

SSRO-C-124: Outsourced Services

Appendix 1: Service Specification – Finance

## Introduction

The Defence Reform Act 2014 (‘the Act’) created a regulatory framework for single source defence contracts. The framework places controls on the prices of qualifying contracts and requires greater transparency on the part of defence contractors.

The Single Source Regulations Office (SSRO) is an executive non-departmental public body, sponsored by the Ministry of Defence (MOD). We are at the heart of the regulatory framework, supporting its operation. When undertaking our statutory functions, we aim to ensure that:

* + - * good value for money is obtained in government expenditure on qualifying defence contracts; and
      * that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts.
    1. Additional general information about the SSRO can be found on the website: <http://www.gov.uk/government/organisations/single-source-regulations-office>

## Service overview

* + 1. The SSRO requires the provision of finance support services, which includes software system(s) and technology to enable appropriate 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 exceed 100 in the total staffing level.
    3. The SSRO has expenditure of circa £6.4 million per year, which is funded via Grant in Aid from the MOD in quarterly instalments. The SSRO processes an average of 2,000 invoice payments (including employee travel and subsistence claims) and 500 journals annually. The Supplier is required to provide an integrated web base solution that provides:
       - * SSRO finance team access for a minimum of three SSRO employees. The SSRO’s outsourced ICT team must also have access to check the impact of any system updates or changes;
         * Self service management reporting functionality for up to 10 budget managers that is accessible, in a format that is easy for them to interpret and that can be quickly adapted as their information requirements change;
         * a secure method of raising purchase orders, processing and authorising invoices;
         * a secure web based “self-service” solution for employees to claim their expenses, and for line managers to approve these claims on the move. These solutions need to align with the SSRO’s authorisation structure and integrate with the Finance System; and
         * automated upload to the finance ledger of the SSRO’s payroll.
    4. The Supplier is also required to provide:
       - * day to day support providing the core services outlined in Section 3 and Annex 1 below and in line with the Key Performance Indicators Schedule; and
         * advisory and ad hoc and VAT services outlined in Section 4 that the SSRO requires and in line with the Key Performance Indicators Schedule.
    5. The timeliness of service delivery is critical, as the SSRO is expected to deliver its finance functions to exacting timescales set by its Board, NAO, HM Treasury, the MOD and other bodies.
    6. The Supplier must manage the effective migration of all current year and historical data (currently four financial years’ data) from the SSRO’s existing supplier as part of the Set up and Transition Services. This must be supported by a robust audit trail that will be subject to SSRO and audit review and approval.

