

Board members present:

Jeremy Newman (Chair)
Jane Attwood
Marta Phillips
Clive Tucker
Marcine Waterman (Chief Executive)
Neil Swift (Director of Corporate Resources)
Philip Davies (Director of Regulation)

Others present:

Justine Wharton (minutes)
Malcolm Botting (Head of Governance)

1. Welcome, Apologies and Announcements

- 1.1. The Chair welcomed Board members and colleagues to the 4th 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 23 February 2015 Board meeting 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 that were not covered by papers elsewhere on the agenda.
- 3.2. At its first meeting in October 2014, the SSRO Board approved the establishment of a Referrals Committee in line with the requirements of the Defence Reform Act 2014 (the Act). The Chief Executive asked the Board to approve the Referrals Committee's terms of reference as agreed by the standing members of the Referrals Committee at its meeting on 23 March 2015.
- 3.3. The Board asked for additional clarification in the Referrals Committee's terms of reference about the use of alternates and the validity of meetings. Subject to this clarification, the Board approved the Referrals Committee's terms of reference. The Board subsequently agreed that the *Code of Conduct for SSRO Board members* should be updated so that it applies, where relevant, to the independent referral panel members.

- 3.4. The Chief Executive provided a general update on the SSRO's insurance requirements, expenses policy and legal privilege. The Board was also informed that the Executive Committee had, at its meeting on 2 June 2015, approved an Executive Scheme of Delegation and associated appendixes as required by the SSRO's Framework Document and Corporate Governance Framework.
- 3.5. The SSRO had received four freedom of information requests at the date of the Board meeting, which had related to staff training, IT costs and recruitment costs. All had been responded to within the 20 working day timescale set out by the Act.
- 3.6. Under Standing Order 5 of the SSRO's Corporate Governance Framework, the Chief Executive had written to the Board on 26 March 2015 to seek its approval of the SSRO's final budget for the 2015/16 financial year. No objection was received and therefore the resolution stood as a decision of the Board under Standing Order 5.
- 3.7. The SSRO had continued to engage with industry and the Ministry of Defence (MOD). In June, the SSRO Chair met the Minister of State for Defence Procurement. In March, the SSRO held the first operational working group with industry representatives and the MOD, which was well-received by industry. The SSRO Chair and Chief Executive had spoken at several external events and meetings.

The Board:

- a) approved the Referral Committee's terms of reference;**
- b) approved the intention to update the Code of Conduct so that it applies to panel members; and**
- c) noted the information contained in the Chief Executive's report, including the sections on insurance requirements, expenses policy, legal privilege, FOI requests and the Executive Scheme of Delegation.**

4. Corporate Plan 2015-2018

- 4.1. The Chief Executive introduced a paper on the SSRO's Corporate Plan for 2015-18.
- 4.2. Under the SSRO's Corporate Governance Framework, the Board was required to consider and approve the SSRO's Corporate Plan. The Board discussed and approved an outline of content for the Corporate Plan at its meeting on 23 February 2015. 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 8 May 2015 for a five week consultation. The consultation had closed at the date of the meeting.

- 4.3. The Board noted the consultation responses received, and commented on the proposed resolution to the feedback, which had been generally positive and useful. This feedback had been factored into the final draft Corporate Plan for the Board's approval. The Board approved the Corporate Plan 2015-18 subject to minor editing points.
- 4.4. The Chief Executive proposed a series of next steps, including formally submitting the Corporate Plan to the MOD, formally responding to those stakeholders who had commented on the draft Corporate Plan, publishing the plan on the SSRO's website and development of a corporate 'strap line' for the SSRO. The Board discussed the suggested messages that should be used to formulate this strap line.

The Board:

- a) **noted the consultation responses received;**
- b) **commented on the proposed resolution to feedback received;**
- c) **approved the final Corporate Plan 2015-18; and**
- d) **commented on the suggested messages to be used in the formulation of a corporate strap line.**

5. Future Strategy of the SSRO

- 5.1. The Board had a short oral discussion on the future strategy of the SSRO.

6. Future requirements for non-executive members

- 6.1. The Chief Executive introduced the paper on future requirements for non-executive members.
- 6.2. Schedule 4 of the Act states that the SSRO Board must be comprised of the Chair, at least two other non-executive members, a Chief Executive, a Chief Operating Officer and other appointed executive members. The Act also required the number of executive members of the Board to be less than the number of non-executive members. The SSRO Board was currently made up of the Chair, three other non-executive members and three executive members.
- 6.3. The SSRO's Framework Document noted an intention for the SSRO to recruit the Chair and four non-executive members. At the establishment of the SSRO, the Secretary of State for Defence appointed four non-executive members, although one of the non-executive members subsequently resigned. While the SSRO had in place the minimum required number of non-executive members, there had been increasing workload and time demands on the current non-executive members. At its meeting on 8 December 2014, the Board requested that the number of non-executive members should be reviewed after six months.

