



Ministry
of Defence

de&s



**DEFENCE EQUIPMENT & SUPPORT
ANNUAL REPORT AND ACCOUNTS**

2024-25

We equip our armed forces with the edge
to protect our nation and help it prosper

DEFENCE EQUIPMENT & SUPPORT
Annual Report and Accounts 2024-25

For the period 1 April 2024 to 31 March 2025

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

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Front cover image: HMS Glasgow makes its way to Scotstoun shipyard after being successfully floated on the Clyde.

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OUR YEAR IN NUMBERS

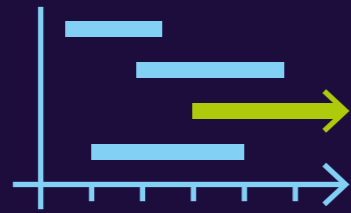


12,460 civilian and military personnel



2,727

Contracts managed of which 915 placed in-year



706

Live projects



12.17 billion

£12.17 bn spent on equipment and support



£3.83 billion

worth of completed assets delivered to our Armed Forces



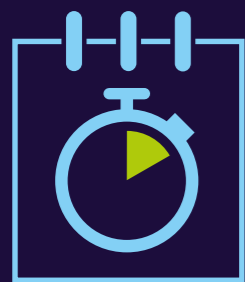
£2.33 billion

of inventory delivered equating to over 185 million items



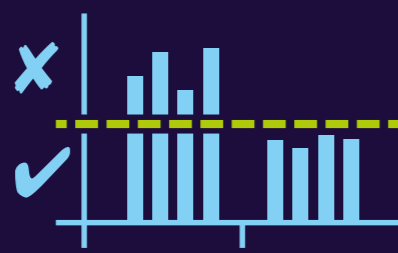
90%

of strategic milestones delivered on time or early



£119 million

of in-year efficiencies realised



£715 million

of multi-year efficiencies realised



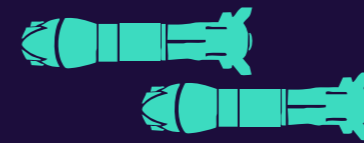
31M

£31 million under our operating budget

DELIVERING FOR UKRAINE

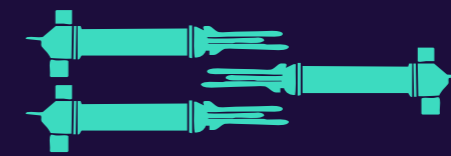
Last year, DE&S spent over **£1.4 billion** supporting Ukraine and supplied over **39 million items**. Since 2022, we have delivered:

Lethal Aid



Over 12,000

Anti-tank weapons



Over 1,800

Air defence missiles



Over 100

Air Defence Systems



Over 10,000,000

Rounds of ammunition



Over 1,000

Armoured, protected and logistics vehicles



Over 10,000

Uncrewed systems (land, sea and air)

Non-lethal aid and training



Over 94,000

Body armour and helmets



Over 25,000

Extreme cold weather clothing



Over 54,000

Personnel trained



17022	20	3	→	758
1652	25	3	→	804
1741	27	3	→	758
1746	22	3	→	758

SECTION 1

PERFORMANCE REPORT

This overview describes who we are and what we do and includes details on our DE&S Strategy, strategic outcomes and priorities for 2024-25. It begins with an introduction from the DE&S Chair and statements from our Chief Executive Officer and Chief Financial Officer.

An F35-B jets lands on the flight deck of HMS Queen Elizabeth at night.



CHAIR'S INTRODUCTION

MARK RUSSELL

I am delighted to introduce this report, which covers the eleventh year of Defence Equipment & Support's (DE&S) operation as an Executive Agency of the Ministry of Defence (MOD).

DE&S has had a successful year, rising up to overcome strategic, commercial and technical challenges. We have worked alongside our mission and industry partners with increasing efficiency to keep the United Kingdom (UK) secure at home and strong abroad.

I am honoured to continue in my role as Chair of the DE&S Board, which is responsible for the strategic governance of DE&S. The DE&S Board, which primarily consists of Non-Executive Directors (NEDs), provides independent support, advice and constructive challenge to the CEO and his Executive Leadership Team, and, in doing so, helps ensure the proper running of the organisation.

Following the 2024 General Election, the new Government announced a significant increase in defence spending to 2.5 percent of Gross Domestic Product by 2027 and 3 percent by the next parliament. This is a clear commitment to securing our global position, while strengthening the UK's economy and security.

Now, all those working in Defence must deliver more of what our Armed Forces¹ need and do so at greater pace and scale.

DE&S' TRANSFORMATION

With the UK facing growing global tensions, it is imperative that we perform to the best of our abilities. At DE&S, the dramatic changes we have made to our organisation mean we are in a strong position to support this. Over the last two years we have built

a new Operating Model, and, on 28 March 2025, we completed the transition phase of our strategic change, with all staff now working within it.

The Operating Model's four interlocking areas² are Gateway, Core Delivery, System Integration and Corporate, which develop, refine and drive forward new requirements at speed, without compromising quality or safety. Based on more integrated systems and consistent processes, they will raise productivity, reduce waste and increase insight across our Equipment Portfolio, delivering more of what our Armed Forces need, when they need it.

Completing the transition was an important milestone along a multi-year journey. We are starting to see the benefits the new model will bring to our people and our partners, and these will become clearer in the coming year, as we optimise our ways of working and projects benefit from a more efficient, focused, collaborative DE&S.

SUPPORTING OUR PEOPLE

Powering the new Operating Model is a People Management Model through which our staff are grouped, managed, tasked and developed. This gives DE&S the flexibility to place the right skilled people on the right tasks, and gives our people the support to deliver at their best.

Each DE&S staff member now sits within a professional skills group, where they work with a task manager and a people coach to deploy their capacity in the right way and help them seek out development opportunities for greater job satisfaction. The result is a DE&S that can prioritise skills and career development, harness and grow expertise and leadership, and respond to the changing demands of our operating environment.

The People Survey is an important feedback mechanism, and the Board takes its findings very seriously. With almost three-quarters of our staff taking part in the survey, the results from this year present a mixed picture. The results showed decreases in our scores across eight of the nine themes, including leadership and objectives, and makes it clear that DE&S still has some way to go towards becoming the organisation we want to be.

The DE&S Board is committed to improving our scores in the future. I have every confidence that the changes we have made to how our people are managed and supported will have a positive impact on our future People Survey results.

WORKING AS ONE DEFENCE

The new Operating Model is built with a One Defence mindset that reflects the importance of our relationships with key stakeholders across Defence, whether in industry, university or a uniform.

The Gateway, DE&S' single entry point for new projects, is fostering One Defence engagement and alignment from the earliest stages, so that new work can be planned and costed in a more efficient, consistent and considered way. The design of the Gateway is informing the National Armaments Director Group (NAD) Group, which is being set up as part of the Defence Reform programme.

We reached a One Defence milestone this year with the incorporation of the Defence Equipment Sales Authority into DE&S as the new Export and Sales team. Their market insight and expertise will bring significant benefits to DE&S and the wider defence enterprise, as we continue a Defence-wide push for greater export opportunities.

We have engaged with key stakeholders, including Members of Parliament (MPs), Ministers and the Chiefs of our Armed Forces, to maintain these important relationships. We have welcomed many of them, including Maria Eagle, the Minister for Defence Procurement and Industry, to our Abbey Wood Headquarters and regional Defence Munition sites.

READY FOR TODAY AND TOMORROW

The changes we made over the last year ensured that DE&S has continued to provide the best possible support to our Armed Forces and allies. This includes our unwavering support for Ukraine, as its battle to repel Russia's illegal invasion continues.

We are committed to continually improving how DE&S operates and to supporting the wider changes taking place across UK Defence. In the year ahead, the outcomes of the Strategic Defence Review* (SDR), commissioned by the Prime Minister and Secretary of State John Healey, will guide how UK Defence develops to meet tomorrow's challenges. And the Defence Reform programme, which has now begun to take shape, will prepare the MOD's central leadership structures for this.

I would like to open this Annual Report and Accounts (ARAc) by thanking all the hard-working people across our defence enterprise for their commitment to our shared mission.

This is a challenging time for Defence. Our country is under greater threat now than in many years and we must continue to perform to the best of our abilities to equip and support our Armed Forces, driving security and prosperity.

“ We are committed to continually improving how DE&S operates and to supporting the wider changes taking place across UK Defence. ”



An E7 Wedgetail taking off from Southend Airport.

¹ Includes the British Army, Royal Navy and Royal Air Force

² From 1 April 2025 the Gateway and Corporate areas were renamed Options and Commissioning, and Corporate and Shared Services, respectively.

*The SDR was announced on 2 June 2025 outside of the period covered by this Annual Report and Accounts. Further details can be found on page 136 within the Events after the Reporting Date section.

"I am proud of all we have achieved this year, and the proactive way DE&S teams and the UK defence enterprise as a whole have responded to the challenges we have faced."



OVERVIEW

2nd Royal Tank Regiment (2 RTR) Challenger 2 Main Battle Tank drives across the Drawsko Pomorskie training area during Ex Steadfast Defender, Poland.

CHIEF EXECUTIVE OFFICER (CEO) STATEMENT



Over the past year, DE&S and our partners across the defence enterprise have delivered equipment and support solutions for our armed forces and allies. Through our work we have helped to ensure the UK remains secure at home and strong abroad, deterring our adversaries and supporting our economy.

It was my privilege to lead DE&S as its CEO, and to represent the UK as its National Armaments Director throughout 2024-25. I am pleased to write that we end the reporting year in a strong position, having marked a number of key operational and strategic milestones. Details of these can be found in this report.

The UK and our allies operate in an increasingly contested defence landscape. Our adversaries and competitors are scaling-up their investments in defence research and industrial capacity. They are rapidly developing novel technologies, iterating platforms at a dramatic pace, and expanding their ability to exploit these to gain the advantage.

A YEAR OF DELIVERY AND INNOVATION

Our core mission remains to equip and support our armed forces with the right equipment and support, at the right time, to protect our nation and help it prosper. In response to the challenging context we now face, we have sharpened our strategic focus and established new ways of working and strengthened our partnerships, to ensure we support economic growth and deliver greater availability at a higher pace.

Throughout 2024-25, we continued to play a pivotal role in the UK's national security. At the end of year point in March 2025, DE&S teams were delivering over 700 projects for our armed forces and allies, including 29 major government projects, more than any other UK organisation.

This includes the successful delivery to the British Army of the final 12 out of 50 Apache AH-64E attack helicopters and the 95th Ajax armoured vehicle, as well as the arrival of the first Challenger 3 main battle tank prototype.

We have prioritised increased lethality and the rapid

exploitation of emerging technology, and we have shown our ability to respond to urgent requirements. For example, DE&S rapidly procured and delivered Royal Fleet Auxiliary (RFA) Stirling Castle, a new mine-hunting vessel that can locate and neutralise underwater threats.

While the vast majority of programmes performed well, headwinds remained strong and a small number of major programmes have faced setbacks. Key challenges included technical and supply chain challenges, exacerbated by increasing global conflict and demand, as well as some industry performance issues. We are very focussed on doing all we can to improve problem programme performance with strong oversight by the NED-led Portfolio Review Committee.

Despite huge strides in productivity, there is more to do, with demand from our Front-line Commands (FLCs) often exceeding the available funding. This has required us to make some difficult decisions throughout the year, prioritising certain capabilities while ensuring we do not impact the UK's operational capabilities and can implement the Government's Strategic Defence Review (SDR) and a new Defence Industrial Strategy*.

It is not enough to out-perform our adversaries and competitors, we must out-innovate too. DE&S has had some significant innovation successes this year. For example, our Digital Engineering Centre, launched in November 2024, is harnessing digital techniques to accelerate how new and emerging technology can be incorporated into defence processes. Our Typhoon fleet tested a new prototype of the European Common Radar System Mark 2 for the first time, and, as part of Team Hersa, we worked with industry partners and colleagues in the Defence Science and Technology Laboratory (Dstl) to develop and successfully test a prototype a high-powered directed energy weapon.

I am proud of all we have achieved this year, and the proactive way DE&S teams and the UK defence enterprise as a whole have responded to the challenges we have faced.

*The SDR was announced on 2 June 2025 outside of the period covered by this Annual Report and Accounts. Further details can be found on page 136 within the Events after the Reporting Date section. The Defence Industrial Strategy will be published during 2025.

SUPPORTING ALLIES AND ALLIANCES

DE&S continued to support the UK's alliances and global programmes, delivering capabilities and contributing to a strengthened collective deterrent. From January to May 2024, we provided extensive support to NATO Exercise Steadfast Defender, ensuring Royal Navy ships and aircraft were available for deployment and helping to mobilise over 2,000 land vehicles.

Since Russia's full-scale illegal invasion in 2022, the UK's support to Ukraine has remained constant. And, following the signing of a landmark 100-year partnership agreement in January 2025, it continues to this day.

In 2024-25, we spent over £1.4 billion on battle-winning equipment to support Ukraine's Armed Forces. In the last three years, through DE&S, the UK has provided over 56 million items to help keep Ukraine in the fight, from NLAW missiles to spare parts for armoured vehicles. We have also supplied equipment for over 54,000 Ukrainian personnel, trained through Operation Interflex.

Through Taskforce Hirst, we have continued to develop the UK's long-term relationship with the Ukrainian defence sector. The DE&S Operations Team played a key role in this, helping to secure a number of important contracts that support the defence industries and economies of both nations. In July 2024, our two countries signed a Defence Export Support Treaty, which sent a clear signal to British and Ukrainian industries by providing access to £3.5 billion worth of UK export finance guarantees. As part of this, we facilitated the agreement of a historic £1.6 billion package, funded by Ukraine, which will deliver more than 5,000 air defence missiles in the years ahead, supporting 700 current UK jobs and creating a further 200.

In September, we welcomed the National Audit Office's report into military aid for Ukraine. The report recognised the crucial contribution DE&S and the UK defence enterprise has made to the Ukrainian war effort, and the sustained, innovative efforts of our people to support our ally.

DRIVING FUTURE SUCCESS

At DE&S, 2024-25 was a year for solidifying one of the most comprehensive and collaborative change processes to have been completed by a government body in recent years. Building on industry best practice and insights from across Defence, we have transformed DE&S' structure and ways of working. As part of this, we transitioned to our new

Operating Model on 28 March, with all our people now in place and working to deliver at greater pace and scale.

These changes have already reduced our operating costs, while increasing the time spent directly on projects. In the year ahead, we will continue to optimise our Operating Model, remaining agile and responsive to changing demands. We expect to see further productivity improvements, thanks to a greater standardisation and automation of processes.

We will continue to invest in automation and Artificial Intelligence (AI) to support efforts to digitise our workflows and drive greater efficiency. This includes Large Language Model chat-bots, which allow our people to access policy, process and standards information quickly and easily. We will also continue to build on the great work of our capability centres, investing in tools to support digital engineering and speed up the cycle of acquisition, as well as systems modelling tools to support improved development of integrated capabilities.

Our reforms mean we are in a stronger position to support the Defence Reform programme, which is enacting some of the most significant changes to the MOD in 50 years. Defence Reform is creating a smarter, more coherent structure that will enable us to better support UK and NATO operations, and the UK's continuous at-sea nuclear deterrent, with greater speed, scale and precision.

Within this, a new National Armaments Director will sit alongside the Permanent Secretary, the Chief of Defence Staff and the Chief of Defence Nuclear. The National Armaments Director role brings together eight separate procurement budgets, and a number of enabling organisations, including DE&S. They will fundamentally change how the UK develops, procures, delivers and supports our national arsenal. I will hold this position while a permanent National Armaments Director is recruited.

The further evolution of UK Defence will be guided by the outcomes of the Government's recently published SDR and a new Defence Industrial Strategy.*

I have reviewed the 2024-25 Annual Report and Accounts and am satisfied that this document accurately reflects the financial status and corporate position of DE&S for the reporting period. My thanks to our FLCs and industry partners, and all my colleagues at DE&S, who have worked so hard to achieve this.

*The SDR was announced on 2 June 2025 outside of the period covered by this Annual Report and Accounts. Further details can be found on page 136 within the Events after the Reporting Date section. The Defence Industrial Strategy will be published during 2025.

"We know that DE&S plays a pivotal role in helping to keep the UK secure at home as well as abroad."

Tan Dhesi MP, Chair of the House of Commons Defence Committee



Snow covered Archer Self-Propelled Artillery is fired by troops from 19th Regiment Royal Artillery, during a live range on Rovajärvi Training Area during Exercise Dynamic Front, Finland.

CHIEF FINANCIAL OFFICER (CFO) STATEMENT

DAVID JOHNSON, FINANCE DIRECTOR



FINANCIAL PERFORMANCE SUMMARY

It has now been 30 years since the first staff arrived at Abbey Wood in Bristol. Finance was in the initial wave and the profession has been at the leading edge of all the change initiatives since then, adapting systems and processes to ensure we continue to support the business whilst at the same time meeting our statutory commitments. The professionalism and adaptability of finance staff in delivery teams and in Corporate, supported by colleagues in other Professions, has ensured DE&S has delivered unqualified accounts for the last eight years.

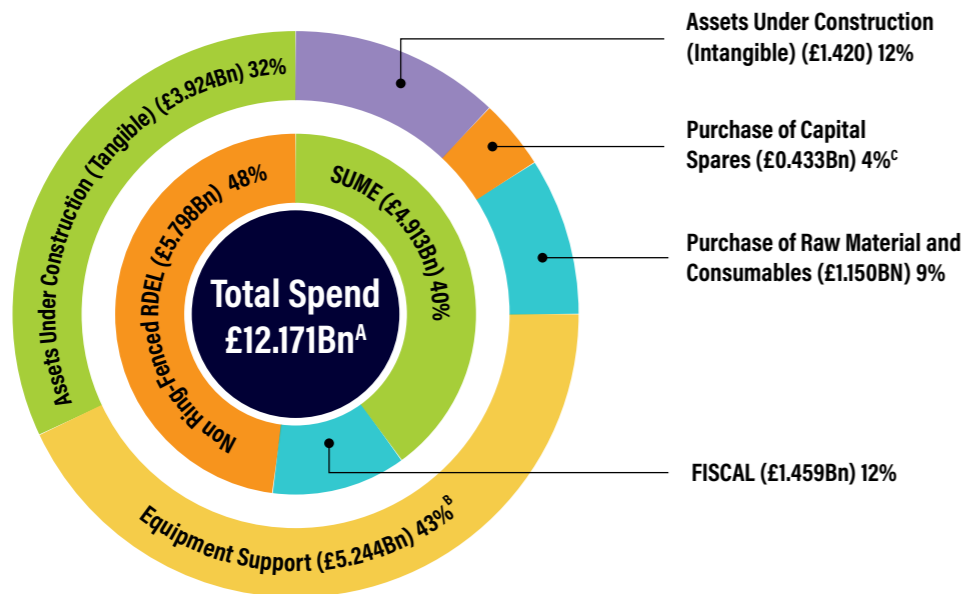
THE EQUIPMENT PLAN

This year we spent £12.171 billion on behalf of the Armed Forces to deliver against an in-year Equipment Plan budget of £12.615 billion. The underspend against the overall in-year budget was due to unexpected commercial challenges and cost changes across several projects.

We delivered 1,099 new assets with a Gross Book Value of £3.826 billion to our clients, of which the largest were for the delivery of the AJAX vehicle £857 million³, HMS Sutherland Upkeep £113 million and two Lightning MY3 aircraft £180 million (for both).

Looking at the longer term, the projected 10 year costs of the programme of work to be delivered by DE&S from Financial Year (FY) 2025-26 to FY 2034-35 increased by £8.485 billion (7%), from £114.068 billion to £122.533 billion. This increase was driven largely by programme scope enhancements requested from our FLCs (£7.862 billion) and the impact of inflation (£1.080 billion). We have, however, continued to identify and deliver efficiencies, resulting in a saving of £715 million over the next 10 years.

DE&S BREAKDOWN OF EQUIPMENT PLAN SPEND FY 2024-25 £12.171 BILLION^A



Inner Ring: Total Spend - Middle Ring: Spend by DEL - Outer Ring: Spend by Category

NOTES

- A. This is a breakdown of Equipment Plan spend that we execute on behalf of the FLCs and is not included within the DE&S Financial Statements in Section 3.
- B. Includes other miscellaneous spend such as digital, research and development and other raw material and consumable movements.
- C. DE&S Equipment Plan spend includes core funded operations but excludes reserve operations and Future Combat Air Systems which is reported separately by MOD Head Office (HO).
- 3 There were also deliveries of AJAX reconnaissance vehicles to the value of £368 million, but they were delivered as individual lines to the asset register (39 x £9.4 million each).

SUPPORT TO CURRENT OPERATIONS

Alongside our core equipment programme, DE&S has supported granting-in-kind to help equip the Ukrainian Armed Forces, both through materiel from our existing stores and through additional rapid procurement activity totalling £884 million. In-year, overall support to Ukraine amounted to £1.478 billion. To replenish stocks, DE&S has instigated a programme of work for FY2025-26 with £477 million already accrued.

OPERATING EXPENDITURE

Every year since we became an Executive Agency, we have operated within the allocated budget. DE&S's core operating costs for 2024-25 totalled £1.251 billion⁴ against a final budget of £1.282 billion⁵ (2.4% under budget). The primary reason for the underspend was the introduction of commitment controls across Government departments, as well as savings measures and recruitment challenges which had an impact on DE&S' ability to deliver the full extent of its planned programmes.

On 28 April 2025, the MOD officially took ownership of the new £104.7 million state of the art storage facility at MOD Longtown in Cumbria, known as the Longtown Defence Storage Facility. This is operated by Team Leidos on behalf of the MOD under the Logistics Commodities and Services Transformation contract. This facility will significantly increase departmental storage and enhance the UK's defence readiness and resilience, whilst streamlining and strengthening supply chain operations.

The spend in FY2024-25 is 8% lower than last year (2023-24 was £1.359 billion). A significant proportion of the £108 million decrease was the reduction in contingent labour costs, where numbers have reduced. In addition, the work and funding for the Longtown Defence Storage Facility, a DE&S project, was concentrated in FY2023-24, which also helps to explain the lower budget and spend in FY2024-25.

	2024-25 (£Bn)	2023-24 (£Bn)	Variation
Budget	£1.282	£1.363	-0.081 (-6%)
Outturn	£1.251	£1.359	-0.108 (-8%)
Variation	-0.031 (-2.4%)	-0.004 (-0.3%)	

⁴ In addition to this, operating costs directly associated with support to Ukraine outside of the core DE&S budget totalled £9.6 million.
⁵ The Operating Expenditure control total and spend figures quoted excludes the Infrastructure Plan. When these costs are included, the respective figures are £1.447 billion and £1.420 billion, giving an underspend of £27 million.

INFRASTRUCTURE AND ENVIRONMENTAL ACTIVITY

Our Infrastructure Plan, which is delegated to DE&S and delivered by the Defence Infrastructure Organisation, outturned at £169 million, £4 million over the final budget of £165 million.

The major capital project to sustain power at Defence Munitions Glen Douglas, continued this year. Across the remainder of our sites, we continue to invest in maintaining safety, security and operational capability. We have also continued refurbishment works to modernise our office accommodation.

To support the DE&S 2025 Environmental Strategy, we have upgraded lighting and power sources to be more energy efficient, and continued installation of solar systems at two MOD sites. In addition, we have undertaken a tree planting initiative at Defence Munitions Plymouth with 30,000 trees planted as part of a cross-Government social value contract with the Ministry of Justice.

FINANCE PROFESSION - CONTINUOUS IMPROVEMENT

Throughout 2024-25 we continued to develop the skills and capabilities of our people with a mixture of mandatory and technical training, driving professionalism within our organisation. All finance roles which mandate a professional accountancy qualification are filled by qualified people. We collaborate continuously with the Department to improve project accounting, forecasting, and other aspects of finance.

During the year we have used the skills developed through Lean Six Sigma training to map out the detailed sub-processes under the Finance Value Stream, supporting the DE&S Operating Model transformation, identifying more efficient and effective ways of working. This has ensured we continue to deliver quality outputs, whilst meeting resourcing challenges. We have introduced a new finance chatbot aimed at helping all professionals in DE&S to get fast and accurate access to the latest accounting guidance and policy. We are also investigating the possibility of utilising Artificial Intelligence (AI) for forecasting expenditure in Resource Departmental Expenditure Limit (RDEL) projects. The initial findings have been positive, and a wider pilot is planned for 2025-

26. This technology has the potential to significantly reduce the number of hours currently absorbed by this key process.

We have continued to develop the Finance Diversity and Inclusion network holding regular events attended by more than 100 staff, with guest presenters on topics ranging from Neuro-inclusion, Accent Bias and Women's Inclusion Network.

GOVERNANCE AND COUNTER FRAUD ACTIVITY

We continue to embed our counter fraud activities under the oversight of the DE&S Fraud Board. Our risk-based approach and the measures that we are taking to combat fraud are outlined in the DE&S Fraud Risk Management Strategy and Response Plan. We have also continued to implement improvements in the automation of key control processes including travel and subsistence and declarations of interest to increase compliance, streamline completion and reduce bureaucracy. We have published a range of intranet articles to raise fraud awareness and continue to promote the MOD Confidential Hotline and our DE&S Whistleblowing and Raising a Concern Policy, through which individuals can anonymously report concerns about anything they think may be criminal activity, fraud or a breach of the Civil Service Code.

OUTLOOK

Looking ahead to 2025-26, we expect to see increased demand from Front Line Commands as defence spending progressively rises. At the same time, increased input costs due to the ongoing impact of conflict on supply chain costs will impact some of the Equipment Plan headroom. The implementation of the new DE&S Operating Model will help us to meet these challenges, as well as improving the organisation's ability to deliver our mission.

Having successfully introduced the new Operating Model we now turn our attention to the challenges and opportunities presented by the introduction of the NAD Group. The scale of the change for the finance community is significant, but I am confident that as a profession we can streamline processes and help facilitate faster decision making whilst at the same time continuing to deliver our statutory obligations. These changes will also help the finance community to respond to the recommendations in the recently announced Strategic Defence Review (SDR).



“ Every year since we became an Executive Agency, we have operated within the allocated budget. ”

ABOUT DE&S

The UK and our allies face increasing threats to our security and way of life. Our Armed Forces protect us from these threats, but they can only do that if they have the right equipment and support to carry out their duties. That's where we come in.

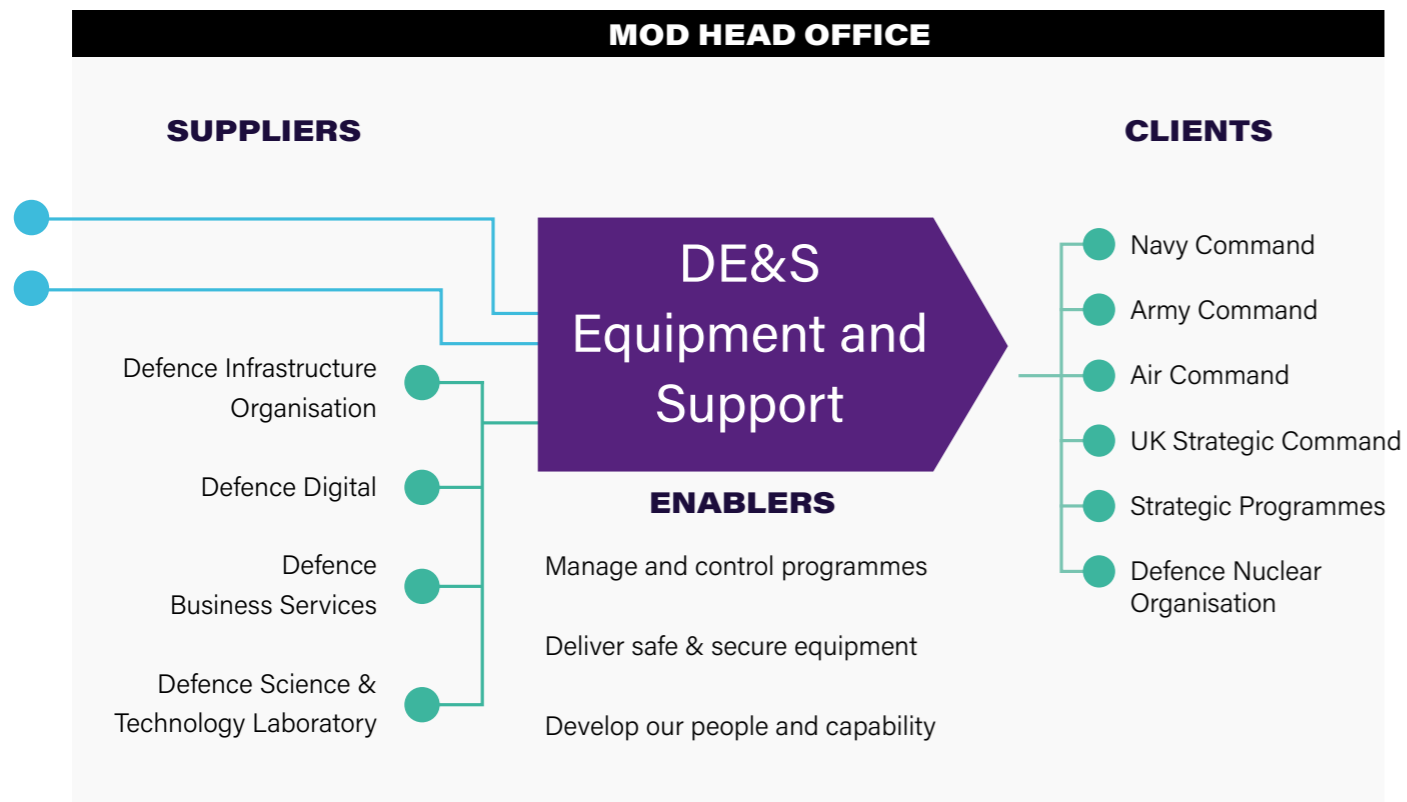
OUR MISSION

Our mission is to equip our Armed Forces with the edge to protect our nation and help it prosper.

WHO WE ARE

DE&S is a professional defence acquisition and support organisation, which is an Executive Agency of the MOD. This means we have delegated management freedoms that provide us with greater flexibility to manage our business and workforce, in order to deliver optimal outputs for our Front Line Commands (FLCs)⁶.

In our drive to operate as One Defence, we work closely with MOD Head Office (HO), Other Government Departments (OGDs) and defence agencies, as well as the FLCs and global defence industry, to deliver, maintain and support safe and reliable equipment to meet the needs of the UK's Armed Forces.



We are one of the biggest delivery organisations of major programmes in the UK. A unique blend of military and civil service personnel, our teams bring their commercial, project management and engineering expertise together to meet defence requirements. Together we play a

critical role in keeping our nation safe and prosperous, making sure the right kit is available at the right time. Our headquarters is in Bristol, with numerous locations across the UK and overseas.

⁶ Includes Navy Command, Army HQ, Air Command, and UK Strategic Command.

WHAT WE DO

We procure and support equipment to meet the full spectrum of defence needs, from bullets and boots to fighter jets, battle tanks and aircraft carriers. DE&S delivers the majority of UK defence's most complex and major programmes at the edge of technical innovation. We also provide critical services to support operational outputs such as defence munitions sites across the UK and salvage and marine operations world-wide. Everything we do is safety focused.

We are investing more into research and development for cutting edge solutions, such as high powered laser

and radio frequency directed energy weapons. Our range of support services includes the British Forces Post Office, which delivers mail to defence personnel in the UK and around the world. When equipment reaches the end of its life, we undertake equipment decommissioning, sale and disposal.

Since February 2022, DE&S has procured and provided lethal and non-lethal aid to Ukraine at an unprecedented scale and rate, alongside delivery and support of our core equipment programme. This work has also included replenishing and building resilience of UK stockpiles.



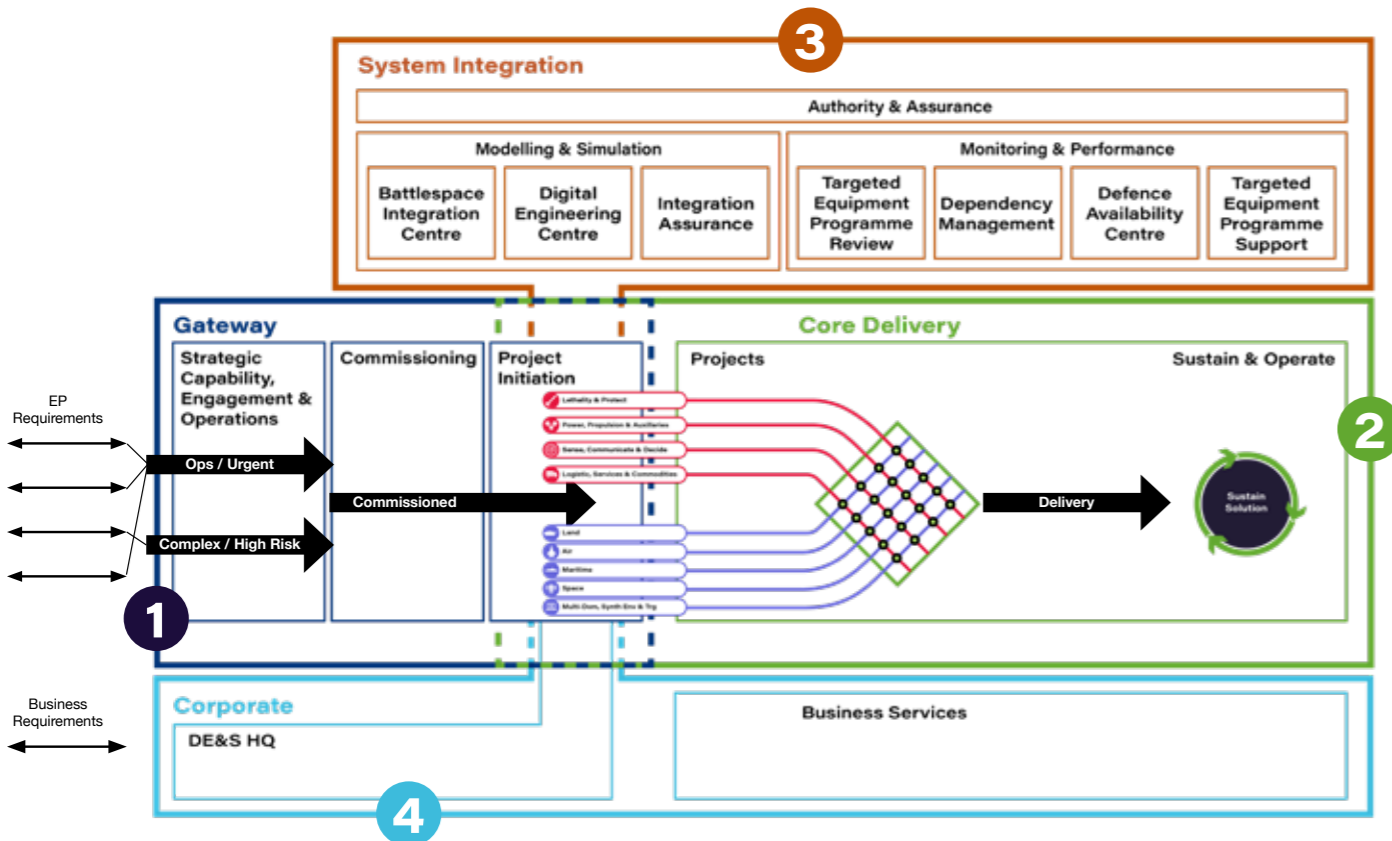
DE&S Headquarters, Abbey Wood.

HOW WE WERE ORGANISED

The environment in which DE&S operates has become increasingly challenging, with conflict, supply chain and economic instability becoming part of our daily lives.

To respond to these challenges and the increasing threats we face, our Operating Model has been re-designed by our people in collaboration with our key

stakeholders. This will allow us to become more efficient and effective, delivering more for our Armed Forces at a faster pace but with fewer resources. The diagram below outlines the four new areas⁷ within DE&S, each led by a Director General (DG). These are Gateway, Core Delivery, System Integration, and Corporate.



