

# SSRO

Single Source  
Regulations Office

A military helicopter is shown in flight, hoisting a black inflatable boat from a snowy mountain slope. The helicopter is positioned in the upper half of the frame, with its main rotor blades blurred from motion. A long, yellow and black hoist cable extends from the helicopter down to the boat, which is suspended in the air. The background consists of a vast, snow-covered mountain range under a clear blue sky.

## SSRO Annual Report and Accounts 2021/22

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



# **The Single Source Regulations Office**

## **Annual Report and Accounts 2021/22**

For the period 1 April 2021 to 31 March 2022

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

Ordered by the House of Commons to be printed on 14 July 2022.



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3)

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/official-documents](https://www.gov.uk/official-documents)

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

ISBN 978-1-5286-3434-2  
E-Number E02756646

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of Her Majesty's Stationery Office



## **Contents**

<b>Chair's statement</b>	<b>6</b>
Performance Report	7
Purpose and activities of the SSRO	8
Chief Executive's perspective on performance	9
Key issues and risks for the SSRO	10
Performance analysis	11
SSRO's performance against its key measures	11
Financial performance during the year	17
<b>Accountability Report</b>	<b>19</b>
Corporate governance report	20
Remuneration and staff report	36
Parliamentary accountability and audit report	44
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	45
<b>Financial Statements</b>	<b>50</b>
Statement of Comprehensive Net Expenditure	51
Statement of Financial Position	52
Statement of Cash Flows	53
Statement of Changes in Taxpayers' Equity	54
Notes to the Financial Statements	55
<b>Appendix 1: Accounts Direction</b>	<b>67</b>

# CHAIR'S STATEMENT



## Hannah Nixon

Hannah Nixon was appointed as Chair of the SSRO on 3 January 2022.

The SSRO plays a central role in helping Government to achieve efficient delivery of those defence contracts that are not competitively tendered, whilst ensuring suppliers can earn a fair return. The importance of the UK having the capability to protect our country and its interests is once again very apparent. With more than 2% of UK GDP being spent on defence each year, our work can help to support innovation and growth.

On joining the SSRO in January this year I found an organisation that is delivering effectively on its objectives; a view supported by 90% of our stakeholders in our recent survey. The Board is grateful for what the SSRO has achieved over the last year and particularly of the continued determination of our staff to deliver under what have been difficult circumstances as we have all grappled with the continued effects of the Covid pandemic. Our latest Corporate Plan sets out how we plan to build on this.

This report summarises what the SSRO has accomplished this year. In particular:

- As a result of our guidance on allowable costs and contract profit rates, our opinions and determinations, we have continued to help the MOD and industry achieve contract prices that are fair and deliver value for money.
- Through the growing volume of data held in our Defence Contract Analysis and Reporting System (DefCARS), we have been able to develop insightful management information for use in procurement decisions and contract management.

Our work depends on engaging closely with our stakeholders. I would therefore like to

thank all of you who have engaged with us to help deliver our objectives. I was particularly pleased to see in our recent survey that the vast majority of stakeholders continue to say that the SSRO has engaged with them well (93%) and that they are satisfied with the assistance provided (96%). I am keen that we build on this and am encouraging all our staff and Board members to get into the field, to ensure we really understand the issues facing defence procurement and address the challenge of improving the speed of acquisition and ensuring that innovation and productivity are incentivised.

This year has been one of change at the SSRO Board, with four of the six non-executive members – including myself - joining. I would like to thank my colleagues for the warm welcome and their hard work in enabling a smooth transition. I would also like to thank my predecessor, George Jenkins, who chaired the SSRO from January 2017 and for the majority of 2021/22, helping the organisation to flourish throughout that time. And thank you to Marta Phillips, whose term of appointment as a non-executive member and Audit Committee chair ended this year after seven years at the SSRO.

The SSRO has strong values – to be inclusive, independent, authoritative and transparent – to which I am committed. It was pleasing therefore to see that between 85% and 91% of those surveyed say that we are meeting these individual values, and that 88% say we are expert in regulation. During my time as Chair, I will seek to uphold these values, build on our strengths and keep the organisation focused on fulfilling its statutory objectives effectively.

# Performance Report

# Purpose and activities of the SSRO

This section describes the SSRO's structure, values and objectives. It sets out the key issues and risks for the SSRO, and summarises how we have performed throughout the year.

## 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.

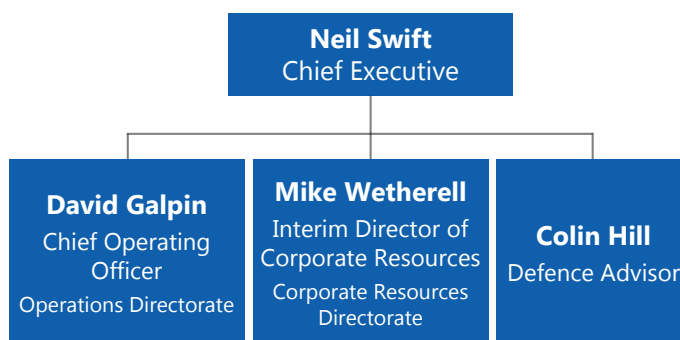
The SSRO's purpose is to deliver its statutory functions to support and improve operation of the regulatory framework. In carrying out our statutory functions, we aim to ensure that good value for money is obtained in government expenditure on qualifying defence contracts, and that contractors are paid a fair and reasonable price under those contracts.

The SSRO's statutory powers, duties and functions include:

- Giving opinions and making determinations on matters referred to the SSRO concerning the regulatory framework.
- Recommending the appropriate baseline profit rate, capital servicing rates and SSRO funding adjustment for use in calculating contract profit rates.
- Publishing guidance on Allowable Costs, Contract Profit Rate steps, Reporting and Penalties.

- Keeping the operation of the regulatory framework under review and making recommendations for changes to the Secretary of State.
- Keeping an up-to-date record of qualifying contracts and receiving statutory reports from defence contractors under the regulatory framework.
- Keeping under review the extent to which reporting requirements are being complied with.
- Analysing reported data on request for the Secretary of State.

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



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

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

- We accepted two referrals for a determination. One, relating to the extent to which research and development costs are allowable under a QDC, including consideration of Research and Development Expenditure Credit, will conclude in 2022/23. The other, concerning the appropriate cost risk adjustment to be used in calculating the contract profit rate for two contract amendments, was closed after the parties to the contract resolved their dispute. We gave pre-referral advice and support on two other matters related to QDCs.
- Our pricing guidance and profit rate recommendation helped parties agree fair and reasonable contract prices and achieve value for money. We have put in place clear, principles-based pricing guidance that facilitates the agreement of contract costs and profits. We have increased our focus on issues associated with determining allowable costs and have continued our multi-year project to examine the rates and overhead cost recovery in single source contracts.
- We supported the Secretary of State's review of the regulatory framework, which was intended to implement reforms set out in the Defence and Security Industrial Strategy. We published our recommendations to the Secretary of State in June 2021, which have informed the development of the Procurement Bill introduced into Parliament in May 2022.
- We have continued to collect data on qualifying contracts and suppliers through our Defence Contract Analysis and Reporting System (DefCARS) and this is providing a valuable, growing evidence base to inform value for money and fair and reasonable prices. We are developing DefCARS under new contract arrangements to better support utilisation of information, while ensuring that information entrusted to us is secure. Our project on amendments and variances has been central to our work to encourage data quality and use.
- We have worked to ensure statutory reporting operates as intended, through developments to reporting requirements, new guidance and changes to DefCARS.
- We have maintained a proactive programme of stakeholder engagement to underpin delivery of our statutory functions and our corporate objectives.

Performance against the indicators from our Corporate Plan 2021-24 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. As set out in the SSRO's risk management policy and internal control framework, responsibilities fall as follows:

- The SSRO Board puts 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, reporting to the Board its views on the SSRO's risk management.
- The Chief Executive is responsible for the internal control framework, which incorporates risk management processes and the Corporate Risk Register.

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

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

As at March 2022, the most significant risks that may impact on the delivery of the SSRO's Corporate Plan are that:

### **Actions are taken or changes made by external parties, which impact on the SSRO's priorities.**

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

- financial and other consequences of the global pandemic; and
- 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.

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

### **The information entered into DefCARS is of poor quality or is not used effectively, resulting in no comparable information being available or utilised.**

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

# Performance analysis

## SSRO's performance against its key measures

The following performance indicators were included in the SSRO's Corporate Plan 2021-2024. The SSRO's performance against them in 2021/22 is shown below.

