

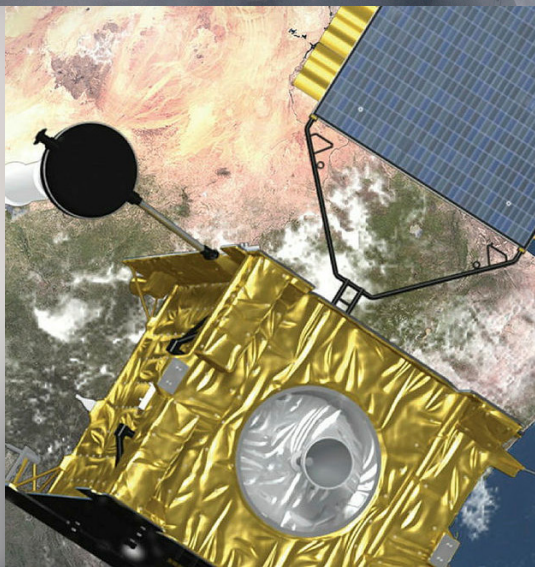


# SSRO

Single Source  
Regulations Office

# CORPORATE PLAN

## 2024-2027





# Chair and Chief Executive's foreword



The challenging global security situation shows how vital it is for the United Kingdom to have the right equipment and capabilities delivered to our armed forces through speedy and efficient procurement. By meeting the aspirations set out in this Plan, we will increase our impact, effectiveness and contribution to faster, better value for money single source defence procurement.

The SSRO will support the Government in delivering the optimal operation of the single source regulatory framework. In doing so, we will work towards four areas of strategic focus, which will be incorporated into our work and engagement.

- **Relevance.** Our work will be focused on the most important strategic issues. We will provide insights, guidance and information that is useful to industry and the MOD and contributes to meaningful improvements in defence procurement.
- **Visibility.** We will communicate our work, and the value we bring to the sector and defence procurement outcomes. We will focus on engagement at all levels with MOD and industry. We will also be more visible on the ground, for example through providing enhanced support on contract-specific queries and encouraging MOD users to exploit the data in our Defence Contract Analysis and Reporting System (DefCARS). We will adopt a wider, enhanced communications approach, to increase the impact and reach of our work.

- **Accessibility.** We will ensure that our services and guidance are easy to engage with. For example, our pricing and reporting guidance will be straightforward to use, the support we provide to stakeholders will be accessible and the DefCARS interface will be intuitive.
- **Trust.** We will build our stakeholders' confidence in the SSRO through the skills, knowledge and experience we bring to bear. Through our workforce planning, we are building a skilled, agile and engaged team with commercial understanding and experience. We will leverage the positive progress made to improve compliance and utilisation of the data in DefCARS, working closely with the MOD.

It is a time of change for the regulatory framework, with the Procurement Act and allied secondary legislation introducing new measures such as alternative pricing and componentisation, which will provide a greater choice of pricing methods and allow contract prices to better reflect risk-sharing between the MOD and defence contractors. The SSRO will help to ensure these new arrangements are well understood and implemented successfully.

The Act also provides new powers for the SSRO to issue guidance on any aspect of the application or interpretation of the regulatory framework. We will do so in specific areas where our stakeholders have identified that new guidance or thinking in the context of applying or interpreting the regulatory framework would be useful. Our aspiration is for the SSRO to be a thought-leader, working collaboratively with others on focused, time-limited work that would help all to respond to the major challenges in defence procurement.

Hannah Nixon  
**Chair**

John Russell  
**Chief Executive**

# Activities for 2024-27

The SSRO's Corporate Plan 2024-27 identifies the strategic priorities and projects we will pursue to deliver our statutory functions. As well as setting out the multi-year projects and annual activities that we will continue to deliver in 2024-27, it also sets out several new activities.

## New activities:

- We will work with stakeholders to further enhance the utility of our guidance, and will provide new guidance in areas including pricing contract amendments and the final price adjustment. Stakeholders have told us that further guidance in these areas would support contract management, and we can see through our referrals, compliance and other work that stakeholders would value extra support in these areas.
- Working collaboratively with our stakeholders on focused, time-limited work that considers and supports them in responding to significant challenges in defence procurement.
- Support for further use of management information (MI) by the MOD, building on the provision of a MI reporting suite that presents DefCARS data in a readily accessible form to users. We will identify and engage with users of data to understand their needs, and provide hands-on support on data use.
- Undertaking a quantitative study, supported by DefCARS data, to examine the financial risk single source contractors take on when entering into qualifying contracts.

