SSRO

Single Source
Regulations Office

Assuring value, building confidence

User guide for QBU estimated costs analysis report

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Version 2

Contents

Introduction

1 Introduction

1.1 This document is issued by the Single Source Regulations Office (SSRO) and sets out guidelines to assist contractors when completing the statutory reporting requirements for qualifying defence contracts and qualifying subcontracts.

1.2 The statutory requirement for reporting is outlined in the Defence Reform Act 2014 (the 'Act') and defined in the Single Source Contract Regulations 2014 (the 'Regulations').

1.3 Regulation 37 defines the need for the designated person to provide a qualifying business unit estimated cost analysis report for each qualifying business unit (QBU) in that relevant financial year.

1.4 In the case of a pricing QBU, in line with Regulation 37(2), the report must be provided with the estimated rates claim report for that pricing QBU for that relevant financial year.

1.5 The Secretary of State, may by written notice, require the designated person to provide a further QBU estimated cost analysis report for any one or more QBU for the relevant financial year. Only one further QBU estimated cost analysis report for any one QBU may be requested in a relevant financial year.

1.6 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 The report must be provided three months after either:

- the end of the relevant accounting period; or
- the date on which the ongoing contract condition was first met in relation to the relevant financial year;

  whichever is the later; or

- a date agreed between the Secretary of State and the designated person, which is within three months after the end of the period described above.

2.2 If a report is required by written notice it must be provided within one month of receiving the notice.

3 General guidance for completing report templates

3.1 Regulation 31(2) requires 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; and
- £50 million for subsequent financial years.

3.2 Ensure macros are enabled within Excel for use of the reporting templates[1].

3.3 On each worksheet **HOME** will redirect you to the home worksheet.

3.4 The home worksheet contains contents of requirements of the reporting template and links to each worksheet within the spreadsheet.

3.5 If applicable, the 'view all worksheets' cell on the home sheet will contain a list of all reports that can be completed from that template. Select the appropriate report for the drop down list.

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 will be 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.

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

3.10 **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 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 and 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.

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

00 Report submission admin

This worksheet shows basic information for the contract submission, including dates, people, and other general comments relevant to the QBU estimated costs analysis report, as specified in Section 33(1) of the Regulations.

Dates

01.01 Fill in the box stating the date the report is required. Input the date 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 fill in this box with the date the report was submitted to the MOD and the SSRO. If you have any comments relating to the submission date input them in the free text comments box.

01.02 People

02.01 Insert the name, position, phone number and email address of the person submitting the report.

02.02 Also include contact details for the individual(s) to be notified if there are any compliance issues with the submitted report. Include, name, position, phone number and email address for the individual.

01.03 Other

03.01 Insert the financial year the report relates to in the format yyyy/yy e.g. 2015/16.

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

01 Business unit

Under Regulation 33(2) it is a requirement of the QBU estimate cost analysis report to provide details of the QBU. The necessary information has been included in the report template and is detailed below.

01 Reporting business unit – basic reference date

02.01 Include the name of the reporting business unit.

02.02 Include the reporting business unit address. This must be the address to which correspondence is sent. Under this section include the building name/number and the street/road name.

02.03 Include the town/city of the business unit.

02.04 Include the county/region of the reporting business unit.

02.05 Include the country of the reporting business unit.

02.06 Include the post code/zip code of the reporting business unit.

02.07 Include the last day of the most recently competed financial year for the QBU. This date must be expressed in the format dd/mm/yy.

02.08 State the name of the principal parent company or the company with the greatest percentage share in the business unit.

02.09 State the registered company number of the principal parent or the company with the greatest percentage share in the business unit. If equal shares, provide the company name and number of additional companies in 2.10 'other relevant information'.

02.10 Provide any other relevant information in relation to the reporting business unit.

03 Last year actuals

As set out in Regulation 37(8)(a) and (b) the total actual costs incurred by the QBU is required to analyse the information against the estimated report for the relevant financial year.

On the worksheet enter the actuals for the relevant accounting period in £'000s. Each cost type must be attributed to each business function e.g. revenue & stock changes, people/payroll, production, premises, selling & marketing, general & admin, as well as any other areas.

- Enter costs by type up to profit before tax.
- Input the adjustments for revenue inventory or non-labour direct costs.
- Provide a functional analysis of direct labour and indirect production cost. The analysis must be split into the following functions:
    - production;
    - design;
    - engineering;
    - site services;
    - procurement;
    - sales;
    - finance;
    - HR;
    - IT;
    - legal/contractual; and
    - BU 'HQ'/other.

- Enter the adjustments made by removing disallowed costs and include a positive or negative adjustment for net timing differences.
- As part of the recovery method section remove costs recovered directly from the business unit/ contracts.
- Enter the cross reference if you complete ‘explanatory notes’.
- Any other general comments must be included in the general comments section.

05 This year estimates

As set out in Regulation 37(8)(a) and (b), the total actual costs incurred by the QBU in the financial year must be analysed against the estimated report for the relevant financial year.

On the worksheet enter the estimated operating cost for the preceding accounting period in £‘000s. Each cost type must be attributed to each business function e.g. revenue & stock changes, people/ payroll, production, premises, selling & marketing, general & admin, as well as any other areas.