	Target	2021/22	2020/21
<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>			
Annual increase in the number of referrals made to the SSRO	>2020/21	Met. The SSRO received two referrals in 2021/22 and gave pre-referral advice and support on two other contracts	We received no referrals in 2020/21
Opinions and determinations are completed within target timeframes	-	No referrals were due to complete during 2021/22	No referrals were completed in 2020/21
Proportion of stakeholders involved in a referral who agree the SSRO engages effectively throughout the referral	75%	94%	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	Pass/fail	Pass	Not measured
Provide assessments to the Secretary of State of the baseline profit and capital servicing rates that demonstrably support value for money and fair and reasonable prices	-	Met	Met
Proportion of stakeholders who agree the SSRO's guidance is clear and applicable	75%	84%	84%
Proportion of stakeholders who agree the SSRO's pricing guidance is useful in agreeing contract prices that support value for money for Government and fair and reasonable prices for contractors	75%	87%	Not measured
<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 2021	-	Met	Met
Develop and deliver an implementation plan for any changes to the regulatory framework required in response to the Secretary of State's review in 2021	-	Plan prepared and will be finalised when outcome of the review is known	Review postponed

	Target	2021/22	2020/21
<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%	72%
Proportion of contract reports submitted that are complete and meet the requirements of the legislation at the first attempt (target 60%) and that are submitted on time (target 75%)	60%	63% at 31 March 2022 <sup>[1]</sup>	42%
	75%	67% at 31 March 2022 <sup>[1]</sup>	68%
Proportion of reports submitted each year that are accessed by the MOD	75%	53% at 31 March 2022	56%
Proportion of defence contractors satisfied with the assistance and support provided by the SSRO when first entering into a qualifying contract	75%	92%	100%
Response to Section 36/37 requests for provision of analysis or information provided within agreed timescales	100%	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%	93%	91%
Number of MOD stakeholders that engage with the SSRO on pricing and data issues	-	87 <sup>[2]</sup>	Not measured
Stakeholders satisfied with assistance provided by the SSRO helpdesk	90%	100%	94%
Substantive responses to SSRO helpdesk queries provided within 5 working days	90%	99%	Not measured
<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%	-1.6%	-2.3%
Employee survey results for overall engagement	70%	62%	50%
Average number of days spent per person per annum on training	3 days	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>			
Stakeholders, staff and members agree that the SSRO provides effective and intuitive digital tools in support of its statutory functions.	-	80%	Not measured

[1] The target was increased from 35% in 2020-23 to 60% in 2021-24. This KPI only includes submissions that have been reviewed by both the SSRO and MOD, which is just 24% of all report submissions. Measuring the quality of contract reports reviewed by either the MOD or SSRO would provide a result of 66%, accounting for 98% of all contract report submissions.

[2] 87 MOD respondents to the SSRO's 2022 Stakeholder Survey responded to questions indicating their engagement with the SSRO on pricing or data issues.

The following section summarises the SSRO's performance against each of its corporate objectives.

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

Contracting parties may refer questions about proposed or existing qualifying contracts to the SSRO for expert opinion or determination. These questions typically involve more detailed investigation and the application of fair and transparent procedures to consider the views of all interested parties.

We received two referrals for a determination in 2021/22:

- On 17 September 2021, a referral was accepted regarding the appropriate step 2 (cost risk) adjustment to be used in calculating the contract profit rate for two amendments to a qualifying defence contract. The investigation was closed in November after the parties to the contract resolved their dispute and agreed the cost risk adjustment for the contract amendments.
- On 3 December, a referral was accepted regarding the extent to which research and development costs are allowable costs under a qualifying defence contract, including consideration of whether the costs should be offset by Research and Development Expenditure Credit received by the contractor in respect of the costs. A determination is expected in Q1 of 2022/23.

During the year, we maintained our readiness to deal with referrals and provided updates and training to Board and panel members as appropriate. We also gave advice to the MOD and contractors on the opportunities and relevant procedures for referral in relation to four contractual matters where a referral for an opinion or determination was being considered (including those identified above).

We responded to over 800 SSRO Support helpdesk queries in 2021/22, ranging from simple questions, such as those requiring signposting to existing guidance, to more complex queries requiring tailored responses.

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

During the year we have maintained our increased focus on issues associated with determining allowable costs, and have continued with our multi-year review of indirect costs and overheads. Our aim is to improve how these costs are dealt with in the regime. We worked with the MOD and contractors to better understand how the regime interfaces with their process in this area and how this could be improved through better guidance and reporting. The project was resumed after a temporary pause to prioritise support to the Secretary of State's review of the legislation. It then proceeded to deliver recommendations to improve the SSRO's statutory guidance on allowable costs, which were put to industry and the MOD for consideration. New guidance is now under development which the SSRO plans to issue for public consultation in Summer 2022.

We gave particular attention in this year's profit rates assessment to the effects of the COVID-19 pandemic. We found the pandemic had varying effects on the profit benchmarks which contribute to the BPR assessment, creating upward and downward pressure on rates of profit. Having consulted with stakeholders and carefully analysed the data, we were able to apply our methodology as intended. This year's BPR recommendation used a four-year average of the underlying annual rates, rather than the usual three, to enhance the stabilising effect of averaging in our assessment of the BPR. The baseline profit rate that the SSRO recommended to the Secretary of State in January 2022 was 8.07 per cent for 2022/23, a decrease on last year's rate of 8.31 per cent. The Secretary of State went further than the SSRO to remove the effects of COVID-19 by removing data from the period from the rates, leaving them at the same level as the SSRO had recommended in 2021.

The Secretary of State accepted the SSRO's recommended rates for the SSRO funding adjustment and the Government Owned Contractor Rate.

### **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. We published recommendations to the Secretary of State in June 2021 after concluding a focused review of the profit rate steps and reporting requirements under the regulatory framework. Those recommendations informed the Secretary of State's periodic review, which has now concluded. We look forward to working with stakeholders to implement the outcomes from the review.

We have 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 targeted reviews and, 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**

DefCARS is our primary tool for collecting, storing, managing and providing secure access to the information submitted in reports. We have continued to develop DefCARS, and have this year procured for new contract arrangements to support improved utilisation. We have published a technology strategy for the future of DefCARS in October 2021, which provided a roadmap for the future development of the technology that underpins the system.

The DefCARS Future Technology Strategy sets out that our vision is that DefCARS will:

- continue to be the primary tool for securely capturing, storing and facilitating the use of the information submitted in statutory reports;
- efficiently and flexibly capture data and provide value for money; and
- be easy to use, engaging to users, and encourage use of data in line with the SSRO's data strategy.

We have worked closely with stakeholders to optimise DefCARS, gathering evidence on its operation, compliance with reporting requirements and the impact of DefCARS data. As at 1 March, the SSRO had dealt with over 800 SSRO Support helpdesk queries regarding DefCARS in 2021/22 (745 in the same period in 2020/21). We continued to carry out on-boarding and training sessions and provide support to contractors and the MOD throughout the year.

We have continued to revise and improve our reporting guidance, and made two significant updates to the guidance this year.

Our projects on overheads and amendments and variances have been central to our work to encourage data quality and use. The projects are leading to proportionate changes to DefCARS and our reporting guidance to:

- Improve reporting requirements for rates and overheads and support data quality and use.

- Provide the MOD with better information about how the price of a contract may change as it is delivered and support analysis of quantitative and qualitative segmented information about pricing amendments and cost variances.

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.

We have also published four statistics bulletins in 2021/22.

Our 2021 Annual Compliance Report was published in November 2021. It found that 69 per cent of contract reports and 66 per cent of supplier reports were submitted in accordance with the due dates set by the Regulations. We recommended a series of actions to the MOD and contractors include maintaining familiarity with reporting requirements, appropriate resourcing of reporting and prompt resolution of reporting issues. The report also found that 45 per cent of contract reports were submitted right first time and 50 per cent of supplier reports were right first time during 2020/21, based on reports that had been reviewed by both the SSRO and the MOD.

Through our programme of targeted reviews, we have received feedback from MOD teams that limited use is being made of reported information for contract management or internal reporting purposes. We understand that the MOD is considering ways to encourage internal use of the statutory reports, including through changes to the regulatory framework. We have continued to support use of the reports and to look for opportunities to work with the MOD to make improvements in this area. Our future vision for DefCARS has explained the importance of encouraging use of the data.

