

# SSRO

Single Source  
Regulations Office



## SSRO Annual Report and Accounts 2019/20

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



# **The Single Source Regulations Office**

## **Annual Report and Accounts 2019/20**

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

Ordered by the House of Commons to be printed on 13 July 2020.



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ISBN 978-1-5286-1823-6  
CCS0320329978

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office



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# CHAIRMAN'S STATEMENT



## George Jenkins OBE

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

This annual report sets out the SSRO's work and achievements against our stated objectives in 2019/20.

As part of the Cabinet Office's Tailored Review process for public bodies we were this year reviewed by an independent organisation, UK Government Investments (UKGI), on behalf of the Ministry of Defence (MOD). The resulting Tailored Review found that "there is a continuing need for the SSRO" and that the SSRO "is performing its statutory duties effectively and efficiently [and] internal governance was found to be robust". It is an important report; the SSRO Board welcomes it and is working to implement its recommendations.

As all our stakeholders know, building and maintaining relationships with stakeholders was – and continues to be – a priority of mine during my Chairmanship alongside ensuring we meet all our statutory obligations and add value to the supply chain process.

The Tailored Review found that "relations between the SSRO and the industry were now good and improving". Our stakeholder survey 2019/20 told a similar story, with 91 per cent stating that we engage well and 89 per cent of respondents rating the SSRO's performance as good over the past year, which has increased from 73 per cent in our 2018 survey.

The SSRO Board and staff have worked hard throughout the year to widen our channels of engagement and build our expertise and understanding, and this year's stakeholder survey showed that 90 per cent of stakeholders agreed that we are open and transparent and 85 per cent that we are fair and impartial. I am proud of this feedback and the excellent work of the SSRO staff, who are our most important asset.

With the Covid-19 pandemic affecting all of our personal and business lives at the tail end of this year, we remain mindful of the challenges facing our stakeholders and we will continually review our engagement, in order not to distract from that focus. Whilst we are not empowered to agree changes to statutory reporting duties, we are committed to taking the steps we can to ease pressures on contractors during this difficult time.

Looking ahead there is always room for further improvement to our own internal processes and to the single source regulatory framework, and the Tailored Review and survey helpfully draw out areas for development.

Important to achieving our vision over the next five years will be maintaining a reputation as a trusted and impartial expert in defence single source procurement. We cannot achieve this alone and I would like to thank in advance all our stakeholders for continuing to engage with the SSRO in the further development and improvement of the regime in the year ahead.





**The SSRO is performing its statutory duties effectively and efficiently**

# Performance Report



# Overview

## Purpose and activities of the SSRO

The Single Source Regulations Office (SSRO) is an executive non-departmental public body, sponsored by the Ministry of Defence (MOD). The SSRO supports the operation of the single source regulatory framework created by the Defence Reform Act 2014.

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.

When exercising our statutory functions, we work constructively with both the MOD and industry in aiming to ensure that good value for money is obtained in government expenditure on Qualifying Defence Contracts (QDCs), and that persons who are parties to QDCs are paid a fair and reasonable price under those contracts.



## Chief Executive's perspective on performance

Throughout 2019/20, we have continued to deliver our statutory functions, and the performance analysis section of this report shows that we met 12 of the 15 performance indicators set out in our Corporate Plan 2019/22.

In pursuit of our statutory functions and as part of our 2025 vision to support the UK defence sector, continuously improve the regulatory framework and make the SSRO a recognised expert, we have also commenced several multi-year projects during the year. These include the following:

### DATA STRATEGY

We have set a vision that reported data is fully utilised in support of the regulatory framework to deliver value for money and fair and reasonable prices. We have continued to develop our reporting guidance and DefCARS (Defence Contract Analysis and Reporting System) to minimise the burden of reporting and support contractors to provide good quality data.

### REVIEW OF REPORTING REQUIREMENTS

We have considered the purposes behind reporting the defined pricing structure, amendments and variances, and overheads. We have looked at use of the reports and whether the requirements are proportionate.

### PROFIT RATE REVIEW

We have reviewed contract profits in QDCs and Qualifying Sub-Contracts (QSCs), factors which have influenced these contract profits and any changes which may be required to better achieve the intent of the legislation. We have given particular attention to cost risk and the profit on cost once adjustment.

Separately, the results of our stakeholder survey 2019/20 showed that 89 per cent of stakeholders rate our performance as good or very good, 94 per cent state that SSRO staff work effectively and professionally and 85 per cent that the SSRO is authoritative. This exercise and the Tailored Review both provide a good indication of the progress we have made throughout the year and demonstrate the efforts of the SSRO Board and staff team.

**The SSRO received reports for 252 contracts which became QDCs/QSCs between 1 April 2015 and 31 December 2019, with a total estimated contract price of £38.8 billion**

39 staff



6 non-executive  
board members



£6,119,000  
2019/20 expenditure

## Key issues and risks for the SSRO

The SSRO has a robust risk management system in place. It is the Board's responsibility to put in place effective arrangements to provide assurance on risk management, governance and internal control. The Executive Committee mitigates each risk in a proportionate way in accordance with the SSRO risk management framework.

The SSRO's system of internal controls include the following:

- a. The SSRO Board regularly considers the SSRO's risk appetite, and the Executive Committee's views on the risk appetite are reported to each meeting of the Audit Committee.
- b. 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.
- c. The Executive Committee monitors risks at each meeting through ongoing performance management, which it reports to the Board. Project Managers escalate risks from individual project risk registers into the Corporate Performance Report.
- d. The Audit Committee reviews the Corporate Risk Register at each meeting.
- e. The SSRO's risk management policy is reviewed and approved annually by the Audit Committee.
- f. Information and cyber risks are actively managed on an ongoing basis drawing on expert external support. DefCARS is subject to formal risk assessment and accreditation from externally appointed, independent, and appropriately qualified assessors.
- g. Both internal and external audits assist us with continuous improvements to our risk management process.



As at March 2020, the most significant risks that may impact on the delivery of the Corporate Plan are considered to be:

- the information provided to the SSRO in contract and supplier reports via DefCARS is of a poor quality or is not used effectively; and
- external changes outside of the SSRO's control including actions or changing priorities by stakeholders, results in changes to the SSRO's priorities or prevents it from meeting its objectives.

As at March 2020, there is one significant corporate issue that has crystallised and we continue to successfully manage in accordance with government guidance: "The SSRO's business has been disrupted due to the Covid-19 pandemic".

# Performance analysis

The following performance indicators were included in the SSRO's Corporate Plan 2019-2022. The SSRO's performance against them in 2019/20 is shown below.

