

# SSRO

Single Source  
Regulations Office

A large white crane is lifting a long, cylindrical metal component against a clear blue sky. The crane's arm extends from the top right towards the center. The component is suspended by a yellow hook and cables. The background is a solid blue sky. In the bottom left corner, there is a small image of a ship's deck with a person and a flag.

## SSRO Annual Report and Accounts 2020/21

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

HC 457



# **The Single Source Regulations Office**

## **Annual Report and Accounts 2020/21**

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

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Any enquiries regarding this publication should be sent to us at:

Single Source Regulations Office  
Finlaison House  
15-17 Furnival Street  
London  
EC4A 1AB

Telephone: 0203 771 4767

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# CHAIRMAN'S STATEMENT



## George Jenkins OBE

George Jenkins was appointed as Chairman of the SSRO on 3 January 2017.

The global COVID-19 pandemic has had an impact on all our lives, and 2020/21 has been a challenging year for most businesses. The SSRO has sought to adapt its work in response, for example by supporting contractors to comply with reporting requirements and suspending the release of new compliance queries. We also considered the impact of the pandemic on our baseline profit rate methodology; this was unchanged for the 2021 assessment. We are consulting on the 2022 assessment. Throughout the year we have remained focused on the delivery of our statutory functions and corporate objectives, and this Annual Report describes how we have done so.

I am incredibly proud of what the team at the SSRO have achieved over the time I have been Chairman, and never more so than in the past 15 months. They have adapted to the new reality, and they have done so while continuing to deliver at a high, professional level, with no dip in performance. I am grateful for the guidance and leadership provided by our non-executive and executive Board members during this time, and for their prioritisation of the team's health and well-being.

I have been reflecting on the journey I have taken during my time at the SSRO and have also been listening to what our stakeholders say.

The Tailored Review of the SSRO recognised that "Despite some initial teething problems, the SSRO has performed its duties well" and that we are "delivering [our] objectives and statutory duties effectively".

I hear increasingly that we are a trusted, respected organisation, and building and maintaining trust through engagement continues to be my priority. 94% of survey respondents in 2020 agreed that "the SSRO is independent", and I am impressed by our continuing ability to speak honestly while remaining "fair and impartial" – 90% of survey respondents agreed that we are.

Until recently, it has been said that the single source regulatory framework in defence is a "new regime". Actually I no longer think this is the case – it is now a maturing framework, which is being used as an effective tool to improve contracting. The regulatory framework that was established in 2014 allowed for greater transparency of contractors' costs and profits, with defence contractors required to provide reports to the SSRO and the MOD if they hold qualifying contracts. After six years, our Defence Contract Analysis and Reporting System (DefCARS) contains a significant, growing volume of data, which can be used to help ensure the government obtains good value for money from its expenditure and that contractors are paid fair and reasonable prices. As at March 2021, we had 2,314 contract reports, each of which contains insights that the MOD and industry can benefit from, to support their management of projects and risk.



Some of the contracts that we have collected data on are now completing, and information about “actual costs” will become increasingly useful in the contracting process. Of the 359 contracts that became QDCs/QSCs since 1 April 2015, 35 QDCs/QSCs have now completed. These 35 contracts had an estimated total contract price (at the latest time of agreement) of £981 million, representing 2 per cent of the total estimated contract price for all QDCs/QSCs. These contracts reported an actual and forecast price at contract completion of £972 million; a reduction from the estimated price at the latest time of agreement of £9 million.

Another example of the regime’s maturity is the allowability of costs. While a good deal of attention has been given to the profits made in single source defence contracts, costs represent 85 to 90% of contract prices. Through our Allowable Costs guidance, our opinions and determinations, the SSRO helps the MOD and industry to ensure that contract prices are fair and deliver value for money, and that all costs that are appropriate, attributable to the contract and reasonable in the circumstances are recoverable by the contractor. Lean and efficient costs make for a more globally competitive UK industrial sector, as recognised in the recent Defence and Security Industrial Strategy (DSIS).

Looking to the future, we recognise the significance of the reforms set out in DSIS, which will drive the Secretary of State’s review of our legislative framework.

Greater use will be made of the single source procurement framework, and this provides an opportunity to derive further learning and realise benefits for both the MOD and industry. Our opinions and determinations, statutory guidance and support can be used to resolve difficult or disputed issues more quickly, and to help contracting parties apply the regulatory framework in a consistent way that follows best practice.

We will play our part in the coming reforms and support the MOD and industry in implementing changes to the regulatory framework, for example by developing guidance and making changes to DefCARS. As we do so, we will continue to build on the relationships and engagement that we have developed to date – and when exercising our functions we will aim to ensure that good value for money is obtained in government expenditure on qualifying contracts, and that persons who are parties to them are paid a fair and reasonable price.



**the SSRO helps the MOD and industry to ensure that contract prices are fair and deliver value for money**

# Performance Report



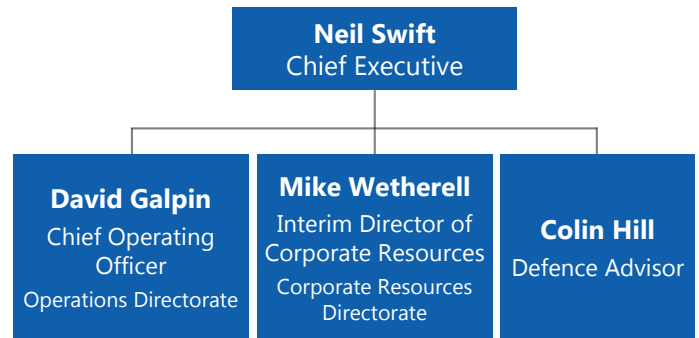
# Purpose and activities of the SSRO

## Performance overview

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 defence contracts and carry out a range of statutory functions in support of the regulatory framework.

Our team is structured to ensure a clear focus on the delivery of our core functions, as set out below.



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 continue to explore ways we can maximise the positive impact of our work. In undertaking our work, we give expression to our four corporate 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.

## Chief Executive's perspective on performance

Throughout 2020/21 we and the defence sector have operated against the backdrop of the COVID-19 pandemic. During this time we have observed the government's guidance, requiring staff to work from home where they can effectively do so and ensuring that our office is COVID-secure where office work is necessary.

The change to virtual working has been challenging but successful:

- Following earlier business continuity planning for such scenarios, our IT infrastructure was able to accommodate full home-working for all staff immediately.
- Board, committee and staff meetings have been undertaken virtually, with minimal impact on effectiveness.
- The Executive Committee has been in regular contact with all members of staff, holding organisation-wide formal and informal meetings and training, sharing government guidance and supporting those whose personal situations present them with particular challenges.
- We have provided regular updates to stakeholders and have given due consideration to the impact of the pandemic on our statutory functions, including the baseline profit rate recommendation. We also 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.

**As a result of these and other steps we have taken, the pandemic's impact on the delivery of our work has been minimal. We have continued to deliver our corporate objectives and I commend the team for their adaptability and resilience in doing so.**

**Between 1 April 2015 and 31 March 2021, 359 contracts became QDCs/QSCs (309 QDCs and 50 QSCs). The total estimated contract price of these QDCs/QSCs was £51.0 billion.**

The performance analysis section of this report covers how we have delivered our statutory functions this year, including the following:

- We have in place a clear and robust methodology for assessing and recommending the rates that should apply when determining contract profit rates. We applied this methodology to recommend rates to the Secretary of State in January 2021.
- We have put in place clear, principles-based pricing guidance that facilitates the agreement of contract costs and profits. We have continued to undertake 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.
- We have continued to collect data on qualifying contracts and suppliers through DefCARS and this is providing a valuable, growing evidence base to inform value for money and fair and reasonable prices. DefCARS supports effective analysis and we promote the use of its data to support procurement decisions, contract management and development of the regulatory framework.
- We have worked to ensure statutory reporting operates as intended, through developments to reporting requirements, new guidance and changes to DefCARS.
- We have supported the Secretary of State's review of the provision of the regulatory framework, working jointly with the MOD and industry stakeholders. In June 2020, we published findings from our own review of aspects of the framework and are developing final recommendations for submission in June 2021.

