

**SSRO**

Single Source  
Regulations Office

# SSRO CORPORATE PLAN 2020-2023





# Who we are

The Single Source Regulations Office (SSRO) is an executive non-departmental public body, sponsored by the Ministry of Defence (MOD). We play a key role in the regulation of single source, or non-competitive, defence contracts.

The SSRO was established by the Defence Reform Act 2014, which also created a regulatory framework for single source defence contracts. We support the operation of the framework, which places controls on the prices of qualifying contracts and requires greater transparency on the part of defence contractors.

The contracts that are subject to the regulatory framework are worth a significant amount, with a total estimated price of over £37 billion for contracts that became Qualifying Defence Contracts (QDCs) or Qualifying Sub-contracts (QSCs) between April 2015 (when the first QDC was entered into) and September 2019. It is vital that single source contracts efficiently deliver the goods, works and services the UK government needs for defence purposes.

## Our values



### Independent

We occupy an important space between government and industry, speaking and operating freely and impartially in the delivery of our statutory functions.



### Authoritative

We use data and analysis effectively and compellingly. We seek to be authoritative and professional in the delivery of our statutory functions.



### Transparent

We operate openly and transparently and we are proactive in engaging with stakeholders and the public. We protect the confidentiality of sensitive information we hold.



### Inclusive

People are our greatest asset. We work as a team, supporting each person to contribute their best in an environment of trust.

# Our Purpose

The SSRO supports the operation of the single source regulatory framework. When exercising our statutory functions, we aim to ensure that good value for money is obtained in government expenditure on qualifying defence contracts, and that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts.

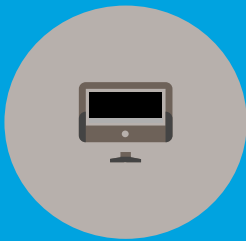
## Our statutory functions

The SSRO has seven regulatory functions which the legislation requires us to carry out. Our objectives identify key things we are trying to achieve when carrying out our functions and they also contribute to realising our vision for the SSRO and the regulatory framework in 2025. We are additionally empowered to do anything that facilitates the carrying out of our functions or which is incidental to or conducive to the carrying out of those functions. We also have corporate functions necessary for an independent body to achieve its statutory purpose.



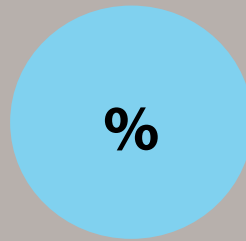
### Review

Keeping the operation of the regulatory framework under review and making recommendations for changes to the Secretary of State.



### Records

Keeping an up-to-date record of qualifying contracts and receiving statutory reports from defence contractors under the regime.



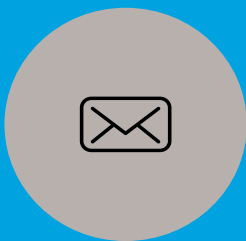
### Baseline Profit Rate

Assessing and recommending the appropriate baseline profit rate and capital servicing rates for use in calculating contract profit rates.



### Guidance

Publishing guidance on Allowable Costs, Contract Profit Rate steps, Reporting and Penalties.



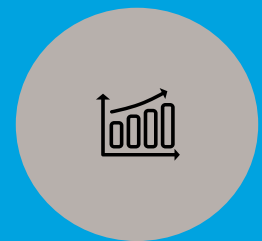
### Referrals

Giving opinions and making determinations on matters referred to the SSRO concerning the regulatory framework.



### Compliance

Keeping under review the extent to which reporting requirements are being complied with.



### Analysis

Analysing reported data on request for the Secretary of State.

# How the SSRO adds value

The SSRO supports the MOD and industry to agree prices that are value for money and fair. We apply a clear and robust methodology for assessing and recommending the rates that should apply when calculating contract profit rates. We give clear, principles-based pricing guidance that facilitates the agreement of contract costs and profits. The SSRO's opinions and determinations resolve disputes and clarify contract-specific issues.

The SSRO collects data on qualifying contracts and suppliers which provides a valuable, growing evidence-base to inform value for money and fair and reasonable prices. Our DefCARS platform for receiving data is secure, efficient and minimises the reporting burden on contractors. We provide support and guidance to contractors to help them use DefCARS and understand their reporting obligations. We review report submissions and promote the provision of quality data. DefCARS supports effective analysis and we promote use of the data in support of procurement decisions, contract management and development of the regulatory framework.

We provide independent, expert leadership on the regulation of single source contracts. By engaging closely with the MOD, industry and other stakeholders, we explore multiple points of view to make technically sound improvements to contract pricing. We identify best practices from the UK and around the world and use them to develop optimal solutions to identified issues.

We set out in our vision, priorities and objectives how there is more we can do to add value. We continue to explore and are open to ways we can do that more effectively to maximise the impact of our work.

# Our 2025 vision

**The SSRO will be the recognised expert in the regulation of single source defence contracting, supporting UK defence by working at the heart of a continuously improving regulatory framework which helps the MOD and contractors agree value for money contracts and fair and reasonable prices.**

Our vision for the regulatory framework and the SSRO looks ahead five years to 2025. Achieving real change takes time and this Corporate Plan for 2020 to 2023 represents part of the journey.

