

Consultation response form.

The Defence Reform Act 2014 (the Act) places two review obligations on the SSRO. Firstly, the SSRO is required, in accordance with Section 36(2) of the Act, to keep under review the extent to which persons subject to reporting requirements are complying with them. Secondly, under Section 39(1) of the Act, the SSRO is required to keep under review the provision of the regulatory framework established by Part 2 of the Act and the Single Source Contract Regulations 2014 (the Regulations).

The SSRO has reviewed its model of regulation, in the light of:

- its aim to ensure that the government and taxpayers are assured that the Defence Reform Act and Single Source Contract Regulations are being implemented as Parliament intended;
- current regulatory best practice, including the findings of the Regulatory Futures Review;
- the SSRO's experience to date, following publication of its first Compliance Report in January 2016 and interim Compliance Statement in June 2016; and
- comments raised and responded to, for example through the SSRO's Helpdesk.

As a result, the SSRO has updated its published compliance rating methodology to propose an approach that:

- makes the compliance methodology more closely aligned with best practice models of regulation;
- makes clearer the distinction between the work / roles of the SSRO and the Cost Assurance and Analysis Service (CAAS);
- makes clearer the legislative roles and responsibilities of the SSRO, the MOD and industry;
- improves collaboration and understanding between the SSRO, the MOD and industry, whilst still maintaining the SSRO's independence;
- reduces the overall 'compliance burden' on industry and the MOD; and
- focuses on the actions taken by industry and the MOD, as the intermediary assurance authority, as a result of issues that are identified by the SSRO.

The SSRO has published a consultation paper covering the planned update to its compliance and review methodology.

This is a public consultation, which is open to anyone with an interest in the SSRO's two statutory aims of obtaining good value for taxpayers' money and a fair and reasonable return for industry. We also welcome comments from people or organisations with a particular interest in defence (non-competitive) procurement.

The consultation will close on 8 November 2016. Following our consideration of responses to the consultation, we will publish the final methodology in December 2016 and the resulting Compliance Report in January 2017.

Copies of this response form are available on the SSRO's website. The response form can be completed electronically or printed and completed by hand.

Please email your response to the following address:
consultations@ssro.gov.uk

You can also post responses to us at:

Compliance and Review Methodology Responses
Single Source Regulations Office
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

If you require paper copies of any of the draft documents or the response form, please contact us (using the email or correspondence address above to provide us with your contact details). We will be happy to post copies to you.

Your details

Name:

Paul Everitt

Organisation:

ADS Group Limited

Position:

Chief Executive

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform our finalisation of the methodology. As a minimum, please include the paragraph number your comment refers to.

Comments on style and formatting are not required.

In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether or not you consent to publication of your response by ticking one of the boxes below.

Yes No

Please note, if you do not consent to publication, we will treat your response as confidential to the extent of any disclosure that is required by law. In the event we are required by law to make a disclosure of your consultation response, to the extent we are legally permitted to do so, we will give you as much notice as possible prior to such a disclosure and will take into account all reasonable requests made by you in relation to the content of such a disclosure.

Question 1. What is your view on the SSRO's compliance approach to reporting?

Please add comments to support your answer

The SSRO's Compliance Report summarises and comments on the extent to which suppliers are completing Reports accurately, comprehensively and in a timely manner. The comments below highlight a number of issues which industry believe it would be beneficial for the SSRO to address:

1. The outcomes of the Compliance Reporting process are by their nature binary: either a report has been completed accurately, contains all the required information and was submitted on time or it has not. Corrections and resubmissions are recognised as being a complicating factor when assessing compliance. In these circumstances the purpose for which the information contained in the Reports is used assumes greater significance. A number of ADS member companies have commented on the high cost and significant administrative burden incurred in producing the Reports. Further cost is then incurred by the SSRO in reviewing the Reports for compliance and producing the Compliance Report. ADS believes certainty is required that the information being reported is fulfilling the original objective of providing the Ministry of Defence (MOD) with the means to improve its ability to set realistic prices, as recommended by Lord Currie in his 2012 report¹. It would be incongruous if the SSRO's precision audit of the Reports and subsequent production of an accurate Compliance Report was found to be based on information that is either not being used or is having little or no benefit or impact on MOD.

