

SSRO

Single Source
Regulations Office



SSRO Annual Report and Accounts 2018/19

The SSRO is an executive
non-departmental public body,
sponsored by the Ministry of Defence.

The Single Source Regulations Office

Annual Report and Accounts 2018/19

Presented to Parliament pursuant to Paragraph 13 (5) of Schedule 4 of the Defence Reform Act 2014.

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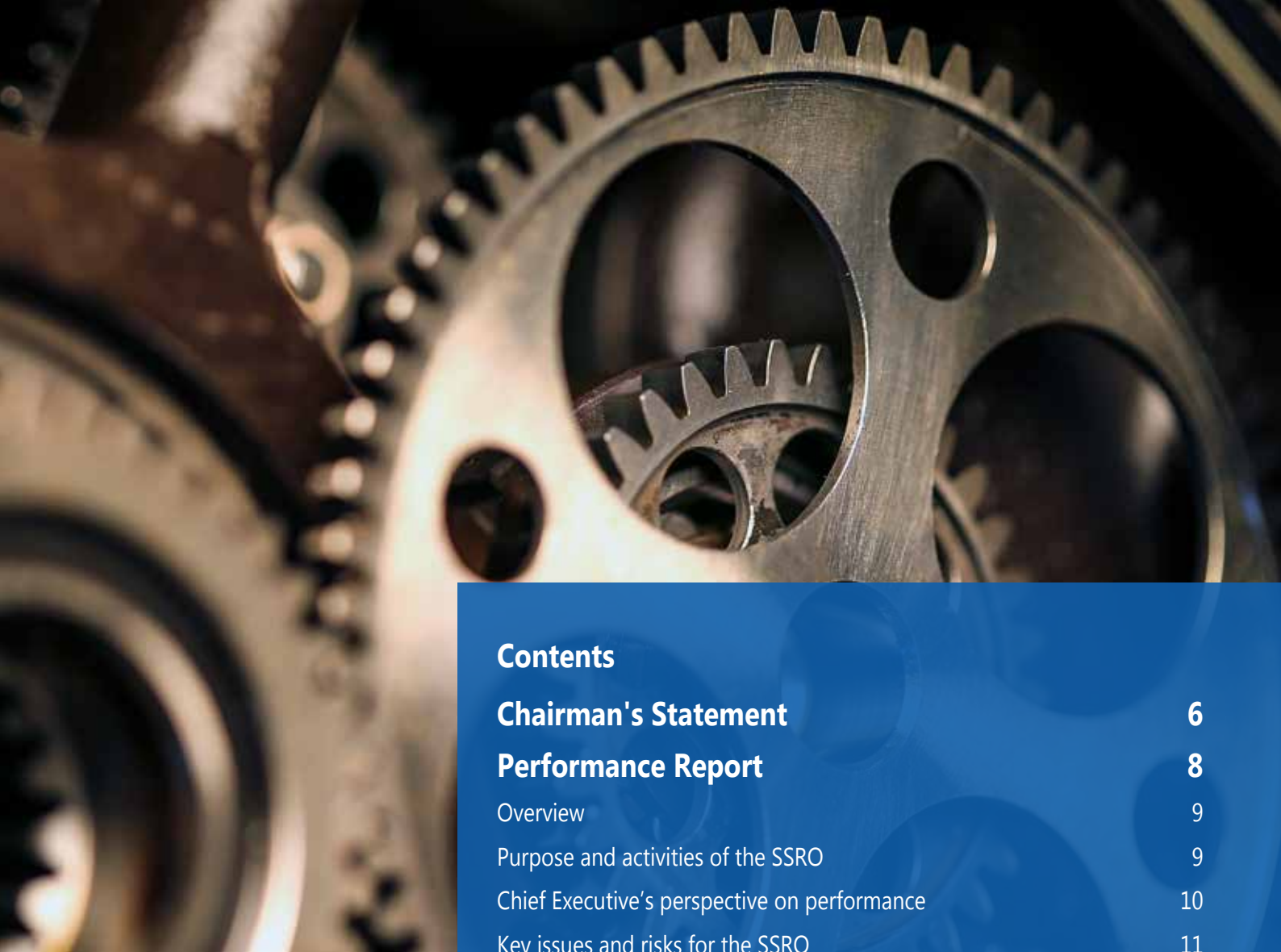
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Contents

| | |
|---|-----------|
| Chairman's Statement | 6 |
| Performance Report | 8 |
| Overview | 9 |
| Purpose and activities of the SSRO | 9 |
| Chief Executive's perspective on performance | 10 |
| Key issues and risks for the SSRO | 11 |
| Performance analysis | 12 |
| SSRO's performance against its key measures | 14 |
| Financial performance during the year | 18 |
| Accountability Report | 20 |
| Corporate governance report | 21 |
| Remuneration and staff report | 32 |
| Parliamentary accountability and audit report | 40 |
| The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament | 41 |
| Financial Statements | 44 |
| Statement of Comprehensive Net Expenditure | 45 |
| Statement of Financial Position | 46 |
| Statement of Cash Flows | 47 |
| Statement of Changes in Taxpayers' Equity | 48 |
| Notes to the Financial Statements | 49 |
| Appendix 1: Accounts Direction | 60 |

CHAIRMAN'S STATEMENT



George Jenkins OBE

George Jenkins was appointed as Chairman of the SSRO on 1 January 2017.

This annual report tells the story of the SSRO's work and achievements against our stated objectives in 2018/19. This year our primary focus has again been on delivering our statutory functions, on doing our job and doing it well. This has included:

- providing the Secretary of State for Defence with our assessment of the appropriate rates to determine the contract profit rate for pricing qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs);
- issuing guidance to MOD and industry that supports the regulatory framework and addresses issues which have been prioritised with stakeholders;
- ruling on a referral from the Secretary of State to determine the extent to which the labour costs in a qualifying defence contract were Allowable;
- developing our Defence Contracts Analysis and Reporting System (DefCARS), which holds a growing body of data, and a draft data strategy to ensure that maximum benefit is derived from this data and associated analysis;
- producing statistical bulletins which provide insight into qualifying defence contracts; and
- renewing our focus on engagement, which is fundamental to our evidence-based approach and underpins the delivery of our objectives and statutory functions.

The government established in 2014 a regulatory framework that drives value for money in single source contracts while also providing single source suppliers with a fair and reasonable price for

their work. Two new statutory instruments were enacted in July and December 2018 respectively, following the Secretary of State's first periodic review of the legislation. These represented the first amendments made to the Single Source Contract Regulations since they came into effect in December 2014 and arose in part from the SSRO's earlier recommendations. We remain at the heart of that regulatory framework and continue to support its operation. We have done so this year by keeping the framework under review, monitoring reporting compliance, giving guidance and answering questions about its operation. We analyse data and provide reports and recommendations to the Secretary of State.

Looking forward to next year our priority remains the delivery of our statutory functions and objectives, ultimately leading to improved single source defence procurement. The Government's Modernising Defence Programme aims to deliver better military capability and value for money in a sustainable and affordable way and the SSRO continues to work closely with both the MOD and stakeholders alike to this end.

Our actions will be informed by listening and understanding the needs and concerns of the MOD, defence contractors and sub-contractors alike. By maintaining the existing mechanisms for purposeful engagement with industry, such as senior engagement, stakeholder workshops and a presence within industry forums, we will have strong and productive professional relationships which will inform our work and priorities.

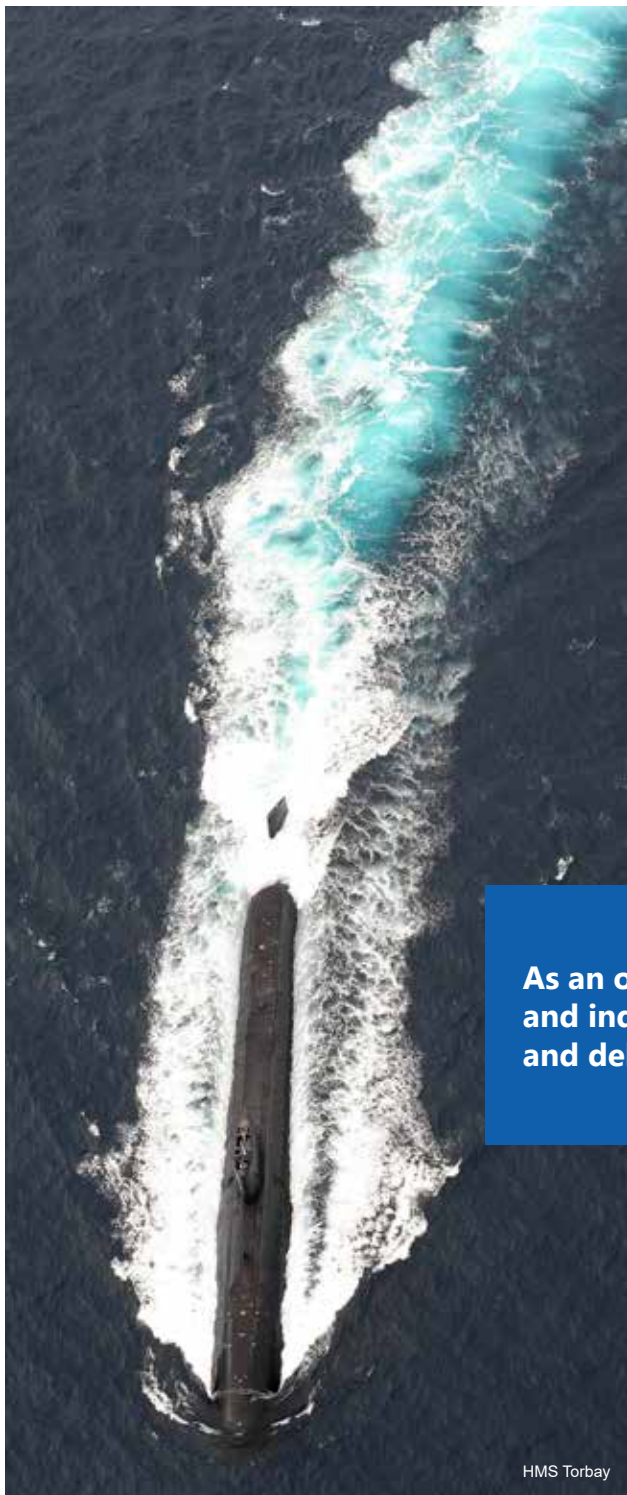


We share the same aim as ALL our stakeholders - getting the right product or service at the right price and at the right time.

Performance Report

Overview

Purpose and activities of the SSRO



HMS Torbay

The Single Source Regulations Office or SSRO is an executive non-departmental public body, sponsored by the Ministry of Defence (MOD). The Defence Reform Act 2014 created a regulatory framework for single source, or non-competitive, defence contracts placing controls on qualifying contract pricing and requiring greater transparency on the part of defence contractors. It is vital that single source defence contracts efficiently deliver the goods, works and services the UK government needs, and we play a key role in the regulation of such contracts.

As an organisation we work constructively with both the MOD and industry to improve single source defence procurement and deliver our statutory functions. When undertaking our statutory functions, we aim to ensure that:

- good value for money for the taxpayer is obtained in government expenditure on qualifying defence contracts; and
- persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts.

As an organisation we work constructively with both the MOD and industry to improve single source defence procurement and deliver our statutory functions.

Chief Executive's perspective on performance

The SSRO is performing well in delivering its statutory functions and its corporate objectives. Over the past year, we met 14 of the 17 performance indicators set out in our Corporate Plan 2018-2021, and in our last stakeholder survey 73 per cent of stakeholders rated our performance as good or very good.

This year we have continued to embed a structured and evidence-based approach to the development of all our work, which includes:

- Setting clear plans and priorities and ensuring that stakeholders understand the SSRO's development timetable.
- Providing clarity on when and how stakeholders can engage.
- Through engagement and consultation, prioritising the areas that will be the focus of development.
- Ensuring that stakeholders understand changes the SSRO has made and are provided with a clear rationale where suggested amendments have not been made.
- Providing stakeholders with sufficient time to familiarise themselves with changes before they are implemented.

This year we spent 99 per cent of the grant in aid funding provided, which totalled £6,133,000 for 2018/19.

37 staff



6 board members



£6,089,000

2018/19
expenditure



We have developed three new strategies in areas that were identified in our Corporate Plan 2018-21.

| STAKEHOLDER ENGAGEMENT STRATEGY | WORKFORCE STRATEGY | DRAFT DATA STRATEGY |
|--|---|---|
| <p>Seeks to:</p> <ul style="list-style-type: none"> • improve the experience of stakeholders participating in our consultations; • maintain existing mechanisms for engagement with industry; and • develop and broaden our relationships within the MOD. | <p>Sets out a position under which our people:</p> <ul style="list-style-type: none"> • are able to deliver their personal business objectives to a high standard; • work collaboratively, flexibly and across teams; and • feel valued, supported and enthusiastic about the SSRO and its work. | <p>Seeks to:</p> <ul style="list-style-type: none"> • set a vision where data submitted by contractors in statutory reports is fully utilised in procurement decisions, contract management and the development of the regulatory framework to deliver value for money and fair and reasonable prices. |



Key issues and risks for the SSRO

The SSRO prioritises risk management and gains assurance through good governance, maintaining a Corporate Risk Register and ensuring that controls are robust and work as intended.

