



Ministry
of Defence

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15 May 2023

SSRO Chair

Sent electronically

Dear Hannah

NON-EXECUTIVE CHAIR OF SINGLE SOURCE REGULATIONS OFFICE (SSRO)

I am grateful for your ongoing leadership of the SSRO, and its board, and I would like to express my personal thanks to you for the substantial time and effort you have put into developing the board and the executive team and establishing effective strategic oversight of SSRO. This has certainly moved the SSRO and its **corporate governance** significantly further forward.

This letter sets out my thoughts on the priority areas for your focus in the forthcoming financial year, and should be read alongside your responsibilities as Chair set in your appointment letter and the expectations of Chairs of public bodies attached at Annex A.

As we have discussed, the **strategic priority** for the coming year is for you and the Board to work with the SSRO Executive, and stakeholders in MOD and Industry, towards creating a shared understanding around the purpose of the regulatory regime, the role SSRO can best play to both shape and operate it, and the workforce skills/strategy within SSRO needed to do this.

Specific SSRO priorities

As we move into the new financial year, I know that MOD is reforming the Single Source Contracts Regulations (SSCR) to meet the intent of the 2021 Defence and Security Industrial Strategy (DSIS). Changes to the Defence Reform Act 2014 are being made through the current Procurement Bill and these will lead to MOD making amendments to the SSCRs through two tranches of secondary legislation expected to come into effect for April 2024. SSRO's support will be key to embedding these changes in the single source procurement process, in particular through delivering comprehensive statutory guidance and ensuring the necessary changes are made to the Defence Contract Analysis and Reporting System (DefCARs).

To meet this challenge SSRO will continue to require a high degree of expertise, thought leadership and commercial experience. I note the ongoing progress that has been made in this area, including the March 2023 Capability Review workshop involving industry, MOD and SSRO representatives, and the forthcoming SSRO Skills Audit and Workforce Planning exercise. As the Chair of SSRO, we look to you to lead the board and provide support and challenge to the new Chief Executive and management team in the delivery of these over the coming year. I would like to share on behalf of the department our expectations as they relate to this work.

i) Capability, Succession Planning and Key Appointments

I look to you and the Board to build capacity and capability at the executive level to ensure SSRO has the appropriate experience and expertise to fulfil its mission and corporate objectives, including providing induction, mentoring and support to the incoming Chief Executive when the current Chief Executive steps down at the end of his term in May 2023. You should also ensure that clear succession plans are in place for the board and senior leadership, and provide insight to the succession planning process to help set out the expertise that the board needs to target to operate effectively and to maintain effective oversight of workforce planning. The objective is to ensure that SSRO has the skills required to deliver its statutory functions and this should include the appointment or re-appointment of non-executive and executive board members.

The board should continue to prioritise culture change and demonstrate its commitment to driving improved outcomes on diversity and inclusion at all levels (including senior management) and, in line with the government's and wider public sector's focus on this area.

Similarly, I am keen that SSRO in common with the rest of Defence aligns itself with Managing Public Money regarding the relevant functional standards as appropriate and proportionate and in particular those concerning Finance, Commercial and Counter Fraud. The Department also places a similar priority on ensuring that MOD and cross-government goals for sustainability and combatting climate change are met and looks to the Board to align SSRO with these objectives.

ii) Performance and Finance

The board should be proactive in its **oversight of the performance target setting and monitoring** process through challenging, endorsing, and monitoring delivery of the SSRO corporate plan, and set challenging, measurable and achievable KPIs that are **aligned with Defence outcomes** to help deliver it. It is important that the Board retains **a focus on SSRO's delivery against its future challenges**, building its capability to ensure that it has the full range of skills that it needs to perform its functions, and applying both its technical expertise and commercial acumen to make sure that the statutory guidance and the products it delivers are maintained in a post DSIS era, ensuring that its work and priorities reflect the requirements of its stakeholders. On behalf of the Sponsor you and the Board will monitor and oversee SSRO's progress across the year against the priorities and targets set out in the relevant Accountability Annex and will report on this progress at the regular Performance and Risk Reviews.

