

**SSRO**

Single Source  
Regulations Office

# SSRO CORPORATE PLAN 2021-2024



# Chairman's Foreword

The extraordinary and unprecedented impact of the global COVID-19 pandemic on all our lives made 2020/21 an exceptionally challenging year for most businesses. Recognising this, the SSRO monitored impacts on company reporting to ensure the robustness of our profit rate assessment. We highlighted to the MOD and industry the aspects of our guidance relevant to COVID-affected costs and we supported contractors to continue to comply with reporting requirements where they could. We worked throughout the year almost entirely virtually, continuing to engage with and support stakeholders, and deliver our objectives. It was a testament to our excellent people and their use of technology.

Looking forward, we will continue to examine the impacts of the COVID-19 pandemic and will keep our profit rate methodology under review. We intend to discuss with the MOD and industry how we can further optimise our ways of working and use of technology. At the same time, we will carry forward relevant multi-year activities from the previous corporate plan such as our work on overhead cost recovery.

We recognise the significance of the reforms set out in the Defence and Security Industrial Strategy which will drive the Secretary of State's review of our legislative framework. We will play our part in these reforms and support the MOD and industry in the implementation of changes to the regulatory framework by developing guidance and making changes to DefCARS.

We recognise that fundamental changes may arise as we emerge from the pandemic and adjust to impacts in the UK of having left the EU. We will be engaging with these changes and responding appropriately.

**George Jenkins OBE**



# The SSRO - Who we are

The Single Source Regulations Office (SSRO) is an executive non-departmental public body, sponsored by the Ministry of Defence (MOD). We were established by the Defence Reform Act 2014, which also created a regulatory framework for single source defence contracts, placing controls on the pricing of qualifying contracts and requiring greater transparency on the part of defence contractors.

We provide independent, expert leadership on the regulation of single source contracts and carry out a range of statutory functions in support of the regulatory framework. When exercising our functions, we aim to ensure that good value for money is obtained in government expenditure on qualifying defence contracts, and that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts.

We apply a clear and robust methodology for assessing and recommending the rates that should apply when calculating contract profit rates. We give clear, principles-based pricing guidance that facilitates the agreement of contract costs and profits. Our opinions and determinations resolve disputes and clarify contract-specific issues.

We collect data on qualifying contracts and suppliers which provides a valuable, growing evidence base to inform value for money and fair and reasonable prices. Our platform for receiving data (the Defence Contract Analysis and Reporting System or DefCARS) is secure, efficient and minimises the reporting burden on contractors. We provide support and guidance to contractors to help them use DefCARS and understand their reporting obligations. We review report submissions and promote the provision of quality data.

DefCARS supports effective analysis and we promote use of the data in support of procurement decisions, contract management and development of the regulatory framework.

By engaging closely with the MOD, industry and other stakeholders, we explore multiple points of view to make technically sound improvements to the framework for contract pricing. We identify best practices from the UK and around the world and use them to develop optimal solutions to identified issues.

We set out in our vision, priorities and objectives how we can increase the value we add. We continue to explore and are open to ways we can maximise the positive impact of our work.

**By 31 December 2020, 340 qualifying contracts with a total estimated contract price of over £48 billion.**

**Mean estimated duration of contracts was 4.3 years.**

**As at 31 March 2020, 120 different companies had qualifying contracts.**

# Our values

Our people bring a diverse range of skills to the regulation of single source contracts. We include accountants, economists, lawyers, analysts, and specialists in defence, regulatory policy, IT, procurement and contracting roles. We are committed to our statutory aims and united by our four core values.



## Inclusive

People are our greatest asset. We work as a team, valuing our diversity, and supporting each other to contribute our best in an environment of trust. We promote equality and diversity in all our work. We seek input from a diverse range of stakeholders.



## Independent

We occupy an important space between government and industry, speaking and operating freely, impartially and with integrity to deliver our statutory functions.



## Authoritative

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



## Transparent

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

# Our statutory functions

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



## Records

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



## Contract Profit Rate

Recommending the appropriate baseline profit rate, capital servicing rates and SSRO funding adjustment for use in calculating contract profit rates.



## Guidance

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



## Review

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



## Referrals

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



## Compliance

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



## Analysis

Analysing reported data on request for the Secretary of State.

