

Assuring value, building confidence

User guide for contract pricing statement

October 2016 Version 3

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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'). We are providing this guidance for the purposes of Regulation 22(9) of the Regulations.
- 1.3 Regulation 23(1) requires a contract pricing statement (CPS) be provided for the qualifying defence contract within one month of the initial reporting date, as defined in Regulation 22(10)(c). The purpose of the CPS is to:
 - a) set out any Allowable Costs and the contract profit rate used to determine the contract price;
 - b) set out the date and version of any statutory guidance made under section 18(1) or 20(1) in force at the time of agreement;
 - c) describe any known deviation from the statutory guidance, in force at the time of agreement to the contract, made in determining the contract price;
 - d) describe the calculation that was made to determine the contract profit rate, including all adjustments made under steps 1-6;
 - e) describe the contractor's facts, assumptions and calculations relevant to each element of Allowable Costs (including any risk related or contingency costs); and
 - f) describe any other information material to the pricing of the contract.
- 1.4 All reports are disclosed as OFFICIAL SENSITIVE COMMERCIAL. The disclosure of protected information included in this report in circumstances not permitted by Schedule 5 of the Defence Reform Act 2014 is a **CRIMINAL OFFENCE**.

2 Reporting timeline

2.1 The contract pricing statement must be provided within a month of the initial reporting date. 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).

3 General guidance for completing report templates

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

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

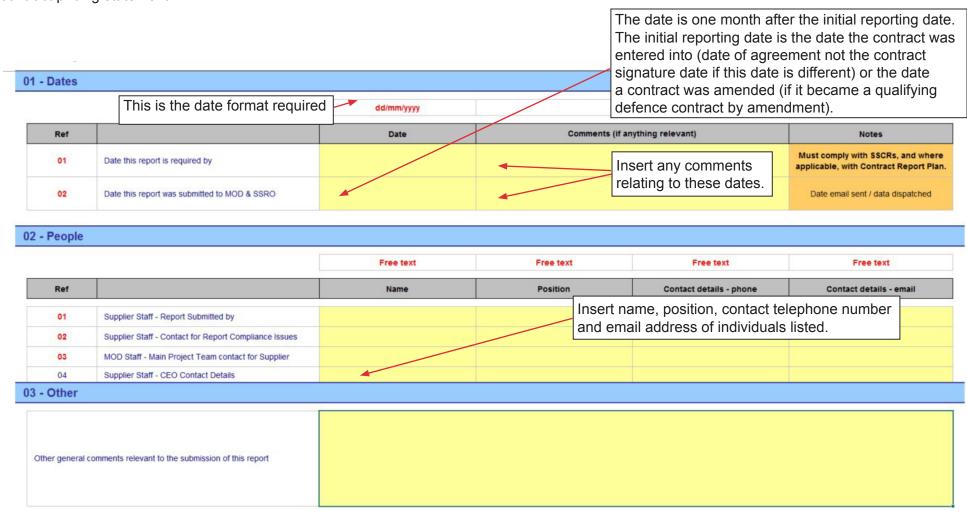
¹ https://support.office.com/en-au/article/Enable-or-disable-macros-in-Office-documents-7b4fdd2e-174f-47e2-9611-9efe4f860b12?CorrelationId=2a985251-830b-49db-8389-a112e9b34a14&ui=en-US&rs=en-AU&ad=AU#bm2

- 3.6 The content of each cell will be in the following format:
 - choice list select the appropriate answer from the drop down list;
 - free text text/numbers;
 - date follow the date format specified; and
 - number provide the number of decimal places specified.
- 3.7 Each worksheet has a sequential number. Where possible, you should complete the worksheets in the prescribed order, with the exception of 'report submission admin'. Some worksheets will drive calculations in subsequent sheets. This guidance follows the order contained within the templates and as specified in the Regulations.
- 3.8 If the reference cell is red, then this indicates that inputted data into a data entry cell (yellow cell) has not passed the validation test. You must correctly input data into the data entry cell so the reference line (e.g. '01 Dates Ref 01') turns green.
- 3.9 **Warning:** you must not copy and paste data entry cells (yellow cells) from the report template as this will interfere with the functionality and linking to other worksheets.
- 3.10 All financial information should be provided in GBP and in millions unless stated otherwise.
- 3.11 Complete all required information on the template before submission. Some parts of the template will populate other areas when completed, we refer to this in the guide as auto-population.
- 3.12 Where references have been given to cells in the reporting templates, those references will be used in the user guide.
- 3.13 If you encounter any problems, or have any questions regarding the report templates or user guides, please contact helpdesk@ssro.gov.uk.

