



Submarine  
Delivery Agency

# Annual Report and Accounts 2022-23



Submarine Delivery Agency

**Annual Report and Accounts**

**2022-23**

For the period 1 April 2022 to  
31 March 2023

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# 2022-23 Delivery highlights

- Following the arrival of our new CEO in October 2022, we have reset our strategy to drive (over the next five years) improved delivery outcomes through; the performance of our supply chain, continuous improvements to build increasingly effective collaboration across the Defence Nuclear Enterprise (DNE) and improve effectiveness and capability of the Submarine Delivery Agency (SDA). Through this strategy, we will be absolutely focused on delivery as well as enhancing our reputation for delivering our major projects on time and deliver greater submarine availability.
- The fifth of the new Astute-Class submarines – His Majesty’s Ship (HMS) ANSON – was commissioned at a ceremony in August 2022. HMS ANSON left the BAE System’s Barrow-in-Furness shipyard in February 2023 for His Majesty’s Naval Base (HMNB) Clyde to commence sea trials.
- In May 2022 the most significant phase of the Dreadnought programme, known as Delivery Phase Three (DP3), was announced. Defence contracts worth over £2 billion were awarded to BAE Systems and Rolls-Royce Submarines. DP3 will see the first boat enter service in the early 2030s and will lay the foundations for the delivery of the remaining three Dreadnought Class boats to time and cost.
- Further visible progress on the Dreadnought programme was celebrated in March 2023 with the first steel cut for Boat 3 (Warspite) and the successful delivery of all 12 missile tubes for Boat 1 (Dreadnought) to BAE Systems’ Barrow shipyard. These missile tubes have now been integrated with the relevant parts of the pressure hull to form the common missile compartment unit – the first in this joint United States/United Kingdom endeavour.
- Work on the replacement project for the Astute-Class submarines, Ship Submersible Nuclear AUKUS (SSNA) (a trilateral agreement between Australia, the UK, and the United States), is nearing completion of the design phase. The next steps to develop the detailed design and to procure long-lead items have been initiated.

- The Project Resolution team has continued to deliver initiatives to enhance reliability, spares provision and engineering support. These have increased capacity, and productivity, at our waterfront sites.
- The first stage of dismantling, including the removal of all low-level radioactive waste (LLW) has been successfully and safely completed for four ex-service, nuclear submarines: Swiftsure, Resolution, Revenge, and Repulse. Swiftsure will be the first nuclear submarine to be fully dismantled by the end of 2026.
- At the end of the financial year 2022-23, we renewed the Maritime Strategic Capability Agreement with QinetiQ for a further 10 years. This enables the provision of independent design, test, evaluation, and assurance services – covering hydromechanics, stealth and signatures, structures, and maritime life support – that contribute to the UK’s ability to design, build, and safely operate the Royal Navy’s surface and subsurface (submarine) fleet.



# Chair's introduction

by Jonathan Simcock, SDA Chair



This report covers the Agency's performance during financial year 2022-23 – my first full year as Chair of the SDA Board. In the course of the year, I was delighted to welcome Sir Chris Gardner as our new Chief Executive.

Our role is to improve and then maintain submarine availability, deliver the portfolio of new boats, and pick up the pace on disposing of out-of-service submarines. Under the leadership of Sir Chris, the organisation is completely focused on building the capability required, within the Agency and across the supply-chain, to deliver for our Sponsor, the Chief of Defence Nuclear, and our customers, the Royal Navy and Defence Nuclear Organisation.

During the year, the board has worked with Sir Chris and his team to refresh the Agency's strategy. This charts the improvement journey for the next five years and focuses on improving the effectiveness of the SDA and its supply chain, while working increasingly closely with the rest of the Defence Nuclear Enterprise.

The importance of what we do is always at the forefront of my mind, not just in support of the Royal Navy Submarine Service as it keeps the Nation safe, but also for the men and women who give up so much to serve on our submarines, away from family and friends for months at a time.

Jonathan Simcock  
SDA Chair





# Section 1 Performance Report





# Chief Executive Officer's report

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



## Performance overview

The aim of the overview section is to provide information on our organisation, our purpose and how we have performed during financial year 2022-23.

### Introduction

This has been another challenging year for the Submarine Delivery Agency (SDA), my first in post. During this period, my focus has been on gaining a comprehensive understanding of the state of our business and the risks and issues we face to deliver our outputs successfully. We are now heading into an important period of transition where we need to deliver the remaining Astute Class submarines into service, retire the last Trafalgar Class boat (HMS TRIUMPH) and begin the execution of the Vanguard to Dreadnought delivery phase. This will be supported by a sustained effort on improving overall submarine material availability to support operations and restore momentum to the submarine disposals programme. Finally, we need to ensure we are ready to deliver SSN AUKUS and to mobilise both internally and in industry to deliver.

To support this, I have developed an SDA strategy, a roadmap for the next five years covering my anticipated period of tenure. This will deliver focussed improvements in SDA effectiveness, drive supply chain performance and build strong Defence Nuclear Enterprise alignment. This will be delivered through a clear and resourced plan that will be measured by our ability to ensure on-time delivery of available submarines. I am in the process of re-aligning our performance management metrics to ensure that we focus primarily on our outputs and to simplify interfaces across the Defence Nuclear Enterprise in support of Chief of Defence Nuclear and First Sea Lord's overall strategic priorities. Together I am confident this will give us the platform we need to ensure the SDA is fit for purpose, empowered, and can bring greater stability and resilience in supporting Defence's highest priority.



Central to this will be the requirement to build and then sustain a vibrant, effective, and capable industrial base and supply chain able to deliver the levels of productivity required through life from design and build through to disposal. This will require ongoing long-term investment in facilities, people, skills and resilience backed by strong partnering arrangements that align objectives and incentives. This will demand a significant collective effort, for we will only succeed together. Having now established the baseline, I look forward to working with our Industrial Partners to ensure we can deliver the sustained levels of improvement required.

We have again taken positive strides in enhancing our organisational effectiveness, exceeding many targets set in our Key Performance Indicators (KPIs). We have delivered 96% of the milestones across our improvement programme, enhancing organisational capability and integration, streamlining processes, and initiating work on delivering improved integrated planning and management information. We have also solidified our technical capabilities and successfully completed pathfinder work on our capability growth model – a scheme to promote people's investment in their skills and leadership. I also look forward to supporting the new Nuclear Skills Task Force as it develops its proposals for how the UK can meet our future requirements.

In the face of a challenging year for our workforce with the cost-of-living crisis and

increasing demands placed on us in delivering our mission, I was pleased to maintain our strong engagement score of 63% in our People Survey 2022 and see positive score increases in areas including staff understanding on organisational purpose and objectives, access to Learning and Development opportunities and Leadership and Managing change. The results demonstrate that we have a strong platform to build on, but there is always room for improvement. We have reflected this in our People Strategy.

As our workforce has grown during the year the diversity of our workforce has also changed. We have seen growth in each of the four protected characteristic groups (women, ethnic minority, LGBTQ+ and disabled) that we report against as we know these groups are underrepresented in our current workforce. We continue to focus on this as we look forward.

## Acquisition

HMS ANSON, the fifth boat in the Astute class, was commissioned in August 2022 in a ceremony at Barrow-in-Furness, ahead of sailing to HMNB Clyde to undergo sea trials in February 2023. Work continues at pace on AGAMEMNON and AGINCOURT.

In the Dreadnought submarine programme, the first of class, DREADNOUGHT, passed the halfway point in its build phase, with major units being moved to the Devonshire Dock Hall for final assembly. The second of class, VALIANT

is well into manufacture with steel also now cut for third of class, WARSPITE.

Following announcement of the AUKUS Agreement in September 2021, an 18-month evaluation phase ended in March 2023. The SDA is at the heart of the UK's AUKUS effort with the Technical Director as lead, supported by a small, dedicated, SDA AUKUS team which is part of the integrated UK Programme Delivery Office. Priority work for the SDA team has been setting up embedment opportunities in the UK for Australian military, civil service and industry personnel; and also developing the schedule for the delivery of the first UK designed and Australian built SSN AUKUS in the 2040s.

## In-service

The year reflected the differing challenges faced by our SSBN (Ship Submersible Ballistic Nuclear) Fleet and SSN (Ship Submersible Nuclear) Fleet. This rightly was centred on the delivery of support and maintenance to sustain the Continuous At Sea Deterrent (CASD) and delivering shortened operational maintenance periods on the Clyde through changes in working patterns and investment in enablers such as new in water inspection techniques.

From an SSN perspective, HMS AUDACIOUS successfully conducted an extended period of maritime security operations in the Mediterranean for the UK and NATO allies, remaining deployed for 13 months. The SDA's

ability to support her away from base port was key to this.

## Technical, equipment and safety

I remain committed to the highest standards of safety and environmental protection and, whilst never complacent and continuing to drive improvement I was pleased that the SDA achieved 'Substantial Assurance' against the MOD's safety standards this year. This is an internal assessment carried out by the SDA Safety Team.

We have continued to improve the reliability, performance, and capability of the equipment we provide for our submarines. These efforts are achieved collaboratively with our main industry partners and an Enterprise-wide Engineering and Safety Directors' Forum is driving technical, safety and environmental improvements.

Keeping pace with technological advances is also a focus and we are investing in several new technologies and innovations with industry partners, including such things as battery technology and additive manufacture. Importantly, we renewed the Maritime Strategic Capability Agreement which assures the provision of a wide range of independent design, test, evaluation and assurance services.



Looking to the future, our autonomy programmes continue to develop with Project CETUS, the UK's first purpose built Extra Large Autonomous Underwater Vehicle (XLAUV). The resulting system will allow the UK to develop its underwater autonomy programme.

## Commercial

We have placed some significant contracts during financial year 2022-23 including the £2bn Delivery Phase 3 (DP3) contracts for the Dreadnought programme. These will contribute to building and sustaining our industrial base and readiness to meet growing future demand. Looking ahead, we continue to pivot towards collaborative contracts that will be designed to improve the performance of our Prime suppliers and wider supply chain and incentivise our industry partners to deliver Enterprise outcomes.

Our ability to manage Supply Chain Risk and improve resilience has gone from strength to strength. Through our Supply Chain Improvement Programme we continue to monitor our suppliers and support improvement activity to strengthen our supply chain and manage fragilities. We have also developed a programme of work with the Submarine Delivery Management Board (SDMB) that looks at efficiency improvements across the supply chain. We delivered an initial £54m in benefits through the Engineering and Quality Standards (EQS) activity with our industry partners. Further efficiencies are being pursued this year.

We continue to improve our commercial capability, building on our improvements from the financial year 2021/22 Commercial Continuous Improvement Assessment Framework (CCIAF) – applied by Cabinet Office. In financial year 2022-23 achieved the highest overall compliance score across defence.

## Closing comments

Overall, my assessment is that the SDA continues to evolve within the wider Defence Nuclear Enterprise (DNE), recognising there is further to go. We will use the SDA strategy to continue to drive the changes and transformation needed and to support delivery of the wider DNE Strategy and Plan. As CEO, it remains my intent to drive a 'one team' ethos as part of the DNE, position the SDA as a trusted and reliable Delivery Agent and to firmly operate on a best for enterprise basis. Finally, I would like to acknowledge and thank the staff across the SDA who have worked tirelessly in challenging circumstances to play their part in meeting Defence's highest priority.



Sir Chris Gardner KBE  
Chief Executive and Accounting Officer  
23 January 2024

# Chief Finance Officer's report

by Georgina Benzies, Interim Chief Finance Officer



The past year has seen continued focus on working collaboratively across the Defence Nuclear Enterprise (DNE) to improve delivery of submarine capability. We have also continued to drive improvements in our internal processes and controls, working across the DNE to identify opportunities to optimise our end-to-end processes and ensure a 'one team' approach.

Performance against our corporate delivery measures (our Key Performance Indicators or KPIs) is split across those actions that deliver available and capable submarines to the Royal Navy (our mission) and those that enable and demonstrate improvements in our organisational effectiveness. We have made strong progress on our enabling measures throughout the year – a pre-requisite for ensuring optimised management of the portfolio in the future. Following the arrival of Sir Chris Gardner, we continued to evolve our performance framework, as part of the wider DNE, to shift emphasis to output performance.

Bruce Martin, who was the Chief Finance Officer (CFO) since the SDA was established in 2018, left the agency at the end of financial year 2022-23. I would like to take this opportunity to thank Bruce for his time as CFO at the Submarine Delivery Agency. I have sought input from Bruce and team to inform this report.

## Equipment plan

The MOD's annual Equipment Plan report has been published since 2012. It provides a transparent picture to Parliament and the public on how Defence plans to manage its funding to deliver its equipment programmes.

Through the funding delegated to us by our customers – primarily the Defence Nuclear Organisation (DNO) and Navy Command – we spent £4,764 million supporting submarine capability and availability. This represented a 13% growth in the portfolio and continues the year-on-year growth we have seen since the launch of the agency.

The future shows continued growth in the programme of work, with the SSN AUKUS project adding further to the scale and complexity. This year, we have focused on ensuring the future portfolio is aligned across the DNE, maturing the understanding of the interdependencies, and ensuring funding is identified for the critical enablers for success.

### Operating costs

This period, we spent £233 million on the operating costs of the agency (2021-22: £201m), against a budget of £259m. The variance of some £16m below budget was mainly due to lower workforce costs and external assistance, as resources were slower to secure than planned.

This is a 16% increase on last year, reflecting the growth in organisational size needed to deliver our expanded portfolio. Payroll costs are the primary drivers of SDA expenditure. Payables dominate SDA's balance sheet, at some £35.4m (2021-22: £32.3m). The increase in payables reflects the continued increase in activity especially supporting the Dreadnought programme.

While our headcount has grown, we have continued to use contractors to augment our core workforce and enable delivery of the programme. We will continue to review how we can best resource our programmes and share skills across the DNE.



# About the SDA

## Who we are and what we do

The SDA is an Executive Agency of the MOD. We were established in April 2018 to strengthen the procurement, in-service support, and disposal of the UK's nuclear submarines, which are some of the most complex programmes in the world.

## Defence purpose

The main purpose of the MOD is 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". Our work in the SDA is an essential part of this purpose. We form part of the wider DNE, acting as the intelligent delivery agent for submarines through life and in support of Defence's highest priority.

## SDA vision

Our updated vision is 'to be recognised for excellence in through-life submarine delivery'. By achieving our vision, we will improve our delivery and that of our industrial partners into the DNE.

## SDA mission

Our mission is to 'deliver available and capable submarines for the Royal Navy in defence of the nation'.

## SDA purpose

Our purpose is 'to be the Defence Nuclear Enterprise's delivery agent for submarines'. Our work spans the full lifecycle of a submarine from design and manufacture to in-service support and ultimate disposal. We are the technical, safety and design authority for UK submarines, and the commissioning agent and commercial lead for our suppliers.

## Our values

The SDA Code sets out the values and behaviours that drive our organisation. We are committed to creating an environment which actively promotes equality and diversity, so our people feel valued and motivated. The SDA Code complements and embodies elements of the Civil Service values and standards of behaviour, as set out in the [Civil Service Code](#).