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

We have maintained a proactive programme of stakeholder engagement throughout the year to underpin delivery of our Corporate Plan and our statutory functions. Engagement is fundamental to the SSRO's evidence-based approach to its work, as we improve our understanding of issues in the regime and user needs by working closely with stakeholders.

We have this year undertaken a survey of our stakeholders, to understand how we are performing and to inform improvements in our engagement. The survey found that:

- 9 in 10 respondents rate the SSRO's overall performance over the past 2 years as good or very good.
- 93 per cent of respondents think the SSRO has engaged well with them.
- Over 8 in 10 respondents feel that they understand the SSRO's role and what it is aiming to achieve.
- Almost all respondents think SSRO staff are approachable and professional.

The Chair and Chief Executive have continued to meet with senior representatives from the MOD, industry and government. We have built on successful approaches to engagement, such as working groups, communities of interest and regular stakeholder meetings such as our Operational Working Group and Reporting & IT sub-group meetings. We liaised actively with stakeholders on delivering our functions, holding conversations, meetings and workshops at all levels.

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

We want all of our staff to develop themselves to deliver the SSRO's objectives and progress their careers; build an understanding of the SSRO's work, our sector and the contribution each person can make; and to work collaboratively and flexibly as a team, adapting to changing priorities.

We have recruited staff with the right skills and knowledge, drawing expertise 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 specialist contractors, temporary staff and secondments from stakeholders.

As the regulatory regime matures, we are reviewing whether we have the right skills, knowledge and expertise to deliver on our ambition. We have, therefore, taken steps to undertake an independently supported capability review, which will consider ongoing development of our people and bringing in additional expertise as needed.

We have built on our experience from the COVID-19 pandemic, and are pursuing optimal ways of working. We have embarked on a project to consider our future accommodation needs, as the SSRO's occupation of Finlaison House is due to come to an end in 2023.

With our Information Technology, we have maintained our Cyber Essentials + standard certification and have followed all relevant government technology and security guidance.

Financially, while 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, led to a net underspend within 2 per cent of our corporate budget.

## **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 during the COVID-19 pandemic in fully remote and hybrid settings.

We have continued to make improvements to DefCARS throughout the year. Our DefCARS Future Technology Strategy set out a roadmap for developing the technology that underpins DefCARS, and we have begun to implement this strategy to improve the capabilities in DefCARS and better enable the system to support the regulatory framework and meet stakeholder needs. As a key first step, we are transitioning DefCARS to the public cloud so that the application and data are managed by the SSRO, while the platform infrastructure and services are provided by the public cloud service.

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.



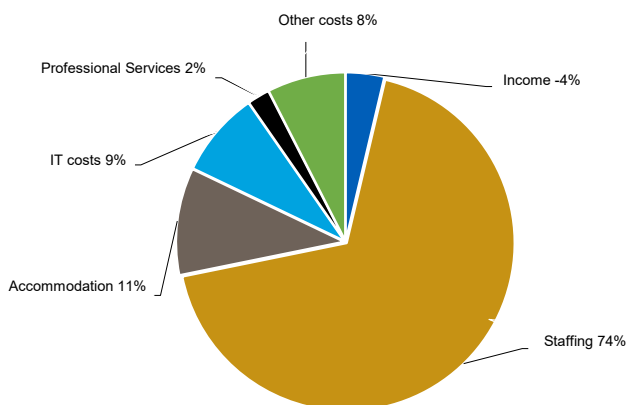
## Financial performance during the year

This section provides a summary of the SSRO's financial performance during the 2021/22 financial year. It sets out the grant funding received by the SSRO and explains how it was utilised.

### Grant in Aid

During 2021/22 the SSRO agreed Grant in Aid funding totalling £6,350,000 (2020/21: £6,350,000 with the SSRO drawing down £6,287,000) to cover planned expenditure. 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 2021/22 the SSRO incurred costs of £36,000 on referrals work. No additional Grant in Aid was provided by the MOD to cover Referrals costs (2020/21: nil), as the SSRO agreed to cover them within its agreed Grant in Aid for the 2021/22 year.

### Expenditure



\*Chart as per the Statement of Comprehensive Expenditure

The SSRO's expenditure during 2021/22 mainly relates to staffing, with 74% of its overall spend covering staff and other staff-related costs (2020/21: 70%). The increase in staff costs for 2021/22 largely relates to the higher use of contingent labour during the year to cover vacant posts and to access specialist skills to support the regulatory database project. The SSRO also makes use of technical experts to deliver statutory functions e.g. referrals. The SSRO also continued to have one employee on secondment with the UK Health Security Agency (UKHSA) to support the response to the Coronavirus pandemic.

Although their costs were recharged (disclosed in Note 2), the employee remained on the SSRO's payroll, along with the additional costs of temporary cover for them. Other significant areas of spend during 2021/22 were accommodation (11%) and IT infrastructure costs (9%).

The SSRO aims to obtain 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 deliver value for money. 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, excluding Referrals, of £6,246,000 (2020/21: £6,206,000) represents utilisation of 98.4% of the Grant in Aid funding provided by the MOD (2020/21: 97.7%). 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.

	<b>£000</b>
Expenditure per Statement of Comprehensive Expenditure	6,342
Expenditure capitalised during the year (included in the Statement of Financial position)	112
Less costs not included within the 2021/22 Grant in Aid budget	
Amortisation and depreciation	(130)
Asset disposal	(6)
Dilapidation provision	(36)
Referrals costs absorbed by the SSRO	(36)
<b>Total Grant in Aid expenditure</b>	<b>6,246</b>

## 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.

## 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 (2020/21: 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 2021/22.



Accounting Officer

4 July 2022

# Accountability Report

# Corporate governance report

This section provides information about the SSRO's Board members, sets out their responsibilities and describes the SSRO's systems of internal control and actions against its whistleblowing responsibilities.

## **Our Board Members during the year of review**

The commentary relating to the Board reflects their activities during the year ending 31 March 2022.



**Hannah Nixon**  
**Chair**

Hannah was appointed on 3 January 2022.

She also holds non-executive director positions at the Financial Reporting Council (FRC), Thames Water and the National Grid Electricity System Operator (NGESO).

Hannah has widespread experience in economics and regulation across a range of industries. She was the first CEO of the Payment Systems Regulator, the economic regulator of the UK's £80 trillion payments industry, responsible for driving competition and innovation in the interests of consumers. Hannah was also a senior partner at Ofgem, where she had responsibility for the networks division. Until recently she was also a NED of the Jersey and Guernsey Competition and Regulatory Authorities.



**George Jenkins OBE**  
**Previous Chair**

George Jenkins was appointed on 3 January 2017 and reappointed in 2019. His appointment ended in January 2022.

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.



**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.



**Alastair Groom**  
**Non-executive member**

Alastair was appointed in October 2021. He is chair of the Audit Committee.

Alastair is an independent finance professional practitioner with thirty years' experience in understanding business strategic, commercial and financial issues and assisting major organisations undergoing structural, financial, operational and efficiency challenges. He has a wide range of M&A Transaction Services experience, ranging from acting as Reporting Accountant on major flotations, listed company acquisitions and private due diligence. He has worked extensively across Defence, Healthcare and Central Government. He was 28 years at KPMG, 16 years as an Equity Partner. He is a Fellow of the Institute of Chartered Accountants (FCA ICAEW) and holds a BSc (Hons) in Electrical Engineering (Microelectronics) from the University of Edinburgh.



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

David Johnston was appointed in June 2016. In May 2022 he was reappointed for a further year to May 2023. He is a member of the Audit Committee and the Regulatory 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 has a deep sector knowledge of defence, aerospace and industrial services. David is a Fellow of the Chartered Institute of Management Accountants and holds an MBA from the University of Surrey.



**Hugh Kelly**  
**Non-executive member**

Hugh was appointed as a non-executive member in June 2021. He is a member of the Audit Committee.

He is an independent consultant advising regulators and companies on regulatory and competition finance topics. He has worked for more than twenty years on regulatory accounting and costing, profitability and cost analysis in competition cases, and cost of capital topics. His experience includes the telecoms, postal, aviation, energy, water, broadcasting, transport, financial and payment systems sectors.

Hugh is a member of the Institute of Chartered Accountants and holds a BA in Accounting and Economics from the University of Kent.



**Marta Phillips OBE**  
**Non-executive member**

Marta Phillips was appointed in September 2014 and reappointed in September 2017. Her appointment ended in September 2021. She chaired the Audit Committee and was 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.



**Claire Williams**  
**Non-executive member**

Claire was appointed as a non-executive member in June 2021. She is a member of the Regulatory Committee.

