



Single Source
Regulations Office

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Engineering labour rates reported in Qualifying Defence Contracts

2015/16

21 July 2016

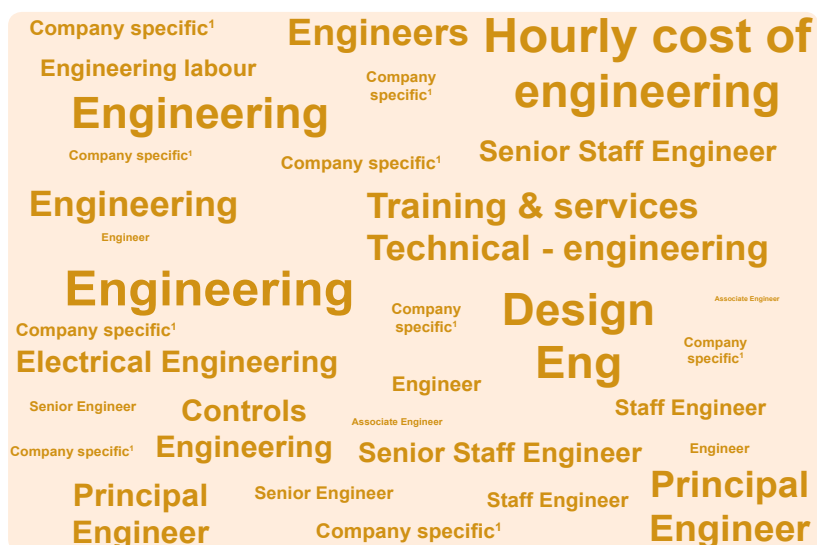
Defence suppliers are required by Regulation 22 of the Single Source Contract Regulations 2014 to submit reports to the Single Source Regulations Office about qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs). The types of contract reports and the data to be provided in each are prescribed in Part 5 of the Regulations.

This bulletin examines the range of engineering labour rates used within QDCs/QSCs, as reported in information provided for all 34 QDCs/QSCs entered into within the period 1 April 2015 to 31 March 2016. Labour rate data is submitted as supporting information that accompanies any of the three initial QDC/QSC reports (the Contract Pricing Statement, Contract Reporting Plan and Contract Notification Report). The rates presented are as submitted by suppliers and relate to the labour rates for 2015 or 2016.

Key points

- No standard descriptor exists to collect data on engineering rates as suppliers provide labour rate information which is specific to each company. This, and the wide variety of engineering roles provided, does not allow for analysis of a single category of 'engineering rates' that provides credible benchmarking information. Given the data quality issues, it is difficult to assess the Reasonableness of these rates within single source contracts.
- Data relating to labour rates is provided for 27 of 34 QDCs/QSCs. Of these, 19 include rates that appear to be related to an engineering function. An individual supplier may apply the same labour rates across a number of contracts. Excluding duplicates, there are 12 QDCs in 2015/16 where individual engineering labour rate data is available (out of 24 QDCs with individual suppliers). As suppliers can provide multiple rates, 32 engineering rates were reported.
- Only 9 out of the 32 engineering rates made clear that the engineering rate was a direct labour rate. In the remaining 23 engineering rates, it was not clear whether the rate was direct labour or a recovery rate. Recovery rates include direct labour costs and other costs to enable suppliers to recover direct labour costs alongside other costs which are not directly attributable and/or cannot easily be measured including overheads such as support functions, rent and rates, and depreciation.
- Irrespective of data quality and definitions, the quantitative information available indicates a range of engineering rates reported by suppliers from approximately £11 to £74 per hour. These rates may or may not include overheads or other costs.