Objective	Target	Performance
<b>1: Provide authoritative responses to referred matters within agreed timeframes</b>		
Final determinations and opinions are issued within target timeframes	-	We received no referrals in 2019/20
Proportion of stakeholders involved in a referral who agree the SSRO engages effectively throughout the referral <sup>[1]</sup>	75%	85%
<b>2: Provide the Secretary of State with a recommendation of the appropriate baseline profit rate, capital servicing rates and the funding adjustment for each financial year that assists the Secretary of State to determine each amount</b>		
Provide the SSRO's assessment of rates to the Secretary of State no later than 31 January preceding the financial year to which they apply	-	Met
<b>3: Issue guidance that supports the optimal working of the regulatory framework</b>		
Proportion of stakeholders who agree the SSRO's guidance is clear and applicable	75%	84%
<b>4: Conduct targeted reviews of the Act and Regulations aimed at improving the functioning of the regulatory framework</b>		
Deliver an implementation plan for any changes required by the SSRO in response to the Secretary of State's 2017 review	-	Met
Following engagement with our stakeholders, the SSRO will provide its recommendations to the Secretary of State no later than 30 June 2020 <sup>[2]</sup>	-	Deferred
<b>5: Provide a platform that facilitates the efficient and secure submission of statutory reports</b>		
Proportion of users satisfied with DefCARS as the SSRO's platform for submitting reports <sup>[3]</sup>	75%	72%
<b>6: Improve data quality and the reporting of information</b>		
Proportion of contract reports submitted that are complete and meet the requirements of the legislation at the first attempt	25%	50%
Proportion of contract reports submitted on time <sup>[4]</sup>	75%	67%
Proportion of defence contractors satisfied with the assistance and support provided by the SSRO when first entering into a QDC/QSC	75%	100%
<b>7: Harness the power of data to support decision making</b>		
Increase in the use of SSRO's analysis: a year on year increase in the number of analysis report templates available to use in DefCARS	-	An increase of 2
<b>8: Maintain effective and comprehensive engagement with our stakeholders</b>		
Stakeholders consider the SSRO engages well	80%	91%
<b>9: Access and use resources appropriate to the delivery of our functions</b>		
Manage our financial expenditure to within 2% of our corporate budget without exceeding our Grant-in-Aid limit.	Within 2%	1% of budget
Employee survey results for overall engagement <sup>[5]</sup>	65%	52%
Average number of days spent per person per annum on training	3 days	Met

[1] Respondents to the 2020 stakeholder survey included stakeholders who have been involved in a referral at any time since the SSRO's inception.

[2] The SSRO published the findings of its reviews in June 2020 but deferred final recommendations in light of the pandemic and the Secretary of State's decision to postpone his review significantly into 2021.

[3] Satisfaction with the support provided to DefCARS' users remains high. We are continually making improvements and looking for further digital transformation opportunities to the DefCARS system, utilising feedback from users through our Reporting and IT sub-group, training sessions, helpdesk and stakeholder survey.

[4] The SSRO is committed to making the reporting process as easy and clear as possible. We support contractors to comply with their statutory reporting deadline through training, bilateral meetings to discuss queries and through on-boarding contractors onto DefCARS as well as improving functionality in DefCARS.

[5] In the SSRO's Corporate Plan 2020-2023 we have included a new value of inclusivity; being clear that people are our greatest asset. The stakeholder engagement survey and Tailored Review this year were positive about staff and this may serve to improve staff engagement scores in future.



# SSRO's performance against its key measures

## **1 Provide authoritative responses to referred matters within agreed timeframes**

The SSRO was consulted, and gave advice, in relation to a number of contractual matters where a referral for an opinion or determination was being considered by the MOD or contractors. In all cases, the matters were resolved without a referral being made. We prepared new guidance on the procedures for appeals against assessment as a QSC and notices of cessation as a QSC. The guidance was published in February 2020 following a six-week public consultation and applies to referrals received from 1 April 2020. We maintained our readiness to undertake referrals by providing updates and training to Board and panel members.

## **2 Provide the Secretary of State with a recommendation of the appropriate baseline profit rate, capital servicing rates and the funding adjustment for each financial year that assists the Secretary of State to determine each amount**

The baseline profit rate that the SSRO recommended to the Secretary of State in January 2020 was 8.22 per cent for 2020/21 (prior year: 7.63 per cent).

The Secretary of State accepted our recommendation and on 13 March 2020 announced the baseline profit rate to be used from 1 April 2020. 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. Comprehensive information on how we calculated these rates is published on the SSRO website to ensure stakeholders understand the methodology and calculations.

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

We revised our Allowable Costs guidance on uncertainty and risk, and insurance. This followed engagement with stakeholders during summer 2019 and a public consultation from October to December 2019. Revisions to the guidance were published on 31 January 2020 to give stakeholders time to familiarise themselves with the changes and took effect on 1 April 2020.

We updated our reporting and DefCARS user guidance in December 2019 to provide clarifications and new and updated guidance on the contract completion report, on-demand contract reports, and compliance activities. We commenced consultation in February 2020 on guidance addressing contract completion dates and the initial contract reports. Due to operational issues faced by contractors arising from the COVID-19 virus, we extended the consultation period for this from April to September 2020.

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

We undertook reviews in relation to the contract profit rate steps and reporting requirements to feed into the Secretary of State's periodic review of the legislation. We engaged with stakeholders through workshops and a working paper. We consulted publicly on proposals from December 2019 to February 2020, and held workshops with the MOD and industry. We published the findings from our reviews in June 2020 and we expect to finalise our recommendations to the Secretary of State at a later date, when a revised timetable has been set for the Secretary of State's review.



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

Throughout this year we have worked closely with both the MOD and industry, for example through the SSRO's Reporting and IT sub-group, to continually develop DefCARS in order to:

- obtain relevant and high-quality data;
- optimise access;
- support analysis and reporting; and
- accommodate changes to the legislation or our guidance or methodologies.

As of 30 April 2020 there were a total of 1,592 active DefCARS user accounts, 663 of which were added this year. We achieved above 99.9% system availability (excluding planned maintenance) over the year.

## **6 Improve data quality and the reporting of information**

We published the SSRO's 2019 Annual Compliance Report, which identified issues with the timeliness and quality of report submissions, and areas for improvement. We reviewed our compliance methodology in consultation with key stakeholders and published a revised methodology on 31 January 2020. The revised methodology links to our data strategy and places greater reliance on automation and reviews by the MOD. We supplemented our general reviews of report submissions with more targeted reviews conducted in conjunction with the MOD. We provided compliance metrics in DefCARS for the MOD and we developed additional validation rules in DefCARS to help contractors complete reports.

Our SSRO Support helpdesk handled 50 per cent more contractor queries compared to the previous year, largely due to the growing numbers of qualifying contracts. We delivered more onboarding training sessions at contractor sites, including for small and medium sized enterprises (SMEs). Satisfaction with the SSRO Support service remains high. The 2020 Stakeholder Survey showed 94 per cent of respondents satisfied with helpdesk assistance and 100 per cent satisfaction with our onboarding assistance and support.

