

This annual bulletin presents key statistics relating to contracts that became qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs) between 1 April 2020 and 31 March 2021. This data is reported by defence contractors to the SSRO through contract reports, as required by Part 5 of the Single Source Contract Regulations 2014. Data is also presented since 1 April 2015, the start of the financial year in which contract reports were first submitted.

The SSRO was notified of 373 contracts that became QDCs/QSCs between 1 April 2015 and 31 March 2021. This analysis is based on 359 contracts that became QDCs/QSCs by 31 March 2021, and which the SSRO had received contract reports for by 30 April 2021, as contractors have one month after the date the contract becomes a QDC to submit reports.

The analysis is based on data taken from reports submitted by the contractors for each QDC/QSC as of 30 April 2021. The data may be updated or changed in subsequent reports and may not reflect values at contract completion. Where any figures have been revised from those previously published, this is denoted by an †. Totals are calculated on unrounded figures before being rounded for presentational purposes, therefore some totals may not sum due to rounding.

Data for both QDCs and QSCs are reported in these statistics. The total price of all QDCs/QSCs includes QSC prices counted both within the 'parent' QDC price and separately, to present data on the price of all contracts subject to the Single Source Contract Regulations. QDC and QSC prices are also reported separately in the 'Price and pricing method' section.

The bulletin contains statistics under the following sections:

- **Number, duration and SME involvement**
- **Price and pricing methods**
- **Profit**
- **Sub-contracts**
- **Outturn price in completed contracts**

Summary

In the financial year between 1 April 2020 and 31 March 2021:

- 65 contracts became QDCs/QSCs (59 QDCs, and 6 QSCs).
- The total estimated price of these QDCs/QSCs was £4.7 billion (£4.4 billion of QDCs and £0.3 billion of QSCs).
- The mean estimated contract profit rate was 9.56 per cent, an increase of 0.47 percentage points from 2019/20.

Between 1 April 2015 and 31 March 2021:

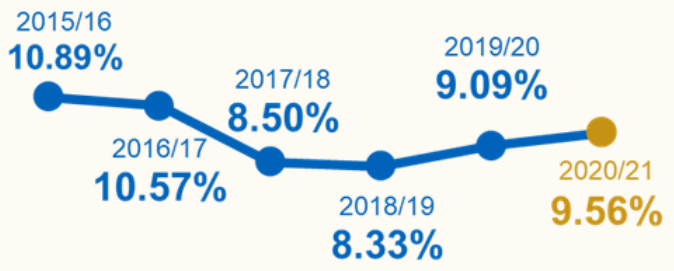
- 359 contracts became QDCs/QSCs (309 QDCs and 50 QSCs).
- The total estimated contract price of these QDCs/QSCs was £51.0 billion (£48.7 billion of QDCs, £2.4 billion of QSCs).
- The mean estimated contract profit rate for these QDCs/QSCs was 9.41 per cent.
- Of the 359 contracts that became QDCs/QSCs in this period, 35 contracts have now completed. These 35 contracts represent 2 per cent of the total estimated contract price of all QDCs/QSCs (£981 million).