1. Gateway The single entry-point for all client requirements. By engaging early with our Defence partners and clients, the Gateway provides insights and support to our Armed Forces to prioritise and set up projects for success from the start.

2. Core Delivery provides our Armed Forces with the equipment and services they need, supported through life. It maximises equipment availability and safety, through standard and reliable processes, allowing for upgrades and the incorporation of new technology.

3. System Integration allows digital engineering and systems thinking across DE&S and works to make sure that equipment, systems and services fit together as a whole.

4. Corporate provides DE&S with essential strategy, planning and governance as well as the shared business services which support delivery.

By transforming our Operating Model, we have supported Defence in the following ways:

- **Higher Productivity:** A DE&S delivering more for less
- **More Pace:** Halving the time to contract
- **Higher Availability:** Providing more availability from our existing fleets
- **More Resilience:** Driving greater interoperability and less fragile supply chains
- **More Prosperity:** Increasing global share of defence exports



“At DE&S, 2024-25 was a year for solidifying one of the most comprehensive and collaborative change processes to have been completed by a government body in recent years.”

Andy Start, DE&S CEO and NAD

A suggestion board from a workshop to inform the design of the DE&S Operating Model.

⁷ We fully transitioned to the new Operating Model on 28 March 2025. From 1 April 2025, Gateway was renamed Options and Commissioning, and Corporate was renamed Corporate and Shared Services.

PEOPLE MANAGEMENT MODEL

As part of our Operating Model re-design work, we developed a new People Management Model to help improve the management, development and deployment of our people. This is helping DE&S:

- assign the right skills and experience to Defence priorities.
- create a more agile and flexible response to allocating resource across our programmes and projects.
- professionalise the support that our people receive both in terms of professional growth and personal wellbeing.

The model has three key areas that support how we will allocate people to the work, which are detailed below:



The DE&S Portfolio Office provides a whole DE&S view of the work we've committed to, what's coming up and the people we have available to deliver it. This is helping control the work we do and make sure there's a realistic balance between the work we've committed to and the work we can actually deliver. In addition, it will set and check plans against capacity budgets and support our Corporate area by providing meaningful data to inform decisions, assess organisational health and evaluate productivity.

The Professions Team⁸ consists of nine Profession leads⁹, led under a single Head of Profession. They provide our people with their professional home, and will work as a single entity to provide strategy, policy and guidance, and maintain professional standards. The Professions Team will also help build the capability of

our people through a consistent approach, and focus on medium to long term career pathways, based on an individual's needs, as well as the business. They will provide the strategic, guiding mind for their profession, establishing ways of working to support operational excellence.

A Skills Group is a grouping of civilian and military people of varying grades, who all share the same technical specialism. Each Skills Group will meet the demand of multiple projects, programmes, or portfolios. This means people are often working on more than one activity and moving between them. Each Skills Group varies in size and is managed by a team of People Coaches¹⁰.

OPERATIONAL EXCELLENCE

In DE&S, our future is based on a competitive approach to deliver effective, reliable, consistent, and repeatable outcomes for our Armed Forces. To do this, we've chosen 'operational excellence' as our 'North Star' and primary focus. This means we will be known for trustworthy and predictable delivery of Defence's agreed priorities and a culture of continuous improvement that translates into value for the taxpayer. Customer intimacy and product leadership remain important; however, it is through maximising operational excellence that we can enhance our delivery for the other two disciplines.

OUR NORTH STAR



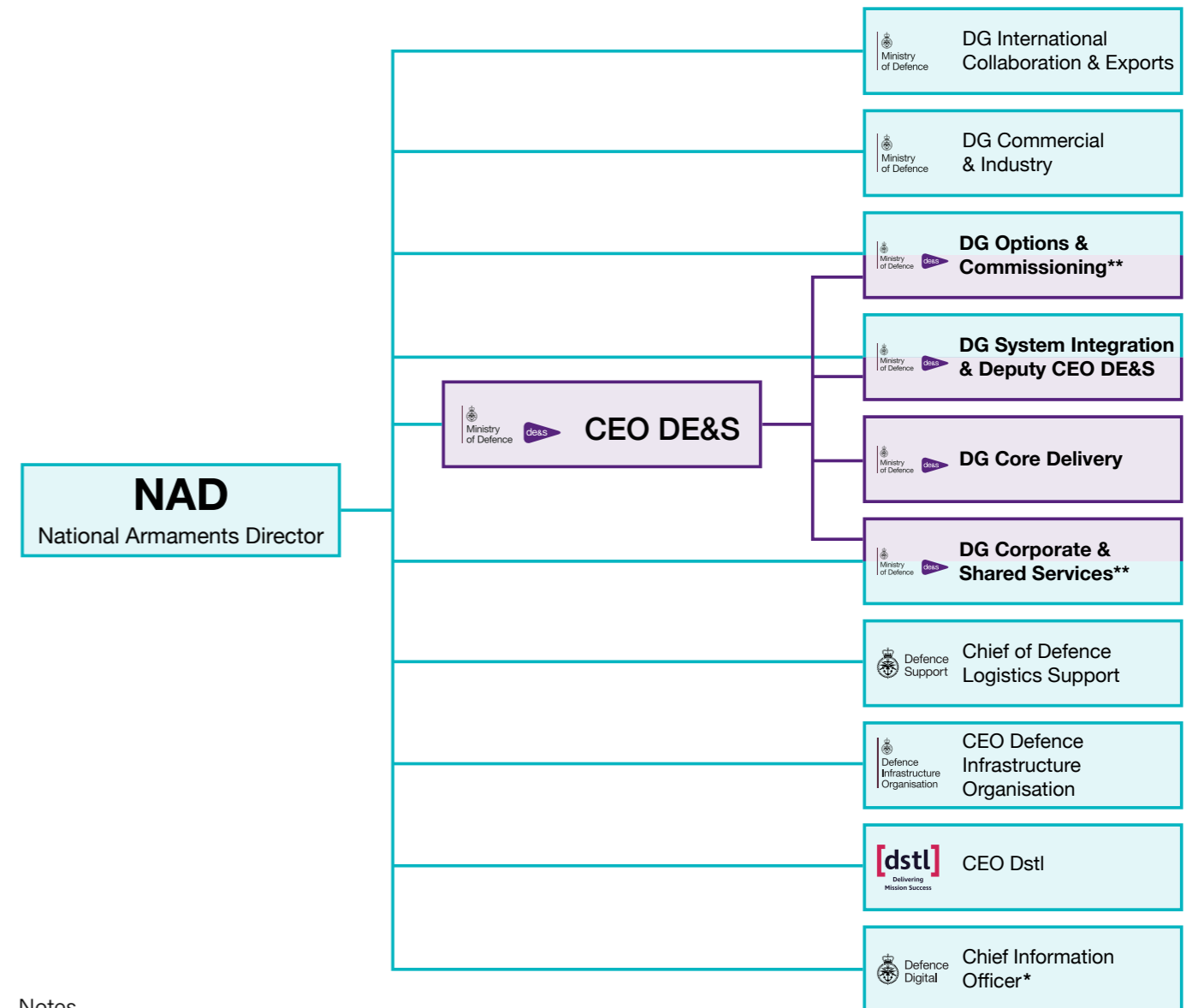
DE&S ORGANISATION IN THE FUTURE

As a result of the Defence Reform programme, a new streamlined MOD leadership structure officially stood up on 31 March 2025, which will simplify UK's complex defence system into four groups. These are a Department of State, a Military Strategic Headquarters, a Defence Nuclear Enterprise, and finally the National Armaments Director Group (NAD) Group.

These new groups have been designed to seamlessly interlock and work together as One Defence, and by radically clarifying the MOD's central structures, we will enable faster decision-making, create more consistent processes and unify our approach. More detailed information about these changes and the implications for Defence can be found in the Secretary of State for Defence address¹¹ on Defence Reform, made at the Institute for Government in February 2025.

NATIONAL ARMAMENTS DIRECTOR GROUP

From 1 April 2025, DE&S became part of the NAD Group as shown in the following graphic, noting that the design and change process to establish the NAD Group is ongoing.



Notes

*Chief Information Officer currently in UK Strategic Command, to move to NAD Group by 1 July.

**DG Options and Commissioning was previously known as DG Gateway and **DG Corporate and Shared Services was previously known as DG Corporate.

¹¹ <https://www.gov.uk/government/speeches/defence-secretarys-speech-on-defence-reform--2>.

⁸ The Professions replaced the Functions in October 2024.

⁹ There are nine Professions which are Commercial, Corporate Operations Group, Engineering, Finance, HR, Digital and Data Profession, Operational Delivery, Project Delivery, Security

¹⁰ A People Coach is responsible for the development and management of a group of individuals within a specific Skills Group.

OUR BUDGET

The MOD delegates the bulk of the equipment and support budget to the FLCs, giving them responsibility for prioritising what is most critical. As such, DE&S does not own the budget for the Equipment Procurement Plan or the Equipment Support Plan, but our responsibility is to deliver against those plans within budget.

The agreed programme of work is set out in the Command Acquisition and Support Plans (CASPs). These are individual formal agreements with our FLCs that capture the outputs our teams will deliver against. The agreements set out the equipment, support and services we will acquire on the FLCs' behalf, within what budget, and to what timescale. MOD HO holds us to account for delivery, and measures performance through Key Performance Indicators (KPIs) which underpin our objectives.

We are directly responsible for our own operating expenses, and we carry out our business activities within an Operating Expenditure (OpEx) budget which

flows from MOD HO. Our operating expenses include staff costs, private sector support¹², other programme costs and capital additions. Our accounts also include notional communicated costs, which cover the services that are incurred through activities with other MOD organisations.

The Financial Statements at section three have been prepared in accordance with the Accounting Boundary agreed with MOD. This delineates between DE&S' operating activities (above), reported in our financial statements; and those equipment procurement/support activities which are reported in MOD's own financial statements. More information regarding the Accounting Boundary can be found in the Statement of Accounting Policies in the notes to these accounts. We comply with His Majesty's (HM) Treasury's 'Managing Public Money' guidance, and its other supplementary instructions. We also observe the standard financial processes and rules set out by MOD DG Finance.

OPERATING AS AN EXECUTIVE AGENCY

DE&S was launched as an Executive Agency of the MOD in April 2014, with unique management freedoms delegated by HM Treasury and the Cabinet Office. Whilst we are an integral part of the MOD, and remain fully accountable to the Defence Board, we have an additional governance structure, with an advisory Board, which ensures we use our targeted freedoms to manage our outputs and workforce within an operating cost budget.

Our classification has allowed us to strengthen the client supplier relationship and facilitate a more business-like approach. We have also been able to implement changes outside of wider Government norms, particularly around the management of our people, to help us to attract, develop, retain and deploy talent as required, to help meet our FLCs' requirements.

DELIVERING AGAINST OUR DE&S STRATEGY

In 2023 we refreshed our DE&S Strategy, with a focus on "unlocking our capacity to increase Defence's outputs." This has meant changing the way we operate and to

deliver more from our supply chain, faster and more effectively from our available budget, whilst ensuring we continue to adhere to our values below:

DE&S VALUES



¹² Private sector support is not included in staff costs. This external support supplements our capacity and capability to manage DE&S' programme of work and may include support to business improvement/our change programme. This is explained in more detail on page 96.

Our Strategy sets out the strategic direction for the business and is built upon delivering more of what matters for our Armed Forces and the UK. To achieve this, our strategy has **three strategic outcomes**, which are detailed below. Although our Strategy remains relevant it will be reviewed in light of Defence Reform and Strategic Defence Reform outcomes.

TODAY

Delivering the output our armed forces need today. We put the right people in place to ensure our our armed forces colleagues have lifesaving, battle-winning capabilities. We get the right kit into their hands quicker, with more availability, when and where they need it.

TOMORROW

Sharpening Defence's edge for tomorrow. We will exploit innovative technology and new ways of working to better deliver our mission. We will pioneer integration across DE&S and UK Defence. We will be an intelligent, market-informed supplier, maximising the use of our professional expertise to better inform Defence's upfront decision making.

TOGETHER

Driving efficiency and competitiveness together. We will do all of this as part of a One Defence team, driving excellence across UK Defence, to face down the threats we can see clearly and those yet to emerge.

OUR STRATEGIC PRIORITIES FOR 2024-25

Alongside the Today, Tomorrow, Together approach, setting **our strategic priorities** provides the roadmap for achieving our mission **'to equip our Armed Forces with the edge to protect our nation and help it prosper'**. The three organisational priorities we set ourselves at the start of the year, as shown in our Corporate Plan, are detailed below:

- Continuing to deliver support to operations, including Ukraine
- Implementing our new Operating Model
- Improving delivery performance, by accelerating time to contract and improving supplier delivery performance

We used our **Objectives, Goals, Strategy and Measures (OGSM) framework** to measure progress against these priorities over the year, which was broken down into five high level Key Performance Indicators (KPIs) as stated below:

- Support to Operations
- Delivery of our new Operating Model
- CASP Delivery
- Project Delivery
- People and Finance

Further details on our OGSM and performance against these KPIs can be found within the Performance Analysis section starting on page 34.

HIGHLIGHTS - DELIVERING FOR DEFENCE

Over the past year we have delivered significantly in direct support of DE&S' strategy and are actively working with our Armed Forces colleagues, industry partners and allies to deliver over 2,727 contracts. Below is just a snapshot of some of what our people have achieved.



OUR PEOPLE

- Over 12,000 colleagues were mapped into our new Operating Model design, supported by our new People Management Model.
- We placed the development and wellbeing of our people first by internally recruiting more than 360 new People Coaches and Coaching Supervisors while designing and delivering a new People Coach development programme.
- We were immensely proud to be named Public Sector Organisation of the Year for our commitment to excellence in project delivery and outcomes at the Association for Project Management Awards 2024.
- Defence Electronics & Components Agency successfully completed its transition into DE&S in April 2024, which saw over 400 new colleagues welcomed into DE&S.
- Military personnel were recognised for their outstanding service to Defence in the King's Birthday and New Year Honours lists, while others were awarded King's Coronation Medals.
- President Volodymyr Zelenskyy awarded the Order of Merit of Ukraine to a member of DE&S and a MOD colleague,
- reflecting the enduring collective commitment to supporting Ukraine since the Russian invasion began.
- Two DE&S staff received diversity and inclusion recognition awards from the Bristol City Council Stepping Up Programme, while we also received a certificate of excellence in equity, diversity and inclusion from the council.
- Two DE&S staff received accolades at the MOD Quality Awards 2024 in recognition of their commitment to quality in Defence.
- DE&S received the top prize in the Risk Excellence category at the Government Finance Function Awards 2024 for delivering the Risk Management Improvement Programme.
- Our Air Defence and Windfarm Mitigation Systems team was awarded one of the 2024 Government Commercial Function Awards, were highly commended at the Defence Commercial Awards, and shared an award at the Global Offshore Wind Awards.
- The work of our Salvage and Marine Operations team in retrieving the bell from a US Navy ship, USS Jacob Jones, sunk during World War One featured on the BBC archaeology documentary 'Digging for Time'.



TODAY

- The final 12 of 50 Apache AH-64E attack helicopters were delivered, providing the British Army with a battle-winning edge on operations.
- The fourteenth and final Archer Heavy Artillery System was delivered to the British Army as interim replacement for the AS90 Artillery Systems gifted to Ukraine.
- The Tyche Intelligence, Surveillance and Reconnaissance satellite was launched into space to support UK Space Command and our Armed Forces, while contracts were awarded to procure Juno and Oberon satellites.
- The number of Ajax vehicles delivered to the British Army surpassed 95 with more than 42,000 kilometres driven during reliability growth trials.
- We provided extensive support to the NATO Exercise Steadfast Defender, ensuring Royal Navy ships and aircraft were available for deployment and helping to mobilise over 2,000 land vehicles.
- The first 137 of 500 new Rheinmetall MAN trucks, used to transport essentials such as ammunition, food and water,
- were delivered to the British Army after a rapid procurement process by DE&S.
- Royal Fleet Auxiliary (RFA) Stirling Castle, which will locate, identify and neutralise underwater explosive threats was rapidly procured by DE&S and accepted into the RFA fleet.
- We extended an operational support agreement with Leonardo Helicopters for Merlin helicopters, supporting over 1,000 UK jobs.
- We awarded a £250 million contract to Thales UK to upgrade the communication systems of the Royal Navy's warship and submarine fleet, securing 100 high skilled jobs.
- We awarded a £122 million contract to Airbus for six H145 helicopters to provide aviation support for UK troops in Brunei and Cyprus, and modification of the fleet began.
- We placed a £38 million order with Avon Protection to supply General Service Respirators to UK Armed Forces, sustaining 200 jobs.



TOMORROW

- The first all British built Boxer armoured fighting vehicle was showcased at the International Armoured Vehicle conference and a total of 25 were delivered to UK MOD, with two of these fielded to the British Army.
- We awarded a £21 million contract with L3 Harris Technologies to supply 50 T4 Explosive Ordnance Disposal remote-controlled robots for the British Army. This will help specialist teams safely deal with improvised explosive devices and hazardous materials.
- The builds of Type 31 frigate HMS Formidable and Type 26 frigate HMS Sheffield started, while Type 26 HMS Cardiff took to the water for the first time in Scotland
- The E-7 Wedgetail early-warning aircraft completed its first functional flight in 2025 and its new home was officially opened at RAF Lossiemouth.
- The latest prototype of the European Common Radar System Mark 2 was flown for the first time on a UK Typhoon. This platform was used for the first guided firing of the new SPEAR missile, to be integrated onto F-35B aircraft.
- Working with the DSTL, Project Swinton saw a laser directed energy weapon demonstrator fired from a British Army Wolfhound vehicle for the first time, tracking and taking down drones.
- A radio frequency directed energy weapon demonstrator was tested by the British Army. This was the first time a swarm of drones was immobilised in this way, helping to assess the future potential of this new technology.
- A landmark agreement was made between the UK and Germany to collaborate on integrating the 155mm Remote Controlled Howitzer heavy artillery gun onto Boxer vehicles to create the future Mobile Fires Platform for the British Army, which will be delivered by DE&S.
- A silent hangar at MOD Boscombe Down under a new £20 million contract awarded to QinetiQ will help develop and protect UK platforms to perform in the harshest electromagnetic environments.



TOGETHER

- We worked with the Royal Navy, DIO and Blue Marine Foundation charity on a marine conservation project to boost biodiversity. This work re-introduced more than 2,000 European flat oysters at Navy Command's HMS Excellent headquarters in Portsmouth.
- Development of a UK hypersonic strike capability took a substantial leap forward with a new Hypersonic Technologies & Capability Development Framework managed by DE&S, worth up to £1 billion across the next seven years.
- We worked with our international partners in OCCAR¹³ to order more Aster missiles from Eurosam and MBDA, which have been extremely effective defending commercial ships in the Red Sea.
- Battle-winning complex weapons for the UK were secured for another decade when we signed the second 10-year Portfolio Management Agreement with MBDA. Complex weapons will be more quickly delivered thanks to a new £6.5 billion planned investment in British industry.
- A new £850 million framework under the Marine Systems Transformation programme will help small to medium-sized enterprises play a greater role in ensuring Royal Navy warships and submarines are always available for world-wide operations.
- We helped bolster the UK defence industrial base by awarding a £61 million contract to BAE Systems, who are working with Sheffield Forgemasters to begin gun barrel production in Yorkshire for the first time in almost two decades.
- We supported more than 25 industry export campaigns, as well as delivering an innovative Government arrangement to support collaborative jet engine technology development with India.
- We worked with the DIO and contractors Skanksa and Mace to deliver a new storage facility at MOD Ashchurch for up to 900 British Army vehicles with dedicated inspection and maintenance facilities.
- Our partnership with North Bristol National Health Service Trust continued as our mutual mentoring programme, to drive collective improvement, entered its fourth year.
- We delivered the first autonomous Maritime Mine Counter Measure systems, which will ensure greater effectiveness and efficiency for the Royal Navy.

¹³ The Organisation for Joint Armament Co-operation (OCCAR) is an international organisation whose core business is the through life management of complex, cooperative defence equipment programmes.

IMPROVING DELIVERY

Over the past year, DE&S has focused on improving the quality, speed and scale of the equipment and support solutions we deliver to our FLCs, and on strengthening the partnerships that underpin our defence enterprise and international alliances.

Further details on how we have improved delivery and other work taking place within our organisation to support our strategic outcomes can be found below.

TODAY

OPTIMISING OUR OPERATING MODEL

DE&S has focused on finalising our new Operating Model and on-boarding our people into its new ways of working. The Operating Model has strengthened our systems, and simplified how we develop, procure and support equipment for our Armed Forces. It is built with smarter, leaner, more consistent processes that help our people deliver capabilities in the most efficient way, and at the pace and scale our mission partners¹⁴ need. The Operating Model has four interlocking areas. New requirements are first developed and refined in the Gateway and then driven forward through Core Delivery, while being supported by Corporate and System Integration.

The Operating Model is powered by a new People Management Model. The model unlocks a more agile approach to deployment, repositioning our people to where they are needed most and where their skills and experience can be put to best use. The People Management Model is underpinned by over 65 Skills Groups, each of which acts as a professional home for our people, from which they can be deployed and receive support and skills-based training. We have also recruited more than 360 People Coaches and Coaching Supervisors; talented people managers who focus on matching staff to tasks, career management, and providing general support and care.

HOW WE DELIVER EQUIPMENT AND SUPPORT

In July 2024, DE&S stood up the Core Delivery area, the central part of the Operating Model. New ways of working and team structures are adopting standardised and common processes, and optimising delivery in a more intelligent way across technologies and environments. DE&S continues to be at the forefront of the UK's support to Ukraine, and lessons identified from delivering this, such as incremental procurement, staff empowerment and appropriate risk-taking, are being implemented across the business.

We created the Support Authority within System Integration, which spans the key disciplines of support acquisition and procurement, inventory management, equipment support and supply chain. The Support Authority will develop the policies, standards and controls to strengthen the quality and effectiveness of DE&S' support strategies and support plans to meet the warfighting requirements of our customers. We will work with our mission partners to drive innovation in how support is enabled.

The newly established Corporate area has also provided essential strategy, planning and governance across DE&S, enabling our delivery teams to work at greater pace. A Corporate Business Services Portal offers a range of virtual and in-person services via a 'one stop' doorway, bringing together essential business services. This includes ordering stationery and reprographics through to a range of occupational health and safety services, and travel bookings.

SUPPLY CHAIN RESILIENCE

The Defence Availability Centre, one of three Defence Capability Centres hosted by DE&S¹⁵, became fully operational in March 2025. It is able to present a global view of availability challenges and can provide higher quality data to drive collaborative problem-solving, better informed decision-making and improve overall platform readiness.

DE&S is also delivering the UK Strategic Command requirements through the pan-Defence Future Defence Support Services programme¹⁶, which has progressed through its early stages. This programme aims to

find the best commercial arrangements for inventory management from 2028 and will deliver the availability, agility, flexibility and resilience that UK Defence requires of its support services.

The pan-Defence Business Modernisation for Support programme is upgrading legacy IT systems and implementing a set of standardised processes based on industry best practice. This programme is actively advancing the delivery of the Defence Equipment Engineering and Asset Management system¹⁷ which will play a crucial role in improving efficiency and effectiveness within support operations.

The Defence Supply Chain Capability Programme aims to increase supply chain capability across Defence by cohering our approach to supply chain risk, implementing a common Supplier Management Framework and establishing the MOD's first in-house supply chain architecture capability. Alongside this, the Defence Supply Chain Resilience hub was established to provide a high level 'one-stop shop' for key products and services from across the Defence supply chain risk and resilience community.

TOMORROW

UTILISING PROCESS AUTOMATION AND ARTIFICIAL INTELLIGENCE

We have continued to significantly grow and develop our automation and Artificial Intelligence (AI) capability. Over the last year, we have delivered over 332,000 automated transactions and saved 229,000 hours¹⁸.

We have been able to fully utilise Large Language Model technology to create Chat-MOD, a programme which mines huge amounts of MOD and non-MOD content to create responses to user inputs and learned examples. This is helping DE&S staff with a wide range of writing tasks, including summarising large bodies of text and retrieving information for research.

DE&S launched the Defence Standards and Finance chat-bots in June 2024 and March 2025 respectively, which provide users with easier access to a full suite of technical and financial policy documents. We

also completed a pilot to see how AI can support departmental financial forecasting processes, with positive results.

We are embedding retrieval augmented generation solutions across our business, which can generate answers to queries from scratch rather than from pre-existing responses. This will help DE&S retrieve and use large amounts of complex data from various internal sources for better generative AI results.

To ensure our workforce gets the most value out of our AI solutions and to help create an AI-literate organisation, we have delivered an AI training pathway which builds knowledge progressively through a series of e-learning activities. In collaboration with the Defence AI Centre, we have also ensured that our AI products are responsibly delivered by creating and adhering to robust AI assurance processes.



EXPLOITATION OF INNOVATION AND TECHNOLOGY

DE&S has learned valuable lessons from the Ukraine conflict and has implemented improvements to how we develop and incorporate novel advancements into our capabilities.

One example of this is the shift within DE&S' Future Capability Innovation (FCI) team away from pre-concept projects, where we consider if new capabilities are worth investing in, towards capability accelerators and prototype warfare.

The FCI team is now part of the Gateway area, where earlier and more fulsome conversations between DE&S and our mission and industry partners are fostered. FCI teams have been reorganised into a Prototype Warfare

¹⁴ Includes Front Line Commands, our allies, the global defence industry, MOD Head Office, other MOD agencies, and OGDs.

¹⁵ The other two are: the Digital Engineering Control Centre which harnesses latest digital engineering techniques; and the Battlespace Integration Centre which is bringing together data, insights, modelling and expertise from across defence.

¹⁶ A Gateway initiation project in the concept phase.

¹⁷ Forecast to achieve full capability by early 2027.

¹⁸ This benefit is defined as the time saved through the removal of a manual process or through being able to action tasks that a lack of staff would previously have prevented.

team and a Capability Accelerator team. The first focuses on rapid capability development driven by front-line user needs. The second focuses on exploring novel technologies and then accelerating these into operation if they are useful and affordable. This change will ensure DE&S can rapidly explore new ideas, move them into operational prototypes and either progress with successful concepts or pivot to alternative solutions.

As well as a fresh focus, the two teams employ more modern ways of working. For example, the Prototype Warfare team follows the 3-2-1 product development model, where they task industry via competitive bids, funding the best three to a minimal viable product. After assessing these, they take forward the top two to minimum viable deployable capability, and finally the best capability to scale and further development¹⁹. Variations of the model have been used, to create one-way attack drones and boats, first-person-view drones and interceptor drones.

IMPROVING MANAGEMENT INFORMATION

Data is helping us fuel innovation, efficiency and competitiveness, and has been used across our organisation to steer decisions, shape strategies and help transform our Operating Model.

DE&S' current Management Information (MI) Strategy provides the foundations for delivering organisation-wide solutions for the MI requirements of our organisation and mission partners, using the latest technology and trends to give us the edge when making data-driven decisions. Our governance framework also ensures the insights supporting effective decision-making are underpinned by trusted data with a known and actively managed level of quality. We launched the DE&S Portfolio Office, a single source for collecting, collating and analysing MI requirements for DE&S.

DE&S' three capability centres achieved Full Operating Capability (FOC)²⁰ in March 2025. These will significantly speed up project delivery, increase the availability of key platforms and ensure the equipment we procure is interoperable across our Armed Forces and with our allies.

TOGETHER

WORKING WITH INDUSTRY

We work with suppliers ranging from large, established international defence companies through to small, specialist niche providers, so that we can deliver a vast array of equipment to our FLCs and mission partners at pace, whilst proving value for money. Indeed, over the next 10 years we are on track to deliver over £122 billion worth of equipment ranging from Challenger 3 tanks to next generation uncrewed autonomous systems.

To help us achieve this, a Defence Industrial Joint Council²¹ has been established to bring together a diverse range of sector representatives, including Trade Unions, the investor community, Subject Matter Experts, major defence suppliers and trade associations. The Defence Industrial Joint Council will support the implementation of the Defence Industrial Strategy, help drive exports and improve decision making and productivity. It will support sharing information between market participants and government and overcoming coordination issues, shaping public-private investment strategies, and by involving all relevant stakeholders in the collective endeavour of national defence.

We continue to support the growth and success of UK micro, small and medium-sized enterprises, which are incubators of innovation, highly agile in producing solutions and are crucial to the government's growth mission. Through initiatives like the recently announced Defence Small Business Support Centre, we are making it faster and simpler for companies of all sizes to access defence procurement opportunities. In 2024-25, the MOD spent £1.3 billion with micro, small and medium-sized enterprises, equivalent to four percent of the total MOD expenditure. Our aim is to increase these numbers in the coming years.

The Defence Supply Chain Capability Programme was launched in November 2024 with the aim of radically improving our supply chain capabilities and providing a step-change improvement in how Defence understands, designs and manages our industrial ecosystem. It will help challenge people in Defence and industry to think differently about how they can collaborate as One Defence to help promote economic growth in the

context of increasing global instability and create greater resilience, speed and adaptability in the supply chain.

There has also been fruitful engagement with the new NAD and Defence Reform teams to establish how market engagement can be effectively embedded into the future MOD Operating Model and enable a seamless transition through the procurement process. To support this, process mapping has been carried out on existing market engagement activity across Defence in order to identify and further improve existing approaches.

ONE DEFENCE

This year, DE&S welcomed the launches of the SDR* and Defence Reform**, both of which intend to bring about wide-reaching changes to create a stronger and more integrated Defence.

The SDR is a root-and-branch assessment, considering all aspects of UK Defence to establish the roles, capabilities and reforms required to meet the challenges and opportunities of the 21st century. DE&S' senior leaders and Subject Matter Experts have contributed to the SDR, informing its recommendations regarding acquisition and support to ensure they deliver the capabilities and growth the UK needs.

The Defence Reform programme is transforming the central structures of the MOD to focus on improved decision-making and integration across our Services and with our allies. These include a new NAD role with oversight of the end-to-end defence acquisition system, including DE&S. The NAD is bringing together teams from across Defence to drive alignment and accelerate delivery of more innovative, more integrated, more lethal systems.

The new Operating Model has been designed to flex and evolve in line with changing priorities and ensures that DE&S is able to effectively support the new NAD and the changes taking place across the enterprise.

We are also playing our part with shaping and delivering the Defence Industrial Strategy by building a resilient supply chain, ensuring the national arsenal has the required readiness state.

COMMERCIAL IMPROVEMENTS

Commercial improvements have been made across the MOD and within DE&S this year. These have helped ensure that DE&S continued to provide effective professional judgement and advice on commercial and procurement matters, while allowing us to comply with changes in legislation and guidance.

We updated our policy to mandate that Commercial Exploitation Agreements are in place for new contracts, in order to secure returns on investment. The Commercial Exploitation Levy process has also been refined to enable more effective utilisation of revenue towards Departmental business priorities. The Commercial Exploitation Levy revenue generated in 2024-25 was around £27.7 million, an increase of £2.7 million from 2023-24.

The Accelerating Commercial Pathways programme is creating new, simpler commercial policies, processes and approvals for procuring Defence capabilities that are quicker and easier to navigate.

The Low Complexity Procurement programme is simplifying procurement and reducing the time taken to purchase low complexity goods and services to provide an online purchasing platform and host around 11 million items.

DE&S, supported by the Single Source Pricing Support Centre of Excellence, continued to constructively engage with our suppliers, utilising Single Source Contract Regulations and the Defence Reform Act to obtain transparency of costs and value for money. DE&S is leading on behalf of the MOD, working with our Strategic Suppliers to ensure appropriate treatment of costs and inflation.

The Procurement Act 2023, which became law in February 2025, replaced the existing and separate regulations governing public procurement. In their place, it created a simpler and more transparent regime for public sector procurement that is intended to deliver better value for money and reduce costs for businesses and the public sector. DE&S Commercial staff have completed 14,383 hours of training, and have been implementing the new regulations throughout the organisation.

¹⁹ Spiral development principles help guide teams to rapidly deliver minimum viable products and then iteratively upgrade based on new developments and in-service experience.

²⁰ FOC is defined as the completion of a defined development phase, normally following Initial Operating Capability.

²¹ This Defence Industrial Joint Council will replace the Defence Suppliers Forum from Spring 2025.

*The SDR was announced on 2 June 2025 outside of the period covered by this Annual Report and Accounts. Further details can be found on page 136 within the Events after the Reporting Date section.

** Defence Reform's new structures stood up from 1 April 2025. Further details can be found in the Secretary of State for Defence address on Defence Reform, made at the Institute for Government in February 2025.



PERFORMANCE ANALYSIS

This section includes a detailed summary of our corporate performance over the year.






Personnel at work at 1 Air Control Centre CRC at RAF Scampton.

OUR PERFORMANCE ON A PAGE

The DE&S OGSM framework provides a robust mechanism which sets out what we intend to do and how we will measure progress against it. In turn, this helps link our strategic outcomes and priorities, listed in the Corporate Plan, to our individual contributions right across DE&S.

Our OGSM has been made up of five high level KPIs this year, each underpinned by a set of measures. The table below shows the KPIs and measures used to monitor our performance in 2024-25, noting that weighting and scoring has been attributed to each in order to calculate our overall OGSM corporate performance score of **73.8%**.

OGSM Framework

KPI	Measure	Weight	Metric criteria	Year end result
KPI 1 Support to Operations 	KPI 1A - DE&S contribution to Continuous At Sea Deterrent (CASD).	4%	[Blank]*	[Blank]*
	KPI 1B - Delivery of KINDRED approved project to cost.	4%	≥ 90% = 4% 80-90% = 3 % <80% = 0%	Outturn was 100% which equates to 4% of available weighting)
	KPI 1C - Support Department of Business and Trade to deliver Ukraine Trade Missions.	4%	≥ 2 trade missions = 4% 1 trade mission = 2% 0 missions = 0%	(Four trade missions undertaken in-year which equates to 4% of available weighting)
	KPI 1D - Delivery of a bilateral government to government arrangement to enable industry to contract into Ukraine.	4%	Met = 4% Fail = 0%	This KPI was met which equates to 4% of available weighting)
	KPI 1E - Delivery of Ukraine in-country contracts with UK companies.	4%	≥ 2 contracts delivered = 4% 1 contract delivered = 2% 0 contracts delivered = 0%	(Seven Ukraine in-country contracts were let which equates to 4% of available weighting)
KPI 2 Delivery of the Operating Model 	KPI 2A - Meeting Initial Operating Capability (IOC) for Core Delivery and Full Operating Capability (FOC) for the Operating Model.	5%	both targets met = 5% 1 of 2 targets met = 2.5% 0 targets met = 0%	Both targets met which equates to 5% of available weighting)
	KPI 2B - Achieving agreed in-year key milestones for each of the new areas of the Operating Model.	5%	10 milestones with each one worth 0.5% for OGSM	(Eight of ten milestones met which equates to 4% of available weighting)
	KPI 2C - Productivity - Increasing the ratio of direct to indirect time bookings.	5%	≥ 60% = 5% ≥ 59% but <60% = 2% <59% = 0%	(Outturn was 63.1% which equates to 5% of available weighting)
	KPI 2D - Completion of a design representing a smaller organisation.	5%	≥ 10% reduction = 5% < 10% reduction = 0%	(This KPI was met which equates to 5% of available weighting)
KPI 3 CASP Delivery 	KPI 3A - Delivery of agreed Command Acquisition and Support Plans (CASP) strategic milestones.	10%	Percentage achievement is applied to the 10% weighting (e.g. 92% achievement equates to 9.2% added to the OGSM total).	(Outturn was 90% which equates to 9% of available weighting)
	KPI 3B - CASP availability performance.	10%	Percentage achievement is applied to the 10% weighting (e.g. 92% achievement equates to 9.2% added to the OGSM total).	(Outturn was 88% which equates to 8.8% of available weighting)
KPI 4 Project Delivery 	KPI 4A - Outline Business Case procurement project cost & time performance.	5%	Number of FLCs ²² ≤ 0 (1% for each of the five FLCs)	(One of five within tolerance which equates to 1% of available weighting)
	KPI 4B - Full Business Case procurement project cost & time performance.	10%	Number of FLCs ²² ≤ 0 (2% for each of the five FLCs)	(One of five within tolerance which equates to 2% of available weighting)
	KPI 4C - Reduction in time from Outline Business Cas to contract award.	5%	Target met = 5% Target not met = 0%	(Target not met which equates to 0% of available weighting)
KPI 5 People and Finance 	KPI 5A - Operating Expenditure budgetary control - Operate within our in year budget.	5%	≤ budget = 5% > budget = 0%	(Target met which equates to 5% of available weighting)
	KPI 5B - Forecast stability to budget (procurement & support).	5%	Number of FLCs ≤ 0 (1% for each of the five FLCs)	(Three of five within tolerance which equates to 3% of available weighting)
	KPI 5C - All staff to be assigned to a Skills Group and People Coach.	5%	Met = 5% Not met = 0%	(Target was met which equates to 5% of available weighting)
	KPI 5D - Completion of business and required learning.	5%	Met = 5% Not met = 0%	(Target met which equates to 5% of available weighting)

A detailed summary of our performance against these KPIs and measures can be found on the following pages.

