



Submarine
Delivery Agency

Annual Report and Accounts 2019-20



Submarine Delivery Agency

Annual Report and Accounts

2019-20

For the year ended 31 March 2020

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

Ordered by the House of Commons to be printed 21 January 2021



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3. Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at:

Submarine Delivery Agency Corporate Operations
Spruce 1b
MOD Abbey Wood
Bristol
BS34 8JH
SDA-CorpOps-PolSec@mod.gov.uk

ISBN 978-1-5286-1968-4
CCS0520633432 01/21

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office.

Contents	Page
2019-20 Highlights	1
Chair's Introduction	2
Section 1: Performance Report	6
Overview	7
Chief Executive Officer's Statement	8
Chief Finance Officer's Report	10
About the SDA	12
Performance Analysis	19
Safety, Environmental and Security	23
Looking Forward	29
Section 2: Accountability Report	34
Corporate Governance Report	35
Directors' Report	36
Statement of Accounting Officer Responsibilities	36
Governance Statement	37
Remuneration and Staff Report	51
Parliamentary Accountability and Audit Report	63
Parliamentary Accountability Report	64
Parliamentary Accountability Disclosures	65
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	67
Section 3: The Financial Statements	70
The Accounting Information	71
Notes to the Accounts	75

2019-20 Highlights



In-Service Support

- We have improved our management of maintenance and support programmes to optimise availability of the Royal Navy's submarines to meet operational needs. In particular, we have made progress with our ability to respond quickly and dynamically to challenges as they arise in the operational programme.
- We have made progress with our work to dispose of the twenty submarines now decommissioned from Royal Navy service and set in hand arrangements for the decommissioning and disposal of a further seven boats. A major achievement has been our work to remove Low-Level Waste from the second decommissioned submarine, RESOLUTION, which is helping us to mature the technical solution for submarine disposal.



Acquisition

- We completed the commissioning of Boat 4 – HMS AUDACIOUS – of the Astute Class in preparation for her subsequent handover to the Royal Navy to commence sea trials in April 2020.
- In September 2019, we began construction work officially on VALIANT, the second in Class of the Dreadnought submarines.
- Work progressed around a Maritime Underwater Future Capability and approval was received to enter a Programme, Definition and Design phase from April 2020. This will consider a range of potential capability delivery options and delivery arrangements, including a manned nuclear powered submarine and autonomous vehicles, to inform a future capability.
- We ensured that the Dreadnought submarine programme remains on track for the First of Class, HMS DREADNOUGHT, to enter service in the early 2030s. Staged investments have allowed good progress to continue the whole boat design and the construction process.



Developing the SDA

- We embarked on a structured programme to deliver professional behaviours in the workplace and create an environment that values diversity and is inclusive for everyone. This included delivery of 'Speak Out' interactive training to all staff across the Submarine Delivery Agency (SDA).
- We have developed our safety culture, enhancing organisational and personal resilience and well-being through improved training, ways of working and support systems. We have also focussed on making the SDA more proactive when considering sustainable safety and environmental protection procedures and behaviours.
- We improved the maturity of our finance, safety and security management systems against maturity models that helped us identify areas for improvement towards benchmarks of good practice.



Supply Chain

- We have developed and embedded Key Supplier Management as a core capability for the SDA. Our work has seen improvement in supplier performance through consolidated and co-ordinated management of the supply base.
- We have worked closely with MOD and cross-Government colleagues to refine our future industrial strategy for the submarine programme and shape the supply base to ensure we retain a sustainable market with access to future innovations.

Chair's Introduction

by Rob Holden, SDA Chair



This Annual Report and Accounts reflects a significant second year of operation for the Submarine Delivery Agency (SDA), following our establishment as an Executive Agency of the Ministry of Defence (MOD) in April 2018.

We have sustained momentum during this period, providing available and capable submarines to maintain the United Kingdom's (UK) Continuous at Sea Deterrent (CASD) and supporting the Royal Navy in delivering this critical national security role. This also includes: demonstrable progress with the Dreadnought and Astute Class submarine programmes; gaining approval for work on a Maritime Underwater Future Capability to enter a Programme, Definition and Design phase from April 2020; and progressing our work to develop a solution for submarine dismantling that is safe, secure, cost effective and environmentally sound. Our performance has been carefully monitored throughout 2019-20, using programme and corporate indicators to assess progress and track delivery and it is encouraging to see that our delivery, including the development of our financial, security, and safety and environmental management systems, has been sound during the year.

Building on the strong performance foundation developed during our first year of operation was critical in order to continue our journey to become a high-performing organisation. We are successfully evolving as an Agency, taking significant steps to enhance the SDA and bringing in additional capabilities as part of ongoing efforts to ensure we are optimally resourced to deliver against our objectives; this work will continue into 2020-21. We have also recruited into all of our Executive Team roles – we have welcomed Rear Admiral Paul Halton as Director Submarine Readiness and Keith Beckett has moved to take on the role as Technical Director and Deputy Chief Executive Officer. Both bring significant expertise and will further strengthen leadership of our people and our programmes.

I have continued to lead the SDA Board to provide strategic oversight and governance of the SDA. Over the financial year, we have furthered our understanding of the SDA's performance, using visits to and engagements at key sites to review the progress of programmes, to discuss challenges and to provide counsel. Across our business, we have seen the dedication and hard work of our people, boosted by efforts from colleagues across the broader Nuclear Enterprise, to deliver to our Customers. I remain impressed by the commitment demonstrated by our people to effectively deliver complex programmes to support the UK's submarine capability, a critical element of the nation's defence.

September 2019 saw the departure of Mark Russell as a Non-Executive Director of the SDA Board. Mark provided a significant contribution to the SDA's transition to agency status, having been one of its first Board members. We are grateful for his counsel and support. Dominic Wilson succeeded Mark, joining us in December 2019 and bringing with him a wealth of Government experience and defence expertise to the Board.

Although we have taken significant steps in-year to strengthen our operating model and this has translated positively in terms of our performance as an Executive Agency, I recognise that we must continue our efforts to ensure we can deliver effectively and efficiently for defence. As we move forward and support the outcomes of the Spending Review and ongoing Integrated Review, our purpose remains clear, and we must redouble our efforts on delivering value for money across the UK's submarine programme, by achieving an optimal balance of time, quality, safety and cost. As the 2019-20 financial year drew to a close, the UK was in the midst of the early days of responding to the coronavirus pandemic. This has changed the way we are working at both defence and industry partner sites and our absolute priority is the health, safety and well-being of the workforce and local community. Precautions have been taken to implement social distancing and protection measures on sites to allow critical operations to continue. Inevitably the strategic shock felt nationally and internationally during the on-going COVID-19 pandemic has impacted our programmes, although the full impact has yet to be fully quantified. A key priority for the period ahead will, therefore, be to ensure we fully understand the impact of COVID-19 on our programmes and work across Defence and wider Government to play our part in the UK's recovery efforts.

Rob Holden
SDA Chair







SECTION ONE

Performance Report

Overview

The aim of the overview section is to provide information on our organisation: our purpose; our objectives and how we have performed during Financial Year 2019-2020.



Chief Executive Officer's Statement

by Ian Booth, Chief Executive Officer and Accounting Officer

Following a successful first year of operation, we recognised that the theme for financial year 2019-20, would be continuous improvement and optimisation, both in delivery of our programmes and in running the SDA as an Executive Agency of the MOD. Our first year as an Executive Agency provided us with a clear drive and focus on the procurement and support of the UK's submarine capabilities. We recognised, however, that we needed to not just sustain our efforts but add to them and that is why I am pleased to share our second Annual Report and Accounts which confirms the progress we have made. The SDA is responsible for some of the most challenging programmes in the country. In the early stages of the life-cycle, we now have three programmes underway - Astute, Dreadnought and a Maritime Underwater Future Capability. Our work across these areas has progressed in 2019-20 and we have learned significantly from both the successes and the challenges faced.

In Spring 2020, we completed the commissioning of Boat 4 of the Astute Class – HMS AUDACIOUS – and prepared to hand her over to the Royal Navy to commence sea trials (in April 2020). Although a key milestone for the Astute programme, this followed significant delays to HMS AUDACIOUS due to a technical issue that arose during 2018, which required unplanned repair and rework to facilitate the submarine proceeding forward with the commissioning process. To protect her schedule from further delay, we took a strategic approach to the programme and paused some work on Boat 5 – ANSON - in order to deploy extra resource to HMS AUDACIOUS. With high levels of technical, programmatic and integration complexity, issues during the build programme were likely to emerge, but the key was how the skilled submarine workforce across the Nuclear Enterprise, positively responded to and learned from the challenges faced. We have worked in close collaboration with our industrial partners and supply chain to put steps in place to mitigate future challenges similar to those experienced by HMS AUDACIOUS in this stage of the build programme.

In September 2019, construction work officially started on VALIANT, the second in Class of the Dreadnought submarines, at the BAE Systems site in Barrow-in-Furness. The joint SDA, BAE Systems and Rolls-Royce team that comprises the Dreadnought Alliance has continued to provide excellent drive and leadership to this programme in its second year of existence. Despite the effects of COVID-19, the Dreadnought submarine



programme continues to remain within overall budget and on track for the First of Class, HMS DREADNOUGHT, to enter service in the early 2030s. Recognising the high-levels of uncertainty caused by COVID-19, and the short to medium term uncertainty in Industrial Partners and Supply Chains, Delivery Phase 2 will continue until March 2022. The recent performance against our revised schedule of Missile Tube delivery, following weld quality shortfalls experienced earlier in the programme, is an excellent example of how our world-class UK engineers within the Alliance are working with our US counterparts, as well as the main supplier and their subcontractors, to resolve issues. We will not compromise on our high standards on safety and quality but will continue to assess the cost impact to the UK and remain committed to delivering the Dreadnought submarine programme on time and within the allocated budget. The Alliance team have recently been completing a thorough review of programme opportunities with suppliers seeking to drive our improvements where possible, which will be of particular importance in the face of the evolving Coronavirus pandemic. Alongside the build programmes, we have held an unerring focus on supporting the in-service Trafalgar, Astute and Vanguard Classes of submarines, ensuring that the Royal Navy can continue to undertake operations. We continue to work with Babcock to deliver planned deep

maintenance and refuel work to HMS VANGUARD. This investment, along with learning from what is a complex deep maintenance project, will sustain the Vanguard Class to assist the transition to the Dreadnought Class. We have also built on the work commenced in 2018-19 to address a range of challenges that understandably occur with operational deployments. Targeted initiatives have been closely developed with Enterprise colleagues at Her Majesty's Naval Bases Clyde and Devonport. These are aimed at optimising submarine availability in line with defence requirements and are gradually further enhancing performance across the maintenance programmes. This work will continue into 2020-21.

The SDA is responsible for all stages of programme lifecycles, from concept to disposal and we have made progress with projects to manage and dispose of submarines decommissioned from Royal Navy service, including the infrastructure required to support these programmes. A major achievement has been our work to remove Low-Level Waste from a second submarine, named RESOLUTION, as part of the maturing technical solution for submarine disposal. We will capitalise on the lessons learned over the period as we prepare the third submarine for disposal.

During the financial year the National Audit Office (NAO) produced reports on Submarine Defuelling and Dismantling and Defence Nuclear Infrastructure, followed by associated Public Accounts Committees (PAC) hearings. The NAO and PAC reports recognised the progress we have made, however, we all accept that significant challenges remain. All recommendations around Submarine Defuelling and Dismantling have been implemented and the Department continues to make progress in addressing recommendations from the Nuclear Infrastructure report. Where actions directly link to our purpose and programme of work, we continue to work closely with colleagues across the Nuclear Enterprise to address the findings of the reports.

I am tremendously proud of our teams who continue to work with utmost commitment to our purpose no matter what the challenge. As a result of their drive and determination, we have been able to successfully collaborate across the Nuclear Enterprise to ensure delivery of submarine capabilities for today and tomorrow. Over the course of the year, I talked with many of our people and understand the things we are doing well and the factors we need to overcome to make the SDA a great place to work. The results of our annual People Survey showed that we are taking the right steps, with increases seen in all areas of engagement. However, we know we have much more to do. As such, in year, we continued targeting our efforts on developing the overall career package for our employees from recruitment application to on the job development, together with addressing our resourcing difficulties. With support from the wider

Department, we have made gradual progress with arresting resourcing and retention challenges – legacy issues as the Agency was established in April 2018. We have had the pleasure of welcoming 221 additional colleagues during the 2019-20, period but our resourcing efforts must continue into 2021-22 to recruit against ongoing vacancies if we are to be able to consistently and successfully deliver all customer requirements.

Last year I set about deepening trust with our people, customers and stakeholders, launching an ambitious programme of work to increase diversity and inclusion in the SDA. In 2019-20, we have gone right back to basics, providing interactive training courses for all our people to demonstrate the behaviours we expect in the SDA. We've also pushed hard to develop a suite of wellbeing strategies and support mechanisms, training volunteers from within our workforce to support their colleagues on diversity and inclusion as well as mental health issues. Our people networks, which reach across a wide range of areas including race, disability, and gender also provide inspiring support and advice across the Agency helping our people navigate career and personal challenges. I have also overseen significant efforts to increase our safety and security cultures, building confidence across the Agency to challenge, report and address any potential actions which put our people and their well-being, platforms or equipment at increased risk. While we could not have predicted the development or impact of Coronavirus, it was clear as the financial year drew to a close, that our enhanced approach – which integrated training, support systems and ways of working – provided a strong foundation for the lockdown periods.

There is much we can be proud of this year and with the progress made, we have demonstrated that we are moving the SDA in the right direction. 2020-21 will be a year of significant challenge for all: COVID-19 has changed the way we and our supply chain are working and we have already played a significant role during the EU exit preparations, where we had approximately 30 volunteers across the two rounds of Operation Yellowhammer with 10 staff subsequently deployed to support the effort. As we move forward, we will need to sustain our improvement activities, alongside supporting action following the Spending and Integrated Reviews. Through this next period we will, therefore, remain focussed on achieving our vision of leading a high performing industrial enterprise to deliver the UK's submarine capabilities safely and securely, and more effectively and cost-efficiently every year.



Ian Booth
Accounting Officer

Chief Finance Officer's Report

by Bruce Martin, Chief Finance Officer



During our second year of operation as an Executive Agency, we have continued to build on progress as we mature our organisation to deliver now and in the future.

Rightly, our focus has been on delivering to our customers. Throughout the year we have continued to ensure we are prioritising the outputs required to maintain and improve submarine availability both now and in the future, whilst ensuring that delivery of our programmes are on time and cost.

The year's overall performance has been positive with clearly defined objectives followed through to completion. Our monthly Performance Committee has ensured alignment of programme delivery within the Agency and provides a regular open review of progress with Team Leaders and with support from our key stakeholders.

Throughout the year we have continued to develop our people, our processes and tools to enhance our decision making, maximising our outputs for defence. Close working with our customers and industry partners has enabled us to manage and mitigate risks early and protect delivery of our critical submarine capabilities.

Equipment plan

During the financial year 2019-20, we have maintained our focus on optimising the use of resources across the Agency, with a specific drive on maintaining our delivery schedules in line with our customers' requirements to maintain critical submarine capabilities. We manage Operating Cost and Equipment Plan monies delegated to us by our Top-Level Budget (TLB) holder, the Defence Nuclear Organisation (DNO) and have maintained our forecasting accuracy in line with last year.

This year our overall spend out-turned at £3,302m, an underspend of £11m (0.3%) against the budget provision. This reflected a year-on-year spend increase of £249m (8%) in line with enhanced delegations and acceleration of the Programmes – all part of our drive to deliver on time and budget on behalf our of customers. This expenditure was split between our primary customers the DNO and Navy Command (NC), with a small element spent for Strategic Command.

Additionally, we have seen further process improvements with strengthened governance on the setting and delivery of in-year milestones which are reviewed in our internal Performance Committee.

Operating costs

Our expenditure in the year has increased to £202m (up 5%), as we increased our scope and developed our core capabilities, hence improving our programme delivery and support.

During the year we continued to increase the core size and capability of our workforce, successfully delivering our overall recruitment position to support both current and future requirements. However, there remain critical gaps in our workforce, where we have needed to draw on private sector support (PSS) to provide additional capacity and capability.

Whilst we plan to continue to focus on the recruitment of the essential skills needed within the organisation, we have also augmented our business with a small number of development posts to allow us to grow the skills we need. This approach will not only strengthen career opportunities for junior staff but also enable us to reduce the use of PSS in the coming years, improving value for money, while maintaining our capabilities.

The second year of the Agency has seen some restructuring, with the creation of the Technical Director role, which includes a strengthened focus on Infrastructure and Disposals, alongside a new lead for Submarine Readiness. This provides additional senior management focus on these critical areas of our programmes, which will shape our approach for the future and drive improvements in the support we deliver.

Accounting

The first year of the Agency provided us with a clear understanding of areas that required strengthening and development; these were aimed at improving the delivery of management information and our accounts while ensuring that quality was maintained for the MOD and Agency accounts. The actions identified have now been carried out and have benefited teams across the Agency. Some of these enhancements have been well tested as we worked hard to sustain our programmes while also supporting the nation's response to the COVID-19 pandemic. With a strong culture of continuous improvement, we carry on identifying areas for development and drive for effective and efficient programme delivery – on time and on budget into financial year 2020-21.

Outlook

Looking ahead to the new financial year (2020-21), our programme of work continues at pace as we make further progress across our design and build, in-service, decommissioning and disposal programmes, as well with our critical enabling activities such as those associated with submarine infrastructure. We have a clear understanding of the complexities of the tasks ahead and will maintain our focus on accuracy of reporting to ensure timely decisions can be taken, optimising adherence to schedules and budgets.

Alongside this sustained focus on programme delivery, we will also enable effective and efficient business over the coming year through a range of activities including:

- managing the impact of COVID-19 and working with our customers and industry partners to maximise productivity within the governmental guidelines, while mitigating the risks to programmes;
- focusing on the wellbeing of our people while supporting them to work effectively on sites, in offices and, where necessary, remotely;
- strengthening the capability and capacity of our people, through recruitment and development action, including increasing the number of graduates and apprentices employed within the business;
- improving submarine availability through use of data driven analytics to optimise support and prioritise utilisation of resources;
- continuing refinement of an integrated schedule allowing scenario planning in support of the Integrated Review and Spending Review;
- improving performance reporting through development of best practice tools and techniques, such as dashboards, regularly providing additional key data to our customers and other stakeholders; and
- maintaining the focus on the quality of the accounting across our programmes, ensuring clarity of the boundary between Equipment Plan costs and Operating costs, while continuing to standardise the provision mechanisms, thereby improving Balance Sheet management.