# Our 2025 vision

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

Our vision for the regulatory framework and the SSRO looks ahead to 2025. Achieving real change takes time and this Corporate Plan for 2021 to 2024 represents part of the journey.

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

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

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

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

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

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

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

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



# Our priorities

Our priorities and the activities set out under each of our objectives will help us achieve our 2025 vision. We have four objectives linked to the delivery of our regulatory functions and three supporting objectives related to stakeholder engagement, resources and digital transformation. We have prioritised some key activities to successfully deliver these objectives and achieve our vision.

The activities in this plan will support developments such as the government's Integrated Review, the Defence and Security Industrial Strategy, potential reform of procurement rules following the UK's exit from the EU and the planned review of our legislation. We will monitor these developments and respond flexibly and appropriately to relevant changes.

We have increased our focus on issues associated with determining allowable costs. With this in mind, we are undertaking a substantial multi-year piece of work to examine overhead cost recovery and the associated rates used in single source contracts, with a view to developing new guidance in this area.

Our work on profit will continue. We will give due consideration to the impact of the COVID-19 pandemic on our profit rate methodology and we will review the methodology during the life of the plan.

We will work to ensure statutory reporting operates as intended, through developments to reporting requirements, new guidance and changes to DefCARS. We aim to improve the collection and use of descriptive, segmented information about contract amendments and variances and improve understanding of the causes of cost growth.

The future development of DefCARS remains a priority. We will secure the provision of the existing system and work with the MOD and industry stakeholders to build a shared understanding of the benefits to be obtained from further investment in the system.

We will support the Secretary of State's periodic review of the provision of the regulatory framework, which will involve working jointly with the MOD and industry stakeholders. In June 2020, we published findings from our own review of aspects of the framework and expect to make recommendations to inform the Secretary of State's periodic review of the provision of the regulatory framework in June 2021. We will support implementation of any changes to the regulatory framework by developing amended or new guidance and making changes to DefCARS. We may need to reprioritise our work to accommodate the legislative timetable.

Realising the vision set out in our Data Strategy for utilisation of reported data will depend on engaged stakeholders and ready access to those within the MOD who use, or could potentially use, the data. We will work with the MOD to help foster and support increased use of the data held in DefCARS.

We will apply our risk-based approach to keeping under review how defence contractors are complying with reporting obligations, and we will feed back and publish information which helps to drive improved reporting. We will continue to work constructively with industry and the MOD (through our Data Board and our projects) to drive up the quality of reported data and support the benefits derived from its use.

There continues to be strong demand for guidance from our stakeholders and we will work with them to develop a sufficiently flexible and responsive approach to guidance. In some instances, we need to deliver high quality guidance quickly, while more time is needed for dealing with difficult issues. We will consider the potential for digitisation and use of technology to deliver our guidance in a more accessible and interactive format.

We will prioritise the provision of high quality, timely responses to questions referred by contracting parties. The development of the regulatory framework would benefit from further referrals and we aim to identify and remove barriers to industry or the MOD making referrals. We will provide active, pre-referral support to the MOD and contractors when they raise potential referral questions with us. We will review our approach to guidance development and will consider whether we can improve how we respond to issues raised outside of the referral context.

Our emphasis on effective engagement and continuously improving how we engage will continue throughout the life of this Plan. We will maximise the benefits of project-specific stronger stakeholder relationships. Improving our reach into the MOD will be essential, without reducing our engagement with industry.

We are exploring our ways of engagement and working in light of lessons learned from the COVID-19 pandemic. We expect to discuss these matters with stakeholders.

Accessing the skills we need to deliver our objectives and vision will continue to be a priority. We will recruit staff with expertise drawn from a range of relevant, professional domains, including those with relevant MOD or defence industry experience, and make appropriate use of secondments and contractors. We are pursuing access to external experts with strong experience of procuring, delivering and operating large scale single source contracts, large capital projects and related matters.

Much of the work of this plan is expected to be delivered across the life of the plan, rather than in a single year. Achieving some of our planned work is likely to require additional financial investment. This includes one-off capital investments, when resources allow, to fully achieve our digital transformation ambitions for DefCARS and other processes and deliver the resulting financial and other benefits.

