



Defence Electronics &
Components Agency

Defence Electronics & Components Agency

Annual Report and Accounts 2017/2018



HC 1268





Ministry
of Defence

Defence Electronics and Components Agency

Annual Report and Accounts

2017/2018

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Defence Electronics &
Components Agency

DEFENCE ELECTRONICS AND COMPONENTS AGENCY ANNUAL REPORT AND ACCOUNTS 2017/2018

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PERFORMANCE REPORT

OVERVIEW

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

Two Typhoon FGR4 aircraft from RAF Coningsby
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INTRODUCTION FROM THE CHAIRMAN



Alex Jablonowski
DECA Board Chairman

" As Chairman of the Defence Electronics & Components Agency's (DECA) Board it is my responsibility, along with my fellow Non-Executive Directors, to provide expert advice, challenge and guidance to the DECA Executive Management Board using the skills and expertise we have developed in our various careers at senior management level in both private and public sector."

My role of Chairman also extends to providing support to DECA's Chief Executive at DECA Performance and Risk Review meetings. These meetings are chaired by MOD's Director of Commissioning Services who has delegated responsibility for oversight of DECA on behalf of MOD's Permanent Under Secretary and the Minister for Defence Procurement, who holds the Owner role and responsibilities for DECA on behalf of the Secretary of State for Defence.

This is my third introduction to the Agency's Annual Report and Accounts (AR&A), which covers the 2017/18 financial year.

As I described last year, DECA's second twelve months of operation was a landmark one that saw the Agency's successful assignment as the 'global' Maintenance, Repair, Overhaul and Upgrade hub for F-35 avionic components. It has therefore been tremendously pleasing to see DECA maintain these exceptional standards and continue its evolution from 'sunset business' to an organisation with a long-term future as a global and regional holistic support provider in just three years of trading.

Alex Jablonowski
Chairman
6 July 2018

This transition saw significant further successes over the last 12 months that included further F-35 assignment, consolidation of DECA's managed service provider capability and tremendous progress in extending DECA capabilities and operational support more widely across Defence.

As always, the key factor in DECA's success are the skills, knowledge and experience of DECA's workforce, not to mention their commitment and enthusiasm that has continued to ensure successful delivery on all MOD requirements whilst maintaining the Agency's high levels of efficiency and standards of quality. I extend my thanks to them and the great commitment and professionalism shown by DECA's Chief Executive, Geraint Spearing and his team of Executive Directors in overseeing the successes of 2017/18.

I am also very grateful to my fellow Non-Executive Directors for their valuable advice, expertise and assistance over the year and look forward to working with them in providing continued support and challenge to DECA on its exciting journey.





STATEMENT BY THE CHIEF EXECUTIVE

" Following the first two years of successful Agency performance, the Agency's 2017/18 Annual Report and Accounts demonstrates a third year in which DECA has continued to evolve, meeting all of our customer's changing requirements, and delivering against all objectives and performance targets. "





Geraint Spearing
DECA Chief Executive

DECA has continued to operate as an MOD owned Executive Agency and an integral part of UK Defence. As such DECA forms part of the overall consolidated MOD accounts whilst retaining the requirement to produce its own stand-alone annual report and accounts in line with established Government best practice. This continues to provide full transparency to MOD's senior management team and the DECA Board on how efficiently and effectively DECA has managed the assets entrusted to it.

DECA's performance has been measured against five key performance indicators (KPIs) in areas that have been assessed by the MOD and Agency Board as critical to successful business performance. These KPIs were agreed with our Owner, Harriett Baldwin MP (former Minister for Defence Procurement) and details of our performance against these can be found in the Performance Analysis section at page 14 of this AR&A.

DECA continues to operate from our Head Office at Sealand in North Wales, and from our second major site at MOD Stafford. We also operate at customer locations across the UK and also deploy overseas in support of operations as required. All operational sites continued to provide positive contributions to the delivery of DECA's Corporate and Business plans.

Our dedicated workforce continued to deliver high levels of quality, operational delivery and strong business performance throughout the year. This is particularly pleasing when coupled to the significant effort involved in leading the MOD elements of the UK's successful assignment for F-35 avionic component maintenance, repair, overhaul and upgrade alongside our industry partners, BAE Systems and Northrop Grumman Corporation. Our customer base and portfolio has continued to widen, with signs of

business growth at both Sealand and Stafford over the last year that has seen DECA contracted by Lockheed Martin for F-35 Non-Air Vehicle repair and maturation of Managed Service solutions.

Building on DECA's recognition last reporting year as a key contributor to UK Industrial Strategy, and a key enabling organisation in support of the Defence, Equipment and Support Corporate Plan; DECA's medium to long-term business strategy has matured in line with key MOD stakeholders and Industry partners. The business continues to provide MOD with long-term, assured, agile and responsive sovereign capability, is aligned to changing Defence priorities and complements MOD, Government, partner nation and industry transformation agendas. Additionally, in 2017/18, DECA has also successfully developed and matured its relationships with Welsh Government and the Deeside Enterprise Zone Board to generate exciting new opportunities to create and sustain skilled, high-value jobs in the North Wales region in support of the Prosperity Agenda.

Key to delivery of this strategy and maintaining DECA's focus on continually improving levels of efficiency and effectiveness is our Transformation Programme. The Agency continues to transform from a business providing support for legacy Air platforms to a competitive global provider of market leading solutions to a wide range of customers across Defence. Further details of DECA's strategy and transformation activities are provided at page 7.

I take great pleasure in being able to lead such a committed and customer focused organisation, with such professional people at the heart of our operation and I look forward to what already promises to be yet another highly successful and busy year.

Geraint Spearing
Chief Executive
Defence Electronics & Components Agency
6 July 2018





PURPOSE, AIM AND VALUES AND BUSINESS STRATEGY



Defence Electronics & Components Agency

OUR PURPOSE

To be a trusted MOD and Industry partner, assuring efficient delivery of electronics and components capability in support of Defence.

OUR AIMS

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

OUR VALUES

VALUE OUR PEOPLE BY:

- ▶ Creating an environment where all employees are proud to be part of DECA
- ▶ engaging with individuals and Trades Unions to include their views in decision making
- ▶ offering development opportunities to help realise full potential and recognise achievement
- ▶ respecting the knowledge and expertise of all employees and encouraging engagement

PROMOTE TEAMWORK AND CO-OPERATION BY:

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

CARE FOR OUR CUSTOMERS AND STAKEHOLDERS BY COMMITTING TO:

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

DELIVER BEST VALUE FOR DEFENCE AND CONTINUOUSLY IMPROVE BY:

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



www.gov.uk/deca





BUSINESS STRATEGY

DECA's business strategy continues to evolve to ensure alignment with our strategic objectives and MOD's ongoing requirements with a focus on delivery and growth across Defence.

This strategy will enable DECA to transform the business so that the Agency will meet the MOD's aspiration for DECA to become:

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

- Automated Test Equipment solutions
- Ground Support Equipment
- managed services
- development, support and manufacture capability

DECA continues to work with MOD to ensure the Agency maintains capability aligned to MOD's requirements and ensures key capabilities are retained and developed for F-35.

UK MOD has entered into a Joint Venture (JV) with BAE Systems and Northrop Grumman Corporation. The JV, incorporated as Sealand Support Services Limited (SSSL) will provide global maintenance, repair, overhaul, upgrade and sustainment services for the range of components assigned from the hub at DECA Sealand.

CONTROL OF THE BUSINESS

DECA's governance structure is outlined in DECA's Framework Document, has been agreed with the Owner, HM Treasury and Cabinet Office and follows established best practice. DECA is governed through its Agency Board and sub-committees, and has in place an agreed formal programme of internal and external audit, to provide required levels of assurance.

CUSTOMER DELIVERY

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

- targeted avionic repair and obsolescence avoidance
- UK/European 'hub' and Centre of Excellence development
- test and filter bench capabilities
- 'repair not replace' solutions for current and future platforms
- cryptographic and other specialist equipment
- tri-service calibration

DECA continues its critical role through leading the MOD elements of work with industry partners to prosecute future campaign activity for remaining components.

In line with DECA's reaffirmed strategic status and the Defence Equipment & Support (DE&S) Corporate Plan, work sponsored by Chief of Materiel (CoM) Air, continues to focus on ensuring a close relationship between DECA and DE&S. This helps ensure that MOD maximises fully the utility of retained DECA capacity and capability to deliver major contributions to SDSR 2015 commitments.

TRANSFORMATION AND EFFICIENCY

DECA continues to develop and transform the business to improve delivery performance and ensure the Agency remains a competitive, efficient government owned organisation that is 'match fit' for F-35 delivery through the DECA Enterprise Transformation Programme

Through this programme, the Agency will deliver significant efficiency improvement through reduction in support costs, improved productivity and increased competitiveness of the business .







SUSTAINMENT AND BUSINESS GROWTH

DECA continues to develop relationships with MOD and industry to embed enterprise value, seeking to create additional sovereign capability within support and obsolescence solutions for former UK equipment within the UK export supply chain in support of Defence.

To support the generation of DECA enterprise value, the Agency is further developing its role in assuring provision of subject matter expertise, through-life advisory services, repair not replace technologies, test solutions, reverse engineering, specialist procurement and supply chain activities as well as obsolescence management and mitigation solutions on new and life-extended equipment across defence.

This includes work to develop and deepen coherent strategies with Industry and other Government Agencies to grow DECA's role and generate enterprise savings in support of Cyber, Cryptographics and the secure communications arena.

DECA continues to keep pace with emerging technologies and maintain its strategic position in the electronic testing and repair market. DECA and MOD maintain investment in new capabilities and test technology to support MOD's agreed strategic requirements helping ensure DECA's 'open architecture' approach continues to provide MOD with assured capability and interoperability of test systems, regardless of Original Equipment Manufacturer or supplier.

Given the internationally and commercially sensitive nature of current and future MOD platforms and equipment, DECA also works with MOD to take best advantage of the Agency's Government status to maximise business winning opportunities, increase commercial leverage, provide a value for money comparator and avoid potential third-party constraints and issues.

As a trusted, agnostic, service supplier, DECA is developing further strategic relationships and government-to-government arrangements with MOD customers and partner nations as well as appropriate partnering arrangements with industry.

As a key enabler to the UK's Industrial Strategy, DECA works with MOD to develop sovereign capability and ensure DECA's freedom of action to pursue a strategy that strikes the right balance between MOD operational advantage and effective trading.

Work was developed during 2017/18 to ensure that our strategies align appropriately to developing defence policy helping assure job creation and sustainment, skills retention and further develop positive regional and national economic impacts in support of the Government's Prosperity Agenda.

A Reaper MQ-9 remotely piloted Air System prepares for take-off in Afghanistan

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BOARD OF DIRECTORS



ALEX JABLONOWSKI

Independent non-executive chairman

Alex has been an independent board member and chair, mainly in government for over ten years. Previously, Alex served thirty years with Barclays in the UK and also in France, Germany, Korea and Egypt and is co-author of the Art of Better Retail Banking published by Wileys.

As a government non-executive director, he has served on the boards of the Veterans Agency, Highways Agency, VOSA, Office of National Statistics, Government Actuary's Department, Wilton Park, Valuation Office Agency, House of Commons and the Supreme Court.

Alex chaired the Defence Support Group board up to the sale to Babcock. He is currently a non-executive director on the boards of the Maritime Coastguard Agency and Royal Bournemouth and Christchurch Hospital Foundation Trust as well as chairing a small software company.

LUKE DEARDEN

Department Non-Executive Director

Luke is a Senior Civil Servant with nearly 20 years' experience across five government departments. He is currently Political Counsellor in the UK Delegation to NATO, Brussels. Prior to that, he was responsible for arms and export control policy in the MOD.

Luke joined the MOD as a graduate in 2001, undertaking a wide range of posts, including communications, policy, operations, and private office roles.

Luke has also worked closely with the Royal Air Force on finance and equipment capability, and in the Cabinet Office, including as part of the Strategic Defence and Security Review team in 2010.



PETER SHORTT

Non-executive Director

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

In 2007 Peter joined the Shareholder Executive, part of the UK Government responsible for managing its interest in a number of commercial operations from the Royal Mail to the Met Office.

In 2012 he moved to the Ministry of Defence as Head of Business Governance and Strategy to lead on the sale of three Defence assets: Marchwood Military Port, the Government Pipeline and Storage System (GPSS) and the Defence Support Group (DSG) which was his primary focus during his last year with the Department.

TIM WALTON

Non-executive Director

Tim is an independent consultant and non-executive board director. He is an Independent Member of the Referrals Panel of the Single Source Regulations Office and is a Member of the Standards Policy and Strategy Committee of British Standards Institution Group. He has worked previously on private and public sector boards including NHS Direct, Highways Agency, Accent Group and the Operating Committee at the Department for Business, Innovation and Skills.

Tim has 30 years' experience in commercial, operations and technology executive roles mainly with Rolls-Royce but also with Arup and CH2MHill. Trained as a Metallurgist, he has an MBA and is both a Chartered Engineer and a Fellow of the British Computer Society.

GERAINT SPEARING

Chief Executive

Geraint Spearing became the Chief Executive of the Defence Electronics and Components Agency on 1st April 2015.

Geraint headed up various operational business units, along with the Corporate Support Services across the Defence Support Group, and latterly joined the Executive Board as Chief Operating Officer to June 2014 which included all UK operations and support areas, including the management of deployed operations in Afghanistan.