Overall Corporate Performance Score 73.8%

* Detailed information on this KPI is not reported publicly on security and commercial sensitivity grounds, however CASD was maintained throughout.

²² Includes four FLCs and Strategic Programmes

CORPORATE PERFORMANCE

Corporate performance for 2024-25 is set out in this chapter of the report. Corporate performance (including performance against our KPIs, financial performance, management of risk and safety performance), is regularly assessed by the DE&S Board, Executive Leadership Team, and reviewed by our FLCs²³. More information on our governance structures and activity for 2024-25, as well as information on our key risks and issues, is set out in the Governance Statement starting on page 61 which forms part of the Accountability Report.

As part of our Operating Model optimisation work, DE&S has undergone a major transformational change this year. This has resulted in the KPIs used for 2024-25 being significantly different to those used in 2023-24 in order to align with revised strategic objectives and priorities.

Our KPI outcomes with supporting explanations are provided on the following pages.

KPI 1 – SUPPORT TO OPERATIONS

DE&S provides a huge, and growing, amount of support to operations in Ukraine and around the world. This new KPI recognises how important this work is, and the amazing efforts of our people in supporting it. Metrics under KPI 1 have an overall weighting of 20%.

KPI 1A – DELIVERY OF UK NUCLEAR DETERRENT COMPONENTS

Measure	Outturn	OGSM Scoring Thresholds
New: DE&S contribution to Continuous At Sea Deterrent (CASD); delivery of related components that DE&S are solely responsible for, are on or above the required minimum stock holdings.	[Blank]	[Blank]

Detailed information on this KPI is not reported publicly on security and commercial sensitivity grounds, however CASD was maintained throughout.

KPI 1B – DELIVERY OF KINDRED APPROVED PROJECTS TO COST

Measure	Outturn	OGSM Scoring Thresholds
New: Deliver 80% of KINDRED approved projects to cost. Stretch target – 90%. This includes Ukraine and Rest of the World projects.	100%	≥ 90% = 4% 80-90% = 3 % <80% = 0%

This KPI is about delivering approved KINDRED projects to cost during FY 2024-25. DE&S successfully achieved this KPI, delivering 100% of what we were approved to deliver in year.

23 There is also a CASP with Strategic Programmes which is not an FLC but part of MOD HO.

KPI 1C – SUPPORT DEPARTMENT OF BUSINESS & TRADE TO DELIVER UKRAINE TRADE MISSIONS

Measure	Outturn	OGSM Scoring Thresholds
New: Support the Department of Business and Trade to deliver two Ukraine Trade Missions in FY 2024-25 in support of UK industry.	Achieved	≥ 2 trade missions = 4% 1 trade mission = 2% 0 missions = 0%

This KPI is about allowing the UK to build a sustained defence industrial partnership with Ukraine and complements the ongoing work of the UK and allies in the international Capability Coalitions to create a sustainable Ukrainian future force. Four trade missions involving over 100 different UK companies, were completed. To date, over 30 Joint Ventures or trade deals have been completed. Export contracts of over £1.5 billion have been signed.

KPI 1D – DELIVERY OF A BILATERAL GOVERNMENT-TO-GOVERNMENT ARRANGEMENT TO ENABLE INDUSTRY TO CONTRACT INTO UKRAINE

Measure	Outturn	OGSM Scoring Thresholds
New: Deliver a bilateral government-to-government arrangement to enable industry to contract into Ukraine in FY 2024-25.	Achieved	Met = 4% Not Met = 0%

This KPI is about enabling industry to contract into Ukraine. A treaty was signed with Ukraine in July 2024. The agreed framework arrangement allows the UK and Ukraine to develop projects together, and the UK to procure direct from UK defence industry on Ukraine’s behalf.

KPI 1E – DELIVERY OF UKRAINE IN-COUNTRY CONTRACTS WITH UK COMPANIES

Measure	Outturn	OGSM Scoring Thresholds
New: Deliver two Ukraine in-country contracts with UK companies in FY 2024-25.	Achieved	≥ 2 contracts delivered = 4% 1 contract delivered = 2% 0 contracts delivered = 0%

This KPI is about delivery of Ukraine in-country contracts with UK companies. Seven Ukraine in-country contracts were let in FY 2024-25.

KPI 2 – DELIVERY OF THE OPERATING MODEL

This new KPI recognises how important this is for the current year, our second highest priority after support to operations. Metrics under KPI 2 have an overall weighting of 20%.

KPI 2A – MEETING IOC²⁴ FOR CORE DELIVERY AND FOC FOR THE OPERATING MODEL

Measure	Outturn	OGSM Scoring Thresholds
New: IOC for Core Delivery by 31 July 2024; FOC for whole Operating Model by 31 March 2025.	Both targets met	both targets met = 5% 1 of 2 targets met = 2.5% 0 targets met = 0%

This KPI is about achieving both IOC for Core Delivery and FOC for the whole Operating Model. Core Delivery represents the majority of what we do, from procuring equipment through to the support and sustainment to see it through to the end of its life, and is the area of the model where most of our people work. DE&S successfully achieved both on time.

KPI 2B – ACHIEVING AGREED IN-YEAR KEY MILESTONES FOR EACH NEW AREA OF THE OPERATING MODEL

Measure	Outturn	OGSM Scoring Thresholds
New: Achievement of 10 key change milestones covering all four areas (Core, Corporate, Gateway and System Integration) of the new Operating Model.	8 out of 10 met	10 milestones with each one worth 0.5% for OGSM (outcome = 4%)

DE&S successfully achieved eight of the ten agreed key change milestones across all four areas of the new Operating Model. This includes milestones such as 5% of staff to be deployed on more than one project, which we exceeded with 12.8% of staff. This is critical to using DE&S staff more efficiently.

KPI 2C – PRODUCTIVITY – INCREASING THE RATIO OF DIRECT TO INDIRECT TIME BOOKINGS

Measure	Outturn	OGSM Scoring Thresholds
New: Productivity - measuring an increase in direct time bookings against a baseline of 57.5% and target of 60%. Demonstrates a release of 450,000 hours or 275 Full Time Equivalents.	63.1%	≥ 60% = 5% ≥ 59% but <60% = 2% <59% = 0%

This KPI is about increasing the amount of time DE&S staff spend on work that directly supports our FLCs, and during a year where we’ve transitioned into a new Operating Model, DE&S successfully exceeded its target of 60% and continues to look for improvements.

²⁴ The purpose of IOC is to formally declare that the military capability has reached the minimum level of capability or service that can be usefully deployable, as defined by the Senior Responsible Owner and user.

KPI 2D – COMPLETION OF A DESIGN REPRESENTING A SMALLER ORGANISATION

Measure	Outturn	OGSM Scoring Thresholds
New: Completion of a design representing a smaller organisation (10% reduction in required workforce size by 31 March 2025).	Planned: 11,808 Target: 11,950	≥ 10% reduction = 5% < 10% reduction = 0%

This KPI is about ensuring DE&S can operate within its capacity budget by completion of a design representing a smaller organisation, this equates to a 10% reduction in required workforce. DE&S met this target²⁵.

KPI 3 – COMMAND ACQUISITION AND SUPPORT PLAN (CASP) DELIVERY

This KPI is about the delivery of the Command Acquisition & Support Plans (CASP) that we agree with our FLCs²⁶ and focusses specifically on achieving agreed Strategic Milestones and improving the availability of key equipment. Metrics under KPI 3 have an overall weighting of 20%.

KPI 3A – DELIVERY OF AGREED CASP STRATEGIC MILESTONES

Measure	Outturn	OGSM Scoring Thresholds
CASP Strategic Milestones: % achieved on time or early against the hard planned date agreed in the CASP.	90%	Percentage achievement is applied to the 10% weighting (outcome = 9%)

This KPI tracks performance against our key in-year milestone deliverables agreed with our FLCs. In total DE&S delivered 36 of 40 agreed CASP strategic milestones on time, of which 29 were achieved early.

KPI 3B – CASP AVAILABILITY PERFORMANCE

Measure	Outturn	OGSM Scoring Thresholds
New: Availability - Cumulative monthly percentage of CASP Availability metrics met. CASP metrics are agreed at the start of the year with our FLCs ²⁶ .	88%	Percentage achievement is applied to the 10% weighting (e.g. 92% achievement equates to 9.2% added to the OGSM total) (outcome = 8.8%)

This KPI tracks the cumulative monthly percentage of met Availability metrics agreed in the CASPs and outturned at 88%.

²⁵ The target date of 31 March 2025 represents the end of the design phase.

²⁶ There is also a CASP with Strategic Programmes which is not an FLC but part of MOD HO.

KPI 4 – PROJECT DELIVERY

This KPI is largely unchanged from last year and focusses on delivering projects within the approved budget and schedule. There is also a new metric on speeding up the acquisition process from initial approvals through to contract award. Metrics under KPI 4 have an overall weighting of 20%.

KPI 4A – OUTLINE BUSINESS CASE TO COST AND TIME

Measure	Outturn	OGSM Scoring Thresholds
Outline Business Case Procurement Project Cost and Time - Aggregate in-year forecast cost and time variance to be ≤ 0.	1 of 5 within tolerance	Number of FLCs ≤ 0 (1% for each of the four FLCs and Strategic Programmes) (outcome = 1%)

This KPI tracks in-year cost and time variances for projects which have received their Outline Business Case approval but have not yet reached Full Business Case approval. KPI 4A is monitored against each of the four FLCs and Strategic Programmes. Four of five reported net time growth primarily due to affordability and technical issues. No cost increases were reported against any of the FLCs or Strategic Programmes, although two reported a net cost reduction.

KPI 4B – FULL BUSINESS CASE TO COST AND TIME

Measure	Outturn	OGSM Scoring Thresholds
Full Business Case Procurement Project Cost and Time - Aggregate in-year forecast cost and time variance to be ≤ 0.	1 of 5 within tolerance	Number of FLCs ≤ 0 (2% for each of the four FLCs and Strategic Programmes) (outcome = 2%)

This KPI tracks in-year cost and time variances of projects that have received Full Business Case approval and demonstrates how much the forecast cost and time to complete this phase of work changed during the year. Like KPI 4A it is monitored against each of the four FLCs and Strategic Programmes. Four of five reported net increases to forecast schedule durations, while two out of five reported net cost growth. The reasons for these increases are predominantly the same as those reported against KPI 4A.

KPI 4C – REDUCTION IN TIME FROM OUTLINE BUSINESS CASE TO CONTRACT AWARD

Measure	Outturn	OGSM Scoring Thresholds
Reduction of 15% in time from Outline Business Case to Contract Award.	6.4% Target 15%	Target met = 5% Target not met = 0%

Projects in scope took on average 1,269 days to reach contract award compared to a baseline of 1,355 days. Although this demonstrated a marked improvement, DE&S did not achieve the 15% target set. This was largely due to contract award dates slipping on several projects for a variety of reasons, including affordability challenges.

KPI 5 – PEOPLE AND FINANCE

This KPI includes a focus on our finances, implementing our new People Management Model, and on building our capability through completion of mandatory training. We have reduced the number of finance metrics within the KPI, but budgetary control remains as important as ever. Metrics under KPI 5 have an overall weighting of 20%.

KPI 5A – OPERATING BUDGETARY CONTROL

Measure	Outturn	OGSM Scoring Thresholds
Operate within the Operating Expenditure budget of £1,447 million.	£1,420 million	≤ budget = 5% > budget = 0%

The table above includes the Infrastructure Plan.

Every year since we became an Executive Agency, we have operated within the allocated budget. DE&S' core operating costs for 2024-25 totalled £1,420 million against a final budget of £1,447 million (1.9% under budget). The primary reason for underspending was the introduction of additional financial commitment controls as well as recruitment challenges, which had a knock-on impact on our ability to deliver the full extent of our planned programmes.

In addition to this, operating costs directly associated with support to Ukraine outside of the core DE&S budget totalled £9.6 million.

KPI 5B – FORECAST STABILITY TO BUDGET (10 YEAR EQUIPMENT PROCUREMENT PLAN AND SUPPORT PROGRAMMES)

Measure	Outturn	OGSM Scoring Thresholds
Aggregate Underlying Cost Movement variance in 10 year Equipment Plan (Equipment Procurement Plan & Equipment Support Plan) costing ≤ £0M.	3 of 5 within tolerance	Number of FLCs ≤ 0 (1% for each of the four FLCs and Strategic Programmes) (outcome = 3%)

The 10 year Equipment Plan managed by DE&S on behalf of our FLCs and Strategic Programmes saw an underlying cost increase of £50 million²⁷. This represents 0.04% of the 10 year cost of the plan, with cost reductions across Army, Air and Strategic Programmes, driven largely by the delivery of efficiencies. This was offset by cost increases in a number of projects, most notably in Navy and Strategic Command. The main reasons for the increase in Navy include a £174 million cost increase in one project, based on latest contractor information, and an increase of £100 million in another project, driven by increased inflation rates and other costs experienced by industry. The increase in Strategic Command reflects increased costs across several programmes.

²⁷ This figure excludes variations which are due to deliberate changes to the scope of programmes, to changes in inflation indices linked to contracts, and to changes in accounting treatment as a result of developments in international accounting standards.

KPI 5C - ALL STAFF TO BE ASSIGNED TO A SKILLS GROUP AND PEOPLE COACH

Measure	Outturn	OGSM Scoring Thresholds
All staff to be assigned to a Skills Group and People Coach.	100%	Met = 5% Not met = 0%

This KPI is about ensuring all staff transitioning into the new Operating Model have been assigned to their appropriate Skills Group and have a People Coach. Skills Groups help in organising and deploying personnel effectively within DE&S to ensure that the right people are in the right roles. People Coaches provide support, guidance, development and mentorship and ensure people are assigned to the appropriate work. DE&S successfully achieved 100% at year end.

KPI 5D - COMPLETION OF BUSINESS AND REQUIRED LEARNING

Measure	Outturn	OGSM Scoring Thresholds
Completion of business and required learning for 2024-25 as ≥ 90%.	97%	Met = 5% Not met = 0%

This KPI is about all personnel within DE&S fulfilling their compulsory training obligations, which includes courses such as Active Bystander and Cyber Security Awareness training. DE&S surpassed the set target for 2024-25.



DE&S Staff at DE&S Headquarters Abbey Wood.

ADDITIONAL PERFORMANCE MEASURES

Although not a formal corporate KPI, employee engagement is something we all have a role in delivering and allows us to understand and react to the views of our people. In addition, safety underpins all five of our KPIs, so has been managed closely under separate governance arrangements. The DE&S Board can adjust overall OGSM performance to take account of safety-related performance issues if necessary. A summary of performance against these two areas can be found below.

EMPLOYEE ENGAGEMENT

Measure	Outturn	OGSM Scoring Thresholds
2024 People Survey Engagement score overall to be >62%.	57%	Pass = 5% Fail = 0%

Note: If target is not met, then overall DE&S performance score for Senior Leadership Group (SLG)²⁸ only will be reduced by 5%.

The annual People Survey conducted for 2024-25, provided an opportunity for our people to highlight what they thought DE&S was doing well and where we needed to improve. In a year of substantial change, these views about working in DE&S have been more important than ever. All civilian and military personnel employed by DE&S were eligible to take part, and we were pleased that 8,500 colleagues (71%) participated. This is well above the average Civil Service completion rate of 61%, demonstrating a willingness to share opinions.

Our headline Engagement Index score for 2024 stands at 57%, a drop of two percentage points compared to last year. It misses our target of 62% and reflects a decrease in scores across themes around leadership, managing change, learning and development, and organisation objectives and purpose. Although the decrease in scores across eight of the nine themes has been disappointing, they are against a back-drop of significant change within DE&S and are reflective of the long-term journey DE&S has undertaken. We remain committed to ensuring we implement our new Operating Model as smoothly as possible and realising the benefits this brings, whilst continuing to be fully invested in improving our engagement scores.

The increase in bullying, harassment and discrimination scores, each up by one percentage point against the 2023 figure, has been of particular concern and is being addressed in our action planning. We have made it clear

that this behaviour is unacceptable and have reiterated where support is available to our colleagues if needed. When looking at the positive scores, it was pleasing to see that more than 90% of employees reported that managers are considerate of their personal life and supported a good work life balance. Employees also felt able to rely on their colleagues when things are difficult, with a one percentage point increase in the team score. Overall, the 'my team' scores are similar to 2023. Further positives included management support for carers (up four percentage points) and people with disabilities (up one percentage point). These results are encouraging, but there is still more to do in this space.

Moving forward, People Survey data is being analysed and consolidated with various other sources of feedback and insights, to help build and execute a coherent strategic engagement programme with enterprise and local goals. This will allow us to prioritise the critical actions that will make the biggest difference, based on what the data is telling us. We will continue to monitor and evaluate progress and assess effectiveness, encouraging and providing opportunities for regular feedback. A core part of our response will be to establish a coherent employee voice and engagement strategy, characterised by regular pulse checks throughout the year to inform more adaptive moves and track our cultural maturity.

28 The SLG comprises of all grades at Senior Civil Service level Band 1 and above.

SAFETY AND ENVIRONMENTAL PERFORMANCE

In accordance with DE&S CEO's Letter of Authority from MOD Permanent Secretary, DE&S complies with all relevant health, safety and environmental protection legislation, regulation and MOD policy.

Safety and Environmental performance has been assessed by applying the Defence Safety Management System referenced in Joint Service Publication (JSP) 815 and Environmental Management System in JSP 816. These JSPs adopt a common 12 element framework but consider different aspects in the context of Safety and Environment.

A full assessment of DE&S' performance concluded that the organisation remains at 'Limited Assurance' for both Safety²⁹ and Environmental management³⁰. These assessments were primarily the result of organisational resource challenges, driven by constraints on operating expenditure, recruitment and work force substitutes. This, coupled with an increase in resource demand from FLCs,

also placed additional pressure on DE&S safety and environmental resources.

We have looked to reduce the impact of these challenges and manage the safety and environmental risk across DE&S by instigating targeted reductions in delivery activity and operations. We have also continued to embed our new People Management Model. This is looking to maximise our skills and experience across the organisation and is unlocking a more agile approach to deployment, that moves our people to where they are needed most. Although DE&S remains committed to improving, the challenge of ensuring that FLCs are provided with equipment that is safe and environmentally compliant to operate is an enduring one.

Safety and environment assessments are shown below alongside the 12 elements used for the quarterly performance assessments that underpin this evaluation.

2024-25 ASSESSMENT AGAINST JSP 815 (SAFETY MANAGEMENT SYSTEM) AND JSP 816 (ENVIRONMENTAL MANAGEMENT SYSTEM)

Environmental Management (JSP 816)	Acquisition Safety Management	Occupational Health & Safety Management
	LIMITED ASSURANCE	LIMITED ASSURANCE
Safety Management (JSP 815)	Acquisition Environmental Management	Site-based Environmental Management
	LIMITED ASSURANCE	LIMITED ASSURANCE
	Acquisition	Occupational / Site-based

- JSP 815/816 elements**
- Leadership, Governance
 - Organisation and Dependencies
 - Legislation, Regulation, Policy and Guidance
 - Risk Assessment and Safety Cases
 - Supervision, contracting and control of Activities
 - Personnel Competence, Resources and Tasking
 - Equipment Design, Manufacture and Maintenance
 - Infrastructure Design, Build and Maintenance
 - Performance, Management Information and Reporting
 - Incident Management and Continuous Improvement
 - Communications and Stakeholder Engagement
 - Assurance

KEY: ASSURANCE LEVEL DEFINITIONS³¹

Substantial	Robust evidence demonstrating prescribed policies, processes and key controls are fully embedded, operating as intended, and helping manage key risks with no identifiable weaknesses.
Moderate	Evidence demonstrating prescribed policies, processes and key controls are fully embedded and operating, but could be improved, or minor areas of non-compliance have been identified.
Limited	Not enough evidence or confidence prescribed policies, processes and key controls are embedded and operating as intended, are not designed to help manage key risks or are not operating in many instances.
Unsatisfactory	Evidence that the prescribed policies, processes and key controls are lacking, are not well defined and embedded, or do not help measure or manage key risks nor accurately assess compliance.

²⁹ Safety management covers both Occupational Health and Safety and Acquisition Safety.
³⁰ Environmental management covers both acquisition environmental management activities within DE&S Domains and occupational environmental management on DE&S Sites.
³¹ This definitions are as defined by the Government Internal Audit Agency.

SAFETY, SUSTAINABILITY AND SECURITY

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

DE&S remains committed to reducing the risk of harm to our people and customers as much as is reasonably practicable. This means providing our people, dispersed across our UK and overseas locations, with a safe place to work, and minimising the impact on the environment from our business activities. Oversight is provided by the DE&S Safety, Health and Environmental Committee (SHEC), with performance reported to the DE&S Board and to its Safety and Security Sub-Committee. This oversight helps drive our continuous improvement in these areas. DE&S Director Engineering and Safety also provides a formal safety update to our Enterprise Operations Meeting and the bi-monthly Executive Forecast Meeting.

The DE&S appointed Chief Environmental and Safety Officer provides competent advice, guidance and support to help us meet legal, defence regulation, and policy responsibilities related to Occupational Health, Safety and Environment (OHSE). Our incident notification cell provides an accident and incident reporting system that satisfies both statutory and MOD policy requirements.

During 2025, DE&S is adopting the broader Defence unified reporting and lessons system, called MySafety, which will provide opportunities to enhance our safety occurrences reporting capability and drive improvement in incident investigation and learning from experience.

The People Management Model provides an opportunity to improve OHSE employer and employee duty of care. It is investing in our people more than ever before, with a strong focus on professionalising our approach to people management and personal risk assessment led by People Coaches. The implementation of an OHSE training programme, which will have the scope to deliver Suitably Qualified and Experienced Person (SQEP) staff requirements for the new Operating Model, will ensure that DE&S has the right people in the right roles, with the right skills to manage OHSE across DE&S.

In addition, DE&S' approach to psychological health remains a major success. In alignment with International

Organisation for Standardisation (ISO) 45003 (Psychological Health and Safety at Work), we continue to invest in SQEP resources to manage the psychological risk in the workplace. The provision of Subject Matter Expert advice has been integral to the recent Operating Model work, as well as being able to respond to events and requests for authoritative advice and guidance. DE&S has trained 290 Mental Health First Aiders offering support to our employees and benefits such as reducing stigma, improving employee well-being and contributing to a positive environment and increased workplace safety. In addition, DE&S employees have access to the Employers Assistance Programme that offer employees confidential and comprehensive support for both personal and work-related issues. Regular mental health and wellbeing communications, events and training sessions are run and actively encouraged. This included hosting the first Defence Mental Health and Wellbeing Symposium which promoted mental fitness and resilience in an ever-changing world.

To meet legal, safety and moral obligations to our employees in their workplace, a DE&S Personal Protective Equipment (PPE) Working Group has been established to implement a simple yet robust process to improve the procurement, supply and delivery, and disposal of compliant branded PPE. This Working Group brings together key stakeholders and has successfully introduced an improved provision process via a 'one stop shop' software application. The application provides a wide range of PPE items that deliver high quality, properly fitting equipment for our diverse and inclusive workforce, most notably for female personnel, who previously had to operate in male or unisex designed items.

The OHSE management system continues to be improved and refined through better engagement with industry, to share good practice and deliver more focussed and accessible information and guidance. Wider engagement across DE&S will help further embed OHSE compliance into routine day to day business, whilst ensuring a consistent and coherent approach, across all sites and activities. This remains our ongoing objective. We will continue to ensure the correct accountability and responsibility for OHSE performance

and governance. The Three Lines of Defence³² assurance model has been established and will be developed throughout 2025-26, to deliver further improvement and increase OHSE confidence and compliance across all aspects of DE&S operations.

Conservation and biodiversity is also at the heart of DE&S operations. For example, the Bicester Bee Meadow project is being led by the Praise Bee pollination charity as a study into both seeding and pollen, complementing the work already undertaken at our Donnington site. Praise Bee also continues to work across the DE&S estate, with solitary bee nests stationed on many of our sites.

ACQUISITION SAFETY

DE&S is responsible for procuring and supporting the wide range of products, systems and services used by the UK's Armed Forces. These must be fit for purpose to maximise capability and also be safe for the FLCs to use and maintain. DE&S has, therefore, implemented measures to ensure our projects achieve and maintain through-life full safety compliance. This has been achieved through the mandatory application of the Acquisition Safety and Environmental Management System (ASEMS). We recognise that continuous improvement is critical to meet the challenges of today's armed forces. The Safety Strategy has successfully embedded a number of improvements in the organisation alongside embedding longer term improvements in the Operating Model, such as:

- the continued adoption of Safety Case Maturity Tool and Dashboard metrics as part of OGSM.
- improved delegations with the introduction of new criteria³³ for Executive Safety Responsibilities, aligning to the existing delegation approach for Senior Safety Responsible persons.

Organisation Safety Assessments have been undertaken at each phase of our Operating Model implementation. The adoption of the Safety Case Maturity model has also been embedded into our ways of working and linked to the OGSM performance framework for 2025-26. Similarly, the application of delegation rules and constraints within ASEMS have been embedded into the Operating Model.

ACQUISITION ENVIRONMENTAL MANAGEMENT

Our Operating Model has provided the opportunity to raise the profile of acquisition environmental management in DE&S. It has been embedded into our Value Stream and integrated Management System (iMS), alongside other technical authorities within the System Integration area, providing clear ownership of acquisition environmental policy, procedures and tools.

An evaluation of the Project Oriented Environmental Management System has begun, focusing on attaining positive environmental results rather than solely generating environmental paperwork. The aim is to integrate 'regulator specific' environmental criteria into a unified DE&S Environmental Management System. The trial of the Environmental Performance Assessment



Bridge crew aboard HMS Dauntless. Type 45 Air Defence Destroyer.

32 The Three Lines of Defence model, as published in the Orange Book, provides a risk management model for central government organisations. It emphasises ongoing risk management as a circular process, including risk identification, assessment, response, and reporting.
 33 Safety and Environmental Leaflet 19/2024 – Delegated Acquisition Safety Responsibilities for Executive Safety Responsible Assignment Holders in DE&S.

Tool has proven its effectiveness in establishing environmental goals and assessing the environmental performance of Projects, Systems, and Services managed by DE&S. Implementing the Environmental Performance Assessment Tool more widely in 2025-26 will enhance the measurement of acquisition environmental performance and facilitate data-driven decision-making.

SUSTAINABILITY AND CLIMATE CHANGE

DE&S has stewardship of approximately 7,200 hectares of land in England and Scotland, with 11 core sites and three sites of special scientific interest. Much of this land is protected and rich in ecology, providing valuable goods and services to people.

In addition to the environmental impact of our infrastructure and operations, DE&S decisions in the acquisition and support of products, systems and services have a significant influence on the MOD's overall environmental impact. This is both in terms of mitigating the risk of harm to the environment but also ensuring long-term environmental sustainability.

As part of this, we work closely with our suppliers and clients to encourage sustainable behaviours and ensure proactive environmental management practices are integrated in procurement and support arrangements.

Sustainable procurement is also considered by DE&S at all stages of the procurement cycle and we adhere to MOD policy, rules and guidance on sustainable procurement. Government Buying Standards are embedded in MOD commercial policy requirements and compliance monitored for sustainable procurement as required. This includes the need to take Government Buying Standards into account in key commodity categories including information and communications technology, transport and furniture procurement*.

As part of routine contract management we consider sustainability and environmental impacts and measure KPIs** deemed material. We also use the Project Orientated Environmental Management System*** to manage environmental and sustainability impacts associated with the proposed options for the product, system or service.

*Due to the complex nature of military procurement, Government Buying Standards are not always applicable to the military environment.
 **DE&S publishes KPI on Social Value on a quarterly basis for procurements valued above £5m (inclusive of VAT) that include social value criteria in the tender evaluation. <https://www.gov.uk/government/publications/key-performance-indicators-kpis-for-governments-most-important-contracts>
 ***This forms part of supply chain resilience with overall strategic risks and mitigation measures included on page 75.
 34 Task Force on Climate-related Financial Disclosure (TCFD) - aligned disclosure application guidance - GOV.UK
 35 Further details on CIRAM can be found within the DE&S Strategic Risk section on page 78.

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURE

In July 2023, HM Treasury issued guidance for all government departments regarding compliance with Task Force for Climate-Related Financial Disclosure (TCFD) recommendations³⁴. These recommendations are structured around four themes:

- Governance – encompassing DE&S' structure and arrangements for review and escalation of climate related risks and opportunities (included in this disclosure).
- Risk Management – DE&S' policy and processes for the identifying, assessing and managing climate-related risks (included in this disclosure).
- Metrics and Targets – DE&S' performance metrics and targets used to assess and manage climate-related objectives, risks and opportunities, and assessing the effectiveness of mitigations (included in this disclosure).
- Strategy – explanation of the actual and potential impacts of climate-related risks and opportunities on the DE&S' business strategy, investment and financial planning decisions (required in the disclosure from 2025-26).

The requirement mandated by HM Treasury is for Government Departments to comply with TCFD incrementally over a three year period. Progress made against applicable TCFD themes is as follows:

- Governance – DE&S has created a Strategic Risk about Climate Change Resilience. This risk is reviewed at the Executive Operations Meeting and the DE&S Infra Delivery Board (a two star decision board).
- Risk Management – DE&S has established a process for review of all site Climate Impact Risk Assessment Methodology (CIRAM)³⁵ to ensure that they are in place and current. We have worked with stakeholders across Defence to provide bespoke forecasts for specific risks at specific sites.
- Metrics and Targets - DE&S emissions are included in TCFD metrics below. Progress against Government Greening Commitments (GGC) targets is reported below.

DE&S continues to support the TCFD initiative and develop mechanisms for recognizing and addressing climate change. We describe below how the organisation considers climate change to be a strategic risk and we are driving behaviours to ensure our infrastructure planning takes full account of climate risk assessments and targets limited funding accordingly. Examples for 2025-26 include addressing sea wall vulnerabilities at waterside locations and incorporating flood mitigation into new buildings at other sites. This is enabled by an increasing availability of asset vulnerability data and interpreting it to inform our longer-term planning.

This is DE&S' second TCFD disclosure, encompassing governance, risk management, metrics and targets, which will be expanded further to deliver full TCFD disclosure from 2025-26. As an Executive Agency, we are required to provide a separate disclosure to the wider MOD and publish separate accounts.

TCFD COMPLIANCE STATEMENT

DE&S' reporting on climate related financial disclosures is consistent with HM Treasury TCFD guidance which interprets the framework for Public Sectors bodies. We comply with all the TCFD recommendations for Phase 2 disclosures concerning governance, risk management, metrics and targets, either as part of this disclosure or elsewhere in this report and accounts. This year we are including TCFD metrics and targets for the first time.

TCFD GOVERNANCE

Within DE&S, the Operations & Infrastructure Environmental Protection Steering Group (OIEP SG) is the primary environmental governance forum providing oversight of climate issues relating to our activities and sites. The OIEP SG is a sub-committee of, and accountable to, the DE&S SHEC, which in turn reports quarterly to the DE&S Safety and Security Committee³⁶ where key environmental or climate related risks will be raised. The DE&S SHEC also reported into the MOD Defence Safety and Environmental Committee, which is chaired by the Second Permanent Secretary, who also leads on Defence climate related issues, enabling DE&S environmental and climatic risks to be reviewed or escalated further.

The role of the OIEP SG is to:

- ensure DE&S is legally compliant, and meeting its environmental protection related statutory and regulatory compliance obligations associated with its operations and infrastructure;
- seek assurance that environmental and climate related issues and risks are effectively mitigated and managed across the DE&S estate, in line with a robust and effective EMS;
- monitor achievement, both against targets³⁷ placed on DE&S by legislation, the MOD or wider Government, such as the GGCs; as well as against DE&S Environmental Strategy Goals;
- direct the development and implementation of strategy, policy and plans and processes that generate strong management, and to motivate and promote an improved environment related culture throughout DE&S.

The DE&S Infrastructure Delivery Board makes key decisions about infrastructure prioritisation and planning. Its deliberations take full account of the requirements to develop climate resilience and deliver infrastructure solutions, including rationalisation to help meet GGC and Net Zero Carbon objectives.

TCFD METRICS

Greenhouse Gas (GHG) emissions relating to DE&S operations and infrastructure (i.e. relating to Operating Expenditure) for the last two financial years are reported below by Greenhouse Gas Protocol Scope. These figures are calculated in alignment with the guidance set out by the MOD Defence Carbon Footprint Methodology and the Greenhouse Gas Protocol Corporate Standard.

DE&S Greenhouse Gas Emissions (tCO _{2e} ³⁸)	2023-24	2024-25
Scope 1 - Direct GHG Emissions ³⁹	33,526	22,632
Scope 2 - Electricity indirect GHG emissions ⁴⁰	20,289	19,147
Scope 3 - Other indirect GHG emissions ⁴¹	24,705	21,196
Total	78,520	64,976

Notes:

1. Data included within the reporting scope is not exhaustive and work is underway to expand disclosure in future reporting.
2. In accordance with Defence Infrastructure Net Zero Carbon Emissions Policy, whole life carbon costs are considered by our delivery agents as part of a project's sustainability assessment.

CLIMATE CHANGE ADAPTATION

Climate resilience is being addressed at our sites through both mitigation and adaptation. For example, we are planting trees across our estate and logging them with the Woodland Carbon Code to gain carbon credits that can be used to offset emissions. However, this also has a benefit to adaptation; trees reduce surface water runoff and stabilise the ground, making our land less susceptible to flooding and land slips.

Site resilience to climate change is recognised as a DE&S strategic risk, with a focus on our sites completing a CIRAM assessment. Identified risks are informing prioritisation of site management and development, such as new storage buildings at Ashchurch that will have raised bases to counter potential flooding risk. Sites are also using climate events to inform short-term solutions and responses to events, alongside long-term and larger projects. For example, at Gosport, approaches range from implementing a Flood Risk Working Group and procuring a range of flood

diverters, to plans to change the height of Bedenham Pier to adapt to future changes in sea levels and more frequent extreme weather events. We are also carrying out repairs on the existing Gosport Sea Defences whilst planning a full upgrade in future years.

In addition to ensuring the climate resilience of its operations and infrastructure, DE&S must support the FLCs with equipment and services that recognise the effects of and are resilient to climate change. Key to this is building a mutual clear understanding of how, where and when equipment services will be used, and the resulting temperature, humidity and other climatic conditions that should be reported in requirement documents. While FLCs are best placed to understand the military need, DE&S is well placed to advise on solution options, technologies and financial implications relating to equipment climate adaptation.

DE&S also has an important role in ensuring that climate change and environmental sustainability are embedded into acquisition and support policies, guidance, and tools, and are considered as part of key investment decisions. As an example, we are leading the development of a process to quantify the through life GHG emissions of defence equipment, noting that equipment-related emissions account for more than half of the MOD's carbon footprint. This approach is enabling project teams to understand the consequences of different acquisition and support choices, and to target GHG 'hot spots' in the equipment lifecycle.



Image of iceberg A23a taken during an Op COLDSTARE flight to South Sandwich Islands by an Atlas A400m of RAF 1312 Flight, Mount Pleasant, the Falklands.