## Changes of approach to existing activities:

- Enhancing the utility of our guidance, in response to feedback from engaging directly with users.
- Developing a more user-friendly interface for our website content, incorporating audio-visual content, which will make our guidance more accessible and engaging.
- Service improvements that ensure we provide more effective and timely responses to complex queries from our stakeholders.
- Quicker formal opinions, when relevant matters are referred to the SSRO.
- An enhanced communications approach, exploring new ways of informing stakeholders about our guidance, findings and publications. Our approach will include direct engagement with our stakeholders, increasing our visibility at conferences, events and in the media, and using our website and social media to reach a wider audience.





# The SSRO

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.

Our purpose is to support and improve the operation of the regulatory framework through the delivery of our statutory functions. In carrying out these 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.

## Our statutory functions

<b>Guidance</b>	Publishing guidance on Allowable Costs, Contract Profit Rate steps, Reporting and Penalties.
<b>Referrals</b>	Giving opinions and making determinations on matters referred to the SSRO concerning the regulatory framework.
<b>Contract Profit Rate</b>	Recommending the appropriate baseline profit rate and capital servicing rates for use in calculating contract profit rates.
<b>Review</b>	Keeping the operation of the regulatory framework under review and making recommendations for changes to the Secretary of State.
<b>Compliance</b>	Keeping under review the extent to which reporting requirements are being complied with.
<b>Analysis</b>	Analysing reported data on request for the Secretary of State and developing insights.
<b>Records</b>	Keeping an up-to-date record of qualifying contracts and receiving statutory reports from defence contractors under the regulatory framework.



## Objective 1: Maintain a pricing system that supports value for money and fair prices

Our pricing guidance and annual profit rate recommendation help parties agree fair and reasonable contract prices and achieve value for money. The guidance that we provide to the MOD and industry is crucial in enabling stakeholders to price contracts with certainty in the regulatory framework. Developing accessible guidance to support our stakeholders in responding to recent legislative changes to the single source regulatory framework will form a substantial part of our pricing work in the first half of this plan.

**New in this Plan:** We will enhance and develop the utility of our guidance, in response to feedback from engaging directly with users. The Procurement Act provides the SSRO with new powers to issue guidance on any aspect of the application or interpretation of the regulatory framework. We will develop new guidance in areas where stakeholders indicate there is a need. This will include new guidance on pricing contract amendments and the final price adjustment. Stakeholders have told us this guidance is needed and we can also see through our support, referrals, compliance and other work that these areas need to be better understood.

### Activities

1. We will provide the Secretary of State with annual assessments of the appropriate baseline profit rate and capital servicing rates. Our approach will continue to follow the SSRO's methodology, benchmarking the actual profits of companies engaged in activities comparable to those that enable the performance of qualifying defence contracts.
2. We will conclude the profit activities review that commenced in 2023/24, revalidating benchmark activities and refining the SSRO's methodology as a result. We will also undertake a study of the financial risk and rewards that single source contractors assume when entering into qualifying contracts, drawing on the data reported by defence contractors.
3. We will support industry and the MOD to implement the changes brought about in the Procurement Act by providing new and updated guidance on pricing contracts. The updated guidance will be accessible and straightforward to use.
4. Using our new power to issue guidance on any aspect of the application or interpretation of the regulatory framework, we propose to develop and consult on new guidance on pricing contract amendments and the final price adjustment.

### SSRO key performance indicators and regulatory framework indicators\*

<b>A</b>	Annual assessment of the baseline profit and capital servicing rates is submitted to the Secretary of State by 31 January AND accepted by the Secretary of State without change
<b>B</b>	Median agreed contract profit rates are within 2.0 pp of Baseline Profit Rate (pre-Capital Servicing Adjustment) AND median actual profit rates are within 5.0 pp of Baseline Profit Rate (pre-Capital Servicing Adjustment)*
<b>C</b>	SSRO publishes guidance on the Final Price Adjustment and contract amendments within period of 2024-27 Corporate Plan

## Objective 2: Support a well-functioning regulatory framework

We use our expertise in regulation to support the MOD and industry to apply the regulatory framework in a consistent and effective way. Our support will be trusted, with effective and timely responses to queries from stakeholders that range from simple questions requiring signposting to existing guidance, to complex queries that necessitate tailored responses.

**New in this Plan:** We will play an active role in discussions about the regulatory framework with the MOD and industry, with our knowledge, expertise and involvement being actively sought. We will implement service improvements that ensure we provide more effective and timely responses to complex queries from our stakeholders. This includes giving formal opinions more quickly when relevant matters are referred to the SSRO. We will improve our website and provide engaging audio-visual content, so that people can access our guidance more easily.