Performance against the indicators from our Corporate Plan 2020-23 that can be measured this year are set out on pages 12-13.

## Key issues and risks for the SSRO

Risk management is an integral part of the SSRO's internal control framework. Through active risk management, the SSRO identifies, assesses and controls the risks it faces. By doing so it focuses on potential opportunities arising and uses its risk awareness to underpin good performance. Further information on the SSRO's risk management and internal control framework is provided in the Governance Statement.

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. We continue to mitigate against the risk (identified in our Corporate Risk Register) that there may be further business disruption in future, for example through ongoing review and testing of the SSRO's business continuity plan, monitoring government guidance and ensuring that our forward planning is responsive to a resurgence or continuing impact of COVID-19.

As at March 2021, the most significant risks that may impact on the delivery of the Corporate Plan are considered to be:

### **A new environment emerges for single source defence contracting and the SSRO is unable to respond sufficiently rapidly or comprehensively.**

We anticipate economic, policy and legislative changes that 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; and
- procurement law reform after the UK's exit from the EU.

To mitigate these risks, we have planned action in response to the pandemic and the review of legislation, engaging closely with key stakeholders and communicating clearly about our work. We intend to prioritise our work programme flexibly in response to these and other issues in the future.

### **The information entered into DefCARS is of poor quality or is not used effectively.**

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 and this data should be of a high 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 see an increase in use of DefCARS data by the MOD, without which we cannot know whether the data collected best meets its 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. Our project on overheads will examine the reporting requirements for rates and overheads and what may be needed to drive improved data quality, promote use of the data and better support the pricing of contracts. In our project to improve understanding of the causes of cost growth we are aiming to enable better reporting and support analysis of quantitative and qualitative segmented information about contract amendments and variances. We have made improvements to data use by reviewing the MOD's consideration and application of the statutory reports. We intend to continue with these reviews 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. We will also seek innovations in DefCARS to improve use for example considering supporting data analytics and decision support including interfacing with MOD systems.

# Performance analysis

## SSRO's performance against its key measures

The following performance indicators were included in the SSRO's Corporate Plan 2020-2023. The SSRO's performance against them in 2020/21 is shown below. A number of the KPIs (indicated with an asterisk) are assessed using the views of stakeholders and are measured through our biennial survey of stakeholders. The survey was most recently undertaken in March 2020.

	Target	Actual
<b>Objective 1</b>		
<i>Resolve questions raised by defence contractors and the MOD, helping consistent and best practice application of the regulatory framework</i>		
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>Objective 2</b>		
<i>Identify and offer solutions to difficult and long-standing problems with pricing single source defence contracts</i>		
Stakeholders solve single-source pricing problems aided by or using the solutions identified by the SSRO* [1]	-	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 [2]	-	Met
Proportion of stakeholders who agree the SSRO's guidance is clear and applicable*	75%	84%
<b>Objective 3</b>		
<i>Derive insights and learning from how the regulatory framework operates and make changes or recommendations to improve it</i>		
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>Objective 4</b>		
<i>Realise our vision that data submitted by defence contractors is fully utilised to support procurement decisions, contract management and development of the regulatory framework</i>		
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 [3]	35%	42%
Proportion of contract reports submitted on time	75%	68%

	Target	Actual
Proportion of reports submitted each year that are accessed by the MOD [4]	75%	56%
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 [1]	100%	None received
<b>Objective 5</b>		
<i>Improve our reach and engagement with stakeholders to build our evidence base, share understanding and increase the benefits of the regulatory framework</i>		
Stakeholders consider the SSRO engages well*	80%	91%
Number of MOD stakeholders that engage with the SSRO on pricing and data issues [1]	-	2022 stakeholder survey
Stakeholders satisfied with assistance provided by the SSRO helpdesk* [1]	90%	94%
Substantive responses to SSRO helpdesk queries provided within 10 working days [1]	90%	99%
<b>Objective 6</b>		
<i>Develop a skilled, agile and engaged SSRO team and equip them with the right resources and technology</i>		
Manage our financial expenditure to within 2% of our corporate budget without exceeding our Grant-in-Aid limit	-2%	-2.3%
Employee survey results for overall engagement	70%	50%
Average number of days spent per person per annum on training	3 days	3 days
<b>Objective 7</b>		
<i>Enable the digital transformation of how we operate and the way we deliver our services and functions</i>		
No KPI in 2020/21. This has been added to the 2021-24 plan.	-	-

[1] This is a new indicator and was not included in the previous Corporate Plan.

[2] This is a new indicator (although there was previously a similar one: "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").

[3] The target was increased from 25% in 2019-22 to 35% in 2020-23. 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%.

[4] This is a new indicator and was not included in the previous Corporate Plan. Data was extracted on 22 April 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.

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

We did not receive any new referrals from the MOD or industry seeking expert opinions or determinations on matters related to proposed or existing qualifying contracts. However, we maintained our readiness to deal with referrals and provided updates and training to Board and panel members as appropriate.

During the year we gave advice to the MOD and contractors on the opportunities and relevant procedures for referral in relation to a number of contractual matters where a referral for an opinion or determination was being considered. In all cases, the parties resolved the matters without a referral being made.

We continued to seek feedback from stakeholders on barriers to referrals and possible changes to the legislative framework that would make a wider range of referrals possible. Our recommendations for change will be made to the Secretary of State in 2021/22.

We developed draft guidance on how the SSRO might exercise its power to require the payment of costs when giving opinions or making determinations and will consult on this early in 2021/22.

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

The baseline profit rate that the SSRO recommended to the Secretary of State in January 2021 was 8.31% for 2021/22 (prior year: 8.22%). The Secretary of State accepted our recommendation and on 15 March 2021 announced the baseline profit rate to be used from 1 April 2021. The SSRO also recommended rates for the SSRO funding adjustment and the capital servicing rates used in the capital servicing adjustment, both of which were accepted by the Secretary of State.

The Secretary of State announced a further baseline profit rate in addition to our recommended rate. This additional rate is intended to apply to qualifying contracts with UK Government owned companies where the parties agree no profit should be made. In response, we are currently consulting on changes to the SSRO's profit rate guidance and to our future assessment approach, including a consideration of the impact of the COVID-19 pandemic.

During the year we have commenced a long term review of rates and overhead cost recovery in single source contracts. Our aim is to improve the pricing and reporting of rates and overhead costs in qualifying contract by developing new statutory guidance in this area. We have worked with the MOD and contractors to better understand and improve how the regime interfaces with their process in this area and considered changes to legislation where this was appropriate. To give the project due consideration, we have moved away from the annual cycle of updates to our allowable costs guidance and have instead developed a range of papers for discussion at stakeholder working groups.

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

The SSRO has applied its independent expertise to keep Part 2 of the Act and the Regulations under review and to recommend appropriate changes to the Secretary of State. In June 2020, we published our findings on two key elements of the regulatory framework: aspects of contract pricing; and the transparency requirements placed on defence contractors. In developing our findings, we circulated working papers to the MOD and industry, consulted publicly and held several workshops. Our findings identified several ways in which the functioning of the regulatory framework could be improved and included proposals for legislative changes and further work on our guidance or the operation of the DefCARS.

We will include these proposals in the formal recommendations we expect to make in June 2021 to inform the Secretary of State's periodic review of the provision of the regulatory framework. The recommendations are likely to also emphasise benefits of increasing the scope of the areas in which the SSRO may issue guidance to help industry and the MOD and of expanding the grounds upon which we may accept referrals.

We have also provided ongoing support to the Secretary of State's review of the legislation throughout the year by contributing to MOD workshops, drawing on information gathered from across our work, including from compliance reviews, the annual compliance reports, support to contractors, the development of our guidance and methodologies, and our wider engagement with industry and the MOD.

### **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**

Throughout the year we have reviewed submissions from defence contractors and, with MOD project teams, undertaken targeted reviews of the timeliness and the data submitted in specific reports.