This is a key issue and ADS suggests that the SSRO, in conjunction with MOD and suppliers, should review the reporting process and confirm at the earliest opportunity that the information contained in the Reports being monitored for compliance has genuine value to the MOD and is fulfilling its primary objective of improving its ability to negotiate realistic prices.

2. Paragraphs 2.3 (2nd bullet) and Paragraphs 2.6 and 2.7: ADS believes that in the event of a query regarding perceived errors or omissions, the SSRO should contact the MOD in the first instance.
3. Paragraph 2.4 (1st bullet): ADS believes the function of the Compliance Report is to provide transparency on the extent to which suppliers are achieving the reporting requirements set out in the Single Source Contract Regulations (hereafter, 'the Regulations'). Using them as a specific means to improve the SSRO's understanding of the *'the facts, assumptions and calculations relevant to each element of the Allowable Costs used to determine the contract price'* is beyond their intended purpose. Similarly, relating the *'facts, assumptions etc'* to *'each element of the Allowable Costs'* is considered an unnecessary extension of the SSRO's oversight.
4. Paragraph 2.5: ADS believes that in keeping the regulatory framework under review, the SSRO also has a duty to ensure its requirements are clearly stated, unambiguous and practical.

¹ Lord Currie's [report](#).

5. Paragraphs 2.9, 2.10 and 3.8: ADS believes:

- Naming contractors in the Compliance Report is unnecessary. Should there be any compliance issues, it is for the MOD to review and take action.
- The SSRO should only identify the general state of compliance and not individual lapses.

6. It would also be beneficial for the SSRO to work to reduce uncertainty over measuring the quality of data, particularly:

- What determines the quality of data, and at what point it is measured (initial submission or after resubmission)
- The assessment of compliance with Profit Rate and Allowable Costs. Such judgements require a significant degree of subjectivity in relation to the dataset and these are difficult to capture with certainty within the boundaries of a simple appropriate/inappropriate decision.

ADS recommends the above issues are addressed in order to ensure the Compliance Report is fit for purpose.

Question 2. What is your view on the SSRO's compliance approach to pricing controls?

Please add comments to support your answer

ADS' view on the SSRO's approach to pricing controls reflects to a certain extent that expressed in the response to Question 1. It is their impact on the pricing of the whole population of single source contracts, and the way in which they assist the MOD achieve its overall aim of setting realistic prices that is of importance, rather than individual pricing issues or the pricing of a particular contract.

Industry believes the overall principles and framework within which pricing activity takes place must be clear and unambiguous whilst still having the flexibility to allow the MOD and suppliers to apply them to pricing the vast range of products and services the MOD buys on a single source basis.

Experience with pricing contracts under the Regulations is growing and is starting to identify areas where adjustments to the either the Defence Reform Act 2014, the Regulations or the Guidance (or a combination of these) would make it easier to price contracts (e.g. pricing proprietary and common stock items).

ADS suggests that a joint programme of work is established in which the MOD, the SSRO and Industry work together to identify areas for improvement and, if possible, submit joint recommendations for amendments to the Secretary of State for Defence under the forthcoming Three Year Review.

ADS considers the approach to pricing controls described in the Consultation document appears reasonable. However, it notes that paragraph 3.2 needs adjusting to reflect that the Regulations require the parties to a contract to 'have regard to' the Statutory Guidance and may diverge from it when justified by the circumstances.

Question 3. What is your view on ratings? Do ratings have a value to Parliament and the public that should be retained?