### Activities

1. We will give opinions and make determinations on matters referred to the SSRO concerning the regulatory framework.
2. In response to our consultation from November 2023, we will implement a series of service enhancements that improve how we respond to complex queries about the regulatory framework and how it applies to qualifying contracts. Our responses will be more effective and timely, so that disputes and questions about the regulatory framework can be resolved more quickly during contract negotiations.
3. We will support the MOD and industry through our helpdesk, website, on-boarding meetings and training.
4. We will continue supporting industry and the MOD to implement the reforms to the regulatory framework with a coordinated programme of changes to our guidance and to DefCARS. We will ensure that our guidance is well-received, and will supplement it with a significant increase in the direct face to face engagement that users have told us they want, to make it easier for them to understand the new requirements. We will improve access by developing an interface for website content, and creating and publishing engaging audio-visual content.
5. We will keep the regulatory framework under review. Our review will be informed by a range of sources, including DefCARS data, our ongoing work to fulfil our statutory functions, engagement with stakeholders and specific top-down research. Should we conclude from the evidence that legislative change in specific areas would improve the operation of the regulatory framework, we will make recommendations for change to the Secretary of State.

### SSRO key performance indicators and regulatory framework indicators\*

<b>A</b>	Increase in requests for non-referral advice in the year by the MOD or contractor*
<b>B</b>	Proportion of responses to questions raised with SSRO provided within target timeframes (target: 95% of query responses within target timeframes)
<b>C</b>	New pricing and reporting guidance published in time to support the implementation of changes arising from Schedule 10 of the Procurement Act (target: Autumn 2024).

## Objective 3: Promote the utilisation of DefCARS data and insights

A key benefit of the regulatory framework is greater transparency and the wealth of information this provides. Our platform for receiving data (DefCARS) will be efficient and minimize the reporting burden on contractors. The valuable data within DefCARS is readily accessible to users in the MOD. Our compliance work promotes the importance of good data quality.

**New in this Plan:** Our MI reporting suite presents DefCARS data in a readily accessible form to users in the MOD, providing insights that can improve delivery and commercial outcomes in procurement. We will continue our support for further use of MI by the MOD, and emphasise the importance of good data quality. The data from DefCARS supports the SSRO's work in several other areas in this Plan, including keeping the regulatory framework under review, and the focused, time-limited "thought leadership" work that supports our stakeholders in responding to significant challenges.

### Activities

1. We will facilitate better utilisation of DefCARS data and provide relevant insights to support procurement decisions and contract management by engaging with potential data users, providing hands-on support, and proactively promoting example MI. We will maintain and develop our secure MI reporting suite, available to over 500 MOD users. Our MI reporting suite includes several DefCARS MI reports, such as the Contract Landscape (variances) MI report, which gives MOD users the ability to aggregate and compare contractors' latest estimates with actual and forecasts, across costs, price and profit, for multiple QDCs and QSCs. We will respond to Section 36/37 requests by providing high quality, timely analysis.
2. We will operate and maintain DefCARS as our primary tool for securely collecting, storing and facilitating the use of the information submitted in contractors' reports. We will continue to deliver our DefCARS Future Technology Strategy. We will explore with the MOD the interoperability of DefCARS with other MOD systems.
3. We will respond to changes to reporting requirements following the implementation of the Procurement Act by updating DefCARS and our guidance in response to stakeholder feedback. The updated guidance will be accessible and straightforward to use.
4. We will undertake compliance reviews of submitted reports on a sample basis, while also undertaking more in-depth Targeted Reviews and Thematic Reviews, which consider areas of interest that are highlighted by other SSRO projects. We will produce a summary compliance report, which will include regular targeted MI for MOD and contractors and recommendations to support improvements in the quality of data reported by contractors. We will review with MOD respective roles on compliance, and how information from SICR reports can be best utilised.

### SSRO key performance indicators and regulatory framework indicators\*

<b>A</b>	Increase in MOD use of Power BI reports in our DefCARS MI reporting suite*
<b>B</b>	% of Section 36/37 requests for analysis responded to within the agreed initial timescales (target: 95%)
<b>C</b>	% of reports submitted by contractors that are complete and meet the requirements of the legislation at the first attempt (target: 75%) AND % of reports submitted on time (target: 75%)*



# Enabling objectives

Delivery of our three core regulatory objectives is supported by the successful achievement of our three enabling objectives. These are engaging with our stakeholders, developing the SSRO team, and operating efficiently and effectively.