## **7 Harness the power of data to support decision making**

In total this year we have received three requests under section 36(3) of the Defence Reform Act which we responded to within the agreed timeframe.

We continue to publish quarterly defence contract statistics and published an annual statistical bulletin in June 2019 to provide insight into QDCs based on the latest submitted contract data.

In July 2019 we published the SSRO's data strategy which sets out why data is important to us and our stakeholders, our approach to delivering our vision for data and our plan for implementation. As part of this we have increased the number of analysis report templates available to use in DefCARS and continue to provide analytical reports for the MOD when requested.

## **8 Maintain effective and comprehensive engagement with our stakeholders**

We engaged actively with stakeholders through a variety of channels. In February 2020, leaders from industry and the MOD were welcomed by our Chairman to the SSRO's sixth Senior Stakeholder Forum. We held regular stakeholder meetings throughout the year, including our Operational Working Group, and Reporting & IT sub-group meetings. We liaised actively with stakeholders on delivering our functions, holding conversations, meetings and workshops at all levels. We issued working papers to key stakeholders and consulted publicly on our policy development. We attended onboarding sessions and site visits. We dealt with queries, primarily through our helpdesk. In March 2020, we completed our second stakeholder survey which showed that 91 per cent of respondents to the survey consider the SSRO engages well.

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

It is vital we have the right skills and knowledge to deliver our statutory functions. Our Board and panel members receive regular training and attend site visits to contractor facilities to further their knowledge of the sector. We invest in our staff through the provision of targeted training and professional development and use external subject matter experts where appropriate.

We take our role as a public sector employer seriously and lead by example. We continue to implement our Single Equalities Scheme and ensure that our performance management and recruitment processes have equality and diversity embedded within them. We actively promote opportunities for all staff to work flexibly and have invested in our information technology to support staff in doing so. This ensured we were able to move to all staff working remotely during the Covid-19 pandemic with minimal impact on the delivery of our work programme.

The SSRO has maintained high quality, efficient and effective systems of financial control and management and this has once again been confirmed by the opinions issued by the internal and external auditors. We always follow value for money best practice and Her Majesty's Government strategy, policy and guidance when it comes to procurement, financial management, as well as information and security issues. We continuously strive with selected partners to fully utilise available technology, whilst both the SSRO and our partners maintain appropriate security certifications and accreditations.

# Financial performance during the year

This section provides a summary of the SSRO's financial performance during the 2019/20 financial year. It sets out the grant funding received by the SSRO and explains how it was utilised.

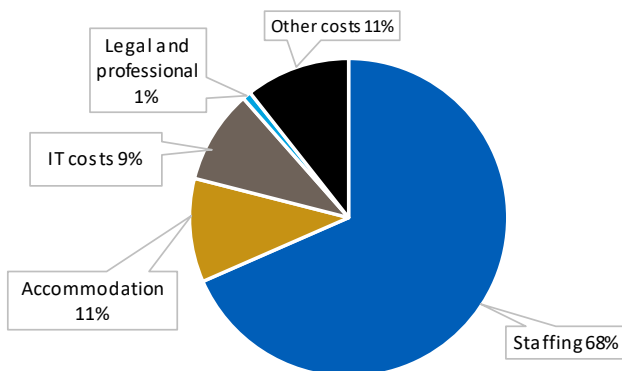
## Grant in Aid

During 2019/20 the SSRO agreed Grant in Aid funding of £6,061,000 (2018/19: £6,133,000) to cover planned expenditure. A further £120,000 was requested to cover an increase in employer's pension contributions and this was agreed and provided during the year. The overall Grant in Aid available for 2019/20 was £6,181,000 with the SSRO drawing down £6,138,000 during the year.

Costs arising from referrals to the SSRO in respect of the operation of the Single Source Contracts Regime are normally funded separately by agreement with the MOD, providing additional Grant in Aid for referral related expenditure as it is incurred. During 2019/20 the SSRO received no Grant in Aid or costs relating to referrals work. (2018/19: £62,000).

## Expenditure

The SSRO's expenditure during 2019/20 mainly relates to staffing, with 68% of its overall spend covering staff and other staff-related costs (2018/19: 67%). Other significant areas of spend during 2019/20 were accommodation (11%), and other costs (11%) which included one-off transition costs relating to existing outsourced finance and HR support contracts being awarded to new suppliers following competitive tendering processes.



\*Chart as per the Statement of Comprehensive Expenditure

## SSRO expenditure by category 2019/20

The SSRO aims to seek value for money in its day to day operations to support the delivery of its statutory obligations. Elements of the SSRO's corporate functions are outsourced to support its in-house skills in areas such as finance and human resources or procured through government framework agreements (IT managed services). The SSRO also has several framework contracts in place (using government support framework contracts wherever possible) which allows cost-effective access to additional expert support when required.

The SSRO's outturn expenditure of £6,119,000 (2018/19: £6,089,000) represents utilisation of 99% of the total available Grant in Aid funding provided by the MOD (2018/19: 99%).

	£000
Expenditure per Statement of Comprehensive Expenditure	6,336
Expenditure capitalised during the year (included in the Statement of Financial position)	29
Less costs not included within the 2019/20 Grant in Aid budget	
Amortisation and depreciation	(246)
<b>Total Grant in Aid expenditure</b>	<b>6,119</b>

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.

## **Creditor payments, target and performance**

HM Treasury asks that government departments and other public sector bodies aim to pay 80% of undisputed invoices within five days. The SSRO paid 98% of undisputed invoices within the five-day target (2018/19: 99%) despite changing its outsourced finance support supplier and system. 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 2019/20.

## **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.

UK Government Investments (Defence) has this year conducted a Tailored Review of the SSRO. The report was published on 7 April 2020.

The review considered the continuing need for, performance and governance effectiveness of the SSRO and its relationship with its sponsoring Department, the MOD. The review found that there is a continuing need for the SSRO. Its role is generally well understood, and the current delivery model, an independent non-departmental public body, is still deemed appropriate.



Accounting Officer

29 June 2020

# 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 2020.



**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. 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 was 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 ACOPA, 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. Terence's term at the SSRO was completed in January 2020.



**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 reappointed 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. 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 is a member of the Regulatory Committee.

Marta is a member of the Sponsor Board for the Restoration and Renewal of the Houses of Parliament and chairs its Audit and Assurance Committee. During its set-up phase she also chaired its Nominations and Remuneration Committee. She holds a number of other non-executive directorships including the Nursing and Midwifery Council, Crown Prosecution Service and Heriot Watt University.

