



Submarine
Delivery Agency

Annual Report and Accounts 2023/2024



Submarine Delivery Agency

Annual Report and Accounts

2023/2024

For the period 1 April 2023 to
31 March 2024

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23/24 Delivery Highlights

- This year saw the completion of HMS Vanguard's deep maintenance period at the Babcock International dockyard in Devonport. After seven years in refit, the sailing from Devonport in April 2023 marked the start of its journey towards reintegration into the operational fleet via a brief period of sea trials which demonstrated the boat's excellent material state.
- In July 2023, HMS Triumph completed its maintenance period, marking the end of the Trafalgar Class deep maintenance cycle.
- We delivered record volumes of 'Fleet time maintenance', working on boats while they remained in Royal Navy control. Through improved productivity and capacity, including the introduction of alternative working patterns, we achieved a more continuous level of maintenance while boats were alongside.
- In August 2023, we signed a 'Heads of Terms' agreement with Babcock International. It set out the intent of both parties to work in a different way and improve performance. This included greater partnering to improve impact of our collective investments in infrastructure and development of long-term nuclear workforce skills.
- In March 2024, we awarded a £560 million contract for the maintenance of one of the UK's ballistic missile submarines, HMS Victorious. This maintenance will modernise and upgrade the submarine to enable deterrent patrols to continue until the next generation of Dreadnought Class submarines enter service.
- Following approval of delivery phase 3 in March 2022, the construction of Dreadnought Class submarines continued at pace, with subsequent investments of circa £8.3 billion made to the supply chain. The first Dreadnought Class boat remains on track to enter service in the early 2030s.
- The primary build facility at the BAE Systems shipyard in Barrow-in-Furness comprises two buildings (D58 and D59) connected to the Devonshire Dock Hall where the reactor pipework fabrication and final assembly are conducted. The successful build and commissioning of D58 during the year was a significant operational achievement that enabled the reactor raft to move into the new building in spring 2024.
- The largest section or 'mega unit' of HMS Dreadnought was manoeuvred through the streets of Barrow-in-Furness in July 2023 to the Devonshire Dock Hall, the largest submarine section to be moved in over 30 years.
- April 2023 provided an opportunity to recognise and celebrate the 60th anniversary of the Polaris Sales Agreement, known as the PSA, and reaffirm a relationship that is crucial to the collective security of our North Atlantic Treaty Organisation (NATO) allies. Signed on 6 April 1963, the PSA with the United States of America (USA) began as an agreement for the UK to purchase the Polaris Strategic

Weapons System, later expanding to Trident. The agreement, together with the Mutual Defence Agreement, established a crucial framework for enabling and maintaining the United Kingdom's strategic deterrent.

- The fifth of the new Astute Class submarines, HMS Anson, completed sea trials throughout 23/24 and is now with the Royal Navy preparing for operational service. The sixth Astute Class boat was formally named HMS Agamemnon in spring 2024 and is undergoing pre-launch tests and checks, having had its reactor core loaded and initial reactor system testing completed throughout the year.
- Our SSN-AUKUS programme to deliver the next generation of nuclear-powered attack submarines, known as SSN-A, entered its detailed design phase in 2023. Contracts

totalling £4 billion were awarded to BAE Systems, Rolls-Royce Submarines and Babcock International.

- In November 2023, we awarded a £750 million contract to Babcock International to significantly improve the infrastructure at Devonport and support the maintenance of existing and future submarines. As the largest naval support facility in western Europe, Devonport is fundamental to Royal Navy operations. The contract will create around 1,000 construction roles and will enhance the dockyard's ability to deliver major Defence projects.
- The decommissioned submarine Swiftsure entered dry dock for final dismantling and onsite recycling at the Babcock International dockyard in Rosyth in July 2023. The dismantling activity is forecast for completion by the end of 2026.



HMS Vanguard leaving Devonport

Chair's Introduction

by Jonathan Simcock, SDA Chair



Our mission is the delivery of available and capable submarines for the Royal Navy in defence of the nation. To do this, we manage the full submarine lifecycle from design and manufacture to in-service support and disposal. This report covers the SDA's performance in support of that mission during 23/24, in which significant progress was made in key areas.

Both the Astute and Dreadnought acquisition programmes made important steps forward in Barrow-in-Furness. In Devonport, HMS Vanguard returned to service following its deep maintenance period, allowing work to commence on HMS Victorious' deep maintenance period. The SSN-A programme entered its next phase, beginning the detailed design and procurement of long lead items. The first dismantling of a decommissioned submarine, Swiftsure, began in Rosyth.

During the year, the Agency has continued to face challenges across its portfolio, resulting

from historic underinvestment in capability and infrastructure, and the remaining backlog resulting from the COVID-19 pandemic. To drive the improvements required of the Agency, a new five-year strategy was formally launched in April 2023. This strategy has guided the Agency throughout the reporting period, setting out goals and activity that will increase resilience and stability in our operational delivery and enhance organisational effectiveness. Coupled with this, the SDA Board of Directors underwent an external Board Effectiveness Review and began implementing the recommendations.

Looking ahead, as my tenure comes to a close this autumn, I am confident that the Agency will continue to improve and develop as a key member of the Defence Nuclear Enterprise (DNE).

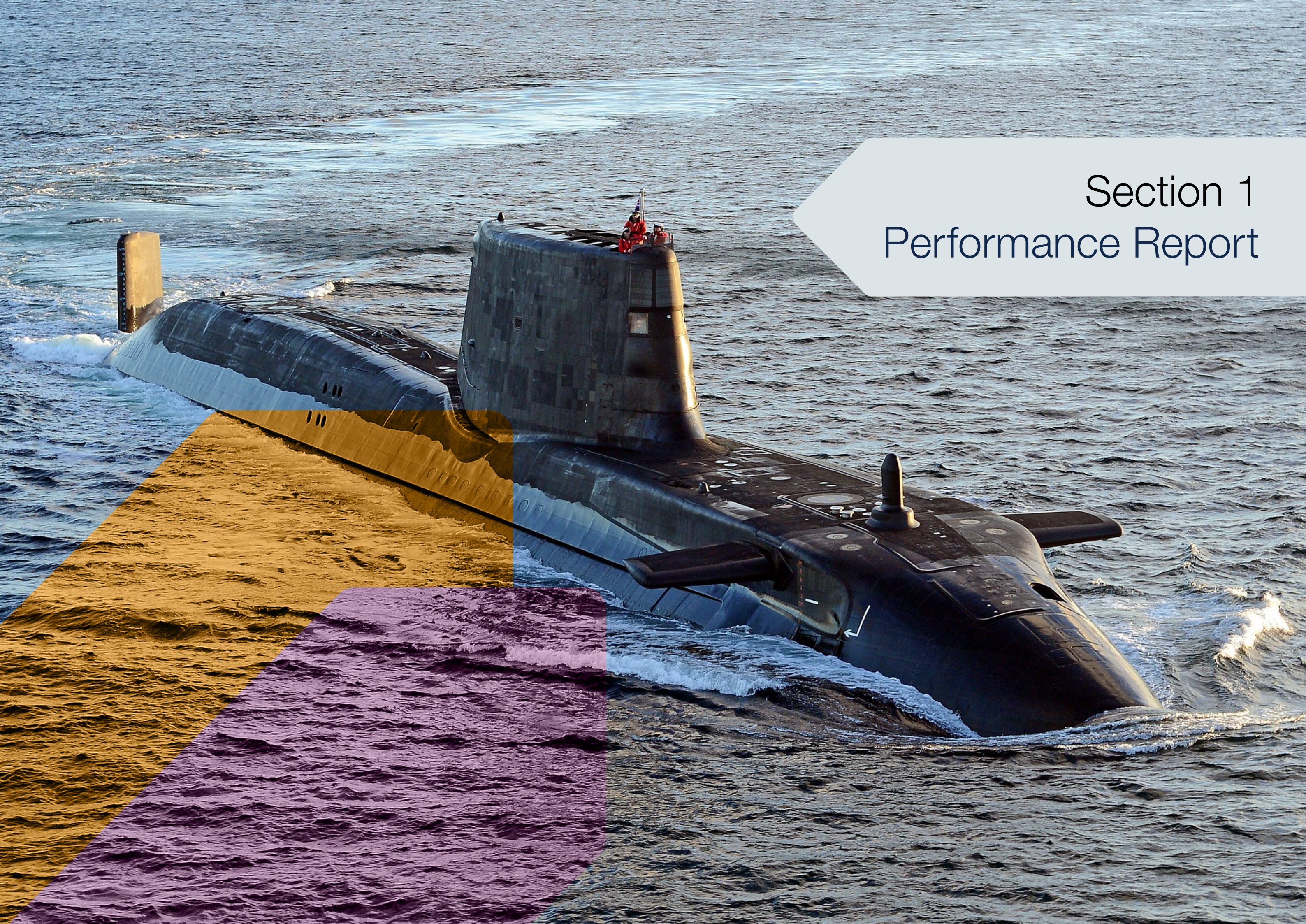
By Jonathan Simcock
SDA Board Chair 23/24

Jonathan Simcock was SDA Board Chair until 31 August 2024. Since taking up the role of Acting Interim SDA Board Chair, I have sought assurances from Jonathan to inform my assessment of this statement and all subsequent Chair statements in this report. I have taken all the steps that I ought to have taken to make myself aware of any relevant information and to establish that the Agency's auditors are aware of any such information. Chair assessments in this report, written by Jonathan for the 23/24 reporting year in which he was Chair, carry my full endorsement.

David Goldstone CBE
Acting Interim SDA Board Chair



HMS Ambush



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 23/24.

HMS Victorious

Following on from last year, I am pleased to report that we have continued to make good progress on our new strategy and in driving a more collective and 'best for Enterprise' approach under the DNE Strategy and Plan. This, alongside the Command Paper that clearly sets out the scale of our endeavour, provides the platform to continue to evolve the SDA and drive the improvements required.

Our focus remains on driving towards improved levels of submarine availability alongside maintenance of the Continuous at Sea Deterrent, also known as CASD. In pursuit of this, we are restoring the necessary capacity, capability, and resilience across the industrial base to meet requirements. This includes restoring sufficient docking capacity and enabling infrastructure to address the maintenance backlog that has accumulated whilst preparing to re-commence pressurised water reactor (PWR) 1 defuel activity in Devonport. This requires progress on several

fronts simultaneously, while continuing to meet operational demands. It will take time for the investments to have effect and for submarine availability to begin to recover to sustainable levels, but it was gratifying to see HMS Vanguard leave Devonport after a seven-year refit to rejoin the operational fleet. In conjunction with Babcock International we have set ambitious targets for the delivery of HMS Victorious' deep maintenance period. I look forward to the next 12 months which will see both HMS Victorious in 9 Dock and HMS Audacious in 15 Dock for its own displaced maintenance and docking period at Devonport – visible representation of progress being made.

In the build programme, HMS Anson leaving Barrow-in-Furness to conduct sea trials before joining the operational fleet meant our focus moved to completing our final two Astute Class submarines. The arrival of HMS Agamemnon and HMS Agincourt will be critical in improving

submarine availability. Alongside this, the Dreadnought programme continues at pace, benefiting from ongoing investment in the supply chain, infrastructure, and workforce. The programme remains on track for HMS Dreadnought to conduct her first patrol in the early 2030s. The last 12 months have also seen significant impetus being generated as a result of the [AUKUS announcements](#) with emphasis now on maturing the SSN-A design in readiness for production to commence. Strong relations have been established with our sister organisation, the Australian Submarine Agency, with the arrival of the first Australian secondees to the SDA re-enforcing the strategic nature of the AUKUS trilateral agreement. I have no doubt this will be as profound as the PSA, which celebrated its 60th anniversary this year, and the Mutual Defence Agreement with the USA in due course. Looking ahead, to support the increasing shift in emphasis on SSN-A towards readiness for production, I will be instigating a production pipeline approach within my acquisition programme over the coming 12 months. This will allow us to optimise our footprint and drive the required productivity advances in collaboration with one of our key industrial partners, BAE Systems, and their Sustaining Operational Excellence project.

Internally the Agency has continued to make strong progress against the targets we have set ourselves under our new strategy. This includes further refining our performance management

approach to bring greater realism and focus on outputs. We are clarifying and simplifying our governance and reporting arrangements with the Defence Nuclear Organisation (DNO) and Navy Command while evolving our operating model. We are also implementing our people strategy, adjusting our approach to pay and reward and expanding our technical capability. Our People Survey employee engagement index of 64% remains at the top of Defence, demonstrating our engaged workforce. Despite this, we have and will continue to listen to feedback and recognise the journey still ahead of us, particularly in delivering on our diversity and inclusion ambitions. I recognise that to attract and retain the best people and encourage optimum working patterns we need to make improvements to our working environment. I will therefore be striving for accelerated progress over the next 12 months in strengthening the DNE brand and the SDA's role within it.

The full report contains more detail on our approach, progress, and challenges. When I commenced my role as Chief Executive Officer (CEO), I set out the timetable and approach I would take to evolving the SDA to meet our Vision, Mission, and Purpose. While there is absolutely no room for complacency, we are realistic about our current performance and fully focused on delivering the improvements and outcomes required. I remain indebted to the commitment shown every day by our people who are delivering Defence's highest

priority and who continue to show incredible resilience. I am also incredibly grateful for the input and support of the SDA Board of Directors and my Executive Committee in driving our agenda forward.



Sir Chris Gardner KBE
Chief Executive and Accounting Officer
25 November 2024



Astute Class submarine

Chief Finance Officer's Report

by Georgina Benzies, Chief Finance Officer



The past year has seen increased focus on working collaboratively across the DNE, developing our long-term strategy for improvements, and building our capability to meet the demands of a growing and complex portfolio. Our five-year strategy ensures we are focused on those areas that will drive improvement, ensuring we operate a 'one team' mindset to achieve on-time delivery and increase submarine availability. A stocktake at the end of the strategy's first year confirmed we are making steady progress. We have continued to improve organisational effectiveness by identifying opportunities to optimise end-to-end processes and control mechanisms to better support our delivery.

Performance against our corporate delivery measures, known as our Key Performance Indicators (KPI), 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 continued to evolve our performance framework to shift emphasis to output

performance while still making strong progress on our enabling measures.

Equipment plan

Since 2012, the MOD has published an annual Equipment Plan that provides a transparent picture to the UK Parliament and public of how it will manage its funding to deliver Defence equipment programmes.

Through the funding delegated to us by our customers – primarily the DNO and Navy Command – we spent £6 billion supporting submarine capability and availability. This represented a 26% growth in the portfolio and continues the year-on-year growth we have seen since the launch of the Agency.