We have included key performance indicators for each objective. We have included a range of quantitative and qualitative indicators in the plan and continued moving to a greater proportion of outcome-based indicators compared to output indicators. Our indicators are an appropriate mix of short-term annually reported indicators and those which are assessed at longer intervals (e.g. through the stakeholder survey undertaken every two years). Percentage targets associated with some indicators are intended to be stretching, but realistic drivers of performance improvements. We have increased the following targets from previous plans: Objective 4 - Proportion of contract reports submitted that are complete and meet the requirements of the legislation at the first attempt (target 60%); and Objective 5 - Substantive responses to SSRO helpdesk queries provided within 5 working days (target 90%).

We will prioritise our work and activities in consultation with stakeholders and we will use their feedback and input as a key part of the evidence base for delivering our statutory functions. In prioritising our work, we will consider the following criteria:



### **Stakeholder feedback**

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



### **Benefits**

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



### **Urgency**

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



### **Cost**

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

# Objective 1

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

We will consider and respond to questions referred to us by the MOD and industry in relation to proposed or existing qualifying contracts. Questions may be referred on a variety of grounds and generally involve the SSRO giving expert opinions or making determinations. Past referrals have considered the appropriate cost risk adjustment and the extent to which costs are allowable (e.g. labour, sales and marketing, price risk and faulty workmanship).

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

Six questions have so far been referred that could be progressed to decision in line with legislation, and the SSRO believes the development of the regulatory framework would benefit from further referrals. We aim to encourage parties to make referrals where this could help them to apply the regulatory requirements and agree contracts, providing appropriate levels of pre-referral support.

We will work with stakeholders during the plan period to identify and remove barriers to industry or the MOD making referrals. Our early work will consider how we can deliver decisions on referred matters more quickly where this is needed. We will establish procedures for exercising the SSRO's power to require the payment of costs by one party to another when giving an opinion or making a determination on referred matters. We will review our approach to guidance development and consider whether we can improve how we respond to issues raised outside of the referral context.

### Our vision for 2025

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

### KPIs



- Annual increase in the number of referrals made to the SSRO
- Opinions and determinations are completed within target timeframes
- Proportion of stakeholders involved in a referral who agree the SSRO engaged effectively throughout the referral (target 75%)

# Objective 2

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

We will provide the Secretary of State with annual assessments of the appropriate baseline profit rate, capital servicing rates and SSRO funding adjustment. Our approach will be based on the SSRO's published methodology, which is stable, has been accepted by the Secretary of State and supports the calculation of contract profit rates that are value for money for government and fair and reasonable for contractors.

We will keep our baseline profit rate methodology under review, which we expect to include consideration of:

- the impact of COVID-19;
- any need to introduce new comparator groups or change existing ones, for example in response to changes in the MOD's purchasing; and
- developments in accounting standards, transfer pricing and representations from industry and MOD that may affect the methodology.

We have increased our focus on issues associated with determining allowable costs. We are undertaking a substantial multi-year piece of work to examine the rates and overhead cost recovery in single source contracts. Our aim is to develop new allowable costs guidance but also to improve the reporting of rates and overheads. The project involves working closely with stakeholders to explore current practices and areas for improvement. To give the project due consideration, we have moved away from the annual cycle of updates to our allowable costs guidance.

We see difficulties with overhead recovery, evidenced by delays in agreeing rates, use of provisional pricing and confusion around the application of guidance. Our overhead project is intended to put in place stronger allowable cost guidance on determining when overheads are allowable. We also want to achieve better statutory reporting that supports timely agreement of overhead costs. We are collaborating closely with stakeholders, as we recognise there are long-established processes and practices, some of which are beyond the SSRO's reach.

### Our vision for 2025

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

The Secretary of State's periodic review of the provision of the regulatory framework may result in legislative changes, during the life of this plan, to the pricing provisions of the regulatory framework. Changes being considered by the MOD affect the six steps in the contract profit rate calculation such as step two (cost risk adjustment) and step five (incentive adjustment). In response to such changes we will review and update the relevant pricing methodologies and guidance, which may affect the timing of other work, such as our overheads project.