The SSRO Audit Committee reviews the Corporate Risk Register at each meeting, and considers the identified risks against the likelihood, proximity and impact (pre and post mitigation) of the risk being realised, informing a final rating for each identified risk.

The Board is responsible for setting the corporate risk appetite. Each risk is assessed against that appetite and managed in accordance with the SSRO risk management framework including controls to manage or mitigate identified risks.

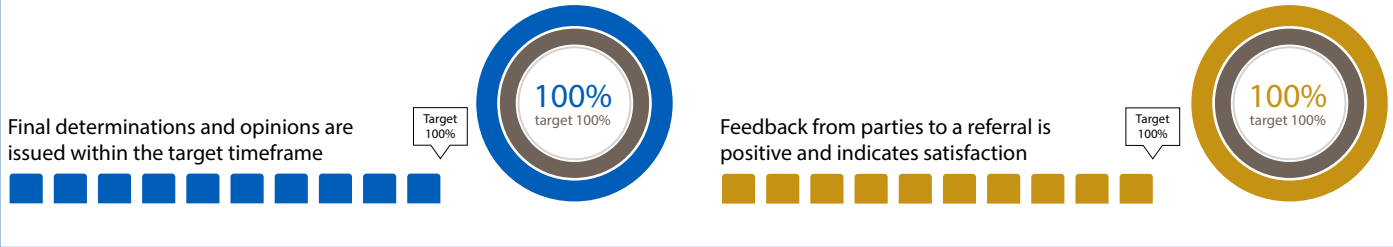
As of March 2019, the most significant risks that may impact on the delivery of the Corporate Plan are that:

- the information provided to the SSRO in contract and supplier reports via DefCARS is of a poor quality or is not used effectively; and
- the SSRO lacks the capacity to undertake work requested in addition to what is included in this Corporate Plan, for example from referrals or arising from the Secretary of State's review of the Act and Regulations.

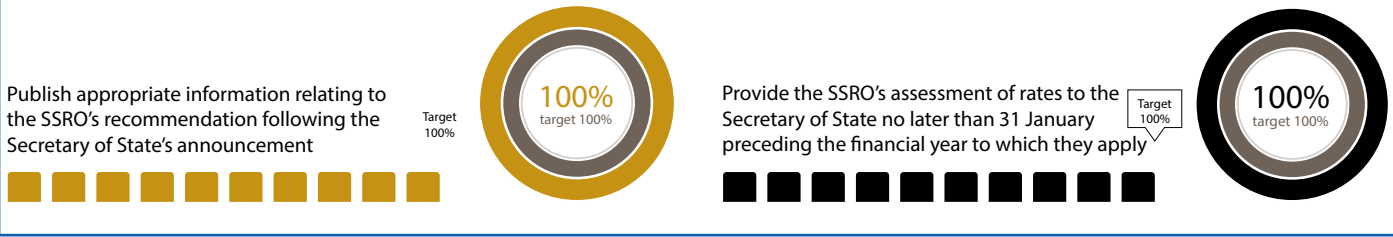
Performance analysis

The following performance indicators were included in the SSRO's Corporate Plan 2018-2021. The SSRO's performance against them in 2018/19 is shown in the charts below.

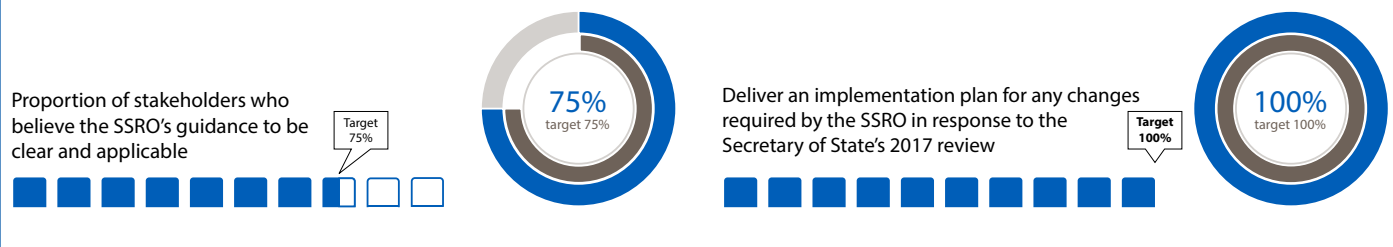
1. Provide authoritative responses to referred matters within agreed timeframe



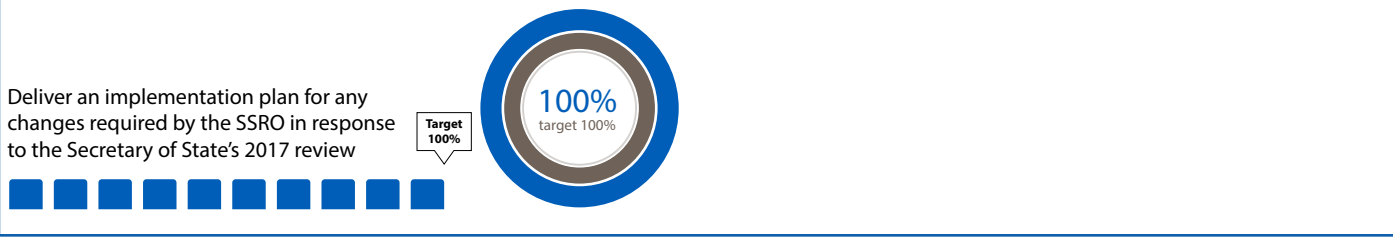
2. Provide the Secretary of State with a recommendation of the appropriate baseline profit rate, capital servicing rates and the funding adjustments for each financial year



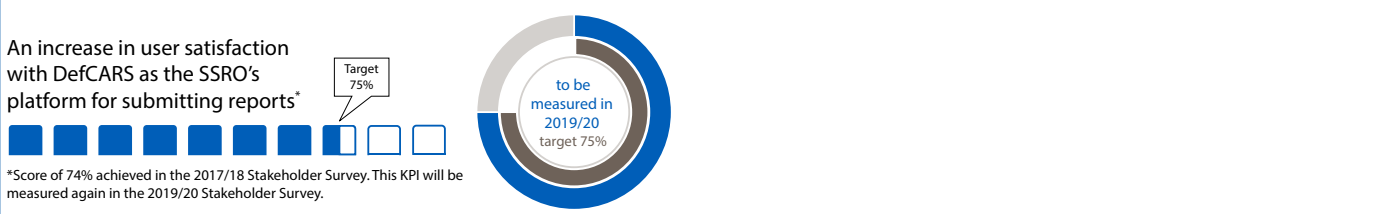
3. Issue guidance that supports the optimal working of the regulatory framework



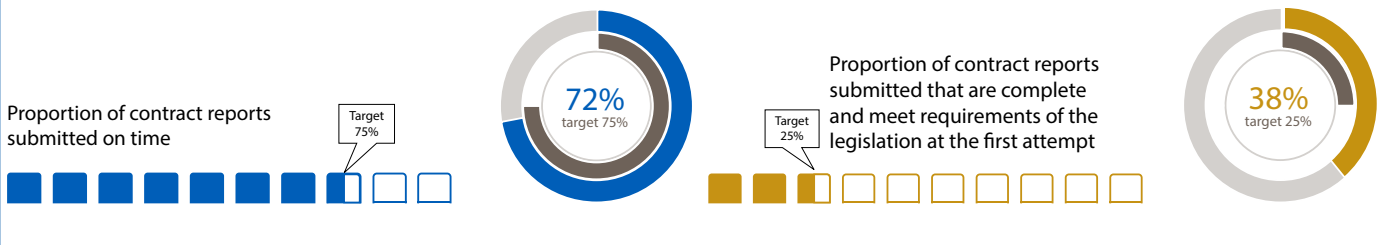
4. Conduct targeted reviews of the Act and the Regulations aimed at improving the functioning of the regulatory framework



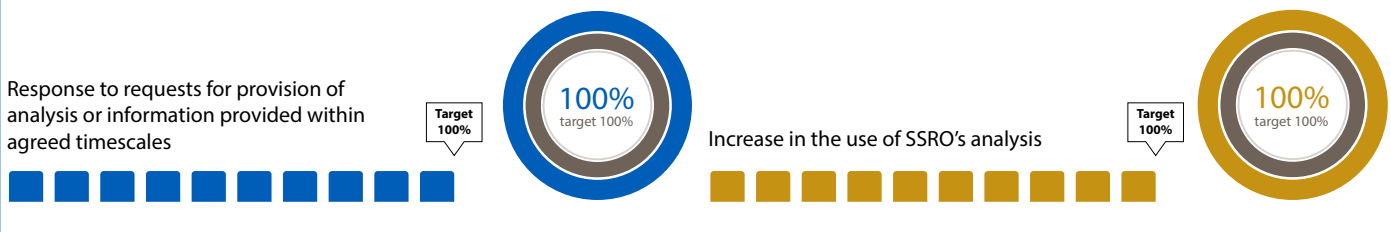
5. Provide a platform that facilitates the efficient and secure submission of statutory reports



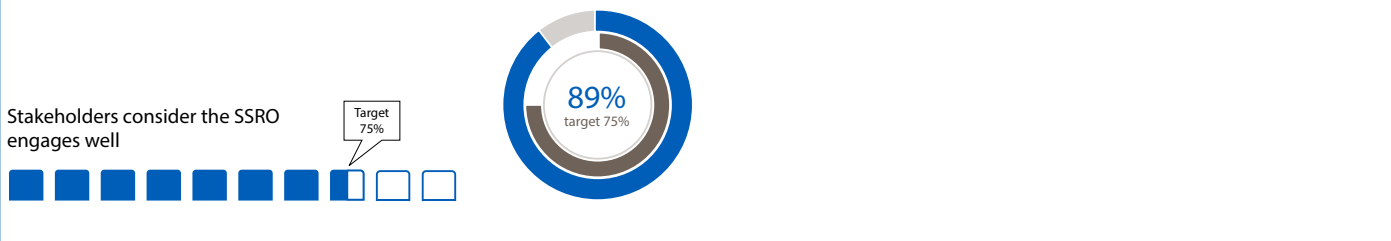
6. Improve data quality and the reporting of information



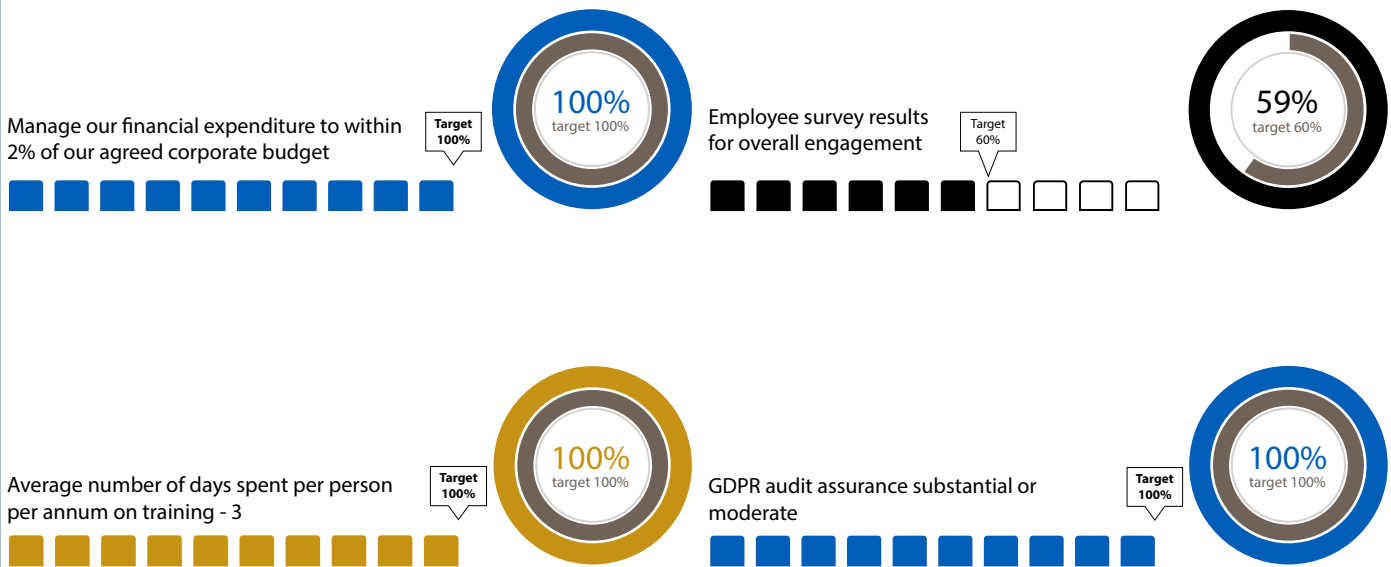
7. Harness the power of data to support decision making



8. Maintain effective and comprehensive engagement with our stakeholders



9. Access and use resources appropriate to the delivery of our functions



SSRO's performance against its key measures

1 Provide authoritative responses to referred matters within agreed timeframes

In 2018/19, the SSRO considered one referral at the request of the Secretary of State for Defence to determine the extent to which the labour costs in a qualifying defence contract were allowable. The contract in question concerned support and maintenance of equipment, and the [final report has been published on the SSRO's website](#).

