



**SSRO**

Single Source  
Regulations Office

## Reporting guidance on preparation and submission of contract reports

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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). This guidance document, which contractors must have regard to, covers preparation and submission of contract reports whose requirements are set out in Part 5 of the Regulations. Contract reports contain a range of data about contract requirements, payments, estimated and actual costs, profit and factors affecting delivery and sub-contracts.
- 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. A separate guidance document exists on DefCARS functionality. 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 reports.

## Context

- 1.3 The Act and Regulations establish a scheme of regulation that controls the prices of qualifying defence contracts (QDCs) and qualifying defence sub-contracts (QSCs) and requires transparency on the part of defence contractors.
- 1.4 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>1</sup> The SSRO must keep an up-to-date record of QDCs, QSCs and the duration of those contracts which it does through DefCARS.
- 1.5 The reports provide a substantial body of standardised information relevant to the operation of the regulatory framework established by the Act and the 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 the pricing of contracts, reporting and penalties;
  - giving opinions and 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 their reporting requirements; and
  - keeping the provision of the framework under review and making recommendations for change to the Secretary of State. 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.

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<sup>1</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.

- 1.6 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

- 1.7 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.
- 1.8 The [compliance methodology](#) can be found on the SSRO website. It sets out that the SSRO will monitor whether reports:
- are delivered on time; and
  - contain the information prescribed in the Regulations.
- 1.9 Enforcement of reporting obligations is the responsibility of the Secretary of State, who may issue compliance and penalty notices. If the SSRO identifies any 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 the guidance document on DefCARS functionality.

### DefCARS design and development

- 1.10 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 the commencement of the Regulations.
- 1.11 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.
- 1.12 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.
- 1.13 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.

- 1.14 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>2</sup> and validation checks (warnings and errors) will provide the submitter with assistance when reviewing data entered.
- 1.15 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**

- 1.16 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.
- 1.17 One of these 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**

- 1.18 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.
- 1.19 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. Potential QDC and training feature

### Potential QDC/QSC feature

- 2.1 Functionality is available within DefCARS to allow contractors to prepare for submission of a Contract Initiation Report<sup>3</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.
- 2.2 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.
- 2.3 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.
- 2.4 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.
- 2.5 The MOD and the SSRO will not review or raise issues on a draft report (see paragraphs 2.35 – 2.56 on compliance activities in the guidance document on DefCARS functionality). 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.
- 2.6 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.
- 2.7 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.

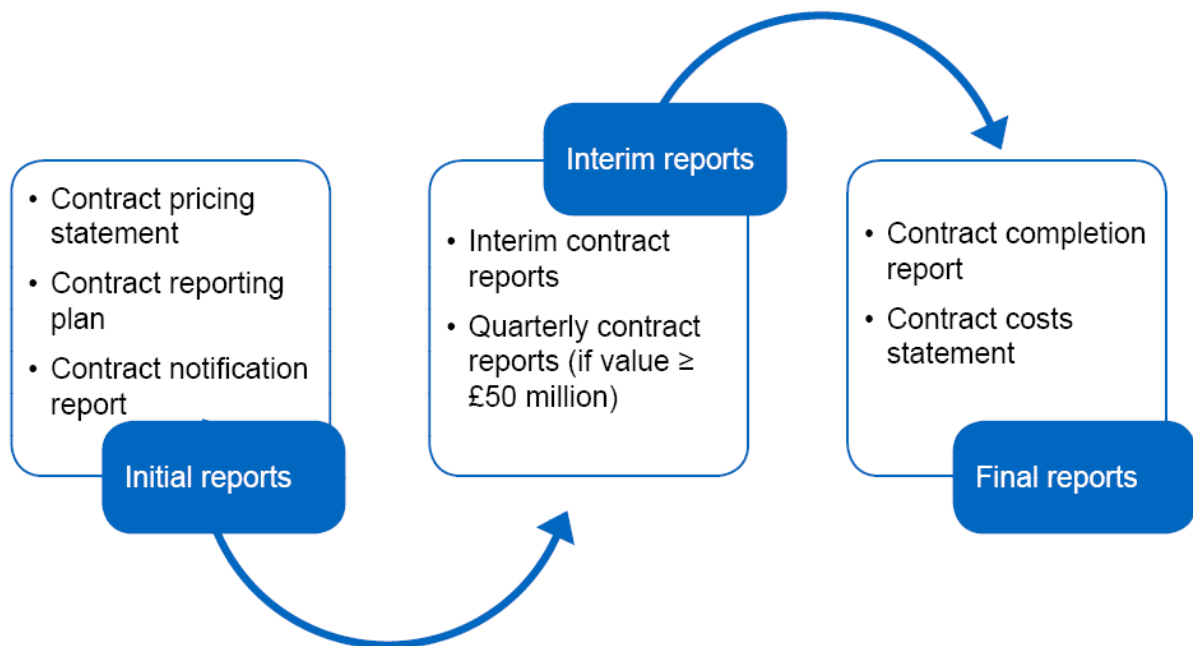
## Training feature

- 2.8 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.
- 2.9 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.
- 2.10 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.
- 2.11 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.
- 2.12 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.
- 2.13 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.
- 2.14 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.
- 2.15 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.

## 3. Overview of contract reports

- 3.1 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.
- 3.2 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 1 sets out the contract reports that are required.

### Exhibit 1 – Contract reports



- 3.3 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.
- 3.4 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 9 provides more information about On-Demand Contract Reports.



- 3.5 The specific regulations that contractors should refer to when completing their reports are set out in Table 1.

**Table 1 – 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: Regulation 23 (Contract Pricing Statement) Regulation 24 (Contract Reporting Plan) Regulation 27 (Interim Contract Report). Regulation 29 (Contract Costs Statement).

- 3.6 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.
- 3.7 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'

- 3.8 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:
- a) 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.
- b) 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.
- 3.9 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.
- 3.10 Table 2 summarises the relevant requirements.

**Table 2 – 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>4</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>5</sup> sub-contract was, or is expected to be, <b>entered into</b> .

<sup>4</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>5</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> <ul 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>6</sup> sub-contract was, or is expected to be, <b>entered into</b> in relation to the contract.</li> </ul>
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> <ul 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> </ul>

<sup>6</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>b) an annual profile of any estimated costs (split by the defined pricing structure) at the <b>time of agreement</b>;</li> <li>c) 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>d) 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>e) 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>

3.11 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’**

3.12 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.

3.13 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.

3.14 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.

- 3.15 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.
- 3.16 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.
- 3.17 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**

- 3.18 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.
- 3.19 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?**

- 3.20 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.
- 3.21 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.

- 3.22 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).
- 3.23 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.
- 3.24 This is an example of the third bullet point in paragraph 3.17 of ways a written contract can be entered into, as well as a situation where a contract is to be accepted by post.
- 3.25 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**

- 3.26 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.
- 3.27 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**

- 3.28 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).
- 3.29 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.
- 3.30 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).
- 3.31 If the parties are not sure whether they have amended or superseded the original agreement, they should seek legal advice.

## 4. Contract Initiation Report (CIR)

- 4.1 This section of the guidance covers the data entry required to generate and submit the initial reports described in Exhibit 1. 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.
- 4.2 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).
- 4.3 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

- 4.4 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 2.22 – 2.26 in the reporting guidance on DefCARS functionality. 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

- 4.5 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.
- 4.6 Table 3 sets out the details that are required if the contractor is a registered company.

**Table 3 – 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 Details	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. This date is not auto-populated by DefCARS.
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

- 4.7 The contractor must enter the following administration data (see Table 4), providing key contact details and confirmation relating to the timing of report submission.



**Table 4 – 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 Table 5).</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	<p>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.</p> <p><b>This field does not apply for QSCs.</b></p>
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.	

- 4.8 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

- 4.9 The contractor must enter some basic data about the contract as explained in Table 5.

**Table 5 – 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'.

Data required	Guidance
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 contract became a QDC by reason of an amendment, then please provide the date that the contract was amended. 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>
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. This date can only be amended in corrections to the initial S1 submission of the CIR.</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 Price Committed to Pay	The contractor should record the price the contracting authority is committed to pay.
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

- 4.10 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. Further details about how the reporting calendar operates are included in the guidance on DefCARS functionality.
- 4.11 This page draws on the information entered on the Contract page (the contract entered into date and the contract completion date) to generate the reporting and submission dates for the fixed mandated requirements (CPS, CRP, CNR, CCR, CCS).
- 4.12 The contractor will need 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. Any dates for on-demand Interim Contract Reports should be entered in the ICR report section of the Reporting Plan.

**Table 6 – 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.
Are you required to submit quarterly contract reports?	The contractor should indicate using the Yes/No selection buttons whether QCRs are required. Please note that if QCRs are required, where you are also required to submit an ICR it will be the higher value report. If these reports are required (where the contract value was assessed at £50 million or greater), DefCARS will auto-populate the due dates and the submission dates for QCRs.
Are there agreed ICR reporting dates within the contract?	The contractor should confirm whether they have agreed ICR reporting dates with the contracting authority. If there is no agreement, DefCARS will auto-populate the relevant due dates and submission dates for these reports in the ICR report section of the Reporting Plan, based on whether you have indicated that QCRs are required.
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.