As is the case across the world, non-competitive procurement will often be a necessary or appropriate choice for the MOD. We want non-competitive or single source defence procurement carried out under the regulatory framework to be seen as providing value for money for the taxpayer and fair and reasonable prices for contractors, and comparable with the best public procurement.

A key component of our vision for 2025 is to have earned a reputation as the trusted and impartial expert in the regulation of single source defence contracting. In realising that vision our approach will remain rigorous and evidence based. We will prioritise our work in consultation with industry and the MOD and use their feedback and input as a key part of our evidence base.

We want to maximise the impact of our work and we are ambitious about the benefit we can bring. Our statutory functions will be delivered in a way that identifies and offers solutions to issues, some of which are difficult or long-standing with single source defence contracting.

We will actively seek opportunities to derive learning from the details of specific contracts and we will continue to encourage referrals as a mechanism to achieve this.

We want to become even more efficient in how we undertake and deliver our work. To do this we must take advantage of and invest more in applying developments in digitisation and new technology to our work and the way we operate.

The SSRO Data Strategy sets out our priorities for achieving the vision that data submitted by contractors in statutory reports is fully utilised in support of procurement decisions, contract management and development of the regulatory framework. We will pursue continuous improvement in the quality of the data provided in statutory reports and support contractors to achieve this. We will work with the MOD to help foster and support growth in the use and analysis of the data by the MOD over the next five years.

We would like to gain the maximum benefit from the knowledge and experience of defence contracting of our stakeholders. This should be supplemented by strong internal experience of procuring, delivering and operating large scale single source contracts, large capital projects and related matters. We want to continue to develop a team of staff with expertise drawn from a range of professional domains, including those with relevant MOD or defence industry experience. We will emphasise a commercial perspective on the questions we address and any potential solutions. The quality, rigour and excellence of our team's work will be recognised as having real impact and comparable with the best of our peers.

We want to have productive, trusted and open relationships and engagement with our stakeholders. We will maintain engagement mechanisms that are working well and find better ways to reach those where our opportunity for engagement is currently limited or constrained. We wish to see all those involved in the regulatory framework learn and gain insight from its operation which enables improvements to be made.

# The story so far

The government introduced the Defence Reform Act 2014 following a review that identified the need for improvements in single source defence contracting. The SSRO was created in July 2014 and the Single Source Contract Regulations 2014 took effect in December 2014. As of 30 September 2019, the SSRO had received contract reports for 235 qualifying contracts (197 contracts and 38 sub-contracts) submitted between 1 April 2015 and 30 September 2019. These reports disclosed combined prices of over £37 billion.

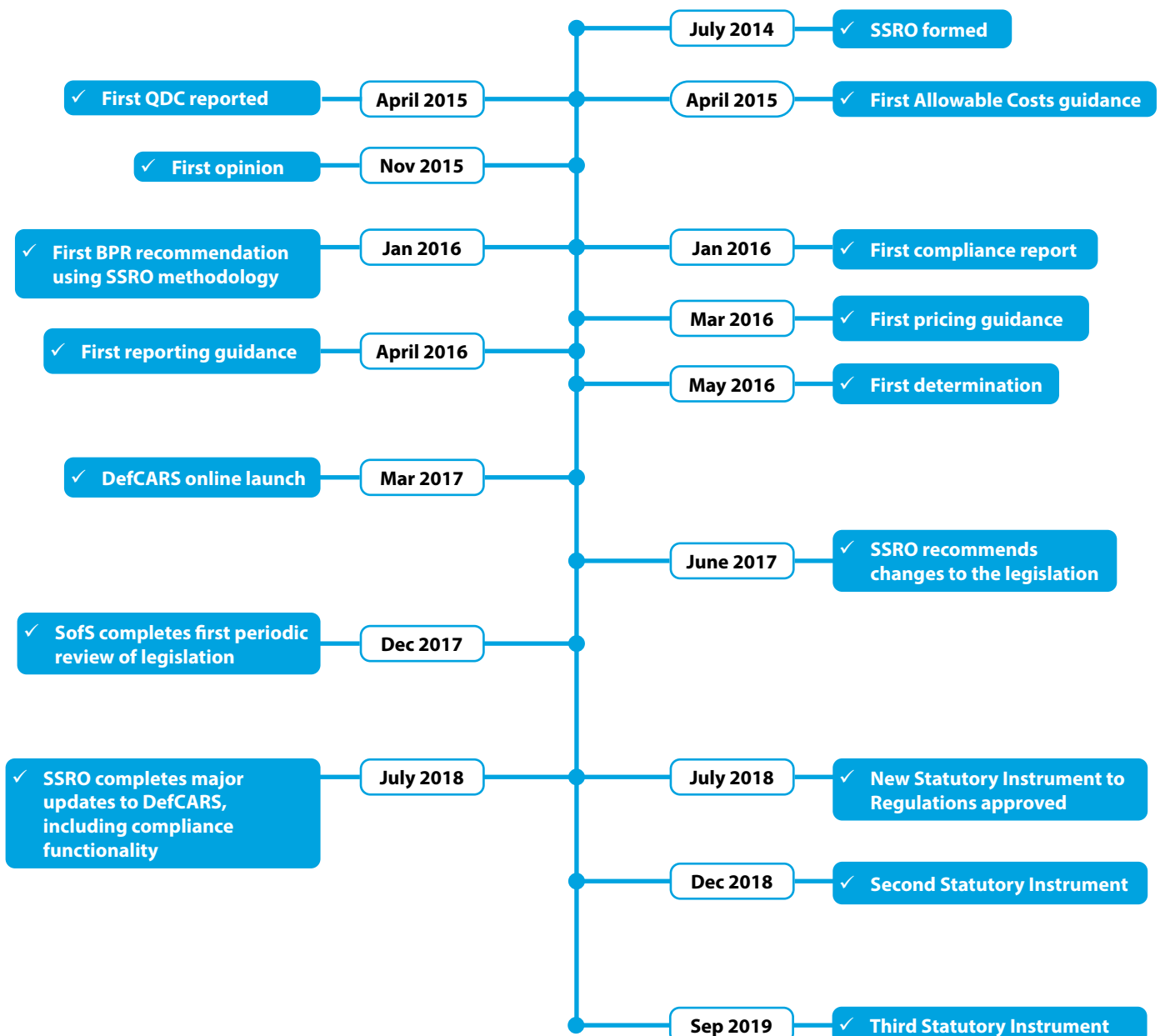
Following the Secretary of State's first periodic review of legislation, three statutory instruments were enacted, respectively in July 2018, December 2018 and September 2019. These amended the Single Source Contract Regulations 2014 and were the first changes to the legislative framework since inception.

