

SSRO

Single Source
Regulations Office

Activity type factsheet Ancillary Services

Under the Defence Reform Act 2014, the SSRO must provide the Secretary of State with its assessment of the appropriate rates used to determine the contract profit rate for pricing qualifying defence contracts and qualifying sub-contracts. Part of the methodology is the categorisation of comparator companies in to four activity types.

- Develop and Make
- Provide and Maintain
- Ancillary Services
- Construction

The results of these groups are separately analysed and this fact sheet describes the Ancillary Services group.

The baseline profit rate combines results from “Develop and Make” and “Provide and Maintain”, as set out in the *Recommendation Factsheet*. For further information on the methodology used to calculate these rates please see the *Single Source baseline profit rate, capital servicing rates and funding adjustment methodology*.

Ancillary services

Companies undertaking comparable activities considered as ‘ancillary services’ are expected to deliver either one of administrative, facilities or IT support activities. Companies undertaking these support services are not expected to bear any significant risks other than that of failing to provide the contracted outputs. This captures risk in relation to the delivery of the services, contract risk, procurement risk, staff risk and some quality control risk in respect of these activities.

Profit on cost of production

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|---------|---------|---------|---------|--------------|
| Underlying rate (unadjusted for capital servicing) | 4.49% | 5.86% | 4.19% | 5.86% | 7.13% |
| Capital servicing adjustment | -0.14% | -0.32% | -0.37% | -0.63% | -0.18% |
| Underlying rate | 4.35% | 5.54% | 3.82% | 5.23% | 6.95% |
| Rolling average* | 4.27% | 4.61% | 4.57% | 4.86% | 5.39% |

Note: The capital servicing adjustment accounts, at an aggregate level, for different levels of capital employed across the companies in the index and so sets a baseline upon which step 6 of the contract profit rate applies.

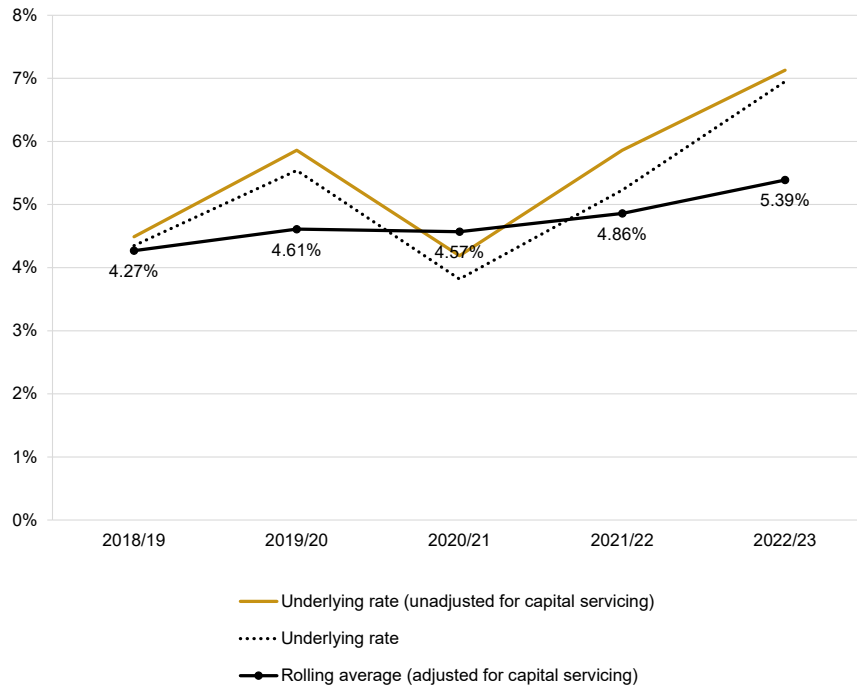
**A four-year average was used for 2022/23 and a three-year average was used pre-2022/23.*

The pre-2018/19 underlying rates used for the three-year average were: 2017/18: 3.95%; 2016/17: 4.50%.