She was recognised for her work in social housing and was awarded an OBE in 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 before joining the Audit Commission in 2003. Following periods in a range of technical and senior roles 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.

David is a lawyer who first qualified in Australia where he developed expertise in public law, 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 before joining the SSRO, dealing with a wide range of contentious 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
<b>Non-executive Board members</b>		
George Jenkins	03/01/17	02/01/22
Mary Davies	06/09/17	05/09/21
Peter Freeman	06/09/17	05/09/21
Terence Jagger	08/06/15	21/01/20
David Johnston	01/06/16	31/05/22
Marta Phillips	29/09/14	28/09/21
<b>Executive Directors</b>		
Neil Swift 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	-

## 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
<b>Non-executive Board members</b>	
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 (until 12 March 2020), 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
<b>Executive Directors</b>	
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;

## 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.

- state whether applicable accounting standards as set out in the Government Financial Reporting 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 2019/20. 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 2019/20

**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 for under the Treasury's 'Managing Public Money' handbook.

### 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 the last year. This statement also explains how the SSRO has complied with good governance principles and reviews the effectiveness of these arrangements.

During 2019/20, the SSRO has:

- delivered its statutory functions, and in doing so sought to balance its aims of ensuring that good value for money is obtained in government expenditure on qualifying defence contracts; and that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts;
- observed all necessary governance policies and procedures to enable the Board to make robust, evidence-based decisions in line with best practice;
- contributed actively to the Tailored Review of the Single Source Regulations Office carried out by UK Government Investments (Defence); and
- recruited four external referral panel members.

UKGI's SSRO Tailored Review stated in its published report "Internal governance was found to be robust, in line with best practice, and being applied effectively."

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 2019/20 in more detail.

### SSRO's structure and governance framework

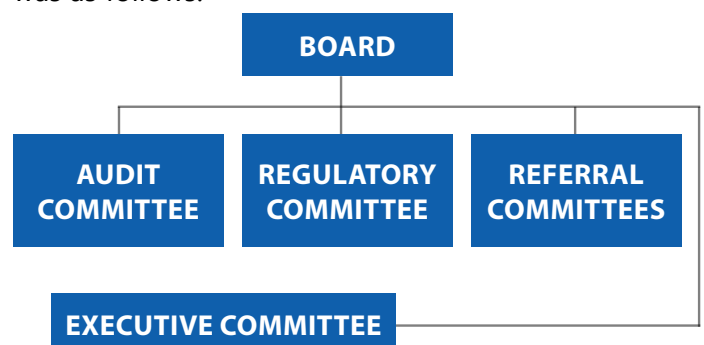
The SSRO is a non-departmental public body and operates under a Framework Document agreed between the SSRO and the MOD, its sponsor department.

Our Corporate Governance Framework is aligned with Schedule 4 of the Defence Reform Act and is reviewed annually. The Corporate Governance Framework sets out the organisation's arrangements and processes for governance. The Framework sets out:

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

This framework is complemented by relevant policies and procedures. These are available on the SSRO's website, together with the agenda and minutes of all Board meetings.

The SSRO's governance arrangements are overseen by its Board, which consists of a Chairman, five non-executive members and three executive members. In 2019/20, the Board and its sub-committee structure was as follows:



In 2019/20, 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
<b>Chairman</b>			
George Jenkins	5/5	n/a	2/2 <sup>[1]</sup>
<b>Non-executive Board members</b>			
Mary Davies	5/5	3/4	n/a
Peter Freeman	5/5	n/a	6/6
Terence Jagger	2/3 <sup>[2]</sup>	n/a	4/4 <sup>[2]</sup>
David Johnston	5/5	4/4	n/a
Marta Phillips	5/5	4/4	4/6
<b>Executive Directors</b>			
Neil Swift Chief Executive	5/5	n/a	n/a
David Galpin Director of Legal and Policy	5/5	n/a	n/a
Matthew Rees Director of Analysis and Reporting	5/5	n/a	n/a

In 2019/20 we received no referrals therefore there was no meeting of a Referral Committee.

[1] George Jenkins joined the Regulatory Committee on 21 January 2020.

[2] Terence Jagger's term ended on 21 January 2020.

We have established robust risk control processes, which are considered regularly by the Executive Committee, Audit Committee and the Board. Further information on our risk mitigation is set out below. At no time has any part of the SSRO's system of internal controls failed or been suspended.

During the year, the SSRO received no disclosures under its Whistleblowing Policy about its own operation or staff and received no external complaints.

## 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 2019/20 the Board considered and approved:

- the Annual Report and Accounts 2018/19;
- the Corporate Plan 2020-2023;
- the annual review of the Corporate Governance Framework and Code of Conduct for Board members and external panel members;
- the minutes of all Board and Committee meetings;
- 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; and
- the annual budget for 2020/21.

The Board welcomed senior representatives across industry and the MOD to the SSRO's sixth Senior Stakeholder Forum this year. Board members attend regular Strategic Updates and have attended site visits to contractor sites across the country.

The Chairman carried out the SSRO's fifth 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,
- written feedback by all Board members on the operation of the Board and any committees; and
- individual appraisal meetings between the Chairman and non-executive members.

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.

## The SSRO Audit Committee

The Audit Committee provides scrutiny, oversight and assurance of risk management, information management, internal control including audit arrangements and controlling and reporting SSRO expenditure, and governance procedures to the Chief Executive, as Accounting Officer, and to the Board. The terms of reference for the Committee are revised annually and were last revised in December 2019. They are available in the Corporate Governance Framework on the SSRO's website.

## 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 Committee's terms of reference were reviewed in December 2019. I chair the monthly 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 the Defence Advisor.

## 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; to maintain strategic oversight of the review of legislation; and approve updates to the SSRO's statutory guidance. The terms of reference for the Committee are revised annually and were last revised in December 2019. They are available in the Corporate Governance Framework on our website.

## 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.

This year the SSRO received no referrals and therefore no Committees were required to meet. The terms of reference for the Committees are revised annually and were last revised in December 2019. They are available in the Corporate Governance Framework on our website.

## Risks and internal controls

The SSRO gains assurance that risks are mitigated by ensuring internal controls are robust in design, proportionate to an organisation of our size, and work as intended. The principal features of this system are:

- an organisational structure that supports clear lines of communication, monitoring, reporting and accountability;
  - approval of 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.
  - Major projects consider the need for an 'oversight board' and all project managers are required to 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 Corporate Risk Register. The Executive Committee also considers for each risk the reputational implications for the SSRO if it was realised.
- A corporate risk management policy reviewed and approved annually by the Audit Committee. The SSRO's risk management policy provides for a corporate risk register to be maintained and reviewed regularly by the Executive Committee and Audit Committee.
  - Risk tolerance is considered by the Audit Committee, which reviews the Corporate Risk Register at each meeting, and reported to the SSRO Board by the Chair of the Committee.
  - The Government Internal Audit Agency acts as the SSRO's internal auditor, is present for Audit Committee meetings and can consider risk management as part of its workplan.
  - 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 externally-appointed, independent, qualified accreditors.