The pillars of the SDA Code are:

- Support – we are committed, inclusive and thrive on teamwork
- Deliver – we are accountable, open, and sincere in all that we do
- Aspire – we are ambitious, trustworthy, and proud of what we achieve together



## SDA structure

### Our Corporate Framework

As an Executive Agency, the SDA is an arm's length body of the MOD. We sit within the MOD Defence Nuclear Organisation's (DNO) top-level budget area. Our Chief Executive Officer (CEO) receives their delegations and operating expenditure (OpEx) from Chief of Defence Nuclear (was Director General Nuclear until October 2023). The DNO acts as our Departmental Sponsor and monitors, oversees and measures our performance using our Ministerially endorsed KPIs. Our annual programme of work is agreed and set out in Submarine Acquisition and Support Plans (SASPs), agreed with the DNO (primarily for capital projects) and the Royal Navy (primarily for in-service support).

The SDA prepares accounts under the Financial Reporting Manual (FRM) issued by HM Treasury, and observes the standard financial processes and rules set out by the MOD's Director General Finance as the Defence Authority. The financial reports 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 report and equipment procurement/support activities that are reported in the MOD Resource Account. More information regarding the accounting boundary is set out in note 1.2 of the Financial Report.

### Operating as an Executive Agency

As an Executive Agency of the MOD, we manage our business in line with delegations afforded by the Department, which flow to us through the Chief of Defence Nuclear. We have also been allocated management freedoms, including those delegated by HM Treasury and the Cabinet Office, which allow us to manage all aspects of our workforce, to meet our business needs within our operating cost budget. Further information on our governance is provided in Section 2.

The AO is required to ensure that the SDA is run on the basis of the governance, decision-making and financial management standards that are set out in HM Treasury's 'Managing Public Money'. We operate our agency in line with government mandated functional standards set out by HM Treasury; further details can be found online<sup>1</sup>.

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.

### 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 manages the running of our business and leadership of our civilian and military workforce, to ensure timely and cost-effective delivery of our outputs. Further information on the roles and responsibilities of our Executive Team is provided in Section 2.

Our [Corporate Plan](#) sets out the important activities we will focus on to deliver defence's priorities. It maps how our performance will be effectively managed and measured.



<sup>1</sup> [05-21 DAO Letter - functional standards for pub with amends LLJ.pdf \(publishing.service.gov.uk\)](#)

## Delivering the UK's submarine capabilities

We deliver a broad scope of work across the SDA. The SDA does not use financial indicators or measures when assessing performance. As noted in the Performance Analysis section, due to the sensitive nature of the work we do, classified detail on how we performed has been withheld. Specific spending patterns and performance information against KPIs for key programme and policy areas is also withheld.

Main areas of work	SDA lead	Key performance indicator (KPI)
<b>Construction of new submarines:</b> Delivering future submarines through delivery of the Astute, Dreadnought and future programmes.	Director Submarine Acquisition	Performance against our acquisition projects strategic milestones and KPIs provide an overview of the health of the acquisition sub portfolio and delivery to time and cost.
<b>Support to CASD:</b> Delivering today's capable and available submarines through in-service maintenance delivery.	Director Submarine Support	Performance against the in-service support programme and infrastructure strategic milestones and KPIs provides an overview of long-term sustainability in platform delivery to the Royal Navy including associated systems and SDA owned infrastructure dependencies.
<b>Nuclear infrastructure:</b> Effectively operating and maintaining facilities at HNMB Devonport, as well as the development of new facilities to meet future requirements.	Director Submarine Support	

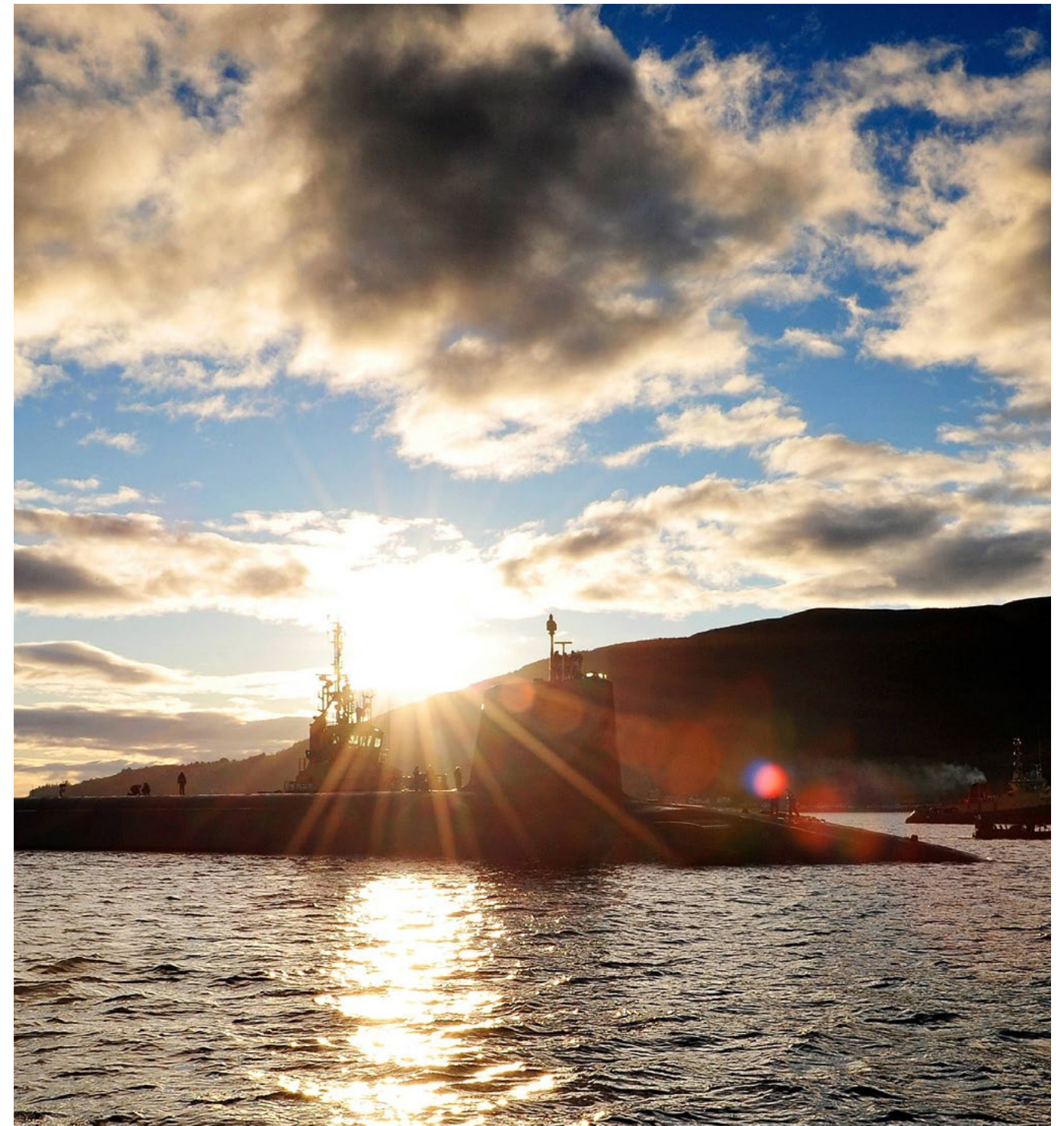
Main areas of work	SDA lead	Key performance indicator (KPI)
<b>Safely disposing of the UK's submarines:</b> Actively managing the UK submarine nuclear legacies through defueling activities at Devonport and dismantling services at Rosyth.	Director Submarine Support	Performance against the agreed programme of activities, providing confidence that we are making progress in developing our submarine disposal capability, including the safe defueling and maintenance of submarines that have left service.

## Growing our capabilities

Main areas of work	SDA lead	Key performance indicator (KPI)
<b>Submarine technology and capability development:</b> Delivery of submarine equipment support and expert advice on safety, technical standards, and future technology exploitation.	Technical Director	These KPIs ensure that the SDA is retaining our capability advantage as well as delivering continuous improvement in safety through a robust and consistent application of processes and the development of lessons learned.
<b>Development of industrial base:</b> Ensuring industry delivers sustainably, safely, and securely through supplier and supply chain development as well as better contracting.	Commercial Director	KPIs in this area help us drive improvement in the SDA's relationship with industry and the supply chain to deliver improved performance and value for money for the SDA's customers.



Main areas of work	SDA lead	Key performance indicator (KPI)
<p><b>Enabling SDA delivery:</b> Through governance, HR, and resourcing as well as security, accommodation management, communications, and engagement.</p>	Director Corporate Operations	KPIs measure the SDA's management and delivery of its corporate performance, including people, processes, functions and systems to ensure we are operating effectively.
<p><b>Enabling SDA delivery:</b> Focusing on becoming a world-class delivery agent and great place to work by improving performance and enabling effectiveness.</p>	Deputy Chief Executive Officer	In recognition of the SDA's ambition to be a high-performing Executive Agency, this KPI area assesses how we are improving our internal performance and delivering our business improvement and development initiatives.



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

Diversity and inclusion (D&I) remain a key part of our people strategy. We are committed to creating an environment where everyone is respected and can contribute fully to our success.

During 2022-23 we reiterated this commitment through the launch of our D&I pledge and Executive Committee action plans. In early 2023, our D&I programme received substantial assurance from Government Internal Audit Agency (GIAA<sup>2</sup>), which commented on our 'proactive and commendable approach to delivering an impactful D&I programme'.

Further information on our diversity, inclusion, and health and wellbeing work can be found within the remuneration staff report sections on page 73.

## Working with industry: our commercial improvements

During 2022-23 we continued to drive industrial performance, through incentivisation and deepening supply chain intelligence. We have worked to mature the commercial proposition for long-term collaborative relationships with our industry partners.

In May 2022, we announced the next and most significant phase of our Dreadnought programme, known as Delivery Phase Three (DP3). Defence contracts worth over £2 billion were awarded to BAE Systems and Rolls-Royce. This is the initial investment within a planned overall total of nearly £10 billion for the whole delivery phase. DP3 will see DREADNOUGHT exit the Barrow-in-Furness shipyard to begin sea trials and will lay the foundations for the delivery of the remaining three Dreadnought Class boats to time and cost. We have progressed significant commitments under the Dreadnought Phase 3 contract to date and will use the same industrial incentivisation to deliver SSN AUKUS. The effective performance of our industrial partners remains a priority.

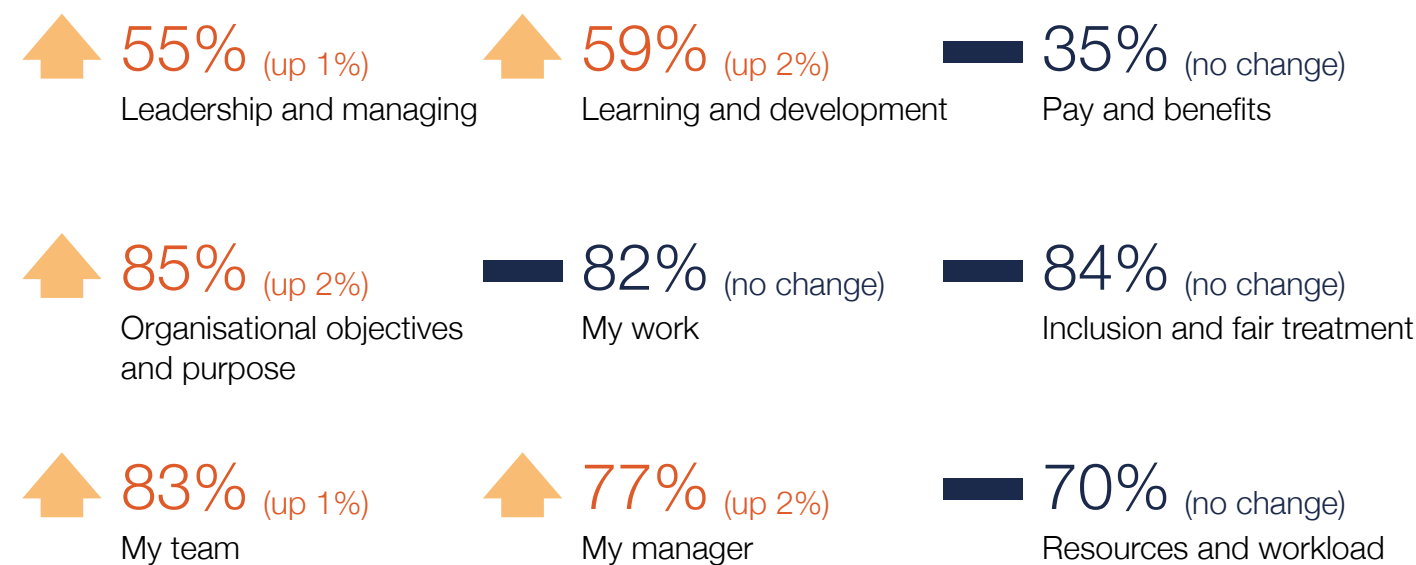
<sup>2</sup> The GIAA subsumed Defence Internal Audit.

## Engaging our people

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

Our engagement index, which is calculated as the average score across five questions measuring pride, advocacy, attachment, inspiration, and motivation, held steady at 63%.

Our highest scoring areas continue to highlight the connection our people have with the purpose and objectives of the agency and its work, alongside a strong connection with their teams across the organisation.



In response to the survey, we committed to actions around reward, leadership and managing change, future ways of working, career development and growth. These actions are being incorporated with a refresh of our People Strategy.



# Performance analysis



We have continued to evolve our performance measures for 2022-23 and to report corporate performance against the 11 Key Performance Indicators (KPIs), underpinned by 29 Internal Performance Indicators (IPIs) that were brought forward from our 2021-22 corporate reporting. The status and specific detail of each KPI is withheld as this information is classified.

## KPI 1 – Maintain the Continuous at Sea Deterrent

Delivery of effective and efficient maintenance remains a key challenge and focus for the SDA and wider enterprise. The SDA Joint Project Engineering Team was formed in January 2023 to improve maintenance delivery and drive maintenance optimisation targets. This, alongside the Submarine Availability Improvement Programme, recognises the need to drive a sustained improvement in overall submarine material availability through better productive utilisation, enabling infrastructure and stores support. This remains the most critical area of focus for the SDA and will help reduce the overall length of patrols.

## KPI 2 – Construction of new submarines

The Astute Programme replaces the Trafalgar-Class and consists of seven nuclear-powered attack submarines. In this reporting year, the fifth of Class, HMS ANSON, was commissioned into the Royal Navy on 31

August 2022 and exited Barrow on 18 February 2023 for His Majesty's Naval Base (HMNB) Clyde to commence sea trials. The build of Boat 6 (Agamemnon), and Boat 7 (Agincourt, the Royal Navy's final Astute submarine) continues at the Barrow shipyard.

The Dreadnought Class, which consists of four submarines, forms the next generation of ballistic submarines to replace the Vanguard Class submarines. The steel cut ceremony for the third of Class, (Warspite), was held in Barrow on the 9 February 2023, meaning 3 out of the 4 boats are under construction.

The Dreadnought Submarine Programme remains one of Defence's largest and most complex build programmes. Challenges will remain throughout the programme and we will have to work closely across the DNE to find innovative solutions to ensure on time delivery. Substantial steps have been taken in-year to promote the messaging that 'everyday counts', with the first of Class due to enter service in the early 2030s.

## The SSN AUKUS programme

Following the announcement made on 13th March 2023 to highlight the trilateral decision to support Australia in acquiring conventionally-armed, nuclear-powered submarines (SSNs), the SDA has continued to support activity to establish the AUKUS programme and configure the UK elements for success building on the original foundation laid by the UK SSN (Replacement) Programme. Together we will



deliver SSN-AUKUS – a trilaterally developed submarine based on the United Kingdom's next generation design that incorporates technology from all three nations including cutting edge US submarine technologies.