He took up the position as CE (designate) in June 2014 where he led the separation from DSG and formation and launch of the Defence Electronics and Components Agency (DECA) on 1 April 2015.

An experienced Chartered Director and Aerospace Engineer, Geraint is a Fellow of both the Royal Aeronautical Society and Institute of Directors. Geraint has a proven capability of running businesses and corporate support services through strong leadership and change management skills developed through repeated achievement of business objectives over his 29 year career in defence related businesses.

LIN LONGMAN

Finance Director

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

Lin qualified as a member of the Chartered Institute of Management Accountants (CIMA) in 1999 and has over 15 years' experience working at a senior financial level in both commercial industry and within the Ministry of Defence.

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

JASON LEEKS

Head of Strategy, Governance and Secretariat

Jason Leeks is the Head of Strategy, Governance and Secretariat at DECA and a member of the Chartered Institute for Procurement and Supply.

Jason began his MOD career in 1996 and has undertaken a number of important roles across Defence Equipment and Support (DE&S), MOD centre and the Air and Army commands.

Jason joined the Defence Support Group (DSG) in 2008 working in a vital strategy and governance role directly supporting the DSG Executive Board, before taking a leading role in developing and demonstrating the rationale for the strategic retention of DECA within MOD.



**WAYNE BAKER**

Operations Director

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

Wayne took on the role of Operations Manager at the Defence Support Group (DSG) Electronics and Components Business Unit in 2011 before assuming the role of DSG Ashchurch Head of Business, successfully doubling the size of the business through capability growth and the development of the centre of excellence for BOWMAN Fleet Management activities.

Throughout this time Wayne has also achieved a Masters in Engineering Business Management at Warwick University

IAN DOUGHTY

Support Services Director

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

Ian joined the Defence Aviation Repair Agency in 2004 as Production Manager, and progressed through to Operations Manager before assuming the role of Defence Support Group Head of Business Electronic Components Business Unit and Stafford in 2010.

In 2016, Ian was one of only a handful of MOD employees selected through open completion to join the prestigious Civil Service Future Leaders Scheme and has subsequently successfully progressed onto the final year of the programme, where Ian aims to further enhance his leadership capabilities for the benefit of DECA.

KEITH PAVETT

Commercial Director

Keith Pavett began his MOD career joining the MOD Procurement Executive in 1982. Keith was appointed Commercial Manager for Fixed Wing Aircraft for the Defence Aviation Repair Agency in 2000 and assumed the role of Head of Commercial for the Defence Support Group (DSG) Business Stream 2 successfully overseeing commercial activities for DSG Bovington, Catterick, Stirling, Colchester, Warminster, Ashchurch, Herrick Exchange Point and the Equipment Sustainability System Regeneration Capability in Bastion.

Keith has a Master's Degree in Business and Administration.

IAN COLE

Business Development Director

Ian was responsible for introducing in house engineering and calibration support tasks for the aircraft, aero structures and engines maintenance facility at RAF St Athan. Following a move and a term in the Fixed-wing Commercial arena, he was appointed Head of Business Development for the Fixed Wing Aircraft Unit at the Defence Aviation Repair Agency.

Upon cessation of Fixed wing Aircraft Operations at DARA Ian transferred and assumed the role of Head of Business Development at the Electronic and Components Business Unit, successfully establishing new tasks at Sealand site and also introducing in country solutions for Base Protection ISTAR and Counter Improvised Explosive Device support to deployed operations. This led to Ian being responsible for managing the highly successful Equipment Support Sustainability UK Support Team for deployed operations in Afghanistan.

Ian has a Master's Degree in Business and Administration.



BUSINESS OVERVIEW

GOING CONCERN

MOD created DECA as an Executive Agency on 1 April 2015. As an Executive Agency DECA is wholly owned by and is an integral part of MOD. DECA is tasked with covering its costs and making a profit by carrying out repairs, maintenance and overhaul tasks for MOD and commercial customers through long and short term contracts, but if required can obtain funding from MOD. DECA's assets and liabilities are contained within the overall balance sheet of MOD. DECA submits a rolling five-year Business Plan to the owner (MOD Head of Commissioning Services) for approval; this forms the basis of the DECA budget. A five-year corporate plan is also submitted to the minister responsible for the agency (Min(DP) for approval. Both plans include the long-term order book, endorsed by the MOD customer.

DECA's retention as a strategic asset of the MOD has been demonstrated following the announcement of the F-35 assignment for the Avionic Maintenance, Repair, Overhaul and Upgrade (MRO&U) in a joint arrangement, Sealand Support Services Ltd (SSSL). MOD holds a third equal shareholding in SSSL which is based at DECA's Sealand facility. DECA will support MOD in overseeing their element of the joint arrangement whilst also being a primary sub-contractor to SSSL in the delivery of the F-35 MRO&U program.

It is expected that DECA will continue to operate for the foreseeable future and has therefore adopted a going concern basis for the preparation of its Annual Report and Accounts.

PERFORMANCE SUMMARY

DECA achieved its planned level of profitability during 2017/18 with a net trading income of £2.5M. DECA also achieved delivery of at least 96% of its agreed customer performance programmes. Further details of performance are shown in the performance analysis on page 14.

RISK

The major corporate risks during 2017/18 were the non-achievement of the following:

- Managed Services – achieve programme delivery
- Efficiency – achieve the agreed level of efficiency
- Customer Demand – achieve planned levels of customer demand
- F-35 – Implement Tier 1 assignment and secure Tier 2 Components assignment

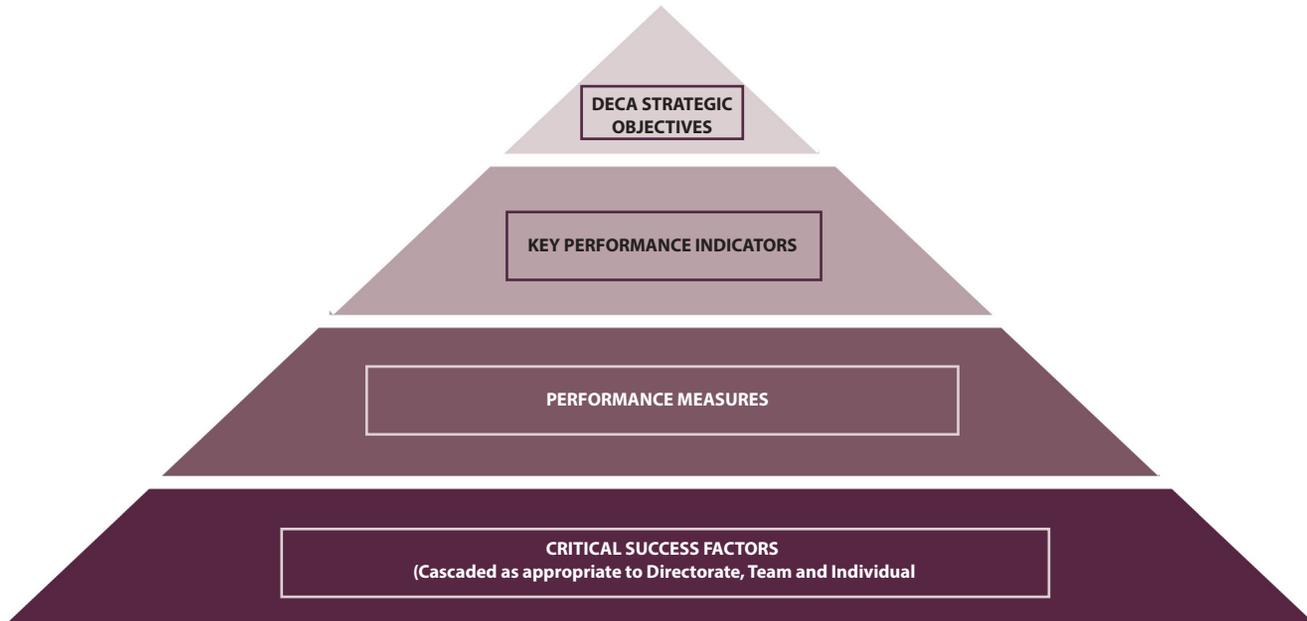


PERFORMANCE ANALYSIS

DECA measures its performance against its strategic objectives which are set out in our Corporate Plan. Our performance framework captures our areas of focus and

aligns these with outcomes. We also closely monitor any risks and uncertainties that will prevent us from achieving our outcomes.

THE DECA PERFORMANCE MANAGEMENT HIERARCHY



The performance management hierarchy above is designed to provide clear indicators and allow measurement of performance in areas critical to DECA from an Owner, Customer and Agency perspective. These are cascaded, with clear accountabilities, throughout all levels of the Agency. Progress towards achieving these indicators is measured regularly and reviewed at the DECA Executive Management Board.

The DECA Strategic Objectives (DSOs) are developed and agreed with the Owner and DECA Board with input from relevant Customer stakeholders to ensure they encompass all aspects of running the business, whilst also meeting the needs of our Owner and Customer.



KEY PERFORMANCE INDICATORS FOR 2017/18

In line with DECA's ministerial endorsed purpose and aim, and in order to maintain Agency efficiency and alignment with MOD planning assumptions and strategic priorities, DECA developed Key Performance

Indicators (KPIs) for 2017/18 with the MOD Owner and Customer focal point. The KPIs were approved through the 2017/18 Corporate Plan with the DECA Board and MOD Owner.

KPI 1: Financial Performance	Operating efficiently and effectively as a stand-alone MOD Agency by: <ul style="list-style-type: none"> achieving a less than 2% variation in forecast accuracy (see note 1) achieving at least the planned level of profit agreed in Year 1 of the Plan 	Achieved
KPI 2: Quality	Successfully operating the business to deliver the plan whilst maintaining the quality of products, services and processes by: <ul style="list-style-type: none"> achieving zero attributable major customer concerns in 2017/18 reviewing, developing and agreeing a revised minor attributable customer concerns measure aligned to customer volume 	Achieved
KPI 3: Customer Satisfaction	Delivering the agreed DECA Customer Programmes, associated support and services by: <ul style="list-style-type: none"> achieving delivery of at least 96% of agreed DECA Customer Programmes in 2017/18 	Achieved
KPI 4: Efficiency	Delivering the levels of transformation, efficiency and cost reduction agreed with the Owner by: <ul style="list-style-type: none"> delivering a 4% increase in Direct Labour Utilisation against the 2016/17 baseline achieving at least a 1% reduction in operating costs in Year 1 of the plan developing and agreeing a DECA Enterprise Transformation strategy 	Achieved
KPI 5: Business Development	Sustaining the Agency and achieving the planned levels of business growth agreed with the Owner and Customer by: <ul style="list-style-type: none"> continuing to develop the business development strategy to achieve the planned levels of business growth in Year 1 of the plan 	Achieved

Note 1: The 2% savings are based upon production overhead costs (See page 27) and do not reconcile to the primary financial statements.

PERFORMANCE MEASURES FOR FINANCIAL YEAR 2018/2019

The proposed KPIs for 2018/19 are:

KPI 1: Financial Performance	Operate efficiently and effectively to: <ul style="list-style-type: none"> achieve a less than 2% average variation in forecast accuracy achieve at least the planned level of profit agreed in Year 1 of the Plan
KPI 2: Quality	Successfully operate the business to deliver the Plan whilst maintaining the quality of products, services and processes to: <ul style="list-style-type: none"> achieve zero attributable Major customer concerns in 2018/19 maintain DECA quality performance against the established baseline for minor customer concerns
KPI 3: Customer Delivery	Deliver the agreed DECA Customer Programmes, associated support and services to: <ul style="list-style-type: none"> achieve delivery of at least 96% of agreed DECA Customer Programmes in 2018/19
KPI 4: Transformation and Efficiency	Deliver the levels of transformation, efficiency and cost reduction agreed with the Owner to: <ul style="list-style-type: none"> deliver 3.5% increase in Direct Labour Utilisation against the 2017/18 baseline achieve at least a 1% reduction in operating costs in year 1 of the Plan develop a benefits tracking tool to capture DECA's enterprise value to Defence and establish measures for achievement of future enterprise savings
KPI 5: Sustainment of Business Growth	Achieve the planned levels of business growth agreed with the Owner to: <ul style="list-style-type: none"> achieve the planned levels of business growth in year 1 of the 2018/19 business plan





BUSINESS PERFORMANCE REVIEW

OVERVIEW

Our primary purpose, as a trusted partner to MOD and industry, continues to focus on supporting the UK's armed forces by delivering an assured capability and developing and growing the DECA skills and capabilities necessary to discharge this both now and in the future.

2017/18 continued to see DECA maintain critical outputs to customers and increase levels of delivery performance (which has remained above contracted targets) with no major quality concerns during the year. In keeping with our purpose, DECA has continued to significantly invest in its capabilities, infrastructure and people. All of these achievements have been realised against strict cost control measures which successfully delivered the financial plan whilst realising a greater than 2% reduction against planned production overheads. (See page 27)

Additionally, the period of this report, has seen the continued deployment of the DECA Business Development sector strategies across the traditional Air Domain and also Land, Maritime and Joint Enabler environments. This focus on expanding our customer base and growing our capabilities and product ranges has resulted in the consolidation and growth of DECA workload both now and in the future. This growth continues to be enhanced through the establishment of the 10-year DECA Tasking Agreement (DTA) with MOD and enduring partnering agreements with key Industry partners and Original Equipment Manufacturers.