## Core Services

**Financial Accounting**

* + 1. The financial accounting service will maintain the integrity of the financial database, and its structures (e.g. chart of accounts, activity centre structure, journal definitions) by ensuring all transactions are accurately recorded in the general ledger and undertaking periodic housekeeping and reconciliation routines on it. The finance system must facilitate access by a minimum of three SSRO employees, both in the office and remotely. The SSRO’s outsourced ICT team must also have the same access to check the impact of any system updates or changes. The Financial Accounting Service includes, but is not limited to the following key deliverables;
       - 1. Record transactions on the General Ledger accurately and in accordance with   
            HM Treasury’s Financial Reporting Manual (FReM) and Managing Public Money.
         2. Establish and maintain a chart of accounts and general ledger to facilitate the accurate recording of transactions for both internal and external financial reporting.
         3. Establish and maintain mapping of chart of accounts including the creation/deletion and update/amendment of account codes.
         4. Establish and maintain an activity centre code structure in Ledger Accounting including the creation/deletion and update/amendment of activity codes.
         5. Establish and maintain a hierarchical activity centre structure. The system must be capable of recording information including actual costs, budget, commitments and forecasts at cost centre level.
         6. Establish and maintain other coding structures. The Finance system must be able to facilitate reporting on transactions to at least four structural/category levels below the chart of accounts, which are cost centre, employee, supplier and project. Maintenance includes the creation/deletion and update/amendment of these coding structures.
         7. Create and maintain invoice and credit note input screens for Purchase Ledger Processing in accordance with instructions received by the SSRO Finance team
         8. Create and maintain journal definitions and pre-sets in accordance with instructions received by the SSRO.
         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.
  + - * 1. Ensure all transactions from other ledgers (e.g., fixed assets, purchase ledger and bank) and journals are recorded, and reconciled to the general ledger.
        2. Establish and maintain (create/depreciate/amend – includes changes to useful economic life, disposal and annual revaluations) electronic asset register, importing transactions into the general ledger. New assets and movements on existing assets are to be reflected in the General Ledger. Reconcile the asset register totals to the general ledger at each period end.
        3. Import transactions entered in the Purchase Ledger processing module into General Ledger and ensure that purchase ledger reconciles to the General Ledger.
        4. Ensure bank receipts and payments are reflected accurately in the General Ledger in accordance with instructions from the SSRO, and that the bank totals reconcile to the general ledger at each period end.
        5. Maintain (create/amend/match bank receipts and staff loan re-payments) receivables invoices and payments, ensuring that transactions are accurately recorded in the general ledger. The SSRO does not 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.
        6. Ensure invoices/expenses and payments made to suppliers and employees are recorded in the general ledger. The Supplier will provide a web-based purchase/invoice to pay method of processing invoices (currently Zahara) and web-based expenses (currently Expensify), with transactions entered into these processing modules imported into the General Ledger ensuring that the purchase ledger total matches the General Ledger at each period end.
        7. Liaise with the SSRO’s payroll provider to establish a manual or electronic interface to transfer monthly payroll transaction updates to the General Ledger. The Supplier will carry out a validation of the payroll data transfer and provide the SSRO with a list of rejected items for investigation. Reconcile payroll totals to the total posted to the General Ledger and pay related suspense accounts (e.g. salary advances and allowances).
        8. Maintain the integrity of the financial database, its ledgers and chart of accounts by undertaking periodic housekeeping and reconciliation routines on the General Ledger as agreed with the SSRO.
        9. The Supplier will provide all month end and year end updates, reconciliations and reporting within agreed timelines.

**Management Accounting**

* + 1. The management accounting service will ensure that accurate management accounts and other agreed internal financial reporting is available to the SSRO’s Senior Management Team within agreed timeframes. Management Accounting Service includes, but is not limited to the following key deliverables;
       - 1. Provision of support services to facilitate the delivery of the SSRO's internal reporting requirements. This includes the processing of month end journals and ensuring the system provides automated reporting in line with the SSRO's requirements.
         2. Create and maintain automated monthly management accounts, comparing expenditure to the budget in line with the SSRO’s reporting requirements.
         3. Load the SSRO’s budget, at the agreed level, into the finance system and the upload of any subsequent forecasts (only if there are material changes to the budget) into the ledger.
         4. Amend the structure of reporting as necessary, within agreed timeframes, to reflect changes in accounts mapping, cost centre, project or activity.
         5. Ensure the mapping of the chart of accounts, and other coding structures reflects the SSRO’s organisational structure and reporting requirements, and that internal and external reporting totals can be reconciled.
         6. Provide an automated suite of reports that cover the SSRO’s internal reporting requirements. This will include updating them to reflect any changes in the activity centre, account or activity as instructed by the SSRO.
         7. Monthly web-based self service reporting that is adaptable to the SSRO’s internal reporting requirements, that up to 20 budget holders could directly access themselves as and when needed.