- Enter costs by type up to profit before tax.
- Input the adjustments for revenue inventory or non-labour direct costs.
- Provide a functional analysis of direct labour and indirect production cost. The analysis must be split into the following functions:
    - production;
    - design;
    - engineering;
    - site services;
    - procurement;
    - sales;
    - finance;
    - HR;
    - IT;
    - legal/contractual; and
    - BU ‘HQ’/other.
- Enter the adjustments made by removing disallowed costs and include a positive or negative adjustment for net timing differences.
- As part of the recovery method section remove costs recovered directly from the business unit/ contracts.
- Enter the cross reference if you complete ‘explanatory notes’.
- Any other general comments must be included in the general comments section.

06 This year changes

In line with Regulation 37(8)(a), an explanation must be provided of any difference between the actual costs analysis information for the preceding financial year and the estimated costs analysis information for the relevant financial year.

The workbook auto-populates from the previous two workbooks.

Provide commentary explaining any material variances between actual and prior estimate.

07 Headcount

Regulation 37(7)(b) requires an analysis of staffing costs relative to business function.

In accordance with Regulation 33(3) where a report requires an analysis of staffing costs, that must include:

- the total number of employees;
- the proportion of the cost of employing those employees recovered through cost recovery rates, and the proportion recovered through direct costs;
- the total number of contractors; and
- the proportion of the cost of engaging those contractors recovered through cost recovery rates, and the proportion recovered through direct costs.

The proportion of the cost of employing those employees and of engaging contracts recovered through cost recovery rates, and the proportion recovered through direct costs is covered in item ‘01 people/payroll’ in worksheets ‘03 - last year actuals’ and ‘05 - this year estimates’.

This worksheet enables entry of the employee and contractor numbers and requires you to input the estimates as well as actuals for the relevant accounting period.

- The information must be split into permanent staff and consultants/contractors. Provide estimates and actuals for the relevant financial year. Estimates for the preceding financial year are not required for this report.
- For permanent staff and consultants/contractors you should enter direct and indirect costs for each business function. For permanent staff you should also provide the annual total new joiners and the annual total leavers.
- Explain the variances between estimates and actuals in the ‘commentary on variance’ section and provide a cross reference for each variance. Only provide an explanation for the difference between the actual headcount analysis information for the preceding relevant financial year and the estimated headcount analysis information for the relevant financial year.

08 Activity costs

Regulation 37(7)(a) requires the estimated activity costs for each type of cost. In the workbook enter costs for the following activities:

- bids and proposals;
- research and development;
- training;
- IT Infrastructure/large welfare projects;
- restructuring and reorganisation;
- special projects; and
- cost saving initiatives.

Include:

- Actual costs for the preceding financial year.
- Estimated costs for the relevant financial year.
- Any commentary on the variance between the two.

Include any other general comments in the comment box provided below the table.

Prior estimates for the preceding financial year and variance analysis between this and actuals are not required.

09 Revenue

As stipulated in Regulation 37(7)(c) you must provide a quantified analysis of the total estimate revenue for the QBU, presented in the following categories:

- revenue from any qualifying defence contract;
- revenue from any qualifying subcontract;
- revenue from any other defence contract. This can include:
    - a Single Source MOD contract not under the new Regulations;
    - a Single Source MOD contract under legacy Regulations; and
    - a competitive MOD Contract.
- any other non-MOD revenue.

This is not applicable for a non-pricing QBU.

Provide:

- the actual for the preceding financial year;
- the estimate for the relevant financial year; and
- any commentary on the variance between the two.

Include any other general comments in the comment box provided below the table.

Prior estimates for the preceding financial year and variance analysis between this and actuals are not required.

11 Recovery base

As required under Regulation 37(7)(d) you must provide estimated values for all cost recovery bases that have been used to calculate the cost recovery rates for that QBU, and for which it is anticipated a claim will be made during a future relevant accounting period. This is not applicable for a non-pricing QBU.

11.1 Recovery bases

- Include the measure for the agreed recovery base.
- Enter the units of the recovery base.
- Provide the actual of the recovery base for the preceding financial year.
- Insert the estimate recovery base for the relevant financial year.
- Include comments on the variance between estimated and actual recovery base.

Include any other general comments in the comment box provided below the table.

Prior estimates for the preceding financial year and variance analysis between this and actuals are not required.

12 Agreed rates

Regulation 37(7)(d) requires you to provide the estimated values for the cost recovery rates. Information must be provided in GBP. This is not applicable for a non-pricing QBU.

- Include the rate type.
- Enter the rate name and description.
- Provide the actual of the cost recovery rate for the preceding financial year.
- Insert the estimate cost recovery rate for the relevant financial year.
- Include comments on the variance between estimated and actual cost recovery rate.
- Include a forward trend for the next three financial years.

Include any other general comments in the comment box provided below the table.

Prior estimates for the preceding financial year and variance analysis between this and actuals are not required.

13 Future initiatives

Regulation 37(8)(b) stipulates that the report must contain a description of any material future initiatives that may be included in any future actual rates claim report or estimated rates claim report. For each initiative you are required to provide an explanation of the estimated impact on the costs analysis information over the next five periods in respect of which financial accounting statements are expected to be produced for the QBU. This is not applicable for a non-pricing QBU.

- Include the short name for the initiative.
- Enter the long description of the initiative, including the benefits to the MOD.
- Provide the anticipated profile of cost to the MOD for the next five financial years.
- Enter the anticipated profile of benefits to the MOD for the next five financial years.
- Include any other comments in the comment boxes provided.