The main changes were:

- July 2018 – Modification of the categories of contract excluded from the regulatory framework, which the MOD observed could increase the coverage of the regulatory framework by 8 to 10 per cent.
- December 2018 – A new approach to the way the contract price is redetermined if a qualifying contract is amended in a way that affects the price.
- September 2019 – Amendments to terms used in the legislation as well as some additional reporting requirements and increased supply chain transparency.

**235 qualifying defence contracts with a value of over £37 billion**

The timeline below summarises key events since the Defence Reform Act 2014.





# Our priorities

This Corporate Plan includes four objectives that are explicitly linked to the delivery of our regulatory functions. There are three supporting objectives related to stakeholder engagement, resources and digital transformation, all of which are essential to the successful delivery of our objectives and achieving our vision.

Our emphasis on effective engagement and continuously improving how we engage will continue throughout the life of this Plan. Improving our reach into the MOD will be essential, without reducing our engagement with industry. We will maintain those mechanisms already in place for engagement with industry and which are working well. We will prioritise our work and activities in consultation with stakeholders and we will use their feedback and input as a key part of the evidence base for delivering our statutory functions.

The budget (in the Finance section) to support this Plan does not yet reflect the resources to support new investments required to address or achieve development of the regulatory framework. Some of the proposed developments would require additional financial investment. These include one-off capital investments to achieve our digital transformation ambitions for DefCARS and other processes.

In a change to our approach, much of the work that makes up this Plan will be delivered over a number of years across the life of the Plan, rather than in a single year.

We will increase our focus on issues associated with determining allowable costs. We will undertake a substantial multi-year piece of work to update our allowable costs guidance, which will require working closely with stakeholders, may require new approaches to engagement and may involve moving away from the recent annual cycle of updates. We aim to examine overhead cost recovery and the rates used in single source contracts, with a view to developing new guidance in this area.

We will work to ensure statutory reporting operates as intended which may result in developments to reporting requirements, new reporting guidance and changes to DefCARS.

We will give further attention to optimizing DefCARS and the reporting guidance to gather descriptive segmented information about contract amendments and the causes of cost growth.

The Secretary of State aims to complete the second periodic review of the Act and Regulations in 2020. We will work jointly with the MOD and stakeholders on ideas and proposals for the Secretary of State's 2020 review. We intend to complete reviews of contract profit rate steps and reporting requirements and make recommendations to inform the Secretary of State's review by June 2020. We will work with the MOD and stakeholders to implement any changes to the regulatory framework arising from the 2020 review.

Realising the vision set out in our Data Strategy for utilisation of reported data will depend on engaged stakeholders and ready access to those within the MOD who use, or could potentially use, the data. We will work with the MOD to help foster and support increased use of the data held in DefCARS over the next five years. We will apply a revised, risk-based approach to keeping under review how defence contractors are complying with reporting obligations, and we will feedback and publish information which helps to drive improved reporting. We will continue to work constructively with the MOD and industry to drive up the quality of reported data and support the benefits derived from its use.

The SSRO will work to implement the outcomes from the Tailored Review of the SSRO in 2019. We will support the MOD's implementation of recommendations which applied to them.