Numbers of QDCs/QSCs



359 QDCs/QSCs in total

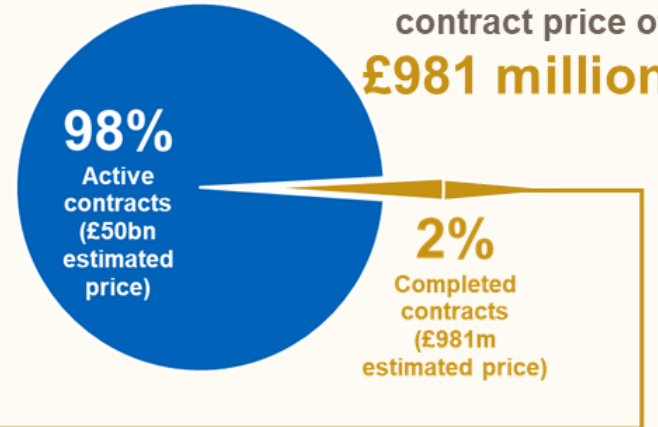
% Average estimated profit rates



✓ Completed contracts

35 completed contracts

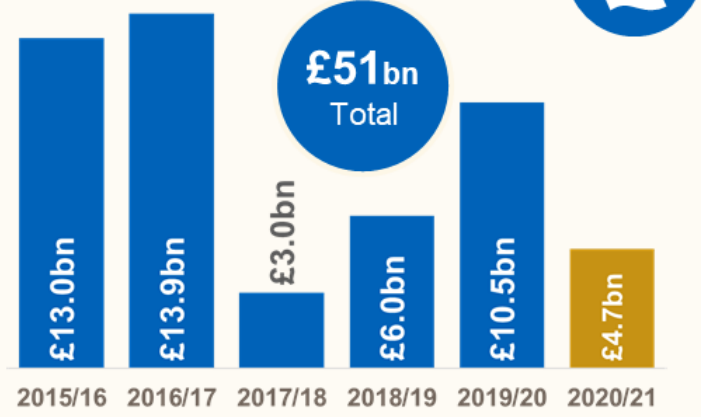
...with a total estimated contract price of **£981 million**



£9m reduction in contract price

Variance between estimates at latest time of agreement and outturn actual and forecast from contract completion report

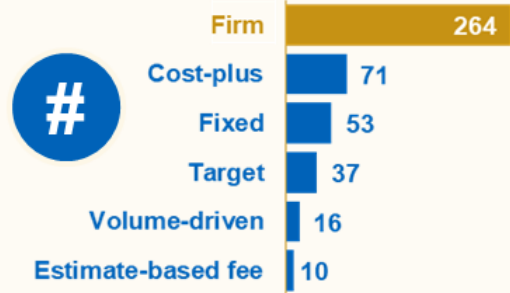
£ Estimated price of QDCs/QSCs



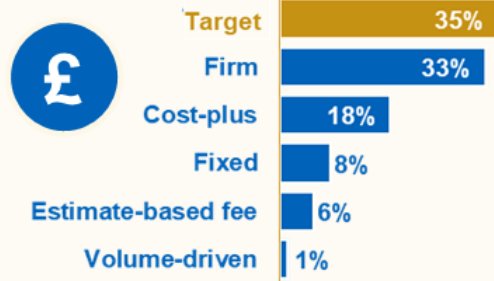
Pricing methods

Across all QDCs/QSCs

Number of contracts using pricing method in a proportion of contract



Proportion of estimated contract price



Sub-contracts



£10 billion (20%) of total estimated contract price attributable to sub-contracts

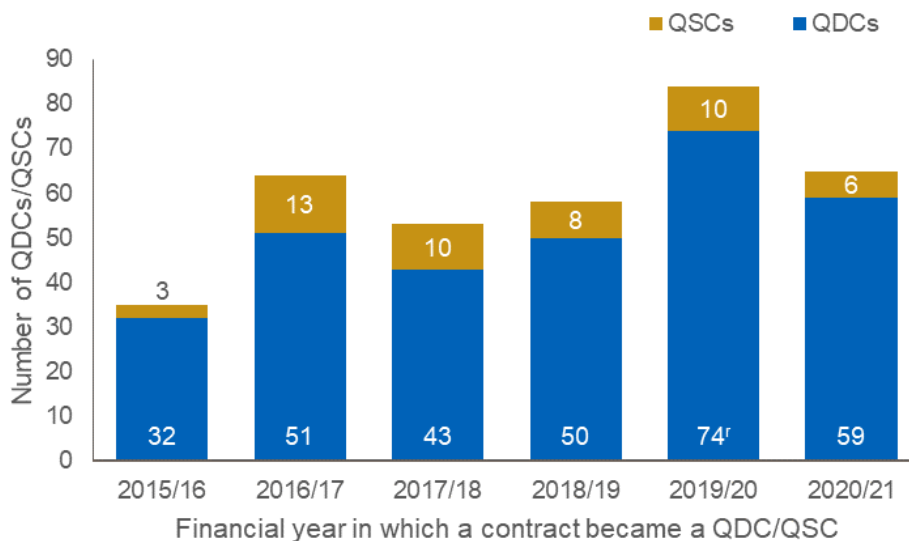
663 sub-contracts over £1 million

Number, duration and SME involvement

Number and average duration of QDCs/QSCs and the number of QDCs/QSCs contracted to SMEs.

