

SSRO

Single Source
Regulations Office

Reporting guidance on preparation and submission of supplier reports

Version 7 - 13 December 2019

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1. Introduction

- 1.1 This document is issued by the Single Source Regulations Office (SSRO). It sets out guidance to assist defence contractors with preparing and submitting reports required under the Defence Reform Act 2014 (the Act) and the Single Source Contract Regulations 2014 (the Regulations). This particular guidance document, which contractors must have regard to, covers the preparation and submission of supplier reports whose requirements are set out in Part 6 of the Regulations. Supplier reports consist of overhead reports, the Strategic Industry Capacity Report and the Small and Medium Sized Enterprise (SME) Report.
- 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 supplier 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.¹ 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.

¹ 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 another² 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 There are some limitations on auto-population from migrated DefCARS 1 reports to future DefCARS reports.

2. Supplier reporting – General Information

- 2.1 Part 6 of the Regulations describes the supplier reports that are required. The supplier reports (overhead and other reports) are summarised in Exhibit 1. These reports, when required, provide detailed information about the supplier’s calculation of overheads, engagement with small or medium enterprises (SMEs) and industrial capacity.

Exhibit 1 – Supplier report overview

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

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

Designated person

- 2.3 The Act provides that a designated person must submit these reports if the on-going contract condition is met (see definition in paragraphs 2.8). A designated person will generally be a company rather than an individual. If the contractor under a QDC or QSC is associated with one or more other persons (as is the case, for example³, in a group of companies), then the designated person is the ultimate parent undertaking⁴. If the contractor is not part of a group, then the contractor will be the designated person. The contractor must determine when the on-going contract condition is met as the SSRO will not necessarily know this.

Threshold contract value

- 2.4 The requirement to submit supplier reports only arises if a contractor or someone in the contractor’s group is party to at least one QDC or QSC with a value at or above the prescribed threshold. The threshold is set at £50 million⁵.

³ Whether two people are “associated” turns on whether they are group undertakings in relation to each other within the meaning of section 1161 of the Companies Act 2006: Defence Reform Act 2014, section 43(3) and (4).

⁴ An undertaking is the ultimate parent undertaking in relation to two or more associated persons or to itself and one or more persons associated with it, if it is a parent undertaking of those other persons and is not itself a subsidiary undertaking, where “parent undertaking” and “subsidiary undertaking” have the meanings given by section 1162 of the Companies Act 2006: Defence Reform Act 2014, section 25(9).

⁵ For 2015/16 and 2016/17 the threshold value was £20 million.

- 2.5 It is not the total value of a contractor's or group's contracts that triggers the requirement for supplier reports, but rather the existence of at least one high value contract. A contractor or group may have numerous single source defence contracts which together exceed £50 million in value, but unless the contractor or group has at least one contract above the threshold the condition will not be met.
- 2.6 Contractors should maintain records of the individual contracts they hold and their value which will allow them to identify if the on-going contract condition has been met and the date on which it was first met. This includes monitoring whether the on-going contract condition continues to be met.
- 2.7 The Secretary of State may direct that a particular contract is not to be taken into account in determining whether the on-going contract condition is met in relation to a financial year.

On-going contract condition

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

Qualifying Business Unit (QBU)

- 2.9 Suppliers are required to provide reports on overheads in relation to each qualifying business unit (QBUs) or pricing QBU. Table 1 identifies which reports are provided for QBUs and which for pricing QBUs.

Table 1 – Reports for QBUs and pricing QBUs

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

- 2.10 In defining the concept of a QBU, the Regulations contemplate that overhead reports may be provided for a group of undertakings, for a single undertaking, or for a business unit within an undertaking.
- 2.11 A business unit⁶ is either:
- a) a unit which carries on activities for the purposes of an undertaking and for which separate financial accounting statements are produced; or
 - b) an undertaking or group of undertakings for which a single set of financial accounting statements is produced which is separate from the financial accounting statements of each of these undertakings.

⁶ Regulation 2(1)(a)

- 2.12 The Regulations do not define “financial accounting statements” and do not restrict the definition of business unit by reference to whether its financial accounting statements are produced pursuant to some legal requirement (such as, for example, the annual reports required for companies). A contractor may have segmented their company by business unit for the purposes of financial reporting and where this is the case there should be some consistency between the business units included in financial reports and the statutory reports which are submitted to the MOD and the SSRO.
- 2.13 The intention is that overhead reports should be provided at the unit level, only going to the undertaking level if no unit can be identified and only to the group level if no undertaking can be identified. The conditions for a unit, undertaking or group to be a QBU in a relevant period are summarised in Table 2. A period is relevant for the purpose of defining a QBU if it ends on a day falling within the relevant financial year. A relevant financial year is defined in paragraph 2.16.

Table 2 – QBU conditions

	Unit	Undertaking	Group
Basic requirement	N/A	No unit is a QBU in respect of the period by virtue of carrying on activities for the purposes of the undertaking	In respect of the period, no unit is a QBU by virtue of carrying on activities for the purposes of the undertaking and none of the group undertakings is a QBU
Relationship to the designated person (DP)	Carried out activities for the purposes of the DP or an associated undertaking	Undertaking is the DP or is associated with the DP	Each of the group undertakings either is the DP or is associated with the DP
Financial accounting statements (FASs)	Separate FASs produced for the unit for the period	FASs produced for the undertaking for the period	A single set of FASs are produced in respect of the group
Production	The unit, undertaking or group provides something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party.		
Value	The total value of what is provided for the QDC or QSC in the period is at least £10 million.		

Pricing and non-Pricing QBUs

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

Financial Year

- 2.15 A Financial Year is a year from 1 April to 31 March⁷ and may or may not be the same as a designated person's accounting period.

Relevant Financial Year

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

Relevant accounting period

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

Designated Person's Accounting Period

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

Due dates – overhead reports

- 2.19 The overhead reports have set deadlines. In general, individual overhead reports, with the exception of the Rates Comparison Report, are due:
- a) three months after the end of the relevant accounting period; or
 - b) three months after the date on which the ongoing contract condition was first met in relation to the financial year, whichever of (a) or (b) is later, or
 - c) if the designated person and the Secretary of State agree a date within three months after the end of the period described in (a), by that date.
- 2.20 For example, if the Relevant Accounting Period (RAP) is 1 April – 31 March (aligned with the Relevant Financial Year) and the on-going contract condition was first met on 31 December, the end of the RAP would be 31 March, which is the later of the two dates. In most cases the later date will be the end of the RAP rather than when the on-going contract condition was met. Table 3 sets out the relevant due dates.