- 6.4. The Board approved the recruitment of two additional non-executive members in line with the statutory requirements and on the same terms as the current non-executive members. The Board discussed the skills and expertise these additional members should possess in order to fulfil the principles set out in the Act and SSRO Framework Document. The Board agreed that in order to ensure a balance of expertise and skills within its membership, appointments would be sought from individuals with significant experience in the professional specialisms relevant to the SSRO's work, such as a military, engineering and economic skillset.
- 6.5. The Board approved the suggested appointment process that the Chief Executive had set out, which would see the SSRO taking a lead role and co-ordinating input from other organisations. Under Schedule 4 of the Act and as set out in the SSRO Framework Document, non-executive appointments would be made by the Secretary of State. Therefore it was agreed that the first step would be for the Chair to advise the Secretary of State for Defence, through the Minister of State for Defence Procurement, of the Board's plans to recruit additional non-executive members and the skills and expertise that would be sought. The SSRO Framework Document set out that the recruitment of Board members must be in collaboration with OCPA. Any recruitment panel would be chaired by the Chair of the SSRO and made up of representatives from the MOD, a representative from industry, and an independent assessor selected by the Secretary of State for Defence and approved by the OCPA.

The Board:

- a) approved the recruitment of two additional non-executive members in line with the statutory and guiding requirements and on the same terms as the current non-executive members;**
- b) commented on the skills and expertise sought in recruitment of future non-executive members; and**
- c) approved the suggested appointment process, with the SSRO taking the lead role and co-ordinating other organisations' contributions including that of the MOD.**

7. SSRO Annual Report and Account 2014/15

- 7.1. The Director of Corporate Resources presented the SSRO's Annual Report and Accounts (ARA) 2014/15 to the Board for review and approval, before they were submitted to the Comptroller and Auditor General for sign off.
- 7.2. The Audit Committee reviewed the ARA 2014/15 at its meeting on 18 June 2015 and recommendations from that meeting had been reflected in the draft ARA presented to the Board. The Board reviewed and approved the ARA 2014/15.

The Board:

- a) reviewed and approved the ARA 2014/15.**

8. Compliance Report

- 8.1. The Chief Executive introduced the paper on the SSRO's Compliance Report.
- 8.2. The Framework Document committed the SSRO to making "publically available" an annual "Compliance Report", setting out the extent to which "contractors and the MOD had complied with the provisions of the DRA [Defence Reform Act] and SSCRs [Single Source Contract Regulations]."
- 8.3. The purpose of the annual Compliance Report was to be an effective tool for encouraging compliance with the single source procurement regime and key to the SSRO's objective of a transparent and accessible regulatory framework. The paper sought the Board's consideration on the format and coverage of the annual compliance report, the methodology to assess compliance, and a public consultation regarding the coverage and methodology.
- 8.4. The proposed methodology recommended that contractor compliance should be measured through the timing and quality of submitted reports, allowable costs and contract profit rate requirements. It was suggested that the MOD would be measured through compliance with its duty to verify reports, to notify the SSRO of any qualifying defence contracts and qualifying subcontracts, and adherence to the allowable costs and contract rate requirements. The paper also set out the proposal that the Compliance Report would include a summary of all SSRO opinions and determinations received, accepted and reported during the year, as well as an analysis of negative and positive trends. The Board noted that the narrative commentary included in the report, to accompany the compliance ratings of contractors and MOD, would be important. The Board approved the proposed format and coverage of the Compliance Report, the proposed compliance rating methodology and approach to consultation.
- 8.5. The Board approved the proposed calendar year assessment cycle but requested an option to consider interim reporting if this proved informative in the future.

The Board:

- a) approved the proposed format and coverage of the Compliance Report;**
- b) approved the proposed compliance rating methodology;**
- c) approved the approach to consultation and delegated final sign off to the Chairman and Chief Executive; and**
- d) approved the proposed calendar year assessment cycle.**

9. Corporate Performance Report

- 9.1. The Director of Corporate Resources introduced the first in a series of regular corporate performance reports, which provided the SSRO Board with a summary of how the organisation had delivered against its corporate priorities up to 31 May 2015.
- 9.2. The Board noted the structure of the corporate performance reports and performance progress to date. The Board commented that it was content that overall performance was on target and, where it could be measured against the KPIs in the SSRO's Corporate Plan, had been rated 'green'.
- 9.3. The Board was informed that, since production of the report, the SSRO had received further enquiries through the helpdesk and in response published additional 'SSRO answers' on its website. It was noted that, following post interview discussions, four independent referral panel members had been appointed.