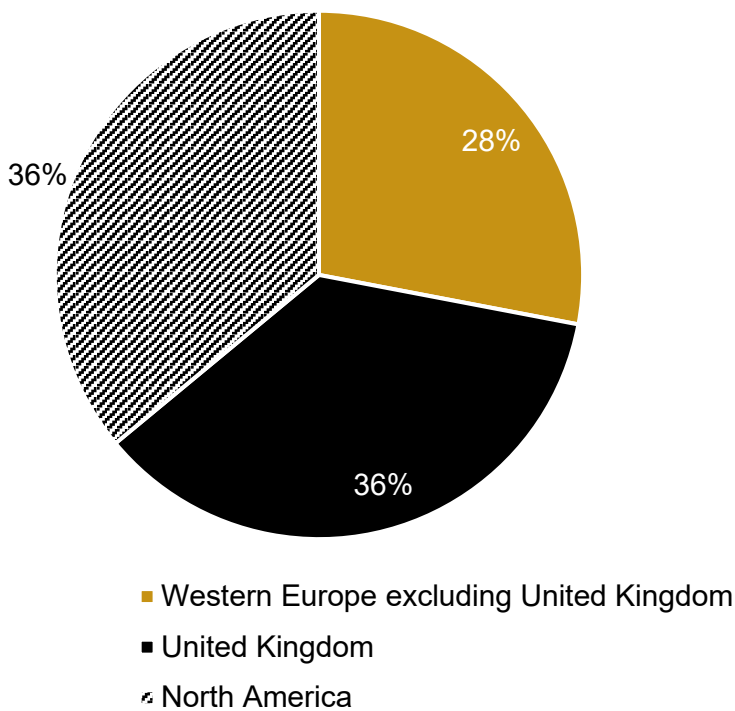
Data sources

For further information on the data selection approach please see section 7 of the *Single Source baseline profit rate, capital servicing rates and funding adjustment methodology*. A company update search of the [Orbis database](#) was carried out on 1 November 2021 on data update number 216001 using software version 216. The financial data for the calculation was extracted from Orbis at the same time.

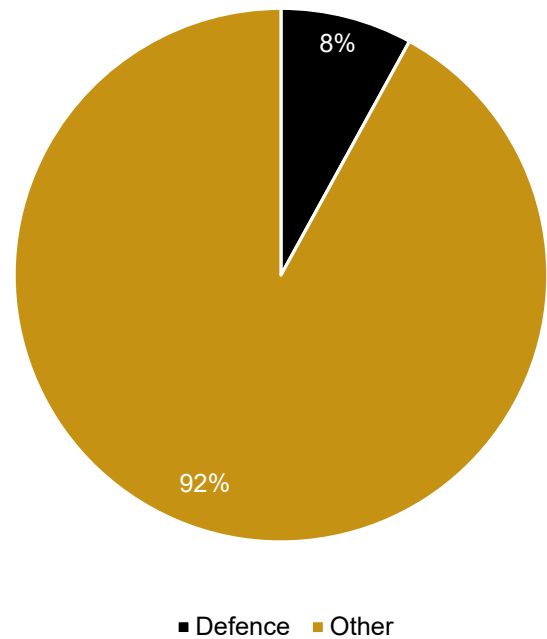
Median capital servicing adjusted return on cost of production



Proportion of companies by country



Proportion of companies with defence keyword



Supplementary statistics

| | |
|-------------------------------|-------|
| Number of companies | 27 |
| <i>of which profit making</i> | 25 |
| Aggregate turnover | £44 |
| Total capital employed (CE) | £3.25 |
| Average company CP:CE ratio | 11.94 |

Source: Orbis (Cash figures shown in GBP Billions)

Names of companies in the index

| | | |
|--|-------------------------------------|------------------------|
| ABM Industries INC | Healthcare Services Group INC | Tyler Technologies INC |
| Automatic Data Processing INC | Kinovo PLC | |
| Blueglade Limited | Lacera Servicios Y Mantenimiento SA | |
| Bulloughs Cleaning Services Limited | Mears Group PLC * | |
| City Facilities Management Holdings Limited | Mitie Group PLC | |
| Conduent Incorporated | OCO Limited | |
| Coor Service Management Holding AB | Paychex INC | |
| CSG Systems International INC | prego services GmbH | |
| Elior Group * | Puligest S.R.L. | |
| Euro&Promos FM Societa' PER Azioni IN Forma Abbreviata Euro&Promos FM S.P.A. (J) | Rentokil Initial PLC | |
| Firstservice Corporation | Restore PLC | |
| Garnica Sociedad Anonima (J) | Serco Group PLC | |
| | Softcat PLC | |
| | Trinet Group, Inc. | |

* Indicates that the company is a loss-maker in the year.

(J) Indicates a company which was not in the activity group last year, but has been added this year.