

**SSRO**

Single Source  
Regulations Office

## Defence Contract Analysis and Reporting System (DefCARS)

Reporting guidance and system user guide for  
defence contractors

Version 6 - 15 May 2019

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# 1. Introduction

- 1.1 This document is issued by the Single Source Regulations Office (SSRO). It sets out guidance to assist defence contractors with preparing and submitting reports required under the Defence Reform Act 2014 (the Act) and the Single Source Contract Regulations 2014 (the Regulations).
- 1.2 Guidance on use of the SSRO's Defence Contract Analysis and Reporting System (DefCARS) is incorporated into this document and is embedded within the system. The SSRO maintains DefCARS to enable contractors to comply with the requirement to submit reports electronically and guidance on its use will be relevant to all contractors using the system to prepare and submit contract and supplier reports.
- 1.3 Contractors must have regard to the guidance when preparing reports required by Parts 5 and 6 of the Regulations.

## Context

- 1.4 The Act and Regulations establish a scheme of regulation that controls the prices of qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs) and requires transparency on the part of defence contractors.
- 1.5 As part of the transparency requirements, the Regulations provide for submission of reports falling in two broad categories:

<b>Contract reports</b>	These reports are specified in Part 5 of the Regulations and are required to be submitted by contractors for all QDCs and QSCs. The reports contain a range of data about contract requirements, payments, estimated and actual costs, profit, and factors affecting delivery and sub-contracts.
<b>Supplier reports</b>	These reports are specified in Part 6 of the Regulations and are required from defence contractors when relevant triggers have been met. The reports consist of overhead reports, the Strategic Industry Capacity Report and the SME Report. <sup>1</sup>

- 1.6 Reports must be provided in electronic form to the SSRO and the Secretary of State, with the exception of the Strategic Industry Capacity Report, which may be provided in electronic or hard copy form.<sup>2</sup> The SSRO must keep an up-to-date record of QDCs, QSCs and the duration of those contracts which it does through DefCARS.

<sup>1</sup> SME refers to micro, small and medium-sized enterprises, as defined in Commission Recommendation 2003/361/EC: Regulation 2(1).

<sup>2</sup> The Strategic Industry Capacity Report must be provided either in electronic form (via secure means) or in hard copy: Regulation 33(7). Contractors should contact the SSRO helpdesk for further information.

- 1.7 The reports provide a substantial body of standardised information relevant to the operation of the regulatory framework established by the Act and Regulations. The information may be used by the SSRO in support of its statutory functions, which include:
- assessing and recommending to the Secretary of State the appropriate rates for use in pricing contracts;
  - issuing statutory guidance on pricing contracts, reporting and penalties;
  - giving opinions and making determinations on the operation of the framework;
  - carrying out analysis requested by the Secretary of State;
  - keeping under review the extent to which contractors and suppliers are complying with reporting requirements; and
  - keeping the provision of the framework under review and making recommendations for change to the Secretary of State.
- 1.8 In carrying out its functions, the SSRO must aim to ensure that good value for money is obtained in government expenditure on QDCs, and that contractors are paid a fair and reasonable price under those contracts.
- 1.9 The SSRO analyses reports to help it discharge its aims and functions. It publishes a number of statistical releases which increase transparency over regulated contracts generally, but do not disclose protected information about individual contracts. The SSRO's work should provide benchmarks and parametrics that support the MOD and industry in future contract negotiations.

### Compliance

- 1.10 The SSRO has published a compliance methodology which sets out how it will keep under review the extent to which persons subject to reporting requirements are complying with them. The methodology also addresses how the SSRO may use reported information to keep under review the provision of Part 2 of the Act and the Regulations.
- 1.11 The [compliance methodology](#) can be found on the SSRO's website. It sets out that the SSRO will monitor whether reports:
- are delivered on time; and
  - contain the information prescribed in the Regulations.
- 1.12 Enforcement of reporting obligations is the responsibility of the Secretary of State, who may issue compliance and penalty notices. If the SSRO identifies an apparent non-compliance with reporting requirements, it will bring that to the attention of the MOD. DefCARS functionality to support compliance activities is explained in Section 2 of this guidance.

## DefCARS design and development

- 1.13 DefCARS is the central system managed by the SSRO for the capture, storage and analysis of all electronic data reported by contractors and suppliers in accordance with the Act and the Regulations. It is agreed with the MOD that submission of reports via the DefCARS system is how contractors and suppliers are to meet the requirement to electronically submit their reports to the SSRO and the MOD. The current system is a web-based tool, which was launched on 15 March 2017 and replaced an earlier system that had been in operation from commencement of the Regulations.
- 1.14 DefCARS is intended to provide a user-friendly web interface and facilitate both compliance with reporting obligations and discharge of the SSRO's functions. It differs from the original system, which relied upon submission of Excel-based templates via a portal. This guidance identifies relevant features of DefCARS and gives assistance with submitting reports through the system.
- 1.15 All data submitted via the original system has been securely migrated to DefCARS. The onus is on contractors and suppliers to check that previous contract information is correctly recorded in DefCARS.
- 1.16 The security of data within DefCARS is one of the SSRO's key priorities. Guidance relating to information security and system administration is available to users via 'onboarding' email correspondence with the SSRO helpdesk and via the guidance links in the system. It can be found in the appendices to the version of this document within DefCARS but will not be available on the SSRO's website.
- 1.17 DefCARS is designed to allow contractors to input data in an efficient way. For instance, certain data required across multiple reports will only need to be entered once, certain data is auto-populated from one report to another<sup>3</sup> and [validation checks](#) (warnings and errors) will provide the submitter with assistance when reviewing data entered.
- 1.18 The system has been designed to facilitate any future changes to the regulatory framework, and will allow the introduction of better analysis and reports to inform contract negotiations involving the MOD and contractors. The SSRO will also regularly review the functionality of the system, and where necessary, implement upgrades and improvements through system updates.

## Personal data

- 1.19 The General Data Protection Regulation came into force on 25 May 2018. The SSRO has reviewed how it manages personal data across the organisation, and in particular in relation to personal data included in the information processed by DefCARS. The SSRO has published a [Personal Information Charter](#) which sets out the principles we will apply to personal data.

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<sup>3</sup> There are some limitations on auto-population from migrated DefCARS 1 reports to future DefCARS reports.

- 1.20 One of those principles is to limit the information which includes personal data, and is held within DefCARS, to only that which is necessary. In order to help us, the SSRO would encourage anyone submitting statutory reports through DefCARS to limit the personal data content in those reports to that which is specifically required by the Single Source Contract Regulations. Supporting information should not normally include personal data. The SSRO will provide further guidance on the management of personal data in future revisions to its reporting and DefCARS user guidance.

#### [Review of the guidance](#)

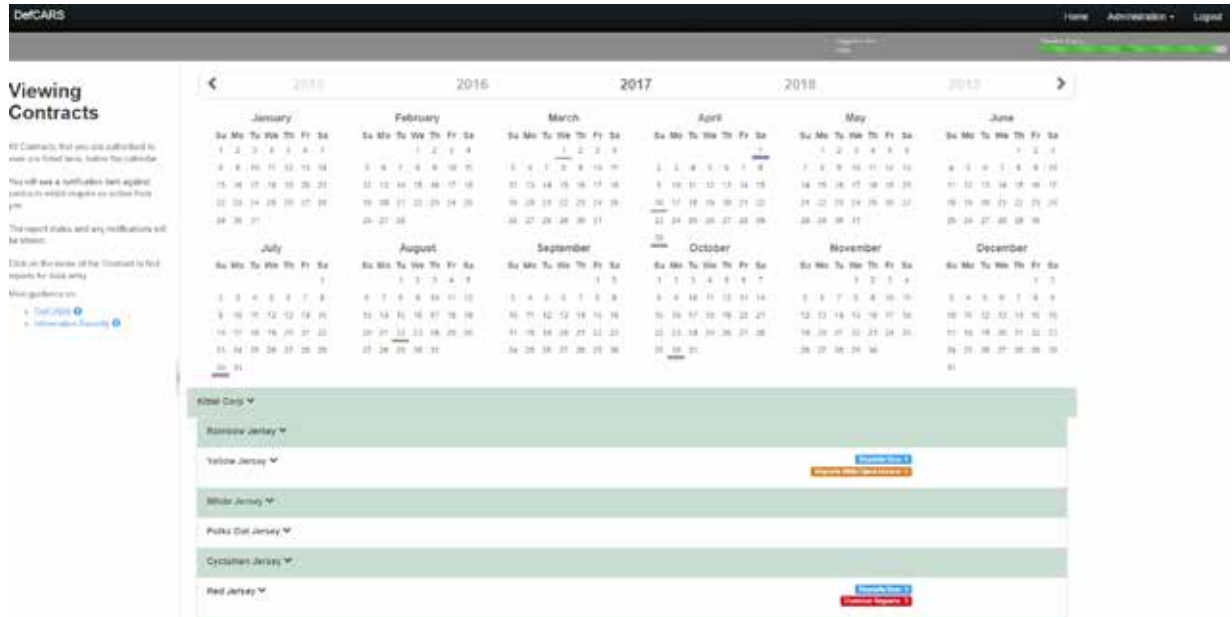
- 1.21 The SSRO engages on its reporting guidance and DefCARS through its Reporting and IT sub-group. The sub-group meets quarterly and has representation from industry, ADS Group and the MOD.
- 1.22 The SSRO will prioritise the future development of its reporting guidance and DefCARS, taking into account the feedback received from the Reporting and IT sub-group. The SSRO will aim to issue updates at appropriate intervals, clearly explaining what has changed from version to version (See Appendix 4). Contractors will need to familiarise themselves with these changes and have regard to the guidance in place at the time of reporting.

## 2. General system functionality

- 2.1 This section sets out guidance in relation to the general system functionality in DefCARS, covering user navigation, data formats, auto-population and validation. References are made to report types throughout the section, which are further explained in Sections 4 and 11.

[Contractor home page](#)

**Exhibit 1 – Contractor home page**



- 2.2 When a defence contractor user logs into DefCARS a calendar (see Exhibit 1) will be visible on the home page. This calendar shows the submission dates listed in the latest submitted reporting plan for each contract that the user has access to. Reporting plan dates are required in the Contract Reporting Plan, which is submitted via a Contract Initiation Report (CIR) on DefCARS (see Section 5). Submission dates for supplier reports are not displayed as supplier reporting is dependent upon whether on-going contract conditions are met within a financial year (see Section 11).
- 2.3 Users can navigate between years using the arrows at the top of the calendar. By clicking on a date the Contractor, Contract and Report Due Date (the submission date) are displayed. Clicking off a date will cause the list to disappear. Email notifications will alert contractors to forthcoming report submission dates and other key events, as set out in Table 1.

**Table 1 – System generated email notifications**

Message category	Event
Calendar	Submission date reminder
	Report overdue reminder
Compliance Issues (Administration User, Submitter and Editor permissions only)	Approve issues
	SSRO issues released
	MOD issues released
	Unresponded to issues (30 days)
	No current issues
Status (Administration User, Submitter and Editor permissions only)	SSRO status changed (Under review, Issues identified or No current issues)
	MOD status changed (Under review, Issues identified or MOD verification complete)
Potential QDC conversion	Potential QDC converted to an actual QDC

- 2.4 For submissions migrated from the original system, DefCARS presents dates in the calendar based on the reporting plan in the latest submitted Contract Notification Report (CNR) or Contract Reporting Plan (CRP). If contractors submitted an updated reporting plan in a Contract Pricing Statement (CPS), Quarterly Contract Report (QCR) or an Interim Contract Report (ICR) in the original system, these updated dates will not appear in the home page calendar and email notifications will not be received. Contractors can submit a corrected CNR or CRP with updated dates to populate the reporting calendar, if desired.
- 2.5 Below the calendar, users will also see a list of all the contracts that they have access to, submitted reports, and reports available for completion. 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. The contract list is sorted by default based on recent DefCARS activity in relation to that contract (e.g. drafting or submitting a report in DefCARS) but clicking any column header (Defence Contractor, MOD Contract Number, Contract Title and Date of Most Recent Submission) will re-sort the list in ascending order according to that column header. A second click of the column header will re-sort in descending order.
- 2.6 Each report submitted in the original system can be accessed in DefCARS via its accompanying 'View' icon. Users who have submitted a report in the original system will be able to access their original Excel report submission from the list of reports (contract and suppliers) on the home page. The original report will appear in the list of reports clearly labelled as a submission and will be accessible by clicking the blue link which includes the original file name and the report will then be downloaded. In the DefCARS format some information may appear differently because the structure of DefCARS reports has changed.



- 2.7 Any supporting information accompanying contract reports submitted in the original system will be accessible by clicking on 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 pop-up on the top right of each page.
- 2.8 Users can start new reports from the 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 submitted 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

- 2.9 Users can access system help and this reporting guidance via a help bar on the left-hand side of the contractor home page, and the 'Get help with this page' links at the top of each page within reports. The links on each page take the user to the equivalent page within the guidance document.

### Report Navigation

- 2.10 Each report can be navigated using the menu visible on the left-hand side of the screen or via the Next Page buttons at the bottom of each report page. Clicking on a Comment, Issue or Supporting File listed on the Report Home page will navigate a user directly to the relevant report page.

### Data formats

- 2.11 DefCARS facilitates the collection of data in a standardised format for the analysis purposes. Therefore, some data is required in certain specified formats which are set out in Table 2.

**Table 2 – 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 are to be entered excluding the percentage sign and as, for example, "10.5".  If the user enters "0.105" instead, the system will recognise this as 0.105%, and if the user enters "ten and a half per cent", the system will not convert words to the relevant figure.
Monetary values	All monetary values must be reported in sterling unless it is specified in the Regulations that a different currency can be used. In these instances, DefCARS will provide an option to specify the currency that data has been reported in.  Should the QDC or QSC be contracted in a currency other than sterling, the contracting authority's exchange rate should be used (the MOD's for QDCs and the primary contractor's for QSCs) for the purposes of reporting.  Generally, data is required in units of £ million (e.g. contract prices, contract values) or £ (e.g. cost recovery rates). Users should refer to the system and this guidance for the units required.

Data type	Guidance
Decimal places	<p>This 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.</p> <p>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.</p>
Numerical values	<p>The system can accept values with up to ten integers. The system does not currently allow comma separators to be used when entering data.</p> <p>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.</p>
Text	<p>There are differing character limits on each field. The system will indicate if the character limit for a field is exceeded.</p>

### Auto-population

- 2.12 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 from one report to another. For example:
- The first QCR will be auto-populated from the latest submitted CIR. Any subsequent QCRs will then be auto-populated from the latest submitted QCR.
  - The first ICR (Lower or Higher Value) will be auto-populated from the latest submitted CIR. Any subsequent ICRs will then be auto-populated from the latest submitted ICR.
  - The first Contract Completion Report (CCR) 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 Qualifying Business Unit Cost Analysis Report (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.
- 2.13 Contractors and suppliers should check auto-populated data and update where appropriate so that the data complies with the reporting obligations set out in the Regulations for the specific report that they are submitting.
- 2.14 DefCARS will not auto-populate data from any CPSs, CNRs and CRPs submitted in the original system.

### Copy and paste functionality

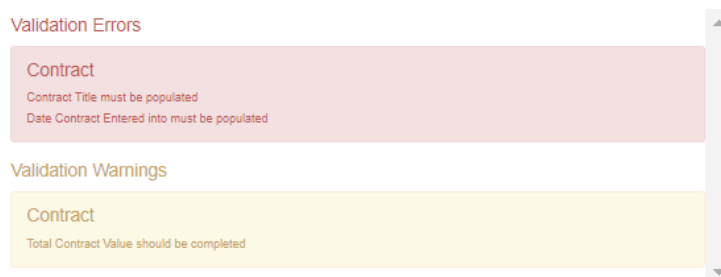
- 2.15 Some reports have additional functionality for contractors to copy and paste data more than one field at a time into DefCARS to ease data entry. This functionality can be found in the following reports, and contractors should refer to the guidance within the pop-up prompt displayed when the copy and paste button is selected, which sets out the process and parameters for successfully importing data:

- DPS Input Values – CIR, ICR and CCR
- Actual Forecast DPS Input Values - ICR and CCR
- Analysis of Cost by Supplier Breakdown - QCR
- Actual Forecast Analysis of Cost - QCR
- Cost Recovery Rates – CIR, ICR and CCR
- Actual Forecast Cost Recovery Rates - ICR and CCR
- Milestones – CIR, QCR, ICR and CCR
- Payments – CIR, ICR and CCR
- Last Year Prior Year Estimates - QBUCAR
- Last Year Actuals - QBUCAR
- This Year Estimates - QBUCAR

### Data validation

- 2.16 The system’s validation function does not provide contractors and suppliers with confirmation that their report is compliant with the Act and the Regulations. The validation checks in DefCARS however aim to assist users for example by ensuring data in reports are in the correct format, that totals sum correctly and that fields which are repeated within reports match. The validation checks in DefCARS support the compliance methodology applied by the SSRO to report submissions.
- 2.17 Users can validate the data inputted on each report in two ways. Firstly, on each report page, users can save the page and then click on the ‘Validate’ button. Alternatively, users can validate the whole report by clicking on the ‘Review Validation Warnings’ 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.
- 2.18 The system will highlight any validation ‘errors’ and ‘warnings’ to the user. Validation errors are displayed in red and require action before the report can be submitted in DefCARS. Validation warnings are displayed in yellow and highlight issues with the data inputted. These are shown in Exhibit 2.

### Exhibit 2 - Validation errors and warnings



## Saving reports

- 2.19 Most pages have a save button at the bottom of them. Where they do not, entered content is saved as it is completed.
- 2.20 It is not possible for multiple users to update the same report at the same time, although progress in a report can be saved and a different user can then log in and continue with the same report. This is to prevent users from overwriting information by other users who may be completing the report at the same time.

## Uploading Comments, Issues and Supporting Information in reports

- 2.21 Each page in DefCARS has a pop-up window accessible from the top right of the page which allows users to add comments and supporting information to a report and respond to issues. A screen shot of this pop-up is shown in Exhibit 3. When the pop-up is clicked the functionality becomes visible, which contractors and suppliers may use to provide additional information to meet the reporting obligations set out in the Regulations and to explain or supplement the data entered into the fields on the page.

### Exhibit 3 - Comments, issues and supporting information pop-up

The screenshot shows a pop-up window with the following sections:

- Issue Log:** A table with columns: Issue ID, Relevant Field, Description, Issue Status, and Response. It contains one row with Issue ID 423, Relevant Field Contract Title, Description issue test for UAT1, Issue Status Active, and Response with 'Hi' and 'Hi' buttons.
- Comments - add a supporting comment to your data:** A section with a 'Show/hide new comments' link and a table with columns: By, Relevant Field, Comment, Added On, and Approved Date. It contains one row with By SSRD, Relevant Field Contract Unique Reference, Comment New comment, Added On 12/07/2018, and Approved Date 12/07/2018.
- Supporting files - add a supporting file to your data:** A section with a 'Show/hide new files' link and a table with columns: File, Relevant Field, Uploaded On, and Approved Date. It contains one row with File Test data.xlsx, Relevant Field Contract Description, Uploaded On 12/07/2018 15:22, and Approved Date with 'Hi' and 'Hi' buttons.

## Adding Comments and Supporting Files

- 2.22 To add a new comment, the system user can click on the pop-up, select any data entry field from the drop down menu (all fields on the page are listed) and click the 'Show/hide new comment' link. Comments can also be added without making a link to a data entry field. After typing a new comment in the box that is presented, the user must make sure they select 'Add new comment'.





- 2.23 Comments and supporting files that are added to a contract report, via the Comments and Supporting Information functions, will not transfer to any new report created for that contract. For example, comments and files in QCR1 will not transfer to QCR2 as the latter is a new report. If comments and files remain relevant, they will need to be uploaded again to the subsequent report. If the contractor is correcting a report, all data including comments and supporting files is transferred.
- 2.24 To provide supporting files, the user can select a data entry field from the drop-down menu as above and click on the 'Upload a new file' icon. In a new window, the user will be asked to confirm that the data to be uploaded is classed as OFFICIAL-SENSITIVE-COMMERCIAL or lower. Users should browse for the document and select 'Upload'.
- 2.25 The file types below can be uploaded onto the system. There is a maximum file size of 100MB which should not cause problems for contractors. The SSRO would prefer Excel documents are submitted in this form rather than as converted pdf documents as this makes analysis more difficult.
- .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)<sup>4</sup>
- 2.26 General comments and supporting files can be added against a report. The same permission rules also apply. Editors can draft general comments and add supporting files but to submit them as part of a report will require approval by an Administration User or a Submitter. Comments or supporting files will not be visible to the MOD or SSRO unless they are individually approved by an Administration User or Submitter. There is no functionality to enable an approver to edit comments. Therefore, to amend a comment before approval, the comment text should be copied into a new comment window, edited and then approved. The previous comment will still be visible but can then be rejected by an Administration User or Submitter to delete it.

<sup>4</sup> 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.

## Compliance Issues

- 2.27 Compliance issues can be raised on reports by the SSRO and MOD after a contractor has submitted their report. DefCARS functionality which supports compliance activities is explained later in this section. Issues which are attached to an individual page in a report will be displayed in the Comments, Issues and Supporting Information pop-up. The icons shown in Table 3 will show in the pop-up to indicate the number of comments, issues or supporting files which have been added to a page.

**Table 3 – Icons**

Area	Icon	Explanation
Field specific issues		In this example two issues are displayed.
Page level issues		In this example there is an issue related to a page rather than a field.
Comments		In this example no comments have been added.
Supporting Files		In this example no supporting files have been added.

## Report Home page

- 2.28 The Report Home page will display summary lists added to reports via the Comments, Issues and Supporting Information pop-up. The following sections will be displayed in the Report Home page:
- Comments: This table will set out each comment that has been raised against the report along with the page and relevant field (if any) that the comment has been tagged against.
  - Current Issues: This table will set out all open issues in relation to the report, providing a description of the issue along with the page and relevant field (if any) that the issue has been logged against. If an issue has been closed it will not remain on this page but will remain in the Comments, Issues and Supporting Information pop-up in the relevant report page.
  - File Uploads: This table will list each file that has been uploaded to support the report along with the page and relevant field that the file has been tagged against and whether the upload is linked to an issue.
- 2.29 Clicking on a line in one of the summary tables will navigate the user to the relevant report page.

## Downloading and printing reports

- 2.30 The Submission page of each report provides the contractor with the facility to view, download and print its reports in pdf or Excel format. This functionality is available to the contractor before and after submission to the SSRO and the MOD, provided that the user has had the Download Report and Print permission enabled by their Administration User.

### Submission and re-submission

- 2.31 The SSRO or the MOD can only see reports once a contractor has submitted them. Once the contractor is satisfied that the report is ready for submission, it can save and submit the report via the Submission page. If there are remaining validation errors in the report, DefCARS will not allow submission. If there are remaining validation warnings in the report, DefCARS will alert the submitter to review these before confirming that they wish to submit. Unresolved validation warnings may result in an increased number of issues from the SSRO or the MOD to the contractor.
- 2.32 Once the report has been submitted, it can no longer be edited so the contractors should make every effort to ensure that they are content before submitting. Contractors are however able to make corrections or other amendments to the report once it has been submitted. In the case of the CIR, as well as a correction, there is the option to select 'On-Demand Report' where the contractor needs to submit a new Contract Pricing Statement or Contract Reporting Plan.
- 2.33 To make a correction or amendment, the contractor should navigate to the Contractor Home Page. The contractor will see an icon labelled 'Start Correction' against each report migrated from the original system and submitted in DefCARS. This will open a new draft of the report populated with the information from the previously submitted report. This information can be edited by the contractor, saved and submitted via the Submission page. It would be helpful for the SSRO and MOD, if contractors attach comments to highlight the fields that have been edited in the correction report, and provide any additional information to explain why the amendments have been made.
- 2.34 The Contractor Home Page will display the original submission as 'S1' (if it is the first submission of its report type, 'S2' if the second and so on), and the corrected report as 'S1C1' (if it is the first correction of 'S1', 'S1C2' if the second and so on). The 'S' refers to the submission number for that type of report and the 'C' refers to the correction number for that specific report number. Active issues (see next section) will be carried forward in correction reports until they are resolved.

### Compliance activities

- 2.35 Issues raised by the SSRO or MOD which relate to whether contracting companies or designated persons are meeting their reporting requirements are able to be communicated and responded to within DefCARS. The guidance below explains how contractors can review and respond to these issues within the system. This functionality supports a three way dialogue about reports between the contractor, the SSRO and the MOD and enables issues with reports to be resolved in a timely and transparent way.
- 2.36 DefCARS shows the number of reports relating to a contract which have active issues. The number of active issues relating to each individual report is also shown (see Exhibit 4).

### Exhibit 4 – Report Issues




2.37 By selecting the view icon (see Exhibit 4) the user will be taken to the Report Home page for that report where the individual active issues will be listed (see Exhibit 5). The Report Home page will only show active issues as once issues are closed by the SSRO or the MOD they will be removed from the Report Home page (although the audit trail remains within individual pages within a report). The user can also download the report to see all active and resolved issues relating to that report.

### Exhibit 5 – Report Home Page Issues List

Current Open Issues								
Page	Relevant Field	Description	Issue Status	Date issue raised	Date of most recent activity	Draft Changes Requiring Approval?	Has been forwarded to MOD?	Raised by Organisation
Supplier	Town/City	Description 1	Active	19/03/2019	19/03/2019	✓	✗	SSRO
Contract	Contract Unique Reference	Description 2	Active	19/03/2019	19/03/2019	✓	✗	SSRO
Profit	BPR Value Selection	Description 3	Active	19/03/2019	19/03/2019	✗	✓	SSRO

Current Resolved Issues								
Page	Relevant Field	Description	Issue Status	Date issue raised	Date of most recent activity	Draft Changes Requiring Approval?	Has been forwarded to MOD?	Raised by Organisation
Profit	Statutory Guidance on Allowable Costs	Description 4	Resolved	19/03/2019	21/03/2019	✗	✗	SSRO

2.38 Issues which appear in the issues list are ‘clickable’ which will take the user to the relevant report page. Every issue on a page can be accessed via a pop-up window which appears on the top right of the page (see Exhibit 3). If the issue relates to a particular field an issues  icon will appear in the relevant field (see Exhibit 6). If the issue relates to a page the user will only see the issue by clicking on the pop-up window.



## Exhibit 6 – Issues Icon on Individual Fields

### Contract Profit Rate

Value

Statutory Guidance on Allowable Costs in force at the time of agreement

VERSION 1.0 26 JANUARY 2015 ▼

- 2.39 Once an individual issue is selected (either by clicking on the icon or via the pop-up window), a new window will open (see Exhibit 7) where the issues relating to the page will be visible along with any comments and supporting files relating to the data entered on that page. Please note this is the same window as that shown in Exhibit 3.

## Exhibit 7 – Issues, Comments and Support files window

**Issue Log** ▼

Issue ID	Relevant Field	Description	Issue Status	Response
1102	Statutory Guidance on Allowable Costs	Description 4	Active	1 2
1101	BPR Value Selection	Description 3	Active	0 2

**Comments - add a supporting comment to your data** ▼

[Showhide new comment](#)

By	Relevant Field	Comment	Added On	Approved Date

**Supporting files - add a supporting file to your data** ▼

[Upload a new file](#)

Note: This section is to provide supporting information in your report. To add a file in relation to an issue please click on an individual issue in the Issue Log.

File	Relevant Field	Uploaded On	Approved Date

- 2.40 Users can click on individual issues to see all the information associated with them. The two icons on the right-hand side of the issue (see Exhibit 7) indicate whether any comments have been raised against the issue or whether there are any supporting files attached. The window which includes all the information associated with an issue is shown in Exhibit 8 and will enable the contractor to see a full audit trail of the information relating to each issue.

## Exhibit 8 – Issue fields

Relevant Field

Issue Description:

Linked to validation rule:

Issue Category:

Category:

Raised by:

Status:

Notices Issued:

Release Date:

Released By:

- 2.41 Contractors will be able to add their response to the MOD or SSRO issue by clicking show/hide new comment (see Exhibit 9). All comments on an issue whether made by the contractor, SSRO or MOD will be included in a list in the comments log which appears below the issue details once they have been added.

## Exhibit 9 – Responding to an Issue

Comments Log

[Show/hide new comment](#)

Comment:

Add New Comment

- 2.42 Users with Administration User, Submitter or Editor permissions can draft responses in DefCARS to issues raised by the SSRO or MOD. All draft responses require approval by an Administration User or Submitter. Responses to issues which have been drafted by an Editor, or by an Administration User or Submitter and not yet approved, will be indicated with a tick in the 'Draft changes requiring approval' column of the issues list in the Report Home page (see Exhibit 5). Administration Users and Submitters can draft responses but will need to approve their own responses (see next paragraph). All responses will remain in draft and can still be edited or deleted without being visible to the SSRO or MOD until they have been approved.
- 2.43 To seek approval for a draft response an Editor will need to click on the 'Notify Approver' button which is located at the bottom of the Report Home page. Clicking this button will send an email notification to the Administration User and Submitter, informing them that responses require approval. If the Editor is making draft responses on a number of issues at the same time, they may wish to consider only clicking on the 'Notify Approver' button after all responses are drafted.

