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Glossary of terms used in report templates

**Qualifying business unit actual/estimated
cost analysis report**

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Glossary of terms

1. Qualifying business unit actual/estimated cost analysis report

This glossary of terms is provided as a guide to assist contractors filling out the required reports for a qualifying defence contract or qualifying subcontract. It is not intended to be a substitute for legal definitions and, where applicable, references to the Defence Reform Act 2014 ('DRA 2014') and the Single Source Contract Regulations 2014 ('SSCR 2014') are provided.

Term	Acronym	Definition
Adjust for net timing differences		<p>If an agreement has been made with the Secretary of State to allow specific costs to be recovered (in full or in part) in a different period from that in which the cost was reported in the financial accounting statements of the QBU, then the necessary adjustment(s) should be entered in this column i.e:</p> <ul style="list-style-type: none"> Where it has been agreed that costs incurred and reported in this period are to be recovered in future periods, a negative adjustment to the value of the costs to be excluded from this period should be entered together with an explanatory note. Where it has been agreed that costs incurred and reported in a prior period are to be recovered in this period, a positive adjustment to the value of the costs that will be recovered in this period should be entered together with an explanatory note.
Admin - other		For example these will include: stationery, photocopying (excluding cost of equipment hire), books and periodicals, newspapers, magazines, incidentals, archiving, printing, graphics and publishing.
Advertising, promotions, entertaining and events		For example these will include: sales promotions, presentations, displays, seminars, exhibitions, demonstrations, trade shows, public and customer relations, catalogues, publications, literature, promotional items, promotional gifts, entertaining third parties, sponsorship, photography and catering (non-staff).
Allowable Costs		<p>The costs included in the pricing of a qualifying defence contract or qualifying subcontract as set out in Section 15 of the DRA 2014. Such costs must meet the criteria of being 'appropriate', 'attributable to the contract' and 'reasonable in the circumstances'. For further information please refer to statutory guidance on Allowable Costs.</p> <p>Section 20, DRA 2014</p>
Asset related gains/ losses		Sale of scrap, profit and loss on disposal of fixed assets.

Term	Acronym	Definition
Bad debts		Bad debts (provision movement and write-off).
Bids and proposals		Include all costs incurred in preparing, submitting, and supporting bids and proposals (whether or not solicited) on potential Secretary of State or non-Secretary of State contracts. The term does not include the costs of effort sponsored by a grant or cooperative agreement, or required in the performance of a contract.
Bonuses		All bonuses and profit share.
Business function		A process or operation that is performed routinely to contribute to the overall output of an organisation.
Capitalised opex (enter as negative)		Capitalised operating expenditure of any type should be recorded here as a credit.
Cleaning and waste disposal		Cleaners, cleaning services, cleaning supplies, general waste disposal, special waste disposal, refuse disposal, sewerage and trade effluent.
Communications		All telecommunication costs for example fixed fees, licenses, mobiles, tariffs, postage, courier.
Consumable materials		All consumables including: test supplies, process supplies, indirect material, general supplies, purchased services, operating supplies, lubricants, manufacturing engineering supplies, uniforms, protective clothing, personal protective equipment, oil, grease, office consumables, graphic supplies and audio and visual supplies.
Contractors/short term labour hire		Contractor costs (services performed on contractor premises by a freelance subcontractor), temporary staff, casual labour and seconded staff.
Cost recovery base		The unit of measure to which a cost recovery rate is applied in order to calculate a cost under a contract. Regulation 2(1), SSCR 2014
Cost recovery rate		The rate calculated for a business unit that is used to determine a cost payable under a contract, being the cost per unit of a cost recovery base that is then multiplied by the quantum of that cost recovery base to determine the cost. Regulation 2(1), SSCR 2014
Depreciation & amortisation		All depreciation and amortisation of tangible and intangible assets including depreciation of plant and equipment, buildings, land improvements and leasehold improvements.