36 The DE&S Safety and Security Committee is a sub-committee of the DE&S Board.
 37 TCFD and GGC metrics are discussed at the OIEP SG and used to monitor risk at the Defence Safety and Security Committee as required.
 38 Figures are given in tonnes of CO₂ equivalent (tCO_{2e}).

39 Includes estate energy consumption, ground fuels dispensed at sites, leased vehicles, fugitive emissions, and fuels bought with agency cards.
 40 Includes estate energy consumption and electricity bought with agency cards.
 41 Includes Well to Tank for Scope 1 and 2 energy use, and water.

GREENING GOVERNMENT COMMITMENTS

The Greening Government Commitments (GGCs) set out the actions UK Government departments and their partner organisations will take to reduce their impacts on the environment. DE&S' performance for 2024-25 against the GGCs can be found in the table below, noting that performance across Defence can be found in the MOD Annual Report and Accounts.

DE&S GREENING GOVERNMENT COMMITMENT PERFORMANCE FOR 2024-25

	Baseline			Current Year	GGC 2025 target
	2017-18 (baseline)	2023-24	2024-25	Performance against baseline (%)	GGC target
CO2 Emissions (tonnes CO2e) Estate	58,645	33,725	33,430	-43%	-30%
CO2 Emissions (tonnes CO2e) Direct Estate	31,214	19,722	19,791	-37%	-10%
CO2 Emissions (tonnes CO2e) Domestic Flights	1,135	804.6	717.1	-36.9%	-30%
Total Waste (Thousands of tonnes)	1.78	0.64	0.60	-66.4%	-15%
%Waste to Landfill	2%	3%	2%	-	Reducing waste to Landfill to 5% of total waste
%Waste to Recycle	66%	17%	21%	-	Increasing recycling to 70% of total waste
Water (m3)	758,685	805,902	838,132	10.5%	-8%
International Flight travel distance (thousands of km)	70,079	54,137	50,714	-	GGC reporting requirement. No link to any GGC performance metric

Notes:

- All DE&S data, except flight travel, is provided by MOD Head Office (HO).
- Figures provided by MOD HO use assumptions and methods published in the MOD ARAc, with the exception of:
 - Domestic air travel emissions – domestic flights are flights that depart from and arrive to the UK.
 - GHG emissions are calculated from mileage and cabin class data using the UK Government conversion factors.
 - International air travel kilometres – international flights are flights that depart from or arrive to a non-UK destination.
- Any other metrics required under HM Treasury sustainability reporting requirements are not available at DE&S level and are reported through MOD Annual Report and Accounts which includes performance against zero emission vehicles and paper GGC targets.
- Emissions figures for DE&S in the above table are calculated on a different scope to the TCFD Greenhouse Gas figures.
- DE&S recognises that it has fallen short of the target for recycling. We are working with other MOD organisations and industry partners to identify reasons and areas for improvement, noting equipment procured for military operations can generate types of waste that require specialised disposal methods that can limit recycling options. DE&S has only sent small amounts to landfill and the balance is in aerobic digestion (with and without energy recovery) and composting.
- Whilst water consumption has reduced across the DE&S Abbey Wood and DE&S Bicester sites since the 2017-18 baseline, these have been offset by increases across other DE&S sites for various reasons. This includes a borehole contamination at DE&S Donnington which necessitated the use of the mains water supply.

UN SUSTAINABLE DEVELOPMENT GOALS

UN Sustainable Development Goals (SDGs) are aimed at securing an end to poverty and promoting peace and prosperity globally. The UK Government is delivering the SDGs via existing planning and performance frameworks. All relevant SDGs and how we contribute to them across defence can be found in the MOD Annual Report and Accounts.



Environmental Ambassadors Network plant 'trees for climate' with Bristol City Council.

SECURITY

As DE&S adapts its Operating Model to ensure we continue to meet the full spectrum of Defence needs, our approach to delivering security efficiently is also changing.

The establishment of a unified DE&S Security Profession has consolidated our expertise across cyber security, protective security and business resilience, into a single community of professionals. This helps us bring together multiple technical disciplines while supporting the integrated ways of thinking that are increasingly important to how we safeguard ourselves and our mission partners from multifaceted defence threats. A new DE&S Chief Security Officer role provides a single authority for the internal direction of all security work across all that we do in a coherent and comprehensive way. The aim is to ensure that our prioritisation of security work is as responsive as possible to the needs

of Defence. This means putting the right people in the right place to help DE&S and our mission partners better understand and apply the most appropriate security frameworks to their work.

Our experts in security governance, risk and compliance have supported the redesign of our Operating Model, a key principle of which is a more flexible and fluid structure that requires a different approach to the management of security in DE&S teams. Much of this work has focussed on preserving our strong security foundation, providing a safe and secure organisation grounded in a culture to which security conscious behaviours are core. Adapting our personnel security approach has been essential to ensure that we continue to minimise any insider risk. We continue to deliver an extensive programme of security communications that complement our own awareness training, in addition to wider Defence security awareness training for all staff. Our Principal Security Advisor continues to deliver

appropriate independent assurance of the risks carried across the parts of the Defence portfolio that DE&S manages. Our experts in equipment cyber resilience embed the principles of through-life cyber risk management and continual assurance, thus ensuring that military capability owners understand the residual risk to make informed cyber-related decisions. This is key to delivering equipment that is secure by design, resilient to attack when in use and secure on operations. DE&S continues to deliver the Industry Security Assurance Centre, one of five Government Security Centres, delivering a large-scale portfolio of advice and assurance services. These include Facility Security Clearance for sensitive sites in the Defence Supply Chain; Industry Personnel Security Assurance, empowering companies to manage vetting and aftercare for their staff and bolster their insider risk mitigations; Defence Industry Warning Advice and Reporting Point, providing industry with advice and support to manage security breaches and incidents; and International Visits

Control Office, clearing inward and outward foreign defence visits at industry sites.

Digital innovations help us to continue to work smartly and collaboratively, but we recognise that this brings threats as well as opportunities. Our culture and processes are critical to help us stay safe. A key enabler for this is our strong information governance and management of information risk through improved responsibility, accountability and transparency at all levels. DE&S continues to improve this space and maintain our certification against the ISO 27001 (Information Security Management) standard for DE&S Corporate Information Technology (IT). We have expanded the scope of our ISO 27001 Certification to include Logistics IT. Additionally we support the MOD with the Cabinet Office's assurance programme against the National Cyber Security Centre's Cyber Assurance Framework.



An Army Commando (right) and Ministry of Defence Police Officer (left) during a security patrol at MOD Abbey Wood.



SECTION 2

— ACCOUNTABILITY REPORT

The purpose of the accountability section is to meet key accountability requirements to Parliament, who are the primary user of the ARAc.

The Secretary of State for Defence, the Right Honourable John Healey, and DE&S Chief Executive Officer, Andy Start, attending a meeting of senior MOD officials.

CORPORATE GOVERNANCE REPORT

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

- Directors' Report (in this instance the Directors refer to the DE&S Board)
- Statement of Accounting Officer's Responsibilities
- Governance Statement

British Army Joint Terminal Attack Controllers (JTAC) Practice low level skills by day and night, pictured here in Kenya.

DIRECTORS' REPORT

MANAGEMENT

Details of the DE&S Chair, the CEO and information on the composition of the DE&S Board and Executive Committee⁴² are set out in the Governance Statement and the Remuneration and Staff Report.

DIRECTORSHIPS AND OTHER OUTSIDE INTERESTS

We have an automated process in place to enable the declaration and management of outside interests which might present a perceived, potential, or actual conflict. DE&S follows the MOD policy set out in JSP 492 (Defence Ethics, Propriety and Standards), which is in line with the requirements set by the Civil Service Management Code. As a minimum, all staff need to confirm on an annual basis that their declarations are up to date (including any nil returns). An assessment of the potential for conflict is then made and action taken as necessary to mitigate any real or potential risk. A copy of the completed form is automatically sent to Defence Business Services. For military personnel, records are saved centrally and made available to the DE&S Commanding Officer. Our DE&S NEDs must also declare any outside business and financial interests and other private, charitable and commercial activities which may conflict with their official duties.

No conflicts have arisen (or have been perceived to have arisen) between any senior officials or NEDs' official duties and their outside interests and no matters of concern have arisen requiring any of these individuals to withdraw from any DE&S Board or Committee discussions. One member of the SLG has declared that they hold a remunerated outside appointment. This is in line with the new requirement to declare outside employment, work or appointments held by members of the Senior Civil Service (SCS) that have been agreed do not constitute a conflict of interest under the process for declaring and managing outside interests⁴³. Other members who have declared they hold outside appointments⁴⁴ have confirmed that they are not remunerated. A list of DE&S Board members' outside interests can be found on page 63.

PERSONAL DATA RELATED INCIDENTS

There were no data protection incidents reportable to the Information Commissioner's Office under Article 33 of the UK General Data Protection Regulation, during 2024-25.



Pictured: F-35B Lightning jet lands back on HMS Prince of Wales during consolidation training.

⁴² The Executive Committee was replaced by the Executive Forecast meeting as part of the new DE&S Operating Model from July 2024.

⁴³ Cabinet Office Guidance: Declaration and management of outside interests in the Civil Service, updated 6 November 2024

⁴⁴ <https://www.gov.uk/government/publications/ministry-of-defence-senior-civil-service-secondary-paid-employment-2024-to-2025/ministry-of-defence-senior-civil-service-secondary-paid-employment-2024-to-2025>

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed DE&S to prepare for each financial year, resource accounts detailing the resources acquired, used, held, or disposed of during the year, and a statement of accounts based on the Accounts Direction issued by HM Treasury on 19 December 2024. The accounts are prepared on an accruals basis and must give a true and fair view of DE&S' state-of-affairs 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 Government Financial Reporting Manual (FRM), in particular to:

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

The MOD Permanent Secretary, as Principal Accounting Officer, has designated the CEO as Accounting Officer for DE&S. Their responsibilities include the propriety and regularity of the public finances, keeping proper records, and safeguarding DE&S assets, as set out in HM Treasury's Managing Public Money.

ACCOUNTING OFFICER CONFIRMATION

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the DE&S auditors are aware of that information. As far as I am aware, there is no relevant audit information of which the DE&S auditors are unaware.

The ARAc, as a whole, is fair, balanced and understandable. I take personal responsibility for the ARAc and the judgements required for determining that it is fair, balanced and understandable.



Andy Start,
DE&S CEO and Accounting Officer
UK National Armaments Director
17 July 2025



155mm artillery rounds stacked up behind the line of AS90s and their Ukrainian operators.

GOVERNANCE STATEMENT

I, Andy Start, as CEO and Accounting Officer of DE&S, am responsible for maintaining an effective system of corporate governance and internal control to support DE&S' purpose and high-level objectives, while safeguarding the public funds and MOD assets for which I am personally responsible. This system has continued to be in place over the course of this year, up to the date of approval of this Annual Report and Accounts. The assurances I have from my teams enable me to conclude that our risk management practices comply with the Orange Book's⁴⁵ five principles and we have also complied with appropriate adaptations of sections of Corporate Governance in Central Government Departments, Code of Good Practice. The system of internal control in DE&S is designed to conform with these principles and is driven by our Framework Document⁴⁶ which highlights the drive for compliance. This Governance Statement represents my assurance that, as Accounting Officer, I am satisfied that DE&S' finances are adequately controlled through sound financial management systems, processes and controls.

OUR GOVERNANCE STRUCTURE

The DE&S governance structure includes the DE&S Board and its sub-committees, who ensure that DE&S is fulfilling its responsibilities to stakeholders, and is being managed in accordance with the framework, procedures and plans that have been set.

As part of the work to enhance our DE&S Board effectiveness, there have been several changes to our Board structure, which has helped improve the way DE&S is governed. These have included:

- **merging the Remuneration and Nomination Committees**, which were both sub-committees of the DE&S Board⁴⁷. This has helped streamline decision making processes, enabled better rounded talent conversations, and reduced administrative overheads, without impacting on topics previously discussed;
- **establishing a Safety and Security Committee as a sub-committee of the DE&S Board**, which helps demonstrate our commitment to safety and security and ensures any concerns are given due attention and integrated into the overall strategic decision-making process of the organisation;
- **renaming the Programme Review Committee to the Portfolio Review Committee**, which followed a refresh of the Terms of Reference to better align with the new organisational design of DE&S.



Further information about these committees can be found on page 68 within this ARAc.

⁴⁵ The Government's Orange Book lays out the management of risk principles and concepts.

⁴⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/954659/20200118_DES_Framework_Document_-_APPROVED_.pdf

⁴⁷ The merged committee remains a sub-committee of the DE&S Board.

DE&S BOARD

The DE&S Board provides strategic advice to the CEO and other executives of DE&S and is a forum of independent, Non-Executive support, advice and constructive challenge.

To strike the right balance of skills and experience, the Chair agrees the size and composition of the Board with the CEO. This includes a commitment to improve diversity and takes account of guidance and best practice on boards in the public and private sectors, subject to approval from the MOD Principal Accounting Officer and Minister for Defence Procurement and Industry.

The Board takes regular reports from the CEO, the Chief Finance Officer and the Chairs of the Board sub-committees, as well as on other areas of the business as required. Board papers are prepared and presented by those with the seniority and experience to enable them to report with authority on each subject. Where the Board is presented with options for endorsement, papers adopt the principles of evidence-based decision making. This helps to ensure that the information to which the Board has access is current, balanced and accurate.

DE&S BOARD ACTIVITY

The DE&S Board met nine times during 2024-25. Deep dives were conducted on the DE&S Operating Model (including behaviour and culture work), SDR, Defence Reform, Industrial Base Acceleration and uses of Private Capital and System Integration.

The table below includes current DE&S Board members as at 31 March 2025. The figures represent the number of meetings attended with the total number of meetings available to attend in brackets.

Name	Number of meetings attended
Mark Russell	9 (9)
Andy Start	9 (9)
David Johnson	9 (9)
Claire Hawkings	8 (9)
Tony Meggs	7 (9)
Lieutenant General Rob Magowan	4 (9)
Carolyn Battersby	8 (9)
Andy Lord	7 (9)
Nick Folland	7 (9)
Marc Overton	9 (9)
Tracy Sheedy (from 17 February 2025)	1 (1)

DE&S BOARD DECLARATION OF INTERESTS AS AT 31 MARCH 2025

The table below includes all current DE&S Board members.

Name	Name Of Company Or Organisation	Position Held	Type Of Interest	Other Relevant Information
Mark Russell	National Gas	Board Member	Business	
	Angel Trains	Chair	Business	
	Great British Nuclear	Board member	Business	
Andy Start	Capita	N/A	Previous employer	
	Amorosso Consulting	N/A	Personal	Wife is a Director. Amorosso Consulting is a subcontractor to Defence Digital through PA Consulting.
	106 Regiment	Honorary Colonel	Other	
	The National Museum of the Royal Navy	N/A	Personal	Wife is a Trustee. The museum is a single non-departmental public body.
	Expleo Engineering UK Limited	N/A	Personal	Youngest son's employer. Expleo is an engineering technology and consulting service provider, holding some MOD contracts. Youngest son was previously employed by BMT Group.
	Defence Digital (MOD)	N/A	Personal	Eldest son's wife is a MOD employee of Defence Digital (MOD).
	Institute of Engineering and Technology	Chartered Member	Other	The Institute is partnered with DE&S.
	RAF Club	Member	Other	A private member's club.
	Royal Automobile Club	Member	Other	A private member's club.
	Pilgrims Society of Great Britain	Member	Other	A dining club.
	Royal Aeronautical Society	Fellow	Other	The Royal Aeronautical Society is partnered with the MOD.
	Women in Defence UK	Member of the Strategic Advisory Board	Other	DE&S is a signatory of the Women in Defence Charter.
Royal British Legion Industries	N/A	Personal	Wife is a trustee	
David Johnson	Acorn Education Trust	Non-Executive Director (Trustee) and Chair of People and Well-being Committee	Business	
	British Army	Non-Executive member of the Army Audit and Risk Assurance Committee	Other	A British Army single-service management committee, sponsored by the MOD.
	Cundall	N/A	Personal	Son's employer. A construction engineering consultancy company (sometimes sub-contractor of MOD Prime contractors).
Claire Hawkings	Ibstock Plc	Non-Executive Director	Business	
	Freelance Consultant (Business Strategy and Sustainability)	Consultant	Business	
	James Fisher and Sons Plc	Non-Executive Director	Business	
	First Group Plc	Non-Executive Director	Business	

DE&S BOARD MEMBERS AS AT 31 MARCH 2025

Note: Tanya Coff continued as a NED to the Audit and Risk Assurance Committee but is not a member of the DE&S Board.

Changes since the last report are:
February 2025 – Tracy Sheedy joined the Board as a NED and Chair of the Remuneration and Nomination Committee.

Changes since the last report are:
February 2025 – Tracy Sheedy joined the Board as a NED and Chair of the Remuneration and Nomination Committee.

Name	Name Of Company Or Organisation	Position Held	Type Of Interest	Other Relevant Information
Tony Meggs	Submarine Production Alliance	Chair	Business	
	AWE FMC Programme Board	Independent Adviser	Business	
	Castle Meadows Limited	Non-Executive Director	Business	
Lieutenant General Rob Magowan	65 Degrees North	President	Other	A registered charity.
	The Worshipful Company of Plaisterers	Liveryman	Other	A trade guild of the City of London.
Carolyn Battersby	UK Government Investments Limited	Executive Director	Business	
	Network Rail Infrastructure Limited	Non-Executive Director	Business	
Andy Lord	Transport for London	Commissioner	Business	
	Crossrail Limited	Director	Business	
	Crossrail 2 Limited	Director	Business	
	Transport Trading Limited	Director	Business	
Nick Folland	Department for Environment, Food and Rural Affairs	Independent Non-Executive Director of the Audit, Risk and Assurance Committee	Other	A government department.
	JCF Consultants Limited	Director	Business	
	Marks and Spencer Plc	Director and Secretary	Business	
	Marks and Spencer Group Plc	Secretary	Business	
	Marks and Spencer Simply Foods Limited	Director	Business	
	Marks and Spencer (A2B) Limited	Director and Secretary	Business	
	Marks and Spencer Holdings Limited	Director and Secretary	Business	
	Marks and Spencer International Holdings Limited	Director	Business	
	Marks and Spencer (Investment Holdings) Limited	Director	Business	
	Gist Limited	Secretary	Business	
	Marks and Spencer Scottish Limited Partnership	General Partner Committee Member	Business	
	Ruby Properties (Long Eaton) Limited	Director	Business	
	Ruby Properties (Hardwick) Limited	Director	Business	
	Marks and Spencer 2005 (Chester Store) Limited	Director	Business	
	NERC/BAS Operation & Safety Assurance Group (NBOSAAG)	Member	Business	

Name	Name Of Company Or Organisation	Position Held	Type Of Interest	Other Relevant Information
Marc Overton	Dassault Systèmes UK Limited	Managing Director Northern Europe	Business	
	MDSOL Europe Limited	Director	Business	
	Dassault Systèmes Ltd (Ireland)	Director and Chair of the Board	Business	
	Dassault Systèmes Belgium SA	Delegated Director	Business	
	Dassault Systèmes AB (Sweden)	Director and Chair	Business	
	Dassault Systèmes Oy (Finland)	Director and Chair	Business	
	Dassault Systèmes ApS (Denmark)	Director/, Managing Director and Chair	Business	
	Dassault Systèmes Norway AS	Director	Business	
	Assistant Chief Defence Staff (Reserves and Cadets)	Major General	Other	The senior reservist of the British Armed Forces.
	MO Advisors Limited	Owner and Director	Business	
	The Royal British Legion Poppy Factory Limited	Vice Patron	Other	Supports members of the Armed Forces on their journey into employment.
	1st Battalion London Guards	Regimental Lieutenant Colonel	Other	The British Army Reserves for the Guards Division.
	Commandant Royal Signals Executive Committee	Honorary Colonel	Other	Colonel Commandant is a Corp level advisory role on the Royal Signals Advisory Committee.
Signals Specialist Group Information Systems Royal Signals	Honorary Colonel	Other	A Specialist Reserve Unit providing IT expertise to the British Army and wider Defence.	
Tracy Sheedy (from 17 February 2025)	Tracsis Plc	Non-Executive Director and REMCO Chair	Other	
	Orbit Group	Independent Non-Executive Director	Other	
	Solaris Executive Leadership Academy	Mentor	Other	Son's employer.

BOARD PERFORMANCE

BY MARK RUSSELL, DE&S CHAIR

The DE&S Board cycle includes six all-day meetings a year, with one-hour remote calls being convened in the intervening months. This format allows more in-depth review and discussion of a range of key issues, not least the work to implement and harness the benefits of our new Operating Model. In line with our Framework document and corporate governance best practice, an internal Board effectiveness review was completed this year, which rated the overall performance of the Board as Good. The review confirmed that the majority of Board members felt that the Board and sub committees were run effectively, with an appropriate range of topics covered, and were able to challenge and ask questions as appropriate. On areas for improvement, there was a continuing theme regarding the need to further increase NED involvement and engagement across the business, especially with the ELT. Board members were also keen to ensure continued and close engagement with the changes impacting DE&S as a result of the SDR, Defence Reform and DE&S' alignment with the new streamlined MOD leadership structure. A number of actions were therefore, highlighted to help improve visibility and awareness in these areas. In summary, I am confident that Board effectiveness continues to improve and that we are discharging our duties as part of a strong and effective governance framework.

KEY BUSINESS DISCUSSED AT THE DE&S BOARD DURING 2024-25

Subject	Discussion
Strategy and Operating Model	<ul style="list-style-type: none"> Operating Model deep dive sessions held in July and September 2024. Deep dive session held in November 2024 to discuss links between the DE&S' Operating Model and MOD Defence Reform, including the NAD Group. Discussion of strategic issues throughout the year relating to our FLCs and wider stakeholders and our status in the wider-MOD and external environment.
Risk	<ul style="list-style-type: none"> DE&S strategic risks were reported throughout the year. Strategic risk workshop was held in October 2024 to review their scope and nature.
Corporate documents	<ul style="list-style-type: none"> Tracked progress of the ARAc 2023-24 (published July 2024). Reviewed and endorsed proposals for the 2024-25 OGSM and KPIs.
Updates from Board sub-committees and Executive Leadership Team	<ul style="list-style-type: none"> Reviewed progress on work undertaken by the Board sub-committees. Agreed the creation of a new Safety and Security Committee. Approved the merging of the Remuneration and Nomination Committees. Executive Leadership Team members provided updates on key DE&S business, including operational and financial performance, OGSM and Corporate KPIs, culture and behaviours, and the System Integration environment.
Wider MOD updates	<ul style="list-style-type: none"> Regularly received military operational updates. Gained a broader understanding of cross Government and wider MOD issues, with updates on Defence Reform and impacts of the SDR as well as Future Force Design.
HR, Equality, Diversity, Inclusion (EDI) and Wellbeing	<ul style="list-style-type: none"> Received updates on the Organisational Design and Operating Model work, including the People Management Model. Received an update on the 2024-25 People Survey results. Executive led updates on DE&S' Digital and Science, Technology, Engineering, and Mathematics Strategy, and DE&S' new management construct. The SLG Expression of Interest process and new structure.
Other Business	<ul style="list-style-type: none"> The Board receive safety updates at each meeting. The Board held a cyber simulation exercise in March 2025. Other topics discussed over the year included reputation and implications for DE&S following the 2024 General Election.

DE&S BOARD SUB-COMMITTEES

The DE&S NEDs attended the following sub-committees⁴⁸. The table below includes current DE&S Board members. The figures represent the number of meetings attended with the total number of meetings available to attend in brackets

Name	Audit and Risk Assurance Committee	Remuneration Committee	Nomination Committee	Renumeration and Nomination Committee ⁴⁹	Portfolio Review Committee ⁵⁰	Safety and Security Committee ⁵¹
Mark Russell	3 (5) ¹	2 (2) ²	1 (1)	2 (2)	5 (5) ³	1 (1) ⁴
Andy Start	N/A	2 (2)	1 (1) ⁵	2 (2)	2 (5)	0 (1)
David Johnson	5 (5) ⁶	N/A	N/A	N/A	4 (5)	N/A
Claire Hawkings	4 (5)	2 (2)	N/A	2 (2)	4 (5)	N/A
Tony Meggs	N/A	N/A	N/A	N/A	5 (5)	1 (1)
Lieutenant General Rob Magowan	N/A	N/A	0 (1)	1(2)	N/A	N/A
Carolyn Battersby	5 (5)	2 (2)	1 (1)	2 (2)	5 (5)	N/A
Andy Lord	N/A	N/A	N/A	N/A	2 (5)	1 (1)
Nick Folland	5 (5)	2 (2)	N/A	2 (2)	N/A	N/A
Marc Overton	N/A	N/A	1 (1)	N/A	3 (5)	N/A
Tracy Sheedy (joined 17 February 2025)	N/A	N/A	N/A	2 (2)	N/A	1 (1)
Tanya Coff⁷	5 (5)	N/A	N/A	N/A	N/A	N/A

Notes:


- Mark Russell was not a member of the Audit and Risk Assurance Committee but attended three meetings on invitation.
- Mark Russell was not a member of the Remuneration Committee but attended two meetings on invitation.
- Mark Russell was not a member of the Portfolio Review Committee but attended five meetings on invitation.
- Mark Russell was not a member of the Safety and Security Committee but attended one meeting on invitation.
- Andy Start was not a member of the Nomination Committee but attended one meeting on invitation.
- David Johnson was not a member of the Audit and Risk Assurance Committee but attended five meetings on invitation.
- Tanya Coff is a NED to the Audit and Risk Assurance Committee and not a member of the DE&S Board


⁴⁸ N/A in the table reflects that the person is not a member of that sub-committee.


⁴⁹ The Remuneration and Nomination Committee were merged in January 2025.


⁵⁰ The Programme Review Committee was renamed to Portfolio Review Committee in February 2025.


⁵¹ The first Safety and Security Committee was held in March 2025.

 AUDIT AND RISK ASSURANCE COMMITTEE	
Purpose	To support the Board and the Accounting Officer in their responsibilities for risk control and governance by reviewing the comprehensiveness, reliability and integrity of the DE&S risk and assurance framework.
Frequency	At least four times per year.
Membership	A NED Chair, at least one other NED, and the MOD Corporate Sponsor Representative ⁵² . The CEO, Deputy CEO, Director Finance, Head of Financial Accounting and representatives from the NAO and the Government Internal Audit Agency (GIAA) also have the right to attend, with Subject Matter Experts called when appropriate.
Summary of discussions	Primary focus on DE&S' ARAc, monitoring progress of implementing recommendations raised in the NAO management letters and deep dives of strategic risks. The committee also agreed the GIAA Internal Audit Plan and reviewed the GIAA outputs and findings of its core DE&S and MOD functional cross-cutting audits, whilst monitoring progress against Agreed Management Actions and the Annual Assurance Report. Other topics discussed included Government Furnished Equipment, whistleblowing, losses and special payments and business critical modelling. The committee met five times during 2024-25.

 FRAUD BOARD	
Purpose	The DE&S Fraud Board is a sub-committee of the DE&S Audit and Risk Assurance Committee. It was established in 2015 to oversee a risk-based approach using the available MI to protect DE&S' business reputation, assets and finances from fraud, corruption, theft and misappropriation.
Frequency	The DE&S Fraud Board will meet at least four times per year. The Chair of the Committee may convene additional meetings when they are deemed necessary. In addition, the DE&S Audit and Risk Assurance Committee Chair may ask the DE&S Fraud Board to convene meetings to discuss particular issues on which they wish the DE&S Fraud Board's advice.
Membership	Director Finance (Chair), Deputy Director Finance, Director People, Director Commercial People Change, Director Engineering & Safety, Director Logistics Services and Commodities, Director Assurance (MOD), Head of Fraud Defence (MOD), Director Ships Procurement and Director Fixed Wing. Also normally in attendance are the DE&S Fraud Focal Point, DE&S Fraud Risk and Assurance Team and MOD Police Crime Command.
Summary of discussions	Primary focus on assessing fraud risks and the appropriate mitigation activities (policies, systems, and controls) including fraud risk maturity and appetite. The Fraud Board also receives updates on fraud, corruption, theft investigations and lessons learned. Met four times during 2024-25.

 REMUNERATION AND NOMINATION COMMITTEE	
Purpose	Advises the DE&S Chair, CEO and the Board of the development and application of the DE&S reward strategy across the whole organisation; the balance of skills and diversity on the Board; succession planning for independent NEDs and succession planning and appointments to senior leadership roles in the Executive.
Frequency	Four times per year. The Chair of the Committee may convene additional meetings as they deem necessary.
Membership	At least three NED members, one of whom is Chair. One will also be a MOD Corporate Sponsor NED. Additional personnel may attend as required, as long as there are no conflicts of interest.
Summary of discussions	Discussions included the reward review, pay and performance policy, retention of staff in critical roles, capability growth pay progression, and reward and performance assessment outcomes for the Executive Leadership Team and SLG. Updates on people issues included discussion on the transition to the new Operating Model, recruitment activities, and succession plans for Executive Leadership Team and their directors. Setting, review and agreement of CEO outcomes in relation to his performance related pay award for 2023-24 and their base pay award following the same approach for all employees in DE&S base pay awards. Decisions related to this pay award were discussed and agreed with the MOD Permanent Secretary and in consultation with Minister for Defence Procurement and Industry.

 PORTFOLIO REVIEW COMMITTEE	
Purpose	Reviews the status, progress and management of critical activity relating to the effective delivery of the Equipment Plan by DE&S. It focuses on areas that contribute to delivery performance and monitors initiatives designed to improve delivery. It monitors and reviews the Government Major Projects Portfolio ⁵³ and provides direction and guidance on how to conduct further assurance reviews where particular concerns arise. The Portfolio Review Committee also provides early strategic advice to new programmes and advises on delivery improvement activities.
Frequency	Six times per year with additional meetings as required.
Membership	Four DE&S NEDs, one of whom will Chair, the CEO and Director Finance. Although not formally part of the membership, the DE&S Chair and the MOD DCDS Military Capability, plus DE&S DGs Gateway, System Integration, and Corporate, also have a standing invitation to attend.
Summary of discussions	Discussions focused on NED led reviews of key Defence programmes, specifically around reasons projects fail. This covers improvements needed, for example, across project schedule and controls. Each meeting also focused on a specific theme related to improvement initiatives ongoing in DE&S and assessed whether these addressed the problem they were trying to solve. More recently, a standing agenda item has been included which seeks to ensure coherence between DE&S and Directorate of Acquisition and Project Delivery. Met six times during 2024-25.

 SAFETY AND SECURITY COMMITTEE	
Purpose	The Safety and Security Committee provides the opportunity to consider appropriate advice, and provide oversight and challenge to the CEO's authority for safety and environmental protection, and security within DE&S.
Frequency	Three times per year with additional meetings as required. The DE&S Safety NED and Director Engineering & Safety will additionally meet three times per year in an abridged, complementary version of this Committee.
Membership	Four DE&S NEDs, one of whom will Chair, DE&S CEO, DE&S Safety Executive and DE&S Chief Security Officer.
Summary of discussions	The Committee will consider all aspects of safety, safety-security, physical security and environmental protection, including DE&S provided equipment safety, personal safety and the safety performance of DE&S sites and installations. The Committee will also consider any outlying safety performance of DE&S prime contractors. Its scope does not include wider security or environmental climate issues, which are the responsibility of other fora.

52 MOD is the Sponsor Government Department for DE&S, supported by UK Government Investments (UKGI) which undertakes Corporate Sponsor responsibilities.

53 The Government's Major Projects Portfolio is overseen by the Infrastructure and Projects Authority and include the government's most complex and strategically important projects.

OUR NEW MANAGEMENT CONSTRUCT

DE&S began to move to a new management construct in the summer of 2024 to fully align with our new Operating Model. This has included following a new inverted approach to how our organisation is governed, where support and focus to unblock delivery flows upwards from the Executive Leadership Team and where decisions can be made at the most appropriate level. This new approach brings with it many benefits for DE&S, some of which are detailed below:

- decision making is made by the right people at the right level using the right information irrespective of hierarchy;
- quicker decision making, which ensures timely responses to challenges and opportunities;
- encourages engagement and collaboration right across the business in the decision making process;
- flexibility in governance structures, enabling quick adjustments to changing circumstances.

All of these benefits support our ambition to achieve Operational Excellence and our servant leadership⁵⁴ approach, which has created the right environment for our people to succeed and deliver, and who are fully supported by their leadership team.

EXECUTIVE FORECAST MEETING

As part of this work, the DE&S Executive Committee was replaced by an Executive Forecast Meeting in July 2024 which has now become the primary body that works closely with the DE&S Board. This meeting, which is made up of the Executive Leadership Team, also provides the interface between DE&S and our key stakeholders, supporting our teams in unblocking critical cross-cutting issues, especially those that involve other parts of Defence.

Changes since the last report are⁵⁵

- May 2024 – **Dr Simon Dakin** was appointed as DG Core Delivery (Interim).
- May 2024 – **Vice Admiral Rick Thompson**, who was in the role as DG Air, retired and left DE&S.
- May 2024 – **Dr Jill Hatcher** confirmed as DG Corporate (Interim).
- May 2024 – **Vice Admiral Andy Kyte** became a member of the Executive Leadership Team and Executive Forecast Meeting but is not a DE&S employee.
- May 2024 – **Jo Osburn-Hughes** was confirmed as Director People.
- June 2024 – **Paul Marshall** confirmed as DG Gateway following his appointment as DG Ships.
- June 2024 – **Keith Bethell** was confirmed as DG Air until January 2025 when the role was disbanded.
- August 2024 – **Adrian Baguley**, who was Deputy CEO and DG Strategic Enablers, retired and left DE&S.
- October 2024 - **Lieutenant General Simon Hamilton** was confirmed as DG System Integration following his appointment as DG Land.
- February 2025 – **Andrew Forzani**, who was DG Commercial, left the MOD.
- March 2025 - **Dr Jill Hatcher**, who was DG Corporate (Interim), left DE&S.



KEY BUSINESS DISCUSSED AT THE EXECUTIVE COMMITTEE OR EXECUTIVE FORECAST MEETING DURING 2024-25:

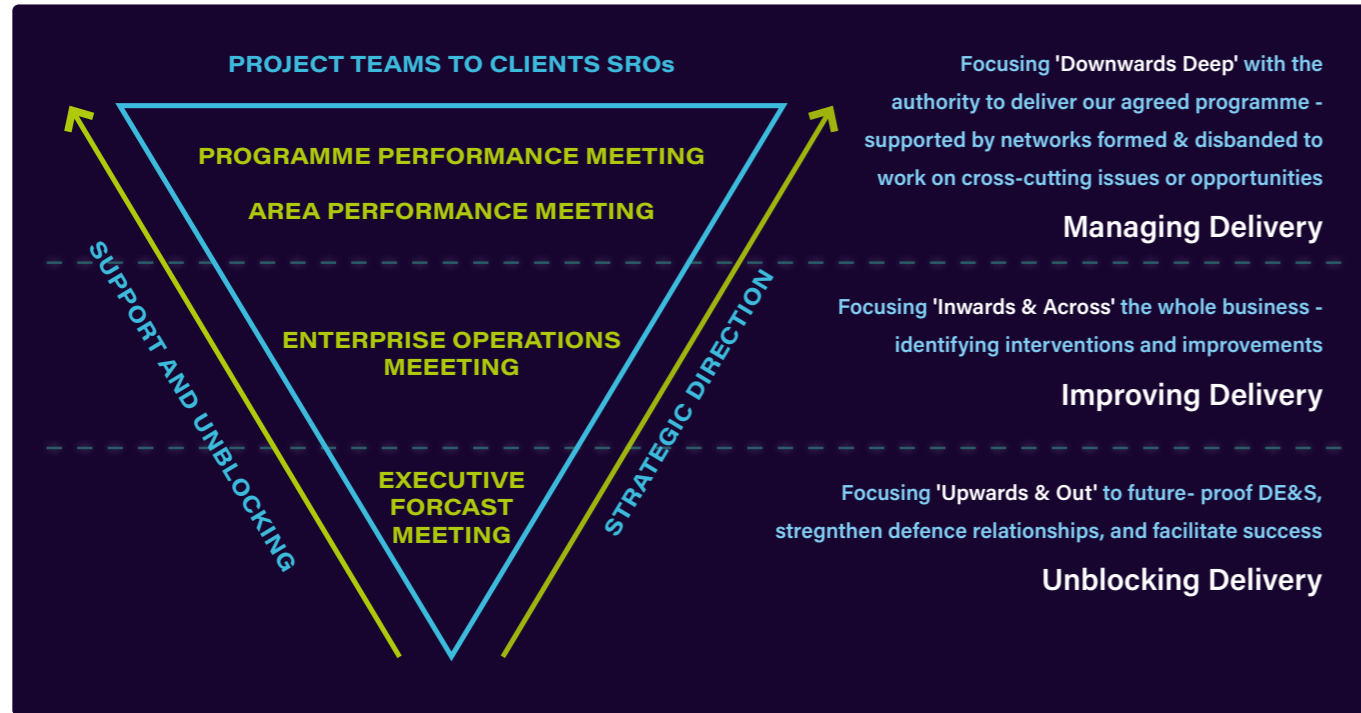
Subject	Discussion
Strategy	<ul style="list-style-type: none"> • DE&S Strategy. • New Strategic Risks. • DE&S Operating Model. • SDR and Defence Reform.
Safety and Security	<ul style="list-style-type: none"> • Safety performance dashboards. • The Safety and Environmental Assurance Report. • Protective security risk. • Organisational Safety Assessment to support the DE&S Operating Model and Design.
People	<ul style="list-style-type: none"> • DE&S Culture and Inclusion. • People Survey Response Plan. • Business and Workforce Planning.
Performance	<ul style="list-style-type: none"> • Progress against KPIs, CASPs and financial forecasts. • Annual strategic risks stocktake and a rolling programme to assess selected strategic risk mitigation activities. • The Annual Assurance Report. • Management of the DE&S Operating Expenditure FY 2024-25.