Following successful assignment by the US Department of Defense, Joint Programme Office (JPO) of global Maintenance, Repair, Overhaul, Upgrade and Sustainment Services for F-35 components, the MOD, along with the Sealand Support Services Limited Joint Venture industry partners (Northrop Grumman and BAE Systems), has focused on establishing an accelerated F-35 operating capability at DECA Sealand. These activities have included working with Original Equipment Manufacture partners to implement the Depot Maintenance Activation Plan, as well as investment in test equipment and investment in infrastructure.

With vigilance and continued emphasis on safety in the workplace, DECA achieved zero reportable incidents involving employees during the year. In addition, DECA continued to monitor closely the working environment to mitigate any risk and to ensure incidents continue to decrease whilst looking to constantly improve our incident reporting culture.

Environmental management is a high priority for DECA where the Agency has continued to drive improved performance to support wider government initiatives and targets. The delivery of the second phase of the Sealand Boiler Upgrade Programme is demonstrable evidence of DECA's commitment to environmental management. Equally DECA maintained its outstanding performance in waste management by diverting 90% of its waste from landfill of which approximately 70% was recycled and any incinerated waste was managed through energy considerate methods. Priority areas for DECA focus in future years will continue to target world class waste management, initiatives driving increased energy efficiency, associated reduction in CO2 emissions as well as reduction in paper and potable water consumption.

The primary focus for the commercial team during the year has been to support the business in ensuring that new products and services are developed and contracted. Substantial support has been provided to ensure that all sales contracts and agreements are taut and appropriate. Contracts and agreements have also been renewed or extended as required. In addition to this, procurement contracts for DECA goods and services continue to be reviewed, amended or replaced to ensure that they deliver improvement and efficiencies. An example of this was the successful tender and appointment of a new provider of the DECA Total Facilities Management Contract. It is anticipated that both efficiencies and improvements in services will be achieved through the new contracting agreements.



UK F-35 Lightning II landing at Marham

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DECA TRANSFORMATION PROGRAMME (DTP)

Following successful F-35 avionic component MRO&U, non-air vehicle assignments and continuing development of strategic opportunities to align DECA within the defence supply chain, the business has continued to explore ways to improve both in terms of efficiency and delivery.

This has resulted in the further development of an approved Transformation programme that has seen the Agency move from a business providing support for largely legacy Air platforms to one that competes on a global scale, alongside industry partners, to provide market leading solutions to a wide range of customers across MOD and wider Defence.

Further transformational activity this year has included the development of a bespoke single framework through which the business can deliver significant change programmes in the key strategic elements of Leadership, Delivery and Enabling areas of People, Technology, infrastructure and Process as shown in Figure 1.

The key part of the Transformation Programme approach is that there is one single framework that overlays all of DECA's strategic programmes of work to reflect that there can only be one enterprise, but with numerous strategic programmes to further support the business.

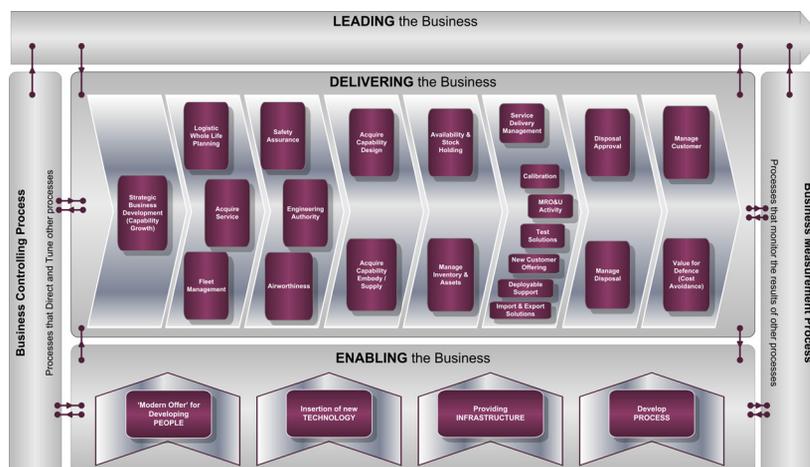
A Programme Management Office is being established to support this framework and provide standard processes and procedures to enable the delivery of projects and programmes. A key achievement this year

has been the creation of the new managed service offering from DECA that will create value for both new and existing customers.

During the year we have invested significantly in the development of capabilities and people including creation of an internal training competency to carry out courses to the standard of IPC J-Standard 001. The team have also qualified as IPC Licensed J-STD-001 certified IPC trainers. To supplement this DECA has also become the first organisation in Europe to train staff as 'Fibre Optic Fabricators'. This training builds techniques of manufacture, installation, support, integration and testing of fibre optics systems to the internationally recognised standard SAE 5602. Both of these examples will help support the business growth we are experiencing in this area and further improve our service to front line commands and DE&S.

Process engineering is a key part of DECA's transformation journey and work has commenced on complementary Sales & Operational Planning (S&OP) processes across the business. The primary objective of this work was to assess the resilience of current DECA processes and improve these where necessary and appropriate to do so. The vision for the project is delivering a new integrated business planning model in line with the evolving business. Development and mobilisation of this new model will see DECA move away from traditional S&OP activities. S&OP is the first project to be adopted and governed by the newly proposed DECA Project Management Office.

Figure 1





INVESTMENT AND CAPABILITY DEVELOPMENT

During the year, DECA has continued to invest further in its people and technology to broaden both the Agency's technical and supply chain capabilities. This included significant investment in a Compact End-to-End Tester (CETET) capability. This new test equipment and associated training will support the calibration requirements of the electronic warfare Defensive Aids Sub-System (DASS) on various platforms including Merlin, Wildcat, Chinook, Voyager, Airseeker, C130J, and A400M. Further investment in training was made at DECA Stafford to enable personnel to deploy both in the UK and across the globe in support of Airseeker.

Once again there has been a sustained focus on the upgrade of DECA's estate and buildings to deliver enhanced efficiency and sustainability in order to reduce the Agency's environmental impact as already highlighted in the business performance overview. In addition and reflecting the continual upgrade in operational capability at the Sealand Site, the previously mothballed Cryptographic Store facility was recommissioned and immediately put to productive use to help deliver a commercial contract. Additionally,

in support of Tornado 'Reduce to Produce' and MOD's readiness of RAF Marham to accept F-35 aircraft, a range of storage facilities at Sealand were recommissioned. At the same time, security enhancements have been carried out at the DECA Stafford site in readiness for F-35 Non Air Vehicle work.

In order to keep pace with emerging technologies and maintain DECA's strategic position in the electronic testing and repair market, DECA and MOD will continue to look to secure investment in new capabilities and test technology in support of MOD's agreed strategic requirements. This has and will continue to help ensure DECA's 'open architecture' approach continues to provide MOD with assured capability and interoperability of test systems, regardless of OEM supplier.





WINNING BUSINESS

Throughout 2017/18, the joint DECA and DE&S DECA Management Office (DECAMO) has been working with DE&S Commercial staff to establish a new and replacement tasking agreement. Designed to make tasking DECA easier and more agile, the new 10 year DECA Tasking Agreement (DTA) will become effective from the 1st April 2018.

During this period, we have continued to work closely with DE&S to establish DECA as a strategic managed service provider in support of wider MOD Transformation. The DECA Managed Services Team has been established at Sealand and the transfer of activities from Air Commodities Delivery Team has commenced. Additionally, the Force Protection Delivery Team are looking to implement a Managed Service for a range of Electronic Counter Measures equipment. DECA will continue to work with MOD to implement and grow these services, providing manpower savings, efficiencies and improved inventory performance.

In addition to continuing to deepen capabilities to repair and develop innovative solutions for a wide range of Typhoon electrical and fibre-optic cables, calibration support and consultancy activities, 2017/18 has seen DECA establish key Typhoon test, repair and support capabilities. These capabilities include the installation and commissioning of a Generator Test Stand and General Purpose Automatic Test Equipment at Sealand. 2017/18 has also seen our staff deploy to RAF Coningsby to support the Typhoon Tranche 1 Reduce to Produce Programme to recover key electronic and avionic components and store these at Sealand for future support of the Typhoon fleet.

Building on our experience of providing a 'reduce to produce' service for the Typhoon aircraft at Sealand and RAF Coningsby, DECA has expanded its capabilities to provide similar services for Tornado aircraft as it is retired from UK service but with opportunities with industry partners to support overseas partners going forward. This has resulted in an initial 3,500 items being managed by DECA at both Sealand and RAF Marham.

Our innovative capability to recover discarded components through test and repair or replacement of sub-components has also identified substantial cost avoidance savings and efficiencies over the life of in-service platforms.

DECA has continued to make significant progress in extending its capabilities across the Land and Maritime domains including development of test and repair schemes for a wide range of systems and components

including the Spey Engine, Naval Target Designation Binoculars, Bowman Communication Headsets, Ground Based Surveillance Systems and a variety of ISTAR Electronic Counter Measure equipment.

Our support to overseas deployments has continued throughout the year and has provided support to a range of MOD customers and Original Equipment Manufacturers. Activities have included calibration and support to UK and overseas platforms such as Typhoon, Apache, Merlin and Sentry. In order to enhance our deployed capabilities, we have invested further to create a team that is ready to deploy both in the UK and overseas under Support to Operations to provide support for a range of Ground Support Equipment for platforms such as Airseeker.

Additionally, DECA's mobile Cryptographic Team have continued to deliver critical support to MOD around the UK and in operational theatres as well as completing work on the UK's new Queen Elizabeth Class aircraft carrier and the 5 new Offshore Patrol Vessels.

DECA Stafford continues to grow its capabilities not only in readiness for F-35 Non Air Vehicle components and equipment but also across a wide range of Defence support activities. As well as being recognised as the end-to-end service provider for Short Term Air Supply equipment, our Stafford facility has supplied both MOD and Industry with a range of support equipment including the manufacture of C17 Joint Air Transport Establishment Boards, Special To Type Containers for the Puma Main Rotor Blades. Rationalisation of the Stafford footprint and infrastructure continues to deliver business improvement and efficiencies.

DECA continues to support MOD as its subject matter experts in the Automatic Test Systems engineering environment. This position has been consolidated through a series of conferences, feasibility studies and capability demonstrations with both Government and Industry bodies. We also remain the lead for MOD in developing the Institute of Electrical Engineers Standards Associations standard for Test Programme Set transportability and in the continuing and maturing joint working with the US Department of Defense on developing solutions for avionics test programmes. DECA's Test Solutions Team has also deployed to provide essential urgent operational support to HMS Ocean and HMS Westminster during the year. This vital support has ensured that both vessels could continue their defence roles as well as providing humanitarian aid.





HMS Vigilant a vanguard class submarine training off Scotland

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BUSINESS DEVELOPMENT STRATEGY

During the year, DECA has continued to focus on deploying its Business Development Sector Strategies, while re-enforcing DECA's raison d'être in the Defence market place. Throughout this accounting period, Business Development activities have continued to successfully build on the previous year's efforts, working with the MOD, platform primes and Original Equipment Manufacturers. DECA has continued to develop organic repair capabilities to meet our changing customer requirements including MOD partners in DE&S & Dstl. Through joint work with MOD and Industry strategies and relationships continue to be enhanced to establish DECA as the UK's avionics and support equipment hub in Europe and provider of managed services across the tri-service defence environment.

F-35 has been at the forefront of DECA's strategic activity over the last two years and this will continue post the F-35 Joint Program Office assignment to Team UK (MOD, BAE Systems and Northrop Grumman) of Tier 1 F-35 Component Maintenance, Repair, Overhaul and Upgrade (MRO&U) for the European region in Nov 16. F-35 will provide a core element of UK Combat Air capability until at least 2050; as such, the UK has a major stake in success of the program and remains committed to delivering best value for the F-35 enterprise which includes the delivery of an efficient and cost effective MRO&U service which supports the UK Government's Industrial Strategy.

The release of the F-35 Tier 2 Component MRO&U Request for Information (RFI) by JPO in July 17 provided the opportunity for the UK, together with our industry partners, to build on our previous assignment successes. With all European Partner Nations competing, Team UK exploited the strategic, industrial and economic logic that underpinned the UK's value proposition from Tier 1 to produce a compelling proposal to meet the needs of the global F-35 enterprise for Tier 2; assignment by JPO is expected in Nov 18.

DECA is a key supplier for the UK F-35 MRO&U solution delivery from the Sealand site and supported by our partners, the opportunity to deliver a rationalised sustainment solution which is optimised to deliver the F-35 Enterprise MRO&U requirements remain at the forefront of our planning. Implementation planning for the procurement and delivery of a wide range of F-35 components has been developed.

In parallel, DECA continues to be considered at the forefront of the Support Solution Envelop for future Unmanned Air Systems (UAS) platforms. Work on

existing UAS Systems is also being jointly undertaken with DE&S to establish where DECA can support in resolving obsolescence issues. Additionally, DECA is exploring and developing opportunities to partner with UK based Defence companies to provide obsolescence support to international customers in partnership with key strategic industry partners and Original Equipment Manufacturers in the Land environment. Success in these arenas provides great potential for DECA to significantly contribute to the Government's Prosperity agenda.

MARKETING AND BRANDING

DECA has continued to work closely with MOD's Defence Directorate of Communication to ensure rigour and consistency of message behind the DECA brand with DECA increasing its visibility within MOD and the wider Defence marketplace. DECA has continued to promote and widen knowledge of DECA capacity and capability both internally within MOD and through attendance at external events such as the Royal International Air Tattoo and Defence and Security Equipment International (DSEI) to support generation of new work.