## Risk management

The SSRO's risk management arrangements are proportionate to the scale of the organisation.



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;
- 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; and
- the Chief Executive has responsibility to manage the SSRO's risk management arrangements.

The SSRO expects to have between 5 and 15 risks, captured and assessed in a single corporate risk register. Each is rated according to its impact, proximity and likelihood. Executive Committee members manage the individual risks to their functions and only include risks in the Corporate Risk Register if they are significant.

The Board regularly consider the SSRO's risk appetite. 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.

Risk management is an integral part of the SSRO's internal controls framework, for which the Chief Executive bears responsibility. Our risk management policy reflects the principles set out in all Government guidance including The Orange Book – management of risks, principles and concepts; Managing Public Money; and the Audit and Risk Assurance Handbook. We have a system of internal controls in place which we have outlined in the section above.

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. Our internal auditor, the Government Internal Audit Agency (GIAA), reviews 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 most significant corporate risks 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 external changes outside of the SSRO's control including actions or changing priorities by stakeholders, results in changes to the SSRO's priorities or prevents it from meeting its objectives.

As at March 2020, there is one significant corporate issue that has crystallised and we continue to successfully manage in accordance with government guidance: "The SSRO's business has been disrupted due to the Covid-19 pandemic".



## Financial management

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

When agreeing the 2019-22 Corporate Plan, the Board also agreed a budget for 2019/20, including Grant in Aid funding from the MOD.

At every Board meeting the Board consider the SSRO's performance against our Corporate Plan and budget, and financial performance is reported to the Board at each meeting.

The use of this grant is fully documented and is monitored throughout the year. A review of management accounts is completed each month and we deliver 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. All details of spending over £25,000 are published on our website.

**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 2019/20 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. During the year, four audit assignments were completed and final reports issued on:

- Audit Committee Effectiveness;
- Data Quality;
- GDPR Follow up; and
- Key Financial Controls.

For the reviews completed, the GIAA found there were no fundamental or systemic control weaknesses by design or application, fraud and other material irregularities in the business areas, systems and processes of the SSRO to report to the Audit Committee.

GIAA presented a summary of the work of internal audit to the Audit Committee at its March 2020 meeting, where the Committee also approved an internal audit programme for 2020/21.

A substantial assurance Head of Internal Audit Opinion was issued in June 2020. A substantial rating reflects that, based on GIAA's completed reviews, the framework of governance, risk management and control is adequate and effective.

### 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 internal and external auditors are 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 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. The IT Strategy is kept under review to ensure ongoing compliance with relevant guidelines and a scalable and resilient infrastructure to meet the needs of the business. The SSRO procures off the shelf and specialist systems, services and expertise 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 guidance on the Government Security Classifications, and the SSRO Information Classifications and Handling Policy. In parallel with control actions in respect of the SSRO's corporate infrastructure, security accreditation was received and is being maintained for DefCARS, 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 was one breach that the SSRO reported to the Information Commissioner's Office. This involved an external provider that accidentally made limited personal SSRO staff data available to other SSRO staff. The error was noticed in less than an hour and immediate action taken to rectify the breach. The Information Commissioner's Office confirmed that the SSRO's response to the breach was sufficient and no further action was required.

## Significant control issues

No significant control issues arose during 2019/20 that need reporting in the Governance Statement. The National Audit Office has not raised any issues of significance in its Management Letter for 2019/20, and neither has the GIAA. 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 2019/20 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 any 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 is approved by the Minister for Defence Procurement.

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.

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.

## Salary and pension entitlements

The following sections provide remuneration and pension details of the SSRO during 2019/20 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.

### 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 2019/20.

### Pension

The Chief Executive, Executive Directors and employees are all auto enrolled into the Civil Service Pension Scheme but do have the option to opt out at any point. 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 three months' 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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000			£000	£000	£000	£000
<b>Chief Executive</b>										
Neil Swift	145-150	140-145								
Annual equivalent	145-150	140-145	15-20	15-20	2,600	2,500	48	58	210-215	220-225
<b>Executive Committee</b>										
David Galpin	125-130	120-125								
Annual equivalent	125-130	120-125	0-5	0-5	0	0	37	49	165-170	175-180
Colin Hill	75-80	15-20								
Annual equivalent	75-80	70-75	0-5	0-5	0	0	30	7	105-110	20-25
Matthew Rees	100-105	105-110								
Annual equivalent	100-105	105-110	0-5	0-5	0	0	18	17	120-125	130-135
Mike Wetherell [1]	60-65									
Annual equivalent	100-105	0	0-5	0	1,300	0	24	0	90-95	0
Graham Payne [2]	40-45	90-95								
Annual equivalent	100-105	95-100	0	0-5	700	1,600	16	36	55-60	130-135

[1] Mike Wetherell was appointed as the SSRO's Interim Director of Corporate Services on 15 August 2019.

[2] Graham Payne was appointed as the SSRO's Interim Director of Corporate Services on 1 May 2018. From 29 November 2017, he was engaged as the SSRO's Interim Director of Corporate Services via an agency contract. Graham finished his contract and left the SSRO on 30 August 2019.

[3] 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 2020	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV	Employer contributions to the partnership pension account (to nearest £100)
	£000	£000	£000	£000	£000	
Neil Swift	15-20	2.5-5.0	197	154	27	0
David Galpin	10-15	0-2.5	142	111	19	0
Colin Hill	0-5	0-2.5	30	5	18	0
Matthew Rees	0	0	0	0	0	18
Mike Wetherell	0-5	0-2.5	17	0	12	0
Graham Payne	0-5	0-2.5	40	28	9	0

The SSRO has not made any early retirement payments to Directors during 2019/20 (2018/19: 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 the appointed provider - Legal & General. 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](http://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 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 because 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 2019/20 (2018/19: nil).



## 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, pension or any other 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 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 a 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.

		2019/20	2018/19
	Date appointed	£000	£000
<b>Chair</b>			
George Jenkins Annual equivalent	January 2017	70-75 70-75	70-75
<b>Non-executive Board members</b>			
Mary Davies [1] Annual equivalent	September 2017	10-15 10-15	10-15
Peter Freeman Annual equivalent	September 2017	10-15 10-15	10-15
Terence Jagger [2] Annual equivalent	January 2017	5-10 10-15	15-20
David Johnston [3] Annual equivalent	June 2016	15-20 15-20	15-20
Marta Phillips Annual equivalent	September 2014	10-15 10-15	10-15

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

[2] Terence Jagger finished his term on 21 January 2020.

