

**Board members present:**

George Jenkins (Chairman)  
David Johnston  
Marta Phillips  
Terence Jagger  
Marcine Waterman  
Neil Swift  
Ian McPherson  
Matthew Rees

**Others present:**

Malcolm Botting  
David Galpin  
Charly Wason, MOD (item 4)  
Colin Sharples (item 6 and 7)

---

**1. Welcome, apologies, announcements and declarations of interest**

- 1.1. The Chairman welcomed members to the 15th meeting of the Board.
- 1.2. No apologies had been received.
- 1.3. The Board asked to record its condolences for the victims of the recent bombing in Manchester.
- 1.4. The Chairman reported that the process to recruit non-executive Board members had started, and that the appointment panel was pleased with the level of interest, and calibre and breadth of the candidates. The process had been paused in the pre-election period, but would re-commence after the election, with interview appointments being sought in July.

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

**2. Minutes of 14<sup>th</sup> meeting of the Board and action tracker**

- 2.1. The Chairman introduced the minutes of the Board meeting held on 21 March 2017. Four actions from the meeting were recorded on the separate 'action tracker'. The actions had been completed, and no other matters were arising.
- 2.2. The minutes of the 14<sup>th</sup> meeting of the Board were approved as a correct record.

**3. Chief Executive's report**

- 3.1. Marcine Waterman, Chief Executive, presented her report to the Board, which provided an update on items not included elsewhere on the agenda.

- 3.2. The Chief Executive updated the Board on the SSRO's stakeholder engagement since the last meeting, including meetings with the MOD and ADS, site visits and meetings with industry and other external stakeholders. The Chairman had been due to meet with the Secretary of State for Defence on 24 May to discuss the Chairman's views and experience from his first few months at the SSRO, but the meeting had been postponed until 30 May.
- 3.3. Following recent cyber-incidents affecting the public sector, the Board was informed of the recent renewal of the SSRO's Cyber Essentials Plus certification. The SSRO had also been one of 36 public sector bodies to pass the Secure Government Email assessment.
- 3.4. The Board discussed the request from the MOD for further work on the SSRO's Wage Inflation report. Following recent meetings with the SSAT, the SSRO received a memo from Charly Wason on 6 April 2017, requesting an Executive Summary of the Wage Inflation Report by the end of June 2017, with the intention of future publication. The Chief Executive recommend to the Board that the SSRO should work with the MOD on updating the report, but that the ongoing study on Risk would take priority over such work, in view of resourcing constraints.
- 3.5. In discussion, the Board agreed to the proposal, subject to the SSRO maintaining the original objective of the study that it had accepted in January 2016. The SSRO should agree a clear set of parameters for the work, which would be circulated informally to the Board. **Action:** Matthew Rees to draw up a set of parameters, setting out what the SSRO would include in the report.
- 3.6. Following the announcement of the General Election and dissolution of Parliament, the Defence Select Committee has announced that it would not publish its report on defence acquisition and procurement. While the inquiry was described as 'concluded', a further inquiry on the issue in future may refer to the evidence already gathered.

**The Board:**

- a) **considered and approved the undertaking of further work on the Wage Inflation report, as requested by the MOD; and**
- b) **noted the information provided in the report regarding stakeholder engagement, publications and events, the Defence Select Committee and NAO reports, the confirmation of executive members and complaints.**

**4. Presentation from the MOD on the review of the legislation**

- 4.1. The Chairman introduced Charly Wason, Head of the Single Source Advisory Team at the MOD, who had been asked to present the MOD's response to the SSRO's recently circulated summary of consultation responses and work in progress. This would enable the Board to consider the MOD's feedback and ask

questions before it deliberated on its final recommendations following the review of the legislation.

- 4.2. Charly Wason presented the MOD's views, highlighting in particular three issues that it wished the SSRO to consider. These related to the stage 2 cost risk adjustment; alternative pricing in cases where it was impractical to apply the pricing formula; and issues relating to Regulation 14. The MOD had responded to the SSRO's consultation on these issues, and had also proposed a number of technical amendments to the legislation.
- 4.3. The Board asked questions and discussed the issues raised around the cost risk adjustment and incentive adjustment. Should these be increased there would need to be appropriate controls in place and measures to enable review by the SSRO.
- 4.4. The Board discussed the process for submitting the SSRO's recommendations to the Secretary of State, the subsequent review by the Secretary of State and the legislative programme. Charly Wason confirmed that the MOD would like to be in a position in December to clarify what recommendations would be taken forward immediately, what might need some further work or evidence and what would be considered in the future. It did not have objections to any of the draft recommendations currently proposed. Charly Wason left the meeting after this item.

## **5. Review of legislation recommendations**

- 5.1. David Galpin, Head of Legal, introduced a report setting out the results of the SSRO's targeted review of the regulatory framework, which had been carried out by the SSRO to enable it to feed into the Secretary of State's review. The draft recommendations document set out responses to the issues raised in the consultation, provided feedback to those who had participated and proposed changes to the framework. The proposed recommendations were designed to improve the functioning of the regulatory framework, and the document had been drafted to reflect the input received at the Board workshop on 19 April. It was drawn to the Board's attention that the proposal in respect of the SSRO funding adjustment had not been included in the public consultation, that stakeholders had reacted negatively to calls for input on this proposal and there was a risk of an adverse response. The proposal and its potential impact required careful consideration by the Board.
- 5.2. The three points raised by the MOD in the previous item were discussed, and the SSRO's action or response on each was agreed. The Board considered other recommendations and items within the document, including drafting points. Among the points made were that a passage should be included at the beginning of the document thanking consultees for contributing throughout the period of substantial stakeholder engagement. Some Board members had provided David Galpin with detailed comments outside of the meeting.