- In 2020/21, the SSRO received initial contract reports for 65 QDCs/QSCs (59 QDCs and 6 QSCs).
- Since 1 April 2015, the SSRO had received reports for 359 QDCs/QSCs (309 QDCs and 50 QSCs).
- Of these 359 QDCs/QSCs, 35 QDCs/QSCs have since completed.
- 24 of these 359 QDCs/QSCs were with contracting companies that identified as a small or medium enterprise (SME).
- The average (mean) estimated contract duration was 4.4 years across all QDCs/QSCs.

Figure 1: Number of QDCs/QSCs by financial year in which contract became QDC/QSC



As of 30 April 2021, the SSRO had received reports for a total of 359 QDCs/QSCs (309 QDCs and 50 QSCs), as can be seen in Figure 1. There were 65 QDCs/QSCs in 2020/21, compared to 84 QDCs/QSCs in 2019/20. These 359 contracts were awarded to 141 different contracting companies.

Figure 2 below shows the number of contracts which became QDCs/QSCs in each year, and of these how many have completed or are still active. For the purposes of these statistics, a completed contract is defined as a contract with a submitted Contract Completion Report (CCR), which is due six months after contract completion. If the CCR has not been submitted, then a contract is defined as 'active'. Please refer to the Methodology section for further details on how completed contracts are defined. Since the start of 2015/16, 35 of 359 QDCs/QSCs have completed.

The number of completed contracts provides an indication of how 'final' the data reported for each year is. The majority of QDCs/QSCs are still active, and so may provide further contract update reports with revised data which will be reflected in subsequent bulletins.

Figure 2: Stock of active and completed QDCs/QSCs, by financial year in which the contract became a QDC/QSC

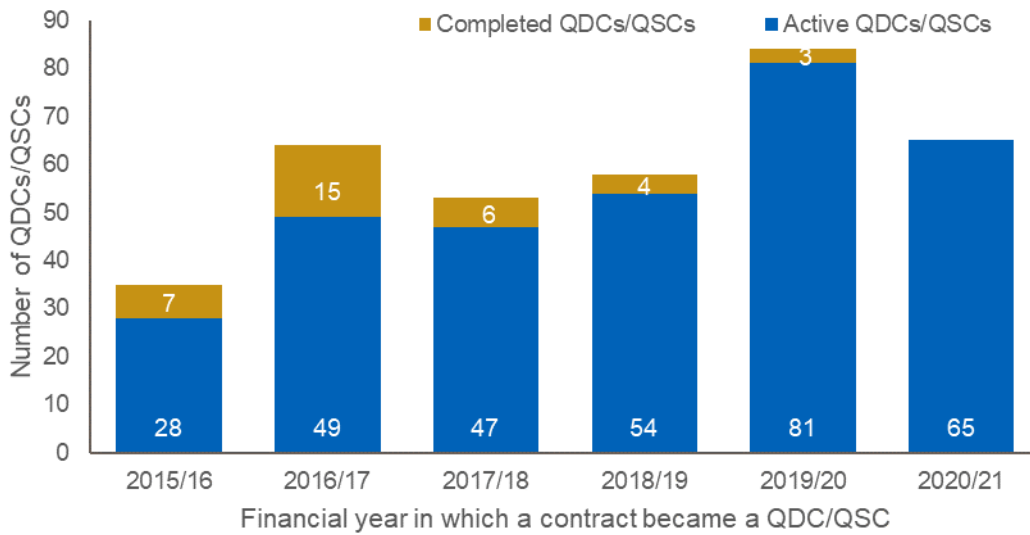
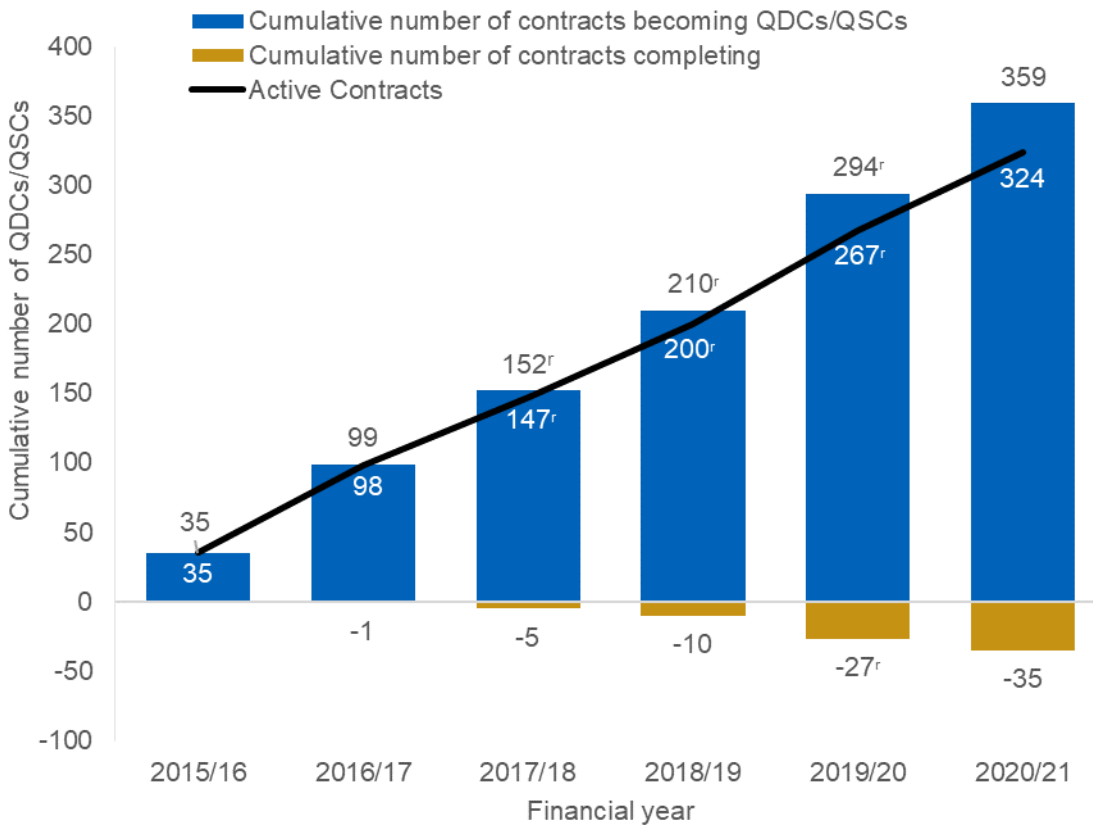


