6
Plant and equipment	0.1	0.1
Travel, subsistence and hospitality	3.6	1.8
Training	2.4	1.9
Professional services	5.1	10.9
Foreign exchange gains and losses	0.1	0.0
Purchase of other indirect goods and services	138.5	113.3
Total cash costs	**958.9**	**845.0**
Non-cash items		
Depreciation and impairment charge for year:	30.0	23.5
Depreciation of owned property, plant and equipment	20.7	24.7
Depreciation of right of use assets	0.4	0.0
Exceptional costs of impairment of property, plant and equipment	2.0	2.7
Exceptional costs of reversal of impairment of property, plant and equipment	(4.2)	(10.6)
Adjustment valuation of property, plant and equipment	11.1	6.7
Amortisation and impairment charge for the year:	4.0	2.5
Amortisation of intangible assets	3.8	0.9
Adjustment valuation of intangible assets	0.2	1.6
Loss on disposal of owned property, plant and equipment	0.0	0.4
Impairment/ (impairment reversal) of non-current financial asset investment[3]	0.2	(0.2)
Auditor's remuneration and expenses[4]	0.1	0.1
Doubtful debt provision	0.0	0.0
Provisions provided in year	0.6	3.0
Provisions not required written-back	(0.1)	0.0
Total non-cash costs	**34.8**	**29.3**

[1] Staff costs are disclosed in more detail in Our People on page 073.

[2] Short-term leases are where the term is assessed as 'reasonably certain' to be for twelve months or less.

Until 31 March 2023, the Agency occupied a site at Fort Halstead under the terms of a property lease. It has been accounted for as a short-term lease. This lease did not transition under IFRS16: Leases, because only one year remained at the accounting standard's transition date of 1 April 2022. Rentals for the year were £3.4 million. In addition there is a reversal for an over-accrual (credit) relating to the rent review period 1 April 2017 to 31 March 2022 of £0.2 million.

[3] Reversal of impairment of the carrying value of the Executive Agency's investment in Ploughshare. See Note 9.

[4] The notional audit fee is £109,000 (2021/22: £100,000). During the year, the Agency did not contract any non-audit services from its external auditor, the National Audit Office (NAO).

5. Significant non-recurring operating items

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

	2023 £ million	2022 £ million
Helios[1]	8.7	7.9
NISSS[2]	5.6	3.9
CHESS[3]	2.1	4.7
Impairment of property, plant and equipment[4]	2.0	2.7
Reversal of Impairment of property, plant and equipment[5]	(4.2)	(10.6)
Impairment / (reversal of impairement) of non-current financial asset[6]	0.2	(0.2)

Notes:

[1] Costs of withdrawal from the Agency's site at Fort Halstead under the Helios Project. This includes an increase in provision costs to be incurred due to redundancies at our strategic suppliers as a result of the withdrawal from site.

[2] Costs incurred for the New Information Systems Service Solution (NISSS). The objective of the NISSS programme is the disaggregation of the Agency's IT services from the current prime contract into two new contracts by 2025 and establish a modern, secure and sustainable IT information system service aligned to government and industry best practice.

[3] Costs incurred for further development of the Cloud Hosted Enterprise Service Solution (CHESS), which went live during January 2022. This is a government cloud hosted solution that underpins the integrated management of the Agency's business processes.

[4] The impairment consists of:

a) Impairment of assets under construction relating to IT upgrades which did not deliver the enhancement anticipated (£0.1 million) and;

b) impairment of assets under construction which were damaged in use (£1.9 million).

[5] Reversal of impairment relates to index movement for buildings (£4.1 million), and transport (£0.1 million). For 2021/22, reversals of previous impairment relate to building assets. The valuation performed by VOA as at 1 November 2021 resulted in a reversal of impairment of £9.4 million. Index movements increased asset values by a further £1.2 million.

[6] An assessment of the value of the Agency's investment in Ploughshare resulted in an impairment. The Agency values the non-current financial asset on a fair value through profit or loss basis taking the approach described in Note 1(d)(i). An assessment of the value of the Agency's investment in Ploughshare for 2021/22, resulted in a reversal of previous impairment.

6. Finance income

	2023 £ million	2022 £ million
Interest received and receivable from bank accounts	0.0	0.0
Total	**0.0**	**0.0**

7. Finance expense

	2023 £ million	2022 £ million
Interest paid and payable on loans	0.0	0.0
Interest expense on right of use assets	0.0	0.0
Unwinding of provision discounting	0.0	0.0
Total	**0.0**	**0.0**

No payments were made under the Late Payments of Commercial Debts (Interest) Act 1998 (2021/22: £nil).

8. Property, plant and equipment

Property, plant and equipment movements during the year were:

	Land	Buildings	Plant and Machinery	Transport	IT and Communication Equipment	Assets Under Construction	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Valuations and gross modified historic cost							
Balance at 1 April 2021	110.0	314.2	62.8	0.5	45.5	167.6	700.6
Additions	0.0	0.0	7.3	0.2	1.2	59.7	68.4
Transfers	0.0	13.3	6.5	2.1	5.7	(27.6)	0.0
Transfers to intangible assets under construction	0.0	0.0	0.0	0.0	0.0	(2.2)	(2.2)
Reclassified as non-capital spend[1]	0.0	0.0	0.0	0.0	0.0	(1.7)	(1.7)
Disposals	0.0	(0.5)	(2.1)	(0.1)	(6.5)	0.0	(9.2)
Revaluations	(9.0)	41.2	2.2	0.0	0.3	0.0	34.7
Impairment	0.0	(2.5)	0.0	0.0	0.0	(0.3)	(2.8)
Impairment Reversal	0.0	11.7	0.0	0.0	0.0	0.0	11.7
Balance at 31 March 2022	**101.0**	**377.4**	**76.7**	**2.7**	**46.2**	**195.5**	**799.5**
Transfers between asset class	0.0	0.5	(0.5)	0.0	0.0	0.0	0.0
Additions	0.0	0.4	11.8	0.2	5.1	61.0	78.5
Transfers	0.0	23.2	5.1	0.0	1.3	(29.6)	0.0
Transfers from intangible assets under construction	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Transfers to intangible assets under construction	0.0	0.0	0.0	0.0	0.0	(1.2)	(1.2)
Reclassified as non-capital spend[1]	0.0	0.0	0.0	0.0	0.0	(2.3)	(2.3)
Disposals	0.0	0.0	(0.9)	(0.2)	(4.5)	0.0	(5.6)
Revaluations	(2.0)	16.5	9.0	0.0	2.6	0.0	26.1
Impairment	0.0	0.0	0.0	0.0	0.0	(2.0)	(2.0)
Impairment Reversal	0.0	4.5	0.0	0.1	0.0	0.0	4.6
Balance at 31 March 2023	**99.0**	**422.5**	**101.2**	**2.8**	**50.7**	**221.5**	**897.7**
Depreciation							
Balance at 1 April 2021	0.0	(37.7)	(21.0)	(0.4)	(18.2)	0.0	(77.3)
Charge for year:							
Historical	0.0	(6.1)	(8.3)	(0.8)	(9.5)	0.0	(24.7)
Supplementary	0.0	(5.7)	(0.6)	0.0	(0.4)	0.0	(6.7)
Impairment	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Impairment reversal	0.0	(1.1)	0.0	0.0	0.0	0.0	(1.1)
Disposals	0.0	0.1	2.1	0.1	6.5	0.0	8.8
Revaluations	0.0	(6.9)	(0.7)	0.0	(0.1)	0.0	(7.7)
Balance at 31 March 2022	**0.0**	**(57.3)**	**(28.5)**	**(1.1)**	**(21.7)**	**0.0**	**(108.6)**
Charge for year:							
Historical	0.0	(6.1)	(9.0)	(0.6)	(5.0)	0.0	(20.7)
Supplementary	0.0	(5.2)	(1.7)	(0.2)	(4.0)	0.0	(11.1)
Impairment reversal	0.0	(0.4)	0.0	0.0	0.0	0.0	(0.4)
Disposals	0.0	0.0	0.9	0.2	4.5	0.0	5.6
Revaluations	0.0	(3.3)	(3.6)	0.0	(1.6)	0.0	(8.5)
Balance at 31 March 2023	**0.0**	**(72.3)**	**(41.9)**	**(1.7)**	**(27.8)**	**0.0**	**(143.7)**
Net modified historic cost:							
Balance at 31 March 2023	**99.0**	**350.2**	**59.3**	**1.1**	**22.9**	**221.5**	**754.0**
Balance at 1 April 2022	101.0	320.1	48.2	1.6	24.5	195.5	690.9

Notes:

[1] Reclassified as non-capital spend. Included within this balance are purchases of bulk items that individually do not meet the capitalisation criteria and consumables that had been erroneously included in assets under construction.

Land and buildings are subject to a quinquennial revaluation by an independent, professional valuer in accordance with IAS16: Property, Plant and Equipment. Accounting Policy Notes 1(d) and 1(f) provide the basis of valuation. The land and building assets at Portsdown West were valued by Valuation Office Agency (VOA), an Executive Agency of HM Revenue and Customs, as at 1 November 2019.

The land and majority of building assets at Porton Down were valued by VOA as at 1 November 2021.

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

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

Included within property, plant and equipment and assets under construction are assets donated by MOD and wider government. The following is a sub-set of the note relating to these donated assets:

Valuations and gross modified historic cost

	Buildings	Plant and Machinery	Transport	IT and Communication Equipmentt	Assets Under Construction	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Balance at 31 March 2022	1.2	18.8	2.2	3.5	30.1	55.8
Additions	0.0	9.0	0.0	1.4	15.2	25.6
Transfers	0.0	3.0	0.0	0.0	(3.0)	0.0
Transferred from donated assets to non-donated Buildings[1]	0.0	0.0	0.0	0.0	(7.2)	(7.2)
Transfers from intangible assets under construction	0.0	0.0	0.0	0.0	0.1	0.1
Reclassified as non-capital spend	0.0	0.0	0.0	0.0	(2.1)	(2.1)
Disposals	0.0	0.0	(0.1)	(0.1)	0.0	(0.2)
Revaluations	0.1	3.1	0.1	0.2	0.0	3.5
Impairment	0.0	0.0	0.0	0.0	(1.9)	(1.9)
Balance at 31 March 2023	**1.3**	**33.9**	**2.2**	**5.0**	**31.2**	**73.6**
Depreciation						
Balance at 31 March 2022	0.0	(4.8)	(0.9)	(1.4)	0.0	(7.1)
Charge for year:						
Historical	0.0	(4.7)	(0.6)	(0.9)	0.0	(6.2)
Supplementary	0.0	(0.2)	(0.1)	(0.1)	0.0	(0.4)
Disposals	0.0	0.0	0.1	0.1	0.0	0.2
Revaluations	0.0	(1.0)	0.0	(0.1)	0.0	(1.1)
Balance at 31 March 2023	**0.0**	**(10.7)**	**(1.5)**	**(2.4)**	**0.0**	**(14.6)**
Net modified historic cost:						
Balance at 31 March 2023	**1.3**	**23.2**	**0.7**	**2.6**	**31.2**	**59.0**
Balance at 1 April 2022	1.2	14.0	1.3	2.1	30.1	48.7

Notes:

[1] During the year, four building assets that were part-funded by Home Office were completed and brought into service. The part-funded element brought forward within AUC of £7.2 million was transferred from out of donated assets.