Our second year as an agency has enabled us to consolidate and build on the achievements of our first year, now with greater understanding of the challenges and opportunities and an enhanced model for the future. In 2020-21 we will continue with the next steps in our journey and further progression in delivery of the major programmes we proudly manage on behalf of Defence.

About the SDA

Defence Purpose

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

SDA Vision

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

SDA Purpose

The purpose of the SDA is to:

- programme and support the safety, availability, reliability and security of UK submarines that are in-service in order to maintain the UK submarine capability, including CASD¹;
- procure and programme the construction of all new UK submarines and, working with the DNO and NC, bring them into service as effectively and efficiently as possible to fulfil their role in maintaining the UK submarine capability;
- dispose safely of the UK's submarines that are no longer in-service;
- inform its customers' evaluation of acquisition and support options and deliver the agreed acquisition, support and disposal programmes of its customers as cost-efficiently as possible and within affordability constraints;
- lead the supply chain: work with industrial and public sector partners to preserve the UK's technology advantage and skills-base, and to ensure submarine manufacturing and maintenance capability is sufficient to support the UK's submarine requirements long term; and
- support and fulfil the relevant roles in international partnerships, including the 1958 Mutual Defence Agreement and the Polaris Sales Agreement.

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

Who We Are

The SDA is an Executive Agency of the Ministry of Defence (MOD). We were established in April 2018 for the procurement, in-service support and disposal of the UK's nuclear-powered submarines, which are some of the most complex equipment in the world. We deliver capabilities to the Royal Navy that are essential to CASD. We employ both civilian and military staff and our main footprint is in Bristol, but we also operate alongside our Royal Navy customer at Her Majesty's Naval Bases (HMNB) Clyde and Devonport, alongside our key suppliers in BAE Systems, Rolls-Royce and Babcock Marine, and in the US working with Department of Defence colleagues. We also work closely with our two primary customers, the DNO and NC, in recognition that we are a joint enterprise and we will only succeed together. All three organisations work together to deliver our common goals so we achieve the submarine capabilities our nation requires. We also work alongside Defence Equipment & Support (DE&S), who provide some of the equipment on which submarines depend.

What We Do

Within the Defence Operating model, the SDA acts as a 'delivery agent' with a primary role in contracting effectively with the UK's submarine industry. It acts on behalf of its MOD customers, NC and the DNO.

What We Deliver

We are responsible for the procurement, and in-service support and disposal of all Royal Navy submarines. We ensure new submarines enter service while delivering value for money to the taxpayer, and that in-service boats are available to fulfil their missions reliably and safely. Our actions are vital to the Royal Navy's ability to meet their Defence commitments. Further information on What we Deliver can be found in our [Corporate Plan \(2019-2022\)](#).

¹ The UK's strategic nuclear deterrent is provided by the Vanguard-Class nuclear-powered ballistic missile submarine. For 24 hours a day, 365 days a year, these submarines patrol the world's oceans, silent and undetected. A new Class of ballistic submarines – the Dreadnought Class – is currently under construction and is expected to replace the Vanguard-Class from the early 2030s.

SDA Structure

Our Budget

The MOD delegates the majority of the Equipment Plan budget to the military commands (for example NC) and other Top Level Budget organisations, such as the DNO giving them responsibility for prioritising what is most critical. As such, the SDA does not hold the budget for equipment procurement and equipment support plans, but we do deliver against these for our customers.

Our agreed programme of work is set out in our Submarine Acquisition and Support Plans (SASPs) – individual formal agreements with our customers that capture the outputs against which our teams will deliver. The agreements set out the equipment, support and services the SDA will acquire on our customers' behalf, for what budget and to what timescale. Our Sponsor, the DNO – Director of Strategy and Policy, monitors our delivery progress, and primarily measures our performance using our Key Performance Indicators (KPIs), which underpin our strategic objectives. An overview of our objectives and KPIs can be found in our 2019-2022 Corporate Plan.

As an Executive Agency, we are directly responsible for our operating expenses and we carry out our business activities within an operating expenditure budget that flows from DNO. Our operating budget includes manpower, operating support, and Private Sector Support (PSS) costs. In addition to these main sources of costs, we reflect within the accounts, notional communicated costs covering the services that are incurred through support activities from other MOD organisations. For 2019-20 our operating budget to support our activities was £202m.

The financial statements at Section 3 have been prepared in accordance with the accounting boundary agreed with the MOD, which delineates between the SDA operating activities reported in our financial statements and equipment procurement/support activities that are reported in the MOD financial statements. More information regarding the accounting boundary is set out in note 1.2 of the Financial Statements. The SDA prepares accounts under the Financial Reporting Manual (FReM) issued by HM Treasury and we observe the standard financial processes and rules set out by the MOD Director General (DG) Finance as the Defence Authority.

Operating as an Executive Agency

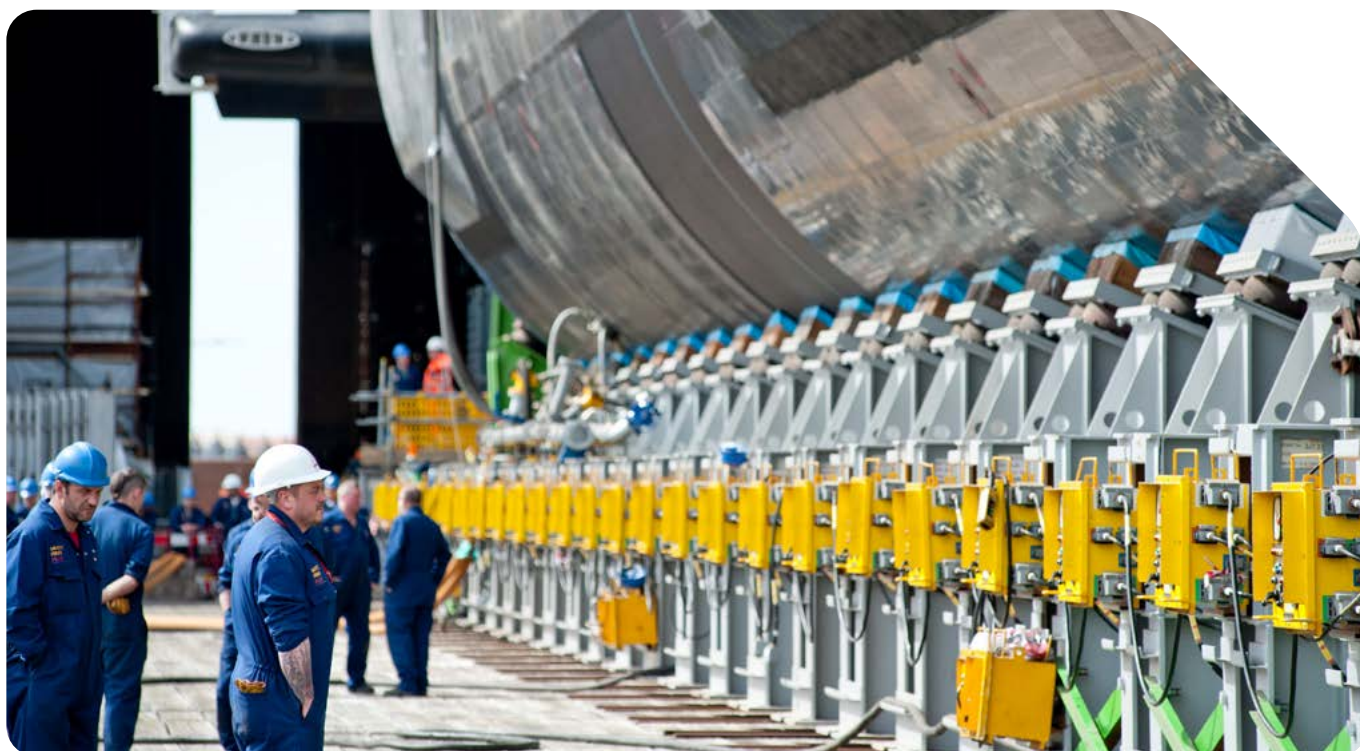
The formal establishment of the SDA in 2018 realised the government's commitment, set out in the 2015 Strategic Defence and Security Review (SDSR), to strengthen the procurement and in-service support of nuclear-powered submarines. As an Executive Agency of the MOD, we have been required to set up a separate governance structure to manage our business in line with delegations afforded by the Department, which are flowed to us through the DNO's Director General (DG) Nuclear as our Top Level Budget Holder. We have also been allocated management freedoms, including those delegated by HM Treasury and the Cabinet Office, which allow the SDA to manage all aspects of our workforce as necessary to meet our business needs within our operating cost budget. Our status has allowed us to strengthen the relationship with our customers (principally the DNO and NC) so we can improve our joint ways of working and strive for our common goal; the maintenance of CASD. We are overseen by the SDA Board, which operates under the provisions of a Framework Document approved by the Secretary of State for Defence. Accountability for SDA activities rests with our CEO, Ian Booth. Further information on our governance is provided in Section 2.

How We are Organised

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

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

Other teams, including Finance, Commercial, Corporate Operations and HR, are vital in ensuring that resources and business management systems, including safety and security, are streamlined and operate effectively. While employees work in delivery or enabling teams, all have a functional 'home', for example engineering or project management, which facilitates and upholds professional standards across the SDA.



Our Strategic Objectives

As set out in our 2019-2022 Corporate Plan, to realise our vision and purpose we have four strategic objectives in the areas of, in-service support, systems engineering and disposal, acquisition, developing our organisation and supply chain. These objectives are at the heart of our work and are used to set clear priorities for the year ahead and beyond.



In-Service Support, Systems Engineering and Disposal

We will maintain and improve in-service platforms to give the Royal Navy the availability needed. We will improve support infrastructure and drive the disposal programme to reduce liabilities. We will achieve this by:

- working alongside NC to deliver CASD;
- focusing on sustaining and further enhancing improved delivery of in-service maintenance programmes;
- reviewing with our customers and improving the accuracy, quality and efficacy of the information we exchange with them to support decision-making and oversight of programmes;
- identifying where our customers' confidence in programme forecasts and analysis of options can be improved, developing proposals to improve their dependability; and

- developing and delivering a coherent long-term strategy for managing the submarine enterprise's decommissioning and disposal requirements.



Acquisition

We will deliver new platforms and products into service on time, within budget and at an affordable cost. We will achieve this by:

- exploiting the SDA's dedicated focus on the submarine enterprise to drive week-in week-out delivery on schedule and achieving the target metrics and KPIs agreed with our customers;
- agreeing a stable, affordable and credible long-term programme;
- getting more effective and efficient year-on-year through improved decision-making and better understanding our customers and suppliers;
- becoming a more effective supplier to our prime contractors where we are responsible for the provision of Government Furnished Information and Equipment; and
- working early in the acquisition process to incorporate other best practice from the private sector in cost efficient management of logistics, maintenance, and, if required, life extension of the asset base.



Developing the SDA

We will develop the SDA as a high performing agency that is an exciting and rewarding place to work. We will nurture a motivated workforce equipped to do their job, assigned to the right roles in a world-class delivery organisation, able to manage all activities safely and securely. We will achieve this by:

- understanding the SDA's core values and living them daily;
- focusing on capability outcomes and empowering our people;
- embedding a culture that achieves continuous improvement in safety and security through a robust and consistent application of processes and development of lessons learned;
- making the most of the diversity of our people and encouraging an inclusive environment, making time to share knowledge and skills, actively listen to new ideas, and encouraging constructive challenge to improve decision-making and ways of working;
- strengthening project and commercial controls, using best practice Project, Programme and Portfolio (P3M) tools and techniques and sustaining these across all areas of the organisation;
- ensuring delegations and authorities are established rapidly and clearly to enable prompt decision-making in response to programme issues; and
- identifying skills gaps and prioritising resourcing effectively, using the SDA's authority and freedom to recruit and retain the best people to enhance the organisation's competences and capability.



Supply Chain

Working closely with our supply chain, we will develop a high-performing, resilient industrial base with the skills and capabilities to deliver in both the near and the long-term. We will achieve this by:

- understanding the supplier base, market capabilities, fragilities and supplier business models to obtain better efficiency from suppliers in their delivery;
- leading on mapping the supply chain and promoting joint planning amongst our Tier 1 suppliers and implementing shared incentives where this drives value for money;
- identifying and importing fresh talent and best practice in supply chain management from recent major projects that have been successfully delivered by the UK public sector and by the private sector; and
- investing in capabilities, including infrastructure where unique to the submarine programme, through robust commercial agreements with industry and agreeing simplified and standardised processes and contracts.

Delivering for Our Customers: Our Performance, Risks and Issues

Our progress in delivering our Strategic Objectives is measured by a suite of corporate KPIs. We have used our experience during the first year of the Agency's operation to develop a revised set of indicators that will provide confidence to our Sponsor and customers that we are on track to deliver capability requirements and that our business as an Agency is operating effectively.

The corporate performance for 2019-20 is set out in the Performance Analysis section. Corporate performance, including our KPIs, financial performance, management of risk and safety and security, are regularly reviewed by our Executive Team and Board. In addition, we have quarterly reviews with our Sponsor and senior MOD stakeholders, including the Permanent Secretary and Vice Chief of the Defence Staff, who has oversight of our performance. We also undertake monthly reviews of our performance against the SASPs with our customers throughout the year. Our Corporate Plan, refreshed annually, presents our strategic outlook. Further information on our governance structures and activity for 2019-20, as well as information on our key risks and issues, is provided in the Governance Statement which forms part of the Accountability Report.

Developing the SDA and Improving our Delivery





Our performance during financial year 2019-20 is covered later in this report. This largely reflects on our progress in delivering to our customers and our effective use of MOD funding. However, performance as an agency does not rest solely in our overall corporate performance, as our success is directly linked to our standing as an employer and how we have led our people in delivery. As we entered our second year as an Executive Agency, we wanted to take stock of the work we had completed to set up the SDA and consider how we could optimise and develop it further. Our aim remains to be recognised as a high-performing organisation – one that delivers efficiently and effectively to our customers and provides a stimulating and rewarding place to work.

We made early steps during 2018-19 to develop our operating model, maturing corporate governance processes, embedding improved Portfolio, Programme and Project Management (P3M) practices and making improvements to our people model and associated strategies. While our key focus in 2019-20 has remained on enhancing programme delivery and ensuring we provide a great place to work, we also wanted to target specific challenges identified and learning collated during our first year. We therefore instigated targeted business improvement actions covering each area of the business. While some of these focussed on programme areas, others focussed on specific functional strategies and business processes; these are summarised below. Additional information on some of these improvements is provided later in this section of the report.

In addition to taking these specific actions, we continued to mature our change gateway process, establishing a dedicated Project Management Office and regular monitoring progress at Executive Team level to ensure that the benefits linked to each change are realised and embedded across the Agency. We also worked with colleagues in the Defence Transformation Community to refine our change management tools and ensure the introduction and sustainment of best practice in our approach.

Towards the end of 2019-20, we completed work to further define our operating model, bringing together the initial optimisation activities and continuous improvement learning we have completed since April 2018. We have set a clear vision for the future of the Agency and confirmed the specific areas across the business that we will be further targeting for development.

Our Priorities and Business Improvement Actions for 2020-21

	In-Service Support, Systems, Engineering and Disposal	<p>We will maintain, and improve in-service platforms to give the Royal Navy the availability needed. We will improve support infrastructure and drive the disposal programme to reduce liabilities.</p>	<ul style="list-style-type: none"> • Deliver availability and resilience. • Deliver and improve support infrastructure. • Deliver the disposal programme.
	Acquisition	<p>We will deliver new platforms and products into service on time, within budget and at an affordable cost.</p>	<ul style="list-style-type: none"> • Deliver Astute Boats 4 to 7. • Deliver Dreadnought programme. • Establish an affordable and effective future attack submarine programme.
	Developing the SDA	<p>We will develop the SDA as a high-performing agency that is an exciting and rewarding place to work. We will grow a motivated team equipped to do their job, in a world-class delivery organisation able to manage all activities safely and securely.</p>	<ul style="list-style-type: none"> • Grow, train and develop a capable team. • Create a thriving and inclusive climate. • Keep safe our people, equipment and environment. • Provide effective security management. • Maintain and improve financial management. • Improve our ways of working.
	Supply Chain	<p>Working closely with our supply chain, we will develop a high-performing, resilient industrial base with the skills and capabilities to deliver in both the near and long term.</p>	<ul style="list-style-type: none"> • Improve the quality of supplier relationships. • Improve supply chain risk management. • Improve long-term supply base capability.

Making the SDA a great place to work: Diversity, Inclusion, Health and Wellbeing

We remain committed to creating a diverse and inclusive workplace where our people's health and wellbeing is at the centre of everything we do. This year we invested in 'Speak Out' training to educate everyone in what constitutes inappropriate behaviour and gave them tools to tackle it. On Wellbeing, we were instrumental in introducing the MOD-wide Employee Assistance Programme (EAP) and supported this service with our own Mental Health First Aiders across our locations; in -year we have seen our numbers of trained staff rise from a handful to 43 trained volunteers. We have continued to support dedicated employee protected characteristic networks through active engagement sponsorship of their work by members of our SDA Senior Leadership Group (SLG) and in our communications to our people.

Further information on our Diversity, Inclusion, Health and Wellbeing can be found within the Remuneration Staff report sections on page 57.

Working with Industry: Our Commercial Improvements

During 2019-20 we have built upon the progress of our first year of operation, continuing to enhance our capabilities. By developing our commercial relationships we have enabled effective management of the submarine supply chain to deliver Defence outputs. The Commercial Directorate is responsible for commercial delegations within the SDA and for ensuring that all contracts adhere to the Government's commercial policy. To support the full range of our business activities, guidance, assurance and scrutiny have been provided at all levels of the organisation across all commercial activities. Continued improvements in contracting, including increasing commercial awareness across the SDA and taking a longer-term view of the commercial landscape, have been embedded into commercial and project practices. In addition:

- 150 non-commercial staff have passed the Cabinet Office's Foundation Level Contract Management training course, which is aligned to the Government's Commercial Function Contract Management Professional Standards; and
- utilising the e-Procurement tool, the SDA manages and analyses its contract landscape. To plan future commercial activities, the Forward Contracting Work Plan (FCWP) project was launched in early 2020 to capture and maintain this information on our Contracting, Purchase and Financing tool. This activity continues throughout 2020-21.

