

SSRO

Single Source
Regulations Office



SSRO Annual Report and Accounts 2022/23

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

The Single Source Regulations Office

Annual Report and Accounts 2022-23

For the period 1 April 2022 to 31 March 2023

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

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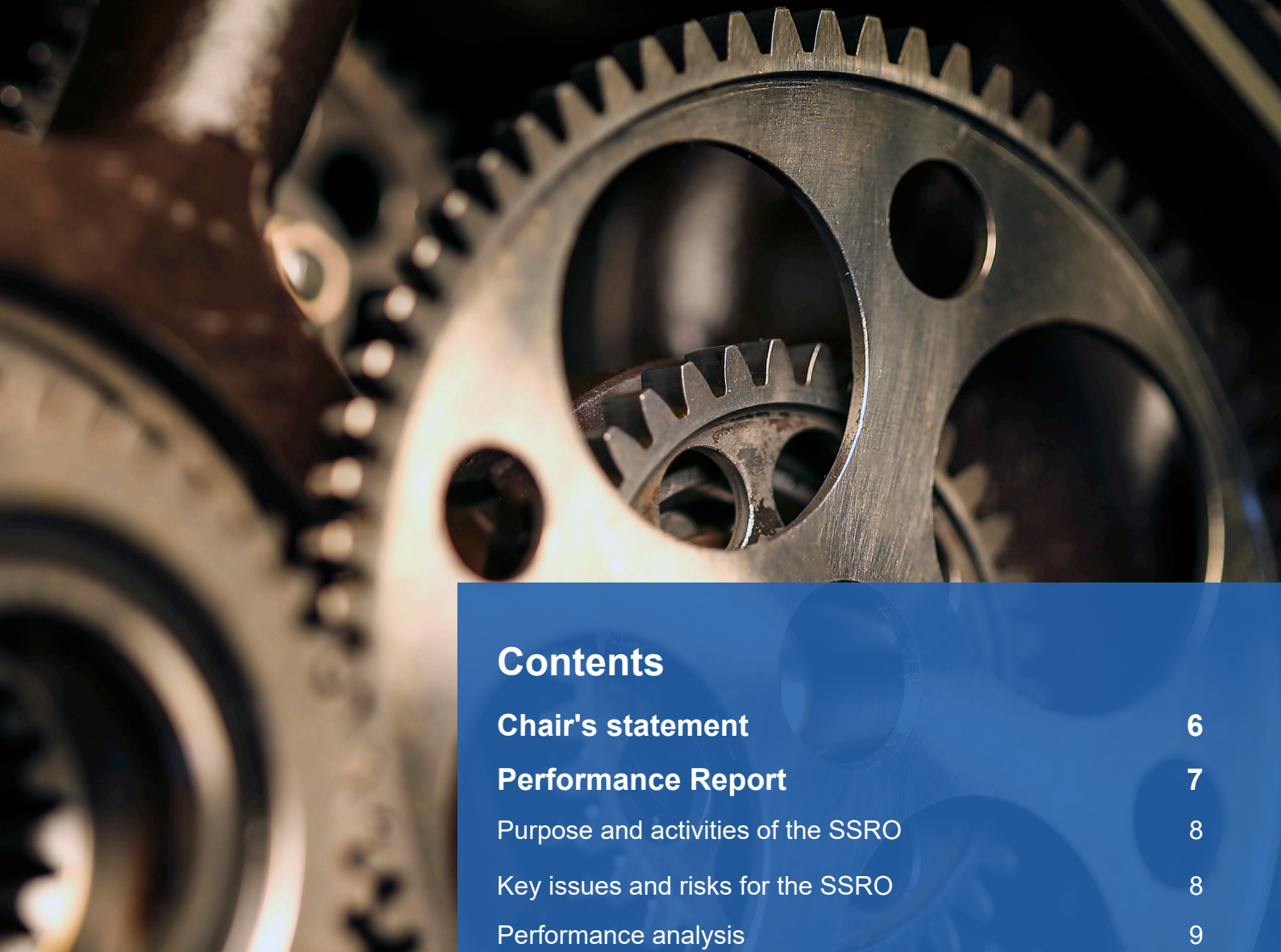
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Chair's statement

This year has seen the SSRO embark on an ambitious plan to support the Government's Defence and Security Industrial Strategy. We have engaged with the MOD as it has been developing its plans to deliver legislative change that will improve acquisition - through choice and flexibility, as well as speed and simplicity. Whilst the defence, security and economic landscapes have remained turbulent, progress has been made.



**Hannah Nixon,
Chair**

My focus, and that of the Board and the SSRO team, has been on strengthening the relationships we have with our stakeholders through greater engagement. We have used this as a platform to support and plan our response to the MOD's development of legislative change proposals. This has included the successful transition of our DefCARS reporting database into the public cloud, paving the way for improved efficiency and increased transparency through greater analytical capability. At the same time, this year's baseline profit rate assessment used the SSRO's established methodology and permanently excluded the 2020/21 profit data to remove the impact of COVID-19.

I am grateful to all our stakeholders who have engaged with me and my colleagues on site visits. Your views and insights, particularly into the capability review we commissioned, have helped inform our work and our strategies to ensure that the benefits of the regulatory framework and the tools we provide can be realised. I am grateful for the welcome you have provided to me and our newer Board Members.

Finally, I would like to thank Neil Swift, our Chief Executive, who departs at the end of this year for all that has been achieved under his leadership. I am also grateful to David Johnston, whose term as a non-executive Board member concludes at the same time, for the defence industry insight he brought to the Board.

Chief Executive's perspective on performance

Over the last year we have successfully delivered the SSRO's corporate plan. Embedded within the year and this report are the results of our third independently run stakeholder survey. Results are positive: an endorsement of the professionalism of the team whose work and outputs they reflect. There are still improvements to be made and the input of our stakeholders has been instrumental in helping the SSRO take forward the role it can play in enabling improvements to the operation of the regime to be delivered through the single source regulatory framework. These developments are ongoing, with outputs delivered this year, including:



**Neil Swift, Chief
Executive**

- More targeted engagement with our stakeholders, including through onboarding and training sessions alongside responses to helpdesk queries;
- Improvements and updates to our allowable costs guidance;
- Updating the baseline profit rate methodology and publication of an Information Technology Services profit benchmark;
- The conclusion and publication of the first determination since 2019;
- The publication of our Compliance Report and statistical bulletins; and
- The delivery of the first stage of our DefCARS Future Strategy alongside work to support and promote the use of the data being collected by the MOD.

I am grateful to David Galpin, Chief Operating Officer, who departed this year, for the significant contribution he made to the development of the framework and the team; and to our new Chief Regulatory Officer, Joanne Watts, whose experience and perspective will be valuable as we continue to progress.

The performance analysis section below sets out how we have performed against our Corporate Plan 2022-25.

Performance Report

Purpose and activities of the SSRO

Performance overview

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

The SSRO's purpose is to deliver its statutory functions which 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:

- Recommending the appropriate baseline profit rate, capital servicing rates and SSRO funding adjustment to the Secretary of State.
- Publishing guidance on Allowable Costs, Contract Profit Rate steps, Reporting and Penalties.
- Giving opinions and making determinations on matters referred to the SSRO.
- Keeping under review the extent to which industry comply with reporting requirements.
- Analysing reported data on request from the Secretary of State.
- Keeping an up-to-date record of qualifying contracts and receiving statutory reports from defence contractors.
- Keeping the operation of the regulatory framework under review and making recommendations for changes to the Secretary of State.