We have this year reviewed the SSRO's guidance on opinions and determinations. The revised guidance was published on 1 April 2019, and includes changes made in response to feedback received from respondents during a consultation held between 10 December 2018 and 25 January 2019.

2 Provide the Secretary of State with a recommendation of the appropriate baseline profit rate, capital servicing rates and the funding adjustments for each financial year

The baseline profit rate that the SSRO recommended to the Secretary of State in January 2019 was 7.63 per cent for 2019/20 (prior year: 6.81 per cent). The Secretary of State accepted our recommendation and on 15 March 2019 announced the baseline profit rate to be used from 1 April 2019. The SSRO also recommended rates for the SSRO funding adjustment and capital servicing rates used in the capital servicing adjustment, both of which were accepted by the Secretary of State.

We have this year commenced a review of contract profit rates, considering whether the current approach to contract profit and its application support the aims of fair and reasonable prices and value for money.

3 Issue guidance that supports the optimal working of the regulatory framework

During 2018 we reviewed three areas of our existing statutory guidance on Allowable Costs and the baseline profit rate and its adjustment. We engaged with stakeholders and consulted publicly on the proposed guidance changes. The revised guidance, which was published on 31 January 2019, applies to QDCs and QSCs entered into on and after 1 April 2019, replacing the existing guidance in those areas.

We published version 4 of our reporting and DefCARS user guidance in July 2018, which included guidance on a new training feature in DefCARS and a facility for contractors to start entering data before a contract becomes a QDC or QSC. We consulted on the issue of when a contract has been entered into and included guidance on this in version 5, which was published on 12 December 2018. Further proposals have been the subject of consultation, with the intention of introducing further changes in May 2019. These included: 'determining due dates', 'supplier reports – when are they required' and expanded guidance on Quarterly Contract Reports and Interim Contract Reports.

4 Conduct targeted reviews of the Act and the Regulations aimed at improving the functioning of the regulatory framework

The SSRO engaged with the MOD and industry throughout the year on changes resulting from the Secretary of State's review of legislation. Two statutory instruments were approved by the House of Commons in 2018/19: the first changed the provisions for excluding contracts from being QDCs and QSCs; the second focused on how QDCs are repriced when they are amended in a way that affects the price. Remaining amendments arising from the Secretary of State's review are expected to be covered in a third statutory instrument, which the MOD has indicated could be laid before Parliament in July 2019.

We have commenced a targeted programme of review in relation to the following aspects of the legislation:

- the contract profit rate steps; and
- reporting requirements.

We expect to report on these reviews in June 2020 to support the Secretary of State's next periodic review of the legislation, which the MOD has announced will be brought forward to December 2020.

We will continue to respond to stakeholder proposals for change and recognise there may be some proposals that arise from other aspects of our work that need to be considered.

5 Provide a platform that facilitates the efficient and secure submission of statutory reports

We have continued to develop our Defence Contracts Analysis and Reporting System (DefCARS), while ensuring secure access is provided only to those who need to use it. We have worked closely with stakeholders throughout the year to develop DefCARS further in order to obtain relevant and high-quality data, optimise access and supporting analysis and reporting, and to accommodate changes to the legislation or our guidance or methodologies. We have also this year integrated the MOD and SSRO's review of defence contractor report submissions into the system, allowing the MOD and SSRO to raise compliance issues, and industry to respond, within DefCARS. Combined with further automatic validation introduced in DefCARS, this has enabled us to adopt a more efficient approach to our compliance methodology.

6 Improve data quality and the reporting of information

Throughout the year we have kept under review how defence contractors are complying with their reporting obligations. This work includes providing feedback to contractors, so that they can take action about compliance issues, and informing the MOD about unresolved issues so that it can consider appropriate enforcement action. Enhancements to DefCARS were brought online in August 2018, which supported the raising and resolution of queries in-system.

In September 2018 we published our annual Compliance Report, which considered the extent to which persons subject to reporting obligations complied with these obligations and set out, from our monitoring of the provision of the Act and Regulations, how the regime is operating.

We have engaged with and supported contractors to provide high quality data by helping them to understand their statutory reporting obligations, the requirements of our guidance and how to use DefCARS. This has included responding to queries to the SSRO helpdesk throughout the year and providing a range of training and onboarding sessions for new and existing contractors and the MOD.

We have commenced a review of our published methodology for reviewing compliance to ensure it remains relevant and continues to support increased data quality and have contributed to the MOD's update of its Commercial Toolkit, which includes processes and procedures for the review of contract reports.

7 Harness the power of data to support decision making

The SSRO is required to fulfil requests by the Secretary of State for analysis of reported data. In total we have this year received nine requests under Section 36(3) of the Defence Reform Act and two under Section 37 of the Act, all of which were reviewed and responded to within the identified performance timeframe.

We have published quarterly defence contract statistics throughout the year, and an annual statistical bulletin in June 2018, in order to provide insight into QDCs. All data is based on the latest submitted report for each QDC/QSC, to reflect the most recently reported contract data.

The SSRO has developed a draft data strategy, which was published for consultation on 1 February 2019. The vision in our strategy is that the data submitted by contractors in statutory reports is of benefit and fully utilised in procurement decisions, contract management and the development of the regulatory framework.

8 Maintain effective and comprehensive engagement with our stakeholders

Engagement is fundamental to the SSRO's evidence-based approach to its work and we continuously seek to improve how we undertake our engagement. To this end we revised our Stakeholder Engagement Strategy this year, following our first stakeholder survey. The results of the survey were published in May 2018 and were a positive endorsement of our approach to engagement with 89 per cent of respondents to the survey stating the SSRO engages well. The survey results also informed our key engagement priorities and the frequency and mechanisms by which we engage. We implemented a proactive plan of continuing enhancement to our engagement activity and a programme of stakeholder engagement in line with the revised strategy.

9 Access and use resources appropriate to the delivery of our functions

The SSRO is an employer and a publicly-funded body with associated responsibilities. Undertaking our functions and meeting our responsibilities requires a range of technical, professional and specialist skills and knowledge and we have this year agreed a workforce strategy for the SSRO. We seek to use outsourced service providers for some routine and/or specialist functions when it is more efficient and cost effective to do so.

The SSRO has maintained and improved the expertise of its Board through regular training and has appointed four further independent referrals panel members this year and a Defence Advisor, who bring with them experience in defence procurement.

We value our people and encourage, and listen to, the thoughts and ideas of staff members. This includes conducting an annual employee survey with an associated action plan and asking our Staff Group to provide views and discuss issues affecting colleagues. We have also this year developed a Single Equality Scheme, which was shaped through consultation with staff.

The SSRO has maintained high quality, efficient and effective systems of financial control and management.

Secure information technology underpins our business and we continuously strive with selected partners to fully utilise available technology, exploit new developments, and manage information risks. We maintain relevant and appropriate security certifications and accreditations and require that these are also in place for our suppliers.

Financial performance during the year

This section provides a summary of the SSRO's financial performance during the 2018/19 financial year. It sets out the grant funding received by the SSRO and explains how it was utilised.

Grant in Aid

During 2018/19 the SSRO agreed Grant in Aid funding totalling £6,154,000. The SSRO received early part-payment of its 2018/19 Grant in Aid funding (£1,640,000) in March 2018, from the MOD. The SSRO received the agreed 2018/19 Grant in Aid funding of £6,133,000 to cover planned expenditure.

In addition, costs arising from referrals to the SSRO in respect of the operation of the Single Source Contracts Regime is normally funded separately by agreement with the MOD, which provides additional Grant in Aid for all referral related expenditure as it is required, based on the submission of details of actual costs incurred. During 2018/19, expenditure of £62,000 (2017/18: £8,000) was incurred by the SSRO on referrals. The MOD provided additional Grant in Aid funding of £21,000 towards these costs, with the SSRO agreeing exceptionally to meet the remaining costs (£41,000) from its main Grant in Aid funding for the year.

During 2017/18, the SSRO introduced a provision for accommodation dilapidations (the estimated cost to repair or reinstate the third floor, Finlaison House to the satisfaction of the landlord at the end of the agreed occupation/lease term in June 2023). The initial estimate for this provision was based on an average sq. ft. rate for similar properties as provided by the Government Property Unit. For 2018/19 the SSRO has updated this valuation, using the more detailed and accurate findings of a commissioned surveyor's report. The MOD will provide funding for these costs in the year the expenditure is realised (expected 2023/24).

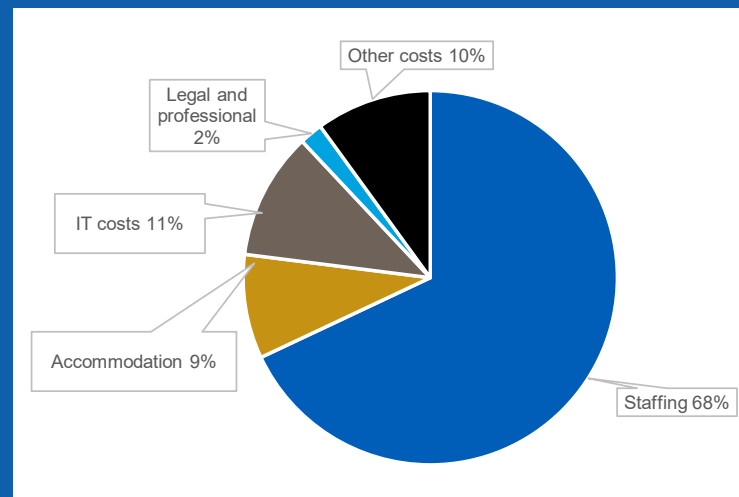
Looking ahead, the financial priorities over the next year will be the continued delivery of value for money in the provision of our statutory functions and maintaining our performance against our agreed financial performance targets.

Expenditure

The SSRO's expenditure mainly relates to staff costs and to recurring contractual commitments: 68% of costs in 2018/19 were payroll and other staff-related spend (2017/18: 64%); and other significant areas of spend were accommodation and IT. In addition, the SSRO incurred one-off IT costs in respect of the continuing development of the Defence Contracts Analysis and Reporting System (DefCARS) and the SSRO's own ICT infrastructure.

The SSRO aims to seek value for money in its day to day operations to support the delivery of its statutory obligations. As a small organisation it continues to maximise its financial resources utilising out-sourcing opportunities to support its in-house skills in back office functions such as finance and human resources. The SSRO also has several framework contracts in place (using government support framework contracts wherever possible) which allows proven, cost-effective access to additional expert support when required.

SSRO expenditure by category 2018/19



Creditor payments, target and performance

HM Treasury asks that government departments and other public sector bodies aim to pay 80 per cent of undisputed invoices within 5 days. The SSRO paid 99 per cent of undisputed invoices within the 5-day target (2017/18: 99 per cent). In line with the government's and the SSRO's commitment to transparency, the SSRO continued to publish its transparency reporting within the specified timescales during 2018/19.

Explanation of adoption of going concern basis

In preparing these resource accounts, the SSRO has adopted the Government Financial Reporting Manual issued by HM Treasury, and has:

- observed the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;

- made judgements and estimates on a reasonable basis;
- stated whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclosed and explained any material departures in the resource accounts; and
- prepared the resource accounts on a going concern basis, as set out in Note 1.3 of the SSRO's financial statements.

The SSRO Board is content that the going concern basis still applies as both expenditure and the cash flow are carefully monitored to reduce these risks. The SSRO has ongoing funding from the MOD.

The SSRO's outturn expenditure of £6,089,000 (2017/18: £5,697,000) represents utilisation of 99 per cent of the total available Grant in Aid funding provided by the MOD (2017/18 99%).

| | £000 |
|---|--------------|
| Net expenditure per Statement of Comprehensive Net Expenditure | 6,148 |
| Expenditure capitalised during the year (included in the Statement of Financial position) | 123 |
| Less costs not included within the 2018/19 grant in aid budget | |
| Amortisation and depreciation | (235) |
| Decrease in the dilapidations provision | 74 |
| Referrals costs funded by the MOD | (21) |
| Total Grant in Aid expenditure | 6,089 |

Accounting Officer, 1 July 2019

Accountability Report

Corporate governance report

Directors' report

Our Board Members during the year of review

The commentary relating to the Board reflects their activities during the year ending 31 March 2019.



George Jenkins OBE
Chairman

George was appointed on 1 January 2017. He is currently the chairman of the Professional Standards Authority which has oversight of nine regulators and 24 Accredited Registers who regulate over 1.25 million health and care professionals such as doctors, nurses and paramedics.

George's career has been in global logistics and manufacturing. In July 2018 he completed his term as Chair of the Cystic Fibrosis Trust. He was previously Chairman of the Port of Dover, Chair of Governance and Audit of NHS Blood and Transplant and Chair of South London Healthcare NHS Trust.

He was recognised for his work in healthcare and was awarded an OBE in 2010.



Mary Davies
Non-executive member

Mary was appointed in September 2017 and is also a member of the Audit Committee.

Mary is Chair of Breast Cancer UK and a member of its Audit, Risk and Scrutiny Committee and Science Committee. She is a senior economist with over 25 years' experience in the public sector helping shape policy, conduct policy analysis and influence senior decision makers on consumer, competition and regulatory policy issues. She has worked for competition authorities (Competition and Markets Authority and the Office of Fair Trading) and within regulators (Office of Rail and Road and Postal Service Commission) as well as several central government departments.