[3] David Johnston worked a total of 9.5 additional days during the year.

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

[5] 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.

	31 March 2020	31 March 2019
	£	£
Highest paid director's total remuneration band	165,000 – 170,000	160,000 – 165,000
Median total remuneration	72,637	77,287
<b>Ratio</b>	<b>2.3</b>	<b>2.1</b>

During the year to 31 March 2020 there were no employees receiving a higher remuneration than the highest paid director (2018/19: nil). SSRO employee remuneration ranges from £28,194 to £131,112 (2018/19: £25,600 to £129,000). The median total remuneration decreased in 2019/20. This resulted from ongoing reviews of role requirements as vacancies arose, with some posts being filled at lower rates.

## Staff report

### Staff policies

During the 2019/20 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.

	2019/20	2018/19
Permanent [1]	39	37
Non-payroll [2]	1	2
<b>Total</b>	<b>40</b>	<b>39</b>

[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.

	2019/20			2018/19		
	Employed staff	Non-payroll staff	Total	Employed staff	Non-payroll staff	Total
	£000	£000	£000	£000	£000	£000
Salary	3,047	32	3,079	3,027	134	3,161
Social security	366	0	366	364	0	364
Pension	810	0	810	635	0	635
Other benefits	84	0	84	70	0	70
<b>Total costs</b>	<b>4,307</b>	<b>32</b>	<b>4,339</b>	<b>4,096</b>	<b>134</b>	<b>4,230</b>
<b>Less secondment costs recovered</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>0</b>	<b>48</b>
<b>Net costs</b>	<b>4,307</b>	<b>32</b>	<b>4,339</b>	<b>4,048</b>	<b>134</b>	<b>4,182</b>

## Staff composition

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

	2019/20		2018/19	
	Male	Female	Male	Female
Chief Executive and Directors	3	0	3	0
Employees	21	15	23	11
<b>Total</b>	<b>24</b>	<b>15</b>	<b>26</b>	<b>11</b>

Non-Executive Board Members are not included in the staff composition figures.

## Staff sickness absence

During 2019/20 the average level of sickness absence was two days per employee (2018/19: two days).

## Exit packages (audited)

There were no redundancies or other departure costs during the year to 31 March 2020 (2018/19: nil).

## Contingent labour expenditure

The SSRO incurred costs of £32,000 on contingent labour during 2019/20 (2018/19: £134,000). These costs decreased in 2019/20 as the SSRO filled vacant posts.

## Consultancy expenditure

The SSRO incurred no consultancy expenditure during 2019/20 (2018/19: £27,000).

## Off-payroll engagements

During the year to 31 March 2020 the SSRO had no off-payroll engagements for more than £220 per day that lasted for longer than six months (2018/19: nil).

As at 31 March 2020 the SSRO had no off-payroll contract engagement for more than £220 per day that lasted for longer than six months (2018/19: one).

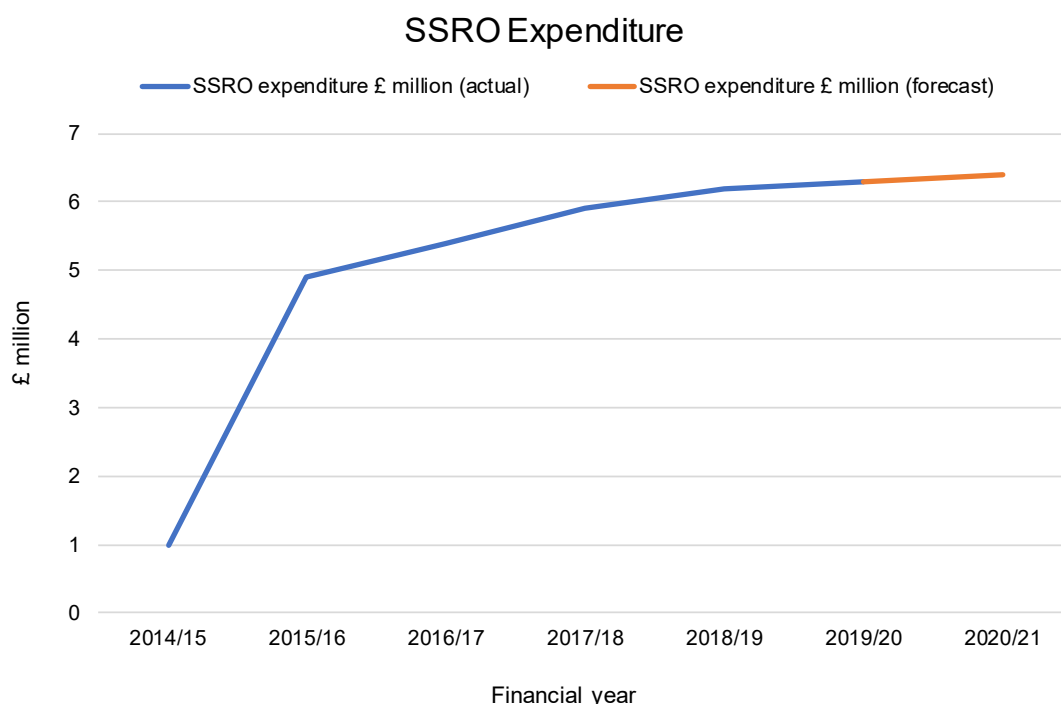
The SSRO had 13 Board members and/or senior officials with significant responsibility during the period to 31 March 2020 (2018/19: 12). One of these senior officials, Graham Payne, finished their contract on 30 August 2019 and was replaced by Mike Wetherell. None of these Board members or Senior Officials were off-payroll engagements.

# Parliamentary accountability and audit report

## Regularity of expenditure (audited)

All expenditure incurred in the period to 31 March 2020 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's 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 being incurred. Its expenditure trend since inception and forecast the next 12 months is shown below.



## Losses and special payments (audited)

There were no losses or special payments during the year to 31 March 2020 (2018/19: nil).

## Remote contingent liabilities (audited)

The SSRO has no remote contingent liabilities as at 31 March 2020 (2018/19: nil).

Accounting Officer

29 June 2020

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 Regulations Office for the year ended 31 March 2020 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 Single Source Regulations Office's affairs as at 31 March 2020 and of 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Single Source Regulations Office's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Single Source Regulations Office have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Single Source Regulations Office's ability to continue to adopt the going concern basis.

## 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 Regulations 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.
- Conclude on the appropriateness of the Single Source Regulations Office'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 Regulations Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Single Source Regulations Office to cease to continue as a going concern.