Note: the Chief Executive's perspective on performance on page 6 forms part of the performance report.

Key issues and risks for the SSRO

The SSRO has prioritised work to support and respond to the MOD's proposed legislative change agenda, which will require updates to statutory guidance and the Defence Contract Analysis and Reporting System (DefCARS). This work is ongoing.

The single source regulatory framework enables the collection of information across all qualifying defence contracts. The SSRO's Annual Compliance Reports have identified risks to both data quality and use. The SSRO recognises the risk that the data within the regime is not utilised to its full potential to support procurement decisions by the MOD. In mitigation, the SSRO has increased the focus on assisting data utilisation during the last year and has started work to engage with selected MOD teams to demonstrate the potential benefits and build increased data use.

The SSRO has taken action to ensure it has access to the skills necessary to deliver our Corporate Plan, concluding a capability review in year with input from stakeholders to inform our work and planning. Taking forward the activities identified in the capability review will help to ensure that the SSRO has the necessary skills and capabilities.

Performance analysis

SSRO's performance against its key measures

The following performance indicators were included in the SSRO's Corporate Plan 2022-2025. The SSRO's performance against them in 2022/23 is shown below.

Ongoing KPIs	Target	2022/23	2021/22
Annual increase in the number of requests for pre-referral support and referrals made to the SSRO	Year on year increase	6 requests	4 requests
Responses to questions provided within target timeframes	90%	99%	New KPI for 2022/23
Annual assessment of the BPR and capital servicing rates is provided on time and accepted by the Secretary of State	Pass/fail	Pass	Partial pass ^[1]
Median contract profit rates are within 2.5 pp of Baseline Profit Rate (pre-Capital Servicing Adjustment)	+/- 2.5 pp	+ 0.19 pp	New KPI for 2022/23
Proportion of reports submitted that are complete and meet the requirements of the legislation at the first attempt (target 75%) and that are submitted on time (target 75%)	75%	66%	63%
	75%	65%	67%
Percentage of reports submitted each year that are accessed by the MOD	75%	57%	53%
Planned engagement is successfully achieved	7-8 complete	100%	New KPI for 2022/23
Manage our financial expenditure to within 2% of our corporate budget without exceeding our Grant-in-Aid limit	+/- 2 pp	0.46%	-1.6%
Employee survey shows staff are engaged	70%	54%	62%
Staff feel included and treated fairly	90%	76%	New KPI for 2022/23
Average number of days spent per person per annum on training	4 days	4.3 days	3 days
DefCARS and SSRO Microsoft 365 environment are security accredited and the SSRO has Cyber Essentials Plus certification	Pass/fail	Pass	New KPI for 2022/23
Significant project milestones met	90%	90%	New KPI for 2022/23

[1] The recommendation was made to the Secretary of State on time but [the Secretary of State went further than the SSRO](#) to remove the effects of COVID-19 by setting the rates at the same level as in 2021.

KPIs measured in our biennial survey	Target	June 2022	June 2020
Stakeholders consider the SSRO engages well	90%	93%	91%
Stakeholders solve single-source pricing problems aided by or using the solutions identified by the SSRO	Pass/fail	Pass	Not measured in the 2020 survey
Stakeholders are satisfied with assistance provided by the SSRO	90%	100%	94%
Stakeholders agree the SSRO's pricing guidance is clear and applicable	85%	88%	New KPI for 2022/23 ^[1]
Stakeholders agree the SSRO's pricing guidance is useful in achieving value for money and agreeing fair and reasonable contract prices	75%	82%	87%
Users find reporting guidance clear, applicable and helps them meet reporting requirements	75%	76%	New KPI for 2022/23 ^[1]
Proportion of MOD users satisfied with the usefulness of DefCARS data	75%	57%	New KPI for 2022/23
Users are satisfied with DefCARS as the platform for submitting reports	75%	72%	72%
MOD users are satisfied with DefCARS as a tool for monitoring and analysing reports and data	75%	58%	Not measured in the 2020 survey

[1] The 2020 survey asked stakeholders if the SSRO's guidance was clear and applicable. The figure was 84% for all guidance.

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

During the year we have:

- Delivered 35 onboarding sessions for individual defence industry contractors.
- Delivered 11 training sessions for the MOD/industry.
- Responded to more than 800 helpdesk queries. Circa 19 per cent from the MOD, and 81 per cent from industry.
- Published a determination on whether the amount of research and development costs applied indirectly to a contract through cost recovery rates should be offset by an amount of Research and Development Expenditure Credit (a form of corporation tax relief) received by the contractor in respect of those costs.
- Received one referral for a determination related to costs arising due to the COVID-19 pandemic. This referral is under investigation.
- Updated our referral procedures.

2. Maintain a pricing system that supports value for money and fair prices and offers solutions to difficult pricing problems

During the year we have:

- Issued new allowable costs guidance on overheads, cost recovery rates and inflation.
- Consulted on and issued an updated baseline profit rate methodology to remove the effects of COVID-19 from our rates assessment.
- Consulted on and published the calculation of a new Information Technology Services profit benchmark.
- Issued recommendations of appropriate baseline profit and other rates for 2023/24, which were accepted by the Secretary of State.

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

We have supported the Secretary of State's ongoing review of the regulatory framework, which is seeking to implement the reforms set out in the Defence and Security Industrial Strategy (DSIS). Over the year we have:

- Made improvements to the way we develop and deliver guidance, including better engagement with stakeholders and process changes that mean we can address issues more quickly and efficiently while maintaining quality. As a result stakeholders will better understand what guidance they can expect from the SSRO and how we will engage them in its development.
- Begun a consultation on enabling changes we plan to make to DefCARS that will allow the SSRO to effectively respond to the reporting changes we expect the MOD to introduce through the review of the regulatory framework. A consultation workshop was held with stakeholders on 20 February to explain how these changes will improve the user experience and allowed them to ask questions and raise any concerns about the SSRO's proposals.

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

During the year we have:

- Published our annual Compliance Report for 2022 which found that, while there had been a steady increase in the volume of information collected within DefCARS, the overall timeliness and quality of contractors' submissions remains below our KPI targets. The report also considered the use of this information by the MOD. Based upon the report findings, we made recommendations to improve reporting and support the increase in the use of the data within the regime.
- Undertaken our programmed compliance reviews and made good progress with automating the calculation of timeliness and quality data directly from DefCARS.
- Consulted on and updated our compliance methodology to improve the assessments we make of submission quality, be more flexible with compliance information we publish and provide greater transparency on our targeted and thematic reviews.
- Published updates to our reporting guidance and developed a working paper on reporting matters in response to the MOD's review of legislation policy papers and draft consultation document.
- Responded to Section 36 requests and management information requests.
- Promoted the use of DefCARS data. This included starting engagement with commercial teams, including bespoke training sessions, discussions on data needs and targeted and thematic review activities.
- Published four statistics bulletins.

