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Defence Contract Analysis and Reporting System (DefCARS)

User guidance – a guide for defence
contractors (web version)

Version 1 – Initial Draft

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Defence Contract Analysis and Reporting System (DefCARS) – User Guidance for Defence Contractors

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1. Introduction

- 1.1 This document is issued by the Single Source Regulations Office (SSRO) and sets out guidance to assist defence contractors with statutory reporting requirements for qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs). The Defence Contract Analysis and Reporting System (referred to in this guidance as DefCARS) was re-launched as a web-based tool on 15 March 2017. Key differences between DefCARS 1 and DefCARS 2 are explained in this user guide.

Context

- 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'). There are two references to statutory reporting guidance in the Regulations:
- Regulation 22(9) Contract reports – in preparing a report, a contractor must have regard to any relevant guidance issued by the SSRO.
 - Regulation 33(8) Supplier reports – in preparing reports, the designated person must have regard to any relevant guidance issued by the SSRO.
- 1.3 Compliance and penalty notices can be issued by the Ministry of Defence (MOD) for non-compliance with reporting obligations.
- 1.4 Contract reports contain a range of data about contract requirements, payments, estimated and actual costs and profit, factors affecting delivery and sub-contracts. In some circumstances the Regulations require undertakings that are associated with contractors to report details of their businesses that are relevant to those contracts. These reports provide information about the undertaking's overheads, engagement with small and medium-sized enterprises and industrial capacity. Part 5 of the Regulations specify the contract reports that are required and Part 6 specify the supplier reports. References to the relevant Regulation for each report are included throughout this guidance.
- 1.5 The SSRO uses the data provided in reports to support its programme of studies and analysis which help it to keep the Regulations under review, inform opinions and determinations, and help it to develop statutory guidance required by the Act. The SSRO has published a number of statistical releases based on its analysis of contract report data which increase transparency for stakeholders about regulated contracts. The information (benchmarks and parametrics) can also help the MOD in future contract negotiations with industry.

System design and development

- 1.6 DefCARS has been designed to allow contractors to input data in the most efficient way possible. Data will only need to be entered once, despite being required across multiple reports and will be used for validation checks (warnings and errors) on other data entered. All data has been migrated from DefCARS 1 to DefCARS 2 and it is the responsibility of individual contractors to check that previous contract information is correctly recorded in DefCARS 2.
- 1.7 Following the first release of DefCARS in web form there may be some issues identified by users which require future system development. The SSRO will prioritise the future development that is required based on the budget it has available to it. This is the first draft of the user guide and it will be further developed with screen shots when the system is established and the SSRO has received initial feedback from users via the Reporting and IT Group which has been established with representatives from the defence industry.

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- 1.8 This guidance is based around the data entry required in the system rather than the reports the system will generate, although these reports are indicated throughout. For example, the information required for the three initial reports (Contract Pricing Statement, Contract Notification Report and Contract Reporting Plan) has been merged into a Contract Initiation Report for data entry purposes. The three individual reports can still be viewed and printed for review.
- 1.9 The information security and system administration sections of the DefCARS user guidance for defence contractors have been removed from this published version of the guidance but are available in the guidance available to users of DefCARS via links in the system.

2. General system functionality

2.1 In DefCARS some data is required in certain specified formats which are set out in Table 4 below.

Table 4 – Data formats

Data Type	Guidance
Dates	All dates must be in the format dd/mm/yyyy. Dates can either be entered by selecting the relevant date from a calendar view or can be typed in.
Percentages	Percentages should be entered as 10% rather than 0.1 or typed in as ten per cent as the system will not convert these.
Monetary values	<p>All monetary values must be in £ sterling unless it is specified in the guidance that a different currency can be used. Payments are the only area where currencies other than sterling are required. Generally most data is required in £ million (contract prices, contract values) or £ (rates).</p> <p>Where contractors need to report a different currency they will need to specify it e.g. EUR. The MOD and the contractor may use different exchange rates, but for the purposes of reporting the contracting authority's exchange rate should be used (the MOD's for QDCs and the primary contractor's for QSCs). Exchange rate assumptions are reported in the Contract Initiation Report (see paragraph 5.38) of this guidance).</p>
Decimal places	The guidance will specify the number of decimal places required and in most cases three decimal places are needed. An indication of what is required is shown throughout this user guidance. However, DefCARS can accept up to six decimal places. If a value which has more than six decimal places is pasted into a data field, the system will truncate the value at six decimal places, and will not round it.
Text	There are differing character limits on each field. The system will indicate if the character limit for a field is exceeded.
Numerical values	The system can accept values with up to ten integers. The system does not currently allow comma separators to be used when entering data. DefCARS will allow values which include comma separators to be pasted into data fields, however the commas will be removed from the formatting once pasted.

Auto-population

2.2 Some information within DefCARS will be auto-populated to reduce the data entry required to complete reports. Where the same fields appear within a report, the system will populate these throughout that report. The system will also auto-populate consistent fields between contract and supplier reports:

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- The first Quarterly Contract Report (QCR) will be auto-populated from the latest submitted Contract Initiation Report (CIR). Any subsequent QCRs will then be auto-populated from the latest submitted QCR.
- The first Interim Contract Report Higher or Lower Value (ICRH/ICRL) will be auto-populated from the latest submitted CIR. Any subsequent ICRHs will then be auto-populated from the latest submitted ICRH. Similarly, any subsequent ICRLs will be auto-populated from the latest submitted ICRL.
- The first Contract Completion Report will auto-populate from the latest ICR (of either type) if available and not auto-populate from a QCR. If no ICR is available, then it will populate from the latest CIR.
- If a draft QBUCAR report is created within 15 months of the 'Last day of the most recently completed Business Unit Relevant Accounting Period' in a previously submitted report, the system will pre-populate all 'prior year estimates' in the draft report, using the 'current year estimates' from the previous QBUCAR.

2.3 The system will not auto-populate data from any Contract Pricing Statements, Contract Notification Reports and Contract Reporting Plans submitted in DefCARS 1.

Data validation

2.4 DefCARS includes validation checks which assist users with ensuring data in reports are in the correct format, that totals sum correctly and that fields which are repeated within reports match. When validating a report, the system will highlight validation 'errors' and 'warnings'. A validation error must be addressed before the system will allow the report to be submitted. Validation warnings highlight issues with the data inputted, however the report can be submitted without correcting these. If users do not address these issues, the SSRO or the MOD may raise queries relating to these.

2.5 Users can validate the data inputted on each report page by first saving the page and clicking on the 'Validate' button. Alternatively, users can check the values in the whole report by clicking on the 'Validate report' button in the left hand navigation bar. If a page passes the automated validation checks, a green tick will appear next to the page name in the navigation bar.

Uploading Comments, Issues and Supporting Information in reports

2.6 Reports submitted by contractors will be reviewed by the SSRO's Compliance team. In the future once the system is launched and working as intended the Compliance team will add any issues they identify during this review to the system either independently or following initial discussion with the MOD so that the contractor can consider and address them if necessary. Some issues may be shared between the SSRO and the MOD which are not visible to the contractor. The SSRO's published **compliance and review methodology** sets out the details of this process and the roles and responsibilities of the SSRO, the MOD and contractors. DefCARS will eventually mirror this process collecting data against the indicators set out in the methodology.

2.7 Each page in DefCARS has a window displayed on the right-hand side of the screen titled 'Comments, Issues and Supporting Information'. Here the system user can select any data entry field on the page and may attach a comment or supporting document associated with that element. After typing a new comment the user must make sure they select 'Add a new comment'. When attaching a file the user will be asked to confirm that the data to be uploaded is classed as OFFICIAL-SENSITIVE-COMMERCIAL or lower. Users should ensure they select upload after browsing for the document.

2.8 The following file types can be uploaded onto the system:

- .doc
- .docx
- .txt
- .pdf
- .ppt
- .pptx
- .csv
- .xls
- .xlsx
- .xlt
- .xltx
- .xlm
- .xlsm
- .ods
- .mdb
- .accdb
- .jpg
- .png
- .gif
- .bmp
- .zip or .7z (containing one of the above types)¹

Contractor home page

- 2.9 When a defence contractor user logs into DefCARS a calendar will be visible on the home page. This calendar shows the report submission dates for all contract reports listed in the latest submitted reporting plan within a CIR. Dates in the calendar are based on the reporting plan in the latest submitted CNR or CRP. If suppliers have submitted an updated reporting plan in a QCR or ICR in DefCARS 1, these updated dates will not appear in the home page calendar. Contractors can submit a corrected CNR or CRP with updated dates, to populate the reporting calendar, if desired.
- 2.10 Users can navigate between years using the arrows at the top of the calendar. By hovering over a date the Contractor, Contract and Report Due Date are displayed.
- 2.11 The calendar will be blank if a Reporting Plan has not been submitted, and supplier reporting dates will not be shown on the calendar. Email notifications will alert contractors to forthcoming report submission deadlines and will in the future show when issues are raised in submitted reports, as set out in Exhibit 1 below.

Exhibit 1 – System generated email notifications

Message Category	Event
Calendar	Submission date reminder
	Report overdue reminder

¹ Archived files in this format are supported, but must contain one of the other accepted file types e.g. .xlsx, .ppt, .doc. When an archived file is uploaded, a file handler process will extract and check the file type contained within, then proceed to process it as normal if it is a supported file. This could be useful when uploading potentially large files to reduce the upload time.

Message Category	Event
Issues	SSRO issues released
	MOD issues released
Status	SSRO status changed
	MOD status changed

- 2.12 Below the calendar defence contractor users will also see a list of all the contracts that they have access to, submitted reports, and reports available or completion below the calendar. The system will highlight the status (e.g. if a report is due or overdue) and any identified issues with each submitted report in this list.
- 2.13 Users who have submitted a report in DefCARS 1 will be able to access their original Excel report submission from the list of reports (contract and suppliers) on the home page. The DefCARS 1 report will appear in the list of reports clearly labelled as a DefCARS 1 submission and will be accessible by clicking the blue link which includes the original file name and the report will then be downloaded. In a DefCARS 2 format some DefCARS 1 information may appear differently because of the structure of DefCARS 1 reports has changed.
- 2.14 Any supporting information submitted in DefCARS 1 will be accessible by clicking in the View icon for the report which has been migrated. The supporting information can be found in the Report Submission Admin page and the Comments, Issues and Supporting Information area on the right hand side.
- 2.15 Users can start new reports from this home page, where the user's permissions allow this. Once a report is submitted, it becomes read only. Users can submit a correction to a report using the 'start correction' option on the home page. All data from the submitted report will be copied to a new version which can be edited or updated. A 'new submission' icon will appear for contracts logged on the system but where no information has yet been added.

System help and guidance

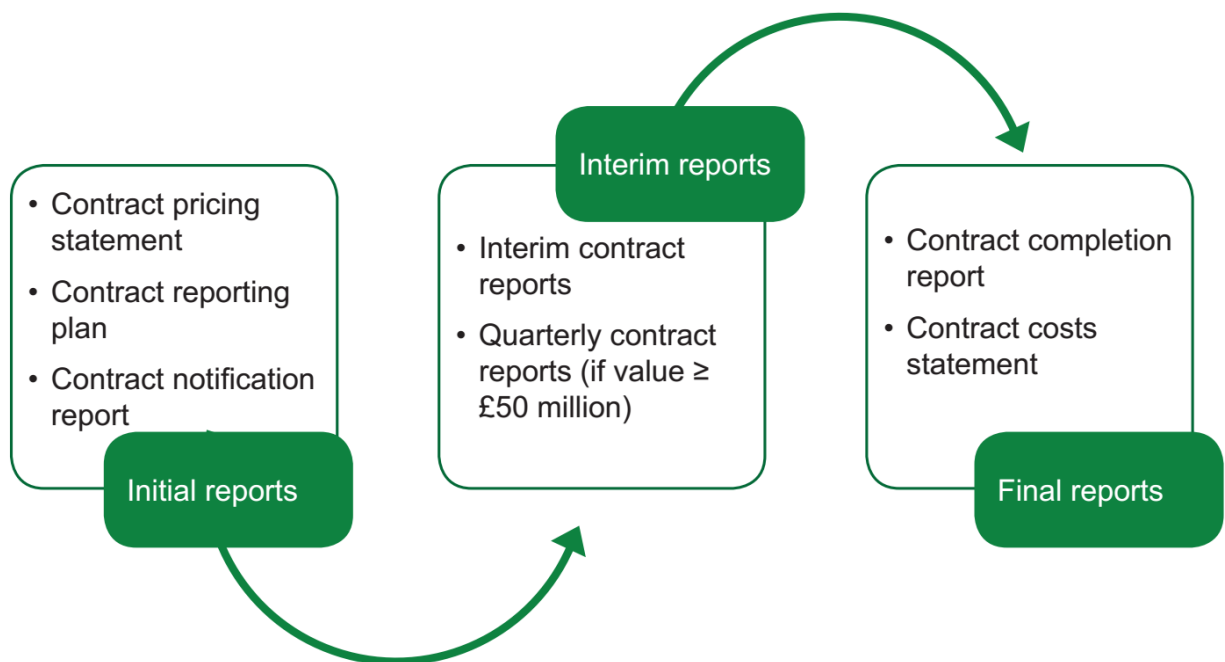
- 2.16 A help bar will appear on the left-hand side of each page, and report completion pages offer information about the page selected via the 'Get help with this page' icon.