54 Servant leadership is not 'servile' but an active leadership style and philosophy that approaches from the perspective of teams not being in service of structures and hierarchies

55 The roles of DG Land, Air, Ships and Strategic Enablers were disbanded during 2024-25 following the creation of new roles under the revised Operating Model.

KEY GOVERNANCE FORUMS

The diagram below demonstrates our new inverted governance approach and provides details of the key forums across DE&S.



- **Programme Performance Meetings** take place monthly with a focus on equipment and support programme delivery across the portfolio, managing the programme and project specific KPIs and risk profile.
- **Area Performance Meetings** take place quarterly for each of our four business areas⁵⁶. These meetings provide an opportunity to stocktake where they are against their objectives e.g. achieving a target or realising a benefit. Cross boundary issues can be addressed in this forum, with cross-enterprise issues being escalated to the Enterprise Operations Meetings as required.
- **Enterprise Operations Meetings** take place monthly and bring together the four business areas of our organisation, focused on integration of our activity and optimising end-to-end delivery. It is the only approving body for cross-enterprise intervention where the effectiveness and efficiency needs to improve. The focus is 'Improving Performance' not managing it.
- **Executive Forecast Meetings** take place bi-monthly and provide the opportunity for the Executive Leadership Team to analyse performance insights and trends but importantly understand and action what impediments need unblocking that are not within DE&S' control to fix. It also assures on strategic risk mitigation and actions and potential impacts of external disruptors.

A number of other meetings also take place to support this new DE&S governance structure which includes Strategy Reviews. These take place quarterly and act as waypoints where DE&S can assure itself that its strategic choices remain relevant to any current context as well as review progress toward implementation.

In addition, the CEO holds regular one-to-one meetings with his Executive Leadership Team and regularly meets with the DE&S SLG, which consists of the highest grades in our structure and includes civil servants and military equivalents.

STRATEGIC RISKS

RISK AND CONTROL FRAMEWORK

Our pro-active approach to the management of risk increases the likelihood of our programmes adhering to schedule and budget. It demonstrates a responsible approach to delivering for the Armed Forces and enables us to focus our efforts on the most important areas of concern.

Those strategic risks which might have a negative impact on the achievement of our outputs and targets, and which could expose the organisation to cost, capability, safety, environmental and reputational implications, are regularly reviewed by the DE&S Board, Executive Forecast Meeting, Enterprise Operations Meeting, and Audit, Risk and Assurance Committee. In addition, the DE&S Board mid-year and annual strategic risk reviews provide a dedicated focus on the totality of our risk position, facilitate discussion, enable greater challenge to our risk owners and inform decision making.

Our NED sponsors continue to work alongside our strategic risk owners to bring external and independent challenge to our risks, and innovative thinking in terms of the development of our risk response plans. The emphasis is on managing and reducing the likelihood and impact of risks as far as is reasonably practicable, and ensuring appropriate governance and controls are in place. Scrutiny is applied to the effectiveness and measurable results of controls and mitigating actions, whilst maximising any benefits and opportunities.

As part of our new Operating Model, a Policy and Oversight team has been established to bring together risk and assurance and help ensure our strategic risks are being managed against the Three Lines of Defence⁵⁷. This process provides significant confidence that our own internal assurance, as well as that by external bodies, is either working well or helps us identify areas which need to be improved.

Risk management is supported by risk professionals in the Project Delivery Profession. They were recognised in September 2024 by the Government Finance Function with a Risk Excellence award for their extensive work to enhance the risk maturity of our organisation. Our risk management profession is continuing to build on this success, seeking to further embed and expand positive risk behaviours, and adopt best practice across the organisation.

We are closely engaged with the Head of Government Risk Profession based in HM Treasury. This has allowed several of our senior risk managers to achieve a 'Government Accredited Risk Manager' status and improve standards across risk management in the Civil Service. We are also closely engaged and aligned with the MOD Chief Risk Officer (CRO) to ensure the DE&S Board is kept informed of wider work underway to mature risk management across the MOD. The CRO continues to attend the DE&S Board's annual risk stocktake, providing challenge and a valuable independent view.



DE&S Staff at DE&S Headquarters Abbey Wood.

⁵⁶ Gateway, Core, System Integration and Corporate.

⁵⁷ This is a risk governance framework that splits responsibility for operational risk management across three functions. Individuals in the first line own and manage risk directly. The second line oversees the first line, setting policies, processes, and ensuring they are met. The third line, consisting of internal audit, provides independent assurance of the first two lines.

DE&S STRATEGIC RISKS FOR 2024-25

This year we have introduced two new Strategic Risks; Occupational Health and Safety in May 2024 and Site Resilience to Climate Change in November 2024. Details and progress against our strategic risks, including the two new ones, are summarised below.

PRINCIPLE STRATEGIC RISKS AND THEIR MITIGATIONS DURING 2024-25

Strategic Risk	Potential impact	Progress
Potential flaws within Safety Cases	There is a risk that factors contributing to a significant injury or death, which were reasonably foreseeable, were not captured in the Platform/ System/ Service Safety Case.	<ul style="list-style-type: none"> Dashboard continues to provide DE&S with a robust framework for building and maintaining safety cases to a common high standard. Executive Safety Responsible training in place⁵⁸, underpinned by new ASEMS Leaflet 19/2024, which defines the competence requirement. A new safety competence framework⁵⁹, which includes psychological safety aspects, has been developed to ensure open and accountable conversations are being held between key stakeholders. New Safety in Defence awareness training has been developed to improve our safety awareness across DE&S. This training, once released in April 2025, will highlight safety responsibilities for people working within acquisition and support. Newly developed modular practitioner training is focusing on safety decision maker and safety manager roles. A Defence Legislation Support Tool is being developed by the Defence Safety Authority that will identify which legislation applies to specific environments and allow teams to assess their compliance. A product pack guide has been created for use across all project teams. The pack lists the documents that must be created and the level of maturity required through their lifecycle. This pack aims to improve decision making by making sure all the evidence is available at the right time, ensuring safety is at the forefront of decisions.
Meeting future SQEP needs	An inability to define, meet and sustain DE&S' people requirements causing insufficient levels of SQEP, leading to a failure to deliver the DE&S mission.	<ul style="list-style-type: none"> DE&S is moving to a new Operating Model focused on operational excellence, changing the way we work as part of the One Defence team. We fully transitioned to the new Operating Model on 28 March 2025 and all colleagues are now working within the new organisation. An enduring cultural shift towards agile ways of working has been put in place with a new People Management Model that moves our people to where they are needed most which is underpinned by a focus on our professional expertise. The People Management Model introduces new roles of People Coach and Coaching Supervisor into our organisation with more than 360 successfully recruited. The Professions area has been established and has commenced planning to build capability by investing in learning and development. SLG have attended Leading cultural change programme activation labs and received 360° feedback and coaching sessions to enhance their leadership skills with a focus on behaviours and servant leadership. A programme of refreshing the succession plans from Executive Leadership Team to 1* in line with the construct of the new Operating Model is now underway to identify the leaders of the future. Graduate and apprentice recruitment is underway for the 2025 intake with a refreshed focus on key skills in digital technology, project delivery, finance and engineering. Capability Based Pay aims to strengthen the link between individual skills and compensation, underpinning our commitment to growing capability within DE&S. We have now extended our Capability Based Pay pilot to all colleagues at Technical Specialist I grade with plans to roll it out further over the next three years. DE&S' capability pinch points are captured in the Strategic Workforce Plan and the Talent Strategy. Developing our Strategic Workforce Plan procedures ahead of a Human Resources (HR) review and Trade Union (TU) engagement, a minimum viable product for DE&S' new approach to Strategic Workforce Plan was established by 31 March 2025.

58 Aimed at safety delegation holders, the Executive Safety Responsible training seeks to identify their area of responsibilities in terms of safety.
 59 A safety competence framework defines the skills required by an individual to hold a safety delegation.

Strategic Risk	Potential impact	Progress
Continuity of supply	Supply chain interruption, capability loss, increased costs, delay to equipment delivery and damage to the DE&S reputation.	<ul style="list-style-type: none"> The Defence Supply Chain Capability Programme (DSCCP) is a three year change programme, led by the Supply Chain Directorate, with Phase 1 completed in 2024-25. Phase 1 has delivered: Initial scoping to develop a supply chain scenario planning capability; a Supply Chain Disruption incident management process and training; two Supply Chain Architecture pilots, developing tangible benefits to defence teams; scoping of the MOD market intelligence landscape, developing proposals to create cohesive intelligence sharing across the department to better inform decision making; development of these capabilities alongside industry through workshops to ensure solutions work for the full end to end supply chain. Work has continued on implementation of the DSCCP across DE&S to deliver resilience and readiness by developing capability across four focus areas. These are, managing supply chain risk, supply chain design and architecture, collaborating with industry, and understanding and shaping markets. The mandating of a supply chain resilience and risk awareness condition within defence contracts over £5 million which is improving the volume of data shared by industry and enabling the mapping of supply chains. Third party data has been purchased to deliver insights on Defence supplier fragility as an aspect of the Supply Chain Resilience Intelligent Performance Tool development programme. Licences to use purchased data have been shared across MOD to provide a standardised approach. DE&S engaged with the Supply Chain Directorate on cases of supplier fragility in defence supply chains, to cohere risk across MOD and implement appropriate mitigation actions. The DE&S Supplier Relationship Management (SRM) Team used the relationship structure and trust developed with a strategic supplier to obtain early sight of unaudited accounts for a supplier on the financial fragility watchlist. The supplier collaborated closely with DE&S to provide clarity on measures introduced to improve the position which allowed DE&S to better understand the level of financial risk to inform procurement decisions across MOD. Insights from programme teams, SRM engagements with strategic suppliers, and market intelligence, were used to identify and analyse the impacts of international crisis and emerging threats to the DE&S supply chain. SRM engagements informed analysis of risks to delivery caused by shipping issues in the Red Sea. The team continues to gather evidence from suppliers to understand risks from emerging threats such as changes to tariffs. DE&S has appointed executive level relationship leads for 14 strategic suppliers in addition to the 15 strategic partners already managed through the MOD Strategic Partnering Programme and the Cabinet Office. Regular strategic level supplier engagements for these suppliers are now underway, underpinned by balanced scorecards, supplier relationship strategies and improvement initiatives.
Cyber resilience	Loss of confidentiality, integrity and/or availability across our defence infrastructure, services and applications leads to reduced resilience, reduced safety, ineffective mission capability, loss of business services, financial impact and reputation.	<ul style="list-style-type: none"> DE&S remains certified to the ISO 27001 standard⁶⁰ for information security and is now successfully complying to the new version of the control set. The Defence Industry Warning Advice and Reporting Point has been fully operational since March 2024 and operating at an increasing level of capability. This is enhancing our interoperability with our supply chain and the joint ability to address threats and incidents. We have made progress with removing obsolete Logistics IT, through improved identification and management of known issues. We are also ensuring that new Logistic IT contracts mitigate against obsolescence risks. We continue to improve how we apply security patches across our estate and deal with and respond to IT vulnerabilities. This is monitored at the Director Chief Digital and Information Officer level in DE&S with regular reporting on compliance. We continue to embed the new Secure by Design approach to continuous secure delivery, design, and assurance. This allows delivery teams to make educated and empowered decisions about security. Security training and awareness programmes continue to deliver policy-based guidance to all staff as well as more specialist training to security professionals. Where relevant, we gain significant benefit from the MOD Cyber Confident awareness scheme. This includes a range of activities within DE&S, including cyber escape rooms which allows our staff to participate in interactive cyber security learning experiences.

60 Since 2024 the scope of compliance includes certain Logistics IT systems.

Table continued on next page.

Strategic Risk	Potential impact	Progress
Cyber resilience (continued)		<ul style="list-style-type: none"> The cyber security of our supply chain is critical. As a result we continue to work with MOD policy owners and the Defence Cyber Protection Partnership to plan for new tooling and security controls. DE&S Equipment assurance team was established to provide confidence across our teams that processes, tools and training are being effectively adopted for cyber resilience and highlighted where support interventions are required and is aligned to MOD assurance process.
Reputation	Failure or perceived failure to deliver on our major objectives and obligations, and the lack of a strong DE&S employee brand, causes DE&S to have a poor reputation with our FLCs, key stakeholders, and current and prospective employees, leading to an impact on our status, and freedoms as an Executive Agency, and our ability to recruit / retain the best people.	<ul style="list-style-type: none"> Communications Strategy and campaigns implemented, and skills enhanced. New campaign approaches included senior leader media interviews, podcasts, videos and end user stories which have delivered high reach and engagement. Proactive engagement with parliamentarians including House of Commons Defence Committee (HCDC) members and Armed Forces Parliamentary Scheme to provide understanding and re-assurance of DE&S objectives and outputs, through site visits, closed briefings and planned public scrutiny sessions. A more visible presence and increased stakeholder engagement activity such as exhibition stands, keynote speeches, at industry events. This includes the International Armoured Vehicle conference and Defence Procurement Research Technology Exportability. Senior leaders are appropriately briefed and prepared for, media, parliamentary, industry and international engagements. This ensures correct and consistent messaging is communicated. Improved planning and delivery of senior stakeholder visits to DE&S sites, including Ministers and senior defence officials, maximising the opportunity to communicate key messages and activate stakeholder advocacy. Proactive stakeholder engagement with FLCs, defence partners, industry and colleagues about the new DE&S' Operating Model. Reporting on key reputational risks and opportunities (safety, environmental, legal and people) to DE&S Executive Leadership Team and wider key stakeholders. This includes daily media, social media analysis and monthly reputational reporting. Ensuring responses to parliamentary business and Freedom of Information requests are timely, accurate, adequately resourced and follow departmental guidance and best practice.
Protective security	Loss of confidentiality, integrity and/or availability of critical or sensitive assets or dependencies, leads to reduced resilience, reduced safety, ineffective mission capability, loss of business services, financial impact and reputational damage	<ul style="list-style-type: none"> The Industry Personnel Security Assurance Programme has provided greater confidence that personnel security practices are being carried out by Facility Security Clearance suppliers (formerly List X). This reduces the likelihood of an insider event occurring within our supply chain. A transformation of both armed and unarmed guarding capability is undergoing planning and implementation with the Principal Security Advisor's office and MOD service providers, which aims to improve the security effect delivered to DE&S establishments. The Security Infrastructure Improvement Programme will improve protective security across the DE&S estate. These improvements will complement the review of policing and guarding capabilities to ensure the safety of our staff and the security of our assets. DE&S promotes a strong culture of personnel security by focusing on knowledge, awareness, and behaviours. Security training has been improved by ensuring a broad spectrum of current threats and methodologies are addressed. This, along with regular security updates and announcements, keep staff vigilant. DE&S champions a Just Culture approach to reporting personnel security incidents which puts a focus on addressing the source of the incident, rather than punishing an individual for mistakes. This is helping promote a culture where staff feel safe to report incidents and breaches.

Strategic Risk	Potential impact	Progress
Information and records management (IRM)	Sub-optimal IRM practices within DE&S resulting in potential for reputational damage, substantial fines, safety related incident or imprisonment caused by non-compliance with legislation, regulation, or policy.	<ul style="list-style-type: none"> There has been positive progress with reducing further our DE&S paper record holdings held at Government Archives that are no longer required, and the digitisation of those which need to be retained. Once completed, this will conclude a full and holistic review of DE&S paper records. Work to digitise for future preservation and exploitation continues. The introduction of the new DE&S Operating Model has presented a unique opportunity to further embed knowledge and information management work practices, processes and procedures within the organisation, aligned to the iMS, DE&S remains committed to improving the culture of consistent IRM across the organisation, including assurance activities and user access rights controls Training and communications to improve attitudes and behaviours continues, coupled with a regime of audit and compliance activities to monitor and improve cultural change.
Knowledge Management (KM)	Poor Knowledge Management culture, processes and tools causing loss of knowledge or failure to exploit existing knowledge, leading to reduced efficiency, increased costs, sub-optimal decisions, non-compliance with legal or regulatory obligations, and repeated mistakes.	<ul style="list-style-type: none"> DE&S remains committed to developing its processes and ways of working to improve how knowledge is captured, stored, shared and exploited across the organisation. Learning from lessons is a priority focus within the new Operating Model and is embedded within the design. SQEP training continues to be promoted to support the upskilling of DE&S staff of the benefits and value of knowledge sharing and learning practices. Tools and solutions are being developed to support knowledge sharing opportunities. This includes handover practices, role based knowledge sharing solutions and knowledge exploitation.
Occupational Health and Safety (OHS)	There is a risk that DE&S fails to meet its legal duty of care responsibilities across its sites and operations, due to shortfalls in organisational competence, culture, funding, governance and assurance.	<ul style="list-style-type: none"> DE&S have delivered a series of Organisational Safety Assessments to determine potential impacts, whilst ensuring that safety and environmental arrangements are not diminished through organisational change. This is in accordance with managing health and safety in defence policy. Effective and standardised OHS delegations have been aligned to the new DE&S Operating Model structure, enabling continuity of safety accountability and responsibility of OHS. The implementation of an OHS training programme has progressed across the key OHS priority areas during 2024-25. This will ensure that DE&S has the right people in the right roles, with the right skills to manage OHS across DE&S. Bespoke training (including mental resilience) is being delivered for the People Coaches holding the overall employer and employee duty of care in accordance with UK statute. In addition, Task Managers are responsible for ensuring their health and safety activities are conducted via suitable and sufficient risk assessments. The implementation of an effective Three Lines of Defence assurance model, aligned to the new Operating Model structure, will ensure DE&S has a robust and effective assurance model. This will allow us to focus on high priority risk areas across the whole organisation. Building on our ISO 9001 (Quality Management) certification, we achieved ISO 45001 (Occupation Health and Safety Management) and ISO 14001 (Environmental Management) certification in February 2025. DE&S is adopting the broader defence unified reporting and lessons system (MySafety) in 2025. This will provide opportunities to enhance our reporting capability and drive improvement in incident investigation and learning from experience. Safety performance is monitored within the System Integration area of DE&S in accordance with our Organisational Safety Assessments. The System Integration area leads on engagement with internal and external stakeholders (including industry) to identify opportunities to embed Defence sector good practice, benchmark OHSE against industry, simplify policy and procedures and apply a consistent approach.

Strategic Risk	Potential impact	Progress
DE&S site resilience to climate change	There is a risk of operations being impacted by extreme weather events, such as flooding, drought, and storms if climate impacts are not identified and mitigated.	<ul style="list-style-type: none"> Climate resilience is being addressed at each of our core sites through the implementation of the Climate Impact Risk Assessment Methodology (CIRAM). This process identifies a site's climate risks, evaluates the likelihood and impact of each risk, and outlines mitigation measures. CIRAM provides a consistent approach to climate resilience in line with other MOD departments. Completed CIRAMs will be used to support and inform infrastructure investment decisions on sites. Awareness of the CIRAM process is raised through a workshop for Heads of Establishment and key staff members. Nine out of twelve core DE&S sites have completed CIRAMs. The remaining three are expected to have a completed CIRAM by the end of March 2026. We have developed a support network through workshops which has helped improve the awareness and knowledge of CIRAM. Resilience measures being implemented at DE&S sites include upgrading lighting protection at Kineton and Gosport to reduce potential damage from electrical storms, improved grounds maintenance at Glen Douglas and Crombie to minimise wildfire risk, and new vehicle storage at Ashchurch to mitigate against flooding. Work continues to ensure responses to climate events are reflected in Business Continuity Plans and, in conjunction with commercial teams, that climate impacts are included in supply chain resilience. We are able to share knowledge and good practice through the MOD Climate Resilience Working Group. In addition, we are working with DIO to offer feedback and Learning from Experience to improve the function of their Climate Resilience online tool.



Royal Fleet Auxiliary Stirling Castle was rapidly procured by DE&S to locate, identify and neutralise underwater explosive threats.

PRINCIPAL INTERNAL CONTROLS

All DE&S people are expected to behave respectfully and to act with honesty and integrity as set out within the DE&S Code of Business Ethics, which describes how our people should act and behave within the workplace. Ultimately, everyone shares accountability for managing their time, protecting public money and delivering their objectives. To enable this, we delegate effectively and ensure that the appropriate people have authority to commit resources with accountability for outcomes and that leaders and managers drive progress. We have also introduced the concept of Servant Leadership, which empowers people to deliver effectively through constructive challenge coupled with high levels of support.

As part of the new DE&S People Management Model, objectives are agreed between individuals, their Task Managers and their People Coach, with progress and achievements reported through our annual performance management process. Equal weighting is given to both delivery (the "what") and behaviours (the "how"). Underpinning this, we exercise a strong system of internal control for specific elements of our business. Under our new Management Operating System (MOS) all processes and procedures must now have controls clearly embedded within them, and where elements need strengthening, they are reviewed, and the appropriate changes are implemented.

FINANCIAL

The DE&S Board monitors performance against our annual budget. We practise financial control through a system of financial delegation to senior people, who then sub-delegate to appropriate senior managers and finance managers to ensure value for money judgements are made at all levels of the business.

The freedoms granted to us as an Executive Agency include the ability to manage all aspects of the workforce as necessary to meet business needs, and we regularly review the appropriateness of letters of delegation as part of routine business. The freedoms granted to us also mean that in 2024-25 we were exempt from certain Cabinet Office controls, which were advertising; marketing and communications; redundancy and compensation; and learning and development. Additionally, we have an agreed approval threshold of £150 million for contracts, with sole source only being

used in exceptional circumstances, and excluding contracts via foreign military sales, NATO agencies, or other International contracting authorities. This threshold is higher than OGDs. More information about Cabinet Office controls can be found here⁶¹.

Our accounting is subject to detailed audit by GIAA and the NAO to test our compliance with departmental and HM Treasury policies. No material departures from government accounting principles were identified during the year and we have a well-established set of internal controls underpinning the accounts. These are reviewed regularly and updated as required.

ASSURED DELIVERY AND SUPPORT

DE&S is committed to providing effective equipment and support services to our Armed Forces safely, and to the agreed standards of performance, cost and time. Assurance of our delivery and support activity plays a key role in achieving this and has become ever more important as DE&S strives to become operationally excellent.

A key enabler in ensuring we can deliver standardised assurance and operate in a consistent and acceptable manner, is our development of a robust Management Operating System (MOS), which forms part of the new DE&S Operating Model. The MOS includes a set of integrated frameworks that will ensure the integrity of the Operating Model's design, promote standardised and consistent processes, and drive customer value. To facilitate delivery of the MOS, a DE&S Policy and Oversight team has been set up with responsibility for:

- **making sure our processes and controls align to rules and regulations**, whilst still delivering organisational outputs and striving for operational excellence.
- **making sure that changes to policy, process or control are consistent and aligned** so that any wider impact of a change is understood.
- **maintaining a framework that underpins our wider MOS** and supports DE&S in delivering continuous improvement.
- **providing a blueprint of our organisation through the enterprise architecture** which shows how technology can support the delivery of our outputs and support improvement activity.

61 <https://www.gov.uk/government/collections/cabinet-office-controls>

Assurance across DE&S is further supported by the ongoing transition from our Business Management System to an interim Management System⁶² (iMS), which contains our streamlined processes, procedures and guides and directs the ways we work together. The iMS has removed the boundaries previously felt by the separation of functional activity, progressing the organisation to deliver through cross function value streams. The benefits of the iMS include:

- Easier for new colleagues or non-DE&S people to understand as iMS makes use of industry standard Business Process Mapping.
- Activities to be delivered within each boundary were defined through the detail design phase of the Operating Model programme of work.
- Risks associated with processes are better understood.
- Control ownership defined and allocated to the relevant role in the authorities.
- Implementation of a new change request process which is more efficient and can be actioned quicker.

DE&S has also maintained a close focus on assurance through adoption of the Three Lines of Defence model⁶³, which defines the sources of assurance into three broad categories. This model clarifies how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supported. An output of this activity will be an assurance map, a clear and centralised view of organisational activity, risk, and assurance requirements, to ensure a focused and prioritised delivery of assurance in the right place, at the right time, and in the right way.

The sources of assurance above relating to management control and internal control measures are watched and delivered by separate resources across the organisation. These are:

- **Internal Management** – This includes the Chief Environmental and Safety Officers team and Quality Management team. Internal facing non-technical corporate specialisms. Supporting first and third Lines of Defence through deployment of environment/technology SQEP resource. Centrally managed, locally delivered integrated governance and

assurance on behalf of Authorities, driving continuous improvement without duplication.

- **Acquisition Assurance** – External facing, Technical Authority in SI that contributes to acquisition through identification of contractual requirements for quality, safety, environmental provision of supply chain assurance and first and second Lines of Defence.
- **Financial and Commercial assurance** - Ensures the MOD Internal Control Assurance Framework is operating effectively within the first line, providing support/guidance to management on control criteria and remedial actions. Supports management in the identification and development of DE&S internal controls and ensures the controls are embedded in the process mapping.

Technical authorities have also been created within the System Integration boundary to ensure that technical requirements related to quality, safety, security, support, delivery, and environmental aspects are documented, controlled, and assured through the value streams within the MOS.

ISO9001 and ISO 27001 are the international standard by which organisations are measured to demonstrate their implementation of a sound Quality Management and Cyber Security system respectively. Following certification of these standards, DE&S achieved another major milestone during 2024-25 in the assurance of its business with additional certification to ISO 14001 for Environmental Management and ISO 45001 for Health and Safety Management.

As we develop and look to continuously improve our assurance of support and delivery internally within DE&S, we are also focused on placing more responsibility on defence industry to provide increased and unified assurance by 'Moving the Boundary.' This approach aims to use industry partners for engineering activities unless there is a justifiable reason for them to remain within DE&S.

COMMERCIAL CONTROLS, PROCESSES AND ASSURANCE MECHANISMS.

The Commercial Profession provides independent professional judgement on commercial and procurement matters, ensuring compliance with relevant legislation

and guidance. Commercial officers are accredited with a commercial licence that demonstrates the minimum required professional and MOD qualification standard, set by DG Commercial, has been achieved.

A commercial licence is a pre-requisite for a commercial delegation, which is the authority to enter into procurement or sales contractual commitments as delegated through the commercial management chain. Commercial Officers must work in accordance with policy and guidance, and we have effective processes to ensure compliance with critical policies which enable escalation, feedback, correction and consequence as needed. The licence and delegation process was audited by the Government Internal Audit Agency (GIAA), which resulted in a Substantial audit opinion⁶⁴ in January 2023.

DE&S policies, processes and controls reinforce the pan-Defence commercial policy and processes, which are hosted on the Knowledge in Defence Commercial Toolkit. Following implementation of our new Operating Model, specific DE&S additions are transitioning onto the iMS. As part of this transition, we are mapping our desk level processes to confirm alignment with wider departmental policy, identification of weaknesses and opportunities for efficiencies and more robust assurance.

Assurance that the Commercial Profession is compliant with critical processes comes from various sources and we base our assurance framework on the Three Lines of Defence as defined by the Orange Book⁶⁵. Assurance activity ranges from:

- First Line of Defence - management controls and internal control measures that supervise execution and monitor adherence.
- Second Line of Defence - teams that monitor compliance and effectiveness, which enables the identification and alerting of senior management to emerging issues and changing risk scenarios.
- Third Line of Defence - internal audit which provides an objective evaluation of the adequacy and effectiveness of the framework of governance, risk management and control.

Sources of assurance evidence can originate from:

- the Commercial Assurance and Risk Programme, which is an internal assurance activity involving First and Second Line of Defence assurance.
- the Internal Control & Assurance Framework and the Commercial Continuous Improvement Assessment Framework (CCIAF) which is a Cabinet Office driven review of the health of a department's commercial functions covering all aspects of functional performance.
- GIAA audits, noting audit topics generated an Agreed Management Action improvement activity in 2024-25. This included a limited audit opinion for contract expiry and closure and a moderate audit opinion for contract performance management. The CCIAF confirmed that DE&S had improved year on year and achieved above the CCIAF cohort average, achieving a Better maturity rating.

INFORMATION AND RECORDS MANAGEMENT

DE&S continues to manage and mitigate our IRM strategic risk through the development of robust response plans, supported by thorough governance and compliance activities. These seek to assure that corporate information is secure, managed in accordance with policy and legislation, and is used and shared appropriately. There is a re-invigorated Information Asset Owner network in place within DE&S, which ensures that they are held accountable for their delegated responsibilities and can provide assurance to the Senior Information Risk Owners on the security and use of their assets.

This year, we have continued to make positive improvements on the effective capture, management and exploitation of information and records across DE&S. These improvements have in part been driven by our transition to a new MOD Electronic Records Management system, which is used to create, store, retrieve and dispose of DE&S records.

⁶² The interim Management System (iMS) will continue to evolve as we progress through the Operating Model changes and is expected to transition across to the integrated Management System during 2025-26.

⁶³ The Three Lines of Defence model, as published in the Orange Book, provides a risk management model for central government organisations. It emphasises ongoing risk management as a circular process, including risk identification, assessment, response, and reporting

⁶⁴ Substantial definition - A robust evidence demonstrating prescribed policies, processes and key controls are fully embedded, operating as intended, and helping manage key risks with no identifiable weaknesses.

⁶⁵ The Government's Orange Book lays out the management of risk principles and concepts.

The benefits of this system include:

- legal compliance for Defence.
- more secure information.
- single, central records store (including legacy records).
- an improved user experience - a significant improvement to search and for retrieval of records.

There has also been positive progress in other areas, particularly with reducing further our DE&S paper record holdings held at Government Archives that are no longer required, and the digitisation of those which need to be retained.

DE&S continues to support staff upskilling and improved information literacy through face to face and online training. This has supported a continued drive for the creation and management of digital records which is aligned to local and MOD policy. Since delivery of the SharePoint records area in late 2022, over 800,000 new digital records have been created in accordance with local policy and process.

The introduction of the new DE&S Operating Model has presented a unique opportunity to further embed knowledge and information management work practices, processes and procedures within the organisation. Further work has continued to mature this area beyond FOC which was achieved at the end of March 2025. This, in part, will foster an improved DE&S IRM culture, supporting a change in attitudes and behaviours and embedding good practices within the organisation.

QUALITY ASSURANCE OF ANALYTICAL MODELS

DE&S has continued to ensure that an appropriate Quality Assurance (QA) framework for modelling is effectively embedded across the business. To confirm this, a QA review of the Business-Critical Models (BCMs) listed for 2024-25 was conducted. Of the 27 BCMs declared, all but one were found to have conducted appropriate QA or have appropriate QA planned. The one failure was due to resourcing issues, which resulted in some errors being present in the final outputs of the model. The review also identified five instances of minor deviations, relating to model sign off, completion of required training by Model

Senior Responsible Owners, and other minor modelling and assurance deviations. Actions have been recommended to address the root cause of these deviations from the prescribed process. The overall conclusion from this review confirmed satisfactory QA exists in BCMS.

ANNUAL ASSESSMENT OF GOVERNANCE

The DE&S Audit and Risk Assurance Committee has provided oversight, advice and support to our governance and control frameworks, risk management structures and internal controls. They have reviewed the integrity of our assurance framework through the AAR. The evidence provided in support of our AAR this year demonstrates that our governance, compliance and risk management processes are generally robust and provide a significant level of rigour across the business. However, resource pressures and the short-term disruption associated with the move to the new DE&S Operating Model have posed additional challenges.

The DE&S Fraud Board, which reports directly to the Audit and Risk Assurance Committee, also provides a focus on counter-fraud activities and the management of fraud risks to protect DE&S' business reputation, assets and finances from fraud, corruption, theft, and misappropriation.

The AAR provides a view of the effectiveness of the assurance regime across our business and through which our assurance leads make evidence based self-assessments to reflect compliance against the controls linked to the MOD's Principal Risks. This process of assessment enables us to identify those areas where some improvement is required, so that we can ensure appropriate action can be taken. Examples identified this year include an ongoing need to address security governance and risk management; and a lack of agreed environmental performance targets coupled with the need for greater consideration of environmental aspects earlier in project life-cycles.

This year has also been marked by significant changes to our assurance framework, as part of DE&S' transition to its new Operating Model. A Policy and Oversight team has been established which is delivering a more integrated approach to the management of risk and assurance through more comprehensive planning, the monitoring and testing of processes and controls, and a

more consistent approach to the interpretation of DE&S policy. Moreover, all processes and procedures must now have controls clearly embedded within them.

For our 10 strategic risks, we continue to operate a robust assurance-based governance and control framework to review the progress and effectiveness of our response plans and controls. This provides significant confidence that our strategic risks are being effectively managed and helps us to identify where there might be areas that require attention and improvement, and that any issues are being appropriately addressed.

We have an agreed three-year audit plan in place with the GIAA, which is aligned to our strategic risks and aspects of the business where issues have been identified. Overall, the annual audit opinion provided for

DE&S by the GIAA is moderate, which reflects broadly positive results. The audit of our OGSM performance management framework again resulted in a validated opinion while, for example, the GIAA noted effective governance and oversight within the Human Resources area, and proactive activities being undertaken to raise cyber risk awareness. Several audits resulted in position papers without formal opinions, although their findings were used to support the end of year opinion. The GIAA also found that some business areas were focussed on a joined up and streamlined approach to delivery, but other areas were identified for development. Agreed Management Actions were primarily closed within the timeframe set. DE&S has maintained a robust governance operation to track these and they were routinely monitored and discussed at the DE&S Audit Risk and Assurance Committee.



T4 Explosive Ordnance Disposal (EOD) remote controlled robot.

"I am really enthused by the way that everybody at DE&S is focused on improving their performance for defence. They are enthused by their role in making us combat ready as one integrated force to deter threats and strengthen our national security."

General Sir Gwyn Jenkins, First Sea Lord

CHAIR'S ASSESSMENT

MARK RUSSELL



I am confident that DE&S continues to operate within a robust governance framework, as reflected by an internal Annual Assurance Report assessment of moderate, which aligns with the current GIAA audit opinion ratings. This maintains our overall position from previous years, and although we have faced challenges in some areas, the assessment is derived from an honest and appropriate review of our internal controls. These have also been evolving to align with the new DE&S Operating Model and Management Operating System. The Board continues to regularly discuss and review our strategic risks to ensure they reflect the wider strategic defence landscape within which DE&S operates and that appropriate mitigations are in place to support our mission to equip the Armed Forces with the edge to protect the nation and help it prosper.