Peter Freeman CBE, QC (hon)
Non-executive member

Peter was appointed in September 2017 and is the chair of the Regulatory Committee. He is a Chairman of the UK Competition Appeal Tribunal and a member of the Competition Service Board.

From 2011-2013 he was Senior Consultant to the international law firm Cleary Gottlieb Steen & Hamilton. From 2005-2011 he was Chairman of the UK Competition Commission, having been a Deputy Chairman since 2003. Prior to that he practised for 30 years at the international law firm Simmons & Simmons, 25 of them as a partner, managing the Commercial Department and heading the EC and Competition Law practice group.



Terence Jagger CBE
Non-executive member

Terence was appointed in January 2017 and is the SSRO's lead member on referrals and a member of the Regulatory Committee.

He is currently Chair of Bath Spa University, a non-executive director at the London Pensions Fund Authority and the Marine Management Organisation, a trustee of Tree Aid, a member of ACOBA, and an international development and major projects advisor to Inmarsat. He was previously Chief Executive of Crown Agents, and before that had a 16-year career with MOD, including serving as Director Financial Management, leading the privatisation of QinetiQ, and being posted as political adviser to the NATO commander in Afghanistan.



David Johnston
Non-executive member

David Johnston was appointed in June 2016 and is also a member of the Audit Committee. In March 2019 he was re-appointed for a further three years to May 2022. David is a Director of the Engage Enrich Excel Academies Trust where he also Chairs the Audit and Risk Committee and is a member of the Strategy and Growth Committee.

David has a track record of leadership roles in strategy, M&A, finance, change management and procurement at FTSE 250 executive team level. He is a Fellow of the Chartered Institute of Management Accountants and holds an MBA from the University of Surrey.



Marta Phillips OBE
Non-executive member

Marta was appointed in September 2014. She chairs the Audit Committee and serves on the Regulatory Committee. She holds many other non-executive roles, mainly in the government and education sectors. She has also been a member of the Council of the Institute of Chartered Accountants of Scotland and served on a number of Boards.

Marta was awarded an OBE in January 2006.

Our current executive members



Neil Swift
Chief Executive

Neil joined the SSRO at its inception in 2015 as Director of Corporate Resources and was appointed as Chief Executive in June 2018. He started his career as an engineer with British Aerospace before changing direction to train as an accountant with KPMG. Following a move to the public sector Neil worked in roles across local government and the NHS including as Deputy Director of Finance at a large NHS Trust in London. Neil joined the Audit Commission in 2003 and worked on a range of national studies and publications before becoming Head of Technical Support for the Commission's Audit Practice in 2007. He was appointed Associate Controller Corporate Resources in 2012 during the transition to and eventual closure of the Commission in 2015.



David Galpin
Director of Legal and Policy

David was appointed Director of Legal and Policy in November 2017, having joined the SSRO as Head of Legal in September 2015. He is a lawyer who first qualified in Australia where he developed expertise in public law and environmental law and regulation before commencing practice at the Bar in Sydney. As a barrister, David's practice included commercial disputes and a range of public law work. He subsequently qualified as a solicitor in the United Kingdom where he worked extensively in local government, dealing with dispute resolution, governance and non-contentious matters, including the procurement of public contracts. David is particularly interested in public procurement and holds a Master of Laws degree in Public Procurement Law and Policy.



Matthew Rees
Director of Regulation and Economics

Matthew was appointed Director of Analysis and Reporting in March 2016 and became Director of Regulation and Economics in May 2017. He began his career at KPMG audit, qualified as a Chartered Accountant and then specialised in business valuations. He moved to investment banking, working for the technology, media and telecom teams of Merrill Lynch, Deutsche Bank and JPMorgan. In his public sector career Matthew advised the UK Competition Commission in relation to merger and market investigations, economic regulation cases, and divestiture remedies. He joined the National Audit Office in 2014 and established a new corporate finance team focusing on value for money reviews of privatisations, asset sales and infrastructure financing. Matthew is also the senior independent non-executive director and deputy chairman of Gemserv Limited.

Board appointment dates

| Name | Start date | End date |
|--|------------|----------|
| Non-executive Board members | | |
| George Jenkins [1] | 03/01/17 | 02/01/22 |
| Mary Davies | 06/09/17 | 05/09/20 |
| Peter Freeman | 06/09/17 | 05/09/20 |
| Terence Jagger [2] | 08/06/15 | 21/01/20 |
| David Johnston [3] | 01/06/16 | 31/05/22 |
| Marta Phillips | 29/09/14 | 28/09/20 |
| Executive Directors | | |
| Neil Swift [4] Chief Executive | 20/04/15 | 31/05/21 |
| David Galpin Director of Legal and Policy | 01/03/18 | - |
| Matthew Rees Director of Analysis and Reporting | 14/03/16 | - |

[1] George Jenkins' appointment was extended to January 2022 from an original end date of January 2020.

[2] Terence Jagger was appointed as a Referral Panel Member on 8 June 2015, and subsequently appointed as a Non-executive Board member on 22 January 2017.

[3] David Johnston's appointment was extended to May 2022 from an original end date of 31 May 2019.

[4] Neil Swift was appointed as Director of Corporate Resources on 20 April 2015, and subsequently appointed as Interim Chief Executive on 1 July 2017. Neil was appointed as Chief Executive on 1 June 18.

Board personnel declared interests

The following disclosures relate to the activities of the Chair and members during the currency of their appointments in the year. The disclosures arise where a Board member has been in a position of influence resulting from election to, receiving remuneration from, or appointment to any organisation:

- that is a central government body; and
- that falls under the SSRO's statutory functions or is a provider or receiver of significant services to or from the SSRO.

| Name | Interest |
|--|---|
| Non-executive Board members | |
| George Jenkins OBE – Chair | Chairman, Professional Standards Authority |
| Mary Davies | None declared |
| Peter Freeman | Chairman of Competition Appeal Tribunal, Ministry of Justice Chair of HFEA Appeals Committee, Department of Health |
| Terence Jagger | Member of Advisory Committee on Business Appointments (ACOBA) Non-executive director of the Marine Management Organisation (MMO) |
| David Johnston | None declared |
| Marta Phillips OBE | Audit Committee member of the Crown Prosecution Service |
| Executive Directors | |
| Neil Swift Chief Executive | None declared |
| David Galpin Director of Legal and Policy | None declared |
| Matthew Rees Director of Analysis and Reporting | None declared |

Statement of responsibilities

Board members' responsibilities



The Board regulates its own proceedings and has approved Standing Orders for that purpose.

On behalf of the Board, the Audit Committee reviews and challenges the SSRO's internal control systems; assessment and management of risk; financial, accounting and tax policies, practices and processes; information management policies; and arrangements for controlling and reporting expenditure.

The Board may choose to delegate to the Chief Executive specific matters that would otherwise be reserved to the Board. The matters that are delegated to the Chief Executive are set out in the SSRO's Corporate Governance Framework.

The SSRO's Corporate Governance Framework sets out that the Board is responsible for:

- the discharge of the SSRO's functions;
- providing strategic leadership, direction, support and guidance, and overseeing the development and implementation of strategies, plans and priorities for the SSRO, including approval of the Corporate Plan and oversight of its implementation;
- overseeing the development and review of the SSRO's aims and corporate objectives;
- allocating within the SSRO the budget that has been agreed by the MOD, ensuring that the SSRO uses resources efficiently and achieves value for money;
- monitoring the SSRO's performance and work, and ensuring that it receives and reviews regular financial and performance information concerning the management of the SSRO; is informed in a timely manner about any concerns about the activities of the SSRO; and provides positive assurance to the MOD that appropriate action has been taken on such concerns;
- observing high standards of corporate governance at all times, including by using the independent Audit Committee to help the Board to address key financial and other risks;
- putting in place effective arrangements to provide assurance on risk management, governance and internal control;
- ensuring that the SSRO operates within its statutory remit and the limits of its statutory authority and any delegated authority agreed with the MOD, and in accordance with any other conditions relating to the use of public funds;
- satisfying itself that plans are in place for orderly succession for appointments to the Board to maintain an appropriate balance of skills and expertise and ensure progressive refreshing of the Board;
- ensuring that the Department is kept informed of any changes that are likely to impact on the strategic direction of the SSRO; the attainability of its targets; any concerns about the activities of the SSRO; and determining the steps needed to deal with such changes; and
- ensuring that, in reaching decisions, the Board takes into account legislation and guidance issued by the MOD.

Statement of Accounting Officer's responsibilities



Under Schedule 4 (paragraph 12) of the Defence Reform Act 2014, the Secretary of State has directed the Single Source Regulations Office to prepare for each financial year a statement of accounts in the form of and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Single Source Regulations Office and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting

Our auditor's details

The financial statements are audited by the Comptroller and Auditor General. He has not provided any other service to the SSRO during the year. The audit fee is disclosed in note 4.

The Chief Executive confirms that:

- there is no relevant information of which the auditors are unaware;
- he has taken all the steps he ought to ensure that he is aware of all relevant audit information; and
- he has taken all the steps he ought to ensure that the Comptroller and Auditor General is aware of all relevant audit information.

Manual have been followed, and disclose and explain any material departures in the accounts; and

- prepare the accounts on a going concern basis.

The Accounting Officer of the Ministry of Defence designated the Chief Executive as Accounting Officer of the Single Source Regulations Office. The Chief Executive was the Accounting Officer during the reporting year 2018/19. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Single Source Regulations Office's assets, are set out in Managing Public Money published by HM Treasury.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement

Background to events in 2018/19

Scope of responsibility: As Accounting Officer, I am responsible for upholding sound internal controls that support the SSRO’s policies and objectives. The internal controls safeguard the public funds and assets for which I am personally responsible under Managing Public Money.

During 2018/19, the SSRO has:

- delivered its statutory functions, and in doing so sought to balance its aims of ensuring that good value for money for the taxpayer 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.
- observed all necessary governance policies and procedures to enable the Board to make robust, evidence-based decisions in line with best practice;
- reappointed one non-executive member for a second term of appointment; and
- recruited a permanent Chief Executive in June 2018.

I was appointed as the Interim Chief Executive of the SSRO on 1 July 2017 and as permanent Chief Executive on 1 June 2018. The SSRO Board operated effectively and independently during the year using sub-committees to further the Board’s strategic and oversight roles. The Performance Report section of this document describes events in 2018/19 in more detail.



The purpose of the governance statement

The governance statement, for which I as Accounting Officer take personal responsibility, is intended to provide a clear understanding of the SSRO’s business and its control structure. It sets out the stewardship arrangements for the SSRO and supplements the accounts and annual report, together providing a record of how the SSRO has performed in its third full year of existence. This statement also explains how the SSRO has complied with good governance principles and reviews the effectiveness of these arrangements.

SSRO’s structure and governance framework

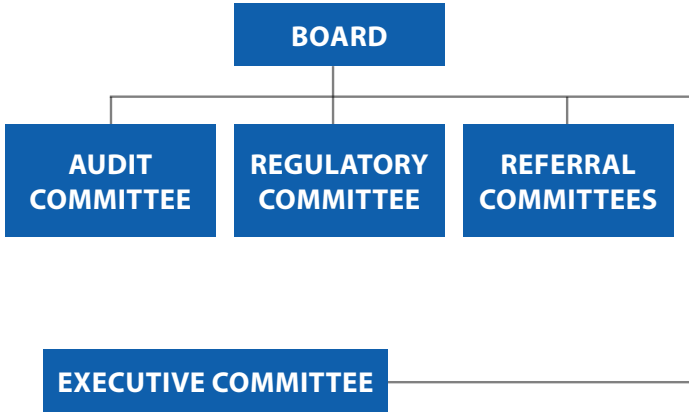
The SSRO is an executive Non-Departmental Public Body and operates under a Framework Document agreed between the SSRO and the MOD, its sponsor.

Our Corporate Governance Framework is aligned with Schedule 4 of the Defence Reform Act. The Corporate Governance Framework affirms the Board’s commitment to strong corporate governance and sets out the organisation’s arrangements and processes for governance. The Board completed its fourth annual review of the Corporate Governance Framework in December 2018. The Framework sets out:

- the role of the Chairman, Board, Committees and Chief Executive;
- the powers exercised by the Board or delegated to the Chief Executive; and
- standing orders that establish the procedural framework within which the SSRO discharges its business.

The SSRO’s governance arrangements are overseen by its Board, which consists of a Chairman, five non-executive members and three executive members.

In 2018/19, the Board and its sub-committee structure was as follows:



In 2018/19, Board members attended the following meetings of the Board and its sub-committees (of the total meetings which could have been attended):

| Name | Board | Audit Committee | Regulatory Committee | Referral Committee |
|--|-------|-----------------|----------------------|--------------------|
| Chairman | | | | |
| George Jenkins | 6/6 | n/a | n/a | n/a |
| Non-executive Board members | | | | |
| Mary Davies | 6/6 | 4/4 | n/a | n/a |
| Peter Freeman | 5/6 | n/a | 6/6 | n/a |
| Terence Jagger | 6/6 | n/a | 6/6 | 6/6 |
| David Johnston | 6/6 | 4/4 | n/a | n/a |
| Marta Phillips | 6/6 | 4/4 | 6/6 | 6/6 |
| Executive Directors | | | | |
| Neil Swift Chief Executive | 6/6 | n/a | n/a | n/a |
| David Galpin Director of Legal and Policy | 6/6 | n/a | n/a | n/a |
| Matthew Rees Director of Analysis and Reporting | 6/6 | n/a | n/a | n/a |

We have established robust risk control processes, which are considered regularly by the Executive Committee, Audit Committee and Board. Our arrangements for internal control do not remove all risk of failure but manage risk to an acceptable level in order to fulfil our statutory obligations, policies, aims and objectives. Further information on our risk mitigation is set out below.

