








Improving UK defence procurement

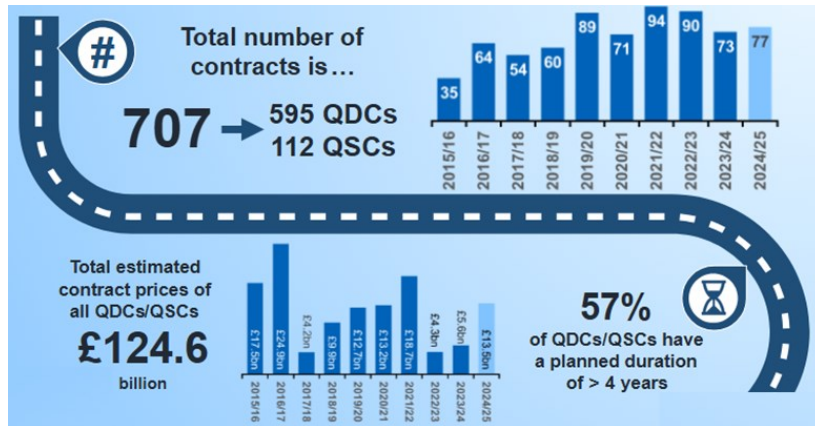
The SSRO oversees the regulatory framework for defence contracts that are awarded without competition. We are sponsored by the Ministry of Defence but independent in our operation and our decision making.

We are in a unique position, supporting both the MOD and defence industry, and have a range of tools that help to improve the speed and effectiveness of defence procurement. Through our seven functions, we help to ensure that good value for money is obtained from single source defence contracts and that defence contractors receive a fair and reasonable price. Our functions are:

1. Profit Rate 	<ul style="list-style-type: none"> We recommend to the Secretary of State the appropriate “baseline” profit rate and capital servicing rates for use in calculating contract profit rates that can be applied to single source defence contracts. We make an annual recommendation, which (with our pricing guidance) helps the parties agree fair and reasonable contract prices and achieve value for money. 	gov.uk/government/collections/profit-rate
2. Settling issues 	<ul style="list-style-type: none"> We help to speed up procurement by settling disputes and resolving contract-specific queries between the MOD and industry. We consider issues that are formally referred to us but also provide informal advice. We engage both the MOD and industry in discussions about the regulatory framework, and advise on how it should be applied to contracts. These can result in legally binding changes to contract price, even after the contract has been signed. 	gov.uk/government/collections/referrals
3. Valuable data 	<ul style="list-style-type: none"> We collect and hold valuable data from the defence industry about their contracts in our Defence Contracts Analysis and Reporting System (DefCARS). The data includes (for example) actual and projected costs and profit, contract requirements, payments, overheads and strategic capacity. This provides valuable standardised comparable data that helps the MOD negotiate and manage contracts, and manage suppliers at a portfolio level. 	gov.uk/guidance/contract-and-supplier-reporting-defcars-and-associated-guidance
4. Analysing our data 	<ul style="list-style-type: none"> We analyse data and provide insights to support the Secretary of State and the MOD. We provide an accessible suite of Management Information that allows MOD users to interrogate our DefCARS data for commercial insight. 	gov.uk/government/collections/ssro-qualifying-defence-contract-statistics
5. Review framework 	<ul style="list-style-type: none"> We keep the operation of the regulatory framework under review and make recommendations for improvements to the Secretary of State. 	gov.uk/ssro
6. Clear guidance 	<ul style="list-style-type: none"> We publish guidance on how to determine the price of qualifying contracts, including on what “Allowable Costs” can be claimed and on what profit rates applied, and separately on how contractors can meet transparency requirements through our reporting guidance. We work with our stakeholders to develop guidance on the application or interpretation of the framework, and provide support on the ground to help them understand and apply it. We provide a helpdesk, onboarding and detailed support on contract-specific queries. 	gov.uk/publications/guidance-provided-by-the-ssro/guidance-provided-by-the-ssro
7. Monitoring compliance 	<ul style="list-style-type: none"> We review how transparency requirements are being complied with by the defence industry. Accurate contract reporting helps to support better defence procurement. 	gov.uk/government/collections/compliance

The regulatory framework

The single source regulatory framework places controls on the pricing of defence contracts that are awarded without competition and requires greater transparency on the part of defence contractors. The contracts we regulate (Qualifying Defence Contracts and Qualifying Sub-Contracts, or QDCs and QSCs) equal roughly half of all defence spending on equipment and support each year (£124.6 billion since 2015) and provide some of the largest and most strategically important UK defence capabilities.



The SSRO supports the Government in delivering the optimal operation of the regulatory framework, ensuring a strong defence sector. We have six strategic objectives:

- **Objective 1:** Maintain a pricing system that supports value for money and fair prices
- **Objective 2:** Support a well-functioning regulatory framework
- **Objective 3:** Support the reporting of transparency data, and promote its utilisation
- **Objective 4:** Engage with our stakeholders
- **Objective 5:** A skilled, agile and engaged SSRO team
- **Objective 6:** Operate an efficient and effective organisation

We have four areas of strategic focus, which we are incorporating into our work and engagement:

Relevant <ul style="list-style-type: none"> • We provide insights, guidance and information that is useful to industry and the MOD and contributes to meaningful improvements in defence procurement. • The SSRO works collaboratively with others to consider and respond to the major challenges in defence procurement. 	Visible <ul style="list-style-type: none"> • We focus on engagement at all levels with MOD and industry. • We are visible on the ground, providing enhanced support on contract-specific queries and encouraging MOD users to exploit the data in DefCARS. • We have a wide communications approach, to increase the impact and reach of our work.
Accessible <ul style="list-style-type: none"> • Our services, including our helpdesk and training offer, are easy to engage with. • Our pricing and reporting guidance are straightforward to use, and the support we provide to stakeholders is accessible. 	Trusted <ul style="list-style-type: none"> • The SSRO is operationally independent, working freely, impartially and with integrity. • Through our workforce planning, we are building a skilled, agile and engaged team with commercial skills, understanding and experience.

If you would like to discuss the work of the SSRO, please contact us using the contact information below:

Email: enquiries@ssro.gov.uk

Phone: 020 3771 4767