### KPIs

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

# Objective 3

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

We will apply our independent expertise to keep Part 2 of the Act and the Regulations under review and recommend appropriate changes to the Secretary of State. This is an important mechanism for improving operation of the regulatory framework, as the Secretary of State must have regard to these recommendations when completing periodic reviews of the regulatory framework.

We will support the Secretary of State's periodic review of the provision of the regulatory framework in 2021 which is seeking to implement the reforms set out in the Defence and Security Industrial Strategy. This will involve working jointly with the MOD and industry stakeholders to develop and implement proposals for change. We published findings in June 2020 after reviewing aspects of the framework and expect to make recommendations to inform the Secretary of State's periodic review of the provision of the regulatory framework in June 2021.

Our own ongoing review of the regulatory framework will consider information gathered from across our work, including compliance reviews, the annual compliance reports, support to contractors, development of our guidance and methodologies, and engagement with industry and the MOD. We will identify issues and prioritise action to address them in consultation with stakeholders, applying the prioritisation set out on page 7 in this plan. We will publish analysis that provides insights about qualifying defence contracts and operation of the regime.

If changes are made to the regulatory framework in response to the Secretary of State's review, we will implement changes to our pricing and reporting guidance, and DefCARS. The scope of this work and the timetable for it is not yet clear but will likely impact other priorities. We will adopt a flexible and proactive approach to our programming engaging closely with the MOD and other stakeholders.

### Our vision for 2025

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



- Following engagement with our stakeholders, the SSRO will provide its recommendations for the Secretary of State's Review by no later than 30 June 2021
- Develop and deliver an implementation plan for any changes to the regulatory framework required in response to the Secretary of State's review in 2021

# Objective 4

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

Achieving an approach to single source defence procurement that is better informed by data will depend on engaged stakeholders and ready access to those within the MOD who use, or could potentially use, the data. We will build engagement levels by working with stakeholders to improve reporting and use of data in key areas of single source contracting.

Our overheads project (see Objective 2) will examine the reporting requirements for rates and overheads. We may need to recommend changes to the Secretary of State, prepare new guidance or change DefCARS to drive improved data quality, promote use of the data and better support the pricing of contracts.

We have another significant project to improve understanding of the causes of cost growth. We aim to make proportionate changes to DefCARS and our reporting guidance to enable better reporting under the existing Regulations and support analysis of quantitative and qualitative segmented information about contract amendments and variances.

We have made real improvements to data use by reviewing the MOD's consideration and application of the statutory reports. We intend to continue with these reviews throughout the period of this plan to support the MOD's implementation of the regulatory framework.

We recognise that achieving our data strategy may require demonstrating potential uses of reported data. We will continue to publish and develop statistics bulletins. We will encourage requests for analysis from the Secretary of State and provide efficient and effective responses.

DefCARS will remain our primary tool for collecting, storing, managing and providing secure access to the information submitted in reports. We will procure the ongoing provision of DefCARS and work closely with stakeholders to optimise its operation. This will include responding to any changes in reporting requirements following the Secretary of State's review, while ensuring that information entrusted to us is only available to those



- Proportion of users satisfied with DefCARS as the platform for submitting reports (target 75%)
- Proportion of contract reports submitted that are complete and meet the requirements of the legislation at the first attempt (target 60%) and that are submitted on time (target 75%)
- Proportion of reports submitted each year that are accessed by the MOD (target 75%)
- Proportion of defence contractors satisfied with the assistance and support provided by the SSRO when first entering into a qualifying contract (target 75%)
- Proportion of responses to Section 36/37 requests for provision of analysis or information provided within agreed timescales (target 100%)

### Our vision for 2025

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

with a legitimate right to access it.

We will look for ways to improve the support we provide to contractors, which includes our helpdesk, onboarding meetings and training. By listening to stakeholder views and helping them to understand their reporting obligations, our guidance and DefCARS, we will help to promote better quality data.

# Objective 5

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

Engagement is fundamental to the SSRO's evidence-based approach to its work and we will maintain a proactive programme of stakeholder engagement to underpin delivery of this Corporate Plan, our statutory functions and our vision for 2025. We will maintain the engagement mechanisms which are working well while continuously seeking to improve how we undertake our engagement.