The GIAA continues to provide welcome support and challenge, and through the DE&S Audit Risk and Assurance Committee, we have an agreed audit plan in place. The audit plan is aligned to our strategic risks and maintains a sharp focus on the effective management of Audit Management Actions. The GIAA's annual audit opinion of moderate underpins our governance framework and controls. Overall, I am satisfied that DE&S has an effective corporate governance structure in place that can adapt to the needs of the organisation, and through which DE&S can deliver its outputs and objectives, while complying with agreed standards as part of its delegated responsibilities.



REMUNERATION AND STAFF REPORT

The remuneration and staff report sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors and where relevant the link between performance and remuneration.

REMUNERATION POLICY

The following remuneration policy refers to the employment of DE&S Directors who are members of the DE&S Board and/or Executive Leadership Team⁶⁶. Remuneration details for the MOD procurement and MOD representatives on other DE&S meetings are not included as they are not paid by DE&S. Information on their remuneration can be found within the MOD Annual Report and Accounts. During 2024-25, eight members⁶⁷ of the Executive Leadership Team have been members of the SCS, and one member has been an employee of the Government Commercial Organisation⁶⁸. In addition, two⁶⁹ have been senior officers of the Armed Forces.

As set out in the DE&S Framework Document, we have been granted the freedom to manage our workforce as necessary to meet our business needs, within the operating cost envelope agreed with the MOD. This includes setting the terms and conditions of service for all DE&S staff under the CEO's letter of authority from the MOD Permanent Secretary, and in line with the freedoms set out in Annex A to the Framework Document. This delegated authority is carried out under the provisions of the Civil Service (Management Functions) Act 1992. In exercising this authority, we must be cognisant of best practice across the wider civil service and government, and MOD policies on civil service terms and conditions, as well as any implications of our remuneration approach for the Department as a whole.

Remuneration of civilian senior executives takes account of advice from the DE&S Remuneration and Nomination Committee, whereas military senior executives are bound by the remuneration policy for senior officers of the Armed Forces, as reported separately in the MOD Annual Report and Accounts. Appointments at SCS Pay Band level 3 are agreed with the MOD Permanent Secretary.

We have continued to use our pay freedoms to manage our pay and reward strategy in line with the needs of the organisation and to recruit in the marketplace. The DE&S Remuneration and Nomination Committee has provided advice and agreed a set of reward principles that support the application of these freedoms, including

the ability to pay up to 23 civilian members of staff at or above the control threshold set out in HM Treasury's Guidance for approval of senior pay, covering salary and allowances. As at 31 March 2025 there were 10 staff in this category.

The Chair of the Remuneration and Nomination Committee has confirmed they are content that DE&S pay freedoms are applied effectively and appropriately to meet business needs.

PERFORMANCE AND REWARD

The 2024-25 Statement of Comprehensive Net Expenditure (SoCNE) reflects payments made or due to Directors during the financial year. All salary and reward for Executive Leadership Team members was considered by the DE&S Remuneration and Nomination Committee.

This year, we have continued our approach to reward following the implementation of our Reward Review in April 2022. This required significant investment in raising pay ranges to maintain competitiveness internally and externally. These interventions have enabled us to address internal and external market pressures which has significantly reduced the amount of internal movement of employees to other civil service organisations and is reducing internal staff movement. We have continued the roll out of Capability Based Pay within our Technical Specialist grades, and we plan to rollout further pilots during 2025-26. Our reward offer remains market informed and performance driven, and all our SCS, including members of the Executive Leadership Team, are aligned to our SLG, although they have retained their shadow SCS pay band to support internal transfers with MOD and OGDs, and other processes such as talent management.

We continue to use the flexibility of the new reward framework to maximise our ability to attract, engage and retain people in core and specialised roles. We are currently negotiating with our Trade Unions (TUs) the Pay 25 outcome for all civil servants. We intend that the offer will include further changes to pay ranges, calculated to reflect external and internal civil service/ MOD comparators. Salary increases for eligible employees will be applicable from April 2025.

This year we have completed our end of year performance management process for all staff, recording end of year performance ratings and narrative statements on achievement against goals and behaviours. The performance rating was given based on clear guidance for empowered managers on how to consider potential bias, due to protected characteristics or working pattern, and individual performance and behaviours in the context of wider team outputs.

All senior (two star and above) military officers' pay is dependent on their performance, time in rank and position on the pay scale. Further details are available in the MOD Annual Report and Accounts.

While Non Executive remuneration is not linked to performance, in part to avoid any suggestion that an employee/employer relationship exists, NED performance is kept under review by the DE&S Chair. The aim of these informal reviews is to consider the impact of the individual on the performance of the Board and its sub-committees, to recognise the contribution of the NED, and identify ways their contribution could be improved, and to provide feedback.

SENIOR MANAGER CONTRACTS

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission⁷⁰ specify the circumstances when appointments may otherwise be made. Unless otherwise stated, the civilian officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The terms and conditions of the DE&S Chair and independent NEDs on the DE&S Board are determined by the MOD and set out in their individual appointment letters. Independent NEDs are appointed for a fixed term through a transparent recruitment and selection process, with appointment on merit. They may be reappointed for a further fixed term by mutual agreement. While NEDs are paid by DE&S, they are not DE&S employees or appointed as civil servants. NEDs appointed to the DE&S

Board receive a letter of appointment setting out, among other things, details of their remuneration, conduct, and conditions for termination of appointment. NEDs are not involved in any discussion about their own remuneration and all payments made are non-pensionable. There are no compensation entitlements for early termination.

BUSINESS APPOINTMENTS

DE&S is aligned to Departmental and Cabinet Office Rules on Business Appointments as contained in section 4.3 Annex A of the Civil Service Management Code⁷¹. This policy, referenced in all senior manager contracts and directed within DE&S procedures to any staff leaving the organisation, makes clear the circumstances in which individuals will be required to apply for clearance before taking up an appointment outside of the Department. This includes detailed policy and guidance advice included in the checklist for People Coaches 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.

MANAGEMENT

The following pages contain details of the pay, pensions and benefits-in-kind of individuals who served on the DE&S Board or who are Executive Leadership Team members during 2024-25. The disclosures only cover the periods that individuals were DE&S Board or Executive Leadership Team members.

⁶⁶ Vice Admiral Andy Kyte has been a member of the Executive Leadership Team since May 24 but is not covered by this policy as he is not a DE&S employee. He is remunerated by the Armed Forces.

⁶⁷ Andy Start, Adrian Baguley (to July 24), Dr Simon Dakin (from May 24), Jo Osburn-Hughes (from May 24), Dr Jill Hatcher (to March 25), Paul Marshall, David Johnson, Keith Bethell (From June 24 to January 25).

⁶⁸ Andrew Forzani.

⁶⁹ Vice Admiral Rick Thompson (to May 24) and Lieutenant General Simon Hamilton.

⁷⁰ www.civilservicecommission.org.uk

⁷¹ <https://www.gov.uk/government/publications/civil-servants-terms-and-conditions>

REMUNERATION

DE&S EXECUTIVE LEADERSHIP TEAM SALARIES, TAXABLE BENEFITS-IN-KIND AND PENSION BENEFITS (SUBJECT TO AUDIT)

DE&S Executive Directors	2024-25				2023-24					
	Salary ¹ £000	Annual ² Performance Award £000	Benefits in Kind £000 (to Nearest £100) ³	Pension Benefits £000 ³	Total £000	Salary £000	Annual Performance Award £000	Benefits in Kind (to Nearest £100) ³	Pension Benefits £000	Total £000
Andy Start ⁴	290-295	160-165	15.1	-	470-475	280-285	165-170	13.5	-	465-470
David Johnson	170-175	40-45	-	114	325-330	160-165	45-50	-	4	210-215
Joanne Osburn-Hughes (from 7 May 2024) ⁵	120-125 [135-140]	30-35	-	220	375-380 [390-395]	-	-	-	-	-
Vice Admiral Paul Marshall ⁶ (until 2 July 2023)	-	-	-	-	-	35-40 [145-150]	-	-	(94)	(60)-(55) [50-55]
Paul Marshall ⁶ (as civilian, from 3 July 2023)	220-225	40-45	1.5	-	265-270	155-160 [210-215]	40-45	3.3	-	200-205 [250-255]
Vice Admiral Andrew Kyte (from 1 May 2024) ⁷	-	-	-	-	-	-	-	-	-	-
Dr Simon Dakin (from 01 May 2024) ⁸	140-145 [155-160]	35-40	-	210	385-390 [400-405]	-	-	-	-	-
Lieutenant General Simon Hamilton ⁹	170-175	-	-	214	385-390	50-55 [160-165]	-	-	(33)	15-20 [125-130]
Dr Jill Hatcher ¹⁰	195-200	40-45	1.1	258	495-500	150-155	55-60	1.0	160	365-370
Vice Admiral Richard Thompson (to 31 May 2024) ¹¹	25-30 [175-180]	-	-	(171)	(145)-(140) [0-5]	170-175	-	-	61	230-235
Adrian Baguley ¹² (to 02 August 2024)	70-75 [205-210]	10-15	-	107	190-195 [330-335]	200-205	70-75	-	191	465-470
Keith Bethell ¹³ (from 2 June 2024 to 29 January 2025)	100-105 [150-155]	30-35	-	-	135-140 [185-190]	-	-	-	-	-
Andrew Forzani ¹⁴ (to 23 Feb 2025)	100-105 [110-115]	-	-	3	105-110 [115-120]	110-115	0-5	1.5	3	115-120
Chris Bushell ¹⁵ (left 12 December 2023)	-	-	-	-	-	170-175 [235-240]	30-35	-	-	205-210 [270-275]
Rear Admiral Jim Higham ¹⁵ (left 26 June 2023)	-	-	-	-	-	30-35 [135-140]	-	-	(129)	(95)-(100) [5-10]

Notes:

- 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. Figures in brackets reflect the annual equivalent salary for members who have joined or left the Executive Leadership Team (ELT) during the year.
- Performance awards are based on performance levels attained and are made as part of the appraisals process. The performance awards reported in 2024-25 relate to performance in 2024-25 and the comparative figures reported for 2023-24 relate to that performance year. Performance awards for the year 2024-25 are estimates, pending TU negotiation. Military terms and conditions do not include provision for a performance award.
- The value of pension benefits accrued during the year is calculated as the increase in pension multiplied by 20, plus the increase in any lump sum less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to transfer of pension rights.
- Andy Start is required to work and have permanent office locations in both MOD HO in London and DE&S headquarters in Bristol. In line with dual workplace policy and HMRC Benefit in Kind requirements, DE&S covers the cost of travel, accommodation to and from Bristol including the taxable benefit of those costs, the total value including the taxable benefit for the 24-25 and 23-24 financial years is captured here.
- Jo Osburn-Hughes assumed the role of Director People on 7 May 2024. Her salary and pension costs reflect the actual remuneration received during the appointment. The figures in brackets reflect the annual equivalent salary.
- Vice Admiral Paul Marshall undertook role of Director General Ships (interim) between 22 September 2022 and the 2 July 2023 when he left the Armed Forces. His salary and pension costs for both FYs reflect the actual remuneration received during the appointment. The figures in brackets reflect the annual equivalent salary. Paul Marshall was confirmed in role as Director General Ships as a civilian employee from 3 July 2023. His remuneration is shown over two lines to separate the military and civilian aspects of his remuneration. Paul Marshall received authorised first appointment expenses. From 1 July 2024, he assumed the role of DG Gateway, when the DG Ships post ceased to exist following Operating Model changes.
- Vice Admiral Andy Kyte is a guest to the DE&S ELT and so receives no remuneration from DE&S as he is a MOD employee. His salary and pension costs are reflected in the MOD Annual Report and Accounts.
- Dr Simon Dakin assumed the role of DG Core Delivery (interim) on 1 May 2024. His salary and pension costs reflect the actual remuneration received during the appointment. The figures in brackets reflect the annual equivalent salary.
- Dr Jill Hatcher received allowable benefits in kind in relation to exceptional requirements to attend the office during FY23-24 & FY24-25. Following the introduction of the new Op Model on 2 May 2024, Dr Jill Hatcher was temporarily promoted from Dir Strategy, People Change & Corporate to DG Corporate (interim).
- Vice Admiral Richard Thompson left his role of DG Air on 31 May 2024. His salary and pension costs reflect the actual remuneration received during the appointment. The figures in brackets reflect the annual equivalent salary.
- Adrian Baguley left his role of Deputy CEO and DG Strategic Enablers on 2 August 2024.
- Keith Bethell assumed the role of DG Air on 2 June 2024 until 29 January 2025 when the role ceased to exist following Operating Model changes. His salary and pension costs reflect the actual remuneration received during the appointment. The figures in brackets reflect the annual equivalent salary. Keith Bethell received contributions into his partnership pension account of £17,700.
- Andrew Forzani was employed by GCO Cabinet Office, and the remuneration is in relation to DE&S contribution to his salary. Andrew was required to have two permanent office locations as he had roles in both MOD HO in London and DE&S headquarters in Bristol. In line with dual workplace policy and HMRC Benefit in Kind requirements; The GCO Cabinet Office covers the cost of travel, accommodation to and from Bristol including the taxable benefit of those costs and DE&S contributed towards this. Andrew Forzani left his role on 23rd February 2025. The role of DG Commercial has been vacant since his departure.
- Chris Bushell and Rear Admiral Jim Higham left DE&S during FY23-24 and therefore did not receive any remuneration in FY24-25.
- A Benefit in Kind is a benefit that an employee receives from an organisation which is not included in their salary. Typically this includes travel and accommodation expenses.

DE&S NON-EXECUTIVE DIRECTOR REMUNERATION (SUBJECT TO AUDIT)

DE&S Non-Executive Directors ¹	2024-25 ² £000	2023-24 ² £000
Mark Russell	145-150	145-150
Claire Hawkings	25-30	25-30
Tony Meggs	25-30	25-30
Lt Gen Rob Magowan ³	-	-
Marc Overton	25-30	25-30
Andy Lord	25-30	25-30
Nick Folland	25-30	25-30
Carolyn Battersby ⁴	-	-
Tracy Sheedy (from 17 February 2025)	0-5 [25-30]	-
Tanya Coff ⁵	-	-
Angela Williams ⁶ (to 31 March 2024)	-	25-30
Iain Lanaghan ⁷ (to 30 June 2023)	-	5-10 [25-30]
Dr Rosalind Rivaz ⁷ (to 30 June 2023)	-	5-10 [25-30]
Dr Ilona Blue ⁸ (to 31 December 2023)	-	0-5

Notes:

- None of the Non-Executives receive annual performance awards, benefits in kind, or pension benefits in relation to their role on the DE&S Board.
- Salary includes gross salary, overtime, reserved rights to London allowances, recruitment and retention allowances, private office allowances and any other allowances to the extent that it is subject to UK taxation. Figures in square brackets reflect the annual equivalent fees for NEDs who have joined or left the DE&S Board during the year.
- Lieutenant General Rob Magowan received no remuneration for the DE&S Board membership as he is a MOD employee. His salary details are reflected in the MOD Annual Report and Accounts.
- Ms Carolyn Battersby receives no remuneration for her role as Corporate Sponsor Representative as she is a UKGI employee.
- Tanya Coff received no remuneration for her role as NED as she is an employee of the Houses of Parliament and Renewal Authority.
- Angela Williams left the DE&S Board on 31 March 2024.
- Iain Lanaghan and Dr Rosalind Rivaz left the DE&S Board on 30 June 2023. The figures in square brackets reflect the annual equivalent salary.
- Dr Ilona Blue left the DE&S Board on 31 December 2023.

DE&S EXECUTIVE LEADERSHIP TEAM SENIOR EXECUTIVE PENSION BENEFITS (SUBJECT TO AUDIT)¹

DE&S Executive Directors ²	Total accrued pension at pension age [and related lump sum] as at 31 March 2025 [£000] ³	Real increase in pension [and related lump sum] in 2024-25 [£000] ³	Cash Equivalent Transfer Value (CETV) ⁴ as at 31 March 2025 or cessation of employment if earlier [£000] ¹	CETV as at 31 March 2024 or date of appointment if later [£000] ¹	Real Increase in CETV [£000] ⁵
David Johnson	80-85 [205-210]	5-7.5 [5-7.5]	1,942	1,760	102
Jo Osburn-Hughes	55-60 [145-150]	10-12.5 [20-22.5]	1,266	1,022	203
Dr Simon Dakin	65-70 [170-175]	10-12.5 [17.5-20]	1,576	1,315	207
Lieutenant General Simon Hamilton	85-90 [225-230]	7.5-10 [17.5 - 20]	2,486	2,132	211
Dr Jill Hatcher	90-95	12.5-15	1,531	1,241	219
Adrian Baguley	85-90 [240-245]	2.5-5 [12.5-15]	2,146	2,012	116
Vice Admiral Richard Thompson	85-90 [180-185]	(7.5)-(5) [(17.5)-(15)]	1,995	2,167	(317)

Notes:

- Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022. The values reported in the 23-24 account are as follows: David Johnson £1,760,000, Adrian Baguley £2,012,000, Vice Admiral Paul Marshall £2,088,000, Richard Thompson £2,064,000, Jill Hatcher £1,241,000.
- Andy Start and Paul Marshall are not members of any DE&S pension scheme, and no pension contributions have been made by DE&S. Keith Bethell is not a member of the Principal Civil Service Pension Scheme. DE&S contributed to his Partnership Pension Accounts as part of the overall remuneration package. Vice Admiral Andy Kyte is a guest to the DE&S ELT and so receives no remuneration from DE&S as he is a MOD employee. His pension costs are reflected in the MOD Annual Report and Accounts. Vice Admiral Richard Thompson's pension contribution reflects his time as DG Air from 1st April 2024 - 31st May 2024. Pension Accounts as part of the overall remuneration package. Andrew Forzani is not a member of any DE&S pension scheme; DE&S has contributed to his GCO pension.
- The negative pension benefit figures arise because the pension scheme these individuals are a member of has a live salary link, and inflation during the year was higher than the individuals salary increase.
- The CETV figures include the value of any pension benefit accrued from another scheme or arrangement which the individual has transferred to the Armed Forces Pension Scheme (AFPS) or Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of purchasing additional years of pension service in the scheme 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 benefits resulting from Lifetime Allowance Tax.
- This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee and uses common market valuation factors for the start and end of the period.

FAIR PAY DISCLOSURES (SUBJECT TO AUDIT)

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

Remuneration of the highest paid directors is based on annual equivalents which include salary, performance related pay and benefits-in-kind. It does not include severance payments or pension benefits.

A separate multiple has been calculated for the Armed Forces, comparing the highest paid military director to the military pay median, lower and upper quartiles. The civilian multiple uses a figure based on civil service pay, i.e., it excludes staff who are paid under arrangements outside the Department's control. For example, this includes medical personnel, fire fighters, police and teachers, but excludes locally employed civilians overseas and agency staff covering permanent posts.

The midpoint of the banded remuneration of the highest paid military director in DE&S during 2024-25 was £172,500. This was 2.86 (2023-24 3.02) times the median remuneration of the military workforce, which was

£60,220 (2024-25 £57,186). The military remuneration ratio is slightly lower in 2024-25 than it was the previous year. This is due to an increase to the median remuneration of the military workforce (driven by the annual military pay rise) while the highest paid military director remuneration stayed the same; the result of changes in the senior military leadership in DE&S.

The midpoint of the banded remuneration of the highest paid civilian director in DE&S during 2024-25 was £472,500. This was 10.59 (2023-24 11.07) times the median remuneration of the civilian workforce, which was £44,603 (2023-24 £42,218). The civilian remuneration ratio is slightly lower in 2024-25 than it was the previous year. The highest paid civilian director's remuneration increased, but not to the same extent as the civilian workforce median which was driven by the annual civilian pay rise and the pay settlement agreed with the Unite Union for the DE&S Deca workforce.

In 2024-25, zero (2023-24, zero) employees received remuneration in excess of the highest-paid director.

Military remuneration ranged from £15,432 to £172,500 (2023-24 £15,325 to £172,500). Civilian remuneration ranged from £22,011* to £472,500 (2023-24 £17,000 to £467,500).

Percentage change in total salary & allowances and performance pay for the highest paid directors and the staff average.

Pay Changes	2024-25	
	Military	Civilian
Salary & Allowances		
Highest paid director	0.00%	3.66%
Staff average	5.08%	2.65%
Performance Pay		
Highest paid director	N/A	-3.70%**
Staff average	N/A	23.19%

Salary and Allowances includes benefits-in-kind for the highest paid director.

Military salaries do not attract performance pay or benefits-in-kind as these are paid by the single service Top Level Budgets outside of DE&S.

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

	Military			Civilian		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
2024-25	3.25	2.86	2.30	12.66	10.59	8.92
2023-24	3.43	3.02	2.42	13.82	11.07	8.95

**The slight reduction in the performance award is the result of a lower OGSM score which forms part of the bonus calculation.

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

Military	Lower Quartile		Median		Upper Quartile	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Salary £	53,124	50,330	60,220	57,186	75,112	71,420
Total Pay £	53,124	50,330	60,220	57,186	75,112	71,420

Civilian	Lower Quartile		Median		Upper Quartile	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Salary £	36,540	33,224	43,039	40,851	50,393	49,949
Total Pay £	37,330	33,823	44,603	42,218	52,946	52,262

STAFF REPORT

STAFF NUMBERS (SUBJECT TO AUDIT) (SEE ALSO NOTE 3 TO THE FINANCIAL STATEMENTS)

The number (headcount) of SCS within DE&S as at 31 March 2025 is as follows:

SCS Pay Band	2024-25	2023-24
	DE&S	DE&S
Band 1	82	90
Band 2	19	18
Band 3 and above	3	4
Total	104	112

The substantive SCS head count as at 31 March 2025 has reduced since 2023-24, although gapped SLG posts are routinely filled by non-SCS staff on a temporary basis pending completion of external recruitment campaigns. The figures shown include one DE&S SLG who was on loan on 31 March 2025, two on extended special unpaid leave, one on a career break and three Government Commercial Organisation SCS' appointed to roles in DE&S.

A regular scrutiny of posts required by DE&S at SLG level is undertaken at intermittent periods throughout the year.

The average numbers of full-time equivalent persons employed, both civilian and military, are as follows. A more detailed breakdown can be found in Note 3.2 on page 125.

	2024-25	2023-24
	DE&S	DE&S
Permanent Staff	11,961	12,018
Contingent Labour	499	927
Total	12,460	12,945

Staff turnover for 2024-25 (reflecting all leavers from DE&S apart from transfers to the Submarine Delivery Agency (SDA) was 8.1% compared with 8.3% for 2023-24⁷².

72 Staff turnover reflects those who have left DE&S due to resignation, early retirement, transfer to MOD or OGD, retirement at normal pension age, ill-health retirement, dismissals, reorganisations, or fixed-term appointees who leave for any reason. Staff turnover percentages are not subject to audit

STAFF COSTS (SUBJECT TO AUDIT) (SEE ALSO NOTE 3 TO THE FINANCIAL STATEMENTS)

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

	2024-25			2023-24		
	Permanently employed staff £000 (DE&S)	Contingent labour £000 (DE&S)	Total £000	Permanently employed staff £000	Contingent labour £000	Total £000
Salaries and Wages	583,255	75,670	658,925	577,236	122,705	699,941
Social Security Costs	62,323	-	62,323	60,820	-	60,820
Other Pension Costs	186,288	-	186,288	165,429	-	165,429
Total	831,866	75,670	907,536	803,485	122,705	926,190
Paid to:	-	-				
Armed Forces	140,696	-	140,696	126,285	-	126,285
Civilian	691,170	-	691,170	677,200	-	677,200
Contingent Labour	-	75,670	75,670	-	122,705	122,705

Costs for permanently employed staff, including salary, social security and pension costs, have increased by £28 million. Contingent labour has decreased by £47 million.

Salaries and wages as well as social security costs for permanently employed staff are similar to the previous financial year, staff pay increases have been offset by the one-off cost of living payment in the 2023-24 financial year. Other pension costs have increased from 1 April 2024 due to increase in employer contribution to both civil service and military pensions. Contingent labour costs have decreased driven by a reduction in contingent labour headcount the decrease in headcount is offset by an increase in contingent labour rates.

TRADE UNION RELATIONSHIPS

Trade Union (TU) relations are governed by the DE&S TU Relations Framework and Collective Bargaining Agreements. Under the freedom to agree their own approach to TU engagement laid down in respective framework documents and in accordance with the TU Relations Framework, the DE&S HR team leads on TU consultation for both DE&S and SDA. This will be the case until the SDA establishes its own TU Relations Framework Agreement. Consultation with the TUs⁷³ takes place in compliance with the law and to initiate engagement in the spirit of reaching agreement.

The TU (Facility Time Publication Requirements) Regulations 2017 place a legislative requirement on relevant public sector employees to annually collate and publish data on the amount and cost of facility time. DE&S and SDA currently act within the same collective bargaining unit, with some TU representatives undertaking duties across both organisations. Consequently, facility time costs for 2024-25 are shared between the two organisations and are reflected in the annual facility time data return as a combined expenditure. This is shown below for the period 1 April 2024 to 31 March 2025.

RELEVANT UNION OFFICIALS

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
69	66.89

PERCENTAGE OF TIME SPENT ON FACILITY TIME

Percentage of time	Number of employees
0%	30
1-50%	39*
51-99%	0
100%	0

*Three individuals specific to SDA and therefore no cost to DE&S.

PERCENTAGE OF PAY BILL SPENT ON FACILITY TIME

Total cost of facility time	£61,746.80
Total annual civilian pay bill	£691,522,000
Percentage of total civilian pay bill spent on facility time	0.01%

The total annual civilian pay bill as defined by the Cabinet Office is the sum of direct wages and salaries, pension contributions and National Insurance Contributions. Includes all staff related costs, comprising direct wages and salaries (including non-consolidated payments), employer pension contributions and employer National Insurance Contributions.

Paid Trade Union activities

Time spent on paid TU activities as a percentage of total paid facility time	0.00%⁷⁴
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TU activities means time taken off under section 170 (1) (b) of the TU and Labour Relations (Consolidation) Act 1992. These might include attendance at branch, regional or national TU meetings or conferences, meeting with full time officers regarding issues related to the workplace, voting in TU elections. The above information is also published by the Cabinet Office online.



DE&S Staff at DE&S Headquarters Abbey Wood.

⁷³ The five recognised TUs are: Public and Commercial Services, Prospect (representing engineers, managers, scientists and other specialists in the public/private sector), First Division Association (for senior and middle management civil servants), Unite (fights to protect workers' rights) and General Municipal Boilermakers (representing a number of different sectors).

⁷⁴ DE&S does not approve payment for TU reps to undertake TU activities.

CIVIL SERVICE AND OTHER COMPENSATION SCHEMES EXIT PACKAGES (SUBJECT TO AUDIT)

The figures in the next table summarise redundancy and other departure costs paid in accordance with the Civil Service Compensation Scheme. Disclosure is based on exit packages that are transacted through the accounts (including where an accrual or a provision has been expensed). Where DE&S has agreed early retirements, the associated costs are met by DE&S and not by the Civil Service Pension Scheme. For staff leaving under voluntary exit or voluntary redundancy terms, the cost includes any top-up compensation provided by DE&S to buy-out the actuarial reduction on an individual’s pension as well as the compensation payments.

During 2024-25 there were five exit packages transacted in the DE&S accounts. There were no redundancies in 2023-24.

All Armed Forces redundancies are compulsory as the law does not provide for voluntary redundancy. While personnel are invited to apply for consideration, the services may retain applicants, and make non-applicants redundant instead, to retain the right balance of skills and experience across the rank structures. Successful applicants are included in the table as other agreed departures and non-applicants are listed as compulsory redundancies.

There were no Armed Forces redundancies in DE&S during 2024-25 or 2023-24.

Exit package cost band	Number of compulsory redundancies	Number of other agreed departures	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 - £25,000	0	0	0
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	1	1
£100,000 - £150,000	0	1	1
£150,000 - £200,000	0	0	0
£200,000 - £250,000	0	2	2
£250,000 - £300,000	0	1	1
£300,000 - £350,000	0	0	0
£350,000 - £400,000	0	0	0
£400,000 - £450,000	0	0	0
£450,000 - £500,000	0	0	0
Total Number of Exit Packages	0	5	5
Total resource cost (£000)	0	894	894

EXPENDITURE ON EXTERNAL ASSISTANCE

The DE&S operating cost envelope includes the engagement of external assistance, principally made up of contingent labour and private sector support. This augments DE&S resource where there are capacity or skills gaps, enabling DE&S to continue to deliver for our customers.

Contingent labour relates to individuals who are engaged by DE&S on a demand basis to fill vacancies within the organisation. The costs of contingent labour are shown separately in the staff costs at Note 3.1 on page 124 to the accounts.

Private sector support is defined by DE&S as external support to supplement our capacity and capability to manage our programme of work. This includes packages of work aimed at addressing resource and skills gaps, principally in project and logistics management capability. Private sector support within DE&S includes consultancy assistance and other external support provided through arrangements, including Delivery Partner and the Crown Commercial Services framework. A breakdown and prior year comparator is at Note 4 on page 125 to the accounts.

HIGH PAID OFF-PAYROLL APPOINTMENTS

Government policy is that individual departments must exercise governance over appointments where the appointees are not engaged directly on departmental payrolls. Details of DE&S’ most highly paid off-payroll appointments are shown in the following Table 1. These represent temporary workers employed for specific time periods, usually to fill short-term vacancies, to deliver specific pieces of work, or to provide key skills not available internally.

The number of reported appointments has substantially decreased compared to 2023-24 when we reported 687 existing engagements as of 31 March 2024 and 1,209 workers engaged at any point during the year. This year’s reduction in temporary workforce is due to pressure on internal budgets, and delivery of projects, partially offset by the inclusion of off-payroll engagements via either G Cloud⁷⁵ or other contracts. Recruiting permanent staff due to current market conditions also remains challenging.

The majority of off-payroll workers are engaged to meet demand requirements as the programme of work continues to grow, through the main DE&S delivery partner contracts across the Project Delivery, Engineering, Commercial and Operational Delivery Professions, as well as other contracting mechanisms, such as G Cloud. The use of contingent labour enables us to supplement our capability and capacity faster than it would to build a core workforce.

Table 1: Highly paid off-payroll worker engagements as at 31 March 2025, earning £245 per day or greater.

DE&S	Total
Number of existing engagements as at 31 March 2025	497
of which...	
Number that have existed less than one year at time of reporting.	265
Number that have existed for between one and two years at time of reporting.	69
Number that have existed for between two and three years at time of reporting.	97
Number that have existed for between three and four years at time of reporting.	44
Number that have existed for four or more years at time of reporting.	22

Off-payroll workers that provide their services through their own limited company or another type of intermediary will be subject to off-payroll legislation, and DE&S must undertake an assessment to determine whether that worker is in-scope of Intermediaries Legislation (IR35) or out-of-scope for tax purposes.

Table 2: All highly paid off-payroll workers, engaged at any point during the year ended 31 March 2025, earning £245 per day or greater.

DE&S	Total
Number of temporary off-payroll workers engaged during the year ended 31 March 2025	781
of which...	
Not subject to off-payroll legislation.	768
Subject to off-payroll legislation and determined as in-scope of IR35.	0
Subject to off-payroll legislation and determined as out-of-scope of IR35.	13
Number of engagements reassessed for compliance or assurance purposes during the year.	772
Of which: number of engagements that saw a change to IR35 status following review.	0

Table 3: For any off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2024 and 31 March 2025.

DE&S	Total
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibilities, during the FY.	0
Total no. of individuals on-payroll that were board members and/or senior officials with significant financial responsibility during the FY.	2

There have been no off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year. The disclosure above relates to on-payroll engagements only.

We have considered those with ‘significant financial responsibility’ within DE&S to be the CEO and Director Finance.

⁷⁵ G-Cloud is a UK government framework agreement that streamlines the procurement of cloud computing services for public sector organisations.

OUR PEOPLE

In 2022 the launch of the DE&S People Strategy underlined that our people are a key component in the organisation's successful delivery. The strategic refresh and implementation of our new Operating Model have carried forward the overarching principles of the People Strategy. In 2024-25 the People Directorate has delivered some significant achievements, examples of which can be found in the Highlights, Delivering for Defence section on page 28.

The governance of the People Directorate has evolved during this period to better align with the new DE&S governance principles. A review of the People Directorate's governance was initiated, leading to a rationalisation and amendment of the governance structure effective from November 2024. The changes implemented include the consolidation of the Remuneration Committee and Nomination Committee into a single Remuneration and Nomination Committee, convening on a quarterly basis. In addition, the People Committee has been disbanded, with decision-making authority transitioning to a monthly People Programme and Performance Board for decisions at the People Director level, and to the Executive Forecast Meeting or Enterprise Operations Meeting for decisions at the Executive Leadership Team level.

INVESTING IN TALENT

This year we have continued to invest in the development of our skilled workforce, allocating a budget of around £9 million. This has helped ensure we have the right skills and capabilities across DE&S, supported by inspiring and confident leaders at all levels. This has been achieved through various means, including professional upskilling, cultural and behavioural change programmes, and launching a strengths-based approach to 360-degree feedback for our SLG.

It has been pleasing to see that over 300 employees have completed the Becoming leadership programme for women. Our support for other underrepresented Professional I and II grades has also been expanded by launching Boost for colleagues with an ethnic minority background, and Beyond for our disabled colleagues. Furthermore, 347 new People Coaches began their learning journey through a comprehensive, 12-month



A member of DE&S Staff, taking part in a pilot trialing cutting-edge AR glasses for use by deaf and hearing loss staff community.

leadership and management development programme to help ensure they are fully set-up for success.

Recognising the ongoing need to develop our workforce in response to evolving Defence requirements and building upon last year's substantial investment of over £1 million, targeted learning initiatives are in progress for both Practitioner and Expert level proficiency in Lean and Agile methodologies. In addition, a Capability Skilling Initiative was launched to upskill, cross-skill and re-skill our people in alignment with business needs. Initial priorities have been set in five key areas, predominantly within our Project Delivery Profession, with more than 1,000 people taking the opportunity for personal upskilling. This strategic approach aims to bolster our resilience, enhance interoperability, and elevate the overall employee experience.

To meet our objectives in DE&S, wider MOD and to deliver for our customers, including supporting operational requirements, DE&S has stood up nine Professions, which maintain a strong functional alignment with the wider MOD. The approach to standardise the Professions has enabled DE&S to continue investing in its people, which includes the following:

- The Engineering Profession has invested around £3 million, providing essential training in key technical skills and disciplines for engineering graduates and apprentices through sponsored and accredited qualifications. We have improved professionalism, competence and compliance with legislation by implementing new learning pathways, the provision of mandatory acquisition safety training, and sponsorship of continuing professional development, in order to maintain skills currency and professional registration.
- The Project Delivery Profession has invested around £0.8 million providing learning and external certifications, achieving almost 500 accreditations, against an initial target of 342, in the Infrastructure and Projects Authority accreditation scheme.
- The Commercial Profession, working with the Cabinet Office, has invested over £200 thousand to support Professional I grades and above to attend assessment and development centres and made significant investments in Chartered Institute of Procurement and Supply membership. Rates of accreditation continue to rise with 82% of Commercial staff holding a practitioner or expert level commercial licence.

- The Human Resources Profession has made significant investments in professional memberships, with 50% holding Chartered Institute of Personnel and Development (CIPD) membership. Further CIPD experience and upgrade assessments have been undertaken to support DE&S' CIPD People Development Partner status.

In addition, the Agile Centre of Excellence has made substantial strides in upskilling the DE&S workforce over the past year. With an investment in comprehensive training programmes, over 850 people have been trained. This initiative has significantly enhanced task ownership, collaboration, and decision-making capabilities across teams, aligning with our strategic objective of growing a self-sustaining agile workforce.

We have continued to invest in our Entry Talent programme which has resulted in 4,200 applications to our schemes and the recruitment of 150 apprentices and graduates across five professions, with an emphasis on Science, Technology, Engineering, and Mathematics skills. DE&S placed 168 apprentices and graduates into permanent roles across the business during 2024-25, with a further 225 due to graduate in 2025-26.