Our 2020 Annual Compliance Report was published in September 2020. It found that 65% of contract reports and 71% of supplier reports were submitted in accordance with the due dates set by the Regulations, though we expressed concern that the average delay for late reports was increasing and the overall timeliness of submissions was below the standards we would like to see achieved under the regime. The report also found that 52% of contract reports were submitted right first time and 51% of supplier reports were right first time. While we reported that the percentage of reports submitted 'right first time' exceeded the SSRO's modest target, our expectation is that the quality of submissions should improve further and we have revised our target upwards. Many of the potential issues we raised with contractors after first submission were resolved, with 78% of contract reports and 71% of supplier reports being correct following resubmission.

We have continued to revise and improve our reporting guidance, and in November 2020 we published updated reporting guidance to assist contractors with determining and reporting contract completion dates; submitting on-demand contract pricing statements and contract reporting plans; introducing additional copy and paste functionality within the system; and by improving and better explaining some of the DefCARS functionality. We took the first step to improve the reporting of amendments and variances by enabling stand alone on-demand contract pricing statements in DefCARS. This provides the platform for further planned work on gathering descriptive segmented pricing information to support better understanding of contract amendments and the causes of cost growth.

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. Such actions are intended to improve performance against our KPI on user satisfaction with DefCARS.

As at 1 March, the SSRO had dealt with 745 helpdesk queries in 2020/21 (638 in same period in 2019/20) with the increase in queries consistent with the growth in the number of QDCs and new contractors and the number of contractors accessing DefCARS from their home rather than office locations for the first time due to the COVID-19 pandemic. We continued to carry out on-boarding training sessions and provide support to contractors and the MOD throughout the year. We amended our provision to support our stakeholders virtually and this increased the number of sessions we needed to deliver in the year. Training of industry DefCARS users continued with two sessions delivered in the autumn of 2020. We have provided a substantive response to 99% of SSRO Helpdesk queries within ten working days and we have made this KPI more stretching in our corporate plan for 2021-2024.

We published four statistics bulletins in 2020/21. The 2020/21 Q3 statistics bulletin was published in February and announced new information on completed contracts and profit to be included in the annual statistics bulletin.

## **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 and we have maintained a proactive programme of stakeholder engagement throughout the year to underpin delivery of our Corporate Plan and our statutory functions. During the COVID-19 pandemic our engagement with stakeholders was almost exclusively virtual or online. Our tools and systems to support this proved robust and effective during the COVID-19 pandemic and we will involve the stakeholders in considering how we can maximise the benefits of this learning going forward. We have maintained in virtual form the engagement mechanisms that are working well while seeking to improve how we undertake engagement, through our Stakeholder Engagement Strategy, based on findings from formal stakeholder surveys and other feedback from stakeholders.

The Chairman and Chief Executive have continued to meet virtually with senior representatives from the MOD, industry and government throughout the year. We held regular virtual 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, virtual meetings and workshops at all levels. At the operational level, virtual engagement with stakeholders on the projects in the Corporate Plan 2020-2023 was undertaken as planned (for example engaging with separate MOD and industry working groups on the Overheads project). We issued working papers to key stakeholders and consulted publicly on our policy development. We conducted virtual onboarding and training sessions. We dealt with queries, primarily through our helpdesk.



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

Our aim is to have an SSRO team that is skilled, agile and engaged, and throughout the year we have developed our staff to deliver our objectives and progress their careers, ensuring they have a full understanding of the SSRO's work and the sector in which the SSRO operates. We have supported each person to deliver their best, working collaboratively and flexibly as a team and adapting to changing priorities – including those arising from the COVID-19 pandemic.

We have recruited staff with expertise drawn from a range of relevant, professional domains, including those with MOD or defence industry experience. We have also continued to use other routes to obtain the expertise we need, including temporary specialist contract staff and secondments from stakeholders.

We are pursuing optimal ways of working, using innovative and secure use and management of information and technology, and have embarked on a project to consider our future accommodation needs.

An action plan is being implemented in response to our performance against the KPI on staff engagement which addresses employees' feedback and is aimed at on improving their experiences. Progress against the plan is reported to and monitored by the SSRO Board.

Expenditure plans during the year were impacted by the COVID-19 pandemic. Whilst there were some increased costs, they were offset by reductions in other areas, including travel and training. These net reductions, along with lower employee costs arising from secondments in support of the pandemic, led to a net underspend in excess of the 2% target. Whilst there remains some operational uncertainty in response to the pandemic, we have drawn on this experience to inform budget plans for future years.

## **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 use of technology. We have pursued opportunities to make the regime more streamlined and efficient, and have successfully implemented a cloud-based, digital office enabling the business to operate effectively in fully remote and hybrid settings

We have developed DefCARS into an efficient online system and have continued to make improvements throughout the year. We explored the future of DefCARS, beginning with detailed consideration of the current system and its operation. To inform potential improvements to DefCARS, we convened discussions with industry and the MOD to gather feedback on the system. We also took expert advice on advances in technology that could allow the SSRO to improve this core service. We intend to provide and improve DefCARS going forward and will publish in 2021/22 our vision for the future of DefCARS that sets out our intentions.

During the year we reviewed our systems for identifying and resolving reporting issues and began to explore ways that technology might further enhance our business processes and engagement with stakeholders in this area. We also sought expert advice on the potential for digital technologies to improve the way that reporting matters are considered and the way that guidance is developed and made available to those needing to use it. Our work in these areas will continue in 2021/22.

Throughout our work we have kept all information secure and have applied up-to-date policies and practices in relation to information management and security.

## Financial performance during the year

This section provides a summary of the SSRO's financial performance during the 2020/21 financial year. It sets out the grant funding received by the SSRO and explains how it was utilised.

### Grant in Aid

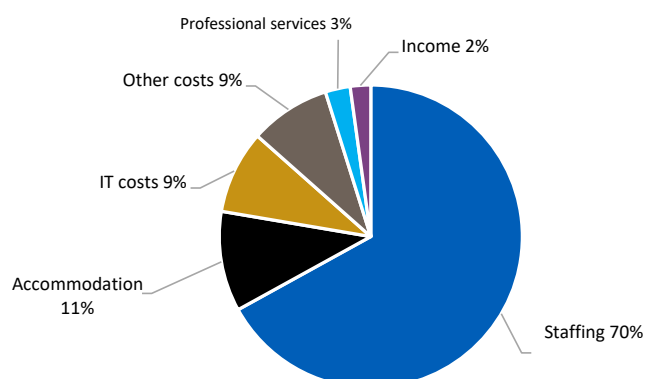
During 2020/21 the SSRO agreed Grant in Aid funding totalling £6,350,000 (£2019/20: £6,061,000) to cover planned expenditure. The overall Grant in Aid available for 2019/20 was £6,350,000 with the SSRO drawing down £6,287,000 during the year.

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 2020/21 the SSRO incurred no costs and received no Grant in Aid relating to referrals work. (2019/20: nil).

### Expenditure

The SSRO's expenditure during 2020/21 mainly relates to staffing, with 70% of its overall spend covering staff and other staff-related costs (2019/20: 68%). The increase in staff costs for 2020/21 largely relates to the SSRO placing three employees on secondment with other organisations, including two to the Joint Biosecurity Centre (JBC) to support the response to the Coronavirus pandemic during the year. Although their costs were recharged (disclosed in Note 2), these employees remained on the SSRO's payroll, along with the additional costs of temporary cover for the seconded staff.

Other significant areas of spend during 2020/21 were accommodation (11%) and IT costs (9%).



\*Chart as per the Statement of Comprehensive Expenditure

### SSRO expenditure by category 2020/21

The SSRO aims to seek value for money in its day to day operations to support the delivery of its statutory functions. Elements of the SSRO's corporate operations continue to be outsourced to support its in-house skills in areas such as finance, human resources and IT managed services. A combination of government framework agreements and agreed procurement processes are used to ensure third-party 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, in areas relating to its work.

The SSRO's outturn expenditure of £6,206,000 (2019/20: 6,121,000) represents utilisation of 97.7% of the total available Grant in Aid funding provided by the MOD (2019/20: 98%).