The importance of the holistic management of the supply chain has seen the focus of the Supplier Management area on two distinct areas: external facing workstreams around supplier management and activities underway within the SDA around supply chain improvement. This strengthened approach, which also includes the growth in Key Supplier Management and Category Management capabilities, provides a unique ability in identifying and managing risk across our supply chain, and the ability to work with our industry partners and suppliers to protect supply. This has facilitated the adoption of innovative approaches and ensured that we have the right systems, processes and people to maximise value through:

- improved demand and market analysis to underpin appropriate prioritisation and strategies;
- data and analytics to develop and support strategies, inform decisions, and drive action; and
- running workstreams that recognise that external changes such as new manufacturing techniques, rapid application of digital technologies and agile procurement are having a transformational impact on our business.

This work is now maturing to a point where we are able to work collaboratively across our commercial and delivery teams to address specific issues and to successfully implement several Category Strategies for in-service and future submarine programmes. This has been undertaken with significant collaboration with wider MOD and cross-Government colleagues, and as such, is also helping to refine our future industrial strategy for the submarine programme and shape the supply base to ensure we retain a sustainable market.







Through 2019-20, the SDA established a supply chain mapping capability that identifies suppliers and their consolidated operational and financial performance to assess risk. This information is used by the newly established Supplier Management team in collaboration with the primes to proactively improve performance of suppliers and reduce risk. Access to this consolidated view of the supply chain and the new data collation processes resulted in the SDA being in a strong position to identify and manage risk for both the Coronavirus Pandemic and EU Exit activities. Our approach, which is being shared across MOD, will continue to mature during 2020-21 and will be informed by our learning during COVID-19. Overall, as part of the Government's Commercial Function, our drive towards a best in class commercial capability has seen improvements in our supply chain management activities and our professional capabilities. These will remain key continuous improvement activities for us.

Engaging our People

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

92% of our employees completed the survey this year (October 2019) – a 9% increase from 2018 and one of the highest response rates across government. Our overall engagement index score, which is calculated as the average score across five questions measuring pride, advocacy, attachment, inspiration and motivation, also increased by 9%, to 58%. This was reflected in improved scores across all nine survey theme areas.

Our highest scoring areas clearly demonstrated the connection our people have with the purpose and objectives of the Agency and their work. This was amplified by the positive feedback about how we work successfully within our teams, lead effectively across all locations and the progress we have made in developing the SDA as an inclusive organisation.

-  Org objectives and purpose – 79%;
-  My team – 79%;
-  My work – 78%;
-  Inclusion and fair treatment – 77%;
-  My manager – 68%;
-  Resources and workload – 64%.

We recognise, however, that there is still much more we need to do to build on this year's improved position, in particular in our lower scoring areas of pay and benefits, leadership and managing change and learning and development. While all indices increased in these areas, providing reassurance that our actions are making progress, with similar results for a second year running, our efforts must be sustained in these areas. Having assessed feedback from the survey, our Executive Team centred our Action Plan on the following themes:

- working environment and IT;
- recruitment and career progression;
- leadership;
- pay;
- resources; and
- workload.

To ensure coherence and maximum impact, our Action Plan has been integrated with our change and improvement activities.

Actions, which will span 2019-20 and 2020-21 include:

- developing our approach to function management and appointing function leads within the SDA, strengthening management and development of our people in professional functions by developing the SDA's internal capability in this area and appointing dedicated function leads;
- pursuing a wellbeing strategy and introducing more support mechanisms for our people;
- improving our accommodation at Barrow-in-Furness and HMNB Devonport and finalising our future accommodation strategy;
- further developing our reward strategy;
- further developing our skills in the management of change and ensuring that we have processes for identifying, resourcing and controlling all the improvement activities we need;
- defining our culture, values and behaviours and taking action to embed these into our everyday activities;
- establishing an SDA-specific programme for leadership and management development to support our people; and
- refreshing mentoring and coaching systems.

We have also continued to evolve our leadership engagement approach to ensure that our Executive Team has the opportunity to connect with our people on a regular basis through roadshows, floorplate briefings, and blogs etc and to update them on the actions we have taken in response to their feedback. Additional updates are also provided through regular internal communications, including our monthly corporate brief and weekly news alert. As we reached the end of the period, and in response to the COVID-19 national 'lockdown', our engagement approach swiftly adapted to the significant increase in remote-working, with virtual events, weekly leadership messages and additional use of our intranet portals used to support our people.

Performance Analysis



Our programme of work is agreed with our customers, principally the Defence Nuclear Organisation (DNO) and Navy Command (NC), and set out in Submarine Acquisition and Support Plans (SASPs) on an annual basis. Our supporting approach to performance management and analysis within the SDA strives to continuously improve the decision-making capabilities across the Agency, while also maximising our opportunities for successful delivery of our portfolio of activities. The performance analysis capability is delivered at all levels within the organisation and feeds into a corporate level summary for review in the monthly SDA Performance Committee. These reports are then shared as part of routine departmental reporting procedures with our Board, Sponsor, customers, and other senior MOD stakeholders.

During 2019-20, we analysed and reported on corporate performance against our 14 Key Performance Indicators (KPIs), which are split across our strategic objectives:

- In-Service Support, Systems Engineering and Disposal – Maintaining in-service platforms to deliver the availability needed by the Royal Navy;
- Acquisition – Delivering new platforms on time and budget;
- Developing the SDA – Developing the SDA as a high performing agency; and
- Supply Chain – Developing industry and the supply chain.

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

On the grounds of security and commercial sensitivity we have withheld the detail of our KPIs in this report. This information is held within government and, as noted above, we are held responsible on our corporate and programme performance using a range of monitoring, reporting and review processes and fora. Further information is also provided in Section 2's Governance Report. For the purposes of this report, we have provided an overview of our performance against the same themes as our strategic objectives.



In-Service Support, Systems, Engineering and Disposal

There are two SDA Corporate KPIs measuring the performance of our Support Programmes. These focus on in-year delivery of the agreed NC programme of work and availability of submarine platforms for undertaking operational tasking.

The Support Programme maintains the in-service submarine platforms so that they are ready for defence taskings, including the Continuous at Sea Deterrent (CASD). The KPI to measure and analyse availability of submarine platforms for undertaking NC operational tasking was new for 2019-20 and, as such, has provided a baseline measure of performance throughout the year. CASD and our support to wider submarine taskings was maintained throughout the year in line with operational requirements. As part of our ongoing work to optimise our maintenance and support activities, during the year, we strengthened our organisational arrangements, by, for example, establishing the Platform Equipment Delivery Team (PEDT). This new team are focussed on developing, implementing and monitoring improved asset management of our equipment.

Towards the end of 2019-20, we have built on the steps and learning developed over the last period and we have brought together the next phase of initiatives into a single dedicated project. This work, undertaken across the Nuclear Enterprise, aims to deliver sustained improvement in submarine availability and resilience. It is based on improved waterfront productivity, combined with better maintenance and equipment management decisions informed by data analytics, which are then built into a long-term support solution for each Class of submarine.



Acquisition

There are five SDA Corporate KPIs measuring the performance of SDA Acquisition Programmes. These focus on in-year delivery of the agreed DNO programme of work and long-term schedule and cost adherence across the Astute and Dreadnought Class build programmes.

Despite the effects of COVID-19, the Dreadnought submarine programme continues to remain within overall budget and on track for the First of Class, HMS DREADNOUGHT, to enter service in the early 2030s. Recognising the high-levels of uncertainty caused by COVID-19, and the short to medium term uncertainty in Industrial Partners and Supply Chains, Delivery Phase 2 will continue until March 2022. As we have continued with this phase of the programme, further investments have allowed good progress to continue on the whole boat design and the construction process and additional commitments have been made in support of facilities at Barrow-in-Furness, owned and operated by BAE Systems, and the next generation of facilities at Rolls-Royce's Raynesway site in Derby. In September 2019, construction work started officially on VALIANT, the second in Class of the Dreadnought submarines.

Although we have achieved significant milestones with the Dreadnought Programme, as would be expected for any major construction project, challenges will undoubtedly remain until delivery. To help mitigate risk we have forged excellent joint working practices through the Alliance Structure, enabling a major review of the Dreadnought Programme schedule. This has enabled us to identify risk reduction and acceleration activities, which will be implemented in-year and through 2020-21.

The Astute Programme has previously delivered Boats 1 to 3 (HMS ASTUTE, AMBUSH and ARTFUL) into service and are supporting operational availability within the Support Strategic Objective. During 2019-20, Astute Boat 4 - HMS AUDACIOUS - completed key stages of her build programme and was commissioned. This significant milestone saw preparation of the submarine for handover to the Royal Navy on 3rd April 2020 ready to undertake sea trials throughout 2020-21. To protect HMS AUDACIOUS' schedule from further delay, extra resource was deployed from the next Astute Class (Boat 5), ANSON. While this resulted in a pause to Boat 5's schedule, we remain committed to delivering all seven Astute boats by the end of 2026.

As the 2019-20 financial year drew to a close, the UK joined together to respond to the Coronavirus pandemic. This has changed the way we are working at both defence and industry partner sites. Following however, the careful implementation of COVID-19 protection measures, critical operations have continued and we are working with our industry partners to minimise impact of COVID-19 on our submarine programmes.

During 2019-20, work was progressed around a Maritime Underwater Future Capability (MUFC) and approval was received to enter a Programme, Definition and Design (PDD) phase from April 2020. The MUFC PDD phase will consider a range of potential capability delivery options and delivery arrangements, including a manned nuclear powered submarine (known as the Submersible Ship Nuclear (Replacement) (SSN(R)) and autonomous vehicles, to inform a future capability decision.



Developing the SDA

There are five SDA Corporate KPIs measuring the development of the SDA. These focus on the availability of SDA personnel and the maturity of our approach for long-term sustainability of our organisation, including our finance, safety and security management systems.

The SDA increased its workforce by 221 between 1 April 2019 and 31 March 2020. Excellent progress made in the first half of the year slowed over the last six months due to a combination of factors including, a temporary pause to recruitment activities in response to COVID-19 and lockdown restrictions. This focussed effort in recruitment at all locations and sites where SDA staff are based provides a solid platform on which to build throughout 2020-21.

As set out throughout this report, we continue to implement improvements to the SDA so that it becomes a rewarding, enjoyable and stimulating place to work for everyone and to ensure we are performing as a world-class delivery organisation that facilitates the best performance possible from our industrial base. Performance measurement against our improvement and maturity of finance, safety and security management systems were all achieved during 2019-20 by comparing our performance against maturity models. These not only provided a benchmark of good practice but helped us to identify areas for improvement. The following assessments were made:

Provision of a compliant Occupational Health and Safety Executive (OHSE) Management System	Reported improvements in all elements of health and safety management measured using the Department's Maturity Model throughout the last period.
Assurance and maintenance of the safety of our platforms, equipments and services	Addressed a number of identified shortfalls throughout the year including: <ul style="list-style-type: none"> • In date documentation reviews; • Undertaking auditing; • Specific technical/Suitable Qualified Experienced (SQEP) resourcing; and • Concession/hazard management.
Improvements in our Security Management and Culture	Showed significant focus on how we have further developed positive security behaviours across the SDA, with a strengthening in Security Leadership, as well as Governance and Information Risk Management.
Maintenance and Improvement in Financial Management and Control	Activities provided continued focus on the SDA's financial performance to ensure we met all our financial targets. The six financial performance sub-indicators all delivered within their tolerance bands ensuring that for both in-year and future years, financial management and controls in the SDA remain strong.

 Supply Chain

There are two SDA Corporate KPIs measuring the performance of SDA Supply Chain maturity. These focus on the relationships with Tier 1 suppliers and supply risk within the sub-tier submarine supply chain.

During 2019-20, we measured successful improvement in the working relationships with our key Tier 1 Suppliers (BAE Systems Submarines, Babcock Marine and Rolls-Royce Submarines) through a holistic maturity assessment. The maturity assessment reviewed each Tier 1 supplier as competent or above against all eight maturity indicators, exceeding our targets set at the beginning of the year. Within the sub-tier supply chain, risk assessments were performed against all known critical suppliers and mitigation activities developed where necessary for long-term resiliency.



Safety, Environmental and Security



Safety and Environmental Protection

Introduction

As set out at the start of this report, our Vision is 'to lead a high-performing, industrial enterprise to deliver this capability safely and securely, and more effectively and cost-efficiently every year'. We are, therefore, tasked with leading on the acquisition, build, in-service support and disposal of some of the most complex and technically challenging projects in Defence. As such, it is vital that we manage our programme of work in a responsible and sustainable manner; the protection of the safety and wellbeing of all personnel and the environments in which we operate is at the heart of our work.

We do this by actively engaging with our people, by protecting our environment, and by collaborating with our suppliers. We achieve fairness and sustainability through planning our usage of resources and by preparing for current, emerging, and future business continuity challenges.

Our overall approach is linked to the global roadmap to sustainability as laid out through the United Nations Sustainable Development Goals (SDGs) and as embedded in the UK's own response.

There are several SDGs which relate to the SDA's activities and are directly relevant to safety and environmental protection matters as described in this section. Other SDGs which also relate to SDA's operations but sit outside the scope of this section are covered elsewhere.

Safety Management

This year we have recruited to our Safety & Environmental Protection (S&EP) team to ensure we can meet our drive to strengthen our approach to SE&P management by centralising SDA safety policies, processes and performance measurements. Policies and processes generated during the first year of the Agency's operation are being reviewed to ensure alignment with evolved organisation and management arrangements, and to embed best practice identified during that period.

There has been a strong leadership commitment to sustain our ongoing review of performance. From this we have maintained momentum for improving platform and personnel safety by continuing and improving the 'safety moments' and 'learning from experience' presentations, driving forward positive change towards safety matters across the SDA.

In our second year of operation, we are delighted to confirm that Safety Performance Indicators (SPIs), which were re-baselined during the year to push for a strong a focus as possible on the best practice themes of 'Sustained Operation of Excellence', 'Control of Hazards' and 'Positive Safety Culture', as well as environmental metrics, have been embraced by our teams and, by the end of March 2020, showed an overall improvement on the 2018-19 status.



Safety Culture

Throughout 2019-20 we have worked hard to enhance our safety culture across the SDA. Our focus is on making our organisation more resilient and proactive when considering sustainable safety and environmental protection procedures and behaviours. As our people are key to our success in this area, we have actively sought to engage our workforce on safety issues and joined with Defence Equipment and Support, to hold a pan-organisation Safety Day in June 2019.

The 2019 annual Safety Survey saw an increased response on 2018 (78% from 63%), which provided evidence of our improved standing of the SDA against the Hudson-Parker model² of safety culture. In particular, the areas of 'listening and responding', and 'ownership of safety' moved further into 'proactive' on the model.

The highly rated Submarine Safety Symposium held in October 2019 provided a forum for personnel across the Submarine Enterprise to come together to further explore safety related matters of mutual interest and benefit. Additionally, the Fifth Cycle of Submarine Enterprise Peer Review of Safety Culture successfully concluded in November 2019. Reviews are conducted across the SDA and associated sites, with the process tailored to the needs and functions of each organisation and location.

This year we have initiated new strategies to promote a proactive safety culture within the SDA around the continuing theme of 'Never Silent on Safety'. This includes the launch of a new 'Safety Portal' whereby news and safety alerts are more easily accessible.

Occupational Health and Safety

This year we have made significant progress in further evolving our strategy for the production and communication of Occupational Health and Safety Environment (OHSE) arrangements to continue to ensure that the Agency carries out its tasks safely. To support both best practice and policy implementation, as well as the development of our safety culture, we have run monthly communication campaigns around key themes throughout the year. These included mental health and wellbeing and driving-at-work safety.

Environmental Protection

The SDA remains committed to supporting the Government's approach to sustainability and furthering specific policy measures such as the Greening

Government Commitments (GGC) and the Government's implementation of the SDGs. This year we issued our Environmental Management Plan (EMP) which sets out our response to key environmental aspects of the SDGs; the key SDGs associated with this area of the report, are summarised below.

We are mindful that 2019 saw a significant step change in public opinion and Government action in the face of the global climate emergency. Following the emergence of the Net Zero Carbon (NZC) paper produced by the Committee on Climate Change and in turn the UK's commitment to achieve NZC by 2050, the SDA has committed to develop its own NZC strategy in 2020-21.

To date we are already making significant improvements in a number of relevant areas including:

- reducing the use of carbon intensive F-Gases on our platforms;
- developing a Technical Infrastructure Sustainability Strategy to ensure our assets are more resilient and sustainable; and
- introducing a carbon savings tool so staff can get involved and record their savings from commuting and business travel.

A primary operating principle which has 'carbon benefits' relates to the fact that all our submarines are nuclear powered, a low carbon energy source, with the newer Classes designed to avoid mid-life refuelling, which will deliver significant improvements in terms of reduced energy loads and minimised waste.

We also recognise the risks posed by climate change to the facilities we use, including the Naval Bases and the dockyards owned and operated by our industrial partners in the submarine enterprise. In response, we have established a Climate Resilience Working Group which acts to raise awareness, share knowledge, provide a standardised mechanism for climate risk assessments and action recommendations where necessary.

The submarine programme has eliminated the use of Halons on the Astute boats and for future submarine projects, and its use is now limited to the Vanguard Class boats but only for critical use in fire protection systems.

In addition, the Fleetwide Gases Working Group has been established to ensure robust scrutiny of the usage and emissions of F-Gases across both the submarines and surface fleet. Projects are being implemented to phase out and achieve the ultimate replacement of these substances whilst maintaining the capabilities of the Royal Navy.

² Parker Hudson Safety Culture Model



150t(75t+75t)

SA 15

ARTFUL

BAE SYSTEMS

BAE SYSTEMS

BAE SYSTEMS



The new Dreadnought Class submarines are being built to use low Global Warming Potential systems. Additionally, this year there has been further action taken to remove asbestos from in-service and laid-up submarines where feasible in order to minimise risks to workers and environmental health.

Submarine Dismantling Project

We remain committed to the safe, secure, cost-effective and environmentally sound defuelling and dismantling of all our decommissioned submarines. Building on the successful initial phase of dismantling developed and undertaken over the last three years, we have removed 52 tonnes of mainly metallic low level radioactive waste (LLW) from the submarine, SWIFTSURE. Work to remove LLW from the second submarine, RESOLUTION, started in November 2018 and completed in early March 2020, with over 77 tonnes of LLW taken from the submarine, over four months ahead of the approved schedule. This is approximately 50% more LLW than was removed from SWIFTSURE in 25% less time. A third submarine, REVENGE, entered the dry dock in Rosyth in late March 2020 to commence its LLW removal. Delays due to COVID-19 are currently assessed as unlikely to affect significantly the overall timescale for the safe, secure, cost-effective and environmentally sound completion of the first disposal, due by 2026.