### KPI 3 – Maintain nuclear infrastructure

This KPI measures the performance of SDA in delivering those elements of submarine infrastructure that have been delegated to the agency within the SASP.

The Submarine Waterfront Infrastructure Future (SWIF) Programme has seen recent successes with the demolition of Building N125 in Devonport to create more space adjacent to 10 Dock. This is the first skyline change in Devonport to provide a capability for Astute-Class deep maintenance. In line with the SDA commitment to improving its environmental impact, approximately 95% of the waste from the demolition will be recycled, including being reused in other construction projects across Devonport, reducing the need for new, raw materials.

In the Submarine Refit Complex, the 15 Dock cradle has now been installed and is available for contingent Astute Class docking. The installation provides the enterprise with an additional docking solution for the Astute-Class platforms (in addition to the ship lift in HMNB Clyde).

### KPI 4 – Safely disposing of the UK's submarines

Good progress has been maintained with dismantling our decommissioned submarines in Rosyth and continues to drive for the complete dismantling of Swiftsure by 2026. Longer-term, the Submarine Disposals and Devonport Infrastructure (SDDI) team continues to engage with industry to explore recycling options and opportunities for the future final full defuel and dismantling process.

### KPI 5 – Develop submarine technology and capability

We have continued to focus on ways to retain and develop our submarine technology capability to ensure that it meets our future requirements and enables the UK to retain a capability advantage.

### KPI 6, 7, 8, 9, 10 and 11 – Enabling SDA delivery

In addition to those KPIs that focus on our ability to deliver our mission today and into the future, there are six KPIs that measure the development and maturity of the agency. These KPIs focus on supply chain improvement, implementation of our internal change programme, the availability of SDA personnel and the evolution of our approach for long-term sustainability of our organisation, including

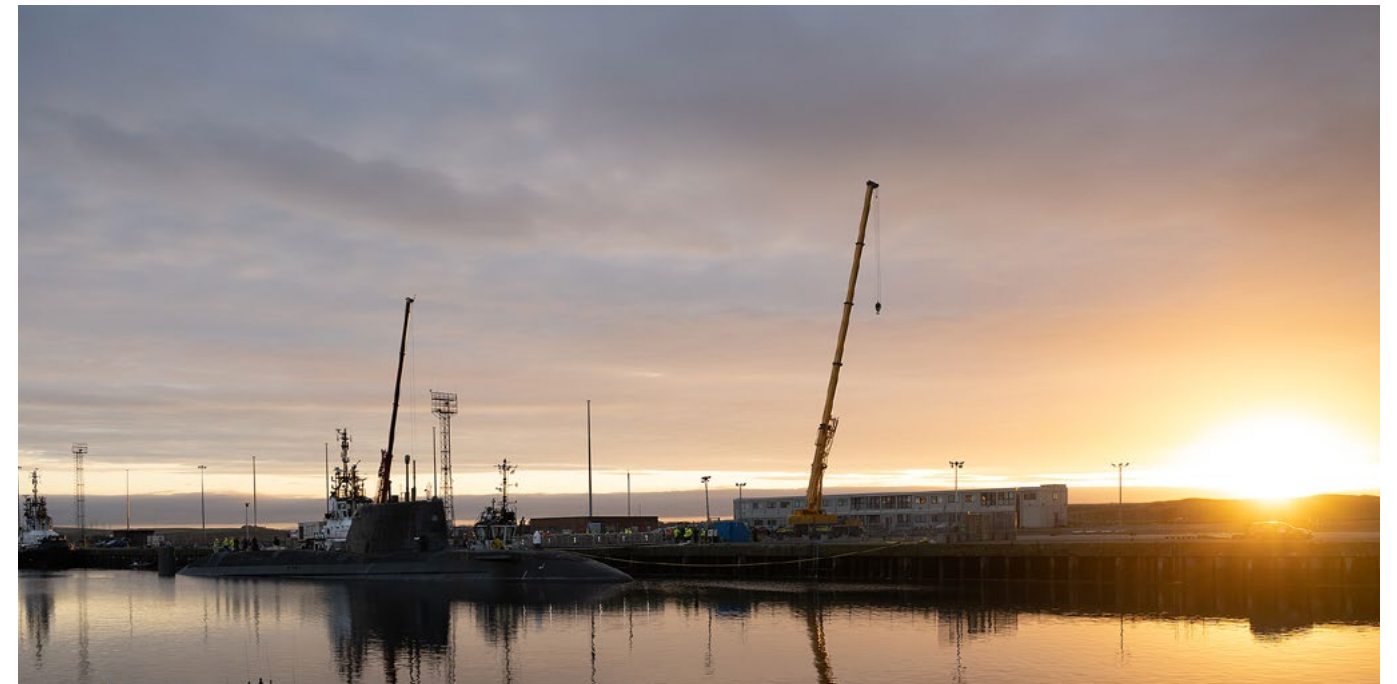
our finance, safety, and security management systems.

Through our supply chain risk programme, we collaborate with our prime contractors to actively monitor supply chain risk and resilience, maturing our approach through the year and incorporating improvements in our management of cyber risk.

Our capability is enshrined in our people, and we have continued to focus on attracting the right people and skills to deliver our increased portfolio. During 2022-23 the SDA achieved 89.4% of its affordable headcount limit, resulting in a net growth of 7.7%, reflecting a major achievement in the face of an increasingly competitive recruitment market.

Providing a safe environment for our people and enabling a culture that promotes their physical security and safeguards our information assets is paramount. We met our safety targets and exceeded our security targets for the year and remain committed to continuing good performance and further improvements.

We continued to focus on building our organisational effectiveness through multiple improvement workstreams that focused (as described previously) on supporting the development of our people but also on simplification and collaboration (within the agency and across the DNE). We achieved 96% of our associated improvement actions in year.





# Safety, environmental protection, climate change, sustainability and security



## Safety and environmental protection

### Safety management

At the end of 2022-23, we assessed ourselves against the MOD Safety Assurance Standards as 'substantial assurance'. This means that processes are repeatable and consistent, and management can effectively understand and control the "as-is" processes through metrics and indicators.

### Safety culture

In 2022-23, we maintained or improved on the safety culture of the SDA and the wider Enterprise through safety days and the Defence Nuclear strategy Peer Reviews of Safety Culture.

### Occupational Health and Safety

For the period financial year 2022- 2023 we focused on the post-implementation support following the launch of the SDA's Safety Management strategy last year. To carry this out, we engaged with sites during our formal auditing to provide site focussed H&S workshops to build on initial communication of the OSHE arrangements. We aided the sites in the development of their own site safety management systems ensuring they integrated all the site and agency requirements into effective documents and webpages which were subsequently communicated to the affected personnel.

### Environmental protection

The SDA has continued to demonstrate leadership in sustainability across the Submarine Enterprise through setting up and chairing the Enterprise Safety Director's Forum Climate Change & Sustainability working group. We are also working with MOD Main to understand as an organisation how we can work towards meeting the UK Defence emissions targets. The majority of the SDA's emissions come from our supply chain and work is ongoing to understand our suppliers Net Zero Strategies and implications.

During the year, we also applied to be an accredited training centre with the Institute of Environmental Management and Assessment (IEMA) and have delivered a pilot sustainability training course for the workforce with the aim to expand the offering to the wider management teams over the next year.

We have continued to develop our corporate environmental management arrangements to align with the International Standards Organisation's (ISO) 14001 standard and the newly published Joint Services Publication (JSP) 816 Defence Environmental Management System framework. The framework has stricter requirements than previous arrangements and has resulted in a 'limited' annual assurance return. Work is ongoing to address identified shortfalls and update processes, with the aim to have the majority re-assessed and at 'substantial' assurance by the next review point during 2024-25.



### Sustainability and climate change

Sustainability is built into our ways of working, including our governance, assurance and decision-making processes. The SDA operates a Safety and Environmental Committee, who endorsed our new SDA Environmental Strategy. The SDA also leads on a collaborative forum with our Tier 1 contractors on sustainability and climate change. Further, new infrastructure at Naval Bases and dockyards must consider the findings and recommendations of the MOD's Climate Impact Risk Assessments. Finally, applicable projects must undertake a Sustainability Appraisal in line with guidance in Knowledge in Defence (KiD).

### Submarine dismantling project

The SDA manages the Submarine Dismantling Project to deliver a dismantling and disposal solution for decommissioned nuclear submarines up to and including the Vanguard Class. The disposal of ex-service nuclear submarines is a complex and challenging undertaking. No nation has yet attempted full submarine dismantling. The SDA is developing and benchmarking its dismantling and waste disposal techniques, which will meet all safety, environmental and sustainability standards, achieving best value for the taxpayer and address intergenerational liability expectations.

Building on the successful initial phase of dismantling developed and undertaken over recent years, we have removed metallic

Low-Level radioactive Waste (LLW) from the submarines Swiftsure, Resolution, Revenge and Repulse. To date, over 300 metric tonnes of LLW has now been successfully and safely removed from the four submarines and no environmental or safety incidents have occurred with over 1,000,000 hours worked at Rosyth, where submarine dismantling works are currently conducted.

### Security

A strong security culture remains central to how the SDA operates. Working alongside colleagues across the DNE, work was undertaken during this period to further refine, mature and mitigate our Strategic Security and Resilience Risks, striving for a position of As Low As Reasonably Practicable (ALARP).

We continue to strive for continuous improvement, setting ourselves demanding targets recognising the changing security environment alongside a need for greater delivery pace and performance. External Audits and exercises were also undertaken delivering stronger results than elsewhere in the MOD. During 2022-23, we have continued to strengthen the policy, management, and governance of Resilience and Business Continuity (BC) across the agency.





# Looking forward



Our Corporate Plan provides a three-year strategic outlook which is updated annually, and details key programmes of work and highlights planned improvement activities to enable us to deliver our mission. This sits alongside the SASPs with DNO and the RN to capture our overall programme of work and total performance framework. A key component of developing the DNE will be to look to simplify and align this to allow better overall portfolio management of the enterprise level and to position the SDA as the acknowledged submarine delivery agent within it. This will include evolving our overall performance and corporate governance frameworks to reflect wider changes within the DNE and adopt a longer-term more output led approach.

Internally, and in line with our strategy, our success requires that we lift our professionalism (with a focus on using the best business tools and processes), improve agility (through empowerment and clearer ways of working), build confidence (in delivering our own scope and holding accountable others for their performance), and strengthen expertise (building our capability and ensuring everyone can contribute and thrive).

Our focus will continue to be on driving improvements in the way we support our customers including how we manage the risks to programme delivery. In support of this we will be:

- implementing our 5-year strategy and subordinate strategies to improve the capability and resilience of the SDA;
- evolving our corporate governance structures to reflect changes in the wider DNE and in support of the strategic plan;
- continuing the development and implementation of best-practice project management tools across our projects, programmes, and portfolio (P3M),
- thickening our technical capacity and capability;
- continuing to grow our cost-estimating and cost-engineering capability, through investment in entry talent, increased standardisation, and ongoing development of the skills, and;
- exploiting opportunities for ongoing systems development and improving how we manage information, to improve agency effectiveness freeing up capacity for staff to focus on value adding tasks.

Sir Chris Gardner KBE  
Chief Executive and Accounting Officer  
23 January 2024



# Section 2 Accountability Report







# Corporate Governance Report

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

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

## 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 Report, 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 advise of any changes. Declarations of Interest as at March 2023 are shown below.

Name	Declarations of interest
Jonathan Simcock	<ul style="list-style-type: none"> <li>• Sellafeld Limited – Non-Executive Director</li> <li>• Strategic Advisory service through own company (Nanagon Limited)</li> <li>• Jacobs – Daughter's employer<sup>3</sup></li> <li>• Transport for London – Member of Independent Investment Programme Advisory Group<sup>4</sup></li> </ul>
Anne Baldock	<ul style="list-style-type: none"> <li>• Electricity Northwest Limited – Non-Executive Director</li> <li>• East West Railways Limited – Non-Executive Director</li> <li>• Restoration and Renewal Delivery Authority – Non-Executive Director</li> <li>• Pantheon Infrastructure PLC – Non-Executive Director</li> <li>• Storegga Limited Director</li> </ul>

<sup>3</sup> This declaration of interest was removed in September 2022.

<sup>4</sup> This declaration of interest was removed in December 2022.



Sir Simon Bollom <sup>5</sup>	<ul style="list-style-type: none"> <li>Royal Academy of Engineers – Trustee</li> <li>Owlstone Medical – Daughter's employer</li> <li>Chair of Nuclear Skills Task Force</li> <li>Chair, the Soldiers', Sailors' and Airmen's Families Association (SSAFA) West Oct 23</li> </ul>
Chris Walton <sup>6</sup>	<ul style="list-style-type: none"> <li>Kazmunaygas NC – Chair</li> <li>MOD – National Shipbuilding Strategy Client Board</li> </ul>
Dominic Wilson <sup>7</sup>	<ul style="list-style-type: none"> <li>International Military Services Ltd – Board Member</li> </ul>
Ian Booth <sup>8</sup>	<ul style="list-style-type: none"> <li>Deferred member of the BAES pension scheme. This is a scheme in which BAES is an employing company.</li> <li>Newton Europe – Son's employer</li> </ul>
Bruce Martin	<ul style="list-style-type: none"> <li>None</li> </ul>
Keith Beckett	<ul style="list-style-type: none"> <li>Fusion Technical Advisory Group<sup>9</sup> – Member.</li> <li>Committee member of Strategic Advisory Group for the Advanced Nuclear Research Centre, University of Strathclyde</li> <li>Severn Area Rescue Association (SARA) Trustee<sup>10</sup></li> </ul>
Claire Hall <sup>11</sup>	<ul style="list-style-type: none"> <li>POA Restaurants Limited – Director<sup>12</sup></li> <li>Sellafield Limited – Non-Executive Director<sup>13</sup></li> </ul>
David Goldstone <sup>14</sup>	<ul style="list-style-type: none"> <li>Restoration and Renewal Delivery Authority – CEO</li> <li>Unremunerated Director of Major Projects Association</li> </ul>

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

6 Chris Walton stood down from his role on the SDA Board in June 2022.

7 In September 2022, Dominic Wilson stood down from his role on the SDA Board.

8 In September 2022, Ian Booth stood down from his role as SDA CEO.

9 This declaration of interest was added in February 2022.

10 This declaration of interest was added in June 2022.

11 In June 2022, Claire Hall joined the Board.

12 This declaration of interest was added in December 2022.

13 This declaration of interest was removed in December 2022.

14 In June 2022, David Goldstone joined the Board.

Martin Spencer <sup>15</sup>	<ul style="list-style-type: none"> <li>Civil Service Commissioner</li> <li>London Fire Brigade – Non-Executive Director</li> <li>Ofsted – Non-Executive Director</li> <li>NHS Counter Fraud Authority – Non-Executive Director</li> </ul>
Gursharan Bansel <sup>16</sup>	<ul style="list-style-type: none"> <li>PGB Homes Limited – Joint Director</li> </ul>
Air Chief Marshal Sir Richard Knighton <sup>17</sup>	<ul style="list-style-type: none"> <li>Mills and Reeve – Wife's employer</li> </ul>
Sir Chris Gardner <sup>18</sup>	<ul style="list-style-type: none"> <li>Chair of Trustees, Royal Naval Sailing Association</li> </ul>

Until September 2022, Ian Booth served with SDA and was a member of a pension scheme managed by BAE Systems, prime contractor working with the SDA. Notification of this related party has been made through all appropriate channels. There have been no other relevant reported related party transactions.