Please add comments to support your answer

ADS supports the SSRO's proposal not to use ratings or indicators. As stated previously, the Single Source Contract Regulations are used for pricing and reporting some of the largest contracts for the most complex and technologically advanced goods and services that the MOD procures. ADS believes simple measures, such as ratings and indicators, are inappropriate as they are overly simplistic and do not allow for the nuances required to accurately convey the complexity of the work being performed. ADS believes their use would likely result in confusion and misinterpretation. .

Question 4. What is your view on the format of the report?

Please add comments to support your answer

The format of the Compliance Report is reasonable; however, ADS believes that its contents, findings and data should be discussed with suppliers and the MOD prior to publication. This will enable the appropriate management of interfaces, including: the MOD/industry, as well as project teams; media; investors/stock markets; and parent organisations/owners.

Your details

Name:

Martin Williams

Organisation:

Babcock International Group

Position:

Interim Finance Director - Technology

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform our finalisation of the methodology. As a minimum, please include the paragraph number your comment refers to.

Comments on style and formatting are not required.

In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether or not you consent to publication of your response by ticking one of the boxes below.

Yes No

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Question 1. What is your view on the SSRO's compliance approach to reporting?

Please add comments to support your answer

The methodology laid out in the SSRO's *Compliance Rating Methodology* document appears to be broadly appropriate, notwithstanding the points raised below.

The main question we would raise with regard to the overall methodology is whether it is appropriate to publish compliance ratings per contractor in an annual Compliance Report? We do not believe it is. This is not to question whether it is appropriate to use measurements within the SSRO or to share directly with contractors and/or the MoD, but whether there is any benefit to be gained by publically releasing this information. If in fact it causes a detriment to contractors, then we would question how the SSRO believes this delivers fairness to industry? Some of the measures have a high degree of subjectivity (please see below) and until they become more objective, we would suggest it is inappropriate to publically release this information.

With regard to the measure presented, we would suggest that there is still some ambiguity over particular issues, such as:

- What constitutes sufficient quality of data? There is no detailed guidance provided by the SSRO over data quality requirements. If this is to be measured through the resolution of issues raised by the SSRO with the contractor, there needs to be clear guidance as to when this will be deemed to warrant classification as 'insufficient quality' (e.g. at first feedback, after a period of time given for resolution, only after a compliance notice has been issued).
- The assessment of compliance with profit rate and allowable costs. The *Compliance Rating Methodology* document notes that these areas include items which are "often a matter of judgement", but then states that the methodology will review for items which are "clearly not allowable". Without specific details on what items are deemed to be "clearly not allowable" (which is not included in the current *Statutory Guidance on Allowable Costs*) it is still not clear how contractors can ensure they are compliant. Does the SSRO propose to establish a fast track method to advise on, and publish, specific costs issues and resolutions as they are raised?

We believe that if binary measures are to be introduced, which may impact the reputation of contractors, clear and detailed guidance on how the measures will be calculated need to be published.

Question 2. What is your view on the SSRO's compliance approach to pricing controls?

Please add comments to support your answer

We are broadly supportive of the process and understand that this should help in the long term to identify areas for review within the guidance or in the regulations themselves.

The process as outlined currently revolves around communication between the SSRO and MoD to identify the background issues surrounding any potentially non-compliant contractual terms. This is an efficient approach to understanding and resolving queries, however we would caution against then naming specific contracts or contractors in relation to these issues. If a contractor has not been party to the communication between the SSRO and the MoD, or even aware issues have been raised, it is clearly not appropriate to name them in the SSRO's *Annual Compliance Report*, if they have had no knowledge of the issues or method of influencing their resolution.

We would re-iterate our point that we do not understand the purpose of publically naming contractors for non-compliance. The SSRO should provide a clear objective of what it hopes to achieve by using this approach, in contrast to raising issues regarding contractors directly with the MoD or by performing an industry level assessment.

Question 3. What is your view on ratings? Do ratings have a value to Parliament and the public that should be retained?