User Guide

01. Report submission admin

This worksheet shows basic information for the contract, including dates, individuals, and other general information or comments relevant to the contract pricing statement.



02. Supplier

Under Regulation 22(3) it is a requirement for a contract pricing statement submitted by a contractor which is a registered company to contain certain information on the contracting company. The necessary information has been included in the report template and is detailed below.



Full name of the legal entity submitted to a registrar of companies, such as Companies House.

This can include numbers (e.g. registration number) and text.

If the trading name is the same as the contracting company name please include 'as above' in this cell.

Select "SME" or "Not SME".

SME has a meaning given in

Commission Recommendation
2003/361/EC of 6 May 2003

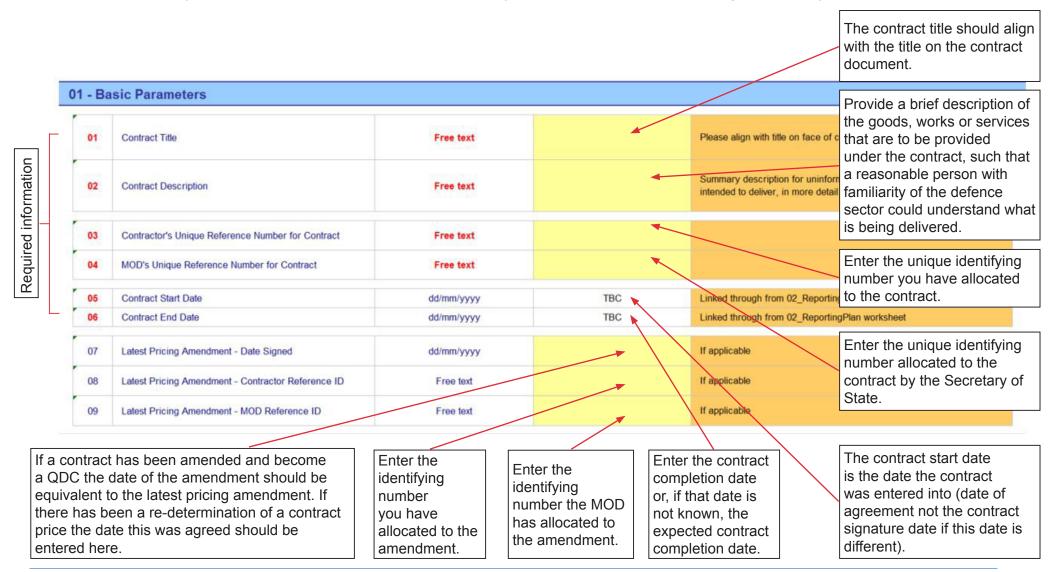
concerning the definition of
micro, small and medium sized
enterprises (employ fewer than
250 people and annual turnover
of ≤€50m and/or annual balance
sheet total of ≤€43m).

Last day of the most recently completed accounting period.

Include parent company details. 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.

