

Finance & HR Outsourced Services

Appendix 1: Brief

## Introduction

* + 1. The Single Source Procurement Regime came into force in December 2014, following Parliamentary approval of the regulations relating to the Defence Reform Act 2014 (‘the Act’). The SSRO regulates the UK government’s procurement of ‘single source’, or non-competitive, military goods, works and services. It is the independent statutory regulator of single source defence procurement, issuing statutory guidance, assessing compliance and determining how the regime applies to individual contracts. The SSRO’s principal statutory aims are to ensure that good value for money is obtained for the UK taxpayer in expenditure on qualifying defence contracts, and that single source suppliers are paid a fair and reasonable price under those contracts.
    2. Additional general information about the SSRO, can be found on the website: <http://www.gov.uk/government/organisations/single-source-regulations-office>

## The Services

### Service overview

* + 1. The provision and management of Finance, Payroll and HR services and required software system(s) and technology, to the SSRO and its employees having relevant and secure   
       web-based system access, that aligns with the SSRO’s ICT systems and controls.
    2. The SSRO currently has circa 50 members of staff on its payroll. Although it is possible that these numbers will increase over the period of the contract, any increase is not likely to be significant in number. Provision for processing and maintaining ongoing historical records in respect of members of staff who leave or have left the SSRO; at present this comprises 14 individuals.
    3. The services which the SSRO requires are summarised in the table below and set out in detail in section 3 below (Specification).

| **Required service** | **Service overview** |
| --- | --- |
| Finance service | ***Financial Accounting Services***: maintain the integrity of the financial database and chart of accounts by undertaking periodic housekeeping and reconciliation routines on the General Ledger. |
| ***Management Accounting Service***: maintain the integrity of the structures (e.g. chart of accounts, activity centre structure, journal definitions) within the financial database. |
| ***Resource accounts***: ensure this element of the Annual Report and Accounts provides a true and fair view of the SSRO's financial position at the time of the preparation of the accounts. |
| ***Payments to suppliers and employees***: provision of a payments service via a secure environment within the parameters of available systems controls, for the upload of purchase ledger transactions, through to the production and dispatch of the required payment instrument, (including BACS and CHAPS). |
| Payroll service | Delivery of a payroll service that is legally compliant with all relevant HMRC submissions completed. The SSRO has 1 monthly payroll and its current resource is circa 50 employees. |
| HR service | Delivery of a fully managed integrated HR service that provides HR administration functions including self-service functionality. |

* + 1. The timeliness of service delivery is key, as the SSRO expects to deliver its functions to exacting timescales.
    2. The SSRO also requires the service provider to manage the migration of current year and historical data from inception (4 financial year’s data) from its existing supplier. This must be supported by a robust audit trail that will be subject to SSRO and audit review and approval.

### Relationship

* + 1. The SSRO considers the relationship between the Contractor and the SSRO to be key to delivery of services which economically, effectively and efficiently support delivery of the SSRO’s functions.
    2. The Contractor must nominate a manager whose role it will be to:
* manage the service and relationship between the contractor and the SSRO on a day to day basis;
* be the primary point of contact for the SSRO throughout the service delivery;
* ensure that the agreed service standards (KPI’s) are being met;
* ensure compliance with security requirements;
* remain consistently informed about the Contractor’s performance on all matters and provide to the SSRO on request, evidence to mitigate failing to meet the KPI’s;
* be available to address issues in a timely manner and meet any urgent requirements within an acceptable timeframe;
* ensure that the agreed fixed price structure is followed and that costs are communicated to the SSRO on a routine basis throughout the service delivery; and
* be a point of contact for the SSRO’s auditors if necessary.

## **Specification**

### *Finance service*

* + 1. The SSRO has expenditure of circa £6 million which is funded via Grant in Aid by the Ministry of Defence (MOD) via quarterly instalments. The SSRO processes an average of 2,000 invoice payments and 500 journals annually. The finance system is accessed by three SSRO employees both in the office and remotely, to download financial reporting. The SSRO’s outsourced ICT team will also have access to check the impact of any system updates or changes.

### Financial accounting

#### Service overview

* + 1. The Financial Accounting Service will establish and maintain a chart of accounts to facilitate the accurate recording of transactions for both internal and external financial reporting. It will maintain the integrity of the financial database and chart of accounts by undertaking periodic housekeeping and reconciliation routines on the General Ledger.