Please add comments to support your answer

We would support the SSRO's proposal not to include ratings or indicators. Whilst indicators have use in a range of formats, their value is only apparent if the users have a full understanding of how they are calculated, what they mean and what they do not mean. There is a very real risk, given the complexity of the defence industry and associated single source contracts, that simple measures, such as a RAG status, could be misinterpreted by any of the range of stakeholders because they do not fully understand them.

Question 4. What is your view on the format of the report?

Please add comments to support your answer

The format of the report appears appropriate. The key issues we would again highlight to the SSRO is that if the report includes information about contractors and their compliance with the regime, there needs to be full assurance behind any stated figures. At the very least contractors should be given prior notice of any statements or figures in which they are mentioned, to ensure that they have the opportunity to review and provide any appropriate feedback to the SSRO. We would suggest the SSRO should hold informal compliance meetings with each contractor before the publication of any report.

This is of particular importance for any publically listed companies performing qualifying contracts. The release of any material or price sensitive information in relation to these companies must also be compliant with listed company regulations, which the SSRO should be mindful of. We would highlight that provisions have been made to ensure sensitive company information is not disclosed under Freedom of Information requests, and as such, we cannot understand why equivalently sensitive information should be published in the SSRO's compliance reports.

Your details

Name:

Steve Clifford

Organisation:

BAE SYSTEMS plc

Position:

Director of Finance, Head Office

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform our finalisation of the methodology. As a minimum, please include the paragraph number your comment refers to.

Comments on style and formatting are not required.

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Yes No

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Question 1. What is your view on the SSRO's compliance approach to reporting?

Please add comments to support your answer

There is a case for SSRO to flag glaring omissions or inconsistencies in reports. SSRO should not comment on completeness or quality of information, particularly explanations, this is the job for MoD/CAAS who will have a greater understanding of issues arising. The key distinction should be matters of fact e.g. missing information which SSRO should be able to flag and opinion e.g. sufficiency of an explanation which it should not. It should be for MoD/CAAS to ask questions arising from the submitted reports.

Individual contractors should only be named and shamed as a last resort, where there is a clear, serial and wilful disregard for the legislation. Name and shame should be not used lightly; this is not conducive to an environment which 'improves collaboration and understanding'.

Paragraph 2.10 seems to indicate that SSRO will call out instances where it believes the MOD should have acted to issue Compliance and Penalty Notices but the MOD failed to act. If the MOD is working co-operatively with a contractor to resolve a non-compliance, or the MOD genuinely does not believe that there has been a non-compliance (i.e. has a different view to the SSRO), the publishing of MOD's action or lack of action puts both parties in a difficult place.

Question 2. What is your view on the SSRO's compliance approach to pricing controls?

Please add comments to support your answer

SSRO should review and comment on the reports but the raising of any concerns should be down to factual omissions/inconsistencies rather due to a lack of understanding on the part of the regulatory office. The MoD/ CAAS need to be satisfied by explanations.

Question 3. What is your view on ratings? Do ratings have a value to Parliament and the public that should be retained?

Please add comments to support your answer

Ratings are an accepted way of presenting and conveying an overall message if applied sensibly and are easily understandable.

However provided the factual summary is clear we would not have an issue with the removal of the RAG rating.

Question 4. What is your view on the format of the report?

Please add comments to support your answer

The format of the Compliance Report looks reasonable. We agree with the ADS comments that contents and findings should be discussed with suppliers and MoD prior to publication such that external interfaces can be managed appropriately.

The report should avoid going for sensational headlines calling out specific instances where potentially unallowable costs have been included inadvertently in a cost build up.

The Compliance Report should also identify areas of good practice as well as poor practice.

In terms of format of the publication, depending on the detail, we do not feel it appropriate to call up details of contractual amendments in a public document. It is likely that such matters would be commercially sensitive and should not appear in the report in any detail.