- 2.44 Once an Administration User or Submitter wishes to approve a response they will need to access each individual issue from the Report Home page and select 'Approve' at the bottom of the issue details. Once approved the response will be visible to the SSRO and MOD. In order to make the SSRO and MOD aware that the contractor has responded the Administration User or Submitter will need to select 'Notify Externally' on the Report Home page. This will send an email to notify the SSRO and MOD.
- 2.45 Issues that have been forwarded to the MOD by the SSRO will be indicated in the last column of the issues list on the Report Home Page with a tick (see Exhibit 5). The contractor is still able to raise comments against these issues after they have been forwarded to the MOD.
- 2.46 If the contractor chooses to alter information originally submitted in the report or to add further supporting information a correction report (see paragraphs 2.32 and 2.33) will need to be submitted.
- 2.47 All active issues in a report will subsequently be carried forward in all future correction reports. Any new issues raised in subsequent correction reports will not be retrospectively applied and therefore will not be visible in earlier reports.
- 2.48 Once all issues in a report have been resolved, the SSRO and MOD can set their own status of the report to 'No Further Issues' or 'MOD verification complete' respectively. If no issues are raised in the report the status can still be set to 'No Further Issues' or 'MOD verification complete' in the same way. The current status of a report will be visible on the Report Home page and any status changes to a report will be communicated to all parties via an automatic email notification.

## 3. Potential QDC and training feature

### Potential QDC/QSC feature

- 3.1 Functionality is available within DefCARS to allow contractors to prepare for submission of a Contract Initiation Report<sup>5</sup> by being able to draft reports before their QDC or QSC is entered into. These draft reports on a potential QDC/QSC can be converted to actual reports, which the contractor is able to edit and then submit in the normal way, after the SSRO or MOD has been notified that a contract has been entered into.
- 3.2 This feature is available to both existing DefCARS users and potential new users. It can only be made available when the MOD or the contracting authority confirms the likelihood that a QDC or QSC will be entered into (in most cases this will include the existence of a MOD or prime contractor contract reference number) and the contracting company has provided the standard contract notification and Administration User information. The notification allows the contract to be set up on DefCARS and the Administration User can add other users.
- 3.3 To discuss access to the Potential QDC/QSC feature, companies should contact the SSRO helpdesk ([helpdesk@ssro.gov.uk](mailto:helpdesk@ssro.gov.uk) or 0203 771 4785). The SSRO will consider requests for a potential QDC to be set up on a case-by-case basis and will explain if it considers it is not appropriate for a contractor to have access to this feature.
- 3.4 When access to the feature has been secured, DefCARS functionality for draft reports will be largely the same as that for actual reports. The significant difference with the potential QDC functionality is that users are not able to submit the report but can download and print it. Potential and actual QDCs/QSCs appear in the same contract list in DefCARS with the former clearly differentiated from actual contracts.
- 3.5 The MOD and the SSRO will not review or raise issues on a draft report (see paragraphs 2.35 – 2.48 on compliance activities). This will only happen once the actual QDC/QSC has been entered into and the report has been submitted. Users of the potential QDC/QSC feature will be able to run the validation that exists within DefCARS on their draft reports.
- 3.6 When conversion of a potential QDC/QSC to an actual QDC/QSC needs to take place the contractor will contact the SSRO helpdesk and the SSRO will enable the conversion. The MOD can also convert contracts and will inform the SSRO when they do this on the contractor's behalf. Contractors will not be able to make this conversion themselves and the SSRO will not convert the contract report without the contractor being aware.
- 3.7 Once conversion has taken place anyone with permission to view the contract will receive an email notification and will be able to fill in further details such as the date the contract was entered into, complete any final validation checks and submit the report to meet their statutory reporting deadline.

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<sup>5</sup> All contract reports are available in the potential QDC/QSC feature.

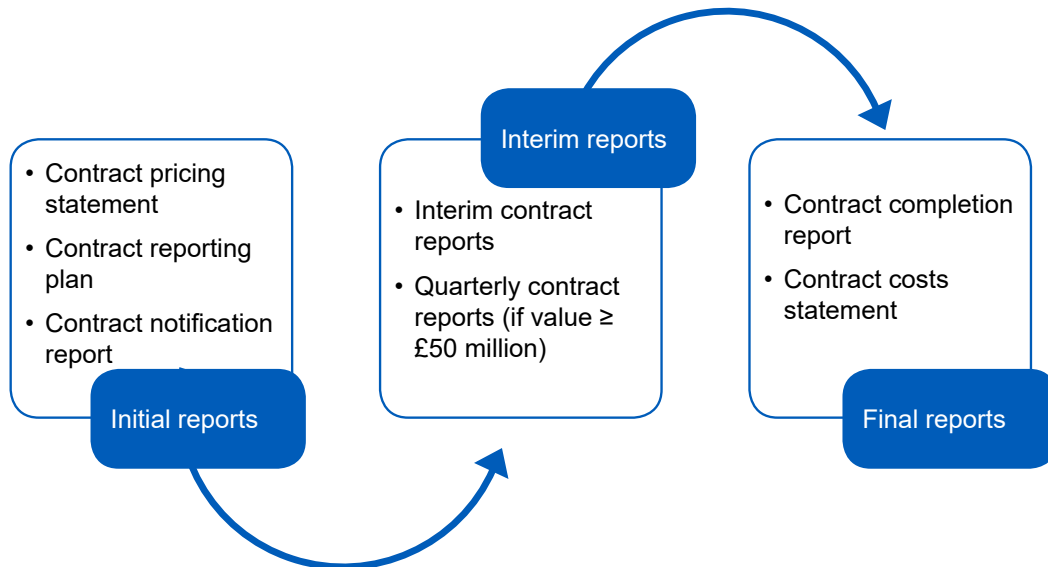
## Training feature

- 3.8 Functionality within DefCARS has been developed to allow experienced users to train other users within their organisation. This feature also helps users become accustomed to the functionality of the system and the type of information required to complete reports.
- 3.9 DefCARS users are only eligible for access to the training feature if they have access to the live system or the potential QDC/QSC feature.
- 3.10 To gain access to the training feature, users should contact the SSRO helpdesk ([helpdesk@ssro.gov.uk](mailto:helpdesk@ssro.gov.uk) or 0203 771 4785) where the process to gain access will be explained and your request considered. The SSRO will create a separate training organisation for each contractor and also provide a user account for the initial Administration User. The Administration User can then set up a separate password (rather than the one they have for the live system) for this new user account. Once set up the Administration User will be able to create additional training user accounts and training contracts as required.
- 3.11 The training feature requires separate user accounts to those used for the 'live' DefCARS system. The Administration User of the training organisation will have the authority to create these new user accounts for the sole purpose of training. There will be no email notifications received from the training feature.
- 3.12 Administration Users will be able to add and create training contracts. Contracts can be added under contract administration in the administration menu. Basic details about a fictitious contract can be entered by the Administration User and then training users will be able to draft reports against those contracts.
- 3.13 It is highly recommended that when creating and managing new user accounts and contracts for the purposes of training that Administration Users do the following:
- create user names which are not similar to those used for accessing the live system;
  - create contract names which do not relate to real contracts;
  - ensure training users do not use any real data when completing reports within the training feature as there is no functionality to convert training reports into a statutory report submission (this is only available in the potential QDC feature described on the previous page);
  - actively manage the number of users and number of training contracts which they set up as too many of either could become unwieldy; and
  - suppress users who no longer require access to the training feature.
- 3.14 The MOD and SSRO will not review reports developed in the training feature or raise issues against them. As a result, the training user will not see any issues created by the SSRO or MOD.
- 3.15 Should the training user experience any technical issues while using the feature they should contact the SSRO helpdesk. For any issues relating to using the system the user should contact their Administration User or refer to the latest reporting and DefCARS user guidance.

## 4. Overview of contract reports

- 4.1 This section of the guidance aims to provide contractors with an overview of the reports that are required under Part 5 of the Regulations in relation to QDCs and QSCs.
- 4.2 All contractors with QDCs and QSCs are required to provide initial and final reports. The submission of and the frequency of interim reports is dependent on the contract value. Exhibit 10 sets out the contract reports that are required.

### Exhibit 10 – Contract reports



- 4.3 In an effort to streamline the data entry required by contractors, the three initial reports (Contract Pricing Statement, Contract Notification Report and Contract Reporting Plan) have been merged and are referred to in DefCARS and this guidance as the **Contract Initiation Report**. The three reports can still be viewed individually and printed for review.
- 4.4 Contractors may be required to (via written direction from the Secretary of State) or agree to (without a written direction) provide On-Demand Contract Reports during the life of the contract. **On-Demand Contract Reports** can be Contract Pricing Statements, Contract Reporting Plans, Interim Contract Reports or Contract Costs Statements. Contractors should refer to the relevant regulation for the type of On-Demand Contract Report due to be submitted and should contact the SSRO before preparing an on-demand report for detailed instructions on how to submit the report in DefCARS. Section 10 provides more information about On-Demand Contract Reports.
- 4.5 The specific regulations that contractors should refer to when completing their reports are set out in Table 4.

**Table 4 – Reporting Requirements**

Report	Reporting requirements set out in
Contract Notification Report (CNR)	Regulation 22 (General Requirements), Regulation 25 (Contract Notification Report)
Contract Pricing Statement (CPS)	Regulation 22 (General Requirements), Regulation 23 (Contract Pricing Statement)
Contract Reporting Plan (CRP)	Regulation 22 (General Requirements), Regulation 24 (Contract Reporting Plan)
Quarterly Contract Report (QCR)	Regulation 22 (General Requirements), Regulation 26 (Quarterly Contract Report)
Interim Contract Report (ICR)	Regulation 22 (General Requirements), Regulation 27 (Interim Contract Report)
Contract Completion Report (CCR)	Regulation 22 (General Requirements), Regulation 28 (Contract Completion Report)
Contract Costs Statement (CCS)	Regulation 22 (General Requirements), Regulation 29 (Contract Costs Statement)
On-Demand Contract Report	Regulation 22 (General Requirements), Regulation 30 (On-Demand Contract Report), and one of the following: <ul style="list-style-type: none"> <li>• Regulation 23 (Contract Pricing Statement)</li> <li>• Regulation 24 (Contract Reporting Plan)</li> <li>• Regulation 27 (Interim Contract Report)</li> <li>• Regulation 29 (Contract Costs Statement)</li> </ul>

4.6 The Act and the Regulations set out modifications for QSCs. Those relating to the reporting obligations under Part 5 and Part 6 of the Regulations can be found in Regulation 65 (Modifications of these Regulations), as well as throughout this guidance. Differences between the reporting requirements for QDCs and QSCs are relatively minor.

4.7 Contractors should also refer to this guidance as well as other SSRO guidance as required by Regulation 22(9) which states that “in preparing a report, a contractor must have regard to any relevant guidance issued by the SSRO”. Other statutory guidance produced by the SSRO which relates to pricing contracts and which contractors must have regard to are:

- [Single Source Cost Standards: Statutory Guidance on Allowable Costs.](#)
- [Guidance on the baseline profit rate and its adjustment.](#)

### Date a contract is 'entered into'

- 4.8 The Regulations require contractors to comply with various reporting and other obligations which arise in relation to the date a contract is 'entered into'. As well as being directly relevant itself to reporting requirements, the date 'entered into' is also used in the definition of the following two terms which are relevant to reporting requirements:
- Regulation 2(1) defines the **time of agreement**, to mean one of the following:
    - the date a QDC or QSC is 'entered into' or the date of a re-determination of the contract price, or
    - for a QDC by amendment, the date of the amendment by which it was agreed the contract was to be a QDC or the date of a re-determination of the contract price.
  - Regulation 22(10)(c) defines the **initial reporting date**, to mean the date the contract was 'entered into' or, for a QDC by amendment, the date of the amendment.
- 4.9 The time of agreement and the initial reporting date are relevant for the purposes of calculating the date by which contractors must produce various reports.
- 4.10 Table 5 summarises the relevant requirements.

**Table 5 – Reporting requirements which relate to 'date entered into'**

Regulation	Requirement
r22(2)(h), (5) General requirements and interpretation	Every report provided in relation to a QDC must contain the date on which the contract was <b>entered into</b> . Annual profiles <sup>6</sup> in reports must include columns representing a continuous range of financial years from that in which the contract was <b>entered into</b> until that in which the contract completion date falls or is expected to fall.
r23(1) Contract Pricing Statement	Primary contractors must provide a Contract Pricing Statement for a QDC within one month of the <b>initial reporting date</b> .
r24(1) Contract Reporting Plan	Primary contractors must provide a Contract Reporting Plan for a QDC within one month of the <b>initial reporting date</b> .
r25(1), (2) Contract Notification Report	Primary contractors must provide a Contract Notification Report for a QDC within one month of the <b>initial reporting date</b> .  The Contract Notification Report must contain an annual profile of any estimated costs (split by the defined pricing structure) at the <b>initial reporting date</b> and the date on which each reported <sup>7</sup> sub-contract was, or is expected to be, <b>entered into</b> .

<sup>6</sup> If the contractor is of the view that it is not possible to express matters in an annual profile, the total amount is permitted.

<sup>7</sup> Each sub-contract which the primary contractor has entered into, or intends to enter into, for the purposes of enabling it to perform its obligations under the qualifying defence contract (including the total proportion of the value of the qualifying defence contract which the primary expects to sub-contract). Only sub-contracts with a value of £1 million and above (or, if there are more than 20 such sub-contracts, each of the 20 which have or are expected to have the highest value). These thresholds apply to all reports which require reporting of sub-contracts.



Regulation	Requirement
r26(1), (2), (3) and (6) Quarterly Contract Report	<p>Primary contractors must provide a Quarterly Contract Report for a QDC within one month of the end of each calendar quarter from the <b>initial reporting date</b> until the contract completion date.</p> <p>No report is required for the calendar quarter in which the <b>initial reporting date</b> falls. The first Quarterly Contract Report must be for the period from the <b>initial reporting date</b> to the end of the next calendar quarter.</p> <p>The Quarterly Contract Report must contain:</p> <ol style="list-style-type: none"> <li>a. the annual profile of the estimated costs (split by the contractor reporting structure) at the <b>time of agreement</b>;</li> <li>b. a description of any event that has occurred, or circumstances which have arisen, <b>since the contract was entered into</b>, that have had or are likely to have a material effect in relation to the contract; and</li> <li>c. the date on which any reported<sup>8</sup> sub-contract was, or is expected to be, <b>entered into</b> in relation to the contract.</li> </ol>
r27(1), (2), (3), (4) and (5) Interim Contract Report	<p>Primary contractors must provide an Interim Contract Report for a QDC within two months after each reporting date, which can be a date determinable by reference to the <b>time of agreement, initial reporting date</b> or previous reporting date.</p> <p>All Interim Contract Reports must contain an annual profile of any estimated costs (split by the defined pricing structure) at the <b>time of agreement</b>.</p> <p>If the value of a qualifying defence contract is less than £50 million, the Interim Contract Report must also contain the following information:</p> <ol style="list-style-type: none"> <li>a. a description of any event that has occurred, or circumstances that have arisen, <b>since the contract was entered into</b>, that have had or are likely to have a material effect in relation to the contract; and</li> <li>b. the date on which each reported sub-contract was, or is expected to be, <b>entered into</b>.</li> </ol>

<sup>8</sup> Each sub-contract into which the primary sub-contractor has entered into in the period covered by the report, or intends to enter into, in the calendar quarter following the period covered by the report.

Regulation	Requirement
r28(2) Contract Completion Report	<p>The Contract Completion Report must contain:</p> <ul style="list-style-type: none"> <li>a. an annual profile of the maximum amount of profit that could have resulted from the incentive adjustment at the <b>time of agreement</b>;</li> <li>a. an annual profile of any estimated costs (split by the defined pricing structure) at the <b>time of agreement</b>;</li> <li>b. an annual profile of the estimated amount of each cost recovery base set out in the Contract Reporting Plan at the <b>time of agreement</b>;</li> <li>c. a description of any event that has occurred, or circumstances which have arisen, since the contract was <b>entered into</b>, that have had or are likely to have a material effect in relation to the contract; and</li> <li>d. in relation to each relevant sub-contract the date on which the sub-contract was <b>entered into</b>, the date on which each reported sub-contract was, or is expected to be, <b>entered into</b>.</li> </ul>
r30(1) On Demand contract report	<p>Within one month of the <b>initial reporting date</b> of a QDC, the Secretary of State may require primary contractors to provide a Contract Costs Statement.</p>
r39(4)(b)(iv) Rates Comparison Report	<p>If the Secretary of State requires a party to a QDC to provide a Rates Comparison Report, the report must contain the date on which each of the relevant contracts was <b>entered into</b>.</p>

4.11 The following guidance is not to be taken as legal advice about contractual matters. The MOD and contractors may need to seek their own legal advice where it proves difficult to determine the date a contract was entered into.

#### 'Date entered into'

4.12 A contract is 'entered into' on the date that a contract is formed, which requires that there is:

- an agreement, which is reached by the process of offer and acceptance;
- an exchange of consideration (something of value); and
- an intention by the parties that the agreement be legally binding.

4.13 Assuming a valid offer has been made, the date on which a contract is entered into will generally be the date the offer is accepted. Acceptance of an offer usually must be communicated to the offeree for the contract to be effective, and an offer can set out the mode of acceptance.

4.14 It is possible for contracts to be entered into orally between the MOD and contractors but it is generally expected that such contracts will be made in writing.

- 4.15 Where oral negotiations or a verbal contract have been put in writing, the general position is that the date the contract has been 'entered into' will be the date the written contract was entered into and not the date of any earlier verbal contract or negotiations.
- 4.16 Where a party has entered into an intention to proceed agreement (or comfort letter or memorandum of understanding), such an agreement may constitute a contract, depending on the circumstances.
- 4.17 Contractors are advised to take their own legal advice in circumstances where they are unsure whether an agreement:
- has been reached;
  - reflects what was actually agreed;
  - constitutes a contract; or
  - constitutes a contract for the purposes of the Act and the Regulations.

#### The date a written contract is formed

- 4.18 Generally, the date a written contract is entered into will be the date the accepting party signs or delivers the contract. There are a variety of ways in which this can be done and, assuming there are two parties to the contract, this includes:
- Where there is a single document which makes it clear that each party is to become bound to the agreement by adding his or her signature to it, the date of entry into the contract is when the second party signed the document.
  - Where there are two copies of the document and each party has signed one copy and exchanged signed copies, the date of entry into the contract is the date the second party delivered the contract.
  - Where one person made an offer in the form of a written document which requires that the other party accept the offer by signing the document (but the first party does not need to sign the document), the date of entry to the contract is usually the date the other party signed the document.
- 4.19 Where in exceptional circumstances a contract is to be accepted by post, the contract is formed on the date the contract is delivered to the Post Office.

#### What is the date of entry of a contract when a DEFFORM 10 is used?

- 4.20 The MOD's Commercial Toolkit provides that in single source situations, the MOD should send the contractor a DEFFORM 8 to issue an offer of contract. DEFFORM 8 encloses DEFFORM 10, which is the acceptance of offer of contract form used by the MOD to enter into single source defence contracts.
- 4.21 DEFFORM 8 states that if the contractor wishes to accept the offer, the contractor should complete, sign and return the DEFFORM 10 to a certain address within 10 working days, and that no contract will come into existence until the contractor has accepted the MOD's offer in accordance with the letter of offer.

- 4.22 If the MOD uses a DEFFORM 8 and a DEFFORM 10 to make an offer to the contractor, acceptance of the MOD's offer will be complete on the date that the DEFFORM 10 is posted to the MOD (if this is done within the 10 working day timeframe).
- 4.23 In these circumstances, the date the contract is entered into will be the date that the form is posted to the MOD in accordance with the MOD's letter of offer DEFFORM 8.
- 4.24 This is an example of the third bullet point in paragraph 4.18 of ways a written contract can be entered into, as well as a situation where a contract is to be accepted by post.
- 4.25 If the MOD chooses to enter into a contract without using these forms, the other general principles outlined in this guidance will apply (for example, acceptance of an offer could be complete upon the contractor's signature).

#### Distinction between 'date entered into' and an 'effective', 'start' or 'commencement' date

- 4.26 A contract may include an 'effective', 'start' or 'commencement' date and these will generally be defined terms. An effective date may be included to establish when the term of the contract begins. A start or commencement date may provide when services, supplies or works are to commence under a contract. The effective, start or commencement date may be different from the date of entry into the contract.
- 4.27 To the extent that the Regulations refer to the date a contract was 'entered into'. This should be the date the contract is formed, as set out above. If effective, start or commencement dates are different from the date the contract is formed, they should not be included in the data fields of reports where the date of entry is required.

#### Contract amendments

- 4.28 In Regulation 2(1), the time of agreement is defined in some circumstances to mean 'the date of the amendment' mentioned in section 14(4)(c) or 14(5)(b) of the Act. Those paragraphs refer to a contract being amended on or after the relevant date (18 December 2014).
- 4.29 Where a contract is amended:
- The date of the amendment will be the date on which the contract which gives effect to the amendment is entered into.
  - The date of entry into the contract will be the date of entry into the original contract, unless the intention of the parties at the time of entering into the original contract was that the original contract would be superseded by the amendment, in which case the date of entry into contract will become the date of the amendment.
- 4.30 If the parties have used the MOD's DEFFORM 10B to amend the contract, the date of the amendment may be determined by the date of signature on the form (or, as above, if the MOD prescribes a certain mode of acceptance, in accordance with that direction).
- 4.31 If the parties are not sure whether they have amended or superseded the original agreement, they should seek legal advice.

## 5. Contract Initiation Report (CIR)

- 5.1 This section of the guidance covers the data entry required to generate and submit the initial reports described in Exhibit 10. Guidance is provided below on a page by page basis, with each heading referring to a page in DefCARS. Later sections of this document, which provide guidance on other report types, may refer back to this section if the data entry required is the same or similar.
- 5.2 DefCARS provides for submission of a single Contract Initiation Report (CIR), which covers all data required in the initial reports and is intended to facilitate submission of those reports. Once the CIR has been submitted, DefCARS will automatically generate the Contract Pricing Statement (CPS), Contract Reporting Plan (CRP) and Contract Notification Report (CNR).
- 5.3 The CPS, CRP and CNR (collectively the CIR in DefCARS) for a contractor who has a QDC or 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.

**Key message** - Before completing initial contract data for the first time contractors should familiarise themselves with Regulation 22 (General Requirements), Regulation 23 (Contract Pricing Statement), Regulation 24 (Contract Reporting Plan) and Regulation 25 (Contract Notification Report).

### [Report Home](#)

- 5.4 The Report Home page includes any comments or supporting information which are part of the report and any issues raised against it. Further information on this is included at paragraphs 2.28 – 2.29. The page also includes a ‘delete report’ button via which the contractor has the option to delete a draft report before it is submitted, should they wish to start again.

### [Supplier](#)

- 5.5 Company details will be pre-populated based on the data provided by the contractor’s Administration User when setting up the new contract on DefCARS. Anyone completing a report can amend these pre-populated company details and care should be taken to ensure that a submitted report contains the correct information. If any company information is corrected, the person submitting the report should also inform their Administration User so that the information can be updated in the system administration and inform other reports submitted by the company.
- 5.6 Table 6 sets out the details that are required if the contractor is a registered company.

**Table 6 – Supplier Details**

Data required	Guidance
Company Name	The full registered name of the legal entity (contracting company) as submitted to a registrar of companies, such as Companies House or an overseas equivalent.
Company Number	The registered number of the legal entity (this can consist of numbers and letters), where relevant.
Trading As Name	Include the Trading Name if it is different from the Company Name. If the Trading As Name is the same as the Company Name this should be confirmed.
Address	The full registered address details of the legal entity.
Is the company an SME? (Select Yes or No)	This should reflect whether the registered company meets the definition of an SME. The Regulations state that an 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 ≤€50 million and/or annual balance sheet total of ≤€43 million). Users should refer to the full definition provided in Commission Recommendation 2003/361/EC.
Last Day of Most Recent Completed Financial Period	The last day of the most recent accounting period for which financial statements have been or are to be prepared. For example, where a financial period is 12 months to 31 December or six months to 31 March, the relevant date to enter would be 31 December and 31 March respectively.
Immediate Parent Company	The registered name and company number of any immediate parent company of the contractor and the address of its registered office. 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. More than one immediate parent company may be input to cover different ownership scenarios (e.g. joint ventures).
Other Relevant Information	The contractor may 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

- 5.7 The contractor must enter the following administration data (see Table 7), providing key contact details and confirmation relating to the timing of report submission.

**Table 7 – Report submission administration data input**

Data required	Guidance
Date this report is due	<p>The Regulations require the report to contain the date that the report is due. This should be considered in conjunction with the data provided on the Contract page (see below).</p> <p>For initial reports the date that the report is due is one month from the date a new contract was entered into or the date an existing contract was amended and became a QDC or QSC.</p> <p>Appendix 1 summarises the deadlines for submission of each of the contract and supplier reports.</p>
Date this report was submitted to the MOD & SSRO	This field will be populated by DefCARS when the report has been submitted.
Supplier Staff – Report Submitted by	The name, position and contact details of the person who submits the report.
Supplier Staff – Contact for Compliance/Penalty Notice Issues	The name, position and contact details of the person who should be contacted if there are any queries with the report (from the SSRO or the MOD).
MOD Staff – Individual responsible for managing the contract	Each QDC will be managed by a Ministry of Defence delivery team. The name, position and contact details of a member of the delivery team must be provided. <b>This field does not apply for QSCs.</b>
Supplier Staff – CEO contact details	The name, position and contact details of the Chief Executive of the contracting 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.	

- 5.8 In addition to the data input required by the contract, the Regulations state that each report must contain the date the report is submitted and the name, position and contact details of the individual submitting the report. These two fields are not visible to the contractor when drafting the report, but will appear in the submitted report. DefCARS will populate these fields based on the actual date the report has been submitted and the details of the user who submitted the report.

### Contract

- 5.9 The contractor must enter some basic data about the contract as explained in Table 8.

**Table 8 – Contract data input**

Data required	Guidance
Contract Title	The contract title provided should be consistent with the title on the actual contract.
Contract Description	A brief description of the goods, works or services that are to be provided under the contract, such that a person with reasonable familiarity of the defence sector could understand what is being delivered.
Contractor's Unique Reference Number for Contract	The unique identifying number the contractor has allocated to the contract should be entered.
MOD's Unique Reference Number for Contract	The unique identifying number allocated to the contract by the Secretary of State. <b>This field does not apply for QSCs.</b>
Contract type	<p>The contractor is asked to categorise their QDC as either one of the following:</p> <ul style="list-style-type: none"> <li>• QDC</li> <li>• QDC by amendment</li> <li>• QSC</li> <li>• QSC by amendment</li> </ul> <p>QDC and QSC should be used to reflect new contracts, and QDC by amendment and QSC by amendment should be used to reflect existing contracts which have been amended and have become QDCs or QSCs.</p> <p>The categorisation here will impact which of the date contract entered into or the latest pricing amendment date (see next page) flows through to the field labelled 'Date contract became a QDC/ QSC'.</p>
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 contractor should provide:</p> <ul style="list-style-type: none"> <li>• the date a new contract was entered into; or</li> <li>• if an existing contract was amended and became a QDC or QSC, the date that the contract was originally entered into.</li> </ul>
Contract Completion Date	Enter the contract completion date or, if that date is not known, the expected contract completion date. Contractors should refer to Regulation 4 which sets out the meaning of 'contract completion date'.
Latest Pricing Amendment – Date	<p>The Regulations require that every report contains the date of the most recent pricing amendment which affects the price payable under the contract.</p> <p>In the initial reports, a pricing amendment would not generally be expected. If a contract became a QDC by reason of an amendment, then please provide the date that the contract was amended.</p> <p>If the contract did not become a QDC or QSC by reason of an amendment and there has been no other pricing amendment, this field and the next two fields should be left blank in the initial reports.</p>



Data required	Guidance
Latest Pricing Amendment – Contractor Reference ID	Enter the identifying number you have allocated to the pricing amendment.
Latest Pricing Amendment – MOD Reference ID	Enter the identifying number the MOD has allocated to the pricing amendment. <b>This field does not apply for QSCs by amendment.</b>
Date contract became a QDC/ QSC	<p>This will be auto-populated based on the information provided in the Contract Type, Date Contract Entered Into and Latest Pricing Amendment Date fields (see above).</p> <p>Annual profiles in later pages start from the date in this field (i.e. the date the contract became a QDC or QSC) and end at the contract completion date. If the contract became a QDC/QSC on amendment, contractors may wish to submit separate information to cover the years prior to the date of that amendment.</p> <p>The date in this field also drives the automated dates in the reporting plan.</p>
Total Contract Price	The price which results from the pricing formula ((Allowable Costs x Contract Profit Rate) + Allowable Costs), to three decimal places.
Total Contract Value (for threshold purposes)	The contract value is to be determined by the contracting authority (see Regulation 5), to three decimal places. In some cases, the contract value and the price will be the same. The contractor should discuss the contract value that should be reported with the contracting authority. Where a contract value is not provided by the contracting authority the contractor should enter the same monetary value in the value field as reported in the contract price field.
Name of business unit	Include any business unit in relation to which a cost recovery rate has been used in determining the price payable under the contract. The SSRO would expect at least one business unit to be identified. 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

- 5.10 The Regulations require contractors to set out the dates of reports required to be submitted in relation to the contract. The data entered here will be carried into the reporting calendar on the contractor's home page. Please see the 'General System Functionality' section of this guidance (Section 2) for further details about how the reporting calendar operates.
- 5.11 This page draws on the information entered on the Contract page (the contract entered into date, the contract completion date and the contract value) to generate the reporting and submission dates for the fixed mandated requirements (CPS, CRP, CNR, CCR, CCS) and the QCRs.