There are three Astute Class submarines in service with the Royal Navy (HMS ASTUTE, AMBUSH and ARTFUL) and HMS AUDACIOUS is currently undergoing sea-trials prior to operational deployment, with a further three boats being built. The Astute Class submarines are not included in the 27 boats in scope of the Submarine Dismantling Project, but will be considered for decommissioning in the future.

HMNB Devonport Infrastructure

In recognition of the importance of delivering critical infrastructure at HMNB Devonport to maintain submarine capability related Defence Outputs, during 2019-20, we strengthened our organisational arrangements to drive forward a range of infrastructure projects agreed with our customers. These included:

- Submarine Waterfront Infrastructure Future (SWIF) – conversion of 10 dock and a berth in 5 basin which together will form the facilities for deep maintenance projects on Astute Class submarines.
- Fleet 22 – the upgrade of 15 Dock to produce a fleet time docking facility for Astute Class submarines

- Defuel 23 – the completion and commissioning of the nuclear defuelling facility in 14 Dock to facilitate the defuelling of Swiftsure and Trafalgar Class decommissioned submarines.

Working closely with our customers and industry partners, particularly Babcock Marine who own and operate Devonport Dockyard, the role of the SDA in these infrastructure projects is to conduct the forward planning and programme management of these facilities to ensure planning coherence across the Submarine Enterprise.

Security

This year has seen security governance, security assurance and our understanding of security risk within the Agency mature significantly. A key component of this work has been the introduction of a new security assurance framework that measures a range of component elements associated with a good security culture. This includes leadership, information risk management, resilience and resource availability. The data gathered from this provides an evidence-based assessment to support our KPIs and indicates areas of potential risk which may require additional mitigating action and oversight. Further information on assurance and KPIs can be found in the Performance Analysis section.

A large portion of our effort this year has focussed on improving our security culture within the Agency, both in terms of the management of corporate security and our overall approach within Nuclear Enterprise programmes. A regular Security Forum was established to bring together all staff with security responsibilities. The aim has been to tackle common challenges collectively, whilst sharing successes and best practice. It has also enabled closer working across the wider Defence Nuclear Enterprise. Over the last 12 months, a reinvigorated Project Security Working Group has also identified ways to strengthen security challenges identified in areas associated with our in-service maintenance and build programmes.

In year, we worked to refresh our Security Threat Brief, which is completed by SDA staff on an annual basis. This is widely acknowledged, through routine positive feedback, as a key motivator in ensuring our people at all levels, including the SDA Board, adopt the appropriate security posture. The availability of other training, including the protection of both classified and

personal information, equips security SDA colleagues with the confidence to undertake their responsibilities more effectively. At the Team Leader level, training of Information Asset Owners has been put in place as part of our measures to reduce information risk exposure.

We have improved our stance on resilience through refining, exercising and validating our business continuity response strategy. This provided assurance that plans were, in the main, effective and appropriate. Lessons from COVID-19 are currently being analysed with a view to improvement activity during the next business year.

Overseen by our Executive Committee, our security incident reporting is monitored and tracked centrally

within the Agency. This has improved learning from individual events allowed us to identify and target specific root causes or training needs, whether in business processes or in staff behaviours.

In summary, our security controls and culture have continued to improve and mature with our approach of continuous, ongoing improvement activity. Security risks are now better articulated and managed, allowing our leadership team to make informed decisions for protecting our vital assets; our people, equipment and information.



Looking Forward

Looking ahead to 2020-21, and subsequent years, our vision remains clear and we will continue to lead safe, secure and efficient delivery of the UK's submarine capabilities to the Royal Navy. Our Corporate Plan, which is refreshed annually, sets out our strategic outlook, key programmes of work and highlights some of the improvement activities on which we will be focussed. The 2019-2022 Corporate Plan is available on the Gov.uk website³.

Looking ahead both into next year and beyond, our challenges include driving delivery of the Dreadnought programme at pace, introducing four more Astute 'ready for operation', and supporting them alongside the Vanguard and Trafalgar Classes to ensure the Royal Navy can continue to undertake operations where it needs to, when it needs to. This will be against the backdrop of substantial global and national change and challenge that is being created by the global coronavirus pandemic. Our work spans the full breadth of the capability lifecycle and so while, from April 2020, we will enter the next stage of work (a Programme, Definition and Design phase) around a Maritime Underwater Future Capability, we must also continue our progress in dismantling and disposing of submarines that have left service. All of our programmes not only require excellence in project and programme management, including robust cost efficiency, but also an unerring focus on security and safety, including responsible environment management.

Our work across the commercial and supply chain landscape remains particularly important and we have worked closely with both MOD and other government colleagues as we complete the transition period following the UK's departure from the EU. We will respond promptly to the outcomes of both the Spending and on-going Integrated Reviews to ensure we remain well positioned to adapt to our customers future requirements.

We have made significant progress in maturing our people strategies, however, action to sustain and retain our talented people is an ongoing activity that reflects on our organisational learning and remains responsive to wider public and private sector developments, as well as changes on both the home and international fronts. Our diversity and inclusion commitments are visible to our people, however, as events throughout 2020 have demonstrated, we will need to work harder to show our people that we value all contributions and that we will be representative of the UK community that we serve to protect. We know that hand-in-hand with the Department, as well as colleagues across the Civil Service, we have more to do.

In 2020-21 our focus will be to continue to resource the SDA through all recruitment and deployment

strategies, only using external support where critical to sustain programme delivery or for niche skills not employed on a full-time basis in Defence. A further area of focus will be the development of our approach to Functional Management. Currently, this is a shared service activity with DE&S, however, to provide support to our developing People Model and approach to resourcing, it has been agreed that we will manage this going forward. In addition, we will continue to work closely with colleagues across the Defence Nuclear Enterprise – within the MOD and with our industry partners - to offer rewarding career paths across Defence nuclear programmes.

Alongside this work, we will take further steps to strengthen our leadership and management skills by clearly setting our leadership attributes and behavioural requirements. Furthermore, we will launch our new model for learning, investing in career management, ensuring that our learning, training and development opportunities are focused on supporting our people and our future plans for skills and capabilities. Both workstreams will underpin our activity that aims to make the best use of our deployable skills and build a workforce that is as diverse as the communities we serve.

Recruiting and managing our entry level talent will continue to be a key priority as we look to sustain our future requirements by recruiting and growing our existing talents. To deliver this goal, and in recognition of the unique skillsets required by the Agency, we will introduce a range of actions including an apprenticeship standard entry route to the SDA. Our holistic approach across a range of people strategies is to make the SDA a Defence employer of choice.

The effective delivery of our complex programme of work depends on our efforts to strengthen our overall performance as an Executive Agency of the MOD and realise our ambition of becoming an employer of choice. Completing and realising the benefits from our four organisational-wide improvement initiatives (see figure below), will be key to our future success. Together these will empower our people to work in the agile culture we are establishing. With improvements made over the last 12 months to our change management approach, our activities will be underpinned by the same strong project management and reporting principles we deploy across all our major programmes, with clear workstream ownership at executive level and success measures in place so we can articulate when we have successfully achieved the improvement steps we aim to make. Feedback from our people and stakeholders, including through our annual People Survey, will provide an indication as to whether we are making sound progress in realising our ambition of being a high-performing organisation.

³ <https://www.gov.uk/government/collections/submarine-delivery-agency-sda-corporate-plans>

Our Organisational-wide Improvement Initiatives



- Organisational clarity and integration: making sure it's really clear who is doing what and setting up our new directorates on a strong footing for the future.
- Organisational capability: creating the environment and conditions for our people to deliver the best possible outcomes for defence.
- Ways of working: ensuring we have the right processes and management system to operate them.
- Integrated planning and information: making sure that we deliver all our complex programmes effectively and have the information we need to make the right decisions.

As we concluded Financial Year 2019-20, we joined the rest of the UK in responding to the Coronavirus pandemic (COVID-19). Inevitably the strategic shock felt nationally and internationally during the on-going COVID-19 pandemic has impacted our programmes, and although the full impact has yet to be fully quantified, our key outputs have not changed and we swiftly adapted our working approach in line with government guidelines to provide a safe and secure environment for our people and industrial colleagues. Whether working at home or on site to progress critical programme activities, ensuring our people are protected and supported remains as important as ever. We have also been working alongside our suppliers to ensure they are supported in managing COVID-19 both within their own operations but also their wider supply chains. They have responded by establishing controls and protocols to maintain output and minimise risk to our programmes and our strengthened approach to key supplier and supply chain management has enabled us jointly and quickly identify and address challenges. Although COVID-19 is ongoing, our ability to respond at pace to the global situation has confirmed that the progress made in developing our wellbeing, engagement and supply chain resilience strategies since 2018, has provided a strong foundation on which we continue to support our people and deliver for our customers. Our overall improvement activity holds firm, but are already learning from the early stages of 2020-21 to evolve our response and to sustain our national efforts against this global pandemic. In doing so, we will continue to ensure that the SDA achieves its vital role in protecting the people of the UK.

Ian Booth
Accounting Officer
6 January 2021



SD IMPET

serco





SECTION TWO

Accountability Report

Corporate Governance Report



The Corporate Governance Report outlines the composition and organisation of the SDA, our governance structures, and how these support our objectives. It includes three sections:

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

Directors' Report

Management

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

Directorships and Significant Interests

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

The SDA CEO and Chair of the Board are members of pension schemes managed by BAE Systems. BAE Systems is a prime contractor working with the SDA. Notification of this related party transaction has been made through all appropriate channels. There have been no other relevant reported related party transactions.

Personal Data Related Incidents

For the year 2019-20, no personal data related incidents were reported to the Information Commissioner's Office. Any incidents suspected of relating to personal data are reported and investigated at the time of occurrence in accordance with MOD policy. The SDA continues to improve its maturity against the Data Protection Act 2018 and robust communications with our people throughout the year ensure staff have a current and policy-driven understanding of the requirements around both protecting personal information and reporting related incidents.

Information Assurance

The SDA takes all data losses seriously and all security incidents are investigated. During 2019-20, no data losses were identified.

Statement of Accounting Officer Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the SDA to prepare, for each financial year, accounts detailing the resources acquired, used, held or disposed of during the financial year, and a statement of accounts in the form, and on the basis, set out in the Accounts Direction issued by HM Treasury on 19 December 2019. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SDA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

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

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

Governance Statement

By Ian Booth, Chief Executive Office and Accounting Officer

Introduction

I, Ian Booth, the CEO of the SDA, am responsible for maintaining a sound system of corporate governance and internal control to support the SDA's purpose and strategic objectives, while safeguarding public funds and MOD assets for which I am personally responsible. Following reviews with the Defence Internal Audit (DIA) team, our Board and our Audit and Risk Committee, I conclude that the system of internal controls in the SDA complies with the HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments.

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

My assessment has been further reinforced by the DIA's Annual Report for 2019-20. Overall, the DIA concluded a substantial audit opinion, based on the results and weighting of the audits undertaken in year and the delivery of associated management actions.

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

Our Governance Structure

We are overseen by the SDA Board chaired by Rob Holden, which operates under the provisions of a [Framework Document](#) approved by Ministers. Accountability for the SDA activities rests with me, Ian Booth, SDA CEO.

The Framework Document

The Framework Document sets out the Secretary of State requirements for our Agency and our Board. It provides us with the authority to pursue our strategy and the freedoms to execute our business effectively.

It also specifies the governance arrangements for the Board and its Chair.

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

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

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

Departmental Sponsor

The Director Strategy and Policy within the Defence Nuclear Organisation (DNO), acts as our Departmental Sponsor and engages with the SDA Board on our overall performance. They discharge a range of oversight functions including:

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

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

The SDA Executive Team and Revised Organisational Structure

In leading the SDA I am supported by my Executive Team. In recognition of the complexity of our programme of work and to ensure that we are best able to meet our customers' challenging requirements effectively and efficiently, the SDA has been enhanced by amending our organisational structure.

Acknowledging our pivotal role in ensuring today's in-service submarines are available and ready to deploy to meet Defence operational requirements, we adjusted the original Director Submarine Support portfolio of work and created a new lead for Submarine Readiness. This will ensure we sustain an unerring focus on delivering capable and available submarines for the Royal Navy.

During 2019, we also recruited a Technical Director to bring together the engineering excellence that underpins the delivery of safe and capable submarines to the Royal Navy. In addition, our Technical Director will oversee and drive our work on submarine infrastructure and disposals.

Further information our Executive Team is provided on page 44.

The SDA Board

The SDA Board provides challenge and support to the SDA in delivering our objectives. As such, it recommends approval of the Corporate Plan, Business Priorities Document and Key KPIs to our Sponsor and Ministers.

Working with me, as the CEO, and Departmental Sponsor, the Chair is responsible for ensuring the right balance of skills, experience and objectivity of the Board, subject to approval from the Secretary of State and our Responsible Minister.

As set out in the Framework Document and Board Terms of Reference (TORs), our Board is structured as follows and includes the following members:

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

Board Membership

- Rob Holden, SDA Chair.

Non-Government NEDs:

- Anne Baldock, Non-Executive Director
- Annette Hobhouse, Non-Executive Director
- Jonathan Simcock, Non-Executive Director
- Chris Walton, Non-Executive Director

Government NEDs:

- Sir Simon Bollom, Non-Executive Director (DE&S CEO)
- Mark Russell, Non-Executive Director⁴ (CEO UK Government Investments)
- Dominic Wilson, Non-Executive Director⁵ (Director General Security Policy)

Other Members

- Ian Booth, SDA CEO
- Bruce Martin, SDA CFO

⁴ Stepped down from the SDA Board in September 2019.

⁵ Succeeded Mark Russell in December 2019.

SDA Board as at March 2019

SDA Board



SDA Chair
Robert Holden



Non-Executive Director
Dominic Wilson



Non-Executive Director
Sir Simon Bollom



SDA Chief Executive Officer
Ian Booth



SDA Chief Finance Officer
Bruce Martin



Non-Executive Director
Jonathan Simcock



Non-Executive Director
Anne Baldock



Non-Executive Director
Chris Walton



Non-Executive Director
Annette Hobhouse

SDA Board Activity

The SDA Board met ten (10) times during 2019-20, for nine (9) formal Board Meetings and one (1) Away Day⁶.

Name	Number of meeting attended
Rob Holden	10 (10)
Non-Government Non-Executive Directors:	
Anne Baldock	9 (10)
Annette Hobhouse	10 (10)
Jonathan Simcock	9 (10)
Chris Walton	8 (9)
Government Non-Executive Directors:	
Sir Simon Bollom	9 (10)
Mark Russell	2 (5)
Dominic Wilson	2 (3)
Other Members:	
Ian Booth	10 (10)
Bruce Martin	9 (10)

SDA Board Processes

All key processes and procedures affecting the Board are maintained and operated by the Board Secretary and the Board Support Team, who report to the SDA Director Corporate Operations. Formal minutes and actions of all Board meetings are distributed, and other information is circulated, between meetings as necessary to keep Board members informed on relevant issues. The Board takes regular reports from me as the CEO, the CFO, the Chairs of the Board's sub-committees and the Executive Team. All papers are prepared by those with sufficient seniority and experience to enable them to report with authority on each subject. Where our Board is presented with options for endorsement, our papers adopt the principles of evidence-based decision making. This helps to ensure that the information to which the Board has access is current, balanced and accurate.

Board Performance

By Rob Holden, SDA Chair

During the second year of Agency operation, I have continued to lead the SDA Board to provide challenge and support to the CEO and his Executive Team on business and resource decisions. In year, we welcomed Dominic Wilson to the Board as one of our Government Non-Executive Directors following Mark Russell's departure. I would like to thank Mark for his guidance and significant contributions to the SDA, both in supporting the design and establishment of the Agency, and for his counsel and constructive challenge during our first 18 months of operation. We welcome Dominic, who as Director General Security Policy in the MOD brings a wealth of experience to the Board, especially on the subjects of security, business resilience and crisis management. The overall stability of our Board membership has enabled the development of greater individual and collective understanding of the SDA's complex portfolio, in terms of the legacy issues that have shaped our projects and programmes, as well as the challenges facing us both now and in the future.

⁶ In addition, the Board undertook two additional site visits where no formal Board meeting took place. These are not included in the figures above. The figures in brackets indicate how many meetings an individual was potentially able to attend whilst in post during financial year 2019-20.

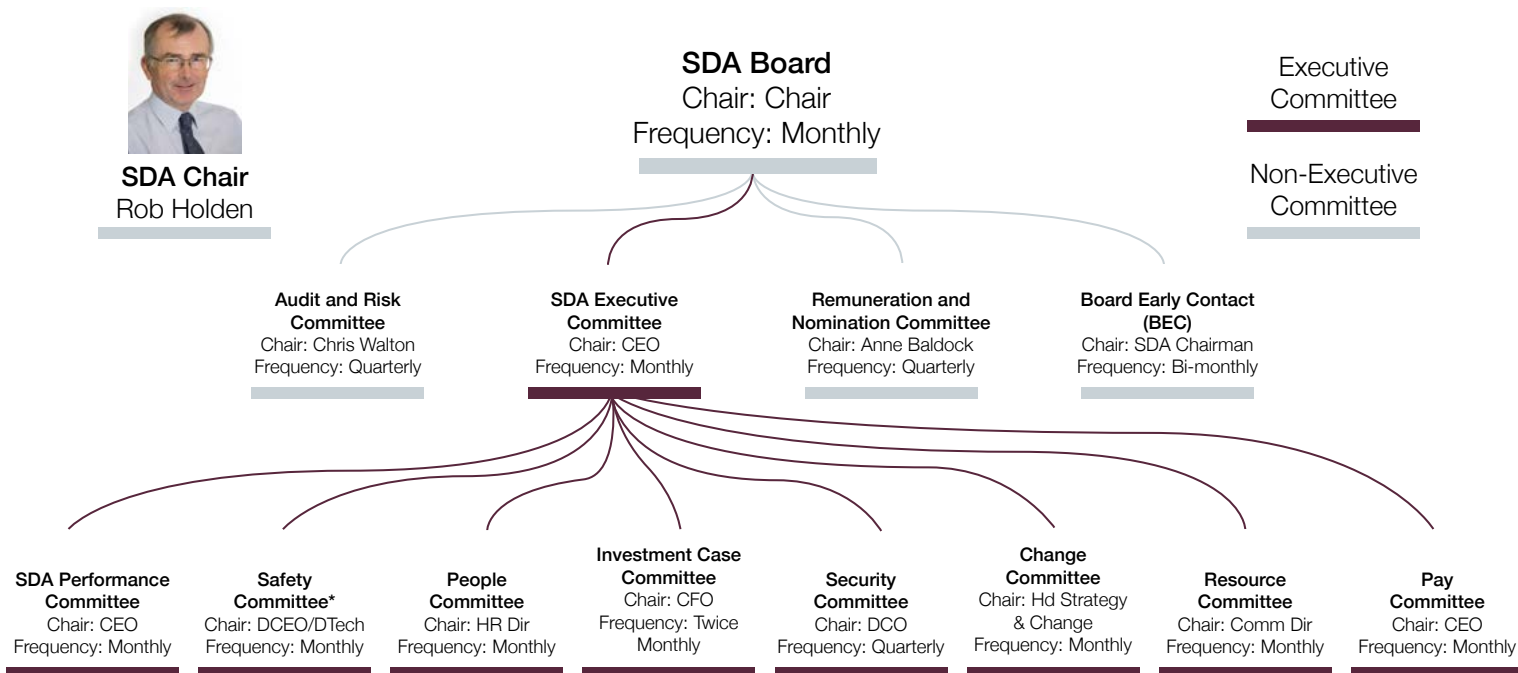
In terms of Board performance, our focus has naturally shifted from agency start up, to supporting the SDA's development and journey to become a high-performing delivery agency of the MOD. In year, I have continued to utilise the expertise we have in our Board to provide knowledge and expertise to assist in optimisation of the Agency's delivery of both programmes and enabling activities. These include involvement in reviews of specific issues experienced by projects and membership of key non-executive committees including the SDA's Performance and Safety Committees. As part of the Modernising Defence Programme and following a review of the Agency's approach to governance, one year on from establishment, we concluded that the Board should provide additional support and challenge in the early development stages of major investment activities. The establishment of the Board Early Contact Committee (BEC) has enabled the Board to directly input into developing Procurement and Commercial strategies, working with teams to consider learning from experience and best practice from public and private sector capital programmes. We have also collaborated with DNO, as our Customer, to strengthen the focus on acquisition investments and supported the newly established Defence Nuclear Investment Committee, which members of the SDA Executive Team and I attend. Overall, this additional support activity has strengthened our guidance and performance review of the Agency's portfolio.