This year, we have exceeded the OGSM 5D KPI set at the start of the year for required upskilling and mandatory training⁷⁶ across DE&S, which are set against a completion target of 90% by 31 March 2025. This resulted in an overall completion rate of 97%, ensuring DE&S is safe, legal and compliant. In addition to this mandatory training, some 8,364 DE&S employees have evaluated their digital skills using the



DE&S apprentices take part in the 2024 Tom Nevard Memorial Competition.

⁷⁶ Health and Safety (98%), Protecting Personal Data (98%), Fraud, Bribery and Corruption (98%), Active Bystander Fundamentals (97%), Civil Service Expectations (97%), Cyber Security Awareness (97%), General Security Awareness Training (98%), Information and Knowledge Awareness (97%) and Records Management (97%)

DE&S Digital Fitness Application, covering modules such as Data Literacy, Office 365, and Knowledge and Information Management. The Digital Fitness score is 71.6%, surpassing the threshold target score of 60%.

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. DE&S is unable to identify its share of the underlying assets and liabilities. An actuarial valuation of the PCSPS was completed on 31 March 2020⁷⁷.

Contributions to the PCSPS in 2024-25 were calculated at 28.97% 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 2024-25 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 2024-25 period were aligned to those from 2023-24 and incorporate additional costs associated with the 2015 Remedy Programme, also known as the McCloud Judgement⁷⁸.

Employees can opt to open a partnership pension account; employer contributions are age related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. There were no contributions due to the partnership pension providers at the balance sheet date and no contributions have been prepaid. Further details about the Civil Service Pension arrangements are available⁷⁹.

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 consolidated into separate accounts, details of which are available⁸⁰.

Employer's contribution rates are determined by the Government Actuary. For 2024-25, the employer's contribution rates increased from 65.5% to 73.5% 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.

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

WELLBEING AND SICKNESS ABSENCE

We remain committed to the health and wellbeing of our people and have a comprehensive health and attendance policy and supporting guidance in place. During 2024-25, the total working days lost was 62,134, representing 2.31% of the total working days available or 2.3 days lost per 100 days worked. There were 3,536 (29.8%) recorded absences related to coughs, colds, flu and asthma. This was the largest cause of sickness throughout the year, although the duration of this type of absence was usually short. Longer duration sick absences were 17,243 (27.5%) and related to anxiety, depression and stress.

The main referral point for DE&S employees is the Employee Assistance Programme which provides a confidential service and mental and physical health resources. This helps individuals deal with personal and professional problems that could affect their home or work life health and general wellbeing. There are also fully trained Mental Health First Aiders across many of our sites as well as Fair Treatment Ambassadors who provide impartial and independent guidance to civilian colleagues who feel they have been unfairly treated.

DIVERSITY AND INCLUSION

As we strive for operational excellence, DE&S is committed to evolving and embedding a values-led culture that nurtures an environment which is diverse and inclusive. Our goal is to have a culture that embraces authenticity, where every perspective is valued, and every individual can thrive. Not only to ensure compliance, but because a diverse and inclusive workplace that actively grows and harnesses the unique strengths of its people to innovate and fulfil its strategic objectives in a more efficient and cost-effective way, has the potential to deliver so much more for the taxpayer and its mission partners. This was acknowledged by our bronze accreditation with Inclusive Employers⁸¹ in April 2024.

To help us achieve this, we have a well-established diversity and inclusion policy and charter in place which aims to describe DE&S' commitment to diversity and inclusion, including what we believe will best support our organisation and people. These allow employees to gain an understanding of how we plan to ensure our workforce is truly representative of society today.

We also have a dedicated culture and inclusion team who are committed to helping DE&S create a diverse and inclusive workplace where our people can be their authentic selves and thrive. This team cuts across the whole organisation and is invested in policy development, initiatives, programmes and ensuring compliance to legislation such as the Equality Act 2010 and the Public Sector Equality Duty.

Characteristic	As at 31 March 2025	As at 31 March 2024
Female	35.82%	35.47%
Ethnic minority	7.20%	7.29%
Declared disability	11.35%	10.54%
Non heterosexual	3.17%	3.01%



DE&S staff receiving a demonstration of British Sign Language.

77 <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>
78 <https://www.civilservicepensionscheme.org.uk/your-pension/2015-remedy/>

79 <https://www.civilservicepensionscheme.org.uk/>
80 <https://www.gov.uk/guidance/pensions-and-compensation-for-veterans>

81 Inclusive Employers is a UK-based organisation that helps employers build inclusive workplaces.

As part of our work to further embed inclusion and diversity across the organisation during 2024-25, we undertook the following activities:

- reset and published the culture and inclusion focus for 2025 to 2030 which replaced the 2020-2025 Equality, Diversity, Inclusion, and Wellbeing strategy. It sets out the projects, programmes, and activities across the organisation over the next five years, which will deliver the aims set out within the document.
- conducted briefings, facilitated discussions, market stalls, and employee feedback sessions to set and reinforce cultural and behavioural expectations within the new Operating Model.
- reformed the network structure by introducing community groups and embedding regular check point meetings to ensure groups were running more coherently and strategically⁸².
- celebrated National Inclusion Week, which included hosting a series of events and communications to highlight what we can do collectively and as individuals to help each other thrive.
- published a DE&S workforce diversity report in September 2024 as part of National Inclusion week. This reflected organisational plans, achievements and an annual overview of DE&S civilian workforce data across a range of protected characteristics linked to the Levels of Ambitions (LOA).
- refreshed the LOAs from 2025 to 2030 against our key objectives for disability, race, gender and sexual orientation. Progress against the LOAs will continue to be monitored regularly through the workforce data sets, HR programme of work and network/community group activity.
- continued our reverse mentoring programme which included 173 pairings in 2024, comprised of mentors and mentees from senior leaders and junior grades.
- introduced shadow Board representatives who represent the voice of the people and champion diversity of thought, bringing knowledge, skills and experience from across the business.
- continued to offer the services of fair treatment ambassadors who have been selected, and trained, to provide impartial, independent guidance and support to civilian colleagues who feel they have been unfairly

treated because of the unacceptable behaviour.

- organised and delivered wellbeing, mental health and disability awareness sessions across DE&S.

STAFF BREAKDOWN

	As at 31 March 2025	As at 31 March 2024
Civilian total headcount	11,160	11,720
Gender		
Female	3,998	4,148
Ethnicity		
Black, Asian and Minority Ethnic	803	853
Disability		
Declared a disability	1,267	1,236
Sexual orientation		
Lesbian, gay, bisexual	354	356
Religion or belief		
Non Christian religion	482	630
Secular	4,525	4,527
Christian	3,974	4,178

Civilian total headcount in the above tables includes all DE&S industrial and non-industrial civilian personnel and excludes all RFA, for whom declaration data is currently unavailable. Also, numbers shown for ethnicity, disability and sexual orientation are based on declarations made, compared with total civilian workforce. There is no requirement to make a declaration and so they are likely to under-represent actual numbers of each characteristic. The statistics for sexual orientation represent those staff who declared their sexual orientation as either "gay", "bisexual" or "other", in the HR management system.

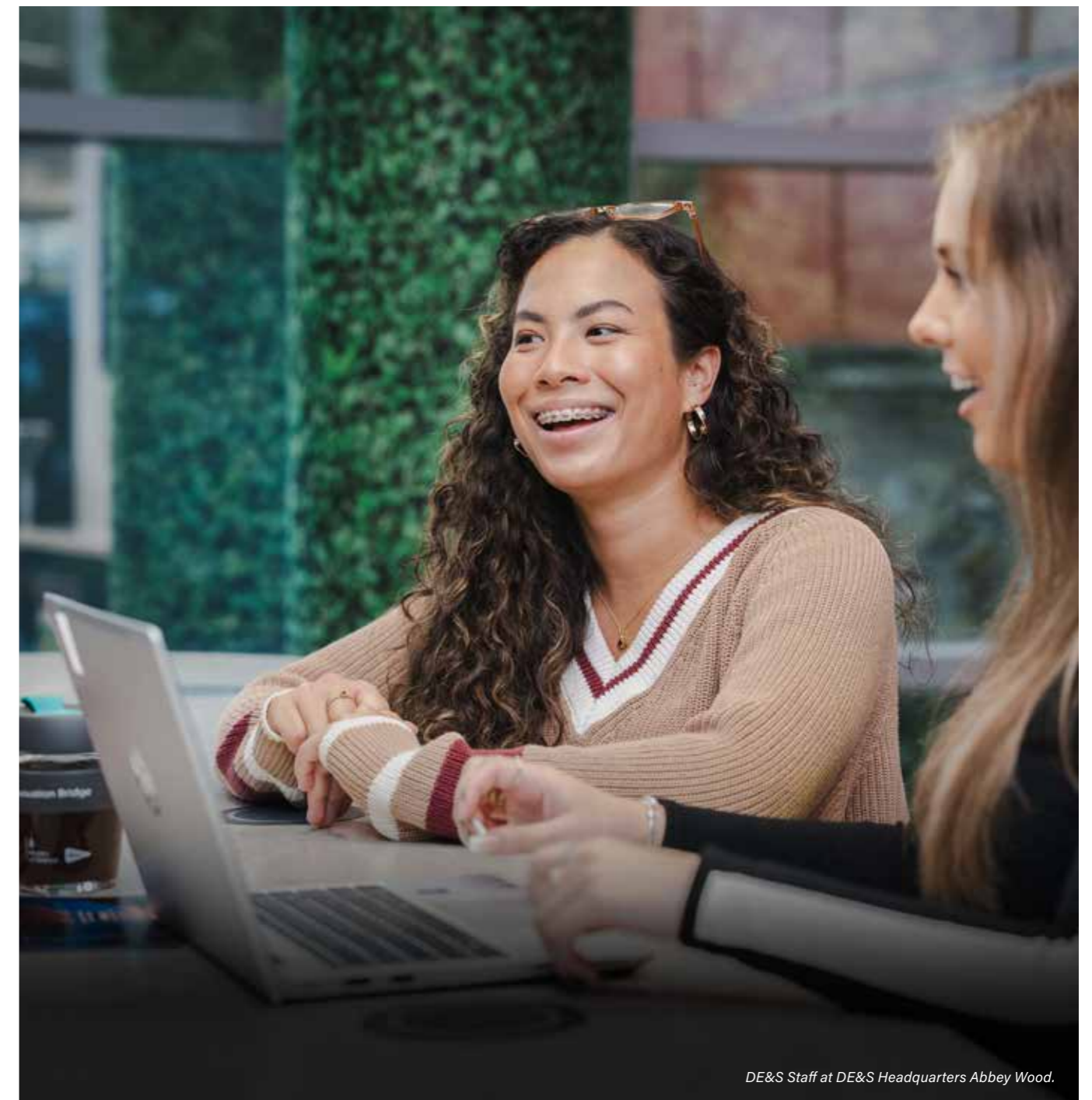
GENDER BREAKDOWN AT DE&S BOARD AND EXECUTIVE LEADERSHIP TEAM LEVEL

	31 March 2025	31 March 2024
Total DE&S Board and Executive Leadership Team	18	17
Female	5	4
Male	13	13

GENDER BREAKDOWN AT SCS LEVEL

	31 March 2025	31 March 2024
Total DE&S SLG (SCS)	104	112
Female	32	29
Male	72	83

The data shown in the above table includes one DE&S SLG who was on loan to wider MOD.



DE&S Staff at DE&S Headquarters Abbey Wood.

82 A guidance tool was created to support the complete lifecycle for networks and community groups which was published in September 2024.



PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

A spectacular show of red, white and blue from the Red Arrows as they flypast Big Ben during the King's Birthday Parade in London.

PARLIAMENTARY ACCOUNTABILITY

The work of DE&S has continued to attract interest from Parliament and from the wider public in this reporting year. DE&S responded to 218 written Parliamentary Questions and 69 pieces of Ministerial and Treat Official correspondence from MPs, Peers, industry, and the public. While we met our targets for Ministerial and Treat Official correspondence, we fell short of meeting our targets for Parliamentary Questions, due in large part to an unexpectedly sharp spike in questions at the beginning of the reporting year.

This year saw particular interest in the work on the DE&S Operating Model as it moved towards achieving FOC in March 2025. Fleet Solid Support also continued to be an area of interest, particularly with the acquisition of Harland & Wolff by Navantia in early 2025. In addition, there was continued interest in the F-35 programme and a range of other subjects including clothing, munitions and hearing protection.

DE&S hosted members of the HCDC on a visit to Abbey Wood in December 2024, where they had a chance to meet with many of our people and learn more about the vital work DE&S delivers for Defence. Also in December, the CEO appeared in front of the HCDC in the oral evidence session on the MOD Annual Report and Accounts. Senior officials also supported private sessions with the HCDC on subjects including programme performance and readiness.

DE&S continues to meet our statutory obligations under the Freedom of Information Act 2000 in responding to requests for information from members of the public. In 2024-25 we answered 456 requests, meeting our departmental target for on-time delivery.

In line with Cabinet Office guidelines on transparency, we proactively published a range of information online, including senior officials' business expenses, hospitality and meetings, details of all spending over £500 using an electronic Procurement Card (departmental debit card) and details of all departmental spending over £25,000. Our Transparency data is published on GOV.UK as part of the MOD collections⁸³.

DE&S continues to comply with strategies, policies, standards, functional standards and processes set by both Government and MOD Functional Owners, unless specific derogations have been agreed.

FEES AND CHARGES (SUBJECT TO AUDIT)

DE&S provides a range of services to external entities, principally industry partners, OGDs and other Governments, either where we have spare capacity or to enable delivery of elements of the MOD Equipment Programme. All charges are levied on a cost recovery basis. Full details of income generated are outlined in the financial statements Note 6.

REMOTE CONTINGENT LIABILITIES (SUBJECT TO AUDIT)

DE&S does not have any remote contingent liabilities in addition to those disclosed under International Accounting Standards (IAS) 37 within the Notes to the Accounts.

REGULARITY OF EXPENDITURE (SUBJECT TO AUDIT)

All material expenditure and income incurred by DE&S in 2024-25 was in accordance with the requirements of HM Treasury and other Government guidance.

LOSSES AND SPECIAL PAYMENTS (SUBJECT TO AUDIT)

Losses and special payments are by their very nature unpredictable. It is therefore impossible for Parliament to predict when funding may be required to cover these costs. Because these costs are emergent in nature, arising from an unexpected incident or failure of process, they are subject to a higher level of scrutiny and approval than would be the case for normal business transactions. Disclosure is based on cases that are transacted through the accounts (including where an accrual or a provision has been expensed).

Losses during the year totalled £2.911 million, which represents an increase of £2.322 million from 2023-24. The increase in value is primarily due to the £2.007 million constructive loss relating to a decision to stop integration of digital applications due to escalating cost no longer representing value for money. The number of cases increased by 3,238. This was mainly driven by a rise in the number of low value fruitless payments in relation to hire car rental charges, cancellations, and non-road traffic accident damages. Total fruitless payments in relation to hire cars was £0.558 million in 2024-25, which represents an increase of £0.356 million compared to 2023-24. These are under review within DE&S and show some correlation to an increase in the

⁸³ The MOD's senior officials' business expenses, hospitality and meetings and the MOD finance transparency dataset collections are both published on GOV.UK (www.gov.uk)

volume of hire car bookings during 2024-25, alongside a review of the reporting process. There is ongoing activity in DE&S to refresh staff knowledge of the hire car process and requirements on individuals to mitigate future losses. Losses are reported on at the earliest opportunity, irrespective of whether or not the costs may be reduced by subsequent recoveries.

LOSSES STATEMENT

Total value of cases by type	2024-25 £000	2023-24 £000
Fruitless payments*	862	409
Minor equipment losses	0	0
Claims waived or abandoned	1	58
Constructive loss	2,047	50
Stores loss	1	72
Total value of losses	2,911	589
Details of cases over £300,000	2024-25 £000	2023-24 £000
Value of over £300,000 cases	2,007	0

Total number of cases by type	2024-25	2023-24
Fruitless payments	4,827	1,584
Minor equipment losses	0	0
Claims waived or abandoned	1	3
Constructive loss	2	3
Stores loss	1	3
Total number of losses	4,831	1,593
Details of cases over £300,000	2024-25 £000	2023-24 £000
Number of over £300,000 cases	1	0

* Fruitless payments reported in 2024-25 includes one instance where the loss spans FYs 2024-25 and 2023-24.

SPECIAL PAYMENTS

The special payments made in 2024-25 and reported in the table below, related to tribunal costs of £0.374 million and two severance payments, which were not related to the exit packages referred to on page 96. Details of the cases are confidential and no further information can be provided. The same is true of the single 2023-24 ex-gratia payment.

Special Payments	2024-25	2023-24
Total Number of Special Payments	3	1
Total Value of Special Payments (£000)	461	5

LONG TERM EXPENDITURE TREND BY CATEGORY⁸⁴

	Core departmental expenditure limit DE&S Executive Agency (£million)	Support to operations ⁸⁵	Total departmental expenditure limit DE&S Executive Agency (£million)
Outturn 2023-24	1,359	9	1,368
Outturn 2024-25	1,251	9.6	1,260
Estimate 2025-26	1,255	10	1,265
Estimate 2026-27	1,370	-	1,370
Estimate 2027-28	1,289	-	1,289
Estimate 2028-29	1,279	-	1,279
Estimate 2029-30	1,269	-	1,269

The values in the table above are for the DE&S TLB Plan only and exclude the Infrastructure Plan.



Andy Start
DE&S CEO and Accounting Officer
UK National Armaments Director
17 July 2025

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

OPINION ON FINANCIAL STATEMENTS

I certify that I have audited the financial statements of the Defence Equipment and Support for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Defence Equipment and Support's:

- Statement of Financial Position as at 31 March 2025;
- 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 Defence Equipment and Support's 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 Defence Equipment and Support's affairs as at 31 March 2025 and its total net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder

OPINION ON REGULARITY

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

BASIS FOR OPINIONS

In auditing the financial statements, I have concluded that the Defence Equipment and Support'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 Defence Equipment and Support'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 Defence Equipment and Support 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.

⁸⁴ The DE&S budget comprises both revenue and capital expenditure. The figures in this table show the Total Departmental Expenditure Limit outturn position and include the Resource Departmental Expenditure Limit position (£1,238 million) captured as Direct Programme Costs in the SoCNE (page 114) and CDEL position (£22 million) as captured in the Fixed Asset Additions in Notes 9 and 10 (pages 128 and 129).

⁸⁵ Support to operations is not able to be forecast in the future as the activity required is uncertain.

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 Defence Equipment and Support 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 Defence Equipment and Support 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 Defence Equipment and Support 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 Defence Equipment and Support'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 Defence Equipment and Support 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 Defence Equipment and Support's accounting policies.
- inquired of management, the Defence Equipment and Support's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Defence Equipment and Support'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 Defence Equipment and Support's controls relating to the Defence Equipment and Support's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money.

- inquired of management, the Defence Equipment and Support'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 Defence Equipment and Support for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Defence Equipment and Support's framework of authority and other legal and regulatory frameworks in which the Defence Equipment and Support 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 Defence Equipment and Support. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, 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 Assurance 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;
- 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.

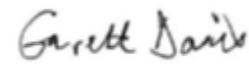
Other auditor's responsibilities

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

18 July 2025

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



The NATO Flag being flown over MOD Main Building Whitehall to mark NATO Day 4 April 2023, the anniversary of the signing of NATO's founding document, the Washington Treaty, in 1949.

SECTION 3

— THE FINANCIAL STATEMENTS

This section includes:
the (Consolidated) Statement of Comprehensive Net Expenditure,
the (Consolidated) Statement of Financial Position,
the (Consolidated) Statement of Changes in Taxpayers' Equity; and
the (Consolidated) Statement of Cash Flows; together with the relevant notes.

ACCOUNTING INFORMATION

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2025

	Note	2024-25 £000	2023-24 £000
Expenditure – Direct Programme Costs			
Direct Staff Costs	3	907,536	926,190
Private Sector Support Costs	4	288,985	300,989
Other Programme Costs	5	95,860	100,375
Total Direct Programme Costs		1,292,381	1,327,554
Income – Direct Programme	6	(54,950)	(57,558)
Net Direct Programme Expenditure		1,237,431	1,269,996
Expenditure – Non-Cash Items			
Communicated costs from other MOD Organisations	7	137,842	125,530
Auditors Remuneration	8	150	168
Asset write off, disposals and impairment	9&10	9,244	1,720
Finance lease interest	17	56	43
Depreciation and amortisation	9,10 &17	5,376	6,431
Movement on provision	14	427	92
		153,095	133,984
Total Net Operating Expenditure		1,390,526	1,403,980
Non-operating gain on transfer by absorption	2	(336)	(22,010)
Transfer of assets in from Defence Equipment and Support Equipment Programme	9	-	(4,260)
Transfer of assets to Defence Infrastructure Organisation	9	1,158	1,661
Total Net Expenditure for the year		1,391,348	1,379,371
Other Comprehensive Net Expenditure			
Net (gain)/loss on revaluation of property, plant and equipment	9	(422)	(2,533)
Net (gain)/loss on revaluation of intangible assets	10	(963)	(61)
Total Comprehensive Net Expenditure		1,389,963	1,376,777

The Notes starting on page 118 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

	Note	2024-25 £000	2023-24 £000
Non-current assets			
Property, plant & equipment	9	135,546	125,544
Right-of-use assets	17	2,309	2,286
Intangible assets	10	11,896	14,042
Trade and other receivables due after one year	11	353	119
Total non-current assets		150,104	141,991
Current assets			
Trade and other receivables	11	15,817	15,652
Inventory and work in progress	13	196	330
Cash	18	13,173	10,175
Total current assets		29,186	26,157
Total assets		179,290	168,148
Current liabilities			
Trade and other payables	12	(132,657)	(163,788)
Provisions due within one year	14	(346)	(207)
Total current liabilities		(133,003)	(163,995)
Total assets less current liabilities		46,287	4,153
Non-current Liabilities			
Trade and other payable due after one year	12	(1,494)	(1,240)
Provisions due after one year	14	(308)	(245)
Total non-current liabilities		(1,802)	(1,485)
Total assets less total liabilities		44,485	2,668
Taxpayers equity and other reserves			
Revaluation Reserve		7,033	5,648
General Fund	SOCiTE	37,452	(2,980)
Total Reserves		44,485	2,668

The Notes starting on page 118 form part of these accounts.



Andy Start -
DE&S CEO and Accounting Officer
UK National Armaments Director
17 July 2025

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2025

	Note	2024-25 £000	2023-24 £000
Cash flows from operating activities			
Total net operating expenditure		(1,390,526)	(1,403,980)
Adjustments for non- cash transactions			
Communicated costs	7	137,842	125,530
Auditors remuneration	8	150	168
Amortisation/depreciation, impairment, write off/on and disposal	9,10&17	14,620	8,151
Movement in provision	14	427	92
Movement in Inventory and work in progress	13	134	(4)
Finance lease interest	17	56	(43)
(Increase) / Decrease in trade and other receivables	11	(399)	(9,544)
Increase / (Decrease) in trade and other payables	12	(30,877)	(19,061)
Adjustment for movements in receivables not passing through the statement of comprehensive net expenditure (DECA transfer of absorption).		-	8,758
Adjustment for movements in payables not passing through the statement of comprehensive net expenditure (including DECA transfer for absorption and transfer of functions).		14,502	(6,718)
Use of provisions	14	(225)	(115)
Net cashflow outflow from operating activities		(1,254,296)	(1,296,766)
Cash flows from investing activities			
Purchase of property, plant and equipment ¹	9	(31,985)	(90,822)
Purchase of intangible assets ²	10	(3,351)	(2,619)
DECA Cash balance on acquisition		-	13,497
Net cash outflow from investing activities		(35,336)	(79,944)
Cash flows from financing activities			
Capital element of payments in respect of leases		(1,158)	(1,367)
Net Parliamentary Funding – drawn down		1,293,788	1,388,252
Net cash outflow from financing activities		1,292,630	1,386,885
Net Increase/(Decrease) in cash and cash equivalents in the period		2,998	10,175
Cash and Cash equivalents at the beginning of the period		10,175	-
Cash and Cash equivalents at the end of the period	18	13,173	10,175

Notes:

- Investing cashflow figure for purchase of property, plant and equipment is calculated as £19,477 thousand capital addition (as per Note 9) plus cash payments to discharge opening liabilities of £15,605 thousand less closing liabilities of £3,097 thousand.
- Investing cashflow figure for purchase of intangible assets is calculated as £1,617 thousand capital addition (as per Note 10) plus cash payments to discharge opening liabilities of £1,830 thousand less closing liabilities of £96 thousand.

The Notes starting on page 118 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2025

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2023		(137,559)	3,054	(134,505)
Gain on transfer of function		22,010	-	22,010
Total net operating expenditure		(1,403,980)	-	(1,403,980)
Net Parliamentary Funding – drawn down		1,388,252	-	1,388,252
Non-cash charges – Auditors Remuneration		168	-	168
Non-cash charges – Communicated costs		125,530	-	125,530
Transfer of assets to Defence Infrastructure Organisation		(1,661)	-	(1,661)
Transfer of assets from DE&S Equipment Programme		4,260	-	4,260
Net (loss)/gain on revaluation of property, plant & equipment		-	2,533	2,533
Net (loss)/gain on revaluation of intangible assets		-	61	61
Transfer between reserves		-	-	-
Balance at 31 March 2024		(2,980)	5,648	2,668
Gain on transfer of function	2	336	-	336
Total net operating expenditure	SoCNE	(1,390,526)	-	(1,390,526)
Net Parliamentary Funding – drawn down	Statement of Cash Flows	1,293,788	-	1,293,788
Non-cash charges – Auditors Remuneration	8	150	-	150
Non-cash charges – Communicated costs	7	137,842	-	137,842
Transfer of assets to Defence Infrastructure Organisation	SoCNE	(1,158)	-	(1,158)
Net (loss)/gain on revaluation of property, plant & equipment	9	-	422	422
Net (loss)/gain on revaluation of intangible assets	10	-	963	963
Transfer between reserves	SoCNE	-	-	-
Balance at 31 March 2025		37,452	7,033	44,485

The Notes starting on page 118 form part of these accounts.

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements contained within the ARAC relate to the FY 1 April 2024 to 31 March 2025 (2024-25) with comparative analysis for the prior year 2023-24. They have been prepared in accordance with the Accounts Direction given by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000, and in accordance with HM Treasury guidance as set out in the FReM.

The accounting policies contained in the FReM apply International Finance Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy judged to be most appropriate to the particular circumstances of DE&S, for the purpose of giving a true and fair view, has been selected.

DE&S operates as an Executive Agency within the MOD in line with Chapter 7 of Managing Public Money. The 2024-25 financial statements are the eleventh set of published accounts for DE&S.

The policies adopted by DE&S 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 in pounds sterling and figures expressed in pounds thousands unless expressly stated in a Note.

1.1 ACCOUNTING CONVENTION

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

1.2 BASIS OF PREPARATION OF ANNUAL ACCOUNTS – ACCOUNTING BOUNDARY

The primary purpose of DE&S is to equip and support the UK's Armed Forces for operations now and in the future by procuring new military equipment, commodities and services, supporting in-service equipment through-life and managing some logistics operations.

DE&S delivers this programme of project and logistics management services within a defined operating cost envelope and in accordance with the Framework Document and the Letter of Delegation issued by the MOD Permanent Secretary to the DE&S CEO.

The operating cost envelope specifically encompasses staff (including travel and training), other operating and PSS expenditure and any associated revenue. The operating cost envelope also includes planned capital expenditure to support DE&S core activity including delivery of buildings. Any capital assets created will be capitalised in these financial statements or delivered to the appropriate MOD organisation e.g. Defence Infrastructure Organisation if relating to buildings. The financial statements also include costs incurred by other MOD organisations in support of DE&S operations as non-cash communicated costs (see item 1.8 and Note 7 to the financial statements). PSS is defined as external support to supplement DE&S capacity and capability to manage our programme of work, including those elements of external support that are being employed to deliver business improvement within the organisation. It encompasses contracts for the employment of contractor support, consultancy assistance and technical support activities. As such, PSS addresses resource and skills gaps in our project and logistics management capability.

1.3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When preparing the DE&S Annual Accounts, judgement and estimation is applied in establishing the value of DE&S receivables and payables and likewise the amount of revenue and expenditure to be reported during the Accounting Period. The key areas in which judgement and estimates are necessary are as follows:

- Accounting boundary: DE&S has robust well-established policies and governance arrangements supporting the delineation of costs between those recognised as operating costs and reported in the DE&S financial statements from those equipment procurement/support activities that are reported in the MOD's financial statements. These policies and governance arrangements have been paramount in the preparation of the accounts.
- Activities undertaken with our main industrial partners to deliver FLC equipment and support requirements continue to be treated as Equipment Programme expenditure and are excluded from DE&S operating costs. The DE&S Accounts do include PSS external support activities that supplement DE&S capacity and capability to manage the DE&S agreed programme of work. Activities that DE&S cannot undertake due to requirements for independent review and specialist one off/short term technically complex activities are treated as Equipment Programme expenditure and not PSS. Where PSS activity is contractually embedded within and indivisible from Equipment Programme activities this is charged to the Equipment Programme.
- PSS expenditure includes activity in support of demonstration and manufacture phase programmes which are capitalised in the MOD Accounts but recorded in the DE&S Accounts as operating costs.
- Communicated costs: DE&S receives a number of benefits driven by the activities of other MOD organisations which support our operations. There is no mechanism in place for these costs to be directly charged to DE&S, so these costs are recognised within the DE&S accounts as communicated costs. These costs reflect the best estimates available, and the majority are allocated based on an apportionment of costs based on staff number ratios. Note 7 provides further detail on communicated costs.
- Accruals – payables and receivables: in instances where revenue/expenditure has been earned/incurred but not paid, an estimate is made of the amount to be accrued as a payable or receivable item. DE&S reviews annually the appropriateness of the materiality level set to ensure it continues to remain relevant. For 2024-25, a guideline materiality threshold of £10,000 (2023-24 £10,000) has been applied in the recognition of payables and receivables.

1.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Changes impacting the preparation of these annual accounts

Transfer of Functions

In previous years we have disclosed the effect of transfer of functions on the comparative figures in the Accounts. In 2024-25, Project Euston was transferred out of DE&S on 1 December 2024 and the associated liabilities have been transferred under transfer by absorption per the FReM.

New Accounting Standards

2025-26

HM Treasury is making changes that will impact the FReM adaptations and interpretations of IAS 16: Property Plant and Equipment, and IAS 38: Intangibles. These changes take effect from 1 April 2025.

The changes that are likely to have an impact on DE&S are as follows:

Indexation of intangible non-current assets will cease from 1 April 2025. The intangible asset value at 1 April 2025 will be considered historic (deemed) cost. Historic deemed cost is where the previous carrying amount, as at the transaction date under the revaluation model, is considered, henceforth, to be the historic cost of the asset;

For tangible assets, to introduce the concept of assets held for their operational capacity and to remove the specialised/non-specialised asset classification split for asset valuation purposes. It is not anticipated that this will have a material impact in DE&S. The main balance in the tangible assets held, as at 31 March 2025, was in relation to the Assets Under Construction for the Longtown Defence Storage Facility. As noted in Note 21, Events After the Reporting Date, this asset will be delivered to DIO during FY 2025-26.

The requirement in IAS 16 to revalue an asset when its fair value differs materially from its carrying value, has been withdrawn.

1.5 GOING CONCERN

DE&S continues to be 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 DE&S does

not operate a bank account (other than for DE&S Deca activity), and liabilities are being met by the MOD, the year-end net liabilities position in the Statement of Financial Position (SOFP) represents a timing difference that will be offset by future net parliamentary funding from the MOD.

DE&S forms an integral part of the MOD Operating Model and is responsible for the delivery of the ten year Equipment Plan. The MOD continues to fund DE&S' core operating costs whilst the FLCs provide funding for project specific activity. It is therefore considered appropriate to prepare these financial statements on a going concern basis.

1.6 REVENUE AND EXPENDITURE RECOGNITION

Funding received from the MOD for revenue purposes 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 DE&S 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.

Revenue is recognised in accordance with IFRS 15, Revenue from Contracts with Customers (i.e. clients) following the IFRS 15 Five Step Model. DE&S has three main sources of revenue:

- i. DE&S Deca income from provision of services to external customers on a rolling basis such as repair and maintenance services. The performance obligations in these contracts are satisfied over time using output methods to recognise revenue on the basis of direct measurement of value to the customer, using methods such as milestones and time elapsed.
- ii. As agreed with HM Treasury, DE&S can recover funds from suppliers relating to profits in excess of those expected at the time of contract award. In these circumstances DE&S conducts an audit and enters negotiations with the supplier to determine the value of monies owed. This is known as post costing income and is recognised at the point it is agreed by both parties.

- iii. The second source is within Defence Munitions, whereby munitions processing is undertaken on behalf of defence contractors. The income is utilised to offset the costs of running the facility and is charged to the client at the point of their acceptance of the work performed.

1.7 PROGRAMME COSTS

DE&S expenditure and revenue is reported as programme costs in line with MOD Annual Accounts reporting requirements. Where DE&S 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 DE&S management activities, salary costs are charged to DE&S.

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

1.8 COMMUNICATED COSTS

Communicated costs are indirect costs in support of DE&S operations that are incurred through activities with other MOD organisations. These costs have been included as a non-cash item in the SoCNE to ensure that a full representation of operating expenditure is reported. Note 7 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

The majority of DE&S' operating activities are deemed to be outside the scope of VAT as they relate to direct staff costs, and irrecoverable VAT is charged where appropriate to other expenditure categories. Expenditure associated with recoverable VAT is treated as excluding VAT in the DE&S Accounts with formal recovery administered by the MOD. With the exception of DE&S Deca activity, DE&S is not separately registered for VAT and as such, VAT is collected or any associated recoveries are processed centrally by the MOD.

1.10 NON-CURRENT ASSETS

Equipment assets delivered and supported by DE&S for use by the FLCs are owned and reported in the MOD Accounts as the risks and rewards of ownership are deemed to reside with the FLCs and MOD.

Where assets are purchased for the sole benefit of DE&S and funded through our Operating Cost Expenditure budget, these are considered for capitalisation where they meet the recognition threshold of £25,000 and are intended for use for a period of over 12 months. Given the relatively low volume and value of assets purchased specifically for DE&S use, it is not our current policy to pool assets. We re-visit this policy annually to ensure that we are not omitting any material assets from our Non-Current Asset Register.

1.11 PROPERTY, PLANT AND EQUIPMENT (PPE)

Various areas of MOD provide DE&S with support services under central support contracts. These infrastructure support services include DE&S usage of MOD non-current assets, such as property and office furniture. The underlying risks and rewards of ownership of these assets are deemed to reside with MOD and therefore not reported in the DE&S SOFP.

The costs incurred by other MOD organisations in the routine maintenance of these assets are reported as communicated costs in the SoCNE. Where DE&S has incurred any direct costs for additional refurbishment/provision of such assets, and where they meet the criteria for capitalisation, these are charged through the SOFP and treated as non-current assets. Where such charges fall outside the recognised criteria DE&S expenses these costs in-year.

Once initially recognised, PPE assets are periodically re-valued to current value in existing use, using a market value where an active market exists. Where no market exists, indices are used to revalue the PPE asset to Depreciated Replacement Cost (DRC). PPE Assets Under Construction (AUC) are not subject to indexation where the contract payments capitalised during the period of construction are deemed to reflect fair value.

1.12 INTANGIBLE NON-CURRENT ASSETS

DE&S continues to recognise as intangible non-current assets those investments in development and delivery of new information system software, and licenses that are aimed at improving DE&S' organisational performance.

Software and their associated licences are capitalised as intangible assets in accordance with IAS38, where they directly contribute to the delivery of DE&S business services.

Once initially recognised, intangible non-current assets are periodically re-valued to current value in existing use, using a market value where an active market exists. Where no market exists, indices are used to revalue the intangible asset to DRC. Intangible non-current AUC are not subject to indexation where the contract payments capitalised during the period of construction are deemed to reflect fair value. Capitalised development costs are amortised, on a straight-line basis and amortisation commences when the asset enters operational service.

1.13 DEPRECIATION AND AMORTISATION

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

The principal asset categories, along with their useful lives, are set out in the table below.