3. Contract Initiation data entry

Before completing initial contract data for the first time contractors should familiarise themselves with Regulation 23 (Contract Pricing Statement), Regulation 24 (Contract Reporting Plan) and Regulation 25 (Contract Notification Report).

- 3.1 This section of the guidance covers the initial data entry required to generate and submit the first set of initial reports. The CPS, CRP and CNR (referred to as the Contract Initiation Report in the system) for a contractor who has a qualifying defence contract (QDC) or qualifying subcontract (QSC) must be reported within one month of entering into these contracts or when an amendment was agreed that resulted in the contract becoming a QDC.
- 3.2 Exhibit 2 below shows all the contract reports that are required.

Exhibit 2 – Contract reports



Report Home

- 3.3 Before entering data to complete a report, a brief description of the report will be provided so the contractor fully understands the purpose of the report and how it links to the Regulations. The contractor has the option to delete a previously drafted report should they wish to start their submission again.
- 3.4 Any issues logged by the MOD or the SSRO will be visible to the contractor on this page, unless the MOD and the SSRO are in initial discussions about them and have not made them active on the system.

Supplier details

- 3.5 As the contract will have been associated with the contractor in system administration the company details will be pre-populated, although the report submitter will still be able to edit them. Details about the contracting company can be kept up to date by the contractor's administrator. Anyone completing a report can amend the pre-populated company details but

should inform their administrator if any company information is incorrect so that it can be amended to inform other reports which the company might be submitting. Table 5 below sets out the contractor or supplier details that are required.

- 3.6 At the bottom of each data entry page in DefCARS, the person inputting the data can do a validation check before moving to the next page. Most pages have a save button at the bottom. The content must be saved before validation can be selected. Where they do not, entered content is saved as it is completed. Validation warnings will be highlighted in red but the report submitter can still continue to enter data and submit the report if the validation issue is not addressed.

Table 5 – Supplier Details

Data required	Guidance
Company Name	The full registered name of the legal entity submitted to a registrar of companies, such as Companies House, or an overseas equivalent.
Company Registration Number	The registered number of the legal entity (this can consist of numbers and letters).
Trading As Name	Include the Trading Name if it is different from the Company Name.
Registered Address	The full address details of the legal entity.
UK SME Classification (Select Yes or No)	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).
Last Day of Most Recently Completed Financial Period	For most defence companies the last day of the most recent accounting period will be 31 December or 31 March but can be different.
Immediate Parent Company	The name, registration number and address of immediate parent companies. A parent company has the meaning given by Section 1162 of the Companies Act 2006. This needs to only cover immediate parent companies and not the whole parent chain.
Other Relevant Information	The contractor is asked to provide any other information which is relevant to the contract and might be useful to the SSRO or the Ministry of Defence.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Report submission administration

- 3.7 To begin Contract Initiation data entry, the contractor must enter the following administration data (see Table 6).

In the previous DefCARS system contractors were asked to provide the date the report was submitted to the MOD and SSRO. This is no longer required as the system automatically captures this date.

Table 6 – Report submission administration data input

Data required	Guidance
Date this report is required by	The contractor must indicate when the report is required by. For initial reports this is one month from the date the contract was entered into or the contract was amended and became a QDC or QSC. Appendix 1 summarises when all contract and supplier reports are required by. The system will log the actual date the report has been submitted.
Supplier Staff – Contact for Report Compliance Issues	The name, position and contact details of the person who should be contacted by the SSRO if there are any compliance issues.
MOD staff – Main Project Team contact for Supplier	Each contract will be managed by a Ministry of Defence project team. The name, position and contact details of a member of the project team should be provided. The details of the person who submits the report will appear when the submitted report is viewed.
Supplier Staff – Chief Executive	The name, position and contact details of the Chief Executive of the contracted company.
Other general comments relevant to the submission of this report	Please include information which helps the SSRO to understand this contract and when it was entered into.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Contract

3.8 The contractor must enter some basic data about the contract as explained in Table 7.

The new system asks contractors to define their qualifying defence contract as either a QDC, QDC by amendment, QSC or QSC by amendment. This helps the SSRO to understand the way in which the Regulations should apply to these contracts and allows for better categorisation.

Table 7 – Contract data input

Data required	Guidance
Contract Title	The contract title should align with the title on the actual contract documentation.
Contract Description	A brief description of the goods, works or services that are to be provided under the contract, such that a reasonable person with familiarity of the defence sector could understand what is being delivered.
Contractor's Unique Reference number	The unique identifying number the contractor has allocated to the contract.
MOD's Unique Reference number	The unique identifying number allocated to the contract by the Secretary of State.
Type of QDC New field	The contractor is asked to categorise their QDC as either one of the following: <ul style="list-style-type: none"> New QDC QDC by amendment New QSC QSC by amendment

Data required	Guidance
Date Contract Entered Into	<p>Dates in DefCARS can either be typed in using the format indicated or by using the calendar functionality.</p> <p>The date the contract was entered into (date of agreement not the contract signature date if this date is different).</p>
Contract Completion Date	Enter the contract completion date or, if that date is not known, the expected contract completion date.
Latest Pricing Amendment – Date	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
Latest Pricing Amendment – Contractor Reference ID	Enter the identifying number you have allocated to the amendment.
Latest Pricing Amendment – MOD Reference ID	Enter the identifying number the MOD has allocated to the amendment.
Date contract became a QDC/QSC New field	This will be pre-populated based on the information provided in the Date Contract Entered Into or Latest Pricing Amendment Date field (see above). The date in this field will drive the annual profiles and years covered in the system (see the section below on sunk costs).
Contract Price	The price which results from the pricing formula ((Allowable Costs x Contract Profit Rate) + Allowable Costs).
Contract Value (for threshold purposes)	The contract value is to be determined by the contracting authority (see Regulation 5).
Business Units	Include any business unit in relation to which a cost recovery rate has been used in determining the price payable under the contract. Business units can be added by clicking on the blue cross icon, can be edited using the green icon and can be deleted using the red icon.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Reporting Plan

- 3.9 Dates will be generated by DefCARS based on the date a contract became a QDC or QSC, contract completion date and the contract value (see Table 8 below). The contractor will have to confirm any other reports which are required (e.g. on demand reports agreed with the Secretary of State) and the date agreed with the MOD for when they are required. Where not calculated by DefCARS, the contractor must enter the date the report becomes due as well as the date when the report must be submitted.
- 3.10 Some important definitions to consider when developing the reporting plan are set out below.

- As defined in Regulation 22, the **initial reporting date** is the date the contract was entered into (time of agreement not contract signature date if this date is different) or the date the contract was amended (if the contract becomes a QDC by amendment).
- Information needs to be **‘as at’** the initial reporting date unless the Regulations require information at a different date (e.g. the end of the quarter for quarterly reports).

Table 8 – Reporting dates data input

Data required	Guidance
Date contract became a QSC or QDC and Contract end date	These dates will be auto-populated from previously entered data.
Contract value for threshold purposes	The contract value previously entered will be auto-populated.
Quarterly contract report required	The system will pre-populate this field with Yes or No depending on the contract value previously entered. Yes will show if the contract value exceeds £50 million.
Single Fixed Mandated Requirements	This table auto-populates with the dates when the CRP, CNR, CPS, CCS and CCR are due and when they must be submitted. The months allowed for submission of these reports are displayed.
Quarterly Contract Reports (QCR)	Where QCRs are a requirement the dates when these reports are due and must be submitted are auto-populated.
Interim Contract Reports (ICR)	The contractor must add, where there is agreement between parties and where these reports are required, the dates when the reports are due. When they must be submitted by will be automatically displayed. Extra rows can be added by clicking on the blue cross. Values on a row must be saved before adding a new row.
Contract Reporting Plan (CRP)	
Contract Pricing Statement (CPS)	
Contract Cost Statement (CCS)	
Comments	Any comments that need to be made to provide explanation for any unusual dates can be made in this field.
Dates Confirmed	The contractor should tick this box to confirm that they have reviewed the reporting dates and they are correct.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Profit

- 3.11 Information on the contract price should be completed based on the information in Table 9 below.

As annual profiles start from the date the contract became a QDC or QSC, contractors may wish to submit separate information to cover the years prior to this. Annual profiles are required for profit, risk contingency, recovery bases, and MOD payments.

Table 9 – Profit data input

Data required	Guidance
Statutory Guidance (Allowable Costs) – Version Reference	Select from the drop down list, the version of the SSRO's statutory guidance on Allowable Costs that the contractor has had regard to. Current options are v1 26 January 2015 or v2 1 July 2016. The contractor should provide any relevant comments/explanation, particularly where there has been any deviation from the statutory guidance on Allowable Costs.

Data required	Guidance
Statutory Guidance (Contract Profit Rate) – Version Reference New field	Select from the drop down list, the version of the SSRO’s statutory guidance on the Contract Profit Rate that the contractor has had regard to. Options are v1 23 January 2015, v2 24 March 2016 (the 2017/18 rate will be added after launch). The contractor should provide any relevant comments/explanation, particularly where there has been any deviation from the statutory guidance on the Contract Profit Rate.
Total Allowable Costs (including any Risk Contingency Allowance)	Confirm the total Allowable Costs (including risk contingency) in the contract in £ millions to three decimal places. The contractor should provide any explanation which is useful to understand the quantum of Allowable Costs.
Total Risk Contingency included in the Allowance Costs	Confirm the element of total Allowable Costs which are risk contingency costs and which the contractor has modelled in £ millions and to three decimal places. If there is no risk contingency zero should be entered. The contractor should provide any explanation which is useful to understand any risk contingency and why this is necessary. Supporting information can be used to provide this explanation via the right hand Comments, Issues and Supporting Information window.

3.12 The following data entry relates to the calculation of the contract profit rate. The contractor should describe the calculation made under Regulation 11 to determine the contract profit rate, including all adjustments that were made under Steps 1-6. Supporting information, including calculations, and relevant comments can be reported.

Table 10 – Calculation of the contract profit rate data input

Data required	Guidance
Step 1 – Baseline Profit Rate	Select from the drop-down list, the baseline profit rate which applies to the contract. This should be the rate approved by the Secretary of State in the year that applies. A drop-down list of relevant baseline profit rates will appear. The contractor can select ‘Other’ and specify a different rate (e.g. where sunk price needs to be considered) but how this has been arrived at should be explained.
Step 2 – Contract Risk adjustment %	State any Contract Risk Adjustment that has been agreed with the MOD or the prime contractor in the case of a QSC. This must be within a range of plus or minus 25 per cent of the baseline profit rate.
Step 3 – Profit on Cost Once (POCO) adjustment %	State any deduction (this should never be an increase) from the amount resulting after Step 2. The adjustment should be determined in accordance with Regulation 12, so as to ensure that profit arises only once in relation to those Allowable Costs under the contract that relate to the price payable under any group subcontract (including any further group subcontract). The SSRO provides a methodology (see SSRO guidance on adjustments to the Baseline Profit Rate) for contractors to use to calculate any deduction required. Any supporting information should be attached.