⁷ Section 43(1) of the Defence Reform Act

Table 3 – Overhead report due dates

Report	Period	QBU	Due date
Actual rates claim report (ARCR)	Each relevant financial year	Each pricing QBU in that relevant financial year.	Either: Three months after either: the end of the relevant accounting period, or the date on which the on-going contract condition was first met in relation to the relevant financial year, whichever is the later; or
		Each QBU in that relevant financial year. In the case of a pricing QBU the report must be submitted with the ARCR for that pricing QBU.	
Estimated rates claim report (ERCR)	Each relevant financial year	Each pricing QBU that was a pricing QBU of the designated person in relation to the financial year immediately preceding the relevant financial year.	If the designated person and the Secretary of State agree a date which is within three months after the end of the period described in (a).
QBU estimated cost analysis report (QBUECAR)	Each relevant financial year	For each QBU that was a QBU of the designated person in relation to the financial year immediately preceding the relevant financial year. In the case of a pricing QBU the report must be submitted with the ERCR for that pricing QBU for that relevant financial year.	Either: Three months after either: the end of the relevant accounting period, or The date on which the on-going contract condition was first met in relation to the relevant financial year, whichever is the later; or by agreement with the Secretary of State, a date which is within three months after the end of the period described in (a).

Report	Period	QBU	Due date
Estimated rates agreement pricing statement (ERAPS)	Each relevant financial year	For each QBU that was a QBU of the designated person in relation to the financial year immediately preceding the relevant financial year. The report must be submitted with the ERCR for any one or more pricing QBUs for the relevant financial year.	The same as for the estimated rates claim report. The Secretary of State may by written notice require the designated person to provide a further ERAPS for any one or more pricing QBU for the relevant financial year. The designated person must provide an ERAPS within three months of receiving a written notice. The Secretary of State may only require one further ERAPS for any one pricing QBU in a relevant financial year.
Rates comparison report (RCR)	Any relevant financial year	Any one or more pricing QBU for that relevant financial year.	The Secretary of State can by written notice require the designated person to provide a RCR within two months after receiving the written notice. The Secretary of State may only require one RCR for any one QBU in a relevant financial year.

Due dates – other supplier reports

2.21 Regulation 45(2) sets out that the SME report is due within twelve months after either:

- a) the end of the designated person's accounting period; or
- b) the date on which the on-going contract condition was first met in relation to the relevant financial year,

whichever is later.

2.22 Regulation 40(1) sets out that a SICR report is due either:

- a) twelve months after either:
 - i. the end of the designated person's accounting period;
 - ii. the date on which the on-going contract condition was first met in relation to the relevant financial year,

whichever is later; or

- b) if the designated person and the Secretary of State agree a date which is within six months after the end of the period described in paragraph (a), by that date.

- 2.23 For example, if the Designated Person's Accounting Period is 1 April – 31 March (aligned with the Relevant Financial Year) and the on-going contract condition was first met on 31 December, the end of the Designated Person's Accounting Period would be the later date and the SICR and SME reports would be due 12 months later on 31 March the following year. In most cases the later date will be the end of the Designated Person's Accounting Period rather than when the on-going contract condition was met.

Submission of reports

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

Examples

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

Example 1

Scenario

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

Legislative considerations

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

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

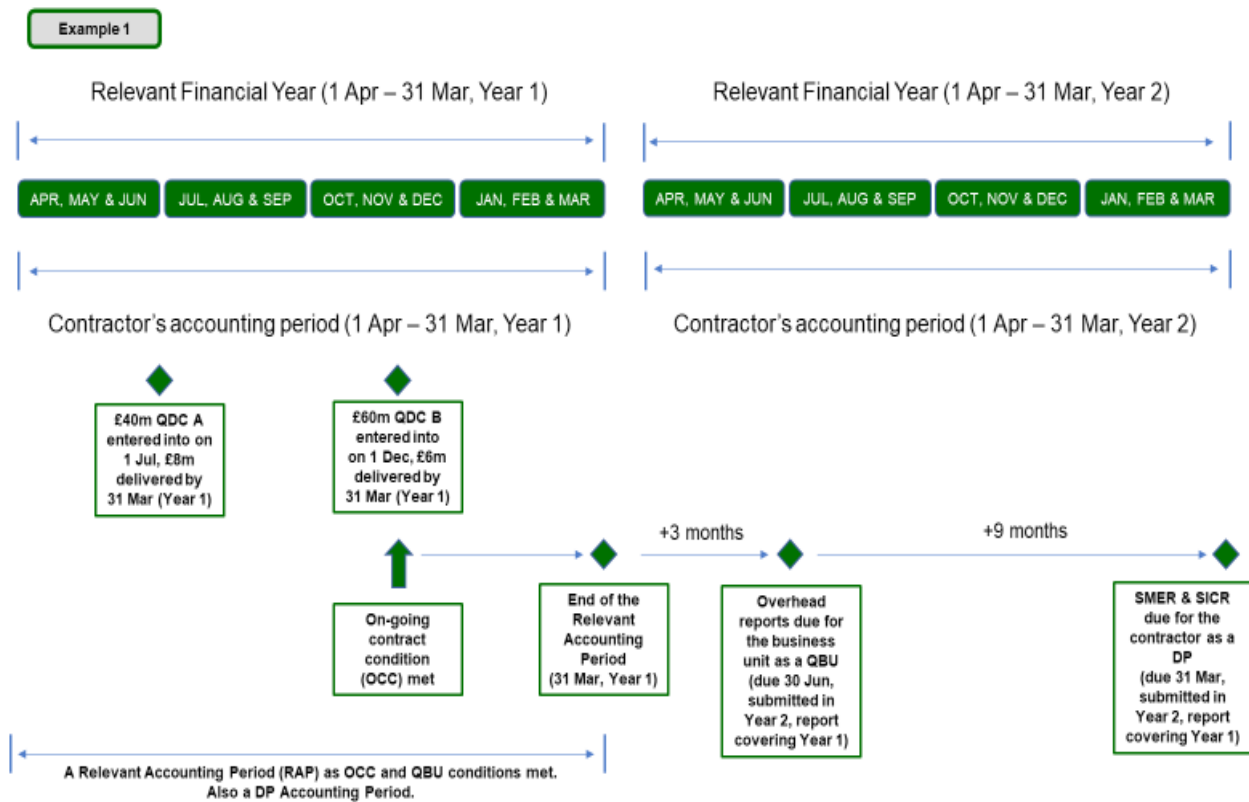
The business unit is a QBU for RAP Year 1 because:

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

Report due dates

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

Summary



Example 2

Scenario

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

Legislative considerations

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

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

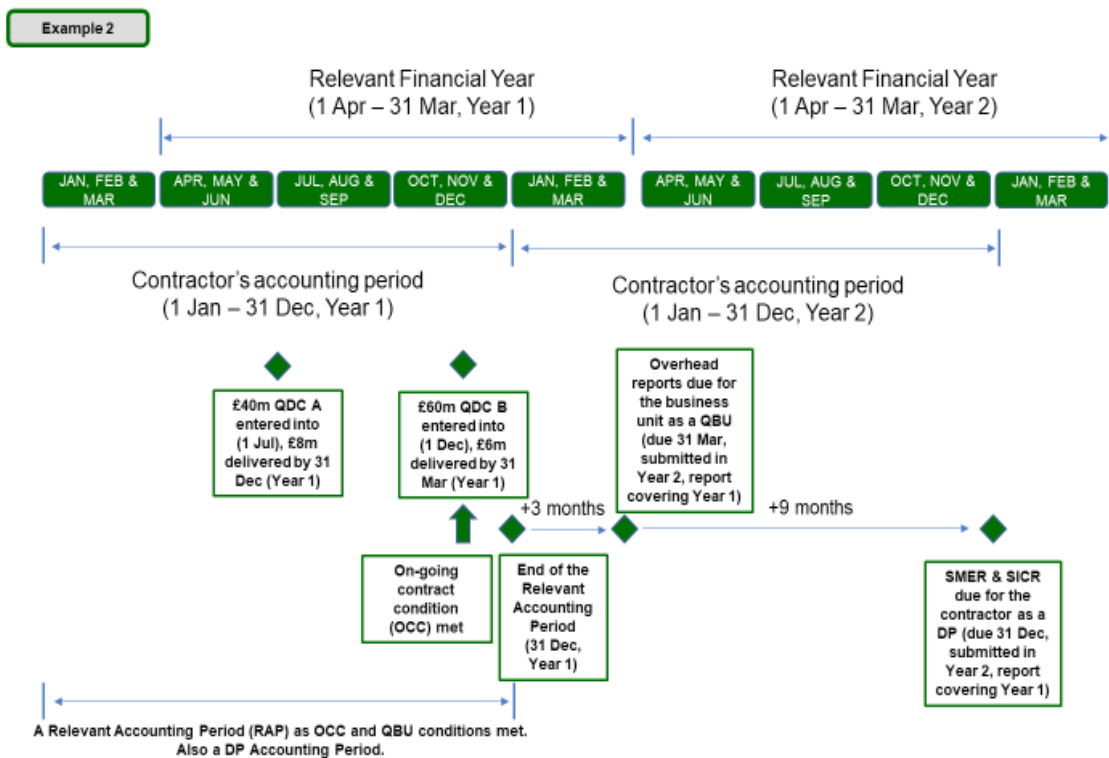
The business unit is a QBU for RAP Year 1 because:

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

Report due dates

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

Summary



Example 3

Scenario

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

Legislative considerations

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

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

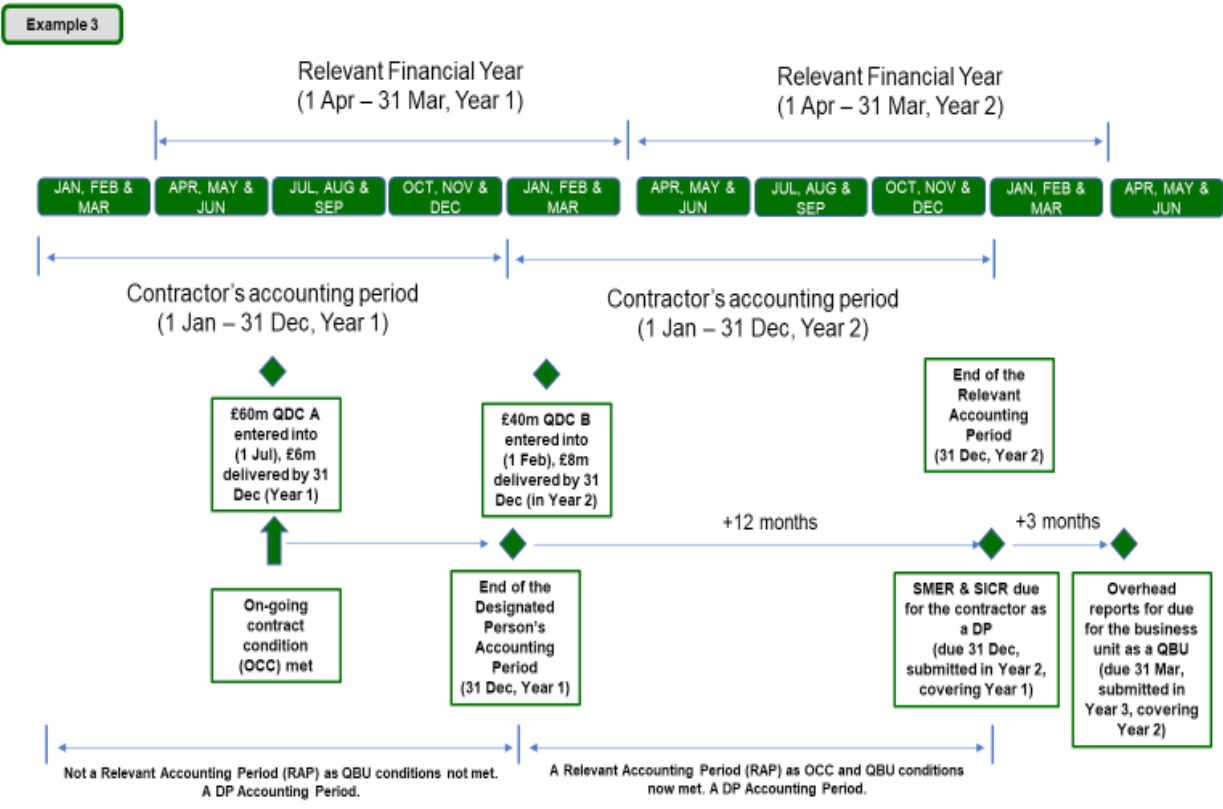
The business unit is not a QBU for the contractor's accounting period Year 1 because it has not provided goods, works or services with a value greater than £10 million. It is a QBU for RAP Year 2 because:

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

Report due dates

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

Summary



Example 4

Scenario

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

Legislative considerations

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

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

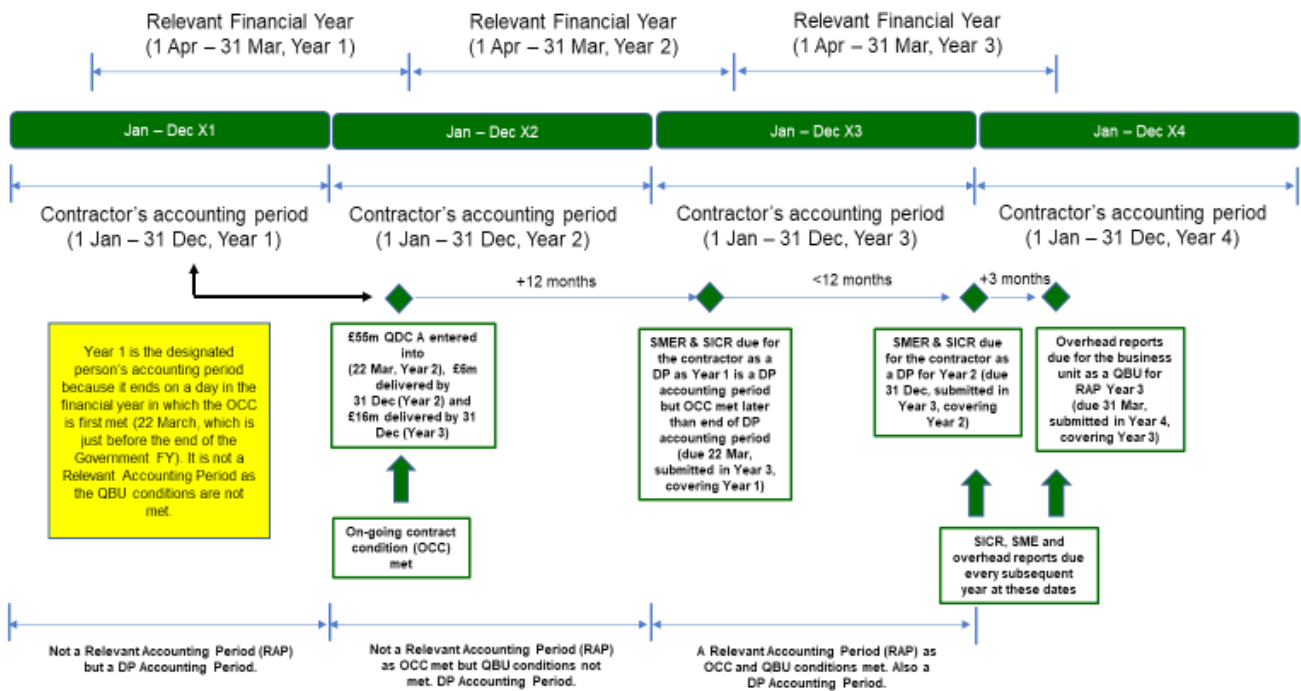
- it has carried out activities for the purposes of the DP or an associated undertaking;
- it has produced separate financial statements for the unit for the period;
- it has provided something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party;
- the total value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

Report due dates

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

Summary

Example 4



3. Supplier reporting – Actual Rates Claim Report (ARCR)

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

- 3.1 The purpose of the Actual Rates Claim Report (ARCR) is to provide the actual cost recovery rates and recovery bases used in a pricing QBU, and how these have been calculated. The designated person is required to submit an ARCR for each relevant financial year for each of its pricing QBUs.
- 3.2 The minimum value of a QDC for this report is:
- £20 million for the financial years ending 31 March 2016 and 31 March 2017; and
 - £50 million for subsequent financial years.
- 3.3 There is no pre-defined structure for this report and suppliers should provide information from their own systems and submit the report in electronic form to DefCARS. The report should include the following information:

Cost recovery rates and bases

- All cost recovery rates for the QBU for which a claim relating to the relevant accounting period has been or will be made.
- A list of all cost recovery bases used to calculate the cost recovery rates.

QBU financial accounting statements and supporting schedules

- The QBU's financial accounting statements and accounting schedules for the relevant accounting period.

Adjustment analysis

- Quantified analysis of the adjustments made between those financial accounting statements and costs claimed for recovery through cost recovery rates.
- Quantified analysis of any adjustments for costs incurred in the relevant accounting period that have been or will be included in a claim relating to a period other than the relevant accounting period.
- Quantified analysis of any adjustments for costs incurred in a period other than the relevant accounting period that have been or will be included in a claim relating to a period other than the relevant accounting period.
- Quantified analysis of QBU costs recovered as direct costs under any QDC, QSC or other defence contract.
- Quantified analysis of QBU costs allocated to each cost recovery base that has been included in the list of all the cost recovery bases that have been used to calculate the cost recovery rates described above.

Calculations

- Calculation of the amount of each cost recovery base.
- Calculation of each cost recovery rate, including for each the total cost claimed and the cost recovery base used to calculate it and the amount of each such cost recovery rate.
- Description of any deviation from the relevant guidance in respect of the cost recovery rates.

4. Supplier reporting – Estimated Rates Claim Report (ERCR)

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

- 4.1 There is no pre-defined structure for the Estimated Rates Claim Report (ERCR). The report should include the following information:

Cost recovery rates and bases

- All cost recovery rates for the QBU which have been calculated for that QBU and for which it is anticipated that a claim will be made during a future relevant accounting period.
- A list of all the cost recovery bases that have been used to calculate the cost recovery rates described above.
- Describe any deviation from the relevant statutory guidance in calculating those cost recovery rates.

QBU approved internal budget

- The QBU budgeted cost and budgeted volume data.

Adjustment analysis

- Quantified analysis of the adjustments made between the budget and costs claimed for recovery through cost recovery rates.
- Quantified analysis of any adjustments for costs incurred or forecast for one relevant accounting period but recovered in other relevant accounting periods.
- Quantified analysis of QBU costs estimated to be recovered as direct costs under any QDC, QSC, or other defence contract.
- Quantified analysis of QBU estimated costs allocated to each cost recovery base.

Calculations

- Calculation of the estimated amount of each cost recovery base.
- Calculation of each estimated cost recovery rate, including for each the total estimated cost claimed and the cost recovery base used to calculate it and the estimated amount of each such cost recovery rate.
- Description of any deviation from the relevant guidance in respect of the cost recovery rates.

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

Key message - Before completing the QBU Actual Cost Analysis Report for the first time, contractors should familiarise themselves with Regulation 35 and Regulation 37 for the QBU Estimated Cost Analysis Report.

- 5.1 In DefCARS the requirement to submit a QBU Actual Cost Analysis Report (QBUACAR) and a QBU Estimated Cost Analysis Report (QBUECAR) has been combined in terms of data entry into a single QBU Cost Analysis Report (QBUCAR). Regulation 35(2) states that in the case of a pricing QBU, the QBUACAR must be provided with the ARCR for that relevant financial year. The QBUECAR must be provided with the Estimated Rates Claim Report (ERCR).
- 5.2 The report submission data required is the same as in other reports. Business unit information should also be provided. This report is made up of a number of different elements but the first five are where most data entry is required and are captured in a similar format:
 - last year prior estimate;
 - last year actuals;
 - last year variance;
 - this year estimate; and
 - this year changes.
- 5.3 For those suppliers submitting estimates only (i.e. those who did not submit a QBUCAR the year before), please select the financial year preceding the financial year to which the estimates relate.
- 5.4 Functionality has been provided to allow contractors to copy and paste data from Excel into DefCARS. Contractors must use the latest QBUACAR reporting template (available on the SSRO website) in order to do this so that the data is in the correct format. Alternatively, contractors can enter data directly which might be more time consuming.
- 5.5 On clicking on the Paste data from Excel icon on the top left hand corner of the page, instructions will appear which will guide contractors through the pasting process. Yellow cells on this page required data entry whereas white cells will contain calculated values.
- 5.6 Appendix 5 of this guidance includes definitions of some of the terms used in this report.