9. Non-current financial assets

	Note	Subsidiary Undertaking £ million
Valuation		
Balance at 1 April 2021		1.4
Reversal of impairment	11	0.2
Balance at 31 March 2022		**1.6**
Impairment	11	(0.2)
Balance at 31 March 2023		**1.4**

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

The Agency re-assessed the value of its investment in Ploughshare as at 31 March 2023, which resulted in a impairment for the year of £0.2 million (2021/22: reversal of impairment of £0.2 million). See Note 1(d)(ii) for details of the approach taken to calculate the recoverable amount. The method of accounting is fair value through profit or loss.

10. Intangible assets

Intangible asset movements during the year were:

	Purchased Software Licences £ million	Software Assets Under Construction £ million	Total £ million
Gross modified historic cost			
Balance at 1 April 2021	8.7	0.5	9.2
Additions	5.2	2.8	8.0
Transfers	2.3	(2.3)	0.0
Transfers from property, plant and equipment assets under construction	0.0	2.2	2.2
Disposals	(1.9)	0.0	(1.9)
Revaluations	0.1	0.0	0.1
Balance at 31 March 2022	**14.4**	**3.2**	**17.6**
Additions	1.6	3.2	4.8
Transfers	2.0	(2.0)	0.0
Transfers from property, plant and equipment assets under construction	0.0	1.2	1.2
Transfers to property, plant and equipment assets under construction	0.0	(0.1)	(0.1)
Reclassified as non-capital spend	0.0	(0.2)	(0.2)
Disposals	(0.3)	0.0	(0.3)
Revaluations	0.8	0.0	0.8
Balance at 31 March 2023	**18.5**	**5.3**	**23.8**
Amortisation			
Balance at 1 April 2021	(4.6)	0.0	(4.6)
Charge for year:			
Historical	(0.9)	0.0	(0.9)
Supplementary	(1.6)	0.0	(1.6)
Disposals	1.9	0.0	1.9
Balance at 31 March 2022	**(5.2)**	**0.0**	**(5.2)**
Charge for year:			
Historical	(3.8)	0.0	(3.8)
Supplementary	(0.2)	0.0	(0.2)
Disposals	0.3	0.0	0.3
Revaluations	(0.4)	0.0	(0.4)
Balance at 31 March 2023	**(9.3)**	**0.0**	**(9.3)**
Net modified historic cost:			
Balance at 31 March 2023	**9.2**	**5.3**	**14.5**
Balance at 1 April 2022	9.2	3.2	12.4

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

	Purchased Software Licences £ million	Software Assets Under Construction £ million	Total £ million
Gross modified historic cost			
Balance at 31 March 2022	1.4	0.6	2.0
Additions	0.0	0.2	0.2
Transfers	0.7	(0.7)	0.0
Transfers to property, plant and equipment assets under construction	0.0	(0.1)	(0.1)
Reclassified as non-capital spend[1]	0.0	0.0	0.0
Revaluations	0.1	0.0	0.1
Balance at 31 March 2023	**2.2**	**0.0**	**2.2**
Amortisation			
Balance at 31 March 2022	(0.4)	0.0	(0.4)
Charge for year:			
Historical	(0.5)	0.0	(0.5)
Balance at 31 March 2023	**(0.9)**	**0.0**	**(0.9)**
Net modified historic cost			
Balance at 31 March 2023	**1.3**	**0.0**	**1.3**
Balance at 1 April 2022	1.0	0.6	1.6

11. Leases: right of use assets

The Agency has adopted IFRS16: Leases, from 1 April 2022. The standard has been implemented using the "modified retrospective approach." The most significant lease contracts that were previously recognised as operating leases are now on-SoFP as right of use assets, and lease liabilities. For further information with respect to first-time adoption see Note 1(aa).

Right of use asset movements during the year were:

	Property £ million	Plant and equipment £ million	Total £ million
Cost valuation[1]			
IFRS16 first-time adoption initial recognition at 1 April 2022[2]	0.8	0.1	0.9
Additions	0.1	0.2	0.3
Balance at 31 March 2023	**0.9**	**0.3**	**1.2**
Depreciation			
Balance at 31 March 2022	0.0	0.0	0.0
Charge for year	(0.3)	(0.1)	(0.4)
Balance at 31 March 2023	**(0.3)**	**(0.1)**	**(0.4)**
Net book value:			
Balance at 31 March 2023	**0.6**	**0.2**	**0.8**
Balance at 1 April 2022	0.0	0.0	0.0

Notes:

[1] The cost model has been used as a proxy for current value in existing use, or fair value, to determine subsequent remeasurement of the Agency's right of use assets. See Note 1(d)(ii).

[2] The Agency adopted the "modified retrospective approach" for first-time adoption of IFRS16. Comparatives are not restated using this method. See Note 1(aa).

The Agency's right of use assets are:

	Nature of the lease	Rent (£)/ frequency	Payment terms	Remaining expected term from 1 April 2022 or from start date if later (months)	Options
Accommodation for the DMEC facility	Part building	£49,249 per quarter	In-advance	36	1
Accommodation for the Tempest facility	Part building	£16,500 per quarter	In-advance	28	2
Harwich trials facility and storage	Building and store	£4,984 per month	In-arrears	24	3
University of Newcastle office hub	Office	£6,540 per quarter	In-advance	30	
Blackbarn Road control point modular building	Building	£3,661 per month	In-advance	36*	
Leonardo Laser	Plant and machinery	£11,627 per month	All prepaid in advance	15	
Telehandler	Plant and machinery	£2,773 per month	In-arrears	60**	

Notes:

* Lease term began on 12 August 2022.