Figure 3 shows the cumulative flow of contracts becoming QDCs/QSCs, and those completing in each year, with active contracts shown as the net of these. It helps with understanding the number of active contracts subject to the regime. Currently, of the 359 contracts which became QDCs/QSCs, 324 are still considered active.

Figure 3: Cumulative flow of contracts which became QDCs/ QSCs and completed and stock of active contracts



Duration

The duration data presented in this section is based on estimated contract duration at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment) and does not necessarily represent the actual duration once the contract is complete. The estimated contract duration presented is the time between the date the contract became a QDC/QSC, and the expected, or actual where available, contract completion date.

The average (mean) estimated duration of the 65 contracts which became QDCs/QSCs in 2020/21 was 3.9 years (see Table 1). The average estimated duration across all QDCs/QSCs was 4.4 years. Table 1 also shows the average duration by year as reported in previous statistical bulletins. These are as reported in the relevant previous annual bulletins, and so have not been updated for any corrections or any late submissions made within subsequent years. The average duration of contracts that became QDCs/QSCs in earlier financial years has been increasing, reflecting the fact that contracts can be amended, extended or reports corrected. For example, 2015/16 QDCs/QSCs were reporting an average duration of 4.4 years in 2016/17, but are now reporting an average of 5.2 years.

Table 1: Average (mean) estimated contract duration¹ of QDCs/QSCs by financial year in which contract became a QDC/QSC, and average duration from previous bulletins