You and the Board will continue to guide the direction and the corporate plan for the SSRO to ensure that it has the mutually beneficial relationships with key stakeholders to deliver the identified outcomes, those that the SSRO, as an independent body, has identified in order to balance value for money and fair prices, whilst being aligned with government policy. As part of this you will need to take a personal role alongside the Chief Executive in advising the Departmental Sponsor about the high-level issues affecting the SSRO.

The Board has a critical role in ensuring appropriate and robust governance processes are in place, for the approval of spend (including any related to sanctioning), which meets stakeholders' needs and places appropriate emphasis on value for money considerations, complying as appropriate with the government's Corporate Governance Code and Managing Public Money. In addition, the Board (and the SSRO Audit Committee) will naturally need to continue maintaining a high focus on controls and assurance regarding the top priorities of safety and security. A specific priority for you this year is to **lead a robust external board effectiveness review**.

iii) The economic and industrial context

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The SSRO has a vital role to play working with the MOD and the Defence industry - a role becoming all the more important under DSIS. It is an important time for the organisation, as it supports the Government's drive to deliver value for money in defence procurement whilst ensuring a fair price is paid, enabling an economically strong defence industry in the UK. Your relationship with me as Sponsor, DG Commercial MOD & DE&S, the Single Source Advisory Team, and others will be crucial to this.

iv) Accountability

I greatly value your clear and open views, and the candid dialogue that you and the Chief Executive have with me as Sponsor at the regular performance and risk reviews meetings. It is vital that these continue as trusted, constructive, and genuinely two way-dialogues to maintain a culture of no surprises, at all levels.

It was very good to have you with us at the recent Chairs and Non-Executives meeting on 21 February, and I very much hope you may find time, if possible, to attend future gatherings of non-executive and senior executive colleagues across MOD.

May I also ask that you meet with the Minister (Defence Procurement) at least one a year, as well as having regular meetings with myself (at least three times a year), and as appropriate with DG Commercial MOD & DE&S.

v) Sponsorship

Board-based Sponsorship continues to be MOD's main governance mechanism for its Enabling Organisations, and we very much value the part played by the SSRO Board in developing good practice.

As Board Chair, you have a key personal role in **ensuring that the Sponsorship relationship between Head Office and SSRO is successful**, working in partnership with me.

If you see any risks to the continued development or success of Sponsorship, or if you see any matter of more immediate concern that cannot be addressed through the SSRO Board or the performance and risk review process, please draw them to my attention immediately. This includes any unexpected issues or uncertainties that may arise for you or the Chief Executive in the execution of the priorities in this letter.

Finally, I will seek a meeting with you at an appropriate time to evaluate progress in meeting the priorities I have set out.

Thank you once again for all that you are doing at SSRO.

Yours sincerely

Mark Preston

Annex A: Governance expectations of the Chair

This letter, issued by the Ministry of Defence (MOD), sets out the standard governance expectations of the Chairs within its portfolio. This is not an exhaustive list of the duties of a Chair, and should be accompanied by a letter, tailored to the needs of SSRO outlining the specific priorities and expectations of the MOD. This document does not supersede or alter any responsibilities as set out in the SSRO Framework Document.

The MOD expects the Chairs of its ALBs to lead the board in an effective and collegiate manner, and adhere to best practice corporate governance standards where possible in undertaking their roles. It is your responsibility, as Chair of the SSRO to lead the board, and ensure that it undertakes all of its responsibilities as set out in the SSRO's governance framework, including the Board Charter, Board Terms of Reference, and Framework Document. The Chair should set the tone from the top of SSRO and promote an effective and appropriate culture in both the boardroom and the wider organisation.

Your responsibilities are to act in accordance with the highest standards of corporate governance, and are complemented by requirements and expectations of you by HM Government. Below is a list of some of the core governance expectations of the MOD regarding your duties as Chair encompassing both of these elements. This list is not intended to be exhaustive, and does not supplant any responsibilities set out in SSRO's governing documentation.