A key enabler to the Board's effectiveness continues to be a regular programme of visits and engagements across the defence and industry sites from which the SDA's programmes are delivered. During 2019-20, we visited HMNB's Clyde and Devonport, Barrow-in-Furness and Derby, to view the progress our programmes are making. The visits enabled us to meet with Agency and industry colleagues at the forefront of delivery and to understand the environment in which they work. It is only through such visits, that the Board and I have been able to get to see, first-hand the challenges faced, but also the tremendous commitment and dedication of all parties involved in delivering to the Royal Navy.

The Board has met monthly during 2019-20 and key business discussed included:

Subject	Discussion	Outcomes
Risk	Our Board reviewed strategic risk to identify areas for improvements.	A workshop was held at the Board Away Day in June 2019. This reviewed the alignment of Objectives, KPIs and Risk.
SDA Committees	Our Board received reports from its sub-committees and considered the work being taken forward.	Our Board noted the work undertaken by sub-committees, providing recommendations and guidance as required.
Corporate Documentation	Our Board reviewed the Corporate Plan and Business Priorities Documents.	Our Board endorsed the documents, suggesting areas for improvements prior to final approval.
SDA Business Updates	Our Board received regular business updates on SDA Programmes, Safety, Security, People and Finance.	Our Board evaluated the updates and provided appropriate support and challenge to the Executive Team. Some specific Programme updates were considered in the BEC meetings where the Board were able to provide advice directly to Team Leaders and below.
Key Performance Indicator Data and Design	Our Board received monthly reports on all KPIs, highlighting corporate and programme performance data as well as progress with key milestones. The Board were also engaged in the design of our KPIs for 2020-21.	Our Board considered the performance information provided, seeking clarification and challenging the updates provided, and providing advice to the Executive Team as appropriate. The Board endorsed the KPI design for 2020-21.

SDA Board and Committee Framework



* The Safety Committee was chaired by Keith Beckett throughout 2019-20, originally as Director Submarine Support and then, from January 2020, as the SDA Technical Director.

SDA Board Sub-committees

The SDA Chair and NEDs attend the following Non-Executive and Executive sub-committees:

Name	Committee (meetings attended)
Rob Holden	Remuneration and Nomination Committee (REMCO) (4/5) ⁷ Audit and Risk Committee (3/4) Board Early Contact (BEC) Committee (3/3)
Non-Government Non-Executive Directors:	
Anne Baldock	Remuneration and Nomination Committee (Chair) (5/5) Board Early Contact (BEC) Committee (3/3)
Annette Hobhouse	Safety Committee (11/12) Board Early Contact (BEC) Committee (3/3)
Mark Russell	Remuneration and Nomination Committee (0/1) ⁸ Board Early Contact (BEC) Committee (1/1)
Jonathan Simcock	Performance Committee (10/11) Board Early Contact (BEC) Committee (3/3)
Chris Walton	Remuneration and Nomination Committee (4/5) Audit and Risk Committee (Chair) (4/4) Board Early Contact (BEC) Committee (3/3)
Government Non-Executive Directors:	
Sir Simon Bollom	Board Early Contact (BEC) Committee (2/3)
Dominic Wilson	Remuneration and Nomination Committee (0/2) ⁹ Board Early Contact (BEC) Committee (1/1)

⁷ Robert Holden & Anne Baldock attended a smaller group REMCO discussion in December 2019.

⁸ Mark Russell's REMCO attendance reflects the period he was in post until September 2019.

⁹ Dominic Wilson's REMCO attendance reflects the period he was in post from December 2019.

Audit and Risk Committee

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

The meetings are currently chaired by Chris Walton (NED) and members include Rob Holden (SDA Chair). Regular attendees are Ian Booth, CEO, Bruce Martin (SDA CFO), Rachel Baguley (DCO), SDA Head of Finance, and representatives from the NAO and DIA.

The Audit and Risk Committee's programme of business during the 2019-20 period focussed on the following:

- DIA: Review of core financial processes, government furnished equipment audit and the SDA annual audit;
- NAO: 2018-19 Audit Completion Report, 2018-19 SDA Equipment Plan Audit and SDA 2019-20 Audit Planning Report;
- SDA Equipment Plan updates, losses and special payments;
- Fraud updates;
- Risk management;
- Annual Assurance Report; and
- Annual Committee Performance.

The SDA does not have its own Fraud Board. Instead, it is a member of the MOD Fraud Board. During 2019-20, we have continued to respond robustly to the threat of fraud and corruption to ensure that the Defence Purpose can be met free from the destructive impact of fraud and corruption. Our values are supported and enforced through our policies, procedures, behaviours, and culture so that our actions are optimised for the disruption and prevention of fraud and corruption. As such, we pursue a zero-tolerance approach to fraud and corruption, and this is further reinforced by the standards and behaviours enshrined in the values of the Armed Services, the Civil Service Code and the SDA Code of Business Ethics. The MOD Counter Fraud Function provides strategic coordination of our response to fraud and corruption.

Remuneration and Nomination Committee

Our Remuneration and Nomination Committee (REMCO) is a sub-committee of our Board. It is chaired by a NED, currently Anne Baldock, and comprises a minimum of three NEDs (one of whom should be a nominated Government NED) as well as the SDA's HR Director. The SDA Chair has a standing invitation to attend and other executives or non-executives are invited to attend as appropriate.

The REMCO advises the Minister for Defence Procurement, the SDA Board and our CEO on matters relating to the proper development and application of the SDA's total compensation strategy, including our pay structures. It also advises our Board on the remuneration of the CEO, the civilian Executive Team and other senior staff as appropriate, where these are not set by Senior Civil Service (SCS) or Departmental guidelines.

Our REMCO met five times during 2019-20. It reviewed the pay and reward policy within the SDA for 2019-20, Senior Leadership Group/SCS pay and reward policy, pay freedoms, Executive performance and the corporate performance modifier, as well as looking forward to the 2020-21 Pay Award.

Board Early Contact

The Board Early Contact (BEC), chaired by Rob Holden, was established in 2019 to explore the SDA strategic direction for SDA Business Cases before the procurement strategy is set. The BEC reviews Category A/B investments (unless routine) and selected other Category C investments by exception, depending on the risk profile and strategic importance. Over the period, it met three times and considered a wide range of business cases including investment decisions linked to the Dreadnought Programme, In-Service Submarines (in particular Submarine Waterfront Infrastructure (SWIF)), De-fuel, De-equip and Lay-Up (DDLUP), and Combat Systems.

SDA Executive Committee

SDA Executive Committee as at 31 March 2020



Our SDA Executive Committee supports our CEO in the discharge of delegations and responsibilities set out in his Letter of Delegation as Accounting Officer and Letter of Authority from DG Nuclear. This is to ensure that we deliver our purpose. Our Executive Committee supports and advises our CEO in the delivery of his duties, by driving delivery against the SDA Corporate Plan, ensuring that effective working relationships are established and maintained between the SDA, our Sponsor, customers, suppliers and other delivery agents including DE&S. The Executive Committee serves as the forum where our Executive Team focus on key issues affecting the SDA and its delivery, proposing strategies and plans to the SDA Board for endorsement where appropriate.

The following SDA staff were members of the Executive Committee in 2019-20:

- Ian Booth, SDA CEO;
- Rear Admiral (RAAdm) Paul Methven, SDA Director Submarines Acquisition¹⁰;
- Keith Beckett, Technical Director and Deputy CEO;
- Bruce Martin, SDA Chief Finance Officer (CFO);
- RAAdm Paul Halton, SDA Director Submarine Readiness;
- Rachel Baguley, SDA Director Corporate Operations; and
- Ruth Todd, SDA Commercial Director.

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

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

¹⁰ RAAdm Paul Methven left this position in August 2020

The following key business areas were discussed at the SDA Executive Committee during 2019-20:

Security	During 2019-20, on a monthly basis, our Executive Committee reviewed Security reporting, which included security breaches, challenges, KPI data and updates from the Security Committee.
Safety	During 2019-20, and on a monthly basis, our Executive Committee reviewed safety reporting including Occupational Health, Safety and Environment and Safety Dashboards including the findings of the annual staff Safety Survey.
Performance	Throughout 2019-20, our Executive Committee reviewed the performance of the SDA using KPI data and other corporate and programme reports as appropriate. The Executive Committee received a monthly report from our CFO on financial performance including an overview of the SDA's operating expenditure.
Risk	Throughout the year our Executive Committee received and reviewed several updates on areas related to SDA strategic risks and reviewed them. The Committee reviewed the fraud risks tabled to the SDA Audit and Risk Committee. In response to the COVID-19 pandemic and the impact on SDA programmes and people, the Executive Committee reviewed associated SDA risks.
People	Our Executive Committee discussions included staff pay and in-year recognition, civilian staff performance management, resourcing and our strategies for supporting mental health and wellbeing. Linked to our work to improve the diversity and inclusivity of the SDA, the Executive Committee monitored attendance at associated training.
Change	The Executive Committee reviewed recruitment across all SDA sites, our development of our approach to functional management, along with the progress and benefits against planned improvement milestones, including the design intent and parameters for the operating model to inform the 2020-21 change programme.
Corporate Operations	The Executive Committee reviewed staff resourcing and in-year recognition awards, ensuring effective use of budgets. Further discussions were held around the preparation of the SDA's Corporate Plan and associated KPIs and the Business Priorities for 2020-21.

SDA Executive Committee Sub-committees

A number of sub-committees are in place to support the Executive Committee; these are shown on the SDA Board and Committee Framework (page 42). These report to our Executive Committee to support decision-making, recommend actions and highlight issues for Executive Team and Board consideration as required.

The **SDA Performance Committee** is chaired by the SDA CEO on a monthly basis and its key function is to support and advise our CEO in the delivery of his duties, by driving delivery against the SDA corporate KPIs and SASPs. The Performance Committee serves as the forum where our Senior Leadership Team (Executive Team and Team Leaders) focus on key issues affecting delivery; prioritising activity to improve our outputs and outcomes. It is supported by a NED (currently Jonathan Simcock) and includes representatives from our primary Customers, Navy Command (NC) and the DNO.

The **SDA Safety Committee** ensures that safety and environmental performance remain a key focus of our business. The Safety Committee is chaired by the Technical Director¹¹ and has a NED as a permanent member (currently Annette Hobhouse). Our Safety Committee supports and provides advice to our SDA CEO in his role as a Senior Duty Holder and acquisition and support safety lead for the Agency. The Safety Committee also has oversight of our safety and environmental performance and directs work to deliver improvements in this area.

¹¹ The Safety Committee was chaired by Keith Beckett throughout 2019-20, originally in his role as Director Submarine Support and then, from January 2020, as the SDA Technical Director.

The **SDA People Committee** enables our Director HR (as Chair) to engage and update stakeholders on the current issues and initiatives arising from implementation of our People Strategy and developments in other people and HR matters. The Committee, which meets monthly, includes representatives from across the Team Leader and Functional Manager community. It provides singularity of focus on people related issues, code of conduct and behaviours and facilitates feedback on matters relating to the development and sustainment of a highly professional, motivated and diverse workforce.

The **Investment Case Committee (ICC)** is chaired by our CFO on a monthly basis. The key function of our ICC is to confirm that the costs, schedule and levels of contingency/confidence of each project or programme are appropriate to deliver the capability or service required by our customers. It also reviews whether the specific commercial strategy for the project is appropriate for the procurement required and that this is consistent with the overall suite of SDA strategies. The ICC also ensures that the delivery risks and opportunities are understood and manageable and that the SDA has the capacity (skills and resources) to deliver within the agreed timeframe and budget.

The **Security Committee** is chaired by our Director Corporate Operations. It meets every two months to review performance and provide strategic direction across all elements of security including physical, personnel and cyber security as well as our business resilience. It also ensures our Team Leaders are held responsible for the effectiveness of their security performance and acts as the formal group through which strategic security risks of the SDA are managed.

The **SDA Change Committee** is chaired by the SDA's Head of Strategy and Change and focuses on driving and embedding change throughout the business. The Committee discusses alignment of change activity with the SDA's vision to become a high-performing organisation and where further action is required to deliver a step change in organisational performance.

The **Resource Committee** is chaired by the SDA's Commercial Director on a monthly basis and provides strategic direction and review of our resourcing plans. It considers how resourcing demands are being fulfilled across the Agency by reviewing our forward demand forecast and supporting teams in resolving resourcing conflicts based on agreed business priorities across the SDA.

The **Executive Pay Sub-Committee** was established in 2019 as a Sub-Committee to the SDA Executive Committee. The Committee advises our Remuneration Committee on matters pertaining to SDA pay and reward.

Outside of our formal governance structure, the CEO holds one-to-one meetings with members of our Executive Team. He also meets throughout the year with the SDA Senior Leadership Team to keep our leaders apprised of developments and to provide a forum for discussion and feedback.

The Dreadnought Alliance

The Dreadnought Alliance, a joint management team between the SDA, BAE Systems and Rolls-Royce, meets the Government's commitment to work closely with industry partners with the shared aim of improving delivery performance on the Dreadnought Programme. The Alliance is chaired by Sir Peter Gershon who provides leadership to drive the Alliance programme.

With the First of Class, HMS DREADNOUGHT, due to enter service in the early 2030s, staged investments made during 2019-20 have allowed good progress to continue on the whole boat design and the construction process. All four boats in the Dreadnought Class have now been named, with the third and fourth boats confirmed as WARSPITE and KING GEORGE VI, following DREADNOUGHT and VALIANT.

SDA Risk and Control Framework

Risk Management

Following on from the positive steps taken during 2018-19 to refine the SDA Risk Management Strategy, we have taken action during 2019-20 to further embed our work to enable effective risk management at all levels across the organisation. This has been achieved through the implementation of a hierarchical governance structure of our risk information. This links our project level risks to those at a strategic level using programme and team information to identify challenges and how mitigation action reduces risks. It has also matured our aggregation and escalation processes to ensure effective visibility of significant and systemic risks and has enabled effective management action to be taken at the most appropriate level. Further benefits are being realised by leveraging from our existing corporate governance structures to promote a 'no-surprises' environment through the continuous monitoring of risk exposures in appropriate committees.

2019-20 also delivered an enhanced level of engagement across the SDA aimed at assuring risk data generated in support of defining and planning for the in-year programme of work. This has improved confidence in the successful achievement of our customers' requirements.

During 2020-21, we aim to further expand the hierarchical approach to risk governance, continuing to work closely with our customers to improve strategic risk and management across the wider Nuclear Enterprise. We will also further strengthen our ties with the DIA to maintain a focus on continuous improvement in assuring risk management activities.

Principal Strategic SDA Risks and Mitigation Action During 2019-20

The Principal Strategic SDA Risks focus on the causes and factors that may contribute to the SDA being unable to successfully achieve our strategic objectives and are based around the following key areas:

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

Risk reduction activities against these SDA Strategic Risks was progressed at an organisational level during 2019-20 through our improvement actions to develop the SDA into a high-performing agency. Key work in this area included the further development of our organisational structure. For example, the establishment of our Technical Directorate provided a dedicated focus on engineering excellence, and the reorganisation of our in-service teams provided a sharper focus on submarine readiness, including enhanced assessment management, and infrastructure and disposals.

As we came to the end of 2019-20, our approach to strategic risk management, and the associated individual risks, were tested by the COVID-19 pandemic which saw the effect of government restrictions as an emerging cause within the Strategic Risks. The initial impact of which has been shown to be significantly mitigated through the business continuity control measures put in place.

On the grounds of security and commercial sensitivity, we have withheld the detail of our strategic risks in this report. This information is held within government and, as explained, is used as part of our project and performance management and corporate governance.

Update on Principal Risks Identified in 2018-19

Since 2018-19, the risk exposure from our principal risks has remained stable, due to their strategic nature and the organisational approach taken to mitigation. As identified above, there have been significant steps taken to mitigate the principal risks through organisation changes and action, however the associated risk reduction will be a maturing process as the new organisational arrangements embed and further associated risk mitigation actions are completed.

Principal Internal Controls

In 2019-20 we published our Code of Business Ethics. This document is an integral part of who we are and how we work and is vital to ensuring the SDA remains a positive workplace and respected organisation. It applies to everyone working in the SDA and summarises how we should conduct ourselves within our business environment and working lives. It explains how we should approach a range of situations – from dealing with bullying and harassment or fraudulent behaviours, to safety within the workplace and the acceptance of gifts and hospitality.

