

SSRO

Single Source
Regulations Office

Assuring value, building confidence

**User guide for strategic industry
capacity report**

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Version 2

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Introduction

1. Introduction

- 1.1 This document is issued by the Single Source Regulations Office (SSRO) and sets out guidance to assist contractors with the statutory reporting requirements for qualifying defence contracts and qualifying subcontracts.
- 1.2 Statutory reporting requirements are set out in the Defence Reform Act 2014 (the 'Act') and the Single Source Contract Regulations 2014 (the 'Regulations').
- 1.3 Regulation 40(1) requires a strategic industry capacity report be provided for each relevant financial year.

2. Reporting timeline

- 2.1 The report must be provided 12 months after either:
 - the end of the time period in relation to which financial accounting statements are prepared for the designated person, and which ends on any day falling within the relevant financial year; or
 - the date on which the ongoing contract condition was first met in relation to the relevant financial year.whichever is later; or
 - a date agreed between the designated person and the Secretary of State, which is within six months after the end of the periods described above.

3. General guidance for completing reports

- 3.1 Regulation 31(2) requires that all reports under Part 6 of the Regulations are subject to section 25(4) of the Act.

The minimum value of a qualifying defence contract for this to apply is:

- £20 million for the financial years ending on 31 March 2016 and 31 March 2017; or
 - £50 million for subsequent financial years.
- 3.2 The report must be provided to the Secretary of State and the SSRO in either electronic form or in hard copy.
 - 3.3 The report must be provided as a narrative text document and include all information mentioned in the guidance below.

- 3.4 For the purpose of completing the corporate structure (Regulation 41) and activities, people and infrastructure (Regulation 42) in reports, a person is a qualifying supplier if:
- it is associated with the designated person;
 - during the designated person's accounting period to which the report relates, the person provides anything for the purposes of a qualifying defence contract or qualifying subcontract:
 - to which the designated person, or any person associated with it, is party; and
 - which has its contract completion date on or after the first day of the designated person's accounting period.
- 3.5 If you encounter any problems, or have any questions regarding the user guide, please contact helpdesk@ssro.gov.uk.

User guide

4. Report submission admin

Include the general report contents required under Regulation 33. This includes basic information for the contract, such as dates, individuals, and other general information or comments relevant to the strategic industry report, as specified under Regulation 33 and 40.

Individuals

Include the name position and contact details of:

- the individual submitting the report; and
- the individual to be notified if any compliance notice or penalty notice is issued in relation to the contract.

Dates

- Include the date the report is due.
- Include the date the report is submitted.
- The relevant financial year to which the report relates.

5. Report content

Regulations 41-44 set out the information to be included in the strategic industry capacity report.

Corporate structure

Regulation 41 requires content regarding your corporate structure. The following must be provided:

- a list of any undertakings associated with the designated person;
- for each such undertaking:
 - if it is a registered company, its registered name and company number, and the address of its registered office;
 - any trading name (if that is different to its registered name);
 - its accounting period; and
 - whether it is a qualifying supplier of the designated person.
- a list of all the QBUs of the designated person:
 - in the case of a QBU which is a QBU by virtue of Regulation 32(1)(a) or (c);

- the undertaking, or a list of the undertakings, that are listed in that QBU; and
 - for each of those undertakings, provide the approximate proportion of its costs that are included in the QBU's financial accounting statements.
- a description of its revenue for each QBU and qualifying supplier of the designated person, showing the proportion derived from:
 - any qualifying defence contract or qualifying subcontract;
 - any other defence contract;
 - all other sources; and
 - a description of any anticipated change to the corporate structure of the designated person and any undertakings associated with it. This includes any mergers or acquisitions, that may affect the performance of any qualifying defence contract, any qualifying subcontract or any other defence contract.

Activities, people and infrastructure

Regulation 42 requires content regarding activities, people and infrastructure. The following must be provided:

- a description of the activities undertaken by the designated person, and all QBUs and qualifying suppliers, which relate to any qualifying defence contract, any qualifying subcontract or any other defence contract;
- a description of any physical site in relation to which at least £1 million of costs has been attributed to those activities in the financial accounting statements for the designated person's accounting period, including:
 - the name and location of the site;
 - the registered names of any companies which are associated with the designated person and carry out any activity on the site;
 - a description of any QBU that carries out any activity on the site;
 - a description of any qualifying defence contract or qualifying subcontract which has a value of or above £50 million and in relation to which any activity was carried out on the site;
 - the capabilities or activities provided on the site for defence contracts;
 - the capacity which is on the site to deliver those capabilities or activities;
 - a description of the key infrastructure on the site used in the delivery of defence contracts;
 - the extent to which the capacity available on the site has been used;
 - an estimate of the number of employees (on a full-time equivalent basis) engaged in work on the site which relates to any qualifying defence contract, qualifying subcontract or other defence contract; and
 - a description of the key skills provided by those employees.

The information provided in the description of the physical site above must be presented in the following categories:

- qualifying defence contracts or qualifying subcontracts;
- other defence contracts; and
- all other contracts.

Forecast costs of maintaining industrial capacity

Regulation 43 requires information that must be provided on forecast costs of maintaining industrial capacity. You can provide the information in this section either:

- for each site described in the infrastructure section of the report; or
- for each QBU.

You are only required to provide the following information for those sites or QBUs.

- a description of forecast costs for the five years following the end of the designated person's accounting period, and a description of any anticipated changes in accounting policies or business practices that could have a significant effect on those costs;
- a description of forecast labour requirements for those five years;
- If cost recovery rates are used for any QBUs, provide an estimate of what those rates are likely to be for each such QBU over those five years;
- a description and the approximate cost of any policy:
 - to employ apprentices or recent graduates;
 - to provide staff bonuses;
 - for training and development of personnel; and
 - an explanation of the reasons for any material changes in the cost of maintaining industrial capacity.
- a description of any likely event or change in circumstances relating to qualifying defence contracts, qualifying subcontracts or other defence contracts which could have a material effect on the ability of the designated person to maintain its industrial capacity.

The information provided above must be presented in the following categories:

- qualifying defence contracts or qualifying subcontracts;
- other defence contracts; and
- all other contracts.

Capacity and supply chain

Regulation 44 requires information that must be provided on the capacity and supply chain of all qualifying defence contracts. A description is required of:

- the key delivery milestones for all work currently being undertaken by the designated person (or any person associated with the designated person) for qualifying defence contracts, qualifying subcontracts or other defence contracts ('current committed work');
- the key planning assumptions for any possible future qualifying defence contract, qualifying subcontract or other defence contract to which the designated person (or any person associated with the designated person) will be party and which is expected to have a value of or over £50 million ('planned future contract'), including the date on which the designated person anticipates that any planned future contract will be entered into;
- any current under-capacity or over-capacity of personnel or infrastructure relative to current committed work and planned future contracts, and any plans to rectify that;
- any current or planned measures to improve efficiency or productivity relative to current committed work and planned future contracts;
- any plans for material investment in people, skills or infrastructure in order to deliver current committed work and planned future contracts, including the approximate costs of those plans;
- all persons that are party to a contract with the designated person, or any person associated with the designated person, which has a value of at least £25 million and which:
 - supports the delivery of current committed work; or
 - is expected to support the delivery of planned future contracts; and
- any likely event or change in circumstances relating to the supply chain that could have a material effect on the performance of current committed work and planned future contracts.