- 5.12 The contractor must enter the reporting dates of ICRs. DefCARS will use these dates to auto-populate the equivalent submission dates. The contractor will also have to manually input both the reporting dates and submission dates of any On-Demand Contract Reports which the contractor has agreed to provide or that have been directed by the Secretary of State.

**Table 9 – Reporting plan data input**

Data required	Guidance
Contract entered into and Contract completion date	These dates will be auto-populated from previously entered data on the Contract page.
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.
Required reports for every QDC/QSC	There are five reports that are required for every QDC and QSC (the CRP, CNR, CPS, CCR and CCS). This table auto-populates the dates for the initial reporting date for the CRP, CNR and CPS and the contract completion date for the CCR and the CCS and shows the dates when these reports must be submitted.
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)	<p>The contractor must add, where there is agreement between parties and where these reports are required, the dates when the reports fall due. A field has been added to DefCARS where the contractor should indicate whether there is agreement on ICR dates. Where there is no agreement between the parties, DefCARS will calculate ICR due dates based on the date the contract was entered into, contract completion date and contract value.</p> <p>Submission dates will be automatically displayed by DefCARS (i.e. within two months of each reporting date entered). Extra rows can be added by clicking on the blue cross.</p> <p>If there are any additional on-demand ICRs to report at this stage, the ICR fields can be used to add these. Please provide an explanatory comment to clearly set out which dates relate to the on-demand reports.</p>
<p>On-Demand Contract Reports:</p> <ul style="list-style-type: none"> <li>• Contract Reporting Plan (CRP)</li> <li>• Contract Pricing Statement (CPS)</li> <li>• Contract Costs Statement (CCS)</li> </ul>	<p>The reporting and submission dates must be provided where the contractor has agreed to provide, or has received written direction from the Secretary of State to provide, On-Demand Contract Reports.</p> <p>Any on-demand ICRs should be entered in the above section. Contractors can enter dates for on-demand CRPs, CPSs and CCSs here.</p> <p>Extra rows can be added by clicking on the blue cross.</p> <p>The fields can be left blank if there are no On-Demand Contract Reports to report at this stage. If applicable, it would be helpful to provide a supporting comment to that effect.</p>

Data required	Guidance
Comments	If the contractor believes the auto-populated reporting plan to be incorrect, then comments can be made in this field. The contractor should also provide the dates that it believes apply instead.
Dates Confirmed	The contractor should tick this box to confirm that they have reviewed the reporting dates and they are correct. If applicable, it would be helpful to provide a supporting comment to explain why the box has purposely been left unticked.
Once these details are complete, select Save then Validate, before moving on to the next page.	

## Profit

**Key message** - Regulation 23(2)(e) states that in a contract pricing statement the contractor must describe:

- i. 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);
- ii. any facts or assumptions provided by the Secretary of State and used by the contractor in the calculations.

There is a later section of this guidance which deals with reporting of assumptions but contractors should consider all facts, assumptions and calculations which relate to Allowable Costs. On the profit page contractors are asked to report total Allowable Costs and breakdowns of these costs on later pages.

- 5.13 This page collects high-level information on Allowable Costs and detailed information on the six-step contract profit rate calculation that generate the contract price. Fields should be completed based on the information in Table 10 and 11.

**Table 10 – Profit data input**

Data required	Guidance
Statutory Guidance on Allowable Costs in force at the time of agreement	Select from the drop-down list, the version of the SSRO's statutory guidance on Allowable Costs that the contractor has had regard to. The contractor should provide any relevant comments/explanation, particularly where there has been any deviation from the statutory guidance on Allowable Costs.
Statutory Guidance on the Contract Profit Rate in force at the time of agreement.	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. 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 Element)	<p>Confirm the total Allowable Costs (including any risk contingency element) in the contract in £ millions to three decimal places.</p> <p>The contractor may also provide supporting comments and explanation here to help the SSRO and the MOD understand the quantum of Allowable Costs, noting that later CIR pages ask the contractor to provide further details relating to Allowable Costs.</p>
Total Risk Contingency included in Allowable Costs	<p>Confirm the element of total Allowable Costs which is risk contingency in £ millions and to three decimal places. If no risk contingency has been priced into Allowable Costs, zero should be entered to confirm this.</p> <p>The contractor may also provide supporting comments and explanation here to help the SSRO and the MOD understand the quantum of risk contingency, noting that later CIR pages ask the contractor to provide further details relating to risk contingency.</p>

5.14 The following data entry relates to the calculation of the contract profit rate.

**Key message** - Regulation 23(2)(d) sets out that the contractor must “describe the calculation that was made under Regulation 11 to determine the contract profit rate, including all adjustments that were made under steps 1 to 6”.

Contractors should supplement the data entry fields below with further information (via the expandable Comments, Issues and Supporting Information pop-up window) about how each profit rate adjustment was determined, including calculations and explanations, to meet the reporting requirement.

**Table 11 – Calculation of the contract profit rate data input**

Data required	Guidance
Step 1 – Baseline Profit Rate (BPR) %	<p>Select from the drop-down list, the baseline profit rate which applies to the contract. This should be the rate determined by the Secretary of State and published in the London Gazette for the financial year in which the time of agreement falls. For a QDC this means:</p> <ul style="list-style-type: none"> <li>the date of entry into contract, if the contract is a QDC by virtue of section 14(3) of the Act;</li> <li>the date of the amendment that resulted in the contract becoming a QDC, if it is a QDC by virtue of section 14(4) or (5) of the Act; or</li> <li>the date the price was re-determined, if there has been an amendment that affects the price.</li> </ul> <p>For a QSC, the time of agreement will be the date of entry into the sub-contract. There is an option to select 'Other' and specify a different rate to two decimal places (e.g. it might be necessary where a contract has come into the regime on amendment). If this option is used, the contractor should explain why it has applied a baseline profit rate other than one determined by the Secretary of State and provide calculations to demonstrate how the alternative rate has been arrived at.</p>
Step 2 – Cost Risk Adjustment %	<p>State any Cost Risk Adjustment that has been agreed with the MOD or the prime contractor in the case of a QSC, to two decimal places. This must be within a range of plus or minus 25 per cent of the baseline profit rate at Step 1.</p> <p>The requirement to provide a description of how the adjustment was calculated applies to any cost risk adjustment, including zero cost risk adjustment.</p>
Step 3 – Profit on Cost Once (POCO) adjustment %	<p>State any deduction (this should never be an increase) from the amount resulting after Step 2, to two decimal places. 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 sub-contracts (including any further group sub-contracts).</p> <p>The SSRO provides a methodology (see SSRO Guidance on the Baseline Profit Rate and its Adjustment) for contractors to use to calculate any deduction required.</p>
Step 4 – Single Source Regulations Office funding adjustment %	<p>State the SSRO funding adjustment to deduct from the amount resulting from Step 3. This should be the rate approved by the Secretary of State in force at the time of contract agreement.</p>

Data required	Guidance
Step 5 – Agreed Incentive Adjustment %	State any incentive adjustment agreed with the Secretary of State (QDCs) or contracting authority (QSCs), to two decimal places. This adjustment can be between zero and two percentage points. Consider including an explanation of the financial incentive and how it would apply in the supporting description.
Step 6 – Capital Servicing Adjustment %	<p>State the Capital Servicing Adjustment (CSA) agreed with the Secretary of State (QDCs) or contracting authority (QSCs) to add to or deduct from Step 5, to two decimal places.</p> <p>The SSRO provides an approach to calculating the CSA in its statutory guidance on the Contract Profit Rate. A CSA Calculator is provided in DefCARS to mirror the approach (see below for further details).</p> <p>Alternatively contractors can manually enter a % amount for the CSA. If the contractor had used the CSA Calculator, any manual overwrite will delete the data entered into the calculator.</p> <p>If the contractor has chosen not to use the calculator (e.g. it might be necessary where a contract has come into the regime on amendment), the value entered should be supported by equivalent information on how it was calculated.</p>
Contract Profit Rate (CPR) %	<p>This amount will be calculated by DefCARS based on the percentages entered at Steps 1 – 6. Contractors should ensure that the rate presented in the cell is the final rate used to calculate the price of the contract.</p> <p>Users can overwrite the calculated contract profit rate but must consider that the Regulations state that the contract profit rate is the result of applying the six steps. If a contract profit rate is manually entered, the user will see a validation warning to flag any difference between the calculated value and an overwritten one. The contractor should provide a supporting explanation if it chooses to submit any alternative contract profit rate.</p>
Contract Profit – expressed as an amount	The profit element of the contract price will be presented in £ million. The amount is calculated by multiplying the calculated Contract Profit Rate percentage and the Total Allowable Costs (including risk contingency element).
Total Contract Price, including the maximum amount that can be earned via Incentive Adjustment	<p>The total contract price will be presented in £ million. It is calculated by summing the Total Allowable Costs (including risk contingency allowance) and Contract Profit expressed as a £ million amount.</p> <p>The contractor should check these values to ensure that they are correct. There is a validation rule to check this figure agrees to the contract price entered on the Contract page.</p>
Once these details are complete, select Save then Validate, before moving on to the next page.	

## Capital Servicing Adjustment Calculation

- 5.15 The Capital Servicing Adjustment (CSA) calculation is provided by data fields in DefCARS (see Table 12) and aims to make it easier for contractors to demonstrate that they have had regard to the calculation set out in statutory guidance.
- 5.16 The CSA calculation requires input of three pieces of data that are likely to be held by the prime contractor and their group sub-contractors and not the MOD – the fixed capital, working capital and cost of production. The calculation also requires contractors to select relevant fixed capital and working capital rates. These are determined and published by the Secretary of State.
- 5.17 Contractors should refer to the SSRO's [Guidance on the Baseline Profit Rate and its Adjustment](#) which includes further guidance, including definitions and considerations, on the elements of CSA calculation.

**Table 12 – Capital servicing adjustment data input**

Data required	Guidance
Reporting period to which these costs relate	Input field. This is the financial reporting period which the figures entered below relate to. The drop-down menu provides a list of historic government financial years as well as an 'Other' option. Use of the 'Other' option should be explained via supporting comments.
A - Fixed Capital	Input field. Figures should be entered in £ million to three decimal places.
B - Working Capital	Input field. Figures should be entered in £ million to three decimal places.
C - Total Capital Employed	Calculated by DefCARS (the total of A + B).
Do the above figures relate to a single business unit?	Drop down list (Yes or No). 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 relate to.
D – Cost of Production	Input field. Figures should be entered in £ million to three decimal places.
E – CP:CE ratio	Calculated by DefCARS (D divided by C).
F – Fixed Capital as a proportion of capital employed	Calculated by DefCARS (A divided by C).
G – Working Capital as a proportion of capital employed	Calculated by DefCARS (B divided by C).
H – Capital Servicing rate used (year)	Input field. The drop-down menu provides a list of government financial years from 2014/15 as well as an 'Other' option. The contractor must have regard to the capital servicing rates in force at the time of contract agreement. Any deviation from this and any use of the 'Other' option should be explained via supporting comments.

Data required	Guidance
I - Fixed capital servicing rate	Auto-populated by DefCARS based on the contractor's selection at H. If 'Other' was selected, the contractor can manually enter a fixed capital, positive working capital and negative working capital servicing rate. The contractor may provide supporting information relating to the rates used.
J - Positive working capital servicing rate	
K - Negative working capital servicing rate	
L - Capital servicing rate	Calculated by DefCARS (F divided by I, plus G divided by J or K).
M – Capital servicing adjustment	Calculated by DefCARS (L divided by E). Contractors should check that this gives the capital servicing adjustment for the contract.
Once these details are complete, select Submit. The user will need to ensure that all information on the Profit page is saved and validated.	

### Pricing method breakdown

- 5.18 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 warning to flag to contractors where the price does not match the contract price reported earlier on the Contract Page.
- 5.19 The contractor can provide any relevant comments about the pricing method(s) used on the contract.

### Defined Pricing Structure (DPS Inputs)

- 5.20 This page sets out the contractor's description of the Allowable Costs (excluding risk contingency) of its contract using a Defined Pricing Structure (DPS). The annual cost profile is provided on the next page (DPS Input Values).
- 5.21 The SSRO has developed DPS principles which contractors should have regard to when preparing this aspect of reporting which is included in the CIR, ICR and CCR. The primary purpose of these principles is to have consistent application of the DPS and high quality data that informs future single source procurement.

#### *Principles*

- 5.22 The DPS establishes a single, centrally available, comprehensive data set to determine relationships between costs and outputs, and record the estimated and outturn costs, for every QDC and QSC. This will enable future analysis such as benchmarking, while assisting effective contract monitoring without being burdensome.
- 5.23 The DPS is a product and service-orientated hierarchy. The goal is to develop a DPS that defines the logical relationship among all components to a specific level that does not constrain the contractor's ability to define or manage the contract.



5.24 The SSRO has published [16 different DPS templates](#) on its website. These are:

- surface ships;
- submarines;
- drones (unmanned aerial vehicles);
- rotary wing aircrafts;
- fixed wing aircrafts;
- track vehicles (“A” class vehicles);
- surface vehicles (“B” class vehicles);
- wheeled armoured vehicles (armoured vehicles which are not in “A” class);
- missile systems;
- specialist equipment;
- weapon systems;
- ancillary service contracts;
- radar and communications;
- ordnance;
- unmanned marine systems; and
- IT systems.

5.25 The glossary at Appendix 2 provides definitions for each of the above DPS equipment types. 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 MOD before reporting. 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.

5.26 The DPS should be articulated in no more than four levels:

- Level 1 is the entire system and/or programme, a programme element, project, sub programme or service;
- Level 2 are the major elements subordinate to the Level 1 system / programme. These major elements include hardware and software elements or key services;
- Level 3 are elements subordinate to Level 2 and include hardware, software and services; and
- Level 4 elements follow the same process of breakdown for those subordinate to Level 3 and represent a further definition of the hardware, software and services. Level 4 will cover all elements that are not included in Levels 1-3<sup>9</sup>.

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<sup>9</sup> If the MOD desire additional granularity beyond level 4, this may only be applied with the agreement of the relevant contractor.

- 5.27 The DPS has been constructed so that each level of decomposition contains a breakdown of the cost at the parent level. Table 13 illustrates how costs can be broken down within a DPS. Level 1 of the DPS must total 100 per cent of the contract price excluding risk contingency and profit. The breakdown of each subsequent level must total the level before.

**Table 13 – Defined pricing structure cost breakdown example**

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

- 5.28 The templates should be followed and completed using the levels and lines applicable to the contract. Where a contractor considers a new line item is required to better suit the product or service, they should use the “other” category at levels 2 - 4. Use of the “other” category must not account for more than 5 per cent of the total cost, unless agreed with the MOD and contractor. The “other” categories are now editable within DefCARS so contractors can use this feature to describe any additional outputs that are not reflected in the DPS structure which they would like to use (use of commas or other grammar symbols may result in validation errors).
- 5.29 The “other” category is to be used in the following circumstances:
- when there is no appropriate description available within the DPS; or
  - where a small proportion of costs would be difficult to apportion to categories listed in the DPS.

- 5.30 The level of relevant detail that a contractor provides should relate to the total contract value. The larger a contract, the more detail is expected<sup>10</sup>.
- 5.31 Contractors should use a consistent approach when apportioning costs to the DPS within reports. All reasonable efforts should be made to include cost data accurately or at least to the nearest £10,000. Where the costs of items cannot be mapped directly, they need to be either estimated or a pro rata value used. Contractors should be prepared to demonstrate this approach, and are requested to provide the following information with the DPS:
- mapping documents from the work breakdown structure (WBS) to programme management costs (if applicable) and to the DPS; and
  - the method of apportionment of costs.
- 5.32 If an amendment to the contract is made, which subsequently alters the DPS, any amendments to the DPS will be required to be agreed with the MOD. Any changes will be required to be highlighted in subsequent reports that require costs to be split by the DPS (i.e. ICRs and the CCR); earlier submitted reports will not need to be amended and re-submitted.

*How to input the DPS in DefCARS*

- 5.33 The contractor should first select the most appropriate and agreed DPS from the list of 16 in the drop-down list. Once selected, DefCARS will update the page to display the relevant DPS lines for that structure.
- 5.34 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.
- 5.35 DefCARS is designed in such a way as 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 would need to be unticked. DefCARS will ask the user if it wants to proceed to remove Level 3 ticks if an attempt is made to use the Level 2 parent line.
- 5.36 If the contractor has selected the 'Specialist Equipment' DPS, it should provide a descriptor for Level 1. The user can do so by ticking the Level 1 row and then selecting the Edit button. A box will appear and the user can add a description before submitting the text via the Submit button. The user must add the Level 1 descriptor before selecting the other DPS input rows as ticking the Level 1 row will remove ticks against any Level 2-4 rows.
- 5.37 If the contractor has made use of the 'Other' lines, the user should provide explanations about what costs are included via the Edit buttons. The relevant rows need to be ticked first to enable the Edit buttons.
- 5.38 Where a user wants to provide an explanation about a DPS line that is not editable then the same approach of using the Comments, Issues and Supporting Information window should be adopted.

<sup>10</sup> 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

- 5.39 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

- 5.40 This page enables contractors to provide an annual profile of any estimated costs (split by the DPS) at the initial reporting date and the total of any costs that are non-recurring, as required by the Regulations.
- 5.41 The DPS lines selected on the DPS Inputs page will be displayed on the DPS Input Values page. DefCARS will display cells that require cost inputs in white. Grey cells will calculate based on data entered in the white cells. All columns will have the cost status 'Priced Estimate' given the stage at which the contract is.
- 5.42 Costs should be provided in £ million to three decimal places. **The costs should exclude risk contingency included in total Allowable Costs**, as risk contingency is entered on the Summary Analysis of Price page. DefCARS provides the facility for an annual profile of costs to be provided. If, for example, there are sunk costs the contractor may provide an annual profile of these in a separate spreadsheet and include the total of these type of costs in the not profiled column provided in DefCARS along with any supporting comments. The contractor should reflect any of the total amount which is non-recurring expenditure in the final column.
- 5.43 Contractors can copy and paste data into the DPS fields in batches to speed up data entry, using the green icon. The window that appears when the green icon is used provides instructions about how much data can be pasted in at a time. Data can only be pasted in where input rows are located together. For instance, cost data can be pasted in for levels 1.5.2-1.5.4, but 1.6.2-1.6.4 would have to be pasted in separately. Alternatively, contractors can enter data directly into the individual fields.
- 5.44 The system will indicate if the costs entered in this breakdown exceed the total Allowable Costs (including risk contingency) entered earlier.

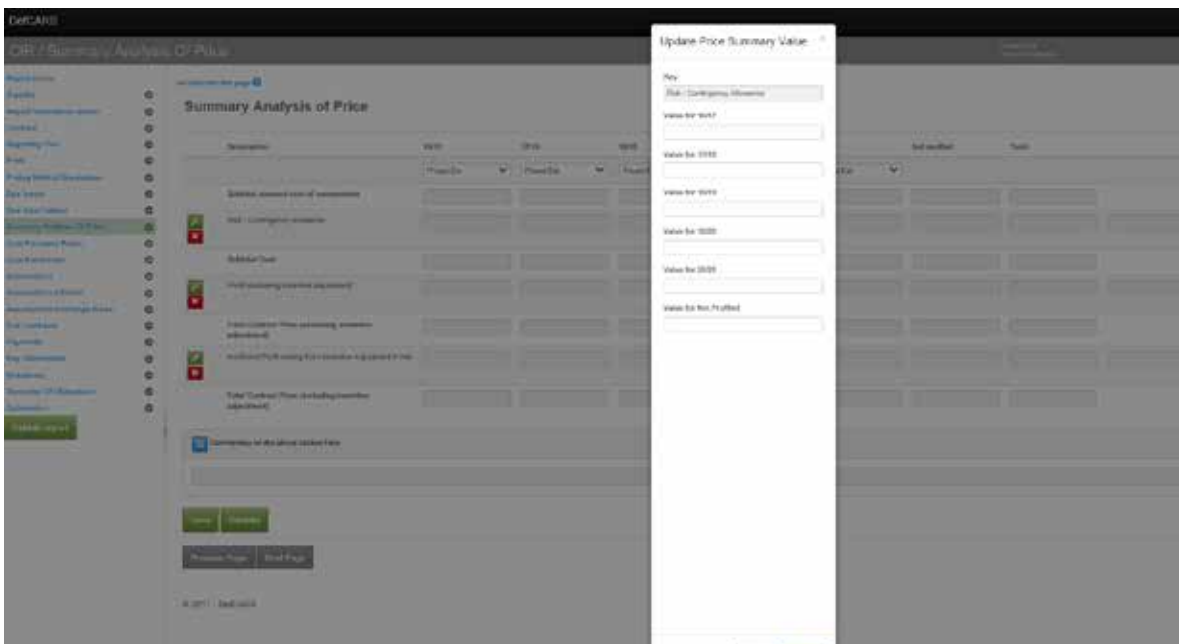
### Summary Analysis of Price

- 5.45 The contractor can provide an annual profile of any risk contingency included in total Allowable Costs and an annual profile of profit across the individual years of the contract. However, if the contractor is of the view that an annual profile cannot be provided then a total amount should be reported. DefCARS provides the facility to profile annually and also include an unprofiled amount. The guidance in Table 14 assumes that an annual profile can be reported. As this is the beginning of the contract the cost status flags will all show as Priced Estimate.

**Table 14 – Summary Analysis of Price data input**

Data required	Guidance
Total Allowable Costs from DPS	The Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered against the DPS. This will be shown in £ millions to three decimal places.
Risk / Contingency Element within the Allowable Costs	<p>The contractor should provide the annual profile of risk contingency included in the Allowable Costs. The total risk contingency and the percentage of total cost will be calculated by DefCARS. The total figure should match the risk contingency figure shown on the Profit page.</p> <p>The profile can be entered by selecting the green icon (see Exhibit 11) and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p>
Subtotal Cost	Calculated by DefCARS. Contractors should check that this line agrees to the total Allowable Costs.
Profit (excluding incentive adjustment)	<p>The contractor should provide the annual profile of profit (excluding the amount due to Step 5) within the contract price. The total and the percentage of total profit excluding incentive adjustment will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon (see Exhibit 11) and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p>
Total Contract Price (excluding incentive adjustment)	Calculated by DefCARS.
Maximum Profit arising from Incentive Adjustment	<p>The contractor should provide the annual profile of maximum profit that could arise due to Step 5 within the contract price. The total and the percentage of total profit that may arise from Step 5 will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon (see Exhibit 11) and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p> <p>Contractors should check that this value plus profit (excluding incentive adjustment) sums to the overall contract profit entered on the Profit Page.</p>
Total Contract Price (including incentive adjustment)	Calculated by DefCARS. Contractors should check that this line agrees to the total contract price and corresponds to the contract price entered on the Contract page.
Commentary on the above section	The contractor is asked to provide any additional comments (using the blue edit icon) relating to the price summary which is relevant 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.	

## Exhibit 11 – Completing the Summary Analysis of Price



### Cost recovery rates

- 5.46 This page enables contractors to list and profile the cost recovery bases used, or expected to be used in determining the contract price or that the contractor will use in contract reports. Contractors are asked to provide a detailed breakdown of cost recovery rates, to support the reporting requirement to provide the contractor's facts, assumptions and calculations relevant to each element of Allowable Costs.
- 5.47 The rates could apply to direct or indirect cost recovery, depending upon the contractor's management systems and methodology relevant to determining the Allowable Costs under the contract. Contractors should consider the two important definitions in the Regulations (Regulation 2) that are set out below, when determining what data should be included.
- **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.

**Key message** - Even though data on cost recovery rates is now collected via standard fields, contractors should supplement the data entry fields below with further supporting information about the composition of rates to meet the obligations under Regulation 23(2)(e) if required.

- 5.48 If relevant supporting information on the composition of rates has been provided via a previously submitted supplier report, the contractor may reference this. However, the contractor has an obligation under this report and therefore must consider whether the supplier report submission is sufficient to meet the obligation under Regulation 23(2)(e) to supply its facts, assumptions and calculations relevant to each element of the Allowable Costs. Any reference to a supplier report must be sufficient that the SSRO or MOD reader may easily identify the supplier report and clearly understand how it reconciles to the data provided in the contract report.
- 5.49 Regardless of the contractor's method of providing supporting information (i.e. within the CIR or via a supplier report), the fields in the page should be completed (see Table 15) to confirm the applicable cost recovery rates in the requested format. Users need to click on the blue cross icon to add individual recovery rates.

**Table 15 – 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. Business units listed here should also feature on the list of business units provided on the Contract page.
Name of cost recovery rate	A name should be attached to the cost recovery rate which explains the type of activity the rate is associated with. For example, engineering labour, maintenance overhead.
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	The rate can be described as Labour, Labour and Overhead, Overhead or Other. If Other is used, please attach a supporting comment to define the cost recovery rate.
Rate Type	The rate type (GBP or Percent) should be selected from the drop-down menu.
<b><i>For each year of the contract the following data should be entered.</i></b>	
Volume	The quantum of activity by which the cost recovery rate will be multiplied by (i.e. an annual profile of the cost recovery bases as required by the Regulations).
Rate (£s or %)	Add the cost recovery rate in GBP or Percent (as per the rate type selected). For those recovery bases that have Percent selected as the rate type, recovery volumes should be in a cash amount. Please note the difference to the majority of other value fields in DefCARS which require units of £ million.
Of which overheads (if applicable)	The amount in GBP of the cost recovery rate which is related to overheads. For example, if the cost recovery rate is GBP10 per hour, the overhead proportion could be GBP3 of that GBP10.

Data required	Guidance
Rate agreed by the MOD?	Final or Provisional. Contractors will normally receive confirmation from the MOD's Cost Advisory and Assurance Service (CAAS) when rates are approved.
<b><i>For costs which cannot be allocated to individual years</i></b>	
Not profiled	There may be some rate related costs which cannot be profiled to any individual year. Explanatory comments should be provided to explain why rates and bases have not been profiled.
<b><i>Calculated totals should allow contractors to easily identify if any errors have been made when entering data on this page</i></b>	
Total volume	The total volume of the recovery base (e.g. hours) in each year and not profiled which is applied to each cost recovery rate will be shown in this column.
Total cost from each cost recovery rate	The total cost for each recovery rate is calculated by multiplying the recovery base volumes by the recovery rate in each year and any that are not profiled annually. At the bottom of the page the total cost from all cost recovery rates is shown. The total figure is also split by labour and overheads. These totals should be checked for accuracy and amendments made to the reported rates and volumes if required.

### Cost breakdown

- 5.50 Contractors are asked to provide a high-level breakdown of total Allowable Costs by nature, setting out the proportion of costs relating to labour, overheads, materials, sub-contracts and risk. Contractors will have to exercise judgement about whether costs are categorised as materials or sub-contracts, as provision of materials may be sub-contracted to another supplier.
- 5.51 This summary table should not replace any cost model and other supporting documents which the contractor decides to include with their submission to demonstrate its facts, assumptions and calculations relating to Allowable Costs.
- 5.52 Some fields within the Cost Breakdown table are auto-populated from other areas of the report and others require data entry. Table 16 provides further information on this. All costs should be entered in £ millions to three decimal places. Comment boxes are provided next to each line in the cost breakdown to enable contractors to provide information about the facts, assumptions and calculations relating to the relevant element of Allowable Costs.