## Objective 4: Engaging with our stakeholders

### Activities

1. We will maintain a proactive programme of stakeholder engagement to underpin delivery of our statutory functions and the three regulatory objectives in this plan. We will be more visible, and increase our in-person engagement. We will provide support on the ground to stakeholders in understanding and applying our guidance and the legislative framework consistently, and in responding to contract-specific queries. We will engage with other regulators and relevant organisations, in the UK and internationally, to share and adopt best practice. We will look for opportunities to work collaboratively with our stakeholders, and will periodically seek the views of stakeholders to understand how we are performing and to improve further our services.
2. We will work together with our stakeholders to deliver focused, time-limited work that considers and supports the MOD and industry in responding to significant challenges in defence procurement. Such work will typically use data from DefCARS and elsewhere to provide useful insights and thought leadership on areas that we and stakeholders identify. These might include (for example) sovereign capability or effectiveness of incentives.
3. We will adopt a wider, enhanced communications approach, to increase the impact and reach of our work. We are developing a communications strategy that will consider how we reach our customers effectively and raise awareness of the SSRO's work more widely, in articles, speeches, case studies and through the training material we provide. We will grow the audience for our existing communications channels and explore new means of communicating with our stakeholders.

### Key performance indicators

<b>A</b>	Users satisfied with SSRO responses to questions raised with SSRO (target: 90 per cent)
<b>B</b>	SSRO delivers at least two pieces of work providing thought-leadership during 2024/25 that are well received by stakeholders
<b>C</b>	Percentage of stakeholders who agree that the SSRO's pricing guidance is clear, applicable and useful in agreeing contract prices that support VFM and fair & reasonable prices (target: 75%).



## Objective 5: A skilled, agile and engaged SSRO team

### Activities

1. By following our Workforce Strategy, we will continue to evolve our capabilities and resources, building towards our objective of a skilled, agile, and engaged team. We will build trust in the SSRO through the skills, knowledge and experience we bring to bear. We will support our staff in their professional development, enabling them both to progress their careers and deliver the SSRO's vision and objectives. We will continue to implement the SSRO Commercial Training Pathway, utilising the Defence Learning Environment and other sources. We will arrange short placements at the MOD and industry for our staff, to enhance and maintain understanding of commercial practices.
2. We will continue to recruit staff with the right experience, skills and knowledge, drawing expertise from a range of relevant professional domains – including those with MOD or defence industry experience. We will draw on additional, external support and expertise to deliver our objectives, including from secondees, specialist contractors, temporary staff and our independent referral panel members (where appropriate).
3. We will continue to implement our Equality Scheme to embed diversity and inclusivity for all staff. We want our staff to be motivated and actively engaged in the SSRO's work and consider us a good employer that supports and values people and treats them fairly. We are committed to the SSRO's values.

### Key performance indicators

<b>A</b>	Employee survey shows staff are engaged <sup>1</sup> (target: 70%)
<b>B</b>	Number of staff who have undertaken a short term secondment (target: 5)

## Objective 6: Operate an efficient and effective organisation

### Activities

1. The SSRO's finances and financial procedures will continue to be managed effectively. We will use the right resources to ensure value for money in the way we deliver our current work programme. The SSRO's procurement policies will be managed effectively. We will continue to ensure that we use public funds efficiently and effectively, through a range of measures including streamlining our governance, reviewing service requirements and market testing at contract renewal, reviewing staff resource and any requirements to fill vacancies.
2. Our governance will follow best practice, and help our leadership to deliver its vision. We will review our governance processes and policies to ensure they are as efficient as possible.
3. We will provide a modern, stable and secure IT and information management platform with all associated tools and supporting services.

### Key performance indicators

<b>A</b>	SSRO has managed its financial expenditure to within 2% of corporate budget, without exceeding Grant-in-Aid limit
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<sup>1</sup> The average of three staff survey questions: I feel a strong personal attachment to the SSRO; I would recommend the SSRO as a great place to work; and the SSRO motivates me to help it achieve its objectives.

# Finance, alternative scenarios and risk factors

The MOD has allocated the SSRO Grant in Aid of £6.780 million to fund its activities in 2024/25 in relation to the SSRO's objectives for 2024/25.

The SSRO's costs are largely stable and recurring with 96 per cent of the budget committed to existing contracts and staff costs. The budget reflects anticipated efficiencies, known contractual changes and inflationary pressures.

Our resources are flexibly and efficiently organised through matrix management to meet our objectives and make revisions in response to emerging priorities.

SSRO's corporate support is partially procured through government framework contracts (IT managed services) or outsourced (payroll and finance) with adoption of an agile approach to the procurement and delivery of support functions, as well as expert support on regulatory matters.