#### Service description

* + 1. Record transactions on the General Ledger accurately and in accordance with   
       HM Treasury’s Financial Reporting Manual (FReM) and Managing Public Money.
    2. The SSRO has a small number of assets (circa 30) which are recorded on a manual asset register. New assets and movements on existing assets are to be recorded in the General Ledger.
    3. Record invoices raised and receipt of payments in the general ledger. The SSRO does not currently have an accounts receivable function but does occasionally raise invoices and receive income for items such as staff secondments. The number of these invoices is small and not expected to exceed 50 transactions in a financial year.
    4. Ensure that bank payments are made in accordance with SSRO instructions and that payments and receipts are recorded in the General Ledger.
    5. Record invoices/expenses and payments made to suppliers and employees in the general ledger. The SSRO want to move to a purchase/invoice to pay method of processing invoices (currently a manual process), and transactions entered into the Purchase Ledger processing module imported into General Ledger.
    6. Provision of a payroll interface and monthly payroll transaction updates to the General Ledger.
    7. Perform month end and yearend updates, reconciliations and reporting within agreed timelines.

#### Service requirements

* + 1. Maintain (create/depreciate/amend/dispose) an asset register, importing transactions into the general ledger. Reconcile the asset register totals to the general ledger.
    2. Maintain (create/amend/match bank receipts and staff loan payments) receivables invoices and payments, ensuring that transactions are accurately recorded in the general ledger. Reconcile the receivables totals to the general ledger.
    3. Bank receipts and payments recorded accurately in the General Ledger in accordance with instructions from the SSRO, and that the bank totals reconcile to the general ledger.
    4. Import transactions entered in the Purchase Ledger processing module into General Ledger. Reconcile purchase ledger totals to the General Ledger.
    5. Transfer the SSRO's payroll data into the General ledger. The service provider will validate the payroll data and provide the SSRO with a list of rejected items for investigation. The payroll will be transferred to the General Ledger database when the SSRO has resolved all the queries raised.
    6. Maintain (create/amend/deactivate) the Payroll Provider's Ledger Heading/Account Code mapping table in the General Ledger.
    7. Reconcile payroll totals to the total posted to the General Ledger and pay related suspense accounts (e.g. salary advances and allowances).
    8. Perform month end and year end routines.

### Management Accounting

#### Service overview

* + 1. The Management Accounting Service will provide the SSRO’s internal reporting comparing it to the budgeted expenditure as required. It will maintain the mapping of the chart of accounts between internal and external reporting, along with the activity centre structure and journal definitions within the financial database. It will provide the facility to load the SSRO budget and subsequent forecasts into the finance system by identified categories, and report costs incurred against each one.

#### Service description

* + 1. Establish and maintain mapping of chart of accounts for budget loading and internal management reporting.
    2. Establish and maintain a hierarchical activity centre structure. The system must be capable of recording information (actual, budget, commitments and forecasts) at activity centre level.
    3. Establish and maintain other coding structures, including project, delegated authority/staff codes.
    4. Facilitate the loading of the SSRO’s agreed budget into the finance system and the upload of any subsequent forecasts (only if there are material changes to the budget).
    5. Create and maintain journal definitions and pre-sets.
    6. Create and maintain validation rules.
    7. Create and maintain monthly reporting in line with SSRO requirements.

#### Service requirements

* + 1. Maintain a mapping of the chart of accounts and activity code structure in Ledger Accounting and Purchase Ledger processing including the creation/deletion and update/amendment of account and activity codes.
    2. Maintain an activity centre code structure in Ledger Accounting and Purchase Ledger Processing including the creation/deletion and update/amendment of activity centre details.
    3. Maintain project and delegated authority/staff coding structures in Ledger Accounting and Purchase Ledger Processing including the creation/deletion and update/amendment of project and delegated authority/staff code details.
    4. Create and maintain journal definitions and pre-sets in accordance with instructions received by the SSRO.
    5. Create and maintain invoice and credit note input screens for Purchase Ledger Processing in accordance with instructions received by the SSRO Finance team.
    6. Run monthly management reports and trial balances as agreed.
    7. Generate a supplier listing at the year-end to support information presented in the resource accounts.
    8. Amend the structure of reports as necessary to reflect changes in the activity centre, account or activity.
    9. Create and maintain validation rules in accordance with instructions issued by the SSRO Finance team. The rules covered within this specification relate to:
* Account code/activity centre validation;
* Account code/activity code validation;
* Restriction of Journal Types for use in specified Actual/Budget ledgers;
* Restriction of use of Journal Types by Operators;
* Summary Account code/activity centre validation in Budget Ledgers;
* Summary Account code/activity code validation in Budget Ledgers;
* Delegated Authority code/activity centre validation; and
* Mapping of payroll provider Ledger Heading codes to General Ledger Account codes.