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

We maintained a proactive programme of stakeholder engagement throughout the year to underpin delivery of our Corporate Plan. With engagement through our established Data Board, Operational Working Group and the Reporting & IT Subgroup, we regularly exchanged ideas, information and learning with stakeholders.

We continue to widen and embed our engagement with the MOD and industry. Highlights this year included presentations at the SDA Commercial conference and a number of industry site visits, involving staff, Board and independent panel members.

We completed our third stakeholder survey in June 2022. 90% of respondents rated the SSRO's performance as good, up from 89% in 2020 and 93% of respondents believed that we have engaged with them well, up from 91% in 2020.

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

Staff turnover has allowed the SSRO to bring in more staff with the right skills and knowledge, including our newly appointed Chief Regulatory Officer. Alongside drawing on the expertise of our stakeholders through our engagement we have ensured the skills we require have been available. An independently supported capability review was undertaken in year to ensure the views of senior stakeholders on our skills and our role were heard and considered. The Board and the executive have used this input to inform our planning and strategy work in year.

The SSRO has agreed plans to rationalise our office space and relocate in 2023/24 to available surplus government estate at 100 Parliament Street, London.

Security of systems and information is an important priority and we have maintained our Cyber Essentials plus standard certification and have followed all relevant government technology and security guidance.

The SSRO achieved a net underspend within 2 per cent of our budget.

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

We successfully transitioned DefCARS to the public cloud in 2022/23. The application and data are managed by the SSRO, while the platform infrastructure and services are now provided by public cloud service providers; the first step in the SSRO's DefCARS Future Technology Strategy that will realise greater operational efficiency and improved analytical capability.

Financial performance during the year

This section provides a summary of the SSRO’s financial performance during the 2022/23 financial year. It sets out the grant funding received by the SSRO and explains how it was utilised.

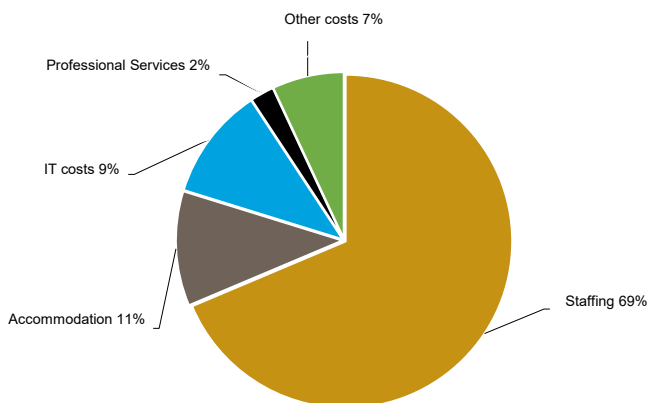
Grant in Aid

During the year the SSRO agreed Grant in Aid funding of £6,417,000 (Note 12) to cover planned expenditure (2021/22: £6,350,000).

The SSRO has agreed with the MOD that costs arising from referrals to the SSRO are requested and funded separately as referral related expenditure is incurred. During 2022/23 the SSRO incurred costs of £11,000 on referrals work. No additional Grant in Aid was provided during 2022/23 by the MOD to cover referral costs (2021/22: nil).

Expenditure

The SSRO’s expenditure during 2022/23 mainly relates to staffing, with 69% of its overall spend covering staff and other staff-related costs (2021/22: 74%). The decrease in staff costs for 2022/23 largely relates to vacancies and the use of contingent labour during the year. Contingent labour costs are included elsewhere in the Statement of Financial Position. Other significant areas of spend during 2022/23 were accommodation (11%) and IT costs (11%).



*Chart as per the Statement of Comprehensive Expenditure

The SSRO seeks to achieve value for money in its day-to-day operational expenditure and provision of corporate support services when delivering its statutory functions. Elements of the SSRO’s corporate operations are outsourced to support its in-house provision through a combination of government framework agreements and competitive

procurement processes: these include finance, human resources and IT managed services.

The SSRO’s outturn expenditure, excluding referrals, of £6,385,000 (2021/22: 6,244,000) represents utilisation of 99.5% of the Grant in Aid funding provided by the MOD (2021/22: 98.4%).

	£000
Expenditure per Statement of Comprehensive Expenditure	6,293
Expenditure capitalised during the year (included in the Statement of Financial position)	308
Movement in the Right of Use asset	295
Movement in Dilapidation provision	4
Less costs not included within the 2022/23 Grant in Aid budget	
Amortisation and depreciation	(504)
Referrals costs absorbed by the SSRO	(11)
Total Grant in Aid expenditure	6,385

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 (2021/22: 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 2022/23.

Explanation of adoption of going concern basis

In preparing these resource accounts, the SSRO has adopted the Government Financial Reporting Manual issued by HM Treasury, and has:

- observed the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- made judgements and estimates on a reasonable basis;
- stated whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclosed and explained any material departures in the resource accounts; and
- prepared the resource accounts on a going concern basis, as set out in Note 1.3 of the SSRO's financial statements.

The SSRO Board is content that the going concern basis still applies as both expenditure and the cash flow are carefully monitored to reduce these risks. The SSRO has ongoing funding from the MOD.



Accounting Officer

6 July 2023

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 2023.

Name		Start date	End date
Non-executive Board members			
Hannah Nixon	Chair	03/01/22	02/01/26
Peter Freeman	Non-executive member Chair of the Regulatory Committee	06/09/17	05/09/24
Alastair Groom	Non-executive member Chair of the Audit Committee	01/10/21	30/09/25
David Johnston	Non-executive member Member of the Audit and Regulatory Committees	01/06/16	31/05/23
Hugh Kelly	Non-executive member Member of the Audit and People Committees	01/06/21	31/05/25
Claire Williams	Non-executive member Member of the Regulatory Committee and Chair of the People Committee	01/06/21	31/05/25
Executive Directors			
Neil Swift	Chief Executive	20/04/15	17/05/23
Joanne Watts	Chief Regulatory Officer	01/06/22	-
David Galpin	Chief Operating Officer	01/03/18	30/06/22

[1] The CRO role carries the designation of COO for the purposes of Schedule 4 of the Defence Reform Act 2014.

The MOD exercises its sponsorship responsibilities of the SSRO through the MOD Director of Sponsorship and Organisational Policy (DSOP). The sponsor is represented by Tara Usher, Head of Enabling Organisation Sponsorship.

Statement of responsibilities

Board members' responsibilities

The SSRO's [Corporate Governance Framework](#) sets out the Board's responsibilities. The Board regulates its own proceedings and has approved Standing Orders for that purpose.

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.

Statement of Accounting Officer's responsibilities

Our auditor's details

The financial statements are audited by the Comptroller and Auditor General (C&AG). The C&AG 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 SSRO 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 SSRO 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 MOD designated the Chief Executive as Accounting Officer of the SSRO. The Chief Executive was the Accounting Officer during the reporting year 2022/23. 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 SSRO'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 2022/23

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, which have been applied throughout the financial year 2022/23, safeguard the public funds and assets for which I am personally responsible for as set out in HM 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 maintains a publicly available [register of the private interests](#) held by members of its board and panel members. The rules and procedures in place for managing conflicts of interest, are set out in the SSRO's [Code of Conduct for Board and Referral Committee members](#). Declarations of interest is a standing item on all committee agendas. All staff are required to adhere to the code of conduct as set out in the 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 sets out the organisation's arrangements and processes for governance and is aligned with Schedule 4 of the Defence Reform Act and reviewed annually. The Corporate Governance Framework, and the system of internal controls described within it, have been in place for the year under review and are up to date at the time of approval of this Annual Report and Accounts.