The future equipment programme shows continued growth as we reach the peak of activity in the submarine build programme, alongside significant investment in infrastructure to support our future build and support programmes.

Operating costs

This period we spent £266 million on the direct programme costs of the agency, against a budget of £272 million. The variance of some £6 million below budget was largely due to lower workforce costs, as while we have had strong growth in our workforce it has been slower than planned.

This spend is a 14% increase on last year (22/23: £233 million), reflecting the organisational increase required to deliver our expanded portfolio. Payroll costs are the primary driver of SDA expenditure, with payables dominating our Statement of Financial Position at some £28.7 million at 31 March 2024 (£35.4 million at 31 March 2023). The decrease in payables represents a reversion to historic norm after an unusually high figure at 31 March 2023.

While our headcount has grown, we have continued to use contractors to augment our core workforce and enable delivery of a growing portfolio. As we look ahead, we continue to review how we can best resource our programmes, share skills across the DNE, and develop a pipeline of future talent.



HMS Astute

About the Submarine Delivery Agency

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 – some of the most complex programmes in the world.

Defence purpose

The Defence purpose is 'to protect the nation and help it prosper'. The SDA plays an essential role in fulfilling this purpose. To do this we collaborate across the DNE, acting as the delivery agent for submarines through-life and in support of Defence's national endeavour – maintaining the Continuous at Sea Deterrent.

DNE mission

The DNE is a cohesive network of organisations and arrangements responsible for maintaining the UK's nuclear deterrent and submarine forces. It works together to deliver its shared mission: deliver nuclear capabilities, deter the threat, protect the nation. The DNE delivers some of the most complex projects and programmes, bringing together the breadth of scientific, technical and delivery capabilities, all made possible by the collaboration of the people and functions that support the organisation. Recognising the huge responsibility entrusted to it, the DNE aims to

attract and retain the right skills and partner effectively with industry to deliver outputs to schedule and budget.

SDA vision

Our vision is 'to be recognised for excellence in submarine delivery'. This recognition comes from many places: the public, the UK Parliament (who approve and fund our activities), our allies (who support our endeavour), our supply chain (with whom we achieve success), and from our people – both past and present, and the future talent we want to attract.

SDA mission

Our mission is to 'deliver available and capable submarines for the Royal Navy in defence of the nation'. Every activity undertaken by the SDA has its mission at heart. Working as part of the DNE, our mission unites us, inspires us, and motivates action. It ensures we never lose focus on the critical national endeavour we support.

SDA purpose

Our purpose is to be 'the DNE's delivery agent for submarines'. Our work spans the full lifecycle of a submarine from design and manufacture to in-service support and disposal. We are the technical, safety and

design authority for UK submarines, and the commissioning agent and commercial lead for our suppliers.

SDA values

The SDA Code documents our values, purpose, and behaviours, outlining the individual commitment everyone in the SDA makes to the values we hold ourselves to.

The Code ensures that we understand our core values and aim to live by them daily. Our values 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

DNE behavioural principles

The SDA, alongside our DNE colleagues in the DNO and Navy Command, are fully committed to our shared DNE behavioural principles. The behavioural principles sit at the core of how we must work together as an integrated team across the Enterprise to deliver our collective mission.

We want all our people – regardless of job, grade, or function – to role model behaviours that support our strong diversity and inclusion ethos.



SDA structure

Our Corporate Framework

As an Executive Agency, the SDA is an arm's length body of the MOD. Along with the DNO and the Royal Navy, we are a key member of the DNE - the organisation responsible for maintaining the Continuous at Sea Deterrent – a critical national endeavour. The SDA sits within the DNO's top-level budget area. Our CEO receives delegation and operating expenditure from Chief Defence Nuclear (formerly Director General Nuclear until October 2023). The DNO acts as our departmental sponsor, monitoring and measuring our performance. Our annual priorities are set out in the Submarine Acquisition and Support Plan, agreed with the DNO (primarily for acquisition projects) and the Royal Navy (primarily for in-service support).

The SDA prepares accounts in accordance with HM Treasury's Financial Reporting Manual and observes the standard financial processes and rules set out by the MOD's Director General Finance as the Defence Authority. The financial reports in 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 Accounting Information.

Operating as an Executive Agency

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

The Accounting Officer, Sir Chris Gardner KBE, is required to operate the SDA on the basis of the governance, decision-making and financial management principles set out in the [HM Treasury Managing Public Money guidance](#) and the operating practices set out in the [Cabinet Office Government Functional Standards](#).

We ensure that our freedoms are exercised transparently, through agreed governance mechanisms including the SDA Board and SDA governance committees. We 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 by the CEO and the SDA Executive Committee. The purpose of the SDA Executive Committee is to support and advise the CEO in the delivery of his duties. It is chaired by the CEO and currently comprises of seven Directors who are responsible for delivering our strategy, as agreed by the SDA Board. As reported in the Governance Statement, the Deputy CEO and Chief Finance Officer are members of the SDA Board, as well as being members of the Executive Committee. Further information on the roles and responsibilities of our Executive Committee is provided in section 2.

Our [Corporate Plan](#) lays out the important activities we will focus on to deliver our strategy in support of Defence's priorities. It also sets out how our performance will be effectively managed and measured.



HMS Vanguard

Delivering the UK’s submarine capabilities

We deliver a broad scope of work across the SDA. As noted in the Performance Analysis later in this section, due to the sensitive nature of the work we do, classified detail on how we performed has been withheld on commercial and security grounds. Specific spending patterns and performance information against key programme and policy areas are kept within government. We are held responsible for our corporate and programme performance using a range of monitoring, reporting and review processes. Further information is provided in section 2.

Key areas of work	Executive Committee lead	How we measure success
Construction of new submarines: Delivering future submarines through delivery of the Astute, Dreadnought and future programmes.	Director Submarine Acquisition	Performance against our acquisition projects’ strategic milestones and other performance indicators provide an overview of the health of the acquisition submarine portfolio and delivery to time and cost.
Supporting the Continuous at Sea Deterrent: 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 other performance indicators provide an overview of long-term sustainability in platform delivery to the Royal Navy, including associated systems and SDA-owned infrastructure dependencies.
Nuclear infrastructure: Effectively operating and maintaining SDA sponsored facilities at Devonport, as well as the development of new facilities to meet future requirements.	Director Submarine Support	

Key areas of work	Executive Committee lead	How we measure success
Safely disposing of the UK’s submarines: Actively managing the UK’s 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 in the progress made toward developing submarine disposal capability, including safe defueling and maintenance of decommissioned submarines.

Growing our capabilities

Key areas of work	Executive Committee lead	How we measure success
Submarine technology and capability development: Delivery of submarine equipment support and expert advice on safety, technical standards, and future technology exploitation.	Technical Director	Ensure the SDA is retaining capability advantage as well as delivering continuous improvement in safety through robust and consistent process application and incorporation of lessons learned.
Industrial base development: Ensuring industry partners deliver sustainably, safely, and securely through supplier and supply chain development as well as better contracting.	Commercial Director	Drive improvement in the SDA’s relationship with industry and the supply chain to deliver improved performance and value for money.

Key areas of work	Executive Committee lead	How we measure success
Enabling SDA delivery: Through effective governance, HR, and resourcing, as well as security, accommodation management, communications, and engagement.	Director Strategy and Operations and Director Human Resources	Measure the SDA's management and delivery of its corporate performance including people, process, function, and systems to ensure we operate effectively.
Enabling SDA delivery: Focusing on becoming a world-class delivery agent and great place to work by improving performance and enabling effectiveness.	Director Strategy and Operations	In recognition of the SDA's ambition to be a high-performing Executive Agency, assess 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

Ensuring we employ talented people and support their growth, productivity, and wellbeing is fundamental to our success and sits at the heart of our People strategy. Our success comes from employing and developing individuals with a range of skills, perspectives, and backgrounds to bring diversity of thought and action that builds real strength in our organisation. We are committed to building an increasingly empowered and inclusive workforce.

During 23/24 we emphasised this commitment through a wide range of initiatives including upskilling staff and line managers on an inclusive approach to work. This covered increasing understanding of neurodiversity through awareness events, establishing a reverse mentoring programme across our Executive Committee and signing the Women in Defence Charter as part of Defence's commitment to building a more gender-balanced environment. We hosted a 'Together Conference' alongside Defence Equipment & Support (DE&S) to promote the value of togetherness and inclusion and a Race and Culture Conference to celebrate the benefits our diversity. In addition to holding events celebrating International Women's Day and

Pride month, the SDA Executive Committee reconfirmed its 'Diversity and Inclusion Pledge,' which focuses on diversity of people, diversity of thought, and inclusivity for all. We congratulated the SDA Commercial team on winning the Diversity and Inclusion Award at the 2023 MOD Commercial Awards, where they were acknowledged and celebrated for their collective accomplishments.

We are proud of our 23/24 People Survey employee engagement index of 64% - the joint highest in Defence - although we acknowledge there is more work to be done in this area. Further information on our diversity, inclusion, health, and wellbeing activity can be found within the Remuneration and Staff Report.

Working with industry: our commercial improvements

During 23/24 we published our Commercial strategy in support of our wider organisational strategy. It set out our ambition to adopt longer-term contracts, incentivise improved supplier performance and promote agile collaboration. We have been working with the DNE to initiate cross-industry engagements to instil a 'best for Enterprise' mindset where the common mission is the galvanising focus. As a result, we have delivered larger and better incentivised contracts that prioritise adherence to project and programme schedules.

Over the year we have placed significant contract. Of note is the HMS Victorious deep maintenance contract with Babcock International worth £560 million and a major infrastructure programme contract at Devonport worth £750 million that will create circa 1,000 jobs. We delivered contracts for the detailed design and long lead phase of the trilateral SSN-A programme with BAE Systems, Rolls-Royce Submarines and Babcock International worth £4 billion. We have invested considerable time with Rolls-Royce Submarines to define the future Unity contract. This is an exciting opportunity that will aggregate existing Rolls-Royce Submarines contracts, enabling a portfolio approach that is planned to be signed in 24/25.

Our supply chain risk management approach has been further enhanced. We have developed deeper insight into our supply chain, rolled out a consistent training approach to assess suppliers in collaboration with our Tier 1 partners and implemented a cyber programme. We now have more than 6,000 suppliers documented across our supply chain visualisation map and are actively delivering up to 35 supplier intervention projects at any one time. During the reporting period we documented several projects where our interventions avoided supply chain failure.

The application of our category management approach continues to be embedded, aiming to improve submarine availability by adopting coherent through-life, cross-programme

strategies. This involves collaborating across Defence and working with industry to exploit and develop market capabilities.

The SDA, BAE Systems and Rolls-Royce Submarines are members of a group known as the Dreadnought Alliance which promotes pace and effectiveness in the delivery of the Dreadnought programme. During 23/24 our work to drive industrial performance across the Alliance parties and throughout the supply chain continued with increased vigour. This work forms part of a collaborative approach with BAE Systems, Rolls-Royce Submarines, and wider MOD colleagues to proactively mitigate supply chain issues, creating a more resilient supply base for both the Dreadnought and SSN-A programmes.

Since the Dreadnought delivery phase 3 contracts were signed in May 2022, we have continued to invest circa £8.3 billion through the Alliance parties and the MOD into the supply chain. This ensures that key systems

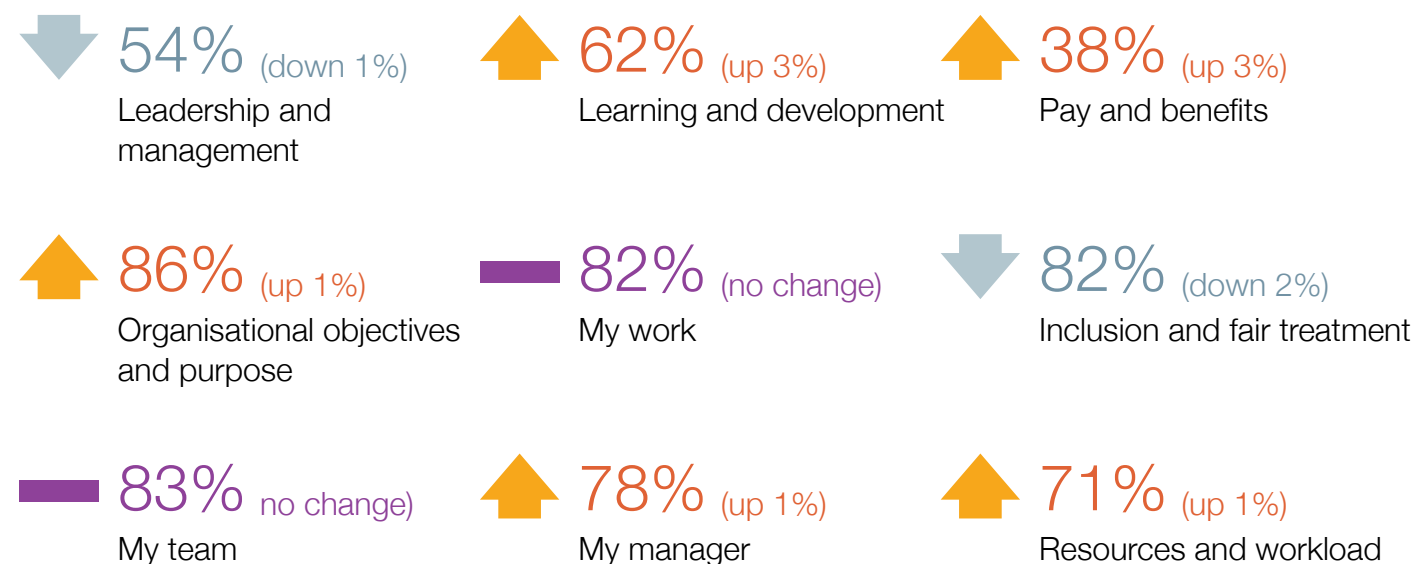
and equipment are procured and that building of boats in Barrow-in-Furness continues at pace. We are in the early stages of developing the commercial proposition for our next phase of major contracting, which will set the blueprint for the remaining three Dreadnought Class boats and influence our SSN-A approach. The relentless focus on Alliance party and supply chain performance remains a top priority.

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, increased by 1 percentage point, to 64% – the joint highest in Defence.