BRIBERY AND CORRUPTION

There were zero instances related to Bribery or Corruption in 2017/18 (2016/17: Nil). All staff have been made aware of the fraud and whistleblowing policies. All staff undertake a rolling 3 year programme of mandatory training in respect to counter fraud, bribery and Corruption.

OUR ENVIRONMENTAL IMPACT

It is our policy to manage our organisation in the most environmentally responsible manner, to comply with the applicable environmental legislation and with any other requirements necessary. Our direct environmental impacts include the greenhouse gas emissions associated with business travel and energy use, water use, paper consumption and waste generated in our buildings. We have challenging sustainability targets in all these areas; the related data is shown in the sustainability report on page 23. We assess the environmental impact of our activities and use an environmental management system to provide a framework for setting and reviewing environmental targets to support continuous improvement. We recognise the importance of independent assurance and have continued to maintain ISO 14001:2015 certification for our environmental management system.





Soldiers from the 1st Battalion patrolling Lashkar using a Husky

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SUSTAINABILITY REPORT 2017/18

GREENHOUSE GAS (GHG) EMISSIONS DATA

DECA is committed to managing our business in the most environmentally responsible manner and continuously seeking to enhance our sustainability, whilst complying with applicable environmental legislation and with any other requirements necessary. DECA aims to contribute positively to the Greening Government Commitment (GGC), which sets out the actions UK government departments and their agencies will take to reduce their impacts on the environment in the period 2016 to 2020. DECA sets stringent targets which align with the GGC, with the Primary DECA target for 2017/18 being to achieve a 5% reduction in Green House Gas (GHG) emissions compared to the previous year.

The target was developed in conjunction with the UK MOD Sustainment Delivery Plan which is broken down into three specific scopes; these are

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

DECA drove a wide range of environmental improvement initiatives, including substantial investment in an innovative boiler scheme which significantly reduced gas consumption, as well as enhanced building management processes and installation of LED lighting to reduce electricity consumption. DECA also benefited from electricity generating companies moving to an increased proportion of renewable energy sources, which resulted in a lower 'carbon equivalent' content in the energy supplied to DECA. As a result, DECA exceed

the 5% reduction target in both Scope 1 and 2, with impressive reductions of 22% and 28% respectively.

In response to very positive progress around DECA's ambitious business growth plan, which includes F-35 Component Repair, the requirement for business travel increased during the year. This was driven primarily by our partnership approach, working with upwards of 15 US and UK based organizations. Development of this opportunity, in particular the scale and value necessitated frequent national and international travel. In addition, DECA saw an increase in demand for mobile and deployed services and an enhanced programme of customer engagement.

DECA continued to invest in technology and to promote the use of video conferencing and teleconferencing to eliminate the need for travel wherever practicable. In addition, DECA maintained stringent controls throughout the year to ensure that where travel was unavoidable, it was conducted as efficiently as possible to minimize environmental impact. In particular, DECA ceased to operate a fleet of 'pool' cars, moving to a more efficient and flexible vehicle rental solution, matching the smallest suitable and hence lowest emission vehicle to the proposed journey.

These steps had an extremely positive impact, although the growth in business activity led to a net increase in travel and thus an increase in emissions within Scope 3. Nevertheless, due to the impressive reductions in Scopes 1 and 2, overall DECA exceeded its GHG reduction target.

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

	Type	Baseline	Target	Reporting period
Scope	GHG	2016/17 Kg Co2e	5% reduction total	2017/18 Kg Co2e
1	Gas	1,149,707	1,092,222	891,128
2	Electricity	2,566,973	2,438,624	1,835,932
3	Travel	141,516	134,440	161,501



DECA MANAGEMENT OF WASTE

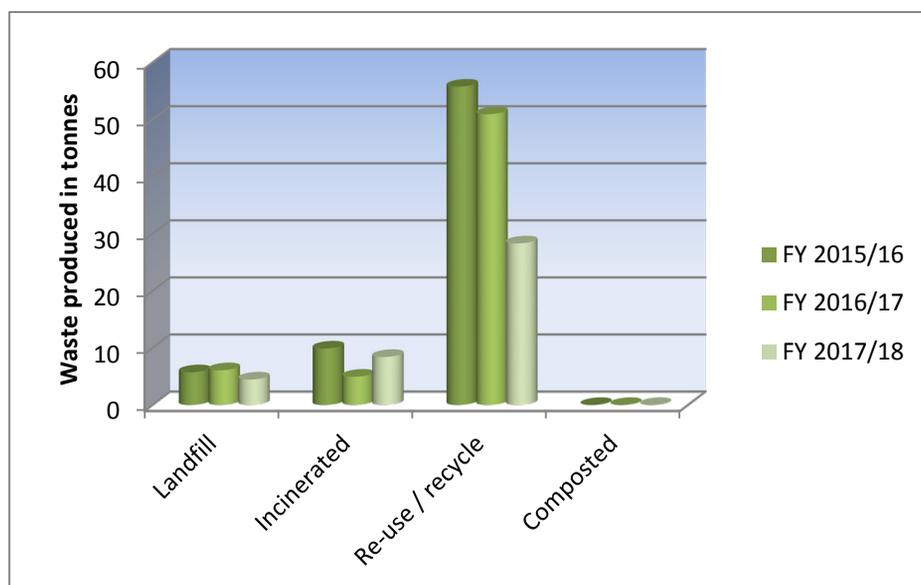
DECA is justifiably proud of its waste management processes which consistently achieve outstanding levels of waste management performance. DECA is committed to constantly striving for waste reduction across all areas of the business and in particular aiming to maintain diversion from landfill at around 90%.

Against a backdrop of supporting an ever growing range of tasks in land, air, sea and joint enabler's domains, DECA has achieved a reduction in waste produced year on year. In 2016/17 DECA achieved an impressive 13% reduction in waste produced, yet this was exceeded in 2017/18, reducing waste produced by an outstanding 33%, as evidenced in the table below.

In addition, in 2017/18 DECA achieved its target of 90% diversion from landfill, by recycling 70% and incinerating 20% of its produced waste. A further environmental benefit was that the incinerated waste also provided an energy return recovered via the incinerator plant.

DECA fully utilises MOD's disposals agency (DESA) to ensure that obsolescent, redundant, life expired, beyond economic repair and scrap equipment is returned to MOD for repurposing wherever possible or disposal through an environmentally responsible route, which also enables MOD to recoup any residual monetary value. Accordingly, DECA's waste report does not include these items.

Waste category		FY 2015/16		FY 2016/17		FY 2017/18	
		Tonnes	%	Tonnes	%	Tonnes	%
Hazardous	Landfill	0	0	0	0	0	0
	Incinerated	9.0	90	4.1	51.6	7.6	93.5
	Re-use/recycle	1.0	10	3.9	48.4	0.5	6.5
Non-Hazardous	Landfill	5.7	9	6.1	11.3	4.5	13.4
	Incinerated	0.9	1	0.9	1.6	0.9	2.6
	Re-use/recycle	54.8	90	47.1	87.1	27.8	84
	Composted	0	0	0	0	0	0
Total waste	Landfill	5.7	8	6.1	10	4.5	10
	Incinerated	9.9	14	5	8	8.4	20
	Re-use/recycle	55.8	78	51	82	28.3	70
	Composted	0	0	0	0	0	0
Total		71.4		62.0		41.2	





FINITE RESOURCE CONSUMPTION

To maintain and develop its long term sustainability whilst minimizing its environmental impact, DECA is committed to reducing its consumption of finite resources. In alignment with the GGC, DECA sets specific targets and in 2017/18, the primary target was intended to drive a reduction in the consumption of paper. In an important step, DECA have ensured that only 100% recycled paper is purchased. In addition, an ambitious plan included initiatives such as the elimination of printing wherever possible by mandating electronic circulation of meeting 'packs' and upgrades to meeting room display facilities, centralization of printers, additional print controls and double sided printing by default. As a result, a significant reduction was achieved in 2017/18, as evidenced in the table below.

Paper Reams	2015/2016	2016/2017	2017/2018
A4	1,780	2,575	1,736
A3	0	30	15
Total	1,780	2,605	1,751

DECA plan to increase the level of granularity in paper consumption to enable a better understanding of the specific areas and drivers, to further reduce the consumption of paper.

In the future years the focus will be on reducing finite resource consumption by aiming to target a reduction in potable water consumption

SUSTAINABLE PROCUREMENT AT DECA

DECA promotes the procurement of sustainable and efficient products whilst, reducing the impact of the supply chain on the environment. The Agency embeds efficient procurement practices. Our procurement strategy includes utilising MOD frameworks for a range of avionic piece part spares and the use of

Crown Commercial Service framework contracts for all common goods and services and we are subject to the Sustainability Policy which it operates.

The Department promotes sustainability in procurement by:

- working closely with its suppliers – particularly in the areas of catering, cleaning, to improve sustainable processes and the use of products• buying products and services which are less environmentally damaging;
- complying with environmental legislation and regulatory requirements
- including relevant environmental conditions or criteria in specifications and tender documents, and evaluating supplier offers accordingly
- raising awareness of environmental issues within the Department, and amongst suppliers and contractors
- our Facilities Management provider is working with its supply chain to improve sustainability for example working with our catering provider to ensure the disposable containers and cups used are environmentally responsible to reduce waste associated impacts on the business also certified Carbon Neutral.
- all our Waste Electrical and Electronic Equipment disposal complies with the WEEE (Waste Electrical and Electronic Equipment) regulations for disposal of equipment through Ministry of Defence disposal sources

Our Total Facilities Management supplier is ISO 14001 accredited.





PEOPLE

Recognising our position as an Executive Agency of the Ministry of Defence, DECA's innovative Human Resources and People Strategy aims to blend the best of Civil Service values with best of industrial efficiency and delivery. DECA recognises that our people are our greatest asset and are the key factor in enabling capability growth and efficiency improvement. In response our Human Resources and People Strategy, aims to support the vision through the development of a 'modern offer' to attract and retain talented and flexible personnel to meet evolving customer requirements.

325 employees operate from DECA's Centre of Excellence for MRO&U based at Sealand, North Wales (within the Deeside Enterprise Zone) and a further 81 employees operate from our satellite site in Stafford, our customer base at Abbey Wood and various other deployed locations according to customer needs.

DECA is fully committed to open and honest engagement with our people and employs a wide range of modern channels to achieve regular and effective two way dialogue. Amongst these, the 2017 Civil Service People Survey (CSPS) provided a useful barometer of employee views. Whilst we saw a drop in the employee engagement index to 34% the increased level of participation (93%) informed our business planning processes with employee opinions on a wide range of management topics. It is clear that DECA still has the opportunity to build overall employee engagement. Consequently, DECA leaders, in partnership with our recognised Trades Unions (innovatively also including support from ACAS) are taking forward a dynamic programme of action to increase the opportunities for employees to voice their opinions throughout the organisation.

DECA's Pay Remit for 2017/18, which fully complied with HM Treasury Civil Service Pay Guidance, was approved by Minister for Defence Procurement and was successfully negotiated and implemented, whilst avoiding dispute with the Trades Unions.

LEARNING & DEVELOPMENT

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

DECA has implemented an internal DECA Development Programme, open to all employees, with two overarching goals; the need for individuals to maximise their potential and DECA's need to obtain maximum benefit from its employees. The programme seeks to enhance an individual's performance in their current role, to encourage and foster innovation and creativity, to support individuals, teams and the organisation in engaging positively and productively with the impact of ongoing transformation and to support DECA and its future.

To further develop management capability, DECA has also introduced a Management Development Programme, which has been designed to meet the needs of new managers and refresh & update the knowledge of more experienced managers. The programme comprises a number of modules and seeks to develop managers in areas such as engagement, managing diverse teams, managing projects and risks, leading change and effective communications.

DECA continues to encourage employee participation in new development opportunities such as MOD apprenticeships and Positive Action Pathway and remains an active participant in the Civil Service Senior Leaders Scheme (SLS), the Future Leaders Scheme (FLS), the MOD's High Potential Development Programme and Means of Identifying Internal Talent (MIDIT) scheme. It has also aims to expand innovative internal secondment career opportunities.

The DECA Apprenticeship Scheme has been reinvigorated with recruitment at Sealand and Stafford to deliver new capability and skills. MOD Civil Service Apprenticeships, conversion training for adult learners and Internal Development Schemes will continue to address access to training programmes to meet future business needs.



FINANCIAL PERFORMANCE REVIEW

TRADING RESULTS

DECA successfully completed its third year as an Executive Agency with a net operating income of £2.511M which was in line with the plan.

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

	FY 17-18		FY 16-17	
	Plan £m	Actual £m	Plan £m	Actual £m
Turnover	23.969	24.297	24.432	23.570
Non Turnover Receipts	0.411	0.327	0.355	0.355
Total Operating Income	24.380	24.624	24.787	23.925
Variable Costs	0.333	1.016	0.398	0.608
Production Overheads	21.536	21.097	22.161	20.884
Total Operating Expenditure	21.869	22.113	22.559	21.492
Profit	2.511	2.511	2.228	2.433

Note: The figures above are contained within Statement of Comprehensive Income (Page 48) and Statement of Cash Flows (Page 50)

As part of the Corporate Bonus Scheme any surplus profit above plan can be distributed to all employees below SCS level. 100% of surplus profit, £109K was awarded in 2017/18 (40%, £110K in 2016/17)

CASH FLOW AND FUNDING

DECA was able to repay the department its short term liability of £2.228M. Cash flow remained strong, despite there being a level of accrued revenue.