Data required	Guidance
Step 4 – SSRO funding adjustment %	State the SSRO funding adjustment. This should be the rate approved by the Secretary of State in the year in which the contract was entered into. This adjustment applies for the first time from 2017/18.
Step 5 – Agreed Incentive adjustment %	State any Incentive adjustment agreed with the Secretary of State. This adjustment can be between zero and two percentage points. Provide the name of the file to support the calculation.
Step 6 – Capital Servicing Allowance adjustment %	<p>The SSRO provides an approach to calculating the Capital Servicing Allowance (CSA) adjustment which is explained separately in paragraphs 5.13 – 5.14 below and available by selecting the blue Capital Servicing Allowance Adjustment Calculator button.</p> <p>Alternatively contractors can enter a % amount for the CSA adjustment but we would expect this would be supported by equivalent information on how it was calculated.</p>
Contract Profit Rate % (CPR)	This amount will be calculated by DefCARS based on the percentages confirmed at Steps 1 – 6. Contractors should ensure that the rate presented in the cell is the final rate used to price the contract. Users can overwrite the value that is calculated but must consider that the Regulations state that the contract profit rate is the result of applying the six steps. If a value is entered the user will see a validation message where there is a difference between the calculated value and an overwritten one.
Contract Profit	The profit element of the contract price will be presented in £ million for the contractor to review and confirm based on the calculation Contract Profit Rate as percentage * Total Allowable Costs (including risk contingency allowance).
Contract Price	The contract price will be presented in £ million for the contractor to review and confirm based on the calculation Total Allowable Costs (including risk contingency allowance) + Contract Profit Rate expressed as an amount. There is a validation rule to check this figure agrees to the previously entered contract price.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Capital Servicing Adjustment Calculation

- 3.13 The capital servicing adjustment ensures that a contractor receives an appropriate and reasonable return on their investment in fixed and working capital. The Capital Servicing Adjustment (CSA) calculation requires input of three pieces of data that are likely to be held by the prime contractor and their group-subcontractors and not the MOD – the fixed capital, working capital and cost of production.
- 3.14 The SSRO's **statutory guidance** on Adjustments to the Baseline Profit Rate includes further guidance on the capital servicing adjustment calculation. The following are new data fields in DefCARS but will make it easier for contractors to demonstrate that they have made the correct Step 5 adjustment. The contractor should state if the Capital Servicing Adjustment has been agreed with the MOD and is final.

Table 11 – Capital servicing adjustment data input

Data required	Guidance
Reporting period to which these costs relate	This is the financial year which the figures entered below apply to.
A - Fixed Capital	The total capital that is invested in fixed assets, that stay in the business almost permanently – or at the very least, for more than one accounting period. All figures in this calculator should be entered in £ million to three decimal places.
B - Working Capital	A measure of both a company's efficiency and current/short-term (up to one year) financial health. It indicates how much capital a company uses in its day to day activities.
Total Capital Employed	The total of A + B. The total amount of capital used for the acquisition of profits or the capital investment necessary for a business to function. The SSRO defines this as the sum of fixed and working capital. A contractor must initially establish the average capital employed for the unit of their business most relevant to the QDC or QSC, such as a subsidiary company, division or site location. The contractor should apply the most relevant unit of their business based upon their professional judgement. If figures cannot be isolated then, in exceptional circumstances, capital employed can be calculated for a contractor's business as a whole.
Single Business Unit	The contractor is asked to confirm (Yes or No) whether the figures relate to a single business unit. If not, the contractor should list the business units which the figures apply to.
D – Cost of Production	A cost incurred by a business when manufacturing a good or providing a service before financing charges (interest). It is calculated as: cost of production = operating revenue (turnover) – operating profit/loss [EBIT]. It will normally include all the material, labour and overhead costs of the business unit subject to adjustment for certain items which are explained in the SSRO's statutory guidance on the Contract Profit Rate.
E – CP:CE ratio	The result of D divided by C. The ratio formed by dividing a contractor's cost of production by its capital employed. This ratio can be used at the company level or can be used to attribute a proportion of the contractor's capital employed to individual contracts.
F – Fixed capital as a proportion of capital employed	The result of A divided by C.
G – Working capital as a proportion of capital employed	The result of B divided by C.
H – Capital servicing rates used (year)	The contractor should select the relevant year and the capital servicing rates (fixed capital servicing rate, positive working capital servicing rate, negative working capital servicing rate) approved by the Secretary of State will be auto-populated.
L - Capital servicing rate	The capital servicing rate which applies to the contract will be calculated.
M – Capital servicing adjustment	The capital servicing rate is divided by the CP: CE ratio to give the capital servicing adjustment for the contract.

Pricing method breakdown

- 3.15 The contractor must confirm which of the six regulated pricing methods (this can be one or many) apply to the contract by inputting the price resulting from each method in £ millions to three decimal places. There is a validation message to ensure the price matches that reported earlier.
- 3.16 The contractor can provide any relevant comments about the pricing method(s) used on the contract. If the contractor has used a pricing method which is not one of the six regulated methods they should explain the method and the price associated with it in the comments field.

Defined Pricing Structure (DPS Inputs)

- 3.17 The SSRO developed Defined Pricing Structure (DPS) principles which were published in June 2015. These principles have been incorporated into this DefCARS user guidance. The SSRO also published 16 different DPS templates on its website.
- 3.18 Contractors should consider the outputs being delivered and/or the services being provided within the contract and select a DPS which most closely matches these. The contractor should agree which of the 16 DPS templates is to be used with the Ministry of Defence during contract negotiations. The DPS should only be edited, in agreement with the MOD. Where a non-standard (not one of the 16) structure is agreed with the MOD the contractor should contact the SSRO helpdesk or call 0203 771 4785 to discuss how this can be reported.
- 3.19 Contractors should use a consistent approach when apportioning or allocating data (for example, costs for the DPS) within reports. The basis of apportionment or allocation should be clearly explained.
- 3.20 The level of relevant detail provided should relate to the total contract costs. The larger a contract, the more detail is expected. For example, the SSRO expects to see more lines of the DPS and a more detailed cost breakdown for a high value contract than for a lower one². This also applies to the contractor reporting structure used by the contractor in reports where the DPS is not required. Contractors should therefore ensure sufficient cost breakdown based on the value of the contract.
- 3.21 The contractor should first select the most appropriate and agreed defined pricing structure from the list of 16 in the drop-down list. Once selected the relevant DPS lines for that structure will appear. The contractor should then select each DPS line which they are going to allocate costs to by ticking the data input option after each relevant description. Detailed descriptions for each line are provided to help with selection.
- 3.22 Table 12 below illustrates how costs can be broken down within a Defined Pricing Structure. The contractor should ensure that the DPS is constructed so that each level of disaggregation 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.

² The required length of the DPS will vary depending on the contract value. As not all categories or levels need to be completed for each contract, the predicted length of the DPS is as follows:

- Under £10m: 10 – 20 rows
- Under £100m: 30 – 60 rows
- Over £100m: 60 – 100 rows

3.23 DefCARS is designed in such a way to allow simple data entry of the structure. For example, if there are two Level 3 items selected, DefCARS will not allow a user to populate the Level 2 total. To complete a Level 2 total, Level 3 items need to be unticked.

Table 12 – Defined pricing structure cost breakdown example

Level 1	Level 2	Level 3	Level 4
Contract Value £220m Profit = £20m Level 1 = £200m	£100m	£35m	£10m
			£5m
			£20m
		£10m	£1m
			£9m
		£55m	£5m
		£40m	
		£10m	
	£20m	£5m	£5m
			£0.5m
		£15m	£14.5m
	£10m	£2m	£2m
			£8m
	£70m	£20m	£4m
			£16m
		£50m	£18m
£3m			
£29m			

3.24 The Other lines can be used where there are likely to be costs which cannot be allocated to descriptions included in the DPS. Where Other lines are used a system user should click on the right hand Comments, Issues and Supporting Information window to explain what costs are included. When adding comments please ensure you select the relevant DPS code you are commenting about.

3.25 DPS descriptors are not editable in DefCARS. Where a user wants to provide an explanation alongside a descriptor then the same approach of using Comments and Issues should be adopted. Once the DPS lines have all been selected the user needs to Save and Validate the page before moving on to allocate costs to the structure on the next page.

DPS Input Values

3.26 The DPS lines which have been selected are displayed. Those cells which require costs (£ million to three decimal places) appear white. The costs should exclude risk contingency related costs. Grey cells will calculate based on data entered in the white cells. All columns will have the cost status Priced Estimate shown. Costs which cannot be allocated to any financial year need to be added in the not-profiled column. The contractor should reflect in the final column any of the total amount which is non-recurring expenditure. The system will indicate if the costs entered in this breakdown exceed the total Allowable Costs (including risk contingency) entered earlier.

Summary Analysis of Price

3.27 The contractor must allocate the breakdown of risk contingency and profit across the number of years that the contract is for. As this is the beginning of the contract the cost status flags will all show as Priced Estimate. The Allowable Costs (excluding risk contingency)

information will be auto-populated based on data entered against the DPS. This will be shown in £ millions to three decimal places.

- 3.28 A % of total cost (may be to six decimal places) will be calculated when the contractor identifies the risk contingency allowance element of the total Allowable Costs, profit in each year, excluding any incentive adjustment, and any incentive adjustment related profit. This data can be entered by selecting the green icon and deleted by selecting the red icon. The breakdown provided should match the Allowable Costs (Profit page) and Contract Price (Contract page) previously entered.

Cost recovery rates

- 3.29 Contractors are asked to provide a detailed breakdown of cost recovery rates as these can make up a significant proportion of Allowable Costs. Two important definitions in the Regulations are set out below.

- **Cost recovery base** - the unit of measure to which a cost recovery rate is applied in order to calculate a cost under a contract
- **Cost recovery rate** - a rate calculated for a business unit that is used to determine a cost payable under a contract, being a rate per unit of a cost recovery base that is multiplied by the quantum of that cost recovery base to determine the cost.

- 3.30 This data collection will appear new for contractors who previously submitted reports through the previous DefCARS. This new table pulls together information previously collected in separate areas of the old reporting templates. Users need to click on the blue cross icon to add individual recovery rates.

Table 13 – Cost recovery rates data input

Data required	Guidance
Pricing business unit name	The name of the business unit which the cost recovery rate is associated with.
Name of cost recovery rate New field	A name should be attached to the cost recovery rate which explains the type of activity the rate is associated with. For example, engineering, maintenance. For small contracts there may be a single recovery rate for the whole contract.
Recovery base units	The unit of measure to which the cost recovery rate will be applied. For example, hours, square feet.
Type of cost recovery rate New field	The rate can be described as Labour, Labour and Overhead, Overhead or Other.
Rate Type New field	This will either be £ or a percentage.
<i>For each year of the contract the following data needs to be entered.</i>	
Volume	The quantum of activity by which the cost recovery rate will be multiplied by.
Rate (£s)	The cost recovery rate in £. This is different to the normal £ million required in other parts of the system.

Data required	Guidance
Of which overheads (if applicable) New field	The amount in £ of the cost recovery rate which is related to overheads. For example, if the cost recovery rate is £10 per hour, the overhead proportion could be £3 of that £10.
Rate agreed by the MOD New field	Final or Provisional. Contractors will normally receive confirmation from the MOD’s Cost Advisory and Assurance Service (CAAS) when rates are approved.
<i>For costs which cannot be allocated to individual years</i>	
Not profiled	There may be some rate related costs which cannot be profiled to any individual year.

Cost breakdown

3.31 A summary table will be presented (titled Cost Breakdown) which will provide a breakdown of total Allowable Costs by the categories listed below. The fields collected in this summary table are new except for those which are pre-populated from information entered on the cost recovery rates page and therefore require data entry. This summary table should not replace any cost model which the contractor decides to include with their submission.