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



On reviewing the People Survey feedback, the SDA Executive Committee agreed three key areas of improvement activity across the SDA:

- leadership and line management
- empowerment and risk tolerance
- change communications and engagement

We have been, and continue to act in each of these areas, including making 24/25 our ‘Year of the Leader’ with 12 monthly leadership themes covering our key areas and seeking to enhance our leadership capability. In addition to SDA-wide activity, teams across the Agency have put in place local People Survey action plans to respond to feedback received at team level.



Performance Analysis

During the reporting period, our 23/24 performance metrics enabled us to evaluate our corporate performance against nine KPIs supported by 30 Internal Performance Indicators (IPIs). The majority of our IPIs were carried forward from our 22/23 corporate reporting with some streamlining to better recognise the interdependencies between submarine support and dockyard infrastructure and disposal activities. As previously described, the specific details and status of each KPI are confidential and do not form part of any publicly available reporting on security and commercial sensitivity grounds.

KPI 1 – Maintain the Continuous at Sea Deterrent¹

Ensuring effective and efficient maintenance continues to be a significant challenge and priority for the SDA. The reporting year saw a notable achievement in the return of HMS Vanguard to HMNB Clyde, signifying a major step in restoring her operational status. The magnitude of the trials programme and the complexity associated with its delivery are significant.

A maintenance contract was placed for HMS Victorious, one of the UK's four Vanguard Class submarines. The contract facilitates the modernisation and enhancement of HMS Victorious, ensuring its continued operational effectiveness. The maintenance project will support circa 1,000 jobs in the southwest,

involving personnel from SDA, Babcock International, the Royal Navy, and across the supply chain.

This reporting year marked 60 years of the Polaris Sales Agreement. Signed on 6 April 1963 under the US and UK governments of President John F Kennedy and Prime Minister Harold Macmillan respectively, the agreement allowed the US to provide the UK with Polaris missiles, equipment and supporting services. It was updated in 1982 by Prime Minister Margaret Thatcher to include the sale of Trident II missiles to the UK. The agreement became a pillar of the nuclear strategic partnership between the UK and USA, formalising the cooperation agreed in the 1962 Nassau Agreement. The PSA remains one of the most important intergovernmental agreements in the history of the two nations.

A £750 million contract was awarded to Babcock International to develop the necessary infrastructure for the deep maintenance of Astute Class submarines. The Submarine Waterfront Infrastructure Future programme, part of a larger portfolio of infrastructure projects at Devonport, will deliver a new submarine dock, non-tidal berth, and cross-site facilities. This initiative is set to bolster the future capabilities of the Royal Navy and the DNE. The SDA team, based at Devonport and Abbey Wood in Bristol, is collaborating with Babcock International on the design phase with construction underway. This major

¹ Assessment of KPI performance includes key enablers through infrastructure readiness and an effective disposal and decommissioning pipeline.

infrastructure programme - one of the largest in the southwest - emphasises the Ministry of Defence's investment in Devonport and will enhance local skills and capabilities while reaffirming a commitment to national security. The construction phase is expected to create an additional 1,000 jobs as it gathers pace over the next year.

The decommissioned submarine Swiftsure docked for the final time at Rosyth in July 2023. The majority of low-level radioactive waste has now been removed, demonstrating the UK's approach to the complete disposal of a nuclear-powered submarine. The recycler, who will recycle approximately 90% of the submarine's components including valuable steel and other alloys, is scheduled for appointment during 2024. Once complete, Swiftsure will be the UK's first nuclear-powered submarine to be dismantled, including the removal of the nuclear reactor pressure vessel. In parallel, the Submarine Disposal Capability Project is revisiting earlier investment decisions and will exploit lessons learned from the submarine dismantling project, as well as introducing competition and innovation to establish an enduring nuclear submarine disposal capability. Once established, this capability will provide a facility to dispose of the UK's retired nuclear submarines, mitigate the risk to the Continuous at Sea Deterrent, improve value for money and ensure submarine disposal becomes a routine part of MOD business.

KPI 2 – Construction of new submarines

HMS Dreadnought, the first of the Submarine Service's next-generation strategic deterrent has reached a significant milestone with the completion of its largest segment, or 'mega unit.' This substantial section was transported through the streets of Barrow-in-Furness, from BAE Systems' fabrication facility to the expansive Devonshire Dock Hall, a prominent feature of the Cumbrian town's skyline. This progress emphasises the ongoing advancement of the Dreadnought programme.

A Review Note for our Astute programme was submitted for final approval in March 2024. Based upon a set of robust performance metrics, we continue to improve build performance and work collaboratively with BAE Systems to stabilise the programme, mitigate risks and realise opportunities. The complexities of a major submarine programme, supplier performance and the significance of the 'last of Class' risk mean the final years of the Astute programme will require significant focus and drive.

Our SSN-A programme commencing its detailed design and long lead phase marks a pivotal moment not only for the UK but also for the trilateral AUKUS programme. Our collective efforts are geared towards the development of the future class of nuclear-powered attack submarines. Contracts amounting to £4 billion have been secured, which will propel the programme through the design, prototyping,

and procurement of long lead item stages for the UK's inaugural submarines. This will pave the way for construction to begin, thereby bolstering the stability and resilience of our domestic supply chain.

KPI 3 – Submarine technology and capability development

A key supporting aspect of the Agency's core in-service and new build programmes is the work delivered by the Capability Development teams. Throughout 23/24 key progress was made in support of the work-up of HMS Vanguard from her deep maintenance project and the induction of HMS Victorious into deep maintenance. In the build environment, technology and capability focus was provided to progress reactor core manufacture that enabled the progress of the Astute Class and Dreadnought Class platforms.

KPI 4, 5, 6, 7, 8 and 9 – Enabling SDA delivery

Beyond the KPIs that concentrate on our current and future mission delivery, the SDA has six additional KPIs that track the Agency's growth and maturity. These indicators are centred around enhancing both our supply chain and contract and risk management processes as well as ensuring the availability of suitability qualified and experienced staff. They cover delivery of internal change initiatives, improvements to organisational effectiveness and development of strategies for the long-term organisational viability. This includes our financial, safety, and security management systems which are further detailed elsewhere within this section.



HMS Vigilant

Safety, Environmental Protection, Climate Change, Sustainability and Security



Health, safety and environmental protection

Occupational health

We continued to deliver our five-year Occupational Health and Safety strategy, with focus this year on consolidating previously implemented systems. We introduced the IOSH managing safely course, flexibly delivering this training in-house according to demand which improved access and reduced cost. The Diving Assurance Officer produced a Diving Safety Assurance system which included facilitating a Diving Awareness course. Attended by more than 70 Defence staff, the course formed part of an action plan to develop and implement the SDA Diving Assurance process. This action ensured the removal of a Defence Safety Authority Improvement Notice in January 2024. The Occupational Safety, Health and Environment team facilitated more than 25 internal safety training packages for Heads of Establishment, site leaders and internal auditors, in addition to delivering occupational stress training for all staff. Overall, the Occupational Safety, Health and Environment team assessed itself as 'substantial' for compliance and assurance activities.

Safety

We continued to make excellent progress in process streamlining and simplification. This includes the development of a simplification road map, updates to safety processes

and consolidation of a new cyber policy through cyber safety working groups.

Safety assurance is monitored via monthly self-assessments that are reviewed by the SDA Safety and Environmental Committee. This is coupled with audits of safety and environmental management systems used within project teams, which are producing positive results.

Environmental protection

The Agency has established the MOD's first environmental degree apprentice scheme that is bringing new talent into the organisation and supporting the development of environmental professionals. The scheme comprises university study and technical placements within project delivery teams across the DNE.

Environmental capability has been strengthened through the recruitment of suitably qualified and experienced personnel within the Health, Safety and Environmental Protection team. This has enabled greater levels of assurance to be undertaken, along with greater levels of subject matter expertise being used throughout project delivery teams. For example, the team made significant steps in working with project delivery teams to quantify the environmental risk of inadvertent non-native species transporting on submarine hulls.

The Agency published its 24/25 Environmental strategy which sets out the goals and targets that contribute to net zero and ensure robust

management of hazardous substances and restricted materials. It details how the Agency will deliver these commitments while ensuring sustainable procurement routes and minimising the risk of invasive species.

Climate change and sustainability

Task Force on Climate-related Financial Disclosure

HM Treasury issued guidance for all government departments regarding compliance with Task Force on Climate-related Financial Disclosure (TCFD) recommendations in July 2023. The SDA is required to provide a separate disclosure to the MOD as it is an Executive Agency and publishes separate financial accounts. The Agency welcomes the TCFD initiative, as demonstrated by the activity described above and in the steps the Agency has already taken to better understand the impacts of climate change across the DNE. The SDA has established processes for identifying and reporting climate change related impacts against earlier initiatives such as the Greening Government Commitments (GGC) and has begun implementing a Defence Climate Risk Assessment Methodology (DCRAM), in line with MOD guidance. A Climate Impacts Risk Assessment Methodology (CIRAM) has been in place for the SDA estate for several years. We will be using CIRAM outputs to inform DCRAM inputs and have encouraged our industry partners to adopt a

similar approach. This will enable the Agency to develop DNE portfolio climate change risks which will be qualitatively assessed. These tools and the associated policy and procedure will be further developed to support delivery of full TCFD disclosure in future years, including progress against TCFD metrics.

TCFD compliance statement

The SDA is reporting on climate related financial disclosures consistent with HM Treasury TCFD guidance which interprets and adapts the framework for the UK public sector. The Agency takes seriously its responsibility to undertake climate-related and sustainability activity. It has complied with all TCFD recommendations for phase 1 disclosures around governance, either as part of this disclosure or elsewhere within this report, to highlight its commitment to environmental matters. The Agency's climate-related activity takes place within the Equipment Plan it delivers on behalf of Chief Defence Nuclear. The costs relating to this Equipment Plan are reported in the MOD Annual Report and Accounts.

TCFD governance

SDA Deputy CEO, Board member and Technical Director Keith Beckett CBE is a member of the MOD Climate Change and Sustainability Steering Group, which sets the direction for the management of climate change risk. The SDA Engineering Safety Director's Forum is chaired by the Deputy

CEO which sponsors the SDA Climate Change and Sustainability Working Group. The working group comprises of members from across the DNE with the purpose of progressing climate change and sustainability themes such as understanding the physical impacts of climate change, net zero targets and examples of circular economy.

The CEO approved the SDA Environmental strategy on behalf of the SDA Board in April 2024, which contains three goals that focus on climate change and net zero. Keith Beckett CBE is responsible for the delivery of the strategy, on behalf of the Board, and delegates his authority to the SDA Health, Safety and Environmental Protection team who support colleagues across the Agency to achieve it. The strategy is underpinned by an environmental management plan containing five key milestones that are reported on monthly to the Executive Committee. In addition, the SDA reports against the GGC for its estate and infrastructure, providing all required data to the DNO for reporting in the MOD Annual Report and Accounts.

Climate-related risks and issues are governed by the SDA board process outlined in the governance statement in section 2.

TCFD next steps

The SDA is preparing for future TCFD requirements in the following ways:

- **risk management (24/25)** – assessing methods for incorporating climate

- change risk into the Agency's strategic risk process, including appropriate review at Audit and Risk Committee, Executive Committee and SDA Board
- **metrics and targets (24/25)** – investigating alignment with DNO and MOD TCFD metrics and targets to agree how and where the Agency's data will be reported, as the Equipment Plan it delivers is reported separately in the MOD Annual Report and Accounts
- **strategy (25/26)** – working in alignment with DNO to understand and support DNE climate change and sustainability strategy to further embed the required governance and policy to deliver it

Safety and environmental culture

The SDA has participated in initiatives highlighting the importance of safety culture across the organisation and the DNE. Improvements in analysis, documenting 'learning-from-experience' and knowledge sharing have been implemented across the Enterprise and with our industrial partners.

Sustainability

Our Environmental strategy includes goals on sustainable procurement, climate change, contributing to net zero, climate adaptation and resilience. We have processes and guidance for sustainable procurement and carbon accounting while continuing to lead the DNE Climate Change and Sustainability Working Group and the SDA Go-Green

Network. The SDA Go-Green Network is an internal networking opportunity for all employees interested in sustainability, where speakers are invited to share their knowledge and experience. During 23/24 the network ran a series of virtual events covering the outcomes of COP26.

Submarine Dismantling Project

The SDA manages the Submarine Dismantling Project to deliver a dismantling and disposal solution for decommissioned nuclear submarines up to and eventually including the Vanguard Class. While disposal of decommissioned nuclear submarines is a complex and challenging undertaking, the Agency is developing and benchmarking its dismantling and waste disposal techniques. These will meet all safety, environmental and sustainability standards while achieving value for the taxpayer and addressing intergenerational liability expectations.

We are currently demonstrating and refining our dismantling approach. We have made significant progress with the majority of reactor components forming low-level radioactive waste, having already removed these from the decommissioned submarines Swiftsure, Resolution, Revenge and Repulse. This activity was completed safely, on time, within budget and with minimal environmental impact. To date, more than 300 metric tonnes of low-level radioactive waste has been safely removed from the four submarines. The Agency recognises the importance of circular economy

and seeks to re-use any component that can be safely and appropriately re-purposed into the operational fleet. Any remaining metals and other non-hazardous waste materials will be recycled wherever possible. Swiftsure was dry docked in July 2023 and will be the first submarine to be fully dismantled by the end of 2026, ahead of being recycled in line with our Public Accounts Committee commitment.

Security

Protecting our people and our information assets is vital to retaining the competitive edge of the submarines we provide to the Royal Navy in defence of our nation. Collaborative effort across all SDA teams during the reporting period resulted in the Agency bolstering defences against potential threats and vulnerabilities and achieving positive results on its security KPIs. This proactive approach, coupled with swift incident responses, safeguarded our data and contributed to cross-Agency resilience. By fostering a culture of security excellence across the organisation, the Security and Resilience team protected our people and assets and maintained trust among stakeholders.

During 23/24, cyber security training was integrated into the Agency's mandatory security training programme and launched at the start of 24/25. The new training equips our people with the knowledge and skills to recognise, prevent, and respond to cyber dangers.



HMS Audacious

Looking Forward



HMS Anson

Our continuing efforts to maintain the in-service submarine fleet for use by the Royal Navy in defence of the nation is, and remains, our top priority. The delivery of major projects to replace current submarines with ever-more capable ones also remains an essential focus. To promote improvements in these critical outputs, we have established an improvement strategy and associated portfolio of improvement projects. These projects will enhance our organisational effectiveness by investing in the development of our people, enhancing empowerment and embracing digital tools and data analytics to simplify core processes. This strategy focuses on our supply chain and how we can drive productivity and performance through improved collaboration and better incentivisation. It promotes work with Royal Navy and across the DNE to streamline boundaries and embed a 'one team' approach to the delivery of our shared objectives.