Claire is a non-executive director of the Utility Regulator for Northern Ireland and is also a non-executive director of the Citizen Housing Group.

Claire is a member of the audit committee for the Utility Regulator. She is a member of Citizen's audit committee and of its Development Board which oversees Citizen's housing construction and regeneration programme. Claire has held senior positions in the electricity, renewable energy (including offshore wind) and rail industries for over 25 years and has in-depth experience of central government, the regulated sector, governance and public procurement. She has also been centrally involved in the delivery of a number of large infrastructure projects and in the implementation of major government schemes in the energy sector, including Contracts for Difference and the Capacity Market. Claire has been General Counsel for a number of companies and, in her earlier career, spent several years as a private practice lawyer. Claire has a Masters in Law from Cambridge University.

**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.

## Board appointment dates

Name	Start date	End date
<b>Non-executive Board members</b>		
Hannah Nixon - Chair	03/01/22	02/01/26
George Jenkins - Previous Chair	03/01/17	02/01/22
Peter Freeman	06/09/17	05/09/24
Alastair Groom	01/10/21	30/09/25
David Johnston	01/06/16	31/05/23
Hugh Kelly	01/06/21	31/05/25
Marta Phillips	29/09/14	28/09/21
Claire Williams	01/06/21	31/05/25
<b>Executive Directors</b>		
Neil Swift Chief Executive	20/04/15	31/05/23
David Galpin Chief Operating Officer	01/03/18	-

## 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>	
Hannah Nixon - Chair	Non-executive director of the Financial Reporting Council Non-executive director of Thames Water Non-executive director of the National Grid Electricity System Operator
George Jenkins – Previous Chair	None declared
Peter Freeman	Non-executive Member of the Competition Service Board
Alastair Groom	Social member of Honourable Artillery Company Part time project work for The Maudsley Charity - advisory support for a potential NHS residential property development

Name	Interest
David Johnston	<p>Board Member of Engage, Enrich, Excel Academies Trust until 6 July 2021</p> <p>Member Nominated Trustee and pensioner member of the Gemplus Limited Staff Pension Scheme. Following its acquisition of Gemalto in 2019, Thales SA has assumed funding obligations in respect of the Scheme.</p> <p>Pensioner member of UTC (UK) Pension Scheme. United Technologies Corporation (UTC) merged with Raytheon Corporation in April 2020 to form Raytheon Technologies Corporation.</p>
Hugh Kelly	<p>Director, HMK Advisory Limited</p> <p>Trustee, East Grinstead Museum</p> <p>Trustee, Sputnik Theatre Company</p>
Marta Phillips	<p>Sponsor Board for the Restoration and Renewal of the Houses of Parliament: Board Member; Audit Committee Chair</p> <p>Heriot Watt University: Court Member; Finance Committee Member; Global Students Life Committee Chair</p> <p>Nursing and Midwifery Council: Council Member; Audit Committee Chair</p> <p>University of Newcastle Upon Tyne: Council Member; Audit Committee Member</p> <p>London Fire Brigade: Audit Committee Chair</p> <p>Non Ministerial Departments Jersey: Audit Committee Chair</p> <p>University of Law: Audit Committee Member</p> <p>Public Sector Audit Appointments: Board Member; Audit Committee Chair</p> <p>Chartered Accountants Compensation Scheme: Director</p> <p>Istituto Marangoni London: Governor</p> <p>Tollgate Square Management Company Limited: Director</p> <p>MRP Consulting: Director</p>
Claire Williams	<p>Utility Regulator for Northern Ireland: Non-executive Director</p> <p>Citizen Housing Association: Non-executive Director</p>
<b>Executive Directors</b>	
Neil Swift Chief Executive	Whitefield Academy Trust: Director and Chair of the Finance and Audit Committee
David Galpin Chief Operating Officer	None declared



# Statement of responsibilities

## Board members' responsibilities



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

On behalf of the Board, the Audit Committee reviews and challenges the SSRO's internal 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 resources that have been agreed by the Department (the MOD), ensuring that the SSRO uses them 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 2021/22. 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

This statement describes the SSRO’s system of internal control, records the assurances received and provides an assessment of the organisation’s risk profile and effectiveness in managing those risks.

## Background to events in 2021/22

### 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 that operates independently and at arm’s-length from the MOD, its sponsor department. The SSRO operates under a Framework Document agreed between the SSRO and the MOD.

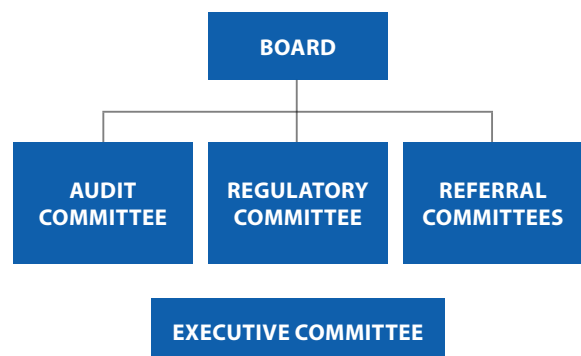
Our Corporate Governance Framework is aligned with Schedule 4 of the Defence Reform Act and is reviewed annually. The Corporate Governance Framework sets out the organisation’s arrangements and processes for governance. The Corporate Governance Framework, and the system of internal controls described within it, has been in place for the year under review and up to the date of approval of this Annual Report and Accounts.

The Framework sets out:

- the role of the Chair, 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 minutes of all Board meetings.

The SSRO’s governance arrangements are overseen by its Board, which (as of 31 March 2022) consists of a Chair, five non-executive members and two executive members.



In 2021/22, Board members attended the following meetings of the Board and its sub-committees (of the total meetings which could have been attended):

Name	Board	Audit Committee	Regulatory Committee	Referral Committee
<b>Chair</b>				
Hannah Nixon	2/2	n/a	n/a	n/a
George Jenkins - Previous Chair [1]	4/4	n/a	2/2	n/a
<b>Non-executive Board members</b>				
Peter Freeman [2]	6/6	n/a	6/6	7/7
Alastair Groom [3]	3/3	2/2	n/a	n/a
David Johnston [4]	6/6	4/4	5/5	5/5
Hugh Kelly [5]	5/5	3/3	n/a	n/a
Marta Phillips [6]	2/2	2/2	2/2	n/a
Claire Williams [7]	5/5	n/a	5/5	2/2
<b>Referral panel members</b>				
Ros Downs [8]	n/a	n/a	n/a	2/ 2
Chris Fraser [9]	n/a	n/a	n/a	5/ 5
<b>Executive Directors</b>				
Neil Swift Chief Executive	6/6	n/a	n/a	n/a
David Galpin Chief Operating Officer	6/6	n/a	n/a	n/a

[1] George Jenkins completed his term on 2 January 2022.

[2] Peter Freeman was appointed to two Referral Committees on 28 September 2021 and 3 December 2021.

[3] Alastair Groom was appointed as Chair of the Audit Committee on 1 October 2021.

[4] David Johnston was appointed to the Regulatory Committee on 23 June 2021. He was appointed to a Referral Committee on 3 December 2021.

[5] Hugh Kelly was appointed to the Audit Committee on 23 June 2021.

[6] Marta Phillips completed her term on 28 September 2021.

[7] Claire Williams was appointed to the Regulatory Committee on 23 June 2021. She was appointed to a Referral Committee on 28 September 2021.

[8] Ros Downs was appointed to a Referral Committee on 28 September 2021.

[9] Chris Fraser was appointed to a Referral Committee on 3 December 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 2021/22, we engaged positively with individuals raising issues through our public interest disclosures mailbox.

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 2021 to 31 March 2022 (the reporting period) is provided below.

<p>a. Number of workers’ disclosures received during the reporting period that the SSRO believes are:</p> <ol style="list-style-type: none"> <li>i. qualifying disclosures within the meaning of section 43B of the Employment Rights Act 1996; and</li> <li>ii. which fall within the matters in respect of which the SSRO is so prescribed.</li> </ol>	<p style="text-align: right;">1</p> <p style="text-align: right;">0</p>
<p>b. The number of those disclosures in relation to which the SSRO decided during the reporting period to take further action.</p>	<p style="text-align: right;">1</p>
<p>c. <ol style="list-style-type: none"> <li>i. Action that the SSRO has taken during the reporting period in respect of the workers’ disclosures.</li> <li>ii. How workers’ disclosures have impacted on the SSRO’s ability to perform its functions and meet its objectives during the reporting period.</li> </ol></p>	<p><ol style="list-style-type: none"> <li>i. With the worker’s permission, the matter was referred to the Ministry of Defence for further investigation.</li> <li>ii. There has been no impact during the reporting period.</li> </ol></p>
<p>d. The functions and objectives of the SSRO.</p>	<p>These are described on page 9 of this report.</p>

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 are set out in the [SSRO’s Whistleblowing Policy](#). The SSRO’s whistleblowing arrangements are operating effectively and in line with the SSRO’s policy.