Last Year Prior Estimate

- 5.7 If a QBUECAR was required for the QBU in relation to the financial year immediately preceding the relevant financial year, the report must contain the costs analysis information as estimated in the previous report. An explanation of any difference between the costs analysis information as estimated in the previous report and the costs analysis information in this report is also required.
- 5.8 The prior estimates (Table 4) can be added on the page titled Last Year Prior Estimate. All figures unless stated are in £'000.

Table 4 – Cost Analysis for QBUECAR and QBUACAR

Column	Guidance
Column 1 – Profit before Interest and Tax	<p>Information in this column should be completed first and should be taken directly from the financial statements of the QBU. Sales revenue (always enter as a negative figure), net movement in inventory and costs of direct materials are completed first before costs in the following areas which are each broken down into further sub-elements:</p> <ul style="list-style-type: none"> • people/payroll; • plant, machinery, equipment and other consumables; • premises; • selling and marketing; • general and administration; and • other. <p>An explanation of the costs included under each heading should be provided where it would aid understanding of how the reporting requirements have been met. The figure at the bottom should be the profit before interest and tax for the QBU.</p>
Column 2 - Adjustments	<p>The system will automatically remove revenue, inventory and non-labour direct costs and populate Column 3. The contractor should make any other adjustments which are required.</p>
Column 3 – Direct Labour and Indirect Production Cost	<p>Based on the data entered in Column 1 and 2, Column 3 is auto-populated. This results in the cost that need to be allocated in Columns 4 - 14 to provide a functional analysis of direct labour and indirect production cost.</p>

Column	Guidance
Columns 4 - 14	<p>The functional analysis must cover the following functions:</p> <ul style="list-style-type: none"> • production; • design; • engineering; • site services; • procurement; • sales; • finance; • human resources; • information technology; • legal/contractual; and • business unit 'HQ'/other. <p>It is likely that these are cost categories which the contractor uses for internal reporting. Explanation of what costs are included under these headings would be helpful.</p>
Column 15 - Total	This column populates as data is entered into Columns 4 – 14.
Column 16 – Check Difference	This column highlights any difference between the figures in Column 3 and 15.
Column 17 and 18 – Remove Disallowable Costs and Adjust for Net Timing Difference	Enter any adjustments required to remove disallowed costs (this must be a negative figure like -10,000) and include a positive or negative adjustment for net timing differences.
Column 19 – Allowable Costs to be recovered this year	The total Allowable Costs to be recovered in the financial year are populated based on any adjustments made in Column 17 and 18.
Column 20 – Remove Costs recovered directly	Remove any costs recovered directly from the business unit/contracts.
Column 21 – Recovered through rates	The total costs recovered through rates is auto-populated in the final column.
General Comments	Any relevant comments can be added at the bottom of this page.

Last Year Actuals

- 5.9 The total actual costs incurred by the QBU now need to be entered in the Last Year Actuals page. Information required is in the same format as in Table 4.

Last Year Variance

- 5.10 The system will automatically calculate any variance between the Last Year Estimates and the Last Year Actuals. The contractor should provide commentary to explain any material variances between actual and estimates.

This Year's Estimates

- 5.11 Estimates for the current financial year should be entered under the same format as in Table 4.

This Year Changes

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

Headcount

- 5.13 This page pulls through information from the relevant cost breakdown information already entered to identify staff, (in the Permanent Staff table on the left half of the page) and contractor costs. Table 5 explains the fields which feature carried forward information and where the data is taken from. (in the Consultants/ Contractors table on the right half of the page) The costs then have to be split using the yellow cells between those which are directly and indirectly recovered. The contractor will be asked to confirm the total number of employees and contractors. The split of recovery between direct and indirect costs should be presented as a percentage.
- 5.14 The contractor must input the estimates as well as actuals for the relevant accounting period. For employees the contractor should provide the annual total new joiners and leavers. Any variances between estimates and actuals should be explained.

Table 5 – Fields in the Headcount page where data is carried forward from previous pages

Field	Source Page	Source Fields	Calculation
Permanent Staff; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g. Production, Design)
Consultants/ Contractors; Actuals for Prior Year; Total staffing costs	Last Year Actuals	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g. Production, Design)
Consultants/ Contractors; Actuals for Prior Year; Total staffing costs	This Year Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g. Production, Design)
Consultants/ Contractors; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward
Permanent Staff; Actuals for Prior Year; Total staffing costs	Last Year Actuals	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward

Field	Source Page	Source Fields	Calculation
Permanent Staff; Actuals for Prior Year; Total staffing costs	This Year Estimate	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward
Permanent Staff; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g. Production, Design)

Activity Costs

5.15 The contractor should enter costs for the following activities:

- bids and contractors;
- research and development;
- training;
- IT infrastructure/large infrastructure projects;
- restructuring and reorganisation;
- special projects;
- cost saving initiatives; and
- any additional activities not listed above (by clicking on the green cross).

5.16 Contractors must include the following:

- estimated costs (£000s) and actual costs (£000s) for the preceding financial year and any explanation of variance; and
- estimated costs (£000s) for the relevant financial year (which will be compared to the actual costs for the preceding financial year) and any explanation of variance.

Revenue analysis

5.17 Contractors must provide a quantified analysis of the total actual revenue for the QBU (this is not applicable for a non-pricing QBU), presented in the following categories:

1. Revenue from any QDC or QSC of which:
 - 1a QDC revenue; and
 - 1b QSC revenue.
2. Revenue from any other defence contract. This can include:
 - 2a a Single Source MOD contract not under the new Regulations;
 - 2b a Single Source MOD contract under legacy regulations; and
 - 2c a competitive MOD contract.