#### Personal data related incidents

No personal data related incidents were reported to the Information Commissioner's Office in 2022-23. Processes implemented across the agency ensure any incidents suspected of relating to personal data are reported and investigated in accordance with Ministry of Defence (MOD) policy. SDA measurement of maturity against the Data Protection Act 2018 is governed through the SDA Security Committee.

15 In July 2022, Martin Spencer joined the SDA Board.

16 In September 2022, Gursharan Bansel joined the SDA Board and left the board in May 2023.

17 In September 2022, Air Marshal Sir Richard Knighton joined the SDA Board. He left the Board in June 2023.

18 In October 2022, Sir Chris Gardner commenced his role as SDA CEO.

#### Information assurance

The SDA takes all data losses seriously and all security incidents are investigated. During 2022-23, no data losses were identified.

#### Statement of Accounting Officer Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the SDA to prepare, for each financial year, accounts detailing the resources acquired, used, held or disposed of during the financial year, and a statement of accounts in the form, and on the basis, set out in the Accounts Direction issued by HM Treasury on 23 December 2020. The accounts are prepared on an accruals basis and must give a true and fair view of the 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 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, and
- prepare the accounts on a going concern basis

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

As the Accounting Officer, I am required to confirm that, as far as I am aware, there is no relevant audit information of which the

department or its auditors are unaware. As the Accounting Officer, I have taken all the steps that I should have taken to make myself aware of any relevant audit information and to establish that the department and its auditors are aware of that information.

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

## Governance Report

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

### Introduction

I, Sir Chris Gardner, as CEO of the SDA, am responsible for maintaining a sound system of corporate governance and internal control to support the SDA's purpose, while safeguarding public funds and MOD assets for which I am personally responsible. Following reviews with the GIAA 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 Report 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 Government Internal Audit Agency (GIAA<sup>19</sup>)'s Annual Report for 2022-23. Overall, the GIAA gave a 'substantial assurance' audit opinion, based on the results and weighting of the audits undertaken in year and the delivery of associated management actions.

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

### Our governance structure

Reporting to Chief of Defence Nuclear (CDN)<sup>20</sup>, our Corporate Performance is overseen by the SDA Board, which operates under the provisions of the SDA [Framework Document](#) approved by Ministers. An update and planned review of the Framework Document has been delayed to ensure that it reflects changes in the wider DNE and MOD operating model. This will re-enforce the Board's role as acting in an advisory capacity, as well as overseeing the performance of the SDA on behalf of CDN. It is expected that a new Framework Document will be issued during the 2023/24 financial

year. During financial year 2022-23, the Board was chaired by Jonathan Simcock who was confirmed in the role as SDA Chair on a permanent basis in June 2022 having held the position since September 2021.

The SDA governance structure includes the SDA Board and its sub-committees, which provide assurance that SDA is fulfilling its responsibilities to stakeholders, and is being managed in accordance with the framework, procedures and plans that have been set.

During the first half of 2022-23, Ian Booth was the CEO of the SDA. Ian Booth left the department in September 2022 and provided me with sufficient assurances to sign off the Accounts as the Accounting Officer for the financial year.

### The Framework Document

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

A comprehensive list of the roles and responsibilities of our Board can be found in the [Framework Document](#).

<sup>19</sup> DIA has been subsumed by the Government Internal Audit Agency (GIAA).  
<sup>20</sup> DG Nuclear became Chief of Defence Nuclear in October 2023.

### Departmental Sponsor

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

- producing the Framework Document
- monitoring our performance against our KPIs
- engaging with our Board on overall performance
- assisting us in our corporate planning process by providing information about likely policy developments or other changes that could impact performance

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

### The SDA Executive team

In leading the SDA, I am supported by my Executive team. The structure of the team has changed during the year, which has introduced new skills and fresh perspectives to drive effective delivery of the SDA's strategy.

Mike Cushen undertook the role of Director Submarine Support on an interim basis, relieving Rear Admiral Paul Halton who stepped down in September 2022. Rear Admiral Jeremy Bailey took on the role permanently in March 2023.

Rear Admiral Robbie Lauchlan was appointed to the role of the Chief Strategic Systems Executive, in March 2023, which was transferred from Keith Beckett, who remains focused on his role as Deputy CEO and Technical Director.

In April 2022, Ian Craddock joined the SDA as our Director of Corporate Operations, succeeding Rachel Baguley in this role. This role became the Director of Strategy and Operations (DSO) during 2022-23.

Further information on the Executive Team is provided on page 51.

### The SDA Board

The SDA Board provides the strategic guidance and oversight for the SDA in delivering our strategy and meeting our objectives. It endorses our strategy and recommends approval of the Corporate Plan, and KPIs to our Sponsor and Ministers.

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

As set out in the Board Terms of Reference, the Board includes the following members:

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





SDA Board as at March 2023



SDA Board activity as at March 2023

The SDA Board met 12 times during 2022-23 for nine formal Board meetings, one away day and two industry engagement visits.

Name	Number of meetings attended
Jonathan Simcock	12 (12)
Non-Government NEDs	
Anne Baldock	11 (12)
Sir Simon Bollom <sup>21</sup>	11 (12)
Chris Walton	3 (3)
Claire Hall <sup>22</sup>	8 (9)
David Goldstone <sup>23</sup>	9 (9)
Martin Spencer <sup>24</sup>	8 (9)
Government NEDs	
Air Marshal Sir Richard Knighton <sup>25</sup>	4 (8)
Dominic Wilson	2 (4)
Gursharan Bansel <sup>26</sup>	5 (8)

Other members	
Ian Booth	4 (4)
Sir Chris Gardner <sup>27</sup>	5 (6)
Keith Beckett	10 (12)
Bruce Martin	12 (12)

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

In addition, the Board held separate extraordinary sessions to take detailed briefings on specific programme topics or MOD-wide initiatives.

<sup>21</sup> At the end of July 2022, Sir Simon Bollom stood down as CEO for DE&S. On 1st August 2022, following fair and open competition was appointed as independent NED on the SDA Board.

<sup>22</sup> Claire Hall joined the Board in June 2022.

<sup>23</sup> David Goldstone joined the Board in June 2022.

<sup>24</sup> Martin Spencer joined the Board in July 2022.

<sup>25</sup> Air Marshall Sir Richard Knighton joined the Board in September 2022 and left in June 2023.

<sup>26</sup> Gursharan Bansel joined the Board in September 2022 and left the Board in May 2023.

<sup>27</sup> Sir Chris Gardner became SDA CEO and therefore Board member in October 2022.

### SDA Board processes

The Board Support team, which reports to the SDA Director of Corporate Operations (DCO)<sup>28</sup> maintains and operates the processes and procedures affecting the Board. The Board takes regular reports from me, the CFO, and the Director HR, as well as monthly updates from key programmes and on overall SDA performance. Papers are prepared and presented by those with the appropriate seniority and expertise on the subject and are evidence-based, ensuring that the information is current, balanced, and accurate.

### Board performance

By Jonathan Simcock, Board Chair

Our focus during the year has been on supporting the development of the SDA, which celebrated five years since its creation as an executive agency. This milestone has prompted evaluation of our achievements so far and plans for the next five years. In planning for the future, the Board has been keenly involved in the development of the SDA's strategy for delivery up to 2028.

As there were some changes to the membership of the Board, we have taken opportunities to broaden and deepen our understanding of the SDA's programme of work, using both Board discussions and through visits to the SDA's industry partners.

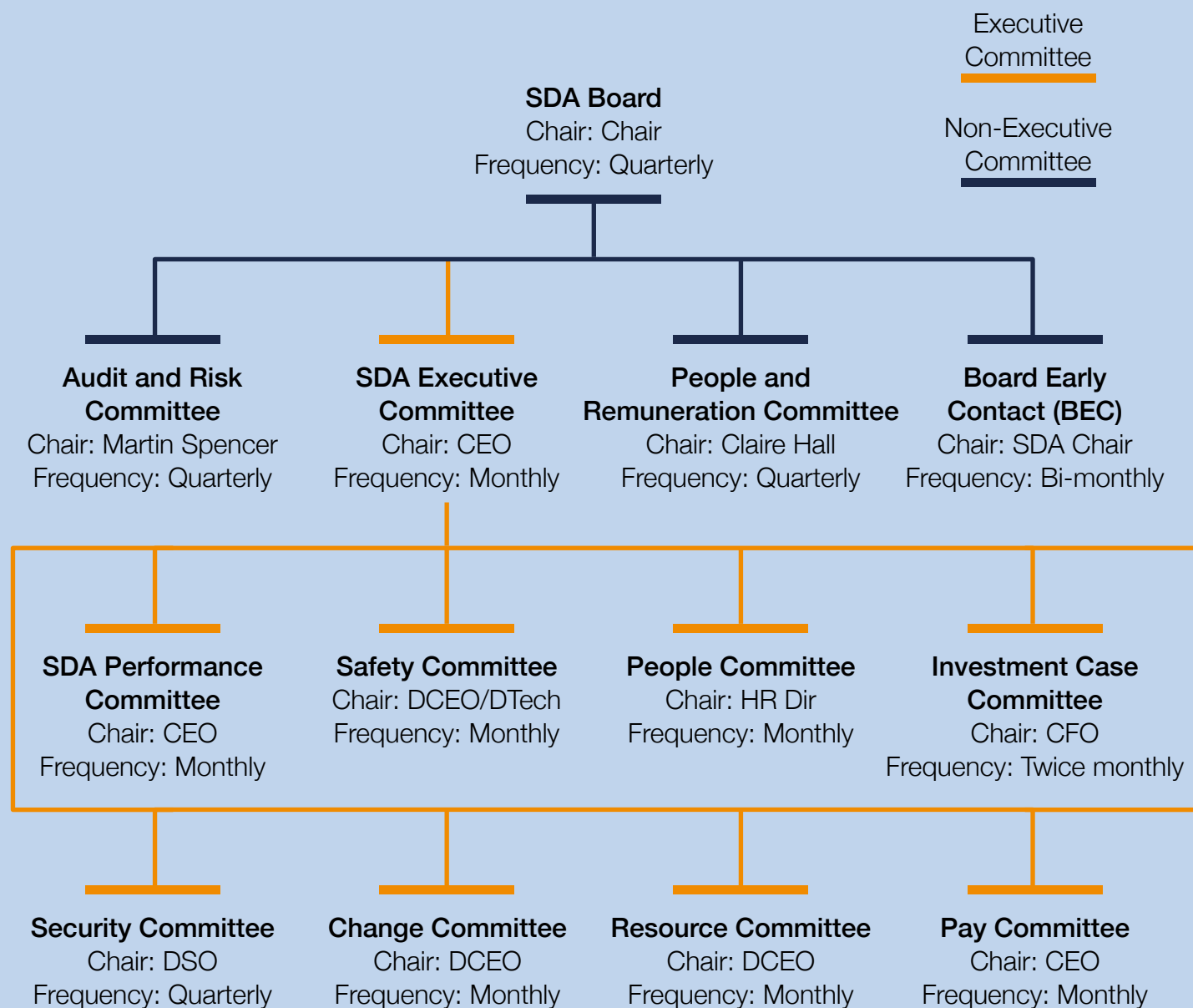
Other highlights of business discussed during 2022-23 are detailed opposite.

<sup>28</sup> This role was changed to Director of Strategy and Operations on 1 April 2023.

Subject	Discussion	Outcomes
<b>SDA business updates</b>	The Board received regular business updates on SDA programmes, Safety, Security, People and Finance.	The Board evaluated the updates and provided appropriate support and challenge to the Executive Team.
<b>KPI data and design</b>	The Board received monthly reports on all KPIs, highlighting corporate and programme performance data as well as progress with key milestones. The Board engaged in the design of SDA KPIs for 2023-24.	The Board considered the performance information provided, seeking clarification, and challenging updates, and providing advice to the Executive Team as appropriate. The Board endorsed the KPIs design for 2022-23.
<b>Risk</b>	The Board received routine updates on the work of the SDA's Audit and Risk Committee.	The Board noted the issues raised and provided recommendations and guidance as required.
<b>Corporate documentation</b>	The Board reviewed the SDA's Framework Document, Corporate Plan and Strategy.	The Board endorsed the documents, suggesting areas for improvements prior to final approval and publication.
<b>SDA Committees</b>	The Board received reports from its sub-committees and considered the work being taken forward.	The Board noted the work undertaken by sub-committees, providing recommendations and guidance as required.



**SDA Board and Committee framework as at March 2023**



**SDA Board sub-committees**

The SDA Chair and NEDs attended the following Non-Executive and Executive sub-committees in financial year 2022-23:

- Audit and Risk Committee
- Project and Programme Committee
- People and Remuneration Committee

**Audit and Risk Committee**

<b>Audit and Risk Committee</b>	
Purpose	To challenge the adequacy of internal controls and oversees the risk management assurance processes.
Frequency	The Audit and Risk Committee met quarterly during 2022-23.
Membership	The meetings are chaired by Martin Spencer (NED) and members include: <ul style="list-style-type: none"> <li>• Jonathan Simcock (SDA Board Chair)</li> <li>• Air Marshal Sir Richard Knighton (Government NED)</li> <li>• Anne Baldock (NED)</li> <li>• Bruce Martin attended in his role as Finance Director</li> </ul>
Summary of discussions	The primary focus of the Audit and Risk Committee during the period 2022-23 was: <ul style="list-style-type: none"> <li>• GIAA Audit Plan progress and action list for 2022-23 and forward audit planning for 2023-24</li> <li>• National Audit Office (NAO): 2022-23 Agency Accounts Audit update and Completion report, 2022-23 Audit Planning report, MOD audit including SDA Equipment plan and Nuclear Provisions – summary of relevant findings</li> <li>• general business operational updates</li> <li>• financial procedural and policy updates</li> <li>• Supply Chain Fragility</li> <li>• cyber updates – Impact of changing risk environment</li> <li>• planned updated to Project Management and Accounting Systems</li> <li>• fraud controls and status updates</li> <li>• Risk Management Process and updates</li> <li>• Annual Assurance Report completion</li> </ul>

The SDA is a member of the MOD Fraud Board and updates are provided through the Audit and Risk Committee. During 2022-23, we continued to respond to the threat of fraud and corruption to ensure that the Defence and SDA purposes can be met free from the destructive impact of fraud and corruption. We pursue a zero-tolerance approach to fraud and corruption, which is further reinforced by the standards and behaviours enshrined in the values of the Armed Services, the Civil Service Code, and the SDA Code of Business Ethics. The MOD Counter Fraud Function provides strategic coordination of our response to fraud and corruption.

**People and Remuneration Committee (P&RC)**

<b>People and Remuneration Committee</b>	
Purpose	To advise the SDA Board and the CEO on matters relating to the proper development and application of the SDA's total compensation strategy, including our pay structures. Additionally, it advises on CEO remuneration and that of the civilian Executive Team and other senior staff as appropriate, where these are not set by Senior Civil Service (SCS) or departmental guidelines.
Frequency	The P&RC met four times during 2022-23.
Membership	The meetings are chaired by a NED, currently Claire Hall: <ul style="list-style-type: none"> <li>supported by three NEDs as well as the HR Director</li> <li>the SDA Chair has a standing invitation to attend, and other executives or non-executives are invited to attend as appropriate</li> </ul>
Summary of discussions	Discussions focused on developing the business case for the implementation of the Pay and Reward Strategy; SCS appointments were also presented for consideration at the committee. All elements of the remuneration package were considered by the committee, following engagement with colleagues in DE&S and the SDA Executive Committee sub-committee.