Data required	Guidance
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 (row 4 in Table 6) 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 whether QCRs are required (row 3 in Table 6).</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>
<b>Only complete the section below if On-Demand reports are required</b>	
On-Demand Contract Reports: <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. Any on-demand ICRs should be entered in the ICR section of this page.</p> <p>Contractors can enter dates for on-demand CRPs, CPSs and CCSs here. Extra rows can be added by clicking on the blue cross. 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>
Comments	<p>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.</p>
Dates Confirmed	<p>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.</p>
<p>Once these details are complete, select Save then Validate, before moving on to the next page.</p>	

## 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.

- 4.13 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 7 and 8.

**Table 7 – 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)	Confirm the total Allowable Costs (including any risk contingency element) in the contract in £ millions to three decimal places.  The contractor may provide supporting comments and explanation here to help the SSRO and the MOD understand the quantum of Allowable Costs, but that later CIR pages that ask the contractor to provide further details relating to Allowable Costs.
Total Risk Contingency included in Allowable Costs	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.  The contractor may provide supporting comments and explanation here to help the SSRO and the MOD understand the quantum of risk contingency, but there are later CIR pages that ask the contractor to provide the required information relating to risk contingency.

#### 4.14 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 8 – 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 adjustments.</p>

Data required	Guidance
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>
Step 5 – Agreed Incentive Adjustment %	<p>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.</p>
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 which does not match the calculated figure will generate a validation warning, and the contractor should consider providing supporting information to explain.</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>



Data required	Guidance
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	<p>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).</p>
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>
<p>Once these details are complete, select Save then Validate, before moving on to the next page.</p>	

### Capital Servicing Adjustment Calculation

- 4.15 The Capital Servicing Adjustment (CSA) calculation is provided by data fields in DefCARS (see Table 9) and aims to make it easier for contractors to demonstrate that they have had regard to the calculation set out in statutory guidance.
- 4.16 The CSA calculation requires input of three pieces of data that are expected 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.
- 4.17 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 9 – 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.
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

- 4.18 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.
- 4.19 The contractor can provide any relevant comments about the pricing method(s) used on the contract.

### Defined Pricing Structure (DPS Inputs)

- 4.20 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).
- 4.21 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

- 4.22 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.
- 4.23 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.
- 4.24 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.

- 4.25 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.
- 4.26 The DPS should be articulated in no more than four levels:
1. Level 1 is the entire system and/or programme, a programme element, project, sub programme or service;
  2. Level 2 are the major elements subordinate to the Level 1 system / programme. These major elements include hardware and software elements or key services;
  3. Level 3 are elements subordinate to Level 2 and include hardware, software and services; and
  4. 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>7</sup>.
- 4.27 The DPS has been constructed so that each level of decomposition contains a breakdown of the cost at the parent level. Table 10 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 10 – Defined pricing structure cost breakdown example**

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

- 4.28 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).
- 4.29 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.
- 4.30 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>8</sup>.
- 4.31 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.

- 4.32 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**

- 4.33 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.
- 4.34 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.
- 4.35 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.
- 4.36 If the contractor has selected the 'Specialist Equipment' DPS, it should provide a descriptor for Level 1, which identifies the equipment against which costs are being reported. The user can provide the description by ticking the Level 1 row. A text box will then open automatically and the user can add a description before submitting the text via the green '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. If the agreed DPS uses rows at Levels 2-4, the contractor will also need to provide a descriptor for each row used at each Level. This can be done by using the same process as is used to provide a descriptor for the Level 1 row, i.e. tick the row, add the description in the text box and press the green 'Submit' button. If users want to subsequently edit the line description then they should press the blue 'Edit' button.
- 4.37 If the contractor has made use of the 'Other' lines, the user should provide explanations about what costs are included. When the 'Other' selection is ticked, the text box opens automatically. The contractor should enter descriptive text in the text box that explains the costs included on that line, then submit this by pressing the green 'Submit' button.
- 4.38 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.
- 4.39 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**

- 4.40 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.

- 4.41 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.
- 4.42 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.
- 4.43 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.
- 4.44 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

- 4.45 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 11 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 11 – 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 2) and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p>

Data required	Guidance
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 2) 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 2) 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 2 – Completing the Summary Analysis of Price

### Cost recovery rates

- 4.46 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.
- 4.47 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.

- 4.48 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.
- 4.49 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 (Table 12) 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 12 – 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. Note that costs for 'Other' cost recovery rate type on the Cost Recovery rates page do not flow through to the Cost Breakdown page. A warning pop-up will appear in DefCARS when 'Other' cost recovery rates are selected to indicate this.
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.

Data required	Guidance
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.
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

- 4.50 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.
- 4.51 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.
- 4.52 Some fields within the Cost Breakdown table are auto-populated from other areas of the report and others require data entry. Table 13 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 13 – 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>

Data required	Guidance
[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	Calculated by DefCARS based on the figures entered above.
Once these details are complete, select Save then Validate, before moving on to the next page.	

### Assumptions

4.53 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.

4.54 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.

4.55 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.

4.56 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.

- 4.57 For each assumption, fact and calculation contractors should provide the following information (Table 14). This information is about all assumptions except for inflation rate and exchange rate assumptions which are dealt with separately.

**Table 14 – Assumptions input**

Data required	Guidance
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

- 4.58 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.
- 4.59 Contractors can add an inflation assumption by selecting the blue cross. A window will appear for contractors to input data, as described in Table 15, for each assumption. Contractors can add as many inflation assumption rows as is relevant for their contract price.

**Table 15 – 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

- 4.60 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.
- 4.61 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 16, for each assumption. Contractors can add as many exchange rate assumption rows as is relevant for their contract prices.

**Table 16 – 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.



Data required	Guidance
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

- 4.62 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.
- 4.63 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued at not less than £1 million using the grey 'Yes'/'No' buttons. Then, for each sub-contract which has or is expected to have a value of not less than £1 million, the contractor must include the following information (Table 17). Sub-contracts can be added by clicking on the blue + icon, can be edited using the green icon and can be deleted using the red icon. Copy and paste functionality is available to enter this data from Excel.

**Table 17 – 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.

Data required	Guidance
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).
Outcome of the negative assessment	Where the value of the sub-contract or proposed sub-contract is equal to or more than £15 million and the prime contractor has assessed that the sub-contract would not be a qualifying sub-contract, the prime contractor must report the outcome of the negative assessment. The contractor should report the outcome of the negative assessment using the free text field.
Competitive process?	The contractor should indicate whether the award of the contract is not, or would not be, the result of a competitive process.
Enables any non-qualifying contracts?	The contractor should indicate whether the contract enables the performance of contracts other than qualifying defence contract(s) or qualifying sub-contract(s).
Sub-contract entered into	Confirm if the sub-contract has been entered into as at the reporting date with a tick.
Total price of the QDC/QSC which is attributable to sub-contracts	The contractor should report the total price of the QDC/QSC which is attributable to sub-contracts. This field is auto-populated from the cost breakdown page and will need to be checked by the contractor. The percentage of contract price attributed to sub-contracts will be calculated.

## Payments

- 4.64 Contractors must provide a list of all payments exceeding £100,000 or 1 per cent of the contract price (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.**

- 4.65 The significant individual payments (those exceeding £100,000 or 1 per cent of the contract price, whichever is greater) and annual profiles can be added using the green cross icon. The information required is described in Table 18.