The SSRO's governance arrangements are overseen by its Board, which (as of 31 March 2023) consists of a Chair, five non-executive members and two executive members.

In 2022/23, 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	People Committee
Chair					
Hannah Nixon	5/5	n/a	n/a	n/a	n/a
Non-executive Board members					
Peter Freeman	5/5	n/a	6/6	3/3	n/a
Alastair Groom	5/5	4/4	n/a	n/a	n/a
David Johnston	5/5	3/4	6/6	3/3	n/a
Hugh Kelly	5/5	4/4	n/a	n/a	4/4
Claire Williams	5/5	n/a	6/6	n/a	4/4
Referral panel members					
Chris Fraser	n/a	n/a	n/a	3/3	n/a
Executive Directors					
Neil Swift, Chief Executive	5/5	n/a	n/a	n/a	n/a
Joanne Watts, Chief Regulatory Officer	5/5	n/a	n/a	n/a	n/a
David Galpin, Chief Operating Officer	n/a	n/a	n/a	n/a	n/a

We have established robust risk control processes, which are considered regularly by the Executive Committee, Audit Committee and the Board. At no time has any part of the SSRO's system of internal controls failed or been suspended.

Action on whistleblowing disclosures

The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 requires the SSRO to publish each year a report on disclosures of information it has received. Information for 2022/23 is provided below.

Number of workers' disclosures received during the reporting period that the SSRO believes are:	
<ul style="list-style-type: none"> • qualifying disclosures within the meaning of section 43B of the Employment Rights Act 1996; and 	8
<ul style="list-style-type: none"> • which fall within the matters in respect of which the SSRO is so prescribed. 	0
The number of those disclosures in relation to which the SSRO decided during the reporting period to take further action.	1
Action that the SSRO has taken during the reporting period in respect of the workers' disclosures.	With the worker's permission, the matter was referred to the Ministry of Defence for further investigation.
How workers' disclosures have impacted on the SSRO's ability to perform its functions and meet its objectives during the reporting period.	There has been no impact during the reporting period.
The functions and objectives of the SSRO.	These are described on page 8 of this report.

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 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 the table of delegations sets out clearly the responsibilities of the Board, the Regulatory Committee, the Audit Committee, the Chief Executive and the Directors.

During 2022/23 the Board considered and approved:

- the Annual Report and Accounts 2021/22;
- the updated baseline profit rate methodology;
- the Corporate Plan 2022-2025 and the updated Stakeholder Engagement Strategy;
- 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 2023/24.

The Chair carried out the SSRO's eighth annual review of the Board's effectiveness in accordance with the SSRO's Corporate Governance Framework and as required by the SSRO's Framework Document with the MOD. The review found that the SSRO Board is operating effectively and that there are robust policies and procedures in place to ensure its effective governance, risk management and decision making. The report made eight recommendations, which included proposals on Board member workshops, communications and staff engagement.

In reaching its conclusions, the review considered:

- Cabinet Office’s guidance, Board effectiveness reviews: principles and resources for arm's-length bodies and sponsoring departments;
- individual discussions with all members, regular attendees and the MOD Representative;
- written feedback on the Board’s effectiveness, completed by all members and the MOD Representative;
- relevant ratings and comments made in the staff engagement survey; and
- the recommendations from the 2021/22 review of Board effectiveness.

The work of the SSRO’s committees is summarised below; the terms of reference for each are reviewed annually and are available in the Corporate Governance Framework on the SSRO’s website.

The 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.

Referral Committees

The Act requires that several of the SSRO’s functions, listed in Schedule 4, paragraph 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 an independent person who is not a member or employee of the SSRO. Committee members are appointed to individual referrals on a case-by-case basis.

The 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 People Committee

The People Committee makes recommendations to the Board regarding: remuneration of staff; nominations to the Board; and the SSRO’s work to promote respect and fairness through its equality, inclusivity, and diversity activities.

The 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. I chair the monthly Executive Committee, whose other members are the Chief Regulatory Officer, the Director of Corporate Resources and the Defence Advisor.

Risk management

Risk management is an integral part of the SSRO's internal control 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. Responsibilities fall as follows:

- The SSRO Board is responsible for ensuring there are effective arrangements in place to provide assurance on risk management, governance and internal control.
- The Audit Committee provides assurance to the Board 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 (CRR).
- The CRR is owned by the Board, maintained by the Executive Committee and reviewed regularly by the Audit Committee on behalf of the Board.

The Board considers the SSRO's risk appetite and the SSRO's tolerance of risk is low or medium for all risks.

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

Financial management

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

The Board agreed a budget for 2023/24, including grant in aid funding from the MOD.

The use of the grant is 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 by the Executive Committee 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 relevant threshold set for Part 2 of the Public Contracts Regulations 2015 for sub-central contracting authorities (including the SSRO) and within the SSRO's approved budget.

How we evaluate internal controls

The SSRO Audit Committee

The role of the Audit Committee is set out above.

Internal audit

During 2022/23 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:

- IT governance and security;
- Stakeholder engagement;
- Audit Committee effectiveness; 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.

GIAA presented a summary of the work of internal audit to the Audit Committee at its March 2023 meeting, where the Committee also approved an internal audit programme for 2023/24. A substantial Head of Internal Audit Opinion for 2022/23 was issued in June 2023.

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, Cabinet Office and the MOD.

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 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 Acceptable Use Policy is issued to all staff and updated annually. All staff are required to complete Civil Service Learning information security training and are provided with guidance on the Government Security Classifications, and the SSRO Information Classification and Handling Policy. Security accreditation was received and is being maintained for DefCARS and the SSRO technology environment, providing assurance to external stakeholders on the safe collection, storage, handling and analysis of 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 2022/23 that need reporting in the Governance Statement. The NAO and internal audit has not raised any issues of significance in their Management Letter for 2022/23. 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 2022/23 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 and there are satisfactory controls in place to identify and manage the significant risks faced by the SSRO. All controls were in place for the entirety of the year under review up until the date of approval.

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.

Neil Swift was the SSRO Chief Executive and Accounting Officer until 17 May 2023. Joanne Watts, Chief Regulatory Officer, was interim Chief Executive and Accounting Officer from 18 May 2023 until my arrival on 3 July 2023. I have sought assurances from Neil Swift and Joanne Watts to inform my assessment of this statement. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the SSRO's auditors are aware of that information.

Environmental impact

The SSRO operates a hybrid approach to working, with a combination of remote and office-based staff. Our day-to-day operation is entirely desk-based and we occupy office space through a third-party service agreement that seeks to use green energy suppliers. The SSRO does not operate machinery or vehicles and staff are expected to use public transport when travelling on SSRO business, whenever reasonably practicable.

The SSRO was granted an exemption from the Greening Government Commitments by Defra on 22 August 2022. The SSRO was considered to be exempt from the reporting requirements due to the number of staff and size of office accommodation.

