

Board members present:

Jeremy Newman (Chair)
Jane Attwood
Marta Phillips
Clive Tucker
Marcine Waterman (Interim Chief Executive)

Others present:

Malcolm Botting (minutes)
Lorna Handley (for part)

1. Welcome, Apologies and Announcements

- 1.1. The Chair welcomed Board members and colleagues to the 3rd 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 8 December 2014 Board meeting and the 18 December 2014 and 14 January 2015 extraordinary Board meetings, were approved as a correct record.

3. Interim Chief Executive's Report

- 3.1. The Interim 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. The SSRO had issued a single draft guidance document for consultation on 20 February 2015 regarding the cost risk adjustments; profit on cost once adjustment; incentive adjustment; and capital servicing adjustment. It had also issued for consultation draft guidance on determining the amount of penalty relating to the failure to keep appropriate accounting records and submit reports, as well as draft report templates and user guides. The respective documents would be finalised and published by the end of March 2015.
- 3.3. The SSRO had launched a recruitment campaign for both corporate services and technical roles, and interviews were taking place throughout February. Nine candidates had been appointed in the first phase of recruitment, but the SSRO had encountered difficulties in appointing candidates to some posts.
- 3.4. The Board resolved to remove one post from the Executive Committee structure, previously agreed at its October meeting.

- 3.5. Following the issue of an ITT for the collection, processing, storage of contract data, the SSRO had received three credible tenders from suppliers to work with it to develop the pilot for the outsourced database. The SSRO had assessed the bids and intended to award a contract in the week following the Board meeting.
- 3.6. The Interim Chief Executive reported that, of the three credible tenders received, the bid from Landmark had scored highest against the SSRO's requirements. The Board approved the case for the investment and the outcome of the tender process and resolved to award the contract to Landmark.
- 3.7. The tender had been clear that the pilot system should be complete and ready to use by 30 June 2015 and should be capable of accommodating the volume of reports the MOD expected the SSRO could receive in the first year. Landmark had confirmed that it could meet these requirements.
- 3.8. The SSRO would use the lessons from the pilot stage to develop a requirement specification for a successor system, which would be issued as an OJEU tender in October 2015.
- 3.9. The Interim Chief Executive informed the Board of the security arrangements put in place to protect the SSRO's office and data network. The Board discussed these arrangements and noted that it would be important to train staff about information security.
- 3.10. Following the Audit Committee's recommendation, the Board amended the Audit Committee terms of reference. Bullet point 9 was removed, and bullet point 10 was amended to state: 'Reviewing and recommending any necessary changes to the Prime and detailed Financial Policies at least once a year'.

The Board:

- a) **approved the requested change to the Executive Committee structure;**
- b) **approved the case for the investment and the outcome of the tender process for the collection, processing, storage of contract data, and resolved to award the contract to Landmark;**
- c) **approved the amendment to the Audit Committee's terms of reference; and**
- d) **noted the information contained in this report, including the sections on the SSRO's statutory functions, the request for a formal opinion, and the recent FOI request.**

4. Corporate Plan

- 4.1. The Interim Chief Executive introduced a paper and presentation on the SSRO's Corporate Plan for 2015-18. Under the SSRO's Corporate Governance Framework, the Board was required to consider and approve the SSRO's Corporate Plan. The presentation asked for the Board's views on the content and tone of the Plan, which was to be drafted following the Board meeting.

- 4.2. Following the presentation, the Board discussed the questions raised, and provided the following guidance:
- The SSRO should adopt the two aims set out in the Defence Reform Act - to ensure that good value for money is obtained for the UK taxpayer in MOD expenditure on qualifying defence contracts, and that single source suppliers are paid a fair and reasonable price under those contracts. The document would acknowledge the equal importance of both aims.
 - The SSRO's values were that it should be independent, professional and transparent in its conduct.
 - The Corporate Plan should set six objectives. Four should relate to the statutory functions of the organisation and two to its good conduct as an employer and to the responsible use of public money.
 - The key performance indicators should be precise, measurable and achievable, and related closely to the strategic objectives. The list of indicators could be added to in future years.
 - The Corporate Plan should be written in plain and accessible English.
- 4.3. Following the Board's discussion, a draft would now be produced for consultation with MOD and other interested parties in May 2015. Final approval would be sought from the Board at its 24 June 2015 meeting, before the Corporate Plan was submitted formally to the MOD and published on the SSRO's website.