3. Any other non-MOD revenue (this is drawn from previously entered data and is explained in Table 6).

Table 6 - Fields in the Revenue Analysis page where data is carried forward from previous pages

Field	Source Page	Source Fields	Calculation
Revenue Analysis; Totals/Prior Estimate +ve (£'000)	Last Year Prior Estimate	Revenue & Stock Changes; Sales Revenue	Inversion of value entered in Sales Revenue (i.e. negative value becomes positive)
Revenue Analysis; Totals/Prior Year; Actual +ve (£'000)	Last Year Actuals	Revenue & Stock Changes; Sales Revenue	Inversion of value entered in Sales Revenue (i.e. negative value becomes positive)
Revenue Analysis; Totals/Current Year; Estimate +ve (£'000)	This Year Estimate	Revenue & Stock Changes; Sales Revenue	Inversion of value entered in Sales Revenue (i.e. negative value becomes positive)

- 5.18 The totals for 1 and 2 above are used in the calculation of the total. Users should ensure that the figures entered against 1a and 1b total the figure entered in 1 and 2a, 2b and 2c total the figure entered in 2. All figures on this page should be positive.
- 5.19 Contractors must provide:
- the prior year estimate (£000s) and actual (£000s) for the preceding financial year and any explanation of variance; and
 - the estimate (£000s) for the relevant financial year (which will be compared to the actual costs for the preceding financial year) and any explanation of variance.

Recovery base

- 5.20 Contractors must provide estimated and actual values for all cost recovery bases that have been used to calculate the cost recovery rates which have been calculated for the QBU and for which a claim relating to the relevant accounting period has been or will be made. This is not applicable to a non-pricing QBU.
- 5.21 For primary and secondary recovery bases provide the following information included in Table 7.

Table 7 – Recovery base information

Data required	Guidance
Measure	The measure for the agreed recovery base.
Units	The units of the recovery base.
Prior Year	
Prior Estimate	Provide the prior estimate of the recovery base for the preceding financial year.
Actual	Provide the actual of the recovery base for the relevant financial year.
Variance	The variance between the prior estimate and actual value will be calculated.
As %	The variance will be displayed as a percentage.
Variance Comment	Include comments on the variance between estimated and actual recovery base.
Current Year	
Prior Year Actual	This value is carried forward from the prior estimate field above.
Estimate	Provide the estimate of the recovery base for the current financial year.
Planned Change	This value will be calculated.
As %	The change will be displayed as a percentage.
Change comments	Any comments about the change should be provided.

Agreed rates

- 5.22 Contractors must provide the estimated and actual values for the cost recovery rates by providing the following information included in Table 8. This is not applicable to a non-pricing QBU.

Table 8 – Agreed rates

Data required	Guidance
Rate Type	Please select either Labour, Labour and Overheads, Overheads, Other, Spare.
Rate Name/Description	Please provide a short name or description for the rate.
Prior Year	
Prior Estimate	Provide the prior estimate of the recovery rate for the preceding financial year.
Actual	Provide the actual of the recovery rate for the relevant financial year.
Variance	The variance between the prior estimate and actual value will be calculated.
% Variance	The variance will be displayed as a percentage.
Variance Commentary	Include comments on the variance between estimated and actual recovery base.
Current Year	
Last Year Actual	This value is carried forward from the prior estimate field above.
Estimate	Provide the estimate of the recovery rate for the current financial year.
Variance	This value will be calculated.
% Variance	The change will be displayed as a percentage.
Change Commentary	Any comments about the change should be provided.
Forward Trend	For each of the financial years displayed provide a rates estimate.

Future Initiatives

- 5.23 Future initiatives only apply in relation to the QBUECAR. Contractors should describe any future initiatives and identify any potential costs and benefits to the MOD in any other financial years covered in this report.
- 5.24 This information is not applicable for a non-pricing QBU.

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

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

- 6.1 The designated person is required to provide, for each relevant financial year, an Estimated Rates Agreement Pricing Statement (ERAPS) for each of its pricing QBUs that was a pricing QBU in relation to the financial year immediately preceding the relevant financial year. The information required in the ERAPS is summarised in Table 9.
- 6.2 The Secretary of State may give written notice to the designated person requiring a further ERAPS for a QBU for the relevant financial year, but may only require one further report for each QBU. The designated person is required to submit the further report within three months of receiving the written notice.
- 6.3 Against each of the following requirements the supplier must confirm if it is applicable to this claim (Yes/No). If Yes, then no justification is required. If No, the supplier must explain why the assumption is not relevant to the claim. Against each requirement, information can be provided that meets the requirement.

Table 9 – Information required in the ERAPS

Category	Required information
Cost recovery base (CRB)	A description of the facts and assumptions used in calculating each cost recovery base listed in the ERAPS.
Estimates	A statement as to whether the volume of each cost recovery base has been estimated in a manner consistent with equivalent estimates in previous years and, if not, a description of any changes.
Budget and quantified analysis	A description of the facts and assumptions used in setting the budget for the QBU, (approved in accordance with the QBU's internal budgetary procedures.)
	A description of the facts and assumptions used in making any adjustments made between the budget and costs claimed for recovery through cost recovery rates.
	A description of the facts and assumptions used in making any adjustments for costs incurred in or forecast for one relevant accounting period but recovered in other relevant accounting periods.
	A description of the facts and assumptions used in calculating the QBU costs estimated to be recovered as direct costs under any QDC, QSC, or other defence contract.
	A description of the facts and assumptions used in calculating the QBU estimated costs allocated to each cost recovery base.

Category	Required information
Indices and rates	A description of indices and rates used in calculating the estimated costs included in the ERCR, including for each its source (including that source's version or date) and an explanation of why its use was considered to be appropriate.
Staffing	<p data-bbox="633 392 1422 454">A description of all material assumptions regarding changes to costs relating to employment.</p> <p data-bbox="633 461 1437 557">A description of all material assumptions used to derive any estimated staff head count upon which estimated costs in the ERCR are based.</p>
Over-capacity	A description of all material assumptions used in calculating any costs relating to decreasing over-capacity that have been included in the cost recovery rates.
Novel or unusual costs	A description of all material assumptions regarding significant costs that have been included in the cost recovery rates and that are novel or unusual.

7. Supplier reporting – Rates Comparison Report (RCR)

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

- 7.1 The Secretary of State may give written notice to the designated person requiring a Rates Comparison Report (RCR) for one or more pricing QBUs for any relevant financial year. The RCR is only required if the Secretary of State demands it. The Secretary of State may only require one RCR for a QBU in a relevant financial year.
- 7.2 If a RCR is required, then it must provide a list of all QDCs and QSCs to which the designated person or an associated person is a party that:
- a) have a contract completion date after the first day of the relevant accounting period; and
 - b) have costs that have or will be calculated using a cost recovery rate that relates to the costs of the QBU.
- 7.3 A range of basic information is required to be provided in the RCR in relation to each listed QDC and QSC, namely:
- any unique identifying number allocated to the contract by the contractor;
 - any unique identifying number allocated to the contract by the MOD;
 - any title given to the contract;
 - the date the contract was entered into;
 - the regulated pricing method or methods used in determining the contract price; and
 - whether the contract is a QDC or QSC.
- 7.4 The RCR must state the cost recovery rates used in each listed QDC and QSC. It is required to also specify the actual value of each of the rates, as provided in the QBUACAR.
- 7.5 The RCR must specify the following for each cost recovery rate used in determining or re-determining the contract price of each listed QDC and QSC:
- the actual amount of the cost recovery base attributable to the contract;
 - the amount of the cost recovery base used in determining the contract price; and
 - the cost recovery rate used in determining the contract price.