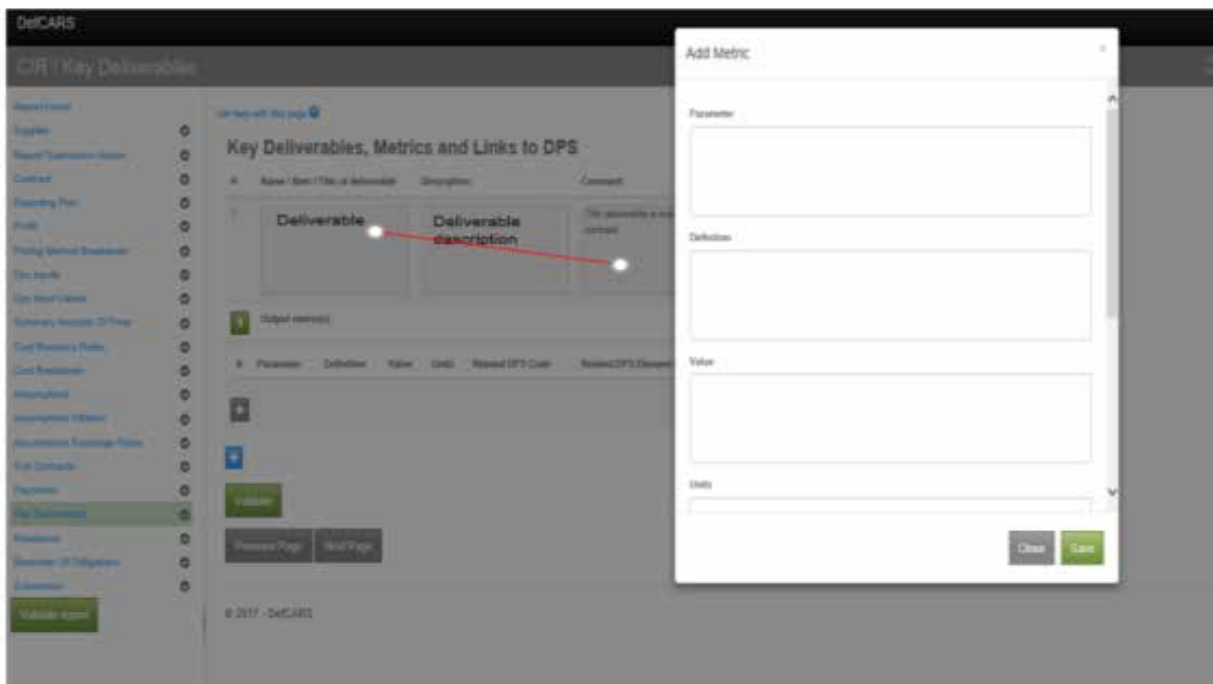
**Table 18 – Payments data input**

Data required	Guidance
Significant MOD payments (Yes/No)	The contractor is asked to confirm if there are any significant payments by selecting Yes or No. A significant payment is one that exceeds £100,000 or 1 per cent of the contract price, whichever is greater. When Yes is selected, the contractor should provide data in the fields below. Selecting No will hide the 'significant individual payments' data entry fields that are described in the 'significant individual payments' section of Table 18.
<b>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. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.
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. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.
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. At the end of each row DefCARS automatically provides a total field to assist contractors with checking the data provided.

## Key deliverables

- 4.66 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.
- 4.67 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.
- 4.68 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.
- 4.69 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.
- 4.70 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 (Exhibit 3).

### Exhibit 3 – Adding output metrics



- 4.71 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.
- 4.72 The data entry required is set out in Table 19.

**Table 19 – 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

- 4.73 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 20 – 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

- 4.74 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

- 4.75 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.
- 4.76 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.
- 4.77 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.

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

- 5.1 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 5.8, which deals with auto-population of the QCR.
- 5.2 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)
- 5.3 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
- 5.4 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.
- 5.5 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.
- 5.6 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.

- 5.7 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.
- 5.8 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**

- 5.9 The Report Home page is similar to the Report Home pages in other reports. For guidance, see Section 4 on the CIR.

### **Supplier**

- 5.10 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**

- 5.11 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.
- 5.12 The contractor is required by regulation 22(2)(b) to provide the date that the report is due. DefCARS assists selection of the correct due date by providing the following options in a drop-down list:
- A list of reports and associated due dates from the latest submitted CRP;
  - On-demand report; and
  - Other.



- 5.13 If the report being submitted is included in the latest submitted CRP, the contractor should select the relevant report from the drop-down list. If the reporting plan does not include the relevant report, the contractor should consider updating the CRP to ensure it correctly lists the planned reports. The CRP can be updated by submitting:
- a correction to an existing CRP (if the original reporting plan was incorrect); or
  - an on-demand CRP (if there are new reporting requirements, see Chapter 9).
- 5.14 If the CRP is updated, the revised dates will be reflected in the drop-down list within the 'date this report is due' field.
- 5.15 If the contractor is submitting an on-demand report (ICR or CCS), then the contractor should select the 'On-demand report' option. DefCARS will then provide a calendar selector from which the contractor should select the due date. The contractor will not need to update their CRP to reflect the due date of the on-demand submission.
- 5.16 Alternatively, the contractor may select the 'Other' option if any other selections explained above do not apply. DefCARS will then provide a calendar selector from which the contractor should select the due date.

### **Contract**

- 5.17 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 5.18. 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.
- 5.18 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.
- 5.19 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 Table 5 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.

- 5.20 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**

- 5.21 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)**

- 5.22 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.
- 5.23 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 'x' icon before data can be entered. Rows may be deleted using the grey 'x' 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 'x' icon.

- 5.24 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 5.18) then the contractor should:
- a) add the costs as total amounts in the 'not profiled' column; and
  - b) provide a supporting spreadsheet setting out the annual profile for the earlier period.
- 5.25 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)**

- 5.26 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.
- 5.27 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.
- 5.28 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 21 explains the data entry which is required.

**Table 21 – 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.
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	<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)	<p>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.</p>
Commentary on the above section	<p>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.</p>
<p>Once these details are complete, select Save then Validate, before moving on to the next page.</p>	

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

- 5.29 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.

- 5.30 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 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).
- 5.31 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'.
- 5.32 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 entered 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)**

- 5.33 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.
- 5.34 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.

- 5.35 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 22 explains the data entry which is required.

**Table 22 – 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

- 5.36 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.
- 5.37 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.
- 5.38 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.
- 5.39 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 5.2 for reference to these quarters and the periods they cover.



- 5.40 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 4). This button must be selected before the 'Paste data from Excel' button.
- 5.41 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 4 – 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="01/04/2017"/>
	To	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="31/03/2017"/>	<input type="text" value="30/06/2017"/>

- 5.42 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 (Exhibit 5).

## Exhibit 5 – Quarter Analysis table

03/2017 31/03/2018 17/18 Q3

Generate Quarter Reporting Table Paste data from Excel

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
To				31/03/2017	30/06/2017	30/09/2017	31/12/2017	31/03/2018
Cost Data Status								
Level 1 Total - Supplier Breakdown	0	0	0	0	0	0	0	0
Project Management								
Manufacturing								
Engineering								
QA								
T&S								

- 5.43 The contractor must confirm the cost data status for each quarter from the drop-down list using the categories included at paragraph 5.26 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.**
- 5.44 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 5.25 - 5.28) matches the total of the Quarterly analysis on this page for the relevant years.

### Variance, events and circumstances

- 5.45 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.

- 5.46 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.
- 5.47 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.
- 5.48 The information in Table 23 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 23 – 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?	When the contractor is categorising what they are reporting they should select ‘Cause of Variance’, ‘Event or Circumstance’ or ‘Both’. Based on this selection, DefCARS will identify the fields that should be completed.

Data required	Guidance
Brief description of event or circumstance or cause of variance	<ul style="list-style-type: none"> <li>• Where the contractor has selected 'Cause of Variance' they should describe a cause of variance which they will report a variance against. The fields that relate to reporting of events and circumstances will not be editable. The contractor should enter the amount of variance in £ million relating to this 'Cause of Variance' in the last field in the pop-up window.</li> <li>• Where the contractor has selected 'Event or Circumstance', their description should explain the event or circumstance they are reporting. When just reporting an 'Event or Circumstance', fields that relate to a cause of variance will not be editable and therefore no amount of variance will be calculated.</li> <li>• Where 'Both' is selected, the contractor should describe the cause of variance and the event or circumstance.</li> </ul>
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 it is not covered.

Data required	Guidance
<p>The effect the cause of variance, event or circumstance has had on the costs already incurred (£m)</p>	<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>
<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>	<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>
<p>Has this caused a variance between any estimated costs used to determine the contract price and total actual and forecast costs?</p>	<p>This field records whether any costs reported are used in the variance analysis. This field is not editable and is populated automatically depending on what the contractor is reporting. Where 'Cause of Variance' or 'Both' is selected then this field will be auto-populated with 'Yes', and where only an 'Event or Circumstance' is selected it will be auto-populated with 'No'. Where a contractor has selected 'Both', a 'Calculate' button will be visible, and the contractor should select 'Calculate' if they wish the financial figures in the previous two fields to be used as part of the variance analysis.</p>

Data required	Guidance
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 overwritten 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).

**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 5.15).
<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

- 5.49 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued at not less than £1 million using the grey 'Yes'/'No' buttons. 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. Sub-contracts can be added by clicking on the blue + icon, can be edited using the green icon and can be deleted using the red icon. 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.
- 5.50 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

- 5.51 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).
- 5.52 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

- 5.53 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 4.73 for further information on how to complete milestone information.



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

- 6.1 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 6.8, 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).
- 6.2 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.
- 6.3 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.
- 6.4 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.
- 6.5 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.

- 6.6 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 24.

**Table 24 – 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

- 6.7 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 6.15 explains how to reflect changes in the Contract Reporting Plan.
- 6.8 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

- 6.9 The Report Home page is similar to the Report Home page in other reports. For guidance see section 4 of this document.

### Supplier

- 6.10 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.