**Table 16 – Cost breakdown data input**

Data required	Guidance
Labour (from rates)	<p>DefCARS will auto-populate this field based on the data provided on the Cost Recovery Rates page in relation to 'Labour' rates and 'Labour and Overheads' rates. The figure shown will be the result of individual rates times volume by year and individual rate type.</p> <p>The contractor may also wish to reconsider the inputs on the Cost Recovery page if the value populated here is not as expected.</p> <p>The contractor may overwrite the value shown if it is not reflective of labour costs recovered through a cost recovery rate and provide a supporting comment to explain why.</p>
Labour (other)	<p>Input field for the contractor to reflect the element of Allowable Costs which relates to labour costs which are not recovered through a cost recovery rate (e.g. direct salaries charged to a contract).</p>
Overhead (from rates)	<p>DefCARS will auto-populate this field based on the data provided on the Cost Recovery Rates page in relation to 'Overheads' rates and 'Labour and Overheads' rates. The figure shown will be the result of individual rates times volume by year and individual rate type.</p> <p>The contractor may also wish to reconsider the inputs on the Cost Recovery page if the value populated here is not as expected.</p> <p>The contractor may overwrite the value shown if it is not reflective of labour costs recovered through a cost recovery rate, and provide a supporting comment to explain why.</p>
Overhead (other)	<p>Input field for the contractor to reflect the element of Allowable Costs which relates to overheads costs which are not recovered through a cost recovery rate (e.g. back office costs charged directly to a contract).</p>
Material	<p>Input field for the contractor to reflect the element of Allowable Costs which relates to materials costs (e.g. steel, components).</p>
Sub-contracts	<p>Input field for the contractor to reflect the element of Allowable Costs which relates to costs which have been sub-contracted either to another group company or another contractor.</p>
Risk Contingency Element	<p>DefCARS will auto-populate this field using the 'Total Risk Contingency included in Allowable Costs' field on the Profit page. The field cannot be edited here.</p>
Unreconciled	<p>The contractor may enter a value to reflect any costs that remain unreconciled. However, the contractor should provide a supporting comment to explain what these are and why they have not been able to reconcile total costs to the categories above and any additional rows added by the contractor.</p>
[Additional rows]	<p>Contractors are encouraged to map costs against the provided categories, however additional rows can be added by selecting the blue cross icon at the top of the table (and deleted using the red icon next to the additional row).</p> <p>Users will need to give a clear name to each new cost line added as well as a supporting comment to set out why the new line is required.</p>
Total	<p>Calculated by DefCARS based on the figures entered above.</p>
<p>Once these details are complete, select Save then Validate, before moving on to the next page.</p>	

## Assumptions

5.53 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.

5.54 All information materially relevant to the contract price for any QDC or QSC 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.

5.55 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.

5.56 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.

5.57 For each assumption, fact and calculation contractors should provide the following information (see Table 17). This information is about all assumptions except for inflation rate and exchange rate assumptions which are dealt with separately.

**Table 17 – Assumptions input**

Data required	Guidance
Are there any Allowable Cost assumptions (including risk contingency) relating to this contract? (Yes/No)	The contractor is asked to confirm if there are assumptions relevant to the calculation of Allowable Costs, excluding inflation and exchange rate assumptions which are captured in specific pages within the report. When Yes is selected, the SSRO would expect to see data provided in the fields below. Selecting No will conceal the data entry fields that are described in the rest of this table.
Information category	Select one of the four categories listed above. Depending on which is selected, the following fields will be greyed out where no data entry is required. For example, if an assumption category is selected then the fields asking for information on calculations will be greyed out.
<b>Assumptions</b>	
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.
<b>Calculations</b>	
Purpose of calculation – output derived	An explanation of why the calculation is being used.
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 Secretary of State/Contracting Authority	The contractor should state if the assumption, fact or calculation has been provided by the MOD ( <b>for QSCs this will either be the contracting authority or the MOD</b> ).

### Assumptions Inflation

- 5.58 The SSRO asks contractors to separately explain any inflation (cost or price inflation rather than inflation of volumes or hours) rate assumptions which have been applied in pricing their contracts.
- 5.59 Contractors can add an inflation assumption by selecting the blue cross. A window will appear for contractors to input data, as described in Table 18, for each assumption. Contractors can add as many inflation assumption rows as is relevant for their contract price.

**Table 18 – Inflation rate assumptions data input**

Data required	Guidance
Are there inflation assumptions relating to the contract? (Yes/No)	The contractor is asked to confirm if there are inflation assumptions relevant to the calculation of Allowable Costs. When Yes is selected, the SSRO would expect to see data provided in the fields below.
Assumption	The contractor should describe the type of inflation assumption that it is adding, for example wage inflation.
Assumption Description	The contractor should provide a clear description of the assumption including any index it may be linked to.
Pricing Method	The contractor should select from the drop-down menu the relevant regulated pricing method that applies to the price element subject to the inflation assumption. The contractor may select 'applies across more than one pricing method', for instance, where a general inflation rate has been applied to costs within different pricing methods. The contractor may wish to provide a comment to explain which pricing methods the assumption relates to.
Does the contract include a VOP (Variation of Price) clause for this?	The contractor should confirm if the contract includes a VOP clause for this assumption. If there is a VOP clause the contractor should explain this clause (for example, what triggers the clause and any indices it might be linked to).
Type of cost assumption applies to	The contractor should identify the type of cost that the inflation rate assumption applies to, for example engineering labour cost.
Annual profile	The contractor should provide an annual profile of the assumed inflation rate (in percentage terms) and the Allowable Costs that are linked to the assumed rate (in £ million to three decimal places). If it is not possible to profile the inflation rates and costs, the contractor may use the 'not profiled' fields to provide the overall inflation assumption. An explanatory comment regarding why it cannot be profiled should be provided.

### Assumptions Exchange Rates

- 5.60 The SSRO asks contractors to separately explain any exchange rate assumptions which have been applied within the agreed contract price. If exchange rates are not applicable contractors should confirm this.
- 5.61 Contractors can add an exchange rate assumption by selecting the blue cross. A window will appear for contractors to input data, as described in Table 19, for each assumption. Contractors can add as many exchange rate assumption rows as is relevant for their contract prices.

**Table 19 – Exchange rate assumptions data input**

Data required	Guidance
Are there exchange rate assumptions relating to the contract? (Yes/No)	The contractor is asked to confirm if there are exchange rate assumptions relevant to the calculation of Allowable Costs. When Yes is selected, the SSRO would expect to see data provided in the fields below.
Assumption	The contractor should describe the type of the exchange rate assumption that it is adding, for example, exchange rate for material purchases.
Assumption Description	The contractor should provide a clear description of the assumption including the basis of the assumed exchange rates used within the agreed contract price.
Currency from	The contractor should select the source currency for any exchange rate assumption from the drop-down list. If Other is selected, please use the Assumption Description field to describe the source currency.
Currency to	The contractor should select the output currency for any exchange rate assumption from the drop-down list. If Other is selected, please use the Assumption Description field to describe the output currency.
Pricing Method	The contractor should select from the drop-down menu the relevant regulated pricing method that applies to the price element subject to the exchange rate assumption. The contractor may select 'applies across more than one pricing method', for instance, where an exchange rate has been applied to currencies within different pricing methods. The contractor may wish to provide a comment to explain which pricing methods the assumption relates to.
Does the contract include a VOP (Variation of Price) clause for this?	The contractor should confirm if the contract includes a VOP clause for this assumption. If there is a VOP clause the contractor should explain this clause (for example, what triggers the clause and any indices it might be linked to).
Type of cost assumption applies to	The contractor should identify the type of cost that the exchange rate assumption applies to e.g. US materials cost.
Annual profile	The contractor should provide an annual profile of the assumed exchange rate (this should be the exchange rate which is the from Currency entered earlier, for example if from EUR to GBP, the EUR exchange rate) and the Allowable Costs that are linked to the assumed rate (in £ million to three decimal places). If it is not possible to profile the exchange rates and costs, the contractor may use the 'not profiled' fields to provide the overall exchange rate assumption. An explanatory comment regarding why it cannot be profiled should be provided.

## Sub-contracts

- 5.62 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 QDC or QSC. 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.
- 5.63 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued over £1 million. Then, for each sub-contract which has or is expected to have a value of 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 (see Table 20).

**Table 20 – Sub-contract data input**

Data required	Guidance
Sub-contractor	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), Include the name of the sub-contractor if it is not a registered company.
Company Number	If the sub-contractor is a registered company, include the company registration number and the address of its registered office.
Registered Address	
Associated (Group Co.)	The primary contractor should declare if the sub-contractor is associated with them.
SME?	The primary contractor must identify if the sub-contractor is a small or medium sized enterprise (Yes or No). The definition of an SME is provided earlier in this guidance.
Brief description of the goods, works or services that will be provided under the sub-contract	This should describe the scope of the contract and the key deliverables.
Date contract entered into/ expected to be entered into	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 Contract Completion date	
Actual or estimated sub-contract price (£m)	Enter the actual (or estimated) price payable under the sub-contract in £ million, to three decimal places.
Assessed as QSC?	Confirm if the sub-contract has been assessed to determine whether it is a QSC, and if so, the outcome of that assessment (i.e. whether it is a QSC).
Sub-contract entered into	Confirm if the sub-contract has been entered into as at the reporting date with a tick.
Total value of all sub-contracts attributable to the QDC/QSC (including those under £1 million)	The contractor should enter the total value of all sub-contracts attributable to the QDC/QSC in £ million, to three decimal places. 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.

## Payments

- 5.64 Contractors must provide a list 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 under the contract. Contractors must also provide an annual profile of all payments expected to be made by the MOD by currency. **These fields do not apply for QSCs, so any validation errors should be ignored when completing a CIR in DefCARS for a QSC.**
- 5.65 The significant individual payments (those exceeding £100,000 or 1 per cent of the contract value, whichever is greater) and annual profiles can be added using the green cross icon. The information required is described in Table 21.

**Table 21 – Significant individual payments data input**

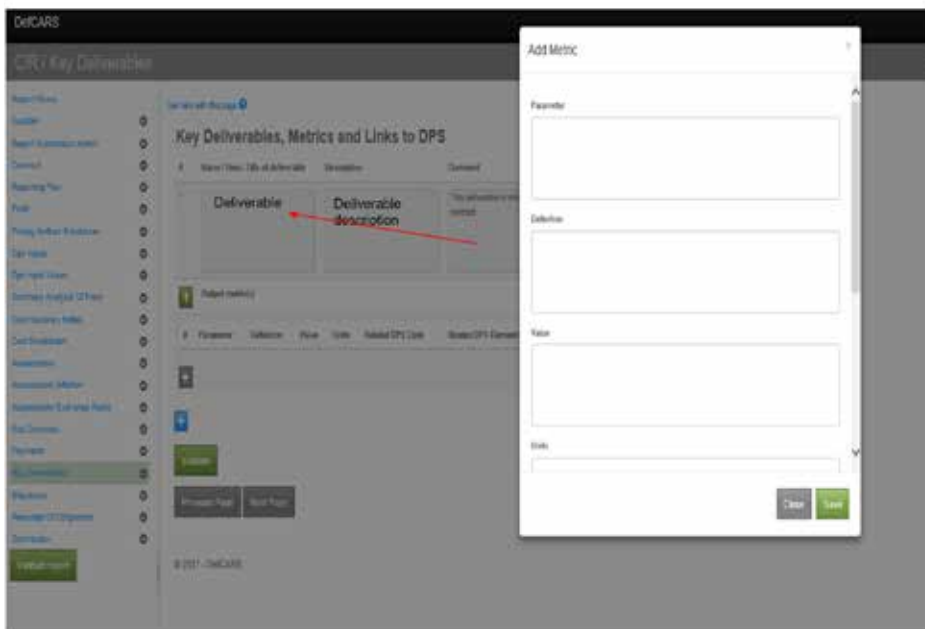
Data required	Guidance
<b>List of significant individual payments</b>	
Contracted Date	For each payment, select the date on which the payment is expected to fall due using the calendar.
Actual/Expected Date	For each payment, include the actual or expected payment date. In the CIR all payments should be expected rather than actual.
Currency	State the currency in which the contract specifies the Secretary of State is to make payments.
Amount	For each payment, include the expected amount of each payment, in millions of any currency to three decimal places. In future reports (for example, the Interim Contract Report) this might be the actual amount.
Comments	Any other comments which the contractor considers to be relevant.
<b>Annual Profile summarising all contracted payments</b>	
Currency	State the currency in which the contract specifies the Secretary of State is to make payments.
Annual profile	Provide an annual profile of all contracted payments (per each currency) that the contract requires the Secretary of State to make. Amounts should be stated to three decimal points.

## Key deliverables

- 5.66 On this page, contractors must provide a list of key deliverables specified in the contract, with a brief description of each. Contractors must also provide a list of the output metrics that will be used to describe deliverables and used to express the estimated quantum of the key deliverables.
- 5.67 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 a contract would have at least one key deliverable. Examples of deliverables include a completed vessel, available engines or delivery of a training programme.

- 5.68 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). Examples of metrics include quantity of aircraft/engines that are available or the weight of a finished vessel. Each metric ideally should be linked to a DPS line and description.
- 5.69 The [DPS templates](#) include examples of output metrics which may be useful. Metrics can also be drawn from the contractor's performance management system or from the contract itself.
- 5.70 Deliverables and metrics need to be added to DefCARS sequentially. The contractor should first add a deliverable by selecting the blue cross icon and saving its name and description. The deliverable row will be displayed on the page along with a green arrow icon. The contractor should use this green arrow icon and then the grey cross icon to add the output metrics associated with that deliverable (see Exhibit 12).

### Exhibit 12 – Adding output metrics



- 5.71 Users are able to enter as many deliverables as they wish and as many metrics as they wish against each deliverable. There should be at least one metric per key deliverable.
- 5.72 The data entry required is set out in Table 22.



**Table 22 – Deliverables and metrics data input**

Data required	Guidance
<b>Key deliverables</b>	
Name / Item / Title of deliverable	The contractor should provide a short name for the deliverable. For example, delivery of completed vessel.
Description	The contractor should provide a description of that key deliverable. For example, deliver completed vessel to [recipient] by [date].
Comment	Any other comments which the contractor considers to be relevant.
<b>Metrics</b>	
Parameter	The contractor should provide a short name for the metric. For example, engine test hours.
Definition	The contractor should define the metric. For example, minimum test hours for each vessel engine.
Value	The contractor should include the value (not £ as output metrics are not monetary-based) and units of the quantity for each metric. For example, value = 300; units = hours.
Units	
DPS Code	The contractor should state the DPS code that the metric relates to, as per the applicable DPS template.
DPS Description	The contractor should state the DPS description that the metric relates to, as per the applicable DPS template.

### Milestones

- 5.73 Contractors must also provide a list of all delivery milestones set out in the contract. 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.

**Table 23 - Milestones data input**

Data required	Guidance
Milestone Short Name	The contractor should provide a short name for the milestone. For example, delivery of [parts].
Milestone Description	The contractor should provide a description of that milestone. For example, delivery of [parts] to [recipient] by [date] for [purpose].
Contracted Target Date	Where the contract sets an expected date for a delivery milestone to be completed, contractors should select that date using the calendar.
Actual or Forecast Completion Date	The page includes a field for the actual or forecast completion date and comments boxes for explanations of any material date variances that the contractor may be aware of.
Comment	Any other comments which the contractor considers to be relevant.

### Reminder of obligations

- 5.74 Data entry should now be complete for the CIR. 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 CPS.
  - 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 CPS relates.

### Submission

- 5.75 The Submission page is where contractors can download and review their CIR inputs, before submission to the SSRO and the MOD. The report submitter should review all data entered before saving and submitting the report. Contractors can use the view report function and validate report function to assist them in doing so.
- 5.76 Users can review the CNR, CPS and CRP separately in PDF or Excel format. When selecting one of these view options, the contractor will see a complete CIR report which highlights the fields relevant to the report they have selected, and shades the other elements in the report in grey.
- 5.77 As described earlier in this guidance, DefCARS allows contractors to validate the whole report and review validation errors and warnings at any stage before submission. Contractors may find it helpful to validate the report at this last stage. Once contractors are satisfied that the report is ready for submission, they can save and submit.

## 6. Updating contract data – Quarterly Contract Report (QCR)

- 6.1 This section of the guidance covers the reporting requirements and data entry associated with the Quarterly Contract Report (QCR). Before completing the QCR for the first time, contractors should familiarise themselves with Regulation 22 (General Requirements) and Regulation 26 (Quarterly Contract Report). Contractors should also read and familiarise themselves with paragraph 6.8, which deals with auto-population of the QCR.
- 6.2 Regulation 22(10)(b) defines a quarter as one of the following periods:
- 1 April to 30 June (Quarter 1 in the Government's financial year)
  - 1 July to 30 September (Quarter 2)
  - 1 October to 31 December (Quarter 3)
  - 1 January to 31 March (Quarter 4)
- 6.3 Contractors are required to submit QCRs if their contract is assessed as being valued at £50 million or more. The reports are due within one month of the end of each calendar quarter, so the due dates for submission of QCRs are:
- 31 July
  - 31 October
  - 31 January
  - 30 April
- 6.4 DefCARS calculates QCR due dates but the contractor should check to ensure that their QCR due dates are correct. No report is required for the calendar quarter in which the initial reporting date or contract completion date fall. The initial reporting date is defined in Regulation 22(10)(c) as either the date of amendment (for a QDC by amendment) or, in all other cases, the date the contract was entered into.
- 6.5 The first report must cover the period from the initial reporting date to the end of the next calendar quarter. For example, if a contract is entered into on 5 January, then the QCR covers the period 5 January to 30 June and is due by 31 July.
- 6.6 The value assessment for threshold purposes (see Regulation 5) is undertaken by the contracting authority:
- for proposed contracts for which an assessment has been undertaken under Regulation 12(1) for a POCO adjustment, or under Regulation 61 to determine whether the contract would be a QSC, at the date of that assessment or, if later, at the date on which it is proposed to enter into the contract;
  - for QDCs by amendment, at the date of the amendment; or
  - in all other cases, at the date the contract is entered into.

- 6.7 The question of whether QCRs are required is based on the Regulation 5 assessment. If the value for threshold purposes is below £50 million, then QCRs will not be required for the contract, even if the contract value increases to £50 million or more during delivery of the contract, for example due to pricing amendments. Where the contractor is asked to report contract value in a QCR it will be auto-populated from the Contract Reporting Plan.
- 6.8 DefCARS seeks to facilitate the submission of QCRs by auto-populating the data required on several pages based on what the contractor submitted previously, either when completing the initial reports (in the case of a first QCR) or in the last QCR. The contractor must review all fields which have been auto-populated making relevant amendments or updates to the information to ensure that it is accurate for that particular submission. In the remainder of this section we explain which parts of the report are auto-populated.

### [Report Home](#)

- 6.9 The Report Home page is similar to the Report Home pages in other reports. For guidance, see Section 5 on the CIR.

### [Supplier](#)

- 6.10 All of the fields on the Supplier page in the QCR are the same as the fields on the Supplier page in the initial set of reports. The supplier details are auto-populated from master data entered in the Contract Administration page of DefCARS. The contractor's Administration User will have access to the master data and can update this record at any time. The supplier details in the QCR are not read only and can be amended in the report. The individual completing the report should discuss any changes they make to supplier details in the QCR with their Administration User. This is so that the Administration User can make the same changes to the master data record to keep both sets of data consistent. This will also ensure that the correct supplier details are auto-populated in future reports. These details should still be checked by the contractor for accuracy.

### [Report Submission Administration](#)

- 6.11 The fields on this page are the same as those on the Report Submission Admin page in the initial set of reports. The contact details of contractor and MOD staff involved in the contract are shown on this page and are auto-populated from the initial reports or a previous QCR and the contractor should check this information for accuracy. If there has been a change in staff from those identified in an earlier report then the new staff details should be reported.
- 6.12 The contractor must enter the date the report is due in the 'Date this report is required by' field. This date should be the same as the QCR due date that was auto-calculated by DefCARS within the CRP. If a different date is entered without explanation, then this is likely to result in a query from the SSRO or the MOD. DefCARS will automatically record the date that the report is submitted as well as the details of the individual who submitted the report.

## Contract

- 6.13 All contract details are auto-populated and the contractor should check this information for accuracy. The 'Date contract became a QDC/QSC' is explained in the last sentence of paragraph 6.18. The 'Date contract became a QDC/QSC' field is populated by DefCARS in the initial reports and carried forward to future reports. The date is read only in the QCR and cannot be changed in this report.
- 6.14 A contractor can amend the 'Date contract became a QDC/QSC' field. This should only be done where a mistake was made on the Contract page in the initial report submission. This is done by creating a correction to the last submitted initial report and amending either the 'Date contract entered into' or 'Latest pricing amendment – date' field, whichever date was incorrect. The corrected data will then flow through to a QCR which is started after the correction has been submitted. Annual profiles in later pages start from the date in this field (i.e. the date the contract became a QDC or QSC) and end at the contract completion date.
- 6.15 The 'Contract Completion Date' may change, for example due to a pricing amendment, which results in some contraction or extension of the contract. A changed Contract Completion Date will affect the due dates of the CCR and CCS and may change the number and timing of QCRs and ICRs. The MOD may direct the submission of an on-demand Contract Reporting Plan, to ensure the updated Contract Completion Date and changed reporting requirements are recorded, or the contractor may agree to provide an on-demand Contract Reporting Plan without written direction (Regulation 24(2)(c)). DefCARS enables a contractor to submit an additional Contract Reporting Plan by selecting On-Demand Report next to the CIR option. This will create a new CIR, populated with information previously submitted. The contractor should enter the new Contract Completion Date in the relevant field on the Contract page (see page 32 in the CIR section). DefCARS will recalculate the due dates of QCRs as a result of the revised Contract Completion Date. When a new QCR is generated by DefCARS, it will reflect the revised Contract Completion Date and have the correct number of years for which the required information should be provided.
- 6.16 If there has been an amendment during the reporting period which has resulted in a change to the contract price, the contractor should update the 'Latest Pricing Amendment' fields. If there has been more than one amendment in-quarter, contractors should enter details for the latest time of agreement.

## Pricing Method Breakdown

- 6.17 Information on this page is auto-populated and the contractor should check this for accuracy. For example, a pricing amendment may mean that the contract price has changed. Where this is the case, the contract price should be allocated to the relevant pricing methods which now apply to the contract if the amount of the price resulting from each method is known. If the price associated with each pricing method is unknown, this should be explained in the 'comments on pricing analysis' field. The contractor should ensure that the price reflected on this page matches that reported on the Contract page.

### Analysis of Cost by Supplier Breakdown (Allowable Costs excluding risk contingency at the latest time of agreement)

- 6.18 In QCRs, contractors provide the breakdown of costs by their own reporting structure which may not be the same as the Defined Pricing Structure (DPS) used in the Contract Notification Report and Interim Contract Reports. Some contractors have aligned their management systems with the DPS in which case the DPS and their own reporting structure would be the same. On this page, contractors are required to report an annual profile of the estimated (agreed) Allowable Costs at the latest time of agreement, excluding any risk contingency, using their own reporting structure over each year of the contract duration. The latest time of agreement will either be when the contract was entered into or the date it was amended (if the contract became a QDC/QSC by amendment), or the date of the most recent price re-determination following a pricing amendment.
- 6.19 When compiling its first QCR, the contractor will be required to enter its cost reporting structure and provide an annual profile of estimated Allowable Costs across the contractual years in £ million to three decimal places. This profile should exclude the amount for risk contingency included in the Allowable Costs as this is reported on the next page of the report. When there has been a pricing amendment since the initial reports or between QCRs this analysis needs to be updated to reflect the Allowable Costs excluding risk contingency at the latest time of agreement. Each cost descriptor (e.g. engineering, programme management) needs to be added individually by selecting the blue '+' icon before data can be entered. Rows may be deleted using the grey '+' on the left of each row although contractors are advised to not delete descriptors used in previous reports unless there has been an amendment to the contract which requires this change. In subsequent QCRs, the cost descriptors will be auto-populated and additional rows can be added if the structure changes by clicking on the blue '+' icon.
- 6.20 DefCARS does not facilitate, via standard fields, the reporting of an annual profile for any years prior to the contract becoming a QDC or QSC. In circumstances where there are costs prior to the date a contract became a QDC or QSC (see last sentence in paragraph 6.18) then the contractor should:
- add the costs as total amounts in the 'not profiled' column; and
  - provide a supporting spreadsheet setting out the annual profile for the earlier period.
- 6.21 The number of cost descriptors should reflect the quantum of the contract price and be sufficient to understand the types of cost which have been estimated. The sum of each column will be displayed in the top row as the cost lines are populated.

### Summary Analysis of Price (price at the latest time of agreement)

- 6.22 The contractor is required by Regulation 26(6)(b-c) to provide information about the contract price. This page in DefCARS pulls all these requirements together. The contractor should check that the information included on this page summarises the contract price at the time of agreement (which may have moved forward in time due to a pricing amendment). The price may be the original price reported in the Contract Pricing Statement or, in the event that there has been an amendment during the reporting period which has resulted in a change to the contract price, the new price. The price should reflect the most recent price amendment at the reporting date. The data status flags on this page are all set to Priced Estimate.

- 6.23 The 'Cost breakdown by contractor's reporting structure' line is auto-populated from the information provided on the Analysis of Cost by Supplier Breakdown page. The risk contingency element and profit (including and excluding any incentive adjustment) will be auto-populated from the initial reports in the first QCR submitted for the contract. The amounts for risk contingency and profit will then be auto-populated in each QCR from a previous QCR. The contractor should check all information on this page is correct.
- 6.24 The contractor is required to review the annual profile, if this has been populated from a previous QCR, for risk/contingency element, profit (excluding incentive adjustment) and any incentive adjustment if applicable and make any amendments. If the contractor is of the view that an annual profile of risk contingency or profit cannot be provided then a total amount can be reported in the 'not profiled' column. The contractor should explain why an annual profile is not possible, as otherwise compliance queries are likely to be raised. Totals by financial year and by line should be checked by the contractor to ensure they are correct. Figures should be entered in £ millions, to three decimal places. Table 24 explains the data entry which is required.

**Table 24 – Summary Analysis of Price data input**

Data required	Guidance
Total Allowable Costs from contractor's reporting structure	The Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered on the Analysis Of Cost By Supplier Breakdown page. This will be shown in £ millions to three decimal places. The contractor should check this information for accuracy.
Risk / Contingency Element within the Allowable Costs	<p>The contractor is required by Regulation 26(6)(a) to provide an annual profile of risk contingency included in the Allowable Costs within the latest agreed contract price. The contractor can provide the annual profile in this row. If the contractor believes it is not possible to express the risk contingency in an annual profile, the contractor must provide the total amount of the risk contingency. The contractor can enter this amount in the 'not profiled' column. The total and the percentage of total cost will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p>
Subtotal Cost	The amount is calculated by DefCARS from the first two cost rows at the top of the table. The contractor should check that this line agrees to the total Allowable Costs in the agreed contract price.
Profit (excluding incentive adjustment)	The contractor is required by Regulation 26(6)(a) to provide an annual profile of planned amounts of profit (excluding the maximum amount due to any incentive adjustment (Step 5) included in the contract profit rate) or if this is not possible the total amount (in the 'not profiled' column) included within the latest agreed contract price. The total and the percentage of total profit excluding Step 5 will be calculated by DefCARS. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.

Data required	Guidance
Total Contract Price (excluding incentive adjustment)	The total contract price (excluding profit arising from an incentive adjustment) is calculated by DefCARS based on the figures reported in the third and fourth rows of the table.
Maximum Profit arising from Incentive Adjustment	<p>The contractor is required by Regulation 26(6)(a) to provide the annual profile of the maximum profit from an incentive adjustment that has been or is expected to be taken into account in determining the contract price or if this is not possible the total amount (in the 'not profiled' column).</p> <p>In either case, the amounts entered should be in £ millions to three decimal places. The profile can be entered by selecting the green icon and deleted by selecting the red icon. The approach should be consistent for the risk contingency and the planned profit. If there is no incentive adjustment, then the contractor should confirm this by including a '0' value in each year. If an incentive adjustment was reported in the Contract Pricing Statement, the SSRO would not expect this row to total zero. The total amount of any incentive adjustment and the percentage of total cost that may arise from an incentive adjustment will be calculated by DefCARS.</p>
Total Contract Price (including incentive adjustment)	The total contract price is calculated by DefCARS based on the figures entered in the table. Contractors should check that this line agrees to the total latest agreed contract price and corresponds to the contract price entered on the Contract page. By selecting 'Save' and 'Validate' on this page the contractor will be able to determine if the figures agree. Completion of this profile establishes a new baseline for the contract (if the contract price has changed) against which variances can be reported.
Commentary on the above section	The contractor is asked to provide any additional comments relating to the price summary (using the blue edit icon) which is relevant and might be useful to the SSRO or the MOD. This should include explanatory comments relating to changes in the price in comparison to the last report submitted.
Once these details are complete, select Save then Validate, before moving on to the next page.	

### Actual & Forecast Analysis of Cost (expected Allowable Costs excluding risk contingency)

- 6.25 The contractor is required by Regulation 26(6)(d) to report an annual profile of the Allowable Costs (excluding risk contingency element) already incurred and the forecast costs which are expected to be incurred, or a combination of both, to the contract completion date. The cost descriptors of the reporting structure are auto-populated from the Analysis of Cost by Supplier Breakdown page. The contractor should check this information for accuracy. Actual and forecast costs should be provided in £ million, to three decimal places. This page will be blank if the contractor is completing their first QCR. For subsequent QCRs, any final actual costs previously reported will be auto-populated within the relevant year.