03. Contract

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



Pricing analysis – currencies and commercial constructs

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



Business unit involvement

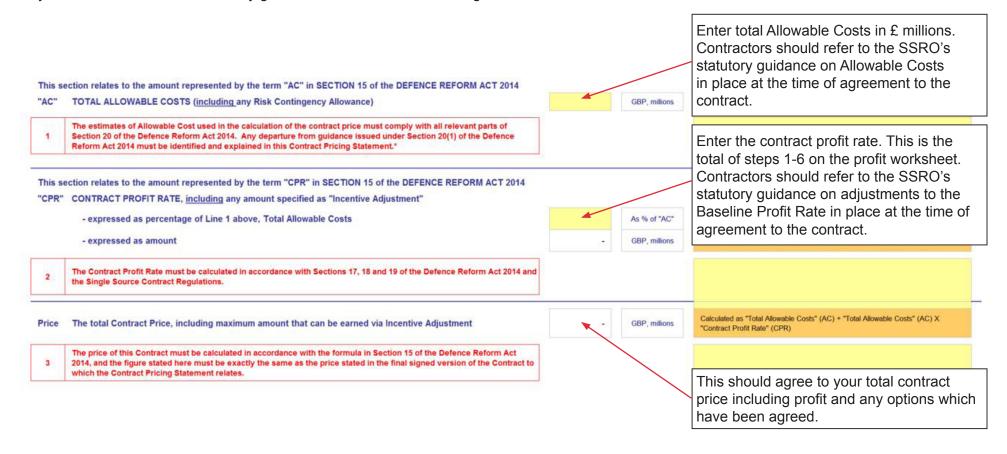
Include any business unit in relation to which a cost recovery rate has been used in determining the price payable under the contract.

3 - Business Unit Involvement					
Name of Business Unit 1	Free text		Please list the business units involved in the delivery of this contract		
Name of Business Unit 2	Free text				
Name of Business Unit 3	Free text				
Name of Business Unit 4	Free text	1			
Name of Business Unit 5	Free text				
	Name of Business Unit 1 Name of Business Unit 2 Name of Business Unit 3 Name of Business Unit 4	Name of Business Unit 1 Name of Business Unit 2 Free text Name of Business Unit 3 Free text Name of Business Unit 4 Free text	Name of Business Unit 2 Name of Business Unit 2 Free text Name of Business Unit 3 Free text Name of Business Unit 4 Free text		

Include the name of each business unit involved in the delivery of this contract.

04. Obligations

Any known deviations from statutory guidance in force at the time of agreement to the contract should be described.

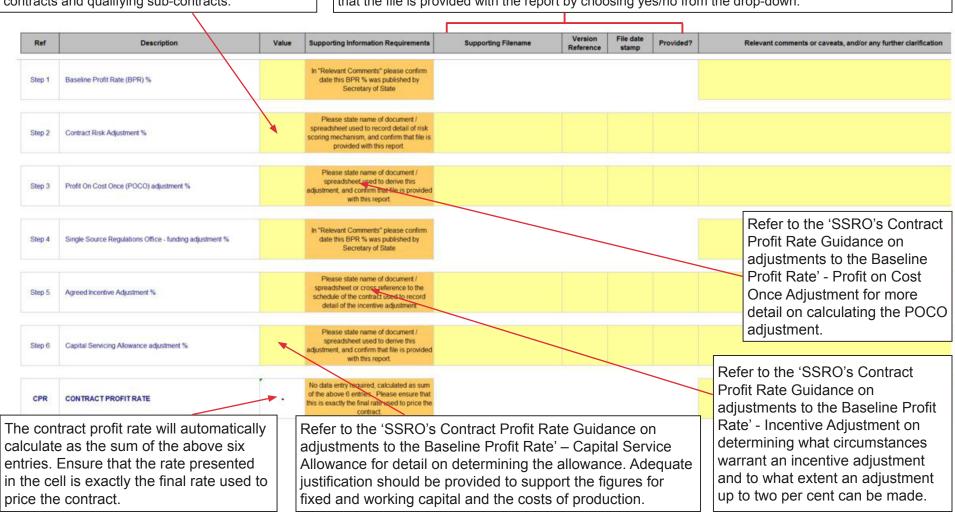


05. Profit

You should describe the calculation made under Regulation 11 to determine the contract profit rate, including all adjustments that were made under steps 1-6. If the adjustment is zero the field should be completed with that value.

Refer to the 'SSRO's Contract Profit Rate Guidance on adjustments to the Baseline Profit Rate' – Cost Risk Adjustment for more detail when determining the cost risk adjustment under qualifying defence contracts and qualifying sub-contracts.

Contractors must provide a description of the calculation made to determine the contract profit rate including all adjustments made under steps 1-6. This can be done either in the boxes below or in supporting information. State the name of the supporting file in the "Supporting File Name" column. Include the version reference and date stamp for the most recent version in the cells provided. Confirm that the file is provided with the report by choosing yes/no from the drop-down.