Our focus on bolstering the stability and resilience of our organisation, while driving improvements in the way we deliver available and capable submarines to the Royal Navy, will enable us to achieve significant milestones during the next reporting period:

- improvements that will drive submarine availability and 'time to operator' using new digital tools to obtain real-time data that can be used by key stakeholders. We will be working with industry to improve supply chain elements such as available use of spares and codification as well as supporting the recovery of engineering capability at HMNB Clyde through the introduction of digital tag-outs and control of work facilities
- developing a supply chain strategy that will utilise our existing capabilities to transform our supply chain approach. As well as

- identifying time and cost parameters, delivering the strategy will define the current approach, along with its issues and impacts, to produce transformation recommendations that will deliver improved service today and meet increasing submarine programme demand in the future generation and reintroduction of HMS Vanguard back into operation cycle following her deep maintenance period
- continued focus on HMS Victorious' deep maintenance period to enable future resilience in the Ship Submersible Ballistic Missile Nuclear (SSBN) programme
- launch of HMS Agamemnon, the sixth Astute Class boat, into the build yard in Barrow-in-Furness to undertake final stage testing and commissioning
- 15 Dock at Devonport becoming capable of receiving Astute Class submarines for maintenance activities.
- all major HMS Dreadnought units received in the Devonshire Dock Hall in Barrow-in-Furness where final assembly will take place
- detailed design of key future submarine build facilities commencing in Barrow-in-Furness
- maturing our long-term strategy for the disposal of decommissioned submarines and sustained progress in dismantling the decommissioned submarine Swiftsure in Rosyth

Sir Chris Gardner KBE
Chief Executive and Accounting Officer
25 November 2024

Section 2 Accountability Report





Corporate Governance Statement

The Corporate Governance Statement outlines the composition and organisation of the Agency, our governance structures, and how these support our purpose. It includes:

- Directors' report
- Statement of Accounting Officer's responsibilities
- Governance statement

Directors' report

Management

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

Directorships and significant interests

Members of the SDA Board must declare any other interests they have with current or potential customers or suppliers or, for example, other non-executive positions. A list of declarations of interest is held and Board members have the opportunity at the start of each Board meeting to advise of any changes. Declarations of interest during 23/24 are given below.

Name	Declarations of interest
Jonathan Simcock	<ul style="list-style-type: none"> • Sellafeld Limited – Non-Executive Director (NED) • Strategic advisory service through own company, Nanagon Limited • Turner & Townsend – Daughter's employer since November 2023 (Daughter not employed by Sellafeld Limited or SDA)²
Anne Baldock ³	<ul style="list-style-type: none"> • Electricity North West Limited – NED • East West Railways Limited – NED • Restoration and Renewal Delivery Authority – NED • Pantheon Infrastructure PLC – NED

² Added in December 2023.

³ Stood down from SDA Board in December 2023.

Name	Declarations of interest
Sir Simon Bollom KBE CB	<ul style="list-style-type: none"> Royal Academy of Engineers – Trustee⁴ Owlstone Medical – Daughter’s employer⁵ Nuclear Skills Task Force – Chair⁶ Soldiers, Sailors, and Airmen’s Families Association – Chair⁷
Keith Beckett CBE	<ul style="list-style-type: none"> Fusion Technical Advisory Group – Member Strategic Advisory Group for the Advanced Nuclear Research Centre, University of Strathclyde – Committee Member⁸ Severn Area Rescue Association – Trustee
Claire Hall	<ul style="list-style-type: none"> POA Restaurants Limited – Director
David Goldstone CBE	<ul style="list-style-type: none"> Restoration and Renewal Delivery Authority – CEO Major Projects Association – Unremunerated Director
Martin Spencer	<ul style="list-style-type: none"> Civil Service Commission – Commissioner London Fire Brigade – NED Office for Standards in Education – NED NHS Counter Fraud Authority – NED
Gursharan Bansel ⁹	<ul style="list-style-type: none"> PGB Homes Limited – Joint Director
Air Chief Marshal Sir Richard Knighton KCB CBE ¹⁰	<ul style="list-style-type: none"> Mills and Reeve – Wife’s employer
Sir Chris Gardner KBE	<ul style="list-style-type: none"> Royal Naval Sailing Association – Chair of Trustees
Rear Admiral Donald Doull CBE ¹¹	<ul style="list-style-type: none"> Nil
Vice Admiral Andrew Burns CB OBE ¹²	<ul style="list-style-type: none"> Royal Navy Board – Trustee Devon Wildlife Trust - Member
Bruce Martin ¹³	<ul style="list-style-type: none"> Nil
Georgina Benzies ¹⁴	<ul style="list-style-type: none"> Nil

4 Removed in July 2023.

5 Removed in July 2023.

6 Added in July 2023.

7 Added in July 2023 with effect from October 2023.

8 Removed in August 2023.

9 Stood down from SDA Board in May 2023.

10 Stood down from SDA Board in June 2023.

11 Joined SDA Board in June 2023, no declarations were made.

12 Joined SDA Board in March 2024.

13 Stood down from SDA Board in June 2023.

14 Joined SDA Board in June 2023, no declarations were made.

Personal data related incidents

No personal data related incidents were reported to the Information Commissioner’s Office in 23/24. Processes implemented across the Agency ensure any incidents suspected of relating to personal data are reported and investigated in accordance with MOD policy. SDA measurement of maturity against the Data Protection Act 2018 takes place annually and is governed by the SDA Chief Information Officer.

Information assurance

The SDA takes all data losses seriously and investigates all security incidents. During 23/24, routine investigations did not identify any data losses.

Statement of Accounting Officer's 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 26 January 2024. 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 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 Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

Chief Defence Nuclear, as Additional Accounting Officer, has designated the CEO of the SDA as Accounting Officer for the Agency’s operating expenditure. 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.



Sir Chris Gardner KBE, CEO and AO

Governance Statement

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

Introduction

I, Sir Chris Gardner KBE, 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 from the Government Internal Audit Agency (GIAA), our Board and our Audit and Risk Committee, I conclude that the system of internal controls in the SDA complies with the HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments.

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

through sound financial management, systems, processes, and controls.

My assessment has been further reinforced by the SDA's Annual Assurance rating of 'moderate' for 23/24. This rating is a culmination of all Annual Assurance assessments throughout the period. In their Annual Assurance Report, GIAA gave a 'limited' assurance based on the results and weightings of the audits throughout the year. As a result, we have agreed a range of management actions that will drive improvement through 24/25.

This section of the Annual Report and Accounts explains the governance structure under which we operate, including providing details of our Board, Executive Committee and committee structure, and associated activities including the SDA risk and control framework.

Our governance structure

Reporting to Chief Defence Nuclear, our corporate performance is overseen by the SDA Board, which was chaired by Jonathan Simcock during 23/24. 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. The Board operates under the provisions of a ministerially approved framework, which is set out in the [SDA Framework Document](#).

The Framework Document

The Framework Document sets out the Secretary of State's requirements for the Agency and the 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 planned update to the Framework Document is undergoing final review by HM Treasury for approval by the Secretary of State. The updated document considers our changing landscape and reflects advancements in wider MOD and DNE operating models. This updated framework re-enforces the Board's role as acting in an advisory capacity, as well as overseeing the performance of the SDA on behalf of Chief Defence Nuclear. While the new Framework is expected to be formally issued during 24/25 the SDA Board, under guidance from Chief Defence Nuclear, acted under these revised arrangements during the reporting period.

Departmental sponsor

The DNO is the departmental sponsor for the SDA and engages with the SDA Board on the SDA's overall corporate performance. The DNO 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 in our corporate planning process by providing information about potential policy developments or other changes that could impact performance

The SDA sits within the DNO top level budget, and my CEO delegations flow from the top level budget holder, Chief Defence Nuclear.

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 monitors and assesses our corporate performance against our KPIs and oversees financial and operating controls across the organisation and in our programmes on behalf of Chief Defence Nuclear. It provides advice, insight, challenge, and support to me and my Executive Committee.

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

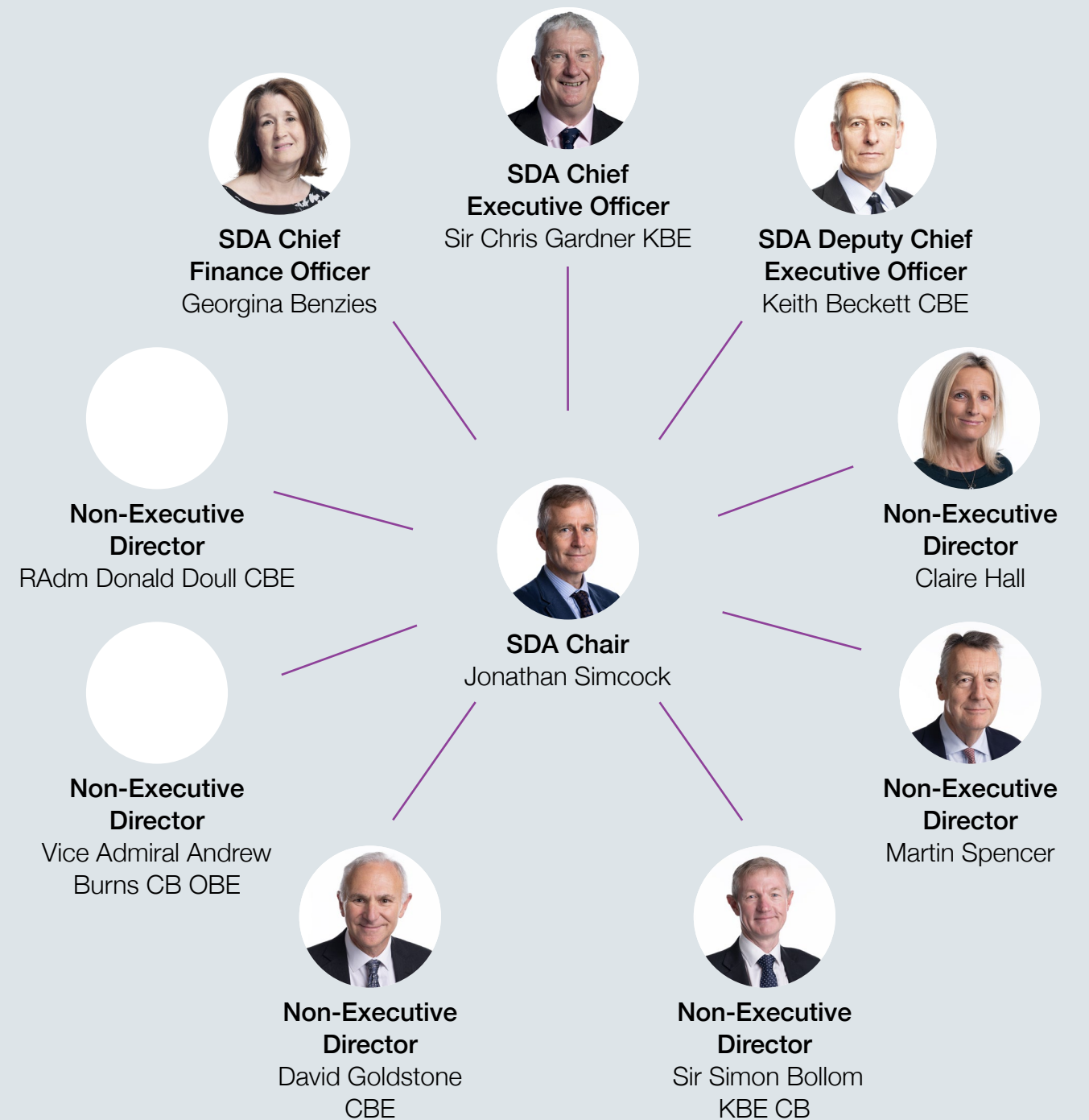
- the Chair, who is responsible for leading the Board and ensuring it is effective in its overall role
- a maximum of two government NEDs
- at least three independent NEDs appointed from outside government

- the SDA CEO
- the SDA Deputy CEO
- the SDA Chief Finance Officer (CFO)
- additional executive roles as deemed necessary by the Chair, subject to maintaining a majority of NEDs on the Board

A comprehensive list of the roles and responsibilities of our Board can be found in the Framework Document.



SDA Board as at 31 March 2024



SDA Board processes

The SDA Board Support team, which reports to the SDA Director Strategy and Operations, maintains and operates the processes and procedures affecting the Board. The Board takes regular reports from me as CEO, the CFO, and 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.

The SDA Board undertake an external board effectiveness review every three years, supplemented by an SDA Board Chair-led internal review in the intervening years. Actions and recommendations from these reviews are implemented as appropriate. During 23/24 an external board effectiveness review was undertaken by Socia Ltd and presented to the SDA Board in January 2024. The review produced five key areas of recommendation accompanied by 13 actions, all of which were accepted by the SDA Board. Seven of the actions were completed in the reporting period, with six carried forward for completion in 24/25.

Board performance

By SDA 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 delivery strategy up to 2028.

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

Other highlights of business discussed during 23/24 are detailed on the next page:

Subject	Discussion	Outcomes
SDA business updates	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 Committee.
KPI data and design	The Board received KPIs reports monthly during April 2023 to July 2023 and then quarterly from October 2023 onward, in line with changes to the Board meeting pattern. These reports highlighted corporate and programme performance data as well as progress with key milestones. The Board engaged in the design of the KPIs for 23/24.	The Board considered the performance information provided, sought clarification, challenged updates, and provided advice to the Executive Committee as appropriate. The Board endorsed the KPIs for 23/24 and have encouraged changes in the performance framework that will take effect in 24/25.
Risk	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.
Corporate documentation	The Board reviewed the SDA's Framework Document, Corporate Plan and Strategy.	The Board endorsed the documents and suggested areas for improvement prior to final approval and publication.
SDA Committees	The Board received reports from its sub-committees and considered the work being taken forward.	The Board noted the work undertaken by sub-committees and provided recommendation and guidance as required.

SDA Board activity as at March 2024

The SDA Board met formally five times during 23/24 in addition to attending two strategy delivery days and two industry engagement visits.

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

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

Name	Number of meetings attended
Jonathan Simcock	5 (5)
Independent NEDs	
Anne Baldock ¹⁵	2 (4)
Sir Simon Bollom KBE CB	5 (5)
Claire Hall	3 (5)
David Goldstone CBE	5 (5)
Martin Spencer	5 (5)

15 Stood down from SDA Board in December 2023.
 16 Stood down from SDA Board in June 2023.
 17 Joined SDA Board in June 2023.
 18 Stood down from SDA Board in May 2023.
 19 Joined SDA Board in March 2024.
 20 Joined SDA Board in June 2023.
 21 Stood down from SDA Board in June 2023.

