

SSRO

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Regulations Office

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**User guide for interim contract report
(higher value contracts of £50 million
or more) October 2016**

Version 3

Contents

Introduction	2
1 Introduction	2
2 Reporting timeline	2
3 General guidance for completing report templates	2
User Guide	4
01 Report submission admin	4
02 Contract reporting plan	5
03 Supplier	5
06 Key deliverables	8
07 Metrics	8
08 Price	9
09 Actual-forecast	10
11 Variance analysis and commentary	11
13 Payments	12

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 sub-contracts.
- 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'). We are providing this guidance for the purposes of Regulation 22(9) of the Regulations.
- 1.3 Regulation 27 requires an interim contract report be provided for qualifying defence contracts.
- 1.4 All reports are disclosed as OFFICIAL – SENSITIVE – COMMERCIAL. The disclosure of protected information included in this report in circumstances not permitted by Schedule 5 of the Defence Reform Act 2014 is a **CRIMINAL OFFENCE**.

2 Reporting timeline

- 2.1 An interim contract report must be submitted on the date agreed between the primary contractor and the Secretary of State. This date will be no more than three years following the time of agreement to the contract for qualifying defence contracts with a value equal to or greater than £50 million. Information needs to be 'as at' the reporting date unless the Regulations require information at a different date.
- 2.2 Subsequent dates for submission of interim contract reports before the expected contract completion date will be as agreed between the primary contractor and the Secretary of State. This date will be no more than three years after the previous reporting date.
- 2.3 If no agreement on reporting dates has been reached between the primary contractor and the Secretary of State, the reporting dates for the interim contract reports will be 12 months after the calendar quarter during which the initial reporting date fell and each anniversary of that date.

3 General guidance for completing report templates

- 3.1 When completing the spreadsheet, contractors should comply with the guidance set out below. Contractors should ensure macros are enabled within Excel for use of the reporting templates¹.
- 3.2 On each worksheet **HOME** will redirect you to the home worksheet.
- 3.3 The home worksheet contains shows the requirements of the reporting template and contains links to each worksheet within the template.
- 3.4 If applicable, the 'View all worksheets' cell on the home worksheet will reveal a list of all the reports that are to be completed in that template. Select the appropriate report from the drop down list.

¹<https://support.office.com/en-au/article/Enable-or-disable-macros-in-Office-documents-7b4fdd2e-174f-47e2-9611-9efe4f860b12?CorrelationId=2a985251-830b-49db-8389-a112e9b34a14&ui=en-US&rs=en-AU&ad=AU#bm2>

3.5 Where applicable, in the top left corner of each worksheet, there will be an option to select only cells which are ‘used’ rather than ‘all cells’.

3.6 On each worksheet you will find:

Grey cells	Contain headings
Blue cells	Contain section headings
White cells	Contain instructions on information that is required
Yellow cells	Are data entry cells and are the only cells to which you input : select correct option, or input numbers (#) or monetary amounts (£).
Orange cells	Contain help, definitions or notes
Green cells	Indicate when a cell has been completed and passed the validation test

3.7 The content of each cell is in the following format:

- choice list – select the appropriate answer from the drop down list;
- free text – text/numbers;
- date – follow the date format specified; and
- number – provide the number rounded to the number of decimal points specified.

3.8 If the reference cell is red, then this indicates that inputted data into a data entry cell (yellow cell) has not passed the validation test. You must correctly input data into the data entry cell so the reference line (e.g. ‘01 – dates ref 01’) turns green.

3.9 Each worksheet has a sequential number. Where possible, you should complete the worksheets in the prescribed order, with the exception of 01.02 under ‘report submission admin’. Some worksheets will drive automatic calculations in subsequent worksheets. This guidance follows the order contained within the templates and as specified in the Regulations.

3.10 **Warning:** you must not copy and paste data entry cells (yellow cells) from the report template as this will interfere with the functionality and linking to other worksheets.