- 6.26 For each financial year, the contractor must indicate whether the Allowable Costs have been incurred, are forecast, or a combination of both by using the drop-down menu at the top of the table to update the cost status. The cost categories used by the SSRO to allow contractors to meet this requirement are:
- 'Final Actual': the contractor considers the costs to be final actual costs that will not change (for example, where actual cost recovery rates have been agreed with the MOD).
  - 'Provisional Actual': the contractor considers the costs to be provisional actual costs (for example, where cost recovery rates are yet to be agreed with the MOD and therefore may be subject to change).
  - 'Actual & Forecast': a combination of forecast and actual costs which may be relevant to QCRs where the contractor is reporting mid-financial year (for example, a QCR reported as at the end of June may consider costs incurred in Q1 and Q2 of that year to be actual (provisional or final) and Q3 and Q4 costs as forecast).
  - 'Forecast': costs which are forecast (in other words, the costs expected in a future financial year).

6.27 If the contract became a QDC or QSC by amendment and there are costs prior to the amendment, the contractor should provide an annual profile of these in a separate spreadsheet (if these were not attached to a previous report or page) and include the total of these type of costs in the 'not profiled' column provided in DefCARS along with any supporting comments. The costs should be provided in a way that enables a meaningful comparison between the 'Analysis of Cost by Supplier Breakdown' and the 'Actual and Forecast Analysis of Cost'.

6.28 If new cost descriptor lines are required on the Actual and Forecast Analysis of Cost page, then the contractor should add these in the Analysis of Cost by Supplier Breakdown page and enter a '0' value in each column of the new row in the Analysis of Cost by Supplier Breakdown page. These extra lines will then be carried forward to the Actual & Forecast Analysis of Cost page where an annual profile can be provided.

#### [Actual & Forecast Price Summary \(expected price\)](#)

6.29 The actual and forecast Allowable Costs (excluding risk contingency) from the previous page will be auto-populated in the 'Total actual and forecast Allowable Costs from contractor's reporting structure' row of this profile. The cost categories at the top of the page will be pre-populated from the Actual & Forecast Analysis of Cost page. The contractor should check this information for accuracy.

6.30 The contractor is required by Regulation 26(6)(c) to provide an annual profile of any risk contingency included in the total Allowable Costs and profit across the contractual years. This profile is not auto-populated from previous reports. If the contractor is of the view that an annual profile of risk contingency cannot be provided then a total amount can be reported in the 'not profiled' column. If it has been possible to provide an annual profile of this on the Summary Analysis of Price page then an annual profile should also be provided on this page. Contractors should check the year and line totals are correct and match the expected contract price.

- 6.31 This page reflects the overall price of the contract as currently expected by the contractor. The total estimated Allowable Costs (including risk contingency) on this page is compared by DefCARS to the total actual and forecast Allowable Costs in the Summary Analysis of Price and shown as a variance to be explained, on the Variance, Events and Circumstances page. Table 25 explains the data entry which is required.

**Table 25 – Actual Forecast Price Summary data input**

Data required	Guidance
Total actual & forecast Allowable Costs from contractor's reporting structure	The actual and forecast Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered on the Actual Forecast Analysis of Cost page. This will be shown in £ millions to three decimal places. The contractor should check to ensure that the profile accurately reflects their latest estimate of the Allowable Costs (excluding risk contingency) to deliver the contract to completion.
Risk / Contingency Element within the Allowable Costs	<p>The contractor is required by Regulation 26(6)(c) to provide the actual and forecast annual profile of any risk contingency element or, if this is not possible, the total amount. If there has been an increase in the risk contingency element of the Allowable Costs or if expected risk contingency included in the agreed price has not been utilised the contractor may wish to explain the reasons for this. The total and the percentage of total cost will be calculated by DefCARS.</p> <p>Annual profiles are added by clicking the green '+' icon to the left of the row description. Clicking the green '+' icon will bring up the 'Update Price Summary Value' window where the annual profiles can be entered in the fields provided and then saved by clicking the 'Update' button at the bottom of the window. Profiles can be deleted by clicking the red '+' icon. Annual profiles should be entered in £ millions to three decimal places.</p>
Subtotal Cost	The actual and forecast costs are calculated by DefCARS from the first two cost rows at the top of the table. The contractor should check that this is the total forecast Allowable Costs in the latest estimate of the contract price.
Profit (excluding incentive adjustment)	The contractor is required by Regulation 26(6)(c) to provide the annual profile of profit (excluding the amount due to any incentive adjustment (Step 5)) within the forecast contract price or, if this is not possible, report this as a total amount in the 'not profiled' column. Total profit and the percentage of total cost excluding any incentive adjustment will be calculated by DefCARS from the data entered and should be checked. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.
Total Contract Price (excluding incentive adjustment)	The total contract price (excluding any profit for an incentive adjustment) is calculated by DefCARS based on the third and the fourth rows in the table.

Data required	Guidance
Expected maximum profit arising from Incentive Adjustment	<p>The contractor is required by Regulation 26(6)(c) to provide the annual profile of the expected maximum profit that could arise due to an incentive adjustment (Step 5) within the forecast contract price or, if this is not possible, report this as a total amount in the 'not profiled' column. This total and the percentage of total cost that may arise from an incentive adjustment will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p>
Total Contract Price (including incentive adjustment)	The total contract price is calculated by DefCARS from the figures in the table. Contractors should check that this line agrees to the total forecast contract price by year and in total.
Commentary on the above section	If the contractor considers there is information not captured in the DefCARS fields on this page which they wish to provide then they can click on the blue icon and complete the comments box.
Once these details are complete, select Save then Validate, before moving on to the next page.	

### Quarter

- 6.32 The contractor is required by Regulation 26(6)(e) to provide a quarterly breakdown of costs, by the contractor's reporting structure. This page in DefCARS enables the analysis to be provided. This analysis should include costs already incurred and the forecast costs for the relevant calendar quarters. The quarterly analysis must be by reference to the calendar quarters of each of:
- the previous financial year;
  - the current financial year; and
  - the next financial year.
- 6.33 When completing QCRs during the first financial year, the contractor may find there is no previous financial year to report. The current financial year will be the financial year in which the quarter being reported upon falls. As the contract nears completion, the contractor may find there is no next financial year to report.
- 6.34 By way of example, for a report being submitted on 31 July 2015 covering the period 1 April to 31 March 2015, the previous financial year will be 1 April 2014 to 31 March 2015, the current financial year will be 1 April 2015 to 31 March 2016 and the next financial year will be 1 April 2016 to 31 March 2017.
- 6.35 The financial years refer to the government financial year (April to March) and therefore the cycle of QCR reporting corresponds to the quarters displayed on this page. Please see paragraph 6.2 for reference to these quarters and the periods they cover.

- 6.36 When completing its first QCR, the contractor must first generate the table for quarterly data entry. The contractor can do this by selecting the relevant financial year and the calendar quarter to which the report relates and then use the Generate Quarter Reporting Table button directly below these drop-down menus to generate the profile which has to be completed (see Exhibit 13). This button must be selected before the 'Paste data from Excel' button.
- 6.37 Clicking the 'Generate Quarter Reporting Table' button will also auto-populate the 'Cross Check Against Actual & Forecast Analysis of Cost' totals from the Actual and Forecast Analysis page. The contractor should check these totals for accuracy. In subsequent QCRs, this table is not auto-populated from the previous QCR submission and the table must be generated again for quarterly data entry.

**Exhibit 13 – Generating Quarter Analysis table**

**Quarter Analysis**

Date became a QDC/QSC

Contract Completion Date

Government Financial Year

Calendar Quarter

Generate Quarter Reporting Table

Paste data from Excel

Warning: Saving new figures will reset the values in the breakdown below

		PRIOR YEAR				
		16/17				
Code	Description	Q1	Q2	Q3	Q4	Q
	From	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="01/01/2017"/>	<input type="text" value="01/04/2018"/>
	To	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="31/03/2017"/>	<input type="text" value="30/06/2017"/>

- 6.38 This will determine which cells need to be completed in the previous, current and next financial years. DefCARS will display these fields in white, greying out fields that do not need to be completed, and highlighting the quarter relating to the QCR in green (see Exhibit 14).

### Exhibit 14 – Quarter Analysis table

03/2017 31/03/2019 17/18 Q3

Generate Quarter Reporting Table Paste data from Excel

Warning: Saving new figures will reset the values in the breakdown below

Description	PRIOR YEAR				THIS YEAR				
	16/17				17/18				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
From				01/01/2017	01/04/2017	01/07/2017	01/10/2017	01/01/2018	0
To				31/03/2017	30/06/2017	30/09/2017	31/12/2017	31/03/2018	3
Cost Data Status									
Level 1 Total - Supplier Breakdown	0	0	0	0	0	0	0	0	0
Project Management									
Manufacturing									
Engineering									
QA									
T&S									

- 6.39 The contractor must confirm the cost data status for each quarter from the drop-down list using the categories included at paragraph 6.26 and complete the quarterly data analysis. All costs should be entered in £ million, to three decimal places. The contractor must save the data entered using the save button under the table.
- 6.40 On the far right of the table, DefCARS will provide a comparison between the financial year totals entered on this page to those entered on the Actual Forecast Analysis of Cost page. If the totals do not match, the contractor will be alerted via a validation warning. The contractor should ensure that the Actual & Forecast Analysis of Cost (see paragraphs 6.25 - 6.28) matches the total of the Quarterly analysis on this page for the relevant years.

#### Variance, events and circumstances

- 6.41 Regulation 26(6)(f) requires contractors to report a quantified analysis of the causes of variance between any estimated Allowable Costs used to determine the contract price and the total actual and forecast Allowable Costs. The analysis must explain not less than 90 per cent of the total variance. DefCARS will calculate the variance and provides the facility for the contractor to add lines to explain the causes of variance. The contractor should check the calculated variance is correct. The contractor should determine how many individual lines they need to be able to explain the causes of that variance.
- 6.42 The Regulations do not define events and circumstances, but contractors may find that Section 26 of the Act provides a useful reference point to assist in determining whether an event or circumstance has a material effect on a contract. Section 26(3) of the Act provides that events and circumstances have a “material effect” if they have a material effect in relation to any of the following:

- the contractor's costs;
- the total price payable to the contractor; or
- the contractor's ability to perform a material obligation of the contract.

- 6.43 DefCARS brings these requirements (to report causes of variance and events and circumstances) together into a single report page as an event or circumstance might be a cause of variance. Consider an example of a TCIF contract for maintenance of equipment. In the carrying out of the maintenance the equipment is found to be in a worse condition than estimated when the contract price was agreed and additional work is required. This is likely to have a material effect, impacting the costs of providing the maintenance and potentially the price as well. The contractor in this case would have to consider how to report this event and the circumstances associated with it in a meaningful way along with quantification of any variance which should be reported.
- 6.44 The information in Table 26 should be completed for each variance, event or circumstance the contractor is required to report. Individual rows of data can be completed by selecting the blue '+' on the left-hand side of the screen.

**Table 26 – Variance, events or circumstances**

Data required	Guidance
Title of Variance, Event or Circumstance	The contractor should provide a short title to describe the variance, event or circumstance it is reporting. The cause of variance may be related or unrelated to an event or circumstance.
Is this being reported as a cause of variance, or an event/ circumstance or both?	The contractor should determine whether they are reporting: <ul style="list-style-type: none"> <li>• a cause of variance only;</li> <li>• an event or circumstance only; or</li> <li>• both, i.e. a cause of variance which is related to an event or circumstance.</li> </ul>
Brief description of event or circumstance or cause of variance	Where the contractor has selected 'Cause of Variance' in the third column they should only describe a cause of variance which they will report a variance against. Once this field is completed the contractor can leave the next two fields in the row blank as these are related to reporting of events and circumstances.  Where the contractor has selected 'Event or Circumstance' or 'Both' in the third column their description should explain the event or circumstance they are reporting. When reporting an 'Event or Circumstance' or 'Both' the next four fields in the row need to be completed.
Date Recognised	If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm the date when they became aware of the event or circumstance. The date is not when the event or circumstance arose but when the contractor became aware of the event or circumstance.

Data required	Guidance
Allowed for in Priced Risk Contingency?	If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm by selecting 'Yes' that the event or circumstance they are reporting is covered by any risk contingency element of the contract price or select 'No' if it is not covered.
The effect the cause of variance, event or circumstance has had on the costs already incurred (£m)	<p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the effect that the event or circumstance has had on costs already incurred. If a contractor is reporting a variance they can also include figures in this field.</p> <p>For example, assume that:</p> <ul style="list-style-type: none"> <li>• the contractor's original Allowable Costs were £100 million;</li> <li>• the total forecast Allowable Costs are now £130 million;</li> <li>• the variance of £30 million is made up of £10 million of Allowable Costs already incurred and £20 million forecast to be incurred.</li> </ul> <p>In this example, the contractor would enter £10 million in this field. The contractor should enter zero if there has been no financial effect.</p>
The forecast effect that the cause of variance, event or circumstance will have on the forecast costs which it is expected will be incurred (£m)	<p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the forecast effect that the event or circumstances will have on the forecast costs which it is expected will be incurred. If a contractor is reporting a variance they can also include figures in this field.</p> <p>In the example used in the row above, the contractor is asked to identify how much of the £30 million variance relates to the forecast costs they are reporting. In this example, the contractor would enter £20 million in this field. The contractor should enter zero if there has been no financial effect.</p>
Has this caused a variance between any estimated costs used to determine the contract price and total actual and forecast costs?	This field allows the contractor to include any costs reported in this row in the variance analysis which is required. The contractor should select 'Yes' and 'Calculate' if they wish the financial figures in the previous two fields to be used as part of the variance analysis. Selecting 'No' results in the 'Calculate' icon disappearing and the figures will not be included in the 'Amount of Variance' field.
Amount of Variance (£m)	If the contractor selected the 'Calculate' button the amount of variance will be auto-populated and should be checked for accuracy. The calculated figure can be over-written by the contractor if they want to report a different financial amount against their cause of variance.

Data required	Guidance
% of total variance	This field is calculated by DefCARS and reflects how much of the total variance has been accounted for in this row which the contractor has completed. The variance percentage explained in all the rows is shown at the bottom of the list and must be not less than 90 per cent.
% of total planned cost	This field is calculated by DefCARS and reflects the amount of the variance explained in this row which the contractor has completed as a percentage of the total estimated Allowable Costs (including risk contingency).

**Key message** - These fields aim to enable a better understanding of the impact of contract amendments (new agreements).

Data required	Guidance
Contract amendment	The contractor is asked to confirm (Yes or No) if there has been a new agreement since the previous QCR that has had a material effect and led to a re-determination of the contract price under Regulation 14.
<b>If Yes</b>	
Costs relating to the amendment (£m)	The contractor is asked to confirm in £ millions the costs relating to the new agreement, to three decimal places.
Total profit rate used for amendment %	The contractor is asked to confirm the contract profit rate by setting out each of the six steps in % terms. DefCARS sums the six steps to calculate the total profit rate that applies to the new agreement.
Pricing method breakdown used for the amendment	The contractor is asked to confirm the pricing method breakdown used for the new agreement in £ millions to three decimal places. This should include cost and profit. DefCARS will then calculate the total agreed price in £ millions.
Contract completion date	The contractor is asked to confirm if the contract completion date has changed (Yes or No). If the contract completion date has changed the contractor should reflect this on the contract page (see paragraph 6.15).
<b>If Yes</b>	
Contract completion explanation	The contractor is asked to provide an explanation of the reasons behind any change in the contract completion date.



### Sub-contracts

- 6.45 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued over £1 million. In the QCR, the contractor is required to provide information on sub-contracts into which the primary contractor has entered in the period covered by the report, or intends to enter, in the calendar quarter following the report. The information on sub-contracts provided in the Contract Notification Report is auto-populated in the QCR. The contractor should check whether the information is correct for the submission in question (including the total value of all sub-contracts). The contractor should update the information on this page to:
- provide any updated information about a sub-contract reported previously;
  - report a new contract; or
  - provide details of a new sub-contract valued at £1 million or more.
- 6.46 Changes made to this page will carry through to subsequent QCR submissions. The same sub-contract thresholds apply as for other reports. DefCARS provides the facility for the contractor to indicate if there are no sub-contracts which meet the thresholds for reporting. This can be done in the comments box at the top of the page. If there are no sub-contracts for which details need to be provided, then the contractor should make this clear, to avoid follow-up compliance queries.

### Final payments

- 6.47 The QCR must contain a forecast target cost incentive fee (TCIF) adjustment (see Regulation 15) or any final price adjustment (see Regulation 16) which the contractor expects to make. The final price adjustment only applies to contracts priced using the firm, fixed and volume-drive pricing methods. The contractor should report a value of 0 in the relevant field if there is no TCIF or final price adjustment. 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);
  - Target Cost Incentive Fee (TCIF) adjustment;
  - Incentive adjustment; and
  - Other – Key performance indicators - (KPI).
- 6.48 This section will be auto-populated from the data provided in the previous QCR, if one is submitted. The contractor should check this information for accuracy. All figures should be entered in £ million, to three decimal places.

### Milestones

- 6.49 The information on this page is auto-populated from the data provided in the Contract Notification Report (CNR) or from the previous QCR, if one has been submitted. Contractors should provide an update to the milestone information that was initially reported in the CNR, including any changes to the actual or forecast completion date for each milestone listed. Contractors should provide an explanation if any of these dates has changed. Contractors may also add milestones to the list reported in the CIR. See paragraph 5.73 for further information on how to complete milestone information.

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

- 7.1 Before completing the Interim Contract Report for the first time, contractors should familiarise themselves with Regulation 22 (General Requirements) and Regulation 27 (Interim Contract Report). Contractors should also read and familiarise themselves with paragraph 7.8, which deals with auto-population. This section repeats parts of the guidance given on completion of Quarterly Contract Reports (QCRs) that apply equally to completion of Interim Contract Reports (ICRs). Repeating this guidance should assist contractors who have to submit ICRs but are unfamiliar with the QCR section of this document. We recognise that some contractors may not have contracts with sufficient value to require the submission of QCRs (the QCR threshold is £50 million).
- 7.2 An Interim Contract Report (ICR) must be submitted either:
- a) on the date or dates agreed between the primary contractor and the Secretary of State; or
  - b) failing agreement, on the date or dates set by the Regulations.
- 7.3 There are two different sets of requirements for an ICR, depending on the contract value. A lower value ICR will be submitted for a QDC or QSC with a value of less than £50 million and a higher value ICR for those valued at greater than or equal to £50 million. All ICRs must contain the information required by Regulation 27(4). Lower value ICRs must additionally contain the information required by Regulation 27(5). DefCARS has been designed to assist contractors to meet these requirements. Reference is made to the two different sets of requirements, as appropriate, in this guidance.
- 7.4 To determine which ICRs are due, and when they are due, the contractor needs to consider the contract value. The value assessment for threshold purposes is undertaken by the contracting authority:
- for proposed contracts for which an assessment has been undertaken under Regulation 12(1) for a POCO adjustment, or under Regulation 61 to determine whether the contract would be a QSC, at the date of the assessment or, if later, at the date on which it is proposed to enter into the contract;
  - for QDCs by amendment, at the date of the amendment; or
  - in all other cases, at the date the contract is entered into.
- 7.5 Where the contractor is asked to report contract value in an ICR it will be auto-populated from the Contract Reporting Plan. The reporting dates are:
- a) the date or dates agreed between the primary contractor and the Secretary of State; or
  - b) failing agreement, the date or dates set by the Regulations.

- 7.6 In the case of agreement with the Secretary of State, the first date must be no more than five years following the time of agreement to the contract for QDCs or QSCs with a value less than £50 million and no more than three years for QDCs or QSCs with a value more than £50 million. Subsequent dates for submission of ICRs 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 (<£50 million) or three years (≥£50 million) after the previous reporting date. Where there is no agreement, reports are more frequent as per the time periods set out in the Regulations. The dates for ICRs are summarised in Table 27.

**Table 27 – Reporting dates for Interim Contract Reports**

	< £50 million		≥ £50 million	
	1st report	Later reports	1st report	Later reports
<b>Agreed date</b>	≤ 5 years from time of agreement	≤ 5 years from previous reporting date	≤ 3 years from time of agreement	≤ 3 years from previous reporting date
<b>Without agreement</b>	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

- 7.7 Before the contract completion date, the Secretary of State can request on-demand ICRs through written directions. If a date is agreed with the Secretary of State that is no more than six months after the date of receiving the written direction, then the on-demand ICR must be delivered by that date. If no such agreement is made, the on-demand ICR must be provided within two months of receiving the written direction. Paragraph 7.15 explains how to reflect changes in the Contract Reporting Plan.
- 7.8 DefCARS seeks to facilitate the submission of ICRs by auto-populating the data required on several pages based on what the contractor submitted previously, either when completing the initial reports (in the case of a first ICR) or in the last ICR. The contractor must review all fields which have been auto-populated making relevant amendments or updates to the information to ensure that it is accurate for that particular submission. In the remainder of this section we explain which parts of the report are auto-populated.

### [Report Home Page](#)

- 7.9 The Report Home page is similar to the Report Home page in other reports. For guidance see section 5 of this document.

### [Supplier](#)

- 7.10 All the fields on the Supplier page in the ICR are the same as the fields on the Supplier page in the initial reports. The supplier details are auto-populated from master data entered in the Contract Administration page of DefCARS and the contractor should check this for accuracy. The contractor's Administration User will have access to the master data and can update this record at any time. The supplier details fields in the ICR are not read only and can be amended in the report.

- 7.11 The individual completing the report should discuss any changes they make to supplier details in the ICR with their Administration User. This is so that the Administration User can make the same changes to the master data record to keep both sets of data consistent. This will also ensure that the correct supplier details are auto-populated in future reports.

#### Report Submission Administration

- 7.12 The contact details of contractor and MOD staff involved in the contract are shown on this page and are auto-populated from the initial reports or a previous ICR and should be checked for accuracy. If there has been a change in staff from those identified in an earlier report then the new staff details should be reported. The contractor must enter the date the report is due in the 'Date this report is required by' field. This date should be the same as the ICR due date that was reported within the CRP. If a different date is entered without explanation, then this is likely to result in a query from the SSRO or the MOD. DefCARS will automatically record the date that the report is submitted as well as the details of the user that submitted the report.

#### Contract

- 7.13 All contract details are auto-populated from the initial reports or a previous ICR and should be checked for accuracy. The 'Date contract became a QDC/QSC' field is explained in Table 8 of Section 5 of the CIR. The 'Date contract became a QDC/QSC' field is populated by DefCARS in the initial reports and carried forward in future reports. The date is read only in the ICR and cannot be changed in this report.
- 7.14 A contractor can amend the 'Date contract became a QDC/QSC' field. This should only be done where a mistake was made on the Contract page in the initial report submission. This is done by creating a correction to the last submitted initial report and amending either the 'Date contract entered into' or 'Latest pricing amendment – date' field, whichever date was incorrect. The corrected data will then flow through to an ICR which is started after the correction has been submitted. Annual profiles in later pages start from the date in this field (i.e. the date the contract became a QDC or QSC) and end at the contract completion date.
- 7.15 The 'Contract Completion Date' may change, for example due to a pricing amendment, which results in some contraction or extension of the contract. A changed Contract Completion Date will affect the due dates of the CCR and CCS and may change the number and timing of QCRs and ICRs. The MOD may direct the submission of an on-demand Contract Reporting Plan, to ensure the updated Contract Completion Date and changed reporting requirements are recorded, or the contractor may agree to provide an on-demand Contract Reporting Plan without written direction (Regulation 24(2)(c)). DefCARS enables a contractor to submit an additional Contract Reporting Plan by selecting On-Demand Report next to the CIR option. This will create a new CIR, populated with information previously submitted. The contractor should enter the new Contract Completion Date in the relevant field on the Contract page (see page 39 in the CIR section). DefCARS will recalculate the due dates of ICRs as a result of the revised Contract Completion Date. When a new ICR is generated by DefCARS, it will reflect the revised Contract Completion Date and have the correct number of years for which the required information should be provided.

- 7.16 If there has been an amendment during the reporting period which has resulted in a change to the contract price, the contractor should update the 'Latest Pricing Amendment' fields. If there has been more than one amendment during the period covered by the report, contractors should enter details for the latest time of agreement.

#### Pricing Method Breakdown

- 7.17 Information on this page is auto-populated and the contractor should check this for accuracy. A pricing amendment may mean that the contract price has changed. Where this is the case, the contract price should be allocated to the relevant pricing methods which now apply to the contract if the amount of the price resulting from each method is known. If the price associated with each pricing method is unknown, this should be explained in the 'comments on pricing analysis' field. The contractor should ensure that the price reflected on this page matches that reported on the Contract page.
- 7.18 The guidance below explains the information that is required to submit an ICR (Lower Value). The ICR (Higher Value) does not require information on sub-contracts, final payments and milestones as this information is collected in QCRs as explained in Section 6. These three pages will not be visible in a higher value ICR in DefCARS.
- 7.19 Regulation 27 requires the following breakdown of costs by Defined Pricing Structure:
- a) an annual profile of any estimated costs at the time of agreement (when the contract was entered into or at the latest pricing amendment);
  - b) the total amount of those Allowable Costs which are non-recurring. Here, the contractor can report any one-off costs that are included in the contract price and explain what these relate to; and
  - c) an annual profile of the costs already incurred and the forecast costs which are expected to be incurred.

#### DPS Inputs

- 7.20 DefCARS carries forward the DPS lines from the Contract Reporting Plan to the ICR. All the DPS lines provided at the time of completing the CRP in DefCARS will have a tick against them on this page. The contractor should not change the DPS lines unless there is a clear reason to do so, as it is important to maintain comparability. A situation in which the contractor may need to change the DPS lines is where there has been a pricing amendment that changes the requirement in some way.
- 7.21 DefCARS facilitates the addition of new lines to the initially reported DPS structure should this be required. The contractor should tick the new lines on this page. Alternatively, if the DPS originally submitted in the CRP was incorrect, then the CRP should be corrected and re-submitted to rectify this before the ICR is started so that the changes will flow through to this report. Any change in DPS should be agreed with the MOD before being reported. There is more detailed guidance on the DPS in Section 5.

### DPS Input Values (Total Allowable Costs, excluding risk contingency, at the latest time of agreement)

- 7.22 This page is intended to assist contractors to provide the required annual profile of costs. The information on this page is auto-populated from the latest Contract Notification Report (in the case of a first ICR) or the last ICR. The contractor should check this information for accuracy. 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. When there has been a pricing amendment since the initial reports or between ICRs the analysis needs to be updated to reflect the estimate of Allowable Costs excluding risk contingency at the latest time of agreement. The latest time of agreement will either be when the contract was entered into or the date it was amended (if the contract became a QDC by amendment), or the date of the most recent price re-determination following a pricing amendment.
- 7.23 DefCARS does not facilitate, via standard fields, the reporting of an annual profile for any years prior to the contract becoming a QDC or QSC. In circumstances where there are costs prior to the date a contract became a QDC or QSC (see definition in last sentence of paragraph 7.22) then the contractor should:
- add the costs as total amounts in the 'not profiled' column; and
  - provide a supporting spreadsheet setting out the annual profile for the earlier period.
- 7.24 The not-profiled amounts can be reported by DPS line or through the addition of an 'Other' line on the DPS Input page. The contractor should also reflect in the final column any of the total amount which is non-recurring expenditure included in the Allowable Costs. The sum of each column will be displayed in the top row as the cost lines are populated.

### Summary Analysis of Price (price at the latest time of agreement)

- 7.25 The contractor is required by Regulation 27(4)(c-e) to provide information about the contract price. This page in DefCARS pulls all these requirements together. The contractor should check that the information included on this page summarises the contract price at the time of agreement (which may have moved forward in time due to a pricing amendment). The price may be the original price reported in the Contract Pricing Statement or, in the event that there has been an amendment during the reporting period which has resulted in a change to the contract price, the new price. The price should reflect the most recent pricing amendment at the reporting date. The data status flags on this page are set to Priced Estimate. The 'Cost breakdown by DPS line' (profiled on the previous page) is auto-populated from the information provided on the DPS Input Values page.
- 7.26 The risk contingency element and profit (including and excluding any incentive adjustment) will be auto-populated from the initial reports in the first ICR submitted for the contract. The amounts for risk contingency and profit will then be auto-populated in each ICR from the most recent previously submitted ICR. The contractor will need to check in each case that the amounts are correct and make any amendments.

7.27 If the contractor is of the view that an annual profile of risk contingency or profit cannot be provided, then a total amount can be reported in the 'not profiled' column. If an annual profile was included in a previous report, the contractor should still report annually. Totals by financial year and by line should be checked by the contractor to ensure they are correct. Figures should be entered in £ millions, to three decimal places. The guidance in Table 28 assumes that an annual profile can be provided.

**Table 28 – Summary Analysis of Price data input**

Data required	Guidance
Risk / Contingency Element within the Allowable Costs	The contractor is required by Regulation 27(4)(c) to provide an annual profile of risk contingency included in the Allowable Costs within the latest agreed contract price. The contractor can provide the annual profile on this page. The profile can be entered by selecting the green icon and deleted by selecting the red icon. If the contractor believes it is not possible to express the risk contingency in an annual profile, the contractor must provide the total amount of the risk contingency. The contractor can enter this amount in the 'not profiled' column. The total and the percentage of total cost will be calculated by DefCARS. This should be entered in £ millions to three decimal places.
Subtotal Cost	This amount is calculated by DefCARS from the two cost rows at the top of the table. The contractor should check that this line agrees to the total Allowable Costs in the latest agreed contract price.
Price (excluding incentive adjustment)	The contractor is required by Regulation 27(4)(c) to provide an annual profile of planned amounts of profit (excluding the maximum amount due to any incentive adjustment (Step 5) included in the contract profit rate) or if this is not possible the total amount (in the 'not profiled' column) included within the latest agreed contract price. The total and the percentage of total profit excluding Step 5 will be calculated by DefCARS. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.
Total Contract Price (excluding incentive adjustment)	The total contract price (excluding profit arising from an incentive adjustment) is calculated by DefCARS based on the figures reported in the third and fourth rows of the table.

