
**Single Source Regulations Office
Minutes of the 8th Board Meeting
Board Room, Finlaison House,
15-17 Furnival Street, London EC4A 1AB**

**23 March 2016
2.00pm to 5.00pm**

Board members present:

Clive Tucker (Interim Chair)
Jane Attwood (by telephone for item 1)
Marta Phillips
Marcine Waterman (Chief Executive)
Neil Swift (Director of Corporate Resources)

Others present:

Justine Wharton (minutes)
Ian McPherson (Director of Compliance
and Investigations)
Malcolm Botting (Head of Governance)
David Galpin (Head of Legal)
Simon Mahony (Chief Analyst)

1. Welcome, Apologies and Announcements

- 1.1. The Interim Chair welcomed Board members and colleagues to the 8th SSRO Board meeting, and his first meeting as interim Chair.
- 1.2. The Interim Chair made an announcement expressing the Board's gratitude to the previous Chair, Jeremy Newman, for his work and vision in establishing the SSRO and managing its growth into an effective and fully operational organisation.
- 1.3. The Interim Chair proposed a resolution under Standing Order 15.1 of the Corporate Governance Framework, to temporarily suspend Standing Order 3.10 (which states that the SSRO Board quorum was three non-executive members) for the duration of the meeting. The Board was asked to vote on this resolution. The resolution was passed by 5 votes out of 5.
- 1.4. Jane Attwood gave her apologies for being unable to remain in the meeting due to personal circumstances. The Chair thanked Jane for her comments on the papers she had provided in advance of the meeting. Jane left the meeting.

<p>There were no declarations of interest.</p>

2. Minutes of Board meetings

- 2.1. The minutes of the 7th meeting of the Board 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 for the Board to note that were not covered by papers elsewhere on the agenda.

- 3.2. The Chief Executive, Interim Chair and SSRO officials had continued to engage with the MOD regularly on a variety of issues. On 9 February 2016, the Chief Executive and Chair met with Jon Thompson, Permanent Under Secretary. Following this meeting, the SSRO received written confirmation that the MOD authorised the budget for 2016/17 approved by the Board. Both the Interim Chair and Chief Executive had held introductory meetings with Louise Tulett, DG Finance at the MOD. Louise Tulett oversaw the Single Source Advisory Team at the MOD, following its move from DE&S.
- 3.3. There had been several meetings with industry, additional to the ongoing meetings with parties to the current determination. The SSRO had held an Operational Working Group with all prime contractors on 9 March 2016. Senior SSRO officials had also carried out several visits to industry sites, and met with other senior stakeholders, as part of the SSRO's continuous commitment to stakeholder engagement. The SSRO's Senior Stakeholder Forum, which Board members were attending, would be held on 17 March 2016.
- 3.4. The Secretary of State had announced the baseline profit rate and capital servicing rates for 2016/17 on 14 March 2016, with a written announcement in Parliament. The announcement confirmed that the Secretary of State had accepted the SSRO's recommended rate of 8.95 per cent, and the press release stated that further reductions were "expected in future years creating significant savings".
- 3.5. On 22 February 2016, the SSRO had published its final programme of Value for Money studies for 2016/17 – 2018/19. The SSRO's first study would be undertaken under Section 37 of the Act, exploring wage inflation in single source contracts. Data collection would commence in April 2016, including discussions with contractors, with a view to sharing findings with the Secretary of State in summer 2016. The analysis would rely on the full cooperation of industry and access to the MOD's data on labour rates, and the SSRO had been engaging with the MOD to achieve this.
- 3.6. Under Standing Order 5 of the SSRO's Corporate Governance Framework, the Board was asked to consider a paper outside the cycle of normal scheduled Board meetings on 12 February 2016. The paper sought the Board's approval of two procurement contract awards. All Board members had approved this resolution. Therefore, under Standing Order 5, it stood as a decision of the Board.

The Board:

- a) **noted the Secretary of State's recent baseline profit rate announcement (section 4);**
- b) **noted the MOD's approval for the SSRO's full budget (section 6);**
- c) **noted the Board's approval of two post procurement contract awards for security management and an organisational Audio Visual solution (section 7); and**

- d) **noted the information provided in other sections of the report, including stakeholder engagement; publication of our Value for Money programme and commencement of our first study on wage inflation in single source contracts; recruitment of non-executive members; progress on the determination and our other regulatory functions, including the SSRO's review of the regulatory framework, and an upcoming appeal.**

4. Corporate Plan

- 4.1. The Chief Executive introduced a paper on the draft Corporate Plan 2016-2019. The Board had responsibility for considering and approving the SSRO's Corporate Plan for 2016–2019 under the SSRO's Corporate Governance Framework.
- 4.2. The Board had discussed and agreed an outline of content for the Corporate Plan at its meeting on 25 January 2016. It also set the aims and strategic objectives for the SSRO and provided direction on its key performance indicators. The SSRO's Corporate Plan was subsequently drafted, in line with the Board's direction, and issued to interested parties on 24 February 2016 for consultation.
- 4.3. The Board approved the draft plan, subject to several minor drafting amendments, and delegated final sign off to the Chair and Chief Executive.