8. Supplier reporting – SME Report (SME Report)

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

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

Policies

- 8.2 The supplier should describe the main policies and procedures their organisation operates for engaging with SMEs, specifically including but not limited to:

- any default payment and contracting terms the organisation would use when dealing with SMEs; and
- any special assistance the organisation provides to the SME sector such as banking or credit arrangements.

- 8.3 Individual rows can be added by clicking on the blue cross. The supplier can attach any policy documents to support their explanation. The supplier should state the name of the policy and attach the relevant description in a named attached file, confirming whether the file is attached (Yes, No or Non-Applicable).

Initiatives

- 8.4 The supplier should describe any initiatives their organisation is currently operating to develop SME involvement and/or create more opportunities for them to support the organisation to deliver MOD contracts. In particular, include description of anything the organisation is doing to encourage / support SME technical innovation relating to MOD work.

Key Financials

- 8.5 The supplier must:
- Input the total revenue which the designated person or any person associated with it received from defence contracts, in £ million to three decimal places.
 - Enter the amount of that total revenue (in £ million to three decimal places) which related to purchasing goods and services for the purpose of delivering those defence contracts from persons which are not associated with the designated person, including those in the first bullet.
 - Enter the amount of that total revenue (in £ million to three decimal places) which related to purchasing goods and services from SMEs for the purpose of delivering those defence contracts in the first bullet.

Indirects

- 8.6 The supplier must provide a description of the extent to which the goods, works or services provided by SMEs have contributed to the delivery of the contract. Include details on SMEs' contribution to the delivery through their participation further down the supply chain.

9. Supplier reporting – Strategic Industry Capacity Report (SICR)

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

- 9.1 The designated person is required to submit a Strategic Industry Capacity Report (SICR) for each relevant financial year. It is due:
- a) 12 months after the end of the time period for the designated person's financial accounting statements ending on any day within the relevant financial year, or
 - b) 12 months after the date on which the ongoing contract condition was first met in relation to the financial year, whichever of (a) or (b) is later, or
 - c) A date agreed by the Secretary of State within six months after the date in (a).
- 9.2 The SICR must relate to the designated person's accounting period. The SICR is concerned with forward planning and must include prescribed information related to the following:
- corporate structure;
 - activities people and infrastructure;
 - forecast costs of maintaining industrial capacity; and
 - capacity and supply chain.
- 9.3 SICRs can contain highly sensitive information, and therefore pose a specific risk, in particular as a collection. For this reason, SICRs are to be submitted via alternative means rather than via DefCARS. If you are due to submit this report, please contact the SSRO helpdesk by email at helpdesk@ssro.gov.uk or phone 0203 771 4785 for further instructions.

Appendix 1 – Overview of reporting requirements

The deadlines for submitting 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.⁸ 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.

Table 1 – Due dates for supplier reports

When?	Report	Due within	Guidance
Each financial year	Actual Rates Claim Report	three months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with the Secretary of State within three months of the relevant accounting period.	The submission date is either the same calendar day three months after the later of the end of the relevant accounting period and the date that the ongoing contract condition was first met, or the agreed date with the Secretary of State. For example, where the report falls due on 30 September, submission is due by 30 December. However, where the relevant subsequent month has fewer days such that there is no corresponding day, the submission date is the closest day to the expected corresponding date, rounded down. For example, where the reporting date is 30 November, report submission will be due on the last day of February in the following year.
Each financial year	QBU Actual Cost Analysis Report	three months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with the Secretary of State within three months of the relevant accounting period.	The submission date is based on the same requirements as per the Actual Rates Claim Report (see above for guidance).

⁸ Interpretation Act 1978, Schedule 1. See *Dodds v Walker* [1981] 2 All ER 609 at 610, per Lord Diplock

When?	Report	Due within	Guidance
Each financial year	Estimated Rates Claim Report	three months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with the Secretary of State within three months of the relevant accounting period.	The submission date is based on the same requirements as per the Actual Rates Claim Report (see above for guidance).
Each financial year	QBU Estimated Cost Analysis Report	three months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with the Secretary of State within three months of the relevant accounting period.	The submission date is based on the same requirements as per the Actual Rates Claim Report (see above for guidance).
Each financial year	Estimated Rates Agreement Pricing Statement	With the Estimated Rates Claim Report for that pricing QBU for the same relevant financial year; or If required by the Secretary of State, within three months of receiving notice.	The submission date is the same date as the submission date for the Estimated Rates Claim Report, which follows the same requirements as the Actual Rates Claim Report (see above for guidance).

When?	Report	Due within	Guidance
Each financial year	Strategic Industry Capacity Report	<p>12 months after the designated person's accounting period, or when the ongoing contract condition is first met, whichever is later; or</p> <p>An agreed date with the Secretary of State within six months of the relevant period above.</p>	<p>The submission date is either the same calendar day 12 months after the later of the end of the designated person's accounting period and the date that the ongoing contract condition was first met, or 18 months if it is the agreed date with the Secretary of State.</p> <p>For example, where the reporting date is 30 September, the report will be due by 30 September in the next year or 30 March (six months later) if the date is agreed with the Secretary of State. However, where the relevant subsequent month has fewer days such that there is no corresponding day (that is, if a contract was completed on the last day of February in a leap year), the submission date is the closest day to the expected corresponding date, rounded down.</p>
Each financial year	SME Report	<p>Within 12 months of accounting period, or when the ongoing contract condition is first met, whichever is later.</p>	<p>The submission date is the same calendar day 12 months after the later of the end of the designated person's accounting period or the date that the ongoing contract condition was first met.</p> <p>For example, where the reporting date is 30 September, the report will be due by 30 September the following year. However, where the relevant subsequent month has fewer days such that there is no corresponding day (this is, if a contract was completed on the last day of February in a leap year), the submission date is the closest day to the expected corresponding date, rounded down.</p>
Ad hoc	Rates Comparison Report	<p>Within two months of receiving notice from the Secretary of State.</p>	<p>The submission date is the same calendar day two months after receiving notice.</p> <p>For example, where the notice is received on 15 February, the report will be due by 15 April. However, where the relevant subsequent month has fewer days such that there is no corresponding day, the submission date is the closest day to the expected corresponding date, rounded down.</p> <p>For example, where the notice is received on 31 December, report submission will be due on the last day of February in the following year.</p>

