

Board members present:

Jeremy Newman (Chair)
Jane Attwood
Marta Phillips
Clive Tucker
Marcine Waterman (Chief Executive)
Neil Swift (Director of Corporate Resources)
Philip Davies (Director of Regulation)

Others present:

Justine Wharton (minutes)
Malcolm Botting (Head of Governance)
David Galpin (Head of Legal)

1. Welcome, Apologies and Announcements

- 1.1. The Chair welcomed Board members and colleagues to the 5th SSRO Board meeting.
- 1.2. There were no apologies, announcements or declarations of interest.

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2. Minutes of Board meetings

- 2.1. The minutes of the 24 June 2015 Board meeting and 4 September 2015 extraordinary Board meeting were approved as a correct record.

3. Chief Executive's Report

- 3.1. The Chief Executive presented her regular report to the Board, which focused on significant issues that were not covered by papers elsewhere on the agenda.
- 3.2. Since the June 2015 Board meeting, the Chairman and Chief Executive had met with, or visited the facilities of, 8 of the 12 prime contractors – and aimed to meet with all the remaining prime contractors by the end of the year. The meetings had provided a useful opportunity to discuss issues of mutual respect from the first year of the SSRO's operation; consider matters that had emerged from the introduction of the regime; obtain an overview of industry's current business with the MOD; and introduce the SSRO's top team. The Chief Executive thanked the SSRO Board for attending a very successful SSRO Senior Forum on 17 September 2015.
- 3.3. At its June meeting, the Board agreed that the SSRO should seek to appoint two additional non-executive members to the SSRO Board. On 7 August 2015, the Secretary of State for Defence approved this proposal.

- 3.4. Following a recruitment campaign that was led by the Whitehall Industry Group, abiding by the requirements of the Office of the Commissioner for Public Appointments, the recruitment panel agreed to meet on 4 November 2015 to shortlist applicants. As a result, Board member training at the Defence Academy, Shrivenham had been postponed until the new non-executive members were appointed.
- 3.5. At its June meeting, the Board was informed of the steps being taken to develop a corporate strapline, and helpfully suggested messages that could be used in its formulation. On 3 September 2015, the Executive Committee met with an external facilitator, at no cost, to develop the SSRO's corporate strapline. As a result of a thorough and positive meeting, the Executive developed the strapline "Assuring value, building confidence". The Board confirmed it was supportive of this strapline.
- 3.6. As a response to a helpful suggestion by a non-executive member, the Executive Committee at its meeting on 14 September 2015 approved the principles of a document retention and disposal policy. This policy would set out the retention and disposal policy for all records, regardless of format, held by the SSRO and define how long records should be retained before they are either destroyed or transferred to the National Archive for permanent preservation.
- 3.7. It was agreed that documents would be stored on Board Intelligence (BI) for a period of three years and thereafter deleted from the system, but retained on the SSRO's document management system for 15 years before being disposed of securely. This would allow Board members to access past meeting papers and information for a reasonable length of time, without causing the BI system to become unwieldy. The Executive Committee also agreed the formation of a project group to develop the full policy and roll out the principles, including relevant staff training.
- 3.8. The Board approved an amendment to the Referrals Committee's terms of reference as agreed by the Referrals Committee at its meeting on 21 September 2015. The amendment clarified that the use of alternates would not invalidate previous meetings or decisions made therein.
- 3.9. The Chair had agreed that the two non-executive Board members who were not members of the Referrals Committee would be appointed as alternates to the Committee following the Referrals Committee discussion at its meeting on 21 September 2015. The named alternates for the Committee would be reviewed once new non-executive members were appointed to the SSRO Board.

The Board:

- a) approved the SSRO's strapline;**
- b) approved an amendment to the Referrals Committee's terms of reference;**
- c) noted the appointment of the two non-executive Board members who are not members of the Referrals Committee to be appointed as alternates to the Referrals Committee; and**

d) noted the information contained in this report, including the sections on meetings with industry and the MOD, the recruitment of non-executive members and the development of a strapline for the SSRO.

4. Compliance Rating Methodology: consultation response

- 4.1. The Director of Regulation, Philip Davies, introduced a paper on the Compliance Rating Methodology: consultation response.
- 4.2. The Framework Document between the SSRO and MOD stated that the SSRO would “publish a report on an annual basis that summarises compliance by the MOD and single suppliers to the provisions of the Defence Reform Act 2014 (DRA) and the Single Source Contract Regulations 2014 (Regulations). This report will be publically available.”
- 4.3. The SSRO ran a public consultation on the methodology used to assess compliance between 29 June 2015 and 25 August 2015, and received limited responses. This indicated that the SSRO’s proposed methodology was fundamentally sound. The SSRO had drafted a response to the consultation, to be published on its website, and made minor amendments to the Compliance Methodology document.
- 4.4. Two respondents had stated that the low volume of QDCs signed to date would result in the SSRO having insufficient data to provide a fair and representative view of compliance in the first year. The report therefore proposed that the first compliance report should only be published in the full format should enough data be received by a suitable time in December 2015, to ensure results are sufficiently representative.
- 4.5. The SSRO continued to work with industry to help ensure that the reporting requirements for QDCs were understood and complied with. All QDCs, including those initially issued, were subject to the same compliance methodology.
- 4.6. The Board approved the response document to the consultation and the updated compliance rating methodology document to be published on the SSRO website. A draft of the Compliance Report would be shared with the Board in January 2016 for approval ahead of publication on the SSRO’s website.