Figure 1: Range of descriptors relating to engineering rates provided by 12 suppliers within 19 QDCs in 2015/16
(Each descriptor has been scaled in font size to indicate the associated rate in £s per hour)



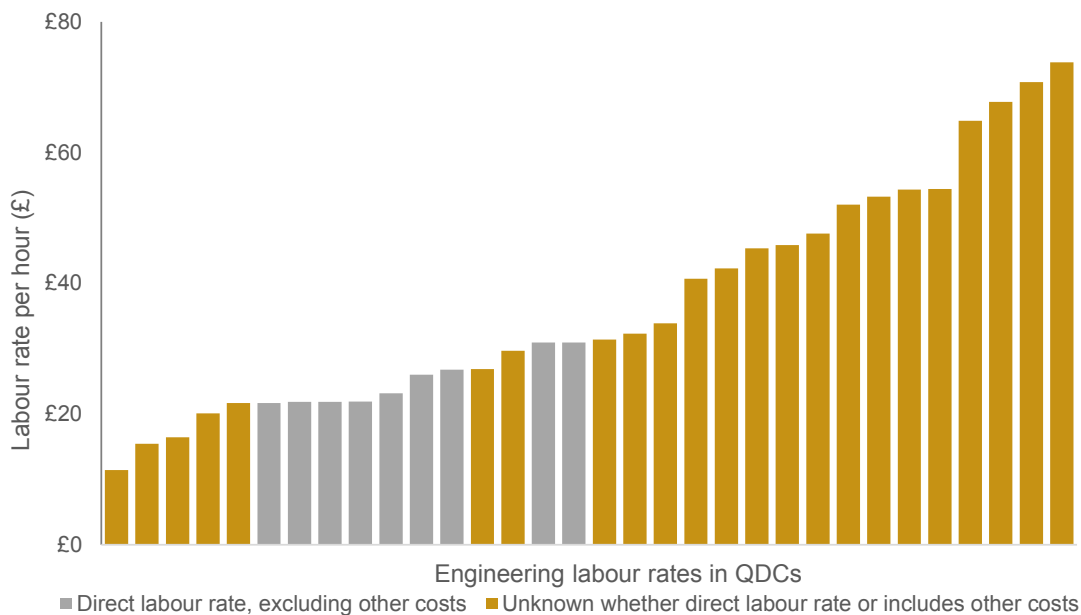
¹ Anonymised

Figure 1 shows the range of descriptors of engineering rates provided within QDCs/QSCs. Suppliers may provide one overall engineering rate or a wide range of engineering rates for different job roles. Engineering roles may be classified differently by different suppliers, and the rates data provided can be affected by the type of work carried out by the supplier or work required to deliver the contract.

Figure 2 shows the wide variation in engineering rates used by 12 suppliers in 19 QDCs in 2015/16, where individual engineering labour rate data is available. As suppliers may provide multiple rates, 32 engineering rates were reported.

Information about the composition of these rates is often limited; of the 12 QDCs with individual engineering rates, only one supplier specified these were direct labour rates. This supplier provided nine different engineering rates. For the remaining 11 suppliers, no information is available to determine whether the rates are for direct labour or include other costs.

Figure 2: Engineering rates provided by 12 suppliers within 19 QDCs in 2015/16



Data sources and methodology

The data in this report is sourced from supporting information submitted with either the Contract Pricing Statement, Contract Reporting Plan or Contract Notification Report, which suppliers are required to submit to the SSRO within one month of the initial reporting date for a contract (usually the date the contract is entered into, unless it becomes a QDC/QSC by amendment). The templates and user guides for these reports are available on the SSRO's website¹. Data from these reports are collated in the Defence Contract Analysis and Reporting System (DefCARS).

Only QDCs/QSCs which reported a time of agreement before 1 April 2016 have been included in this release, as notified to the SSRO by the Ministry of Defence.

Due to the commercial sensitivity of this data, the SSRO does not release any information that will enable identification of individual contracts or suppliers included within the analysis. For more information on the SSRO's handling of commercially sensitive information, see the SSRO's statement on its website².

Further information

The SSRO welcomes any queries or feedback you may have on this statistical release. If you would like to get in touch, please email us at helpdesk@ssro.gov.uk

¹ <https://www.gov.uk/government/collections/qualifying-defence-contracts-reporting-templates-and-user-guides>

² <https://www.gov.uk/government/news/handling-commercially-sensitive-information>