**Projects and Programme Committee**

<b>Projects and Programme Committee</b>	
Purpose	To provide opportunities for members of the Board to engage in key projects to offer advice and challenge for commercial strategies and business cases.
Frequency	Monthly
Membership	The meetings are chaired by a NED, currently David Goldstone: <ul style="list-style-type: none"> <li>attended by a mix of Board Members, Executives, and subject matter experts, depending on the topic to be discussed</li> </ul>
Summary of discussions	During 2022-23 the projects and programmes committee discussed ongoing projects for the SDA.

**SDA Executive Committee**

The Executive Committee supports and advises to ensure we deliver our purpose. Formally, the Executive Committee helps discharge the delegations and responsibilities set out in CEO's Letter of Delegation as Accounting Officer and Letter of Authority from Chief Defence Nuclear. We work within the context of driving delivery against the SDA Corporate Plan and ensuring that effective working relationships are maintained between the SDA, our Sponsor, customers, suppliers, and other delivery agents, including DE&S.



SDA Executive Committee as at 31 March 2023



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

In addition, the following SDA people also attended the Executive Committee to support the meetings as required:

- Chief of Staff to CEO
- Executive Committee Secretary.

The following key business areas were discussed at the SDA Executive Committee during 2022-23:

<b>Security</b>	The Executive Committee reviewed a ‘Security Moment’ every other month, looking at a specific security issue, prior to it being shared throughout our organisation. In addition, a monthly dashboard from the Security Committee was provided, covering topics such as security incidents, challenges, and KPI data.
<b>Safety</b>	A ‘Safety Moment’ was reviewed each month. There were also monthly safety reports including Occupational Safety, Health, and Environment (OSHE) and Safety Performance Indicators (SPIs), as well as the findings of the annual staff Safety Culture Survey. In addition, there were two extended deep dives into safety during the year.
<b>Performance</b>	The 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 Operational Expenditure (OpEx).
<b>Risk</b>	All strategic risks are reviewed on a quarterly basis with one risk subject to Executive Committee deep dive on a monthly basis. Changes to strategic risks are also reported into the wider enterprise portfolio office on a quarterly basis.
<b>People</b>	The Executive Committee reviewed people issues monthly, looking at topics including D&I, health, and wellbeing (including mental health), and resourcing. In addition, the Executive Committee reviewed a ‘D&I moment’ every other month which prompted discussion on the challenges faced by the SDA and other organisations in creating a diverse and inclusive environment.
<b>Change</b>	The Executive Committee discussions were related to the headmarks of people/capability, simplification, and collaboration.

### Corporate Operations

The Executive Committee reviewed in-year recognition awards, ensuring fair and effective use of budgets. It also reviewed the outcome of the People Survey and endorsed the resulting action plan. The ExCo reviewed compliance and governance MI as part of this review.

## SDA Executive Committee Sub-Committees

### SDA Board Sub-Committees

The SDA Chair and NEDs attended the following Non-Executive and Executive sub-committees in financial year 2022-23:

Name	Committee (meetings attended)
Jonathan Simcock <sup>29</sup>	Performance Committee (4/8) Audit and Risk Committee (3/3) Projects and Programme Committee (6/7) People and Remuneration Committee (3/3)
<b>Non-government non-executive directors</b>	
Anne Baldock <sup>30</sup>	Audit and Risk Committee (3/3) Projects and Programme Committee (7/7)
Chris Walton	-
Martin Spencer	Audit and Risk Committee (Chair) (2/2)
Dominic Wilson	-
Claire Hall	People and Remuneration Committee (Chair) (3/3)
Sir Simon Bollom	People and Remuneration Committee (3/3)
David Goldstone	Projects and Remuneration Committee (7/7)
<b>Government non-executive directors</b>	
Air Marshal Sir Richard Knighton	Audit and Risk Committee (0/2)
Gursharan Bansel	People and Remuneration Committee (3/3)

<sup>29</sup> As Interim Chair, Jonathan Simcock attended the Remuneration and nomination Committee (P&RC and Audit and Risk Committee) following Rob Holden's departure in August 2021.

<sup>30</sup> Anne Baldock replaced Annette Hobhouse and Rob Holden in supporting the Safety Committee and, as an interim arrangement, attended on a best endeavours basis.

### SDA Executive Committee sub-committees

Several sub-committees support the work of the Executive Committee, namely:

- **The Performance Committee** drives delivery against our KPIs and SASPs and serves as the forum where our senior leadership team can focus on key issues affecting delivery, prioritising activity to improve our outputs and outcomes. Our Performance Committee includes representatives from our customers, Navy Command Headquarters (NCHQ) and DNO, facilitating an organisational view on performance and agree where wider support is required to address challenges. It is chaired by the CEO and is attended by the SDA Chair, Jonathan Simcock.
- **The Safety Committee** provides support and advice to me, as CEO in my role as a Senior Duty Holder and acquisition and support safety lead for our organisation. The Safety Committee also has oversight of our safety and environmental performance and directs work to deliver improvements in this key area for the business. It is chaired by the Technical Director.
- **The People Committee** provides direction and oversight of our people activities in accordance with our Corporate Plan. It engages and updates stakeholders on the current issues and initiatives arising from implementation of our People Strategy and developments in other people and HR matters. It is chaired by our SDA HR Director, with a membership drawn from senior leaders across our delivery and enabling teams. The People Committee meets on a monthly basis.
- **The Investment Case Committee** provides assurance that the costs, schedule, and levels of contingency within our projects are appropriate to deliver the capability or service required. It also reviews whether the specific commercial strategy for the project is appropriate and that this is consistent with the overall suite of SDA strategies. It is chaired by our CFO.
- **The Security Committee** reviews our performance and provides direction across all elements of our security including physical, personnel, and cyber security, as well as our business resilience. It is attended by all Team Leaders (or their deputy) and chaired by our DCO, ensuring our security risks are regularly reviewed, updated, and actioned as required.
- **The Change Committee** drives delivery of change programmes to meet the SDA's vision of being a high-performing organisation. It is chaired by our DCEO.



The Dreadnought programme is managed by an Alliance between the MOD (in the form of the SDA), BAES and Rolls-Royce Submarines. The Alliance meets a government commitment to work closely with its industry partners with the shared aim of improved delivery performance – in this case across the Dreadnought programme. Sir Peter Gershon is the independent chair of the Alliance and its most senior Board – the Alliance Leadership Board – whilst the Alliance Project Team (APT), which has day-to-day accountability for delivering the programme, is led by a senior civil servant in the role of Alliance Managing Director, who reports to SDA CEO. Updates on progress with the Dreadnought Submarine Programme are provided throughout this report and in the annual updates to Parliament on the UK's future nuclear deterrent.

## SDA risk and control framework

### Risk management

During 2022-23, and after development work in previous years, the SDA focused on ensuring strategic risk management governance structures were fully implemented. All SDA strategic risks were subject to a 'deep dive' at the SDA Executive Committee and Board ensuring further review and, if needed, additional mitigations identified. The SDA strategic risks are reported into the Defence Nuclear Organisation who ensure a holistic view of enterprise risks are captured.

### Principal strategic SDA risks and mitigation action during 2022-23

Risk management review drumbeats were matured to ensure that strategic risks were reviewed at a minimum of a quarterly basis and all appropriate parties were aware of their responsibilities. In addition to quarterly reviews, several of the SDA strategic risk set were socialised in relevant subject matter expert working groups to ensure the risks linked to their areas of expertise were fully understood. The SDA strategic risks have now been reported into the Submarine Enterprise Management Office to ensure a holistic view of enterprise risks are being considered.

The principal strategic SDA risk picture remains stable and continues to focus on the causes and factors that may contribute to the SDA being unable to successfully achieve our purpose. They focus on output risks; supplier risks; organisation risks and enabler risks.

Risk reduction activities during 2022-23 have shifted from focusing on the pandemic to re-considering risks associated with the way the SDA operates.

Mitigating actions include:

- strengthening our supply chain
- improving our IT systems
- a renewed focus on asset management through all stages of the project lifecycle

Some of the mitigation actions will take time to see tangible benefits, but these are

underpinned by control actions to ensure risks remain stable. No new strategic risks have been identified in the last fiscal year; however, several strategic risks have been updated to contain a more holistic view of the subject matter and to ensure the impact of current global events is fully understood. We intend to undertake a full review of our approach to strategic risk management in the SDA in the coming year to reflect overall changes in the way the MOD is structuring its strategic risks and to focus on those areas within the SDA's direct control and ability to deliver our outputs and meet objectives.

### Principal internal controls

Each year we complete an Annual Assurance Report (AAR) as part of the overall MOD risk framework. This report assures me that the SDA's risk and control management systems are working, and it draws my attention to any concerns about the operation of our governance arrangements as well as helping to identify intended future plans to sustain and improve assurance (where necessary). This document also informs the Defence Audit and Risk Committee and the Permanent Secretary's reports (as Accounting Officer) to Parliament as part of the MOD's Annual Governance Statement.

### Financial

At the start of the financial year (2022-23), the DNO agrees an operating cost envelope with us. As set out in our Framework Document, within this cost envelope, the SDA has the freedom to manage its workforce to meet its business needs. 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.

### Commercial

In 2022-23, we delivered improvements in our data and assurance via internal commercial audit, as well as meeting all our Cabinet Office Controls and transparency obligations, including publishing our Forward Contract Pipeline. Our KPIs also show an improvement in our contract management capability, moving from a score of 73% last year ('better') to 90% ('best') in 2022-23. This is based on regular assessments against the Commercial Continuous Improvement Assessment Framework; we have stretching targets to further raise capability next year (2023-24).



## People

A primary focus for the agency has been the delivery of our Capability Growth Model which seeks to recognise capability growth as one element of how we reward our people, grow their potential, and manage our talent so that the agency has the skills to deliver our programmes. It is a key feature of our Reward Review and a natural evolution of our current Performance Management Processes. The intent of the Capability Growth model is to help support individual and organisational focus, demonstrate that the SDA is invested and committed to learning and professional development, thus contributing to improved retention and wellbeing. In this endeavour we are leading on behalf of the Civil Service (including MOD) on how best to link capability growth to pay.

We have made considerable progress in improving our brand and have launched official SDA LinkedIn and X (formally known as Twitter) accounts. This aims to increase awareness of our overall mission, values (our SDA Code) and our people. It also highlights the SDA employee proposition.

The SDA also has a proactive approach to delivering an impactful D&I programme. Staff Networks, Network Champions, and Fair Treatment Ambassadors (FTA) have been established to drive D&I initiatives as well as to support and empower staff within SDA. We have embedded D&I training initiatives with staff expected to complete mandatory

training courses, but also bespoke training that is tailored to address current D&I issues and promote discussion. In February 2023, our D&I approach was subject to an audit by the GIAA, which resulted in a 'Substantial Assurance' finding.

### Whistleblowing and raising a concern

The SDA is committed to psychological safety for all its people and promotes a whistleblowing hotline as an independent route to raising any concerns. The Whistleblowing Policy is a MOD wide policy, and the SDA fully embraces this approach. Management information on the nature and conduct of our whistleblowing is provided by the MOD to the Cabinet Office every 6 months. There were no whistleblowing events in 2022-23.

### Conclusion

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

We have worked closely with the MOD's Defence Risk and Assurance (DRA) Team on our AAR. This report captures our key risks, where improvements are required and outlines how relevant controls have operated during the year. Since our AAR from 2021-22, we have further developed and strengthened our assurance process, ensuring that our

governance systems are in line with best practice. By reviewing the data collated through AAR assessments, both at the mid-year and end of year points, we have demonstrated that we have sustained the substantial level of assurance previously achieved. We have also shown clear and continued improvement in areas including governance, compliance, assurance, and resources.

Building on previous years, we have consistently shown that our governance system and internal controls support our business, enabling our teams to focus on providing available and capable submarines for the Royal Navy. I can confirm that the risk management and internal controls described have operated for the year under review and up to the date of the approval of these accounts. As we move into 2023-24, we will continue to drive improvement to further optimise our ways of working and corporate performance.



Sir Chris Gardner KBE  
Chief Executive and Accounting Officer  
23 January 2024

## Chair's assessment

By Jonathan Simcock, SDA Chair

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

Ongoing support from the GIAA team, with its assessments across a range of SDA areas, has kept continuous improvement high on the agenda across our strategies. These reviews have helped us to evolve as an agency and



importantly, the valuable feedback received from the GIAA enables us to continue to focus our efforts. We were, therefore, pleased to be awarded through the annual GIAA assessment process a substantial audit opinion for the third year in a row.

The changes detailed in this section of the report show that the SDA continues to learn from feedback provided by stakeholders and the people who work within the agency. Overall, I view the internal controls and overall governance system as being effective during 2022-23. I am confident that our appetite for improvement will enable the SDA, within its delegated budgetary responsibilities and accountabilities, to continue to comply with governance best practice as we deliver for the Royal Navy and Defence as a whole.







## Remuneration and staff report

### SDA remuneration policy

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

The SDA has been granted the freedom to manage our workforce as necessary to meet our business needs in line with Annex A of the Framework Document<sup>31</sup>. 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 P&RC, 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 P&RC is set out earlier in Section Two of this report.

### Performance and reward

The 2022-23 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 P&RC. All our people were evaluated against their objectives to determine end of year performance outcomes. 2022-23 saw the introduction of 'capability-based pay' – meaning salary increases were determined

based on job role and specific skill sets within grades. In line with our pay arrangements, a non-consolidated performance award was paid to all staff who were awarded a performance rating 3 (Good) or higher in the 2022-23 performance year.

The NED's remuneration is set in accordance with MOD public appointments policy. NED performance is reviewed by the Chair, 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 provide individual 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, except the CEO, who has a five-year contract. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

<sup>31</sup> <https://www.gov.uk/government/publications/submarine-delivery-agency-framework-document>

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

A NED's appointment may be terminated at one month's notice by either party or on dissolution of the Board, unless found guilty of gross misconduct when termination will be immediate. The NEDs are initially contracted to three years with the option to reappoint. MOD standard practice 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.

### Business Appointments

SDA is aligned to Departmental and Cabinet Office Rules on Business Appointments as contained in Section 4.3 Annex A of the Civil Service Management Code. This policy,

referenced in all senior manager contracts and directed within SDA procedures to any staff leaving the organisation, makes clear the circumstances in which individuals will be required to apply for clearance before taking up an appointment outside of the Department. This includes detailed policy and guidance advice on our BMS and on the leavers checklist for Line Managers to advise exiting employees of their obligations. In compliance of Business Appointment rules, the Department is transparent in the advice given to individual appointment applications for senior staff.

### Remuneration and pension entitlements (subject to audit)

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

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

2022-23					
SDA board directors <sup>32</sup>	Salary <sup>33</sup> £000 (full-year equivalent)	Annual performance award <sup>34</sup> £000	Benefits in kind £00	Pension <sup>35</sup> benefits £000	Totals to nearest £000
Ian Booth <sup>36</sup>	120-125 (285-290)	210-215	-	-	330-335 (500-505)
Sir Chris Gardner <sup>37</sup>	100-105 (250-255)	-	-	-	100-105 (250-255)
Keith Beckett <sup>38</sup>	190-195	55-60	-	25-30	275-280
Bruce Martin	180-185	55-60	-	25-30	260-265
2021-22					
Ian Booth	285-290	90-95	-	-	380-385
Keith Beckett	180-185	50-55	-	25-30	260-265
Bruce Martin	175-180	50-55	-	25-30	250-255

<sup>32</sup> The SDA Board Terms of Reference sets out the Board structure to include the CEO, Chief Finance Officer (CFO), Deputy Chief Executive Officer (DCEO) and non-executive Directors (NEDs). This design has been agreed to ensure consistency with the structure of Defence Equipment and Support (DE&S) Board and to ensure the agency has a meaningful ratio of Board Directors to NEDs.