At no time has any part of the SSRO's system of internal control failed or been suspended.

During the year, the SSRO received no disclosures under its Whistleblowing Policy.

The governance documents and others referred to in this section are all available on the SSRO's website, together with the agenda and minutes of all Board meetings.

The SSRO Board

The Corporate Governance Framework describes the Board's responsibilities, as well as the individual responsibilities of the Chairman and other Board members. During 2017/18 the Board considered and approved:

- the Annual Report and Accounts 2017/18;
- the Corporate Plan 2019-2022;
- the annual review of the Corporate Governance Framework and Code of Conduct for Board members and external panel members (both of which are published on the SSRO website);
- the Chairman's annual review of the Board's effectiveness;
- regular financial and performance updates on how the organisation is delivering against its budget and key performance objectives;
- the annual budget for 2019/20; and

- the minutes of all Board and Committee meetings.

The Chairman carried out the SSRO's fourth annual review of the Board's effectiveness as required by the SSRO's Corporate Governance Framework. The review considered recommendations in the Audit Committee's report to the Board on the Committee's own effectiveness and the SSRO's governance. The Chairman's review found that the SSRO Board is operating effectively and independently and that there are robust policies and procedures in place to ensure its effective governance, risk management, independence and decision making.

In undertaking the review the Chairman sought written feedback from all Board members and held individual appraisal meetings with non-executive Board members, at which he assessed the operation of the Board as a whole including any committees and advisory groups.

The SSRO Audit Committee

The Audit Committee provides scrutiny, oversight and assurance of risk management, information management, internal control and governance procedures to the Chief Executive, as Accounting Officer, and to the Board. The Audit Committee terms of reference can be found in our Corporate Governance Framework. The Committee last reviewed its terms of reference to ensure they were fit for purpose in December 2018 and will continue to do so on an annual basis.

The SSRO Regulatory Committee

The Regulatory Committee oversees the SSRO's discharge of its regulatory functions under the Defence Reform Act. Among its roles are to: agree the annual contract profit rates recommendation to the Secretary of State; maintain strategic oversight of the review of legislation; and approve updates to the SSRO's statutory guidance.

The terms of reference for the Committee were revised in December 2018 and can be found in the Corporate Governance Framework.

The SSRO Executive Committee

The Executive Committee is responsible for the day-to-day management of the SSRO and assists me in the performance of my duties.

The Executive Committee was established in May 2015. The Committee's Executive Scheme of Delegation was prepared in accordance with the SSRO's Framework Document and Corporate Governance Framework. The Scheme was reviewed in February 2019 and should be read in conjunction with Part 4 of the Corporate Governance Framework, which reserves certain matters for the Board.

During 2017/18, the Committee met monthly. I chair the Executive Committee, whose other members are the Director of Regulation and Economics, the Director of Legal and Policy, the interim Director of Corporate Resources and, from December 2018, the Defence Advisor.

The SSRO Referral Committees

The Act requires that several of the SSRO's functions, listed in Schedule 4, Section 10(3), must be exercised by a committee. The Act further states that such Committees must consist of three persons and at least one of the members must be a person who is not a member or employee of the SSRO. Committee members are appointed to individual referrals on a case-by-case basis.

During 2018/19 the SSRO received and accepted one referral (2017/18 one referral). The committee established to consider this matter was chaired by Terence Jagger, the Lead Member for Referrals, with Marta Philips as the second non-executive member. In line with the Act, the independent member appointed to the committee for the duration of the referral in question was Christine Fraser. All appointments were made following acceptance of the referral and consideration of any potential conflicts of interests in relation to the specific issue.

The terms of reference for Referral Committees were last reviewed to ensure they were fit for purpose in December 2018 and can be found in the Corporate Governance Framework.

Risks and internal controls

Internal controls aim to reduce risk, not remove it. The SSRO gains assurance that risks are mitigated by ensuring controls are robust in design and work as intended.

The principal features of the system of internal control in place throughout the year are:

- an organisational structure that supports clear lines of communication, monitoring, reporting and accountability;
- plans, objectives and priorities, which take account of risk and are approved by the Board; and
- a corporate risk management policy approved annually by the Audit Committee.

The SSRO's risk management policy provides for a corporate risk register (CRR) to be maintained and reviewed regularly by the Executive Committee and Audit Committee.

Risk management

The SSRO's Corporate Governance Framework states that it is the Board's responsibility to put in place "effective arrangements to provide assurance on risk management, governance and internal control" and that "the Audit Committee provides scrutiny, oversight and assurance of risk management, internal control and governance procedures to the Chief Executive, as Accounting Officer, and to the Board".

The Chief Executive's responsibility is to put in place appropriate arrangements for risk management, which are overseen by the Board and Audit Committee.

The SSRO's risk management arrangements are proportionate to the scale of the organisation. The SSRO expects to have between 5 and 15 risks, captured and assessed in a single corporate risk register (CRR). Each are rated according to their impact, proximity and likelihood. Executive Committee members manage the individual risks to their functions and only include risks in the CRR if they are significant.

Risk management is an integral part of the SSRO's internal control framework, for which the Chief Executive bears responsibility. We have a system of internal control in place which includes:

- Plans, objectives and priorities, which take account of risk and are approved by the Board. All papers to SSRO committees include within them a consideration of risks related to the issue, and proposed mitigating actions.
- The Executive Committee monitors risks at each meeting through ongoing performance management, which it reports to the Board. Project Managers escalate any post-mitigation amber or red risks from individual project risk registers into the Corporate Performance Report. If significant new risks are flagged in the monthly Corporate Performance Report, which is submitted to Board and Executive Committee meetings, they are escalated for consideration, and may be subsequently included in the CRR. The Executive Committee also considers for each risk the reputational implications for the SSRO if it was realised.
- This risk policy is reviewed and approved annually by the Audit Committee. Our corporate risk register is reviewed regularly by the Executive Committee and Audit Committee. Risk tolerance is considered by the Audit Committee, which reviews the CRR at each meeting, and reported to the SSRO Board by the Chair of the Committee. The SSRO's tolerance of risk is low for the majority of risks, with a medium appetite for business continuity and engagement risks, and a high-risk appetite for environmental risks, in recognition that we accept some degree of risk despite proportionate mitigation.
- Our internal auditors (GIAA) are present for Audit Committee meetings and consider our risk management as part of its workplan.

- Major projects within the SSRO consider whether there is a need for have an 'oversight board' at executive level, which each maintain risk registers and can escalate risks through to the CRR.
- The management of risk is addressed in both the SSRO's Annual Report and Accounts and Corporate Plan.
- Information and cyber risks are actively managed on an ongoing basis drawing on expert external support. DefCARS is subject to formal risk assessment and treatment with independent external appropriately qualified input and review.

Our internal auditors, the Government Internal Audit Agency (GIAA), review how risks are managed, via a programme of work designed to assess the specific risks and assurance requirements of the SSRO, and focused on areas of risk identified by management. In delivering this programme of work GIAA will consider the effectiveness of risk management, including consideration of whether risk management is undertaken in line with the SSRO's risk management policy and procedures.

The Interim Director of Corporate Resources is the Senior Information Risk Officer and Executive Committee member responsible for the SSRO's overall risk management arrangements and for reporting on risk to the Executive Committee meetings.

The most significant corporate risks are that the information provided in contract and supplier reports is of a poor quality or is not used effectively, and that the SSRO lacks the capacity to undertake work requested in addition to what is included in this Corporate Plan.

Financial management

The SSRO has effective controls in place to forecast, manage and report on its expenditure.

When agreeing the 2018-21 Corporate Plan, the Board also agreed a budget for 2018/19. The Board considers the SSRO's performance and progress against its Corporate Plan and budget. A review of management accounts is completed each month and financial performance reported to the Board at each meeting.

The SSRO prepares and analyses key financial information by regularly liaising with key areas of the organisation to ensure that the Executive Committee is able to make well informed decisions.

The SSRO delivers value for money through having robust internal financial controls.

The SSRO approves all spending before supply, with all expenditure over £10,000 requiring approval of the Chief Executive. The Board delegates to the Chief Executive the ability to approve contracts valued below the EU threshold applicable to supply, services and design contracts for sub-central contracting authorities (including the SSRO) and within the SSRO's approved budget.

The SSRO receives grant in aid from the MOD. The use of this grant is fully documented and is monitored throughout the year.

All details of spending over £25,000 is published on our website.

How we evaluate internal controls

The SSRO Audit Committee

The role of the Audit Committee is set out above.

Internal audit

During 2018/19 internal audit has been provided by GIAA, which reports its independent opinion on the adequacy and effectiveness of the SSRO's system of internal control and makes recommendations for improvement. The SSRO also encourages and supports liaison between internal and external audit to achieve a more effective audit, based on a clear understanding of respective roles and requirements.

During the year, five audit assignments were completed and final reports issued on:

- risk management;
- IT governance;
- GDPR;
- referrals; and
- stakeholder engagement.

GIAA presented a summary of the work of internal audit to the Audit Committee at its March 2019 meeting, where the Committee also approved an internal audit programme for 2019/20. A substantial assurance Head of Internal Audit Opinion was issued in June 2019.

External audit

The external auditor, the Comptroller and Auditor General, is appointed by statute. The NAO comments in its annual management letter on governance and controls issues arising from the external audit of the SSRO's financial statements.

A representative of the external auditor is invited to, and attends, all Audit Committee meetings and has direct access to me, to GIAA and to the Chair of the Audit Committee. The external auditor is afforded the opportunity for a private session with the Audit Committee at least once a year.

Quality assurance over business critical models

I am required to include confirmation that an appropriate quality assurance framework is in place and is used for all business critical models.

As part of our project delivery assurance processes, separate independent assurance at key stages of any project will be requested from either the contractor or via an external provider (for example GIAA). There were no projects requiring such assurance during the period.

Information assurance

The SSRO's Interim Director of Corporate Resources is the Senior Information Risk Owner, supported by the Departmental Security Officer (HR Manager) and the IT Security Officer (Head of IT and Information Management).

The SSRO is a data controller under the Data Protection Act 2018 and is subject to the Freedom of Information Act 2000 and meets these and other relevant regulatory and legal requirements. The SSRO pays regard to the requirements set out in the HMG Security Policy Framework and follows policy and guidance issued by the National Cyber Security Centre (NCSC), Cabinet Office and the Ministry of Defence.

The SSRO IT Strategy makes use of shared services and infrastructure where appropriate, in line with Cabinet Office guidance for government IT, and was reviewed in 2018/19 to ensure ongoing compliance with relevant guidelines and requirements.

In accordance with the IT Strategy, the SSRO procures off the shelf and specialist systems, services and expertise, such as using relevant government frameworks and procurement advice.

The SSRO has maintained Cyber Essentials Plus certification since March 2016 and our information management policies and procedures are based on and checked against ISO 27001, the information security standard.

An IT Acceptable Use Policy has been issued to all staff. All staff are required to annually complete the Civil Service Learning 'Responsible for Information' training appropriate for their role and are provided with training on the Government Security Classifications, and the SSRO Information Classifications and Handling Policy. In 2018 all staff also received training on their responsibilities under the General Data Protection Regulations.

In parallel with control actions in respect of the SSRO's corporate infrastructure, full security accreditation was received and is being maintained on DefCARS for which the SSRO is the Data Controller providing assurance to external stakeholders on the safe collection, storage, handling and analysis of commercially-sensitive data.

Security breaches and near misses are reported to the Executive Committee and the Audit Committee with individual breaches considered and escalated as appropriate, dependent on their seriousness. During the reporting period there were no breaches identified which required the SSRO to inform or escalate a matter to the Information Commissioner's Office.

Significant control issues

No significant control issues arose during 2018/19 that need reporting in the Governance Statement. The National Audit Office and internal audit has not raised any issues of significance in their Management Letter for 2018/19.

As part of the review of effectiveness, I am required to disclose any actions taken or proposed to deal with significant control issues. Taking into account the tests in Managing Public Money, external audit and value-for-money reports I can confirm that the SSRO has not had any significant control issues during 2018/19 and currently has no significant weaknesses to address.

The SSRO has upheld internal controls during the year through risk management and other sources of assurance, including internal audit. I therefore believe there are satisfactory controls in place to identify and manage the significant risks faced by the SSRO.

The SSRO has maintained Cyber Essentials Plus certification since March 2016

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the SSRO's internal controls. My review of the control framework is informed by the work of the internal auditors and the senior managers of the SSRO, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their Management Letter and other reports.

My attendance at key meetings and access to internal and external auditors, alongside my knowledge of the organisation, provides me with assurance of the SSRO's internal controls and informs my approval of this statement.

Remuneration and staff report

Remuneration policy

For the Chief Executive, remuneration is set by the SSRO Board. The appointment of the Chief Executive was approved by the Minister for Defence Procurement. The Chief Executive was appointed by the Board on 1 June 2018.