### Resource Accounts

#### Service overview

* + 1. The resource accounts element of the Annual Report and Accounts will provide a true and fair view of the SSRO's financial position at the time of the preparation of the accounts.

#### Service description

* + 1. To prepare the resource accounts which will include financial statements and notes prepared in accordance with the Financial Reporting Manual (FReM) issued by the Treasury.

#### Service requirements

* + 1. Prepare resource accounts for the SSRO in accordance with the Financial Reporting Manual and Accounts Direction issued to the SSRO by HM Treasury. Any information not available from the General Ledger system must be provided by the SSRO. Responsibility for obtaining directives lies with the SSRO.
    2. Production of resource accounts based on agreed accounting policies and submit to the SSRO for consideration and approval. The service provider will ensure that all figures appearing in the accounts reflect properly and accurately information in the General Ledger maintained for accounting purposes.
    3. The service provider in conjunction with the SSRO will ensure that there is a robust audit trail for any estimates/accruals included in the accounts and be prepared to discuss them with auditors if required.
    4. Agree a production timetable annually with the SSRO and NAO officials for the preparation and submission of the accounts.

### Payments (Staff & Suppliers)

#### Service overview

* + 1. Provision of a secure environment within the parameters of available systems controls, for the loading and approval of purchase ledger transactions, through to the production and dispatch of the required payment instrument, (inducting BACS and CHAPS). It is anticipated that circa 20 users will require access to approve invoices.

#### Service description

* + 1. To make payments to suppliers of goods and services and to any other organisations as authorised by the SSRO. The average number of invoices (including employee travel and subsistence claims) is currently circa 2,000 per year.
    2. To make payments to SSRO employees for travel and subsistence costs (excluding cash payments).
    3. To maintain (create/close/amend) details of staff and supplier records (names, addresses, and bank details) as instructed by the SSRO.

#### Service requirements

* + 1. Provision of a secure web-based method of authorising invoice/expenses, which is aligned with the SSRO’s authorisation structure.
    2. To record and maintain (create/close/amend) supplier code and details (name, address, bank details).
    3. To record and maintain (create/close/amend) details of employee records (name, address, bank details).
    4. To record invoices and expenses in the finance ledgers.
    5. The following methods of payment will be offered: automatic payments whether by BACS, CHAPS and transfer between Government Banking Service (GBS) accounts and foreign currency payments.
    6. To make payments on the next payment run following receipt and validation of authorised documentation, based on one payment run per week.
    7. To produce and dispatch remittances to support payments made by BACS.
    8. To stop or suspend payments made by BACS as instructed by the SSRO.
    9. Inform the SSRO’s Finance team of any failed BACS payments (due bank account errors) during a BACS submission.
    10. Inform the SSRO’s Finance team of any rejected/redirected BACS payments, on receiving request to download relevant BACS report from the SSRO.

### *Payroll service*

#### Service overview

* + 1. Delivery of a payroll service that is legally compliant, with all relevant HMRC and pension provider submissions completed as required.

#### Service description

* + 1. The payroll provision service will provide the following:
* general data management;
* general task administration;
* standard payroll processing;
* Real Time Information;
* BACS services;
* year-end processing; and
* pension administration services.