Data required	Guidance
Maximum Profit arising from Incentive Adjustment	The contractor is required by Regulation 27(4)(c) to provide the annual profile of the maximum profit that could arise due to any incentive adjustment included in the contract profit rate or if this is not possible the total amount (in the 'not profiled' column). In either case, the amounts entered should be in £ millions to three decimal places. The profile can be entered by selecting the green icon and deleted by selecting the red icon. The approach should be consistent for the risk contingency and the planned profit. If there is no incentive adjustment, then the contractor should confirm this by entering a '0' value in each year. If an incentive adjustment was reported in the Contract Pricing Statement, this row should not total to zero. The total amount of incentive adjustment and the percentage of total cost that may arise from an incentive adjustment will be calculated by DefCARS.
Total Contract Price (including incentive adjustment)	The total contract price is calculated by DefCARS based on the figures entered in the table. Contractors should check that this line agrees to the total latest agreed contract price and corresponds to the contract price entered on the Contract page. By selecting 'Save' and 'Validate' on this page the contractor will be able to determine if the figures agree. Completion of this profile establishes a new baseline (if the contract price has changed) against which variances can be reported.
Commentary on the above section	The contractor is asked to provide any additional comments relating to the price summary (using the blue edit icon) which are relevant and might be useful to the SSRO or the MOD. This should include explanatory comments relating to changes in the price in comparison to the last report submitted.
Once these details are complete, please select 'Save' then 'Validate', before moving on to the next page.	

### Actual & Forecast DPS Input Values (expected Allowable Costs excluding risk contingency)

- 7.28 The contractor is required by Regulation 27(4)(h) to report an annual profile of the Allowable Costs (excluding risk contingency element) already incurred and the forecast costs which are expected to be incurred, or a combination of both, to the contract completion date. Any non-recurring expenditure must also be identified. If non-recurring expenditure was included in the DPS Input Values page it should also be included in this analysis.
- 7.29 This page will be blank if the contractor is completing their first ICR. For subsequent ICRs any final actual costs previously reported will be auto-populated within the relevant year. The same DPS lines selected on the DPS Input Values page will appear on this page. Actual and forecast costs should be in £ million to three decimal places.



- 7.30 For each financial year, the contractor must indicate whether the Allowable Costs have been incurred, are forecast, or a combination of both by using the drop-down menu at the top of the table to update the cost status. The cost categories used by the SSRO to allow contractors to meet this requirement are:
- ‘Final Actual’: the contractor considers the costs to be final actual costs that will not change (for example, where cost recovery rates have been agreed with the MOD).
  - ‘Provisional Actual’: the contractor considers the costs to be provisional actual costs (for example, where cost recovery rates are to be agreed with the MOD and therefore may be subject to change).
  - ‘Actual & Forecast’: a combination of forecast and actual costs which may be relevant to ICRs where the contractor is reporting mid-financial year (for example, an ICR reported as at the end of September may consider costs incurred in Q1 and Q2 of that year to be actual (provisional or final) and Q3 and Q4 costs are forecast).
  - ‘Forecast’: costs which are forecast (in other words, the costs expected in a future financial year).
- 7.31 If there are costs prior to when the contract was amended to become a QDC or QSC the contractor should provide an annual profile of these in a separate spreadsheet (if these were not attached to a previous report or page) and include the total of these types of costs in the ‘not profiled’ column provided in DefCARS along with any supporting comments. The costs should be provided in a way that enables a meaningful comparison between the ‘DPS Input Values’ and the ‘Actual and Forecast DPS Input Values’.
- 7.32 If new cost descriptor lines are required on the Actual and Forecast Analysis DPS Input Values page, then the contractor should add these in the DPS Input page once the change in structure has been agreed with the MOD and enter a ‘0’ value in each column of the new row in the DPS Input Values page. These extra lines will then be carried forward to the Actual & Forecast Analysis DPS Input Values page where an annual profile can be provided.

### Actual & Forecast Price Summary

- 7.33 The actual and forecast Allowable Costs (excluding risk contingency) from the previous page will be auto-populated in the ‘Total Actual & Forecast Allowable Costs by DPS’ row of this profile. The contractor should check this information for accuracy. The cost categories at the top of the page will be pre-populated from the Actual & Forecast DPS Input Values page. The contractor may provide an annual profile of any risk contingency included in the total Allowable Costs and profit across the contractual years. This profile is not auto-populated from previous reports.
- 7.34 If the contractor is of the view that an annual profile of risk contingency cannot be provided, then a total amount can be reported in the ‘not profiled’ column. If it has been possible to provide an annual profile of this on the Summary Analysis of Price page, then the contractor should provide an annual profile on this page. The guidance in Table 29 assumes that an annual profile can be provided. Contractors should check the year and line totals are correct and match the expected contract price.

**Table 29 – Actual and Forecast Price Summary data input**

Data required	Guidance
Cost breakdown by Defined Pricing Structure	The actual and forecast Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered on the Actual & Forecast DPS Input Values. This will be shown in £ millions to three decimal places. The contractor should check to ensure that the profile accurately reflects their latest estimate of the Allowable Costs (excluding risk contingency) to deliver the contract to completion.
Risk / Contingency Element within the Allowable Costs	<p>The contractor is required by Regulation 27(4)(g) to provide the actual and forecast annual profile of any risk contingency element or, if this is not possible, the total amount. If there has been an increase in the risk contingency element of the Allowable Costs or if expected risk contingency included in the agreed price has not been utilised the contractor may wish to explain the reasons for this. The total and the percentage of total cost will be calculated by DefCARS.</p> <p>Annual profiles are added by clicking the green icon to the left of the row description. Clicking the green icon will bring up the 'Update Price Summary Value' window where the annual profiles can be entered in the fields provided and then saved by clicking the 'Update' button at the bottom of the window. Profiles can be deleted by selecting the red cross icon. Annual profiles should be entered in £ millions to three decimal places.</p>
Subtotal Cost	The actual and forecast costs are calculated by DefCARS from the two cost rows at the top of the table. The contractor should check that this is the total forecast Allowable Costs in the latest estimate of the contract price.
Profit (excluding incentive adjustment)	The contractor is required by Regulation 27(4)(g) to provide the annual profile of profit (excluding the amount due to any incentive adjustment (Step 5)) within the forecast contract price or, if this is not possible, to report this as a total amount in the 'not profiled' column. Total profit and the percentage of total cost excluding any incentive adjustment will be calculated by DefCARS from the data entered by the contractor and should be checked. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.
Total Contract Price (excluding incentive adjustment)	The total contract price (excluding any profit for an incentive adjustment) is calculated by DefCARS based on the first, third and fourth rows in the table.
Expected maximum profit arising from incentive adjustment	The contractor is required by Regulation 27(4)(g) to provide the annual profile of maximum profit that could arise due to an incentive adjustment (Step 5) within the forecast contract price or, if this is not possible, report this as a total amount in the 'not profiled' column. This total and the percentage of total cost that may arise from an incentive adjustment will be calculated by DefCARS. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.

Data required	Guidance
Total Contract Price (including incentive adjustment)	The total contract price is calculated by DefCARS from the figures in the table. Contractors should check that this line agrees to the total forecast contract price by year and in total.
Commentary on the above section	If the contractor considers there is information not captured in the DefCARS fields on this page which they wish to provide then they can click on the blue icon and complete the comments box.
Once these details are complete, select 'Save' then 'Validate', before moving on to the next page.	

### Variance, events and circumstances

- 7.35 Regulation 27(4)(i) requires contractors to report a quantified analysis of the causes of variance between any estimated costs used to determine the contract price and the total actual and forecast costs. The analysis must explain not less than 90 percent of the total variance. DefCARS will calculate the variance and provides the facility for the contractor to add lines to explain the causes of variance. The contractor should check the calculated variance is correct. The contractor should determine how many individual lines they need to be able to explain the causes of that variance.
- 7.36 For lower value ICRs, where the contract value is less than £50 million, contractors must also consider Regulation 27(5)(b), which requires the contractor to provide 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.
- 7.37 The Regulations do not define events and circumstances, but contractors may find that section 26 of the Act provides a useful reference point to assist in determining whether an event or circumstance has a material effect on a contract. Section 26(3) of the Act confirms that events and circumstances have a “material effect” if they have a material effect in relation to any of the following:
- the contractor’s costs;
  - the total price payable to the contractor; or
  - the contractor’s ability to perform a material obligation of the contract.
- 7.38 DefCARS brings both these requirements (to report causes of variance and events and circumstances) together in the lower value ICR in a single report page as an event or circumstance might be a cause of variance. The higher value ICR only requires a quantified analysis of the cause of variance as set out in Regulation 27(4)(i).
- 7.39 Consider an example of a TCIF contract for maintenance of equipment. In the carrying out of the maintenance the equipment is found to be in a worse condition than estimated when the contract price was agreed and additional work is required. This is likely to have a material effect, impacting the costs of providing the maintenance and potentially the price as well. The contractor in this case would have to consider how to report this event and the circumstances associated with it in a meaningful way along with quantification of any variance which should be reported.

**Table 30 – Variance, events or circumstances (ICR – Lower Value)**

Data required	Guidance
Title of variance, event or circumstance	The contractor should provide a short title to describe the cause of variance it is reporting. The cause of variance may be related to or unrelated to the event or circumstance.
Is this being reported as a cause of variance, or an event/ circumstance or both?	The contractor should determine whether they are reporting: a) a cause of variance only; b) an event or circumstance only; or c) both, i.e. – a cause of variance which is related to an event or circumstance.
Brief description of event or circumstance or cause of variance	Where the contractor has selected 'Cause of Variance' in the third column they should only describe a cause of variance which they will report a variance against. Once this field is completed the contractor can leave the next two fields in the row blank as these are related to reporting of events and circumstances.  Where the contractor has selected 'Event or Circumstance' or 'Both' in the third column their description should explain the event or circumstance they are reporting. When reporting an 'Event or Circumstance' or 'Both' the next four fields in the row need to be completed.
Date recognised	If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm the date when they became aware of the event or circumstance. The date is not when the event or circumstance arose but when the contractor became aware of the event or circumstance.
Allowed for in Priced Risk Contingency?	If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm by selecting 'Yes' that the event or circumstance they are reporting is covered by any risk contingency element of the contract price or select 'No' if not covered.
The effect the cause of variance, event or circumstance has had on the costs already incurred (£m)	If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the effect that the event or circumstance has had on costs already incurred. If a contractor is reporting a variance they can also include figures in this field.  For example, assume that: <ul style="list-style-type: none"> <li>• the contractor's original Allowable Costs were £100 million;</li> <li>• the total forecast Allowable Costs are now £130 million;</li> <li>• the variance of £30 million is made up of £10 million of Allowable Costs already incurred and £20 million forecast to be incurred.</li> </ul> In this example, the contractor would enter £10 million in this field. The contractor should enter zero if there has been no financial effect.

Data required	Guidance
The forecast effect that the cause of variance, event or circumstance will have on the forecast costs which it is expected will be incurred (£m)	<p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the forecast effect that the event or circumstances will have on the forecast costs which it is expected will be incurred. If a contractor is reporting a variance they can also include figures in this field.</p> <p>In the example used in the row above, the contractor is asked to identify how much of the £30 million variance relates to the forecast costs they are reporting. In this example, the contractor would enter £20 million in this field. The contractor should enter zero if there has been no financial effect.</p>
Has this caused a variance between any estimated costs used to determine the contract price and total actual and forecast costs?	This field allows the contractor to include any costs reported in this row in the variance analysis which is required. The contractor should select 'Yes' and 'Calculate' if they wish the financial figures in the previous two fields to be used as part of the variance analysis. Selecting 'No' results in the 'Calculate' icon disappearing and the figures will not be included in the 'Amount of Variance' field.
Amount of Variance (£m)	If the contractor selected the 'Calculate' button the amount of variance will be auto-populated and should be checked for accuracy. The calculated figure can be over-written by the contractor if they want to report a different financial amount against their cause of variance.
% of total variance	This field is calculated by DefCARS and reflects how much of the total variance has been accounted for in this row which the contractor has completed. The variance percentage explained in all the rows is shown at the bottom of the list and must be not less than 90 per cent.
% of total planned cost	This field is calculated by DefCARS and reflects the amount of the variance explained in this row which the contractor has completed as a percentage of the total estimated Allowable Costs (including risk contingency).

### Cost Recovery Rates (used to estimate the Allowable Costs at the latest time of agreement)

- 7.40 Regulation 27(4)(f) requires an annual profile of the estimated amount of each cost recovery base set out in the Contract Reporting Plan. This page and the next page allow the contractor to fulfil this requirement. The recovery base and recovery base units and volumes are auto-populated by DefCARS based on those reported in the initial reports or previous ICR in the Cost Recovery Rates page. If there has been an amendment to the contract which results in new cost recovery rates, bases and volumes, and where there is no requirement for an on-demand Contract Reporting Plan, the contractor can add new cost recovery bases and recovery base units if required by clicking the blue icon on this page.

## Actual & Forecast Cost Recovery Rates

- 7.41 The recovery bases and recovery base units entered on the previous page are auto-populated onto this page from the Cost Recovery Rates page. The contractor must provide the actual and forecast volumes for each year and select the cost status category from the drop-down list, confirming the cost status using the four categories in paragraph 7.30. Any years where volumes were confirmed as 'Final Actuals' in a previous ICR will be auto-populated. The contractor should check all information on this page for accuracy and explain any differences between the volumes reported in this page and the previous page and if volumes have been included in the 'not profiled' column. If the contractor does not explain such differences, this may lead to compliance queries.

### Sub-contracts (Lower Value ICR only)

- 7.42 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued over £1 million. The information provided in the Contract Notification Report on sub-contracts is auto-populated in the ICR. The contractor should check whether the information is correct for the submission in question (including the total value of all sub-contracts). The contractor should update the information on this page to:
- provide updated information about a sub-contract reported previously;
  - report a new contract; or
  - provide details of a new sub-contract valued at £1 million or more.
- 7.43 Changes made to this page will carry through to subsequent ICR submissions. The same sub-contract thresholds apply as for other reports. DefCARS provides the facility for the contractor to indicate if there are no sub-contracts which meet the thresholds for reporting. This can be done in the comments box at the top of the page. If there are no sub-contracts for which details need to be provided, then the contractor should make this clear, to avoid follow-up compliance queries.

### Payments

- 7.44 In the ICR, the contractor is required by Regulation 27(4)(j) to provide a list of all MOD payments exceeding £100,000 or 1 percent of the contract value (whichever is greater) that have been or are expected to be made under the contract. The information reported in the Contract Notification Report (where the contractor reported payments it expected to be made by the Secretary of State under the contract) or in a previous ICR is auto-populated on this page and the contractor should check that it is correct. The information collected in DefCARS is explained in Table 31. Contractors who have a QSC are not required to report information on payments.

**Table 31 – Payments Information**

Data required	Guidance
<b><i>List of significant individual payments</i></b>	
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 (any currency) to three decimal places.
<b><i>Annual profile summarising all contracted payments</i></b>	
Annual profile	Provide an annual profile of all such 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

- 7.45 The information on this page is auto-populated from the data provided in the Contract Notification Report or previous ICR and the contractor should check this information for accuracy. Where there is no requirement for an on-demand Contract Reporting Plan, contractors can add, amend or remove deliverables and output metrics in previous reports.

### Final payments

- 7.46 The ICR must contain a forecast target cost incentive fee (TCIF) adjustment (see Regulation 15) or any final price adjustment (see Regulation 16) which the contractor expects to make. The final price adjustment only applies to contracts priced using the firm, fixed and volume-driven pricing methods. The contractor should report a value of '0' in each field if there is no TCIF or final price adjustment. 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);
  - Target Cost Incentive Fee (TCIF) adjustment;
  - Incentive adjustment; and
  - Other – key performance indicators (KPIs).
- 7.47 All figures should be entered in £ million, to three decimal places. This section will be auto-populated from the data provided in the previous submitted ICR.

## Milestones

- 7.48 The information on this page is auto-populated from the data provided in the Contract Notification Report or the latest submitted ICR and should be checked for accuracy with any amendments made where they are required.



## 8. Completion of a contract – Contract Completion Report (CCR)

**Key message** - Before completing the Contract Completion Report for the first time, contractors should familiarise themselves with Regulation 28.

8.1 The Contract Completion Report (CCR) is required to be submitted within six months after the completion date of the QDC or QSC. All the information required in the CCR is the same as in the ICR (Lower Value) which is explained in Section 7. 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 (**these fields do not apply for QSCs**)
- Key Deliverables
- Final Payments
- Milestones

8.2 The 'Date contract became a QDC/QSC' field is read only and will always be populated from the last submitted CIR. This field in the CIR is auto-populated based on the information provided in the Contract Type, Date Contract Entered Into and Latest Pricing Amendment Date fields (see Section 5 on the CIR). Annual profiles in later pages start from the date in this field (i.e. the date the contract became a QDC or QSC) and end at the contract completion date.

- 8.3 If the contractor wishes to amend the 'Date contract became a QDC/QSC field' within the CCR, this field must be amended in a correction of the last submitted CIR. Once a corrected CIR has been submitted, when the contractor generates a QCR report the amended 'Date contract became a QDC/QSC' will appear in the read only field within the QCR.
- 8.4 All other fields on the contract page will be auto-populated from the last submitted report of the same type, if one exists, or the last submitted CIR.

## 9. Completion of a contract – Contract Costs Statement (CCS)

**Key message** - Before completing the Contract Costs Statement for the first time, contractors should familiarise themselves with Regulation 29.

- 9.1 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 CCS is to be based on the contractor's own reporting system and therefore there is no pre-defined structure for this report.
- 9.2 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 sub-contractors) that are direct costs;
  - any other direct costs;
  - all indirect costs, showing each cost recovery rate charged and the amount of the corresponding cost recovery base; and
  - the total actual costs that the contractor claims are Allowable Costs.
- 9.3 The contractor should also provide:
- 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 profile.
- 9.4 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 CCS. A description is required of the methodology and any departures from it.
- 9.5 It is permissible to use estimated costs in a CCS in response to a requirement for actual costs. If no explanation is given, then up to two per cent of the costs may be estimated costs. More than two 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.
- 9.6 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 CCS 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.

# 10. On-Demand Contract Reports

- 10.1 Contractors will be required to provide On-Demand Contract Reports if:
- they receive written direction from the Secretary of State during the life of the contract; or
  - they have agreed to provide On-Demand Contract Reports at specified points during the contract length without a written direction.
- 10.2 On-Demand Contract Reports can be CPSs, CRPs, ICRs or CCSs.

**Key message** - Before completing an On-Demand Contract Report contractors should familiarise themselves with Regulation 22 (General Requirements) and Regulation 30 (On-Demand Contract Report) as well as the relevant regulation for the type of On-Demand Contract Report due to be submitted.

- 10.3 There is no separate report in DefCARS labelled On-Demand Contract Report. Users should use the relevant report for the On-Demand Contract Report required, and start a new submission rather than correcting and re-submitting an existing report. In DefCARS, the CPS and CRP are subsumed within the CIR. If submitting one of these reports, users can use a new CIR and complete the fields relevant to the report.
- 10.4 Users can understand which fields are relevant for the CPS and CRP by navigating to the Submission page and viewing the report. When selecting one of the view options, the contractor will see a complete CIR report which highlights the fields relevant to the report they have selected, and shades the other elements in the report in grey. Table 32 also provides users with an indication of what fields in the CIR are relevant for the CNR, CPS and CRP. Users who are submitting, for example, a CRP as an on-demand report will need to ignore validation messages which relate to the CNR and CPS.

**Table 32 – CPS, CRP and CNR fields within the CIR**

Contract Initiation Report	Contract Pricing Statement	Contract Notification Report	Contract Reporting Plan
Supplier	Y	Y	Y
Report Submission Admin	Y	Y	Y
Contract	Y	Y	Y
Reporting Plan			Y
Profit	Y		
Pricing Method Breakdown	Y	Y	Y
DPS Input		Y	Y
DPS Input Values		Y	
Summary Analysis of Price		Y	
Cost Recovery Rates	<ul style="list-style-type: none"> <li>• Business Unit Name</li> <li>• Name of rate</li> <li>• Type of cost recovery rate</li> <li>• Rate in £ or %</li> <li>• Rate</li> <li>• Of which overheads</li> <li>• Provisional or final rate</li> </ul>	<ul style="list-style-type: none"> <li>• Name of rate</li> <li>• Volume</li> </ul>	<ul style="list-style-type: none"> <li>• Name of rate</li> <li>• Recovery base units</li> </ul>
Cost Breakdown	Y		
Assumptions	Y		
Assumptions Inflation	Y		
Assumptions Exchange Rates	Y		
Sub-Contracts		Y	
Payments		Y	
Key Deliverables		<ul style="list-style-type: none"> <li>• Name of deliverable</li> <li>• Description of deliverable comment</li> <li>• Metric value</li> <li>• Metric units</li> </ul>	<ul style="list-style-type: none"> <li>• Metric parameter</li> <li>• Metric definition</li> <li>• Related DPS code</li> <li>• Related DPS description</li> </ul>
Milestones		Y	
Reminder of Obligations	Y		

# 11. Supplier reporting – General Information

- 11.1 Part 6 of the Regulations describes the supplier reports that are required. The supplier reports (overhead and other reports) are summarised in Exhibit 15. These reports, when required, provide detailed information about the supplier’s calculation of overheads, engagement with small or medium enterprises (SMEs) and industrial capacity.

## Exhibit 15 – Supplier report overview

Overheads	Other reports
<ul style="list-style-type: none"> <li>• Actual rates claim report</li> <li>• Estimated rates claim report</li> <li>• Actual cost analysis report</li> <li>• Estimated cost analysis report</li> <li>• Estimated rates agreement pricing statement</li> </ul>	<ul style="list-style-type: none"> <li>• SME report</li> <li>• Strategic industry capacity report</li> </ul>

- 11.2 The following are key concepts to consider when determining whether reporting obligations have been met, which reports need to be submitted, who needs to submit them and when they are due.

### Designated person

- 11.3 The Act provides that a designated person must submit these reports if the on-going contract condition is met (see definition in paragraphs 11.8). 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 example<sup>11</sup>, in a group of companies), then the designated person is the ultimate parent undertaking<sup>12</sup>. If the contractor is not part of a group, then the contractor will be the designated person. The contractor must determine when the on-going contract condition is met as the SSRO will not necessarily know this.

### Threshold contract value

- 11.4 The requirement to submit supplier reports only arises if a contractor or someone in the contractor’s group is party to at least one QDC or QSC with a value at or above the prescribed threshold. The threshold is set at £50 million .
- 11.5 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 contractor or group has at least one contract above the threshold the condition will not be met.

11 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).

12 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).

- 11.6 Contractors should maintain records of the individual contracts they hold and their value which will allow them to identify if the on-going contract condition has been met and the date on which it was first met. This includes monitoring whether the on-going contract condition continues to be met.
- 11.7 The Secretary of State may direct that a particular contract is not to be taken into account in determining whether the on-going contract condition is met in relation to a financial year.

#### On-going contract condition

- 11.8 The requirement to submit supplier reports applies for a financial year in which the on-going contract condition is met. This requires that there are obligations outstanding for the supply of goods, works or services under any one of the contractor's QDCs or QSCs that satisfies the value threshold at any time in the relevant financial year.

#### Qualifying Business Unit (QBU)

- 11.9 Suppliers are required to provide reports on overheads in relation to each qualifying business unit (QBUs) or pricing QBU. Table 33 identifies which reports are provided for QBUs and which for pricing QBUs.

**Table 33 – Reports for QBUs and pricing QBUs**

Reports required for each QBU	<ul style="list-style-type: none"> <li>• QBU actual cost analysis report</li> <li>• QBU estimated cost analysis report</li> </ul>
Reports required for each pricing QBU	<ul style="list-style-type: none"> <li>• Actual rates claim report</li> <li>• Estimated rates claim report</li> <li>• Estimated rates agreement pricing statement</li> <li>• QBU actual cost analysis report</li> <li>• QBU estimated cost analysis report</li> <li>• Rates comparison report (on-demand)</li> </ul>

- 11.10 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 undertaking.
- 11.11 A business unit<sup>13</sup> is either:
- a) a unit which carries on activities for the purposes of an undertaking and for which separate financial accounting statements are produced; or
  - b) 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 these undertakings.

<sup>13</sup> Regulation 2(1)(a)

- 11.12 The Regulations do not define “financial accounting statements” and do not restrict the definition of business unit by reference to whether its financial accounting statements are produced pursuant to some legal requirement (such as, for example, the annual reports required for companies). A contractor may have segmented their company by business unit for the purposes of financial reporting and where this is the case there should be some consistency between the business units included in financial reports and the statutory reports which are submitted to the MOD and the SSRO.
- 11.13 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 34. A period is relevant for the purpose of defining a QBU if it ends on a day falling within the relevant financial year. A relevant financial year is defined in paragraph 11.16.

**Table 34 – QBU conditions**

	Unit	Undertaking	Group
Basic requirement	N/A	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 are produced in respect of the group
Production	The unit, undertaking or group provides something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party.		
Value	The total value of what is provided for the QDC or QSC in the period is at least £10 million.		

### Pricing and non-Pricing QBUs

- 11.14 In addition to defining what a QBU is, the Regulations introduce a further concept of a “pricing QBU”. A Pricing QBU is a QBU in relation to which a cost recovery rate has been used for determining the price payable under a QDC or QSC for which the QBU has produced something in the relevant period. In other words it is a QBU whose cost recovery rate has been used in the contract. A QBU in relation to which a cost recovery rate is not used for determining the price payable under a contract will be a non-Pricing QBU.



## Financial Year

- 11.15 A Financial Year is a year from 1 April to 31 March<sup>14</sup> and may or may not be the same as a designated person's accounting period.

## Relevant Financial Year

- 11.16 A Relevant Financial Year is any Financial Year (1 April to 31 March) in which the on-going contract condition is met.

## Relevant accounting period

- 11.17 The relevant accounting period means the period in a financial year in which the QBU conditions are met in order for a unit, undertaking or group to be a QBU. The end of a Relevant Accounting Period will be on a day falling within a Relevant Financial Year. The conditions may be met in relation to a unit, undertaking or group for the whole of a financial year or only part of it. For example, it may be that the QBU only provides something for a QDC or QSC for part of a financial year.

## Designated Person's Accounting Period

- 11.18 A Designated Person's Accounting Period is the time period in relation to which financial accounting statements are prepared for the designated person and which ends on a day falling within the Relevant Financial Year.

## Due dates – overhead reports

- 11.19 The overhead reports have set deadlines. In general, individual overhead reports, with the exception of the Rates Comparison Report, are 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) if the designated person and the Secretary of State agree a date within three months after the end of the period described in (a), by that date.
- 11.20 For example, if the Relevant Accounting Period (RAP) is 1 April – 31 March (aligned with the Relevant Financial Year) and the on-going contract condition was first met on 31 December, the end of the RAP would be 31 March, which is the later of the two dates. In most cases the later date will be the end of the RAP rather than when the on-going contract condition was met. Table 35 sets out the relevant due dates.

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<sup>14</sup> Section 43(1) of the Defence Reform Act

**Table 35 – Overhead report due dates**

Report	Period	QBU	Due date
Actual rates claim report (ARCR)	Each relevant financial year	Each pricing QBU in that relevant financial year.  Each QBU in that relevant financial year. In the case of a pricing QBU the report must be submitted with the ARCR for that pricing QBU.	Either: a) Three months after either: <ul style="list-style-type: none"> <li>the end of the relevant accounting period, or</li> <li>the date on which the on-going contract condition was first met in relation to the relevant financial year, whichever is the later; or</li> </ul> b) If the designated person and the Secretary of State agree a date which is within three months after the end of the period described in (a).
Estimated rates claim report (ERCR)	Each relevant financial year	Each pricing QBU that was a pricing QBU of the designated person in relation to the financial year immediately preceding the relevant financial year.	
QBU estimated cost analysis report (QBUECAR)	Each relevant financial year	For each QBU that was a QBU of the designated person in relation to the financial year immediately preceding the relevant financial year.	Either: a) Three months after either: <ul style="list-style-type: none"> <li>the end of the relevant accounting period, or</li> <li>The date on which the on-going contract condition was first met in relation to the relevant financial year, whichever is the later; or</li> </ul> b) by agreement with the Secretary of State, a date which is within three months after the end of the period described in (a).
Estimated rates agreement pricing statement (ERAPS)	Each relevant financial year	For each QBU that was a QBU of the designated person in relation to the financial year immediately preceding the relevant financial year.  The report must be submitted with the ERCR for any one or more pricing QBUs for the relevant financial year.	The same as for the estimated rates claim report.  The Secretary of State may by written notice require the designated person to provide a further ERAPS for any one or more pricing QBU for the relevant financial year.  The designated person must provide an ERAPS within three months of receiving a written notice.  The Secretary of State may only require one further ERAPS for any one pricing QBU in a relevant financial year.
Rates comparison report (RCR)	Any relevant financial year	Any one or more pricing QBU for that relevant financial year.	The Secretary of State can by written notice require the designated person to provide a RCR within two months after receiving the written notice.  The Secretary of State may only require one RCR for any one QBU in a relevant financial year.