- labour (from rates information in table above), the figure shown will be the result of individual rates times volume by year and individual rate type;
- labour (other costs);
- overheads (from rates information in table above), the figure shown will be the result of individual rates times volume by year and individual rate type;
- overheads (other costs);
- material (e.g. steel, components) costs;
- costs which have been sub-contracted;
- risk contingency costs (pre-populated from the ‘Total Risk Contingency included in Allowable Costs’ field on the Profit page);
- unreconciled costs; and
- total (pre-populated from figures entered above).

3.32 Additional rows can be added by selecting the blue cross icon at the top of the table. Users will need to give a clear name to the new element they are including.

Assumptions

3.33 Contractors must describe:

- the contractor’s facts, assumptions and calculations relevant to each element of the Allowable Costs (including those relevant to any risk contingency included in the Allowable Costs); and
- any facts or assumptions provided by the Secretary of State and used by the contractor in those calculations.

- 3.34 All information materially relevant to the contract price for any qualifying defence contract is required. The MOD and the SSRO will use the information to understand how the price has been calculated, to satisfy themselves that the law has been followed, and that due regard has been given to the statutory guidance.
- 3.35 The information required on assumptions, facts and calculations ideally should be provided using the fields in DefCARS. If this is not possible, supporting documentation (for example, in a cost model) can be provided. This may be the case where the recovery base data has not been provided or where the initial review of the submission by the SSRO raises some queries.
- 3.36 Information provided can either relate to input assumptions or calculations and will apply to risk related or non-risk related Allowable Costs. Ideally the assumptions should link through to the calculations which support them. Below are some examples of information which contractors could provide under the four information categories:
- **Allowable Costs (excluding risk) - input assumptions.** Examples include: an MDAL (Master Data Assumptions Log), a jointly-owned or contractor-developed cost/price model, detailed engineering cost models, make/buy plans;
 - **Allowable Costs (excluding risk) - calculations.** Examples include: a jointly-owned or contractor-developed cost / price model, detailed engineering cost models;
 - **Risk and Contingency Allowance - input assumptions.** Examples include: a risk register, supplemented where necessary with the numerical inputs to the risk modelling calculations; and
 - **Risk and Contingency Allowance - calculations.** Examples include: a jointly-owned or contractor-developed risk model.
- 3.37 For each assumption, fact and calculation contractors should provide the following information. This information is about all assumptions except for inflation rate and exchange rate assumptions which are dealt with separately.

Table 14 – Assumptions input

Data required	Guidance
Information category	One of the four categories listed above. Depending on which is selected some cells will be greyed out where no data entry is required. For example, if an assumption is selected then the fields asking for information on calculations will be greyed out.
Assumptions	
Description of assumption	A clear description of the assumption which would be understood by a reasonable person with familiarity with the defence sector.
Value if number	A number value in £ sterling.
Relevant Units	Any volume based assumptions should be quantified.
Explanation of source and justification of use	A brief explanation of the source of the information or assumption and why the contractor considers them to be relevant.
Calculations	
Purpose of calculation – output derived	An explanation of why the calculation is being used.

Data required	Guidance
Description of calculation (inputs required, assumptions relied upon)	A brief explanation of the calculation and how it is applied.
Other relevant comments	Any other comments which the contractor considers to be relevant.
Assumption provided by the Secretary of State?	The contractor should state if the assumption, fact or calculation has been provided by the Ministry of Defence.

Assumptions Inflation and Exchange Rates

- 3.38 The SSRO asks contractors to separately explain any inflation and exchange rate assumptions which have been applied. These are all new fields. Contractors should provide the following information about these types of assumptions by selecting the blue cross.

Table 15 – Inflation and exchange rate assumptions data input

Data required	Guidance
Assumption	The contractor should identify if the assumption is related to inflation or exchange rates.
Assumption description	A clear description of the assumption.
Pricing method	This field will not be pre-populated from earlier pricing information provided so the user needs to enter this.
Variation of Price (VOP) clause	The contractor should confirm if the contract includes a VOP clause for this assumption.
Type of cost assumption	The contractor should identify what type of cost assumption the inflation or exchange rate assumption applies to.
Annual profile	Contractors are asked to identify rates by year and the Allowable Costs that are linked to each rate. Any costs which cannot be profiled should also be included.

Sub-contracts

- 3.39 Contractors must provide a description of actual or intended sub-contracts which the primary contractor has entered into, or intends to enter into, for the purpose of enabling it to perform its obligations under the qualifying defence contract or qualifying sub-contract. There may be scenarios where a contractor does not yet know there will be sub-contracts when they submit their initial set of reports. If full information is not known at this time, partial information can be provided and updated through later reports.
- 3.40 Each defence sub-contract required must have a value not less than £1 million (or if there are more than 20 such sub-contracts, each of the 20 which have, or are expected to have, the highest value). The contractor must include the following information for each contract.

Table 16 – Sub contract data input

Data required	Guidance
Subcontractor	Include the name of the sub-contractor if the sub-contract meets the criteria.

Data required	Guidance
Registration Number	If the sub-contractor is a registered company, include the full registered name (made to a registrar of companies such as Companies House or an overseas equivalent), company registration number and the address of its registered office.
Registered Address	
Associated Company	The primary contractor should declare if the sub-contractor is associated with them.
SME (select Yes/No)	The primary contractor must identify if the sub-contractor is a small or medium sized enterprise.
Summary description	This should describe the scope of the contract and the key deliverables.
Date Entered Into/Expected	Enter the date the sub-contract was, or is expected to be, entered into and the contract completion date, or expected contract completion date.
Expected End date	
Price	Enter the actual (or estimated) price payable under the sub-contract.
QSC assessment	Confirm if the sub-contract has been assessed and if it is a qualifying sub-contract.
Sub contract exercised New field	Confirm if the sub-contract entered into has been exercised with a tick.
Total value of all sub-contracts (including those under £1 million) New field	The contractor should enter the total value of all sub-contracts. This needs to include sub-contracts valued below £1 million so this value could be greater than the individual sub-contracts detailed above. The percentage of contract price attributed to sub-contracts will be calculated.

Payment

- 3.41 Contractors must provide a list and profile of all payments exceeding £100,000 or 1 per cent of the contract value (whichever is greater) expected to be made by the Secretary of State. Any individual payments can be explained if necessary. Initially these payments will be expected payments and actual amounts will be updated in future quarterly and interim reports.
- 3.42 Individual payments can be selected using the green cross icon. Once the individual payments are shown then the annual profile can be added below them, again by selecting the green cross icon. The information required is explained in Table 17 below.

Table 17 – Significant individual payments data input

Data required	Guidance
Contracted Date	For each payment, include the date on which the payment is expected to fall due.
Actual/Expected Date	For each payment, include the actual or expected payment date. In the Contract Initiation Report all payments should be expected rather than actual.
Currency	As required by the contract, select the appropriate currency in which the contractor expects the Secretary of State to make payments.
Amount	For each payment, include the amount or expected amount of each payment in £ million to three decimal places.

Data required	Guidance
Annual profile summarising all contracted payments	Provide an annual profile of all significant individual payments the contractor requires the Secretary of State to make, in the required currency. Amounts must exclude any final adjustment/ settlements and be made to three decimal points.

Key deliverables

- 3.43 Contractors must provide a list of key **deliverables** (name and description) 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. It would be expected that there would be at least one key deliverable. Examples of deliverables include a completed vessel, available engines or delivery of a training programme. DefCARS requires a short name for the deliverable and a description.
- 3.44 Contractors must also provide a list of the **output metrics** that will be used to describe deliverables. Metrics associated with a deliverable are added by clicking on the green arrow icon. 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). Metrics can be drawn from the contractor’s performance management system, where applicable.
- 3.45 Examples of metrics include quantity of aircraft/engines that are available or the weight of a finished vessel. Each metric should be linked to a DPS line and description. Users are able to enter as many metrics as they wish against each deliverable. There should be at least one metric per key deliverable. For each metric contractors should:
- provide a parameter;
 - define the metric, for example, test hours for vessel engines; and
 - include the value (not £) and units of the quantity for each metric. For example, value = 300; units = hours.

Milestones

- 3.46 Contractors must also provide a list of all delivery **milestones** set out in the contract. Where the contract sets an expected date for a delivery milestone to be completed, contractors should include that date. There should be at least one milestone. Examples of milestones include completion of sea/flying trials, completion of plans or design and delivery of the final product. Contractors should:
- Include a short name for the milestone and a longer milestone description. For example, delivery or receipt of parts;
 - Include the contracted target date as well as the actual or forecast completion date; and
 - Explain any material date variance in the comments box, although there may not be any variance at any early stage of contract delivery.

Reminder of obligations

- 3.47 Data entry should now be complete for the Contract Initiation Report. Contractors will be asked to review their information before submitting and should declare that the following three statements are true or explain why they are not:
- The estimates of Allowable Costs used in the calculation of the contract price comply with all relevant parts of Section 20 of the Defence Reform Act 2014. Any departure from guidance issued under Section 20(1) of the Defence Reform Act has been identified and explained in the Contract Pricing Statement.
 - The Contract Profit Rate has been calculated in accordance with Sections 17, 18 and 19 of the Defence Reform Act 2014 and the Single Source Contract Regulations.
 - The price of this contract has been calculated with the formula in Section 15 of the Defence Reform Act 2014, and the figure stated is the same as the price stated in the final signed version of the Contract to which the Contract Pricing Statement relates.

Submission

- 3.48 The report submitter should review all data entered before saving and submitting the report. Reports can be downloaded in PDF or Excel format. At the launch of DefCARS the format of reports will not be finalised and these will improve over time.
- 3.49 Users can review the Contract Notification Report, Contract Pricing Statement and Contract Reporting Plan separately. When selecting one of these three view data options, the contractor will see a complete CIR report which highlights the elements of the report they have selected, and shades the other elements in the report in grey.

4. Updating contract data – Quarterly Contract Report (QCR)

Before completing the Quarterly Contract Report for the first time contractors should familiarise themselves with Regulation 26.

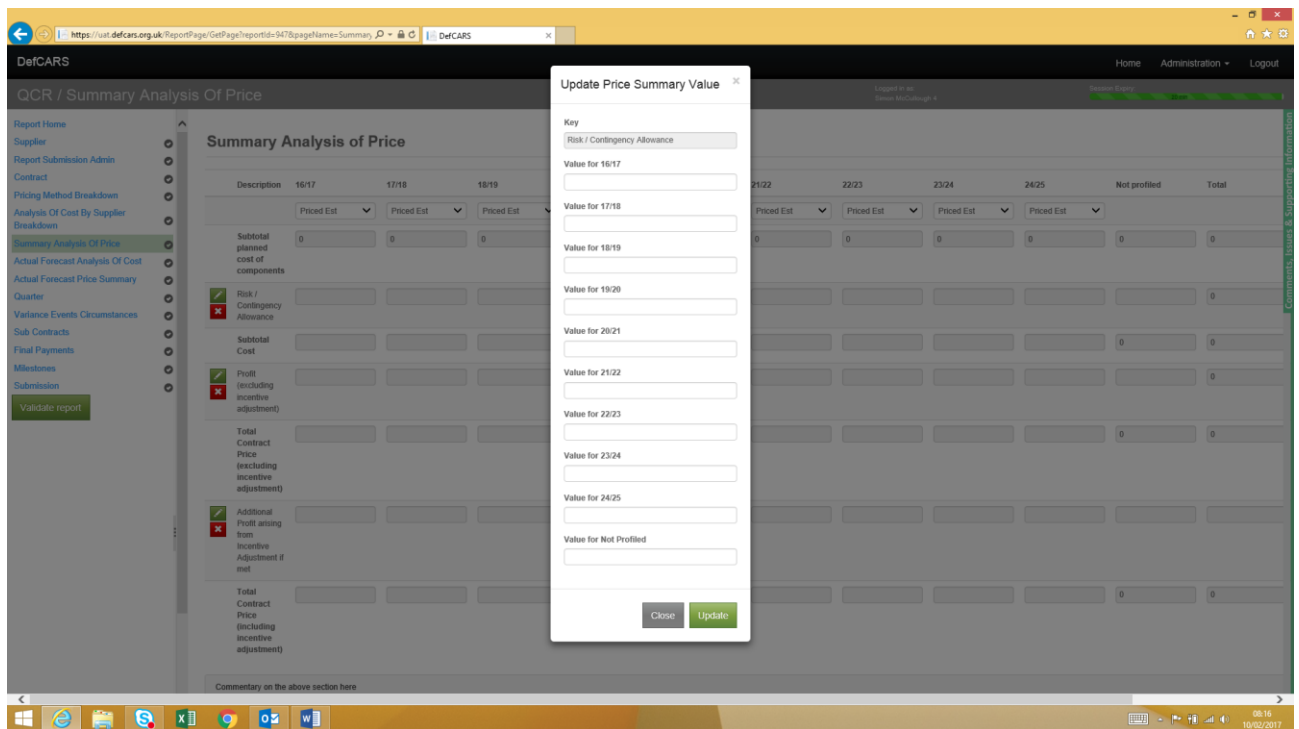
- 4.1 A quarterly contract report (QCR) is not required if the value of the contract is below £50 million. A QCR is required within one month of the end of the calendar quarter from the initial reporting date until the contract completion date. No report is required for the calendar quarter in which the initial reporting date or contract completion date fall.
- 4.2 The supplier and contract information will not be auto-populated from the Contract Initiation Report, unless the CIR was submitted into the new system. For guidance on the following sections see Section 5 on the Contract Initiation report:
- **Supplier**
 - **Report Submission Administration**
 - **Contract**
 - **Pricing Method Breakdown**