Appendix 2 – Glossary of terms for QBU Cost Analysis Reports

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

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

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

Term	Definition
Financial income & expenses	For example these will include: interest, bank charges, export banking fees, commissions, liquidated damages, foreign exchange gains and losses, credit card charges, grants, royalty income, sundry income and derivative gains and losses.
Future initiatives	Summary of key initiatives that are expected to impact costs recoverable through rates in future periods.
Group charges	Group charges in, group charges out, management fees, services provided by other group companies.
Hire of plant / machinery	For example these will include: leasing, IT equipment, machinery, office machinery and other.
HR	For example these will include: <ul style="list-style-type: none"> • HR management; • compensations and benefits; • payroll; • training and professional education; • recruitment and selection costs; • employee relations; • employee health and services; and • health and safety.
Insurance	All insurance expense, for example: commercial property, public liability, product liability, professional indemnity, directors liability, motor, equipment, damage and insurance excesses.
Inventory losses	For example these will include: stock/inventory write-offs, provision movement, obsolescence, count differences and stock losses.
IT	For example these will include: <ul style="list-style-type: none"> • IT run and projects expenses (except capitalised costs); • IT management; • IT governance, process and tools; • IT project management; • IT architecture; • IT solution engineering; • IT operations/customer services; • IT helpdesk; • IT maintenance services; • IT security; • technical management of IT tools; • IT product lifecycle management; • e-capability; • information and knowledge management; and legacy management.

Term	Definition
IT licences, supplies & consumables	For example these will include: data processing, data processing supplies, rental, office/miscellaneous supplies, network, hardware, software, workstations, support contracts, server support, data centres and licences.
Legal / contractual	For example these will include: <ul style="list-style-type: none"> • legal management; • contract management; and commercial management.
Main payroll	Salaries and wages, basic pay, holiday pay, overtime, shift premiums, National Insurance, maternity pay, sick pay and other allowances, (e.g. standby, callout, overseas etc, company car cash equivalent).
Outsourced services	Services outsourced externally to the group.
Pensions	Employer contributions to pensions.
People & payroll - other	Additional people/payroll costs not included in the above categories for example share options, profit related pay, long service awards, rental of staff properties, staff relocation expenses, luncheon vouchers, canteen, social and welfare, sports club, private medical, recruitment costs, first aid, health and safety, healthcare, flexible benefits, study/tuition support, schooling, staff entertainment and cost of company.
Premises - other	Additional facility building and land costs not included in the above categories for example security, pest control and other environmental.
Procurement	For example these will include: <ul style="list-style-type: none"> • purchasing management; • purchasing process support; • supplier identification, tenders; • supply contract administration; and transport management.
Production	All costs associated with activities related to the production/ manufacture of the specified output (NB this excludes design and engineering costs – see above). <p>For example these will include:</p> <ul style="list-style-type: none"> • operations management; • production management; • goods inwards, inventory and stock management, packing, shipping; • receiving inspection, quality control; • methods and industrialisation; • production workshops; • manufacturing support to integration, installation and deployment; • factory integration and tests/trials; • environmental protection in connection with manufacturing; • assembly; • treatments; • inspection; • industrial capability; • manufacturing strategy; and quality management.

Term	Definition
Professional Fees (audit, legal, consulting, etc)	For example these will include: consulting and other professional services, subscriptions and memberships, licences, patents, copyright, staff recruitment expenses, audit and legal.
Purchase of minor tools / equipment	Expensed tools, special tools, tool material, tool rework, loose tools, jigs, tool spares.
Purchases of direct materials	Direct cost of raw materials, purchased parts, purchased assemblies/equipment, material/purchase variances, carriage/transport/freight inwards.
Qualifying business unit hq/ other	<p>For example these will include:</p> <ul style="list-style-type: none"> • general management; • strategy; • advisors; • internal audit; • internal communication; • external communication; • e-communication; • strategy; and secretarial.
Recovered through rates	For pricing QBUs this represents the total Allowable Costs that you expect (or have agreed with the Secretary of State) to recover through recovery rates. For non-pricing QBUs this represents the element of Allowable Costs that may be re-charged to other units and recovered, where appropriate, through the recovery rates of those units. This column is calculated automatically.
Redundancy costs	Redundancy and termination costs
Rent & rates	Rent of land and buildings charged by third party, rates, service charges, temporary office rental.
Repair & maintenance - equipment	Minor/major maintenance, equipment, repairs and calibrations, office machinery and other.
Repairs and maintenance – buildings/premises	Estates maintenance, estates services contracts, building maintenance, land improvement maintenance, ground and outside facilities, maintenance materials, roads, dilapidation costs, removals, building reorganisation and landscaping.

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

Term	Definition
Utilities	Electric (light, heat and power), water, gas, compressed air, plant fuel, power plant, air conditioning, sundry utilities and oil.
Vehicles	All vehicle expenses (excluding company cars provided as part of remuneration) including fuel, oil, licence fee and servicing.

Appendix 3 – DefCARS release features

The following table summarises the key system improvements between the last version of guidance published (15 May 2019) and the current version (13 December 2019).

Month	DefCARS improvements
June 2019	No update
July 2019	No update
August 2019	<ul style="list-style-type: none"> • Change so that 'Date contract became a QDC/QSC' field only set in initial CIR or corrections of that report • Selecting a 'Comment' or 'Supporting File' listed on 'Report Home' page navigates to the pop-up window on the relevant page which contains the information • The 'Notify Externally' button now has a warning message indicating what happens when it is selected
September 2019	No update
October 2019	No update
November 2019	No update
December 2019	<ul style="list-style-type: none"> • Administration Users able to view users with filter for suppressed and active users • Changes to and introduction of new validation messages • Additional fields added to the 'sub-contracts' page to reflect new reporting requirements in the 3rd Statutory Instrument • Sub-contract copy and paste functionality changes to reflect removal of limits on data • Change from 'contract value' to 'price contracting authority is committed to pay' • Adjustment of CSA field so that entries do not get overwritten • Contract creation notifications now sent to Administration Users • Ability for compliance users to edit comments

Appendix 4 – Reporting guidance updates

(between version 6 - 15 May 2019 and version 7 - 13 December 2019)

Chapter	Topic/Report	Change made
Chapter 1	Introduction	Minor changes as this guidance document now just covers supplier reports.
Chapter 4	ERCR	Minor change to reporting requirements following a change to the legislation.
Appendix 1	Overview of reporting requirements	Chapter only covers supplier reports.
Appendix 2	Glossary of terms for QBU Cost Analysis Reports	Retained from previous guidance.
Appendix 3	DefCARS release updates	Appendix now only includes information on DefCARS updates between May and December 2019.
Appendix 4	Guidance updates	Appendix includes information about changes made in version 7 (published 13 December 2019).