- 6.11 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

- 6.12 The contractor is required by regulation 22(2)(b) to provide the date that the report is due. DefCARS assists selection of the correct due date by providing the following options in a drop-down list:
- A list of reports and associated due dates from the latest submitted CRP;
  - On-demand report; and
  - Other
- 6.13 If the report being submitted is included in the latest submitted CRP, the contractor should select the relevant report from the drop-down list. If the reporting plan does not include the relevant report, the contractor should consider updating the CRP to ensure it correctly lists the planned reports. The CRP can be updated by submitting:
- a correction to an existing CRP (if the original reporting plan was incorrect); or
  - an on-demand CRP (if there are new reporting requirements, see Chapter 9).
- 6.14 If the CRP is updated, the revised dates will be reflected in the drop-down list within the 'date this report is due' field.
- 6.15 If the contractor is submitting an on-demand report (ICR or CCS), then the contractor should select the 'On-demand report' option. DefCARS will then provide a calendar selector from which the contractor should select the due date. The contractor will not need to update their CRP to reflect the due date of the on-demand submission.
- 6.16 Alternatively, the contractor may select the 'Other' option if any other selections explained above do not apply. DefCARS will then provide a calendar selector from which the contractor should select the due date.
- 6.17 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

- 6.18 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 5 of Section 4 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.
- 6.19 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.
- 6.20 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 Table 5 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.
- 6.21 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

- 6.22 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.

- 6.23 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 5. These three pages will not be visible in a higher value ICR in DefCARS.
- 6.24 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**

- 6.25 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.
- 6.26 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 4.

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

- 6.27 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.

- 6.28 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 6.22) then the contractor should:
- a) add the costs as total amounts in the 'not profiled' column; and
  - b) provide a supporting spreadsheet setting out the annual profile for the earlier period.
- 6.29 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)**

- 6.30 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.
- 6.31 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.
- 6.32 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 25 assumes that an annual profile can be provided.

**Table 25 – Summary Analysis of Price data input**

Data required	Guidance
Cost breakdown by Defined Pricing Structure	The Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered on the DPS Input Values page. This will be shown in £ millions to three decimal places. The contractor should ensure that each annual amount and the total are correct.
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)**

- 6.33 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.



- 6.34 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.
- 6.35 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).
- 6.36 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'.
- 6.37 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**

- 6.38 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.

- 6.39 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 26 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 26 – 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	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.  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.
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.

Data required	Guidance
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.
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

- 6.40 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.

- 6.41 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.
- 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 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.
- 6.43 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).
- 6.44 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 27 – 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?	When the contractor is categorising what they are reporting they should select ‘Cause of Variance’, ‘Event or Circumstance’ or ‘Both’. Based on this selection, DefCARS will identify the fields that should be completed.

Data required	Guidance
Brief description of event or circumstance or cause of variance	<ul style="list-style-type: none"> <li>Where the contractor has selected 'Cause of Variance' they should describe a cause of variance which they will report a variance against. The fields that relate to reporting of events and circumstances will not be editable. The contractor should enter the amount of variance in £ million relating to this 'Cause of Variance' in the last field in the pop-up window.</li> <li>Where the contractor has selected 'Event or Circumstance', their description should explain the event or circumstance they are reporting. When just reporting an 'Event or Circumstance', fields that relate to a cause of variance will not be editable and therefore no amount of variance will be calculated.</li> <li>Where 'Both' is selected, the contractor should describe the cause of variance and the event or circumstance.</li> </ul>
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 arose but when the contractor 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)	<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>

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 records whether any costs reported are used in the variance analysis. This field is not editable and is populated automatically depending on what the contractor is reporting. Where 'Cause of Variance' or 'Both' is selected then this field will be auto-populated with 'Yes', and where only an 'Event or Circumstance' is selected it will be auto-populated with 'No'. Where the contractor has selected 'Both', a 'Calculate' button will be visible, and a contractor should select 'Calculate' if they wish the financial figures in the previous two fields to be used as part of the variance analysis.
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)**

- 6.45 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**

- 6.46 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 6.30. 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)**

- 6.47 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued at not less than £1 million using the grey 'Yes'/'No' buttons. 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). Sub-contracts can be added by clicking on the blue + icon, can be edited using the green icon and can be deleted using the red icon. 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.
- 6.48 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

- 6.49 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 28. **Contractors who have a QSC are not required to report information on payments.**

**Table 28 – Payments Information**

Data required	Guidance
Significant MOD payments (Yes/No)	The contractor is asked to confirm if there are any significant payments by selecting Yes or No. A significant payment is one that exceeds £100,000 or 1 per cent of the contract price, whichever is greater. When Yes is selected, the contractor should provide data in the fields below. Selecting No will hide the 'significant individual payments' data entry fields that are described in the 'significant individual payments' section of Table 28.
<b>Significant individual payments</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. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.
Amount	For each payment, include the amount or expected amount of each payment in million (any currency) to three decimal places.
<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. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.
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. At the end of each row DefCARS automatically provides a total field to assist contractors with checking the data provided.



### Key deliverables

- 6.50 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

- 6.51 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).
- 6.52 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

- 6.53 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.

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

- 7.1 Before completing the Contract Completion Report (CCR) for the first time, contractors should familiarise themselves with Regulation 22 (General Requirements) and Regulation 28 (Contract Completion Report). Contractors should also read and familiarise themselves with paragraphs 7.3 and 7.4, which deals with auto-population of the CCR.
- 7.2 A CCR must be submitted within six months after the contract completion date of the qualifying defence contract. Regulation 4 specifies that the 'contract completion date' is:
- a) the date described in the contract as the contract completion date; or
  - b) if no such date is described in the contract, the date on which the contractor completes all obligations which entitle it to final payment under the contract; or
  - c) if the contract is terminated before the date described in subparagraphs (a) or (b), the date on which the contract is terminated.
- 7.3 DefCARS seeks to facilitate the submission of CCRs by auto-populating the relevant data from the information provided in the latest submitted Interim Contract Report (ICR) or Quarterly Contract Report (QCR). The data auto-populated will vary depending on whether the most recent report was an ICR or a QCR, as those reports contain different information. The QCR does not require information on key deliverables, payments or cost recovery bases and does not require costs to be reported by DPS structure.
- 7.4 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 submission. In the remainder of this section we explain which parts of the report are auto-populated.

### Report Home Page

- 7.5 The Report Home page is similar to the Report Home page in other reports. For guidance see section 4 of this document (Contract Initiation Report).

### Supplier

- 7.6 The supplier details are auto-populated from master data previously entered by the contractor in the Contract Administration page of DefCARS. The contractor should check the data which is auto-populated in the Supplier page for accuracy. The supplier details fields in the CCR are not read-only and can be amended in the report.

- 7.7 The individual completing the report should discuss any changes they make to supplier details in the CCR 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. The contractor's Administration User will have access to the master data and can update this record in the Contract Administration page at any time.

### **Report Submission Administration**

- 7.8 The contact details of contractor and MOD staff involved in the contract are shown on this page and are auto-populated from the latest contract report submitted prior to the CCR 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.
- 7.9 The contractor is required by regulation 22(2)(b) to provide the date that the report is due. DefCARS assists selection of the correct due date by providing the following options in a drop-down list:
- A list of reports and associated due dates from the latest submitted CRP;
  - On-demand report; and
  - Other
- 7.10 If the report being submitted is included in the latest submitted CRP, the contractor should select the relevant report from the drop-down list. If the reporting plan does not include the relevant report, the contractor should consider updating the CRP to ensure it correctly lists the planned reports. The CRP can be updated by submitting:
- a correction to an existing CRP (if the original reporting plan was incorrect); or
  - an on-demand CRP (if there are new reporting requirements, see Chapter 9).
- 7.11 If the CRP is updated, the revised dates will be reflected in the drop-down list within the 'date this report is due' field.
- 7.12 If the contractor is submitting an on-demand report (ICR or CCS), then the contractor should select the 'On-demand report' option. DefCARS will then provide a calendar selector from which the contractor should select the due date. The contractor will not need to update their CRP to reflect the due date of the on-demand submission.
- 7.13 Alternatively, the contractor may select the 'Other' option if any other selections explained above do not apply. DefCARS will then provide a calendar selector from which the contractor should select the due date.

### **Contract**

- 7.14 All contract details are auto-populated from the latest previously submitted report and should be checked for accuracy. Details should be updated where necessary and guidance relating to some specific fields on the contract page is explained in paragraphs 7.15 – 7.17.

- 7.15 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 CCR 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.
- 7.16 If the contract has not completed (see paragraph 7.2), then the CCR is not due. The Contract page includes the Contract Completion Date, which is auto-populated by DefCARS from the latest submitted report. The contractor should ensure that the Contract Completion Date is correct. If the Contract Completion Date has changed from the auto-populated date, DefCARS provides the facility to amend the Contract Completion Date in the CCR but the Reporting Plan will not be automatically updated to reflect this. The contractor may amend the Reporting Plan by submitting an on-demand CRP, either in response to a written direction from the MOD or by agreement. This can be done by selecting the 'On-Demand Report' option in the CIR. When submitting the on-demand CRP, the contractor should update the contract completion information and add the due dates of any new reports resulting from this change.
- 7.17 The contractor should update the 'Latest Pricing Amendment' fields if there has been an amendment during the reporting period (between the last submitted report and the completion of the contract) which resulted in a change to the contract price. 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**

- 7.18 Information on this page is auto-populated from the latest previously submitted report 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 using the comments functionality. The contractor should ensure that the price reflected on this page matches that reported on the Contract page.