Main category	Sub category	UEL
Plant and machinery	Equipment	5-25
	Plant and machinery	5-25
IT and comms	Office machinery	3-10
	Communications equipment	3-10
Intangible assets	Software licences	3-16
Land and buildings	Leases	Shorter of expected life and lease period

AUC are not depreciated or amortised. Depreciation or amortisation commences from the point the assets are brought into operational use.

1.14 IMPAIRMENT

Impairment charges reduce the carrying amount of intangible and property, plant and equipment assets to their recoverable amount. Reviews are undertaken each year to establish whether there have been any impairment events that may result in a requirement for impairment action to be taken in respect of the recognised non-current assets.

1.15 CASH AND CASH EQUIVALENTS

Cash payments and receipts are processed on behalf of DE&S by MOD for all activity other than DE&S Deca. Other than DE&S Deca, DE&S does not operate its own bank accounts and nor does it have separate cash or cash equivalent balances within the SOFP. DE&S Deca operates its own bank account and movements are reflected in our Statement of Cash Flows.

1.16 INVENTORIES

Inventory delivered and supported by DE&S for use by the FLCs are owned and reported in the MOD Accounts as the risks and rewards of ownership are deemed to reside with the FLCs and the MOD, not with DE&S. DE&S Deca holds a small amount of inventory related to its trading activity.

1.17 FINANCIAL INSTRUMENTS – RECEIVABLES AND LIABILITIES

IAS 32 defines a financial instrument as “any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity”. Trade and other receivables have been classified as current assets and measured at the invoiced amount as the impact of discounting, in the context of DE&S, is not deemed to be material. Given the short-term nature of DE&S liabilities, this is considered equivalent to fair value. Goods or services received but not yet invoiced are accrued at estimated fair value.

Under IFRS 9, trade and other receivables are tested annually for impairment with any identified losses charged to the SoCNE. The carrying value of trade and other receivables in the SOFP is shown net of any impairment provisions. Provisions are made for expected credit losses. DE&S receivables and liabilities are de-recognised when the receivable or liability has been discharged, that is the payment required for settlement

has been made, or the receivable or liability has been determined to no longer exist.

Loss allowances are made for expected credit losses for those financial assets not already held at fair value. DE&S follows the MOD practical expedient in IFRS 9 and applies a provisions matrix to determine percentages to estimate expected credit losses for different classes of receivables, such as trade receivables, staff receivables and bespoke receivables for asset sales.

The expected credit loss percentages are based on the actual bad debts incurred previously adjusted for future uncertainties. This adjustment is a multiplier factor based on the MOD’s judgement of the potential impact of events on future economic conditions. Sensitivity analysis was undertaken by the MOD to test the significance of changes to this judgement and the impact was not material.

In accordance with the FR&M, the balances with core central government departments (including their executive agencies), the Government’s Exchequer Funds, and the Bank of England are excluded from recognising Stage 1 and Stage 2 impairments. Expected credit loss provisions are also made against specific receivables.

1.18 EMPLOYEE BENEFITS

A charge is made in these Accounts for the value of employees’ annual leave entitlements, earned but not yet taken as at 31 March each year. This has been valued by reference to DE&S average staff costs and average untaken annual leave, by grade, in line with the MOD policy on recognition of untaken leave.

The 2024-25 value of employee performance awards reflected within the SoCNE reflects those earned for performance in 2023-24.

DE&S continues to recognise costs of voluntary and compulsory redundancies and exits for departures arising from decisions taken since Executive Agency vesting day.

1.19 IFRS8 SEGMENTAL REPORTING

The requirement for segmental reporting under IFRS8 is not considered appropriate for DE&S as the organisation operates and is managed as a single entity rather than as separate operational segments.

1.20 RESERVES

The Revaluation Reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments on non-current assets. The General Fund reserve represents the balance of taxpayers’ equity in the DE&S Executive Agency.

1.21 PROVISIONS FOR LIABILITIES AND CHARGES

DE&S recognises provisions for liabilities and charges where, at the reporting date, a legal or constructive obligation exists for a future liability in respect of a past event and where, (i) the transfer of economic benefit is probable and, (ii) the amount of the obligation can be estimated reliably. If the transfer of economic benefit is not probable or the present obligation cannot be estimated reliably, the obligation is disclosed as a contingent liability. Contingent liabilities are also disclosed in respect of possible obligations arising from past events, the outcome of which is dependent on uncertain future events, not within the control of the entity.

The provisions and contingent liabilities included within these accounts relate to legal claims. Contingent liabilities relating to Equipment Programme projects are not DE&S liabilities; they are governed and approved separately and reported within the wider MOD accounts.

In calculating provisions, an estimate has been made of the cash flows required to settle the obligations. Estimates are based on the historic volumes of claims and the anticipated settlement date. HM Treasury specifies the nominal rate (applied to cash flows which include inflation) to be used to discount general provisions. For ease, as per HM Treasury Public Expenditure System guidance, DE&S has inflated cashflows using the combined rates (based on Office for Budget Responsibility Consumer Price Index forecasts for inflation and nominal rates for discounting).

1.22 LEASED ASSETS

IFRS16: 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 life 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.

DE&S 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.

DE&S has 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 (or grouped asset) is below £25,000. Grouping would only occur if

assets had the same contract start and end dates. DE&S 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, DE&S classified leases that transfer substantially all the risks and rewards of ownership as a finance lease. As such, DE&S did not have any leases meeting this definition in the comparative period or previously.

DE&S does not operate as a lessor.

2. TRANSFER OF FUNCTIONS ON 1 DECEMBER 2024

The transfer of function of Project Euston took place on 1 December 2024 and involved the transfer of 14 full-time equivalent staff (10 civilian and 4 contingent labour) from DE&S to SDA. In addition, liabilities of £0.336 million were transferred. Project Euston did not hold any current or non-current assets at the time of the transfer. The associated revenue and expenditure for Project Euston is reflected in the DE&S SoCNE up to the transfer on 1 December 2024, and thereafter treated as revenue and expenditure in SDA and not DE&S accounts. The 2024-25 expenditure until the point of transfer on 1 December 2024 was £1.87 million, of which £1.10 million related to staff costs, £0.77 million PSS.

3. STAFF NUMBERS AND RELATED COSTS

3.1 STAFF COSTS COMPRISE:

	2024-25			2023-24		
	Permanently Employed Staff £000	Contingent Labour £000	Total £000	Permanently Employed Staff £000	Contingent Labour £000	Total £000
Salaries and Wages	583,255	75,670	658,925	577,236	122,705	699,941
Social Security Costs	62,323	-	62,323	60,820	-	60,820
Other Pension Costs	186,288	-	186,288	165,429	-	165,429
Total	831,866	75,670	907,536	803,485	122,705	926,190
Paid to:						
Armed Forces	140,696	-	140,696	126,285	-	126,285
Civilian	691,170	-	691,170	677,200	-	677,200
Contingent Labour	-	75,670	75,670	-	122,705	122,705

Costs for permanently employed staff, including salary, social security and pension costs, have increased by £28 million. Contingent labour has decreased by £47 million.

Salaries and wages as well as social security costs for permanently employed staff are similar to the previous financial year as staff pay increases have been offset by the one-off cost of living payment in 2023-24. Other pension costs have increased from 1 April 2024 due to employer contribution increases to both civil service and military pensions. Contingent labour costs have decreased driven by a reduction in contingent labour headcount, offset by an increase in contingent labour rates.

3.2 AVERAGE NUMBER OF FULL-TIME EQUIVALENT STAFF EMPLOYED:

	2024-25			2023-24		
	Permanently Employed Staff	Contingent Labour	Total	Permanently Employed Staff	Contingent Labour	Total
Employed by DE&S	11,961	499	12,460	12,018	927	12,945
Of which:						
Armed Forces	1,071	-	1,071	1,064	-	1,064
Civilian Personnel	10,890	-	10,890	10,954	-	10,954
Contingent Labour	-	499	499	-	927	927

This decrease in contingent labour is being driven by DE&S reduced use of contingent labour outside of business-critical roles.

4. EXTERNAL ASSISTANCE (EA)

	2024-25 £000	2023-24 £000
EA contractor support (other)	158,651	179,905
EA for programmes in concept and assessment phases	3,724	6,922
EA for programmes in demonstration and manufacture phases	41,932	42,631
EA for programmes in in-service support and disposal phase	68,930	58,128
EA consultancy support (project management, organisation design, finance and legal)	1,663	3,490
EA other professional services	14,085	9,913
Total	288,985	300,989

DE&S PSS overall has decreased by £12.0 million. This is primarily driven by a £21.1 million decrease in EA Contractor Support – Other driven by a reduction in use of task-based contractor support through our Engineering, Project and Commercial delivery partner contracts. Additionally, there is a £3.2 million decrease in concept and assessment phase programmes predominantly driven by Weapon availability modelling work reducing this financial year. There is a £0.7 million decrease in spend on programmes in demonstration and manufacture phase through our Engineering and Project delivery partner contracts. The £1.8 million decrease in consultancy support is driven primarily by a recategorisation of support provided to the Naval Support Integrated Global Network Programme to EA Contractor Support - Other.

The £10.8 million increase in programmes within the in-service support and disposal phase is driven by an increase of £8.2 million increase in spend with our Engineering delivery partner and £2.8 million from a new contract providing Mission partner support to the Commando Forces EVE network which is offset by a minor decrease in spend on our Project and Commercial delivery partner contracts. The increase of £4.2M in Other Professional Services is predominantly driven by a £2.9 million increase in spend on support for our org redesign and a £1.4 million increase in legal external assistance expenditure.

5. OTHER PROGRAMME COSTS (OPC)

	2024-25 £000	2023-24 £000
Staff travel and subsistence costs	16,756	19,158
IT and telecommunications	34,773	28,604
Other infrastructure expenditure	12,030	11,215
Staff training costs	6,875	8,384
Vehicle rentals	4,442	4,108
Regulatory safety costs	1,729	1,809
OPC Dstl	7,835	7,708
DE&S Deca materials costs	3,038	8,027
Other costs	8,382	11,362
Total	95,860	100,375

DE&S OPC overall has decreased by £4.5 million. There was a £5.0 million reduction in DE&S Deca materials spend, driven by large purchase of materials and calibration equipment for new work on the F35 during 2023-24. A £3.0 million reduction in other costs driven by a £1 million reduction in research and development, £0.9 million reduction of spend with our recruitment contractor with remaining reduction driven by a decrease in both public relations and general administration spend. Additionally, there is a £2.4 million reduction in travel and subsistence costs and £1.5 million reduction in staff training costs due to saving measures.

The decrease is offset by IT and telecommunications increasing by £6.1 million, primarily due to the removal of an insolvency accrual for £7.3 million during 2023-24 for an IT provider. This was the result of the Cabinet Office and MOD HO settling all defence costs directly with the company, offset by decrease in BT telecoms charges. There was also a £0.8 million increase in Infrastructure costs driven primarily by DE&S Deca site costs.

6. PROGRAMME INCOME

	2024-25 £000	2023-24 £000
Defence Munitions commercial revenue	8,006	7,661
DE&S Deca revenue	35,063	32,156
Logistics Commodities Services revenue (Including British Forces Postal Office)	1,225	1,164
DE&S Executive Agency corporate receipts	9,228	14,864
Other programme income	1,428	1,713
Total	54,950	57,558

Almost all DE&S income falls within scope of IFRS 15, Revenue from contracts with customers. Income has decreased by £2.6 million, with the main driver being a reduction in post costing receipts of £5.6 million, which fluctuates from year to year as explained below. This is offset by increases in relation to the income for both DE&S Deca of £2.9 million and Defence Munitions activities of £0.3 million.

DE&S Deca income is generated predominantly from contracts with the MOD (£31.5 million) with the remaining income being generated from contracts with industry (£3.6 million). The income generated by post-costing activity on DE&S contracts with industry varies depending on the contracts being audited, and value of costs identified as recoverable. Defence Munitions undertakes munitions processing work on behalf of defence contractors; the income is recognised in the accounts when DE&S satisfies the performance obligations of the contracts, where services are rendered and availability targets met. Revenue generated is used to offset the cost of running the facility.

7. COMMUNICATED COSTS

The following costs have been incurred by other MOD organisations in support of DE&S activities. These costs have been included as non-cash within DE&S SoCNE to ensure a complete representation of DE&S operating expenditure is reported. There is no formal charging mechanism or commercial type relationship established for these activities and therefore the most appropriate apportionment methodologies have been applied.

MOD Organisation	Description of activities	Method of Apportionment	2024-25 £000	2023-24 £000
UK Strategic Command	Defence Digital Information systems and communication services	Number of DE&S users relative to MOD users	70,960	66,007
Defence Infrastructure Organisation	Infrastructure and facilities management costs	Cost per employee at DE&S headquarters extrapolated to DE&S total head count	27,710	24,837
UK Strategic Command	Training services through the Defence Academy and Surgeon General Services	Number of DE&S training days relative to total MOD training days and total DE&S users relative to total Abbey Wood staff	2,006	2,395
Defence Infrastructure Organisation	MOD Guard Service	Costs of main DE&S geographical locations extrapolated across total DE&S headcount	16,767	16,406
Defence Business Services	Personnel and Payroll Services	Number of DE&S employees relative to total MOD employees	11,979	13,656
HO and Corporate Services	Phoenix Car Hire administration and MOD Police services	Based on actuals	1,021	1,002
Army Command	Army personnel support to DE&S projects	Based on actuals	7,399	1,227
Total			137,842	125,530

Overall communicated costs have increased by £12.3 million. This is driven by Army personnel providing support to DE&S projects (£6.2 million); this activity commenced part way through the previous financial year. Defence Digital service costs have increased by £5.0 million in relation to areas such as End User Services & MODCLOUD. Defence Infrastructure Organisation infrastructure costs (£2.9 million) due to an increase in both utilities and soft facilities management expenditure. This has been offset by a decrease in Defence Business Services spend of (£1.7 million), due to reduction of support costs following new capital purchases.

8. AUDITOR'S REMUNERATION

DE&S is audited by the Comptroller and Auditor General. The £150,000 charge reflects the costs incurred by the auditor in respect of the audit of the DE&S 2024-25 ARAc. This is a notional, non-cash charge and is reflected in the SoCNE. The auditor's remuneration paid in 2023-24 was £168,000.

9. PROPERTY, PLANT AND EQUIPMENT

	IT & Comms £000	Plant Machinery and Vehicles £000	Transport £000	AUC £000	Total £000
Cost or Valuation					
As at 31 March 2023	2,434	7,759	118	24,107	34,418
Transfer in from DECA 1 April 2023	-	845	-	2,138	2,983
Transfer in from DE&S Equipment Programme	-	4,260	-	-	4,260
Additions	-	-	-	93,023	93,023
Disposals	(936)	(1,541)	-	-	(2,477)
Impairments and adjustments	(14)	-	-	(35)	(49)
Revaluations	35	2,660	-	-	2,695
DE&S Deca write off - policy align ¹	-	(644)	-	(952)	(1,596)
Write off £25,000 threshold change ²	-	(51)	(118)	-	(169)
Transfer to Defence Infrastructure Organisation	-	-	-	(1,661)	(1,661)
Reclassifications	3,294	679	-	(3,973)	-
Balance as at 31 March 2024	4,813	13,967	-	112,647	131,427
Additions	-	-	-	19,477	19,477
Disposals	-	(1,019)	-	-	(1,019)
Impairments and Adjustments ³	-	(1,691)	-	-	(1,691)
Revaluations	498	41	-	-	539
Transfer to Defence Infrastructure Organisation	-	-	-	(1,158)	(1,158)
Reclassifications ⁴	-	1,957	-	455	2,412
Write off ⁵	-	-	-	(8,200)	(8,200)
Balance as at 31 March 2025	5,311	13,255	-	123,221	141,787
Depreciation					
Balance as at 31 March 2023	(1,987)	(3,693)	(24)	-	(5,704)
Transfer in from DECA 1 April 2023	-	(334)	-	-	(334)
Charged in year	(504)	(1,874)	(94)	-	(2,472)
Disposals	936	1,529	-	-	2,465
Impairments	9	-	-	-	9
Revaluations	(26)	(136)	-	-	(162)
DE&S Deca write off - policy align ¹	-	146	-	-	146
Write off £25k threshold change ²	-	51	118	-	169
Reclassifications	-	-	-	-	-
At 31 March 2024	(1,572)	(4,311)	-	-	(5,883)
Charged in year	(491)	(1,586)	-	-	(2,077)
Disposals	-	1,019	-	-	1,019
Impairments ³	-	817	-	-	817
Revaluations	(156)	39	-	-	(117)
Reclassifications	-	-	-	-	-
At 31 March 2025	(2,219)	(4,022)	-	-	(6,241)
Net Book Value					
Balance at 31 March 2023	447	4,066	94	24,107	28,714
Balance at 31 March 2024	3,241	9,656	0	112,647	125,544
Balance at 31 March 2025	3,092	9,233	0	123,221	135,546

¹ DECA transferred into DE&S to become DE&S Deca from 1 April 2023.

² From 1 April 2023 the capitalisation threshold for non-current assets increased from £15,000 to £25,000 to align with MOD.

³ The impairment relates to damaged equipment.

⁴ Reclassifications relate to transfers from AUC to Plant Machinery and Vehicles on delivery of assets into service and to movements between tangible and intangible classifications.

⁵ Write offs relating to Digital Capability Centres and Net Zero projects which have been scaled back and will not result in PPE.

DE&S holds PPE assets including Defence Ordnance Safety Group (DOSG) test equipment to enable DE&S to fulfil safety obligations and equipment used by DECA in its production and repair activities. In year movements principally relate to AUC for the construction of a new storage facility (£17 million of in year additions). The new storage facility will be transferred over to the Defence Infrastructure Organisation upon completion in FY25/26. Write offs totalling £8 million relate to Digital Capability Centres, which were scaled back due to increase in costs to complete and Net Zero projects where accounting treatment has been reviewed and will not result in PPE.

10. INTANGIBLE NON-CURRENT ASSETS

	Software £000	AUC (Development Costs) £000	Total £000
Cost or Valuation			
Balance at 31 March 2023	31,118	482	31,600
Transfer in from DECA 1 April 2023	738	75	813
Additions	-	3,935	3,935
Disposals	(16,768)	-	(16,768)
Impairments/Adjustments	272	-	272
Revaluations	95	-	95
DE&S Deca write off - policy align ¹	(579)	-	(579)
Write off £25k threshold change ²	(17)	-	(17)
Reclassifications	-	-	-
Asset adjustment (w/o)	33	(33)	-
At 31 March 2024	14,892	4,459	19,351
Additions	-	1,617	1,617
Disposals	(55)	-	(55)
Impairments/Adjustments ³	-	-	-
Revaluations	1,524	-	1,524
Reclassifications	1,320	(3,732)	(2,412)
Write off	-	(170)	(170)
At 31 March 2025	17,681	2,174	19,855
Amortisation			
Balance at 31 March 2023	(19,239)	-	(19,239)
Transfer in from DECA 1 April 2023	(293)	-	(293)
Charged in year	(2,617)	-	(2,617)
Disposals	16,768	-	16,768
Impairments	(45)	-	(45)
Revaluations	(34)	-	(34)
DE&S Deca write off - policy align ¹	134	-	134
Write off £25k threshold change ²	17	-	17
Reclassifications	-	-	-
At 31 March 2024	(5,309)	-	(5,309)
Charged in year	(2,144)	-	(2,144)
Disposals	55	-	55
Impairments ³	-	-	-
Revaluations	(561)	-	(561)
Reclassifications	-	-	-
At 31 March 2025	(7,959)	-	(7,959)
Net book value			

	Software £000	AUC (Development Costs) £000	Total £000
Balance at 31 March 2023	11,879	482	12,361
Balance at 31 March 2024	9,583	4,459	14,042
Balance at 31 March 2025	9,722	2,174	11,896

- 1 DECA transferred into DE&S to become DE&S Deca from 1 April 2023.
2 From 1 April 2023 the capitalisation threshold for non-current assets increased from £15,000 to £25,000 to align with MOD.
3 There were no impairments to intangibles this year.
4 Reclassifications relate to transfers from AUC to software on delivery into service and to movements between tangible and intangible classifications.

The majority of DE&S intangibles relate to software, which includes the MyHR software tool (£6.9 million NBV) and a software license (£1.5 million NBV). In year additions primarily relate to AUC for DE&S Deca's new Enterprise Resource Planning system.

11. TRADE AND OTHER RECEIVABLES

	2024-25 £000	2023-24 £000
Amounts falling due within one year		
Accrued Income	360	1,764
Deposits and advance payments	-	11
Other Receivables	2,433	3,249
Trade Receivables	10,633	8,384
Prepayments	2,391	2,244
Staff Loans and advances	-	-
Total Current Receivables	15,817	15,652
Amounts falling due after more than one year		
Prepayments	353	119

DE&S income is not linear and therefore the receivables balance is expected to fluctuate across financial years depending on timing of payments from customers.

12. TRADE AND OTHER PAYABLES

	2024-25 £000	2023-24 £000
Amounts falling due within one year		
PSS accruals	(48,858)	(59,088)
Direct staff accruals	(68,954)	(70,547)
Other liabilities	(12,810)	(31,984)
Lease liability	(867)	(1,059)
VAT owed to HMRC	(1,168)	(1,110)
Total Current Liabilities	(132,657)	(163,788)
Amounts falling due after more than one year		
Lease liability	(1,494)	(1,240)

There has been a £30.9 million decrease in liabilities. Payables balances fluctuate throughout the year depending on the timing of payments to suppliers. The VAT owed to HMRC results from income on goods and services provided by DE&S Deca.

13. INVENTORIES AND WORK IN PROGRESS

13.1 RAW MATERIALS AND CONSUMABLES

	2024-25 £000	2023-24 £000
At 1 April	63	66
Net movement during year	2	(3)
Balance at 31 March	65	63

13.2 WORK IN PROGRESS

	2023-24 £000	2022-23 £000
At 1 April	267	268
Net movement during year	(136)	(1)
Balance at 31 March	131	267

14. PROVISIONS

Provisions have been made for the legal claims made by DE&S employees and third parties seeking compensation for loss or injury suffered due to motor or other workplace incidents. In calculating the provisions, an estimate has been made of the cash flows required to settle the obligations. Estimates are based on the historic volumes of claims and the anticipated settlement date.

	2024-25 £000	2023-24 £000
At 1 April	452	419
Transferred in DECA Provision	-	57
Increase/(Decrease) in Provision	429	110
Provisions used	(225)	(115)
Unwinding Discount	(2)	(19)
Balance at 31 March	654	452

ANALYSIS OF EXPECTED TIMING OF DISCOUNTED CASH FLOWS:

	2024-25 £000	2023-24 £000
Due within one year	346	207
Due over one year and less than five years	308	245
Due over five years	-	-
Balance at 31 March	654	452

15. CONTINGENT LIABILITIES AND ASSETS

The contingent liability below relates to possible obligations regarding legal claims made by DE&S employees and third parties seeking compensation for loss or injury, suffered due to motor or other workplace incidents.

Descriptions and Key uncertainties	31 March 2024 £000	Increase/ Decrease In-Year £000	Liabilities Crystallised In-Year £000	Obligation Expired In-Year £000	31 March 2025 £000
Legal claims (personal)	137	81	(28)	(29)	161
This liability is created by the percentage of legal claims that are repudiated by the company who manage the MOD's legal claims. The percentage remains variable.					

There are no contingent assets.

16. FINANCIAL AND CAPITAL COMMITMENTS

In addition to the liabilities listed in the Statement of Financial Position, DE&S has entered into undertakings for future capital expenditure which, when the liability is incurred, will be recorded in future financial statements. The following future capital commitments are not yet accounted for in the financial statements:

	31 March 2025 £000	31 March 2024 £000
Property, plant and equipment	263	8,254
Intangible	-	38
Total	263	8,292

Capital commitments have decreased by £8 million. The Defence Centre North (Longtown), which represented our main capital commitment, was completed in April 2025, resulting in a reduced commitment balance this year.

DE&S has also entered non-cancellable contracts which are not leases, PFI contracts or related to future capital expenditure. Details of the payments to which DE&S is committed are disclosed below, analysed by the period during which the commitment expires. These commitments relate to several contracts including contracts related to external assistance support.

	31 March 2025 £000	31 March 2024 £000
Not later than 1 year	1,566	1,254
Later than 1 year but not later than 5 years	914	1,301
Later than 5 years	-	-
Total	2,480	2,555

Financial commitments have decreased by £0.1 million. This decrease is due to a non-cancellable technical support contract which is due to end in 2026.

17. LEASES

DE&S lease contracts comprise leases of buildings (domestic accommodation for DE&S staff and their families who have relocated to the USA) and transport (a fleet of vehicles for use by DE&S employees on business travel).

17.1 RIGHT-OF-USE ASSETS

	Dwellings £000	Vehicles Costs) £000	Total £000
Cost or valuation			
At 31 March 2023	1,303	2,371	3,674
Additions – new leases	339	588	927
Disposals	(212)	(168)	(380)
Impairments/Adjustments	-	-	-
Revaluations	-	-	-
Reclassifications	-	-	-
At 31 March 2024	1,430	2,791	4,221
Additions – new leases	57	1,121	1,178
Disposals	(587)	(597)	(1,184)
Impairments/Adjustments	-	-	-
Revaluations	-	-	-
Reclassifications	-	-	-
At 31 March 2025	900	3,315	4,215
Amortisation			
At 31 March 2023	(393)	(580)	(973)
Charged in year	(610)	(732)	(1,342)
Disposals	212	168	380
Impairments	-	-	-
Revaluations	-	-	-
Reclassifications	-	-	-
At 31 March 2024	(791)	(1,144)	(1,935)
Charged in year	(418)	(737)	(1,155)
Disposals	587	597	1,184
Impairments	-	-	-
Revaluations	-	-	-
Reclassifications	-	-	-
At 31 March 2025	(622)	(1,284)	(1,906)
Net Book Value			
Balance at 31 March 2023	910	1,791	2,701
Balance at 31 March 2024	639	1,647	2,286
Balance at 31 March 2025	278	2,031	2,309

17.2 LEASE LIABILITIES

The following values for leases are included within Note 12 payables.

Amounts falling due	2024-25 £000	2023-24 £000
Less than 1 Year	(815)	(1,059)
1-5 Years	(1,371)	(1,230)
Greater than 5 Years	(175)	(10)
Total lease liabilities	(2,361)	(2,299)

17.3 AMOUNTS RECOGNISED IN THE SOCNE FOR LEASES

Lease values recognised	2024-25 £000	2023-24 £000
Depreciation	1,156	1,342
Interest expense	56	43
Low value and short-term leases	332	268
Total	1,544	1,653

17.4 AMOUNTS RECOGNISED IN THE CASHFLOW STATEMENT FOR LEASES

Lease values recognised	2024-25 £000	2023-24 £000
Interest expense	56	43
Repayment of Principal on Leases	1,158	1,367
Total	1,214	1,410

18. CASH AND CASH EQUIVALENTS

Lease values recognised	2024-25 £000	2023-24 £000
At 1 April	10,175	0
Net change in cash and cash equivalents	2,998	10,175
Balance at 31 March	13,173	10,175

All Cash and Cash equivalents held by DE&S relate to Cash held with the Government Banking Service; the inflows and outflows represent trading activity by DE&S Deca. The net change represents net inflows in year from DE&S Deca trading activity of £3 million.

19. RELATED PARTY TRANSACTIONS

DE&S is an Executive Agency within the MOD. As such, and for the purposes of these accounts, the MOD is regarded as a related party. Funding continues to come in the form of Net Parliamentary funding with all payments and receipts relating to DE&S operations processed by the MOD on our behalf.

The majority of DE&S Deca's income relates to work undertaken for the MOD. For 2024-25, £31 Million of DE&S Deca's income is from the MOD (in 2023-24 it was £29 million). A trade receivables balance of £7 million, as at 31 March 2025, was owed to DE&S Deca by the MOD (in 2023-24 it was £6 million).

Dstl is a related party and DE&S incurred costs of £7.8 million during 2024-25 undertaking business activities with Dstl (in 2023-24 it was £7.7 million). All contracts with Dstl are charged at cost, with no profit.

The MOD continues to undertake several transactional activities on behalf of DE&S with the most significant relating to direct staff costs, including the calculation and processing of taxation with HMRC and pension benefits for both the AFPS and the PCSPS.

DE&S provides corporate services to the SDA to assist in delivering its objectives and to maintain compliance with the requirements of being part of a Department of State. Corporate services include, but are not limited to, business support, function management, HR services, communications, and infrastructure and estate. DE&S recharges SDA for its share of the DE&S corporate overheads which for 2024-25 was £10.1 million (in 2023-24 it was £9.6 million).

20. BUDGET RECONCILIATION NOTE

DE&S is responsible for its own operating expenses and carries out its business activities within an agreed operating expenditure limit. The budget comprises both revenue and capital expenditure and DE&S has full control over how this funding is utilised. For 2024-25, DE&S was given an operating budget of £1,282 million, which did not include any budget relating to support to Ukraine. DE&S spent £9.6 million on support to Ukraine

Details of individuals who served as Board Members during the year are listed in the Remuneration Report on page 91.

No Board Members, senior employees or their related parties have undertaken any material business transactions with DE&S in the period to 31 March 2025.

David Johnson, Finance Director, is a member of the Army FLC Audit Committee. Tony Meggs, NED, is an Independent Adviser on the AWE FMC Programme Board; AWE PLC provide services to DE&S.

In addition, the following senior employees had close relations who worked for the following companies:

- Andy Start, DE&S CEO, had close relations employed by Expleo Engineering UK Limited and Amorosso Consulting (subcontractor of PA Consulting).
- Lieutenant General Simon Hamilton, DG System Integration, had a close relation employed by Anduril Industries Inc.
- Andrew Forzani, DG (Commercial), had a close relation employed by KPMG.
- Vice Admiral Paul Marshall, DG Gateway, had a close relation employed by BAE Systems Maritime Services.
- Jill Hatcher, DG Corporate (Interim) had a close relation employed by Kuehne+Nagel a sub-contractor of Leidos.

Adequate arrangements have been implemented to avoid any potential conflicts of interests.

which is separately funded. The outturn position for the year, including operational spend for Ukraine, was £1,260 million (£1,238 million revenue and £22 million capital). This represents a reduction against the budget of £31 million (Total Spend £1,260 million, less operational spend in support of Ukraine of £9.6 million, equalling £1,251 million spend against a budget of £1,282 million).

The net revenue outturn position of £1,238 million is captured in the SoCNE and is made up of Direct Staff Costs, PSS Costs and OPC of £1,293 million offset by the income generated by DE&S in 2024-25 of £55 million.

The capital outturn position of £22 million is primarily related to the continued investment in the construction of a storage facility which will be delivered in FY 25/26. This is highlighted in the PPE Asset Note.

DE&S also has an infrastructure budget which is invested in improving the estate that DE&S uses. Whilst DE&S manages and directs this expenditure, the costs are included in the Defence Infrastructure Organisation accounts as this organisation is responsible for the MOD estate. For 2024-25, DE&S was given an infrastructure budget of £165 million of which £169 million was spent. The overspend in our infrastructure plan, delivered by the Defence Infrastructure Organisation, relates to planned hard facilities management works which were delayed from FY 2023-24. The overspend was managed through underspend in DE&S core operating costs, giving an overall outturn of £27 million under budget.

In total for 2024-25, DE&S had a budget of £1,447 million (£1,282 million operating expenses and £165 million of infrastructure) and spent £1,420 million against this budget (£1,251 million operating expenses excluding support to Ukraine of £9.6 million, and £169 million infrastructure) giving an underspend of £27 million.

21. EVENTS AFTER THE REPORTING DATE

April 2025 – DE&S joined the National Armaments Director (NAD) Group, one of the four areas of the new streamlined MOD leadership structure created through Defence Reform.

April 2025 - DE&S delivered the Longtown Defence Storage Facility. This site resides in the DE&S Assets Under Construction (AUC) balance as at 31 March 2025 and will transfer to Defence Infrastructure Organisation during FY 2025-26 at a value of £104.7 million, reducing the DE&S AUC balances.

June 2025 - The SDR was announced on 2 June 2025 which sets a path for the next decade and beyond to transform Defence. Further details can be found on the GOV.UK website at <https://www.gov.uk/government/publications/the-strategic-defence-review-2025-making-britain-safer-secure-at-home-strong-abroad>

In addition, the following changes to the DE&S Executive Leadership Team have taken place since the end of the reporting year:

- April 2025 – Andy Start, DE&S CEO and National Armaments Director, took up the role of interim head of the NAD Group pending the recruitment of a permanent Director.
- April 2025 – Lieutenant General Simon Hamilton, as Deputy CEO, took on the day-to-day running of DE&S while Andy Start is the interim head of the NAD Group.
- April 2025 - Dr Nina Cope CB took over from Dr Jill Hatcher in an expanded role as DG Corporate and Shared Services for both DE&S and the NAD Group.
- June 2025 – It was announced that Major General Anna-Lee Reilly CB will become the permanent DE&S DG Core Delivery on promotion to Lieutenant General. She will take over from Dr Simon Dakin, current interim DG Core Delivery, when he retires from the MOD later in 2025.

ACCOUNTS AUTHORISED FOR ISSUE DATE

The accounts have been authorised for issue by the Accounting Officer on the same date as the C&AG Audit Certificate.

GLOSSARY

Acronym	Definition	Acronym	Definition
AAR	Annual Assurance Report	MP	Member of Parliament
AFPS	Armed Forces Pension Scheme	NAD Group	National Armaments Director Group
AI	Artificial Intelligence	NAO	National Audit Office
AMA	Agreed Management Action	NATO	North Atlantic Treaty Organisation
ARAc	Annual Report and Accounts	NED	Non-Executive Director
ASEMS	Acquisition Safety and Environmental Management System	OBC	Outline Business Case
AUC	Assets Under Construction	OGD	Other Government Department
BCM	Business-Critical Models	OGSM	Objectives, Goals, Strategies and Measures
C&AG	Comptroller & Auditor General	OHS	Occupational Health and Safety
CASP	Command Acquisition and Support Plan	OHSE	Occupational Health, Safety & Environmental
CCIAF	Commercial Continuous Improvement Framework	OIEP SG	Operations and Infrastructure Environmental Protection Steering Group
CEO	Chief Executive Officer	OpEx	Operating Expenditure
CIPD	Chartered Institute of Professional Development	PCSPS	Principle Civil Service Pension Scheme
CIRAM	Climate Impact Risk Assessment Methodology	PPE	Personal Protective Equipment
DCRAM	Defence Climate risk Assessment Methodology	QA	Quality Assurance
DE&S	Defence Equipment and Support	RAF	Royal Air Force
DG	Director General	RFA	Royal Fleet Auxiliary
DRC	Depreciated Replacement Cost	SCS	Senior Civil Service
DSTL	Defence Science and Technology Laboratory	SDA	Submarine Delivery Agency
EDP	Early Departure Payment	SDR	Strategic Defence Review
FBC	Full Business Case	SHEC	Safety, Health and Environmental Committee
FCAS	Future Combat Air System	SLG	Senior Leadership Group
FCI	Future Capability Innovation	SoCNE	Statement of Comprehensive Net Expenditure
FLCs	Front Line Commands	SQEP	Suitably Qualified and Experienced Personnel
FOC	Full Operating Capability	SRM	Supplier Relation Management
FReM	Financial Reporting Manual	TCFD	Task Force Climate-related Financial Disclosure
FY	Financial Year	TU	Trade Union
GIAA	Government Internal Audit Agency	UEL	Useful Economic Lives
GGC	Greening Government Commitments	UK	United Kingdom
GHG	Greenhouse Gas		
HCDC	House of Commons Defence Committee		
HM Treasury	His Majesty's Treasury		
HO	Head Office		
HR	Human Resource		
IAS	International Accounting Standards		
IFRS	International Financial Reporting Standard		
IMS	Integrated Management System		
IOC	Initial Operating Capability		
IRM	Information and Records Management		
ISO	International Organisation for Standardisation		
IT	Information Technology		
JSP	Joint Service Publication		
KPI	Key Performance Indicator		
LOA	Levels of Ambition		
MI	Management Information		
MOD	Ministry of Defence		
MOS	Management Operating System		



Ministry
of Defence



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