Analysis of Cost by Supplier Breakdown

- 4.3 In Quarterly Contract Reports, contractors are required to report using their own reporting structure rather than the Defined Pricing Structure. The contractor will be required to enter this structure and provide an annual profile of estimated costs. The years to be covered will be based on the number of years displayed.
- 4.4 Each reporting line needs to be added individually by selecting the blue cross icon and then costs allocated in the relevant year or in the not profiled column. The contractor should be satisfied that the total Allowable Costs have been correctly profiled.

Summary Analysis of Price

- 4.5 Once the Analysis of Cost By Supplier Breakdown has been completed the contractor will be asked to confirm the element of estimated costs that relate to risk contingency allowance. The contractor will also confirm the estimated profit (excluding Incentive Adjustment) and separately any additional profit arising from an incentive adjustment.
- 4.6 The price reported should be the original contract price unless there has been a contract amendment between the previous and current report which has resulted in a different price. This means any variance reported in actual/forecast tables will be following the amendment and not include elements of pre and post amendment. Differences between the original price and the amended price can be easily understood by comparing the CIR and subsequent QCRs or ICRs.
- 4.7 This is done by selecting the green icon on the left of the page for each element of breakdown required as per the screen shot below.



- 4.8 Estimated costs and profit must be split across financial years or all included as not profiled. Totals should be checked by the contractor to ensure they are correct.

Actual Forecast Analysis of Cost

- 4.9 The contractor now must report an annual profile of the costs already incurred and the forecast costs which are expected to be incurred, or a combination of both. Costs are again built up using the contractor’s own reporting structure. For each financial year, the contractor will be asked to confirm whether the cost status is one of the following four categories:

- final actual costs (ideally audited and included in the company’s financial statements);
- provisional actual costs (not yet subject to audit);
- a combination of forecast and actual costs; or
- forecast cost (expected costs).

Actual Forecast Price Summary

- 4.10 Once complete, the contractor should split the information in the same way as in paragraph 6.5 - 6.7 above in the page titled Actual Forecast Price Summary.

Quarter

- 4.11 The report requires a breakdown of costs, by the contractor’s reporting structure, already incurred and the forecast costs by reference to the calendar quarters of each of:

- the previous financial year;
- the current financial year; and
- the next financial year.

4.12 The contractor must select the government financial year (April to March) and calendar quarter to which the report relates and then select save. This will determine which cells need to be completed in the previous, current and next financial year format with the relevant quarter column highlighted in green. The contractor must then confirm the cost data status for each quarter using the categories included at paragraph 6.9 above. DefCARS will provide a comparison between the financial year totals entered on this page to those entered on the previous page (Actual-Forecast) and if they do not match there will be a validation message.

Variance, events and circumstances

The information on variances is in a new format to link variances to risks and opportunities (events).

4.13 The quarterly contract report (QCR) 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. DefCARS, based on information already completed by the contractor, will calculate the variance between the total planned costs (including any risk contingency) and the total actual and forecast costs to completion.

4.14 The QCR requires a description of any event that has occurred, or circumstances which have arisen, since the contract was entered into, that have had or are likely to have a material effect in relation to the contract. The information in Table 18 should be completed for each variance, event or circumstance the contractor is required to report.

Table 18 – Variance, events or circumstances

Data required	Guidance
Title of variance, event or circumstance	Short title for the variance, event or circumstance which explains why it had an impact on delivery of the contract.
Cause New field	The contractor is asked to confirm if the variance, event or circumstance is being reported as a cause of variance, or an event or circumstance or both. A variance will have a quantifiable impact on cost, an event or circumstance may be something which happens which the contractor wants to report but has not yet had a financial impact, but may do in the future. It is important to select the right category as it determines what further information is required.
Brief description of event or circumstance or cause of variance	Short explanation of the variance, described in a way which the MOD and SSRO would understand.
Date recognised	Date in the format - dd/mm/yyyy.
Allowed for in Risk Contingency Allowance	The contractor should confirm (Yes or No) if there is an allowance in risk contingency costs for this event or circumstance.

Data required	Guidance
Effect on costs already incurred	The contractor is asked to confirm if there is a financial effect, which the event or circumstance has had on costs already incurred, which can be quantified in £ millions to three decimal places. This field will only accept a number.
Forecast effect	The contractor is asked to quantify the forecast effect that the event or circumstance will have on forecast costs which it is expected will be incurred in £ millions to three decimal places. This field will only accept a number.
Variance <div data-bbox="240 658 427 719" style="background-color: #008000; color: white; padding: 2px; display: inline-block; border-radius: 5px;">New field</div>	The contractor is asked to confirm (Yes or No) whether the event or circumstance has caused a variance between any estimated costs used to determine the contract price and total actual and forecast costs.
Amount of Variance	Select the calculate button to work out the sum of the effect on costs already incurred and forecast effect in £s. The remaining variance after each variance, event of circumstance is entered is shown so the user is aware of whether they have passed the 90 per cent threshold.
% of total variance	This is calculated by DefCARS. The sum of these figures for each event or circumstance must be not less than 90 per cent of the total variance.
% of total planned costs	This is calculated by DefCARS.

The following are new fields which aim to better understand the impact of contract amendments.

Data required	Guidance
Contract amendment	The contractor is asked to confirm (Yes or No) if there has been a contract amendment that has had a material effect and led to a re-determination of the contract price.
If Yes	
Costs relating to the amendment	The contractor is asked to confirm in £ millions the costs relating to the contract amendment.
Profit rate used for amendment	The contractor is asked to confirm the new contract profit rate (using each of the six steps) in % (number value only not text). DefCARS calculates the total profit rate used for amendment in %.
Pricing method breakdown used for the amendment	The contractor is asked to confirm the pricing method breakdown used for the amendment in £ millions. DefCARS calculates the total amendment cost in £ millions.

Data required	Guidance
Contract completion date	The contractor is asked to confirm if the contract completion date has changed (Yes or No).
If Yes	
Contract completion explanation	The contractor is asked to provide an explanation of the reasons behind any change in the contract completion date.

Sub-contracts

4.15 The contractor is asked to update information on sub-contracts, first reported in the Contract Initiation Report, in the Quarterly Contract Report. Information on this is included in paragraphs 5.39-5.40 of the user guide.

Final payments

4.16 The QCR must contain a forecast total cost incentive fee (TCIF) adjustment or any final price adjustment (see Regulation 16) which the contractor expects to make. The contractor should enter the amount of any positive (due to the contractor) or negative (due to the MOD) adjustment for any of the following payment types with any explanation which is necessary:

- Protection from Excess Profits and Losses (PEPL);
- TCIF adjustment;
- incentive adjustment; and
- other (KPI).

4.17 It would be helpful if in the comments box contractors could state if the payment type is not applicable and confirm if no adjustments are foreseen.

Milestones

4.18 Contractors should provide an update to the milestone information that was initially reported in the Contract Initiation Report. See paragraph 5.46 for further information on how to complete milestone information.

5. Updating contract data – Interim Contract Report (ICR - Lower and Higher Value)

Before completing the Interim Contract Report for the first time contractors should familiarise themselves with Regulation 27.

5.1 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 five years following the time of agreement to the contract for QDCs with a value less than £50 million and no more than three years for QDCs with a value more than £50 million. This section of the guidance includes all the requirements for the lower value report (<£50 million) and identifies those which do not apply for the higher value report (≥£50 million). The dates for interim contract reports are summarised in Table 19 below.

- 5.2 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 and no more than five years after the previous reporting date.
- 5.3 If no agreement on reporting dates has been reached between the primary contractor and the Secretary of State, the reporting dates for interim contract reports will be three years (for low value report) and 12 months (higher value report) after the calendar quarter during which the initial reporting date fell and each anniversary of that date.

Table 19 – Reporting dates for Interim Contract Reports

	< £50 million		≥ £50 million	
	1 st report	Later reports	1 st report	Later reports
Agreed date	≤ 5 years from time of agreement	≤ 5 years from previous reporting date	≤ 3 years from time of agreement	≤ 3 years from previous reporting date
Without agreement	3 years after last date of the quarter of initial reporting date	Each third anniversary	12 months after last date of the quarter of initial reporting date	Each anniversary

- 5.4 The following supplier and contract information will be auto-populated from the Contract Initiation Report. For guidance on the following sections see Section 5 of the Contract Initiation report:
- **Supplier Details**
 - **Report Submission Admin**
 - **Contract**
 - **Pricing Method Breakdown**
- 5.5 The guidance below explains the information that is required to submit an Interim Contract Report (lower value). The Interim Contract Report (higher value) does not require information on sub-contracts, final payments and milestones as this information is collected in Quarterly Contract Reports as explained in Section 6.

DPS Inputs

- 5.6 The Defined Pricing Structure from the Contract Initiation Report flows through to the interim report. If the DPS has changed since the CIR was submitted, the CIR will need to be amended and re-submitted. Any change in DPS needs to be agreed with the MOD. For guidance on inputting the DPS see Section 5 of the Contract Initiation Report in this guide.

DPS Input Values

- 5.7 The DPS lines which have been selected are displayed. Those cells which require costs (£ million to three decimal places) to be entered will be white. Grey cells will auto-populate based on data entered in the white cells. Costs which cannot be allocated to any financial year need to be added in the not-profiled column. The contractor should reflect in the final column any of the total amount which is non-recurring expenditure.

Summary Analysis of Price

- 5.8 Once this has been completed the contractor will be asked to confirm the element of estimated costs that relate to risk contingency allowance. The contractor will also confirm the estimated profit (excluding Incentive Adjustment) and separately any additional profit arising from an incentive adjustment. These estimated costs and profit must be split across financial years or all included as not profiled. Totals should be checked by the contractor to ensure they are correct and any non-recurring expenditure should be identified.

Actual Forecast DPS Input Values

- 5.9 The contractor now must report an annual profile of the costs already incurred and the forecast costs which are expected to be incurred, or a combination of both. Costs are again built up using the defined pricing structure. For each financial year the contractor will be asked to confirm whether the cost is one of the following four categories:
- final actual costs (ideally audited and included in the company's financial statements);
 - provisional actual costs (not yet subject to audit);
 - a combination of forecast and actual costs; and
 - forecast cost (expected costs).

Actual Forecast Price Summary

- 5.10 Once complete, the contractor should split the information in the same way as in paragraph 7.8 above.

Variance, events and circumstances

- 5.11 See paragraphs 6.13 – 6.14 of the quarterly report section of this user guide for information on reporting of variances, events and circumstances for the Interim Contract Report (Lower Value). The information required for the Interim Contract Report (Higher Value) is much more simple and straightforward to complete.