- 5.3. The Board considered issues around the submission and publication of the recommendations document and the SSRO's obligations under the Framework Document between the SSRO and MOD. While the final decision on publication was delegated to the Chairman and Chief Executive, Board members requested to be informed of the timing of publication. **Action:** the Chairman would inform Board members about the timing of publication.

**The Board:**

- a) **agreed to recommend changes to the provision of the regulatory framework to the Secretary of State;**
- b) **agreed the recommendations should be made substantially in accordance with the document at Appendix 1, subject to the views expressed by the Board;**
- c) **delegated to the Chairman and the Chief Executive authority to finalise the recommendations document prior to submission to the Secretary of State;**
- d) **considered and commented on publication of the recommendations document; and**
- e) **delegated to the Chairman and Chief Executive the final decision of the extent and timing of publication.**

## **6. Corporate Plan**

- 6.1. Colin Sharples, Head of Regulatory Policy, introduced a report on the updated Corporate Plan 2017-2020. The Corporate Plan had been updated to reflect the vision set out by the Chairman, consultation responses from the MOD and ADS, feedback from the Board at its workshop on 19 April, and subsequent correspondence from non-executive members. The Executive has also undertaken an exercise to compare the key performance indicators used by other regulators and best practice advice, which has been reflected in the updated draft. The number of KPIs had been reduced to 11 as a result.
- 6.2. The document had been made shorter in length, in order to make it more engaging to stakeholders and other readers. The narrative text had been made more concise and clear, and graphics and diagrams had been used to a greater extent than previously.
- 6.3. The Board discussed each section of the Corporate Plan in turn, and made several changes to the text and to the individual indicators relating to demand led work, the number of reports submitted accurately and financial responsibility. **Action:** Neil Swift would develop an appropriate indicator to measure financial responsibility.
- 6.4. Board members had also provided comments on the draft outside of the meeting. The Board approved the document, and thanked the executive for doing an

excellent job in developing it. **Action:** Marcine Waterman would amend the Corporate Plan and send it to the MOD at the appropriate time.

**The Board:**

- a) discussed and approved the revised draft of the Corporate Plan.**

## **7. Review of stakeholder management strategy**

- 7.1. Colin Sharples introduced the report, which presented an updated stakeholder management strategy for discussion and approval. The strategy built on the approach taken by the SSRO to date. It was an internal document and focused on areas where the SSRO could make the greatest impact, improve relationships with existing stakeholders, and continue to increase its reach to new stakeholders.
- 7.2. The Board considered and agreed the key messages and priorities in the report, and asked for some of the wording and information displayed to be amended or added to. Subject to these changes, the strategy was agreed.

**The Board:**

- a) considered and discussed the suggested stakeholder management key messages, priorities and risks; and**
- b) approved the proposed stakeholder management strategy.**

## **8. Executive Committee structure**

- 8.1. Marcine Waterman, Chief Executive, introduced a report proposing that the SSRO's Executive Committee should be restructured, with the number of members reducing from four to three: the Chief Executive, Chief Operating Officer and Executive Director of Regulation and Economics. These three post holders would be the executive members of the SSRO Board. The change was agreed and made effective retrospectively from 1 May 2017.

**The Board:**

- a) approved the structure of the Executive Committee.**

## **9. Corporate Performance Report**

- 9.1. Neil Swift, Chief Operating Officer, introduced the report. The review of the Corporate Plan had provided an opportunity to update the format of the Corporate Performance Report and the information within it. This paper provided an updated template, which would be used by the Executive to report progress against the objectives and KPIs in the Corporate Plan to the Board for review and comment. The format of the report had been updated significantly, and now also provided a summary of the SSRO's significant ongoing projects at Appendix 2.
- 9.2. The Board considered the report and requested changes and additional information to be incorporated into the template, including that further information should be included on the budget chart in Appendix 2.

### **The Board:**

- a) reviewed and commented on the format of the Corporate Performance Report.**

## **10. 21 and 23 February 2017 Referrals Committee minutes**

- 10.1. Terence Jagger presented the minutes of the Referrals Committee meetings on 21 and 23 February 2017. The Board discussed the Chairman's letter to DG Finance at the MOD following the issuing of the final opinion, and the letter received in response.

### **The Board:**

- a) noted the draft minutes.**

## **11. Future Board agendas**

- 11.1. The draft agendas for the Board meetings in June 2017 and September 2017 were presented to the Board.

### **The Board:**

- a) Commented on the draft agendas.**

## **12. Any other business**

- 12.1. One item of further business was raised, relating to the recent updates to the SSRO's website.

### **13. Date of the next meeting**

13.1. The next meeting of the Board would take place on 26 June 2017 at 2:00pm in Finlaison House.