Your details

Name:

Michael Hayes

Organisation:

The Boeing Company

Position:

Commercial Director, Boeing Defence UK Ltd

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform our finalisation of the methodology. As a minimum, please include the paragraph number your comment refers to.

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Question 1. What is your view on the SSRO's compliance approach to reporting?

Please add comments to support your answer

The Boeing Company cannot fully support the SSRO's compliance approach to reporting, specifically:

- The SSRO is not a regulator, it is a regulations office and, accordingly, all references to 'regulator' should be amended to reflect its 'regulations office' role and title,
- If errors or omissions are perceived by the SSRO, then the avenue for communications should be via MoD and not direct to the Supplier,
- Suppliers should be providing 'sufficient, good quality information' as a matter of routine, but this is not being made available to SSRO 'to provide an insight into the operation of the regulatory framework',
- Suppliers should not be publically named in SSRO reports.

Question 2. What is your view on the SSRO's compliance approach to pricing controls?

Please add comments to support your answer

The Boeing Company generally supports the SSRO's compliance approach to pricing controls, but notes:

- That 'reviews will be based on the information that is required to be submitted by contractors in line with the Regulations and statutory guidance'. This is slightly misleading as the requirement is to have regard to the statutory guidance, although it is accepted that any deviation from the statutory guidance will need to be justified.

Question 3. What is your view on ratings? Do ratings have a value to Parliament and the public that should be retained?

Please add comments to support your answer

The Boeing Company supports the SSRO's proposal in respect of ratings.

Question 4. What is your view on the format of the report?

Please add comments to support your answer

The Boeing Company supports the SSRO's proposal in respect of the format of the Annual Compliance Report, although it would not support the naming of individual Suppliers in the Report.

Your details

Name:

ADRIAN DOE

Organisation:

MBDA UK Ltd

Position:

Head of Programmes Commercial Operations UK

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform our finalisation of the methodology. As a minimum, please include the paragraph number your comment refers to.

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Question 1. What is your view on the SSRO's compliance approach to reporting?

Please add comments to support your answer

The SSRO's Compliance Report summarises and comments on the extent to which suppliers are completing Reports accurately, comprehensively and in a timely manner.

The outcomes of the Compliance Reporting process are by their nature binary: either a report has been completed accurately, contains all the required information and was submitted on time or it had not and was delinquent in some respect. Corrections and resubmissions were recognised as being a complicating factor when assessing compliance. In these circumstances the uses to which the information contained in the Reports assumes greater significance. There is a high cost and significant administrative burden incurred producing the Reports. Further cost is then incurred by the SSRO in reviewing the Reports for compliance and producing the Compliance Report. It would be incongruous if it was found the SSRO's precision audit of the Reports and subsequent production of an accurate Compliance Report was all based on information that was either not being used or was having little or no benefit or impact on MOD's ability to negotiate realistic prices.

The SSRO, in conjunction with MOD and suppliers, should confirm at the earliest opportunity that the information contained in the Reports being monitored for compliance has genuine value to MOD and its primary objective of improving its ability to negotiate realistic prices. Work is also required to reduce uncertainty over measuring the quality of data particularly:

- What determines the quality of data, and at what point it is measured (initial submission or after resubmission)
- The assessment of compliance with profit rate and allowable costs. Significant judgements within the dataset are required and these are difficult to capture with certainty within the boundaries of a simple appropriate/inappropriate decision.

Until this is achieved, the overall contribution of the Compliance Report to single source contracting is indeterminate.

Question 2. What is your view on the SSRO's compliance approach to pricing controls?

Please add comments to support your answer

It is the impact of pricing controls on the pricing of the whole population of single source contracts, and the way in which they help MOD achieve its overall aim of setting realistic prices that is important rather than individual pricing issues or the pricing of a particular contract.