## The SSRO Board

The SSRO governance structure is set out in the Corporate Governance Framework. Part 4 describes the roles and powers reserved for the Board in relation to the activities and statutory functions of the SSRO and those delegated to the Board's sub-committees, the Chief Executive and Directors – referred to as the SSRO's delegated powers. The table of delegations sets out clearly the responsibilities of the Board, the Regulatory Committee, the Audit Committee, the Chief Executive and the Directors.

The Corporate Governance Framework sets out the Board's responsibilities, alongside the individual responsibilities of the Chairman and other Board members. During 2021/22 the Board considered and approved:

- the Annual Report and Accounts 2020/21;
- the Corporate Plan 2022-2025;
- 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 Chair'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 2022/23.

Board members attend regular Strategic Update meetings, which include presentations and discussions on a range of strategic issues.

There have been two MOD Representatives to the SSRO Board in 2021/22, with observer status at SSRO Board meetings.

The Chair carried out the SSRO's seventh 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. The review found that:

- The SSRO has appropriate arrangements in place to enable the Board to discharge its responsibilities effectively.
- 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 made eight recommendations, which included proposals on Board member workshops, communications and the establishment of a People Committee.

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;
- GIAA's recent review of the Regulatory Committee;
- the recommendations from the review of Board effectiveness that was undertaken by GIAA in 2021.
- written feedback by all Board members on the operation of the Board and any committees; and
- individual meetings between the Chair and non-executive members, executive members and the MOD Representatives.

## **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 2021. 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 members must be a person who is not a member or employee of the SSRO. Committee members are appointed to individual referrals on a case-by-case basis.

This year the SSRO received two referrals. The terms of reference for the Committees are revised annually and were last revised in December 2021. 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 the regulatory functions not reserved to the Board. 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 2021. They are available on in the Corporate Governance Framework on our website.

GIAA undertook a review of the SSRO Regulatory Committee in 2021 and the review gave a substantial assurance opinion that the governance arrangements are adequate and effective.

## **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 2021. I chair the monthly Executive Committee, whose other members are (at 31 March 2022) the Chief Operating Officer, the interim Director of Corporate Resources and the Defence Advisor.

# 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 risks from individual project risk registers that they consider significant 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 appetite 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 consider whether there is a need for an 'oversight board' at executive level, which would 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 (GIAA) 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

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. Risks are named according to the "cause, event, consequence" model and are linked to corporate objectives. Risks 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, GIAA, review how risks are managed via a programme of work designed to assess the specific risks and assurance requirements of the SSRO, and focused on areas of risk identified by management. In delivering this programme of work GIAA will consider the effectiveness of risk management, including consideration of whether risk management is undertaken in line with the SSRO's risk management policy and procedures.

The most significant current corporate risks are described in the "Key issues and risks for the SSRO" section.

GIAA undertook a review of the SSRO's risk management in 2021 and provided substantial assurance that there is an effective governance, risk management, and control framework in place. The report found that:

The SSRO has well established risk management policies and processes. These were well understood by staff at all levels within the organisation and applied consistently. Risk management policy is documented and available to all staff via the intranet. Strategic risks are collated in the Corporate Performance Report and are regularly reviewed at all levels of management within the SSRO. Risk appetite is defined in the policy and is applied consistently across the corporate risks. Risk appetite is confirmed as appropriate for each risk by the Audit Committee.

GIAA's review of the effectiveness of the SSRO's risk management against the HM Treasury risk assessment framework model found that the SSRO has established an excellent capability across the organisation.

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 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 leading the SSRO's overall approach to risk management and for reporting on risk regularly to Executive Committee and Audit Committee meetings.
- **Members of the Executive Committee** manage the individual risks to their functional areas and projects.

# Financial management

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

When agreeing the 2021-23 Corporate Plan, the Board also agreed a budget for 2021/22, 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 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 threshold set for Part 2 of the Public Contracts Regulations 2015 and applicable to supply, services and design contracts for sub-central contracting authorities (including the SSRO) and within the SSRO's approved budget.

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

## How we evaluate internal controls

### The SSRO Audit Committee

The role of the Audit Committee is set out above.

### Internal audit

During 2021/22 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:

- Corporate performance report and information flow;

- Review of the Regulatory Committee;
- Risk management; 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 2022/23 to 2024/25 was agreed in March 2022. 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 2022 meeting, where the Committee also approved an internal audit programme for 2022/23.

A substantial assurance Head of Internal Audit Opinion was issued in June 2022.

### External audit

The external auditor, the Comptroller and Auditor General, is appointed by statute. The NAO comments in its annual management letter on governance and controls issues arising from the external audit of the SSRO's financial statements. A representative of the external auditor is invited to, and attends, all Audit Committee meetings and has direct access to me, to GIAA and to the Chair of the Audit Committee. The internal and external auditors are afforded the opportunity for a private session with the Audit Committee at least once a year.

### Quality assurance over business critical models

I am required to include confirmation that an appropriate quality assurance framework is in place and is used for all business-critical models. As part of our project delivery assurance processes, separate independent assurance at key stages of any project will be requested from either the contractor or via an external provider (for example GIAA).

There were no projects requiring such assurance during the period.

## Information assurance

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

The SSRO IT Strategy makes use of shared services and infrastructure where appropriate, in line with Cabinet Office guidance for government IT. The IT Strategy is kept under review to ensure ongoing compliance with relevant guidelines and a scalable and resilient infrastructure to meet the needs of the business. The SSRO procures off the shelf and specialist systems, services and expertise using relevant government frameworks and procurement advice.

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

An IT Acceptable Use Policy has been issued to all staff. All staff are required to annually complete the Civil Service Learning 'Responsible for Information' training 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.

## Significant control issues

No significant control issues arose during 2021/22 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 2021/22. 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 2021/22 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

The Remuneration and Staff Report summarises the SSRO’s policy on Board Members, Non-Executive Board Members and staff pay. It also provides details of actual costs incurred and contractual arrangements in place.



## 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 Secretary of State for Defence where required.

## Salary and pension entitlements

The following sections provide remuneration and pension details of the SSRO during 2021/22 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 2021/22.

### 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	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000			£000	£000	£000	£000
<b>Chief Executive</b>										
Neil Swift	145-150	145-150	15-20	15-20	200	0	58	58	220-225	220-225
<b>Executive Committee</b>										
David Galpin	125-130	125-130	5-10	5-10	0	0	50	50	180-185	180-185
Colin Hill [1]	75-80	75-80	0-5	0-5	0	0	58	30	140-145	110-115
Mike Wetherell [2]	115-120	120-125	0-5	0-5	200	0	43	134	160-165	260-265

[1] Colin Hill made Additional Voluntary Contributions into his pension from 1 April 2021.

[2] During 2020/21 Mike Wetherell transferred in a pension benefit from a previous employer during the year.

[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 2022	Real increase in pension and related lump sum at pension age	CETV at 31 March 2022	CETV at 31 March 2021	Real increase in CETV
	£000	£000	£000	£000	£000
Neil Swift	20-25	2.5-5	305	250	35
David Galpin	15-20	2.5-5	224	183	27
Colin Hill	5-10	2.5-5	106	56	39
Mike Wetherell	10-15	2.5-5	140	105	24

[1] The SSRO has not made any early retirement payments to Directors during 2021/22 (2020/21: nil).

[2] The SSRO has not made any Employer contributions to the partnership pension account for the Executive Team during 2021/22 (2020/21: nil).

## Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 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 2021/22 (2020/21: 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 £700 per day (previously £592 per day) and the non-executive Board members are paid £500 per day. The Chair is paid an average of one day per week (previously two days) 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.