The standards set out in our Business Ethics Guide align with the values and behaviours set out in the Civil Service Code:

- ‘honesty’ – we must be truthful and open;
- ‘objectivity’ – basing our advice and decisions on rigorous analysis of the evidence;
- ‘impartiality’ – acting solely according to the merits of the case and serving equally well governments of different political persuasions; and
- ‘integrity’ – putting the obligations of public service above our own personal interests.

Each year we work through an assurance review process which reports the strength of our control environment and demonstrates the key mechanisms and activities in place to support the resulting assessment to SDA senior leads and wider MOD stakeholders. The review also seeks to identify intended future plans to sustain and improve assurance (where necessary) and increase transparency in how our assurance plans and improvement activities are managed and monitored by the relevant Boards and Committees, including the Defence Audit and Risk Committee (DARAC). This approach informs the Permanent Secretary’s reports (as Accounting Officer) to Parliament as part of the MOD’s Annual Governance Statement.

Financial

At the start of the financial year, the DNO agrees with us an operating cost envelope. As set out in our Framework Document, within this cost envelope, the SDA has the freedom to manage all aspects of its workforce as necessary to meet its business needs and its pay strategy is treated as separate from that of the MOD. We are mindful of the responsibilities of the Permanent Secretary as Principal Accounting Officer and work with the Chief of Defence People to agree changes to personnel policy or practice that might have wider implications for the rest of the Department.

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

Commercial

In 2019-20 we placed 81 new contracts with a total value of £840m. As of March 2020, the SDA’s commercial portfolio was 295 contracts valued at £33.5bn, which covers both the acquisition and support of submarines. We have not been subject to any legal procurement challenges during the year and have been fully compliant with the Single Source Contract Regulations.

Throughout planned annual assurance and improvement activities, which had a sustained focus on contract management, we have continued to develop and enhance commercial and supply chain management practices across all areas of our business. This is a core enabling capability in support of our work to design, build and support Royal Navy submarines. Consistent with other government departments, our commercial activities are subject to Cabinet Office review, which provides additional assurance for delivery and value for money approvals.

In terms of wider continuous improvement activity, as described in Section 1 (page 22), the Commercial and Supply Chain Directorate established a new Supply Chain Improvement team to focus on the improvement of the SDA’s management of the supply chain as well as deepening the understanding of the sub-tier supply chain. The teams continue to enhance our relationships with suppliers and supply chains to identify and mitigate risks and increase the certainty of output delivery.

We have also continued to invest in our people, our commercial capability and our professionalism through formal Chartered Institute of Procurement and Supply (CIPS) training and Professional Memberships. The longer-term aim remains an increase in CIPS expertise level for commercial staff with those at Level 4 and 5 becoming licenced practitioners (CIPS Level 6) or experts by September 2020. Over the last 12 months, we have focussed on refreshing training for Commercial Officers in Contract Management, which is increasing our competence and skills in this area.

Our People

In line with our commitments set out in our People Strategy we have continued to develop and embed ways of working that ensure our people are empowered and supported to deliver the SDA’s vision.

As the Agency has gone through its second year of operation, we have improved our resourcing, recruitment and induction processes and policies. We have developed recruitment material bespoke to the SDA to better inform, attract and retain the right people to the right roles across our organisation.

During 2019-20, and as at 31 March 2020, we have seen our total workforce grow by 221 people. This is made up of civilian, military, workforce substitutes (including delivery partners), graduates and apprentices, fixed-term appointments, secondments and loans. To support our new starters, we have made improvements to our onboarding and induction processes by supplementing existing departmental materials with additional information on the SDA. We have also

introduced a new starter network to support those joining our organisation through the first few months of their career.

To support the wellbeing of our people effectively, we were pleased to see the MOD-wide rollout of the Employee Assistance Programme (EAP) from Health Assured. The EAP provides all employees with 24-hour access to support services ranging from health and wellbeing advice to financial guidance, all accessible via a smartphone app. In support of our increased focus on wellbeing, we have introduced a dedicated casework team specifically assigned to support our people during challenging times both at work and at home.

As part of our efforts to provide exemplar support on wellbeing as well as diversity and inclusion matters, our Fairness and Equality Advisors are now embedded across the Agency at a ratio of 1:50 and are able to signpost colleagues to a range of services and information. Furthermore, by the end of the 2019-20 financial year, we had trained over 40 Mental Health First Aiders (MHFA) across the Agency. Supported by our HR team, information on the role of these volunteers and how to access such support is promoted through our newly developed HR portal. This also includes additional resources on mental health and wellbeing provided by both the MOD and external best-practice providers.

Focussing on diversity and inclusivity, we have also delivered all-staff interactive sessions across the SDA including our regional sites known as 'Speak Out'. This training focused on professional behaviours in the workplace and creating an environment that is inclusive for everyone. Feedback from the events has been extremely positive.

In the final weeks of the 2019-20 financial year, our focus shifted in response to the coronavirus pandemic and the associated 'lockdown' move to remote working for most of our people. Rapid work was undertaken to provide revised HR advice and guidance so that our people and their wellbeing could be best supported during these challenging times.

Safety and Security

Throughout 2019-20, we have retained a strong focus on safety and security issues and improvements, using our governance structure, including our monthly Executive Committee to focus on data, trends and action progress. In terms of security, at the start of the period, we broadened the areas monitored to cover leadership, governance, information risk and business continuity. We also strengthened our monitoring of safety matters, bringing together all safety reporting incorporating Occupational Health, Safety and Environment (OHSE) and Safety Dashboards.

Expanding on safety matters, we have made significant inroads with our safety culture since we were established in April 2018, including: the continuation of annual Safety Days aimed at all our people regardless of location; producing a number of targeted safety campaigns; and enhancing individuals' understanding of safety responsibilities. The SDA also runs an annual Safety Culture Survey which measures improvement and areas for further focus. As part of this continuous improvement, we have embraced feedback and lessons learned, and enhanced our methods and scope of data capture for all the main areas of safety and security management.

This more proactive approach has also led to an overall increase in OHSE incident reporting, which has not only demonstrated greater engagement and willingness to report events, but also an enhanced awareness of risks and issues through near-miss recording.

Information Architecture

In 2019-20, the SDA produced the high-level design for the Future Enterprise Information Architecture and finalised its use-cases to enable improved collaboration with our Tier 1 Suppliers to reduce information risk. This has been complemented by increased assurance and training activity across our business, ensuring our people have the requisite knowledge to manage our information securely.

Quality Assurance of Analytical Models

The Submarine Portfolio Office conducted the annual review of the Quality Assurance (QA) of its Business Critical Models (BCM) for 2019-20, where 19 BCMS were reviewed. The outcome of the review found that there is substantial assurance that the quality assurance of SDA models had been conducted in a way that satisfies the requirements of the HM Treasury Aqua Book¹². The review also recommended steps we can take to ensure that we continue to learn from experience in this area and continue to mature our assurance processes.

The 2020 published list of [Business Critical Models in Defence](#) including those in use in SDA is available online.

Whistleblowing and Raising a Concern

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

¹² HM Treasury Aqua Book: Guidance on providing Quality analysis for Government, March 2015

personnel, civilian staff or contractors. Management information on the nature and conduct of our whistleblowing is provided by the MOD to the Cabinet Office every six months.

Conclusion

The overall governance assessment of SDA takes into account the inputs of and reviews of the DIA, our Board and our Audit and Risk Committee, together with the assurance assessments made by our control leads as part of our annual review of assurance. 2019-20 saw the maturation and evolution of our governance system required to operate the Agency. Through regular reviews of our approach, we have shown we have not only sustained the level of assurance achieved in 2018-19, but have also demonstrated improvement in some

areas such as risk management. We remain focussed on programme delivery and ensuring that our system of governance and internal controls enables our teams to focus on delivering submarine capabilities to the Royal Navy now and in the future. Going forward, we are committed to continuous improvement in order to optimise and evolve the Agency and this organisational wide focus is a key tenet of our forward change programme.



Ian Booth
Accounting Officer
6 January 2021

Chair's Assessment

By Rob Holden, SDA Chair

As I noted in my introduction, sustaining the momentum we created in our first year of operation has been a key enabler in helping us to take forward our work to become a high-performing organisation. This progress has been visible across our governance systems, where I have worked with the Executive Team, our Audit and Risk Committee, as well with our Sponsor, to ensure that we continue to learn and improve. My work has been focussed on ensuring that we sustain a system of internal controls which facilitate business delivery and effective performance monitoring in the SDA.

Continuous improvement also remains a 'golden thread' across our strategies and runs through our governance approach including areas of internal controls. To help us in this work, we have utilised support from the DIA to review a range of our internal control measures, providing both qualitative and quantitative assessments of our approach. This included an audit of the assurance assessments undertaken so far in the SDA to provide a further independent level of review of our internal controls. As part of the MOD's modernisation agenda, in 2019-20, UK Government Investments also concluded a governance review of the SDA, which considered the optimal relationship for MOD to have with our Executive Agency, as well as the most appropriate governance framework and support needed to facilitate such a relationship. These reviews have enabled us to grow as an agency and I have welcomed the feedback provided to help us target and focus our efforts, including how we can better use our assurance approach, Board and Departmental Sponsor to challenge, support and champion our performance.

Learning from experience, and in line with best practice across the public sector, our governance framework has evolved over the last period. The establishment of the Board Early Contact and the Defence Nuclear Investment Committee has injected innovation and challenge into work to develop investment proposals and facilitated reviews at key investment decision-points. With joint attendance at these engagements, this work has also facilitated additional collaboration and discussion with our primary customers, DNO and NC. Looking at how we manage our key resources – people and funding – and recognising the development work undertaken around our Pay and Reward model, an Executive Pay Committee was also established to enable sufficient time to focus on this important issue and drive through required work. These changes are also good indicators of where the SDA is learning from feedback from all stakeholders, including its people and such refinements are demonstrating how we are developing our approach to optimise how we operate as an Executive Agency.

Overall, I assess that the internal controls and overall governance system has shown to be effective during 2019-20. I remain confident that this foundation will enable the SDA to continue to comply with agreed standards in pursuit of its objectives and within its delegated budgetary responsibilities and accountabilities.



Remuneration and Staff Report

SDA Remuneration Policy

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

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

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

Performance and Reward

The 2019-20 Statement of Comprehensive Net Expenditure reflects payments made or due to Directors during the financial year. Salary and reward for the SDA CEO was considered by our REMCO. All our people are evaluated against their objectives to determine end of year performance outcomes. Salary increases are determined based on individual performance outcome and gap to market benchmark for their role. Non-consolidated performance awards are awarded to "Good" or better performers.

Owing to COVID-19, the performance management process scheduled at the end of the performance management reporting year (March 2020) could not take place as originally planned. As such, although performance management conversations with all staff were held focussing on in-year delivery achievements and future development activities, all staff received a salary increase and non-consolidated performance award. This position was endorsed by our REMCO and Sponsor.

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

Senior Manager Contracts

The Constitutional Reform and Governance Act 2010 requires appointments to the Civil Service to be made based on fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may otherwise be made. Unless otherwise stated, the civilian officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

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

A NED's appointment may be terminated at one months' notice by either party or on dissolution of the Board, unless found guilty of gross misconduct when termination will be immediate. The NEDs are initially contracted to three years with the option to reappoint. MOD standard practise is for all public appointments to not exceed six years in total. However, this can vary depending on the merits of each situation and individual. NEDs and our Chair are not involved in any discussion about their own remuneration and all payments made are non-pensionable. There are no compensation entitlements for early termination.

Remuneration and Pension Entitlements

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

SDA Board Senior Executive Salaries, Taxable Benefits-in-kind and Pension Benefits

SDA Board Directors ¹³	2019-20				
	Salary ¹⁴ £000	Annual Performance Award £000	Benefits in kind £00	Pension ¹⁵ Benefits £000	Totals to nearest £000
Ian Booth	280-285	90-95 ¹⁶	10	-	375-380
Bruce Martin	170-175	40-45	-	26	240-245
	2018-19				
Ian Booth	275-280	180-185	-	-	460-465
Bruce Martin	165-170	55-60	-	25	250-255

SDA Board Non-Executive Salaries

SDA Board Non-Executives ¹⁷	2019-20 £000	2018-19 ¹⁸ £000
Rob Holden SDA Chair ¹⁹	145-150	145-150
Anne Baldock	25-30	20-25
Jonathan Simcock	25-30	30-35
Annette Hobhouse	25-30	20-25
Chris Walton ²⁰	25-30	25-30
Mark Russell ²¹	-	-
Dominic Wilson ²²	-	-
Sir Simon Bollom ²³	-	-

¹³ The SDA Board Terms of Reference (TORs) sets out the Board structure to include the CEO, CFO and NEDs. This design has been agreed to ensure consistency with the structure of Defence Equipment & Support (DE&S) Board and to ensure the Agency has a meaningful ratio of Board Directors to NEDs.

¹⁴ Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

¹⁵ Ian Booth is a member of personal private pension scheme. Bruce Martin is not a member of the Principal Civil Service Pension scheme and has elected to be a member of the Partnership Scheme.

¹⁶ In addition to the 2019-20 Annual Performance Award shown in the table, Ian Booth received a balancing performance related payment of £13k relating to Financial Year 2017-18.

¹⁷ Board NED salaries include gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowances to the extent that it is subject to UK taxation. The remuneration stated above are based on attendance and claims for services submitted by NEDs. None of the NEDs received annual performance awards, benefits in kind, or pension benefits in relation to their role on the SDA Board.

¹⁸ Additional travel and subsistence charges were incurred in 2018-19.

¹⁹ The Chair, Rob Holden, is remunerated for working up to 150 days per year. Independent NEDs are remunerated for working up to 24 days per year.

²⁰ Chris Walton is also listed as a NED on the National Shipbuilding Strategy Client Board. The emoluments shown for Chris Walton represent only SDA related activities.

²¹ Mark Russell received no remuneration for SDA Board membership. His salary details are reflected in the UK Government Investments Ltd Annual Report and Accounts. Mark Russell departed the SDA Board in September 2019 and was replaced by Dominic Wilson in December 2019.

²² Dominic Wilson replaced Mark Russell on the SDA Board in December 2019. Dominic Wilson is a government employee and receives no remuneration from the SDA for his services.

²³ Sir Simon Bollom is a government employee and received no remuneration as a Non-Executive member of the SDA Board. Sir Simon Bollom's salary details are reflected in the DE&S Annual Report and Accounts.

Pay Multiples

The following table provides details of pay multiples – the ratio between the highest paid SDA military and civilian executives and the median remuneration of the workforce. Total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest paid civilian director in 2019-20 ranged between £375k- £380k. This was 9.4 times the median remuneration of the workforce, which was £40.2k. The civilian salary range is between £15.8k - £380k.

The banded remuneration of the highest paid military employee in 2019-20 ranged between £120k-£125k. This was 2.28 times the median remuneration of the workforce, which was £53.8k. The military employee salary range is between £28.3k - £125k.

No employee, either military or civilian, received remuneration in excess of the highest paid director during 2019-20.

	2019-20 £	2018-19 £
Mid-point of the £5,000 band for the annual equivalent remuneration of the highest earning military employee.	122,500	117,500
Median total remuneration of armed forces personnel	53,789	67,100
Military pay ratio	2.28	1.8
Mid-point of the £5,000 band for the annual equivalent remuneration of the highest earning civilian board member in the tables above	377,500	462,500
Median total remuneration of civilian staff	40,179	36,500
Civilian Pay Ratio	9.4	12.7

The information relates to remuneration for civilian and military personnel during 2019-20.

The decrease in civilian pay ratio since 2018-19 arose because both the highest paid salary went down (due to a decrease in bonus) while the median civilian pay went up due to the annual pay increase.

2. Staff Report

Staff Numbers (Subject to audit)

The number (head count) of SCS within the SDA Senior Leadership Group (SLG), as at the end of the financial year (March 2020) is as follows:

SCS Pay Band	2019-20	2018-19
Band 1	17	15 ²⁴
Band 2	4 ²⁵	4
Band 3 and above	1	1
Total	22	20
SDA Military at 1* and above	8	6
Grand Total	30	26

²⁴ The comparative number in FY 2018-19 is different from what was presented last year – The correct number has been used in this report.

²⁵ A member of the SDA Executive Committee is a Work Force Substitute and is on loan from the Government Commercial Organisation (GCO), but for completeness has been shown within this table.

The number of SCS reflects the implementation of the organisational design requirements for delivery and forward management of the SDA as an Executive Agency of the MOD. The increases have been the result of the Agency fully resourcing its senior team to effectively manage its complex portfolio.

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

Average Staff Nos (Full Time Equivalent):	2019-20			2018-19		
	Permanent Employee Staff	Contingent Labour	Total	Permanent Employee Staff	Contingent Labour	Total
Armed Forces	160	-	160	156	-	156
Civilian	1,464	87 ²⁶	1,556	1,266	19	1,285
Total	1,624	87	1,716	1,422	19	1,441

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

The average number of FTEs employed in the year 2019-20 increased by 202 relative to the average employed in 2018-19. This is consistent with an overall increase in staff costs. Increases in staff numbers are to address resource shortfalls across all functions. Contingent labour shows an increase of 68 FTE, this is against an increased contingent labour bill as the costs of utilising external resource to supplement the workforce has grown.

Staff Costs (Subject to audit) (See also note 2 to the financial statements)

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

Staff costs comprise:	2019-20			2018-19		
	Permanent Employee Staff £000	Contingent Labour £000	Total £000	Permanent Employee Staff £000	Contingent Labour £000	Total £000
Salaries and Wage Costs	78,496	13,059	91,555	68,225	3,398	71,623
Social Security Costs	8,619	-	8,619	7,323	-	7,323
Other Pension Costs	22,566	-	22,566	15,527	-	15,527
Total	109,681	13,059	122,740	91,075	3,398	94,473
Paid to:	£000	£000	£000	£000	£000	£000
Armed Forces	21,146	-	21,146	18,775	-	18,775
Civilian	88,535	13,059	101,594	72,300	3,398	75,698
Total	109,681	13,059	122,740	91,075	3,398	94,473
Adjustment for NSRS rebate of staff costs	(1,115)	-	(1,115)			
Net staff costs	108,566	13,059	121,625			

²⁶ This includes a member of the SDA Executive Committee and a SLG Pay Band 1 who are on loan from the Government Commercial Organisation (GCO), but for completeness has been shown within this table.

During 2019-20, the Agency's recruitment increased and the workforce has grown by 221 people, which led to an increase to the overall total staff cost when compared with last year.

For the year ended 31 March 2020, of the total pension contributions for SDA in the table above, £15,734 million was payable in respect of the various schemes in which civilian staff were members.