Term	Acronym	Definition
Design		<p>All costs associated with activities related to the specification and design of the output (including prototypes).</p> <p>For example these will include:</p> <ul style="list-style-type: none"> • research and development management; • research and development processes, concept studies, technological and technical activities (up to main gates); • intellectual property expertise; and • technical drawings, CAD/CAM.
Designated person		<p>This refers to a person (supplier) that is party to one or more qualifying defence contracts (QDCs). However where that person is associated with one or more other persons, the designated person is the ultimate parent undertaking of those persons.</p> <p>Section 25(3), DRA 2014; Regulation 32(6)(b), SSCR 2014</p>
Engineering		<p>All costs associated with activities related to enabling the designed and specified output to be produced (up to, but not including, production).</p> <p>For example these will include:</p> <ul style="list-style-type: none"> • costs related to the development and maintenance of engineering technical reference system, databases, methods and processes; • cost estimating; • engineering costs covering all technical activities (product engineering, systems engineering, software, hardware, test benches) related to prospects, products, bids and projects; • feasibility studies, risk mitigation; • Technical expertise and specialties (e.g. safety engineering, airworthiness/certification expertise); • technical solutions definition and development; • engineering support; • installation and deployment; • IT for engineering activities; • measurement equipment management; • engineering licences management; and • technical publications.

Term	Acronym	Definition
Finance		For example these will include: <ul style="list-style-type: none"> • finance management; • general accounting; • accounts receivable; • accounts payable; • cash management; • tax; • insurance; and • treasury.
Financial income & expenses		For example these will include: interest, bank charges, export banking fees, commissions, liquidated damages, foreign exchange gains and losses, credit card charges, grants, royalty income, sundry income and derivative gains and losses.
Future initiatives		Summary of key initiatives that are expected to impact costs recoverable through rates in future periods.
Group charges		Group charges in, group charges out, management fees, services provided by other group companies.
Hire of plant / machinery		For example these will include: leasing, IT equipment, machinery, office machinery and other.
HR		For example these will include: <ul style="list-style-type: none"> • HR management; • compensations and benefits; • payroll; • training and professional education; • recruitment and selection costs; • employee relations; • employee health and services; and • health and safety.
Insurance		All insurance expense, for example: commercial property, public liability, product liability, professional indemnity, directors liability, motor, equipment, damage and insurance excesses.
Inventory losses		For example these will include: stock/inventory write-offs, provision movement, obsolescence, count differences and stock losses.

Term	Acronym	Definition
IT		<p>For example these will include:</p> <ul style="list-style-type: none"> • IT run and projects expenses (except capitalised costs); • IT management; • IT governance, process and tools; • IT project management; • IT architecture; • IT solution engineering; • IT operations/customer services; • IT helpdesk; • IT maintenance services; • IT security; • technical management of IT tools; • IT product lifecycle management; • e-capability; • information and knowledge management; and • legacy management.
IT licences, supplies & consumables		<p>For example these will include: data processing, data processing supplies, rental, office/miscellaneous supplies, network, hardware, software, workstations, support contracts, server support, data centres and licences.</p>
Legal / contractual		<p>For example these will include:</p> <ul style="list-style-type: none"> • legal management; • contract management; and • commercial management.
Main payroll		<p>Salaries and wages, basic pay, holiday pay, overtime, shift premiums, National Insurance, maternity pay, sick pay and other allowances, (e.g. standby, callout, overseas etc, company car cash equivalent).</p>
Material / materially		<p>Items are material if they could individually or collectively influence the economic decisions that users make on the basis of the reports. The size or nature of the item, or a combination of both, could be the determining factor in deciding if an item is material.</p> <p>IFRS Blue Book 2013, Part A, Glossary of Terms</p>
Operating costs		<p>Expenses associated with administering a business on a day to day basis. Operating costs include both fixed costs and variable costs.</p> <p>IFRS Blue Book 2013, Part A, Glossary of Terms - 'operating activities'</p>