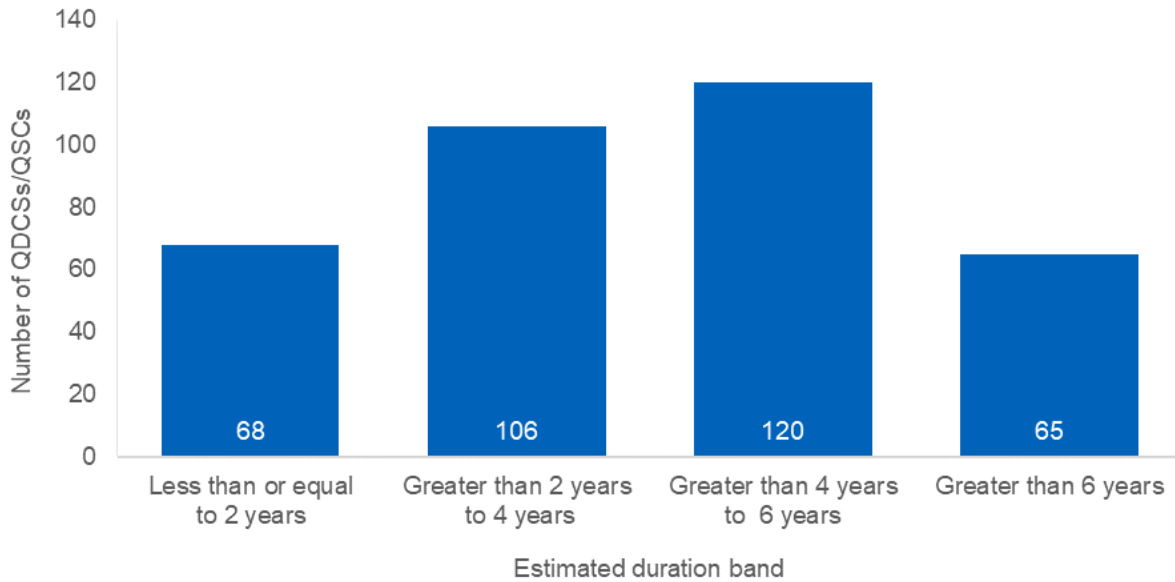
Financial year in which contract became a QDC/QSC	Average duration (years) from 2016/17 bulletin	Average duration (years) from 2017/18 bulletin	Average duration (years) from 2018/19 bulletin	Average duration (years) from 2019/20 bulletin	Average duration (years)
2015/16	4.4	4.7	4.7	5.0	5.2 ^r
2016/17	4.5	4.5	4.7	5.0	5.2 ^r
2017/18		3.8	3.9	4.1	4.5 ^r
2018/19			4.3	4.5	4.6
2019/20				3.9	3.8
2020/21					3.9
Overall	4.4	4.3	4.4	4.4	4.4

Note: The 'r' in this table represents a revision from the Q3 2020/21 statistics bulletin, rather than the 2019/20 bulletin shown alongside.

Figure 4 shows the estimated duration of all 359 QDCs/QSCs, with 226 contracts having a duration of more than two years to six years. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC. As contracts mature they can be amended and extended, so the estimated duration of older contracts tends to be longer than for newer contracts. For example, 80 per cent of contracts which became QDCs/QSCs in 2015/16 are estimated to be completed in more than four years, compared with 46 per cent for 2020/21 QDCs/QSCs. The estimated duration of a contract can continue to change throughout the contract's life; the actual duration will be reported when the contract is complete.

¹ The estimated contract duration presented is the time between the date the contract became a QDC/QSC, and the expected, or actual where available, contract completion date.

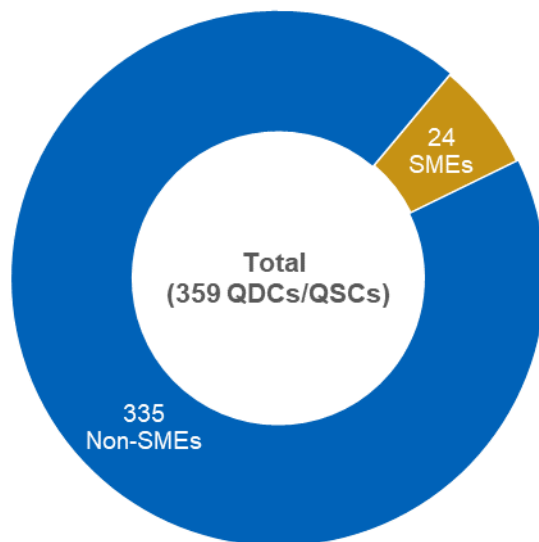
Figure 4: Number of QDCs/QSCs by estimated duration for all QDCs/QSCs



Small and Medium Enterprises (SMEs)

Figure 5 below shows 7 per cent (24 QDCs/QSCs) of all the 359 QDCs/QSCs were contracted with small or medium enterprises (SMEs), as reported by contractors. Of these 24 QDCs/QSCs, 21 were QDCs, and 3 QSCs. For contracts that became QDCs/QSCs in 2020/21, 9 per cent were with an SME. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC. Figure 17 in the Sub-contracts section also explores the use of SMEs within the supply chain.

