



Single Source
Regulations Office

SSRO-C-118: The baseline profit rate and capital servicing rates quality assurance services

Clarification Questions and Answers

Question 1: *Ref. Appendix 1: Specification - Paragraph 2.5*

We understand that under the adopted methodology, the comparator group is fully refreshed in year 1 of the cycle, with an annual validation of the existing group undertaken for years 2 and 3. Could you please confirm our assumption that the first year of this project corresponds to “year 1” of the cycle, and hence our review in the first year will be into the full set? Furthermore, are we correct to assume that the review should consider continuity from the previous year (in methodology and comparator set)?

Answer 1

We confirm that first year of the project corresponds to “year 1” of the cycle. The timing of full refreshes and annual validations over the life of the contract is shown in Table. 1.

Table 1: Company selection approach, company selection year and contract year

Company selection approach	Full refresh	Annual validation	Annual validation	Full refresh	Annual validation
Company selection year	1	2	3	1	2
Contract year	1	2	3	4 th year option	5 th year option

In relation to assuming continuity from the previous year (in methodology and comparator set):

- The specification states: “The methodology is updated each year and is approved by the SSRO Board in early autumn. The SSRO does not anticipate any substantial change to its methodology over the term of this contract.”
- There is no requirement in the current methodology for there to be continuity in the comparator set year to year. However, previous reviews have resulted in a degree of comparability being maintained.

Question 2: *Ref. Appendix 1: Specification - Paragraphs 2.3a) and 2.4*

With respect to the selected comparator companies, we understand that a portion of these are verified and / or added from internal comparators. Could you please let us know an approximate percentage of these internal comparators within the total set? Could you also please confirm that your expectation is for us to review these internal comparators in a similar method as for the rest of the comparator companies?

Answer 2

In addition to the companies identified through a database search process (using the Orbis database), the SSRO inspects statistics published by the Ministry of Defence and uses the SSRO’s Defence Contract Analysis and Reporting System data to identify potential additional comparators that are not found through the external comparator’s search process. The percentage of the companies identified through this process varies from year to year. The numbers for the last two years are presented in Table 2.

Table 2: Historical internal comparators added and reviewed

Year of analysis	2020/21	2021/22
Company selection approach	Annual validation	Annual validation
Total comparator companies	497	444
Companies added	4%	6%

Note: these numbers are for the combined four activity groups: Develop and make, provide and maintain, ancillary services and construction.

The specification requires that the supplier scrutinise the records of the SSRO's decision process to assess comparator companies. This may include the supplier determining an appropriate sampling approach from the overall data set in order to undertake this scrutiny.

Question 3: *Ref. Appendix 1: Specification - Paragraph 2.3d)*

With respect to delivery of the written report setting out the findings from our review, does the SSRO have a preferred format for their reports, and if so will this be shared with the preferred bidder?

Answer 3

The SSRO does not have a preferred format for the written report setting out the findings from the review. The supplier will develop their own presentation format, which should be suitable for the requirements set out in the specification.