06. Assumptions

Contractors must describe:

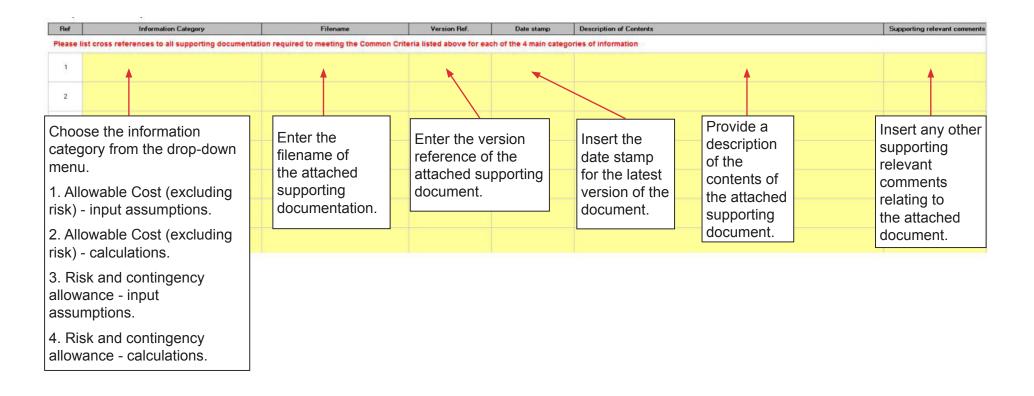
- the contractor's facts, assumptions and calculations relevant to each element of the Allowable Costs (including those relevant to any risk or contingency included in the Allowable Costs); and
- any facts or assumptions provided by the Secretary of State and used by the contractor in those calculations.

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. In case of a dispute about the contract price this section will be used to understand the underlying assumptions.

The report asks for four information categories to be included in the contract pricing statement, which have to meet all six 'fitness for purpose' criteria. In completing the contract pricing statement, the contractor must ensure that all six are met for all four main categories of information.

For example, in describing the facts, assumptions and calculations relevant to each element of the Allowable Costs you should provide detail on how the rates used in the QDC/QSC have been established. Details of what overheads have been included in these rates should be provided.

The information required to meet the common criteria can either be provided in supporting documentation (for example, in a cost model) or by recording the details of specific individual assumptions or calculations tabs 07-10. We welcome supporting documentation as it is more likely to be comprehensive and include all assumptions and descriptions. If supporting documents are provided, include the details in the assumptions tab (see below).



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, specifications of those models, independent audit reports of those 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, a specification of that model, an independent audit reports of that model.

Common 'fitness for purpose' criteria:

Relevant to the final price

In submitting the contract pricing statement and supporting information, the contractor must ensure that the assumptions shared are the final version that were used in the calculation of the final price, and that only assumptions that actually affected the final price are included in cross references. This is to avoid problems with version control and to reduce the potential confusion that may arise if models that are shared contain redundant functionality or inputs.

Complete coverage of the price

In submitting the contract pricing statement and supporting information, the contractor must ensure that sufficient information is shared to meet the other five criteria across every part of the cost build up. This is likely to include hours of every different type of labour, all recovery rates, all materials and all sub-contracts. The contract pricing statement will not be fit for purpose in allowing the MOD and the SSRO to meet the objectives detailed above if parts of the total cost or price are not explained.

Consistent cost breakdown categories

In submitting the contract pricing statement and supporting information, the contractor must ensure that assumptions are presented and explained using a set of cost breakdown categories consistent with that used by the supplier to build their own estimate of the total Allowable Costs underpinning the contract price. If the contractor estimates total materials cost from separate assumptions for 50 different material types, it would be unacceptable to share just the resulting total as an assumption.

Consistent type/level of assumption detail

In submitting the contract pricing statement and supporting information, the contractor must ensure that the types of assumptions shared for different elements of Allowable Costs reflect the way that they actually calculated the estimate of that cost in the price build up.