	£000
Expenditure per Statement of Comprehensive Expenditure	6,412
Expenditure capitalised during the year (included in the Statement of Financial position)	18
Less costs not included within the 2020/21 Grant in Aid budget	
Amortisation and depreciation	(218)
Dilapidation provision	(6)
<b>Total Grant in Aid expenditure</b>	<b>6,206</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 (2019/20: 98%). In line with the government's and the SSRO's commitment to transparency, the SSRO published its transparency reporting within the specified timescales during 2020/21.

## **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.



Accounting Officer

2 July 2021

# 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 2021.



**George Jenkins OBE**  
**Chairman**

George Jenkins was appointed on 3 January 2017 and reappointed in 2019.

In April 2020, he stood down as the Chairman of the Professional Standards Authority having completed his term. 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 Davies was appointed in September 2017 and was a member of the Audit Committee.

Mary has been 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. Mary left the SSRO in January 2021.



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

Peter Freeman was appointed in September 2017 and reappointed in 2021. He is the Chair of the Regulatory Committee.

Peter was from 2013 until recently a Chairman of the UK Competition Appeal Tribunal and is a member of the Competition Service Board. He is a member of the Lloyds Enforcement Appeal Tribunal. From 2005-2011 he was Chairman of the UK Competition Commission, having been Deputy Chairman from 2003. Prior to that he practised for 30 years at the law firm Simmons & Simmons, 25 of them as a partner, managing the Commercial Department and heading the EC and Competition law practice group.



**David Johnston**  
**Non-executive member**

David Johnston was appointed in June 2016 and is 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 Phillips was appointed in September 2014 and reappointed in September 2017. 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, Heriot Watt University and the London Fire Brigade. She was recognised for her work in social housing and was awarded an OBE in 2006.

## Our executive members



**Neil Swift**  
Chief Executive

Neil Swift 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 pursuing a career in regulation, joining the Audit Commission in 2003. Following periods in a range of technical and senior roles he was appointed Associate Controller in 2012 during the transition to and eventual closure of the Commission in 2015.



**David Galpin**  
Chief Operating Officer

David Galpin was appointed Chief Operating Officer in January 2021 having previously been Director of Legal and Policy. He is responsible for delivering the SSRO's regulatory functions.

He is a qualified lawyer with a background in dispute resolution, public law and regulation. His expertise includes public procurement law and policy, which he has applied to single source defence contracting since joining the SSRO in 2015. Prior to joining the SSRO, David worked in local government in London for several years, supporting local authorities to promote economic, social and environmental well-being in their areas.



**Matthew Rees**  
Director of Analysis and Reporting

Matthew was appointed Director of Analysis and Reporting in March 2016.

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 was also the senior independent non-executive director and deputy chairman of Gemserv Limited. Matthew resigned from the SSRO in January 2021.

## Board appointment dates

Name	Start date	End date
<b>Non-executive Board members</b>		
George Jenkins	03/01/17	02/01/22
Peter Freeman	06/09/17	05/09/24
David Johnston	01/06/16	31/05/22
Marta Phillips	29/09/14	28/09/21
Mary Davies	06/09/17	31/01/21
<b>Executive Directors</b>		
Neil Swift Chief Executive	20/04/15	31/05/23
David Galpin Chief Operating Officer	01/03/18	-
Matthew Rees Director of Analysis and Reporting	14/03/16	29/01/21

## Board personnel declared interests

The [SSRO's register of interests](#) is published on its website. 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	None declared
Mary Davies	Economic Policy Associates Limited: Director Board of Trustees, Breast Cancer UK: Chair until December 2020
Peter Freeman CBE, QC (hon)	Competition Service (Department for Business, Energy and Industrial Strategy)
David Johnston	Board Member and Audit Committee Chair of Engage, Enrich, Excel Academies Trust  Member Nominated Trustee and Deferred Member of the Gemplus Limited Staff Pension Scheme. In April 2019 Thales SA acquired Gemalto NV, which has obligations in respect of funding the Scheme.  Deferred Member of UTC (UK) Pension Scheme. United Technologies Corporation (UTC) merged with Raytheon Corporation in April 2020 to form Raytheon Technologies Corporation.
Marta Phillips OBE	Sponsor Board for the Restoration and Renewal of the Houses of Parliament: Board Member; Audit Committee Chair  Heriot Watt University: Court Member; Finance Committee Member; Global Students Liaison Committee Chair  Nursing and Midwifery Council: Council Member; Audit Committee Chair  London Fire Brigade: Audit Committee Chair  University of Law: Audit Committee member  Public Sector Audit and Appointments Ltd: Board Member and Audit Committee Member  Chartered Accountants Compensation Scheme: Director  Istituto Marangoni London: Governor  Tollgate Square Management Company Limited: Director  MRP Consulting: Director
<b>Executive Directors</b>	
Neil Swift Chief Executive	None declared
David Galpin Chief Operating Officer	None declared
Matthew Rees Director of Analysis and Reporting	None declared

# Statement of responsibilities

## Board members' responsibilities



HMS Dauntless

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 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;
- 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 Department, 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;
- 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 Department, 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 so as to maintain an appropriate balance of skills and expertise and ensure progressive refreshing of the Board;
- ensuring that, in reaching decisions, the Board takes into account legislation and guidance issued by the Department; and
- ensuring that the Department is kept informed of any changes that are likely to: impact on the strategic direction of the SSRO; impact on the attainability of the SSRO's targets; or result in concerns about the activities of the SSRO. The Board should determine the steps needed to deal with such changes.



# Statement of Accounting Officer's responsibilities



## 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.

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

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

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

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in the Government Financial Reporting 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 2020/21. 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 2020/21

**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.

### Conflicts of interest

The SSRO has rules and procedures in place for managing conflicts of interest, which are set out in the SSRO's Code of Conduct for Board and Referral Committee members. All members must ensure that they are familiar with the SSRO's rules on declarations and avoidance of conflicts of interest, which include a current and publicly available register of interests. Board and independent Referral Committee members are required to declare any interests that conflict, may conflict, or may be perceived to conflict, with their SSRO duties or the SSRO's functions and which they might reasonably be expected to know about. All members declare such interests on appointment, as soon as they arise, or as soon as they become aware of them. Declarations of interest is a standing item on all committee agendas. Members of staff must declare all interests that may conflict, or may be perceived to conflict, with their SSRO duties, in line with the rules and procedures set out in the SSRO staff handbook.

### 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.

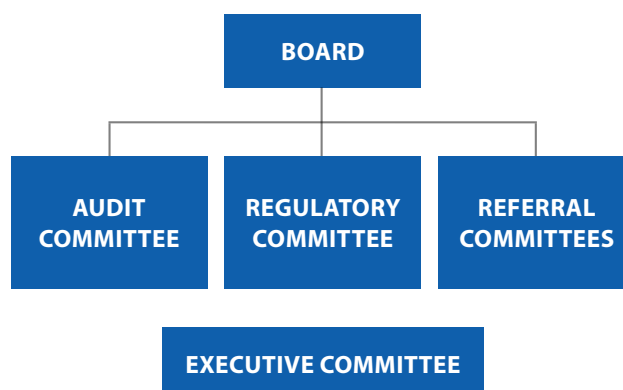
Our Corporate Governance Framework is aligned with Schedule 4 of the Defence Reform Act and is reviewed annually. The Corporate Governance Framework sets out the organisation's arrangements and processes for governance. The Framework sets out:

- 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 (as of 31 March 2021) consists of a Chairman, three non-executive members and two executive members.

In 2020/21, the Board and its sub-committee structure was as follows:



In 2020/21, 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	7/7	n/a	6/6
<b>Non-executive Board members</b>			
Peter Freeman	6/7	n/a	5/6
David Johnston [2]	7/7	4/4	1/1
Marta Phillips	7/7	4/4	6/6
Mary Davies [1]	3/5	3/3	n/a
<b>Executive Directors</b>			
Neil Swift Chief Executive	7/7	n/a	n/a
David Galpin Chief Operating Officer	7/7	n/a	n/a
Matthew Rees [3] Director of Analysis and Reporting	5/5	n/a	n/a

In 2020/21 we received no referrals therefore there was no meeting of a Referral Committee.