For the year ended 31 March 2020, of the total pension contributions for SDA in the table above, £6,549 million were payable in respect of the Armed Forces Pension Scheme in which military staff were members.

Where employees opened a Partnership pension account with an employer contribution, we made contributions of £0.283K to the relevant pension providers. Further details of pension schemes covering SDA personnel are detailed below.

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "Alpha", are unfunded multiemployer defined benefit schemes. The SDA is unable to identify its share of the underlying assets and liabilities. An actuarial valuation of the PCSPS has been completed and can be found at <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>.

Contributions to the PCSPS in 2019-20 were calculated at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The

Scheme Actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The contributions to the PCSPS for the 2019-20 period represent a significant increase from those as at 2018-19. This is to reflect the additional cost burden associated with the scheme as a result of the McCloud judgement, details of which can be found at <https://www.civilservicepensionscheme.org.uk/members/mccloud-judgment/>.

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

Armed Forces Pension Scheme

The Armed Forces Pension Scheme (AFPS) is an unfunded, non-contributory, defined benefit, salary related, contracted out, occupational scheme. As such, this scheme is not consolidated in the accounts, separate accounts are prepared details of which can be found at <https://www.gov.uk/government/publications/armed-forces-pension-board>.

Employer's contribution rates are determined by the Government Actuary. For 2019-20, the employer's



contribution rates increased from 53.4% in 2018-19 to 64.5% of pensionable pay for officers and from 52% to 65.9% of pensionable pay for other ranks. These include a contribution towards the Armed Forces Compensation Scheme (AFCS) at 1% for officers and 2.4% for other ranks. No changes to the contribution rates are expected until 2023-24.

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

Staff Sickness (This section has not been subject to audit)

We are committed to the health and wellbeing of our people and have a comprehensive sickness absence policy. Our HR team is supported by a dedicated casework team who have been working to address long term sickness and absence. During 2019-20, the average number of days for sickness absence was 4.4 days per employee. This compares favourably with the MOD average of 6.84 days. A revised health and attendance policy, together with the strengthened casework approach, has ensured that we now have a more robust, clearly understood procedure for managing sickness absence. We have also instigated a range of wellbeing measures including on-site health fairs, the promotion of mental health awareness and signposting both internal and external support services and networks.

3. Staff Policies

Diversity and Inclusion (This section has not been subject to audit)

We have worked to ensure that we grow a diverse and inclusive organisation, including support from dedicated staff networks²⁷ covering the needs of all employees, regardless of age, race, religion, gender, marital status, sexual orientation, disability or any other dimension of diversity. As with our Mental Health First Aiders (MHFA) network, these communities are sponsored by members of our SLG and, as we develop the Agency, they can

provide a crucial sounding board to our policies and work as strong advocates for the behavioural and cultural changes we are embedding.

As part of our commitment to creating an environment in the SDA where everyone is respected and can contribute fully to our success, we utilised our 'Speak Out' training to promote diversity and inclusion in the workplace and to enable our staff to feel empowered to better challenge and manage inappropriate behaviours. Commencing in October 2019, all SDA personnel were offered this professional training, which used facilitated live drama-based learning, to challenge perceptions, stimulate discussion and raise awareness on this topic. The sessions were attended by some 1,380 people (89% of the Agency).

As part of our ongoing support to our people, we embraced the launch of the MOD's new Employee Assistance Programme (EAP), which replaced most aspects of the Employee Wellbeing Service provided through Defence Business Services. The EAP assists employees with difficulties and challenges they might be experiencing at work or in their personal-life, which may impact their job performance, health, mental and emotional wellbeing.

Our Diversity and Inclusion Objectives

Since the Agency was established, we have been clear that support for diversity and inclusion is an integral part of our core values and that we have a zero-tolerance approach to bullying, harassment and discrimination. We remain committed to SDA and Civil Service Values. We also continue to work to meeting the 10-year diversity targets from central government and ensuring that our professional environment is one that welcomes and values everyone.

We are determined that our actions will create a workforce that is as diverse as our surrounding populations. As such, we will be stepping up our engagement across our organisations, drawing on support and expertise from our internal networks, to seek feedback on how we can continue to embed meaningful change to ensure that we create a workplace that embraces inclusivity and values its diversity.

To achieve our vision, we will continue to:

- ensure our people understand what good behaviour looks like and are confident and supported to challenge poor behaviour;
- share with our people our plans around Diversity and Inclusivity and make rapid progress against it to really make a difference to all our teams;

²⁷ Some of our staff networks are shared with DE&S or the wider MOD.

- measure progress on diversity by publishing and reporting on diversity targets;
- embrace Diversity and Inclusivity with the support and training to do this well;
- compete effectively for the best talent to recruit and retain a diverse workforce;
- proactively promote national initiatives which improve the representation of diversity groups and support our people to take part;
- support employee networks to be ambassadors and critical friends in the delivery of our diversity and inclusion ambitions; and
- embrace our obligations under the Equality Act to consider and promote the interest of those with protected characteristics in all our decision making.

As described, during our second year as an agency, we have continued our work to embed a positive and inclusive culture and behaviour, strengthening our employee networks, training and support systems to improve inclusiveness for our people and to attract and retain new and diverse talent. The dedicated casework team assigned to the SDA has also provided advice and guidance on all HR issues which includes support to staff on matters concerning diversity and inclusion. In addition, the launch of our HR Portal further provides a wealth of information on all aspects of employee wellbeing including diversity and inclusion.

The SDA is dedicated to achieving a more diverse and inclusive civilian workforce and is committed to recruiting the best people regardless of whether they have a disability. The Civil Service (CS) does not discriminate against disabled people and positively encourages disabled candidates to apply for jobs within Defence. We provide support for disabled staff through the specialist Reasonable Adjustments team and strongly encourage use of the Workplace Adjustment Passport for ongoing support and to inform a supportive attendance management approach.

The SDA has an anonymous sifting process for recruitment to help ensure a 'level playing field' in the assessment process. We offer a guaranteed interview through the Disability Confident Scheme (DCS), whereby individuals who declare a disability are guaranteed an

interview providing they meet the minimum requirements for the role. Recruiting managers are required to complete unconscious bias training prior to recruiting to help minimise the possibility of such bias within the selection process. In line with policies introduced during 2019-20, for recruitment into the Senior Civil Service (SCS), all selection panels have a Black, Asian and Minority Ethnic (BAME) and/or disabled member.

The Department is fully committed to supporting colleagues who become disabled whilst employed by MOD and a range of learning and support is available to them. The Defence Civilian Disability Policy, Procedures and Toolkit was refreshed in March 2020 to support disabled staff and their line managers. It offers, amongst other things, information on what our people should do once a diagnosis is confirmed and where they can seek support, including Access to Work, Occupational Health and the external EAP provide by Health Assured.

The MOD has committed to meeting in full the standards set out in the [Thriving at Work Review](#) of mental health and employers. One of the recommendations was to increase transparency and accountability, so we are pleased that SDA information was included in the Department's first civilian workforce report on disability, mental health and wellbeing.

The MOD report can be found on gov.uk website²⁸, which details the good progress the Department has made in relation to disability and mental health, the steps taken over the last twelve months and related statistics. Across Defence, we know there is more we can do, so the report also outlines what the SDA, along with other areas of the Department want to achieve over the next twelve months.

The following tables reflect the civilian composition of the organisation by protected characteristics over the year. Importantly, our initiatives will be actioned at all our sites across the country, and our decisions take into account the impact on our wide geographical base. The information provided in table i relies on staff making the necessary declarations on our Human Resource Management System (HRMS) and therefore may not be representative of the whole of our workforce.

²⁸ Voluntary reporting on disability, mental health and wellbeing: workforce report 2019.

i. Staff breakdown (Actual numbers - Full Time Equivalents)

	31-Mar-20	31-Mar-19
Gender		
Female	342	402
% Female	22.4%	30.6%
Ethnicity		
Black and minority ethnic	60	42
% BAME	3.9%	3.2%
Disability		
Declared a disability	143	113
% Declared a disability	9.4%	8.6%
Sexual Orientation		
Lesbian, gay, bisexual	30	24
% LGB	2.18%	1.8%
Religion or belief		
Non Christian religion	55	44
% Non Christian religion	3.9%	3.4%
Secular	572	425
% Secular	41.5%	32.4%
Christian	504	447
% Christian	36.6%	34%

ii. Gender breakdown at SDA Board and Executive Team level (Civilian)

	31-Mar-20	31-Mar-19
Total SDA Board and Executive Team	14 ²⁹	14 ³⁰
Gender		
Female	4	4
Male	10	10
% Female	29	29
% Male	71	71

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

	31-Mar-20	31-Mar-19
Total SDA SLG (SCS)	20	18
Gender		
Female	7	6
Male	13	12
% Female	35	33
% Male	65	67

Pay and Reward (This section has not been subject to audit)

The SDA pay and reward team is responsible for ensuring our people are recognised for their efforts. There are four principles providing the foundation for performance and reward:

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

Recruitment (This section has not been subject to audit)

The SDA is responsible for managing all aspects of its workforce planning. Aligned with the rest of the Department, we are currently developing our own suite of policies and processes; but in the meantime, we will continue to use DE&S policies.

The Workforce Plans Team are responsible for delivering the SDA's core FTE growth target by working with the Function Management Teams and DE&S Recruitment to manage all aspects of the SDA's workforce demand

²⁹ Ian Booth and Bruce Martin sit on the SDA Board and the SDA Executive Committee and have been counted twice to reflect this.

³⁰ The comparative number in FY 2018-19 is different from what was presented last year – The correct number has been used in this report.

and supply; from setting a clear and affordable demand signal to increasing inflow into the agency, whether through cross-departmental deployment, temporary resourcing or external recruitment.

During 2019-20, we have continued to develop our approach to resourcing to grow our capabilities and therefore attract and retain people with the right skills and behaviours to deliver high quality outputs for Defence. Examples of actions, which will continue into 2020-21, include work to develop an Employee Value Proposition and associated recruitment material so that we articulate a clear, attractive and SDA specific offer, as well as a review of our current induction processes across all SDA sites to ensure that we create a common SDA induction experience.

Trade Union Relationships (This section has not been subject to audit)

The joint DE&S and SDA Framework Document gave the SDA the freedom to agree its own approach to Trade Union (TU) engagement. An Employee Relations Framework Agreement was subsequently created to govern successful engagement between DE&S/SDA and the TUs, including the principles, behaviours and processes under which both parties will operate to ensure good employee relations. The agreement was signed by the Chief of Defence Materiel and the five recognised TUs on 2 February 2015. The HR team within DE&S leads on TU consultation for DE&S and the SDA. Consultation with the TUs takes place in compliance with the law and to initiate engagement in the spirit of reaching agreement.

The TU (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employees to collate and publish, on an annual basis, data on the amount and cost of facility time. DE&S and SDA currently act within the same collective bargaining unit, with TU representatives undertaking TU duties across both organisations. Consequently, facility time costs for 2019-20 are shared between DE&S and SDA and is reflected in the annual facility time data return as a combined expenditure. This is shown below for the period 1 April 2019 to 31 March 2020:

Relevant Union Officials

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

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1-50%	24
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time (total combined cost with DE&S)	£41,042.91
Total SDA annual civilian pay bill ³¹	£88,535.000
Percentage of total civilian pay bill spent on facility time	0.01%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time	0.00% ³²
---	---------------------

TU activities means time taken off under section 170 (1) (b) of the 1992 Trade Union and Labour Relations Act (TULR(C)A). These might include: attendance at branch, regional or national TU meetings or conferences, meeting with full time officers regarding issues related to the workplace and voting in TU elections.

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

³¹ The total SDA annual civilian pay bill. The sum of direct wages and salaries, pension contributions and National Insurance Contributions.

³² The SDA and DE&S do not approve payment for TU officials to undertake TU activities.

Civil Service and other Compensation Schemes Exit Packages (Subject to audit)

There were nil payments to Civilian Staff Early Retirement and Redundancy during 2019-20. This would include redundancy and other departure costs paid in accordance with the Civil Service Compensation Scheme (CSCS). Where the SDA agrees early retirements, the costs are met by the SDA and not by the Civil Service Pension Scheme. In 2019-20, there are no reported payments of this kind.

We may occasionally make use of early release schemes to reduce the number of civilian staff who are not members of the CSCS. No such usage was made during 2019-20.

Expenditure on consultancy and temporary staff (This section has not been subject to audit)

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

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

High paid off-payroll appointments (This section has not been subject to audit)

Details of SDA's most highly paid off-payroll appointments are shown in the following table. These represent temporary workers who are employed for limited periods of time, usually to fill short term vacancies, to deliver finite pieces of work, or to provide key skills needed to deliver the business which are not available in-house.

Government policy is that individual departments must exercise governance over such appointments where the appointees are not engaged directly on departmental payrolls. All these employees are engaged through contracting mechanisms which provide assurance that they paid the right amount of tax and National Insurance contributions in 2019-20.

There was no off-payroll engagement of a senior executive with significant financial responsibility between 1 April 2019 and 31 March 2020.

The following tables provide:

- an analysis of all extant off payroll engagements as of 31 March 2020, paid more than £245 per day, and that last for longer than six months.

Submarine Delivery Agency	2019-20	2018-19
Number of existing arrangements as of 31 March 2020	86	51
Of which...		
No. that have existed for less than one year at the time of reporting	36	47
No. that have existed for between one and two years at the time of reporting	50	4
No. that have existed for between two and three years at the time of reporting	0	0
No. that have existed for between three and four years at the time of reporting	0	0

- an analysis of all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, paid more than £245 per day and that last for longer than six months.

Submarine Delivery Agency	2019-20	2018-19
1. No. of new engagements, or those that reached six months in duration, between 1 Apr 18 and 31 Mar 19	92 ³³	51
Of which...		
2. No. assessed to be in scope of IR35	92	49
3. No. assessed to be out of scope of IR35	0	2
4. No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0	2
5. No. of engagements reassessed for consistency / assurance purposes during the year.	0	0
6. No. of engagements that saw a change to IR35 status following the consistency review	0	0


- off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2019 and 31 March 2020:

SUBMARINE DELIVERY AGENCY	2019-20	2018-19
No. of new engagements, or those that reached six months in duration, between 1 Apr 18 and 31 Mar 19	0	1

The number of Contingent Labour staff reported has increased during the year. This principally reflects the increasing use of external contractors recruited on a temporary basis into critical roles through the main DE&S and SDA Delivery Partner contracts across Project Management, Project Controls, Engineering and Commercial functions to meet demand requirements as the submarine programme of work continues to grow. Their use enables us to supplement our capability and capacity more quickly than we would be able to build a core workforce.



³³ Figures include those that started after 1 October 2018 and went over six months past 1 April 2019.

A woman with long, straight blonde hair and light-colored eyes is seated at a wooden desk. She is wearing a vibrant red, textured, short-sleeved top. Her hands are positioned on a white spiral-bound notebook; her right hand holds a blue pen, and her left hand rests on the pages. She is looking directly at the camera with a neutral expression. The background is a blurred office or public space with a white railing and a person in a white shirt visible in the distance.

Parliamentary Accountability and Audit Report

Parliamentary Accountability Report

In 2019-20 we led responses to 24 Parliamentary Questions, meeting our departmental targets for on-time delivery. We also dealt with Ministerial and Treat Official correspondence from Members of Parliament, Peers and the public. We provided briefings in support of a range of Parliamentary business, including Public Accounts Committee (PAC) inquiries into Submarine Defuelling and Dismantling and Defence Nuclear Infrastructure. Key subject areas were the Dreadnought and Astute programmes, submarine dismantling and nuclear programme and infrastructure issues.

We have fulfilled our statutory responsibilities in responding to requests for information under the Freedom of Information Act 2000. In 2019-20 we led the handling of nine requests for information.

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) investigate complaints from individuals who feel they have been treated unfairly, improperly or have received a poor service from Government Departments or their agencies. In 2019-20, the PHSO received no complaints about the SDA.

EU Exit Disclosures

During 2019-20 the SDA played a significant role supporting the EU exit preparations. There were approximately 30 volunteers across the two rounds of Operation Yellowhammer with 10 staff subsequently deployed to support the effort. The following table provides details of:

- a. The number by grade of staff loaned/hosted, distinguishing between staff on short-term loan and staff on longer-term loan; and
- b. The average duration of staff redeployments.

Level	Short term loan	Long term loan	Average duration
Level 4	2	-	3 weeks
Level 3	4	-	3 weeks
Level 2	4	-	3 weeks

External Reviews

The National Audit Office published its investigation into Submarine Defuelling and Dismantling on 3 April 2019. The Public Accounts Committee took evidence from the Ministry of Defence on 1 May 2019 and published its report on 19 June 2019. The PAC concluded the Department has some way to go to establish submarine disposal as a routine part of its business. As set out in the Treasury Minute dated October 2019, the SDA has submarine disposal related milestones, which will continue to be reviewed via the established governance processes, including the monthly SDA Performance Committee. The 2019-20 milestones reflect the Department's commitment to submarine disposal related projects. All of the agreed recommendations from the PAC report were implemented by 31 March 2020.

In January 2020, the National Audit Office (NAO) published a report on Managing Infrastructure Projects on Nuclear Regulated Sites, and in particular the Department's control of three key defence nuclear infrastructure projects. The MOD acknowledged that the NAO report provided a critical, but accurate, summary of the MOD's overall management, progress, and status of the Core Production Capability, MENSA, and the Primary Build Facility. The PAC heard evidence in March 2020 from MOD officials on the approach to managing defence nuclear infrastructure projects and published their report in May 2020. As set out in the Treasury Minute published on 31 July 2020, the Department committed to provide updates on some of the PAC recommendations by 31 December 2020. The six recommendations covered: the identification and management of risk in initiating infrastructure projects; use of the Single Source Contract Regulations; the Nuclear Enterprise funding model; liaison arrangements between the Department, site owners and regulators; skills and maintaining corporate memory; and ownership arrangements for nuclear regulated sites.

As the sponsor for the Defence Nuclear Enterprise, the response to the recommendations is being co-ordinated by the Defence Nuclear Organisation on behalf of the Permanent Secretary, the MOD's Principal Accounting Officer. Where the recommendations link directly to the SDA's Purpose and programme of work, we continue to work with Enterprise colleagues to make improvements, in particular how the Department is taking full advantage of the Single Source Contract Regulations, how we are identifying and managing risk when initiating infrastructure projects and the progress it is making on effective arrangements to maintain corporate memory.