Cost Recovery Rates

- 5.12 The user must identify and enter data for each cost recovery rate used to determine the estimated Allowable Costs. In order to do this the following is required:
- name of the pricing business unit name;
 - the recovery base units; and
 - the volume of each unit in each year or not profiled.

Actual Forecast Cost Recovery Rates

- 5.13 For the same rates entered on the previous page the contractor must confirm the actual and forecast volumes confirming the cost status using the four categories in paragraph 7.9 above.

Sub-contracts

- 5.14 The information provided in the Contract Initiation Report and, if required, the Quarterly Contract Report on sub-contracts should be updated.

Payments

- 5.15 In the Contract Initiation Report the contractor reported payments they expected to be made. In the Interim Contract Report, payments which have been made or which are expected to be made should be reported. The information required is set out in the Table 20 below.

Table 20 – Payments Information in Interim Contract Report

Data required	Guidance
Contracted Date	For each payment, include the date on which the payment is expected to fall due.
Actual/Expected Date	For each payment, include the actual or expected payment date.
Currency	As required by the contract, select the appropriate currency in which the contractor expects the Secretary of State to make payments.
Amount	For each payment, include the amount or expected amount of each payment in £ million to three decimal places.
Annual profile	Provide an annual profile of all significant individual payments the contractor requires the Secretary of State to make, in the required currency. Amounts must exclude any final adjustment/ settlements and be made to one decimal point.

Key deliverables

- 5.16 Paragraph 5.43 – 5.45 in the Contract Initiation Report section of this guides describes the information required on deliverables and metrics.

Final payments

- 5.17 The QCR must contain a forecast total cost incentive fee (TCIF) adjustment or any final price adjustment which the contractor expects to make. The contractor should enter the amount of any positive (due to the contractor) or negative (due to the MOD) adjustment for any of the following payment types with any explanation which is necessary:
- Protection from Excess Profits and Losses (PEPL)
 - TCIF adjustment
 - Incentive adjustment
 - Other (KPI)

Milestones

- 5.18 Paragraph 5.46 in the Contract Initiation Report section of this guidance describes the information required on milestones.

6. Completion of a contract – Contract Completion Report (CCR)

Before completing the Contract Completion Report for the first time contractors should familiarise themselves with Regulation 28.

6.1 The contract completion report is required to be submitted within six months after the completion date of the qualifying defence contract. All the information required in the Contract Completion Report is the same as in the Interim Contract Report (Lower Value) which is explained in Section 7 above. The required information is:

- Supplier
- Report Submission Admin
- Contract
- Pricing Method Breakdown
- DPS Inputs
- DPS Input Values
- Summary Analysis of Price
- Actual Forecast DPS Input Values
- Actual Forecast Price Summary
- Variance, Events and Circumstances
- Cost Recovery Rates
- Actual Forecast Cost Recovery Rates
- Sub Contracts
- Payments
- Key Deliverables
- Final Payments
- Milestones

7. Completion of a contract – Contract Cost Statement (CCS)

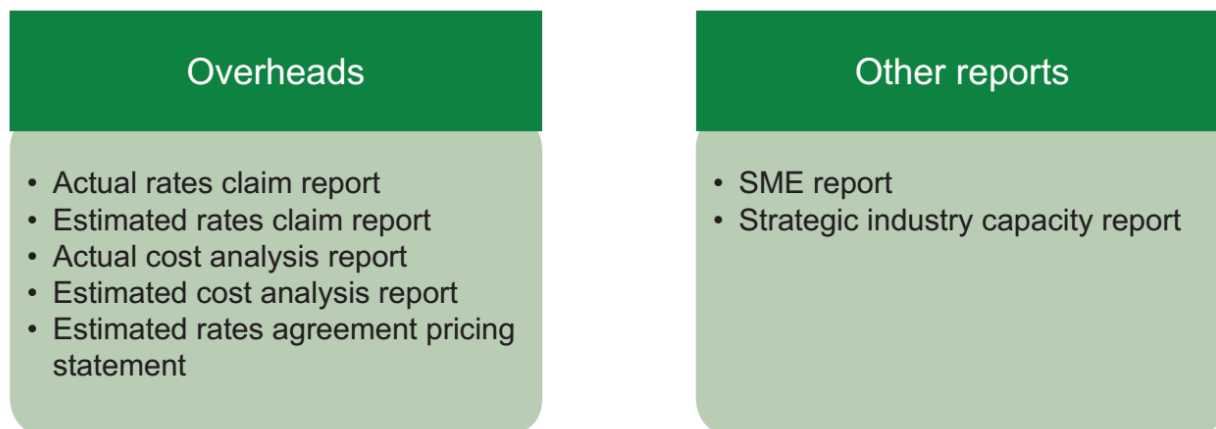
Before completing the Contract Cost Statement for the first time contractors should familiarise themselves with Regulation 29.

- 7.1 The contract costs statement (CCS) must be provided within twelve months after the contract completion date. The same obligation will apply to a sub-contractor in respect of a QSC. The contract costs statement is to be based on the contractor's own reporting system and therefore there is no pre-defined structure for this report.
- 7.2 This report includes an annual profile presented in a tabular format, with columns representing a continuous range of financial years, from that in which the contract was entered into until that in which the contract completion date falls or is expected to fall. The annual profile of the actual Allowable Costs must show the following:
- all purchased items, services and expenses (including payments to subcontractors) that are direct costs;
 - any other direct costs; and
 - all indirect costs, showing each cost recovery rate charged and the amount of the corresponding cost recovery base.
- 7.3 The total actual costs that the contractor claims are Allowable Costs;
- the percentage of the Allowable Costs included in the statement that are still estimated rather than actual; and
 - an explanation of any variances between the total actual costs and the costs set out in the annual profit.
- 7.4 The CCS must specify the start and end dates of the contractor's accounting period. It must also set out details of any agreement between the contractor and the Secretary of State as to the cost allocation and apportionment methodology to be used in the contract costs statement. A description is required of the methodology and any departures from it.
- 7.5 It is permissible to use estimated costs in a report in response to a requirement for actual costs. If no explanation is given, then up to five per cent of the costs may be estimated costs. More than five per cent of the costs may be estimated costs if an explanation is given of why actual costs can't be provided at the time of the report and when actual costs will be available. The five per cent threshold is reduced to two per cent in respect of the CCS.
- 7.6 The contractor is required to provide an explanation in the CCS of any variance between the information in the CCS and the most recent on-demand costs report that provided information of the kind required in the CCS. The contractor must explain in the CCS any variance between the descriptions provided of the actual Allowable Costs (broken into direct and indirect costs) and the total actual costs that the contractor claims are Allowable Costs.

8. Supplier reporting – General Information

8.1 Part 6 of the Defence Reform Act describes the supplier reports that are required. The supplier reports are summarised in Exhibit 3 below.

Exhibit 3 – Supplier report overview



8.2 The following are key definitions to consider before completing supplier reports.

Designated person

8.3 The Act provides that a designated person must submit these reports if the on-going contract condition is met (see definition in paragraphs 10.4 - 10.6). A designated person will generally be a company rather than an individual. If the contractor under a QDC or QSC is associated with one or more other persons (as is the case, for example³, in a group of companies), then the designated person is the ultimate parent undertaking⁴. If the contractor is not part of a group, then the contractor will be the designated person.

Ongoing contract condition

8.4 The requirement to submit supplier reports only applies for a financial year in which the ongoing contract condition is met. This requires that:

- a) The contractor or someone in the contractor's group is party to at least one QDC or QSC with a value above the prescribed threshold. The threshold is set at £50 million for 2017/18⁵.
- b) There are obligations outstanding for the supply of goods, works or services under one or more of those contracts at any time in the financial year.

8.5 Based on the way the ongoing contract condition is constructed, it is not the total value of a contractor's or group's contracts that triggers the requirement for supplier reports, but rather the existence of at least one high value contract. A contractor or group may have numerous single source defence contracts which together exceed £50 million in value, but unless the

³ Whether two people are "associated" turns on whether they are group undertakings in relation to each other within the meaning of section 1161 of the Companies Act 2006: Defence Reform Act 2014, section 43(3) and (4).

⁴ An undertaking is the ultimate parent undertaking in relation to two or more associated persons or to itself and one or more persons associated with it, if it is a parent undertaking of those other persons and is not itself a subsidiary undertaking, where "parent undertaking" and "subsidiary undertaking" have the meanings given by section 1162 of the Companies Act 2006: Defence Reform Act 2014, section 25(9).

⁵ For 2015/16 and 2016/17 the threshold value was £20 million.

contractor or group has at least one contract above the threshold the condition will not be met.

- 8.6 The Secretary of State may direct that a particular contract is not to be taken into account in determining whether the ongoing contract condition is met in relation to a financial year.

Qualifying Business Unit (QBU)

- 8.7 The Act specifies that the reporting regime established by the Regulations should require reports relating to the overheads and forward planning of the contractor and, if the contractor is part of a group, any person in the group.
- 8.8 Suppliers are required to provide reports on overheads in relation to qualifying business units (QBUs). In defining the concept of a QBU, the Regulations contemplate that overhead reports may be provided for a group of undertakings, for a single undertaking, or for a business unit within an undertaking⁶.
- 8.9 The intention is that overhead reports should be provided at the unit level, only going to the undertaking level if no unit can be identified and only to the group level if no undertaking can be identified. The conditions for a unit, undertaking or group to be a QBU in a relevant period are summarised in Table 21 below. A period is relevant for the purpose of defining a QBU if it ends on a day falling within the relevant financial year.

Table 21 – QBU conditions

	Unit	Undertaking	Group
Basic requirement		No unit is a QBU in respect of the period by virtue of carrying on activities for the purposes of the undertaking	In respect of the period, no unit is a QBU by virtue of carrying on activities for the purposes of the undertaking and none of the group undertakings is a QBU
Relationship to the designated person (DP)	Carried out activities for the purposes of the DP or an associated undertaking	Undertaking is the DP or is associated with the DP	Each of the group undertakings either is the DP or is associated with the DP
Financial accounting statements (FASs)	Separate FASs produced for the unit for the period	FASs produced for the undertaking for the period	A single set of FASs is produced in respect of the group
Production	Provides something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party.		

⁶ The term 'business unit' is also defined in the Regulations (Regulation 2(1)). A business unit is a unit which carries on activities for the purposes of an undertaking and for which separate financial accounting statements are produced. Alternatively, a business unit is an undertaking or group of undertakings for which a single set of financial accounting statements is produced which is separate from the financial accounting statements of each of those undertakings.

	Unit	Undertaking	Group
Value	The total value of what the unit provides for the QDC or QSC in the period is at least £10 million.		

- 8.10 The value threshold for a QBU is set at £10 million. QBU submissions are required if the contractor’s threshold is met in any one QDC for business units in any QDC, whether each of the QDCs are above the threshold or not.

Pricing QBU

- 8.11 In addition to defining what a QBU is, the Regulations introduce a further concept of a “pricing QBU”. This is a QBU in relation to which a cost recovery rate has been used for determining the price payable under a contract for which the QBU has produced something in the relevant period. In other words it is a QBU whose overhead rate has been used in the contract.

Direct and indirect costs

- 8.12 Consistent with the approach taken in relation to the Contract Completion Statement, direct costs are defined to mean those not calculated using a cost recovery rate. Indirect costs will have been calculated using a cost recovery rate.

Relevant accounting period

- 8.13 The relevant accounting period in relation to a QBU means the period in a financial year for which the unit, undertaking or group is a QBU. This may be the whole of a financial year or only part of it, for example, it may be that the unit only provides something for a QDC or QSC for part of a financial year.

On demand reports

- 8.14 Regulation 30 defines the different reports the Secretary of State may demand by written direction. The Secretary of State may make more than one written direction in relation to the contract. The information required must be provided within 12 months after the last day of each period specified in the written direction.