For the Executive Directors, remuneration is set by the Chief Executive, in line with the SSRO's terms and conditions of employment. All arrangements comply with current government guidance on public sector pay.

Salary and pension entitlements

The following sections provide remuneration and pension details of the SSRO during 2018/19 and have been subject to external audit.

Salary

Salary includes gross salary and any other allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by the organisation and thus recorded in these accounts.

The Chief Executive and Interim Chief Executive's remuneration packages were agreed by the SSRO Board.

The Executive Committee structure was agreed by the Board. Appointments were made by the SSRO Board, in line with the SSRO's terms and conditions of service and approved by the Minister for Defence Procurement.

Benefits in kind

The definition and monetary value of benefits in kind covers any benefits provided by the organisation and treated by HM Revenue and Customs as a taxable emolument.

All employees are eligible for a travel card for travel within London.

Performance related pay

Members of the Executive Committee and other senior staff are eligible for an annual performance related payment, which is calculated as a percentage of salary based on the individual's performance as assessed through the appraisal process. Other staff are eligible for one-off performance related payments which are assessed on individual work performance during the year.

No element of a performance payment is pensionable. The performance payments reported relate to performance in 2018/19.

Pension

The Chief Executive, Executive Directors and employees are all auto-enrolled into the Civil Service Pension Scheme. This scheme conforms to the requirements of auto-enrolment and is a defined benefit scheme, with the same level of benefits for all members. Contribution rates vary according to salary.

Other terms of employment

The Chief Executive has been appointed on a fixed term contract and is required to give 12 weeks' notice on resignation for the post.

The Interim Director of Corporate Resources is also appointed on a fixed-term contract and is required to give 4 weeks' notice.

The Executive Directors and the Defence Advisor all have permanent employment contracts. They are required to give three months' notice if they resign.

All other terms and conditions for the Chief Executive and the Directors are the same as for other staff.

Total remuneration and pension entitlements for the Executive Committee (audited)

| Executive Committee remuneration | | | | | | | | | | |
|----------------------------------|---------|---------|----------------|---------|---------------------------------------|---------|------------------|---------|-----------------------|---------|
| | Salary | | Bonus payments | | Benefits in kind (to nearest £100) | | Pension benefits | | Total Remuneration | |
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | £000 | £000 | £000 | £000 | | | £000 | £000 | £000 | £000 |
| Chief Executive | | | | | | | | | | |
| Neil Swift [1] | 140-145 | 135-140 | | | | | | | | |
| Annual equivalent | 140-145 | 140-145 | 15-20 | 10-15 | 2,500 | 2,400 | 58 | 54 | 220-225 | 205-210 |
| Executive Committee | | | | | | | | | | |
| David Galpin | 120-125 | 10-15 | | | | | | | | |
| Annual equivalent | 120-125 | 120-125 | 0-5 | 0-5 | 0 | 0 | 49 | 4 | 175-180 | 15-20 |
| Colin Hill [2] | 15-20 | | | | | | | | | |
| Annual equivalent | 120-125 | 0 | 0-5 | 0 | 0 | 0 | 7 | 0 | 20-25 | 0 |
| Graham Payne [3] | 90-95 | | | | | | | | | |
| Annual equivalent | 120-125 | 0 | 0-5 | 0 | 1,600 | 0 | 36 | 0 | 130-135 | 0 |
| Matthew Rees | 105-110 | 120-125 | | | | | | | | |
| Annual equivalent | 120-125 | 120-125 | 0-5 | 0-5 | 0 | 0 | 17 | 18 | 130-135 | 140-145 |
| Ian McPherson [4] | 15-20 | 50-55 | | | | | | | | |
| Annual equivalent | 120-125 | 120-125 | 0 | 0-5 | 0 | 0 | 6 | 21 | 20-25 | 75-80 |

[1] Neil Swift was appointed as Interim Chief Executive from 1 July 2017 until 31 May 2018. He was appointed Chief Executive from 1 June 2018.

[2] Colin Hill was appointed as the SSRO's Defence Advisor on 8 January 2019.

[3] Graham Payne was appointed as the SSRO's Interim Director of Corporate Services on 1 May 2018. From 29 November 2017 to 30 April 2018, he was engaged as the SSRO's Interim Director of Corporate Services via an agency contract.

[4] Ian McPherson left the SSRO on 31 July 2018.

[5] Executive Directors' job titles, start and end dates are included in the Board appointment dates table.

Executive Committee pension entitlements

| | Accrued pension at pension age and related lump sum as at 31 March 2019 | Real increase in pension and related lump sum at pension age | CETV at 31 March 2019 | CETV at 31 March 2018 | Real increase in CETV | Employer contributions to the partnership pension account (to nearest £100) |
|---------------|---|--|-----------------------|-----------------------|-----------------------|---|
| | £000 | £000 | £000 | £000 | £000 | |
| Neil Swift | 10-15 | 2.5-5 | 154 | 98 | 33 | 0 |
| David Galpin | 5-10 | 2.5-5 | 111 | 67 | 24 | 0 |
| Colin Hill | 0-5 | 0-2.5 | 5 | 0 | 4 | 0 |
| Graham Payne | 0-5 | 0-2.5 | 28 | 0 | 21 | 0 |
| Matthew Rees | 0 | 0 | 0 | 0 | 0 | 17 |
| Ian McPherson | 0-5 | 0-2.5 | 81 | 71 | 5 | 0 |

The SSRO has not made any early retirement payments to Directors during 2018/19 (2017/18: nil).

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office (audited)

No compensation for loss of office was paid by the SSRO during 2018/19 (2017/18: £103,731).

Remuneration for the Chair and non-executive Board members (audited)

The remuneration of the Chair and the non-executive Board members is set by the Minister for Defence Procurement. Remuneration of the Chair and the non-executive Board members is by payment of salaries and they have no entitlement to performance related pay or pension benefits. The Chair is paid £592 per day and the non-executive Board members are paid £500 per day. The Chair is paid an average of three days per week (the Interim Chair was paid an average of two days a week) and the non-executive Board members are appointed to work between two and four days per month on average.

Non-Executive members may be appointed to the Referral Committee and will work additional days as each referral requires. The SSRO receives separate funding from the MOD for this work.

The following table summarises the salaries of the Chair and Remuneration for the Chair and non-executive Board members.

| | | 2018/19 | 2017/18 |
|---|----------------|---------|----------------|
| | Date appointed | £000 | £000 |
| Chair | | | |
| George Jenkins Annual equivalent | January 2017 | 70-75 | 70-75 70-75 |
| Non-executive Board members | | | |
| Mary Davies [1] Annual equivalent | September 2017 | 10-15 | 5-10 10-15 |
| Peter Freeman [2] Annual equivalent | September 2017 | 10-15 | 5-10 10-15 |
| Terence Jagger [3] Annual equivalent | January 2017 | 15-20 | 20-25 20-25 |
| David Johnston [4] Annual equivalent | June 2016 | 15-20 | 15-20 15-20 |
| Marta Phillips [5] Annual equivalent | September 2014 | 10-15 | 10-15 10-15 |

[1] Mary Davies worked 1 additional day during the year.

[2] Peter Freeman worked 2 additional days during the year.

[3] Terence Jagger worked 7.5 additional days during the year as a Referral Panel Member.

[4] David Johnston worked 8.5 additional days during the year.

[5] Marta Phillips worked 5 additional days during the year as a Referral Panel Member.

[6] There were no other benefits paid to the Chair or non-executive Board members.

[7] Non-Executive Directors' job titles, start and end dates are included in the Board appointment dates table.

Fair pay disclosures (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director and the median remuneration of the organisation's workforce.

Remuneration includes salary, non-consolidated performance related pay and benefits in kind. The figures do not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. This is summarised in the following table.

| | 2018/19 | 2017/18 |
|---|-------------------|-------------------|
| | £ | £ |
| Highest paid director's total remuneration band | 160,000 – 165,000 | 160,000 - 165,000 |
| Median total remuneration | 77,287 | 72,407 |
| Ratio | 2.1 | 2.2 |

During the year to 31 March 2019 there were no employees receiving a higher remuneration than the highest paid director (2017/18: nil). SSRO employee remuneration ranges from £25,600 to £129,000 (2017/18: £25,500 to £147,000). The median total remuneration increased in 2018/19 as the SSRO incurred the full year cost of vacant posts filled during 2017/18.

Staff report

Staff policies

During the 2018/19 financial year the SSRO has treated all employees fairly and in line with the Equalities Act 2010 and our internal policies, which are reviewed and considered by the SSRO Audit Committee annually, including our Single Equalities Scheme. The SSRO gives full and fair consideration to all applications for employment, appointing to posts based on merit. The SSRO arranges appropriate training to ensure the continuing development of its employees.

Staff numbers (audited)

The table below sets out the average number of full-time equivalent staff employed during the year.

| | 2018/19 | 2017/18 |
|-----------------|-----------|-----------|
| Permanent [1] | 37 | 32 |
| Non-payroll [2] | 2 | 4 |
| Total | 39 | 36 |

[1] Permanent employee figures exclude non-executive Board members.

[2] Non-payroll figures include secondments and contractors.

Staff costs (audited)

The following table provides an analysis of the staff costs included in the Statement of Comprehensive Expenditure.

| | 2018/19 | | | 2017/18 | | |
|--|----------------|-------------------|--------------|----------------|-------------------|--------------|
| | Employed staff | Non-payroll staff | Total | Employed staff | Non-payroll staff | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Salary | 3,027 | 134 | 3,161 | 2,693 | 165 | 2,858 |
| Social security | 364 | 0 | 364 | 324 | 0 | 324 |
| Pension | 635 | 0 | 635 | 544 | 0 | 544 |
| Other benefits | 70 | 0 | 70 | 60 | 0 | 60 |
| Total costs | 4,096 | 134 | 4,230 | 3,621 | 165 | 3,786 |
| Less secondment costs recovered | 48 | 0 | 48 | 0 | 0 | 0 |
| Net costs | 4,048 | 134 | 4,182 | 3,621 | 165 | 3,786 |

Staff composition

The table below sets out the average composition of SSRO permanent employees employed during the year.

| | 2018/19 | | 2017/18 | |
|-------------------------------|-----------|-----------|-----------|-----------|
| | Male | Female | Male | Female |
| Chief Executive and Directors | 3 | 0 | 2 | 1 |
| Employees | 23 | 11 | 18 | 11 |
| Total | 26 | 11 | 20 | 12 |

Non-executive Board members are not included in the staff composition figures.

Staff sickness absence

During 2018/19 the average level of sickness absence was two days per employee (2017/18: two days).

Exit packages (audited)

There were no redundancies or other departure costs during the year to 31 March 2019 (2017/18: £103,731).

Contingent labour expenditure

The SSRO incurred costs of £134,000 on contingent labour during 2018/19 (2017/18: £165,000). These costs decreased in 2018/19 as the SSRO filled vacant posts.

Consultancy expenditure

The SSRO incurred £27,000 of consultancy expenditure during 2018/19 (2017/18: nil).

Off-payroll engagements

During the year to 31 March 2019 the SSRO had one off-payroll engagements for more than £245 per day that lasted for longer than six months (2017/18: one).

As at 31 March 2019 the SSRO had no off-payroll contract engagement for more than £245 per day that lasted for longer than six months (2017/18: one). This off-payroll engagement was via recruitment agency arrangement. As this engagement is with an agency, it has been considered low risk therefore assurance as to whether the individual is paying tax has not been required.

The SSRO had 12 Board members and/or senior officials with significant responsibility during the period to 31 March 2019 (2017/18: 12). One of these senior officials was an off-payroll engagement for one month, before he was appointed on a fixed term contract from 1 May 2018 (2017/18: one).

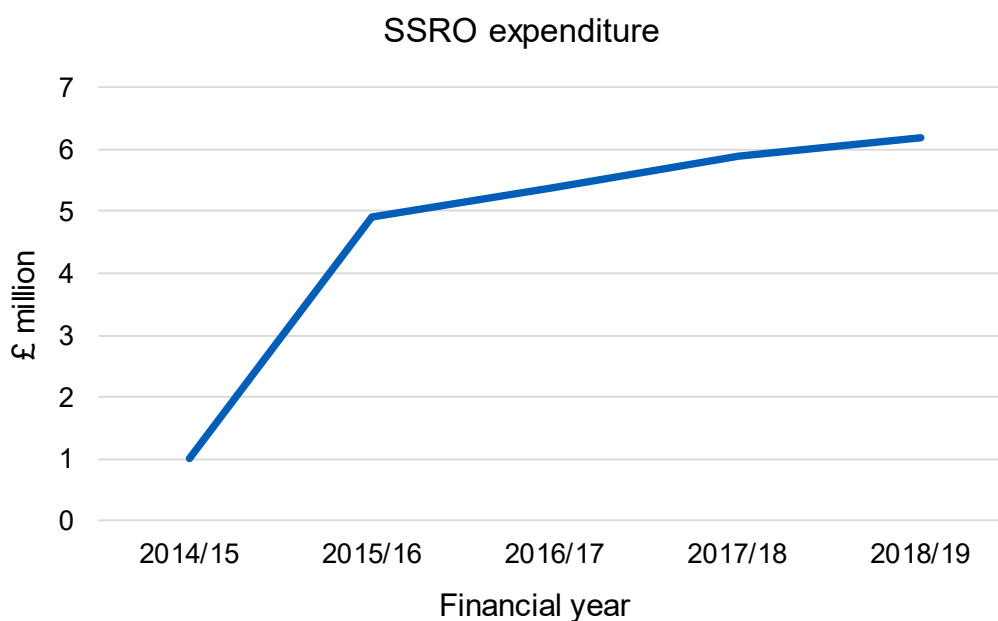
The SSRO's Interim Chief Executive was appointed to Chief Executive in June 2018. The SSRO appointed an Interim Director of Corporate Resources on 29 November 2017 and this appointment continued through to 30 April 2019, when he was appointed on a fixed term contract from 1 May 2019.