		2021/22	2020/21
	Date appointed	£000	£000
<b>Chair</b>			
Hannah Nixon Annual Equivalent	January 2022	10-15 40-45	0 0
George Jenkins [1] Annual Equivalent	January 2017	50-55 70-75	70-75 70-75
<b>Non-executive Board members</b>			
Peter Freeman [2] Annual Equivalent	September 2017	15-20 15-20	10-15 10-15
Alastair Groom [3] Annual Equivalent	October 2021	5-10 10-15	0 0
David Johnston [4] Annual Equivalent	June 2016	15-20 15-20	10-15 10-15
Hugh Kelly [5] Annual Equivalent	June 2021	5-10 10-15	0 0
Claire Williams [6] Annual Equivalent	June 2021	10-15 10-15	0 0
Marta Phillips [7] Annual Equivalent	September 2014	5-10 10-15	10-15 10-15

[1] George Jenkins completed his term in January 2022.

[2] Peter Freeman worked an additional 11 days during the year. 6.5 days related to Referrals work.

[3] Alastair Groom joined the SSRO in October 2021. During the year Alastair has worked an additional 4 days.

[4] David Johnston worked a total of 14.25 additional days during the year. 6 days related to Referrals work.

[5] Hugh Kelly joined the SSRO in June 2021.

[6] Claire Williams joined the SSRO in June 2021. Claire worked an additional 4.5 days during the year. 1 day related to Referrals work .

[7] Marta Phillips completed her term in September 2021.

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

[9] 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 lower quartile, median and upper quartile 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 2022			31 March 2021 (revised)		
	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Highest paid director's total remuneration band	165,000-170,000			165,000-170,000		
Employee total remuneration	52,717	79,151	111,010	52,667	69,571	106,620
Employee salary	50,967	77,617	107,721	51,217	67,003	103,680
Ratio (total remuneration)	3.2	2.1	1.5	3.2	2.4	1.6

The banded remuneration of the highest-paid director in SSRO during 2021/22 was £165,000-£170,000 (2020/21: £165,000-£170,000). This was 2.1 times (2020/21: 2.4) the median employee remuneration of £79,200 (2020/21: £69,600).

During the year to 31 March 2022 there were no employees receiving a higher remuneration than the highest paid director (2020/21: nil). SSRO employee remuneration ranges from £24,779 to £134,768 (2020/21: £24,397 to £134,270). The median total remuneration ratio decreased in 2021/22. This resulted from staff acting up in higher roles, whilst recruitment for vacancies was underway. The recruitment process for some vacancies took longer following the pandemic close downs.

The table below shows the year-on-year percentage change for salary, other benefits (excluding pension) and bonus for the highest paid Director and the SSRO's employees (based on total full-time equivalent total reward for the relevant financial year).

		Salary	Other benefits	Bonus
Change from 2021 to 2022	Highest paid Director	0%	0%	0%
	SSRO employees	2%	31%	7%
Change from 2020 to 2021	Highest paid Director	1%	(100%)	0%
	SSRO employees	1%	(93%)	6%

Although there was no general pay increase for employees during 2021/22 (2020/21: 2%), some employees received uplifts in salaries as they covered workloads from vacant posts as recruitment continues to be slower following the pandemic closedowns. Changes in other benefits have been more volatile year on year, and are in respect of travel card benefits for Directors and employees. In 2020/21, the use of travel cards and the associated benefits reduced as a result of the government-imposed lockdowns associated with the Covid-19 pandemic. As travel was restricted, this resulted in the significant decrease of other benefits. In 2021/22 as the lockdown rules lifted, Directors and employee travel increased which led to a 31% increase in other benefits. Over the year there were fewer employees on the SSRO's payroll so bonuses per employee are higher than in the previous year.

# Staff report

## Staff policies

During the 2021/22 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.

	2021/22	2020/21
Permanent [1]	35	37
Non-payroll [2]	2	0
<b>Total</b>	<b>37</b>	<b>37</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.

	2021/22			2020/21		
	Employed staff	Non-payroll staff	Total	Employed staff	Non-payroll staff	Total
	£000	£000	£000	£000	£000	£000
Salary	3,074	347	3,421	3,197	42	3,239
Social security	372	0	372	415	0	415
Pension	844	0	844	873	0	873
Other benefits	12	0	12	10	0	10
<b>Total costs</b>	<b>4,302</b>	<b>347</b>	<b>4,649</b>	<b>4,495</b>	<b>42</b>	<b>4,537</b>
<b>Less secondment costs recovered</b>	<b>(132)</b>	<b>0</b>	<b>(132)</b>	<b>(144)</b>	<b>0</b>	<b>(144)</b>
<b>Net costs</b>	<b>4,170</b>	<b>347</b>	<b>4,517</b>	<b>4,351</b>	<b>42</b>	<b>4,393</b>

## Staff composition

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

	2021/22		2020/21	
	Male	Female	Male	Female
Chief Executive and Directors	3	0	4	0
Employees	21	11	21	12
<b>Total</b>	<b>24</b>	<b>11</b>	<b>25</b>	<b>12</b>

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

## Staff sickness absence

During 2021/22 the average level of sickness absence was two days per employee (2020/21: one day).

## Staff turnover

The SSRO had a staff turnover of 17% during 2021/22 (2020/21: 16%).

## Exit packages (audited)

There were no redundancies or other departure costs during the year to 31 March 2022 (2020/21: nil).

## Contingent labour expenditure

The SSRO incurred costs of £385,000 on contingent labour during 2021/22 (2020/21: £42,000). These costs increased in 2021/22 as the SSRO utilised contingency labour to cover vacant posts and to access specialist skills to support ICT projects.

## Consultancy expenditure

The SSRO incurred no consultancy expenditure during 2021/22 (2020/21: £82,000).

## Off-payroll engagements

During the year to 31 March 2022 the SSRO had one off-payroll engagement for more than £245 per day that lasted for longer than six months (2020/21: nil).

As at 31 March 2022 the SSRO had no off-payroll contract engagement for more than £245 per day that lasted for longer than six months (2020/21: nil).

The SSRO had 11 Board members and/or senior officials with significant responsibility during the period to 31 March 2022 (2020/21: 10). None of these Board members or Senior Officials were off-payroll engagements.

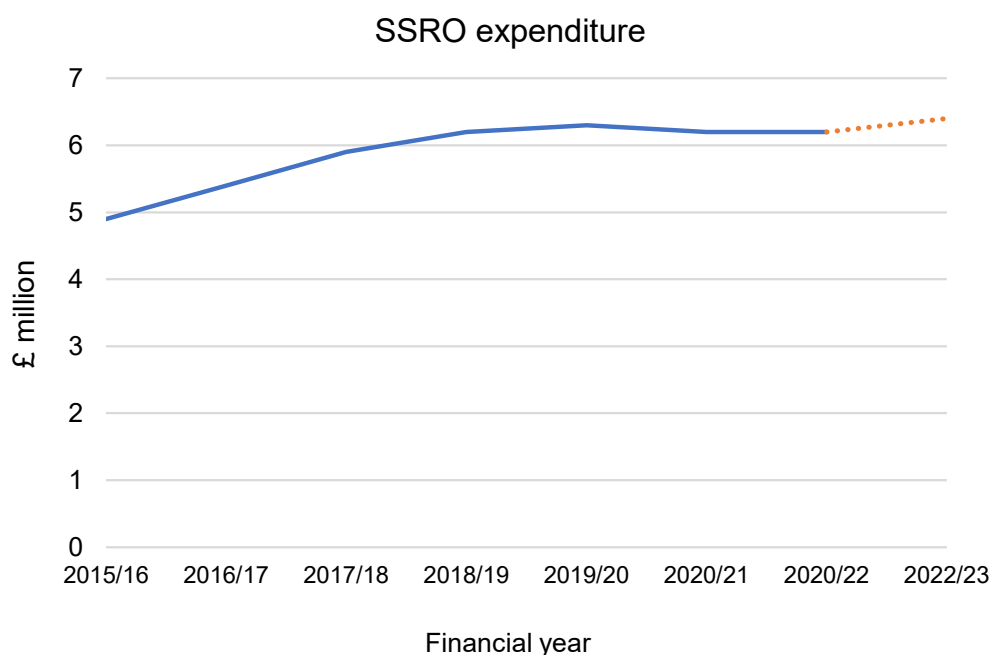
## Parliamentary accountability and audit report

The Parliamentary accountability and audit report provides details regarding the regularity of the SSRO's expenditure, meaning that Parliament can be assured that funds have been spent in the manner intended. The Report concludes with the Certificate and Report of the Comptroller and Auditor General.

### Regularity of expenditure (audited)

All expenditure incurred in the period to 31 March 2022 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 2022 (2020/21: nil).

### Remote contingent liabilities (audited)

The SSRO has no remote contingent liabilities as at 31 March 2022 (2020/21: nil).