CAPITAL INVESTMENT

The Capital investments made during the year were for a replacement of High Voltage/Low Voltage switch gear (£0.046M), Phase two Boiler Replacement (£0.164M), IT Equipment (£0.077M) and initial Calibration Laboratory Design Stage (£0.010M).

APPROVAL

The performance report is approved.



Geraint Spearing
Accounting Officer
6 July 2018

At the 31st March 2018 the land and buildings occupied by DECA and all capital equipment's were revalued following the application of MHCA Indices provided by the MOD. One building at the Sealand site was re-instated in year, equating to £0.170M (See note 6).

ADMINISTRATION AND ACCOUNTING

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





ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT BOARD OF DIRECTORS

Directors who served during the year were:

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

Non – Executive Directors who served:

- Alex Jablonowski Chairman (Non-executive Director)
- Peter Shortt Non-executive Director
- Tim Walton Non-executive Director
- Luke Dearden MOD Non-executive Director (start date 31st July 17)
- Elliot Brinkworth MOD Non-executive Director (end date 31st May 17)

RAF Odiham HC3 Chinook on the pan at
RAF Leeming hot-point refuelling

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DIRECTORS REPORT

For the majority of the year there have been 4 non-executive directors who are detailed below. In addition there were three executive directors on the DECA Agency Board, Geraint Spearing (Chief Executive), Lin Longman (Finance Director) and Jason Leeks (Head of Strategy, Governance and Secretariat).

Non-executive directors are appointed by the Secretary of State for Defence. Board members provide a valuable contribution to the ongoing work of DECA. The current Non-executive Board members are listed below.

Non-Executive Director	Date of original appointment	Date current or most recent appointment ends	Current Term (Years)	Audit & Risk Assurance Committee	Remuneration Committee
Alex Jablonowski	1st April 2015	31st March 2019	2		
Peter Shortt	1st July 2015	30th June 2019	1	Chair	
Tim Walton	1st July 2015	30th June 2019	1		Chair
Luke Dearden	31st July 2017	30th July 2019	2	✓	✓
Elliot Brinkworth	1st April 2015	31st May 2017		✓	✓

Note: Alex Jablonowski was appointed on a two-year contract which has been extended by a further two-years. Peter Shortt and Tim Walton are appointed on a three-year contract and extended by a further one-year.

DOMICILE

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

DECA Board held any company directorships or other significant interests out with their DECA positions which would provide conflict with their DECA positions.

COMPOSITION OF MANAGEMENT BOARD

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

REMUNERATION PAID TO THE AUDITORS FOR NON-AUDIT WORK

DECA made no remuneration to the auditors for non-audit work in the financial year. 2017/18. (2016/17: Nil)

PENSION LIABILITIES

Details of the pension liabilities and their treatment is contained within the Remuneration and staff report on Page 43 and in the notes to accounts.

SICKNESS ABSENCE

DECA's sickness absence data is shown in the Staff Report which can be found on page 43

COMPANY DIRECTORSHIPS AND OTHER SIGNIFICANT INTERESTS HELD BY BOARD MEMBERS

Geraint Spearing held a non-executive directorship of Mod's joint arrangement SSSL. No other directors of the

REPORTING OF PERSONAL DATA RELATED INCIDENTS

There are no reported personal data related incidents for the financial year 2017/18. (2016/17: Nil)



STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Section 7 (2) of the Government Resources and Accounts Act 2000, HM Treasury has directed DECA to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must:

- a) give a true and fair view of the state of affairs for DECA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the agency for the financial year then ended; and
- b) Provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

In preparing the accounts, the Accounting Officer (AO) 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 has been followed, and disclose and explain any material departures in the financial statements;

- Prepare the financial statements on a going concern basis

The AO of the Ministry of Defence designated the Chief Executive as AO of DECA for the year 2017/18. The responsibilities of an AO, including responsibility for the propriety and regularity of the public finances for which the AO is answerable, for keeping proper records and for safeguarding DECA's assets, are set out in Managing Public Money published by HM Treasury.

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

I confirm that the Annual Report & Accounts as a whole gives a fair, balanced and understandable view of DECA's activities for the year ended 31st March 2018 and its financial position as at 31st March 2018.

I confirm also that I am personally responsible for this Annual Report & Accounts and the judgements required for determining that it is fair, balanced and understandable.



HMS Westminster during humanitarian efforts
© Crown Copyright







GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

I was appointed as Accounting Officer for the Agency on its formation on 1st April 15 with responsibility for the preparation of these third DECA Agency Accounts for 2017-18. As Accounting Officer, I must be able to assure Parliament and the public of high standards of probity in the management of public funds.

The Annual Report and Accounts for 2017/18 as presented here have been produced under the guidance and oversight of the members of the Audit and Risk Assurance Committee.

In order to sign this statement, I can confirm that I have sought advice and assurance from various sources including:

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

GOVERNANCE FRAMEWORK

From the reviews I have undertaken, I believe the Governance Structure and systems of Internal Control within DECA, to the extent that it is deemed relevant and practical, have followed the requirements of the good practice guidance laid down in HMT Corporate Governance in Central Government Departments: [Code of Good Practice 2017](#). The Governance Policy and processes were defined and agreed through the DECA Framework Document prior to Agency launch and were subject to review and Defence Internal Audit throughout 2016/17 where arrangements received substantive assurance. Further work throughout 2017/18 has ensured that DECA Corporate Governance remains in line with best practice.

The governance structure in place during 2017/18 was as follows:

- **DECA Performance and Risk Review**, the P&RR was chaired by MOD's Director of Commissioning Services (DCS) who is the Departmental Sponsor with delegated responsibility for oversight of DECA on behalf of MOD's Permanent Under Secretary

and the Minister for Defence Procurement. The permanent membership of the P&RR comprises DCS, DECA's Department NED, DECA Chairman and the Chief Executive of DECA. The P&RR supports and advises the Sponsor on the review and setting of DECA's strategic objectives, and the approval of the Corporate Plan and major business decisions that will affect DECA's strategic direction and performance. The P&RR met two times during the year.

- **DECA Board**, the Board was chaired by our independent Non-Executive Chairman (NED) and comprises three additional NEDs, one of whom is the departmental NED as representative of Director Commissioning Services, DECA's Chief Executive, Finance Director and Head of Strategy. The main responsibilities of the Board are to provide expert advice, challenge and guidance to the Executive Management Board including reviewing the performance of DECA against the Corporate Plan, DECA's risk appetite and controls for risk management, and developing and endorsing the Corporate Plan and Annual Report and Accounts. The Board met five times during the year.
- **Audit and Risk Assurance Committee (ARAC)**, the ARAC is a sub-committee of the DECA Board which was chaired by our independent NED, with the departmental NED also a member. It is attended by invited members of DECA management, the NAO and our appointed Internal Auditors, Defence Internal Audit (DIA). The main responsibilities of the ARAC were to support the Board and Chief Executive, as Accounting Officer, in monitoring DECA's corporate governance, risk and control systems. The ARAC met four times during the year. The Chair of the ARAC reports to the DECA Agency Board on its proceedings. The Internal Audit service is undertaken by Defence Internal Audit (DIA), the in-house audit function for the MOD. Operating to standards defined in the Public Sector Internal Audit Standards it has carried out on my behalf independent checks on the adequacy and effectiveness of DECA controls.
- **Remuneration & Nomination Committee (RENCO)** is a sub-committee of the DECA Board.

Geraint Spearing, DECA Chief Executive with Air Cdre Adrian Williams during the RAF 100 Baton Relay event at DECA





With due regard to HM Treasury Civil Service Pay Guidance, it reviews and endorses the DECA pay strategy and Corporate Bonus Scheme for all DECA employees below the Senior Civil Service. Additionally, the RENCO advises the DECA Chair on appointments to the DECA Board (except for the Chair, whose appointment is the responsibility of the Owner). The RENCO also promotes the nomination of DECA employees for consideration in the Honour's List and for other Civil Service awards such as campaign medals and long service awards, as appropriate. The RENCO met four times during the year.

- **DECA Executive Management Board (XMB)** the XMB is chaired by the DECA Chief Executive and attended by all members of the Executive Management team (DECA's Operations Director, Support Services Director, Commercial and Contracts Director, Business Development Director, Finance Director and Head of Strategy). The purpose of the XMB is to support and advise the Chief Executive on the day-to-day management of the Agency. The XMB met twelve times during the year.

- **Executive Governance Group**, the Chief Executive, as Accounting Officer, chaired the Executive Governance Group which included all XMB members. The main responsibilities were to review the governance policy and processes of DECA and manage the internal audit and risk management policies and processes. The Executive Governance Group met twice during the year.
- **Executive Compliance Review (XCR)** chaired by the Chief Executive and attended by all members of the Executive Management Team, the Focal Point for each of DECA's four recognised Trades Unions and the Technical Services and Compliance Manager. The XCR acts to hold the business to account for all aspects of compliance (including, but not limited to Health & Safety, Quality, Environmental, Airworthiness and Security), primarily in accordance with the direction set out in the Chief Executive's Safety, Health, Environment and Quality Statement of Intent. The Chief Executive's Statement of intent has been reviewed (May 2018) and amended to include Airworthiness safety reporting.





Schedule of meetings and attendance during 2017/18:

Meeting	Members	Meetings held	No. Attended	% Attendance	% Overall Attendance	No. of Members	Scheduled frequency
DECA Performance & Risk Review	Dir CS (Chair)	2	2	100%	100%	4	Up to 3 times
	MOD NED	2	2	100%			
	DECA Board Chair	2	2	100%			
	DECA CE	2	2	100%			
Agency Board	DECA Board Chair	5	5	100%	94%	7	At least quarterly
	Independent NED	5	4	80%			
	Independent NED	5	5	100%			
	MOD NED (Note 2)	4	3	75%			
	DECA CE	5	5	100%			
	DECA Finance Director	5	5	100%			
	DECA Head of Strategy & Governance	5	5	100%			
Audit and Risk Assurance Committee	Independent NED (Chair)	4	4	100%	100%	5	Up to 6 times annually (minimum 2)
	MOD NED	4	4	100%			
	DECA CE (by invitation) (Note 1)	1	1	100%			
	DECA FD (by invitation)	4	4	100%			
	DECA Chair (by invitation) (Note1)	2	2	100%			
Remuneration Committee	Independent NED (Chair)	4	4	100%	88%	4	Up to 6 times annually (minimum 2)
	MOD NED (Note 2)	3	3	100%			
	DECA Support Services Director	4	2	50%			
	DECA Head of Human Resources	4	4	100%			
Executive Management Board	Chief Executive (Chair)	12	12	100%	93%	7	Monthly
	Finance Director	12	12	100%			
	Commercial Director	12	12	100%			
	Support Services Director	12	10	83%			
	Operations Director	12	10	83%			
	Business Development Director	12	11	92%			
	Head of Strategy & Governance	12	11	92%			
Executive Governance Review	Chief Executive (Chair)	2	2	100%	93%	7	Up to 6 times annually (minimum 2)
	Finance Director	2	2	100%			
	Commercial Director	2	2	100%			
	Support Services Director	2	2	100%			
	Operations Director	2	1	50%			
	Business Development Director	2	2	100%			
	Head of Strategy & Governance	2	2	100%			

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

Note 2: Number of meetings attended differs due to change in MOD NED part way through the year.

Minutes were taken at all of the meetings above and there was a requirement to report to DECA's CE, as Accounting Officer, any significant issues/risks were they to arise, demonstrate how they were being managed / mitigated, assign owners, and managed through appropriate risk registers.

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

There was a register of member's interests maintained by the DECA Head of Human Resources and this included the Executive Board members.

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

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

DECA employees represented during the Remembrance Service in London 2017

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BOARD PERFORMANCE

The Performance and Risk Review met twice during the year with the DECA Board and Board sub-committees; Audit and Risk Assurance Committee (ARAC) and Remuneration and Nominations Committee (RENCO) meeting 5, 4 and 4 times respectively during the year.

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

The DECA Chairman reviews the performance of the Board and sub-committees each year and determined that, during 2017/18 the Board and sub-committees had all performed satisfactorily and that there had been no departures from the Corporate Code of Good Practice.

In addition, the DECA Chairman agreed and initiated action to conduct a Stage 1 (Establishing the Board) review of DECA Board performance in line with Cabinet Office Guidelines that will report and take forward any appropriate recommendations in 2018/19.

HIGHLIGHTS OF BOARD COMMITTEE REPORTS

The ARAC, RENCO, Risk Management and Compliance Meeting minutes were circulated to the Executive Board along with any relevant reports. Significant items from these meetings were:

AUDIT AND RISK ASSURANCE COMMITTEE (ARAC)

The ARAC has been proactive in reviewing the Internal Audit activities and attending to process improvements for both Internal Audit and Risk Management; approving the annual internal audit plan and monitoring its progress during the year. During the year the committee reviewed the definitions and scoring of the Corporate Risk Register as well as undertaking a Deep Dive review of the non-corporate level F-35 risk register.

The audit programme was designed to provide assurance that the prior financial year's Key Performance Indicators had been achieved and the control framework that was in place to manage the risks associated with DECA's Transformation Programme was sufficient. Two further audits that were undertaken during the year

concentrated on the Business Continuity processes and Physical Site Security.