Parliamentary accountability and audit report

Regularity of expenditure (audited)

All expenditure incurred in the period to 31 March 2019 was in accordance with HM Treasury and other government guidance. All expenditure was regular and in line with the purposes for which grant in aid was provided.

The SSRO has reached a steady state and recurrent costs are largely fixed. The SSRO's work continues to develop with some new resource requirements being identified, and one-off IT development costs (largely relating to DefCARS development) being incurred. Its expenditure trend since inception is shown below.



Losses and special payments (audited)

There were no losses or special payments during the year to 31 March 2019 (2017/18: one severance payment totalling £49,786).

Remote contingent liabilities (audited)

The SSRO has no remote contingent liabilities as at 31 March 2019 (2017/18: nil).

Accounting Officer

1 July 2019

Signed in respect of the Accountability Report.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of Single Source Regulation Office for the year ended 31 March 2019 under the Defence Reform Act 2014. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Single Source Regulation Office's affairs as at 31 March 2019 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Defence Reform Act 2014 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Single Source Regulation Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Single Source Regulation Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Defence Reform Act 2014.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Single Source Regulation Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the [income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Defence Reform Act 2014;
- in the light of the knowledge and understanding of the Single Source Regulation Office and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date: 3 July 2019

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Statement of Comprehensive Net Expenditure

for the year to 31 March 2019

| | | Year to 31 March 2019 | Year to 31 March 2018 |
|---|-------|-----------------------------|-----------------------------|
| | Note | £000 | £000 |
| Operating income | | | |
| Other operating income | 2 | (48) | 0 |
| Total operating income | | (48) | 0 |
| Operating expenditure | | | |
| Staff costs | 3 | 4,230 | 3,786 |
| Information Technology | 4 | 671 | 645 |
| Accommodation | 4 | 648 | 629 |
| Purchase of other goods and services | 4 | 509 | 503 |
| Depreciation and amortisation | 4/5/6 | 235 | 195 |
| Provisions | 4/10 | (97) | 158 |
| Total operating expenditure | | 6,196 | 5,916 |
| Net expenditure for the year | | 6,148 | 5,916 |
| Other comprehensive net income | | | |
| Items which will not be classified to net operating costs | | | |
| Net gain on revaluation of plant and equipment | 5/12 | (4) | (24) |
| Net gain on revaluation of intangibles assets | 6/12 | (6) | (21) |
| Total other comprehensive net income | | (10) | (45) |
| Total comprehensive net expenditure for the year | | 6,138 | 5,871 |

The Notes to the Financial Statements on Pages 49 to 59 form part of these accounts.

Statement of Financial Position

as at 31 March 2019

| | | As at 31 March 2019 | As at 31 March 2018 |
|--|------|---------------------------|---------------------------|
| | Note | £000 | £000 |
| Non-current assets | | | |
| Plant and equipment | 5 | 363 | 382 |
| Intangible assets | 6 | 339 | 423 |
| Total non-current assets | | 702 | 805 |
| Current assets | | | |
| Other receivables | 7 | 157 | 130 |
| Cash and cash equivalents | 8 | 220 | 2,045 |
| Total current assets | | 377 | 2,175 |
| Total assets | | 1,079 | 2,980 |
| Current liabilities | | | |
| Trade and other payables | 9 | 332 | 452 |
| Total current liabilities | | 332 | 452 |
| Total assets less current liabilities | | 747 | 2,528 |
| Non-current liabilities | | | |
| Provisions | 10 | 84 | 158 |
| Total non-current liabilities | | 84 | 158 |
| Total assets less total liabilities | | 663 | 2,370 |
| Taxpayers' equity and other reserves | | | |
| General Fund | 11 | 629 | 2,336 |
| Revaluation Reserve | 12 | 34 | 34 |
| Total equity | | 663 | 2,370 |

The Notes to the Financial Statements on Pages 49 to 59 form part of these accounts.

Accounting Officer
1 July 2019

Statement of Cash Flows

for the year to 31 March 2019

| | | Year to 31 March 2019 | Year to 31 March 2018 |
|---|----------|-----------------------------|-----------------------------|
| | Note | £000 | £000 |
| Cash flows from operating activities | | | |
| Net operating expenditure | | (6,148) | (5,916) |
| Depreciation | 5 | 127 | 106 |
| Amortisation | 6 | 108 | 89 |
| Loss on disposal of plant and equipment | 5 | 1 | 0 |
| Increase in other receivables | 7 | (27) | (37) |
| (Decrease)/increase in trade payables | 9 | (120) | 139 |
| (Decrease)/increase in provisions | 10 | (74) | 158 |
| Net cash outflow from operating activities | | (6,133) | (5,461) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 5 | (105) | (57) |
| Purchase of intangible assets | 6 | (18) | (85) |
| Net cash outflow from investing activities | | (123) | (142) |
| Grant in aid | 11 | 4,431 | 7,310 |
| Net inflow from financing activities | | 4,431 | 7,310 |
| Net (decrease)/ increase in cash and cash equivalents | | (1,825) | 1,707 |
| Cash and cash equivalents at the beginning of the year | | 2,045 | 338 |
| Cash and cash equivalents at the period end | 8 | 220 | 2,045 |

The Notes to the Financial Statements on Pages 49 to 59 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year to 31 March 2019

| | General fund | Revaluation reserve | Taxpayers' equity |
|---------------------------------|--------------|---------------------|-------------------|
| | £000 | £000 | £000 |
| Balance at 31 March 17 | 931 | 0 | 931 |
| Total grant in aid received | 7,310 | 0 | 7,310 |
| Total comprehensive expenditure | (5,916) | 0 | (5,916) |
| Asset revaluation gains | 0 | 45 | 45 |
| Reserves transfer | 11 | (11) | 0 |
| Balance at 31 March 2018 | 2,336 | 34 | 2,370 |
| Total grant in aid received | 4,431 | 0 | 4,431 |
| Total comprehensive expenditure | (6,148) | 0 | (6,148) |
| Asset revaluation gains | 0 | 10 | 10 |
| Reserves transfer | 10 | (10) | 0 |
| Balance at 31 March 2019 | 629 | 34 | 663 |

Notes to the Financial Statements

The notes that follow form part of the financial statements.

Note 1: Accounting conventions and policies

1.1 Basis of accounts preparation

These financial statements have been prepared in accordance with the 2018/19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the SSRO for the purpose of giving a true and fair view has been selected. The policies adopted by the SSRO are outlined below. They have been applied consistently in dealing with items that are considered material to the accounts. We also include additional disclosures in line with our Accounts Direction issued by the MOD (Appendix 1).

1.2 Accounting convention

The SSRO prepare these accounts using the historical cost convention, adjusted to account for the:

- revaluation of non-current assets to their current value in existing use; and
- valuation of financial instruments at fair value (note 1.11).

1.3 Going concern

These financial statements are prepared on a going concern basis.

1.4 Recent changes to accounting standards affecting the preparation of accounts

The SSRO have considered, under International Accounting Standard (IAS) 8, whether there have been any changes to accounting policies arising from IFRS that have an impact on the current or prior year, or may have an effect on future years.

The SSRO have reviewed any new or amended standards issued by the International Accounting Standards Board, to decide whether they should make any disclosures in respect of those new IFRS that are, or will be, applicable. There are no changes impacting the 2018/19 financial statements.

There are two standards which come into effect this reporting year:

- IFRS 9 Financial Instruments (effective 1 January 2018) which reduces the accounting options available for types of financial instruments. The new standard is reflected in the FReM from 2018/19. This standard does not impact the SSRO's financial statements;
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018) which provides more guidance on recognition of revenue. The new standard is reflected in the FReM from 2018/19. This standard does not impact the SSRO's financial statements.

There is one standard which is not effective yet:

- IFRS 16 Leases (effective 1 January 2019) which requires all significant leases to be included in the Statement of Financial Position. IFRS 16 may impact some disclosures around the SSRO's property lease (Note 15) in the SSRO's financial statements. This standard has not yet been adopted by the FReM, but the SSRO Management Team will make an assessment of the impact of it once it becomes clear how it will be adapted in the public sector.

1.5 Grant in aid

The SSRO treat grants, whether revenue or capital, as contributions from controlling parties giving rise to financial interest in our organisation and we credit them directly to the fund reserve. Grant in aid received from the MOD is used to finance activities and expenditure which support the statutory and other objects of the SSRO.

1.6 Value added tax (VAT)

The SSRO is not registered for VAT, therefore any VAT incurred is not recoverable. The SSRO expense any VAT to the Statement of Net Expenditure, or Statement of Financial Position, in the year it is incurred.

1.7 Property, plant and equipment

The SSRO capitalise office refurbishments, computer equipment purchases and other equipment purchases for individual purchases over £1,000 or grouped purchases over £5,000. The SSRO capitalise all costs incurred to bring the asset into use, and where applicable any estimated costs to remove the asset at the end of its life. At as 31 March 2019, the SSRO has capitalised an element of its dilapidations provision relating to re-instatement costs associated with its leasehold improvement assets .

1.8 Intangible assets

The SSRO capitalise internally generated assets and new software, including any licences that cover the life of the software for individual purchases over £1,000 or grouped purchases over £5,000. Internally generated assets are capitalised once they meet the criteria for the development phase under IAS 38. Research costs are expensed in the year they relate to.

1.9 Depreciation and amortisation

The SSRO provide for depreciation on all property, plant and equipment non-current assets and amortisation of intangible non-current assets. The SSRO calculate depreciation charges to write off the cost less the estimated residual value of each item in equal annual instalments over its expected useful life. Unless otherwise appropriate, the SSRO have set the expected useful life of each category of non-current asset as:

- leasehold improvements, over the remaining term of the lease;
- furniture, fittings and office equipment five to seven years;
- computer equipment, three to five years; and
- intangible assets, three to five years.

1.10 Non-current asset revaluation

Following initial recognition, the SSRO's leasehold and intangible non-current assets are reviewed and revalued annually to current value in existing use. In line with FReM guidance on Modified Historic Cost Accounting, relevant (MHCA) indices are used to revalue these non-current assets.

1.11 Financial Instruments

The fair value of our financial instruments (other receivables and payables) are valued at their nominal amount as they are due in less than 12 months.

1.12 Operating leases

The SSRO charge operating lease rentals on a straight-line basis over the lease term.

1.13 Provisions

In accordance with IAS 37, provisions are disclosed in the Statement of Financial Position for legal and constructive obligations in existence at the end of the reporting year if the payment amount to settle the obligation is probable and can be reliably estimated.

1.14 Accounting estimates

Judgements and estimates are required in applying our accounting policies that may affect the amounts we include in our financial statements. The main areas are:

- Non-current assets (notes 5 and 6) – the SSRO review non-current assets each year for impairment and to ensure useful lives remain appropriate, in line with accounting standards. Where non-current assets are revalued at the year end (Leasehold and Intangibles), the SSRO uses projected MHCA indices provided by the MOD.
- Provisions (note 10) - the SSRO estimate dilapidation provisions based on an assessment of likely dilapidation costs when they plan to vacate a property. This assessment is based on a valuation report provided by an independent surveyor who has viewed the SSRO's accommodation.

1.15 Pensions

SSRO staff are eligible for a pension provided by the Principal Civil Service Pension Scheme (PCSPS). The SSRO has been included in Schedule 1 of the Superannuation Act 1972 as per schedule 4 of the Defence Reform Act 2014.

The SSRO incurs Employers contribution costs along with scheme administration costs. This expenditure is recognised in the Statement of Comprehensive Net Expenditure in the year it is incurred.

Note 2: Other operating income

The note below provides a breakdown of the other operating income shown in the Statement of Comprehensive Net Expenditure.

| | Year to 31 March 2019 | Year to 31 March 2018 |
|-------------------------------|-----------------------------|-----------------------------|
| Other operating income | £000 | £000 |
| Secondment income | (48) | 0 |
| Total operating income | (48) | 0 |

The SSRO had one employee seconded to the UKRN until 21 February 2019.

Note 3: Staff costs

The note below provides a breakdown of the staff costs shown in the Statement of Comprehensive Net Expenditure.

| | Year to 31 March 2019 | Year to 31 March 2018 |
|--------------------------|-----------------------------|-----------------------------|
| Staff costs | £000 | £000 |
| Salary | 3,161 | 2,858 |
| Social security | 364 | 324 |
| Pension | 635 | 544 |
| Other benefits | 70 | 60 |
| Total staff costs | 4,230 | 3,786 |

Further information on staff costs and numbers are included in the Staff report.