Term	Acronym	Definition
Other		These will include fines and penalties.
Outsourced services		Services outsourced externally to the group.
Pensions		Employer contributions to pensions.
People & payroll - other		Additional people/payroll costs not included in the above categories for example share options, profit related pay, long service awards, rental of staff properties, staff relocation expenses, luncheon vouchers, canteen, social and welfare, sports club, private medical, recruitment costs, first aid, health and safety, healthcare, flexible benefits, study/tuition support, schooling, staff entertainment and cost of company.
Premises - other		Additional facility building and land costs not included in the above categories for example security, pest control and other environmental.
Pricing qualifying business unit	Pricing QBU	A QBU for which cost recovery rates are calculated and used for pricing group qualifying defence contracts or qualifying subcontracts. Regulation 32(6)(d), SSCR 2014
Primary contractor		A person from whom the Secretary of State procures goods, works or services for defence purposes. Section 14(2)(a), DRA 2014
Procurement		For example these will include: <ul style="list-style-type: none"> • purchasing management; • purchasing process support; • supplier identification, tenders; • supply contract administration; and • transport management.

Term	Acronym	Definition
Production		<p>All costs associated with activities related to the production/ manufacture of the specified output (NB this excludes design and engineering costs – see above).</p> <p>For example these will include:</p> <ul style="list-style-type: none"> • operations management; • production management; • goods inwards, inventory and stock management, packing, shipping; • receiving inspection, quality control; • methods and industrialisation; • production workshops; • manufacturing support to integration, installation and deployment; • factory integration and tests/trials; • environmental protection in connection with manufacturing; • assembly; • treatments; • inspection; • industrial capability; • manufacturing strategy; and • quality management.
Production other		Additional production costs not included in the above categories.
Professional Fees (audit, legal, consulting, etc)		For example these will include: consulting and other professional services, subscriptions and memberships, licences, patents, copyright, staff recruitment expenses, audit and legal.
Purchase of minor tools / equipment		Expensed tools, special tools, tool material, tool rework, loose tools, jigs, tool spares.
Purchases of direct materials		Direct cost of raw materials, purchased parts, purchased assemblies/equipment, material/purchase variances, carriage/transport/freight inwards.
Qualifying business unit	QBU	<p>The legal definition of a QBU is set out in Regulation 32.</p> <p>In summary a QBU is either a unit, undertaking or group of undertakings (associated with the designated person) which in the period provides at least £10 million for the purposes of any group qualifying defence contracts or qualifying subcontracts and for which separate financial accounting statements are produced.</p> <p>Regulation 32, SSCR 2014</p>

Term	Acronym	Definition
Qualifying business unit actual cost analysis report	QBUACAR	A report required to be completed by the designated person on behalf of a QBU analysing actual costs and sent in conjunction with actual rates claim. Regulation 35, SSCR 2014
Qualifying business unit estimated cost analysis report	QBUECAR	A report required to be completed by the designated person on behalf of a QBU analysing estimated costs and sent in conjunction with estimated rates claim. Regulation 37, SSCR 2014
Qualifying business unit hq/other		For example these will include: <ul style="list-style-type: none"> • general management; • strategy; • advisors; • internal audit; • internal communication; • external communication; • e-communication; • strategy; and • secretarial.
Qualifying defence contract	QDC	This is a contract made by the Secretary of State for goods, works or services for defence purposes from a 'primary contractor' where the award of the contract is not the result of a competitive process and the value of the contract is: <ul style="list-style-type: none"> - if entered into before 31 March 2015 \geq £500 million - if entered into on or after 31 March 2015 \geq £5 million Section 14(2), DRA 2014; Regulation 6, SSCR 2014.
Qualifying subcontract	QSC	This is a contract between a primary contractor and another person which involves the provision by the other person of anything for the purposes of a qualifying defence contract to which the primary contractor is party or contracts which are subcontracts to such subcontracts. The subcontract is not the result of a competitive process and the contract is above the value required by the regulations (currently £25 million). The contract must also meet any other requirements specified by the Regulations. Section 28, DRA 2014; Regulation 58, SSCR 2014
Quantified analysis		Financial analysis to understand variances and calculate the values attributable to each.