Remuneration and staff report

Remuneration policy

For the Chief Executive, remuneration is set by the SSRO Board and overseen by the People Committee. The appointment of the Chief Executive is approved by the Minister for Defence Procurement.

For the Executive Committee members, remuneration is set by the Chief Executive, in line with the SSRO's terms and conditions of employment. All arrangements comply with current government guidance on public sector pay.

The Executive Committee structure was agreed by the Board. Appointments were made by the SSRO Board, in line with the SSRO's terms and conditions of service and approved by the Minister for Defence Procurement.

Salary and pension entitlements

The following sections provide remuneration and pension details of the SSRO during 2022/23 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 monetary value of benefits in kind covers any benefits provided by the SSRO 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 2022/23.

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 if resigning from the post.

The Chief Regulatory Officer, the Director of Corporate Resources 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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£000	£	£	£000	£000	£000	£000
Chief Executive										
Neil Swift	150-155	145-150	15-20	15-20	500	200	30	58	195-200	220-225
Annual equivalent	150-155	145-150								
Executive Committee										
Colin Hill	75-80	75-80	0-5	0-5	400	0	32	58	110-115	140-145
Annual equivalent	75-80	75-80								
Joanne Watts	100-105	0	5-10	0	600	0	40	0	150-155	0
Annual equivalent	125-130									
Mike Wetherell	105-110	115-120	0-5	0-5	400	200	40	43	150-155	160-165
Annual equivalent	105-110	115-120								
David Galpin	30-35	125-130	0	5-10	0	0	13	50	40-45	180-185
Annual equivalent	125-130	125-130								

[1] Executive Directors' job titles, start and end dates are included in the Board appointment dates table.

[2] The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum less the contributions made by the individual. The real increase excludes increases due to inflation or any increases or decreases due to transfer of pension rights.

Executive Committee pension entitlements					
	Accrued pension at pension age and related lump sum as at 31 March 2023	Real increase in pension and related lump sum at pension age	CETV at 31 March 2023	CETV at 31 March 2022	Real increase in CETV
	£000	£000	£000	£000	£000
Neil Swift	20-25	0-2.5	336	297	18
David Galpin	15-20	0-2.5	237	224	7
Colin Hill	5-10	0-2.5	126	89	20
Joanne Watts	10-15	0-2.5	199	159	25
Mike Wetherell	10-15	0-2.5	179	140	22

[1] The SSRO has not made any early retirement payments to Directors during 2022/23 (2021/22: nil).

[2] The SSRO has not made any Employer contributions to the partnership pension account for the Executive Team during 2022/23 (2021/22 nil).

[3] Closing balances at 31 March 2022 have been restated. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of them having an extra year's service and by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – therefore, in real terms, the pension value can reduce.

[4] CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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, 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

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

No compensation for loss of office was paid by the SSRO during 2022/23 (2021/22: 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 for 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 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 requests separate additional funding from the MOD for this work, which the MOD provides if the expenditure cannot be met from existing Grant in Aid. The following table summarises the salaries of the Chair and Remuneration for the Chair and non-executive Board members.

		2022/23	2021/22
	Date appointed	£000	£000
Chair			
Hannah Nixon Annual Equivalent	January 2022	40-45 40-45	10-15 40-45
Non-executive Board members			
Peter Freeman [1] Annual Equivalent	September 2017	10-15 10-15	15-20 15-20
Alastair Groom [2] Annual Equivalent	October 2021	15-20 15-20	5-10 10-15
David Johnston [3] Annual Equivalent	June 2016	15-20 15-20	15-20 15-20
Hugh Kelly Annual Equivalent	June 2021	10-15 10-15	5-10 10-15
Claire Williams [4] Annual Equivalent	June 2021	20-25 20-25	10-15 10-15

[1] Peter Freeman worked an additional 2 days during the year.

[2] Alastair Groom worked an additional 5.5 days during the year.

[3] David Johnston worked a total of 10.5 additional days during the year. 1.5 days related to referral work.

[4] Claire Williams worked an additional 15.5 days during the year.

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

[6] Non-executive Board members' 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 2023			31 March 2022		
	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
	£000	£000	£000	£000	£000	£000
Highest paid director's total remuneration band	165,000-170,000			165,000-170,000		
Employee total remuneration	56,583	79,808	108,856	52,717	79,151	110,010
Employee salary	55,745	78,242	107,730	50,967	77,617	107,721
Ratio (total remuneration)	3.0	2.1	1.5	3.1	2.1	1.5

During the year to 31 March 2023 there were no employees receiving a higher remuneration than the highest paid director (2021/22: nil). SSRO employee remuneration ranges from £36,996 to £135,652 (2021/22: £24,497 to £134,768). The median total remuneration ratio remained the same in 2023.

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 2022 to 2023	Highest paid Director	2%	83%	0%
	SSRO employees	5%	36%	1%
Change from 2021 to 2022	Highest paid Director	0%	0%	0%
	SSRO employees	2%	31%	7%

Employees received an average 3% pay increase during 2022/23 (2021/22: 0%). Higher increases were weighted to junior level posts, and this along with the restructure of some of these posts has increased the average salary for employees by 5% overall. Other benefits increased in 2022/23 as employees travelled into the office more regularly following the pandemic period.

Staff report

Staff policies

During the 2022/23 financial year the SSRO has treated all employees 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.

	2022/23	2021/22
Permanent [1]	34	35
Non-payroll [2]	3	2
Total	37	37

[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.

	2022/23			2021/22		
	Employed staff	Non-payroll staff	Total	Employed staff	Non-payroll staff	Total
	£000	£000	£000	£000	£000	£000
Salary	3,031	155	3,186	3,074	347	3,421
Social security	388	0	388	372	0	372
Pension	792	0	792	844	0	844
Other benefits	20	0	20	12	0	12
Total costs	4,231	155	4,386	4,302	347	4,649
Less secondment costs recovered	0	0	0	(132)	0	(132)
Net costs	4,231	155	4,386	4,170	347	4,517

Staff composition

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

	2022/23		2021/22	
	Male	Female	Male	Female
Chief Executive and Directors	2	1	3	0
Employees	22	9	21	11
Total	24	10	24	11

Non-executive Board members are not included in the staff composition figures.

Staff sickness absence

During 2022/23 the average level of sickness absence was two days per employee (2021/22: two days).

Staff turnover

The SSRO had a staff turnover of 21% during 2022/23 (2021/22: 17%)

Exit packages (audited)

There were no redundancies or other departure costs during the year to 31 March 2023 (2021/22: nil).

Contingent labour expenditure

The SSRO incurred costs of £258,000 on contingent labour during 2022/23 (2021/22: £385,000). These costs decreased in 2022/23 as the SSRO filled vacant posts and completed ICT projects.

Consultancy expenditure

The SSRO incurred £49,000 on consultancy expenditure during 2022/23 (2021/22: nil).

Off-payroll engagements

During the year to 31 March 2023 the SSRO had seven off-payroll engagements for more than £245 per day. (2021/22: one). One engagement is not subject to payroll legislation as it is a secondment in from the MOD. The other six engagements were agency contractors therefore are subject to off-payroll legislation and determined as in-scope of IR35.