The Single Source Cost Standards (SSCSs) are used to set the price for some of the largest and most complex products and services bought by MOD. These can be multi-billion pound contracts. Queries on some of the costs included in the price for these contracts, which may run for 30 years or more are inevitable. All prices calculated using the SSCSs will contain tensions and balances, and reflect trade-offs agreed by MOD and the supplier during the pricing process e.g. the trade-off between allowances for rework costs vs the cost of addition training to reduce the incidence of rework. Very often there is no clear cut solution as the outcome of a trade-off in one area is set off against that for another area as part of the negotiating process and the price reflects an overall balance agreed by MOD and the supplier.

The SSCSs set the overall principles and framework within which pricing activity takes place. They must be clear and unambiguous whilst still having the flexibility to allow MOD and suppliers to apply them to pricing the vast range of products and services MOD buys on a single source basis.

Experience with using the SSCSs is growing and is starting to identify areas where adjustments to the either the Act the Regulations or the SSCSs (or a combination) would make it easier to price contracts e.g. pricing proprietary and common stock items.

Question 3. What is your view on ratings? Do ratings have a value to Parliament and the public that should be retained?

Please add comments to support your answer

We support the SSRO's proposal not to use ratings or indicators.

Question 4. What is your view on the format of the report?

Please add comments to support your answer

The format of the Compliance Report appears reasonable, however, we believe that its contents, findings and data should be discussed with suppliers and MOD prior to publication so that they are able to manage interfaces appropriately (MOD/industry including project teams, press, investors/stock market, parent organisations/owners).

Your details

Name:

Terry Hersey

Organisation:

Metasums Ltd

Position:

Director

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform our finalisation of the methodology. As a minimum, please include the paragraph number your comment refers to.

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Question 1. What is your view on the SSRO's compliance approach to reporting?

Please add comments to support your answer

The SSRO in its consideration of the methodology it intends to use - to keep under review the extent to which persons subject to requirements under section 24 or 25 (reports) are complying with regulations – has, I believe, fundamentally failed to address the key requirement. Any approach that is based upon ‘contractors just will not follow the instructions’ will continue to fail to support the development and implementation of regulations and reporting regime where all obligations are well-defined, reasonable and deliverable. SSRO needs to consider how it makes itself part of the solution and not a major element of the problem. SSRO needs to ensure that it does not undermine MoD procurement personnel and therefore needs to work through MoD SSAT and not go to contractors on

Para 2.3. The SSRO primary consideration should be to review if the requirements of the regulations were clear and unambiguous, and (where there is a requirement for SSRO to issue statutory guidance) was statutory guidance clear and comprehensive. There are a great many areas of the Act and regulations that are unclear; there are also many aspects of statutory guidance that are deficient. SSRO should not be engaging with contractors other than where (1) a reference has been made, (2) an opinion has been sought, or (3) ongoing consultation with contractors and trade associations. SSRO's direct engagement with companies undermines MoD as a procurement authority.

In keeping the regulatory framework under review (Section 39(1)) the SSRO should look the outcome of report reviews and outcomes of detailed bi-party and tri-party consultation with industry/MoD to inform its opinion as to where the Act and the regulations need to be amended and or SSRO's statutory guidance improved.

The quality of SSRO's statutory guidance and answers to questions strongly indicates that the SSRO's grasp of understanding is limited in a very many areas e.g. answers to questions are frequently overly simplistic.

Paragraph 2.9 If SSRO are going to report numbers of failings then they need to say why the failing occurred e.g. unclear or misunderstood requirement.

2.10 I see no purpose in naming contractors. Name and shame may have its place but the SSRO looks to want to inflict reputational damage by innuendo.

Question 2. What is your view on the SSRO's compliance approach to pricing controls?

Please add comments to support your answer

Parliament enacting ‘single source contract regulations’ requires that certain contracts comply with regulations, the Act did not establish a ‘regulated industry’.

Para 3.2. Section 20(4) states that - The Secretary of State may at any time require a contractor to show that the requirements in relation to a particular costs is an allowable cost -, it does not require this to be evidenced in contract reports other than an overall assertion that this is the case.

