

Board members present:

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

Others present:

Malcolm Botting (minutes)
Ian McPherson
Tom Roberts

1. Welcome, Apologies and Announcements

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

1.3. There were no declarations of interest.

2. Allowable costs

- 2.1. The Interim Chief Executive introduced the single item on the agenda, regarding the responses to the SSRO's consultation on its guidance on allowable costs, the key issues for discussion and potential next steps.

Summary of responses to consultation

- 2.2. The report authors stated that the SSRO had received 19 responses to the consultation, which ran between 26 November and 10 December. There had been a good mix of responses from industry, academics and consultants. The authors had now collated, read, reviewed and proposed a response to all submissions received.
- 2.3. While many responses had been supportive of the draft guidance, the authors set out those respondents that proposed changes or clarifications, and proposed methods to address these issues. Themes from such responses included questions about the SSRO's definition and interpretation of the Defence Reform Act; references made in the guidance to other documents; the strength and clarity of specific wording used; the inclusion of a risk contingency; and whether certain costs, such as those on entertainment, marketing and sales, should be 'allowable' costs.
- 2.4. Some respondents had challenged the draft guidance's support for an underlying principle that single source procurement should deliver value for money and could withstand public scrutiny were it in the public domain. After discussion, the Board agreed that the guidance should retain this current guidance.

- 2.5. Several respondents had stated that the guidance should not be stand-alone, but should refer to other documents. The SSRO would not agree to this point, because it was helpful for those in MOD project teams to have more straightforward, holistic guidance.
- 2.6. Comments had been made about the role that QMAC would play in future, and how suppliers would allocate allowable costs. The SSRO's view was that a detailed consideration of QMAC was not necessary until later in the process, as the current intention was to set what was allowable, not how costs should be allocated. Guidance on this issue would be set out in a chapter to be drafted later. The SSRO would shortly convene a technical meeting with the MOD to discuss QMAC, in the light of points made by industry during the consultation.

Key issues for discussion

- 2.7. The consultation had been an opportunity for respondents to express their views, and for the SSRO to take them into consideration, adjust the guidance where appropriate and correct factual errors.
- 2.8. It was now clear that no Qualifying Defence Contracts would be in place by the end of December, so the SSRO was not under time pressure to issue the final guidance. In discussion, the point was made that there were several benefits of deferring the guidance, including that it would allow the SSRO to consider the points made in detail.
- 2.9. In view of the points expressed, the Board agreed that the publication of the final guidance document should be postponed until the end of January and that it was important for the SSRO to take its time in considering views.
- 2.10. In communicating the message that the publication would be postponed, the Board agreed that it would not be appropriate to discuss the guidance with individual parties before publication, as it would not be possible for the SSRO to talk to all interested parties. If the SSRO held an open meeting, there would be a divergence of views and not all would be equally represented.

Next steps

- 2.11. Board members would have the opportunity to review the next draft of the guidance in the week commencing 19 January 2015, after it had been reviewed by the interim Chief Executive.
- 2.12. The Board agreed the text of an email that the interim Chief Executive would send to the SSRO's stakeholder list regarding the delay in the publication of the final guidance.

3. Any other business

- 3.1. There was no other business.

Date of the next meeting

- 3.2. The next meeting of the Board would be an extraordinary meeting to discuss the Contract Profit Rate. It would take place at 2pm on 14 January 2015 in Finlaison House.