Note 4: Other expenditure

The note below provides a breakdown of the other expenditure shown in the Statement of Comprehensive Net Expenditure.

| | Year to 31 March 2019 | Year to 31 March 2018 |
|---|-----------------------------|-----------------------------|
| Other expenditure | £000 | £000 |
| Information Technology | 671 | 645 |
| Accommodation costs - lease | 364 | 354 |
| Accommodation costs – other | 284 | 275 |
| Professional Services | 130 | 96 |
| Depreciation | 127 | 106 |
| Publications and Subscriptions | 117 | 100 |
| Amortisation | 108 | 89 |
| Staff Training | 81 | 30 |
| Recruitment | 38 | 68 |
| Audit fee - internal | 37 | 38 |
| Travel and Subsistence | 30 | 29 |
| Outsourced Services | 21 | 53 |
| Audit fee - external | 20 | 20 |
| Insurance | 15 | 14 |
| Office Supplies and Services | 13 | 12 |
| Legal Services | 4 | 41 |
| Loss on disposal of plant and equipment | 1 | 0 |
| Other lease costs | 1 | 1 |
| Bank charges | 1 | 1 |
| Accommodation costs – provisions | (97) | 158 |
| Total other expenditure | 1,966 | 2,130 |

The external audit fee for 2018/19 is £20,400 (2017/18 £20,200). During the year, the SSRO did not contract any non-audit services from its external auditor, the National Audit Office (NAO).

Note 5: Property, plant and equipment

This note provides an analysis of the movements in property, plant and equipment shown in the Statement of Financial Position.

| | Leasehold improvements | Furniture and Fittings | Information Technology | Total |
|-------------------------|---------------------------|---------------------------|---------------------------|------------|
| | £000 | £000 | £000 | £000 |
| Cost | | | | |
| At 1 April 2018 | 335 | 94 | 222 | 651 |
| Additions | 30 | 22 | 53 | 105 |
| Disposals | 0 | (6) | 0 | (6) |
| Revaluation | 6 | 0 | 0 | 6 |
| At 31 March 2019 | 371 | 110 | 275 | 756 |
| Depreciation | | | | |
| At 1 April 2018 | 123 | 47 | 99 | 269 |
| Charged in year | 53 | 20 | 54 | 127 |
| Disposals | 0 | (5) | 0 | (5) |
| Revaluation | 2 | 0 | 0 | 2 |
| At 31 March 2019 | 178 | 62 | 153 | 393 |
| Net book value | | | | |
| At 31 March 2019 | 193 | 48 | 122 | 363 |
| Cost | | | | |
| At 1 April 2017 | 309 | 85 | 174 | 568 |
| Additions | 0 | 9 | 48 | 57 |
| Revaluation | 26 | 0 | 0 | 26 |
| At 31 March 2018 | 335 | 94 | 222 | 651 |
| Depreciation | | | | |
| At 1 April 2017 | 77 | 30 | 54 | 161 |
| Charged in year | 44 | 17 | 45 | 106 |
| Revaluation | 2 | 0 | 0 | 2 |
| At 31 March 2018 | 123 | 47 | 99 | 269 |
| Net book value | | | | |
| At 31 March 2018 | 212 | 47 | 123 | 382 |

All property, plant and equipment non-current assets are owned by the SSRO. There have been no impairments during the year to 31 March 2019. Apart from leasehold non-current assets, assets are held on a depreciated historical cost basis, as a proxy for their current value in existing use. In line with FReM guidance, leasehold non-current assets are revalued as at 31 March 2019. Projected MHCA indices are used for this revaluation.

Note 6: Intangible assets

This note provides an analysis of the movements in intangible non-current assets shown in the Statement of Financial Position.

| | Software |
|-------------------------|-----------------|
| | £000 |
| Cost | |
| At 1 April 2018 | 514 |
| Additions | 18 |
| Disposals | 0 |
| Revaluation | 7 |
| At 31 March 2019 | 539 |
| Amortisation | |
| At 1 April 2018 | 91 |
| Charged in year | 108 |
| Disposals | 0 |
| Revaluation | 1 |
| At 31 March 2019 | 200 |
| Net book value | |
| At 31 March 2019 | 339 |
| Cost | |
| At 1 April 2017 | 479 |
| Additions | 85 |
| Disposals | (71) |
| Revaluation | 21 |
| At 31 March 2018 | 514 |
| Amortisation | |
| At 1 April 2017 | 73 |
| Charged in year | 89 |
| Disposals | (71) |
| Revaluation | 0 |
| At March 2018 | 91 |
| Net book value | |
| At March 2018 | 423 |

All intangible non-current assets are owned by the SSRO. The SSRO's additions relate to an internally generated asset (DefCARS). There have been no impairments during the year to 31 March 2019. In line with FReM guidance, intangible assets are revalued as at 31 March 2019. Projected MHCA indices are used for this revaluation.

Note 7: Other receivables

This note provides an analysis of the other receivables line in the Statement of Financial Position.

| | 31 March 2019 | 31 March 2018 |
|--------------------------------|---------------|---------------|
| | £000 | £000 |
| Other receivables | 21 | 13 |
| Prepayments | 136 | 117 |
| Total other receivables | 157 | 130 |

All SSRO receivables fall due within one year.

This note provides an analysis of other receivables between government and external bodies

| | 31 March 2019 | 31 March 2018 |
|--------------------------------|---------------|---------------|
| | £000 | £000 |
| External | 157 | 130 |
| Total other receivables | 157 | 130 |

Note 8: Cash and cash equivalents

The following note summarises the SSRO's cash and cash equivalents as shown in the Statement of Financial Position.

| | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
| | £000 | £000 |
| Balance at 1 April | 2,045 | 338 |
| Net change in cash and cash equivalents | (1,825) | 1,707 |
| Balance at 31 December | 220 | 2,045 |

All cash balances are held with the Government Banking Service.

Grant in Aid of £1,640,000 for 2018/19 was received from the MOD earlier than requested on 23 March 2018.

Note 9: Trade and other payables

This note analyses the SSRO's trade and other payables as shown in the Statement of Financial Position.

| | 31 March 2019 | 31 March 2018 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Accruals | 218 | 352 |
| HMRC | 114 | 100 |
| Total trade and other payables | 332 | 452 |

There were no outstanding invoices at 31 March 2019 (2017/18: nil). During the year to 31 March 2019, 99 per cent of undisputed invoices were paid within 5 days (2017/18: 99 per cent).

This note provides an analysis of other payables between government and external bodies

| | 31 March 2019 | 31 March 2018 |
|---------------------------------|---------------|---------------|
| | £000 | £000 |
| Other Central Government bodies | 164 | 144 |
| External | 168 | 308 |
| Total other payables | 332 | 452 |

Note 10: Provisions

This note shows the movement in provisions during the year

| | Year to 31 March 2019 | Year to 31 March 2018 |
|-------------------------------------|--------------------------|--------------------------|
| | £000 | £000 |
| Opening balance at 1 April | 158 | 0 |
| (Decrease)/increase in provisions | (74) | 158 |
| Total provisions at 31 March | 84 | 158 |

The SSRO's provision is for dilapidations and is based on a valuation report provided by an independent surveyor, to repair and reinstate the third floor, Finlaison House to the satisfaction of the landlord at the end of the agreed occupation/lease term in 2023. Any cash outflow is expected at the end of the lease in June 2023. The provision decreased during 2018/19 as the previous years estimation was based on an average cost per square foot. The SSRO received a surveyors report during 2018/19 which provided a detailed assessment of their estimated cost to repair and reinstate the third floor.

Note 11: General Fund

This note shows the movement in the general fund for activities during the year.

| | Year to 31 March 2019 | Year to 31 March 2018 |
|--|--------------------------|--------------------------|
| | £000 | £000 |
| General fund brought forward 1 April | 2,336 | 931 |
| Grant in aid received 2017/18 | 0 | 5,670 |
| Grant in aid received 2018/19 | 4,431 | 1,640 |
| Net operating expenditure | (6,148) | (5,916) |
| Transfer from revaluation reserve | 10 | 11 |
| General Fund carried forward 31 March | 629 | 2,336 |

The SSRO agreed funding for 2018/19 of £6,133,000. £83,000 of this was carried forward from 2017/18. The first instalment of 2018/19's grant in Aid (£1,640,000) was received in March 2018 resulting in £4,410,000 being drawn down during the year. An additional £21,000 relating to referrals was also received as at 31 March 2019.

Note 12: Revaluation Reserve

This note shows the movement in the revaluation reserve during the year.

| | Year to 31 March 2019 | Year to 31 March 2018 |
|---|--------------------------|--------------------------|
| | £000 | £000 |
| Revaluation reserve brought forward 1 April | 34 | 0 |
| Net gain on revalued non-current assets | 10 | 45 |
| Transfer to general fund | (10) | (11) |
| Revaluation reserve carried forward 31 March | 34 | 34 |

Following initial recognition, the SSRO's leasehold and intangible non-current assets are reviewed and revalued annually to current value in existing use using relevant indices in line with FReM guidance on the application of MHCA indices. The SSRO's leasehold non-current assets are revalued as at 31 March 2019.

Note 13: Financial Instruments

As the cash requirements of SSRO are met through Grant in Aid, financial instruments play a limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the SSRO's expected purchase and usage requirements. The SSRO has no material exposure to currency, credit, liquidity or market risk.

Note 14: Capital commitments

The SSRO does not have any future contracted capital commitments as at 31 March 2019 (2017/18: nil).

Note 15: Commitments under leases

15.1: Property lease

The note below shows future minimum lease payments for the SSRO's property operating lease.

| | 31 March 2019 | 31 March 2018 |
|--|---------------|---------------|
| | £000 | £000 |
| Due within one year | 373 | 363 |
| Due up to five years | 1,267 | 1,547 |
| Over five years | 0 | 93 |
| Total future minimum payments for non-cancellable operating leases for properties | 1,640 | 2,003 |

The SSRO spent £364,000 on operating lease payments for property during the year to 31 March 2019 (2017/18: 354,000).

Note 16: Contingent assets and liabilities

As at 31 March 2019, the SSRO has no contingent assets or liabilities.

Note 17: Related party transactions

The SSRO's related party disclosures meet the requirements of IAS 24. Disclosure relates to key management personnel of the SSRO, or their close family members, who are in a position of significant influence resulting from being elected to, receiving remuneration from or being appointed to any organization

- that is a government department; or
- that is a provider or receiver of significant services to, or from the SSRO.

All related party transactions and balances over £1,000 will be disclosed at 31 March 2019.

Key management personnel

There are no related party transactions to report in the period to 31 March 2019 for key personnel. Details of the SSRO's key management personnel can be found in the Remuneration Report.

Ministry of Defence (MOD)

The SSRO is a Non-Departmental Public Body sponsored by the MOD. During the year the SSRO received grant in aid from the MOD of £4,431,000 (2017/18: £7,310,000). The SSRO received services totalling £12,000 from the MOD during the year (2017/18: £17,000). There were no balances due or payable by the SSRO as at 31 March 2019 (2017/18: nil).

Other government departments

Government Actuaries Department (GAD): during the year, the SSRO were invoiced £522,000 by GAD for services they received (2017/18: £502,000). There was £25,000 payable (accrued) to GAD as at 31 March 2019 (2017/18: £7,000). The majority of these payments were due under the Memorandum of Terms of Occupation (MOTO) agreed with GAD as landlord of the SSRO's accommodation.

OFGEM: during the year the SSRO were invoiced £20,000 for services provided to them (2017/18: £37,000). There were no balances due or payable to the SSRO as at 31 March 2019 (2017/18: nil). The majority of these payments were due under contracts for outsourced Finance and HR services provided by Ofgem to the SSRO.

Note 18: Events occurring after the end of the reporting period

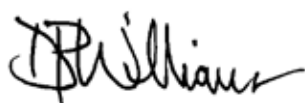
The SSRO's financial statements are laid before the Houses of Parliament by the Ministry of Defence. International Accounting Standard 10 (IAS 10) requires the SSRO to disclose the date on which the certified accounts are approved by the Accounting Officer.

These accounts will be authorised for issue by the Accounting Officer on the same date as the C&AG's Audit Certificate.

Appendix 1: Accounts Direction

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR DEFENCE IN ACCORDANCE WITH SCHEDULE 4, 12(2) OF THE DEFENCE REFORM ACT 2014

1. This direction applies to the Single Source Regulations Office (SSRO)
2. The SSRO shall prepare accounts in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (the FReM) issued by HM Treasury which is in force for the financial year for which the accounts are being prepared. The accounts shall also comply with any additional disclosure or other requirements which have been agreed with the Department or are mandated by relevant UK legislation (for example The Companies Act) or are issued by HM Treasury or the Cabinet Office.
3. The accounts shall be prepared so as to:
 - a) give a true and fair view of the state of affairs as at 31st March each year and of the net operating costs, recognised gains and losses and cash flows for the financial year then ended; and
 - b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
5. Annual Accounts shall be published for the reporting period ending 31 March 2015 and subsequent financial years, and laid before the House of Commons in accordance with the Parliamentary reporting timetable for the year to which they relate.
6. In addition, SSRO shall operate governance arrangements sufficient to ensure all income and expenditure conforms with the rules on regularity and propriety set out in Managing Public Money.



DAVID WILLIAMS
DIRECTOR GENERAL FINANCE