Accounting Officer

4 July 2022

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 2022 under the Defence Reform Act 2014.

The financial statements comprise the Single Source Regulations Office's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

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 2022 and its 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 (UK) (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 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 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 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 financial statements nor my auditor's certificate thereafter. The Board and Accounting Officer are 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Defence Reform Act 2014:

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit 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 and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## **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 and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Single Source Regulations Office 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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 Accounting Officer are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- 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 the 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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

## **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Single Source Regulations Office's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, the Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the 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 the Single Source Regulations Office's compliance with 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 a result of these procedures, I considered the opportunities and incentives that may exist within the Single Source Regulations Office for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management 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. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Single Source Regulations Office's framework of authority as well as other legal and regulatory frameworks in which the Single Source Regulations Office operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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, employment law and tax Legislation.

### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, and the Audit Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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; and



- challenging managements assumptions underlying the useful economic life changes and indexation choice for tangible and intangible assets.
- 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 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.

### **Other auditor’s responsibilities**

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:**

**Comptroller and Auditor General**

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

# **Financial Statements**

**31 March 2022**

# Statement of Comprehensive Net Expenditure

for the year to 31 March 2022

		Year to 31 March 2022	Year to 31 March 2021
	Note	£000	£000
<b>Operating income</b>			
Other operating income	2	254	144
<b>Total operating income</b>		<b>254</b>	<b>144</b>
<b>Operating expenditure</b>			
Staff costs	3	4,649	4,537
Information Technology	4	566	574
Accommodation	4	709	691
Purchase of other goods and services	4	506	530
Depreciation and amortisation	4/5/6	130	218
Provisions	4/7/10	36	6
<b>Total operating expenditure</b>		<b>6,596</b>	<b>6,556</b>
<b>Net expenditure for the period</b>		<b>6,342</b>	<b>6,412</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	(6)	(4)
Net loss (gain) on revaluation of intangibles assets	6/12	3	(5)
<b>Total other comprehensive net income</b>		<b>(3)</b>	<b>(9)</b>
<b>Total comprehensive net expenditure for the year</b>		<b>6,339</b>	<b>6,403</b>

The Notes to the Financial Statements on pages 55 to 66 form part of these accounts.

# Statement of Financial Position

as at 31 March 2022

		As at 31 March 2022	As at 31 March 2021
	Note	£000	£000
<b>Non-current assets</b>			
Plant and equipment	5	124	184
Intangible assets	6	157	118
Receivables due after more than one year	7	8	0
<b>Total non-current assets</b>		<b>289</b>	<b>302</b>
<b>Current assets</b>			
Other receivables within one year	7	173	242
Cash and cash equivalents	8	541	348
<b>Total current assets</b>		<b>714</b>	<b>590</b>
<b>Total assets</b>		<b>1,003</b>	<b>892</b>
<b>Current liabilities</b>			
Trade and other payables	9	501	445
<b>Total current liabilities</b>		<b>501</b>	<b>445</b>
<b>Total assets less current liabilities</b>		<b>502</b>	<b>447</b>
<b>Non-current liabilities</b>			
Provisions	10	134	90
<b>Total non-current liabilities</b>		<b>134</b>	<b>90</b>
<b>Total assets less total liabilities</b>		<b>368</b>	<b>357</b>
<b>Taxpayers' equity and other reserves</b>			
General Fund	11	347	333
Revaluation Reserve	12	21	24
<b>Total equity</b>		<b>368</b>	<b>357</b>

The Notes to the Financial Statements on pages 55 to 66 form part of these accounts.



Accounting Officer  
4 July 2022

# Statement of Cash Flows

for the year to 31 March 2022

		Year to 31 March 2022	Year to 31 March 2021
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(6,342)	(6,412)
Depreciation	5	85	101
Amortisation	6	45	117
Loss on disposal of plant and equipment	5	6	0
Decrease/(increase) in other receivables	7	61	(58)
Increase in trade payables	9	56	117
Increase in provisions	10	44	6
<b>Net cash outflow from operating activities</b>		<b>(6,045)</b>	<b>(6,129)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(25)	(18)
Purchase of intangible assets	6	(87)	0
<b>Net cash outflow from investing activities</b>		<b>(112)</b>	<b>(18)</b>
<b>Cashflows from financing activities</b>			
Grant in Aid	11	6,350	6,287
<b>Net inflow from financing activities</b>		<b>6,350</b>	<b>6,287</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>193</b>	<b>140</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>348</b>	<b>208</b>
<b>Cash and cash equivalents at the year end</b>		<b>541</b>	<b>348</b>

The Notes to the Financial Statements on pages 55 to 66 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year to 31 March 2022

	General fund	Revaluation reserve	Taxpayers' equity
	£000	£000	£000
<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>
Total Grant in Aid received	6,350	0	6,350
Total comprehensive expenditure	(6,342)	0	(6,342)
Asset revaluation gains	0	3	3
Reserves transfer	6	(6)	0
<b>Balance at 31 March 2022</b>	<b>347</b>	<b>21</b>	<b>368</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 2021/22 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*

IFRS 16 introduces new requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases (except for short-term leases and leases of low value assets). IFRS 16 was due to be adopted by the public sector from 1 April 2020, but in response to ongoing pressures as a result of the COVID-19 pandemic, implementation was deferred, and it will come into effect on 1 April 2022. The impact of the adoption of IFRS 16 on the SSRO's financial statements is described below.

The SSRO will apply the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 April 2022. In preparation for the first-time application of IFRS 16, the SSRO has carried out a review of all of its existing contracts to assess if they contain a "right of use" asset. The review has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the SSRO.

The SSRO has one Memorandum of Terms of Occupation (MOTO) agreement in place that is covered by this standard, which is for the third floor of Finlaison House. The agreement expires in June 2023. On transition to IFRS 16 on April 2022 the SSRO will recognise a right of use asset of £408,000 and a lease liability of £458,000 for its MOTO. The difference will be recognised in its Taxpayers' equity. When measuring lease liabilities, the SSRO discounted lease payments using discount rate (1%) provided by HM Treasury.

The SSRO has sublet some of its office space in Finlaison House to the Government Property Agency until the end of the lease term in June 2023. The SSRO will therefore also recognise a lease receivable amounting to £111,000 on 1 April 2022.

### **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 Income**

The SSRO receives income from subletting some of its office space in Finlaison House, and from the secondment of employees to other organisations. This income is recognised in the Statement of Comprehensive Income in the year that it relates to. Any cash amounts received for future years are disclosed as deferred income in the Statement of Financial Position.

### **1.7 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.

### **1.8 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.

### **1.9 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.

### **1.10 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.



### **1.11 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.

### **1.12 Financial instruments**

The fair value of the SSRO's financial instruments (other receivables and payables) are valued at their nominal amount when they are due in less than 12 months.

### **1.13 Operating leases**

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

### **1.14 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 includes in its financial statements. The main areas are:

- Non-current assets (notes 5 and 6) – the SSRO reviews 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 Modified Historical Cost Accounting (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 2022	Year to 31 March 2021
<b>Other operating income</b>	<b>£000</b>	<b>£000</b>
Accommodation sublet	122	0
Secondment income	132	144
<b>Total operating income</b>	<b>254</b>	<b>144</b>

The SSRO sublet part of its third-floor accommodation within Finlaison House to the Government Property Agency from August 2021 to the end of its lease term in June 2023.

The SSRO had one employee seconded out between 1 April 2021 and 31 March 2022 (2020/21: three employees).

## 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 2022	Year to 31 March 2021
<b>Staff costs</b>	<b>£000</b>	<b>£000</b>
Salary	3,421	3,239
Social security	372	415
Pension	844	873
Other benefits	12	10
<b>Total staff costs</b>	<b>4,649</b>	<b>4,537</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 2022	Year to 31 March 2021
<b>Other expenditure</b>	<b>£000</b>	<b>£000</b>
Information Technology	566	574
Accommodation costs - lease	392	382
Accommodation costs – other	317	309
Professional Services	147	172
Publications and Subscriptions	127	117
Depreciation	85	101
Outsourced Services	69	83
Amortisation	45	117
Provisions	36	6
Staff Training	36	47
Audit fee - internal	35	35
Recruitment	30	26
Audit fee - external	27	24
Insurance	16	15
Office Supplies and Services	7	7
Property, Plant and Equipment - loss on disposal	6	0
Travel and Subsistence	4	0
Other lease costs	1	1
Bank charges	1	1
HMRC interest	0	2
<b>Total other expenditure</b>	<b>1,947</b>	<b>2,019</b>

The external audit fee for 2021/22 is £26,900 (2020/21: £23,900). During the year, the SSRO did not contract any non-audit services from its external auditor, the National Audit Office (NAO).