3.11 All financial information should be provided in GBP and in millions unless stated otherwise.

3.12 For the purposes of this report, the financial year is a year beginning on 1 April and ends on 31 March in accordance with Section 43(1) of the Act. In accordance with Regulation 32, the relevant accounting period that applies to a QBU refers to a QBU reporting period.

3.13 Complete all the required information on the template before submission. Some areas of the template will populate other areas when completed, we refer to this in the guide as auto-population.

3.14 Where references have been given to cells in the reporting templates, those references will be used in this guide.

3.15 All section headings refer to worksheet references. For this reason they may not always be sequential.

3.16 If you encounter any problems or have any questions regarding the report templates or user guides, contact helpdesk@ssro.gov.uk.

User Guide

01 Report submission admin

This worksheet shows the basic information required for the interim contract report, including dates, individuals, and other general information or comments as specified in Regulation 22(2).

01.01 Dates

- 01.01 Input the date the report is required in the format dd/mm/yyyy. Insert any comments relating to the deadline date in the free text comments box.
- 01.02 Before submitting the report complete the box stating the date the report was submitted to the MOD and the SSRO. If you have any comments relating to the submission date input these in the free text comments box.

01.02 People

- 02.01 Insert the name, position, phone number and email address of the individual submitting the report.
- 02.02 You should include the contact details for the individual that shall be notified if there are any compliance issues with the submitted report. Include, name, position, phone number and email address for the individual.
- 02.03 Include the name of the civil servant/project team responsible for managing the contract on behalf of the Secretary of State.

01.03 Other

- 03.01 Any other comments relating to the report not already mentioned in the dates section must be inserted in the comments text box.

01.04 General guidance on template completion

- 04.01 This section provides you with contact details for the SSRO in the event you have any issues completing the report template.

02 Contract reporting plan

Regulations 22(2)(b)(h) and (i) requires that the date which the report is due, the date on which the contract was entered into and the contract completion date be provided (or, if that date is not known, the expected completion date).

01.01 Basic parameters plan depends upon

- 01.01 Include the contract start date. The contract start date is the date the contract was entered into (date of agreement not contract signature if these are different) or the date a contract was amended (if it became a qualifying defence contract on amendment).
- 01.02 Include the contract end date. The reporting date will fall as per the reporting timeline noted in section two of this user guide.
- 01.03 Include the total contract value (this should include any options likely to be exercised or yet to be agreed). This is a requirement of Regulation 24(2)(a).
- 01.04 This is a general information requirement for contract reporting purposes. This will identify if the contract value meets the threshold for a quarterly contract report.

02.02 Mandated and additional agreed reporting dates

Included in this section of the templates are the required reporting dates for all types of contract reports.

The interim contract report dates are agreed between the primary contractor and the Secretary of State. The interim contract report dates can be added manually for each relevant financial year on rows 55–64. The required dates are when the report is due and when the report was submitted.

- 02.01 Include the agreed date when the additional reports become due and the relevant financial year to which the report relates.
- 02.02 Include the date the report is submitted and the relevant financial year to which the report relates.

03 Supplier

Under Regulation 22(3) include the following information:

03 Contracting company – basic reference date

- 03.01 Include the registered name of the company. This is the full name of the legal entity as registered with a registrar of companies, such as Companies House.
- 03.02 Include the company number (e.g. registration number) of the contractor.
- 03.03 Include the trading name of the company if that is different from the registered name.
- 03.04 Include the registered address – start with name/number and street/road.
- 03.05 Include town/city of the company's registered address.
- 03.06 Include the county/region of the company's registered address.
- 03.07 Include the country of the company's registered address.