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

- 7.19 If the latest submitted contract report is an ICR, then the DPS lines will be carried forward from this report into the CCR. If the last submitted report is a QCR, as the QCR does not contain information on the DPS, no information will be populated on this page. In this case, the contractor should select the DPS lines provided at the time of completing the CRP or the last ICR.

- 7.20 The contractor should not change the DPS lines from those previously reported 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 add DPS lines is where there has been an amendment that changes the requirement in some way. The contractor can add the new lines in DefCARS by ticking the required lines on this page. Any change in DPS should be agreed with the MOD before being reported.
- 7.21 If the DPS originally submitted in the CRP and/or ICR was incorrect, then the DPS in the CCR may be corrected in one of two ways depending on which report the contractor last submitted:
- If the DPS has been auto-populated from the most recent ICR, the CRP can be corrected and re-submitted to amend the DPS before the CCR is started so that the changes will flow through to the CCR.
  - If the last submission was a QCR there will be no DPS structure auto-populated in the CCR, this structure should be added in the CCR by the contractor.
- 7.22 There is more detailed guidance on the DPS in Section 4 (Contract Initiation Report).

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

- 7.23 The contractor is required by Regulation 28(2)(d)-(e) to provide an annual profile of estimated costs split by DPS, including the total amount of those costs which are non-recurring. This page is intended to assist contractors to provide the required annual profile of costs.
- 7.24 The information on this page is auto-populated from the latest previously submitted contract report if this was an ICR. If the latest previously submitted report is a QCR then this page will be blank in the CCR due to the QCR not containing DPS information and should be completed. The contractor should check any auto-populated information for accuracy.
- 7.25 The page will display the DPS lines which have been selected on the DPS Inputs page. Those cells which require costs to be entered will be white. Grey cells are calculated and will auto-populate based on data entered in the white cells. Costs should be entered in £ million to three decimal places.
- 7.26 When there has been a pricing amendment since the latest previously submitted report, 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.

- 7.27 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.
- 7.28 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)**

- 7.29 The contractor is required by Regulation 28(2)(c)(i), (iii) and (v) to provide information about the contract price. This page enables the contractor to provide the required information about any risk contingency element included in the Allowable Costs, the maximum profit that could have resulted from the incentive adjustment and the planned amount of profit, excluding the incentive adjustment.
- 7.30 The contractor should check that the information included on this page, carried forward from the last submitted report, summarises the contract price at the latest 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 one or multiple pricing amendments during the reporting period which has resulted in a change to the contract price, the latest agreed price.
- 7.31 DefCARS will auto-populate some of the information on this page but the contractor should check all data for accuracy. The contractor should note the following:
- 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.
  - The risk contingency element and profit (including and excluding any incentive adjustment) will be auto-populated from the latest previously submitted QCR or ICR. The contractor will need to check that the amounts are correct and make any necessary amendments. Changes should only be made if there has been a pricing amendment.
- 7.32 If an annual profile was included in a previous report, the contractor should continue to 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 29 provides guidance on how to provide this price breakdown.

**Table 29 – Summary Analysis of Price data input**

Data required	Guidance
Cost breakdown by Defined Pricing Structure	The Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered on the DPS Input Values page. This will be shown in £ millions to three decimal places. The contractor should ensure that each annual amount and the total are correct.
Risk / Contingency Element within the Allowable Costs	The contractor is required by Regulation 28(2)(c)(i) 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 risk contingency element and the percentage of total cost will be calculated by DefCARS. This should be entered in £ millions to three decimal places.
Subtotal Cost	This total Allowable Costs 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 28(2)(c)(v) 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 28(2)(c)(iii) to provide the annual profile of the maximum profit that could have resulted from the incentive adjustment at the latest time of agreement and 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.
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 (Actual Allowable Costs excluding risk contingency)

- 7.33 The contractor is required by Regulation 28(2)(g) to report an annual profile of the actual costs (split by the defined pricing structure). Regulation 22(6) allows a contractor, where they are reporting actual costs, to report up to 5 per cent of the costs as estimates and where greater than 5 per cent are estimated to provide an explanation of why this is. If non-recurring expenditure was included in the DPS Input Values page, it should also be included in this analysis. Contractors should use the categories in Table 30 to identify actual and estimated costs.
- 7.34 The same DPS lines selected on the DPS Input Values page will appear on this page. If the latest previously submitted contract report is an ICR, any final actual costs previously reported will be auto-populated within the relevant year. These costs should be checked for accuracy. There is no auto-population where the last report was a QCR as the reporting structure is different.



- 7.35 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. Table 30 shows how these terms in the Regulations map to the cost categories in DefCARS.

**Table 30 – Cost categorisation**

Terms used in the Regulations	DefCARS cost category	Guidance
Allowable Costs which have been incurred	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).
Allowable Costs which are a combination of incurred and forecast	Actual and Forecast	A combination of forecast and actual costs which may be relevant to CCRs where the contractor is reporting mid-financial year (for example, a CCR reported as at the end of September may consider costs in Q1 to be actual (provisional or final) and Q2 are still forecast as they have not been finalised).
Allowable Costs which are forecast	Forecast	Costs which are forecast (in other words, costs which are still estimates).

- 7.36 If a contract became a QDC on amendment, there may have been costs prior to the amendment. These are sometimes referred to as 'sunk' costs. In these circumstances, the contractor should provide an annual profile of these sunk costs 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 sunk costs need to be included in the 'DPS Input Values' (estimated Allowable Costs excluding risk contingency) and the 'Actual and Forecast DPS Input Values' (actual Allowable Costs excluding risk contingency) so that a meaningful comparison between the two cost breakdowns can be made in order to determine variances.
- 7.37 Paragraphs 7.15 – 7.17 explain how to add lines to the DPS used in the CCR and state that changes to the DPS should be agreed with the MOD. If new DPS lines were not required in the breakdown on the DPS Input Values page but are required on the Actual and Forecast Analysis DPS Input Values page, then the contractor should add these in the DPS Input page and enter a '0' value in each column of the new row in the DPS Input Values page. These new lines will then be carried forward to the Actual & Forecast Analysis DPS Input Values page where an annual profile against the amended structure can be provided.

## Actual & Forecast Price Summary

- 7.38 This page should detail the price that the contractor expects to be paid for delivering the contract. The actual Allowable Costs from the previous page will be auto-populated in the 'Total Actual & Forecast Allowable Costs by DPS' row of this profile. The cost categories at the top of the page (see Table 31) will be pre-populated from the Actual & Forecast DPS Input Values page. The contractor should check this information for accuracy.
- 7.39 The contractor should provide an annual profile of any actual risk contingency included in the total Allowable Costs and actual profit across the contractual years. This profile is not auto-populated from previous reports.
- 7.40 If the contractor is of the view that an annual profile of any actual 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. Contractors should check the year and line totals are correct and match the expected contract price. The guidance in Table 31 assumes that an annual profile can be provided.

**Table 31 – Actual and Forecast Price Summary data input**

Data required	Guidance
Cost breakdown by Defined Pricing Structure	The actual and estimated 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 actual 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 28(2)(c) (ii) to provide the annual profile of any actual 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>

Data required	Guidance
Subtotal Cost	The actual Allowable 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 actual Allowable Costs as at the reporting date.
Profit (excluding incentive adjustment)	The contractor is required by Regulation 28(2)(c) (vi) to provide the annual profile of the actual amount of profit (excluding the amount due to any incentive adjustment (Step 5)) within the 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 third and fourth rows in the table.
Expected maximum profit arising from incentive adjustment	The contractor is required by Regulation 28(2)(c)(iv) to provide the annual profile of the actual incentive adjustment (Step 5) within the 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.
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 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

- 7.41 Regulation 28(2)(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 forecast costs are expected to be estimates of the actual Allowable Costs. Forecast costs will be costs expected to be incurred, whereas actual Allowable Costs will be those already incurred. 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 ensure the calculated variance is correct. The contractor should complete sufficient individual lines to meet the requirement to explain 90 per cent of the total variance.
- 7.42 Regulation 28(2)(j) 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.
- 7.43 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.
- 7.44 DefCARS brings both these requirements (to report causes of variance and events and circumstances) together in a single report page as an event or circumstance might be a cause of variance.
- 7.45 Where a variance is the same as that reported in a previous submission, then the explanation for the variance should be the same. If a different explanation is given, then the contractor should include a comment to explain why this is the case. Otherwise, the different explanations are likely to result in compliance queries.