### Due dates – other supplier reports

- 11.21 Regulation 45(2) sets out that the SME report is due within twelve months after either:
- a) the end of the designated person's accounting period; or
  - b) the date on which the on-going contract condition was first met in relation to the relevant financial year,
- whichever is later.
- 11.22 Regulation 40(1) sets out that a SICR report is due either:
- a) twelve months after either:
    - i. the end of the designated person's accounting period;
    - ii. the date on which the on-going contract condition was first met in relation to the relevant financial year,
- whichever is later; or
- b) if the designated person and the Secretary of State agree a date which is within six months after the end of the period described in paragraph (a), by that date.
- 11.23 For example, if the Designated Person's Accounting Period is 1 April – 31 March (aligned with the Relevant Financial Year) and the on-going contract condition was first met on 31 December, the end of the Designated Person's Accounting Period would be the later date and the SICR and SME reports would be due 12 months later on 31 March the following year. In most cases the later date will be the end of the Designated Person's Accounting Period rather than when the on-going contract condition was met.

### Submission of reports

- 11.24 Supplier reports are required to be submitted to both the SSRO and the Secretary of State (Regulation 33(5)). Overhead reports and the SME report are required to be submitted in electronic form, but the SICRs may be submitted earlier in electronic form or hard copy (Regulation 33(6) and Regulation 33(7)). This guidance (section 18) provides information on submission of SICRs.

### Examples

- 11.25 The next section provides four examples of potential scenarios which will help a designated person to identify which reports are due, for which period and when they need to be submitted.

## Example 1

### Scenario

- A contractor has no parent companies. It is therefore the ultimate parent undertaking and the Designated Person.
- The contractor entered into two QDCs in the RFY (Year 1), both delivered by a single business unit.
- QDC A was entered into on 1 July (Year 1), with a total value of £40 million, delivering £8 million in value in each of the contractor's accounting periods (over five financial years).
- QDC B was entered into on 1 December (Year 1), with a total value of £60 million, delivering £6 million in each of the contractor's accounting periods (over ten financial years).
- The Government Financial Year is 1 April to 31 March.
- The contractor's accounting period is 1 April to 31 March.

### Legislative considerations

The contractor first met the on-going contract condition (OCC) on 1 December (Year 1) because this was the date in which they assumed obligations relating to the supply of goods, works or services under a QDC with a value of £50 million. As the OCC has been met, the designated person is required to submit the SICR and SME reports. The contractor is also required to submit overhead reports for each Qualifying Business Unit (QBU) or pricing QBU.

The business unit did not previously have any QDCs. In its accounting period for Year 1, the business unit provided £8 million of value towards QDC A and £6 million of value towards QDC B, a net of £14 million.

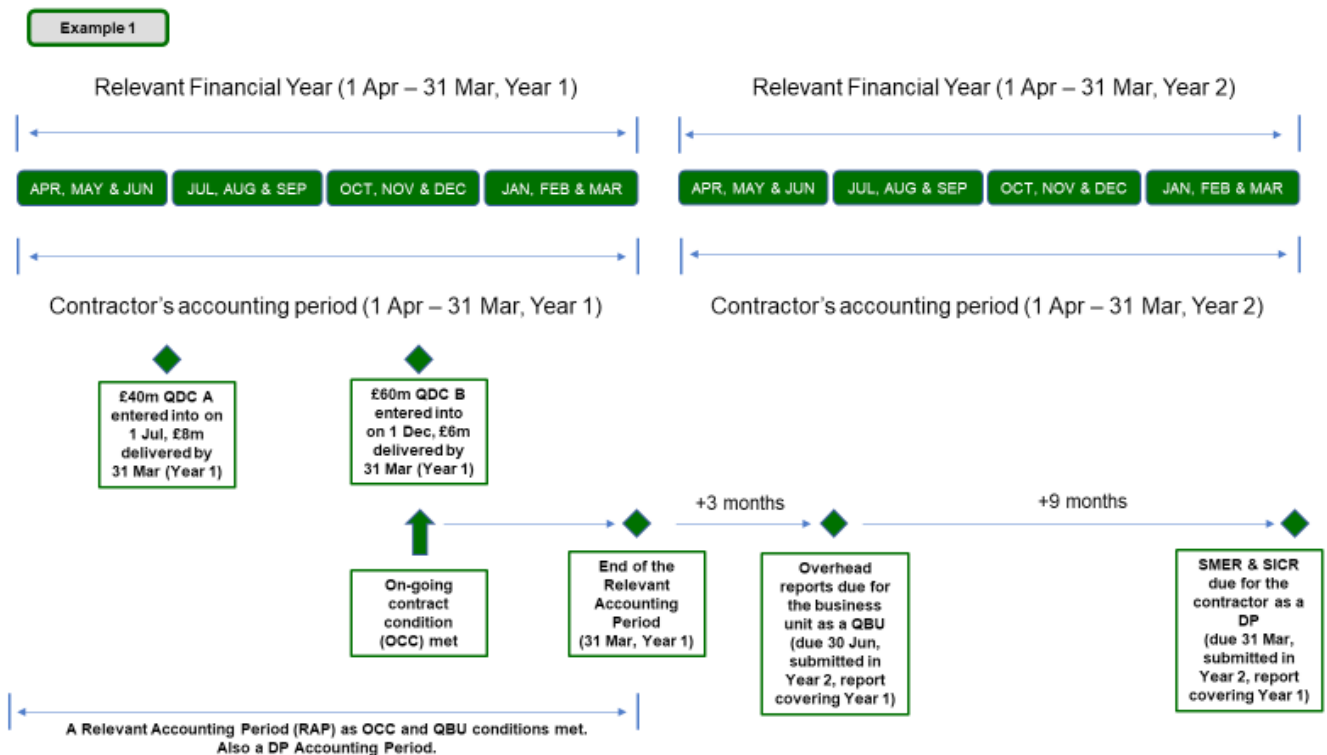
The business unit is a QBU for RAP Year 1 because:

- it has carried out activities for the purposes of the DP or an associated undertaking;
- it has produced separate financial statements for the unit for the period;
- it has provided something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party;
- the total value of what the unit provides for any QDC or QSC in the period is at least £10 million; and
- the QBU accounting period (1 April – 31 March, Year 1) is a Relevant Accounting Period.

### Report due dates

Requirement	Submission date	Why?
The ARCR, ERCR, QBUACAR, QBUECAR and ERAPS must be submitted three months after the later of the end of the RAP Year 1 or the date on which the OCC was first met in relation to the RFY.	30 June (Year 2)	This is three months after RAP Year 1 which ends on 31 March (Year 1). The OCC was met earlier on 1 December (Year 1).
The SICR and SME reports are required twelve months after the later of the end of the designated person’s accounting period or the date on which the OCC was first met in relation to the RFY.	31 March (Year 2)	This is twelve months after the designated person’s accounting period Year 1 which ends on 31 March (Year 1). The OCC was met earlier on 1 December (Year 1).

### Summary



## Example 2

### Scenario

- A contractor has no parent companies. It is therefore the ultimate parent undertaking and the Designated Person.
- The contractor entered into two QDCs in the RFY (Year 1), both delivered by a single business unit.
- QDC A was entered into on 1 July (Year 1) with a total value of £40 million, delivering £8 million in value in each of the contractor's accounting periods (over five financial years).
- QDC B entered into on 1 December (Year 1) with a total value of £60 million, delivering £6 million in each of the contractor's accounting periods (over ten financial years).
- The Government Financial Year is 1 April to 31 March.
- The contractor's accounting period is 1 January to 31 December.

### Legislative considerations

The contractor first met the on-going contract condition (OCC) on 1 December (Year 1) because this was the date in which they assumed obligations relating to the supply of goods, works or services under a QDC with a value of over £50 million. As the OCC has been met, the designated person is required to submit the SICR and SME reports. The contractor is also required to submit overhead reports for each Qualifying Business Unit (QBU) or pricing QBU.

The business unit did not previously have any QDCs. In its accounting period for Year 1, the business unit provided £8 million of value towards the QDC A, and £6 million of value towards QDC B, a net of £14 million.

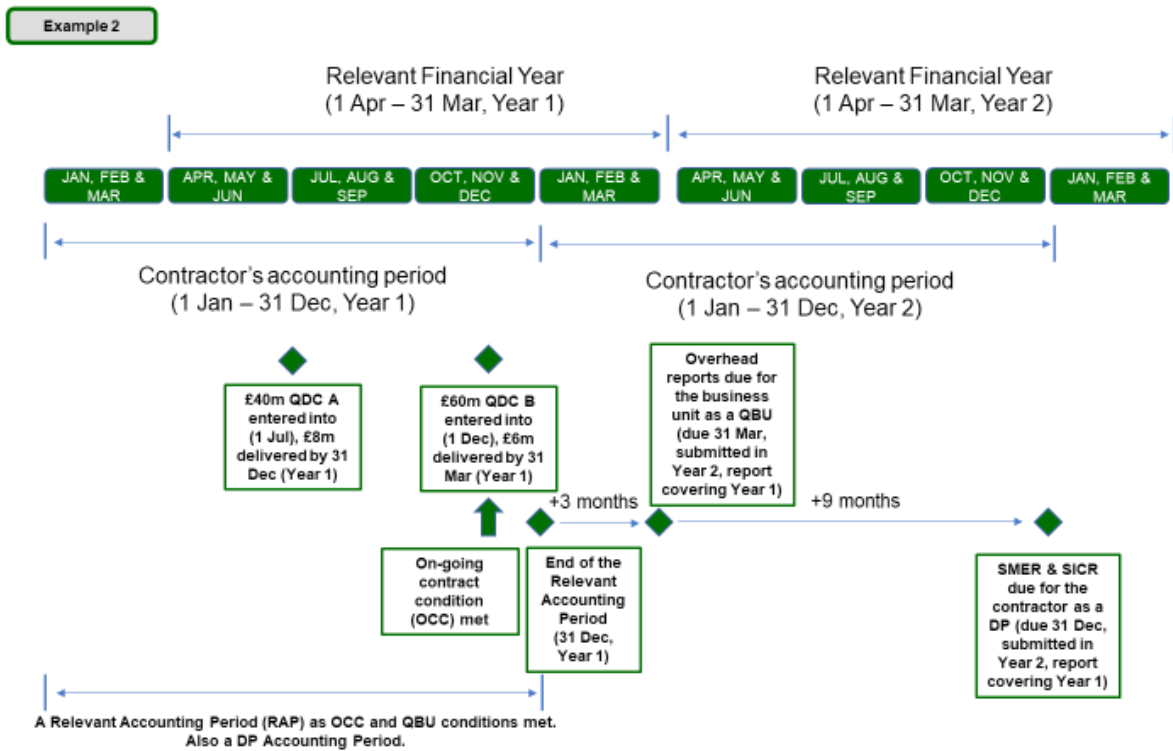
The business unit is a QBU for RAP Year 1 because:

- it has carried out activities for the purposes of the DP or an associated undertaking;
- it has produced separate financial statements for the unit for the period;
- it has provided something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party;
- the total value of what the unit provides for any QDC or QSC in the period is at least £10 million; and
- the QBU accounting period (1 January – 31 December, Year 1) is a Relevant Accounting Period.

### Report due dates

Requirement	Submission date	Why?
The ARCR, ERCR, QBUACAR, QBUECAR and ERAPS must be submitted three months after the later of the end of RAP Year 1 or the date on which the OCC was first met in relation to the RFY.	31 March (Year 2)	This is three months after RAP Year 1 which ends on 31 December (Year 1). The OCC was met earlier on 1 December (Year 1).
The SICR and SME report are required twelve months after the later of the end of designated person's accounting period or the date on which the OCC was first met in relation to the RFY.	31 December (Year 2)	This is twelve months after the designated person's accounting period Year 1 which ends on 31 December (Year 1). The OCC was met earlier on 1 December (Year 1).

### Summary



## Example 3

### Scenario

- A contractor has no parent companies. It is therefore the ultimate parent undertaking and the Designated Person.
- The contractor entered into two QDCs in two of its accounting periods, both delivered by a single business unit.
- QDC A was entered into on 1 July (Year 1) with a total value of £60 million, delivering £6 million in value in each contractor's accounting period (over ten financial years).
- QDC B was entered into on 1 February (Year 2) with a total value of £40 million, delivering £8 million in each contractor's accounting period (over five financial years).
- The Government Financial Year is 1 April to 31 March.
- The contractor's accounting period is 1 January to 31 December.

### Legislative considerations

The contractor first met the on-going contract condition (OCC) on 1 July (Year 1) because this was the date in which the contractor assumed obligations relating to the supply of goods, works or services under a QDC with a value of over £50 million. As the OCC has been met, the designated person is required to submit the SICR and SME reports. The contractor is also required to submit overhead reports for each Qualifying Business Unit (QBU) or pricing QBU.

The contractor did not previously have any QDCs. In its accounting period Year 1, the business unit provided £6 million of value towards QDC A only, and in its accounting period Year 2, the business unit provided £6 million of value towards the QDC A, and £8 million of value towards QDC B, a net of £14 million.

The business unit is not a QBU for the contractor's accounting period Year 1 because it has not provided goods, works or services with a value greater than £10 million. It is a QBU for RAP Year 2 because:

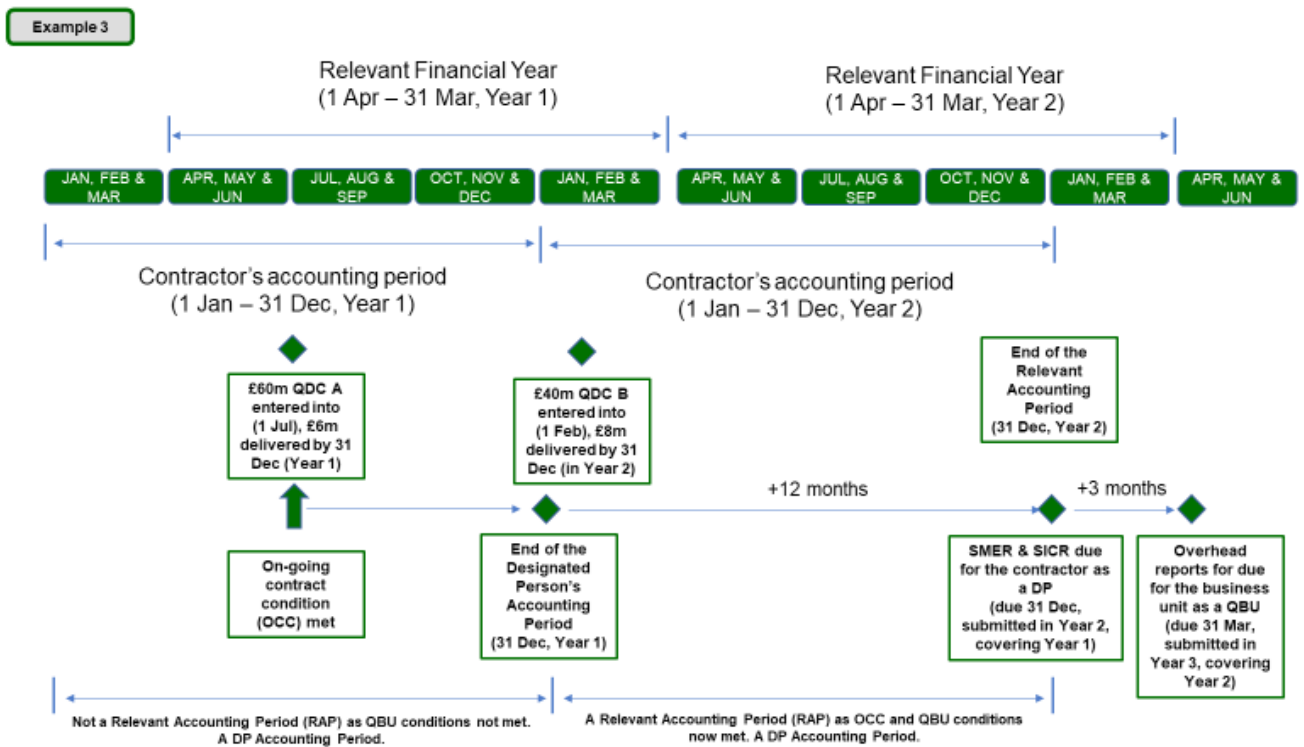
- it has carried out activities for the purposes of the DP or an associated undertaking;
- it has produced separate financial statements for the unit for the period;
- it has provided something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party;
- the total value of what the unit provides for any QDC or QSC in the period is at least £10 million; and
- the QBU accounting period (1 January – 31 December, Year 2) is a Relevant Accounting Period.



### Report due dates

Requirement	Submission date	Why?
The ARCR, ERCR, QBUACAR, QBUECAR and ERAPS must be submitted three months after the later of the RAP or the date on which the OCC was first met in relation to the RFY.	31 March (Year 3)	No reports are required for Year 1 as this was not a RAP as the QBU conditions were not met. Reports for Year 2 are required because the QBU conditions are met and must be submitted three months after the end of RAP Year 2.
The SICR and SME reports are required twelve months after the later of the end of the designated person's accounting period or the date on which the OCC was first met in relation to the RFY.	31 December (Year 2)	This is twelve months after the designated person's accounting period (Year 1) which ends on 31 December (Year 1).

### Summary



## Example 4

### Scenario

- A contractor has no parent companies. It is therefore the ultimate parent undertaking and the Designated Person.
- The contractor entered into QDC A, which is delivered by a single business unit:
- QDC A was entered into on 22 March (Year 2), with a total value of £55 million, delivering £6 million in Year 2, a further £16 million in Year 3 and the remaining value in Year 4.
- The Government Financial Year is 1 April to 31 March.
- The contractor's accounting period is 1 January to 31 December.

### Legislative considerations

The contractor first met the on-going contract condition (OCC) on 22 March (Year 2) because this was the date in which the contractor assumed obligations relating to the supply of goods, works or services under a QDC with a value of over £50 million. As the OCC has been met, the designated person is required to submit the SICR and SME reports. The contractor is also required to submit overhead reports for each Qualifying Business Unit (QBU) or pricing QBU.

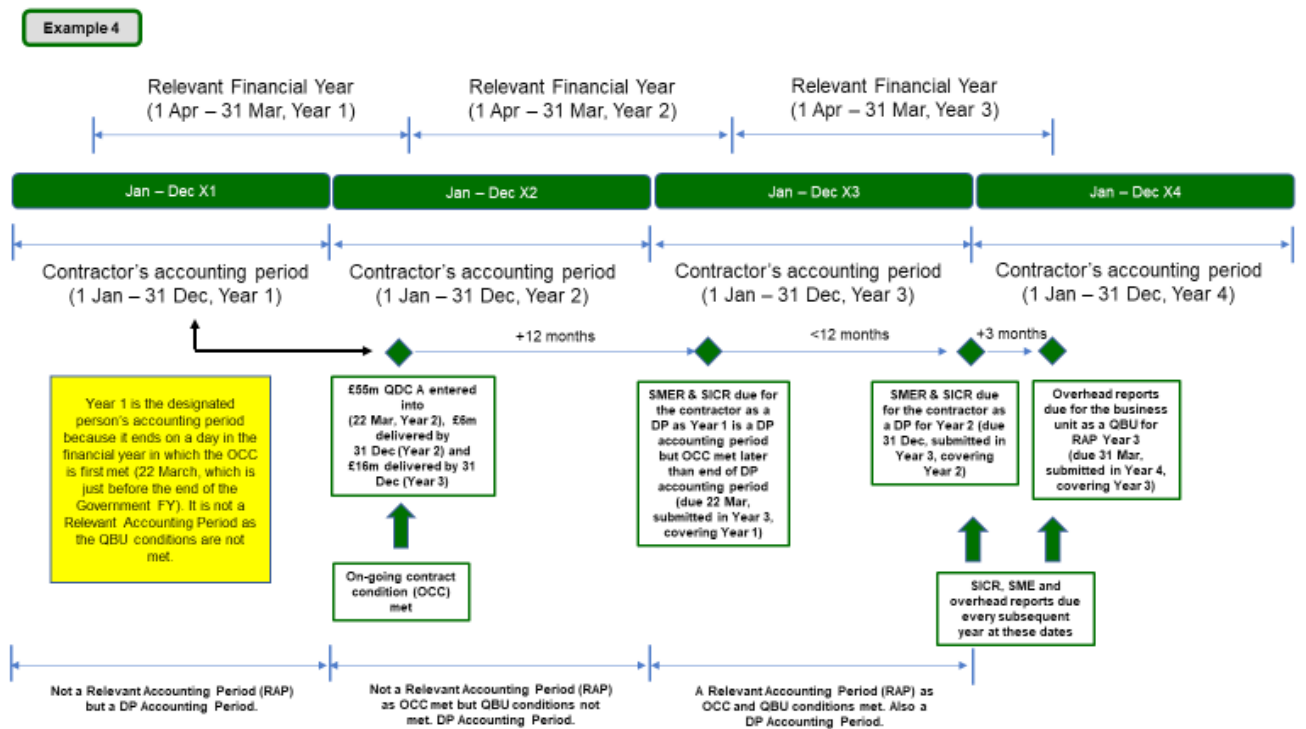
The business unit is a QBU for RAP Year 3 because:

- it has carried out activities for the purposes of the DP or an associated undertaking;
- it has produced separate financial statements for the unit for the period;
- it has provided something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party;
- the total value of what the unit provides for any QDC or QSC in the period is at least £10 million; and
- the QBU accounting period (1 January – 31 December, Year 3) is a Relevant Accounting Period.

### Report due dates

Requirement	Submission date	Why?
The ARCR, ERCR, QBUACAR, QBUECAR and ERAPS must be submitted three months after the later of the end of the RAP or the date on which the OCC was first met in relation to the RFY.	31 March (Year 4)	This is three months after the RAP which ends on 31 December (Year 3) (while the OCC was met earlier on 22 March, Year 2). Subsequently, these reports will be submitted on 31 March each year if the QBU conditions continue to be met.
The SICR and SME reports are required twelve months after the later of the end of the designated person's accounting period or the date on which the OCC was first met in relation to the RFY.	22 March (Year 3)	This is twelve months after the OCC was met on 22 March (Year 2), while the end of the DP Accounting Period was 31 December Year 1 for the RFY (1 April, Year 1 – 31 March, Year 2). Subsequently, these reports will be submitted on 31 December each year as this is the end of the DP accounting period.

### Summary



# 12. Supplier reporting – Actual Rates Claim Report (ARCR)

**Key message** - Before completing the ARCR for the first time, contractors should familiarise themselves with Regulation 34.

- 12.1 The purpose of the Actual Rates Claim Report (ARCR) 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 ARCR for each relevant financial year for each of its pricing QBUs.
- 12.2 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.
- 12.3 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 QDC, QSC 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.

# 13. Supplier reporting – Estimated Rates Claim Report (ERCR)

**Key message** - Before completing the Estimated Rates Claim Report for the first time, contractors should familiarise themselves with Regulation 36.

- 13.1 There is no pre-defined structure for the Estimated Rates Claim Report (ERCR). 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 QDC, QSC, 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.

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

**Key message** - 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.

- 14.1 In DefCARS the requirement to submit a QBU Actual Cost Analysis Report (QBUACAR) and a QBU Estimated Cost Analysis Report (QBUECAR) has been combined in terms of data entry into a single QBU Cost Analysis Report (QBUCAR). Regulation 35(2) states that in the case of a pricing QBU, the QBUACAR must be provided with the ARCR for that relevant financial year. The QBUECAR must be provided with the Estimated Rates Claim Report (ERCR).
- 14.2 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
  - this year changes.
- 14.3 For those suppliers submitting estimates only (i.e. those who did not submit a QBUCAR the year before), please select the financial year preceding the financial year to which the estimates relate.
- 14.4 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.
- 14.5 On 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.
- 14.6 Appendix 5 of this guidance includes definitions of some of the terms used in this report.

### Last Year Prior Estimate

- 14.7 If a 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.
- 14.8 The prior estimates (see Table 36) can be added on the page titled Last Year Prior Estimate. All figures unless stated are in £'000.

**Table 36 – 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"> <li>• people/payroll;</li> <li>• plant, machinery, equipment and other consumables;</li> <li>• premises;</li> <li>• selling and marketing;</li> <li>• general and administration; and</li> <li>• other.</li> </ul> <p>An explanation of the costs included under each heading should be provided where it would aid understanding of how the reporting requirements have been met. The figure at the bottom should be the profit before interest and tax for the QBU.</p>
Column 2 - Adjustments	<p>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.</p>
Column 3 – Direct Labour and Indirect Production Cost	<p>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.</p>



Column	Guidance
Columns 4 - 14	<p>The functional analysis must cover the following functions:</p> <ul style="list-style-type: none"> <li>• production;</li> <li>• design;</li> <li>• engineering;</li> <li>• site services;</li> <li>• procurement;</li> <li>• sales;</li> <li>• finance;</li> <li>• human resources;</li> <li>• information technology;</li> <li>• legal/contractual; and</li> <li>• business unit 'HQ'/other.</li> </ul> <p>It is likely that these are cost categories which the contractor uses for internal reporting. Explanation of what costs are included under these headings would be helpful.</p>
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 Disallowable 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

- 14.9 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 36.

### Last Year Variance

- 14.10 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

- 14.11 Estimates for the current financial year should be entered under the same format as in Table 36.

### This Year Changes

- 14.12 The system will automatically calculate the change between last year's actuals and this year's estimates.

### Headcount

- 14.13 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 37 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.
- 14.14 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 37 – 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

Field	Source Page	Source Fields	Calculation
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
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

14.15 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).

14.16 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

14.17 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 38).

**Table 38 - 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 in 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 in 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 in Sales Revenue (i.e. negative value becomes positive)

14.18 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.

14.19 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

14.20 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.

14.21 For primary and secondary recovery bases provide the following information included in Table 39.

**Table 39 – Recovery base information**

Data required	Guidance
Measure	The measure for the agreed recovery base.
Units	The units of the recovery base.
<b>Prior Year</b>	
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.
<b>Current Year</b>	
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

14.22 Contractors must provide the estimated and actual values for the cost recovery rates by providing the following information included in Table 40. This is not applicable to a non-pricing QBU.

**Table 40 – 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.
<b>Prior Year</b>	
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.
<b>Current Year</b>	
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

14.23 Future initiatives only apply in relation to the QBUECAR. 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.

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

# 15. Supplier reporting – Estimated Rates Agreement Pricing Statement (ERAPS)

**Key message** - Before completing the Estimated Rates Agreement Pricing Statement for the first time, contractors should familiarise themselves with Regulation 38.

- 15.1 The designated person is required to provide, for each relevant financial year, an Estimated Rates Agreement Pricing Statement (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 41.
- 15.2 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.
- 15.3 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 meets the requirement.

**Table 41 – 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 ERCR.
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 QDC, QSC, or other defence contract.
	A description of the facts and assumptions used in calculating the QBU estimated costs allocated to each cost recovery base.

Category	Required information
Indices and rates	A description of indices and rates used in calculating the estimated costs included in the ERCR, 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 ERCR 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.
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.



# 16. Supplier reporting – Rates Comparison Report (RCR)

**Key message** - Before completing the RCR for the first time, contractors should familiarise themselves with Regulation 39.

- 16.1 The Secretary of State may give written notice to the designated person requiring a Rates Comparison Report (RCR) for one or more pricing QBUs for any relevant financial year. The RCR is only required if the Secretary of State demands it. The Secretary of State may only require one RCR for a QBU in a relevant financial year.
- 16.2 If a RCR 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.
- 16.3 A range of basic information is required to be provided in the RCR 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.
- 16.4 The RCR 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 QBUACAR.
- 16.5 The RCR 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.

# 17. Supplier reporting – SME Report (SME Report)

**Key message** - Before completing the Small or Medium Enterprises Report for the first time, suppliers should familiarise themselves with Regulation 45.

- 17.1 The supplier should enter Report Submission Admin information including the relevant financial year to which the Small or Medium Enterprises (SME) Report relates. Information on the ultimate parent undertaking is also required.

## Policies

- 17.2 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.
- 17.3 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

- 17.4 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

- 17.5 The supplier must:
- Input the total revenue which the designated person or any person associated with it received from defence contracts, in £ million to three decimal places.
  - Enter the amount of that total revenue (in £ million to three decimal places) 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 (in £ million to three decimal places) which related to purchasing goods and services from SMEs for the purpose of delivering those defence contracts in the first bullet.