We will periodically survey the views of stakeholders to understand how we are performing and inform improvements in our engagement. We will update our Stakeholder Engagement Strategy based on findings from the surveys and other feedback from stakeholders.

We will find better ways to reach stakeholders with whom engagement is currently limited or constrained. Improving our reach into the MOD will be essential, without reducing our engagement with industry. We have established separate working groups with MOD and industry to tackle difficult pricing issues and obstacles to the use of reported data. These have been successful, and we will explore how we may further develop and make use of communities of interest.

Our tools and systems for effective virtual or online engagement proved robust and effective during the COVID-19 pandemic. We will involve stakeholders in considering how we can maximise the benefits of this learning going forward.

We aim to have productive, trusted and open engagement with our stakeholders. To achieve this, we will consider stakeholder views and clearly communicate the reasons for our decisions or actions. There will be times when stakeholders may not agree with a decision, but we will explain why decisions are taken and show how feedback has been considered.

### Our vision for 2025

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

### KPIs



- Stakeholders consider the SSRO engages well (target 80%)
- Number of MOD stakeholders who engage with the SSRO on pricing and data issues
- Stakeholders satisfied with assistance provided by the SSRO helpdesk (target 90%)
- Substantive responses to SSRO helpdesk queries provided within 5 working days (target 90%)

# Objective 6

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

To achieve our 2025 vision, we will engage the right people with the right skills and the right knowledge. Our aim is to have an SSRO team that is skilled, agile and engaged. We will develop our people to deliver our objectives and progress their careers, ensuring understanding of the SSRO's work and the sector in which we operate. We will support each person to deliver their best, working collaboratively and flexibly as a team and adapting to changing priorities. Our people will feel valued and understand their roles. They will be enthusiastic about the work of the SSRO and willing to go the extra mile.

We recruit staff with expertise drawn from a range of relevant, professional domains, including those with MOD or defence industry experience. We will continue to use other avenues to obtain the expertise we need including temporary specialist contract staff, secondments from stakeholders, and access to external experts. Experience of procuring, delivering and operating large scale single source contracts, large capital projects and related matters will remain key areas in which to access skills. We will review our Workforce Strategy over the life of this plan and undertake a further skills audit.

Our corporate values will be evident in all we do. Consistent with this we will work to further embed our inclusion of staff and all stakeholders.

We will support the delivery of our objectives by efficiently using the right resources. Building on our experience from the COVID-19 pandemic, and engaging as necessary with internal and external stakeholders, we will pursue optimal ways of working. This will involve innovative and secure use and management of information and technology. Our governance and support processes will efficiently help people to deliver their best.

Alongside developing how we work, we will consider where we work. The SSRO's occupation of Finlaison House is due to come to an end in 2023 and we will be planning our future accommodation needs.

### Our vision for 2025

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

### KPIs



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

# Objective 7

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

We are committed to ongoing digital transformation that will build on our existing beneficial use of technology. We intend to pursue opportunities where we can make the regime more streamlined and efficient, and we will seek stakeholder support for targeted, one-off capital investments to enable this. We will consider how others do things and stay open to innovations and ideas that improve how we work.

We successfully implemented a cloud-based, paperless office and we aim to build on our capabilities for remote and flexible working. We will look for ways to work faster, better and more collaboratively with industry and the MOD.

We developed DefCARS from a series of disconnected spreadsheets into an efficient online system and we will continue to improve it. We want to reduce the administrative burden for industry and the MOD in using DefCARS. We will seek innovations in DefCARS that allow us to work better with stakeholders, drawing on findings from our other work (e.g. our overheads project and our amendments and variance project) and we will also consider:

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

If changes are made to the regulatory framework in response to the Secretary of State's review of the legislation, we will implement any required changes to DefCARS.

We will work with stakeholders to vary and improve our approach to preparing and reviewing the SSRO's guidance. We aim for flexible guidance development that quickly addresses identified issues in appropriate cases, while taking longer on more difficult problems. Drawing on best practice from other regulatory bodies, we will investigate the benefits of an online content management system for more accessible and interactive guidance.

### Our vision for 2025

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

Throughout our work we will keep all information secure. We will continue to apply up-to-date policies and practices in relation to security.



- Stakeholders, staff and members agree that the SSRO provides effective and intuitive digital tools in support of its statutory functions.