**Table 32 – Variance, events or circumstances**

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 an event or circumstance.
Is this being reported as a cause of variance, or an event/ circumstance or both?	When the contractor is categorising what they are reporting they should select 'Cause of Variance', 'Event or Circumstance' or 'Both'. Based on this selection, DefCARS will identify the fields that should be completed.
Brief description of event or circumstance or cause of variance	<ul style="list-style-type: none"> <li>• Where the contractor has selected 'Cause of Variance' they should describe a cause of variance which they will report a variance against. The fields that relate to reporting of events and circumstances will not be editable. The contractor should enter the amount of variance in £ million relating to this 'Cause of Variance' in the last field in the pop-up window.</li> <li>• Where the contractor has selected 'Event or Circumstance', their description should explain the event or circumstance they are reporting. When just reporting an 'Event or Circumstance', fields that relate to a cause of variance will not be editable and therefore no amount of variance will be calculated.</li> <li>• Where 'Both' is selected, the contractor should describe the cause of variance and the event or circumstance.</li> </ul>
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 on which 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.

Data required	Guidance
<p>The effect the cause of variance, event or circumstance has had on the costs already incurred (£m)</p>	<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>
<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>	<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>
<p>Has this caused a variance between any estimated costs used to determine the contract price and total actual and forecast costs?</p>	<p>This field records whether any costs reported are used in the variance analysis. This field is not editable and is populated automatically depending on what the contractor is reporting. Where 'Cause of Variance' or 'Both' is selected then this field will be auto-populated with 'Yes', and where only an 'Event or Circumstance' is selected it will be auto-populated with 'No'. Where a contractor has selected 'Both', a 'Calculate' button will be visible, and the contractor should select 'Calculate' if they wish the financial figures in the previous two fields to be used as part of the variance analysis.</p>

Data required	Guidance
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)**

- 7.46 Regulation 28(2)(f) requires an annual profile of the estimated amount of each cost recovery base set out in the Contract Reporting Plan at the time of agreement. This page allows the contractor to fulfil this requirement. Where the latest previously submitted contract report is the CRP or an ICR, the recovery base and recovery base units and volumes are auto-populated by DefCARS based on the data previously reported. The contractor should check the auto-populated information for accuracy.
- 7.47 Where the latest previously submitted contract report is a QCR, this page will be blank as the QCR does not require information on cost recovery bases to be reported. In this case, the contractor should enter an annual profile of the recovery bases set out in the CRP at the latest time of agreement. 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 CRP, 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

7.48 Regulation 28(2)(h) requires an annual profile of the actual amount of each recovery base set out in the CRP. This page allows the contractor to fulfil this requirement. 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 volumes for each year. The cost status category should be selected from the drop-down list, confirming the cost status using the categories in Table 30. Where the latest previously submitted report is an ICR, any years where volumes were confirmed as 'Final Actuals' in the 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. If the contractor does not explain such differences, this may lead to compliance queries.

## Sub-contracts

7.49 Regulation 28(2)(p) requires the contractor to provide information on sub-contracts which the primary contractor has entered into for the purposes of enabling it to perform its obligations under the qualifying defence contract. The contractor is asked to positively confirm whether there are any actual sub-contracts valued at not less than £1 million using the grey 'Yes'/'No' buttons. The information provided in the latest previously submitted ICR or QCR report is auto-populated in the CCR. The contractor should check whether the information is correct for the submission in question (including the total value of all sub-contracts). Sub-contracts can be added by clicking on the blue + icon, can be edited using the green icon and can be deleted using the red icon. Sub-contracts can be added by clicking on the blue + icon, can be edited using the green icon and can be deleted using the red icon. 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.

## Payments

7.50 **Contractors who have a QSC are not required to report information on payments.** In the CCR, the contractor is required by Regulation 28(2)(l) 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. Most payments are expected to have been made if the contract has been completed. If the latest previously submitted contract report is an ICR, then the information previously submitted will be auto-populated on this page. The contractor should check any auto-populated information and ensure that it is correct in relation to this submission. Where the latest submitted report is a QCR, this page will be blank. In this case the contractor should enter the payment information as at the contract completion date. The information collected in DefCARS is explained in Table 33.



**Table 33 – Payments Information**

Data required	Guidance
Significant MOD payments (Yes/No)	The contractor is asked to confirm if there are any significant payments by selecting Yes or No. A significant payment is one that exceeds £100,000 or 1 per cent of the contract price, whichever is greater. When Yes is selected, the contractor should provide data in the fields below. Selecting No will hide the 'significant individual payments' data entry fields that are described in the 'significant individual payments' section of Table 33.
<b><i>Significant individual payments</i></b>	
Contracted Date	For each payment, include the date on which the payment was expected to fall due.
Actual/Expected Date	For each payment, include the actual or expected payment date.
Currency	State the currency in which the contract specifies the Secretary of State is to make payments. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.
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>	
Currency	State the currency in which the contract specifies the Secretary of State is to make payments. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.
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. At the end of each row DefCARS automatically provides a total field to assist contractors with checking the data provided.

**Key deliverables**

- 7.51 Regulation 28(2)(a) requires a list of key deliverables specified in the contract, with a brief description of each to be provided and regulation 28(2)(b) requires the actual quantum of those deliverables, expressed using the output metrics set out in the most recent contract reporting plan to be provided. This page allows the contractor to meet both these requirements.

- 7.52 The information on this page will be auto-populated if the latest previously submitted report is an ICR. The contractor should check all auto-populated information for accuracy. If the latest submitted report is a QCR, this page will be blank, and the contractor should enter the key deliverables. The deliverables entered should be the same as those detailed in the CIR unless there has been an amendment to the contract which changes them.

### Final payments

- 7.53 The CCR 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 will be made. The Contract Cost Statement, due six months after the CCR, is used to determine any adjustment. 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).
- 7.54 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

- 7.55 Regulation 28(2)(o) requires the contractor to report on all delivery milestones set out in the contract. This page allows the contractor to report on the delivery milestones. The information on this page is auto-populated from the data provided in the latest submitted ICR or QCR and should be checked for accuracy. Any changes required to the milestones can be made by clicking the green edit icon and milestones can be added by clicking the blue '+' button. Where there is a variance between the expected date for a delivery milestone set out in the contract and the actual completion date, the contractor should provide a description of the cause of variance (see Table 34). As the contract is completed it is expected that all actual milestone dates will be in the past.

**Table 34 – 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. The contractor should select the actual or expected completion date from the calendar.
Comment	The contractor should provide a description of the causes of any variance between the expected date for a delivery milestone set out in the contract, and the actual or expected completion date.

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

8.1 Before completing the Contract Costs Statement (CCS) for the first time, contractors should familiarise themselves with Regulations 22 and 29. The 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.

8.2 Data fields which relate to Regulation 22, which are a requirement of all contract reports, are provided in DefCARS and are auto-populated from the last contract report. The contractor should check this information for accuracy and make any necessary amendments.

### Report Home

8.3 The Report Home page is similar to the Report Home page in other reports. For guidance see section 4 of this document (Contract Initiation Report).

### Supplier

8.4 The supplier details are auto-populated from master data previously entered by the contractor in the Contract Administration page of DefCARS. The contractor should check the data which is auto-populated in the Supplier page for accuracy. The supplier details fields in the CCS are not read-only and can be amended in the report.

8.5 The individual completing the report should discuss any changes they make to supplier details in the CCS 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. The contractor's Administration User will have access to the master data and can update this record in the Contract Administration page at any time.

### Report Submission Administration

8.6 The contact details of contractor and MOD staff involved in the contract are shown on this page and are auto-populated from the latest contract report submitted prior to the CCS 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.

8.7 The contractor is required by regulation 22(2)(b) to provide the date that the report is due. DefCARS assists selection of the correct due date by providing the following options in a drop-down list:

- A list of reports and associated due dates from the latest submitted CRP;
- On-demand report; and
- Other.

- 8.8 If the report being submitted is included in the latest submitted CRP, the contractor should select the relevant report from the drop-down list. If the reporting plan does not include the relevant report, the contractor should consider updating the CRP to ensure it correctly lists the planned reports. The CRP can be updated by submitting:
- a correction to an existing CRP (if the original reporting plan was incorrect); or
  - an on-demand CRP (if there are new reporting requirements, see section 9).
- 8.9 If the CRP is updated, the revised dates will be reflected in the drop-down list within the 'date this report is due' field.
- 8.10 If the contractor is submitting an on-demand report (ICR or CCS), then the contractor should select the "On-demand report" option. DefCARS will then provide a calendar selector from which the contractor should select the due date. The contractor will not need to update their CRP to reflect the due date of the on-demand submission.
- 8.11 Alternatively, the contractor may select the "Other" option if any other selections explained above do not apply. DefCARS will then provide a calendar selector from which the contractor should select the due date.