Due dates

- 8.15 The overhead reports are all due around the same time. The actual rates claim report is due:
- a) three months after the end of the relevant accounting period; or
 - b) three months after the date on which the ongoing contract condition was first met in relation to the financial year, whichever of (a) or (b) is later, or
 - c) a date agreed by the Secretary of State in that period.
- 8.16 With the exception of the rates comparison report, the due dates of the other reports are determined either by reference to each other or by the three-step formulation above. Table 22 below sets out the relevant due dates.

Table 22 – Overhead report due dates

Report	Due date
Actual rates claim report (ARCR)	A date determined by the three steps in paragraph 10.15.
QBU actual cost analysis report (QBUACAR)	With the ACCR, if a pricing QBU. On a date determined by the three steps for other QBUs.
Estimated rates claim report (ERCR)	A date determined by the three steps
QBU estimated cost analysis report (QBUECAR)	With the ERCR, if a pricing QBU. On a date determined by the three steps for other QBUs.
Estimated rates agreement pricing statement	With the ERCR.
Rates comparison report (RCR)	Within two months of receiving written notice from the Secretary of State.

9. Supplier reporting – Actual Rates Claim Report (ARCR)

Before completing the ARCR for the first time contractors should familiarise themselves with Regulation 34.

- 9.1 The purpose of this report is to provide the actual cost recovery rates and recovery bases used in a pricing QBU, and how these have been calculated. The designated person is required to submit an actual rates claim report for each relevant financial year for each of its pricing QBUs.
- 9.2 The minimum value of a QDC for this report is:
- £20 million for the financial years ending 31 March 2016 and 31 March 2017; and
 - £50 million for subsequent financial years.
- 9.3 There is no pre-defined structure for this report and suppliers should provide information from their own systems and submit the report in electronic form to DefCARS. The report should include the following information:

Cost recovery rates and bases

- All cost recovery rates for the QBU for which a claim relating to the relevant accounting period has been or will be made.
- A list of all cost recovery bases used to calculate the cost recovery rates.

QBU financial accounting statements and supporting schedules

- The QBU's financial accounting statements and accounting schedules for the relevant accounting period.

Adjustment analysis

- Quantified analysis of the adjustments made between those financial accounting statements and costs claimed for recovery through cost recovery rates.
- Quantified analysis of any adjustments for costs incurred in the relevant accounting period that have been or will be included in a claim relating to a period other than the relevant accounting period.
- Quantified analysis of any adjustments for costs incurred in a period other than the relevant accounting period that have been or will be included in a claim relating to a period other than the relevant accounting period.
- Quantified analysis of QBU costs recovered as direct costs under any qualifying defence contract, qualifying subcontract or other defence contract.
- Quantified analysis of QBU costs allocated to each cost recovery base that has been included in the list of all the cost recovery bases that have been used to calculate the cost recovery rates described above.

Calculations

- Calculation of the amount of each cost recovery base.
- Calculation of each cost recovery rate, including for each the total cost claimed and the cost recovery base used to calculate it and the amount of each such cost recovery rate.
- Description of any deviation from the relevant guidance in respect of the cost recovery rates.

10. Supplier reporting – Estimated Rates Claim Report (ERCR)

Before completing the ERCR for the first time contractors should familiarise themselves with Regulation 36.

10.1 There is no pre-defined structure for this report. The report should include the following information:

Cost recovery rates and bases

- All cost recovery rates for the QBU which have been calculated for that QBU and for which it is anticipated that a claim will be made during a future relevant accounting period.
- A list of all the cost recovery bases that have been used to calculate the cost recovery rates described above.
- Describe any deviation from the relevant statutory guidance in calculating those cost recovery rates.

QBU approved internal budget

- The QBU's budget, approved in accordance with the QBU's internal budgetary procedures, including a quantified analysis by the categories used in the QBU's financial statements and accounting schedules.

Adjustment analysis

- Quantified analysis of the adjustments made between the budget and costs claimed for recovery through cost recovery rates.
- Quantified analysis of any adjustments for costs incurred or forecast for one relevant accounting period but recovered in other relevant accounting periods.
- Quantified analysis of QBU costs estimated to be recovered as direct costs under any qualifying defence contract, qualifying subcontract, or other defence contract.
- Quantified analysis of QBU estimated costs allocated to each cost recovery base.

Calculations

- Calculation of the estimated amount of each cost recovery base.
- Calculation of each estimated cost recovery rate, including for each the total estimated cost claimed and the cost recovery base used to calculate it and the estimated amount of each such cost recovery rate.
- Description of any deviation from the relevant guidance in respect of the cost recovery rates.

11. Supplier reporting – QBU Cost Analysis Reports (QBUACAR and QBUECAR)

Before completing the QBU Actual Cost Analysis Report for the first time contractors should familiarise themselves with Regulation 35 and Regulation 37 for the QBU Estimated Cost Analysis Report.

- 11.1 In DefCARS the requirement to submit a QBU Actual Cost Analysis Report and a QBU Estimated Cost Analysis report has been combined in terms of data entry into a single QBUCAR. Regulation 35(2) states that in the case of a pricing QBU, the QBUACAR must be provided with the actual rates claim report for that relevant financial year. The QBUECAR must be provided with the estimated rates claim report.
- 11.2 The report submission data required is the same as in other reports. Business unit information should also be provided. This report is made up of a number of different elements but the first five are where most data entry is required and are captured in a similar format:
- last year prior estimate;
 - last year actuals;
 - last year variance;
 - this year estimate; and

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- this year changes.

11.3 As there is a great deal of data entry involved in this report, functionality has been provided to allow contractors to copy and paste data from Excel into DefCARS. Contractors must use the latest QBUACAR reporting template (available on the SSRO website) in order to do this so that the data is in the correct format. Alternatively, contractors can enter data directly which might be more time consuming.

11.4 The template will automatically round data to six decimal places, prior to pasting this data into DefCARS. By clicking on the Paste data from Excel icon on the top left hand corner of the page, instructions will appear which will guide contractors through the pasting process. Yellow cells on this page required data entry whereas white cells will contain calculated values.

Last Year Prior Estimate

11.5 If a QBU estimated cost analysis report (QBUECAR) was required for the QBU in relation to the financial year immediately preceding the relevant financial year, the report must contain the costs analysis information as estimated in the previous report. An explanation of any difference between the costs analysis information as estimated in the previous report and the costs analysis information in this report is also required.

11.6 The prior estimates (see Table 23 below) can be added on the page titled Last Year Prior Estimate. All figures unless stated are in £ million.

Table 23 – Cost Analysis for QBUECAR and QBUACAR

Column	Guidance
Column 1 – Profit before Interest and Tax	<p>Information in this column should be completed first and should be taken directly from the financial statements of the QBU. Sales revenue (always enter as a negative figure), net movement in inventory and costs of direct materials are completed first before costs in the following areas which are each broken down into further sub-elements:</p> <ul style="list-style-type: none"> • people/payroll; • plant, machinery, equipment and other consumables; • premises; • selling and marketing; • general and administration; and • other. <p>The figure at the bottom should be the profit before interest and tax for the QBU.</p>
Column 2 - Adjustments	The system will automatically remove revenue, inventory and non-labour direct costs and populate Column 3. The contractor should make any other adjustments which are required.
Column 3 – Direct Labour and Indirect Production Cost	Based on the data entered in Column 1 and 2, Column 3 is auto-populated. This results in the cost that need to be allocated in Columns 4 - 14 to provide a functional analysis of direct labour and indirect production cost.
Columns 4 - 14	The functional analysis must cover the following functions:

Column	Guidance
	<ul style="list-style-type: none"> • production; • design; • engineering; • site services; • procurement; • sales; • finance; • human resources; • information technology; • legal/contractual; and • business unit 'HQ'/other.
Column 15 - Total	This column populates as data is entered into Columns 4 – 14.
Column 16 – Check Difference	This column highlights any difference between the figures in Column 3 and 15.
Column 17 and 18 – Remove Allowable Costs and Adjust for Net Timing Difference	Enter any adjustments required to remove disallowed costs (this must be a negative figure like -10,000) and include a positive or negative adjustment for net timing differences.
Column 19 – Allowable Costs to be recovered this year	The total allowable costs to be recovered in the financial year are populated based on any adjustments made in Column 17 and 18.
Column 20 – Remove Costs recovered directly	Remove any costs recovered directly from the business unit/contracts.
Column 21 – Recovered through rates	The total costs recovered through rates is auto-populated in the final column.
General Comments	Any relevant comments can be added at the bottom of this page.

Last Year Actuals

11.7 The total actual costs incurred by the QBU now need to be entered in the Last Year Actuals page. Information required is in the same format as in Table 23 above.

Last Year Variance

11.8 The system will automatically calculate any variance between the Last Year Estimates and the Last Year Actuals. The contractor should provide commentary to explain any material variances between actual and estimates.

This Year’s Estimates

11.9 Estimates for the current financial year should be entered under the same format as in Table 23 above.

This Year Changes

11.10 The system will automatically calculate the change between last year’s actuals and this year’s estimates.

Headcount

11.11 This page pulls through information from the relevant cost breakdown information already entered to identify staff, (in the Permanent Staff table on the left half of the page) and contractor costs. Table 24 explains the fields which feature carried forward information and where the data is taken from. (in the Consultants/Contractors table on the right half of the page) The costs then have to be split using the yellow cells between those which are directly and indirectly recovered. The contractor will be asked to confirm the total number of employees and contractors. The split of recovery between direct and indirect costs should be presented as a percentage (this is a new field).

11.12 The contractor must input the estimates as well as actuals for the relevant accounting period. For employees the contractor should provide the annual total new joiners and leavers. Any variances between estimates and actuals should be explained.

Table 24 – Fields in the Headcount page where data is carried forward from previous pages

Field	Source Page	Source Fields	Calculation
Permanent Staff; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g Production, Design)
Consultants/Contractors; Actuals for Prior Year; Total staffing costs	Last Year Actuals	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g Production, Design)
Consultants/Contractors; Actuals for Prior Year; Total staffing costs	This Year Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g Production, Design)
Consultants/Contractors; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward
Permanent Staff; Actuals for Prior Year; Total staffing costs	Last Year Actuals	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward

Field	Source Page	Source Fields	Calculation
costs			
Permanent Staff; Actuals for Prior Year; Total staffing costs	This Year Estimate	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward
Permanent Staff; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g Production, Design)

Activity Costs

11.13 The contractor should enter costs for the following activities:

- bids and contractors;
- research and development;
- training;
- IT infrastructure/large infrastructure projects;
- restructuring and reorganisation
- special projects
- cost saving initiatives; and
- any additional activities not listed above (by clicking on the green cross).

11.14 Contractors must include the following:

- estimated costs (£000s) and actual costs (£000s) for the preceding financial year and any explanation of variance; and
- estimated costs (£000s) for the relevant financial year (which will be compared to the actual costs for the preceding financial year) and any explanation of variance.

Revenue analysis

11.15 Contractors must provide a quantified analysis of the total actual revenue for the QBU (this is not applicable for a non-pricing QBU), presented in the following categories:

1. Revenue from any QDC or QSC of which:
 - 1a QDC revenue; and
 - 1b QSC revenue.
2. Revenue from any other defence contract. This can include:
 - 2a a Single Source MOD contract not under the new Regulations;
 - 2b a Single Source MOD contract under legacy regulations; and
 - 2c a competitive MOD contract.
3. Any other non-MOD revenue (this is drawn from previously entered data and is explained in Table 25).

Table 25 - Fields in the Revenue Analysis page where data is carried forward from previous pages

Field	Source Page	Source Fields	Calculation
Revenue Analysis; Totals/Prior Estimate +ve(£'000)	Last Year Prior Estimate	Revenue & Stock Changes; Sales Revenue	Inversion of value entered into Sales Revenue (i.e. negative value becomes positive)
Revenue Analysis; Totals/Prior Year; Actual +ve(£'000)	Last Year Actuals	Revenue & Stock Changes; Sales Revenue	Inversion of value entered into Sales Revenue (i.e. negative value becomes positive)
Revenue Analysis; Totals/Current Year; Estimate +ve(£'000)	This Year Estimate	Revenue & Stock Changes; Sales Revenue	Inversion of value entered into Sales Revenue (i.e. negative value becomes positive)

11.16 The totals for 1 and 2 above are used in the calculation of the total. Users should ensure that the figures entered against 1a and 1b total the figure entered in 1 and 2a, 2b and 2c total the figure entered in 2. All figures on this page should be positive.