The SSRO always seeks to ensure the most effective and efficient use of public funds. We seek to identify efficiencies during the renewal of contracts by reviewing and competing service requirements where appropriate. We will liaise with the MOD as part of the annual cycle of funding approval and discuss the impact of and manage the risks associated with changed workload volumes or new requirements on our budget. If additional funding is required, this will be sought through individual business cases in-year, during the life of this plan.

**Risk management** is an integral part of the SSRO's internal control framework. As set out in the SSRO's risk management policy, responsibilities fall as follows:

- The SSRO Board puts in place effective arrangements to provide assurance on risk management, governance and internal control.
- The Audit Committee supports the Board, providing the SSRO's assessment and management of risk, reporting to the Board its views on the SSRO's risk management.
- The Chief Executive is responsible for the internal control framework, which incorporates risk management processes and the Corporate Risk Register (CRR). The CRR is owned and maintained by the Senior Leadership Team and reviewed regularly by the Audit Committee.

These risks are reflected in how we plan and prioritise our work. The significant risks that may impact on the delivery of our Plan are:

- **Failure of cyber-security controls, including breach of security.** IT security is recognised as a constant risk. Currently there is an increased threat from a range targeted campaigns by cyber actors. The attacks are aimed at targets in specified sectors, including government organisations. As the SSRO collects data which can be commercially sensitive, it is important that our information systems are robust in response to any cyber attacks.
- **The regulatory framework does not always operate optimally or consistently.** Effective operation of the regulatory framework depends on the knowledge, understanding and cooperation of key stakeholders. With changes being implemented to the regulatory framework, the risk of inconsistency of application may increase, resulting in it operating sub-optimally. We seek to mitigate this risk with greater and improved support through our programme of stakeholder engagement, described in our Stakeholder Engagement Strategy.

## SSRO's Budget for 2024/25

	£,000
<b>Running costs</b>	
Staff	4,878
Staff related	197
Accommodation	253
IT costs	654
Legal & professional	85
Other costs	413
<b>Total running costs</b>	<b>6,480</b>
<b>One off costs</b>	
Regulatory database	300
<b>Total one-off costs</b>	<b>300</b>
<b>Total budget</b>	<b>6,780</b>

Summary of performance in 2023/24		2023/24 Performance*
1A	Annual assessment of the baseline profit and capital servicing rates is accepted by the Secretary of State	
1B	Median agreed contract profit rates are within 2.0 pp of Baseline Profit Rate (pre-Capital Servicing Adjustment)	0 .03
1C	Median actual contract profit rates are within 5.0 pp of Baseline Profit Rate (pre-Capital Servicing Adjustment)	1.62
1D	Percentage of stakeholders who agree that the SSRO's pricing guidance is clear, applicable and useful in agreeing contract prices that support VFM and fair & reasonable prices (target: 75%)	82% in 2022
2A	Increase in requests for pre-referral support	9
2B	Proportion of responses to questions raised with SSRO provided within target timeframes (target: 90% of query responses within target timeframes)	100%
2C	New pricing and reporting guidance published in time to support the implementation of changes arising from Schedule 10 of the Procurement Act	
2D	Increase in engagement measured through number of planned workshops, key face to face engagements and training events for the MOD and Contractors	
3A	The number of new management information reports produced using DefCARS data (target: 5) AND the number of Section 36/37 requests for analysis responded to within the agreed initial timescales (target: 95%)	8 100%
3B	% of reports submitted by contractors that are complete and meet the requirements of the legislation at the first attempt (target: 75%) AND % of reports submitted on time (target: 75%)	61% 66%
3C	Number of MOD Teams engaged with as part of the Data Utilisation project (target: 3) AND engagement on Data Utilisation - increase in the percentage of contractor submitted reports accessed by MOD teams engaged with as part of the Data Utilisation project (target: 10pp)	3 1%
3D	Users are satisfied with DefCARS and DefCARS data (target: 75%)	62% in 2022
4A	Stakeholders consider the SSRO engages well (target: 90%)	93% in 2022
4B	Planned engagement is successfully achieved (target: 75%)	
5A	Employee survey shows staff are engaged (target: 70%)	67%
5B	Staff feel included and treated fairly (target: 90%)	83%
5C	Percentage of staff who have completed the SSRO Commercial Training Pathway or other CPD for the year (target: 80%)	Measured over two years
6A	Manage our financial expenditure to within 2% of our corporate budget without exceeding our Grant-in-Aid limit.	-1.5%
6B	Significant project milestones met (target: 100%)	100%

\* The table reflects latest in-year position

1D, 3D and 4A measured in most recent Stakeholder Survey undertaken in 2022