#### Service requirements

* + 1. Manage the SSO's payroll data in accordance with the following principles (General Data Management):
* The SSRO will provide the service provider with monthly input data in the agreed standard format and within the agreed timings.
* The service provider will provide a secure method of transferring all payroll data and reports, between the SSRO and itself.
* All payroll data will be retained in accordance with statutory requirements and be made available at any stage to the SSRO.
* The service provider will retain SSRO payroll data in line with SSRO requirements.
  + 1. The service provider will undertake the following tasks throughout the service provision to the SSRO (General Task Administration):
* Act as the SSRO’s agent with HMRC.
* Complete the payroll process with the SSRO to facilitate payment to the SSRO’s employees on 25th of every month (or the last working day before 25th).
* Calculate statutory payments and adjustments.
* Where applicable complete SMP1 or SSP1 forms and forward to the appointed contact for delivery to the employee(s).
* Handle any non-statutory deductions in line with the relevant standard PAY or DEDUCTION elements and make any subsequent payments to relevant third parties, where agreed.
* Manage all statutory deductions in accordance with the relevant legislation and requirements and make any subsequent payments to relevant third parties, where agreed.
* Issue P45's, P60’s and P11d’s to employees and HMRC.
* The SSRO will calculate occupational payments and adjustments (such as contractual sick pay, bonus or commission payments etc.).
* The SSRO will provide information of bulk changes in a timely fashion.
* The SSRO will complete any correspondence with employees in line with any of the above.
  + 1. Provide the following monthly payroll services (the Standard Payroll Processing) in accordance with the following principles:
* The SSRO will provide data input in the agreed standard format and schedule.
* The service provider will collect the data input from the SSRO and forward to its payroll provider via a secure method, ensuring that they:
  + Enter the agreed input into the payroll system.
  + Check for tax code and student loan notification changes.
  + Run the payroll calculation process.
  + Produce checking reports
  + Reconcile checking reports against original input received.
  + Produce first run set of payroll reports and send to appointed payroll contact.
* The service provider will process and send the payroll reports to the SSRO via a secure method.
* The SSRO will check the payroll reports and notify the service provider of any errors/changes (additional changes requested after the second run reports may become chargeable as an additional payroll run if these were not notified previously).
* The service provider will process any revisions resulting from errors/changes identified.
* The SSRO will approve the payroll following agreement of the payroll reports.
* The service provider will produce the final set of standard reports to be produced and sent to appointed payroll contact.
* The service provider will ensure that a payroll slip is produced for each SSRO employee as per the agreed schedule.
  + 1. The service provider will ensure that it manages all Real Time Information (RTI) submissions as follows:
* Create the Periodic Full Payment Summary (FPS) file.
* Provide advice and guidance on any data errors contained within the periodic FPS file.
* Submit the FPS to HMRC as required by legislation and in line with the schedule.
* Create the periodic Employer Payment Summary (EPS) file.
* Provide advice and guidance on any data errors contained within the periodic EPS file.
* Complete required actions to address any data errors contained within the periodic EPS file.
* Submit the EPS to HMRC as per the current legislation in line with the schedule.
* The SSRO will complete required actions to address any data errors contained within the periodic FPS file.
  + 1. The service provider will ensure the following processes (the BACS Services) are applied where payments are made on behalf of the SSAO:
* Run the BACS file and report process.
* Run BACS process log for checking and act if required.
* Produce a BACS authorisation form detailing all payments to employees and relevant third parties and send to appointed contact for approval.
* Transmit the BACS file.
* Retrieve and distribute BACS input reports.
* The SSRO will confirm the accuracy of the figures on the BACS authorisation form and provide authorisation to make the payments in line with the schedule. Late authorisation of payments may result in late payment of employees.
* The SSRO will maintain appropriate limits with BACS to ensure control over payments.
* The SSRO will process any non-BACS payments for employees or third parties, and payment to employees or third parties that are not being made.
* The SSRO will ensure enough funds are available in the source bank account to fund the BACS payment. This should be done prior to the payment date in line with the schedule.
* The SSRO will recall both individual and complete BACS transmissions Including liaison with BACS, the banks and employees.
* The SSRO will ensure the bank holding the source account has given the appropriate permissions to transmit the BACS file on behalf of the SSRO where required.
* The SSRO will inform the service provider of any changes to the source bank account or BACS user number.
  + 1. The service provider will carry out the following monthly tasks fallowing the standard payroll processing (Post Processing) in line with agreed timings:
* produce and distribute a set of payroll cost reports to the appointed contact in the standard format; and
* clear down the payroll.
  + 1. At the end of each tax year end, the service provider will create and distribute the following within the deadlines set by HMRC (the Year End Processing):
* P60s to all SSRO employees included in the payroll reports; and
* P11d's to SSRO employees and to HMRC.
  + 1. The service provider will supply the following Pension Administration Services for the SSRO:
* Effect pension changes within the payroll system during the standard payroll processing.
* Run pensions assessment process and supply relevant reports.
* Produce any standard output files required and supply to SSRO pensions providers in the agreed format.
* Complete the auto enrolment process and make payments in line with this agreement.
* Refer any enquiries from third parties to the SSRO's nominated contact.
* The SSRO will provide an 'Opt-out' facility for employees in line with relevant pension legislation.
* The SSRO will notify payroll provider of any pension changes to be made including opt ins or opt outs in accordance with the schedule (this should be included in the normal payroll input).
* The SSRO will review the assessment reports and notify payroll provider of any amendments in line with the schedule.
* The SSRO will reconcile payments made via BACS to source bank account.
* The SSRO will manage specific queries regarding the pension administration and the relevant processes, including opting out.