## Note 5: Property, plant and equipment

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

	Leasehold improvements	Furniture and Fittings	Information Technology	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2021	385	110	272	767
Additions	0	0	25	25
Disposals	(17)	(10)	0	(27)
Revaluation	23	0	0	23
<b>At 31 March 2022</b>	<b>391</b>	<b>100</b>	<b>297</b>	<b>788</b>
At 1 April 2021	276	79	228	583
Charged in year	50	14	21	85
Disposals	(13)	(8)	0	(21)
Revaluation	17	0	0	17
<b>At 31 March 2022</b>	<b>330</b>	<b>85</b>	<b>249</b>	<b>664</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>61</b>	<b>15</b>	<b>48</b>	<b>124</b>
<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>

All property, plant and equipment non-current assets are owned by the SSRO. There have been no impairments during the year to 31 March 2022.

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. The Valuation Office BCIS indexation has been used as at 31 March 2022. The SSRO has also reviewed the useful economic life of its non-current assets at 31 March 2022.

## 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 2022	31 March 2021
	£000	£000
<b>Cost</b>		
At 1 April 2020	556	548
Additions	87	0
Disposals	0	(3)
Revaluation	(14)	11
<b>Total cost</b>	<b>629</b>	<b>556</b>
<b>Amortisation</b>		
At 1 April 2020	438	318
Charged in year	45	117
Disposals	0	(3)
Revaluation	(11)	6
<b>Total amortisation</b>	<b>472</b>	<b>438</b>
<b>Net book value</b>	<b>157</b>	<b>118</b>

All intangible non-current assets are owned by the SSRO. There have been no impairments during the year to 31 March 2022. The SSRO's additions are development costs relating to its DefCARS asset, as it transitions into a cloud-based system next year. The SSRO has reviewed the useful economic life of this system at 31 March 2022. The SSRO considers that following the transfer into the cloud the asset will have a useful economic life of 7 years, and therefore be depreciated up to March 2025. The elements of the system that will no longer be of use following the transfer to the cloud will be fully depreciated by the end of July 2022. The asset value will be reviewed annually for any impairment.

In line with FReM guidance, the SSRO reviews the current value of its intangible non-current assets at each Statement of Financial Position date. MHCA indices are used to value these assets as at 31 March 2022.

## Note 7: Other receivables

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

	31 March 2022	31 March 2021
	£000	£000
<b>Amounts due within one year</b>		
Other receivables	87	154
Prepayments	86	88
<b>Total amounts due within one year</b>	<b>173</b>	<b>242</b>
Amounts due after one year		
Other receivables	8	0
<b>Total amounts due after one year</b>	<b>8</b>	<b>0</b>
<b>Total other receivables</b>	<b>181</b>	<b>242</b>

The SSRO has one receivable due after one year for the rechargeable element of its estimated dilapidation costs to its tenant (Government Property Agency). The amount is an estimate based on a valuation report provided by an independent surveyor, and is expected to be settled in June 2023 when the building is vacated.

## 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 2022	31 March 2021
	£000	£000
Balance at 1 April	348	208
Net change in cash and cash equivalents	193	140
<b>Balance at 31 March</b>	<b>541</b>	<b>348</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 2022	31 March 2021
	£000	£000
Trade and other payables	45	64
Accruals	329	207
HMRC - taxation	6	24
HMRC - social security	121	150
<b>Total trade and other payables</b>	<b>501</b>	<b>445</b>

There were 21 unpaid invoices at 31 March 2022 (2020/21: 22). During the year to 31 March 2022, 98 per cent of undisputed invoices were paid within 5 days (2020/21: 98 per cent). 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 2022	Year to 31 March 2021
	£000	£000
<b>Opening balance at 1 April</b>	<b>90</b>	<b>84</b>
Provision in the year	44	6
<b>Total provisions at 31 March</b>	<b>134</b>	<b>90</b>

The SSRO's provision is for dilapidations and it is based on a valuation report provided by an independent surveyor on the 30 November 2021. It is the estimated cost to repair and reinstate the third floor and shared common areas of Finlaison House to the satisfaction of the landlord at the end of the agreed occupation/lease term in 2023. The SSRO reviewed the provision as at the year end and did not identify any changes to the third floor in the year to 31 March 2022 that would impact the independent valuation carried out in November. In line with IAS 37 the SSRO reviewed the impact of the time value of its dilapidations provision at 31 March 2022, using rates provided by HM Treasury. No revision was required as the impact was not significant. 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 2022	Year to 31 March 2021
	£000	£000
<b>General fund brought forward 1 April</b>	<b>333</b>	<b>443</b>
Grant in Aid received	6,350	6,287
Net operating expenditure	(6,342)	(6,412)
Transfer from revaluation reserve	6	15
<b>General Fund carried forward 31 March</b>	<b>347</b>	<b>333</b>

## Note 12: Revaluation Reserve

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

	Year to 31 March 2022	Year to 31 March 2021
	£000	£000
<b>Revaluation reserve brought forward 1 April</b>	<b>24</b>	<b>30</b>
Net gain on revalued non-current assets	3	9
Transfer to general fund	(6)	(15)
<b>Revaluation reserve carried forward 31 March</b>	<b>21</b>	<b>24</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 as at 31 March 2022.

## Note 13: Financial Instruments

As the cash requirements of the 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 2022 (2020/21: 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 2022	31 March 2021
	£000	£000
Due within one year	401	390
Due up to five years	92	494
<b>Total future minimum payments for non-cancellable operating leases for properties</b>	<b>493</b>	<b>884</b>

The SSRO spent £392,000 on operating lease payments for property during the year to 31 March 2022 (2020/21: £382,000).

## Note 16 Future income due under non-cancellable operating leases

### 16.1: Property lease

The note below shows the minimum future income due under the SSRO's non-cancellable operating leases.

	31 March 2022	31 March 2021
	£000	£000
Receivable within one year	104	0
Receivable up to five years	24	0
<b>Total future minimum receivables for non-cancellable operating leases for properties</b>	<b>128</b>	<b>0</b>

This lease income relates to the letting of office space in Finlaison House. The balances above reflect the estimated cash payments expected over the remaining period of the lease. The SSRO received £67,000 on operating lease payments for it sublet accommodation during the year to 31 March 2022 (2020/21: nil).

## Note 17: Contingent assets and liabilities

As at 31 March 2022, the SSRO has no contingent assets or liabilities (2020/21: nil).

## Note 18: 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 organisation:

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

All related party transactions and balances over £1,000 will be disclosed as at 31 March 2022, under the following headings:

## Key management personnel

There are no related party transactions to report in the period to 31 March 2022 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 £6,350,000 (2020/21: £6,287,000). The SSRO participated in a secondment with the MoD during the year, for which it paid £135,000 (2020/21: nil). There was £13,000 payable by the SSRO as at 31 March 2022 (2020/21: nil).

## Other government departments

**Government Actuaries Department (GAD):** during the year, the SSRO was invoiced £574,000 by GAD for services it received (2020/21: £474,000). There was £3,000 payable (accrued) to GAD as at 31 March 2022 (2020/21: £3,000). The majority of these payments were due under the Memorandum of Terms of Occupation (MOTO) agreed with GAD as head leaseholder of the SSRO's accommodation.

**Government Property Agency (GPA):** the SSRO invoiced GPA a total of £122,000 as part of a sublet agreement in 2021/22 (2020/21: nil). There was £45,000 payable to the SSRO as at 31 March 2022. The SSRO also paid GPA £5,000 for services in year (2020/21: nil).

**UK Health Security Agency (previously named Joint Biosecurity Centre):** the SSRO had one employee on Secondment with the UK Health Security Agency during the year (2020/21: two). The SSRO invoiced the UK Health Security Agency £162,000 during 2021/22 (2020/21: £128,000). There was £37,000 payable to the SSRO as at 31 March 2022.

## Note 19: Events occurring after the end of the reporting period

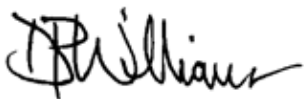
The SSRO's financial statements are laid before the Houses of Parliament by the Ministry of Defence. International Accounting Standard 10 (IAS 10) requires the SSRO to disclose the date on which the certified accounts are approved by the Accounting Officer.

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

ISBN 978-1-5286-3434-2  
E-Number E02756646