** Lease term began on 9 August 2022.

Options:

1. A break clause to terminate on 31 March 2023. Not exercised.
2. A break clause to terminate on 22 July 2023. Reasonably certain not to exercise.
3. An option to extend to 31 March 2024. Exercised.

The Agency assesses value for money considerations such as whether the underlying asset is required for its entire useful economic life, or for a more limited period, when determining if a lease contract or a purchase contract is the best option. Another consideration is whether there is an active market for leasing the particular underlying asset.

The Agency's most significant lease, that has a right of use asset carrying value of £0.5 million, is for property at Farnborough to accommodate the Dstl Missile Evaluation Centre (DMEC) facility. Its location is at a property that used to be owned by a previous incarnation of the Agency. So far, it has not been practical or cost effective to relocate the facility.

Lease payments for the property lease to accommodate the DMEC facility are revised annually for the effects of inflation. The contract contains a dilapidation clause - see Note 18 for further information. Some of the other smaller lease contracts have similar arrangements. There are no restrictions, covenants, or novel arrangements that deviate from industry practice.

Other smaller property leases, none of which has a right of use asset carrying value of more than £0.1 million, tend to be for offices that are used as hubs at strategic S&T locations. This is to help spread the Agency's geographical reach, harness talent from around the country, and enable the Agency to access new suppliers in a cost effective way.

12. Impairments

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

	2023 Profit or Loss £ million	2022 Profit or Loss £ million	2023 Other Comprehensive Net Expenditure £ million	2022 Other Comprehensive Net Expenditure £ million
Investment in non-current financial asset impairment[1]	0.2	0.0	0.0	0.0
Investment in non-current financial asset impairment reversal[1]	0.0	(0.2)	0.0	0.0
Property, plant and equipment assets under construction[2]	2.0	0.3	0.0	0.0
Property, plant and equipment valuation[3]	0.0	2.4	2.0	10.5
Property, plant and equipment valuation impairment reversal[4]	(4.2)	(10.6)	0.0	0.0
Total	**(2.0)**	**(8.1)**	**2.0**	**10.5**

Notes:

[1] The Executive Agency assesses the value of its investment in Ploughshare by taking the approach described in Note 1(d)(i).

[2] The impairment relates to IT updates which did not deliver the enhancement anticipated (£0.1 million), and assets damaged in use (£1.9 million). The 2021/22 impairment relates to a delayed procurement whose revised delivery date surpassed the expected period of use.

[3] The impairment relates to the application of indices during the year. The impairment through other comprehensive net expenditure relates to the application of indices to land. For 2021/22, the impairment relates to the application of indices to all property, plant and equipment assets, and the professional valuations of property assets. The main impairment flowing through other comprehensive net expenditure relates to a £9.3 million downward valuation of the Porton Down land following VOA valuation as at 1 November 2021.

[4] The impairment reversal relates to the application of indices during the year, and for 2021/22, the the application of indices and professional valuations of property assets during 2021/22. The impairment reversal relates almost entirely to building assets.

13. Work in progress

	2023 £ million	2022 £ million
Total work in progress	**0.0**	**0.1**
Non-public sector organisations	0.0	0.1

14. Trade receivables and other assets

Amounts falling due within one year:

	2023 £ million	2022 £ million
Trade receivables	**7.1**	**8.2**
Central Government bodies	5.5	6.7
Trading funds	0.0	0.1
Non-public sector organisations	1.6	1.4
Contract assets	**5.8**	**8.1**
Central Government bodies	5.1	6.2
Non-public sector organisations	0.7	1.9
Deposits and advances – staff receivables	**0.1**	**0.2**
Other receivables	**0.3**	**0.1**
Central Government bodies	0.3	0.1
Prepayments and accrued income	**12.2**	**11.6**
Central Government bodies	1.4	1.1
Local authorities	0.4	0.7
Non-public sector organisations	10.4	9.8
Total	**25.5**	**28.2**

Amounts falling due after more than one year:

	2023 £ million	2022 £ million
Deposits and advances – staff receivables	**0.1**	**0.1**
Prepayments and accrued income	**3.4**	**2.0**
Central Government bodies	0.0	0.1
Non-public sector organisations	3.4	1.9
Total	**3.5**	**2.1**

Prepayments mainly consist of software licence agreements and software maintenance agreements £11.7 million (2021/22: £7.0 million) of which £3.3 million (2021/22: £1.8 million) relates to periods beyond a year; and rentals, service charges and rates on property leases £0.1 million (2021/22: £1.0 million). The main reason for the increase in prepayments is the renewal of two multi-year maintenance agreements.