There continues to be strong demand for guidance from our stakeholders. We will work with stakeholders over the life of this plan to ensure our approach to guidance development is sufficiently flexible. In some instances, we need to deliver high quality guidance quickly, while more time is needed for dealing with difficult issues. Drawing on best practice from other regulatory bodies, we will explore whether an online content management system can deliver our guidance in a more accessible and interactive format.

We expect that contracting parties will continue to refer questions for opinion or determination and we will prioritise the provision of high quality, timely responses. We believe the development of the regulatory framework would benefit from further referrals and we aim to proactively encourage referrals during the life of this plan. We will work to identify and remove barriers to industry or the MOD making referrals. As we do not control the complexity, volume or timing of referrals, the delivery of this Plan will be contingent to some extent on the matters referred.

In addition, we will continue to recruit staff with expertise drawn from a range of relevant, professional domains, including those with relevant MOD or defence industry

experience and will prioritise exploring other avenues to obtain the expertise we need. We will consider secondments to and from stakeholders and an expert panel with strong experience of procuring, delivering and operating large scale single source contracts, large capital projects and related matters.

We have included key performance indicators for each objective (other than Objective 7 where the indicators are in development). We have included a range of quantitative and qualitative indicators in the plan and continued moving to a greater proportion of outcome-based indicators compared to output indicators. We have sought to retain some indicators to ensure continuity and comparability between plans, but we have changed some indicators where they are no longer relevant or where we believe a different metric is a better measure of the organisation's performance. Percentage targets associated with some indicators are intended to be stretching, but realistic drivers of performance improvements and in some cases are an increase on the target in previous plans.

In prioritising our work we will consider the following criteria:



### **Stakeholder feedback**

The views of stakeholders, potential impacts on them and whether they support or oppose the activity.



### **Benefits**

The extent to which the activity will improve operation of the regulatory framework and single source contracting and contributes to achieving our vision for 2025.



### **Urgency**

The timeframe in which action should take place, considering any pressing need for action such as legislative change.



### **Cost**

The resources required by the proposed activity and the costs associated with not taking action.



# Objective 1

## Resolve questions raised by defence contractors and the MOD, helping consistent and best practice application of the regulatory framework

The SSRO considers and responds to questions referred to us by the MOD and industry in relation to proposed or existing qualifying contracts. Questions may be referred on a variety of grounds and generally involve the SSRO giving expert opinions or making determinations. Issues we have made decisions on in the past include the appropriate cost risk adjustment and the extent to which costs are allowable (e.g. labour, sales and marketing, price risk and faulty workmanship).

Our decisions help contracting parties apply the regulatory framework in a consistent and best practice way, providing clarity in difficult areas and resolving disagreements. Referrals provide opportunities to derive learning from the details of specific contracts. The insights gained from resolving difficult or disputed issues inform the operation of the regulatory framework and provide a basis for improvements, for example, through revised statutory guidance, changes to DefCARS or legislative changes.


In the past five years, six questions have been referred that could be progressed to decision. The SSRO believes the development of the regulatory framework would benefit from further referrals to resolve issues and provide clarification. We aim to encourage parties to make referrals where this could help them to apply the regulatory requirements and agree contracts. We will work to identify and remove barriers to industry or the MOD making referrals. We will develop a plan to address identified barriers in the first year of this Plan, considering the views of key stakeholders.

We are committed to completing all referrals in a professional and timely manner. We aim to complete referrals within published timeframes. We will tailor these as appropriate for each referral depending on complexity, scope, urgency and completeness of information submitted.

### Our vision for 2025

- Single source defence procurement has improved because of the decisions which the SSRO has made to provide clarity on the application of the regulatory framework.
- The parties involved in referrals are satisfied at the way the process was undertaken.
- There has been an increase in the number of decisions which the SSRO has made through the referral process.
- Stakeholders are learning from the information published about each referral and it is being used by those entering into new contracts.
- The learning from referrals is used to inform the SSRO's wider work.

### KPIs

- 
- Opinions and determinations are completed within target timeframes
  - Proportion of stakeholders involved in a referral who agree the SSRO engages effectively throughout the referral (target 75%)

# Objective 2

## Identify and offer solutions to difficult and long-standing problems with pricing single source defence contracts

The SSRO has developed a stable methodology for the baseline profit rate, capital servicing rates and SSRO funding adjustment. Its recommendations have been accepted by the Secretary of State and support the calculation of contract profit rates that are value for money for government and fair and reasonable for contractors. Over the three-year life of the plan we will consider detailed aspects of the methodology that are of interest to stakeholders, for example the amortisation and impairment of intangible assets acquired in business combinations, but we do not currently plan to undertake another fundamental review of the methodology within the next three years.


We will increase our focus on issues associated with determining allowable costs. We will undertake a substantial multi-year piece of work to update our allowable costs guidance, which will require working closely with stakeholders, may require new approaches to engagement and may involve moving away from the recent annual cycle of updates. We aim to examine the rates and overhead cost recovery in single source contracts with a view to developing new guidance in this area.

The Secretary of State's 2020 Review of the Legislation may result in legislative changes, during the life of this plan, to the pricing provisions of the regulatory framework. Changes being considered by the Ministry of Defence affect the six steps in the contract profit rate calculation such as step two (cost risk adjustment) and step five (incentive adjustment). In response to such changes we will review and update the relevant pricing methodologies and guidance.