11.17 Contractors must provide:

- the prior year estimate (£000s) and actual (£000s) for the preceding financial year and any explanation of variance; and
- the estimate (£000s) for the relevant financial year (which will be compared to the actual costs for the preceding financial year) and any explanation of variance.

Recovery base

- 11.18 Contractors must provide estimated and actual values for all cost recovery bases that have been used to calculate the cost recovery rates which have been calculated for the QBU and for which a claim relating to the relevant accounting period has been or will be made. This is not applicable to a non-pricing QBU.
- 11.19 For primary and secondary recovery bases provide the following information included in Table 24.

Table 26 – Recovery base information

Data required	Guidance
Measure	The measure for the agreed recovery base.
Units	The units of the recovery base.
Prior Year	
Prior Estimate	Provide the prior estimate of the recovery base for the preceding financial year.
Actual	Provide the actual of the recovery base for the relevant financial year.
Variance	The variance between the prior estimate and actual value will be calculated.
As %	The variance will be displayed as a percentage.
Variance Comment	Include comments on the variance between estimated and actual recovery base.
Current Year	
Prior Year Actual	This value is carried forward from the prior estimate field above.
Estimate	Provide the estimate of the recovery base for the current financial year.
Planned Change	This value will be calculated.
As %	The change will be displayed as a percentage.
Change comments	Any comments about the change should be provided.

Agreed rates

- 11.20 Contractors must provide the estimated and actual values for the cost recovery rates by providing the following information included in Table 25 below. This is not applicable to a non-pricing QBU.

Table 27 – Agreed rates

Data required	Guidance
Rate Type	Please select either Labour, Labour and Overheads, Overheads, Other, Spare.
Rate Name/Description	Please provide a short name or description for the rate.

Data required	Guidance
Prior Year	
Prior Estimate	Provide the prior estimate of the recovery rate for the preceding financial year.
Actual	Provide the actual of the recovery rate for the relevant financial year.
Variance	The variance between the prior estimate and actual value will be calculated.
% Variance	The variance will be displayed as a percentage.
Variance Commentary	Include comments on the variance between estimated and actual recovery base.
Current Year	
Last Year Actual	This value is carried forward from the prior estimate field above.
Estimate	Provide the estimate of the recovery rate for the current financial year.
Variance	This value will be calculated.
% Variance	The change will be displayed as a percentage.
Change Commentary	Any comments about the change should be provided.
Forward Trend	For each of the financial years displayed provide a rates estimate.

Future Initiatives

11.21 Future initiatives only apply in relation to the QBU Estimated Cost Analysis Report. Contractors should describe any future initiatives and identify any potential costs and benefits to the MOD in any other financial years covered in this report.

11.22 This information is not applicable for a non-pricing QBU.

12. Supplier reporting – Estimated rates agreement pricing statement (ERAPS)

Before completing the ERAPS for the first time contractors should familiarise themselves with Regulation 38.

12.1 The designated person is required to provide, for each relevant financial year, an ERAPS for each of its pricing QBUs that was a pricing QBU in relation to the financial year immediately preceding the relevant financial year. The information required in the ERAPS is summarised in Table 26 below.

12.2 The Secretary of State may give written notice to the designated person requiring a further ERAPS for a QBU for the relevant financial year, but may only require one further report for each QBU. The designated person is required to submit the further report within three months of receiving the written notice.

12.3 Against each of the following requirements the supplier must confirm if it is applicable to this claim (Yes/No). If Yes, then no justification is required. If No, the supplier must explain why

the assumption is not relevant to the claim. Against each requirement information can be provided that meet the requirement.

Table 28 – Information required in the ERAPS

Category	Required information
Cost recovery base (CRB)	A description of the facts and assumptions used in calculating each cost recovery base listed in the estimated rates claim report.
Estimates	A statement as to whether the volume of each cost recovery base has been estimated in a manner consistent with equivalent estimates in previous years and, if not, a description of any changes.
Budget and quantified analysis	A description of the facts and assumptions used in setting the budget for the QBU, (approved in accordance with the QBU's internal budgetary procedures.)
	A description of the facts and assumptions used in making any adjustments made between the budget and costs claimed for recovery through cost recovery rates.
	A description of the facts and assumptions used in making any adjustments for costs incurred in or forecast for one relevant accounting period but recovered in other relevant accounting periods.
	A description of the facts and assumptions used in calculating the QBU costs estimated to be recovered as direct costs under any qualifying defence contract, qualifying sub-contract, or other defence contract.
	A description of the facts and assumptions used in calculating the QBU estimated costs allocated to each cost recovery base.
Indices and rates	A description of indices and rates used in calculating the estimated costs included in the estimated rates claim report, including for each its source (including that source's version or date) and an explanation of why its use was considered to be appropriate.
Staffing	A description of all material assumptions regarding changes to costs relating to employment.
	A description of all material assumptions used to derive any estimated staff head count upon which estimated costs in the estimated rates claim report are based.
Over-capacity	A description of all material assumptions used in calculating any costs relating to decreasing over-capacity that have been included in the cost recovery rates.

Category	Required information
Novel or unusual costs	A description of all material assumptions regarding significant costs that have been included in the cost recovery rates and that are novel or unusual.

13. Supplier reporting – Rates Comparison Report (RCR)

Before completing the RCR for the first time contractors should familiarise themselves with Regulation 39.

- 13.1 The Secretary of State may give written notice to the designated person requiring a rates comparison report for one or more pricing QBUs for any relevant financial year. The rates comparison report is only required if the Secretary of State demands it, so this information will not be available to the SSRO as a matter of course. The Secretary of State may only require one RCR for a QBU in a relevant financial year. This report cannot currently be completed or submitted using DefCARS. A template is available on the SSRO website which contractors can use to complete this report. Submission will be via email to the SSRO's compliance team.
- 13.2 If a rates comparison report is required, then it must provide a list of all QDCs and QSCs to which the designated person or an associated person is a party that:
- a) have a contract completion date after the first day of the relevant accounting period; and
 - b) have costs that have or will be calculated using a cost recovery rate that relates to the costs of the QBU.
- 13.3 A range of basic information is required to be provided in the rates comparison report in relation to each listed QDC and QSC, namely:
- any unique identifying number allocated to the contract by the contractor;
 - any unique identifying number allocated to the contract by the MOD;
 - any title given to the contract;
 - the date the contract was entered into;
 - the regulated pricing method or methods used in determining the contract price; and
 - whether the contract is a QDC or QSC.
- 13.4 The rates comparison report must state the cost recovery rates used in each listed QDC and QSC. It is required to also specify the actual value of each of the rates, as provided in the actual cost analysis report for the QBU.
- 13.5 The rates comparison report must specify the following for each cost recovery rate used in determining or re-determining the contract price of each listed QDC and QSC:
- the actual amount of the cost recovery base attributable to the contract;
 - the amount of the cost recovery base used in determining the contract price; and

- the cost recovery rate used in determining the contract price.

14. Supplier reporting – SME report (SMER)

Before completing the Small or Medium Enterprises (SME) Report for the first time suppliers should familiarise themselves with Regulation 45.

- 14.1 The supplier should enter Report Submission Admin information including the relevant financial year to which the SME report relates. Information on the ultimate parent undertaking is also required.

Policies

- 14.2 The supplier should describe the main policies and procedures their organisation operates for engaging with SMEs, specifically including but not limited to:
- any default payment and contracting terms the organisation would use when dealing with SMEs; and
 - any special assistance the organisation provides to the SME sector such as banking or credit arrangements.
- 14.3 Individual rows can be added by clicking on the blue cross. The supplier can attach any policy documents to support their explanation. The supplier should state the name of the policy and attach the relevant description in a named attached file, confirming whether the file is attached (Yes, No or Non-Applicable).

Initiatives

- 14.4 The supplier should describe any initiatives their organisation is currently operating to develop SME involvement and/or create more opportunities for them to support the organisation to deliver MOD contracts. In particular, include description of anything the organisation is doing to encourage / support SME technical innovation relating to MOD work.

Key Financials

- 14.5 The supplier must:
- Input the total revenue which the designated person or any person associated with it received from defence contracts.
 - Enter the amount of that total revenue which related to purchasing goods and services for the purpose of delivering those defence contracts from persons which are not associated with the designated person, including those in the first bullet.
 - Enter the amount of that total revenue which related to purchasing goods and services from SMEs for the purpose of delivering those defence contracts in the first bullet.

Indirects

- 14.6 The supplier must provide a description of the extent to which the goods, works or services provided by SMEs have contributed to the delivery of the contract. Include details on SMEs' contribution to the delivery through their participation further down the supply chain.

15. Supplier reporting – Strategic industry capacity report (SICR)

- 15.1 The designated person is required to submit a SICR for each relevant financial year. It is due:
- a) 12 months after the end of the time period for the designated person's financial accounting statements ending on any day within the relevant financial year,⁷ or
 - b) 12 months after the date on which the ongoing contract condition was first met in relation to the financial year, whichever of (a) or (b) is later, or
 - c) A date agreed by the Secretary of State within six months after the date in (a).
- 15.2 The SICR must relate to the designated person's accounting period. The SICR is concerned with forward planning and must include prescribed information related to the following:
- corporate structure;
 - activities people and infrastructure;
 - forecast costs of maintaining industrial capacity; and
 - capacity and supply chain.
- 15.3 The strategic industry report (SICR) of an individual company is a highly sensitive document and if all these reports were stored in the same IT system then valuable information about the most significant elements of the UK defence sector could be accessed if there was a breach.
- 15.4 For this reason SICRs are to be submitted in hard copy to the Director of Compliance and Investigations at the SSRO and the Head of the Single Source Advisory Team at the MOD. If you have any queries about the submission of this report then please contact the **SSRO helpdesk** or call 0203 771 4785.

⁷ Referred to as the "designated person's accounting period".

Appendix 1 – Overview of Reporting Requirements

When?	Report	Due within
Contract reports		
Contract start	Contract Notification Report	One month of the initial reporting date.
Contract start	Contract Pricing Statement	One month of the initial reporting date.
Contract start	Contract reporting plan	One month of the initial reporting date.
Contract duration	Quarterly Contract Report [if >£50m]	One month after quarter end throughout contract length. <i>Not in the quarter of the initial reporting date or of the completion date</i>
Contract duration	Interim contract report (higher value) [>£50m]	Either: Agreed date with Secretary of State within 3 years of agreement and within every 3 years thereafter; or 12 months after the after the quarter within which the initial reporting date fell and every year thereafter.
Contract duration	Interim contract report (lower value) [<£50m]	Either: Agreed date with Secretary of State within 5 years of agreement and within every 5 years thereafter; or 3 years after the after the quarter within which the initial reporting date fell and every three years thereafter.
After contract end	Contract completion report	6 months after completion date.
After contract end	Contract costs statement	12 months after completion date.
On demand	On demand contract report	Varies according to report required.
Supplier reports		
Each financial year	Actual rates claim report	3 months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 3 months of the relevant accounting period.
Each financial year	QBU Actual cost analysis report	3 months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 3 months of the relevant accounting period.
Each financial year	Estimate rates claim report	3 months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or

Defence Contract Analysis and Reporting System (DefCARS) – User Guidance for Defence Contractors

When?	Report	Due within
		An agreed date with Secretary of State within 3 months of the relevant accounting period.
Each financial year	QBU Estimated cost analysis report	3 months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 3 months of the relevant accounting period.
Each financial year	Estimated agreement pricing statement	With the estimated rates claim report for that pricing QBU for the same relevant financial year; or If required by the Secretary of State, within 3 months of receiving notice.
Each financial year	Strategic industry capacity report	12 months after the contractor's accounting period, or when the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 6 months of the accounting period.
Each financial year	SME report	Within 12 months of accounting period, or when the ongoing contract condition is first met, whichever is later.
Ad hoc	Rates comparison report	Within 2 months of receiving notice from Secretary of State.