15. Cash and cash equivalents

	2023 £ million	2022 £ million
Balance brought forward	**16.4**	**20.9**
Net change in cash and cash equivalent balances	8.5	(4.5)
Balance carried forward	**24.9**	**16.4**

The following balances were held at:		
Government Banking Service	23.8	14.3
Commercial banks	1.1	2.1
Commercial banks - short-term investments	0.0	0.0
Debt Management Office - short-term investments	0.0	0.0
Balance carried forward	**24.9**	**16.4**

15.1 Reconciliation of cash flows arising from financing activities to Net Equity Investment

	Cash flows	Non-cash flow bookkeeping for transactions with MOD					
	Cash received from MOD £ million	VAT recoverable transferred to MOD £ million	Goods and services provided to MOD £ million	Goods and services provided by MOD £ million	Payroll financed by MOD £ million	Infrastructure facilities management soft services provided by MOD £ million	Total net cash inflow/ (outflow) from MOD financing activitiess £ million
Balance at 31 March 2022	2,352.0	(198.9)	(3,207.8)	111.2	1,089.0	0.0	**145.5**
Net change in financing activities for the year	719.5	(69.4)	(922.9)	37.4	280.6	1.8	**47.0**
Balance at 31 March 2023	**3,071.5**	**(268.3)**	**(4,130.7)**	**148.6**	**1,369.6**	**1.8**	**192.5**

15.2 Reconciliation of cash flows arising from financing activities

	Total net cash inflow/ (outflow) from MOD financing activities (Note 15.1)	Cash flows from lease financing		Total net cash inflow/ (outflow) from financing activities
		Repayment of lease liability principal	Lease liability finance expense	
	£ million	£ million	£ million	£ million
Balance at 31 March 2022	145.5	0.0	0.0	145.5
Net change in financing activities for the year	47.0	(0.3)	0.0	46.7
Balance at 31 March 2023	**192.5**	**(0.3)**	**0.0**	**192.2**

16. Trade payables and other liabilities

Amounts falling due within one year:

	2023 £ million	2022 £ million
Other taxation and social security	**2.2**	**2.2**
Contract liabilities	**19.4**	**10.2**
Central Government bodies	12.6	4.6
Non-public sector organisations	6.8	5.6
Trade payables	**29.7**	**59.9**
Central Government bodies	0.2	1.4
Local authorities	1.9	3.8
Non-public sector organisations	27.6	54.7
Other payables	**5.2**	**4.6**
Central Government bodies	2.5	0.9
Non-public sector organisations	2.7	3.7
Pay and expenses – staff payables	**4.9**	**4.6**
Accruals and deferred income	**199.2**	**158.4**
Central Government bodies	11.5	4.6
Local authorities	14.6	12.7
Non-public sector organisations	162.1	139.2
Staff	11.0	1.9
Total	**260.6**	**239.9**

Amounts falling due after more than one year:

	2023 £ million	2022 £ million
Other payables	**0.0**	**1.9**
Non-public sector organisations	0.0	1.9
Accruals and deferred income	**1.8**	**1.9**
Central Government bodies	1.7	1.8
Local authorities	0.1	0.1
Total	**1.8**	**3.8**

Long-term payables are held undiscounted. The effect of discounting is not material. Trade payables mainly relate to the purchase of direct goods and services £19.6 million (2021/22: £56.5 million) of which £18.2 million relates to subcontracted research (2021/22: £49.9 million). Other payables mainly consist of the pension liability associated with holiday pay accrual £2.1 million (2021/22: £2.0 million). Within accruals are direct costs £150.0 million (2021/22: £125.3 million) of which £132.6 million is subcontracted research (2021/22: £110.6 million). Capital accruals account for £13.7 million (2021/22: £9.2 million). The staff accrual for 2022/23 includes £9.3 million relating to the 2022/23 pay award (2021/22: £nil). Deferred income mainly relates to customer funded assets where the customer has retained an interest in the asset £2.1 million (2021/22: £2.0 million) of which £1.8 million falls due after more than one year (2021/22: £1.7 million).

17. Lease liabilities

Following adoption of IFRS16: Leases, from 1 April 2022, the most significant lease contracts that were previously recognised as operating leases are now on-SoFP as right of use assets, and lease liabilities. For further information with respect to first-time adoption, see Note 1(aa).

A reconciliation of the difference between lease commitments disclosed under the previous standard for lease accounting, IAS17, at 31 March 2022, and the opening lease liability balance calculated by applying the newly adopted standard for lease accounting, IFRS16, on 1 April 2022, is as follows:

	Property £ million	Plant and equipment £ million	Total £ million
Operating lease commitments at 31 March 2022:			
Due within one year	**4.0**	**0.2**	**4.2**
Due after one year but within five years	0.1	0.0	0.1
Total operating lease commitments at 31 March 2022	4.1	0.2	4.3
Application of first-time adoption practical expedients:			
Short-term leases (see Note 1(aa))	(3.7)	0.0	(3.7)
Prepayment[1]	0.0	(0.2)	(0.2)
Lease extension or termination options[2]	0.3	0.0	0.3
Lease agreement not identified until 1 April 2022[3]	0.1	0.0	0.1
Lease liabilities recognised on first-time adoption of IFRS16 at 1 April 2022	**0.8**	**0.0**	**0.8**

Notes:

1 The prepayment at 31 March 2022 is included as a lease commitment, and is not an IFRS16 lease liability. Prepayments are included within the right of use asset measurement. No lease liability is recognised.

2 Lease commitments previously reported under IAS17 only included non-cancellable periods. Lease liabilities reported under IFRS16 include periods where it is reasonably certain that options to extend the contract will be exercised. Where there is an option for the Agency to cancel the lease without penalty, the period beyond this option will be included under IFRS16 where it is assessed that it is reasonably certain the termination option will not be exercised.