As at 31 March 2023 the SSRO had two existing off-payroll contract engagements for more than £245 per day. These contracts have existed for less than one year (2021/22: one).

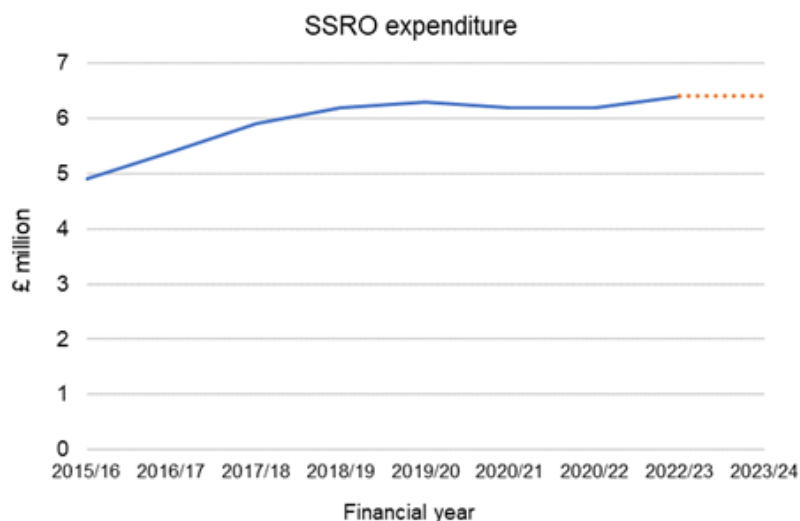
The SSRO had 11 Board members and/or senior officials with significant responsibility during the period to 31 March 2023 (2021/22: 11). David Galpin left the SSRO in June 2022. Joanne Watts joined the SSRO in June 2022 as an executive Board member. None of these Board members or Senior Officials were off-payroll engagements.

Parliamentary accountability and audit report

Regularity of expenditure (audited)

All expenditure incurred in the period to 31 March 2023 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 for 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 2023 (2021/22: nil).

Remote contingent liabilities (audited)

The SSRO has no remote contingent liabilities as at 31 March 2023 (2021/22: nil).

Accounting Officer

6 July 2023

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 2023 under the Defence Reform Act 2014.

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

- Statement of Financial Position as at 31 March 2023;
- 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 2023 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 and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 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 Regulation 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 is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises the information included in the Annual Report but does not include the financial statements nor my auditor's certificate. The Board and Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 Reports.

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

- Adequate accounting records have not been kept by the Single Source Regulations Office or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Single Source Regulations Office from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Defence Reform Act 2014;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Defence Reform Act 2014; 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 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, I:

- considered 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.
- inquired of management, Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Single Source Regulations Office's policies and procedures on:
 - » identifying, evaluating and complying with laws and regulations;
 - » detecting and responding to the risks of 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 the Defence Reform Act 2014, and Managing Public Money;
- inquired of management, internal audit and those charged with governance whether:
 - » they were aware of any instances of non-compliance with laws and regulations;
 - » they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team 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.

I obtained an understanding of the Single Source Regulations Office's framework of authority and other legal and regulatory frameworks in which the Single Source Regulations Office operates. I focused 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 Defence Reform Act 2014, Managing Public Money, employment law and tax Legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud 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. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

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 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 2023

Statement of Comprehensive Net Expenditure

for the year to 31 March 2023

		Year to 31 March 2023	Year to 31 March 2022
	Note	£000	£000
Operating income	2	84	254
Total operating income		84	254
Operating expenditure			
Staff costs	3	4,386	4,649
Information Technology	4	601	566
Accommodation	4	302	709
Purchase of other goods and services	4	588	506
Depreciation and amortisation	4-7	504	130
Provisions	4/11	(4)	36
Total operating expenditure		6,377	6,596
Net expenditure for the year		6,293	6,342
Other comprehensive net income			
Items which will not be classified to net operating costs			
Net gain on revaluation of plant and equipment	5/13	(4)	(6)
Net loss (gain) on revaluation of intangibles assets	7/13	0	3
Total other comprehensive net income		(4)	(3)
Total comprehensive net expenditure for the year		6,289	6,339

The Notes to the Financial Statements on pages 44 to 56 form part of these accounts.

Statement of Financial Position

as at 31 March 2023

		As at 31 March 2023	As at 31 March 2022
	Note	£000	£000
Non-current assets			
Plant and equipment	5	72	124
Right of use assets	6	73	0
Intangible assets	7	308	157
Receivables due after more than one year	8	0	8
Total non-current assets		453	289
Current assets			
Other receivables within one year	8	164	173
Cash and cash equivalents	9	282	541
Total current assets		446	714
Total assets		899	1,003
Current liabilities			
Trade and other payables	10	484	501
Provisions	11	130	0
Total current liabilities		614	501
Total assets less current liabilities		285	502
Non-current liabilities			
Provisions	11	0	134
Total non-current liabilities		0	134
Total assets less total liabilities		285	368
Taxpayers' equity and other reserves			
General Fund	12	273	347
Revaluation Reserve	13	12	21
Total equity		285	368

The Notes to the Financial Statements on pages 44 to 56 form part of these accounts.



Accounting Officer, 6 July 2023

Statement of Cash Flows

for the year to 31 March 2023

		Year to 31 March 2023	Year to 31 March 2022
	Note	£000	£000
Cash flows from operating activities			
Net operating expenditure		(6,293)	(6,342)
Depreciation	5/6	386	85
Amortisation	7	118	45
Loss on disposal of plant and equipment	5	0	6
(Increase)/decrease in other receivables (excluding accommodation lease)	8	41	61
(Decrease)/increase in trade payables (excluding accommodation lease)	10	(110)	56
Increase/decrease in provisions	11	(4)	44
Interest on lease liabilities	16	3	0
Net cash outflow from operating activities		(5,859)	(6,045)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(39)	(25)
Purchase of intangible assets	7	(269)	(87)
Proceeds from sub-lease receipts	17	104	0
Net cash outflow from investing activities		(204)	(112)
Cashflows from financing activities			
Grant in aid	12	6,206	6,350
Lease payments	16	(402)	0
Net inflow from financing activities		5,804	6,350
Net (decrease)/increase in cash and cash equivalents		(259)	193
Cash and cash equivalents at the beginning of the year		541	348
Cash and cash equivalents at the year end		282	541

The Notes to the Financial Statements on pages 44 to 56 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year to 31 March 2023

	General fund	Revaluation reserve	Taxpayers' equity
	£000	£000	£000
Balance at 31 March 2021	333	24	357
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
Balance at 31 March 2022	347	21	368
Total Grant in aid received	6,206	0	6,206
Total comprehensive expenditure	(6,293)	0	(6,293)
Asset revaluation gains	0	4	4
Reserves transfer	13	(13)	0
Balance at 31 March 2023	273	12	285

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 2022/23 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the SSRO for the purpose of giving a true and fair view has been selected. The policies adopted by the SSRO are outlined below. They have been applied consistently in dealing with items that are considered material to the accounts. We also include additional disclosures in line with our Accounts Direction issued by the MOD (Appendix 1).

1.2 Accounting convention

The SSRO prepares these accounts using the historical cost convention, adjusted to account for the revaluation of non-current assets to their value to the business by reference to their current value in existing use.