### Our vision for 2025

- Stakeholders agree that the SSRO has offered solutions to some of the difficult and long-standing problems with pricing single source defence contracts.
- The SSRO's methodologies for assessing the appropriate baseline profit rate and capital servicing rates demonstrably support value for money and fair and reasonable prices.
- There is greater understanding of the pricing formula and it is being applied as intended by the legislation.
- SSRO guidance is clear, applicable and understandable and is considered easy to use and useful by stakeholders, with practical examples where appropriate.

### KPIs

- 
- Stakeholders solve single-source pricing problems aided by or using the solutions identified by the SSRO
  - Provide assessments to the Secretary of State of the baseline profit and capital servicing rates that demonstrably support value for money and fair and reasonable prices
  - Proportion of stakeholders who agree the SSRO's guidance is clear and applicable (target 75%)

# Objective 3

## Derive insights and learning from how the regulatory framework operates and make changes or recommendations to improve it

The Act requires the SSRO to keep Part 2 of the Act and Regulations under review and it may recommend any changes to the Secretary of State it considers appropriate. The Secretary of State must have regard to these recommendations when completing periodic reviews of the regulatory framework and this is an important mechanism leading to improvements in how the regulatory framework operates.

In June 2020 following extensive engagement and drawing on our growing evidence base, we will make recommendations to inform the Secretary of State's 2020 review of the regulatory framework. We will work jointly with the MOD and stakeholders on ideas and proposals for the Secretary of State's 2020 review.

We continuously keep the regulatory framework under review through all our work, including compliance reviews, support to contractors and development of our guidance and methodologies. We consider issues and prioritise action to address them in consultation with stakeholders, applying the prioritisation principles set out in this plan. We publish analysis that provides insights about qualifying defence contracts and operation of the regime.

During this plan, we expect to implement changes to our pricing and reporting guidance, and to DefCARS to reflect changes to the regulatory framework that might arise from the implementation of the Secretary of State's 2020 review. The scope of this work is not clear at this stage and has potential to impact other priorities. We will maintain a flexible approach to programming to allow us to accommodate this work.

### Our vision for 2025

- Recommendations for change made by the SSRO are believed by stakeholders to be of benefit to the regulatory framework and follow a good process of prioritisation and engagement with stakeholders.
- Changes made to the regulatory framework deliver greater simplification and better outcomes.
- Learning about how the regulatory framework operates is shared with and understood by stakeholders.
- There is stability in the regulatory framework as fewer changes to the legislation are required.

### KPIs



- Following engagement with our stakeholders, the SSRO will provide its recommendations for the Secretary of State's Review by no later than 30 June 2020
- Develop and deliver an implementation plan for any changes to the regulatory framework required in response to the Secretary of State's 2020 review

# Objective 4

## Realise our vision that data submitted by defence contractors is fully utilised to support procurement decisions, contract management and development of the regulatory framework

Realising our vision will depend on engaged stakeholders and ready access to those within the MOD who use, or could potentially use, the data. We will work with the MOD to improve use of the data reported in DefCARS over the next five years. We will provide analysis in response to requests from the Secretary of State and continue to publish statistics bulletins.

We are planning a substantial multi-year piece of work on pricing problems relating to overhead rates and cost recovery (see Objective 2) which will draw on data reported to us in DefCARS. We expect there to be related work to ensure statutory reporting operates as intended which may result in developments to reporting requirements, new guidance and DefCARS changes, and a drive to improve data quality in these reports.

DefCARS will remain our primary tool for collecting, storing, managing and providing secure access to the information submitted in reports. We will work closely with stakeholders in developing our reporting guidance and DefCARS to obtain relevant and high-quality data, minimise any burden for industry and support analysis. We will respond to any changes in reporting requirements following the Secretary of State's 2020 review. Ensuring that information entrusted to us is only available to those with a legitimate right to access it remains a priority. We will pursue the actions identified in our Data Strategy to maintain safe and secure data.

We will give further attention to optimising DefCARS and the reporting guidance to gather descriptive segmented information about contract amendments and the causes of cost growth, subject to stakeholders' views expressed as part of our Review of the Legislation.

We will continue to support contractors to provide high-quality data by helping them to understand their reporting obligations, our guidance and DefCARS. Our support will include our reporting helpdesk, onboarding meetings and training. We will listen to stakeholders' views and look for ways to keep improving our support offering.

In the first year of this plan we will implement a revised compliance and review methodology. This risk-based approach will allow us to place greater reliance on the MOD to identify data quality issues.

### Our vision for 2025

- DefCARS data is being analysed and used in the contract negotiation process to ensure that value for money and fair and reasonable prices are being agreed.
- Statutory reports are being used for contract management, with consequent improvements in data quality.
- Reporting requirements have been the subject of detailed review and only require information which is needed and is not duplicative of that asked for elsewhere.
- Contractors who are new to the regime enter it with a full understanding of what is required of them.
- The SSRO delivers impactful training and support to DefCARS users which increases their ability to report effectively and efficiently.
- Levels of compliance with reporting requirements are high and there is evidence that the lessons identified in Compliance Reports are being actioned.
- The MOD actively requests analysis of statutory reports, which the SSRO provides in a timely manner.