The Board:

- a) **noted the consultation responses received;**
- b) **approved the Corporate Plan 2016-2019; and**
- c) **delegated final sign off to the Chair and Chief Executive.**

5. Profit rate guidance

- 5.1. Simon Mahony, Chief Analyst, introduced a paper setting out the updated guidance on adjustments to the baseline profit rate, seeking the Board's approval on the updated guidance and the SSRO's response to the consultation, for publication on 24 March 2016.
- 5.2. Section 18 of the Defence Reform Act (the Act) provided for the SSRO to issue guidance on the steps set out in Section 17(2) of the Act, relating to the calculation of the contract profit rate. The SSRO first issued its *Contract profit rate – guidance on adjustments to the Baseline Profit Rate* in March 2015.
- 5.3. The Board agreed at its 9 December 2015 and subsequent 8 January 2016 meeting that the guidance should be updated, and the document was issued for a five week consultation on 25 January 2016. This was a truncated timetable due to the late receipt of the Secretary of State's statutory guidance. However the period was considered adequate as the consultation updated existing guidance,

rather than providing a new set of guidance. Following the SSRO Board's decision to recommend a single baseline profit rate for 2016/17, the only section of the guidance that required significant amendment was step 2, on the cost risk adjustment.

- 5.4. The SSRO received 12 consultation responses, with the majority of comments relating to 'step 2'. The guidance has been amended in response to the feedback received. The Board's discussed and approved the updated guidance and the response to the consultation, which would be published on 24 March 2016.

The Board:

- a) **considered the responses to the consultation; and**
- b) **approved the response to consultation and updated guidance, and delegated to the Chair and Chief Executive authority to approve the final documents for publication.**

6. Corporate Performance Report

- 6.1. Neil Swift, Director of Corporate Resources, introduced the Corporate Performance Report, providing an update on how the organisation was delivering against its corporate priorities as at 1 March 2016. The report set out all relevant matters relating to the SSRO's performance, including progress against key performance indicators, budgetary updates and the delivery of corporate priorities with associated objectives and tasks.
- 6.2. Overall performance was on target, and where it could be measured against the KPIs in the SSRO's published Corporate Plan had been rated 'green' including the SSRO's fourth objective to "keep the Act and Regulations under review". Although this project was not due for completion until 2017, work on this project was underway and to timescale, and it was on target to be delivered in full at the end of the three year reporting period.
- 6.3. The work over the period covered by the report included publishing the three year programme of Value for Money studies, conducting QDC analysis and compliance assessments, preparing for the procurement of the successor to the DefCARS database, an eighth and ninth update to SSRO Answers, work to provide a determination on a QDC, various meetings with industry and the MOD, and providing contractor support through the SSRO helpdesk.
- 6.4. The SSRO had awarded contracts for the Core, Security and Network services elements of the outsourced IT Managed Service in February. Both were procured via G-Cloud and would commence on 1 April 2016. The Board had also approved the procurement of audio visual solution for the Boardroom. Contract sign-off was expected imminently with implementation in March and April 2016.
- 6.5. The organisation has reached the intended 2015/2016 staffing levels, with one remaining vacancy for an Associate Financial Analyst. Following a round of successful interviews, a job offer has been made and a response was expected imminently.

- 6.6. A projected underspend of £100,000 was reported to the Board and the MOD in December 2015. Additional expenditure has proved necessary and had been reported to the MOD to ensure the required Grant in Aid is drawn down. The outturn was expected to remain within the original approved budget with a small underspend at year end.
- 6.7. The Board expressed its gratitude to the SSRO staff for working to deliver, or be on track to deliver, all the KPIs in the Corporate Plan.

The Board:

- a) **noted progress to date.**

7. Maternity pay policy

- 7.1. Neil Swift, Director of Corporate Resources, presented this paper outlining a review to the SSRO's current maternity policy and recommendation to the Board to enhance the current maternity pay provision. Justine Wharton was not present for this discussion.
- 7.2. At the time the Board approved the SSRO employee terms and conditions, the maternity policy was not included. The extant policy was prepared based on compliance with the statutory minimum and had not previously been reported to the Board. Following feedback from staff and upon benchmarking against the policies of other comparable organisations, the policy was considered unsatisfactory by comparison. The Executive Committee had reviewed the position and recommended a change to extend the period of maternity leave at full pay, alongside the introduction of a payback requirement.
- 7.3. The Board considered the Executive Committee's recommendation and agreed that the maternity policy should be updated. It further asked for the SSRO's paternity and adoption policies to be reviewed to ensure they were fit for purpose.

The Board:

- a) **noted the current maternity pay provisions; and**
- b) **agreed to enhance maternity pay provision to 20 weeks at 100 per cent of salary subject to six months service completion at expected date of confinement and the repayment of all enhanced pay if the employee leaves within one year of return to work after maternity leave has been completed.**

8. Minutes and updates from sub-committees

- 8.1. Marta Phillips introduced the minutes from the Audit Committee. The Committee had considered the SSRO's corporate risk register at its meeting and discussed at length the risks facing the SSRO. The changes to the risk register previously recommended by the Committee had all been made. The Committee had also considered the organisation's risk appetite, which would remain at low. The Committee had considered two internal audit reports from GIAA, and had engaged in a robust discussion on the reports.
- 8.2. The Interim Chair introduced the minutes from the Referrals Committee, and informed the Board of progress on the ongoing determination. The Board noted the progress and approved both sets of minutes.

9. Any other business

- 9.1. There was no other business.

10. Date of the next meeting

- 10.1. The next meeting of the Board would take place on 18 May 2016 in Finlaison House.