**Resource Accounts**

* + 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. Resource Accounting Service includes, but is not limited to the following key deliverables;
       - 1. Provision of support services to facilitate the delivery of the SSRO's Resource Accounts in line with statutory requirements. This includes the processing of year end journals and ensuring the system provides automated reporting in line with the SSRO's statutory reporting requirements (as notified by the SSRO).
         2. Create and maintain automated resource accounts reporting templates, that are in line with the Financial Reporting Manual and Accounts Direction issued to the SSRO by HM Treasury.
         3. Amend the structure of the automated reporting as necessary, within agreed timeframes, to reflect changes in the Financial Reporting Manual and Accounts Direction.
         4. Prepare resource accounts for the SSRO in accordance with the Financial Reporting Manual and Accounts Direction issued to the SSRO by HM Treasury.
         5. Agree a production timetable annually with the SSRO and NAO officials for the preparation and submission of the accounts to include formal production of accounts at an interim point and at year-end.
         6. Production of resource accounts based on agreed accounting policies and submit to the SSRO for consideration and approval. The Supplier will ensure that all figures appearing in the accounts reflect properly and accurately recorded information in the General Ledger and is clearly reconciled to the trial balance.
         7. Accounting estimates will be provided by the SSRO to the Supplier at the end of each accounting period within agreed timeframes. Responsibility for obtaining directives lies with the SSRO.
         8. The Supplier 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.

**Payments (Staff & Suppliers)**

* + 1. Provision of a secure environment within the parameters of available systems controls, for the set-up of purchase orders, loading/matching, and approval of circa 2000 invoice transactions each year, through to the production and dispatch of the required payment instrument, (inducting BACS and CHAPS). It is anticipated that circa 50 users must have access to approve invoices from both office and remote locations. Payment Services includes, but is not limited to the following key deliverables;
       - 1. Load/process supplier invoices and expenses received on the purchase ledger in accordance with SSRO instruction and coding requirements.
         2. Provision of a secure web-based method of authorising invoice/expenses, which is aligned with the SSRO’s authorisation structure, for circa 20 employees to be able to approve from office and remote locations.
         3. 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.
         4. To make payments on the next payment run following receipt and validation of authorised documentation, based on one payment run per week.
         5. To produce and dispatch remittances to support payments made by BACS.
         6. To stop or suspend payments made by BACS as instructed by the SSRO.
         7. Inform the SSRO’s Finance team of any failed BACS payments (due bank account errors) during a BACS submission.
         8. Inform the SSRO’s Finance team of any rejected/redirected BACS payments, on receiving request to download relevant BACS report from the SSRO.
         9. Record and maintain (create/close/amend) supplier code and details (name, address, bank details).
         10. Record and maintain (create/close/amend) details of employee records (name, address, bank details).
         11. Generate a supplier listing at the month and year end and reconcile totals to the general ledger.
         12. Perform other month end and year end updates, reconciliations and reporting within agreed timelines.

## Other Services

*Advisory and ad hoc services*

* + 1. The Supplier shall provide professional financial advice services as the SSRO may from time to time require on technical matters such as, but not limited to, taxation and the application of accounting standards. The SSRO estimates that it shall require the Supplier to deliver an average of 5-10 days’ work on such matters per year over the period of the contract, but it does not guarantee any minimum level or requirement.

*VAT services*

* + 1. The SSRO is currently registered for VAT on certain income streams. The Supplier shall, as required by the SSRO, complete the quarterly returns to HMRC. If these income streams cease, the SSRO may require the Supplier to support the de-registration process, in which case the processing of quarterly returns would not be required. The SSRO may also require the Supplier to support any subsequent re-registration for VAT with HMRC at a later date if required. The SSRO currently anticipates that it will require the Supplier to complete quarterly VAT returns over the period of the contract, but it does not guarantee any minimum level or requirement.
    2. The process by which the Supplier and SSRO will agree the terms of any ‘Advisory and ad hoc services’ and ‘VAT services’ is set out in clause 5 of the Contract. The price for the Advisory and ad hoc services shall be calculated using the relevant blended day rate specified in the Pricing Schedule. The quarterly price for the VAT services (other than for HMRC de-registration/registration) shall be as specified in the Pricing Schedule. Should the SSRO require the Supplier to deliver HMRC de-registration/registration support, the blended day rate which applies for Advisory and ad hoc services shall be used.