We will continue to encourage prompt action to address data quality issues by providing feedback to the MOD and industry and using findings from compliance reviews to inform guidance, DefCARS improvements and legislative change.



- Proportion of users satisfied with DefCARS as the platform for submitting reports (target 75%)
- Proportion of contract reports submitted that are complete and meet the requirements of the legislation at the first attempt (target 35%) and that are submitted on time (target 75%)
- Proportion of reports submitted each year that are accessed by the MOD (target 75%)
- Proportion of defence contractors satisfied with the assistance and support provided by the SSRO when first entering into a qualifying contract (75%)
- Response to Section 36/37 requests for provision of analysis or information provided within agreed timescales (target 100%)

# Objective 5

## Improve our reach and engagement with stakeholders to build our evidence base, share understanding and increase the benefits of the regulatory framework

Engagement is fundamental to the SSRO's evidence-based approach to its work and we will continuously seek to improve how we undertake our engagement. We want to have productive, trusted and open engagement with our stakeholders and find better ways to reach those where our engagement is currently limited or constrained.

We will survey the views of stakeholders to understand how we are performing and inform our engagement. We will update our Stakeholder Engagement Strategy and maintain a proactive programme of stakeholder engagement to underpin delivery of this Corporate Plan, our statutory functions and our vision for 2025.

Improving our detailed engagement on difficult pricing issues and the use of reported data will be a priority under this plan. We will explore ways to effectively engage with key stakeholders, including further development of communities of interest. Improving our reach into the MOD will be essential, without reducing our engagement with industry. We will maintain the mechanisms already in place for engagement with industry and which are working well.

We communicate the reasons for our decisions or actions. We recognise that there will be times, because of the nature of the decisions we make, when stakeholders may not agree with a decision, but we will ensure they understand why the decision was taken.

### Our vision for 2025

- Stakeholders are actively engaged with the SSRO to ensure the benefits of the regulatory framework are realised.
- Stakeholders provide and receive feedback in a meaningful way and believe the SSRO responds in a proactive way.
- Stakeholders understand the SSRO's priorities and consider they have been actively engaged in helping to identify them.
- Stakeholders believe the SSRO delivers its functions in an effective and efficient way.
- The SSRO uses a range of engagement methods to enable stakeholders to input to and be informed about its work.
- The SSRO engages fully and appropriately with relevant parts of the MOD, including actual and potential users of DefCARS data.

### KPIs



- Stakeholders consider the SSRO engages well (target 80%)
- Number of MOD stakeholders that engage with the SSRO on pricing and data issues
- Stakeholders satisfied with assistance provided by the SSRO helpdesk (target 90%)
- Substantive responses to SSRO helpdesk queries provided within 10 working days (target 90%)

# Objective 6

## Develop a skilled, agile and engaged SSRO team and equip them with the right resources and technology

To achieve our 2025 vision, we need the right people with the right skills and the right knowledge. This means an SSRO team that is:

- **Skilled:** Our people understand the work of the SSRO and the sector in which we operate; can deliver their business objectives competently and to a high standard; and can progress in their careers;
- **Agile:** Our people can work collaboratively, flexibly and across the wider team, can adapt quickly and confidently to changing business priorities and target skills and expertise where they are most needed; and
- **Engaged:** Our people feel valued and supported, enthusiastic about the SSRO and its work, understand their role and purpose, and are willing to go the extra mile when needed.

In addition to recruiting staff with expertise drawn from a range of relevant, professional domains, including those with relevant MOD or defence industry experience, we will also explore other avenues to obtain the expertise we need. We will consider secondments to and from stakeholders and an expert panel with strong experience of procuring, delivering and operating large scale single source contracts, large capital projects and related matters.

We will continue to support the delivery of our objectives by efficiently using the right resources and through innovative and secure use and management of information and technology.

### Our vision for 2025

- The SSRO will have the right people as a result of maintaining and investing in good recruitment practices, skills and knowledge development and resourcing models.
- The SSRO is seen as a good employer, fulfilling our duty of care to all staff and ensuring they can give their best, are treated fairly and are valued.
- SSRO staff are actively engaged in its work and in understanding the defence industry.
- The SSRO has audit-assured, high-quality, efficient and effective systems of procurement, financial management and governance.
- The SSRO is seen as a best practice, transparent, public body.
- The SSRO continues to manage and secure information to industry recognised standards.
- The SSRO continues to comply with data protection laws, including the General Data Protection Regulation (GDPR).

### KPIs



- Manage our financial expenditure to within 2% of our corporate budget without exceeding our Grant-in-Aid limit
- Employee survey results for overall engagement (target 70%)
- Average number of days spent per person per annum on training (target 3 days)

# Objective 7

## Enable the digital transformation of how we operate and the way we deliver our services and functions

Since inception, the SSRO has sought to maximise the beneficial and efficient use of technology. We have successfully implemented a cloud-based, paperless office which supports remote and flexible working. We have developed DefCARS from a series of disconnected spreadsheets into an efficient online system.