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, but does not include 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 Regulations 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**

**Date: 30 June 2020**

**Comptroller and Auditor General**

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 2020

		Year to 31 March 2020	Year to 31 March 2019
	Note	£000	£000
<b>Operating income</b>			
Other operating income	2	0	48
<b>Total operating income</b>		<b>0</b>	<b>48</b>
<b>Operating expenditure</b>			
Staff costs	3	4,339	4,230
Information Technology	4	600	671
Accommodation	4	668	648
Purchase of other goods and services	4	483	509
Depreciation and amortisation	4/5/6	246	235
Provisions	4/10	0	(97)
<b>Total operating expenditure</b>		<b>6,336</b>	<b>6,196</b>
<b>Net expenditure for the period</b>		<b>6,336</b>	<b>6,148</b>
<b>Other comprehensive net income</b>			
Items which will not be classified to net operating costs			
Net gain on revaluation of plant and equipment	5/12	(2)	(4)
Net gain on revaluation of intangibles assets	6/12	(6)	(6)
<b>Total other comprehensive net income</b>		<b>(8)</b>	<b>(10)</b>
<b>Total comprehensive net expenditure for the year</b>		<b>6,328</b>	<b>6,138</b>

The Notes to the Financial Statements on pages 49 to 58 form part of these accounts.

# Statement of Financial Position

as at 31 March 2020

		As at 31 March 2020	As at 31 March 2019
	Note	£000	£000
<b>Non-current assets</b>			
Plant and equipment	5	263	363
Intangible assets	6	230	339
<b>Total non-current assets</b>		<b>493</b>	<b>702</b>
<b>Current assets</b>			
Other receivables	7	184	157
Cash and cash equivalents	8	208	220
<b>Total current assets</b>		<b>392</b>	<b>377</b>
<b>Total assets</b>		<b>885</b>	<b>1,079</b>
<b>Current liabilities</b>			
Trade and other payables	9	328	332
<b>Total current liabilities</b>		<b>328</b>	<b>332</b>
<b>Total assets less current liabilities</b>		<b>557</b>	<b>747</b>
<b>Non-current liabilities</b>			
Provisions	10	84	84
<b>Total non-current liabilities</b>		<b>84</b>	<b>84</b>
<b>Total assets less total liabilities</b>		<b>473</b>	<b>663</b>
<b>Taxpayers' equity and other reserves</b>			
General Fund	11	443	629
Revaluation Reserve	12	30	34
<b>Total equity</b>		<b>473</b>	<b>663</b>

The Notes to the Financial Statements on pages 49 to 58 form part of these accounts.



Accounting Officer  
29 June 2020

# Statement of Cash Flows

for the year to 31 March 2020

		Year to 31 March 2020	Year to 31 March 2019
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(6,336)	(6,148)
Depreciation	5	131	127
Amortisation	6	115	108
Loss on disposal of plant and equipment	5	0	1
Increase in other receivables	7	(27)	(27)
(Decrease) in trade payables	9	(4)	(120)
(Decrease) in provisions	10	0	(74)
<b>Net cash outflow from operating activities</b>		<b>(6,121)</b>	<b>(6,133)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(29)	(105)
Purchase of intangible assets	6	0	(18)
<b>Net cash outflow from investing activities</b>		<b>(29)</b>	<b>(123)</b>
Grant in Aid	11	6,138	4,431
<b>Net inflow from financing activities</b>		<b>6,138</b>	<b>4,431</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(12)</b>	<b>(1,825)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>220</b>	<b>2,045</b>
<b>Cash and cash equivalents at the year end</b>	<b>8</b>	<b>208</b>	<b>220</b>

The Notes to the Financial Statements on pages 49 to 58 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year to 31 March 2020

	General fund	Revaluation reserve	Taxpayers' equity
	£000	£000	£000
<b>Balance at 31 March 18</b>	<b>2,336</b>	<b>34</b>	<b>2,370</b>
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
<b>Balance at 31 March 2019</b>	<b>629</b>	<b>34</b>	<b>663</b>
Total Grant in Aid received	6,138	0	6,138
Total comprehensive expenditure	(6,336)	0	(6,336)
Asset revaluation gains	0	8	8
Reserves transfer	12	(12)	0
<b>Balance at 31 March 2020</b>	<b>443</b>	<b>30</b>	<b>473</b>

# 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 2019/20 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 prepares these accounts using the historical cost convention, adjusted to account for the revaluation of non-current assets to their value to the business by reference to their current value in existing use.

### 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 has 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 has 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 standards that are, or will be, applicable.

IFRS 16 Leases (effective 1 January 2019), requiring all significant leases to be included in the Statement of Financial Position, will impact some disclosures around the SSRO's financial statements. This standard was due to be adopted by the public sector from 1 April 2020, but the implementation has been deferred by HMT to 1 April 2021 as a result of the circumstances caused by Covid-19.

The SSRO has one Memorandum of Terms of Occupation agreement in place that is covered by this standard, which is for the third floor of Finlaison House. The agreement expires in July 2023, and the value remaining on it as at 31 March 2020 is £1,269,000.

### 1.5 Grant in Aid

The SSRO treats Grant in Aid from the MOD, whether revenue or capital, as a contribution from a controlling party giving rise to financial interest in our organisation and we credit these funds directly to the fund reserve.



## **1.6 Value added tax (VAT)**

The SSRO is not registered for VAT, therefore any VAT incurred is not recoverable. The SSRO expenses any VAT to the Statement of Net Expenditure, or capitalises it for the purchase of non-current assets in the year it is incurred.

## **1.7 Property, plant and equipment**

The SSRO capitalises office refurbishments, computer equipment purchases and other equipment purchases for individual purchases over £1,000, or grouped purchases over £5,000. The SSRO capitalises 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.

## **1.8 Intangible assets**

The SSRO capitalises 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 provides for depreciation on all property, plant and equipment non-current assets and amortisation of intangible non-current assets. The SSRO calculates 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 has 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 charges 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 the SSRO include in their 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 MHCA indices provided by the MOD.
- Provisions (note 10) - the SSRO estimates 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 2020	Year to 31 March 2019
<b>Other operating income</b>	<b>£000</b>	<b>£000</b>
Secondment income	0	(48)
<b>Total operating income</b>	<b>0</b>	<b>(48)</b>

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 2020	Year to 31 March 2019
<b>Staff costs</b>	<b>£000</b>	<b>£000</b>
Salary	3,079	3,161
Social security	366	364
Pension	810	635
Other benefits	84	70
<b>Total staff costs</b>	<b>4,339</b>	<b>4,230</b>