Term	Acronym	Definition
Recovered through rates		For pricing QBUs this represents the total Allowable Costs that you expect (or have agreed with the Secretary of State) to recover through recovery rates. For non-pricing QBUs this represents the element of Allowable Costs that may be re-charged to other units and recovered, where appropriate, through the recovery rates of those units. This column is calculated automatically.
Redundancy costs		Redundancy and termination costs
Relevant financial year		This means the Government fiscal year ending on 31 March. Regulation 31(1)(b), SSCR 2014
Rent & rates		Rent of land and buildings charged by third party, rates, service charges, temporary office rental.
Repair & maintenance - equipment		Minor/major maintenance, equipment, repairs and calibrations, office machinery and other.
Repairs and maintenance – buildings/premises		Estates maintenance, estates services contracts, building maintenance, land improvement maintenance, ground and outside facilities, maintenance materials, roads, dilapidation costs, removals, building reorganisation and landscaping.
Research and development		<p>Research is broken down to basic and applied research. Basic research means experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake, rather than directed towards any specific aim or application. Applied research means original or critical investigation undertaken in order to gain new scientific or technical knowledge, directed towards a specific practical aim or objective.</p> <p>Development means the use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improving substantially those already produced or installed.</p> <p>Part 2, SSAP 13</p>

Term	Acronym	Definition
Sales		<p>For example these will include:</p> <p>Sales:</p> <ul style="list-style-type: none"> • marketing & sales management; • business development; • product policy; • key account management; and • sales operations. <p>Bids & projects management:</p> <ul style="list-style-type: none"> • bids and projects management and support. <p>Customer service:</p> <ul style="list-style-type: none"> • customer service management (call centre, front office); • services and field engineering; • integrated logistics support; • reliability, availability, maintainability; • customers' documentation and training; • support services (technical support, spares and repairs, obsolescence management, through life support); Support to customers' operations; and • services and operations performed on customers' sites.
Sales revenue		Sales, sales discounts, settlement discounts, credits, returns, rebates, fees, licence fee income, samples and free goods.
Selling and marketing - other		For example these will include warranty costs.
Single Source Regulations Office	SSRO	The Single Source Regulations Office (SSRO) is the regulator of the new single source procurement framework. It is an independent arms-length body, whose aim is to ensure that good value for money is obtained for the UK taxpayer in Ministry of Defence expenditure on qualifying defence contracts, and that single source contractors are paid a fair and reasonable price under those contracts.

Term	Acronym	Definition
Site services		<p>Examples:</p> <ul style="list-style-type: none"> • site and property management; • facility management; • hard services (building maintenance: heating, air conditioning, elevators, etc.); • soft services (reception, cleaning, postage, etc.); • security, guarding; • employee and building safety; • environmental management and safety; • site vehicles / transport; • general building works; • IT cabling (in ceilings, floors and walls); and • fire services.
Training expenses		Training and education expenses.
Transport, carriage and packing – goods out		Outbound transport costs, freight and handling, packaging and import/export duty.
Travel & subsistence		All costs related to business trips of staff for example; airfares, rail, hotel and accommodation, restaurant, parking, fuel, rental car, airport taxes, occupancy taxes and car mileage.
Ultimate parent undertaking		<p>An 'ultimate parent undertaking' is a parent undertaking that is not a subsidiary undertaking in relation to another undertaking.</p> <p>'Parent undertaking' and 'subsidiary undertaking' have the meanings given by section 1162 of the Companies Act 2006.</p> <p>Section 25(9), DRA 2014</p>
Utilities		Electric (light, heat and power), water, gas, compressed air, plant fuel, power plant, air conditioning, sundry utilities and oil.
Vehicles		All vehicle expenses (excluding company cars provided as part of remuneration) including fuel, oil, licence fee and servicing.