# Work programme

Our current work programme over the life of the plan is set out below. We may need to reprioritise and amend this programme to accommodate work to make changes to our pricing and reporting guidance and to DefCARS in response to changes to the regulatory framework arising from the Secretary of State's periodic review of the legislation in 2021 or other stakeholder priorities.

	2021/22	2022/23	2023/24
<b>Objective 1:</b> Resolve questions raised by defence contractors and the MOD, helping consistent and best practice application of the regulatory framework	Deliver timely opinions and determinations on referred matters		
	Explore faster opinions		Remove other barriers to referrals
	Guidance on costs	Review guidance	Review guidance
<b>Objective 2:</b> Identify and offer solutions to difficult and long-standing problems with pricing single source defence contracts	Overheads	Overheads	Other guidance
	Rates recommendation	Rates recommendation	Rates recommendation
	COVID-19 monitoring	Methodology review	
<b>Objective 3:</b> Derive insights and learning from how the regulatory framework operates and make changes or recommendations to improve it	Input to 2021 review and implement changes in guidance and DefCARS		
	Compliance reviews and annual compliance report		
	Guidance updates and responses to reporting issues		
<b>Objective 4:</b> Realise our vision that data submitted by defence contractors is fully utilised to support procurement decisions, contract management and development of the regulatory framework	Amendments and variance project		
	DefCARS service provision and re-procurement	DefCARS service provision and transition	DefCARS service provision
	Targeted MOD reviews, support to contractors, statistics and analysis		
<b>Objective 5:</b> Improve our reach and engagement with stakeholders to build our evidence base, share understanding and increase the benefits of the regulatory framework	2022 Stakeholder survey	2023 Engagement strategy	2024 Stakeholder survey
	Continuously improving engagement with MOD and industry		
<b>Objective 6:</b> Develop a skilled, agile and engaged SSRO team and equip them with the right resources and technology	Consider ways of working		Accommodation change
	Implement workforce strategy. Continue high quality deliver of governance and support.		
<b>Objective 7:</b> Enable the digital transformation of how we operate and the way we deliver our services and functions	Identify opportunities to enhance DefCARS and digitally transform how the SSRO operates.		

# Finance

The MOD has allocated the SSRO Grant in Aid of £6.35 million to fund its activities in 2021/22.

The agreed budget relates to the SSRO's objectives for 2021/22. The SSRO's costs are largely stable and recurring with less than 1 per cent of the budget unallocated to anticipated costs.

The Corporate Plan sets out the SSRO's vision and ambitions of our stakeholders. Whilst the budget reflects anticipated efficiencies, known contractual changes and inflationary pressures, it does not always reflect the resources to support the investments required over the life of the plan to address or achieve development of the regulatory framework. Additional financial investment in the form of one-off capital investments would be required to fully realise proposed developments to achieve our digital transformation ambitions for DefCARS and other processes and deliver the resulting financial and other benefits. Any investment or development we make to DefCARS will be aligned with any potential changes to reporting requirements that might arise from the Secretary of State's review of the legislation.

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

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

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

Any additional funding will be sought from the MOD through business cases in-year, and during the life of this plan.

The SSRO will continue to discuss the impact of workload volume changes or other new requirements on budgetary requirements with the MOD.



# Alternative scenarios and risk factors

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

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

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

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

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

A risk in the SSRO's Corporate Risk Register crystallised in 2020/21 and became an issue that the SSRO dealt with throughout the year, as business was disrupted due to the COVID-19 pandemic. The SSRO responded effectively, by working virtually, adapting to the latest government policy and advice, and providing regular updates to stakeholders, staff and members.

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

- a new environment emerges for single source defence contracting and the SSRO is unable to respond sufficiently rapidly or comprehensively.
- the information entered into DefCARS is of poor quality or is not used effectively.

We anticipate economic, policy and legislative changes during the period of this Corporate Plan which have potential to significantly impact both single source defence procurement and the regulatory framework:

- financial and other consequences of the global pandemic;
- the extent of the Secretary of State's periodic review of the regulatory framework and resulting changes and the pace at which they are implemented;
- procurement law reform after the UK's exit from the EU.