The Board:

- a) noted the approach to the production of the 2015/16 Corporate Plan.**

5. Legal report to the SSRO Board

- 5.1. Lorna Handley, the Legal Adviser to the SSRO, presented the legal report to the Board.
- 5.2. The first section of the report covered the status under the legislation of a new contract emerging from an existing contract. The status of the new contract depended on whether the SofS and the contractor agreed to it being a qualifying defence contract within the new single source procurement framework. The Board discussed alternative scenarios related to this point.
- 5.3. The second section of the report addressed the potential for an otherwise 'qualifying defence contract' to be disaggregated in order to avoid the value threshold triggers in the Regulations. In order for a contract to come within the legislation, the MOD or contracting authority first had to consider the value of a contract (i.e. the consideration net of VAT it expects will be payable). The legislation then sets detailed requirements for calculating the price under a qualifying defence contract or qualifying sub-contract, including detailed provisions regarding aggregation of contracts with the same person or associated persons for the same requirement. The fact that it is the MOD's (or contracting

authority's) role to consider whether value thresholds had been met to bring the contract within the legislation, operated as a control. As did the detailed aggregation provisions in the Regulations. The Board discussed the effect of different scenarios and whether they triggered the legislation.

- 5.4. The third section set out the SSRO's obligations under the Regulations and the interaction between the Act and the Regulations as regards these obligations. The Board discussed in particular its duty to review the requirements of Part 2 of the Act and of the Regulations and to recommend to MOD changes it considered appropriate, as well as the timeframes around this statutory function.
- 5.5. **The Board asked for a paper on legal privilege to be put to the next Board meeting.**

The Board:

- a) **noted the information contained in the report.**

6. SSRO Corporate Budget 2014/15

- 6.1. The Interim Chief Executive presented an update on the Corporate Budget for 2014/15. The SSRO's latest forecast outturn for 2014/15 was £1.543 million. This would be funded by Grant-In-Aid from the MOD of £1.648 million, which had been received.
- 6.2. The SSRO had spent and committed to spend £1.338 million to date. The remainder of the forecast outturn related mainly to the office fit-out, IT architecture and the future database solution, the costs of which were yet to be incurred.

The Board:

- a) **noted the 2014/15 SSRO latest corporate forecast outturn; and**
- b) **noted the risk that delays in the office fit-out, IT architecture and the future database solution could impact adversely on the 2015/16 budget.**

7. 2015/16 Annual Budget

- 7.1. The Interim Chief Executive presented the SSRO's proposed corporate budget for 2015/16, for which the SSRO would request Grant-In-Aid funding from the MOD.
- 7.2. The SSRO's planned organisational structure, resourcing model and budget had been estimated at a baseline level of anticipated workload of qualifying defence contracts and referrals. Two additional scenarios were presented to the Board, which estimated the potential impact of higher levels of regulatory work.

7.3. The Board discussed the scenarios, considering a range of external factors that would impact on the SSRO's workload. Following this discussion, the Board approved an indicative 2015/16 corporate budget of £4,950,000.

The Board:

- a) approved the indicative 2015/16 SSRO corporate budget.
- b) agreed that the budget should carry a contingency to deal with the extra work required for high volumes of referrals.
- c) considered the potential scenarios and whether a higher level of Grant-in-Aid should be requested.

8. Financial Scheme of Delegation

8.1. The Interim Chief Executive presented the financial scheme of delegation, which set the financial limits at which payments could be approved by staff at different layers of the SSRO. As Accounting Officer, the Interim Chief Executive was responsible to Parliament for SSRO monies and the scheme set in place a clear line of accountability through the organisation's management chain from anyone incurring expenditure.

8.2. The Board discussed the Financial Scheme and asked for a **clause to be added to the scheme on novel and contentious payments** and for the **appendix to the paper to be circulated outside the meeting**.

The Board:

- a) noted the financial scheme of delegation.

9. Expenses policy

9.1. The Interim Chief Executive introduced the SSRO's expenses policy, which applied to all staff and non-executive Board members. The policy provided a framework for the reimbursement of reasonable out of pocket expenses such as travel expenses, tolls, congestion and parking expenses, accommodation and subsistence expenses and subscription and professional training expenses.

9.2. The Board discussed the policy, and asked for it to be amended to include an **exemption for disabled and/or pregnant employees from the provisions preventing first class travel**. The Board also requested a **gap analysis against expenses policies from other organisations, to ensure that it was similar in scope**.

The Board:

- a) **noted the Expenses Policy.**

10. Minutes and updates from sub-committees

- 10.1. Marta Phillips introduced the minutes from the first meeting of the Audit Committee on 11 February 2015, and provided an update from the meeting. The Committee had raised several questions about the timing of the NAO's work and its resourcing. It had also considered, among other items, the timing and content of the SSRO's 2014/15 accounts, the SSRO's insurance and its risk policy. The identified transitional risks had been set out in the Interim Chief Executive's Report to the Board and a full Corporate Risk Register would be circulated to the next meeting of the Audit Committee.
- 10.2. Minutes for the Regulatory Review Committee on 16 February 2015 were unavailable, due to the limited time since the meeting. The Chair provided an update from the meeting and informed the Board of the Committee's approval of several sets of guidance for consultation.

11. Any Other Business

- 11.1. The Interim Chief Executive stated that guidance on the SSRO's referrals process was being drafted and would be put to the Referrals Committee for approval, before being presented at an external event being organised by Ashurst.

12. Date of the next meeting

- 12.1. The next meeting of the Board would take place on 24 June 2015 in Finlaison House.