The Board:

- a) approved the response document to the consultation; and**
- b) approved the updated compliance rating methodology document.**

5. The SSRO's VFM capability

- 5.1. The Director of Regulation, Philip Davies, introduced Simon Mahony, Chief Analyst, to present a paper on the SSRO's VFM capability.
- 5.2. The Defence Reform Act 2014 required the SSRO to keep under review the provision made by Part 2 of the Act and the Regulations (section 39). In carrying out its functions, the SSRO must aim to ensure that good value for money is obtained in government expenditure on qualifying defence contracts and that persons who are party to those contracts are paid a fair reasonable price (section 13(2) of the Act). The SSRO may do anything that is calculated to facilitate the carrying out of its functions or that is incidental to or conducive to the carrying out of those functions (paragraph 14 of Schedule 4 to the Act).
- 5.3. The SSRO had set itself a requirement, in its Corporate Plan 2015-18, to produce analytical work (benchmarking and management information) that supported MOD and industry, as well as allowing the SSRO to monitor the impact and performance of the new single source procurement regime.
- 5.4. The paper proposed an on-going series of VFM studies that would allow the SSRO to demonstrate thought leadership on VFM and contribute to the SSRO's delivery of its objectives. The VFM studies would make use of the data collected from reports in benchmarking, but also have qualitative elements that considered how to deliver improvements. The report also proposed work to set a series of metrics to allow the Board to measure the performance of the regime.
- 5.5. The Board noted the requirements upon the SSRO to consider value for money issues, and agreed the proposal for VFM studies and for measuring regime performance. The Board discussed potential VFM studies and noted that the SSRO would launch a public consultation on the list of possible topics. The consultation would include a question exploring opportunities for conducting joint studies with other suitable organisations. The SSRO would develop proposals for measuring regime performance for the Board's consideration at a future meeting.

The Board:

- a) noted the requirements upon the SSRO to consider value for money issues; and**
- b) agreed the proposal for VFM studies and for measuring regime performance.**

6. Update on reporting database

- 6.1. The Director of Regulation, Philip Davies, introduced a paper providing an update on the reporting database.
- 6.2. The main pilot version of the SSRO's Defence Contracts Analysis and Reporting System (DefCARS) database had gone live on 30 June 2015 and a three month pilot period had commenced on 1 July 2015. The SSRO had planned to launch an OJEU tender process in October 2015, drawing upon learning from the pilot period. However the SSRO Executive Committee had agreed to defer the planned OJEU tender process by six months until April 2016 because of the low level of usage of the pilot system to date. It was likely that a sufficient number of QDCs would have been signed by April 2016, allowing the SSRO to have more thoroughly piloted the system and better inform the development of requirements for the long-term successor database.
- 6.3. The Board enquired whether there would be sufficient staff resource available in April 2016 to deliver this work, given the work required to close year end accounts. Philip Davies confirmed that there was sufficient resource in place to deliver the planned OJEU tender to an April 2016 timeframe.
- 6.4. It was confirmed that the pilot system hosted and maintained by Landmark would remain in operation until a successor system was ready.

The Board:

- a) **noted the deferral until April 2016 of the OJEU tender process to procure a more functionally comprehensive system to succeed the pilot system; and**
- b) **noted the ongoing progress of the pilot phase, the accreditation process and efforts to provide MOD with access.**

7. Corporate Performance Report

- 7.1. The Director of Corporate Resources, Neil Swift, introduced the regular corporate performance report, which provided the SSRO Board with a summary of how the organisation had delivered against its corporate priorities up to 31 August 2015.
- 7.2. The Board commented that it was content that overall performance was on target and, where it could be measured against the KPIs in the SSRO's Corporate Plan, had been rated 'green'.
- 7.3. Neil Swift updated the Board that the recruitment and appointment of permanent staff continued throughout the second quarter of 2015/16. A plan had been established to recruit further staff to the Regulation Directorate, which was to be implemented from the end of September 2015.
- 7.4. Expenditure to the end of August 2015 was broadly in line with expectations.
- 7.5. The SSRO received its first referral for an opinion on 28 August 2015. The SSRO had met all KPIs in relation to this referral at the date of the meeting.

- 7.6. The SSRO had launched a public consultation on proposed changes to the Baseline Profit Rate approach and methodology on 25 September, which was to run for eight weeks. The methodology would be finalised and the resulting rates for 2015/16 recommended to the Secretary of State by 31 January 2016.
- 7.7. The SSRO had worked with its information assurance consultant (Hex Security), Landmark Information Group and the MOD to achieve accreditation of the pilot Defence Contracts Analysis and Reporting System (DefCARS). Full accreditation had now been received.