Parliamentary Accountability Disclosures

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

Losses and Special Payments (Subject to audit)

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



Ian Booth
Accounting Officer
6 January 2021

Losses during the 2019-20 totalled £0.143m. The SDA has no cases requiring to be reported separately by value. The majority of cases were for fruitless payments related to loss or damage to equipment and hire car charges.

Remote Contingent Liabilities (Subject to audit)

The SDA does not have any reportable remote contingent liabilities.

Regularity of Expenditure (Subject to audit)

All material expenditure and income incurred by the SDA in 2019-20 was in accordance with the requirements of HM Treasury and other government guidance.



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

Opinion on Financial Statements

I certify that I have audited the financial statements of the Submarine Delivery Agency for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Submarine Delivery Agency's affairs as at 31 March 2020 and of the net operating expenditure 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 Submarine Delivery 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Submarine Delivery Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Submarine Delivery Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Submarine Delivery Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer 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 Submarine Delivery Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the Submarine Delivery Agency'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 Submarine Delivery 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 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 report. However, future events or conditions may cause the Submarine Delivery Agency to cease to continue as a going concern.

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 which 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 but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. 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 entity 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.

Gareth Davies
Comptroller and Auditor General
Date: 7 January 2021

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



SECTION THREE

The Financial Statements

The Accounting Information

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2019-20 £000	2018-19 £000
Expenditure - Programme Costs			
Direct Staff Costs	2	121,625	94,473
Private Sector Support Costs	3	45,693	51,742
Other Programme Costs	4	14,252	10,402
Net Direct Programme Expenditure		181,570	156,617
Expenditure - Non-Cash Items			
Communicated Costs from other MOD organisations	5	15,312	11,515
Non-Cash Charges DE&S Corporate Overhead	5	5,910	7,765
Auditors' Remuneration	6	125	125
Amortisation Costs		17	
Provisions	9	(580)	1,740
Total Non-Cash Items		20,784	21,145
Net Operating Expenditure		202,354	177,762
Loss on Transfer by Absorption	12	0	13,547
Total Comprehensive Net Expenditure		202,354	191,309

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2019-20 £000	2018-19 £000
Non-current assets			
Intangible fixed assets		274	-
Total non-current assets		274	-
Current assets			
Trade and Other Receivables	7	1,219	167
Total Current Assets		1,219	167
Total assets		1,493	167
Non-current liabilities			
Provisions	9	(835)	(835)
Current liabilities			
Trade and Other Payables	8	(24,623)	(20,716)
Provisions	9	(325)	(905)
Total Current Liabilities		(24,948)	(21,621)
Assets Less Liabilities		(24,290)	(22,289)
Reserves			
General Fund		(24,290)	(22,289)
Total Reserves		(24,290)	(22,289)



Ian Booth
Accounting Officer
6 January 2021

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2019-20 £000	2018-19 £000
Cash flows from Operating Activities			
Net Operating Expenditure	SoCNE	(202,354)	(177,762)
Adjustments for non-cash transactions			
Loss on Transfer by Absorption	12	-	(13,547)
Adjustments to Transfer by Absorption		-	330
Communicated Costs	5	15,312	11,515
Non-Cash Charges DE&S Corporate Overhead	5	5,910	7,765
Auditor's Remuneration	6	125	125
Amortisation Intangible Assets		17	-
(Increase) in trade and other receivables	7	(1,052)	(167)
Increase in trade and other payables	8	3,907	20,716
Decrease in Provisions	9	(580)	1,740
Net Cash Outflow from Operating Activities		(178,715)	(149,285)
Cash Flows from Investing Activities			
Purchase of Intangible assets		(274)	-
Net Cash outflow from Investing Activities		(274)	-
Cash Flows from Financing Activities			-
Net Parliamentary Funding - drawn down		178,989	149,285
Net increase/(decrease) in cash and cash equivalence in the period		-	-

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31
MARCH 2020

	Notes	General Fund £000	Total Reserves £000
Balance at 1 April 2018		-	-
Net Comprehensive Expenditure for the year	SoCNE	(177,762)	(177,762)
Loss on Transfer by Absorption	12	(13,547)	(13,547)
Adjustments to Transfer by Absorption		330	330
Non-Cash Charges Communicated Costs	5	11,515	11,515
Non-Cash Charges DE&S Corporate Overhead	5	7,765	7,765
Non-Cash Charges Auditors Remuneration	6	125	125
Non-Cash Charges Amortisation		0	0
Net Parliamentary Funding - drawn down	SoCF	149,285	149,285
Balance at 31 March 2019		(22,289)	(22,289)
Balance at 1 April 2019		(22,289)	(22,289)
Net Comprehensive Expenditure for the year	SoCNE	(202,354)	(202,354)
Loss on Transfer by Absorption	12	-	-
Adjustments to Transfer by Absorption		-	-
Non-Cash Charges Communicated Costs	5	15,312	15,312
Non-Cash Charges DE&S Corporate Overhead	5	5,910	5,910
Non-Cash Charges Auditors Remuneration	6	125	125
Non-Cash Charges Amortisation		17	17
Net Parliamentary Funding - drawn down	SoCF	178,989	178,989
Balance at 31 March 2020		(24,290)	(24,290)

Notes to the Accounts

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements contained within the Annual Report and Accounts relate to the financial year 1 April 2019 to 31 March 2020 (2019-20).

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

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

1.1 Accounting convention

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

1.2 Basis of preparation of annual accounts – accounting boundary

The primary purpose of the SDA is to equip and support the UK's submarine flotilla for operations now and in the future by procuring new equipment, commodities and services, supporting in-service equipment through-life and managing some logistics operations. The SDA's purpose and role, together with the governance, policy, financial and human resources parameters that guide day-to-day operations are set out in the Framework Document, which is approved by Secretary of State for Defence. The Chief Executive is appointed by the MOD Permanent Secretary as an additional accounting officer, with responsibility for the operating costs of the agency. Delegations to run the Agency are granted through the DG Nuclear. The operating cost envelope specifically encompasses staff costs, other operating costs (including travel and training), and private sector support (PSS) expenditure and any associated revenue. The financial statements also include costs incurred by other MOD organisations in support of the SDA operations as non-cash communicated costs (please see item 1.8 below and Note 5 to the financial statements).

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

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

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Costs which cannot be in-sourced are not accounted for within SDA OPEX. The SDA often procures activities to be performed by industrial contractors that match activities which the SDA would usually be responsible for, but which are integral and indivisible from the other Equipment Plan activities in the overarching contracts. The SDA could not in-source these integral and indivisible activities and it would therefore be inappropriate for such arrangements to be accounted for within the SDA operating costs.

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

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

Accruals: payables and receivables: In instances where revenue/expenditure has been earned/incurred but not invoiced, an estimate is made of the amount to be accrued as a payable or receivable item. The SDA review annually the appropriateness of the materiality level set to ensure it continues to remain relevant. For 2019-20, a guideline recognition threshold of £5,000 has been applied in the recognition of payables and receivables.

1.4 Changes during 2019-20 which have affected preparation of these annual accounts

There have been no significant events that would affect the preparation of the SDA accounts during 2019-20.

1.5 Going concern

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

1.6 Revenue and expenditure recognition

Funding received for revenue purposes from the MOD is treated as Net Parliamentary Funding from MOD rather than operating income and is therefore credited directly to the general fund. Any revenue and expenditure generated directly from SDA activities is recognised in the SoCNE on an accruals basis, determined by when the related goods and services are provided and where an assessment of the stages of completion of revenue and expenditure generating activities can be reliably measured. The SDA has no main sources of revenue but would use IFRS15 to recognise any income. SDA does occasionally, where agreed in contract, receive rebates for project activity. During 2019-20, a rebate has been recognised (please see Note 7).

1.7 Programme costs

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

1.8 Communicated costs

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

1.9 Value Added Tax (VAT)

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

1.10 Non-current assets

Where assets are purchased for the sole benefit of the SDA and funded through our Operating Cost Expenditure budget these are considered for capitalisation where they meet the recognised threshold of £25k and are intended for use for a period of over 12 months. SDA acquired some non-current intangible assets in 2019-20. Given the relatively low volume and value of assets purchased specifically for the SDA use, it is not our current policy to pool assets. We re-visit this policy annually to ensure that we are not omitting any significant assets from our Non-Current Asset Register.

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

1.11 Amortisation

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

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

Main Category	Sub Category	UEL	Basis
Intangibles	Software Licences	3-5	Length of licence

1.12 Cash and cash equivalents

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

1.13 Financial instruments – receivables and liabilities

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

1.14 Employee benefits

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

The 2019-20 value of employee performance bonuses reflected within the Statement of Comprehensive Net Expenditure reflects those earned for performance in 2019-20.

The SDA has no voluntary, or compulsory redundancies to report in 2019-20.

1.15 Funding transfers for staff movements

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

1.16 IFRS 8 Segmental Reporting

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

1.17 Reserves

The General Fund reserve represents the balance of taxpayers' equity in the SDA. Specifically, the General Fund reflects the net assets held at the end of financial year 2019-20. The SDA has no other reserves.

1.18 Provisions for liabilities and charges

Provisions for liabilities and charges have been established under the criteria of IAS 37 – Provisions are based on realistic estimates of the expenditure required to settle legal or constructive obligations that exist at the Reporting Period Date. On initial recognition provisions are charged to the SoCNE (please see Note 9). The SDA has two Provisions included in the accounts. Estimates for the legal claims are based on historic volumes of claims and the anticipated settlement date. The estimations for dilapidation are based on information provided by Defence Infrastructure Organisation (DIO) and the Government Property Agency (GPA).

1.19 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IFRS 16 Leases – This is effective for accounting periods starting from 1 April 2021 and will be effective in the SDA's 2021-22 accounts. The standard establishes revised principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 requires lessees to account for all leases on their balance sheets, including those which are currently treated under IAS 17 as operating leases and accounted for in the Statement of Comprehensive Net Expenditure as an “in-year” expense. This will take place through the recognition of a ‘right of use’ asset and a corresponding lease liability. Costs will be taken to net expenditure through the depreciation of right of use assets and the interest charged on the lease liability, leading to a different expenditure profile as compared to the ‘straight line’ method used for operating leases in IAS 17. The potential impact of IFRS 16 on the SDA will be assessed in 2020-21. Assets subject to leases that are currently accounted for as operating leases (please see Note 10) will become right-of-use assets included within property, plant and equipment. There will also be recognition of the associated lease liability. SDA is currently working towards establishing the quantitative impact of the introduction of this Standard.

1.20 Impact of COVID-19 Pandemic

The World Health Organisation declared COVID-19 as a pandemic on 11 March 2020. The Agency has considered whether the pandemic and the associated lockdown measures represent adjusting events necessitating changes to the reported financial statements or disclosure as events after the reporting date. The results of the consideration of COVID-19 are described in the events after the reporting date note below.

2. STAFF NUMBERS AND RELATED COSTS

2.1 Staff costs comprise:

Staff costs comprise:	2019-20			2018-19		
	Permanent Employee Staff £000	Contingent Labour £000	Total £000	Permanent Employee Staff £000	Contingent Labour £000	Total £000
Salaries and Wage Costs	78,496	13,059	91,555	68,225	3,398	71,623
Social Security Costs	8,619	-	8,619	7,323	-	7,323
Other Pension Costs	22,566	-	22,566	15,527	-	15,527
Total	109,681	13,059	122,740	91,075	3,398	94,473
Paid To:	£000	£000	£000	£000	£000	£000
Armed Forces	21,146	-	21,146	18,775	-	18,775
Civilian	88,535	13,059	101,594	72,300	3,398	75,698
Total	109,681	13,059	122,740	91,075	3,398	94,473
Adjustment for NSRS rebate of staff costs	(1,115)	-	(1,115)			
Net staff costs	108,566	13,059	121,625			

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

The SDA has increased recruitment during 2019-20 as part of the continuing roll-out of the Agencies capabilities. The increase in staff numbers has resulted in various associated salary increases.

During this year there has been an increase in usage of contingent labour contracts through SDA/ DE&S Delivery Partners. These were introduced in November 2019 and provided speedier access to contingent labour. This has resulted in an increase in the value of expenditure on contingent labour. In addition, the SDA established a “Lifeboat” project team as a pool of engineering SMEs to resource key areas to meet essential demands of the business.

2.2 Average number of persons employed:

Average Staff Nos (Full Time equivalent):	2019-20			2018-19		
	Permanent Employee Staff	Contingent Labour	Total	Permanent Employee Staff	Contingent Labour	Total
Armed Forces	160	-	160	156	-	156
Civilian	1,464	87	1,551	1,266	19	1,285
Total	1,624	87	1,711	1,422	19	1,441

The SDA has continued to grow and deliver the programme of benefits to MOD during 2019-20. To keep up with deliver and performance requirements, a higher level of reliance has been placed on the use of Contingent Labour, to mitigate the shortfall in recruitment. This reliance on Contingent Labour is anticipated to reduce during 2020-21, as increased internal recruitment of civil servants meets the resourcing requirements.

3. PRIVATE SECTOR SUPPORT (PSS):

	2019-20 £000	2018-19 £000
Manpower Support	16,105	22,246
Consultancy & Specialist PSS	29,588	29,496
Total	45,693	51,742

4. OTHER PROGRAMME COSTS

This year there has been more Other Programme expenditure, including new CISO projects to improve security and business support capabilities, and a full year's lease and service charges for Building 800. The uplift in headcount has resulted in increased levels of training for staff to improve quality and capability in business delivery, travel and subsistence and the subsequent higher civilian recruitment costs as SDA has conducted its own specific recruitment this year.

	2019-20 £000	2018-19 £000
Staff travel and subsistence costs	4,798	4,290
IT and telecommunications	3,543	2,430
Other infrastructure expenditure	1,900	754
Staff training costs	1,136	356
Rentals	1,426	1,553
Regulatory safety costs	-	-
Other costs	1,449	1,019
Total	14,252	10,402

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

Communicated Costs

The following costs have been incurred by other MOD organisations in support of SDA activities. These costs have been included as a non-cash item in the SDA statement of Comprehensive Net Expenditure to ensure a complete representation of Operating Expenditure is reported. There is no hard charge for these costs, which are apportioned by SDA on an equitable basis.

MOD Organisation	Description of activities	Method of apportionment	2019-20 £000	2018-19 £000
Defence Digital	Information systems and communication services	Number of SDA Headcount relative to MOD.	7,863	5,717
Defence Infrastructure Organisation	Infrastructure and facilities management costs	Cost per employee at ABW extrapolated to total SDA headcount.	3,674	2,278
Strategic Command	Training services through the Defence Academy and Surgeon Services	SDA users relative to total ABW staff.	1,646	1,755
Defence Infrastructure Organisation	MOD Guard Service	Based on Abbey Wood as the primary SDA site.	393	309
Defence Business Services	Personnel and payroll services	Number of SDA employees relative to DE&S employees.	1,096	1,296
Head Office and Corporate Services	Various	Based on actuals for Phoenix. MDP based on ABW extrapolation.	640	160
Total			15,312	11,515

DE&S Non-cash charges

As set out in the Business Agreement between the SDA and DE&S, DE&S charges the SDA for its share of the DE&S corporate overheads. This enables the appropriate overheads to be included in the accounts of both the SDA and DE&S. The Business Agreement formalises the service provision arrangements between the two organisations, identifies the programme dependencies and sets out how these will be managed. The DE&S Corporate Overhead Charge for 2019-20 was £5,910k (2018-19: £7,765k). The value of DE&S charges has reduced in year as the SDA has increased its rate of recruitment and delivery capability. The level of support required from DE&S is anticipated to reduce year on year, as the SDA grows and operates more independently.

6. AUDITORS' REMUNERATION

The SDA is audited by the Comptroller and Auditor General. The charge of £125k (2018-19: £125k) reflects the costs incurred by the auditor in respect of the audit of the SDA 2019-20 Annual Report and Accounts.

7. TRADE RECEIVABLES AND OTHER ASSETS

	2019-20 £000	2018-19 £000
Amounts falling due within one year:		
Other receivables	1,176	141
Prepayments	43	26
Totals	1,219	167

£1,115K of the Other Receivables balance relates to the NSNR rebate shown in note 2 (staff costs).

In 2019-20 SDA also added intangible non-current assets (software licences) of £274k (2018-19: £0).

8. TRADE PAYABLES AND OTHER LIABILITIES

	2019-20 £000	2018-19 £000
Amounts falling due within one year:		
Private Sector Support accruals	(11,316)	(11,107)
Direct staff accrual	(10,150)	(6,972)
Trade payables	(2,788)	(2,457)
Sundry payables	(369)	(180)
Totals	(24,623)	(20,716)

The direct staff accrual includes the SDA's accrual for annual leave untaken as of year-end, and a non-cash adjustment of £3,734k, reflecting the SDA share of the MOD year-end timing liabilities for PAYE, NI contributions and Pension contributions.

9. PROVISIONS

SDA has a provision for costs in respect of pending legal cases and for dilapidations in respect of a leased building. There is a reduction in legal provision as no legal fees now included for the SDA to pay directly now. The Dilapidation provision remains unchanged based on valuations provided by the Government Property Agency. The reduction in provision of £580k has been taken as a credit to the SoCNE.

Provision Description	2019-20 £000	2018-19 £000
Nuclear Suitably Qualified and Experienced Personnel (NSQEP)	325	905
Dilapidation Leased Building	835	835
Totals	1,160	1,740

10. COMMITMENTS UNDER LEASES

Operating Leases

Obligations under Operating Leases comprise:	2019-20 £000	2018-19 £000
Buildings:		
Liability less than one year	740	742
Later than one year but not later than five years	2,017	2,758
Later than five years	-	-
Total	2,757	3,500

The SDA has one operating lease (buildings), with a liability from 21 December 2018 until 20 December 2023. The expense incurred in year but not yet paid is £312k.

11. RELATED PARTY TRANSACTIONS

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

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

DE&S provides corporate services to the SDA to assist the SDA in delivering its objectives and to maintain compliance with the requirements of being part of a Department of State. Corporate Services include, but are not limited to, business support, function management, HR services, communications and infrastructure and estate. The SDA is charged by DE&S for its share of the DE&S corporate overheads, for 2019-20 this was £5,910k (2018-19: £7,765k).

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

12. TRANSFER OF FUNCTIONS FROM DE&S UNDER ABSORPTION ACCOUNTING

At 1st April 2018 the SDA demerged from DE&S. As of that date all balances relating to the former Submarines Operating Centre (SMOC) within DE&S transferred to the SDA under absorption accounting totalling £13,547k. This figure has been retained in the SoCNE as a comparative.

13. EVENTS AFTER THE REPORTING DATE

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





Submarine
Delivery Agency

ISBN 978-1-5286-1968-4
CCS0520633432