

**SSRO**

Single Source  
Regulations Office

*Assuring Value,  
Building Confidence*

Compliance Rating Methodology  
Response to consultation

# Introduction

## 1. Background

The Framework Document between the SSRO and the Ministry of Defence (MOD) states that the SSRO will “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 Single Source Contract Regulations (SSCRs). This report will be publically available”.

The purpose of the Compliance Report is to be an effective tool to monitor and encourage compliance with the single source procurement framework. It is also key to the SSRO’s objective of a transparent and accessible regulatory framework.

## 2 Our approach

The SSRO has created a methodology to measure contractor and MOD compliance, from which data and ratings will be produced.

The SSRO will carry out compliance assessments throughout the year, and publish these at least annually in its Compliance Report in January each year. The SSRO may also decide to publish its assessments each quarter during the year.

In December, we will consider the volume of QDCs and decide at this point whether we have a sufficient and representative sample from which to publish the ratings. If the volume of QDCs remains low, we will publish a report that summarises the issues we have observed and provides a judgement of general compliance with the regime.

# The Consultation

## 3. Process

On 29 June 2015, the SSRO issued its draft compliance methodology and launched a public consultation.

In carrying out this consultation we sought to ensure that as many people and groups as possible had the opportunity to contribute views. We published our consultation on the SSRO's website<sup>1</sup>, and directly emailed our stakeholder contacts.

In total, we invited 88 stakeholders to respond to the consultation, including government bodies, defence industry contractors, academics, professional associations, think tanks and regulatory bodies.

The consultation closed on 25 August 2015. This document summarises the limited number of responses we have received.

## 4 Breakdown of responses

We are grateful to all those who responded to the consultation. We received only five responses (6 per cent). The breakdown of respondents can be seen in Table 1.

The responses gave the SSRO a good understanding of individuals' and organisations' views on the compliance rating methodology and suggested some alternative approaches. We have grouped the comments received into key issues and responded to them in this document.

**Table 1: Breakdown of respondents**

	Government	Industry	Regulators/ Other Government Bodies	Trade and Professional Associations and Think Tanks	Research/ Academics	Other	Media	Total
Number of Stakeholders invited to comment	2	68	6	7	3	0	3	88
Total Number of Responses received	1	2	0	1	0	1	0	5
Percentage of responses received	50	3	0	14	0	n/a	0	6

<sup>1</sup><https://www.gov.uk/government/consultations/compliance-rating-methodology>

## 5. Key issues raised by the respondents

The responses included comments on the consultation questions we asked, as well as some additional areas shown below.

Issue	Section	Description of Issue	Response
Publication	General comment	Suggested that the first compliance report only be published after enough data is available to allow the report to be representative of compliance to the single source procurement framework.	The SSRO will publish its first compliance report in the format first proposed only if a suitable number of QDCs have been signed.
Publication	General comment	Initial Compliance Report will disproportionately focus on early QDCs	The SSRO is committed to providing additional support and assistance to suppliers party to early QDCs to offset any perceived disadvantage.
Rating system	General comment	Rating methodology penalises poor compliance rather than highlighting good compliance	The RAG (red, amber, green) rating system rewards good compliance with green ratings, and discourages poor compliance with amber and red.
Report data quality assessments	Section 6	Report data quality assessments will be inherently subjective	The SSRO has drafted internal guidance to ensure assessments are objective and consistent.
Qualifying Sub-Contracts	Section 2	Sought clarification on who will be assessed under qualifying sub-contracts.	The compliance rating methodology has been updated to reflect this.
Overall methodology	General comment	Suggested that the SSRO could have discussions with MOD and contractors as an alternative to the compliance rating methodology.	The SSRO is committed to public transparency.
Assessment weightings	Calculating overall scores table	Methodology is too weighted towards allowable costs. Being assessed to have a non-allowable cost results in a red rating.	Compliance with the SSRO's 'Single Source Cost Standards' is a fundamental part of the single source procurement framework. Where the SSRO considers a cost to be non-allowable, MOD and the contractor will be given an opportunity to justify or remove such costs before being assessed as non-compliant.
Publication	Section 5	Breaking down results to contract level is unnecessary.	Our statutory objective is to ensure compliance with each QDC.

## 6. Overall response to feedback

Although limited, the SSRO found some of the suggestions made by respondents useful. Respondents generally endorsed the principle of monitoring and rating compliance with parties' obligations under the single source procurement framework.

In particular, the SSRO was encouraged by comments from respondents stating their belief that the compliance rating methodology and report would encourage MOD and industry to work together to ensure compliance with the DRA and the SSCRs. One respondent suggested the methodology is not contentious. Effective communication and collaboration between stakeholders will ultimately support the effective functioning of the single source procurement framework.

The SSRO is committed to maintaining a transparent compliance regime and welcomed comments that requested clarification on specific areas of the methodology. Where appropriate, amendments have been made to the compliance methodology document to clarify the process.

The SSRO has considered concerns that the first compliance report should only be published after there is enough data to ensure results are sufficiently representative. To ensure the report is representative, the first compliance report will only be published in the proposed format if a suitable number of QDCs have been signed. If the volume of QDCs remains low, we will publish a report that summarises the issues we have observed and provides a judgement of general compliance with the regime.

One respondent suggested that the published Compliance Report should not contain contractors' names at all. The SSRO does not agree with this view and believes that the Compliance Report, containing data on both MOD and named defence contractor compliance, is a critical part of establishing a transparent framework under which both MOD and defence contractors are accountable, and which encourages and fosters compliance. The publication of the first full Compliance Report, which will highlight MOD and contractor compliance, will be a significant step towards this.

Some respondents suggested that the Compliance Report should include wider analysis of compliance with the DRA and SSCRs. The report will give a broad analysis of compliance, with the data produced from the compliance rating methodology enabling positive and negative trends to be identified and discussed.

The SSRO is committed to working with contractors and the MOD to achieve high levels of compliance. Given that the single source procurement framework is new and still in its first year of operation, the SSRO has devoted specific resources to assist stakeholders in complying with the DRA and SSCRs.

## Next Steps

SSRO compliance assessments have begun for qualifying defence contracts using the compliance rating methodology. The SSRO has produced internal guidance for assessments to ensure that the compliance rating methodology application is objective and consistent. Assessments will also be conducted in accordance with the SSRO's Information Security policy.

Data produced from the compliance rating methodology will be collated ahead of the publication of the first Compliance Report in January 2016, and used to analyse compliance trends.