<sup>33</sup> 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.

<sup>34</sup> From the 20-21 annual report onward SDA changed the basis for the reporting of annual performance awards from the award accrued to the award paid. The figures shown for 2022-23 are the award paid in 2022-23 in respect of performance in 21-22.

<sup>35</sup> Ian Booth is a member of a personal private pension scheme. Keith Beckett and Bruce Martin are not members of the Principal Civil Service Pension scheme and have elected to be members of the Partnership Scheme.

<sup>36</sup> Ian Booth left SDA on 2nd Sept 2022 – the amounts shown are salary up until leaving along with performance awards for 21-22 and 22-23.

<sup>37</sup> Sir Chris Gardner took up the post of CEO of the SDA on the 31st October. This is salary from 31st October until 31st March 2023.

<sup>38</sup> Keith Beckett received additional payment of £3,500 for acting as interim CEO included in the salary amount as well as a Performance Award of £58,000.



## SDA Board non-executive salaries (subject to audit)

SDA Board non-executives <sup>39</sup>	2022-23 £000 (full-year equivalent)	2021-22 £000 (full-year equivalent)
Rob Holden SDA Chair	-	60-65 (145-150)
Jonathan Simcock SDA Chair <sup>40</sup>	100-105	65-70 (100-105)
Anne Baldock	25-30	20-25 (25-30)
Annette Hobhouse	-	0-5 (25-30)
Chris Walton <sup>41</sup>	5-10 (25-30)	20-25 (25-30)
Claire Hall	20-25 (25-30)	-
David Goldstone	20-25 (25-30)	-
Martin Spencer <sup>42</sup>	15-20 (25-30)	-
Sir Simon Bollom <sup>43</sup>	15-20 (25-30)	-
Dominic Wilson <sup>44</sup>	-	-
Gursharan Bansel <sup>45</sup>	-	-
Sir Richard Knighton <sup>46</sup>	-	-

39 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.

40 The Chair, Jonathan Simcock is remunerated for working 2 days per week. Independent NEDs are remunerated for working up to 24 days per year.

41 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. Chris left the SDA board in June 2022.

42 Claire Hall and David Goldstone joined the Board in June 2022. Martin Spencer joined the Board in July 2022.

43 Sir Simon Bollom became an Independent NED on 1st August 2022. Prior to this, he was on the Board as a government employee.

44 Dominic Wilson is a government employee and receives no remuneration from the SDA for his services. He left the SDA Board in September 2022.

45 Gursharan Bansel joined the SDA Board in September 2022 and as a government employee, receives no remuneration from the SDA for services.

46 Sir Richard Knighton joined the Board in September 2022 and as a government employee receives no remuneration from the SDA for services.

## Number of SDA Senior Leadership Group (SLG) Staff as at 31 March 2023

SLG pay band	2022-23	2021-22
Band 1	26	23
Band 2	7	6
Band 3	1	1

## Pay multiples (subject to audit)

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

The banded remuneration of the highest paid civilian director in 2022-23 ranged between £500k-£505k. This was 11.48 times the median remuneration of the workforce, which was £43.8K. This is higher than FY 2021-22 due to including an additional performance award paid to the outgoing CEO. The civilian salary range is between £18.3K - £290k (2021-22: £17.1k - £290k).

The banded remuneration of the highest paid military employee in 2022-23 ranged between £130k-135k. This was 1.74 times the median remuneration of the military workforce, which was £76k. The military employee salary range is between £20k-£135k (2021-22: £20k-£135k).

No employee, either military or civilian, received remuneration in excess of the highest paid director during 2022-23 (2021-22 – nil).

	2022-23 £	2021-22 £
Mid-point of the £5,000 band for the annual equivalent remuneration of the highest earning military employee.	132,500	132,500
Number of employees in receipt of remuneration above the highest paid board member	0	0
Median total remuneration of armed forces personnel	76,098	75,119
Military pay ratio	1.74	1.76
Mid-point of the £5,000 band for the annual equivalent remuneration of the highest earning civilian board member in the tables above	502,500	382,500
Median total remuneration of civilian staff	43,785	41,000
Civilian Pay Ratio	11.48	9.33

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

Military						
	Lower quartile		Median		Upper quartile	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Salary	60,792	62,592	76,098	75,119	87,385	84,678
Total pay and benefits	60,792	62,592	76,098	75,119	87,385	84,678

Civilian						
	Lower quartile		Median		Upper quartile	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Salary	32,224	30,000	42,502	39,855	55,176	50,150
Total pay and benefits	32,939	30,859	43,785	41,000	57,269	51,607

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

Salary and allowances	2022-23	
	Military	Civilian
Highest paid director	0%	0%
Staff average	-1.10%	0.90%
Performance pay and bonuses		
Highest paid director	-	126.06%
Staff average	-	87.30%

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

	Military			Civilian		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
2022-23	2.18	1.74	1.52	15.26	11.48	8.77
2021-22	2.12	1.76	1.56	12.4	9.33	7.41

The information relates to remuneration for civilian and military personnel during 2022-23.

The increase in Civilian pay ratio is due to the inclusion of the outgoing CEO receiving the financial year 2022-23 performance award within the same financial year. Normally, these are paid following the end of the performance year and included in that year's report. The minor decrease in military pay ratio since 2021-22 arose because the FTE (Full Time Equivalents) increase in military staff included a number of lower paid staff while the highest paid military employee's salary stayed the same.





## 2. Staff report

### Staff numbers (subject to audit)

The number (head count) of SCS within the SDA SLG, as at the end of the financial year (March 2023) is as follows:

SCS pay band	2022-23	2021-22
Band 1	26	24
Band 2	7 <sup>47</sup>	6
Band 3 and above	1	1
<b>Total</b>	<b>34</b>	<b>31</b>
SDA military at 1* and above	4	4
<b>Grand Total</b>	<b>38</b>	<b>34</b>

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

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

Average staff nos (Full time equivalent):	2022-23			2021-22		
	Permanent employee staff	Contingent labour	Total	Permanent employee staff	Contingent labour	Total
Armed Forces	199	0	199	199	-	199
Civilian	1,953	106	2,059	1,867	76	1,943
<b>Total</b>	<b>2,152</b>	<b>106</b>	<b>2,258</b>	<b>2,066</b>	<b>76</b>	<b>2,142</b>

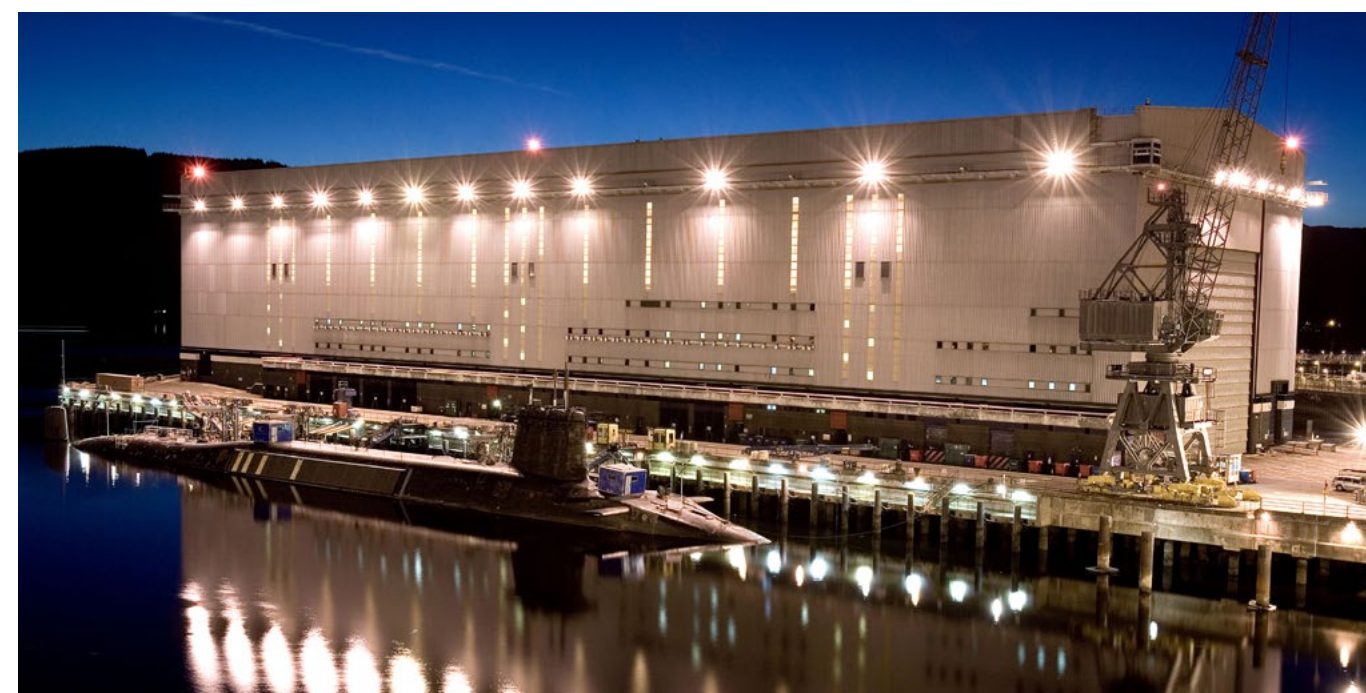
<sup>47</sup> A member of the SDA Executive Committee is a work force substitute and is on loan from the Government Commercial Organisation (GCO) but for completeness has been shown within this table.

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

The number of FTEs employed in the year 2022-23 increased by 143 compared to the number employed in 2021-22. 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 55 FTE due to the need to meet the requirements of our programmes and the need for very specific and niche skills in some instances. Like DE&S, we are also impacted by workforce supply challenges in the Bristol area depleting the local market.

### Staff turnover 2022-23

	July 23	July 22
Rolling 12-month turnover %	6.3	6.5
Rolling 12-month outflow (n)	131	126
Rolling 12-month average headcount	2,073.33	1,935.92



### 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:	2022-23			2021-22		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Salaries and wage costs	108,038	17,527	125,565	99,456	11,886	111,342
Social security costs	12,638	0	12,638	10,763	0	10,763
Other pension costs	31,120	0	31,120	28,494	0	28,494
<b>Total</b>	<b>151,796</b>	<b>17,527</b>	<b>169,323</b>	<b>138,713</b>	<b>11,886</b>	<b>150,599</b>
<b>Paid to:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Armed Forces	24,724	-	24,724	23,921	-	23,921
Civilian	127,072	17,527	144,599	114,792	11,886	126,678
<b>Total</b>	<b>151,796</b>	<b>17,527</b>	<b>169,323</b>	<b>138,713</b>	<b>11,886</b>	<b>150,599</b>
Adjustment for NSRS rebate of staff costs	-513	-	-513	-510	-	510
Adjustment for AUKUS recharge of staff costs (2)	-473	-382	-855			
<b>Net staff costs</b>	<b>150,810</b>	<b>17,145</b>	<b>167,955</b>	<b>138,203</b>	<b>11,886</b>	<b>150,089</b>

The increase in salaries and wages reflects the increase in workforce, the recent pay review, reward review and performance award which was higher than in financial year 2021-22.

For the year ended 31 March 2023 of the total pension contributions for SDA in the table above, £23.2m were payable in respect of the

various schemes in which civilian staff were members.

For the year ended 31 March 2023 of the total pension contributions for SDA in the table above, £7.9m 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 £330k 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 Service and Other Pension Scheme, known as "Alpha," are unfunded multi-employer defined benefit schemes. An actuarial valuation of the PCSPS has been completed and can be found at: <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>.

Contributions to the PCSPS in 2022-23 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 2022-23 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 2022-23 period was aligned to those from 2021-22 and incorporate additional costs associated with the 2015 Remedy Programme, also known as the McCloud Judgment: <https://www.civilservicepensionscheme.org.uk/yourpension/2015-remedy/>.

Employees can opt to open a partnership pension account; employer contributions are age related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. Further details about the Civil Service Pension arrangements can be found at: <https://www.civilservicepensionscheme.org.uk/>. There were no contributions due to the partnership pension providers at the balance sheet date and no contributions have been prepaid.

#### Armed Forces Pension Scheme

The 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/guidance/pensions-and-compensation-for-veterans>.

Employer's contribution rates are determined by the Government Actuary. For 2022-23, the employer's contribution rates remained unchanged from 2021-22 at 65.5% of pensionable pay for officers and other ranks. These include a contribution towards the Armed Forces Compensation Scheme at 2% for officers and other ranks. No changes to the contribution rates are expected until 2023-24.

Scheme members are entitled to a taxable pension for life and a tax-free pension lump sum if they leave the regular armed forces at or beyond normal retirement age. Those



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

**Staff sickness**

During 2022-23, the average number of days for sickness absence was 4.8 days per employee in SDA with the MOD average being 7 days. Overall levels of sickness absence rose consistently from April 2022 until March 2023. Short-term absence increased from 2.1 days to 2.6 days in total in the rolling year to date (RYTD) however long-term absence decreased from 2.3 days to 2.2 days in total over the same period.

SDA absence rates still compare favourably with the rest of MOD and followed the trend in rising sickness absence over the year; as of March 2023.

Levels of absence attributed to anxiety/stress/depression (ASD) also rose in the SDA, by 36% in the RYTD (April 22 – March 23) and accounts for nearly a third of all sickness absence. To combat our rising levels of sickness absence,

we have continued to promote the importance of managers having meaningful wellbeing and 'return to work' conversations to ensure support is available where needed, and to help mitigate the risk of initial and repeated absence.

**3. Staff policies**

**Diversity and inclusion**

We have continued our work to grow a diverse and inclusive organisation, and our dedicated staff networks which are sponsored by members of our Senior Leadership Group (SLG), act as Champions with the aim of representing the diversity of all employees. These communities and Champions, along with our Functional Leads, fulfil a crucial role of supporting our policies and serve as advocates for our continuing behavioural and cultural changes.

In September 2022, the Executive Committee signed and published a D&I Pledge that made clear its intent to promote diversity of people, diversity of thought, and inclusivity for all. We are committed to creating an inclusive environment where everyone can contribute, their contributions and ideas are valued, and they can develop rewarding careers. Each member of the Executive Team also published plans to detail the actions they would each take to promote and deliver the Pledge.