[1] Mary Davies left the SSRO on 31 January 2021.

[2] David Johnston was appointed as a member of the Regulatory Committee for one meeting on 13 October 2020.

[3] Matthew Rees left the SSRO on 29 January 2021.

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.

### Action on whistleblowing disclosures

The Public Interest Disclosure Act 1998 (PIDA) amended the Employment Rights Act 1996 ("the Act") to create a framework for whistleblowing across the private, public and voluntary sectors. The Act protects individuals from victimisation when they make a protected disclosure about malpractice or wrongdoing at work. The SSRO is a 'prescribed person' for the purposes of the Act, to whom disclosures may be made by its employees and workers in industry, the MOD or third parties about potential malpractice or wrongdoing:

- a. by the SSRO; or
- b. during single source defence procurement.

The SSRO believes it is important to the achievement of its statutory aims to create an environment in which its staff and others can:

- raise concerns about malpractice or wrongdoing without fear of repercussions; and
- have confidence that any concerns raised will be listened to and acted on as appropriate.

To facilitate this, we have published information on our website about how disclosures can be made and the approach we will take to ensure whistleblowers are protected and their concerns addressed. During 2020/21, we engaged positively with individuals raising issues through our public interest disclosures mailbox, although none were qualifying disclosures.

The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 requires the SSRO to publish each year a report on disclosures of information it has received which fall within the description of matters in respect of which it is so prescribed. The relevant information for the period 1 April 2020 to 31 March 2021 (the reporting period) is provided below.

<p>a. Number of workers' disclosures received during the reporting period that the SSRO believes are</p> <p>i. qualifying disclosures within the meaning of section 43B of the Employment Rights Act 1996; and</p> <p>ii. which fall within the matters in respect of which the SSRO is so prescribed.</p>	0
<p>b. The number of those disclosures in relation to which the SSRO decided during the reporting period to take further action.</p>	0
<p>c. Action the SSRO has taken during the reporting period in respect of the workers' disclosures.</p>	No action required
<p>d. Impact of workers' disclosures on the SSRO's ability to perform its functions and meet its objectives during the reporting period</p>	No impact on performance and achievement of objectives

The process by which whistleblowers may raise concerns with the SSRO, and the steps the SSRO will take to ensure whistleblowers are protected and that concerns are addressed is set out in the [SSRO's Whistleblowing Policy](#).

### The SSRO Board

The Corporate Governance Framework sets out the Board's responsibilities, alongside the individual responsibilities of the Chairman and other Board members. During 2020/21 the Board considered and approved:

- the Annual Report and Accounts 2019/20;
- the Corporate Plan 2021-2024;
- 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 2021/22.

An MOD Representative to the SSRO Board (Andy Brittain) was appointed in May 2020. Board members attend regular Strategic Update meetings, which include presentations and discussions on a range of strategic issues.

The Chairman carried out the SSRO's sixth annual review of the Board's effectiveness as required by the SSRO's Framework Document with the MOD. The SSRO's Corporate Governance Framework states that a review of the Board's effectiveness should be undertaken each year, with independent input at least once every three years. In 2020/21 independent input was provided by the Government Internal Audit Agency, which found that:

- The SSRO has appropriate arrangements in place to enable the Board to discharge its responsibilities effectively.

- The Board complies with the good practice requirements laid out in the Code of Good Practice for Corporate Governance in Central Government with respect to the role, composition and effectiveness of the Board.
- Board meetings are held sufficiently regularly to allow the Board to discharge its responsibilities, and additional meetings are called when necessary. Board meetings reflect an appropriate balance between strategic and operational matters.

The report included two recommendations relating to the induction of new NEBMs and the appraisal process for the Chairman. In reaching its conclusions, 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 SSRO Audit Committee**

The Audit Committee provides scrutiny, oversight and assurance of risk management, information management, internal control and governance procedures to the Chief Executive, as Accounting Officer, and to the Board. The terms of reference for the Committee are revised annually and were last revised in December 2020. They are available in the Corporate Governance Framework on the SSRO's website.

### **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 committees 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 did not establish any Referral Committees. The terms of reference for the Committees are revised annually and were last revised in December 2020. They are available in the Corporate Governance Framework on the SSRO's website.

### **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 approve the annual 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 2020. They are available on in the Corporate Governance Framework on our 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 2020. I chair the monthly Executive Committee, whose other members are (at 31 March 2021) the Chief Operating Officer, the interim Director of Corporate Resources and the Defence Adviser.

## Risk management

Risk management is an integral part of the SSRO's internal controls framework, for which the Chief Executive bears responsibility.



The SSRO's 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 that identify risks as follows:

- The organisational structure supports clear lines of communication, monitoring, reporting and accountability.
- Plans, objectives and priorities take account of risk and are approved by the Board. All papers to SSRO committees include within them a consideration of risks related to the issue and proposed mitigating actions.
- The corporate risk management policy is 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.
- The Executive Committee monitors risks at each meeting through ongoing performance management, which it reports to the Board. Project Managers escalate any post-mitigation amber or red risks from individual project risk registers into the Corporate Performance Report. If significant new risks are flagged in the monthly Corporate Performance Report, which is submitted to Board and Executive Committee meetings, they are escalated for consideration, and may be subsequently included in the Corporate Risk Register.
- 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.
- Major projects within the SSRO maintain risk registers and escalate risks through to the Corporate Risk Register when appropriate.
- Information and cyber risks are actively identified and managed on an ongoing basis drawing on expert external support. DefCARS is subject to formal risk assessment and treatment with independent external appropriately qualified input and review.
- Both internal and external audits assist us with continuous improvements to our risk management process. The Government Internal Audit Agency act as the SSRO's internal auditors, are present for Audit Committee meetings and can consider risk management as part of its workplan.

## Risk management

As set out in the SSRO's risk management policy and internal control framework, responsibilities fall as follows:

- **The Board**  
is responsible for putting in place effective arrangements to provide assurance on risk management, governance and internal control.
- **The Audit Committee**  
supports the Board in its role, providing the SSRO's assessment and management of risk, including failure to comply with laws and regulation, reporting to the Board its views on the SSRO's risk management.
- **The Chief Executive**  
bears responsibility for the internal control framework, which incorporates risk management processes and the Corporate Risk Register. The Chief Executive's responsibility for risk management is overseen by the Board and Audit Committee.
- **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.
- **Members of the Executive Committee**  
manage the individual risks to their functional areas and projects.

The SSRO's risk management arrangements are proportionate to the scale of the organisation. The SSRO expects to have between 5 and 15 risks, captured and assessed in a single corporate risk register. Each are rated according to their impact, proximity and likelihood.

The Board regularly considers 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.

Our internal auditors, the Government Internal Audit Agency, review how risks are managed via a programme of work designed to assess the specific risks and assurance requirements of the SSRO, and focused on areas of risk identified by management. In delivering this programme of work Government Internal Audit Agency 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 current corporate risks are described in the "Key issues and risks for the SSRO" section.

## Financial management

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

When agreeing the 2020-23 Corporate Plan, the Board also agreed a budget for 2020/21, including grant in aid funding from the MOD.

The use of the grant is fully documented and is monitored throughout the year. At every Board meeting the Board considers the SSRO's performance against our Corporate Plan and budget, and financial performance is reported to the Board at each meeting. 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.

## How we evaluate internal controls

### The SSRO Audit Committee

The role of the Audit Committee is set out above.

### Internal audit

During 2020/21 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:

- Workforce Monitoring Systems;
- Policies review;
- Workforce Strategy; and
- Key financial controls.

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 reviewed to report to the Audit Committee.

A three-year cyclical audit plan covering 2021/22 to 2023/24 was agreed in March 2021. This will ensure appropriate coverage of the SSRO's key risk areas.

GIAA presented a summary of the work of internal audit to the Audit Committee at its March 2021 meeting, where the Committee also approved an internal audit programme for 2021/22.

A substantial assurance Head of Internal Audit Opinion was issued in June 2021.