Clarity

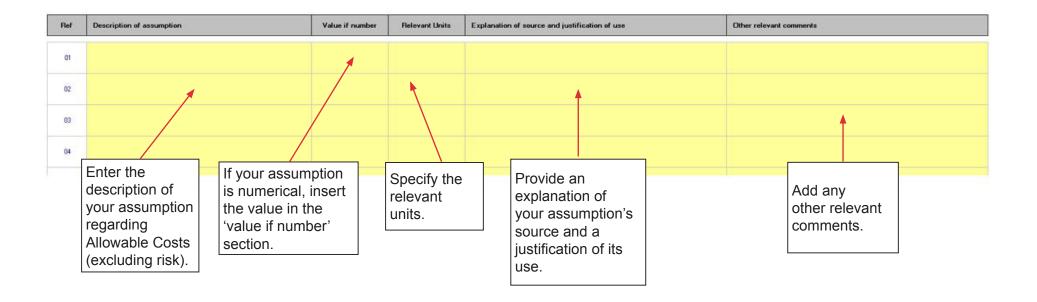
In submitting the contract pricing statement and supporting information, the contractor must ensure that any assumptions presented in supporting documents are clearly and concisely laid out, easy to find and understand, well labelled and explained where necessary. It is unhelpful and time consuming if important information, though clearly included, has to be searched for when buried deep into poorly laid out documents or spreadsheets.

Non supplier sourced

In submitting the contract pricing statement and supporting information, the contractor must ensure that any assumptions which are not their own - but were instead provided by the MOD - are clearly flagged. MOD assumptions must always be backed with key information like the date, the provider, and any audit trail. Any assumption not provided by the MOD will be deemed to be the contractor's own assumption, regardless of original source.

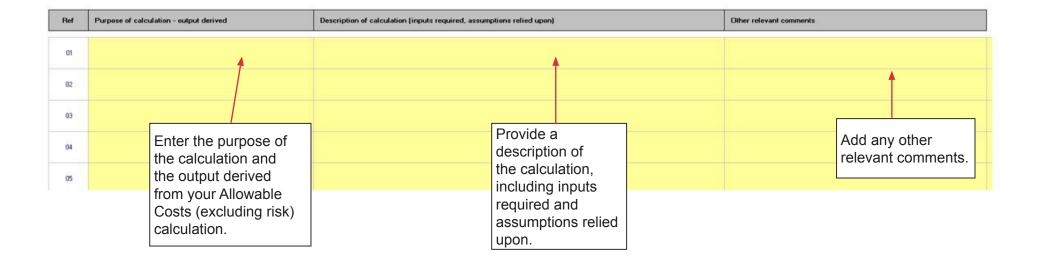
07. Allowable Costs (excluding risk) – input assumptions

This section can be used for further information not included in any of the supporting documentation cross referenced in the audit trail in part 03 of worksheet '06_AssumptionsMain'.



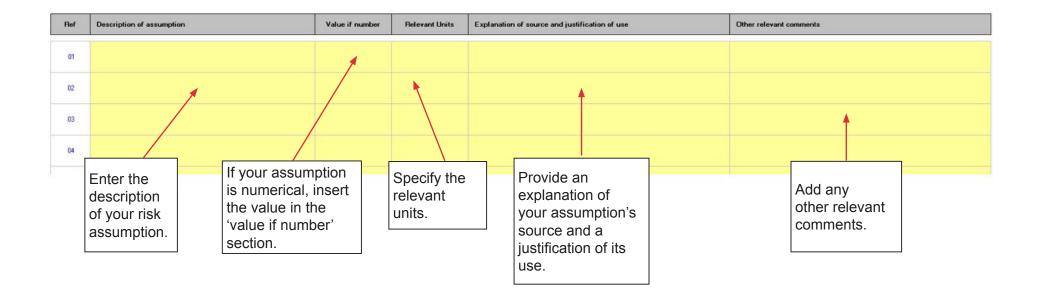
08. Allowable Costs (excluding risk) – calculations

This section can be used for further information not included in any of the supporting documentation cross referenced in the audit trail in part 03 of tab '06_AssumptionsMain'.



09. Risk assumptions

This section can be used for further information not included in any of the supporting documentation cross referenced in the audit trail in part 03 of tab '06_AssumptionsMain'.



10. Risk calculations

This section can be used for further information not included in any of the supporting documentation cross referenced in the audit trail in part 03 of tab '06_AssumptionsMain'.