1.3 Going concern

These financial statements are prepared on a going concern basis.

1.4 Recent changes to accounting standards affecting the preparation of accounts

The SSRO has considered, under International Accounting Standard (IAS) 8, whether there have been any changes to accounting policies arising from IFRS that have an impact on the current or prior year or may have an effect on future years. The SSRO has reviewed any new or amended standards issued by the International Accounting Standards Board, to decide whether they should make any disclosures in respect of those new IFRS standards that are, or will be, applicable.

IFRS 16 Leases (effective 1 January 2019), requires all significant leases to be included in the Statement of Financial Position, and this impacts some disclosures around the SSRO's financial statements. IFRS 16 was to be adopted by the public sector from 1 April 2020, but in response to the ongoing pressures as a result of the COVID-19 pandemic, implementation was deferred, and it came into effect on 1 April 2022.

The SSRO has one Memorandum of Terms of Occupation agreement in place that is covered by this standard, which is for the third floor of Finlaison House. The revised disclosure requirements have been included in these financial statements. At the transition date the practical expedient, mandated by the FReM has been followed and the SSRO have not reassessed whether a contract is, or contains, a lease at that date.

On transition to IFRS 16, the SSRO recognised right of use assets of £364,000 (note 6) and lease liabilities of £492,000 (note 16) on 1 April 2022. There is no material difference between lease liabilities disclosed at 31 March 2022 applying IAS 17, and the opening lease liability recognised at 1 April 2022, which is discounted using the discount rate mandated by HM Treasury of 0.95%.

The SSRO's lease agreement expires in June 2023. The SSRO has used hindsight in determining that the lease agreement is not subject to extension clauses and therefore the impact on future periods is not material.

In accordance with IFRS 16, the SSRO excludes the following contracts, which will be recognised in profit or loss on a straight-line basis over the lease term.

- Low-value items costing less than £1,000 when new, provided they are not highly dependent on or integrated with other items; and
- Contracts with a term shorter than twelve months.

The total expense for these contracts in the SSRO's Statement of Comprehensive Net Expenditure, during the year was under £1,000.

The requirements for lessor accounting have remained largely unchanged under IFRS 16. The SSRO sublets part of its third-floor accommodation within Finlaison House to the Government Property Agency. On transition to IFRS 16, the SSRO recognised a lease receivable of £128,000 (note 17) 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. 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.

The FReM requires that the subsequent measurement basis of all right of use assets should be consistent with the subsequent measurement of owned assets. Right of use assets are depreciated over the shorter of the lease term and the useful life of the asset.

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 as they are due in less than 12 months.

1.13 Leases

Initial recognition

A contract is, or contains, a lease if it conveys the right to control the use of an asset for a period of time. If it is a lease, at the contract commencement date (or the IFRS 16 recognition date, if later), the SSRO recognises a right of use asset and a lease liability.

Right of use asset

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability (or the IFRS 16 recognition date, if later, adjusted for any lease payments made at that date) plus an estimate of the costs of obligations restore the underlying asset and the site on which it is located. The right of use assets is presented in Note 6.

The right of use asset is subsequently depreciated in equal instalments from the commencement date to the end of the lease term.

Lease liability

The lease liability is measured at the total fixed payments over the lease term (or over for the remaining lease term, at the IFRS 16 recognition date, if later). The payments are discounted at transition using the discount rate mandated by HM Treasury of 0.95%. The lease liability is presented within Notes 10 and Note 16.

The lease liability is measured at amortised cost. It is remeasured when there is a change in future lease payments arising from any decision to exercise a break clause or termination option.

Lessor

The value of the sub-lease is the total of the fixed lease payments receivable over the term of the lease agreement. The payments are discounted at transition using the discount rate mandated by HM Treasury of 0.95%. The lessor amounts receivable are presented in Notes 8 & 17.

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.

1.15 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 - 7) – the SSRO review non-current assets each year for impairment and to ensure useful lives remain appropriate, in line with accounting standards. Where non-current assets are revalued at the year-end (Leasehold and Intangibles), the SSRO uses MHCA indices provided by the MOD (intangibles) and the Valuation Office Agency (Leasehold).
- Provisions (note 11) - 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.

1.16 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 2023	Year to 31 March 2022
Other operating income	£000	£000
Accommodation sublet	84	132
Secondment income	0	122
Total operating income	84	254

The SSRO sublets 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 no employees seconded out between 1 April 2022 and 31 March 2023 (2021/22: one employee).

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 2023	Year to 31 March 2022
Staff costs	£000	£000
Salary	3,186	3,421
Social security	388	372
Pension	792	844
Other benefits	20	12
Total staff costs	4,386	4,649

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 2023	Year to 31 March 2022
	£000	£000
Other expenditure		
Information Technology	601	566
Accommodation costs – other	302	317
Depreciation - Right of use asset	291	0
Publications and subscriptions	141	127
Professional services	140	147
Amortisation	118	45
Depreciation - Plant and equipment	95	85
Recruitment	94	30
Outsourced services	71	69
Audit fee - internal	38	35
Staff training	29	36
Audit fee - external	29	27
Insurance	18	16
Travel and subsistence	16	4
Office supplies and services	5	7
Finance cost	3	0
Legal services	2	0
Other lease costs	1	1
Bank charges	1	1
Accommodation costs - lease	0	392
Property, plant and equipment - loss on disposal	0	6
Provisions	(4)	36
Total other expenditure	1,991	1,947

The external audit fee for 2022/23 is £28,500 (2021/22: £26,900) at 31 March 2023. 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
Cost				
At 1 April 2022	391	100	297	788
Additions	0	0	39	39
Disposals	0	(1)	0	(1)
Revaluation	23	0	0	23
At 31 March 2023	414	99	336	849
Depreciation				
At 1 April 2022	330	85	249	664
Charged in year	52	12	31	95
Disposals	0	(1)	0	(1)
Revaluation	19	0	0	19
At 31 March 2023	401	96	280	777
Net book value				
At 31 March 2023	13	3	56	72
Cost				
At 1 April 2021	385	110	272	767
Additions	0	0	25	25
Disposals	(17)	(10)	0	(27)
Revaluation	23	0	0	23
At 31 March 2022	391	100	297	788
Depreciation				
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
At 31 March 2022	330	85	248	664
Net book value				
At 31 March 2022	61	15	48	124

All property, plant and equipment non-current assets are owned by the SSRO. There have been no impairments during the year to 31 March 2023. 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 2023. The SSRO has also reviewed useful economic life of its non-current assets at 31 March 2023.

Note 6: Right of use lease assets

This note provides an analysis of the movements in the SSRO right of use assets in the Statement of Financial Position.

	31 March 2023
	£000
Cost	
Initial recognition as at 1 April 2022	364
Total cost	364
Depreciation	
Balance as at 1 April 2022	0
Charged in year	291
Total depreciation	291
Net book value	73

The SSRO lease asset relates to its accommodation at Finlaison House. This lease commenced in July 2014 for a term of nine years. Rent increases annually in line with the memorandum of terms of occupations (MOTO). The SSRO implemented IFRS 16 effective from 1 April 2022 until the lease expires in June 2023. There were no balances brought forward as at 31 March 2022.