**All details of spending over £25,000 are published on [our website](#).**

### 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 independent ISO27001 gap analysis was carried out in September 2020 demonstrating strong alignment and a very mature compliance with the 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 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 no breach that the SSRO reported to the Information Commissioner's Office.

A detailed Security Risk Review was conducted with key suppliers in November 2020 and presented to the Audit Committee. This covered an overview of the SSRO Cyber Security Arrangements and some key Threat Scenarios.

## Significant control issues

No significant control issues arose during 2020/21 that need reporting in the Governance Statement. The National Audit Office and internal audit has not raised any issues of significance in their Management Letter for 2020/21. 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. Effective controls continued to be applied throughout the period of remote working as a result of the COVID-19 pandemic. I therefore believe there are satisfactory controls in place to identify and manage the significant risks faced by the SSRO.

## 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 Committee members, 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 2020/21 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 2020/21.

### 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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
	£000	£000	£000	£000			£000	£000	£000	£000
<b>Chief Executive</b>										
Neil Swift	145-150	145-150								
Annual equivalent	145-150	145-150	15-20	15-20	0	2,600	58	48	220-225	210-215
<b>Executive Committee</b>										
David Galpin	125-130	125-130								
Annual equivalent	125-130	125-130	5-10	0-5	0	0	50	37	180-185	165-170
Colin Hill	75-80	75-80								
Annual equivalent	75-80	75-80	0-5	0-5	0	0	30	30	110-115	105-110
Mike Wetherell [1]	120-125	60-65								
Annual equivalent	120-125	100-105	0-5	0-5	0	1,300	134	24	260-265	90-95
Matthew Rees [2]	100-105	100-105								
Annual equivalent	120-125	100-105	0	0-5	0	0	32	18	130-135	120-125

[1] Mike Wetherell transferred in a pension benefit from a previous employer during the year.

[2] Matthew Rees left the SSRO on 29 January 2021.

[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 2021	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	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	250	197	33	0
David Galpin	15-20	2.5-5.0	183	142	26	0
Colin Hill	0-5	0-2.5	56	30	19	0
Mike Wetherell	5-10	5.0-7.5	105	17	24	0
Matthew Rees	30-35	0-2.5	406	375	16	30

[1] The SSRO has not made any early retirement payments to Directors during 2020/21 (2019/20: nil).

[2] Matthew Rees moved from Partnership to Alpha on 1 July 2020. He left the SSRO on 29 January 2021.

## 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 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

### **Real increase in CETV**

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

### **Compensation for loss of office (audited)**

No compensation for loss of office was paid by the SSRO during 2020/21 (2019/20: 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.

		2020/21	2019/20
	Date appointed	£000	£000
<b>Chair</b>			
George Jenkins	January 2017	70-75	70-75
<b>Non-executive Board members</b>			
Peter Freeman	September 2017	10-15	10-15
David Johnston [1]	June 2016	10-15	15-20
Marta Phillips	September 2014	10-15	10-15
Mary Davies [2]	September 2017	10-15	10-15

[1] David Johnston worked a total of 4 additional days during the year.

[2] Mary Davies left her appointment on 31 January 2021.

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

[4] 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 2021	31 March 2020
	£	£
Highest paid director's total remuneration band	165,000-170,000	165,000-170,000
Median remuneration	69,438	72,637
<b>Ratio</b>	<b>2.4</b>	<b>2.3</b>

During the year to 31 March 2021 there were no employees receiving a higher remuneration than the highest paid director (2019/20: nil). SSRO employee remuneration ranges from £24,397 to £134,270 (2019/20: £28,194 to £131,112). The median total remuneration decreased in 2020/21. The SSRO reviews job requirements as vacancies arise, with some posts being filled at lower rates.

# Staff report

## Staff policies

During the 2020/21 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.

	2020/21	2019/20
Permanent [1]	37	39
Non-payroll [2]	0	1
<b>Total</b>	<b>37</b>	<b>40</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.

	2020/21			2019/20		
	Employed staff	Non-payroll staff	Total	Employed staff	Non-payroll staff	Total
	£000	£000	£000	£000	£000	£000
Salary	3,197	42	3,239	3,047	32	3,079
Social security	415	0	415	366	0	366
Pension	873	0	873	810	0	810
Other benefits	10	0	10	84	0	84
<b>Total costs</b>	<b>4,495</b>	<b>42</b>	<b>4,537</b>	<b>4,307</b>	<b>32</b>	<b>4,339</b>
<b>Less secondment costs recovered</b>	<b>(144)</b>	<b>0</b>	<b>(144)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net costs</b>	<b>4,351</b>	<b>42</b>	<b>4,393</b>	<b>4,307</b>	<b>32</b>	<b>4,339</b>



## Staff composition

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

	2020/21		2019/20	
	Male	Female	Male	Female
Chief Executive and Directors	4	0	3	0
Employees	21	12	21	15
<b>Total</b>	<b>25</b>	<b>12</b>	<b>24</b>	<b>15</b>

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

## Staff sickness absence

During 2020/21 the average level of sickness absence was one day per employee (2019/20: two days).

## Staff turnover

The SSRO had a staff turnover of 16% during 2020/21 (2019/20: 18%)

## Exit packages (audited)

There were no redundancies or other departure costs during the year to 31 March 2021 (2019/20: nil).

## Contingent labour expenditure

The SSRO incurred costs of £42,000 on contingent labour during 2020/21 (2019/20: £32,000). These costs increased in 2020/21 as the SSRO utilised contingency labour to cover vacant posts.

## Consultancy expenditure

The SSRO incurred £82,000 consultancy expenditure during 2020/21 (2019/20: nil) as the SSRO obtained specialist advice on some projects during the year.

## Off-payroll engagements

During the year to 31 March 2021 the SSRO had no off-payroll engagements for more than £245 per day that lasted for longer than six months (2019/20: nil).

As at 31 March 2021 the SSRO had no off-payroll contract engagement for more than £245 per day that lasted for longer than six months (2019/20: nil).

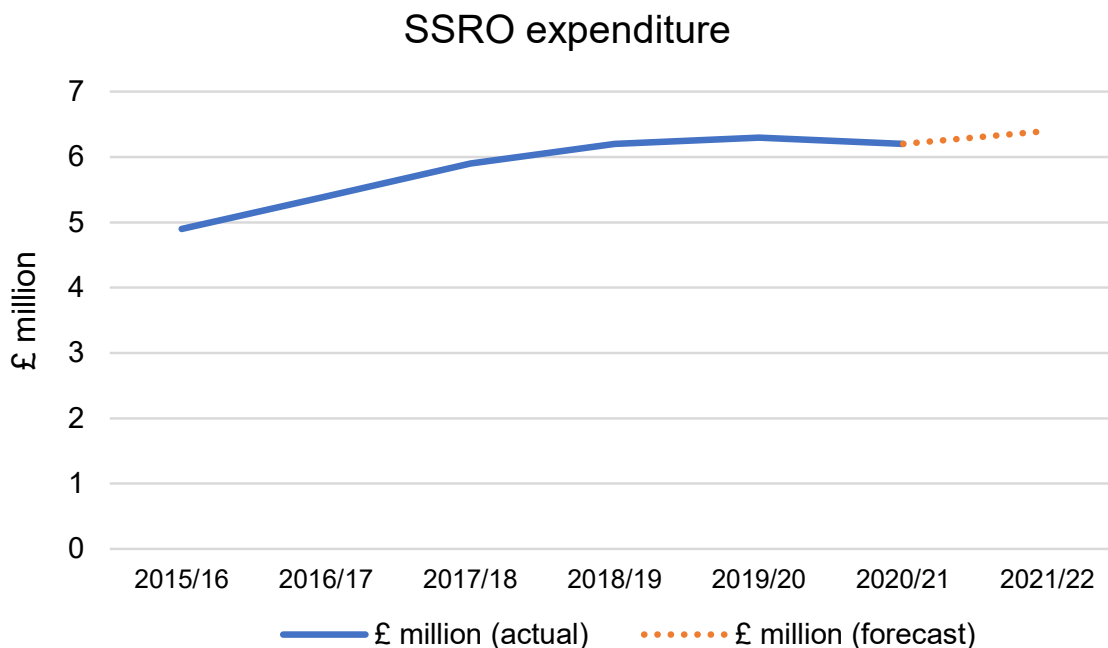
The SSRO had 10 Board members and/or senior officials with significant responsibility during the period to 31 March 2021 (2019/20: 13). One of these senior officials, Matthew Rees, left the SSRO on 29 January 2021 and has not been replaced. None of these Board members or senior officials were off-payroll engagements.