There is a risk we will be unable to obtain the investment needed to achieve our objectives. If the pace and scale of change are significant, we may struggle to respond. To mitigate these risks, we plan flexible prioritisation over the life of the plan, close engagement with key stakeholders and clear communication about our work.

The single source framework provides for consistent collection of comparable information across all single source contracts. To realise the benefits of the regime, only required data should be collected. The data should be good quality and fully utilised in support of single source procurement. The SSRO's Annual Compliance Reports have identified risks to both data quality and use. We want to identify an increase in use of DefCARS data by the MOD, without which we cannot know whether the data collected best meets the MOD's needs. We will coordinate delivery of our statutory functions in line with our data strategy to influence, promote and support effective use by stakeholders of data derived from the framework.

# Performance in 2020/2021

Objective	Target	Performance
<b>1: Resolve questions raised by defence contractors and the MOD, helping consistent and best practice application of the regulatory framework</b>		
Opinions and determinations are completed within target timeframes	-	We received no referrals in 2020/21
Proportion of stakeholders involved in a referral who agree the SSRO engages effectively throughout the referral	75%	85%
<b>2: Identify and offer solutions to difficult and long-standing problems with pricing single source defence contracts</b>		
Stakeholders solve single-source pricing problems aided by or using the solutions identified by the SSRO	-	2022 stakeholder survey
Provide assessments to the Secretary of State of the baseline profit and capital servicing rates that demonstrably support value for money and fair and reasonable prices	-	Met
Proportion of stakeholders who agree the SSRO's guidance is clear and applicable	75%	84%
<b>3: Derive insights and learning from how the regulatory framework operates and make changes or recommendations to improve it</b>		
Following engagement with our stakeholders, the SSRO will provide its recommendations for the Secretary of State's Review by no later than 30 June 2020	-	Met
Develop and deliver an implementation plan for any changes to the regulatory framework required in response to the Secretary of State's 2020 review	-	Review postponed
<b>4: Realise our vision that data submitted by defence contractors is fully utilised to support procurement decisions, contract management and development of the regulatory framework</b>		
Proportion of users satisfied with DefCARS as the platform for submitting reports	75%	72%
Proportion of contract reports submitted where Reporting obligations have been met first time for all reports submitted, in accordance with the Regulations and relevant statutory guidance	35%	42% at 28 Feb 2021 <sup>1,2</sup>
Proportion of contract reports submitted on time	75%	68% at 28 Feb 2021 <sup>1</sup>
Proportion of reports submitted each year that are accessed by the MOD	75%	55% at 31 Jan 2021 <sup>1,3</sup>
Proportion of defence contractors satisfied with the assistance and support provided by the SSRO when first entering into a qualifying contract	75%	100%
Response to Section 36/37 requests for provision of analysis or information provided within agreed timescales	100%	None received
<b>5: Improve our reach and engagement with stakeholders to build our evidence base, share understanding and increase the benefits of the regulatory framework</b>		
Stakeholders consider the SSRO engages well	80%	91%
Number of MOD stakeholders that engage with the SSRO on pricing and data issues	-	2022 stakeholder survey
Stakeholders satisfied with assistance provided by the SSRO helpdesk	90%	94%
Substantive responses to SSRO helpdesk queries provided within 10 working days	90%	99%
<b>6: Develop a skilled, agile and engaged SSRO team and equip them with the right resources and technology</b>		
Manage our financial expenditure to within 2% of our corporate budget without exceeding our Grant-in-Aid limit	-2%	-2.7%
Employee survey results for overall engagement	70%	50%
Average number of days spent per person per annum on training	3 days	3 days
<b>7: Enable the digital transformation of how we operate and the way we deliver our services and functions</b>		
No KPI in 2020/21. This has been added to the 2021-24 plan.	-	

<sup>1</sup> Performance as at March 2021 will be published in our Annual Report & Accounts for 2020/21.

<sup>2</sup> A new methodology for this KPI was introduced in 2020/21, to measure the quality of contract reports reviewed by both the MOD and SSRO. Measuring the quality of contract reports reviewed by either the MOD or SSRO would provide a result of 59%.

<sup>3</sup> Data was extracted on 19 February 2021 to allow an additional 15 working days for the MOD to access reports submitted at the end of the period, in line with MOD guidance.