3 A lease agreement for a trials facility and storage had been in place since 1 April 2020 but had not been identified until implementation of IFRS16. Rental payments had been charged directly to external customers. Lease commitments as at 31 March 2022 had been under-stated by £76,855

Lease liability movements during the year were:

	Property £ million	Plant and equipment £ million	Total £ million
IFRS16 first-time adoption initial recognition at 1 April 2022[1]	(0.8)	0.0	(0.8)
Additions	(0.1)	(0.1)	(0.2)
Lease payments	0.3	0.0	0.3
Balance at 31 March 2023	**(0.6)**	**(0.1)**	**(0.7)**

Notes:

1 The Agency adopted the "modified retrospective approach" for first-time adoption of IFRS16. Comparatives are not restated using this method. See Note 1(aa).

An analysis of expected timing of lease payment cash flows is as follows:

	Property £ million	Plant and equipment £ million	Total £ million
Not later than one year	(0.4)	0.0	(0.4)
Later than one year but not later than five years	(0.2)	(0.1)	(0.3)
Later than five years	0.0	0.0	0.0
Total undiscounted lease payment cash flows	**(0.6)**	**(0.1)**	**(0.7)**
Interest expense	0.0	0.0	0.0
Balance at 31 March 2023	**(0.6)**	**(0.1)**	**(0.7)**

18. Provisions for liabilities and charges

	Dilapidations and remediation £ million	Facilities management provider redundancies £ million	Supplier claims £ million	Employment tribunals £ million	Early departure costs £ million	Total £ million
Balance at 1 April 2022	2.0	0.6	6.3	0.0	0.5	9.4
Provided in the year	0.0	0.3	0.0	0.1	0.2	0.6
Provisions not required written-back	0.0	(0.1)	0.0	0.0	0.0	(0.1)
Provisions utilised in the year	(0.7)	(0.8)	0.0	0.0	(0.7)	(2.2)
Unwinding of discount	0.0	0.0	0.0	0.0	0.0	0.0
Balance at 31 March 2023	**1.3**	**0.0**	**6.3**	**0.1**	**0.0**	**7.7**

Analysis of expected timing of cash flows:

	Dilapidations and remediation £ million	Facilities management provider redundancies £ million	Supplier claims £ million	Employment tribunals £ million	Early departure costs £ million	Total £ million
Between 1 April 2023 and 31 March 2024	0.1	0.0	6.3	0.1	0.0	6.5
Between 1 April 2024 and 31 March 2025	0.0	0.0	0.0	0.0	0.0	0.0
Between 1 April 2025 and 31 March 2026	1.2	0.0	0.0	0.0	0.0	1.2
Balance at 31 March 2023	**1.3**	**0.0**	**6.3**	**0.1**	**0.0**	**7.7**

No amounts are expected to be called after 31 March 2026 and therefore no further analysis is necessary for amounts after this date.

The provision that is expected to crystallise after more than a year has been discounted. The discount value is not material.

Dilapidations and remediation
A lease is in place for a facility (operated by the Executive Agency) remaining at the Farnborough site. This defers a dilapidation obligation under the terms of the lease to beyond a year. Utilisation of the provision will not be until beyond the expiry date of the current lease, 31 March 2025.

The Agency had an obligation to repair the roof of a listed building at the Fort Halstead site. This provision was released unutilised at the end of the year on termination of the lease for the site 31 March 2023.

As part of the terms of the Agency's exit from the Fort Halstead site, and termination of the lease, the Agency has an obligation to make good any dilapidations and remediation of the site. During the year, the Agency utilised £0.7 million of the provision. Further remediation work is expected 2023/24 for which there is a contingent liability disclosure - see Note 23.

Facilities management provider redundancy costs
As a consequence of departure from the Fort Halstead site, the Agency was obligated to meet the redundancy costs for the employees of its facilities management partners based there. The provision was measured after considering some underlying variables such as staff turnover and future pay reviews, and was increased in the year by £0.3 million as the exit strategy matured. On departure of the site, 31 March 2023, the obligation crystallised and the provision was utilised.

Supplier claims
The Agency has some supplier disputes in relation to its S&T services. Negotiations continue and settlements are expected to be reached during the year ending 31 March 2024.

Employment tribunals
During the year, the outcome of an Employment Tribunal went against the Agency. The final settlement is still to be finalised. A provision has been made based on legal advice, and final settlement is expected during 2023/24.

Early departure costs
The Executive Agency meets the additional cost of benefits beyond the normal Civil Service pension arrangements in respect of employees who depart early.

The Agency provides for this in full when the early departure agreement becomes binding. Payment values are established by My Civil Service Pension. Main movements relate to the Agency's exit of the Fort Halstead site under the Helios project.

Comparatives for the year ending 31 March 2022:

	Dilapidations £ million	Facilities management provider redundancies £ million	Supplier claims £ million	Early departure costs £ million	Total £ million
Balance at 1 April 2022	4.7	0.3	5.0	0.3	10.3
Provided in the year	0.5	0.3	1.3	1.0	3.1
Provisions utilised in the year	(3.2)	0.0	0.0	(0.8)	(4.0)
Balance at 31 March 2023	**2.0**	**0.6**	**6.3**	**0.5**	**9.4**

Analysis of expected timing of cash flows:

	Dilapidations £ million	Facilities management provider redundancies £ million	Supplier claims £ million	Early departure costs £ million	Total £ million
Between 1 April 2022 and 31 March 2023	0.8	0.6	6.3	0.5	8.2
Between 1 April 2023 and 31 March 2024	0.0	0.0	0.0	0.0	0.0
Between 1 April 2024 and 31 March 2026	1.2	0.0	0.0	0.0	1.2
From 1 April 2026 thereafter	0.0	0.0	0.0	0.0	0.0
Balance at 31 March 2022	**2.0**	**0.6**	**6.3**	**0.5**	**9.4**

19. Capital commitments

	2023 £ million	2022 £ million
Property, plant and equipment:		
Capital expenditure that has been contracted but has not been provided for in the accounts	8.8	27.0
Capital expenditure that has been authorised but has not been provided for in the accounts	44.6	38.6
Intangible assets:		
Capital expenditure that has been contracted but has not been provided for in the accounts	0.6	0.0
Capital expenditure that has been authorised but has not been provided for in the accounts	2.6	0.0
Right of use assets:		
Leases contracted but has not yet commenced and has not been provided for in the accounts	0.0	0.0
Leases that have been authorised but has not yet been contracted	0.0	0.0

As at 31 March 2023, the Helios Project building works are substantially complete with £0.8 million contracted and £4.2 million authorised but not contracted.