# Parliamentary accountability and audit report

## Regularity of expenditure (audited)

All expenditure incurred in the period to 31 March 2021 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 with some 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 2021 (2019/20: nil).

## Remote contingent liabilities (audited)

The SSRO has no remote contingent liabilities as at 31 March 2021 (2019/20: nil).

Accounting Officer

2 July 2021

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 the Single Source Regulations Office for the year ended 31 March 2021 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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Single Source Regulations Office's affairs as at 31 March 2021 and of the net expenditure for the year then ended; and
- 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Single Source Regulations Office in accordance with the ethical requirements that are relevant to my audit of 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**

In auditing the financial statements, I have concluded that the Single Source Regulations Office's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Single Source Regulations Office's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Board and Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Single Source Regulations Office is adopted in consideration of the requirements set out in applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## **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 certificate thereon. The Board and the Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; and
- the information given in the 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**

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 material misstatements in the Performance Report and Accountability Report. 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 be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

## **Responsibilities of the Board and Accounting officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's responsibilities, the Board and the Accounting Officer, are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view.
- internal controls as the Board and the Accounting Officer determine is necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud or error.
- assessing the Single Source Regulations Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer anticipates that the services provided by Single Source Regulations Office will not continue to be provided in the future.

## **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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, internal audit function, and those charged with governance, including obtaining and reviewing supporting documentation relating to Single Source Regulations Office's policies and procedures relating to:
  - » identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - » detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - » the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Single Source Regulations Office's controls relating to Managing Public Money and the Defence Reform Act 2014.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals, accounting for estimates and other areas of management judgement such as the adoption of useful economic life and indices applied in relation to tangible and intangible assets.
- obtaining an understanding of Single Source Regulation Office's framework of authority as well as other legal and regulatory frameworks that the audited entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Single Source Regulations Office. The key laws and regulations I considered in this context included the Defence Reform Act 2014, Managing Public Money, Tax legislation, and Employment law.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reviewing minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- challenging managements assumptions underlying the useful economic life changes and indexation choice for tangible and intangible assets; and
- reviewing Single Source Regulations Office's financial framework document and internal financial policies to ensure transactions are entered into by staff only with the authority to do so.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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.

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.

## **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

**Date: 7 July 2021**

**Comptroller and Auditor General**

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

# **Financial Statements**

**31 March 2021**



# Statement of Comprehensive Net Expenditure

for the year to 31 March 2021

		Year to 31 March 2021	Year to 31 March 2020
	Note	£000	£000
<b>Operating income</b>			
Other operating income	2	144	0
<b>Total operating income</b>		<b>144</b>	<b>0</b>
<b>Operating expenditure</b>			
Staff costs	3	4,537	4,339
Information Technology	4	574	600
Accommodation	4	691	668
Purchase of other goods and services	4	530	483
Depreciation and amortisation	4/5/6	218	246
Provisions	10	6	0
<b>Total operating expenditure</b>		<b>6,556</b>	<b>6,336</b>
<b>Net expenditure for the period</b>		<b>6,412</b>	<b>6,336</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	(4)	(2)
Net gain on revaluation of intangibles assets	6/12	(5)	(6)
<b>Total other comprehensive net income</b>		<b>(9)</b>	<b>(8)</b>
<b>Total comprehensive net expenditure for the year</b>		<b>6,403</b>	<b>6,328</b>

The Notes to the Financial Statements on pages 53 to 62 form part of these accounts.

# Statement of Financial Position

as at 31 March 2021

		As at 31 March 2021	As at 31 March 2020
	Note	£000	£000
<b>Non-current assets</b>			
Plant and equipment	5	184	263
Intangible assets	6	118	230
<b>Total non-current assets</b>		<b>302</b>	<b>493</b>
<b>Current assets</b>			
Other receivables	7	242	184
Cash and cash equivalents	8	348	208
<b>Total current assets</b>		<b>590</b>	<b>392</b>
<b>Total assets</b>		<b>892</b>	<b>885</b>
<b>Current liabilities</b>			
Trade and other payables	9	445	328
<b>Total current liabilities</b>		<b>445</b>	<b>328</b>
<b>Total assets less current liabilities</b>		<b>447</b>	<b>557</b>
<b>Non-current liabilities</b>			
Provisions	10	90	84
<b>Total non-current liabilities</b>		<b>90</b>	<b>84</b>
<b>Total assets less total liabilities</b>		<b>357</b>	<b>473</b>
<b>Taxpayers' equity and other reserves</b>			
General Fund	11	333	443
Revaluation Reserve	12	24	30
<b>Total equity</b>		<b>357</b>	<b>473</b>

The Notes to the Financial Statements on pages 53 to 62 form part of these accounts.



Accounting Officer  
2 July 2021

# Statement of Cash Flows

for the year to 31 March 2021

		Year to 31 March 2021	Year to 31 March 2020
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(6,412)	(6,336)
Depreciation	5	101	131
Amortisation	6	117	115
Increase in other receivables	7	(58)	(27)
Increase/decrease in trade payables	9	117	(4)
Increase in provisions	10	6	0
<b>Net cash outflow from operating activities</b>		<b>(6,129)</b>	<b>(6,121)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(18)	(29)
<b>Net cash outflow from investing activities</b>		<b>(18)</b>	<b>(29)</b>
<b>Cashflows from financing activities</b>			
Grant in Aid	11	6,287	6,138
<b>Net inflow from financing activities</b>		<b>6,287</b>	<b>6,138</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>140</b>	<b>(12)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>208</b>	<b>220</b>
<b>Cash and cash equivalents at the year end</b>		<b>348</b>	<b>208</b>

The Notes to the Financial Statements on pages 53 to 62 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year to 31 March 2021

	General fund	Revaluation reserve	Taxpayers' equity
	£000	£000	£000
<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>
Total Grant in Aid received	6,287	0	6,287
Total comprehensive expenditure	(6,412)	0	(6,412)
Asset revaluation gains	0	9	9
Reserves transfer	15	(15)	0
<b>Balance at 31 March 2021</b>	<b>333</b>	<b>24</b>	<b>357</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 2020/21 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 in response to the ongoing pressures as a result of the COVID-19 pandemic, implementation has been deferred and it will now come into effect on 1 April 2022.

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 2021 is £884,000.

### 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 credits these funds directly to the fund reserve as the cash amounts are received.

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

The SSRO is registered for VAT relating to secondment income and any directly attributable costs. All other VAT incurred is not recoverable, and the SSRO expenses this 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 that are considered 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 (MHCA), relevant MHCA indices are used to revalue these non-current assets.

## **1.11 Financial instruments**

The fair value of the SSRO's 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 (intangibles) and the Valuation Office Agency (Leasehold).
- 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 2021	Year to 31 March 2020
<b>Other operating income</b>	<b>£000</b>	<b>£000</b>
Secondment income	144	0
<b>Total operating income</b>	<b>144</b>	<b>0</b>

The SSRO had 3 employees seconded out between 1 April 2020 and 31 March 2021.