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 2020	Year to 31 March 2019
<b>Other expenditure</b>	<b>£000</b>	<b>£000</b>
Information Technology	600	671
Accommodation costs - lease	373	364
Accommodation costs – other	295	284
Depreciation	131	127
Publications and Subscriptions	120	117
Amortisation	115	108
Outsourced Services	95	21
Staff Training	63	81
Professional Services	51	130
Travel and Subsistence	35	30
Audit fee - internal	34	37
Recruitment	25	38
Audit fee - external	21	20
Insurance	16	15
Office Supplies and Services	13	13
Legal Services	8	4
Other lease costs	1	1
Bank charges	1	1
Accommodation costs – provisions	0	(97)
Loss on disposal of plant and equipment	0	1
<b>Total other expenditure</b>	<b>1,997</b>	<b>1,966</b>

The external audit fee for 2019/20 is £21,400 (2018/19: £20,400). During the year to date, 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
<b>Cost</b>				
At 1 April 2019	371	110	275	756
Additions	3	0	26	29
Revaluation	5	0	0	5
<b>At 31 March 2020</b>	<b>379</b>	<b>110</b>	<b>301</b>	<b>790</b>
<b>Depreciation</b>				
At 1 April 2019	178	62	153	393
Charged in year	46	22	63	131
Revaluation	3	0	0	3
<b>At 31 March 2020</b>	<b>227</b>	<b>84</b>	<b>216</b>	<b>527</b>
<b>Net book value</b>				
<b>At 31 March 2020</b>	<b>152</b>	<b>26</b>	<b>85</b>	<b>263</b>
<b>Cost</b>				
At 1 April 2018	335	94	222	651
Additions	30	22	53	105
Disposals	0	(6)	0	(6)
Revaluation	6	0	0	6
<b>At 31 March 2019</b>	<b>371</b>	<b>110</b>	<b>275</b>	<b>756</b>
<b>Depreciation</b>				
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
<b>At 31 March 2019</b>	<b>178</b>	<b>62</b>	<b>153</b>	<b>393</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>193</b>	<b>48</b>	<b>122</b>	<b>363</b>

All property, plant and equipment non-current assets are owned by the SSRO. There have been no impairments during the year to 31 March 2020. 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 have been revalued at 31 March 2020. Relevant MHCA indices have 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.

	<b>Software</b>
	<b>£000</b>
<b>Cost</b>	
At 1 April 2019	539
Revaluation	9
<b>At 31 March 2020</b>	<b>548</b>
<b>Amortisation</b>	
At 1 April 2019	200
Charged in year	115
Revaluation	3
<b>At 31 March 2020</b>	<b>318</b>
<b>Net book value</b>	
<b>At 31 March 2020</b>	<b>230</b>
<b>Cost</b>	
At 1 April 2018	514
Additions	18
Disposals	0
Revaluation	7
<b>At 31 March 2019</b>	<b>539</b>
<b>Amortisation</b>	
At 1 April 2018	91
Charged in year	108
Disposals	0
Revaluation	1
<b>At 31 March 2019</b>	<b>200</b>
<b>Net book value</b>	
<b>At 31 March 2019</b>	<b>339</b>

All intangible non-current assets are owned by the SSRO. There have been no impairments during the year to 31 March 2020. In line with FReM guidance, intangible assets have been revalued at 31 March 2020. MHCA indices have been 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 2020	31 March 2019
	£000	£000
Other receivables	50	21
Prepayments	134	136
<b>Total other receivables</b>	<b>184</b>	<b>157</b>

All SSRO receivables fall due within one year.

## 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 2020	31 March 2019
	£000	£000
Balance at 1 April	220	2,045
Net change in cash and cash equivalents	(12)	(1,825)
<b>Balance at 31 March</b>	<b>208</b>	<b>220</b>

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 2020	31 March 2019
	£000	£000
Trade and other payables	24	0
Accruals	189	218
HMRC	115	114
<b>Total trade and other payables</b>	<b>328</b>	<b>332</b>

There were no outstanding invoices at 31 March 2020 (2018/19: nil). During the year to 31 March 2020, 98 per cent of undisputed invoices were paid within 5 days (2018/19: 99 per cent).



## Note 10: Provisions

This note shows the movement in provisions during the year.

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
<b>Opening balance at 1 April</b>	<b>84</b>	<b>158</b>
(Decrease)/increase in provisions	0	(74)
<b>Total provisions at 31 March</b>	<b>84</b>	<b>84</b>

The SSRO's provision is for dilapidations and is based on a valuation report provided by an independent surveyor at the 31 March 2019, 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. The provision has been reviewed at 31 March 2020 and remains unchanged as have been no significant changes to the building or third floor during the year. Any cash outflow is expected at the end of the lease in June 2023.

## Note 11: General Fund

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

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
<b>General fund brought forward 1 April</b>	<b>629</b>	<b>2,336</b>
Grant in Aid received	6,138	4,431
Net operating expenditure	(6,336)	(6,148)
Transfer from revaluation reserve	12	10
<b>General Fund carried forward 31 March</b>	<b>443</b>	<b>629</b>

## Note 12: Revaluation Reserve

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

	Year to 31 March 2020	Year to 31 March 2019
	£000	£000
<b>Revaluation reserve brought forward 1 April</b>	<b>34</b>	<b>34</b>
Net gain on revalued non-current assets	8	10
Transfer to general fund	(12)	(10)
<b>Revaluation reserve carried forward 31 March</b>	<b>30</b>	<b>34</b>

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 were reviewed as at 31 March 2020.

## 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 2020 (2018/19: 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 2020	31 March 2019
	£000	£000
Due within one year	381	373
Due up to five years	888	1,267
<b>Total future minimum payments for non-cancellable operating leases for properties</b>	<b>1,269</b>	<b>1,640</b>

The SSRO spent £372,671 on operating lease payments for property during the year to 31 March 2020 (2018/19: 364,000).

## Note 16: Contingent assets and liabilities

As at 31 March 2020, the SSRO has no contingent assets or liabilities (2018/19: nil).

## 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 are disclosed at 31 March 2020.

### Key management personnel

There are no related party transactions to report in the period to 31 March 2020 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 £6,138,000 (2018/19: £4,431,000). The SSRO didn't receive any services from the MOD during the year (2018/19: £12,000). There were no balances due or payable by the SSRO as at 31 March 2020 (2018/19: nil).

## Other government departments

Government Actuaries Department (GAD): during the year, the SSRO were invoiced £563,000 by GAD for services they received (2018/19: £522,000). There was £9,000 payable (accrued) to GAD as at 31 March 2020 (2018/19: £17,000). 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 £12,000 for services provided to them (2018/19: £20,000). There were no balances due or payable to the SSRO as at 31 March 2020 (2018/19: nil). These payments were due under contracts for outsourced Finance and HR services provided by Ofgem.

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

UK Government Investments (Defence) has this year conducted a Tailored Review of the SSRO. The report was published on 7 April 2020. The review found that there is a continuing need for the SSRO. There were no changes to the SSRO's accounts as a result of this publication.

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