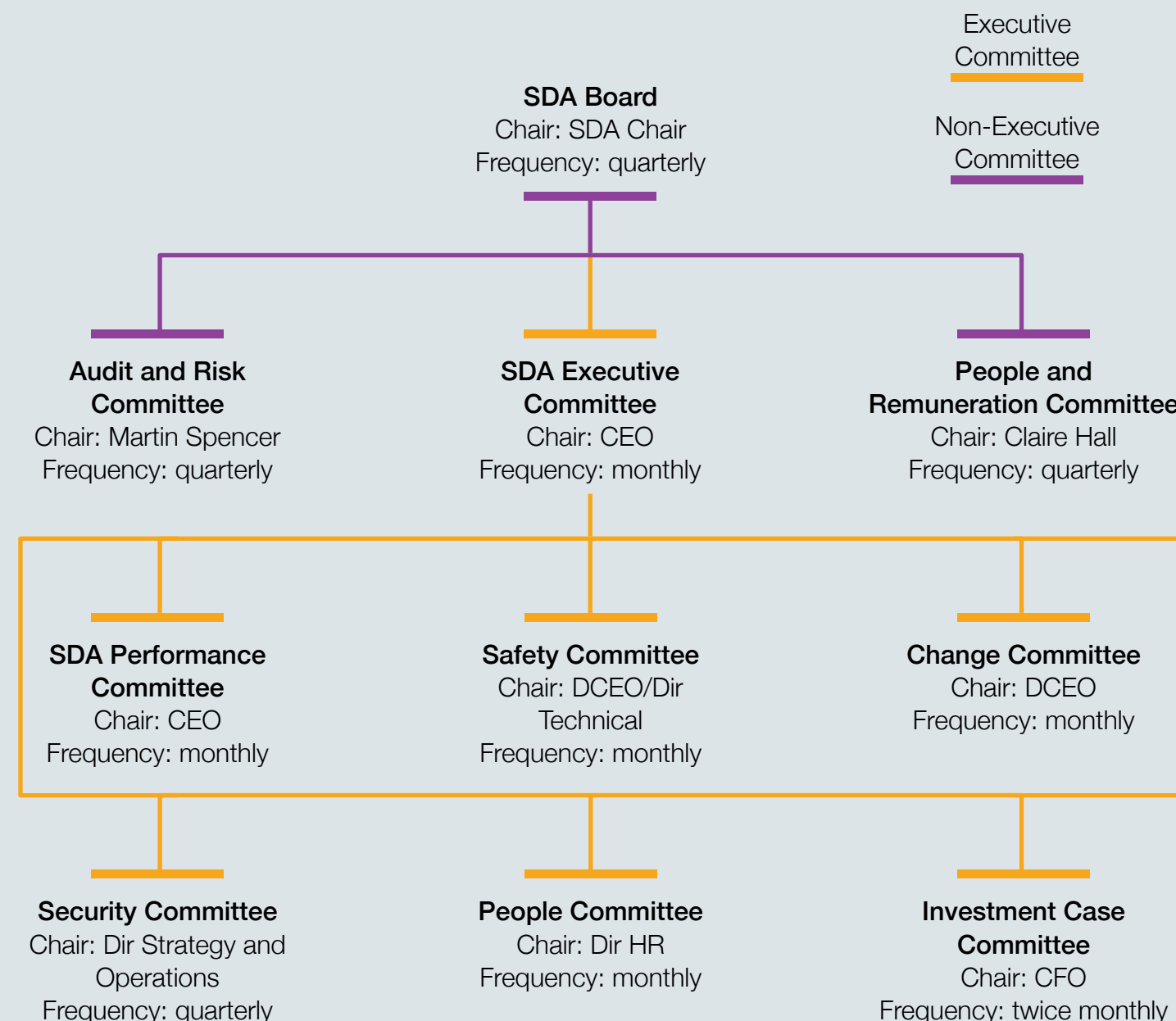
Government NEDs	
Air Chief Marshal Sir Richard Knighton ¹⁶	0 (2)
RAAdm Donald Doull CBE ¹⁷	1 (3)
Gursharan Bansel ¹⁸	1 (1)
Vice Admiral Andrew Burns CB OBE ¹⁹	0 (0)
Other members	
Sir Chris Gardner KBE	4 (5)
Keith Beckett CBE	5 (5)
Georgina Benzies ²⁰	2 (2)
Bruce Martin ²¹	2 (2)

SDA Board sub-committees

The SDA Chair and NEDs attended the following sub-committees in 23/24:

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

SDA Board and Committee framework as at 31 March 2024



Audit and Risk Committee	
Purpose	To challenge the adequacy of internal controls and oversee risk management assurance processes.
Frequency	The Audit and Risk Committee met quarterly during 23/24.
Membership	<p>The meetings are chaired by an independent NED, currently Martin Spencer. The Chair is supported by two NEDs.</p> <p>The Chair, CFO and other executives or non-executives, including representatives from GIAA and NAO (National Audit Office), are invited to attend as appropriate.</p>
Summary of discussions	<p>The primary focus of the Audit and Risk Committee during 23/24 was:</p> <ul style="list-style-type: none"> • GIAA audit plan progress and action list for 22/23 and forward audit planning for 23/24 • NAO 22/23 financial audit update and completion report, 23/24 audit planning report, MOD audit including Equipment Plan and nuclear provisions including summary of relevant findings • general business/operational updates • financial procedure and policy updates • supply chain fragility • cyber updates and the impact of changing risk environment • planned updates to project management and accounting systems • fraud controls and status updates • risk management process and updates • Annual Assurance Report progress reviews

The SDA is a member of the MOD Fraud Board and updates are provided through the Audit and Risk Committee. During 23/24, we continued to respond to the threat of fraud and corruption to ensure that both the Defence and SDA mission 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	
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 pay structures and enhancements to operational effectiveness. Additionally, it advises on CEO remuneration and that of civilian Executive Committee member and other senior staff remuneration as appropriate, where these are not set by Senior Civil Servant (SCS) or departmental guidelines.
Frequency	The People and Remuneration Committee met seven times during 23/24.
Membership	<p>The meetings are chaired by a NED, currently Claire Hall, and supported by three NEDs as well as Director HR.</p> <p>The SDA Chair has a standing invitation to attend, and other executives or non-executives are invited to attend as appropriate.</p>
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 Committee²²	
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 were chaired by a NED David Goldstone CBE during 23/24, and attended by a mix of Board Members, executives, and subject matter experts, depending on topics of discussion.
Summary of discussions	During 23/24 the projects and programmes committee discussed ongoing projects for the SDA.

²² The Project and Programmes Committee was retired in January 2024 due to a change in Board focus, moving away from project delivery detail toward improving organisational effectiveness.



SDA Board sub-committees

The SDA Chair and NEDs attended as below during 23/24:

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

Name	Committee meetings attended
Jonathan Simcock	Audit and Risk Committee 4 (4) People and Remuneration Committee 6 (6) Projects and Programme Committee 5 (5)
Independent non-executive directors	
Anne Baldock	Audit and Risk Committee 1 (3) Projects and Programme Committee 3 (4)
Martin Spencer	Audit and Risk Committee (Chair) 4 (4)
Claire Hall	People and Remuneration Committee (Chair) 6 (6)
Sir Simon Bollom KBE CB	People and Remuneration Committee 6 (6) Projects and Programme Committee 5 (5)
David Goldstone CBE	Projects and Programme Committee 5 (5)
Government non-executive directors	
Air Marshal Sir Richard Knighton KBE	Audit and Risk Committee 0 (1)
Gursharan Bansel	Nil
Rear Admiral Donald Doull CBE	Nil
Vice Admiral Andrew Burns CB OBE	Nil

The SDA Executive Committee

In leading the SDA, I am supported by my Executive Committee. 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 strategy.

Rear Admiral Robbie Lauchlan was appointed to the role of the Chief Strategic Systems Executive in March 2023, which was transferred from Keith Beckett CBE, who remains focused on his role as Deputy CEO and Technical Director. Ian Craddock, who joined in 2022 as our interim Director of Corporate Operations, secured a permanent role on the Executive Committee as Director Strategy and Operations.

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 our new strategy, the SDA Corporate Plan, and our Submarine Acquisition Support Plan while ensuring that effective working relationships are maintained between the SDA, our sponsor, customers, suppliers, and other delivery agents, including DE&S.

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

- Chief of Staff to CEO
- Executive Committee Secretariat

SDA Executive Committee as at 31 March 2024



The following key business areas were discussed at the SDA Executive Committee during 23/24:

Security	The Executive Committee reviewed a 'Security Moment' every other month, looking at a specific security issue, prior to it being shared throughout the organisation. A monthly dashboard from the Security Committee was provided, covering topics such as security incidents, challenges, and KPI data.
Safety	A 'Safety Moment' was reviewed each month along with monthly reports covering Occupational Safety, Health, Safety and Environment performance indicators. Findings from the annual staff safety culture survey were reported and two extended deep dives into safety took place during the year.
Performance	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 the CFO on financial performance including an overview of the SDA's operating expenditure.
Risk	All strategic risks were reviewed on a quarterly basis with one risk subject to Executive Committee deep dive on a monthly basis. Changes to strategic risks were reported quarterly to the DNO portfolio office.
People	The Executive Committee reviewed people issues monthly, looking at topics including diversity and inclusion, health, and wellbeing (including mental health), and resourcing. In Committee reviewed a 'diversity and inclusion moment' every other month which prompted discussion on the challenges faced by the SDA and other organisations in creating a diverse and inclusive environment.
Change	Executive Committee discussions focused on the implementation of business strategy.
Corporate operations	The Executive Committee reviewed in-year recognition awards, ensuring fair and effective use of budgets and reviewed the outcome of the People Survey, endorsing the resulting action plan. The Committee reviewed compliance and governance management information as part of this subject.

SDA Executive Committee sub-committees

Sub-committees support the work of the Executive Committee:

- **The Performance Committee** drives delivery against our KPIs and Submarine Acquisition Support Plan and serves as the forum for our senior leadership team to focus on key issues affecting delivery and prioritise activity to improve outcomes. Our Performance Committee includes representatives from Navy Command Headquarters and the DNO and facilitates an organisational view on performance, while agreeing wider support required to address challenges. It is chaired by me as CEO and is attended by the SDA Chair.
- **The Safety Committee** provides support and advice to me, as both CEO and in my role as a Senior Duty Holder and Acquisition and Support Safety Lead for the Agency. The Safety Committee 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** meets monthly to 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 membership drawn from senior leaders across our delivery and enabling teams.
- **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 reviews the appropriateness of the Commercial strategy for the project and its consistency 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 organisational resilience. It is attended by all team leaders (or their nominated expert) and chaired by the Director Strategy and Operations, ensuring our security risks are regularly reviewed and updated.
- **The Change Committee** drives delivery of change programmes to meet the SDA's vision of being a recognised for excellence in submarine delivery. It is chaired by Director Strategy and Operations.
- **The Dreadnought programme** is managed by an Alliance between the SDA, BAE Systems 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 was the independent Chair of the

Alliance during 23/24 and of its most senior Board – the Alliance Leadership Board. The Alliance Project Team, which has day-to-day accountability for delivering the programme, is led by SCS Alex McMillan in the role of the Alliance Managing Director, who reports to me as CEO. Progress updates within the Dreadnought programme are provided throughout this report and in the SDA's annual updates to Parliament on the UK's future nuclear deterrent.

SDA risk and control framework

Risk management

The SDA undertook a strategic risk refresh during 23/24, providing challenge to the previous risk set to ensure it fully reflected current threats to achieving strategic outputs. The refresh began with an Executive Committee threat horizon scan, followed by a coherence exercise with the existing strategic risk set. SDA strategic risks are reported to the DNO who ensure a holistic view of Enterprise risks are captured.

Principal strategic SDA risks and mitigation action during 23/24

Risk management governance has matured while continuing to ensure that strategic risks are reviewed on at least a quarterly basis. In addition to quarterly reviews, the Executive

Committee now provide quarterly progress statements to the SDA Board and Audit and Risk Committee, detailing risk progress or degradation during the quarter. In support of this, a number of strategic risks were reviewed in working groups by subject matter experts to ensure the full scope and impact of risks were fully understood and proportionate mitigations established. The SDA strategic risks have now been reported to the Submarine Enterprise Management Office (within the DNO) to ensure a holistic view of Enterprise risks are being considered.

The principal strategic SDA risk picture remains stable and continues to focus on causes and factors that may contribute to the SDA being unable to successfully achieve its purpose. They focus on output risks, supplier risks, organisational risks, and enabler risks. As with our KPIs, specific details and status of each risk are confidential and do not form part of any external, publicly available reporting on security grounds.

Risk reduction activities were reconsidered during the refresh, with many longer-term actions ongoing.

Mitigating actions continue to include:

- strengthening our supply chain
- improving our Information Technology systems
- renewed focus on asset management through all stages of the project lifecycle
- improvements in provision of infrastructure and maintenance

New strategic risks were identified during 23/24, including risks relating to business continuity, technical publication provision and future exploitation of technology. We will be further strengthening our risk management governance during 24/25.

Principal internal controls

Each year we complete an Annual Assurance Report as part of the overall MOD risk framework, which assures me that the SDA's risk and control management systems are working effectively. It draws my attention to any concerns about the operation of our governance arrangements as well as helping to identify future plans to sustain and improve assurance. This document 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, the DNO agrees an operating cost envelope with the SDA. As set out in our Framework Document, the SDA has the freedom to manage its workforce to meet its business needs within this cost envelope. We are mindful of the responsibilities of the MOD's 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 23/24, we continued to improve our commercial data and assurance and demonstrate strong compliance levels, as well as meeting all our Cabinet Office Controls and transparency obligations, including publishing our Forward Contract Pipeline. SDA Commercial achieved the highest Commercial Continuous Improvement Assessment Framework score in Defence – 85.9% compliance during 2023. Further improvement activity uplifted this score to 90% in January 2024. From our internal annual commercial assurance programme, we remain at 'substantial' assurance with strong policy compliance in key topics across contract management, sourcing, and governance. The Commercial team have developed and incorporated Commercial Awareness sessions into the SDA core skills programme, delivering them to SDA non-Commercial staff and have developed a Commercial Risk Awareness presentation which is available across Defence.