- 03.08 Include the post code/zip code of the company's registered address.
- 03.09 Indicate whether the company is a SME by choosing from the drop down list. SME has a meaning given in Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium sized enterprises (employ fewer than 250 people and annual turnover of ≤€50m and/or annual balance sheet total of ≤€43m.)
- 03.10 Include the date of the last day of the most recently completed financial year (accounting period) for the company. This date must be expressed in the format dd/mm/yy.
- 03.11 State the name of registered name of any immediate parent undertaking of the company. A parent company has the meaning given by Section 1162 of the Companies Act 2006.
- 03.12 State the registered company number of the immediate parent undertaking of the company.
- 03.13 Include the registered address of the immediate parent company.
- 03.14 Include any additional immediate parent companies' name, registration number and address in the lines provided. This needs to only cover immediate parent companies and not the whole parent chain.
- 03.15 Provide any other relevant information relating to the information included above.

04 Contracts

Regulations 22(2)(d) – (l) require that all reports under Part 5 of the Regulations contain information on the contract, including the regulated pricing method(s) used, and any business unit in relation to which a cost recovery rate has been used in determining the price payable under the contract.

01 Basic parameters

- 01.01 Enter the contract title in the value box and make sure it aligns with the title on the contract document.
- 01.02 Enter a brief description of the goods, works or services that are to be provided under the contract.
- 01.03 Enter the unique identifying number you have allocated to the contract.
- 01.04 Enter the unique identifying number allocated to the contract by the Secretary of State.
- 01.05 Ensure the date on which the contract was entered into is correct. This is the date of agreement to the contract not the contract signature date if this date is different.
- 01.06 Agree the contract completion date or, if that date is not known, the expected contract completion date.

If applicable:

Enter the date of the most recent pricing amendment. If a contract has been amended and become a QDC the date of the amendment should be equivalent to the latest pricing amendment. If there has been a re-determination of a contract price the date this was agreed should be entered here.

- 01.07 Enter the identifying number you have allocated to the amendment.
- 01.08 Enter the identifying number the MOD has allocated to the amendment.

02 Pricing analysis – currencies and commercial constructs

Under the appropriate pricing method (contractors may use one of or a combination of the six regulated pricing methods Regulation 10(4) – (12)), input the price resulting from each method (if known) in millions to three decimal places. Except where otherwise provided in Part 5 of the Regulations, any reference to money in a report must be expressed in sterling. Use the appropriate contract currency for each pricing method. The contractor should enter all currencies that they will want to use in other parts of this report in the table. The MOD and contractor may use different exchange rates, but for the purposes of reporting the contracting authority's exchange rate should be used (MOD for QDCs and the primary contractor for QSCs). Further information on foreign currencies can be found at SSRO Answer 1.31.

02 Business unit involvement

- 02.01 Include any business unit in relation to which a cost recovery rate has been used in determining the price payable under the contract. Include the name of each business unit in the value section.

05 DPS input

- 05.01 Under Regulation 27(4)(d) and (e), the interim contract report requires estimated costs at the time of agreement and the total amount of Allowable Costs that are on-recurring. The SSRO has published 16 different defined pricing structures and the contractor should choose one of these for the contract if possible. The contractor should ensure that the DPS is constructed so that each level of dis-aggregation contains a breakdown of the cost at the parent level. Level 1 of the DPS must total 100 per cent of the contract value excluding profit and the breakdown of each subsequent level must total the level before. The table below illustrates this.

Level 1	Level 2	Level 3	Level 4
Contract Value - £220 million Profit - £20 million Level 1 – £200 million	£100 million	£35 million	£10 million
			£5 million
			£20 million
		£10 million	£1 million
			£9 million
			£5 million
	£20 million	£55 million	£40 million
			£10 million
		£5 million	£5 million
			£15 million
	£10 million	£2 million	£14.5 million
			£8 million
	£70 million	£2 million	£8 million
			£2 million
£50 million		£4 million	
		£16 million	
		£18 million	
		£3 million	
		£29 million	

The required length of the DPS will vary depending on the contract value (see paragraph 6.19 of the DPS principles guidance document for more information on DPS length). Where the costs of items cannot be mapped directly, they need to be either estimated or a pro rata value used. The method of apportionment should be provided and comments included in the comments box on the DPS template. Mapping from cost models to DPS codes is extremely helpful. Further information on DPS principles and the individual templates are included on the SSRO website.