20. Other financial commitments

The Agency has entered into non-cancellable contracts other than capital, lease, or service concession arrangements, for supplies that include goods or services that are either directly attributable to S&T, or are to support the Agency's enabling infrastructure such as accommodation and IT services.

The payments to which the Agency is committed are as follows:

	2023 £'000	2022 £'000
Not later than one year	270.8	196.8
Later than one year but not later than five years	83.8	88.4
Later than five years	0.1	0.1
Total	**354.7**	**285.3**

21. Financial instruments

The Executive Agency reviews its credit risk by applying the simplified approach of the expected credit loss model to trade receivables and contract assets. There is currently no expectation of current or future material loss.

The Agency's principal financial instruments comprise cash, current receivables and current payables.

Cash generated from sales, supplemented with funding provided by MOD, are the primary sources of finance for the Agency.

Trade receivables and trade payables arise directly from the Agency's operations. As the cash requirement of the Agency is met mainly from funding through its parent organisation, MOD, financial instruments play a limited role in the creation and management of risk when compared with a non-public sector body. 94% of the Agency's sales are with MOD. Consequently, the overall risk relating to financial instruments created by sales contracts is minimal. Other financial instruments relate to contracts to acquire non-financial items in line with the Agency's requirements for supply of external resource and services.

The Agency is not exposed to significant credit, liquidity, foreign currency or market risk. The Chief Financial Officer is responsible for the policies to manage these risks on behalf of the Board. These policies have remained unchanged throughout the year.

It has been the Agency's policy throughout the year that no trading in financial instruments for speculative purposes should be undertaken.

The Agency’s customer profile leaves little exposure to credit risk. 99% of the Agency’s operating income is derived from wider government. No customers have requested a payment holiday, and there is no evidence that the Ukraine conflict will result in a bad debt write-off or impairment of contract assets.

Categories of financial instruments

Trade and other receivables, and cash and cash equivalents, have been classified as loans and receivables. Trade and other payables have been classified as other financial liabilities. The fair value of these financial assets and financial liabilities approximates the carrying value due to the short-term nature of these financial instruments.

The Agency's investment in its wholly owned subsidiary, Ploughshare, is classified as a non-current financial asset and is accounted for using the fair value through profit or loss method. See Note 9. The category of financial instrument that has produced finance income received and receivable, and the category of financial instrument that has produced finance charges paid and payable, are disclosed in Notes 6 and 7.

No capital disclosures are necessary. A buffer for risk to creditors does not arise because public sector financing is tax based.

22. Related-party transactions

Dstl is an Executive Agency of MOD.

MOD
MOD is a related party and has non-executive representation on the Board. During the year, the Agency had various material transactions with MOD, all of which were carried out under contract terms and subject to the normal course of internal and external audit:

	2023 £'000	2022 £'000
Operating income	921,581.6	812,513.3
Purchases	37,294.5	28,997.6
Receivables	3.8	22.5
Prepayments	628.8	359.6
Trade payables and accruals	3,965.3	2,183.6

Ploughshare Innovations Ltd

Ploughshare is a wholly owned subsidiary undertaking of the Agency. During the year, the following trading occurred, carried out under standard contract terms:

	2023 £'000	2022 £'000
Operating income	224.8	258.5
Purchases	7,230.2	6,990.0
Receivables	52.7	0.0
Accruals	0.0	0.0

Other public sector bodies

Other public sector bodies are regarded as related parties by virtue of being under the same common control. During the year, the Agency had various material transactions with certain public sector bodies. All transactions are carried out on standard contract terms and are subject to the normal course of internal and external audit.