People

A primary focus for the Agency has been encouraging growth in our people and organisational capability to achieve greater depth in our competence and professionalism. This promotes an engaged and motivated workforce that collaborates within the SDA

and across the DNE to deliver effectively today, and even more effectively in the future. It supports recruitment and retention by improving how we attract, grow, and retain our talent. We are continuing to embed our Capability Growth Model to reward those who build their capability and support others to develop theirs. The SDA remains committed to learning through our professional development offer which includes internal development programmes and entry talent schemes for apprentices and graduates.

The SDA has proactively improved employee experience and the environment we work within. We have actively promoted health and wellbeing through our employee assistance programme and wellbeing-confident leadership offerings to support our people. We have delivered a diversity and inclusion programme, including our bespoke 'Let's Be More Inclusive' training in support of having an organisation that better reflects the diversity of society at all levels. We have in place a competitive, simple, fair, and sustainable total reward package that recognises individual and collective success and rewards increased expertise.

The SDA has embedded integrated workforce planning to deliver an organisation that is the right shape and size and has the capability to enable sustainable organisational performance. We have developed an outreach strategy to attract, deploy, and retain a diverse workforce with the right skills and behaviours to deliver high quality outputs for Defence.

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 concerns. The Whistleblowing Policy is an MOD-wide policy which the SDA fully embraces. Management information on the nature and conduct of our whistleblowing is provided by the MOD to the Cabinet Office every six months. There was one whistleblowing event in 23/24.

Conclusion

The overall governance assessment of the SDA takes into account the inputs and reviews of the GIAA, our Board and 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 MOD Defence Risk and Assurance on our 23/24 Annual Assurance Review. This report captures our key risks, where improvements are required and outlines how relevant controls have operated during the year. During the reporting period we developed and strengthened our assurance processes, bringing our governance systems in line with best practice across the MOD. By reviewing the data collated through Annual Assurance Review assessments, both at the mid-year and end of year points, we demonstrated a 'moderate' level of assurance.

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 24/25, we will continue to drive improvement to further optimise our control systems, governance structures and corporate performance.



Sir Chris Gardner KBE
Chief Executive and Accounting Officer
25 November 2024

Chair's assessment

By Jonathan Simcock, SDA Chair

As in previous years, we continued to learn and act upon feedback from our audit partners, stakeholders, and colleagues to strengthen our control environment. The SDA Framework Document, Corporate Plan, and our new strategy, alongside the DNE strategy, set out our roadmap to improving governance structures and internal controls. Throughout the reporting period we made improvements to our strategic risk process, refreshed our KPIs and increased collaboration and engagement with our audit partners.

During the reporting period, our Annual Assurance Review resulted in a 'moderate' assessment and the GIAA gave an opinion of 'limited,' both highlighting areas where further improvement is required. In 24/25 we will be working to close the gaps in our control environment and improve the timely implementation of the agreed management actions that resulted from the audit activity.

I am in no doubt that the SDA will continue to address areas for improvement in the framework of governance, risk management and control across the Agency and in collaboration with its DNE partners throughout 24/25 and beyond.



Remuneration and Staff Report

SDA remuneration policy

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

The SDA has been granted the freedom to manage its workforce as necessary to meet business needs in line with Annex A of the Framework Document. This delegated authority is conducted 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 UK Government and MOD policies on Civil Service terms and conditions.

In setting the remuneration of our civilian senior executives, we consider the advice of our People and Remuneration Committee. Our military senior executives are bound by the remuneration policy for senior officers of the Armed Forces. The role and composition of the People and Remuneration Committee is set out earlier in section 2 of this report.

Performance and reward

The 23/24 Statement of Comprehensive Net Expenditure (SoCNE) reflects payments made or due to Directors during the financial year. Salary and reward for the SDA CEO was considered by our People and Remuneration Committee. All our people were evaluated against their objectives and personal development plan to determine their end of year performance outcome. A non-

consolidated performance award was paid to all staff awarded a performance rating of 'good' or higher for the 23/24 performance year. During 22/23, the Agency introduced 'capability-based pay', where salary increases were based on individuals' enhancement of their ability to deliver their role and/or support the growth of others. The approach was continued for the 23/24 performance year.

SDA Chair performance is reviewed by Chief Defence Nuclear and NED remuneration is set in accordance with MOD public appointments policy. NED performance is reviewed by the Chair to consider individual impact on Board and sub-committee performance, recognise contribution, identify improvements, and provide feedback.

Senior manager contracts

The Constitutional Reform and Governance Act 2010 requires appointments to the Civil Service to be 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.

The terms and conditions of our Chair and independent NEDs are determined by the MOD and set out in their individual appointment letters. They are appointed on merit for a fixed term through a transparent recruitment and selection process. This process adheres to 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 with one month's notice by either party or on dissolution of the Board, unless found guilty of gross misconduct when termination will be immediate. NEDs are initially contracted for three years with the option to reappoint. While Cabinet Office standard practice is for public appointments not to exceed six years, this can vary depending on the merits of each situation and individual. Our Chair and NEDs are not involved in any discussion about their own remuneration and all payments are non-pensionable. There are no compensation entitlements for early termination of a NED.

Business appointments

The 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 on our business management system and on the leavers checklist for Line Managers to

advise exiting employees of their obligations. In compliance with 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 section contains details of the pay, pension and benefits-in-kind of individuals who served as SDA Board members during 23/24. The disclosures only cover the periods in which individuals were SDA Board members. If an individual left the SDA Board during the year, the disclosure only covers remuneration earned whilst a member of the SDA Board.



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

SDA board directors ²³	Salary ²⁴ £000 (full-year equivalent)	Annual performance award ²⁵ £000	Benefits in kind £00	Pension benefits £000	Totals £000
23/24					
Sir Chris Gardner KBE	260-265 (260-265)	- ²⁶	-	- ²⁷	260-265 (260-265)
Keith Beckett CBE	195-200 (195-200)	65-70 (65-70)	-	30.9 ²⁸ (30.9)	295-300 (295-300)
Bruce Martin ²⁹	30-35 (185-190)	60-65 (60-65)	-	4.6 ³⁰ (27.9)	95-100 (280-285)
Georgina Benzies ³¹	95-100 (115-120)	20-25 (20-25)	-	109 ³²	225-230 (245-250)
22/23					
Ian Booth ³³	120-125 (285-290)	210-215 (210-215)	-	-	330-335 (500-505)
Sir Chris Gardner KBE	100-105 (250-255)	-	-	-	100-105 (250-255)
Keith Beckett CBE	190-195 (190-195)	55-60 (55-60)	-	27.9 (27.9)	275-280 (275-280)
Bruce Martin	180-185 (180-185)	55-60 (55-60)	-	26.9 (26.9)	260-265 (260-265)

23 The SDA Board Terms of Reference sets out the Board structure to include the Board Chair, CEO, CFO, Deputy CEO and NEDs. This design ensures the Agency has a meaningful ratio of Board Directors to NEDs.

24 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.

25 From the 20/21 Annual Report and Accounts onward, SDA changed the basis for the reporting of annual performance awards from the award accrued to the award paid. The figures shown for 23/24 are the award paid in 23/24 in respect of performance in 22/23.

26 Sir Chris Gardner KBE did not seek a performance award due for payment in 23/24 due to his short tenure in post in 22/23.

27 Sir Chris Gardner KBE has opted out of the pension schemes.

28 Keith Beckett CBE is not a member of the Principal Civil Service Pension scheme and has elected to be a member of the Partnership Scheme.

29 Bruce Martin left the SDA Board in June 2023 – the amounts shown are salary up until leaving along with the performance awards for 22/23 and 23/24.

30 Bruce Martin is not a member of the Principal Civil Service Pension scheme and has elected to be a member of the Partnership Scheme.

31 Georgina Benzies joined the SDA Board in June 2023 following her appointment as CFO. The annual performance award paid in 23/24 relates to her employment and performance prior to joining the Board.

32 Georgina Benzies is the only Board member who is a member of the public pension scheme. The table on the following page discloses her pension benefit.

33 Ian Booth left the SDA Board in September 2022.

SDA Board executive member pension benefit (subject to audit)

SDA Board executive member	Total accrued pension at pension age (and related lump sum) as at 31 March 2024 (£000)	Real increase in pension (and related lump sum) 23/24 (£000)	Cash Equivalent Transfer Value as at 31 March 2024 or cessation of employment, if earlier (£000)	Cash Equivalent Transfer Value as at 31 March 2023 or date of appointment, if later (£000)	Real increase in Cash Equivalent Transfer Value (£000)
Georgina Benzies	50-55 (135-140)	5-7.5 (7.5-10)	1,151	978	100

Footnotes to the previous salary and remuneration tables provide details of the arrangements for pension benefits of members of the SDA Board. The pension benefits for one SDA Board executive member, Georgina Benzies, are provided through the Civil Service Pension Scheme arrangements. Details of the Civil Service Pension Scheme arrangements can be found at: www.civilservicepensionscheme.org.uk. Accrued pension benefits and cash equivalent transfer values for this SDA Board executive member are detailed in the table above.

Cash equivalent transfer value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The figures shown in the table above:

- relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies
- include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements
- include any additional pension benefit accrued to the member as a result of them buying additional pension benefits at their own cost

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

SDA Board NED salaries (subject to audit)

SDA Board NEDs ³⁴	23/24 £000 (full-year equivalent)	22/23 £000 (full-year equivalent)
Jonathan Simcock (Board Chair) ³⁵	100-105 (100-105)	100-105 (100-105)
Anne Baldock ³⁶	15-20 (25-30)	25-30 (25-30)
Chris Walton ³⁷	-	5-10 (25-30)
Claire Hall	25-30 (25-30)	20-25 (25-30)
David Goldstone CBE	25-30 (25-30)	20-25 (25-30)
Martin Spencer	25-30 (25-30)	15-20 (25-30)
Sir Simon Bollom KBE CB	25-30 (25-30)	15-20 (25-30)
Gursharan Bansel ³⁸	-	-

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

³⁵ Remunerated as Chair for two working days per week. Independent NEDs are remunerated for up to 24 working days per year. Jonathan Simcock was SDA Board Chair until 31 August 2024, after which David Goldstone CBE took up the role of Acting Interim SDA Board Chair.

³⁶ Stood down from the SDA Board in December 2023.

³⁷ Stood down from the SDA Board in June 2022.

³⁸ Government NED who received no remuneration for services from the SDA and stood down from the SDA Board in May 2023.

SDA Board NEDs ³⁴	23/24 £000 (full-year equivalent)	22/23 £000 (full-year equivalent)
Air Chief Marshal Sir Richard Knighton KCB CBE ³⁹	-	-
Rear Admiral Donald Doull CBE ⁴⁰	-	-
Vice Admiral Andrew Burns CB OBE ⁴¹	-	-

Number of SDA senior leadership group staff as at 31 March 2024

Senior leadership group pay band	23/24	22/23
Band 1 ⁴²	29	26
Band 2	8 ⁴³	7
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 or the CETV of pensions.

The banded remuneration of the highest paid civilian Director in 23/24 ranged between £265,000 - £270,000. This was 5.91 times the median remuneration of the workforce, which was £45,200. This is lower than the 22/23 banded remuneration of the highest paid civilian Director and the resulting median of 11.48 due to an additional performance award paid to the outgoing CEO in 22/23. The civilian salary range is between £23,300 - £263,750 (22/23: £18,300 - £290,000). The banded remuneration of the highest paid military employee in 23/24 ranged between £140,000 - £145,000. This was 1.72 times the median remuneration of the military workforce,

³⁹ Government NED who received no remuneration for services from the SDA, joined the SDA Board in September 2022 and left in June 2023.

⁴⁰ Government NED who received no remuneration for services from the SDA and joined the SDA Board in June 2023.

⁴¹ Government NED who received no remuneration for services from the SDA and joined the SDA Board in March 2024.

⁴² One person at this band was paid as temporary assignment higher level.

⁴³ A member of the SDA Executive Committee is a work force substitute and is on loan from the Government Commercial Organisation but for completeness has been shown within this table.

which was £81,600. The military employee salary range is between £24,000 - £145,000 (22/23: £20,000 - £135,000).

No employee, either military or civilian, received remuneration in excess of the highest paid director during 23/24 (22/23 - nil).

	23/24 £	22/23 £
Mid-point of the £5,000 band for the annual equivalent remuneration of the highest earning military employee	142,500	132,500
Number of employees in receipt of remuneration above the highest paid Board member	-	-
Median total remuneration of Armed Forces personnel	81,596	76,098
Military pay ratio	1.72	1.74
Mid-point of the £5,000 band for the annual equivalent remuneration of the highest earning civilian Board member in the tables above	267,500	502,500
Median total remuneration of civilian staff	45,236	43,785
Civilian pay ratio	5.91	11.48

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

	Lower quartile		Median		Upper quartile	
	23/24	22/23	23/24	22/23	23/24	22/23
Salary	67,273	60,792	81,596	76,098	95,556	87,385
Total pay and benefits	67,273	60,792	81,596	76,098	95,556	87,385

	Lower quartile		Median		Upper quartile	
	23/24	22/23	23/24	22/23	23/24	22/23
Salary	33,592	32,224	43,795	42,502	58,384	55,176
Total pay and benefits	33,964	32,939	45,236	43,785	61,040	57,269

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

	23/24	
	Military	Civilian
Highest paid Director	7.55%	(31.30%)
Staff average	7.35%	4.72%
Performance pay and bonuses		
Highest paid Director	-	(68.24%)
Staff average	-	6.24%

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
23/24	2.08	1.72	1.47	7.87	5.91	4.38
22/23	2.18	1.74	1.52	15.26	11.48	8.77

The information relates to remuneration for civilian and military personnel during 23/24. The high percentage change increase in staff average performance pay and bonus in 23/24 is due to the change in organisational performance relative to the prior year.

The large percentage change decrease in highest paid Director performance pay and bonus in 23/24 and the lower civilian pay ratios in 23/24 compared to 22/23 are due to the additional performance award paid to the outgoing CEO in 22/23 as mentioned on page 67.

The minor decrease in military pay ratio since 22/23 arose because of salaries increasing at similar rates.

For the reasons outlined above, the median pay ratios for civilian and military personnel are consistent with the pay, reward and progression policies for SDA employees taken as a whole. The SDA employment model has had no material impact on pay ratio movement between 22/23 and 23/24.