This worksheet sets out the structure of the DPS for these costs.

- Enter the DPS code for each item.
- Enter the DPS element description.
- Specify from the drop down list if this is a data input line.

06 Key deliverables

Under Regulation 27(4)(a), the interim contract report must contain a list of key deliverables specified in the contract, with a brief description of each. A deliverable means any goods, works or services which are provided under a contract and can be described using an output metric (Regulation 2). It would be expected that there would be at least one key deliverable. Examples of deliverables include a completed vessel, available engines, delivery of a training programme. Contractors can update deliverables and use the metrics included in the contract reporting plan to measure performance against the original baseline. The DPS included in the contract reporting plan can also be used and can be amended for additional requirements.

- Include the Name/Item/Title of each key deliverable.
- For each key deliverable include a description as directed.
- Provide other comments as required.

07 Metrics

Under Regulation 27(4)(b), the interim contract report must contain a list of the estimated amount of key deliverables, expressed using the output metrics set out in the contract reporting plan. An output metric means a quantifiable description of any goods, works or services (including a number, weight, dimension, time or physical capability, but not including a monetary value). These are related to the DPS input list and can be drawn from the contractor's performance management system, where applicable. Examples of metrics include quantity of aircraft/engines that are available or the weight of a finished vessel. There should be at least one metric per key deliverable.

- As per the contract reporting plan, enter each related DPS code.
- Include the description of each DPS code.
- Include the parameters for each metric.
- Include a definition of each metric.
- Include the value and number of units of each metric.

08 Price

In accordance with Regulation 27(4)(c), the interim contract report requires an annual profile of the following matters which have been or are expected to be, part of the contract price.

In this section all financials are to be stated in GBP (million) to one decimal point unless stated otherwise.

01 Summary analysis of price

An annual profile of each of the following is required.

- For each financial year, include any risk contingency element included in the Allowable Costs.
- For each financial year include the planned amount of profit (excluding incentive adjustment). The incentive adjustment is any amount resulting from an adjustment under step 5 of Regulation 11.
- For each financial year include any additional profit arising from the incentive adjustment, if met. This is the maximum amount of profit resulting from an adjustment determined under step 5 of Regulation 11.
- In column AP include the amount that has not been included in the annual profile, for each of the above three requirements.
- Include any additional comments.
- The subtotal planned costs of components will be auto-populated based on the completion of section 02. The subtotal cost, total contract price (excluding incentive adjustment) and the total contract price (including incentive adjustment) will also be auto-populated.

02a Costs by defined pricing structure

Regulation 27(4)(d) requires that an annual profile of any estimated costs (split by the defined pricing structure) at the time of the agreement are included in the interim contract report.

No data entry is required for this section, other than comments, as required.

02b Costs by defined pricing structure – data entry

- The DPS codes and descriptions will be auto-populated from the DPS input worksheet. Include an annual profile of any estimated cost for each item at the initial reporting date.
- In column AT provide the amount of those Allowable Costs that are non-recurring (split by defined pricing structure).
- In column AP include the amount that has not been included in the annual profile, for each DPS code.
- Include any comments as required.

03 Recovery base volumes

Regulation 27(4)(f) requires an annual profile of the estimated amount of each cost recovery base set out in the contract reporting plan. A cost recovery base means the unit of measure to which a cost recovery rate is applied in order to calculate a cost under a contract. A cost recovery base (CRB – for example labour hours) might relate to multiple cost recovery rates (CRR – for example, senior engineer and apprentice); and that a CRR might be applied to more than one CRB.

- For each recovery base volume, select the level/units of measurement.
- For each recovery base volume, select the estimated amount of each cost recovery base (not a monetary value like £).
- In column AP include the amount that has not been included in the annual profile, for each recovery base.