### **Contract**

- 8.12 All contract details are auto-populated from the latest previously submitted report and should be checked for accuracy. Details should be updated where necessary and guidance relating to some specific fields on the contract page is explained in paragraphs 8.13 – 8.15.
- 8.13 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 CCS which is started after the correction has been submitted.
- 8.14 If the contract has not completed, then the CCS is not due. The Contract page includes the Contract Completion Date, which is auto-populated by DefCARS from the latest submitted report. The contractor should ensure that the Contract Completion Date is correct. If the Contract Completion Date has changed from the auto-populated date, DefCARS provides the facility to amend the Contract Completion Date in the CCS but the Reporting Plan will not be automatically updated to reflect this. The contractor may amend the Reporting Plan by submitting an on-demand CRP, either in response to a written direction from the MOD or by agreement. This can be done by selecting the 'On-Demand Report' option in the CIR. When submitting the on-demand CRP, the contractor should update the contract completion information and add the due dates of any new reports resulting from this change.
- 8.15 The contractor should update the 'Latest Pricing Amendment' fields if there has been an amendment during the reporting period (between the last submitted report and the completion of the contract) which resulted in a change to the contract price. 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

- 8.16 Information on this page is auto-populated from the latest previously submitted report 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 using the comments functionality. The contractor should ensure that the price reflected on this page matches that reported on the Contract page.

## Cost Statement

- 8.17 There is no predefined data structure within DefCARS for the remainder of the CCS (Regulation 29 requirements). The format should be determined by the contractor in discussion with the MOD and be based on information available from the contractor's reporting system. This cost statement should include 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.
- 8.18 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.
- 8.19 The contractor should also provide:
- the percentage of the Allowable Costs included in the statement that are still estimated rather than actual;
  - an explanation of the reasons for any variances between the actual Allowable Costs (broken down into direct and indirect costs) and the total actual costs which the contractor claims are Allowable Costs; and
  - an explanation of the reasons for any variance between the information in the CCS and the most recent on-demand report that provided information of the kind required in the CCS.
- 8.20 The CCS must specify the start and end dates of the contractor's accounting period. If there has been 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 of that agreement and any departures from the methodology must be provided.
- 8.21 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. On-Demand Contract Reports

- 9.1 Regulation 30 provides that the Secretary of State may direct a contractor to provide the information specified in any of the following:
- regulation 23(2) – Contract Pricing Statement (CPS);
  - regulation 24(2) – Contract Reporting Plan (CRP);
  - regulation 27(4) and (5) – Interim Contract Report (ICR); or
  - regulation 29(2) – Contract Cost Statement.
- 9.2 These on-demand reports may be required in relation to qualifying defence contracts (QDCs) or qualifying sub-contracts (QSCs). Appendix 1 details the due dates for the on-demand reports.
- 9.3 Not all contract reports can be required on-demand. Regulation 30 does not cover the information contained in the Contract Notification Report (CNR), Quarterly Contract Report (QCR), or the Contract Completion Report.
- 9.4 The decision to require on-demand reports is at the discretion of the Secretary of State. A contractor may agree to provide on-demand contract reports without being directed to do so by the Secretary of State (see Regulation 24(2)(c)). If a contractor has agreed to provide on-demand contract reports, the contractor is required to provide a description in the CRP of what it has agreed to provide.

### Contract Pricing Statement and Contract Reporting Plan

- 9.5 DefCARS combines the three initial reports (CPS, CRP and CNR) into a single report called the Contract Initiation Report (CIR). To submit an on-demand report in DefCARS containing the information in regulations 23(2) (CPS) or 24(2) (CRP), the contractor will need to submit a CIR by selecting the 'On-demand' button under the CIR dropdown, as shown in Exhibit 6. Contractors will then be asked to indicate whether the on-demand report is a CRP, a CPS, or both. Please select the relevant option (see Exhibit 7). The contractor should not seek to submit their on-demand CPS or CRP submission by correcting an existing draft report.
- 9.6 If the contractor has not previously completed a CIR, or if a CIR is in draft, then the 'On-demand' button will not be available. This reflects our expectation that an on-demand CPS or CRP is not likely to be due until after the initial reports have been submitted.

### Exhibit 6 – Screen shot of CIR options

The screenshot displays a table of contract reports with the following columns: Defence Contractor ID, MOD Contract Number ID, Contract Title ID, and Date of most recent submission ID. The first row shows 'On Demand' for contractor ID 45233, with contract title 'On Demand Testing' and submission date '21/05/2019 12:46:41'. Below the table, a dropdown menu for 'CIR A' is open, showing a 'Start' button and a 'View' button. The report status is 'Under review by SSRC' and 'Under review by MOD'. A 'De-duplicate report' button is also visible.

Defence Contractor ID	MOD Contract Number ID	Contract Title ID	Date of most recent submission ID
On Demand	45233	On Demand Testing	21/05/2019 12:46:41

CIR A

Start

View

Report status: Under review by SSRC

Under review by MOD

De-duplicate report

## Exhibit 7 - Selection of on-demand report

### Create On Demand Report x

Contractors may be required to (via written direction from the Secretary of State) or agree to provide On-Demand Contract Reports during the life of the contract.

CPS
CRP
Both

Please select "Continue" if you are providing an on-demand CRP, CPS or both.

If you are updating a report in response to a compliance issue, or to correct data that you previously have submitted, please correct that report by selecting "Start Correction".

Cancel

Continue

- 9.7 The contractor will see the following pop-up message when starting an On-Demand report:

*Create On-Demand Report - Contractors may be required by written direction from the MOD to provide On-Demand Contract Reports, or may agree to provide such reports, during the life of the contract.*

*Only the CRP and CPS elements of the CIR submission may be required on-demand. If you are providing an on-demand CRP, CPS or both a CRP and a CPS, then please identify which you are providing before selecting "Continue".*

*If you are updating a report in response to a compliance issue, or to correct data that you previously have submitted, please correct that report by selecting "Start Correction"*

- 9.8 This message reflects our guidance that on-demand reports should be initiated using the "On-demand" button and the facility to correct existing reports should be used to address compliance issues.
- 9.9 DefCARS will auto-populate the on-demand CIR with the most recently submitted CIR data. The contractor can then update this information as required for the on-demand report. The contractor must ensure that the information required on-demand is accurate (i.e. the information in the CPS or CRP or both). The contractor should ignore data which DefCARS has auto-populated in the CIR which is not being provided on-demand.
- 9.10 Table 35 explains the elements of the CIR report which are requirements of the CPS and the CRP. Alternatively, if the contractor wishes to check the information required in the CPS or CRP, it can download the CPS, CRP and CNR elements of the CIR on the submission page of a CIR. Those data fields which are greyed-out in the downloaded report do not relate to the relevant report.



**Table 35: CRP, CPS and CNR fields within the CIR**

CIR Report Page	CRP	CPS	CNR (cannot be requested on-demand)
<ul style="list-style-type: none"> <li>Y = applicable to that report</li> <li>N = not applicable to that report</li> <li>Grey rows relate to pages not applicable to on-demand reports</li> </ul>			
Supplier	Y	Y	Y
Report Submission Admin	Y	Y	Y
Contract	Y	Y	Y
Reporting Plan	Y	N	N
Profit	N	Y	N
Pricing Method Breakdown	Y	Y	Y
DPS Inputs	Y	N	N
DPS Input Values	N	N	Y
Summary Analysis of Price	N	N	Y
Cost Recovery Rates	Y (partial) <ul style="list-style-type: none"> <li>Name of rate</li> <li>Recovery Base units</li> </ul>	Y (partial) <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>	Y (partial) <ul style="list-style-type: none"> <li>Name of rate</li> <li>Volume</li> </ul>
Cost Breakdown	N	Y	N
Assumptions	N	Y	N
Assumptions Inflation	N	Y	N
Assumptions Exchange Rates	N	Y	N
Sub Contracts	N	N	Y
Payments	N	N	Y
Key Deliverables	Y (partial) <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>	N	Y (partial) <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>
Milestones	N	N	Y
Reminder of Obligations	N	Y	N

- 9.11 When completing the CIR report, validation warnings or errors are likely to arise due to inconsistencies between the on-demand information and parts of the CIR that are not required to be provided on demand. The contractor should not attempt to action such validation warnings. Contractors should be aware that if their initial reports were submitted in the previous version of DefCARS and migrated into the new system, this may increase the likelihood of validation warnings or errors which will need to be addressed before submission.
- 9.12 If the MOD has required an on-demand ICR at the same time as an on-demand CRP or CPS, then the contractor should submit the on-demand CRP or CPS elements in the CIR report first before commencing the ICR. This will ensure that updated information in the initial reports, such as contract completion date and contract price, flow to the ICR through auto-population. There is no auto-population of the CCS as this is a free-form report.
- 9.13 To complete the 'date the report is due' field for an on-demand report (ICR or CCS), the contractor should select the 'On-demand report' option from the drop down menu. DefCARS will then provide a calendar selector from which the contractor should select the due date (please note that this new functionality is applicable to the ICR and CCS reports only).

#### **Contract Pricing Statement specific considerations**

- 9.14 When completing the on-demand CPS elements of a CIR, updating certain fields such as the total contract price in the Contract page of the CIR is likely to cause validation warnings. This is because the contract price will be inconsistent with that included as part of the CNR on the Summary Analysis of Price. The contractor should not attempt to action any validation warnings which relate to the CNR when they submit their report.