Staff report

Staff numbers (subject to audit)

Number (headcount) of SCS within the SDA senior leadership group, at end of the financial year:

SCS pay band	23/24	22/23
Band 1	29	26
Band 2	8	7
Band 3 and above	1	1
Total	38	34
SDA military at 1* and above	4	4
Grand total	42	38

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:

	23/24			22/23		
	Permanent employee staff	Contingent labour	Total	Permanent employee staff	Contingent labour	Total
Armed Forces	205	-	205	199	-	199
Civilian	2,181	104	2,285	1,953	106	2,059
Total	2,386	104	2,490	2,152	106	2,258

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 FTE employed in 23/24 increased by 232 compared with the number employed in 22/23. This is consistent with an overall increase in staff costs. Increases in staff numbers reflect the recruitment to fulfil the SDA structure required to meet the full scope of our work. This growth is within the agreed affordable structure.

Contingent labour has remained at a consistent level, with an average decrease of two FTE in 23/24 compared to 22/23.

Staff turnover 23/24

	March 24	March 23
Rolling 12-month turnover % ⁴⁴	5.5	6.8
Rolling 12-month outflow (n)	124	135
Rolling 12-month average headcount	2,244.8	1,999.2

The 23/24 average headcount above covers the Agency's core workforce only and excludes military and contingent workers.

Staff costs (subject to audit)

The aggregate staff costs, including allowances paid, were:

Staff costs comprise:	23/24			22/23		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Salaries and wage costs	127,528	14,639	142,167	108,038	17,527	125,565
Social security costs	13,755	-	13,755	12,638	-	12,638
Other pension costs	36,003	-	36,003	31,120	-	31,120
Total	177,286	14,639	191,925	151,796	17,527	169,323

⁴⁴ Excludes resignations due to retirement, death in-service, dismissal, end of contract/loan/secondment, assignment change/deployment and civil service internal transfers.

Staff costs comprise:	23/24			22/23		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Adjustment for NATO Submarine Rescue System rebate of staff costs	(318)	-	(318)	(513)	-	(513)
Adjustment for AUKUS recharge of staff costs	(1,983)	-	(1,983)	(473)	(382)	(855)
Net staff costs	174,984	14,639	189,623	150,810	17,145	167,955
Paid to	£000	£000	£000	£000 (restated net)	£000 (restated net)	£000 (restated net)
Armed Forces	27,084	-	27,084	24,724	-	24,724
Civilian	147,900	14,639	162,539	126,086	17,145	143,231
Total	174,984	14,639	189,623	150,810	17,145	167,955

The military/civilian split is shown for the total after recharges. In the 22/23 Annual Report and Accounts the split was shown pre-recharge. The 22/23 split has therefore been restated in the comparative information above.

The increase in salaries and wages reflects the increase in workforce, pay review, reward review and performance award which was higher than in 22/23.

Of the total 23/24 pension contributions in the table above, £27 million were payable in respect of the various schemes in which civilian staff were members. £8.7 million were payable

in respect of the Armed Forces Pension Scheme in which military staff were members.

Where employees opened a Partnership pension account with an employer contribution, we made contributions of £314,000 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 23/24 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 23/24 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 23/24 period was aligned to those from 22/23 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 where 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 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 23/24, the employer's contribution rates remained unchanged from 22/23 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 24/25.

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 age 55 will have their pension preserved until age 60 or 65, depending on the scheme. The scheme includes an Early Departure Payment scheme for those who leave before age 55, providing they have at least 18 years' service and are at least 40 years of age. The Early Departure Payment 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

The SDA saw relatively stable sickness absence levels during 23/24, with an average number of working days lost per employee of 4.8 days, compared with the MOD average of 6.8 days.

Anxiety, stress, and depression is the SDA's highest cause of absence, accounting for 31% of all absence recorded, although due to the relatively low levels of absence, this equates to only 1.5 average working days lost per employee over the year.

Long-term sickness absence levels have risen from 2.0 average working days lost per FTE (44% of all absence) to 2.5 (52% of all absence).

Our annual 2023 People Survey PERMA index score rose positively by 1% to 74%, which is in line with the wider Civil Service score. The PERMA index measures the extent to which employees are 'flourishing' in the workplace and is based around five dimensions: positive emotion, engagement, relationships, meaning and accomplishment.

To minimise sickness absence and support staff wellbeing, we have delivered a wide range of activities to upskill managers to support their staff and also raise awareness for all employees, particularly in relation to positive mental health. These include:

- monthly wellbeing dashboard to report and monitor trends and inform action
- wellbeing calendar

- monthly wellbeing focus with associated guidance/signposting e.g. Stress Awareness Month, Men's Health Week, Suicide Prevention Day, and Time to Talk Day
- employee assistance programme awareness sessions
- financial wellbeing sessions
- stress awareness bitesize sessions for managers
- Wellbeing Confident Leader training programme
- supporting Health and Attendance policy and process upskilling through our HR Business Partners

Staff policies

Diversity and inclusion

Our diversity and inclusion commitments are rooted in the recognition of the value that a diverse workforce brings to our organisation, including enhanced creativity, better decision-making, and a deeper understanding of the public we serve. We continue to demonstrate our ongoing efforts to create an inclusive culture where all employees feel valued and able to contribute to their fullest potential. To support this, we create a working environment where our core values are evident.

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, act

as champions with the aim of representing the diversity of all employees. These communities and champions, along with our functional leaders, fulfil a crucial role in supporting our policies and serve as advocates for our continuing behavioural and cultural changes.

Diversity and inclusion objectives

The CEO signed the Diversity and Inclusion Charter in September 2023, signalling his commitment to promoting diversity and inclusion and bringing real strength to the SDA by encouraging staff to sign up to the charter to create an inclusive and welcoming environment for all. This is in addition to signing the Women in Defence 30x30 Charter, as referenced in the ‘About the Submarine Delivery Agency’ section.

Ensuring we have a diverse workforce and provide an inclusive environment within which everyone can flourish 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 diversity and inclusion action plan, we continue to work to meet our targets to address underrepresentation of specific protected groups. Together, our efforts aim to ensure that our environment and behaviours welcome and value everyone.

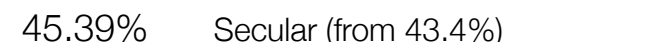
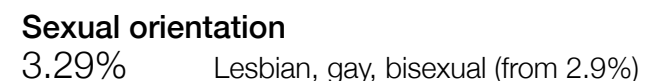
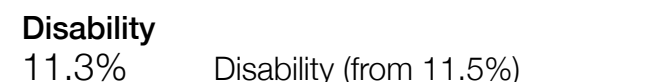
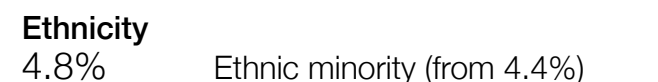
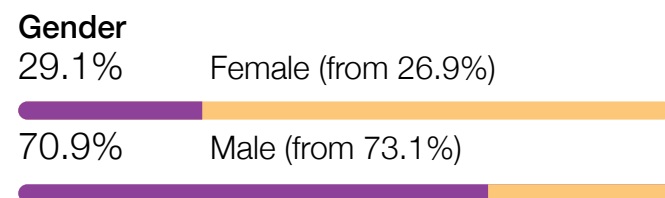
We offer a guaranteed employment interview through the Disability Confident Scheme, whereby individuals who declare a disability will be invited to interview providing they meet

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. This includes our commitment to supporting colleagues who become disabled while employed by the SDA. We provide access to occupational health services, a third-party employee assistance programme and reasonable adjustments to support and enable their contributions. A range of learning is offered to all staff and line managers to raise awareness of disabilities, such as Autism and neurodiversity.

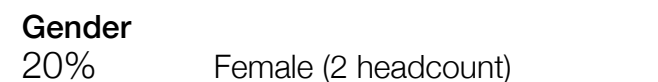
The following tables reflect the civilian composition of the Agency by protected characteristics over the year. The information provided in the following charts, as of 31 March 2024 (from 31 March 2023), relies on staff making the necessary declarations on our human resource management system and therefore may not be representative of the whole workforce.

Staff breakdown



Gender breakdown at SDA Board level

Total SDA Board – 10

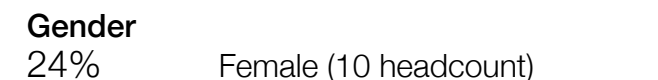


Gender breakdown at SCS level

Total senior leadership group (SCS) – 47 staff, including 4 military staff



Total senior leadership group (SCS) – 43 staff, excluding 4 military staff



Pay and reward

We are committed to recognising our people for their efforts. The five principles that provide the foundation for our performance and reward are:

- **competitive** – consideration is given to external and internal market practices when shaping our total reward package
- **fair** – assurance is sought that our policies and practices are properly governed and 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 workforce planning which includes the deployment and recruitment of talent with the necessary capabilities to deliver our business outputs. This is achieved through internal progression opportunities, z-pathing and external recruitment campaigns, the latter of which are led by the DE&S Talent Acquisition service. During the last financial year, we made significant progress in our approach to workforce planning and resourcing, putting a stronger emphasis on inclusivity, building relationships with service providers, and developing outreach activities. We invested in candidate engagement throughout the recruitment journey with a focus on improving the onboarding and induction experience to support retention in the first 12 months of employment. In addition, we have enhanced our approach to external marketing using the SDA social media channels and targeted communications campaigns to raise the SDA's profile and highlight it to candidates as a great place to work.

Trade Union relationships

In line with historical and current governance arrangements, DE&S and SDA have a joint approach to Trade Union engagement. An Employee Relations Framework Agreement was created to govern successful engagement between DE&S/SDA and the Trade Unions, including the principles, behaviours, and processes under which both parties will operate to ensure good employee relations.

The Employee Relations Team within DE&S coordinates Trade Union engagement for DE&S and SDA. With support from DE&S, SDA hold their own formal and informal engagement meetings and consult directly with the Trade Unions on SDA-only business. Consultation with the Trade Unions takes place in compliance with the law and to initiate engagement in the spirit of reaching agreement.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 place a legislative requirement on relevant public sector employees to collate and annually publish data on the amount and cost of facility time. Facility time costs for 23/24 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 2023 to 31 March 2024:

Relevant union officials (SDA and DE&S combined)

Number of employees who were union officials during the period	Full-time equivalent employee number
48	48

Percentage of time spent on facility time (SDA and DE&S combined)

Percentage of time	Number of employees
0%	0
1-50%	48
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time (SDA and DE&S combined)	£27,728
Total annual civilian pay bill (SDA only) ⁴⁵	£148,157,304
Percentage of total SDA civilian pay bill spent on SDA and DE&S combined facility time	0.02%

Paid trade union activities (SDA and DE&S combined)

Time spent on paid trade union activities as a percentage of total paid facility time	0.00% ⁴⁶
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Trade Union activity is time taken away from main role duties under section 170 (1) (b) of the 1992 Trade Unions Labour Relations (Consolidation) Act. Activities could include attendance at branch, regional or national Trade Union meetings or conferences, meeting with full-time officers regarding issues related to the workplace and voting in Trade Union elections.

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

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

There was one payment made to civilian staff in line with the Civil Service Compensation Scheme for exits under the Supporting Health and Attendance Procedure in 23/24. There were two payments of this kind in 22/23.

There were no redundancy, early retirement, or early release scheme payments in 23/24.

⁴⁵ The total SDA annual civilian pay bill (excluding contingent labour). The sum of direct wages and salaries, pension contributions and National Insurance contributions.

⁴⁶ The SDA does not approve payment for Trade Union officials to undertake Trade Union activities.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	1	1
£10,000 – £25,000	0	0	0
£25,000 – £50,000	0	0	0
£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
Total number of exit packages	0	1	1
Total resource cost £million	0	0	Redacted⁴⁷

We may occasionally make use of early release schemes to reduce the number of civilian personnel who are not members of the Civil Service Compensation Scheme. No such usage was made during 23/24.

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. 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 2.1a in the Notes to the Accounts.

Private Sector Support 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. Private Sector Support within the SDA includes consultancy assistance and other external support. The analysis of the SDA Private Sector Support 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 our work 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 23/24.

Temporary off-payroll worker engagements as at 31 March 2024, paid more than £245 per day:

	23/24
Number of existing arrangements as at 31 March 2024	64
of which	
Have existed for less than 1 year at time of reporting	35
Have existed for between 1 and 2 years at time of reporting	12
Have existed for between 2 and 3 years at time of reporting	12
Have existed for between 3 and 4 years at time of reporting	3
Have existed for 4 or more years at time of reporting	2

⁴⁷ Redacted due to risk of exposure of personal information as data relates to only one individual.

Temporary off-payroll workers engaged at any point during the year ended 31 March 2024, paid more than £245 per day:

	23/24
Number of off-payroll workers engaged during the year ended 31 March 2024	159
of which	
Not subject to off-payroll legislation	158
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out of scope of IR35	1
Number of engagements reassessed for IR35 compliance or assurance purpose	159
Number of engagements subject to a change in IR35 status following reassessment	-

The use of contingent labour principally reflects the use of external contractors recruited on a temporary basis into critical roles through delivery partner contracts across Project Management, Project Controls, Engineering and Commercial functions⁴⁸. This is to meet demand requirements as the submarine programme of work continues to grow. Their use enables the Agency to supplement capability and capacity more quickly than current ability 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 2023 and 31 March 2024. We have considered those with 'significant financial responsibility' to be the CEO and CFO.

⁴⁸ Contracts owned and administered by DE&S.



Parliamentary Accountability Report



Parliamentary Accountability Report

In 23/24 we responded to 13 written Parliamentary Questions. We dealt with Ministerial and Treat Official correspondence from Members of Parliament, Peers, and the public, and, on average, responded more quickly than required by departmental targets. Particular areas of interest included the Dreadnought and Vanguard 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 14 requests for information.

Complaints to the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman 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 23/24, 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 operating expenditure of the Agency.

Costs relating to the Equipment Plan are accounted for in the MOD resource account.

Losses and special payments (subject to audit)

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

Losses during 23/24 totalled £456,000. The SDA had one case requiring separate reporting by value. The case was £310,000 in value and arose from a VAT overpayment which could not be reclaimed due to HMRC time limits.

Remote contingent liabilities (subject to audit)

There were no contingent liabilities in 23/24.

Regularity of expenditure (subject to audit)

All material expenditure and income incurred by the SDA in 23/24 was in accordance with the requirements of HM Treasury and other government guidance.

The SDA has no Fees or Charges to disclose (subject to audit).

Sir Chris Gardner KBE
Chief Executive and Accounting Officer
25 November 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 2024 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 2024;
- 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 2024 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 issued 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 issued 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 Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation, and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within 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;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued 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.
- inquired of management, 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 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,
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Submarine Delivery Agency for fraud and identified the greatest potential for fraud in the following areas: 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 2023, employment law and tax legislation.