Figure 5: Number of QDCs/QSCs that are contracted to SMEs, for all QDCs/QSCs



Price and pricing methods

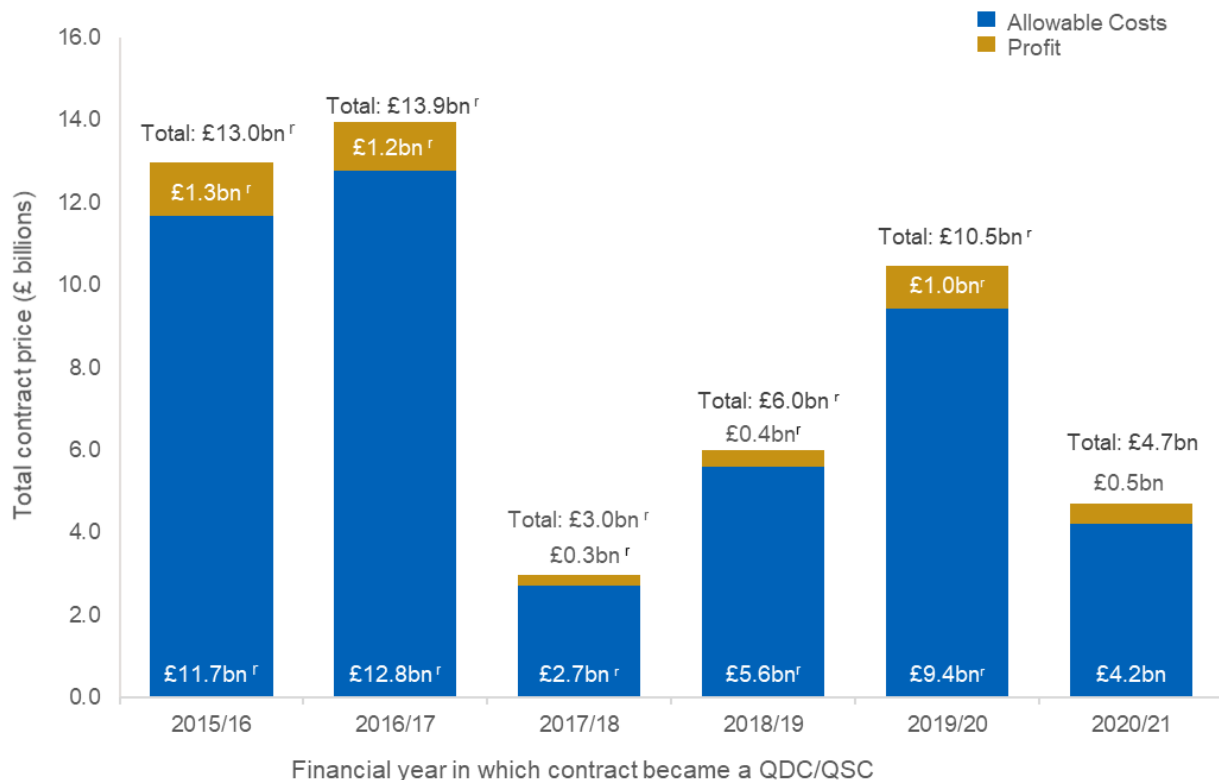
Total estimated contract price of QDCs/QSCs, split by Allowable Costs and profit, and the contract pricing methods employed.

Summary

- The total estimated price of contracts which became QDCs/QSCs in 2020/21 was £4.7 billion (£4.2 billion of Allowable Costs, £0.5 billion of profit). Within this, QDCs had an estimated price of £4.4 billion, and QSCs £0.3 billion.
- Since 1 April 2015, the total estimated price of all QDCs/QSCs was £51.0 billion (£46.4 billion of Allowable Costs, and £4.6 billion of profit). Within this, QDCs had an estimated price of £48.7 billion and QSCs £2.4 billion.
- Across all years, the majority (75 per cent) of the 351 QDCs/QSCs that submitted pricing method data used firm pricing as the regulated pricing method in a proportion of the contract. In terms of the contract price associated with each pricing method, target pricing was the method with the highest value associated with it, with 35 per cent of contract price attributed to this pricing method, closely followed by firm pricing at 33 per cent.

