

SSRO

Single Source
Regulations Office

User Guide for Contract Costs Statement

Introduction

1. Introduction

- 1.1 This document is issued by the Single Source Regulations Office (SSRO) and sets out guidance to assist contractors with statutory reporting requirements for qualifying defence contracts and qualifying sub-contracts.
- 1.2 Statutory reporting requirements are set out in the Defence Reform Act 2014 (the “Act”) and the Single Source Contract Regulations 2014 (the “Regulations”).
- 1.3 Regulation 29 requires a contract costs statement be provided for the qualifying defence contract.

2. Reporting Timeline

- 2.1 The contract costs statement must be provided within twelve months after the contract completion date of the qualifying defence contract.

3. General Guidance for completing the Contract Costs Statement

- 3.1 Regulation 22(8) requires all references to money be expressed in sterling except where otherwise provided.
- 3.2 The contract costs statement is to be based on the supplier’s own accounting system. There is no Excel template provided for this report.
- 3.3 Be sure to include all information mentioned in the guidelines below.
- 3.4 If you encounter any problems or have any questions, contact helpdesk@singlesourceregulationsoffice.gov.uk.

4. Report Submission Admin

Include the general report contents required under Regulation 22(2) and Regulation 22(3). This includes basic information for the contract, such as dates, individuals, and other general information or comments relevant to the contract costs statement, as specified under Regulation 22 and 29.

4.1 Individuals

(1) Include the name position and contact details of:

- (a) The individual submitting the report
- (b) The individual to be notified if any compliance notice or penalty notice is issued in relation to the contract; and
- (c) The civil servant who is responsible for managing the contract on behalf of the Secretary of State

4.2 Dates

(1) Include the date the report is due.

- (2) Include the date the report is submitted.
- (3) As stipulated in Regulation 29(2)(a) include the start and end dates of the your accounting period.

5. Contracts

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

5.1 Basic Parameters

- (1) Include the unique identifying number you have allocated to the contract.
- (2) Include the unique identifying number allocated to the contract by the Secretary of State.
- (3) Include the contract title set out in the contract.
- (4) Provide a brief description of the goods, works or services that are to be provided under the contract.
- (5) Include the date on which the contract was entered into.
- (6) Provide the contract completion date or, if that date is not known, the expected contract completion date.
- (7) Include the date of the most recent amendment which affects the price payable under the contract, if applicable.
- (8) Provide the identifying number you have allocated to the amendment.
- (9) Provide the identifying number the MOD has allocated to the amendment.

5.2 Pricing methods

- (1) In line with Regulation 22(2)(k) provide the regulated pricing method or methods used in determining the price payable under the contract, and the amount of the price resulting from each method (if known).
 - (a) Provide the price breakdown in millions to three decimal places
 - (b) The pricing methods are:
 - (i) firm pricing
 - (ii) fixed pricing
 - (iii) cost plus pricing
 - (iv) estimate based fee pricing
 - (v) volume driven pricing
 - (vi) target pricing

- (2) In line with Regulation 29(2)(b) include any agreement between the contractor and the Secretary of State as to the cost allocation and apportionment methodology to be used in the contract cost statement, a description of that agreement and any deviations from the methodology.

5.3 Business Unit Involvement

Include any business unit in relation to which a cost recovery rate has been used in determining the price payable under the contract.

6. Supplier

Under Regulation 22(3), a contract cost statement submitted by a contractor which is a registered company must contain certain information regarding the contracting company. Provide the information set out below in your statement.

6.1 Contracting Company – Basic Reference Date

- (1) Include the registered name and company number.
- (2) Include the trading name of the company if that is different from the registered name.
- (3) Provide the registered address of the company.
- (4) Indicate whether the company is a SME.
- (5) State the registered name and company number of any immediate parent undertaking of the company.
- (6) Include the registered address of the immediate parent company.
- (7) Include any additional immediate parent companies' name, registration number and address.
- (8) Provide any other relevant information relating to the information included above.

7. Annual Profile of Actual Allowable Costs

7.1 The annual profile has to be 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, as required under Regulation 22(5).

7.2 Regulations 29(3) and (4) set out that:

- (1) Up to 2% of the actual allowable costs required in in the annual profile may, without any explanation, be estimated costs.
- (2) 2% or more of the actual allowable costs required by paragraph 29(2)(c) of the Regulations may be estimated costs if an explanation is given of:
 - (a) why it is not possible to provide actual costs at the time the statement is provided; and
 - (b) when actual costs are available.

7.3 In Regulation 29:

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- (1) "direct costs" means costs which –
 - (a) the contractor claims are allowable costs under the contract; and
 - (b) have not been calculated using a cost recovery rate.
- (2) "indirect costs" means costs which –
 - (a) the contractor claims are allowable costs under the contract; and
 - (b) have been calculated using a cost recovery rate.

7.4 The annual profile of the actual allowable costs must show the following:

- (1) All purchased items, services and expenses (including payments to subcontractors) which are direct costs;
- (2) Any other direct costs;
- (3) All indirect costs, showing each cost recovery rate charged and the quantum of the corresponding cost recovery base; and
- (4) The total actual costs which the contractor claims are allowable costs.

7.5 Provide the percentage of the allowable costs included in the statement which are still estimated rather than actual.

7.6 An explanation must be given, if there are any variances between the total actual costs and the costs set out in 7.4 (1) – (3).

7.7 In the event there is a variance between a cost recorded in the most recent information provided in a response to a written request by the Secretary of State to provide a contract cost statement for one or more specified periods as set out in Regulation 30(1) / (3)(d) and the amount reported for the same cost in section 7.4 (1) – (4), an explanation for that variance must be given.