I considered:

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

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee 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
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence 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: 3 December 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 2024

	Notes	23/24 £000	22/23 £000
Expenditure – programme costs			
Direct staff costs	2	189,623	167,955
Private sector support costs	3	58,746	50,740
Other programme costs	4	17,219	14,693
Total direct programme costs		265,588	233,388
Net direct programme expenditure		265,588	233,388
Expenditure – non-cash items			
Communicated costs from other MOD organisations	5	22,170	18,631
Non-cash charges DE&S corporate overhead	5	9,624	8,902
Auditors' remuneration	6	120	120
Amortisation costs		264	117
Provisions movement		-	-
Total non-cash items		32,178	27,770
Net operating expenditure		297,766	261,158
Total comprehensive net expenditure		297,766	261,158

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

Statement of Financial Position as at 31 March 2024

	Notes	23/24 £000	22/23 £000
Non-current assets			
Intangible fixed assets NBV		75	99
Right-of-use assets NBV	10	106	220
Total non-current assets		181	319
Current assets			
Trade and other receivables	7	2,335	1,139
Total current assets		2,335	1,139
Total assets		2,516	1,458
Non-current liabilities			
Lease liabilities	10	(29)	(81)
Current liabilities			
Trade and other payables	8	(28,669)	(35,429)
Provisions	9	-	-
Total current liabilities		(28,669)	(35,429)
Assets less liabilities		(26,182)	(34,052)
Reserves			
General fund		(26,182)	(34,052)
Total reserves		(26,182)	(34,052)



Sir Chris Gardner, KBE
Accounting Officer
25 November 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 2024

	Notes	23/24 £000	22/23 £000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(297,766)	(261,158)
Adjustments for non-cash transactions			
Communicated costs	5	22,170	18,631
Non-cash charges DE&S corporate overhead	5	9,624	8,902
Auditor's remuneration	6	120	120
Depreciation and amortisation		264	117
(Increase)/decrease in trade and other receivables	7	(1,196)	(605)
(Decrease)/increase in trade and other payables	8	(6,837)	2,976
Decrease in provisions		-	-
Net cash outflow from operating activities		(273,621)	(231,017)
Cash flows from investing activities			
Purchase of intangible assets		(40)	-
Net cash outflow from investing activities		(40)	-
Cash flows from financing activities			
Net parliamentary funding – drawn down		273,722	231,074
Payments in respect of leases	10	(61)	(57)
Net cash inflow from financing activities		273,661	231,017
Net increase/(decrease) in cash and cash equivalents in the period		-	-

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

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2024

	Notes	General fund £000	Total reserves £000
Balance at 1 April 2022		(31,621)	(31,621)
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
Balance at 31 March 2023		(34,052)	(34,052)
Balance at 1 April 2023		(34,052)	(34,052)
Comprehensive net expenditure for the year	SoCNE	(297,766)	(297,766)
Non-cash charges communicated costs	5	22,170	22,170
Non-cash charges DE&S corporate overhead	5	9,624	9,624
Non-cash charges auditors remuneration	6	120	120
Net parliamentary funding – drawn down	SoCF	273,722	273,722
Balance at 31 March 2024		(26,182)	(26,182)

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 2023 to 31 March 2024.

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 HM Treasury Financial Reporting Manual.

Where the Financial Reporting Manual 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 footnote.

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 Financial Reporting Manual.

1.2 Basis of preparation of annual accounts – accounting boundary

In supporting the MOD to meet its overall purpose, the SDA's key areas of delivery are:

- safely delivering available, capable, and reliable in-service submarines and system;
- 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 decommissioned submarines;
- ensuring it retains and develops the submarine technology base such that it meets future requirements and retains capability advantage;
- supporting and fulfilling its role 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 SDA Framework Document, which is approved by the Secretary of State for Defence. The CEO is appointed by the MOD Permanent Secretary as an Additional Accounting Officer, with responsibility for the operating costs of the Agency. Delegations to run the Agency are granted through Chief Defence Nuclear. The operating cost envelope specifically encompasses staff costs, other operating costs (including travel and training), and Private Sector Support 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).

Private Sector Support is defined as external support to supplement the SDA capacity and capability to manage programmes 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 consultancy assistance and specialised technical support activities. The SDA has developed and implemented accounting policies defining those activities that are to be treated as Private Sector Support.

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

Costs which cannot be in-sourced are not accounted for within SDA operating expenditure. 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 one 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 1/12th of the budget. To ensure costs are materially accurate in the SDA and DE&S accounts, DE&S reconciles costs to charges on a regular basis, typically quarterly. If the reconciliation demonstrates that the difference between costs to charges is greater than the materiality threshold of £300,000 then a budget adjustment is made with a year-end true up if needed.

Communicated costs: The SDA receives benefits driven by the activities of other MOD organisations which support its 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. Most 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 23/24, 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

Changes impacting the preparation of future annual accounts:

International Financial Reporting Standard (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 implementation is not required

in the 24/25 Financial Reporting Manual. 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 the MOD rather than operating income and is therefore credited directly to the general fund. Any revenue and expenditure generated directly from SDA activities is recognised in the SoCNE on an accruals basis, determined by when the related goods and services are provided and where an assessment of the stages of completion of revenue and expenditure generating activities can be reliably measured. The SDA has no main sources of revenue but would use IFRS 15 to recognise any income. The SDA does occasionally, where agreed in contract, receive rebates for project activity. During 23/24, SDA recognised rebates (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 the SDA as an Executive Agency of the MOD include the ability to manage all aspects of the workforce as necessary to meet business needs. The SDA regularly reviews the appropriateness of letters of delegation as part of routine business. The freedoms granted meant that during 23/24, the SDA was exempt from the Cabinet Office controls surrounding redundancy and compensation, learning and development and dispute disclosure.

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 SoCNE, to ensure that a full representation of operating expenditure is reported. Note 5 provides an analysis of these costs identifying the other MOD organisations involved and the key assumptions applied in determining the costs.

1.9 Value Added Tax (VAT)

The majority of SDA operating activities 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 and amortisation

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 23/24 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.

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

1.11 Leased assets

A right-of-use asset and a lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. SDA manages the liquidity risk inherent in these contracts through the receipt of supply finance and future income which are both approved annually by Parliament.

Right-of-use assets that do not meet the definition of investment property are presented in 'property, plant and equipment' and lease liabilities are presented in 'loans and borrowings' in the statement of financial position.

SDA have elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Leases are not identified where the value of the asset is below £25,000. SDA recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In the comparative period, as a lessee, SDA classified leases that transfer substantially all of the risks and rewards of ownership as finance lease. As such, SDA did not have any leases meeting this definition in the comparative period or previously.

SDA does not operate as a lessor.

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. The cashflow statement therefore reports the cash flows in respect of SDA processed by the MOD.

1.13 Financial instruments – receivables and liabilities

IFRS 9 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 MOD policy on recognition of untaken leave.

The value of employee performance bonuses reflected within the SoCNE reflects those earned for performance in 23/24.

The SDA has no voluntary, or compulsory redundancies to report in 23/24.

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. As the sponsor organisation, 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 23/24. 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.

2. Staff numbers and related costs

2.1a Staff costs comprise

Staff costs comprise:	23/24			22/23		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Salaries and wage costs	127,528	14,639	142,167	108,038	17,527	125,565
Social security costs	13,755	-	13,755	12,638	-	12,638
Other pension costs	36,003	-	36,003	31,120	-	31,120
Total	177,286	14,639	191,925	151,796	17,527	169,323
Adjustment for NATO Submarine Rescue System rebate of staff costs ¹	(318)	-	(318)	(513)	-	(513)
Adjustment for SSN-A recharge of staff costs ²	(1,983)	-	(1,983)	(473)	(382)	(855)
Net staff costs	174,984	14,639	189,623	150,810	17,145	167,955

¹ The NATO Submarine Rescue System 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 SSN-A are borne by the MOD resource account. These have been taken as a SoCNE credit against staff costs.

The SDA increased recruitment during 23/24 in line with requirements to deliver its agreed programme of work (for example, the increased pace of the Dreadnought programme) and the planned development of the Agency's capabilities. The increase in staff numbers has resulted in various associated salary increases.

Contingent labour (also known as workforce substitution) relates to individuals who are engaged by the SDA on a demand basis to temporarily fill vacancies within the organisation. These are separate to Manpower Support within Private Sector Support Note 3 which relates to non-consultancy technical support.

2.1b Split of staff costs between civilian and military

Paid to:	23/24			22/23 (restated net)		
	Permanent employee staff £000	Contingent labour £000	Total £000	Permanent employee staff £000	Contingent labour £000	Total £000
Military	27,084	-	27,084	24,724	-	24,724
Civilian	147,900	14,639	162,539	126,086	17,145	143,231
Total	174,984	14,639	189,623	150,810	17,145	167,955

The military/civilian split is shown for the total after recharges. In the 22/23 Annual Report and Accounts the split was shown pre-recharge. The 22/23 split has therefore been restated in the comparative information above.

2.2 Average number of persons employed

Average staff nos (full time equivalent):	23/24			22/23		
	Permanent employee staff	Contingent labour	Total	Permanent employee staff	Contingent labour	Total
Military	205	-	205	199	0	199
Civilian	2,181	104	2,285	1,953	106	2,059
Total	2,386	104	2,490	2,152	106	2,258

3. Private sector support

	23/24 £000	22/23 £000
Manpower support	259	223
Consultancy and specialist PSS	59,090	50,517
Cr against PSS costs arising from AUKUS recharged	(603)	-
Total	58,746	50,740

The overall level of Private Sector Support has increased as the Dreadnought programme continues to expand.

4. Other programme costs

	23/24 £000	22/23 £000
Staff travel and subsistence costs	6,802	5,469
IT and telecommunications	5,663	4,652
Other infrastructure expenditure	888	873
Staff training costs	1,465	1,312
Rentals	1,398	1,043
Other costs	1,406	1,344
Cr against other costs arising from AUKUS recharged	(403)	-
Total	17,219	14,693

Travel and subsistence costs have risen as a result of increased activity in both the Dreadnought and SSN-A programmes. Information Technology and telecommunication expenditure has also risen compared to prior years as a result of Agency growth, inflationary pressures and increased digital spending, including on cyber security.

5. Communicated costs and DE&S non-cash charges

Communicated costs

The SDA incurred the below costs from other MOD organisations in support of SDA activities. These costs are included as a non-cash item in the SDA SoCNE to ensure a complete representation of operating expenditure is reported. There is no hard charge for these costs, which are apportioned on an equitable basis.

MOD organisation	Description of activities	Method of apportionment	23/24 £000	22/23 £000
Defence Digital	Information systems and communication services	SDA staff as percentage of total MOD staff	12,815	10,550
Defence Infrastructure Organisation	Infrastructure and facilities management costs; MOD Guard Service	SDA proportion of costs based on staff numbers	4,193	3,302
Strategic Command	Defence Academy training; medical services	SDA proportion of costs based on staff numbers	699	392
Navy Command	Nuclear training (previously within Defence Academy)	SDA proportion of costs	1,211	1,220
Defence Business Services	Personnel and payroll services	Various	2,975	2,901
Head Office and Corporate Services	Various	Various	277	267
Total			22,170	18,632

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 23/24 was £9,624,000 (22/23: £8,902,000).

6. Auditors' remuneration

The SDA is audited by the Comptroller and Auditor General. The charge of £120,000 (22/23: £120,000) reflects the costs incurred by the auditor in respect of the audit of the SDA 23/24 Annual Report and Accounts.

7. Trade receivables and other assets

	23/24 £000	22/23 £000
Amounts falling due within 1 year:		
Other receivables	2,169	1,139
Prepayments	166	-
Totals	2,335	1,139

8. Trade payables and other liabilities

	23/24 £000	22/23 £000
Amounts falling due within 1 year:		
Private sector support accruals	(11,849)	(14,557)
Direct staff accrual	(14,439)	(15,525)
Trade payables	(2,305)	(5,187)
Sundry payables	(76)	(161)
Totals	(28,669)	(35,429)

The direct staff accrual includes the SDA's accrual for annual leave untaken as of year-end, and a non-cash adjustment of £6,189,000 reflecting the SDA share of the MOD year-end timing liabilities for Pay As You Earn (PAYE), National Insurance contributions and pension contributions.

Sundry payables relate to lease liabilities.

9. Provisions

The SDA has no provisions at year-end.

10. Commitments under lease

Right of use assets

The SDA has operating leases in respect of dwellings and vehicles. Under IFRS 16, SDA must disclose the following information:

10.1 Right-of-use assets	23/24 Dwellings £000	23/24 Vehicles £000	23/24 Total £000	22/23 Total £000
Cost or Valuation				
At 1 April	266	12	278	14
Additions – new leases	80	5	85	264
Disposals	(81)	(11)	(92)	-
Impairments/adjustments	-	-	-	-
Revaluations	-	-	-	-
Reclassifications	-	-	-	-
At 31 March	264	6	271	278
Amortisation				
At 1 April	(50)	(8)	(58)	-
Charged in year	(191)	(8)	(199)	(58)
Disposals	81	11	92	-
Impairments	-	-	-	-
Revaluations	-	-	-	-
Reclassifications	-	-	-	-
At 31 March	(160)	(5)	(165)	(58)
Net book value				
Balance at 1 April	215	4	220	14
Balance at 31 March	105	1	106	220

10.2 Lease liabilities	23/24 Amounts falling due £000	22/23 Amounts falling due £000
Less than 1 year	(76)	(140)
1-5 years	(29)	(81)
Greater than 5 years	-	-
Total lease liabilities	(105)	(221)

These values for leases are included within Note 8 payables.

10.3 Amounts recognised in the SoCNE for leases	23/24 Lease values recognised £000	22/23 Lease values recognised £000
Depreciation	199	58
Interest expense	6	2
Low value and short term leases	1,398	1,043
Total	1,603	1,103

10.4 Amounts recognised in the Cashflow Statement for leases	23/24 Lease values recognised £000	22/23 Lease values recognised £000
Interest expense	6	2
Repayment of Principal on Leases	55	55
Total	61	57

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 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 the CFO's Report, the SDA is charged by DE&S for its share of DE&S corporate overheads, for 23/24 this was £9,624,000 (22/23: £8,902,000).

Details of individuals who served as Board Members during the year are listed in the Remuneration Report. No Board member or deemed related party of the Agency through interests of Board members or their families 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. There have been no events since the reporting period that would give rise to any additional disclosures.



HMS Audacious



HMS Triumph



Submarine
Delivery Agency

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