Set the board's agenda

You should set the SSRO board's agenda in good time ahead of a board meeting. There should be sufficient visibility of items for forthcoming meetings to allow board members, Executives, and stakeholders as necessary to prepare and engage with the board. The agenda should focus upon the SSRO's strategy, and any policies as set by the MOD. In addition, the board's agenda should interrogate SSRO's ongoing performance, culture, and value for money, all while being cognisant of its overall accountability to ministers and ultimately, the taxpayer.

Encourage engagement from board members

You should encourage board members to engage with SSRO both within board meetings, through active participation in discussions and decisions, and more widely. You should encourage board members to join board committees where they can add value. You should support board members to contribute their expertise where relevant to SSRO on an ongoing basis. You should foster effective relationships based on trust, mutual respect, and open communication between board members and the Executive team, both inside and outside of the boardroom. You should monitor and manage conflicts of interest among board members in order that the board may function appropriately, in accordance with the conflicts of interest policies of the MOD and SSRO.

Foster relationships between the board and stakeholders, including government

You should be the principal point of contact between stakeholders and the board. You should foster constructive relationships with all relevant stakeholders to SSRO. You should also maintain a constructive relationship with the MOD in the course of your work.

Develop a strong working relationship with the Chief Executive

The relationship with the Chief Executive is key to the long-term success of SSRO. You should provide support and advice to the Chief Executive, while respecting their executive responsibility. You should work with the Chief Executive to consider the strength of the broader executive team. Under your leadership, the board should consider executive succession planning on a regular basis.

Work with HM Government on the composition of the board, and the appointment of new board members

You should consider the composition of the board in line with the requirements of the SSRO on a continual basis, providing regular feedback to the MOD as appropriate. You should work with the MOD to consider appointments to the SSRO board. You should engage in the appointment process as appropriate as per the agreed framework, and in compliance with rules or regulations governing appointments to the SSRO board.

Provide mentoring and an induction to new board members

You should lead the induction to new board members on behalf of the SSRO. You should make sure new board members are introduced to all relevant people both within SSRO and among stakeholders. This should be done in cooperation with the MOD. The induction process should familiarise new board members with SSRO and its overall governance framework.

You should encourage board members to develop their knowledge and skills

You should continually consider the knowledge and skills that the board requires to discharge its duties to SSRO, this should be considered in conjunction with departmental sponsors. Where the board would benefit from additional knowledge and skills, which can be met without the need to recruit new or additional board members, you should encourage board members to undertake relevant training and education where possible.

Lead the annual evaluation of the board, which should be externally facilitated at least every three years

You should ensure that a review of the board's effectiveness is undertaken on an annual basis. This should be facilitated by an external provider at least every three years. Where the evaluation is not externally facilitated, you should lead the process, gathering feedback from board members regarding the board's functioning. You should also consider how stakeholders, such as the MOD can input into the review, to provide comment upon the board's effectiveness in engaging with government and stakeholders. Reviews should produce a written report. You should be responsible for overseeing the implementation of any recommendations arising from a review as necessary.

Evaluate the performance of non-executive board members at least annually

You should undertake a review, at least annually, of the performance of non-executive board members. This review should consider their contributions to the board, and the value they add to SSRO. You should write these reviews and be prepared to share them with the MOD in an appropriate manner. A written review of performance may be necessary to support any reappointment decisions for board members.

Be subject to an annual performance evaluation

You should engage with an evaluation of your performance on an annual basis. You should allow the board to gather feedback on your performance from the perspective of board members. The MOD shall gather feedback from government and other stakeholders. This will be collated by the MOD and provided to the senior sponsor in an appropriate manner. A written review of your performance may be necessary to support any reappointment decision.

For additional best practice guidance regarding the role of the Chair, see the "Guidance on board Effectiveness" published by the Financial Reporting Council. This can be found [here](#). For more information on board reviews and member appraisals, please refer to the latest guidance [here](#).