## Indirects

- 17.6 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.

# 18. Supplier reporting – Strategic Industry Capacity Report (SICR)

**Key message** - Before completing the Strategic Industry Capacity Report for the first time, suppliers should familiarise themselves with Regulations 40-44.

- 18.1 The designated person is required to submit a Strategic Industry Capacity Report (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, 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).
- 18.2 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.
- 18.3 SICRs can contain highly sensitive information, and therefore pose a specific risk, in particular as a collection. For this reason, SICRs are to be submitted via alternative means rather than via DefCARS. If you are due to submit this report, please contact the SSRO helpdesk by email at [helpdesk@ssro.gov.uk](mailto:helpdesk@ssro.gov.uk) or phone 0203 771 4785 for further instructions.

# Appendix 1 – Overview of reporting requirements

- 1.1 The deadlines for submitting contract and supplier reports are set by the Regulations. The due date for each type of report is measured by taking a period of one or more months (the submission period) from a specified starting event, as summarised in Table 1.
- 1.2 To determine when the period of a month, or months, expires, the corresponding day rule should be applied.<sup>1</sup> This means that the due date will be the day in the month in which the submission period ends which corresponds with the date of the specified starting event. If there is no corresponding date in that month, then the due date will be the nearest earlier date.
- 1.3 For example, where a QDC is entered into on 15 January, the initial reporting date for that QDC will be 15 January. The initial reports (Contract Pricing Statement, Contract Reporting Plan and Contract Notification Report) are due one month from the initial reporting date, which means that they will be due on the corresponding day in February, i.e. 15 February. If, by contrast, a QDC is entered into on 31 January, there will be no corresponding date in February. In this situation, the nearest, earlier date in February is 28 February (or 29 February in a leap year), and that will be the due date for the initial reports.
- 1.4 The SSRO considers the corresponding day rule should not be applied in respect of Quarterly Contract Reports. To facilitate a clear understanding across all stakeholders of the required submission dates, the due date for Quarterly Contract Reports should be understood as the end of the month following the end of the quarter. On this basis, the submission dates for quarterly contract reports are:
  - End of Quarter 1 (31 July);
  - End of Quarter 2 (31 October);
  - End of Quarter 3 (31 January); and
  - End of Quarter 4 (30 April).
- 1.5 DefCARS calculates the due date for contract report submissions. It does not do the same for supplier (overhead and strategic) reports and the corresponding day rule will need to be applied by the designated person to identify the due dates for those reports. When a supplier report is submitted, the SSRO will consider whether the report has been submitted on the correct date based on whether the submission date relates to when the on-going contract condition was met or the end of the designated person's relevant accounting period.

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<sup>1</sup> Interpretation Act 1978, Schedule 1. See *Dodds v Walker* [1981] 2 All ER 609 at 610, per Lord Diplock

**Table 1 – Due dates for contract and supplier reports**

When?	Report	Due within	Guidance
<b>Contract reports</b>			
Contract entered into	Contract Notification Report	One month of the initial reporting date	<p>The submission date is the same calendar day as the initial reporting date in the following month.</p> <p>For example, where the initial reporting date is 15 February, the reports will be due by 15 March. However, where the relevant subsequent month has fewer days such that there is no corresponding day, the submission date is the closest day to the expected corresponding date, rounded down. For example, where the initial reporting date is 30 January, report submission will be due on the last day of February.</p>
	Contract Pricing Statement		
	Contract Reporting Plan		
During the contract	Quarterly Contract Report [if >£50m]	<p>Within one month of the end of each calendar quarter from the initial reporting date until the contract completion date.</p> <p>Not in the quarter of the initial reporting date or of the completion date</p>	<p>The submission date is the last day of the month after the quarter end. The following therefore applies:</p> <ul style="list-style-type: none"> <li>• For the quarter ending 31 March, submission is due 30 April.</li> <li>• For the quarter ending 30 June, submission is due 31 July.</li> <li>• For the quarter ending 30 September, submission is due 31 October.</li> <li>• For the quarter ending 31 December, submission is due 31 January.</li> </ul>

When?	Report	Due within	Guidance
During the contract	Interim Contract Report (lower value) [<£50m]	<ul style="list-style-type: none"> <li>• Agreed date with the Secretary of State within five years of agreement and within every five years thereafter; or</li> <li>• If no agreement, three years after the quarter within which the initial reporting date fell and every three years thereafter.</li> </ul>	<p>The submission date is the same calendar day two months after the reporting date.</p> <p>For example, where the reporting date is 15 February, the reports will be due by 15 April. However, where the relevant subsequent month has fewer days such that there is no corresponding day, the submission date is on the closest day to the expected corresponding date, rounded down. For example, where the reporting date is 31 December, report submission will be due on the last day of February in the following year.</p>
	Interim Contract Report (higher value) [>£50m]	<p>Within two months after each reporting date.</p> <p>The reporting date is either:</p> <ul style="list-style-type: none"> <li>• Agreed date with the Secretary of State within three years of agreement and within every three years thereafter; or</li> <li>• If no agreement, 12 months after the quarter within which the initial reporting date fell and every year thereafter.</li> </ul>	<p>The submission date is the same calendar day two months after the reporting date.</p> <p>For example, where the reporting date is 28 October, the reports will be due by 28 December. However, where the relevant subsequent month has fewer days such that there is no corresponding day, the submission date is on the closest day to the expected corresponding date, rounded down. For example, where the reporting date is 31 December, report submission will be due on the last day of February in the following year.</p>

When?	Report	Due within	Guidance
After contract end	Contract Completion Report	Six months after the contract completion date.	<p>The submission date is the same calendar day six months after the completion date.</p> <p>For example, where the completion date is 15 February, the report will be due by 15 August. However, where the relevant subsequent month has fewer days such that there is no corresponding day, the submission date is the closest day to the expected corresponding date, rounded down. For example, where the completion date is 30 August, report submission will be due on the last day of February in the following year.</p>
	Contract Costs Statement	12 months after the contract completion date.	<p>The submission date is the same calendar day of the same month as the completion date, in the following year.</p> <p>For example, where the completion date is 15 February, the report will be due by 15 February the following year. However, where the relevant subsequent month has fewer days such that there is no corresponding day, (that is, if a contract was completed on the last day of February in a leap year), the submission date is the closest day to the expected corresponding date.</p>

When?	Report	Due within	Guidance
On demand	On-Demand Contract Report	Varies according to report required.	<p>If the Secretary of State directs the provision of an on-demand report, the due dates are:</p> <ul style="list-style-type: none"> <li>• CPS or CRP – an agreed date no more than 3 months after receipt of the written direction, or failing agreement 1 month after receipt of the written direction;</li> <li>• ICR - an agreed date no more than 6 months after receipt of the written direction, or failing agreement 2 months after receipt of the written direction;</li> <li>• CCS where direction given within 1 month of the initial reporting date – within 12 months after the last day of each period specified in the written direction; and</li> <li>• CCS where direction given later - an agreed date no more than 18 months after receipt of the written direction, or failing agreement 6 months after receipt of the written direction</li> </ul>
<b>Supplier reports</b>			
Each financial year	Actual Rates Claim Report	<p>Three 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</p> <p>An agreed date with the Secretary of State within three months of the relevant accounting period.</p>	<p>The submission date is either the same calendar day three months after the later of the end of the relevant accounting period and the date that the ongoing contract condition was first met, or the agreed date with the Secretary of State.</p> <p>For example, where the report falls due on 30 September, submission is due by 30 December. However, where the relevant subsequent month has fewer days such that there is no corresponding day, the submission date is the closest day to the expected corresponding date, rounded down. For example, where the reporting date is 30 November, report submission will be due on the last day of February in the following year.</p>



When?	Report	Due within	Guidance
Each financial year	QBU Actual Cost Analysis Report	<p>Three 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</p> <p>An agreed date with the Secretary of State within three months of the relevant accounting period.</p>	The submission date is based on the same requirements as per the Actual Rates Claim Report (see above for guidance).
Each financial year	Estimated Rates Claim Report	<p>Three 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</p> <p>An agreed date with the Secretary of State within three months of the relevant accounting period.</p>	The submission date is based on the same requirements as per the Actual Rates Claim Report (see above for guidance).
Each financial year	QBU Estimated Cost Analysis Report	<p>Three 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</p> <p>An agreed date with the Secretary of State within three months of the relevant accounting period.</p>	The submission date is based on the same requirements as per the Actual Rates Claim Report (see above for guidance).

When?	Report	Due within	Guidance
Each financial year	Estimated Rates 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 three months of receiving notice.	The submission date is the same date as the submission date for the Estimated Rates Claim Report, which follows the same requirements as the Actual Rates Claim Report (see above for guidance).
Each financial year	Strategic Industry Capacity Report	12 months after the designated person's accounting period, or when the ongoing contract condition is first met, whichever is later; or  An agreed date with the Secretary of State within six months of the relevant period above.	The submission date is either the same calendar day 12 months after the later of the end of the designated person's accounting period and the date that the ongoing contract condition was first met, or 18 months if it is the agreed date with the Secretary of State.  For example, where the reporting date is 30 September, the report will be due by 30 September in the next year or 30 March (six months later) if the date is agreed with the Secretary of State. However, where the relevant subsequent month has fewer days such that there is no corresponding day (that is, if a contract was completed on the last day of February in a leap year), the submission date is the closest day to the expected corresponding date, rounded down.
Each financial year	SME Report	Within 12 months of accounting period, or when the ongoing contract condition is first met, whichever is later.	The submission date is the same calendar day 12 months after the later of the end of the designated person's accounting period or the date that the ongoing contract condition was first met.  For example, where the reporting date is 30 September, the report will be due by 30 September the following year. However, where the relevant subsequent month has fewer days such that there is no corresponding day (this is, if a contract was completed on the last day of February in a leap year), the submission date is the closest day to the expected corresponding date, rounded down.

When?	Report	Due within	Guidance
Ad hoc	Rates Comparison Report	Within two months of receiving notice from the Secretary of State.	<p>The submission date is the same calendar day two months after receiving notice.</p> <p>For example, where the notice is received on 15 February, the report will be due by 15 April. However, where the relevant subsequent month has fewer days such that there is no corresponding day, the submission date is the closest day to the expected corresponding date, rounded down. For example, where the notice is received on 31 December, report submission will be due on the last day of February in the following year.</p>

## Appendix 2 – DPS glossary

Equipment type (DPS)	Definition
Submarine	The complete working boat - includes the design, development, and production of complete units (i.e. the prototype or operationally configured units, which satisfy the requirements of their applicable specification(s), regardless of end use). Includes, for example, hull & structural fittings, primary & secondary propulsion systems, electrical generation including conversion and distribution, control & communications, ship services, outfit & furnishing, armament & pyrotechnics, fixed ballast and all other installed equipment.
Sea System (surface ship)	The complete working ship - includes the design, development, and production of complete units (i.e. the prototype or operationally configured units, which satisfy the requirements of their applicable specification(s), regardless of end use). Includes, for example, hull & superstructure, propulsion, electrical, control & communications, armament, ancillary systems and all other installed equipment.
Unmanned maritime system	<p>The complex of equipment (hardware/software), data, services, and facilities required to design, develop, produce, test, operate and support unmanned maritime systems. Includes all classes of surface and subsurface (undersea) water vessels:</p> <ul style="list-style-type: none"> <li>a. Unmanned Surface Vehicles (USVs)</li> <li>b. Unmanned Undersea Vehicles (UUVs)</li> </ul>
Surface vehicle	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce a vehicle system with the capability to navigate over the surface. Surface vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. The Surface Vehicle subsystem DPS should be used for a vehicle used to navigate the surface which does not have track. Excludes track vehicles and wheeled armoured vehicles.
Wheeled Armoured Vehicle	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce an armoured vehicle system with the capability to navigate over the surface. Vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. Wheeled armoured DPS should be use for any vehicle which navigates the surface with applied armour (track or otherwise). Excludes non applied armoured surface vehicles and track vehicles (armoured or non-armoured).
Tracked vehicle	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce a track vehicle system with the capability to navigate over the surface. Surface vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. Track vehicle DPS should be used for any vehicle which navigates the land with track Excludes Surface Vehicle Systems and wheeled armoured vehicles (vehicles with applied armour).

Equipment type (DPS)	Definition
Fixed Wing aircraft	The complex of equipment (hardware/software), data, services, and facilities required to develop, produce, and support a fixed wing aircraft. This contents of this DPS do not apply to rotary wing or unmanned aircraft systems (drones).
Rotary wing aircraft	The complex of equipment (hardware/software), data, services, and facilities required to develop, produce, and support a rotary wing aircraft. The contents of this DPS do not apply to fixed wing or unmanned aircraft systems (drones).
Unmanned aerial vehicle (drone)	The complex of equipment (hardware/software), data, services, and facilities required to design, develop, produce and support UAV systems. Includes, for example: a. Those employing fixed, movable, rotary, or dirigibles and b. those UAVs designed for powered or unpowered movement (i.e. gliders).
Ordnance system	The complex of hardware, software, data, services, and facilities required to develop and produce the capability for applying munitions to a target.
Missile system	The complex of hardware, software, data, services, and facilities required to develop and produce the capability of employing a missile weapon in an operational environment to detect and defeat selected targets.
Weapon system	The complex of hardware, software, data, services, and facilities required to develop and produce the capability of housing, launching and guiding a munition in an operational environment to detect and defeat selected targets.
IT system	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce an Information technology system capability such as a command and control system, radar system, communications system, information system, sensor system, navigation/guidance system, electronic warfare system, support system, etc.
Radar and communications	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce an electronic system capability such as a command and control system, radar system, communications system, information system, sensor system, navigation/guidance system, electronic warfare system, support system, etc.
Ancillary services	This DPS covers any contract for necessary support to the primary activities or operation of an organisation such as facilities management, provision of utilities (gas, electricity and water), outfitting and furnishings and ground maintenance etc.
Specialist equipment	This DPS covers all specialist equipment not listed in another DPS.

## Appendix 3 – DefCARS release features

The following table summarises the key system improvements between the last version of guidance published (12 December 2018) and the current version (15 May 2019).

Month	DefCARS improvement
January 2019	<ul style="list-style-type: none"> <li>• Increased copy and paste functionality on the following pages – DPS Input Values, Sub-Contracts and Variance, Events &amp; Circumstances.</li> <li>• Updates to compliance emails – a small number of amendments to the content of automated compliance notification emails.</li> </ul>
May 2019	<ul style="list-style-type: none"> <li>• Automated validation rules extended (details have been published on the SSRO website).</li> <li>• Yes/No fields included to indicate whether ICR dates have been agreed in the contract (Reporting Plan page) and whether any sub-contracts valued at over £1m have or are expected to be entered into (Sub Contracts page)</li> <li>• 'New Submission' button on homepage updated to 'On-demand report' for CIR once initial submission has been made.</li> <li>• QCR reporting dates and due dates calculation changed to reflect updated reporting guidance on due dates (see Appendix 1).</li> <li>• Auto-population in the Reporting Plan page now displays the Date contract became a QDC/QSC rather than the Date contract entered into.</li> <li>• A number of field name changes also reflected in reporting guidance.</li> </ul>

# Appendix 4 – Reporting guidance updates

(between version 5 - 12 December 2018 and version 6 - 15 May 2019)

Guidance topic	Change made
<b>Updates within the General Functionality section (Chapter 2)</b>	
Paragraph 2.32	<ul style="list-style-type: none"> <li>Reference to a new 'On-Demand Report' button which has been added to the CIR to facilitate submission of a new Contract Pricing Statement or Contract Reporting Plan.</li> </ul>
<b>Updates within the Contract Initiation Report (CIR) section</b>	
Table 9	<ul style="list-style-type: none"> <li>Reference to a new button for contractors to confirm if ICR dates have been agreed with the MOD.</li> </ul>
Paragraph 5.63	<ul style="list-style-type: none"> <li>Reference to a new button in DefCARS where contractors are asked to positively confirm whether there are any actual or intended sub-contracts valued over £1 million.</li> </ul>
<b>Updates within the Quarterly Contract Report section (Chapter 6)</b>	
Whole section	<ul style="list-style-type: none"> <li>The whole section has been revised following consultation on changes with the Reporting and IT Sub-group in February and March 2019.</li> </ul>
<b>Updates within the Interim Contract Report section (Chapter 7)</b>	
Whole section	<ul style="list-style-type: none"> <li>The whole section has been revised following consultation on changes with the Reporting and IT Sub-group in February and March 2019.</li> </ul>
<b>Updates within the Supplier Reporting – General Information section (Chapter 11)</b>	
Whole section	<ul style="list-style-type: none"> <li>The whole section has been revised following consultation on changes with the Reporting and IT Sub-group in December 2018 and January 2019.</li> </ul>
<b>Updated appendices</b>	
Appendix 1 – Overview of reporting requirements	<ul style="list-style-type: none"> <li>Appendix updated following consultation on changes with the Reporting and IT sub-group in December 2018 and January 2019.</li> </ul>
Appendix 3 – DefCARS release updates	<ul style="list-style-type: none"> <li>Appendix now only includes information on DefCARS updates between December 2018 and May 2019.</li> </ul>
Appendix 4 – Guidance updates	<ul style="list-style-type: none"> <li>Appendix includes information about changes made in version 6 (published 15 May 2019).</li> </ul>

# Appendix 5 – Glossary of terms for QBU Cost Analysis Reports

This glossary of terms is provided as a guide to assist contractors filling out the required reports for a qualifying defence contract or qualifying subcontract. It is not intended to be a substitute for legal definitions and, where applicable, references to the Defence Reform Act 2014 ('DRA 2014') and the Single Source Contract Regulations 2014 ('SSCR 2014') are provided.

Term	Definition
Adjust for net timing differences	<p>If an agreement has been made with the Secretary of State to allow specific costs to be recovered (in full or in part) in a different period from that in which the cost was reported in the financial accounting statements of the QBU, then the necessary adjustment(s) should be entered in this column i.e:</p> <ul style="list-style-type: none"> <li>• Where it has been agreed that costs incurred and reported in this period are to be recovered in future periods, a negative adjustment to the value of the costs to be excluded from this period should be entered together with an explanatory note.</li> <li>• Where it has been agreed that costs incurred and reported in a prior period are to be recovered in this period, a positive adjustment to the value of the costs that will be recovered in this period should be entered together with an explanatory note.</li> </ul>
Admin - other	<p>For example these will include: stationery, photocopying (excluding cost of equipment hire), books and periodicals, newspapers, magazines, incidentals, archiving, printing, graphics and publishing.</p>
Advertising, promotions, entertaining and events	<p>For example these will include: sales promotions, presentations, displays, seminars, exhibitions, demonstrations, trade shows, public and customer relations, catalogues, publications, literature, promotional items, promotional gifts, entertaining third parties, sponsorship, photography and catering (non-staff).</p>
Asset related gains/ losses	Sale of scrap, profit and loss on disposal of fixed assets.
Bad debts	Bad debts (provision movement and write-off).
Bids and proposals	<p>Include all costs incurred in preparing, submitting and supporting bids and proposals (whether or not solicited) on potential Secretary of State or non-Secretary of State contracts. The term does not include the costs of effort sponsored by a grant or cooperative agreement, or required in the performance of a contract.</p>
Bonuses	All bonuses and profit share.
Capitalised opex (enter as negative)	Capitalised operating expenditure of any type should be recorded here as a credit.



Term	Definition
Cleaning and waste disposal	Cleaners, cleaning services, cleaning supplies, general waste disposal, special waste disposal, refuse disposal, sewerage and trade effluent.
Communications	All telecommunication costs for example fixed fees, licenses, mobiles, tariffs, postage, courier.
Consumable materials	All consumables including: test supplies, process supplies, indirect material, general supplies, purchased services, operating supplies, lubricants, manufacturing engineering supplies, uniforms, protective clothing, personal protective equipment, oil, grease, office consumables, graphic supplies and audio and visual supplies.
Contractors/short term labour hire	Contractor costs (services performed on contractor premises by a freelance subcontractor), temporary staff, casual labour and seconded staff.
Depreciation & amortisation	All depreciation and amortisation of tangible and intangible assets including depreciation of plant and equipment, buildings, land improvements and leasehold improvements.
Design	<p>All costs associated with activities related to the specification and design of the output (including prototypes).</p> <p>For example these will include:</p> <ul style="list-style-type: none"> <li>• research and development management;</li> <li>• research and development processes, concept studies, technological and technical activities (up to main gates);</li> <li>• intellectual property expertise; and technical drawings, CAD/CAM.</li> </ul>
Engineering	<p>All costs associated with activities related to enabling the designed and specified output to be produced (up to, but not including, production).</p> <p>For example these will include:</p> <ul style="list-style-type: none"> <li>• costs related to the development and maintenance of engineering technical reference system, databases, methods and processes;</li> <li>• cost estimating;</li> <li>• engineering costs covering all technical activities (product engineering, systems engineering, software, hardware, test benches) related to prospects, products, bids and projects;</li> <li>• feasibility studies, risk mitigation;</li> <li>• Technical expertise and specialties (e.g. safety engineering, airworthiness/certification expertise);</li> <li>• technical solutions definition and development;</li> <li>• engineering support;</li> <li>• installation and deployment;</li> <li>• IT for engineering activities;</li> <li>• measurement equipment management;</li> <li>• engineering licences management; and technical publications.</li> </ul>

Term	Definition
Finance	For example these will include: <ul style="list-style-type: none"> <li>• finance management;</li> <li>• general accounting;</li> <li>• accounts receivable;</li> <li>• accounts payable;</li> <li>• cash management;</li> <li>• tax;</li> <li>• insurance; and treasury.</li> </ul>
Financial income & expenses	For example these will include: interest, bank charges, export banking fees, commissions, liquidated damages, foreign exchange gains and losses, credit card charges, grants, royalty income, sundry income and derivative gains and losses.
Future initiatives	Summary of key initiatives that are expected to impact costs recoverable through rates in future periods.
Group charges	Group charges in, group charges out, management fees, services provided by other group companies.
Hire of plant / machinery	For example these will include: leasing, IT equipment, machinery, office machinery and other.
HR	For example these will include: <ul style="list-style-type: none"> <li>• HR management;</li> <li>• compensations and benefits;</li> <li>• payroll;</li> <li>• training and professional education;</li> <li>• recruitment and selection costs;</li> <li>• employee relations;</li> <li>• employee health and services; and</li> <li>• health and safety.</li> </ul>
Insurance	All insurance expense, for example: commercial property, public liability, product liability, professional indemnity, directors liability, motor, equipment, damage and insurance excesses.
Inventory losses	For example these will include: stock/inventory write-offs, provision movement, obsolescence, count differences and stock losses.

Term	Definition
IT	<p>For example these will include:</p> <ul style="list-style-type: none"> <li>• IT run and projects expenses (except capitalised costs);</li> <li>• IT management;</li> <li>• IT governance, process and tools;</li> <li>• IT project management;</li> <li>• IT architecture;</li> <li>• IT solution engineering;</li> <li>• IT operations/customer services;</li> <li>• IT helpdesk;</li> <li>• IT maintenance services;</li> <li>• IT security;</li> <li>• technical management of IT tools;</li> <li>• IT product lifecycle management;</li> <li>• e-capability;</li> <li>• information and knowledge management; and legacy management.</li> </ul>
IT licences, supplies & consumables	<p>For example these will include: data processing, data processing supplies, rental, office/miscellaneous supplies, network, hardware, software, workstations, support contracts, server support, data centres and licences.</p>
Legal / contractual	<p>For example these will include:</p> <ul style="list-style-type: none"> <li>• legal management;</li> <li>• contract management; and commercial management.</li> </ul>
Main payroll	<p>Salaries and wages, basic pay, holiday pay, overtime, shift premiums, National Insurance, maternity pay, sick pay and other allowances, (e.g. standby, callout, overseas etc, company car cash equivalent).</p>
Outsourced services	<p>Services outsourced externally to the group.</p>
Pensions	<p>Employer contributions to pensions.</p>
People & payroll - other	<p>Additional people/payroll costs not included in the above categories for example share options, profit related pay, long service awards, rental of staff properties, staff relocation expenses, luncheon vouchers, canteen, social and welfare, sports club, private medical, recruitment costs, first aid, health and safety, healthcare, flexible benefits, study/tuition support, schooling, staff entertainment and cost of company.</p>
Premises - other	<p>Additional facility building and land costs not included in the above categories for example security, pest control and other environmental.</p>

Term	Definition
Procurement	<p>For example these will include:</p> <ul style="list-style-type: none"> <li>• purchasing management;</li> <li>• purchasing process support;</li> <li>• supplier identification, tenders;</li> <li>• supply contract administration; and transport management.</li> </ul>
Production	<p>All costs associated with activities related to the production/ manufacture of the specified output (NB this excludes design and engineering costs – see above).</p> <p>For example these will include:</p> <ul style="list-style-type: none"> <li>• operations management;</li> <li>• production management;</li> <li>• goods inwards, inventory and stock management, packing, shipping;</li> <li>• receiving inspection, quality control;</li> <li>• methods and industrialisation;</li> <li>• production workshops;</li> <li>• manufacturing support to integration, installation and deployment;</li> <li>• factory integration and tests/trials;</li> <li>• environmental protection in connection with manufacturing;</li> <li>• assembly;</li> <li>• treatments;</li> <li>• inspection;</li> <li>• industrial capability;</li> <li>• manufacturing strategy; and quality management.</li> </ul>
Professional Fees (audit, legal, consulting, etc)	<p>For example these will include: consulting and other professional services, subscriptions and memberships, licences, patents, copyright, staff recruitment expenses, audit and legal.</p>
Purchase of minor tools / equipment	<p>Expensed tools, special tools, tool material, tool rework, loose tools, jigs, tool spares.</p>
Purchases of direct materials	<p>Direct cost of raw materials, purchased parts, purchased assemblies/ equipment, material/purchase variances, carriage/transport/freight inwards.</p>

Term	Definition
Qualifying business unit hq/other	<p>For example these will include:</p> <ul style="list-style-type: none"> <li>• general management;</li> <li>• strategy;</li> <li>• advisors;</li> <li>• internal audit;</li> <li>• internal communication;</li> <li>• external communication;</li> <li>• e-communication;</li> <li>• strategy; and secretarial.</li> </ul>
Recovered through rates	<p>For pricing QBUs this represents the total Allowable Costs that you expect (or have agreed with the Secretary of State) to recover through recovery rates. For non-pricing QBUs this represents the element of Allowable Costs that may be re-charged to other units and recovered, where appropriate, through the recovery rates of those units. This column is calculated automatically.</p>
Redundancy costs	Redundancy and termination costs
Rent & rates	Rent of land and buildings charged by third party, rates, service charges, temporary office rental.
Repair & maintenance - equipment	Minor/major maintenance, equipment, repairs and calibrations, office machinery and other.
Repairs and maintenance – buildings/premises	Estates maintenance, estates services contracts, building maintenance, land improvement maintenance, ground and outside facilities, maintenance materials, roads, dilapidation costs, removals, building reorganisation and landscaping.

Term	Definition
Sales	<p>For example these will include:</p> <p><b>Sales:</b></p> <ul style="list-style-type: none"> <li>• marketing &amp; sales management;</li> <li>• business development;</li> <li>• product policy;</li> <li>• key account management; and</li> <li>• sales operations.</li> </ul> <p><b>Bids &amp; projects management:</b></p> <ul style="list-style-type: none"> <li>• bids and projects management and support.</li> </ul> <p><b>Customer service:</b></p> <ul style="list-style-type: none"> <li>• customer service management (call centre, front office);</li> <li>• services and field engineering;</li> <li>• integrated logistics support;</li> <li>• reliability, availability, maintainability;</li> <li>• customers' documentation and training;</li> <li>• support services (technical support, spares and repairs, obsolescence management, through life support); Support to customers' operations; and services and operations performed on customers' sites.</li> </ul>
Sales revenue	Sales, sales discounts, settlement discounts, credits, returns, rebates, fees, licence fee income, samples and free goods.
Selling and marketing - other	For example these will include warranty costs.
Site services	<p>Examples:</p> <ul style="list-style-type: none"> <li>• site and property management;</li> <li>• facility management;</li> <li>• hard services (building maintenance: heating, air conditioning, elevators, etc.);</li> <li>• soft services (reception, cleaning, postage, etc.);</li> <li>• security, guarding;</li> <li>• employee and building safety;</li> <li>• environmental management and safety;</li> <li>• site vehicles / transport;</li> <li>• general building works;</li> <li>• IT cabling (in ceilings, floors and walls); and fire services.</li> </ul>
Training expenses	Training and education expenses.
Transport, carriage and packing – goods out	Outbound transport costs, freight and handling, packaging and import/export duty.

<b>Term</b>	<b>Definition</b>
Travel & subsistence	All costs related to business trips of staff for example; airfares, rail, hotel and accommodation, restaurant, parking, fuel, rental car, airport taxes, occupancy taxes and car mileage.
Utilities	Electric (light, heat and power), water, gas, compressed air, plant fuel, power plant, air conditioning, sundry utilities and oil.
Vehicles	All vehicle expenses (excluding company cars provided as part of remuneration) including fuel, oil, licence fee and servicing.