The Audit work, and opinions provided during the year covered the following:

- Prior year validation of Key Performance Indicators (Validated)
- DECA Transformation Programme (Substantial Assurance)
- Physical Site Security (Full Assurance)
- Business Continuity Process (Substantial Assurance)

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

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

REMUNERATION AND NOMINATIONS COMMITTEE (RENCO)

The RENCO's core activity has been to review and endorse the annual proposed DECA Pay Remit for employees below Senior Civil Service, prior to onward submission through MOD Centre, to our Minister for final approval. Additional RENCO activity included the endorsement of the DECA Corporate Bonus Scheme and the review of wider activities across the MOD with potential impact on DECA.

EXECUTIVE COMPLIANCE REVIEW (XCR)

There were no major attributable customer concerns during the year and there has been a steady reduction in numbers of RIDDOR incidents against the baseline of previous years. The XCR has driven an emphasis on safety culture, which has contributed significantly to an increase in near miss reporting and consequently additional proactive improvement initiatives.

CORPORATE GOVERNANCE

The structure of Corporate Governance in DECA has been effectively maintained and was regularly reviewed internally throughout the year in 2017/18. Therefore, in the CE's opinion, DECA has followed the HMT Corporate Governance Code's requirements to the extent that it is deemed relevant and practical.





INFORMATION REPORTING

DECA has a consolidated single enterprise resource planning system from which all management and performance information is supplied to the DECA Performance and Risk Review, Board, Board sub-committees and XMB.

The DECA Performance and Risk Review, Board, Board sub-committees, XMB and DECA senior management review management information at all meetings and as business requirements dictate. The DECA Performance and Risk Review, Board, Board sub-committees and XMB have reviewed the data produced during the year which has been improved in line with best practice and requests and expressed their satisfaction with the levels of data generated to assist management decision-making.

RISK MANAGEMENT

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

The focus of Risk Management within DECA during its third year has been to develop the risk management governance structure established in 2015/16 with particular focus on Project Risk Management in support of business development bids and proposals.

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

ASSESSMENT OF THE MAIN RISKS

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

- Managed Services – Failure to achieve programme delivery timescales

- Efficiency – Failure to achieve the agreed level of efficiency
- Forecast Demand Delivery - Failure to achieve planned levels of customer demand
- F-35 – Failure to Implement Tier 1 assignment and secure Tier 2 Components assignment

Key business risks 2017/18	Current risk		Target risk	
	Probability	Impact	Probability	Impact
Managed Services Programme delivery	High	High	Low	High
Efficiency	High	High	Low	High
Forecast Demand Delivery	High	High	Low	High
F-35	Medium	Very High	Low	Very High

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

Functional Risk Registers owned by Executive Board Directors and cover all the functions within DECA. Risks are identified as those not affecting DECA as a whole and include risks that have been downgraded due to mitigation actions.

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

The Risk Management Process is structured as follows:

- DECA Board – owns the Corporate Risk Register and is responsible for ensuring mitigation is in place.
- XMB – carry out more frequent in-depth reviews of the corporate risks and recommend downgrading or approving and accepting upgrades of risks.
- Audit Committee – has approved the Risk Policy and Process and through Head of Internal Affairs (HIA) receives regular updates to incorporate central government advice and recommendations and implement recommendations from Internal Audit activity. The Audit Committee also carried out reviews of the Corporate Risk Register and Functional Risk Registers.
- Risk Management Committee – meets at least 4





times a year and manages the policy and process for the Audit and Risk Assurance Committee. The chair is the Finance Director or their delegated deputy and membership includes Executive Board Directors, or their deputies, and functional heads. Proposals for upgrading or downgrading of risks will normally be handled through this committee who will make the recommendations.

INFORMATION ASSURANCE

DECA has successfully maintained its network accreditation against criteria set down by the Defence Assurance and Information Security (DAIS) department and has worked with the Joint Cyber Unit to ensure systems are secure. DECA continues to satisfy all network joining rules set down by the MOD Information System Services (ISS) and has maintained authority to operate on the MOD network.

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

There have been no breaches of the Information Management Asset Process and no loss of corporate data or corporate IT hardware. DECA also undertake authorised penetration testing on the computer system to look for security weaknesses to ensure no unauthorised access can potentially be gained to the computer system and data.

DECA has no business critical systems that are unsupported

SECURITY ASSURANCE

MOD Sealand is routinely audited by UK MOD specialists to ensure continued compliance with departmental standards, supplemented by quarterly security alarm system inspections by the Security Services Group (SSG). This involves both Internal and External audits carried out internally by DECA Assurance team and externally via Defence Internal Audit (DIA) teams to ensure a level of substantial and above assurance is maintained. In addition to these audits, annual security risk assessments are undertaken by the site security team using the Classified Material Assessment Tool (CMAT). CMAT reports are used to identify any non-compliance or areas for improvement to inform the maintenance

and improvement of physical security of buildings on the DECA estate.

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

FRAUD & WHISTLEBLOWING

DECA has counter fraud processes in place and has a zero tolerance policy in operation in line with the rest of the Department. There have been no reported incidents of fraud during the year.

BUSINESS CONTINUITY

DECA has adopted a structured approach for identifying the organisation's risk of exposure to internal and external threats. From this, DECA has developed and implemented a Business Continuity Plan (BCP) to respond to threats such as natural disasters, loss of incoming power supply, major IT failure or data breaches. DECA's BCP includes disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning. The BCP was not triggered during the year; however, it was successfully exercised.

With regard to IT continuity of service, DECA has undertaken several paper and physical exercises over this year, all of which have demonstrated that robust IT systems are in place.

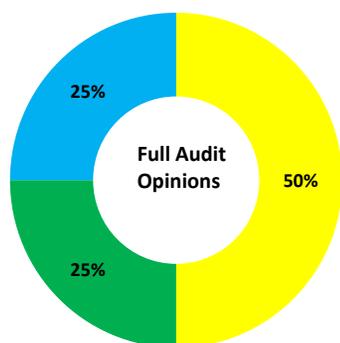
HEALTH & SAFETY

The number of work-related incidents during the year fell from 3 in 2016/17 to zero in 2017/18 across DECA. Near misses continue to be recorded and thoroughly investigated. Measures designed to prevent recurrence are implemented and will help to maintain the low work-related incident rate.





ANNUAL AUDIT OPINION – HEAD OF INTERNAL AUDIT



■ Substantial Assurance ■ Full Assurance ■ Not Applicable

that there are adequate and effective processes over risk management, internal control and governance. Therefore, an overall opinion of Substantial Assurance is provided.



DECA Audit Assignments and Audit Opinions	
Audit	Audit Opinion
Performance Targets Validation	Not Applicable
Transformation Programme	Substantial
Sealand Business Continuity Arrangements	Substantial
Physical Security Sealand - Follow On	Full

GOVERNANCE

No specific internal audit work on corporate governance was undertaken in 2017/18. DECA has an established Audit and Risk Assurance Committee (ARAC) as a Sub Committee of the Board with responsibilities for issues of risk, control and governance and to support the Board’s assurance requirements. DIA regularly attends the ARAC and provides updates on programme delivery and briefs on the outcome of specific assignments. In turn, the ARAC has required attendance from responsible officers from within the business to provide assurance on actions being taken to address risks identified.

This is DECA's third full year of operation and we continue to evidence maturing and effective systems of control. Management within DECA have demonstrated an ongoing commitment to internal control, as indicated by our audit on Sealand’s Physical Security. Quick to respond to the control weaknesses identified in our original audit, which had resulted in a limited assurance, remediation actions were implemented and our audit conducted in this year provided a full assurance opinion.

RISK MANAGEMENT

Risk management processes continually mature and evolve. At every Audit Committee a sample of the strategic risks are presented by their respective owners which provide an opportunity for the Non-Executive Directors to challenge management on the effectiveness of mitigation actions.

While there remain opportunities to strengthen the control environment still further, and acknowledging that the Agency’s operations will undergo significant change over the next couple of years as a result of the F-35 support contract, the overall picture is positive. DIA’s audits over the course of this financial year indicate

CONCLUSION

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





REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

REMUNERATION AND NOMINATION COMMITTEE (RENCO)

The RENCO is a sub-committee of the DECA Board, which was chaired by an independent NED with the MOD NED also a member. The main responsibilities of the RENCO were to advise the Owner, Chief Executive and Board on matters relating to DECA's pay and reward strategy. The RENCO met 4 times during the year.

SERVICE CONTRACTS

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

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

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

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

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

REMUNERATION POLICY

DECA has no pay costs for Ministers.

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

<https://www.gov.uk/government/organisations/office-of-manpower-economics>

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

The Chief Executive had delegated powers for the setting of terms and conditions of employment, including pay, for all DECA employees below SCS. The delegation required him to consult with MOD and receive Min (DP) approval before agreeing to any changes to pay. This was achieved through the pay remit process whereby DECA pay proposals were submitted through MOD for Ministerial approval before negotiation with staff representatives. The outcome of negotiations was reported back to HM Treasury through the annual outturn statement.

For the 2017/18 pay settlement year, All DECA pay spines below SCS and DECA Allowances were revalorised by 1%. The overall total cost did not exceed 1% of the pay bill.

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

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



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

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

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

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

Officials	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (to nearest £'000)		Total (£'000)	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Geraint Spearing	80 - 85	75 - 80	10 - 15	5 - 10	-	-	22	34	110 - 115	120-125
Operations Director Wayne Baker	60 - 65	60 - 65	-	-	-	-	13	29	75 - 80	90 - 95
Finance Director Belinda Longman	65 - 70	65 - 70	-	-	-	-	21	20	90 - 95	85 - 90
Support Services Director Ian Doughty	65 - 70	65 - 70	-	-	-	-	20	25	85 - 90	90 - 95
Head of Strategy, Governance & Secretariat Jason Leeks	50 - 55	50 - 55	-	-	-	-	14	19	65 - 70	65 - 70
Business Development Director Ian Cole	65 - 70	60 - 65	-	-	-	-	6	10	70 - 75	70 - 75
Commercial & Contracts Director Keith Pavett	65 - 70	65 - 70	-	-	-	-	0	12	65 - 70	75 - 80

Note: In 2017/18 all members of the board, excluding Chief Executive, were awarded a bonus of £239.25 each in line with the Corporate Bonus Scheme.

SALARY

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

BONUSES

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



PENSION BENEFITS (SUBJECT TO AUDIT OPINION)

Officials	Accrued pension at pension age as at 31/03/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/18	CETV at 31/03/17	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive Geraint Spearing (Note 1)	30 - 35 plus lump sum of 75 - 80	0 - 2.5 plus lump sum of 0	478	441	6
Operations Director Wayne Baker	15 - 20 plus lump sum of 40 - 45	0 - 2.5 plus lump sum of 0	221	204	1
Finance Director Belinda Longman	20 - 25	0 - 2.5 plus lump sum of 0	401	359	8
Support Services Director Ian Doughty	15 - 20	0 - 2.5 plus lump sum of 0 - 2.5	223	201	7
Head of Strategy, Governance & Secretariat Jason Leeks	15 - 20 plus lump sum of 10 - 15	0 - 2.5 plus lump sum of 0	250	230	5
Business Development Director Ian Cole	20 - 25 plus lump sum of 65 - 70	0 - 2.5 plus lump sum of 0 - 2.5	455	421	5
Commercial & Contracts Director Keith Pavett	25 - 30 plus lump sum of 85 - 90	0 - 2.5 plus lump sum of 0 - 2.5	594	558	-1

Note 1. CETV as at 31/03/17 has been adjusted.

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

PAY MULTIPLES (SUBJECT TO AUDIT OPINION)

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

This information is subject to audit opinion	2017/18	2016/17
Band of highest paid Director total remuneration	£90,000 - £95,000	£85,000 - £90,000
Median total remuneration	27,771	27,496
Ratio	3.33	3.18

The remuneration of DECA's staff was in the range £14,347 per annum (2016/17:£14,605) to £90K to £95K per annum, these figures are for a full year. The median remuneration of the workforce was £27,771 (2016/17, £27,496).

The banded remuneration of the highest-paid director in DECA in the financial year 2017-18 was £90K to £95K (2016/17, £85K - £90K) (See Remuneration (salary,

benefits in kind and pensions table)). This was 3.33 times the median remuneration of the workforce, which was £27,771 (2016/17, £27,496). The increase in remuneration for the highest paid director is due to an increase in basic salary (1% in line with Government pay constraints) and payment of a performance related payment. The change in the median remuneration of all DECA staff is affected by the pay award in 2017/18, which was 1% in line with Government pay constraints.

In 2017/18, 0 employees received remuneration in excess of the highest-paid director (2016/17: Nil).

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

COMPENSATION FOR LOSS OF OFFICE (SUBJECT TO AUDIT OPINION)

There have been no payments by DECA for compensation for loss of office for Financial Year 2017/18. (2016/17: nil)



OFF PAYROLL APPOINTMENTS

There were no new or existing off payroll appointments during the financial year.

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

Non-Executive Directors	Fees 2017/18 £'000	Fees 2016/17 £'000
Alex Jablonowski	20 - 25	20 - 25
Peter Shortt	10 - 15	10 - 15
Tim Walton	10 - 15	10 - 15
Luke Dearden (Note 1, 2)	Nil	Nil
Elliot Brinkworth (Note 1,3)	Nil	Nil

Note 1: Luke Dearden and Elliot Brinkworth received no fee as representatives of the MOD as a Non-Executive Director.