**Our diversity and inclusion objectives**

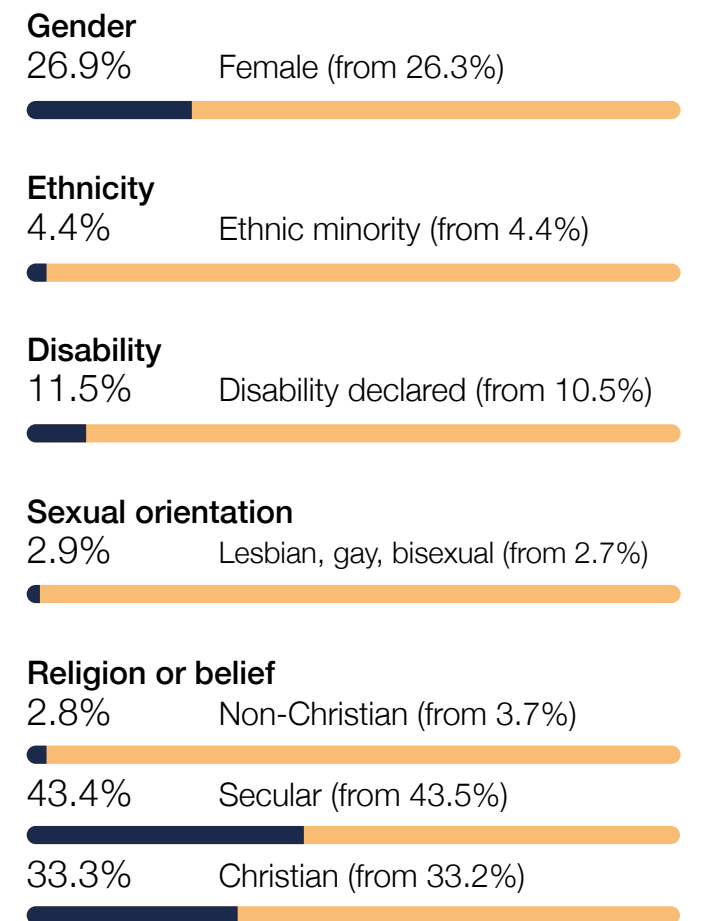
D&I remains an integral part of the SDA core values and reinforces our stance of having a zero-tolerance approach to bullying, harassment, and discrimination. Alongside progress in implementing our D&I Action Plan, we continue to work to meet our targets with regard to the levels of representation in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

We offer a guaranteed interview through the Disability Confident Scheme (DCS), whereby individuals who declare a disability will be invited to interview providing they meet the minimum requirements for the role. All SDA managers are required to complete Inclusion in the Civil Service training prior to participating in any recruitment activity.

In accordance with the Public Sector Equality Duty, the SDA has a legal obligation to eliminate discrimination and advance equality of opportunity, and this includes our commitment to supporting colleagues who become disabled whilst employed by the SDA. All disabled staff are supported by Occupational Health and the external Employee Assistance Programme as well as provided with the necessary reasonable adjustments. A range of learning is also provided to staff who have disabilities alongside their line managers.

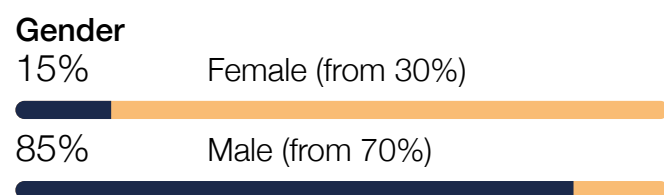
The following tables reflect the civilian composition of the organisation by protected characteristics over the year. The information provided in the following charts, as of 31 March 2023 (from 31 March 2022), relies on staff making the necessary declarations on our human resource management system (MyHR) and therefore may not be representative of the whole of our workforce.

i. Staff breakdown



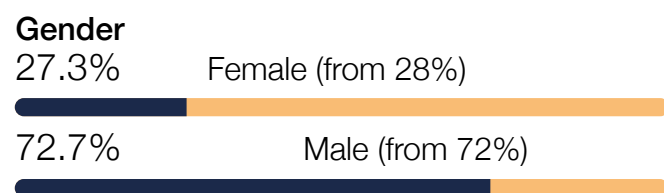
Gender breakdown at SDA board and executive team level (civilian)

Total SDA Board and executive team<sup>48</sup> = 20



Gender breakdown over the year at SCS level (civilian)

Total SDA SLG (SCS) =



**Pay and reward**

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

- competitive – consideration is given to the external and internal market practices when shaping our total reward package

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

**Recruitment**

The SDA is responsible for managing all aspects of its workforce planning including the recruitment of high quality and suitably experienced/qualified personnel to deliver our business outputs. Most recruitment campaigns in our head office location of Bristol are led by, or shared jointly with DE&S<sup>49</sup>, particularly where we are seeking skills that are required by both organisations.

Significantly, during the last financial year, we matured our approach to function management and have commenced transition of further HR services from DE&S to the SDA so that we have autonomy over all elements of our People Strategy.

<sup>48</sup> Sir Chris Gardner, Bruce Martin and Keith Beckett sit/sat on the SDA Board and SDA Executive Committee and have been counted twice to reflect this.

<sup>49</sup> Defence Equipment and Support – an Executive Agency of the MOD that is headquartered alongside the SDA in Abbey Wood, Bristol.

**Trade union relationships**

In line with historical and current governance arrangements, DE&S and SDA have a joint approach to Trade Union (TU) engagement. An Employee Relations Framework Agreement was subsequently created to govern successful engagement between DE&S/SDA and the TUs, including the principles, behaviours and processes under which both parties will operate to ensure good employee relations. In December 2022, an updated Trade Union Relations Framework Agreement<sup>50</sup>, was signed on behalf of local TUs and by both CEO DE&S and CEO SDA.

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 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. Facility time costs for 2022-23 are shared between DE&S and SDA and these are reflected in the annual facility time data return as a combined expenditure. This information is

shown below for the period 1 April 2022 to 31 March 2023:

**Relevant union officials**

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
41	41

**Percentage of time spent on facility time**

Percentage of time	Number of employees
0%	19
1-50%	22
51-99%	0
100%	0

**Percentage of pay bill spent on facility time**

Total cost of facility time (total combined cost with DE&S)	£49,874.73
Total SDA annual civilian pay bill <sup>51</sup>	£120,273,000.00
Percentage of total civilian pay bill spent on facility time	0.04%

<sup>50</sup> The principles outlined in the agreement remain applicable to SDA following its establishment as a separate agency in April 2018 and underpins the joint DE&S and SDA approach.

<sup>51</sup> The total SDA annual civilian pay bill. The sum of direct wages and salaries, pension contributions and National Insurance Contributions.



**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time

0.00%<sup>52</sup>

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>.

TU activities means time taken away from main role duties under section 170 (1) (b) of the 1992 TULR(C)A. These might include attendance

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

There were two payments made to civilian staff in line with the Civil Service Compensation Scheme (CSCS) for exits under the Supporting Health and Attendance Procedure in 2022-23. There were no redundancy, early retirement, or early release scheme payments in 2022-2023. There were no payments of this kind in financial year 2021-2022.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 – £25,000	0	1	1
£25,000 – £50,000	0	1	1
£50,000 – £100,000	0	0	0
£100,000 – £150,000	0	0	0
£150,000 – £200,000	0	0	0
£200,000 – £250,000	0	0	0
£250,000 – £300,000	0	0	0
<b>Total number of exit packages</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Total resource cost £million</b>	<b>0</b>	<b>£0.0522</b>	<b>£0.0522</b>

We may occasionally make use of early release schemes to reduce the number of civilian personnel who are not members of the CSCS. No such usage was made during 2022-23.

<sup>52</sup> The SDA and DE&S do not approve payment for TU officials to undertake TU activities.

**Expenditure on consultancy and temporary staff**

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

PSS is defined by the SDA as external support to supplement our capacity and capability to manage our programme of work. This includes packages of work aimed at delivering business improvements in line with our strategic objective of developing the SDA. PSS within the SDA includes consultancy assistance and other external support. The analysis of the SDA PSS expenditure is at note 3.

**High paid off-payroll appointments**

Details of SDA's most highly paid off-payroll appointments are shown below. These represent temporary workers who are employed for limited periods of time, usually 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 2022-23.

*Temporary off-payroll worker engagements as at 31 March 2023 and paid more than £245 per day.*

Submarine Delivery Agency	2022-23
Number of existing arrangements as of 31 March 2023	116
<b>Of which...</b>	
No. that have existed for less than 1 year at time of reporting	66
No. that have existed for between 1 and 2 years at time of reporting	38
No. that have existed for between 2 and 3 years at time of reporting	9
No. that have existed for between 3 and 4 years at time of reporting	2
No. that have existed for 4 or more years at time of reporting.	1

*All temporary off-payroll workers engaged at any point during the year ended 31 March 2023 and paid more than £245 per day.*

Submarine Delivery Agency	2022-23
No. of off-payroll workers engaged during the year ended 31 March 2022	166
Of which...	
Not subject to off-payroll legislation	149
Subject to off-payroll legislation and determined as in-scope of IR35	15
Subject to off-payroll legislation and determined as out of scope of IR35x	2
No. of engagements reassessed for compliance or assurance purpose during the year	149
Of which: No. of engagements that saw a change of IR35 status following review	0

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

There have been no Off-payroll engagements of board members or senior officials with significant fiscal responsibility between 1 April 2022 and 31 March 2023. We have considered those with “significant financial responsibility” to be the CEO and CFO.





# Parliamentary Accountability and Audit Report

## Parliamentary Accountability Report

In 2022-23 we responded to 10 written Parliamentary Questions, we also dealt with Ministerial and Treat Official correspondence from Members of Parliament, Peers, and the public, exceeding our departmental targets for on-time delivery. Particular areas of interest included the Dreadnought and Astute programmes and the Submarine Dismantling Project. We provided briefings to support a range of Parliamentary business.

We have continued to fulfil our statutory obligations under the Freedom of Information Act 2000 in responding to requests for information from members of the public, answering 10 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 2022-23, as in previous years, the PHSO received no complaints about the SDA.

### External reviews

No external reviews have taken place in the period covered by this report

## Parliamentary Accountability Disclosures

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

### Losses and special payments (subject to audit)

Losses and special payments are 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.

Losses during 2022-23 totalled £29,280. The SDA has no cases requiring to be reported separately by value.

### Remote contingent liabilities (subject to audit)

There were no contingent liabilities in 2022-23.

### Regularity of expenditure (subject to audit)

All material expenditure and income incurred by the SDA in 2022-23 was in accordance with the requirements of HM Treasury and other government guidance.



Sir Chris Gardner KBE  
Chief Executive and Accounting Officer  
23 January 2024



## 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 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Submarine Delivery Agency's

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Submarine Delivery Agency's affairs as at 31 March 2023 and its net operating expenditure for the year then ended; and

- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### Opinion on regularity

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

### Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and *Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the *Financial Reporting Council's Revised Ethical Standard 2019*. I am independent of the Submarine Delivery Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Conclusions relating to going concern

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

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

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

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

### Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

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

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

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

I have nothing to report in this regard.



**Opinion on other matters**

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

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

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

**Matters on which I report by exception**

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

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

- Adequate accounting records have not been kept by the Submarine Delivery

Agency or returns adequate for my audit have not been received from branches not visited by my staff; or

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

**Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Submarine

Delivery Agency from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Submarine Delivery Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Submarine Delivery Agency will not continue to be provided in the future.

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of the Submarine Delivery Agency's accounting policies, key performance indicators and performance incentives.
  - discussed with the engagement team and the relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- As a result of these procedures, I considered the opportunities and incentives that may exist within the Submarine Delivery Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.
- I obtained an understanding of the Submarine Delivery Agency's framework of authority and other legal and regulatory frameworks in which the Submarine Delivery Agency operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Submarine Delivery Agency. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, employment law and tax legislation.
- inquired of management, the Submarine Delivery Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Submarine Delivery Agency's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Submarine Delivery Agency's controls relating to the Submarine Delivery Agency's compliance with the Government Resources and Accounts Act 2000, Supply and Appropriation Act 2022 and Managing Public Money;
  - inquired of management, the Submarine Delivery Agency's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud,

### *Audit response to identified risk*

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### *Other auditor's responsibilities*

I am required to obtain evidence sufficient to give reasonable assurance that the 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.

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 I identify during my audit.

### **Report**

I have no observations to make on these financial statements.

### **Gareth Davies**

Comptroller and Auditor General

**Date:** 25 January 2024

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



# Section 3

## The Financial Statements





# Accounting information

## Statement of comprehensive net expenditure for the year ended 31 March 2023

	Notes	2022-23 £000	2021-22 £000
<b>Expenditure – programme costs</b>			
Direct Staff Costs	2	167,955	150,089
Private Sector Support Costs	3	50,740	41,997
Other Programme Costs	4	14,693	8,884
<b>Total Direct Programme Costs</b>		<b>233,388</b>	<b>200,970</b>
<b>Net Direct Programme Expenditure</b>		<b>233,388</b>	<b>200,970</b>
<b>Expenditure – non-cash items</b>			
Communicated Costs from other MOD organisations	5	18,631	18,253
Non-Cash Charges DE&S Corporate Overhead	5	8,902	8,084
Auditors' Remuneration	6	120	100
Amortisation Costs		117	58
Provisions		0	0
<b>Total Non-Cash Items</b>		<b>27,770</b>	<b>26,495</b>
<b>Net Operating Expenditure</b>		<b>261,158</b>	<b>227,465</b>
<b>Total Comprehensive Net Expenditure</b>		<b>261,158</b>	<b>227,465</b>

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

## Statement of financial position as at 31 March 2023

	Notes	2022-23 £000	2021-22 £000
<b>Non-current assets</b>			
Intangible fixed assets NBV		99	158
Right-of-use assets NBV	10	220	
<b>Total non-current assets</b>		<b>319</b>	<b>158</b>
<b>Current assets</b>			
Trade and Other Receivables	7	1,139	534
<b>Total Current Assets</b>		<b>1,139</b>	<b>534</b>
<b>Total assets</b>		<b>1,458</b>	<b>692</b>
<b>Non-current liabilities</b>			
Lease liabilities	10	(81)	0
<b>Current liabilities</b>			
Trade and Other Payables	8	(35,429)	(32,313)
Provisions	9	0	0
<b>Total Current Liabilities</b>		<b>(35,429)</b>	<b>(32,313)</b>
<b>Assets Less Liabilities</b>		<b>(34,052)</b>	<b>(31,621)</b>
<b>Reserves</b>			
General Fund		(34,052)	(31,621)
<b>Total Reserves</b>		<b>(34,052)</b>	<b>(31,621)</b>



Sir Chris Gardner, KBE  
Accounting Officer  
23 January 2024

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 2023

	Notes	2022-23 £000	2021-22 £000
<b>Cash flows from operating activities</b>			
Net Operating Expenditure	SoCNE (Statement of Comprehensive Net Expenditure)	(261,158)	(227,465)
<b>Adjustments for non-cash transactions</b>			
Communicated Costs	5	18,631	18,253
Non-Cash Charges DE&S Corporate Overhead	5	8,902	8,084
Auditor's Remuneration	6	120	100
Depreciation and Amortisation		117	58
(Increase) in trade and other receivables	7	(605)	(80)
Increase in trade and other payables	8	2,976	7,205
Decrease in Provisions		0	0
<b>Net Cash Outflow from Operating Activities</b>		<b>(231,017)</b>	<b>(193,845)</b>
<b>Cash Flows from investing activities</b>			
Purchase of intangible assets		-	-
<b>Net Cash outflow from Investing Activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Net Parliamentary Funding – drawn down		231,074	193,845
Payments in respect of leases	10	-57	
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>-</b>	<b>-</b>

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

## Statement of changes in taxpayers' equity for the year ended 31 March 2023

	Notes	General fund £000	Total reserves £000
<b>Balance at 1 April 2021</b>		<b>(24,438)</b>	<b>(24,438)</b>
Comprehensive Net Expenditure for the year	SoCNE	(227,465)	(227,465)
Non-Cash Charges Communicated Costs	5	18,253	18,253
Non-Cash Charges DE&S Corporate Overhead	5	8,084	8,084
Non-Cash Charges Auditors Remuneration	6	100	100
Net Parliamentary Funding – drawn down	SoCF	193,845	193,845
<b>Balance at 31 March 2022</b>		<b>(31,621)</b>	<b>(31,621)</b>
<b>Balance at 1 April 2022</b>		<b>(31,621)</b>	<b>(31,621)</b>
Comprehensive Net Expenditure for the year	SoCNE	(261,158)	(261,158)
Non-Cash Charges Communicated Costs	5	18,631	18,631
Non-Cash Charges DE&S Corporate Overhead	5	8,902	8,902
Non-Cash Charges Auditors Remuneration	6	120	120
Net Parliamentary Funding – drawn down	SoCF	231,074	231,074
<b>Balance at 31 March 2023</b>		<b>(34,052)</b>	<b>(34,052)</b>

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

# Notes to the accounts

## 1. STATEMENT OF ACCOUNTING POLICIES

The financial statements contained within the Annual Report and Accounts relate to the financial year 1 April 2022 to 31 March 2023 (2022-23).