The Board:

- a) **noted the structure of the corporate performance reports; and**
- b) **noted performance progress to date.**

10. Staff pay scheme

- 10.1. The Director of Corporate Resources introduced the staff pay scheme paper.
- 10.2. The Corporate Governance Framework reserved to the Board the power to approve significant changes to overall staff terms and conditions of employment. The Board approved a spot salary structure at its October 2014 meeting. The report provided an update on the remuneration levels that had been required to fill vacancies and set out the options available to ensure that the staff pay scheme remained fit for purpose. The Board was informed that the proposals had been drafted in line with the principles set out in chapter five of the Cabinet Office's *Public Bodies: A Guide for Departments*, and HM Treasury's *Civil Service pay guidance 2015-16* and *Managing Public Money*.
- 10.3. The Board discussed the recruitment activity to the end of May 2015, and noted the remuneration levels for existing staff, including that pay equality had been considered when setting remuneration levels. The Board approved the provision of an annual inflation award in line with government guidance, and the adoption of a performance related pay scheme.

The Board:

- a) **noted the remuneration levels for existing staff;**

- b) approved the provision of an annual inflation award in line with government guidance; and**
- c) approved the adoption of a performance related pay scheme and set aside an amount in the budget for such payments.**

11. SSRO Employment Benefits

11.1. The Director of Corporate Resources presented the SSRO employment benefits paper.

11.2. The Framework Document and Corporate Governance Framework gave the Board the authority to set and approve terms and conditions of employment for SSRO staff. The Board approved a spot salary structure and a range of benefits as its October 2014 meeting. The paper set out the benefits that had been provided to staff in line with previous Board approval and asked the Board whether any additional benefits to address resilience and retainment of staff, should be implemented.

11.3. The Board noted the existing benefit suite and approved the ability for staff to buy or sell up to five days leave as an additional benefit. The Board considered that provision of a private medical plan was not suitable but noted that this may need to be re-visited if there are continuing recruitment issues in future. The SSRO continue to look at no cost options that provide benefits to staff, such as bulk purchasing discounts for private healthcare.

The Board:

- a) noted the existing benefits suite;**
- b) considered and rejected the provision of a private medical plan as an additional benefit; and**
- c) considered and approved the ability for staff to buy or sell up to five days' leave as an additional benefit.**

12. SSRO Security Arrangements

12.1. The Director of Corporate Resources introduced the paper, which set out the security arrangements the SSRO had put in place. The Board discussed the draft SSRO Security Policy and SSRO Security Handbook, which were appended to this paper and had been prepared in line with MOD guidance. A drafting change was requested to clarify that there was a ban on the insertion of private media into any SSRO IT equipment. The Board noted, and was content with, the security arrangements implemented.

The Board:

- a) noted the security arrangements that the SSRO has put in place.

13. Minutes and updates from sub-committees

- 13.1. Minutes for the Audit Committee on 18 June 2015 were tabled, due to the limited time since the meeting. Marta Phillips provided an oral update from the meeting, including that the Committee had considered the SSRO risk register at the meeting and approved a low risk appetite for the SSRO.
- 13.2. Jane Attwood introduced the minutes for the third meeting of the Regulatory Review Committee on 17 June 2015. The Board was informed that two DPS templates on submarines and sea systems had been published in June 2015.

14. Appointment of the Chief Executive

- 14.1. The Chief Executive left the Board meeting for this item.
- 14.2. The Chair provided an update on the open recruitment process being undertaken for the SSRO permanent Chief Executive at the time of the meeting. The Chairman informed the Board that he would invite their contributions on the proposed short-list of applicants and continue to keep them abreast of developments in the recruitment process. The Chair reported that he would chair the interview panel, which included Sir Ian Magee, an independent member, and Marta Phillips.
- 14.3. The Board formally approved the contract terms and performance criteria for the current Chief Executive, for the duration of the six-month contract of employment until the end of September 2015

15. Any Other Business

- 15.1. The Board also fed back their comments on the use of the electronic Board packs which had been introduced for Board meetings.

16. Date of the next meeting

- 16.1. The next extraordinary meeting of the Board would take place on 4 September 2015 in Finlaison House.