Note 2: Luke Dearden was appointed 31st July 2017

Note 3: Elliot Brinkworth appointment ended 31st May 2017

STAFF REPORT STAFF NUMBERS (SUBJECT TO AUDIT OPINION)

The average number of persons employed during the year was:	2017/18	2016/17
Senior management	12	11
Civilian personnel	392	406
Agency staff	2	2
Total	406	419

All staff listed above are on permanent contracts with the exception of 2 Agency staff (2016/17: 2 Agency staff) and 3 Fixed Term Appointments (2016/17: 4 Fixed Term Appointments) who are included in the civilian personnel number.

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

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

	2017/18		2016/17	
	Males	Females	Males	Females
Senior management	10	2	9	2
Civilian personnel	343	49	355	51
Agency staff	1	1	1	1

PAYROLL COSTS £'000 (SUBJECT TO AUDIT OPINION)

	2017/18	2016/17
Salaries, wages and allowances	11,837	12,002
Social security	1,166	1,153
Pension costs	2,425	2,423
Agency staff	58	46
Total payroll costs	15,486	15,624

Note: 2017/18 includes £44,611 apprenticeship levy costs. The Apprenticeship Levy was introduced in April 2017, requiring employers with a pay bill more than £3 million each year to pay the levy.

SICKNESS ABSENCE

The total number of days lost due to sickness absence was 3,659 which equates to 8.8 days per employee. (2016/17 3,908 at 9.3 days per employee)

EMPLOYMENT OF DISABLED PERSONS

Staff policies were applied during the financial year: For giving full and fair consideration to applications for employment by DECA made by disabled persons, having regard to their particular aptitudes and abilities;

For continuing the employment of, and for arranging appropriate training for, employees of DECA who have become disabled persons during the period when they were employed by the DECA; otherwise for the training, career development and promotion of disabled persons employed by DECA.

CONSULTANCY & CONTINGENT LABOUR

There was no requirement for consultancy within DECA during 2017/18 (2016/17: Nil). Contingent Labour costs for 2017/18 were £58K (2016/17 - £46K)

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 (SPA) 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.

This 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 are increased annually in line with Pensions Increase legislation. DECA is unable to identify its share of the underlying assets and liabilities. A full scheme valuation was performed by the scheme actuary during 2012. The valuation is updated annually using the underlying 2012 valuation. Details can be found in the resource accounts of the Cabinet Office Civil Service Superannuation:

Employee contributions are salary-related and range between 3.0 per cent and 8.1 per cent of pensionable earnings for members of classic (and members of alpha who were classic immediately before joining alpha) and between 4.6 per cent and 8.1 per cent for members of premium, classic plus, nuvos and all other members of alpha. For 2017/18, the employer contributions of £2.4 million were payable to My CSP (2016/17: £2.4 million) at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable earnings, based on salary bands.

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 2017/18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

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

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the

member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

REAL INCREASE IN CETV

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

There were no retirements on the grounds of ill-health during the year (2016/17: Nil).

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

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

There were no DECA exit packages for agreed or compulsory departures during the year or any costs relating to such packages. There were no DECA voluntary or compulsory redundancies during the year (2016/17: Nil). Further details about the Civil Service pension arrangements can be found at the website: www.civilservicepensionscheme.org.uk.



PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

REGULARITY OF EXPENDITURE (SUBJECT TO AUDIT OPINION)

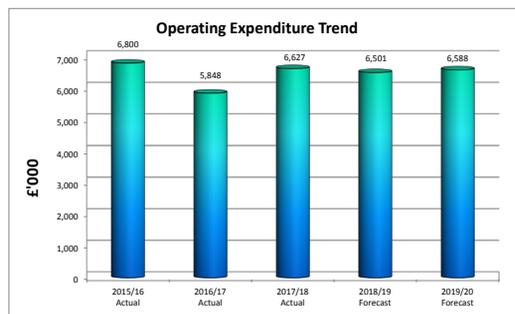
All expenditure made during the year was made in pursuit of DECA's business objectives

And there were no improper or irregular payments. (2016/17: Nil)

There were no material losses or special payments (2016/17: Nil)

There were no severance payments or write-offs. (2016/17: Nil)

LONG-TERM EXPENDITURE TRENDS



Note the above figures do not include pay costs.

FEES AND CHARGES (SUBJECT TO AUDIT OPINION)

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

FY2017/18	MOD	COMMERCIAL	TOTAL
	£'000	£'000	£'000
Revenue (Based on Hours)	18,672	4,518	23,190
Variable Revenue	946	161	1,107
Total Revenue	19,618	4,679	24,297

Variable Costs	876	140	1,016
Production Overheads	16,992	3,778	20,770
Total Costs	17,868	3,918	21,786
Surplus	1,750	761	2,511

FY2016/17	MOD	COMMERCIAL	TOTAL
	£'000	£'000	£'000
Revenue (based on hours)	17,992	4,901	22,902
Variable Revenue	668	0	668
Total Revenue	18,660	4,910	23,570

Variable costs	608	0	608
Production Overheads	16,336	4,193	20,529
Total Costs	16,944	4,193	21,137
Surplus	1,716	717	2,433

This analysis is not for International Financial Reporting Standards (IFRS) 8 (Segmental Reporting) purposes.

REMOTE CONTINGENT LIABILITIES (SUBJECT TO AUDIT OPINION)

DECA has no remote contingent liabilities in 2017/18. (FY2016/17:Nil)

APPROVAL

The Accountability report is approved

Geraint Spearing
Accounting Officer
6 July 2018



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 Defence Electronics and Components Agency for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, and Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Defence Electronics and Components Agency's affairs as at 31 March 2018 and of the net income for the year then ended; and
- the financial statements 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 OF OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 2016. I am independent of the Defence Electronics and Components Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Electronics and Components Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the





Defence Electronics and Components Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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 who govern them.

OTHER INFORMATION

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the

work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

OPINION ON OTHER MATTERS

In my opinion:

- the parts of the Accountability report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Defence Electronics and Components Agency and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

MATTERS ON WHICH I REPORT BY EXCEPTION

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Sir Amyas C E Morse Date: 13 July 2018

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



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		2017/18	2016/17
	Note	£'000	£'000
Income from sale of goods and services	2	24,297	23,570
Other operating income	2	327	335
Total operating income		24,624	23,905
Staff costs	5	(15,486)	(15,624)
Purchase of goods and services	3	(4,850)	(4,093)
Depreciation and impairment charges	4, 6	(564)	(552)
Other operating expenditure (Excluding Depreciation)	4	(1,213)	(1,203)
Total operating expenditure		(22,113)	(21,472)
Net operating income		2,511	2,433
Total net income		2,511	2,433
Amounts due to parent department	10	(2,511)	(2,228)
Retained net income		0	205
Other Comprehensive Income/(Expenditure)			
Items that will not be reclassified to profit or loss			
Net gain on revaluation of property, plant & equipment	6	740	1,478
Total comprehensive Income/ (Expenditure) for the year		740	1,683

The notes on pages 52 to 62 form part of these accounts.

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2018

	Note	2017/18 £'000	2016/17 £'000
Non Current Assets			
Non Current assets			
Property, Plant and Equipment	6	20,643	20,170
Total Non Current Assets		20,643	20,170

Current assets			
Inventories and work in progress	7	545	576
Trade and other receivables	8	7,688	13,741
Cash and cash equivalents	9	10,682	4,906
Total current assets		18,915	19,223
Total Assets		39,558	39,393

Current liabilities			
Trade and other payables	10	(6,665)	(7,160)
Provisions	11	(51)	(51)
Total current liabilities		(6,716)	(7,211)
Total assets less total liabilities		32,842	32,182

Financed by			
Taxpayers equity and other reserves			
Revaluation reserve	SOCTE	18,570	17,830
General fund	SOCTE	14,272	14,352
Taxpayers' equity		32,842	32,182



Geraint Spearing
Accounting Officer
6 July 2018

The notes on pages 52 to 62 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

		2017/18	2016/17
	Note	£'000	£'000
Cash flows from operating activities			
Net operating income	SOCI	2,511	2,433
Adjustments for non cash transactions:			
Depreciation charges	6,4	564	552
Notional audit fee	4	31	31
DIO Notional Costs	4	389	774
Decrease / (increase) in inventories and work in progress	7	31	(64)
(Increase) / decrease in receivables	8	6,053	(2,007)
(Decrease) / increase in payables	10	(778)	(1,885)
(Decrease)/Increase in provisions for liabilities and charges	11	0	0
Net cash outflow from operating activities		8,801	(166)
Capital Expenditure			
Capital Expenditure	6	(297)	(34)
Net cash outflow from investing activities		(297)	(34)
Cash flows from financing activities			
Repayment of funding to parent department	10	(2,728)	(2,189)
Net cash inflow from financing activities		(2,728)	(2,189)
(Decrease) / increase in cash and cash equivalents		5,776	(2,389)
Cash and cash equivalents at start of year		4,906	7,295
Cash and cash equivalents at end of year	9	10,682	4,906

Note: Prior year comparator has been changed to correct treatment of profit payable to the MOD

The notes on pages 52 to 62 form part of these accounts.



STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Note	Revaluation Reserve £'000	General Fund £'000	Taxpayers' Equity £'000
Taxpayers' equity at 31 March 2016		17,830	14,352	32,182
Recognised in Statement of Comprehensive income for the year:				
Net operating income	SOCI	0	2,511	2,511
Parent departments profit share	SOCI	0	(2,511)	(2,511)
Gain on revaluation of property, plant and equipment	6	740	0	740
Other movements:				
DIO Communicated costs	4	0	389	389
Repayment of equity to Parent department			(500)	(500)
Notional audit fee	4	0	31	31
		18,570	14,272	32,842

In FY 17/18 DECA also paid an element of its equity back to its parent department in the sum of £500K (2016/17 - £Nil)

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Note	Revaluation Reserve £'000	General Fund £'000	Taxpayers' Equity £'000
Taxpayers' equity at 1 April 2016		16,352	13,342	29,694
Recognised in Statement of Comprehensive income for the year:				
Transfers under absorption accounting	1.1	0	0	0
Net operating income	SOCI	0	2,433	2,433
Parent departments profit share	SOCI	0	(2,228)	(2,228)
Gain on revaluation of property, plant and equipment	6	1,478	0	1,478
Other movements:				
Funding from parent department	9	0	0	0
Non Cash Adjustments	4	0	774	774
Notional audit fee	4		31	31
Taxpayers' equity at 31 March 2017		17,830	14,352	32,182

The notes on pages 52 to 62 form part of these accounts.





NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts are prepared in accordance with the Government Financial Reporting Manual (FReM) for 2017/18 and the Accounts Direction, both issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of DECA for the purpose of giving a true and fair view is selected. The particular policies adopted by DECA are described below. They are applied consistently in dealing with items considered material in relation to the accounts.

GOING CONCERN

DECA adopts the going concern basis for the preparation of its Annual Report and Accounts.

DOMICILE

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

ACCOUNTING CONVENTION

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

TURNOVER

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

PROPERTY, PLANT AND EQUIPMENT BASIS OF RECOGNITION

Expenditure on plant, equipment, computers and transport equipment is periodically reviewed and capitalised where the useful life exceeds one year and

the cost of acquisition exceeds the threshold of £25,000 excluding VAT. The value of capitalised plant, equipment and transport equipment is reviewed annually and adjustments made using appropriate indices published by the MOD Director Corporate Financial Management Capability.

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

BASIS OF VALUATION

Property plant and equipment is carried at fair value. A quinquennial professional valuation of Land and Buildings is carried out by the Defence Infrastructure Organisation who is certified by the Royal Institute of Chartered Surveyors. In the years between quinquennial valuations land and buildings are revalued using indices. All other property, plant and equipment are valued at year end using MHCA indices provided by the MOD.

IMPAIRMENT OF ASSETS

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

DEPRECIATION

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

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

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





PENSION COSTS

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

INVENTORIES

Inventory is valued on a first in first out basis (FIFO) and at the lower of cost or net realisable value. Following periodic reviews, inventory may be written down to address obsolescence, surpluses and defective items using two main criteria based on redundancy and technical validity.

WORK IN PROGRESS

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

PROVISION FOR BAD AND DOUBTFUL DEBTS

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

CASH

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

REPAYMENT OF PLANNED PROFITS

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

OPERATING LEASES

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

There are no finance leases.

VALUE ADDED TAX

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

SEALAND SUPPORT SERVICES LTD (SSSL)

From FY 2017/18 DECA no longer accounts for MOD's Joint Arrangement SSSL as it is MOD who holds all the associated risks and rewards. It also does not have control or significant influence over it. The Joint Venture is directly consolidated into MOD's accounts.

EMPLOYEE BENEFITS

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

FOREIGN EXCHANGE

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



SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

PROVISIONS

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

ACCOUNTING ACCRUALS

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

INCOME RECOGNITION

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

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

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

IFRS'S ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments was issued in July 2014, effective for periods beginning on or after 1 January 2018. The new standard will be reflected in the FReM from 2018/19. It is not expected to have a material impact on the financial statements which do not contain complex financial instruments.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, effective for periods beginning on or after 1 January 2018. The new standard will be reflected in the FReM from 2018/19. The obligations set out in the contracts with the customers are very specialised, have no alternative use and the Agency will have an enforceable right to income for the work performed to date. It will therefore be considered appropriate to recognise revenue over time, which is in line with the current revenue recognition policy.

IFRS 16 Leases – specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting unchanged from the previous standard International Accounting Standard (IAS) 17 Leases. DECA currently has one operating lease for vehicles running until Dec 2019 and would therefore not be affected by the new standard requiring it to be classified as a Finance Lease under IFRS 16. The standard becomes effective for annual reporting periods beginning on or after 1 January 2019.