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

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

### 1.1 Accounting convention

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

### 1.2 Basis of preparation of annual accounts – accounting boundary

In supporting the MOD to meet its overall purpose, the SDA has key areas of delivery including safely delivering available, capable, and reliable in-service submarines and systems; leading the design and construction of all new UK submarines; managing the delivery of the nuclear infrastructure needed to support the submarine fleet; safely disposing of the UK's submarines that are no longer in-service; ensuring that we retain and develop the submarine technology base such that it meets our future requirements and retains our capability advantage; supporting and fulfilling our roles in international partnerships; and developing a sustainable industrial base for the Defence Nuclear Strategy. 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 the Secretary of State for Defence. The Chief Executive Officer is appointed by the Ministry of Defence (MOD) Permanent Secretary as an additional accounting officer, with responsibility for the operating costs of the agency. Delegations to run the agency

are granted through CDN. 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 workforce support, consultancy assistance and specialised support activities. The SDA has developed and implemented accounting policies defining those activities that are to be treated as PSS.

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

### 1.3 Critical accounting judgments and key sources of estimation uncertainty

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

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

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



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

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

**Accruals: payables and receivables:** In instances where revenue/expenditure has been earned/incurred but not invoiced, an estimate is made of the amount to be accrued as a payable or receivable item. The SDA reviews annually the appropriateness of the materiality level set to ensure it continues to remain relevant. For 2022-23, a guideline recognition threshold of £5,000 has been applied in the recognition of payables and receivables.

## 1.4 Changes in accounting policies and disclosures

### New accounting standards

#### Changes impacting the preparation of these annual accounts

IFRS 16 Leases replaces IFRIC 4 and IAS 17: Leases (as well as SIC15: Operating Leases – Incentives and SIC 27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The standard is effective in the private sector for accounting periods commencing on or after 1 January 2019. SDA has adopted IFRS 16 in the financial year commencing 1 April 2022, along with central Government.

IFRS 16 introduces different lease identification criteria. This is based on whether the contract gives the right to control the use of an identified asset through the right to obtain substantially all of its economic benefits and the right to direct its use. The standard simplifies the classification and measurement of leases by introducing a single lessee accounting model which removes the distinction between operating leases and finance leases for lessees.

The standard requires lessees to recognise all leases except where the lease term is 12 months or less, or the underlying asset meets the IFRS 16 criteria to be classified as “of low value”. This has resulted in the recognition of right-of-use assets, measured at the present value of future lease payments, and a corresponding liability. The pattern of recognition of the expenditure results in depreciation of the right-of-use assets and an associated finance cost being recognised. IFRS 16 has been implemented using the cumulative catch-up method. As a result, comparatives have not been restated and the measurement of the asset and liability balances recognised with effect from 1 April 2022. It is expected that the IFRS 16 cost model will be an appropriate proxy for current value in existing use or fair value.

SDA's operating leases fall within the scope of IFRS 16 under the ‘grandfathering’ rules mandated in the FReM for the initial transition to IFRS 16. Therefore, implementation of IFRS 16 has brought right-of-use assets and liabilities on to the Statement of Financial Position (SOFP). On Transition, SDA has used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. SDA has discounted lease liabilities at transition using the discount rate mandated by HM Treasury at transition of 0.95%. Accounting Note 1.20 describes the initial recognition and subsequent measurement of right-of-use assets and liabilities. There is no material difference between the IFRS 16 opening lease liability and the financial year 2021-22 operating lease liability.

#### Changes impacting the preparation of future annual accounts

IFRS 17 Insurance Contracts was issued in May 2017 replacing IFRS 4 Insurance Contracts. IFRS 17 was due to be effective in the public sector for accounting periods beginning on or after 1 January 2023, however this has now been delayed, with an anticipated mandatory implementation date of no earlier than 1 April 2024. IFRS 17 requires that insurance liabilities be measured at present value of future insurance cash flows, resulting in more uniform measurements and presentation for all insurance contracts. Management has assessed the likely effect of the new standard and has concluded that there are no material assets or liabilities recognised as insurance contracts in SDA. This standard will, therefore, have no impact on SDA's financial statements.

### 1.5 Going concern

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

### 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 accrual's basis, determined by when the related goods and services are provided and where an assessment of the stages of completion of revenue and expenditure generating activities can be reliably measured. The SDA has no main sources of revenue but would use IFRS15 to recognise any income. The SDA does occasionally, where agreed in contract, receive rebates for project activity. During 2022-23, a rebate has been recognised (see Note 7).

### 1.7 Programme costs

The SDA expenditure is reported as programme costs in line with MOD annual accounts reporting requirements. Where the SDA civilian staff are temporarily reassigned to work in other areas of the MOD their salary costs are charged to those other areas. Similarly, where other areas of the MOD temporarily reassign their staff to support the SDA management activities, salary costs are charged to the SDA. The SDA recognition threshold for manual accruals in the agency is £5,000 (SDA Finance Manual, 3.3.1 and 13.2) with a line-item minimum of £500 (regarding ledger adjustments).

The freedoms granted to us as an ALB include the ability to manage all aspects of the workforce as necessary to meet business needs and we regularly review the appropriateness of letters of delegation as part of routine business. The freedoms granted to us also mean that in 2022-23, we were exempt from certain Cabinet Office controls, which were: redundancy and compensation, learning and development and dispute disclosure. During 2022-23, the Cabinet Office updated their controls in relation to external assistance (consultancy, professional services, and contingent labour) with exceeded thresholds requiring approval from or reporting to the Cabinet Office.

### 1.8 Communicated costs

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

### 1.9 Value Added Tax (VAT)

Most of the operating activities of the SDA are deemed to be outside the scope of VAT as they relate to direct workforce 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 £25,000 and are intended for use for a period of over 12 months. The SDA holds a small number of non-current intangible assets. Given the relatively low volume and value of assets purchased specifically for the SDA use, it is not our current policy to pool assets. We re-visit this policy annually to ensure that we are not omitting any significant assets from our Non-Current Asset Register.

In 2022-23 for the first time we have recognised non-current right of use assets in respect of leased assets. These leased assets comprise buildings and vehicles used in the course of SDA's business.

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

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

### 1.12 Cash and cash equivalents

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

### 1.13 Financial instruments – receivables and liabilities

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

### 1.14 Employee benefits

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

The value of employee performance bonuses reflected within the Statement of Comprehensive Net Expenditure reflects those earned for performance in 2022-23.

The SDA has no voluntary, or compulsory redundancies to report in 2022-23.

### 1.15 Funding transfers for staff movements

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

### 1.16 IFRS 8 segmental reporting

The requirement for segmental reporting under IFRS 8 is not considered appropriate for the SDA, as the organisation is operated and managed as a single entity, rather than as separate operational segments. The SDA's Sponsor department, the DNO, recognises the SDA as a single entity 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 2022-23. The SDA has no other reserves.

### 1.18 Provisions for liabilities and charges

Provisions for liabilities and charges have been established under the criteria of IAS 37 – Provisions are based on realistic estimates of the expenditure required to settle legal or constructive obligations that exist at the Reporting Period Date. On initial recognition provisions are charged to the SoCNE (see Note 9).

## 2. STAFF NUMBERS AND RELATED COSTS

### 2.1a Staff costs comprise

Staff costs comprise:	2022-23			2021-22		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Salaries and wage costs	108,038	17,527	125,565	99,456	11,886	111,342
Social security costs	12,638	0	12,638	10,763	0	10,763
Other pension costs	31,120	0	31,120	28,494	0	28,494
<b>Total</b>	<b>151,796</b>	<b>17,527</b>	<b>169,323</b>	<b>138,713</b>	<b>11,886</b>	<b>150,599</b>
Adjustment for NSRS rebate of staff costs (1)	-513	-	-513	(510)	-	(510)
Adjustment for AUKUS recharge of staff costs (2)	-473	-382	-855			
<b>Net staff costs</b>	<b>150,810</b>	<b>17,145</b>	<b>167,955</b>	<b>138,203</b>	<b>11,886</b>	<b>150,089</b>

The SDA has increased recruitment during 2022-23 as part of requirements to deliver its customer-agree programme of work (for example, the continued ramp up of the Dreadnought Submarine Programme) and planned development of the agency's capabilities. The increase in staff numbers has resulted in various associated salary increases.

Note:

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

(2) SDA staff costs incurred in respect of AUKUS are borne by MOD Resource account. These have been taken as a SoCNE credit against staff costs.

### 2.1b Split of staff costs between civilian and military

Paid to:	2022-23			2021-22		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Armed Forces	24,724	-	24,724	23,921	-	23,921
Civilian	127,072	17,527	144,599	114,792	11,886	126,678
<b>Total</b>	<b>151,796</b>	<b>17,527</b>	<b>169,323</b>	<b>138,713</b>	<b>11,886</b>	<b>150,599</b>

### 2.2 Average number of persons employed:

Average staff nos (full time equivalent):	2022-23			2021-22		
	Permanent employee staff	Contingent labour	Total	Permanent employee staff	Contingent labour	Total
Armed Forces	199	0	199	199	-	199
Civilian	1,953	106	2,059	1,867	76	1,943
<b>Total</b>	<b>2,152</b>	<b>106</b>	<b>2,258</b>	<b>2,066</b>	<b>76</b>	<b>2,142</b>

The SDA continued to grow and deliver the programme of benefits to MOD during 2022-23.



**3. PRIVATE SECTOR SUPPORT (PSS):**

	2022-23 £000	2021-22 £000
Manpower support	223	603
Consultancy and specialist PSS	50,517	41,395
<b>Total</b>	<b>50,740</b>	<b>41,998</b>

The overall level of PSS contractor support has increased as the Dreadnought programme continues to expand.

**4. OTHER PROGRAMME COSTS**

	2022-23 £000	2021-22 £000
Staff travel and subsistence costs	5,469	2,403
IT and telecommunications	4,652	2,737
Other infrastructure expenditure	873	628
Staff training costs	1,312	1,130
Rentals	1,043	982
Other costs	1,344	1,004
<b>Total</b>	<b>14,693</b>	<b>8,884</b>

Travel & subsistence costs have risen following the removal of Covid-related restrictions. IT and telecommunication expenditure has also risen compared to prior years as a result of being a larger agency, inflationary pressures, ambitions to become a more digitised organisation and increased spending on cyber security.

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

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

MOD organisation	Description of activities	Method of apportionment	2022-23 £000	2021-22 £000
Defence Digital	Information systems and communication services	SDA staff as percentage of total MOD staff	10,550	8,858
Defence Infrastructure Organisation	Infrastructure and facilities management costs; MOD Guard Service	SDA proportion of costs based on staff numbers	3,302	4,883
Strategic Command	Defence Academy training; medical services	SDA proportion of costs based on staff numbers	392	340
Navy Command	Nuclear training (previously within Defence Academy)	SDA proportion of costs	1,220	1,244
Defence Business Services	Personnel and payroll services	Various	2,901	2,493
Head Office and Corporate Services	Various	Various	267	435
<b>Total</b>			<b>18,632</b>	<b>18,253</b>

### 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 corporate overheads. This enables the appropriate overheads to be included in the accounts of both the SDA and DE&S. The Business Agreement formalises the service provision arrangements between these organisations, identifies the programme dependencies and sets out how to manage them. The DE&S Corporate Overhead Charge for 2022-23 was £8,902k (2021-22: £8,084k).

### 6. AUDITORS' REMUNERATION

The SDA is audited by the Comptroller and Auditor General. The charge of £120k (2021-22: £100k) reflects the costs incurred by the auditor in respect of the audit of the SDA 2022-23 Annual Report and Accounts.

### 7. TRADE RECEIVABLES AND OTHER ASSETS

	2022-23 £000	2021-22 £000
<b>Amounts falling due within 1 year:</b>		
Other receivables	1,139	514
Prepayments	-	20
<b>Totals</b>	<b>1,139</b>	<b>534</b>

£513k of the Other Receivables balance relates to the NATO Submarine Rescue System (NSNR) rebate shown in note 2 (staff costs).

### 8. TRADE PAYABLES AND OTHER LIABILITIES

	2022-23 £000	2021-22 £000
<b>Amounts falling due within 1 year:</b>		
Private sector support accruals	-14,557	-12,448
Direct staff accrual	-15,525	-17,266
Trade payables	-5,187	-2,599
Sundry payables	-161	-
<b>Totals</b>	<b>-35,429</b>	<b>-32,313</b>

- (i) The direct staff accrual includes the SDA's accrual for annual leave untaken as of year-end, and a non-cash adjustment of £5,346k, reflecting the SDA share of the MOD year-end timing liabilities for PAYE, NI contributions and pension contributions.
- (ii) The £161k sundry payables figure includes £140k in respect of IFRS16 lease liabilities as shown in note 10.

### 9. PROVISIONS

The SDA has no provisions at year end.



## 10. COMMITMENTS UNDER LEASES

### Right of use assets

The SDA has operating leases in respect of dwellings and vehicles. Under IFRS16 SDA must disclose the following information.

10.1 Right-of-use assets	Dwellings £000	Vehicles £000	Total £000
<b>Cost or Valuation</b>			
At 31 March 2022	-	-	-
Initial recognition	5	9	14
Additions – new leases	261	3	264
Disposals	-	-	-
Impairments/adjustments	-	-	-
Revaluations	-	-	-
Reclassifications	-	-	-
At 31 March 2023	266	12	278
<b>Amortisation</b>			
At 31 March 2022	-	-	-
Charged in year	-50	-8	-58
Disposals	-	-	-
Impairments	-	-	-
Revaluations	-	-	-
Reclassifications	-	-	-
At 31 March 2023	(50)	(8)	(58)
<b>Net book value</b>			
Balance at 31 March 2022	-	-	-
Balance at 31 March 2023	216	4	220

10.2 Lease liabilities	Amounts falling due: 2022-23 £000
Less than 1 year	(140)
1-5 years	(81)
Greater than 5 years	0
<b>Total lease liabilities</b>	<b>(221)</b>

These values for leases are included within note 8 payables.

10.3 Amounts recognised in the SoCNE for leases	Lease values recognised: 2022-23 £000
Depreciation	58
Interest expense	2
Low value and short term leases	1,043
<b>Total</b>	<b>1,103</b>

10.4 Amounts recognised in the Cashflow Statement for leases	Lease values recognised: 2022-23 £000
Interest expense	2
Repayment of Principal on Leases	55
<b>Total</b>	<b>57</b>



## 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, infrastructure, and estate. As noted in Section 5, the SDA is charged by DE&S for its share of the DE&S corporate overheads, for 2022-23 this was £8,902k (2021-22: £8,084k).

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

## 12. EVENTS AFTER THE REPORTING DATE

The accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's audit certificate. Richard Knighton and Gursharn Bansel left the Board as non-executive directors and Donald Doull joined as a shadow NED in July 2023. There have been no other events since the reporting period that would give rise to any additional disclosures. Sahaab Payne (shadow NED) and Anne Boldock are expected to leave their roles in December 2023.









Submarine  
Delivery Agency

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