## 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 2021	Year to 31 March 2020
<b>Staff costs</b>	<b>£000</b>	<b>£000</b>
Salary	3,239	3,079
Social security	415	366
Pension	873	810
Other benefits	10	84
<b>Total staff costs</b>	<b>4,537</b>	<b>4,339</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 2021	Year to 31 March 2020
<b>Other expenditure</b>	<b>£000</b>	<b>£000</b>
Information Technology	574	600
Accommodation costs - lease	382	373
Accommodation costs – other	309	295
Professional Services	172	51
Amortisation	117	115
Publications and Subscriptions	117	120
Depreciation	101	131
Outsourced Services	83	95
Staff Training	47	63
Audit fee - internal	35	34
Recruitment	26	25
Audit fee - external	24	21
Insurance	15	16
Office Supplies and Services	7	13
Accommodation - dilapidations provision	6	0
HMRC interest	2	0
Other lease costs	1	1
Bank charges	1	1
Legal Services	0	8
Travel and Subsistence	0	35
<b>Total other expenditure</b>	<b>2,019</b>	<b>1,997</b>

The external audit fee for 2020/21 is £23,900 (2019/20: £21,400). 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 2020	379	110	301	790
Additions	0	0	18	18
Disposals	0	0	(47)	(47)
Revaluation	6	0	0	6
<b>At 31 March 2021</b>	<b>385</b>	<b>110</b>	<b>272</b>	<b>767</b>
<b>Depreciation</b>				
At 1 April 2020	227	84	216	527
Charged in year	47	(5)	59	101
Disposals	0	0	(47)	(47)
Revaluation	2	0	0	2
<b>At 31 March 2021</b>	<b>276</b>	<b>79</b>	<b>228</b>	<b>583</b>
<b>Net book value</b>				
<b>At 31 March 2021</b>	<b>109</b>	<b>31</b>	<b>44</b>	<b>184</b>
<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>

All property, plant and equipment non-current assets are owned by the SSRO. There have been no impairments during the year to 31 March 2021.

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 the SSRO reviews the current value of its Leasehold assets at each Statement of Financial Position date. MHCA indices have been used for this revaluation up to 31 March 2020.

Following an evaluation of the SSRO's historic use of MOD MHCA indices, the SSRO will move to applying BCIS indexation this year onwards, as they are based on build costs which better reflect the commercial market and the SSRO's leasehold improvements. Had the SSRO applied the MCHA indices to the 2020/21 financial statements, the net impact would have been an increase of £3,329 (Index FY2020/21 BCIS 1.00%, MOD MHCA 2.40%).

As part of its annual asset review, the SSRO revised the useful economic life of several Furniture and Fittings assets. These assets were initially planned to be in use for 5 years or until the lease ended (if under 5 years). The SSRO reviewed the current and future use of these assets and concluded that it is appropriate to extend their expected useful life to align with the current lease end date of June 2023.

## Note 6: Intangible assets

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

	31 March 2021	31 March 2020
	£000	£000
<b>Cost</b>		
At 1 April 2020	548	539
Additions	0	0
Disposals	(3)	0
Revaluation	11	9
<b>Total cost</b>	<b>556</b>	<b>548</b>
<b>Amortisation</b>		
At 1 April 2020	318	200
Charged in year	117	115
Disposals	(3)	0
Revaluation	6	3
<b>Total amortisation</b>	<b>438</b>	<b>318</b>
<b>Net book value</b>	<b>118</b>	<b>230</b>

All intangible non-current assets are owned by the SSRO. There have been no impairments during the Year to 31 March 2021. In line with FReM guidance, intangible assets have been revalued at 31 March 2021. MHCA indices have been used for this revaluation.

As at 31 March 2021 the SSRO reviewed the useful economic life of its intangible assets. The largest of these assets, the DeFCARS system went live in March 2017 with an expected life of 5 years. As at 31 March 2021 the SSRO reviewed the expected life of the DefCARS system and concluded that it should be extended to 31 March 2024, as the SSRO anticipates that the existing system will still be in use for a further 2 years. The SSRO second intangible asset was disposed of during the year.

## Note 7: Other receivables

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

	31 March 2021	31 March 2020
	£000	£000
Other receivables	154	50
Prepayments	88	134
<b>Total other receivables</b>	<b>242</b>	<b>184</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 2021	31 March 2020
	£000	£000
Balance at 1 April	208	220
Net change in cash and cash equivalents	140	(12)
<b>Balance at 31 March</b>	<b>348</b>	<b>208</b>

All cash balances are held with the Government Banking Service.

## 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 2021	31 March 2020
	£000	£000
Trade and other payables	64	24
Accruals	207	189
HMRC - VAT	24	0
HMRC - social security	150	115
<b>Total trade and other payables</b>	<b>445</b>	<b>328</b>

There were 22 unpaid invoices at 31 March 2021 (2019/20: nil). During the year to 31 March 2021, 98% of undisputed invoices were paid within 5 days (2019/20: 98%). All SSRO payables fall due within one year.

## Note 10: Provisions

This note shows the movement in provisions during the year.

	Year to 31 March 2021	Year to 31 March 2020
	£000	£000
<b>Opening balance at 1 April</b>	<b>84</b>	<b>84</b>
Provision in the year	6	0
<b>Total provisions at 31 March</b>	<b>90</b>	<b>84</b>

The SSRO's provision is for dilapidations and is based on a valuation report provided by an independent surveyor at 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 was reviewed by the SSRO as at 31 March 2021 and although no formal revaluation was needed, as there were no significant changes to the building or third floor during the year, an inflationary adjustment was required. The SSRO uses rates provided by HM Treasury which resulted in a £6,000 increase in value. Any cash outflow is expected at the end of the lease in June 2023. 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 2021	Year to 31 March 2020
	£000	£000
<b>General fund brought forward 1 April</b>	<b>443</b>	<b>629</b>
Grant in Aid received	6,287	6,138
Net operating expenditure	(6,412)	(6,336)
Transfer from revaluation reserve	15	12
<b>General Fund carried forward 31 March</b>	<b>333</b>	<b>443</b>

## Note 12: Revaluation Reserve

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

	Year to 31 March 2021	Year to 31 March 2020
	£000	£000
<b>Revaluation reserve brought forward 1 April</b>	<b>30</b>	<b>34</b>
Net gain on revalued non-current assets	9	8
Transfer to general fund	(15)	(12)
<b>Revaluation reserve carried forward 31 March</b>	<b>24</b>	<b>30</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. The SSRO's leasehold non-current assets were reviewed at 31 March 2021.

## 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 2021 (2019/20: 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 2021	31 March 2020
	£000	£000
Due within one year	390	381
Due up to five years	494	888
<b>Total future minimum payments for non-cancellable operating leases for properties</b>	<b>884</b>	<b>1,269</b>

The SSRO spent £382,000 on operating lease payments for property during the year to 31 March 2021 (2019/20: £372,671).

## Note 16: Contingent assets and liabilities

As at 31 March 2021, the SSRO has no contingent assets or liabilities (2019/20: 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 as at 31 March 2021.

### Key management personnel

There are no related party transactions to report in the period to 31 March 2021 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 £6,287,000 (2019/20: £6,138,000). The SSRO didn't receive any services from the MOD during the year (2019/20: nil). There were no balances due or payable by the SSRO as at 31 March 2021 (2019/20: nil).

## **Other government departments**

Government Actuaries Department (GAD): during the year, the SSRO were invoiced £474,000 by GAD for services they received (2019/20: £563,000). There was £3,000 payable (accrued) to GAD as at 31 March 2021 (2019/20: £9,000). 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.

Government Property Agency (GPA): there was £5,000 payable (accrued) to GPA as at 31 March 2021 (2019/20: nil) for services the SSRO received during the year.

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

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

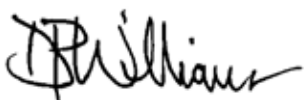
These accounts will be authorised for issue by the Accounting Officer on the same date as the C&AG's Audit Certificate.

# Appendix 1: Accounts Direction

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

1. This direction applies to the Single Source Regulations Office (SSRO).
2. The SSRO shall prepare accounts in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (the FReM) issued by HM Treasury which is in force for the financial year for which the accounts are being prepared. The accounts shall also comply with any additional disclosure or other requirements which have been agreed with the Department or are mandated by relevant UK legislation (for example The Companies Act) or are issued by HM Treasury or the Cabinet Office.
3. The accounts shall be prepared so as to:
  - a) give a true and fair view of the state of affairs as at 31<sup>st</sup> 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 Year 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

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