Note 7: Intangible assets

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

	31 March 2023	31 March 2022
	£000	£000
Cost		
At 1 April	629	556
Additions	269	87
Disposals	(174)	0
Revaluation	0	(14)
Total cost	724	629
Amortisation		
At 1 April	472	438
Charged in year	118	45
Disposals	(174)	0
Revaluation	0	(11)
Total amortisation	416	472
Net book value	308	157

All intangible non-current assets are owned by the SSRO. The SSRO's additions are development costs relating to its DefCARS asset, as it transitioned into a cloud based system during the year. The elements of the existing system that were no longer of use following the transfer to the cloud were fully amortised and disposed of at the end of July 2022. There have been no impairments during the year to 31 March 2023. The SSRO has reviewed the useful economic life of this system at 31 March 2022. The SSRO considers that asset will have a useful economic life of 7 years, and therefore be amortised up to March 2025.

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.

Note 8: Other receivables

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

	31 March 2023	31 March 2022
	£000	£000
Trade and other receivables	57	87
Net investment in accommodation lease	24	0
Prepayments	83	86
Total other receivables	164	173
Amount due after one year		
Other receivables	0	8
Total amount due after one year	0	8
Total other receivables	164	181

The SSRO had one receivable due after one year for the rechargeable element of its estimated dilapidation costs to its tenant (Government Property Agency) as at 31 March 2023. This balance has been disclosed within Trade and other receivables as it falls within one year as at 31 March 2023.

Note 9: 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 2023	31 March 2022
	£000	£000
Balance at 1 April	541	348
Net change in cash and cash equivalents	(259)	193
Total cash and cash equivalents	282	541

All cash balances are held with the Government Banking Service.

Note 10: Trade and other payables

This note analyses the SSRO's trade and other payables as shown in the Statement of Financial Position.

	31 March 2023	31 March 2022
	£000	£000
Trade and other payables	41	45
Accommodation lease	93	0
Accruals	230	329
HMRC - taxation	0	6
HMRC - social security	120	121
Total trade and other payables	484	501

There were 30 unpaid invoices at 31 March 2023 (2021/22: 21). During the Year to 31 March 2023, 98 per cent of undisputed invoices were paid within five days (2021/22: 98 per cent). All SSRO payables fall due within one year.

Note 11: Provisions

This note shows the movement in provisions during the year.

	Year to 31 March 2023	Year to 31 March 2022
	£000	£000
Opening balance 1 April	134	90
Provision in the year	(4)	44
Total provisions 31 March	130	134

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 June 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 2023 that would impact the independent valuation carried out in November 2021. In line with IAS 37 the SSRO reviewed the impact of the time value of its dilapidations provision at 31 March 2023, using rates provided by HM Treasury. This resulted in a small reduction in the provision value as at 31 March 2023. Negotiations on final costs relating to dilapidations are ongoing as at 31 March 2023. Any cash outflow is expected at the end of the lease which ends in June 2023.

Note 12: General Fund

This note shows the movement in the general fund for activities during the year.

	Year to 31 March 2023	Year to 31 March 2022
	£000	£000
General fund brought forward 1 April	347	333
Grant in aid received	6,206	6,350
Net operating expenditure	(6,293)	(6,342)
Transfer from revaluation reserve	13	6
General Fund carried forward 31 March	273	347

The SSRO agreed Grant in Aid funding of £6,417,000 for the year to 31 March 2023. During the year the MOD netted unclaimed prior year underspends totalling £211,000 against quarterly Grant in Aid payments.

Note 13: Revaluation Reserve

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

	Year to 31 March 2023	Year to 31 March 2022
	£000	£000
Revaluation reserve brought forward 1 April	21	24
Net gain on revalued non-current assets	4	3
Transfer to general fund	(13)	(6)
Revaluation reserve carried forward 31 March	12	21

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 and intangible non-current assets have been reviewed as at 31 March 2023.

Note 14: Financial Instruments

As the cash requirements of SSRO are met through Grant in Aid, financial instruments play a limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the SSRO's expected purchase and usage requirements. The SSRO has no material exposure to currency, credit, liquidity or market risk.

Note 15: Capital commitments

The SSRO does not have any future contracted capital commitments as at 31 March 2023 (2021/22: nil).

Note 16: Lease liabilities

16.1: Property lease

The note below provides a maturity analysis of contractual undiscounted cash flows relating to lease liabilities.

	31 March 2023
	£000
Maturity analysis	
Payable within one year	93
Payable in two to five years	0
Total undiscounted lease liabilities	93
Future finance changes and other adjustments	0
Lease Liabilities in the financial statements	93

Leases liabilities are recognised within Note 10. The SSRO spent £402,000 on lease payments during the year to 31 March 2023 (2021/22: £392,000).

The note below provides the movements in the lease liabilities and their classification between amounts being settled in the next 12 months and after more than 12 months from the reporting date.

	31 March 2023
	£000
As at 1 April	492
Interest accrued	3
Payments	(402)
Lease liability as at 31 March 2023	93

The lease liability is payable within 12 months.

Note 17 Future lease income

17.1: Property lease

The note below provides a maturity analysis of contractual undiscounted cash flows relating to lease liabilities. Leases receivables are recognised within Note 8.

	31 March 2023
	£000
Maturity analysis	
Receivable within one year	24
Receivable in two to five years	0
Total undiscounted lease receivables	24
Future finance changes and other adjustments	
Lease receivables in the financial statements	24

Lease receivables are included within Note 8. The SSRO sublets part of its third-floor accommodation within Finlaison House to the Government Property Agency until the lease expires in June 2023. The SSRO received payments of £104,000 for its sublet accommodation during the year to 31 March 2023 (2021/22: £67,000).

The note below provides movements in the lease receivables and their classification between amounts being settled in the next 12 months and after more than 12 months from the reporting date.

	31 March 2023
	£000
As at 1 April	128
Additions	0
Interest	0
Receipts	(104)
Lease receivable as at 31 March 2023	24

Lease receivables are due within 12 months.

Note 18: Contingent assets and liabilities

As at 31 March 2023, the SSRO has no contingent assets or liabilities (2021/22: nil).

Note 19: 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 as at 31 March 2023, are disclosed below.

Key management personnel

There are no related party transactions to report in the period to 31 March 2023 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 £6,206,000 (2021/22: £6,350,000). The SSRO participated in a secondment with the MOD during the year, for which it paid £89,000 (2021/22: £135,000). There was £5,000 payable by the SSRO as at 31 March 2023 (2021/22: nil).

Other government departments

Government Actuaries Department (GAD): during the year, the SSRO was invoiced £455,000 by GAD for services it received (2021/22: £574,000). There was £5,000 payable (accrued) to GAD as at 31 March 2023 (2021/22: £3,000). 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 £190,000 as part of a sublet agreement in 2022/23 (2021/22: £122,000). There was £45,000 payable to the SSRO as at 31 March 2023. The SSRO also paid GPA £122,000 for services in year (2021/22: £45,000). There was £12,000 payable (accrued) at 31 March 2023 (2021/22: nil).

During the year the SSRO also received services from the Cabinet Office which were below £1,000.

Note 20: Events occurring after the end of the reporting year

The SSRO's financial statements are laid before the Houses of Parliament by the MOD. 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 31st 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