	2017/18	2016/17
	£'000	£'000
MOD Revenue	19,618	18,660
Commercial Revenue	4,679	4,910
Total	24,297	23,570
Other operating income	£'000	£'000
£306K in 17/18 was for short term rental income from property assets (FY2016/17: £335K)	327	335



3. PURCHASES OF GOODS AND SERVICES

	2017/18	2016/17
Cash costs	£'000	£'000
Materials & sub contract costs	1,170	726
Accommodation costs	1,121	960
IT and Telecommunications	607	424
Utilities	844	873
Security	457	466
Equipment Support	425	446
Other services	226	198
Total Purchases of goods and services	4,850	4,093

Note: The following prior year costs have been reclassified: Accommodation costs from £893K to £960K, Security from £533K to £466K, Equipment Support from £277K to £446K and Other Services from £367K to £198K.

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

4. OTHER OPERATING EXPENDITURE

	2017/18	2016/17
Cash costs	£'000	£'000
Training	107	102
Insurance	208	221
Travel & subsistence	213	242
Other professional services	84	66
Lease and hire costs of plant, machinery & vehicles (see note below)	181	161
Total cash costs	793	792

Non cash costs		
Notional Audit Fee	31	31
Depreciation	564	552
Notional costs for Rent & Rates (see note below)	389	380
Total non cash costs	984	963

Total other operating expenditure	1,777	1,755
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Note: In 2016/17, the Defence Infrastructure Organisation made a decision not to charge DECA for use of its Stafford site on account of it being an Executive Agency of the MOD. For 2017/18 DECA has recognised a notional cost of £389K for the year to represent the true cost of activities.

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

Audit is the cost of the external audit of DECA's Annual Report & Accounts. DECA's external audit is carried out by the National Audit Office on behalf of the Comptroller & Auditor General.



5. STAFF COSTS

	2017/18	2016/17
	£'000	£'000
Salaries, wages and allowances	11,837	12,002
Social security	1,166	1,153
Pension costs	2,425	2,423
Agency Staff	58	46
Total payroll costs	15,486	15,624

6. PROPERTY, PLANT AND EQUIPMENT

The movements in each class of assets during 2017/18 were:

	Land	Buildings	Plant & Machinery	IT	Assets in Course of Construction	Total Tangible
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 31 March 2017	7,201	13,234	264	127	34	20,860
Additions			210		87	297
Disposals						0
Revaluation of Buildings previously Not in Use		170				170
Reclassification			34		(-34)	0
Revaluation	25	577	13	4		619
At 31 March 2018	7,226	13,981	521	131	87	21,946
Depreciation:						
At 1 April 2017	0	518	93	79	0	690
Depreciation charged during the year	0	511	29	24		564
Disposals						0
Impairment						0
Revaluation		44	2	3		49
At 31 March 2018	0	1,073	124	106	0	1,303
Net book value						
At 31 March 2018	7,226	12,908	397	25	87	20,643

Note: Gain on revaluation of 740K is calculated by the sum of the total revaluation in year less the recalculated accumulated depreciation



The movements in each class of assets during 2016/17 were:

	Land	Buildings	Plant & Machinery	IT	Assets in Course of Construction	Total Tangible
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
At 1 April 2016	7,127	11,822	259	126	0	19,334
Additions	0	0	0	0	34	34
Transfers under absorption accounting	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Revaluation of Buildings previously not in use	0	1,127	0	0	0	1,127
Reclassification	0	0	0	0	0	0
Revaluation	74	285	5	1	0	365
At 31 March 2017	7,201	13,234	264	127	34	20,860

Depreciation:						
At 1 April 2016	0	0	69	55	0	124
Depreciation charged during the year	0	507	22	23	0	552
Disposals	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Transfers under absorption accounting	0	0	0	0	0	0
Revaluation	0	11	2	1	0	14
At 31 March 2017	0	518	93	79	0	690

Net book value						
At 31 March 2017	7,201	12,716	171	48	34	20,170

Note: There were no finance leases during the year (2016/17: Nil)





7. INVENTORIES AND WORK IN PROGRESS

	2017/18	2016/17
	£'000	£'000
Stocks		
Opening Balance	320	254
Net movement during year	(11)	66
Balance at 31st March	309	320
Work in Progress		
Opening Balance	256	258
Net transfers to operating expenses during the year	(20)	(2)
Balance at 31st March	236	256
Total at 31st March	545	576

8. RECEIVABLES AND PREPAYMENTS

	31 March 2018	31 March 2017
	£'000	£'000
Amounts falling due within one year		
Trade and sundry invoiced receivables	2,719	4,773
Other receivables	13	4
Prepayments	339	255
Accrued income	4,617	8,709
	7,688	13,741

The accrued income figure of £4.6M includes £4.3M which relates to work undertaken for or on behalf of the MOD. The cash is guaranteed by the MOD for this work

Aged Trade and Sundry Invoiced Receivables Analysis	Not Yet Due	30 to 60 Days	60 to 90 Days	90 to 120 Days	120 to 365 Days	365+ Days	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018	2,023	602	34	1	49	10	2,719
At 31 March 2017	1,830	2,929	34	42	(106)	44	4,773





9. CASH AT BANK AND IN HAND

	31 March 2018	31 March 2017
	£'000	£'000
Cash held with Government Banking Service (GBS)	10,682	4,906
	10,682	4,906

Cash position has significantly improved compared to the prior year as a result of a lower level of unbilled income.

10. PAYABLES

Amounts falling due within one year	31 March 2018	31 March 2017
	£'000	£'000
Trade payables	34	36
Taxation and social security	287	284
Value Added Tax	729	844
Accruals	1,074	942
Deferred income	1,411	2,207
Amounts due to pension schemes	255	256
Sundry payables	364	363
Payable to parent department	2,511	2,228
	6,665	7,160

Note: The prior year comparatives for Accruals and Trade Payables have been restated from £906K to £942K and 72K to £36K respectively

Each year DECA is required to repay its parent department the level of planned operating profit. This is classed as a short term payable.

In 2017/18 DECA also paid an element of its equity back to its parent department in the sum of £500K (2016/17: Nil).





11. PROVISIONS FOR LIABILITIES AND CHARGES

	Total
	£'000
Balance at 1 April 2017	51
Created during year	0
Utilised in year	0
Balance at 31 March 2018	51

	Total
	£'000
Balance at 1 April 2016	51
Created during year	0
Utilised in year	0
Balance at 31 March 2017	51

12. OPERATING LEASES

Operating Lease payments recognised as expenses in the period were:

	2017/18	2016/17
	£'000	£'000
Leases of other Land and Buildings	389	380
Leases of vehicles & Other Equipment	181	161
Total operating leases paid (i)	570	541

(i) Contained within note 4

None of these payments were contingent rents or sublease payments

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

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

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

Note: DECA has lease of land and buildings at Stafford with DIO for £389k which is treated as a notional cost based on a market rental valuation





	31 March 2018	31 March 2017
	£'000	£'000
Payable within one year	61	54
Payable after one year and less than five years	46	0
	107	54

Future minimum lease payments where DECA is acting as lessor:

	31 March 2018	31 March 2017
	£'000	£'000
Receivable within one year	202	226
Receivable after one year and less than five years		168
	202	394

DECA received £306K in year from the rental lease of 2 buildings (£335K in 2016/17).

13. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

DECA had no capital commitments at 31 March 2018 (Nil at 31 March 2017)

There are no contingent assets at 31 March 2018 (Nil at 31 March 2017)

There are no contingent liabilities at 31 March 2018 (Nil at 31 March 2017)

There are no financial commitments at 31 March 2018 (Nil at 31 March 2017)

14. FINANCIAL INSTRUMENTS

DECA's treasury operations are restricted to collecting cash remittances from debtors and paying off liabilities as they fall due. DECA's financial instruments comprise cash deposits, debtors and creditors. Any cash surplus cash balances are remitted to the Government Banking service overnight. DECA has no powers to borrow or invest surplus funds. The main risks that arise from the financial instruments are foreign currency and liquidity risks. DECA's policies for managing these risks are set to achieve compliance with the regulatory framework including the rules contained within Managing Public Money.

CURRENCY RISK

DECA conducts business in Sterling, US Dollars and Euros and is therefore subject to foreign exchange risk. At 31 March 2018 there are no existing liabilities.

LIQUIDITY RISK

Current liquidity throughout the year was strong. Cash at bank is available on demand.

COUNTERPARTY / CREDIT RISK

DECA's approach is to minimise counter-party risk by aiming only to enter into contracts with institutions with long term credit ratings of AA or better.

CAPITAL MANAGEMENT

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

- Sufficient flexibility for the funding of necessary capital expenditure and working capital required for any expansion of the business.
- As DECA is part of the MOD and sits under Head Office & Commissioning Services (HOCS) it may





rely on its parent department to underpin any financial risk.

- Avoidance of risk and compliance with HM Treasury policies
- DECA is not subject to covenants in any of its financing agreements

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

FINANCIAL ASSETS

		At 31 March 2018	At 31 March 2017
Financial assets	Note	£'000	£'000
Trade, sundry and other debtors	8	7,688	13,741
Cash at bank and in hand	9	10,682	4,906
		18,370	18,647

		At 31 March 2018	At 31 March 2017
Financial liabilities	Note	£'000	£'000
Trade and other payables	10	6,665	7,160
Long Term Payable		0	0
		6,665	7,160

15. RELATED PARTIES

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

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

16. LOSSES AND SPECIAL PAYMENTS

There were no material losses or special payments. (2016/17: Nil)

17. AUDITORS

The Government Resources and Accounts Act require DECA's Annual Report and Accounts to be audited by the Comptroller and Auditor General. DECA's auditor is the National Audit Office (NAO). The cost of this audit is £30.5K. (2016/17: £30.5K)

18. EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting period. These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.



GLOSSARY

AES	Aircraft Escape Systems	HMS	Her Majesty's
ACT	Air Commodities Team	HMT	Her Majesty's Treasury
AFPS	Armed Forces Pension Schemes	HOCS	Head Office & Commissioning Services
AO	Accounting Officer	IT	Information Technology
AR&A	Annual Report and Accounts	IAS	International Accounting Standards
ARAC	Audit and Risk Assurance Committee	IFRS	International Financial Reporting Standards
ASLC	Accrued Superannuation Liability Charges	ISTAR	Intelligence, Surveillance, Target Acquisition & Reconnaissance
BCP	Business Continuity Plan	ISS	Information System Services
CBRN	Chemical Biological, Radiological & Nuclear	JPO	Joint Programme Office
CE	Chief Executive	JV	Joint Venture
CETET	Compact End-End Tester	KPIs	Key Performance Indicators
CETV	Cash Equivalent Transfer Value	LPG	Liquid Petroleum Gas
CCTV	Closed Circuit Television	LTC	Long Term Contract
CIMA	Chartered Institute of Management Accountants	MIDIT	Means of Identifying Internal Talent
CMAT	Classified Material Assessment Tool	Min(DP)	Minister for Defence Procurement
CO2e	Carbon Dioxide Equivalent	MDSS	Medical and Dental Support Services
CoM	Chief of Materiel	MHCA	Modified Historical Cost Accounting
CP&F	Contracts, Procurement & Finance	MOD	The Ministry of Defence
CSOPS	Civil Servant and Other Pension Scheme	MRO&U	Maintenance, Repair and Overhaul and Upgrade
CSP	Civil Service Pensions	NAO	National Audit Office
CSPS	Civil Service People Survey	NED	Non-Executive Chairman/Director
DAIS	Defence Assurance & Information Security	OEM's	Original Equipment Manufacturer
DARA	Defence Aviation Repair Agency	OIP	Operational Infrastructure and Planning
DASS	Defence Aids Sub-System	PCSPS	Principal Civil Service Pension Scheme
D CS	Director of Commissioning Services	P&RR	Performance & Risk Review
DE&S	Defence Equipment and Support	RENCO	Remuneration & Nomination Committee
DECA	Defence Electronics & Components Agency	RFI	Request For Information
DECAMO	Defence Electronics & Components Agency Management Office	RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
DIA	Defence Internal Audit	S&OP	Sales & Operational Planning
DIO	Defence Infrastructure Organisation	SDSR	Strategic Defence Security Review
DSA	Disposal Services Authority	SOCNI	Statement of Comprehensive Income
DSEI	Defence & Security Equipment International	SOCTE	Statement of changes in Taxpayers Equity
DSG	Defence Support Group	SCS	Senior Civil Servant
DSTL	Defence Science & Technology laboratory	SLS	Senior Leader Scheme
DT	Delivery Team	SPA	State Pension Age
DTA	DECA Tasking Agreement	SSSL	Sealand Support Services Limited
DTP	DECA Transformation Programme	SSG	Security Services Group
ETP	Enterprise Transformation Programme	STASS	Short Term Air Supply System
FDCP	Future Defence Civilian Programme	VAT	Value Added Tax
FIFO	First In First Out Basis	VOSA	Vehicle Operator Services Agency
FLS	Future Leaders Scheme	UK	United Kingdom
FReM	Financial Reporting Manual	US	United States
FY	Financial Year	UAS	Unmanned Air Systems
GBS	Government Banking Service	WEEE	Waste Electrical & Electronic Equipment
GGC	Greening Government Commitment	WIP	Work in Progress
GHG	Greenhouse Gas	XCR	Executive Compliance Review
GPSS	Government Pipeline and Storage System	XMB	Executive Management Board
HIA	Head of Internal Audit		



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