	Operating Income		Purchases[1]		Trade Receivables[1]		Trade Payables[1]	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cabinet Office (excluding My Civil Service Pension)	19.3	221.4	3,989.0	6,315.5	0.0	0.0	0.0	14.6
Centre for Protection of National Infrastructure	1,621.6	1,506.6	0.0	8.0	533.7	182.7	0.0	0.0
Department for Business, Energy and Industrial Strategy	2,797.1	1,378.2	0.0	0.0	0.0	74.8	0.0	0.0
Department for the Environment, Food and Rural Affairs	2,506.5	1,575.4	0.0	0.0	0.0	521.1	0.0	0.0
Department for Transport	6,883.3	6,400.9	0.0	0.0	0.0	19.1	0.0	0.0
Department of Health and Social Care	(4.5)	0.0	123.0	1,808.5	0.0	0.0	0.0	0.0
Engineering and Physical Sciences Research Council	0.0	0.0	430.7	1,544.1	0.0	0.0	25.4	86.0
Foreign and Commonwealth Office	210.8	76.4	187.5	0.0	41.5	111.2	0.0	0.0
Government Office for Science	95.5	182.4	0.0	0.0	0.0	117.5	0.0	0.0
Government Communications Bureau	1,924.3	17.2	0.0	88.2	460.8	0.0	0.0	0.0
Government Communications Centre	1,730.6	1,440.2	1,820.2	231.6	1,425.5	46.1	0.0	0.0
Government Communcations Planning Directorate	1,468.6	2,234.9	2,707.3	4,185.3	723.1	153.8	0.0	0.0
Government Legal Department	0.0	0.0	408.1	64.9	0.0	0.0	0.0	0.0
Health and Safety Executive	212.4	765.4	166.3	109.4	251.2	817.7	0.0	0.0
HM Prison Service	289.3	331.4	0.0	0.0	16.2	276.4	0.0	0.0
Home Office	25,493.0	28,114.3	0.0	124.7	996.2	1,224.1	0.0	4.0
Innovate UK	0.0	22.0	542.9	0.0	0.0	0.0	0.0	0.0
Medical Research Council	423.6	503.5	0.0	0.0	111.1	88.9	0.0	0.0
Meteorological Office	43.0	60.6	18.0	72.0	0.0	0.0	0.0	0.0
Metropolitan Police	3.3	146.0	0.0	0.0	25.6	227.3	0.0	0.0
Ministry of Justice	71.5	0.0	0.0	0.0	19.5	0.0	0.0	0.0
National Counter Terrorism Security Office	319.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Crime Agency	292.0	211.0	0.0	0.0	104.1	153.2	0.0	0.0
Nuclear Decommissioning Agency	1,390.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Porton Biopharma	603.8	581.2	0.0	0.0	188.8	168.8	0.0	0.0
Science and Technology Facilities Council	0.0	0.0	813.5	377.3	0.0	0.0	14.7	0.0
Scottish Government	0.0	0.0	123.6	309.1	0.0	0.0	0.0	0.0
The Bio-technology & Biological Sciences Research Council	0.0	0.0	0.0	550.0	0.0	0.0	0.0	0.0
The Mayor's office for Policing & Crime	131.0	0.0	385.6	373.1	32.8	0.0	0.0	0.0
UK Health Security Agency (formerly Public Health England)	1,211.8	841.7	577.9	416.4	123.2	1,431.0	0.0	115.5
UK Space Agency	(103.0)	939.2	0.0	0.0	39.3	457.4	0.0	0.0

Notes:

[1] Purchases are represented by invoices processed through the purchase ledger during the year. No account of movements in accruals is taken. Only trade receivables and trade payables recorded through the sales and purchase ledgers are disclosed. This more simplified approach focuses on invoices processed through the primary ledgers and is considered more meaningful and comparable with the Agency's related parties.

No Minister, Board member, key manager or other related parties has undertaken any material transactions with the Agency during the year. Any compensation paid to senior management is disclosed in the Remuneration Report on page 067.

Tax and pension payments are made by MOD on behalf of the Agency.

23. Contingent liabilities

During 2020/21, the Agency had an agreed contract amendment, limited to £295,000, to cover additional building construction costs being incurred because of the Covid-19 pandemic. This limited liability contract amendment expired in April 2022 without the Agency incurring additional cost.

The Agency departed from the leased Fort Halstead site on 31 March 2023. Under the lease arrangement, the Agency undertook to remediate all contamination of the land. All identified contamination has been remediated and independently certified as within acceptable limits. However, there is still a possibility that areas of contaminated land exist for which the Agency is still liable. The financial risk is not significant and would fall well within £300,000.

As at 31 March 2023 the Agency is aware of three outstanding employment tribunal cases raised against them which are expected to be concluded in 2023/24. Current prognosis from the Government Legal Department (GLD) is there is between a 30% - 50% chance that these cases will go in the favour of the plaintiff which is likely to result in a maximum outflow of £100,000 per case. Based on advice recevied from GLD, the Agency has calculated on an estimated value (EV) basis, a total financial risk exposure of £110,000.

For remote contingent liabilities, see page 083.

24. Events after the reporting period

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

There have been no significant events since the end of the financial year that affect the results for the year, or the year-end financial position.

7 / Glossary

AI	Artificial intelligence
ARAC	Audit and Risk Assurance Committee
AWE	Atomic Weapons Establishment
CHESS	Cloud Hosted Enterprise Service Solution
CR	Corporate risk
CSA	Chief Scientific Advisor
CSAT	Customer Satisfaction Survey
CSUP	Customer Single Use Plastic
CTW	Contracted Temporary Worker
D&I	Diversity and inclusion
DASA	Defence and Security Accelerator
DE&S	Defence Equipment and Support
DIA	Defence Internal Audit
DIO	Defence Infrastructure Organisation
DPA	Data Protection Act
DST	Defence Science and Technology
EMC	Executive Management Committee
EMR	Extra mural research
ERC	External review college
FReM	Financial Reporting Manual
FTE	Full-Time Equivalent
FY	Financial year
GGC	Greening Government Commitment
GHG	Greenhouse Gas
H&S	Health and safety
HSE	Health & Safety Executive
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
MOD	Ministry of Defence
MyCSP	My Civil Service Pension
NCPA	Non-Consolidated Performance Award
NEM	Non-Executive Member
NZ50	Net Zero Greenhouse Gas Emissions by 2050
RIDDOR Regulations	Reporting of Injuries, Diseases and Dangerous Occurrences
S&T	Science and technology
SCS	Senior Civil Service
SME	Small and medium-sized enterprises
SOAP	Strategy on a page
SQEP	Suitably qualified and experienced person
SR	Spending Review
SSSI	Site of Special Scientific Interest
STEM	Science, technology, engineering, and mathematics
UAV	Unmanned aerial vehicles
ULEV	Ultra Low Emission Vehicles
VCDS	Vice Chief of Defence Staff

The Science Inside

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