The data presented in this section is based on the estimated contract price at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment) and does not necessarily represent the price once the contract is complete.

Figure 6: Estimated stock of total contract price of QDCs/QSCs by financial year in which contract became a QDC/QSC², split by estimated cost and profit

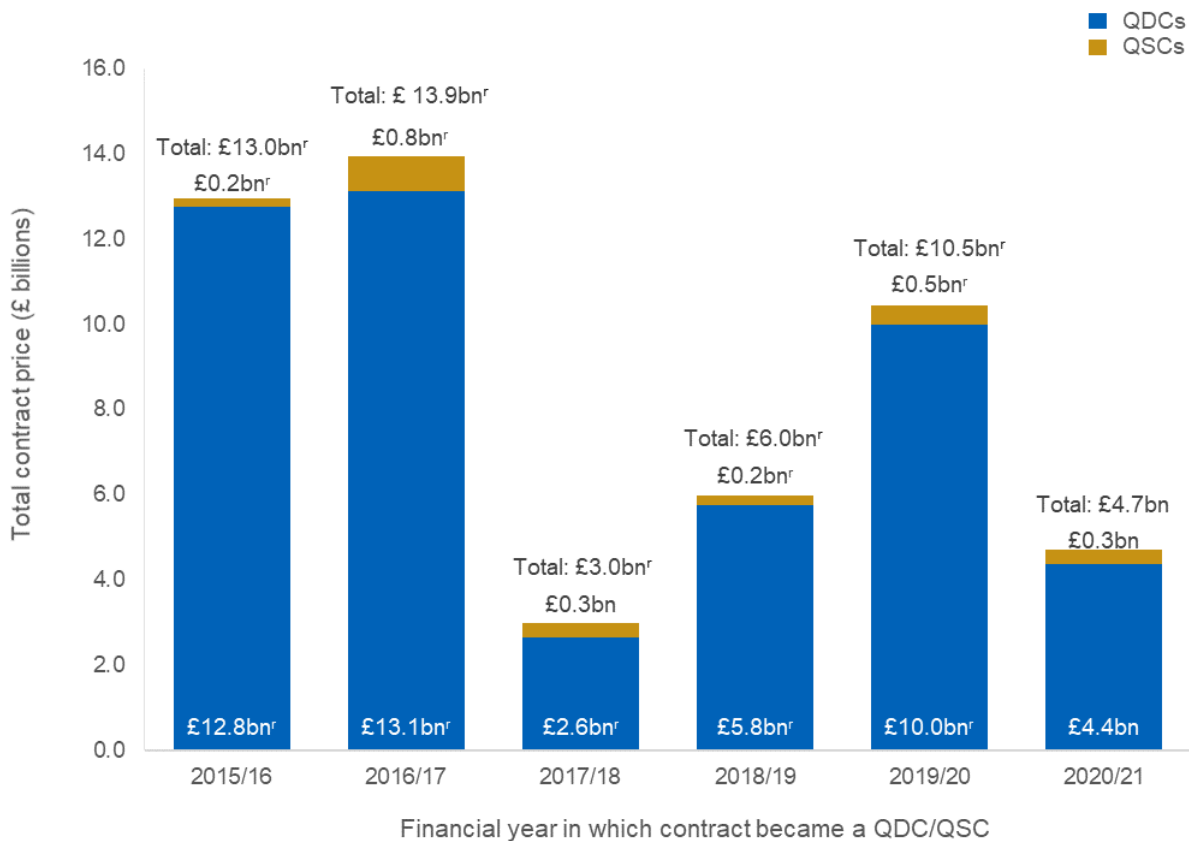


² Note: Calculating the percentage of profit on total Allowable Costs using the above figures represents the cost weighted average profit rate. Therefore, this will differ from the average estimated profit rate reported in Figures 13 and 14.

Figure 6 shows the stock of the total estimated contract price by financial year in which a contract became a QDC/QSC, split by Allowable Costs and profit. The total estimated contract price for contracts that became QDCs/QSCs in 2020/21 was lower than in the previous year, at £4.7 billion in 2020/21 compared to £10.5 billion in 2019/20. Differences in the annual total estimated contract price are influenced by the number and price of contracts which became QDCs/QSCs each year, and a small number of high value contracts can have a substantial effect on the total. Please note that the total estimated contract price may sometimes include costs incurred before a contract became a QDC/QSC ('sunk costs').