Digital transformation will allow us to work faster, better and more collaboratively with industry and the MOD. We are open to bringing innovation and ideas from elsewhere. We want to reduce the administrative burden for industry and the MOD in using DefCARS.

We intend to pursue opportunities for further digital transformation where we can make the regime more streamlined and efficient, and we will seek targeted, one-off capital investments to enable this. We will seek innovations in DefCARS that allow us to work better with stakeholders and we will consider:

- supporting data analytics and decision support including interfacing with MOD systems;
- automated transfers between industry systems and DefCARS in a highly secure way; and
- developing DefCARS into modular services that can be delivered and developed flexibly.

We will work with stakeholders to vary and improve our approach to preparing and reviewing the SSRO's guidance. We will aim to be flexible in guidance development so that we can move more quickly to address identified issues in appropriate cases and take longer on more difficult problems. Drawing on best practice from other regulatory bodies, we will explore the benefits of using an online content management system to deliver our guidance in a more accessible and interactive format.

Throughout we will keep information secure following up-to-date policy and guidance.

### Our vision for 2025

- DefCARS is seen by its users as an intuitive, digital tool allowing automated data loading from other relevant systems and reducing the amount of manual data entry.
- DefCARS can adapt rapidly in response to changes in reporting requirements driven by legislative change.
- The SSRO delivers guidance flexibly, taking longer with difficult issues and responding swiftly where appropriate.
- The SSRO uses modern technologies and approaches, allowing it to work faster, better and more collaboratively with industry and the MOD.

### KPIs



- To be developed

# Work programme

	2020/21	2021/22	2022/23
<b>Objective 1:</b> Resolve questions raised by defence contractors and the MOD, helping consistent and best practice application of the regulatory framework	Capacity to accept and consider referrals		
<b>Objective 2:</b> Identify and offer solutions to difficult and long-standing problems with pricing single source defence contracts	Implement and develop the rates methodology		
	Development of pricing guidance in response to legislative and other changes		
<b>Objective 3:</b> Derive insights and learning from how the regulatory framework operates and make changes or recommendations to improve it	SSRO & MOD review of legislation complete	Support implementation of new or amended legislation and update guidance and DefCARS as required	
<b>Objective 4:</b> Realise our vision that data submitted by defence contractors is fully utilised to support procurement decisions, contract management and development of the regulatory framework	Revised compliance methodology and continuing support to improve data quality		
	Development of guidance and DefCARS to enable statutory reporting		
<b>Objective 5:</b> Improve our reach and engagement with stakeholders to build our evidence base, share understanding and increase the benefits of the regulatory framework	Respond to stakeholder survey	Improved engagement with MOD and industry	
<b>Objective 6:</b> Develop a skilled, agile and engaged SSRO team and equip them with the right resources and technology	Implement workforce strategy to ensure a skilled, agile and engaged SSRO		
<b>Objective 7:</b> Enable the digital transformation of how we operate and the way we deliver our services and functions	Identify opportunities to digitally enhance how the SSRO operates and implement		

This 'Work programme' is subject to the additional investment and resources outlined in the 'Finance' section of the plan.



# Finance

The MOD has awarded the SSRO Grant in Aid of £6.35 million to fund its activities in 2020/21.

Following SSRO Board approval, the SSRO's Accounting Officer has requested and received approval for our 2020/21 budget of £6.379 million.

The agreed budget relates to the SSRO's objectives for 2020/21. The SSRO's costs are largely stable and recurring with less than 1 per cent of the budget unallocated to anticipated costs.

The Corporate Plan sets out the SSRO's vision and ambitions that it aims to achieve. Delivery will require engagement with, and the support and investment of, our stakeholders. Whilst the budget reflects anticipated efficiencies, known contractual changes and inflationary pressures, it does not yet reflect the resources to support the investments required to address or achieve regime development. Several of the proposed developments can be delivered with stakeholder support, but some would require additional financial investment. These include one-off capital investments to achieve our digital transformation ambitions for DefCARS and other processes.

The SSRO organises and manages its resources flexibly through matrix management to meet its objectives. The SSRO is flexible with its use of resources and this allocation will be varied during the year in response to emerging priorities, for example additional resources may be allocated to support referrals as they are received.

Much of the SSRO's corporate support is outsourced (payroll and financial ledger services) or procured through government framework contracts (IT managed services). The organisation continues to adopt an agile approach to the procurement and delivery of corporate back-office and support functions, including expert support on regulatory matters.

The SSRO always seeks to ensure the most effective and efficient use of public funds in a sustainable way. We do this in several ways including; better ways of working; and identifying efficiencies during the renewal of contracts, through service requirement reviews and market testing. As contracts become due for renewal, it brings opportunities for realising greater efficiency but also a risk of increased costs, and the SSRO will liaise with the MOD on procurement outcomes to manage this risk as part of the annual cycle of funding approval.