## 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 UK 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 the Supplier shall comply with the Security Measures and Security Requirements contained in the contract, including those related to OFFICIAL-SENSITIVE information.
    2. The SSRO’s IT environment, policies and procedures are based on the following policies and procedures and the system(s) provided by the Supplier 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. Any accreditations the Supplier confirms it holds, or intends to hold at the Commencement Date, shall be maintained throughout the Contract Period. Such accreditations may include:
* ISO22301:2012 Business Continuity Management certification;
* ISO20000 IT Service Management certifications; and
* ISO27001:2013 certification (to the extent it is not already a requirement for the Supplier to hold it pursuant to paragraph 5.6 below).
  + 1. The SSRO maintains Cyber Essentials Plus certification and the Supplier shall have and maintain Cyber Essentials Plus (or equivalent) accreditation for the Contract Period.
    2. The Supplier (or, in the event the Supplier sub-contracts all or part of the provision of the IT system, that sub-contractor) must hold Cyber Essentials Plus (or equivalent) and ISO27001:2013 (or equivalent) accreditation for the Contract Period.
    3. The SSRO maintains the Cyber Essentials Plus certification. All systems provided for the SSRO’s use must meet the Cyber Essentials and Cyber Essentials Plus requirements.
    4. The SSRO’s 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, and wireless networking using Cisco Meraki access points. Staff work regularly and frequently away from the office. Secure connectivity, within the office and when working remotely, is provided through a Zero Trust Architecture solution that utilises iBoss (https://www.iboss.com/). The Supplier must ensure that full system functionality is available to different SSRO user groups when connected to the office network and when working remotely. The SSRO’s Secure Operations Centre (SOC) is currently provided by e2e assure (see <https://www.e2e-assure.com/SCC>).
    5. The Supplier must notify the SSRO of the physical locations where data (including personal data) may be stored, processed or managed by the Supplier and any third-party cloud platform provider. The Supplier shall not transfer any data (including personal data) outside of the UK unless the prior written consent of the SSRO has been obtained, which will be subject to conditions as provided in the Contract. If provision of the Services includes offshoring of data outside the UK, the Supplier must ensure that any necessary additional security provisions required by the SSRO (such as obfuscating IPR related or commercially sensitive data) are in place and that the prior written consent of the SSRO has been obtained.
    6. A single sign on solution is desirable, and, in case this cannot be provided by the Supplier in the context of the SSRO environment specified above, multi factor authentication for all users must be implemented, managed and maintained by the Supplier.

## Set up and Transition Services

* + 1. The Implementation Period shall commence upon contract award – currently estimated to be 1 February 2024. The Supplier will be required to plan the transition and undertake any necessary transition activities in time for the new operational finance service to run from 1 October 2024.
    2. The Supplier shall work with the incumbent supplier and the SSRO during that period to ensure that, at the Service Commencement Date, set up and transition is completed and that the Services shall be provided fully in accordance with this Specification and to the SSRO’s reasonable satisfaction from that date.
    3. The Supplier shall deploy the technology solution (including installation, where applicable) in preparation for data transfer in accordance with the IT Security conditions outlined in section 5 above.
    4. Transition is deemed to have been completed and accepted (and any payments in respect of the set up and transition as specified in the Pricing Schedule, where relevant, will fall due) only when the SSRO is satisfied that:
       - The functionalities are tested and operable;
       - The system meets with SSRO security requirements;
       - Training of SSRO staff is completed;
       - The SSRO has access to the system from its designated offices as well as owner VPN (outside the office); and
       - No material concerns about the Supplier’s ability to deliver the Services in accordance with the Contract have arisen.
    5. There may be a need for parallel running of the service during the set up and transition period and to ensure data accuracy.

## Training and Ongoing Support

* + 1. The Supplier shall train SSRO staff on the functionalities and use of their technology/software platform as required, no later than the Service Commencement Date.
    2. The Supplier shall provide ongoing training as reasonably required by the SSRO to ensure a smooth running of the service and to foster greater understanding.
    3. The Supplier shall provide facilities and or use remote access solutions as required, training materials and suitably qualified personnel to deliver the training.