09 Actual-forecast

In accordance with Regulation 27(4)(g), the interim contract report requires an annual profile of the following matters which reflect the costs already incurred and the forecast costs which are expected to be incurred, indicating for each year whether those costs have been incurred, are forecast, or are a combination of both.

These items have been included in this section and are detailed below.

In this section all financials are stated in GBP (million) to one decimal point unless stated otherwise.

01 Summary analysis of price

An annual profile of each of the following is required. The subtotal planned costs of components will be auto-populated based on the completion of section 02 below. The subtotal cost, the total contract price (excluding incentive adjustment) and the total contract price (including incentive adjustment) will also be auto-populated).

Under the data status flag, for each financial year, select whether the cost is a final actual cost, provisional actual cost, a forecast cost or a combination of forecast and actual costs.

- For each financial year, include the any risk contingency element for current/future year only.
- For each financial year include the planned amount of profit (excluding incentive adjustment). The incentive adjustment is any amount resulting from an adjustment under step 5 of Regulation 11.
- For each financial year include any additional profit arising from the incentive adjustment, if met. This is the maximum amount of profit resulting from an adjustment determined under step 5 of Regulation 11.
- In column AP include the amount that has not been included in the annual profile, for each of the above three requirements.
- Include any additional comments.

02a Costs by defined pricing structure

Regulation 27(4)(h) requires an annual profile of the costs already incurred and the forecast costs which are expected to be incurred, split by the defined pricing structure and indicating whether the costs have been incurred, are forecast, or a combination of both.

No data entry is required for this section, other than comments, as required.

02b Costs by defined pricing structure – data entry

- The DPS codes and descriptions will be auto-populated from the DPS input worksheet. Include an annual profile of any estimated cost for each item at the initial reporting date.
- In column AT provide the amount of those Allowable Costs that are non-recurring (split by defined pricing structure).
- In column AP include the amount that has not been included in the annual profile, for each DPS code.
- Include any comments as required.

03 Recovery base volumes

Regulation 27(4)(h)(ii) requires an annual profile of the costs already incurred and the forecast costs which are expected to be incurred, split by the defined pricing structure and indicating for each year the amount of each cost recovery base set out in the contract reporting plan.

- For each recovery base volume, select the level/units of measurement.
- For each recovery base volume, select the estimated amount of each cost recovery base.
- In column AP include the amount that has not been included in the annual profile, for each recovery base.

11 Variance analysis and commentary

Regulation 27(4)(i) requires a quantified analysis of the causes of variance (explaining not less than 90 per cent of the total variance) between any estimated cost used to determine the contract price and the actual and forecast costs.

In order to achieve this you should:

- Provide a brief description of all material reasons for variance in forecast total cost to completion. The reasons must be recognisable and understandable by the SSRO and the MOD.
- Provide the quantitative amount of variance in £ million (to one decimal point).
- The worksheet will calculate the percentage of total variance and the percentage of planned cost.

13 Payments

01 List of significant individual payments

Regulation 27(4)(j) of the Regulations states that the interim contract report must include a list of all payments exceeding £100,000 or 1 per cent of the contract value that have been, or are expected to be, made by the Secretary of State.

This section is only for primary defence contracts to complete i.e. those let by or on behalf of the Secretary of State.

For each payment, include:

- the date which the payment fell, or is expected to, fall due (in the format dd/mm/yyyy);
- the actual/expected payment date (in the format dd/mm/yyyy);
- as required by the contract, select the appropriate currency in which the contractor expects the Secretary of State to make payments;
- the amount (£ million to three decimal points), or expected amount of each payment; and
- add any additional comments as required.

02 Annual profile summarising all contracted payments

Regulation 27(4)(k) and (l) of the Regulations require an annual profile of all significant individual payments the contractor requires the Secretary of State to make, in the required currency.

For each currency, enter the payment due from the Secretary of State, for each financial year.

Amounts must exclude any final adjustment/settlements and be made to 1 decimal point.