### *Human Resources (HR) Service*

#### Service overview

* + 1. Delivery of fully managed integrated HR service that provides HR administration functions including self-service functionality. The SSRO has three different level of users
* Administrator who will have full system access, and be able to create and run reports;
* Line Manager who will be able to review limited information on their direct reports (holiday, salary information, bonuses, training records and sickness) and be able to approve self-service requests (ideally the system will have the facility to delegate this responsibility on a temporary basis); and
* Self-service users who will be able to see and update their own personal, salary, sickness, holiday and training details via self-service access.

#### Service description

* + 1. The HR Service will provide the following through an electronic, web-based system:
* Employees Personal Information;
* Employment Details;
* Organisational Structure;
* Absence Recording;
* HR Management Information Reporting;
* Employee Self Service;
* Training; and
* Administration of New Starters and Leavers.

#### Service requirements

* + 1. The HR System must hold Employee Personal Information for each SSRO employee, including:
* Personal details (full name, preferred name, gender and date of birth);
* Address details;
* Contact details;
* Emergency contacts and next of kin;
* Driving licenses;
* Private vehicles;
* Passports; and
* Sensitive information such as equality data.
  + 1. The HR System must hold Employment Details for each SSRO employee, including:
* Salary;
* Benefits (such as pensions, bike loans and season tickets);
* Hours and basis;
* Terms and conditions;
* Person photograph;
* Employment history;
* Working patterns;
* Reporting hierarchy;
* Reckonable service; and
* Leaver information.
  + 1. The HR System must reflect the SSRO's organisational structure. The organisational structure may be updated periodically by the SSRO.
    2. The HR System must record holiday and sickness absence with the personal holiday scheme linked to the Employee Self-Service system (Absence Recording).
    3. The HR System must deliver standardised reporting (HR Management Information Reporting) noted below and allow for the SSRO to run reports with its own defined parameters. These reports should be able to be downloaded into CSV format or excel:
* People reports;
* Absence reports;
* Structure reports;
* Payroll reports;
* Training; and
* Advanced adaptable search feature with reporting facility.
  + 1. The HR System must provide cloud-based employee self-service (Employee Self-Service). Self-service to include:
* Updating personal details;
* Booking holidays and sickness with management approval work flows; and
* Recording and booking training events.

### *IT and Security*

* + 1. In carrying out its corporate functions, the SSRO processes information of the following kinds:
* Official information, which may be marked OFFICIAL SENSITIVE with the Government Security Classifications.
* Confidential or commercially sensitive information, which the SSRO would not disclose under the Freedom of Information Act 2000 by reason of the application of one of the exemptions in that Act.
* Personal data or special category data within the meaning of the General Data Protection Regulation and the Data Protection Act 2018 which must be processed in accordance with applicable data protection law.
  + 1. The SSRO takes the security of the information it holds seriously and included in the Terms and Conditions provided with the ITT are the Security Requirements with which the Contractor must comply, including for information classified as OFFICIAL-SENSITIVE.
    2. The SSRO IT environment, policies and procedures are based on the following policies and procedures and the system(s) provided by the Contractor for SSRO staff use must operate in this environment:
* HMG Security Policy Framework (SPF).
* NCSC Published Guidance, Cloud Security Principles and Security Design Principles.
* ISO/IEC 27001:2013 – Information technology – Security techniques – Information security management systems – Requirements.
* ISO/IEC 22301:2012 – Societal Security – Business Continuity Management Systems – Requirements.
* Cyber Essentials Scheme: Requirement for Technical Protection from Cyber Attacks.
  + 1. It is desirable that the Contractor has, or obtains ISO27001:2013 certification, ISO22301:2012 Business Continuity Management certification, and ISO20000 IT Service Management certification.
    2. The SSRO maintains Cyber Essentials Plus certification and the Contractor shall be Cyber Essentials PLUS certified or be willing to obtain the certification in a timescale agreed with the SSRO.
    3. The SSRO IT environment uses the Microsoft platform including Windows 10, Office 365, Intune and Enterprise Mobility and Security. This is complemented by infrastructure services including Azure virtualisation, Cisco Switches and ASA firewalls, a VPN solution provided by a third party (e2e assure; see <https://www.e2e-assure.com/SCC>) which uses Cisco AnyConnect VPN client software, and wireless network using Aerohive access points. Staff work regularly and frequently away from the office and secure remote working is provided through a Cloud Connect service/VPN provided by e2e-assure Ltd. The Contractor must ensure that full system functionality is available to different SSRO user groups when working connected to the office network and when working remotely over VPN.
    4. A single sign on solution is desirable, and, in case this cannot be provided by the Contractor in the context of the SSRO environment specified above, multi factor authentication for all users will be required to be implemented, managed and maintained by the Contractor.