Annex 1: Key Performance Indicators

1. **System maintenance** 
   1. The Supplier will ensure that the IT system(s)/software is maintained in line with the manufacturer’s instructions, which must include any quality assurance checks and service programme maintenance schedules as agreed and set out in the Contract.
   2. Planned servicing must take place at a frequency pre-agreed between the Supplier and the SSRO, or more frequently if deemed necessary by the Supplier, at no additional cost to the SSRO.
2. **Uptime guarantee**
   1. The Supplier’s IT system(s) will achieve 98% availability rate for full use by the SSRO at its site and remotely (“Uptime”)
   2. Uptime shall be measured on a 12-hour day (9am to 9pm, Monday to Friday, except weekends and UK Bank Holidays), 5 days a week basis over fixed three-month periods. Monitoring will begin on the Service Commencement Date as outlined in the table below.

|  |  |
| --- | --- |
| **Service Support and Uptime** | **KPI Target Requirement** |
| Uptime Guarantee | 98% |
| First time fix | 98% |
| Service Response Time | **Priority** within 3 working hours  **Non-Priority** within 6 working hours |
| Telephone Support | Within 30 minutes of original call |

* 1. The Supplier’s IT systems will be considered unavailable and therefore deemed a priority if:
  + any one of them is unable to properly perform its core functions because of a network malfunction;
  + the system/software is not producing correct results; and/or
  + the software which supports the service is not fully operational to a level which would support full and proper use by the SSRO for any reason, providing it is the fault is attributable to the Supplier or its systems.

1. **PERFORMANCE INDICATORS AND REPORTS**
   1. The table below sets out the Key Performance Indicators which the Supplier must measure to support the performance of the Services.

|  |  |
| --- | --- |
| **Performance Indicator** | **KPI Targets/ SSRO Requirement** |
| **Financial Accounts Services** | |
| Update accounts mapping for financial/management accounts reporting | Within 2 working days of written request (unless changes are material) |
| **Management Accounts Services** | |
| Management accounts reporting available (monthly by 5pm on working day 2) | 100% |
| Update chart of accounts activity centre, activity structure and delegated authority/ staff code structure. | Within 2 days working of written request (unless changes are material) |
| Create and/ maintain journal definitions and pre-sets | As agreed with SSRO at the time of request |
| Load annual budget and subsequent forecast updates into general ledger | Within 2 working days of written request |
| Management accounts queries | Within 1 working day |
| **Resource Accounts Services** | |
| Monthly Financial (Resource) accounts available (monthly by 5pm on working day 2) | 100% |
| Annual Financial (Resource) accounts supporting backup and analysis available | As agreed annually  with SSRO |
| Financial (Resource) accounts queries | within 1 working day |
| **Payments (Staff and Suppliers)** | |
| Achieve agreed weekly BACS deadlines | 95% |
| Achieve SSRO’s Payment targets   * Undisputed invoices paid within 5 working days * Undisputed invoices paid within 30 working days | 80%  100% |
| **Call off services** | |
| Initial response to written advice requests | Within 2 working days |

* 1. The Supplier shall monitor its performance against each Performance Indicator and send the SSRO a report on a quarterly basis (Service Period) detailing the level of performance achieved in accordance with Performance Monitoring report.
  2. The Performance Monitoring Report shall be in such format as agreed between the Supplier and the SSRO from time to time and contain, as a minimum, the following information:
* Information in respect of the Service Period just ended for each Key Performance Indicator;
* the actual performance achieved over the Service Period, and that achieved over the previous 3 Service Periods;
* a summary of all Performance Failures that occurred during the Service Period;
* which Performance Failures remain outstanding and progress in resolving them;
* for any KPI Failures occurring during the Service Period, the cause of the relevant KPI Failure and the action being taken to reduce the likelihood of recurrence;
* the status of any outstanding Rectification Plan processes, including:
  + relevant particulars of any aspects of the Supplier’s performance which fail to meet the requirements of the Contract;
  + such other details as the SSRO may reasonably require from time to time.