#### **Contract Reporting Plan specific considerations**

- 9.15 If the information in the CRP is being provided on-demand, the contractor should ensure that the Reporting Plan page of the report is updated to reflect any agreed or required reports:
- Any CRP or CPS on-demand report dates should be added to the on-demand reports section at the bottom of the Reporting Plan page.
  - Any on-demand ICR dates should be included in the ICR section of the Reporting Plan page as they are currently not included in the on-demand report section of this page.
  - QCR and CCR dates should only change if there is a new contract completion date. Changes to the contract completion date can be reflected on the Contract page. When a new contract completion date is reported, the Reporting Plan page will be updated automatically for any further ICRs (unless they are on-demand or by agreement reports) and QCRs and the new due dates for the CCR and CCS.
  - The due dates of any on-demand reports required by the Secretary of State should be consistent with the written direction issued by the MOD.

- 9.16 If the contractor is providing an on-demand report by agreement rather than pursuant to a written direction, a description of what it has agreed to provide should be reflected in the CRP. Contractors can use the comments functionality, or upload a document in DefCARS, to provide this explanation (for any on-demand report).

#### **How to submit an on-demand Interim Contract Report (ICR)**

- 9.17 This section assumes that the contractor is providing an ICR report which, prior to the on-demand written direction or agreement, was not anticipated in the contractor's CRP. When submitting an on-demand ICR, a contractor should start a new ICR submission.
- 9.18 The contractor may need to submit an ICR as a standalone on-demand report or as part of a set of such reports. If the contractor provides an on-demand ICR report at the same time as they are required to provide an on-demand CRP or CPS, the contractor should complete and submit the on-demand CRP and CPS before commencing the ICR submission (see paragraphs 9.5 – 9.17). This will allow much of the data that the contractor will need to provide in an on-demand ICR to be auto-populated from the CIR or the most-recent ICR, if one has been submitted. The contractor should complete the submission by reviewing and updating all fields within the report.
- 9.19 If the contractor wishes for the dates of on-demand reports to be included in the reporting calendar, but the MOD has not required an on-demand CRP, then the contractor would need to provide the information in an on-demand CRP via agreement (see paragraph 9.4). DefCARS provides the facility to add the due dates of any on-demand ICRs, not included in the original CRP which the contractor submitted, by selecting the 'On-Demand Report' option in the CIR and adding any additional on-demand reports and their due dates to the Reporting Plan. This action will be necessary if the contractor wishes DefCARS to reflect all the reports that are now due in the reporting calendar.

#### **How to submit an on-demand Contract Cost Statement (CCS)**

- 9.20 This section assumes that the contractor is providing a CCS report which, prior to the on-demand written direction or agreement, was not anticipated in the contractor's CRP. When submitting an on-demand CCS, a contractor should start a new CCS submission.
- 9.21 The contractor may need to submit a CCS as a standalone on-demand report or as part of a set of such reports. Chapter 8 of this document provides guidance on how to complete an on-demand CCS and the information it needs to contain.
- 9.22 If the contractor wishes for the dates of on-demand reports to be included in the reporting calendar, but the MOD has not required an on-demand CRP, then the contractor would need to provide the information in an on-demand CRP via agreement (see paragraph 9.4). DefCARS provides the facility to add the due dates of any on-demand CCSs, not included in the original CRP which the contractor submitted, by selecting the 'On-Demand Report' option in the CIR and adding any on-demand additional reports and their due dates to the Reporting Plan. This action will be necessary if the contractor wishes DefCARS to reflect all the all the reports that are now due in the reporting calendar.

# Appendix 1 – Overview of reporting requirements

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.

To determine when the period of a month, or months, expires, the corresponding day rule should be applied.<sup>9</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.

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.

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).

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>9</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 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
	Interim Contract Report (lower 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 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>



## 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	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: a. Unmanned Surface Vehicles (USVs) b. Unmanned Undersea Vehicles (UUVs)
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).
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).

Equipment type (DPS)	Definition
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 (13 December 2019) and the current version (24 June 2020).

Month	DefCARS improvements
January 2020	<ul style="list-style-type: none"> <li>• Bug fixes only</li> </ul>
February 2020	<ul style="list-style-type: none"> <li>• Including a link to the DefCARS Security Operating Procedures (SyOps) and Shared Service Security Policy (SSSP) on the home page</li> </ul>
March 2020	<ul style="list-style-type: none"> <li>• No update</li> </ul>
April 2020	<ul style="list-style-type: none"> <li>• Changes to align with the updated compliance methodology</li> <li>• Changes to improve on-demand reporting by asking users to identify the type of report they are submitting</li> <li>• Reflect updated pricing rates and guidance for 2020/21</li> </ul>
May 2020	<ul style="list-style-type: none"> <li>• Bug fixes only</li> </ul>
June 2020	<ul style="list-style-type: none"> <li>• Regulation 22 fields added to the Contract Costs Statement</li> <li>• Changes to 'Date this report is due' field</li> <li>• Changes to the 'Variance, events and circumstances' page</li> <li>• Editing 'Other' and 'Specialist Equipment' descriptions in the DPS</li> <li>• Warning for 'Other' cost recovery rates</li> <li>• Breadcrumb trail to improve report navigation</li> <li>• Currency drop down, Yes/No field and annual profile total for 'Payments' page</li> </ul>

# Appendix 4 – Reporting guidance updates

(between version 7 - 13 December 2019 and version 8 – 24 June 2020)

Chapter	Topic/Report	Change made
Chapter 4	CIR	<ul style="list-style-type: none"> <li>Amendments to paragraphs 4.36 and 4.37 on editing Specialist Equipment DPS descriptors and other DPS lines.</li> <li>Amendments to Table 18 (Payments) for new Yes/No field and to reflect new currency drop down list and new calculated totals for the annual profile of payments.</li> </ul>
Chapter 5	QCR	<ul style="list-style-type: none"> <li>New paragraphs 5.12 – 5.16 explaining a change to the 'date this report is due' field.</li> <li>Amendments to the guidance in Table 23 (rows 3, 4 and 9) to explain changes to the operation of the functionality relating to variance, events and circumstances.</li> </ul>
Chapter 6	ICR	<ul style="list-style-type: none"> <li>New paragraphs 6.12 – 6.16 explaining a change to the 'date this report is due' field.</li> <li>Amendments to the guidance in Table 27 (rows 3, 4 and 9) to explain changes to the operation of the functionality relating to variance, events and circumstances.</li> <li>Amendments to Table 28 (Payments) for new Yes/No field and to reflect new currency drop down list and new calculated totals for the annual profile of payments.</li> </ul>
Chapter 7	CCR	<ul style="list-style-type: none"> <li>New paragraphs 7.9 – 7.13 explaining a change to the 'date this report is due' field.</li> <li>New paragraph 7.15 to ensure consistency with Chapter 6 and 8.</li> <li>Minor amendment to paragraph 7.16 to ensure consistency with Chapter 8 changes.</li> <li>Amendments to the guidance in Table 32 (rows 3, 4 and 9) to explain changes to the operation of the functionality relating to variance, events and circumstances.</li> <li>Amendments to Table 33 (Payments) for new Yes/No field and to reflect new currency drop down list and new calculated totals for the annual profile of payments.</li> </ul>
Chapter 8	CCS	<ul style="list-style-type: none"> <li>New guidance to explain new Regulation 22 fields which have been added and minor amendments to the existing guidance relating to Regulation 29 amendments.</li> </ul>
Chapter 9	On-Demand Reports	<ul style="list-style-type: none"> <li>Amendment to paragraph 9.5 to explain drop down list relating to the type of on-demand report being submitted (CPR, CRP or both) and in paragraph 9.7 the pop-message has been amended.</li> <li>New guidance in paragraphs 9.13 relating to the 'date the report is due' field.</li> <li>Paragraph 9.22 amended to refer users to the new Chapter 8 guidance.</li> </ul>
Appendix 3	DefCARS release updates	<ul style="list-style-type: none"> <li>Appendix now only includes information on DefCARS updates between January 2020 and June 2020.</li> </ul>
Appendix 4	Guidance updates	<ul style="list-style-type: none"> <li>Appendix includes information about changes made in version 8 (published 24 June 2020).</li> </ul>

the study. The first author (SM) was the primary investigator and was responsible for the design, data collection, data analysis and writing of the manuscript. The second author (MM) was responsible for the design, data collection and data analysis. The third author (MM) was responsible for the design, data collection and data analysis. The fourth author (MM) was responsible for the design, data collection and data analysis.

## Methods

### Study design

The study was a descriptive study of the prevalence of the risk factors for the development of the disease.

### Study population

The study population consisted of 1000 patients who were admitted to the hospital during the study period.

### Study area

The study was conducted in the hospital during the study period.

### Data collection

Data were collected from the patients who were admitted to the hospital during the study period.

### Data analysis

Data were analysed using the statistical software package.

### Results

The results of the study are presented in the following table.

### Conclusion

The study concluded that the prevalence of the risk factors for the development of the disease is high.

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