The Board:

- a) noted performance progress to date.**

8. Budget 2014/15 update

- 8.1. The Director of Corporate Resources, Neil Swift, introduced the budget 2014/15 update paper.
- 8.2. This paper considered the latest forecast for the SSRO corporate budget for the remainder of 2015/16. It also identified potential risk areas such as delays in recruitment to Regulation Directorate posts, which could impact on the final outturn figures, and summarised the recruitment strategy the Director of Regulation had developed to mitigate the risk.

The Board:

- a) noted the 2015/16 SSRO latest corporate forecast outturn; and**
- b) noted the impact that delays in recruitment, IT projects and other areas may have on the 2015/16 final outturn.**

9. Complaints Policy

- 9.1. The Director of Corporate Resources, Neil Swift, presented the draft SSRO complaints policy.
- 9.2. The Framework Document between the SSRO and MOD, and the SSRO Corporate Governance Framework, stated that the SSRO must establish and publish a procedure for handling complaints about the SSRO.
- 9.3. In developing the proposed procedure and timeframe for handling complaints, consideration had been given to the Data Protection Act 1998 and good practice from regulatory bodies that were similar to the SSRO.
- 9.4. The draft complaints policy set out how the SSRO would deal with complaints about its conduct, or that of its staff, Board or external panel members.

- 9.5. The policy set out a two stage internal process to complaint handling. At stage one the complaint would be considered by a member of staff who had not been involved in the events that led to the complaint and who was in a position and had the relevant experience to consider the complaint. It was expected that most complaints will be resolved at this stage. Stage two involved the complainant requesting a review of the initial complaint decision, which would be considered by the SSRO's Chief Executive or, in certain circumstances, the SSRO Chair. Clear timescales for response were set out in the policy document. If the complainant was still not satisfied once the SSRO's internal two stage process was exhausted, they could contact the Parliamentary and Health Service Ombudsman, the body responsible for final decisions on complaints that have not been resolved by government departments and other UK public organisations.
- 9.6. The Board noted the proposed procedure and timeframe for handling complaints and approved the policy, subject to inserting clarification on who would handle any complaints received involving the SSRO Chairman. Following Board approval, the policy would be published on the SSRO website, with a copy uploaded onto the intranet and communicated to all staff.

The Board:

- a) noted the proposed procedure and timeframe for handling complaints set out in the draft SSRO's Complaints Policy; and**
- b) approved the draft SSRO's Complaints Policy.**

10. IT Strategy Review

- 10.1. The Director of Corporate Resources, Neil Swift, introduced the paper, which provided an update on the SSRO's review of its IT strategy, and the key projects that supported its delivery.
- 10.2. A review of the SSRO's IT strategy had recently been undertaken by an external party. The review concluded that the overall IT strategy of the SSRO remained appropriate, and ensured that the SSRO's IT was flexible and technologically up to date. The review recommended updates to some elements of the strategy, building on evolving business processes and technology changes, and increased emphasis on information security. These had been taken forward in the improvement plans currently being delivered, which also included three major projects under way: the domain name change; the provision of boardroom audio-visual facilities; and the SharePoint Electronic Document and Records Management.
- 10.3. In addition, the current interim IT Managed Service contract has been extended to January 2016, and a longer term solution would be procured during this timetable.

10.4. The Board discussed the information management and security requirements of the Referrals Committee and it was agreed that staff would continue to consider the most appropriate and secure method of information management.

The Board:

- a) **noted the IT Strategy Review report;**
- b) **noted the approach and timetable for procurement of the IT managed service; and**
- c) **noted the improvement programme plans which included the provision of boardroom audio-visual facilities, the domain name change and the SharePoint Electronic Document and Records Management.**

11. Minutes and updates from sub-committees

11.1. The minutes of the Referrals Committee on 21 September 2015 were introduced by Clive Tucker, Chair of the Referrals Committee, who also provided an oral update on the current referral. Minutes of the Audit Committee on 21 September 2015 were tabled, due to the limited time since the meeting, and Marta Phillips, Chair of the Audit Committee, provided an oral update from the meeting.

12. Appointment of the Chief Executive

12.1. The Chair provided the Board with an update on the recruitment of the SSRO's permanent Chief Executive. Following a competitive open recruitment process, the recruitment panel consisting of the SSRO Chairman, the Chair of the SSRO Audit Committee, and an independent member, recommended that Marcine Waterman be appointed as the permanent Chief Executive of the SSRO. The Chair had written to the Minister to seek his approval as required by the Framework Document between the MOD and SSRO. The Secretary of State, through the Minister, had approved this appointment.

12.2. The Board confirmed their formal approval of the appointment and contract terms and remuneration. The Board also agreed the ability to agree further contract terms should be delegated to the Chair.

12.3. The Board agreed that the criteria previously set by the Board for Marcine Waterman's performance award until September 2015 had been met.

13. Any Other Business

13.1. The Board communicated their appreciation to all SSRO staff involved in the SSRO's presence at the recent DSEI conference, and achieving IT security accreditation.

14. Date of the next meeting

14.1. The next meeting of the Board would take place on 9 December 2015 in Finlaison House.