The SSRO should raise concerns with the MoD SSAT who will decide what action, if any to take. The SSRO should always bear in mind that, in the absence of a reference, the MoD is the responsible party.

Paragraphs 3.7 and 3.8. Naming of contractors or PTs should only be considered in exceptional circumstances and where a purpose is served.

Question 3. What is your view on ratings? Do ratings have a value to Parliament and the public that should be retained?

Please add comments to support your answer

They tend to be overly simplistic and therefore do not give adequate depth of understanding.

Question 4. What is your view on the format of the report?

Please add comments to support your answer

The SSRO should also be scored by contractors and MoD. It is important that meaningful steps are taken towards implementing the provisions of the legislation. The SSRO as a party to successful implementation should open itself up to applaud and criticism.

Listing of contractors should be avoided as it serves no useful purpose other than to bully.

I see no purpose in quantifying the number of issues raised by SSRO to MoD where no compliance notice was subsequently issued as it would be unclear as to if this was a criticism of; the SSRO (there was no issue), or the MoD (they could not be bothered) or the contractor (there was an error and it was resolved without recourse to issue of a Compliance Notice).

Your details

Name:

Ewen McCrorie

Organisation:

Thales UK

Position:

Vice President -Finance

Consultation questions

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail, particularly on areas where you disagree. This will help us to understand the basis for your answer and inform our finalisation of the methodology. As a minimum, please include the paragraph number your comment refers to.

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General Comments

The ethos to share the compliance burden with the MoD and Contractors is appreciated. However for this to work those parties need to have the understanding, mandate and ability to apply to the practical management of contracts on a day to day basis without concern for contradiction. Without this it may become an elongated confirmation cycle.

Question 1. What is your view on the SSRO's compliance approach to reporting?

Please add comments to support your answer

Whilst we have no real concerns with the wording of reporting methodology per se, we would suggest inserting wording italicised below
'Where specific issues are raised by the SSRO with a contractor and are then not resolved within the reporting period, the SSRO will inform the MOD and *where the MOD agree*, ask the MOD to issue a Compliance Notice in accordance with Section 31 of the Act.'

It is important that the approach to reporting remains in context to the contracts in question and is seen to enhance the management of contracts and not be contrary, or an additional burden to the parties concerned.

Question 2. What is your view on the SSRO's compliance approach to pricing controls?

Please add comments to support your answer

Whilst the approach appears reasonable, the application, practicality and context to specific contracts remain a concern. As a contractor it would be difficult where an approach under a particular contract is seen to satisfy the MoD, but not the SSRO. Equally it would be difficult where an approach satisfies the MoD but that satisfaction is later withdrawn following review by the SSRO.

We will adapt our governance to ensure adherence with the regulations but would ask for consistency of application in return.

Question 3. What is your view on ratings? Do ratings have a value to Parliament and the public that should be retained?

Please add comments to support your answer

Whilst ratings do have a value in certain circumstances; the nature and volumes of contracts, may make a simple RAG indicator erroneous without the context and explanations attached.

Even with these attached the RAG is more instantly digestible and is out with a desire to present a factual position cognisant of the complexities involved. The context and explanations without a 'simple' indicator force the reader to read these.

Question 4. What is your view on the format of the report?

Please add comments to support your answer

It is important that the report presents a factual view of compliance with statutory regulations. To this end we might suggest that the following is amended with the wording italicised

The SSRO intends for the Annual Compliance report, which will be issued in January 2017, to provide stakeholders with a detailed understanding of whether parties have taken meaningful steps towards implementing the provisions of the legislation and where parties have failed to act in accordance with the requirements *and whether this has been disputed or accepted.*

If such an amendment is not incorporated we'd suggest that those disputed issues be excluded from the report, although this is likely to have numbers which do not scan and therefore introduces ambiguity.