In 2020/21, our focus will be on identifying

- resourcing solutions to secure the technical expertise to support the DefCARS development business case; and
- opportunities to access expertise through secondments and an expert panel.

Any additional funding will be sought from the MOD through business cases in-year, and during the life of this plan. The SSRO will continue to discuss the impact of workload volume changes or other new requirements on budgetary requirements with the MOD.



# Alternative scenarios and risk factors

This section sets out the most significant risks and scenarios that may affect the delivery of the SSRO's Corporate Plan and our response to these.

Risk management is an integral part of the SSRO's internal control framework. The SSRO's approach to risk management is in line with its agreed Risk Management Policy:

The Chief Executive is responsible for risk management within the SSRO.

- The SSRO Board puts in place effective arrangements to provide assurance on risk management, governance and internal control.
- The Audit Committee provides scrutiny, oversight and assurance of risk management and reviews the Risk Management Policy annually.

The SSRO's risk management policy provides for a corporate risk register to be maintained and reviewed regularly by the Executive Committee and Audit Committee. Project Managers and Executive Committee members escalate significant new risks to the Corporate Risk Register through the monthly Corporate Performance Report, or through the section on risk management that is included in all papers to SSRO Committees.

The risks identified in the Corporate Risk Register are mitigated and this is then reflected in how we plan and prioritise our work, as set out in this document. This approach ensures we are able to adapt and work within the resources we have.

The most significant risks that may impact on the delivery of the Corporate Plan are:

- the information entered into DefCARS is of a poor quality or is not used effectively; and
- we experience difficulties with recruitment and retention of staff, which leads to capacity issues.

The Act requires contractors to submit accurate data in reports. There is an inherent risk to data quality within the regime and the SSRO facilitates collection of good quality data through its compliance, guidance and review functions, and our proactive support services. We have developed a data strategy that sets out our approach to supporting the achievement of data quality and the use of that data. Our compliance methodology sets out the respective roles of the MOD and the SSRO with regard to the quality assurance of information that is reported using DefCARS. Ongoing engagement is important to understand how the data may assist the MOD and to produce relevant information for stakeholders.

The SSRO is a relatively small organisation and there is limited public awareness of our work. We have experienced some issues with recruitment and attracting a wide range of high-quality candidates to certain roles. While we have had low turn-over in staff to date, attrition rates may increase as staff recruited soon after the establishment of the organisation look to progress their careers outside the SSRO. We have undertaken several mitigating actions, including regular communication with staff, a Workforce Strategy, a Single Equalities Scheme, individual learning and development plans and updated recruitment and selection policies that include guidance to improve the inclusivity of the recruitment process.

# Performance in 2019-2020

Objective	Target	Performance
<b>1: Provide authoritative responses to referred matters within target timeframes</b>		
Final determinations and opinions are issued within target timeframes	-	We received no referrals in 2019/20
Proportion of stakeholders involved in a referral who agree the SSRO engages effectively throughout the referral	75%	85%
<b>2: Provide the Secretary of State with a recommendation of the appropriate baseline profit rate, capital servicing rates and the funding adjustment for each financial year that assists the Secretary of State to determine each amount</b>		
Provide the SSRO's assessment of rates to the Secretary of State no later than 31 January preceding the financial year to which they apply	-	Met
<b>3: Issue guidance that supports the optimal working of the regulatory framework</b>		
Proportion of stakeholders who agree the SSRO's guidance is clear and applicable	75%	84%
<b>4: Conduct targeted reviews of the Act and Regulations aimed at improving the functioning of the regulatory framework</b>		
Deliver an implementation plan for any changes required by the SSRO in response to the Secretary of State's 2017 review	-	Met
Following engagement with our stakeholders, the SSRO will provide its recommendations to the Secretary of State no later than 30 June 2020	-	on track
<b>5: Provide a platform that facilitates the efficient and secure submission of statutory reports</b>		
Proportion of users satisfied with DefCARS as the SSRO's platform for submitting reports	75%	72%
<b>6: Improve data quality and the reporting of information</b>		
Proportion of contract reports submitted that are complete and meet the requirements of the legislation at the first attempt	25%	53% as at 29 February 2020*
Proportion of contract reports submitted on time	75%	66% as at 29 February 2020*
Proportion of defence contractors satisfied with the assistance and support provided by the SSRO when first entering into a QDC/QSC	75%	100%
<b>7: Harness the power of data to support decision making</b>		
Increase in the use of SSRO's analysis: a year on year increase in the number of analysis report templates available to use in DefCARS	-	An increase of 2
<b>8: Maintain effective and comprehensive engagement with our stakeholders</b>		
Stakeholders consider the SSRO engages well	80%	91%
<b>9: Access and use resources appropriate to the delivery of our functions</b>		
Manage our financial expenditure to within 2% of our corporate budget without exceeding our Grant-in-Aid limit.	-	*
Employee survey results for overall engagement	70% (65% for 2019/20)	*
Average number of days spent per person per annum on training	3 days	Met

\*Performance as at March 2020 will be published in our Annual Report & Accounts for 2019/20.

**SSRO**

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