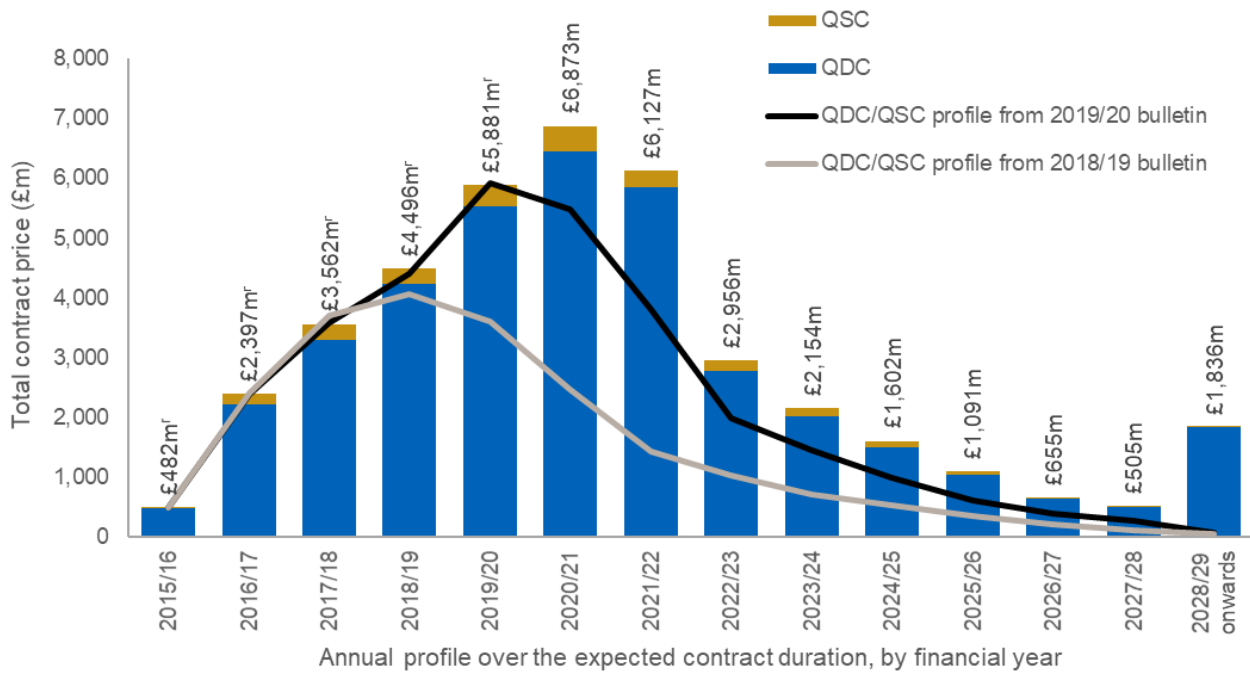
The total price of all QDCs/QSCs includes QSC prices counted both within the 'parent' QDC price and separately, to present data on the price of all contracts subject to the Single Source Contract Regulations. Figure 7 shows the stock of the total estimated contract price by financial year in which a contract became a QDC/QSC, split by contract type (whether the contract is a QDC or a QSC).

Figure 7: Estimated stock of total contract price of QDCs/QSCs by financial year in which contract became a QDC/QSC, split by contract type



Across all QDCs/QSCs in all financial years, the majority (£48.7 billion; 95 per cent) of the total estimated contract price is associated with QDCs, with approximately five per cent (£2.4 billion) of the estimated contract price from QSCs.

Figure 8: Flow of the estimated total contract price of all QDCs/QSCs, annual profile over the expected contract duration (excluding unprofiled amounts), by financial year



Note: Financial years from 2028/29 onwards have been combined due to low numbers of QDCs/QSCs reporting in these years. In some cases, the total estimated contract price broken down by annual profile did not equal the total contract price reported elsewhere in the contract reports. The 'profile from [year] bulletin' series is as reported in the relevant previous annual bulletin, and so has not been updated for any corrections or any late submissions made within the last year.

Figure 8 shows the annual flow of estimated total contract price for 349 QDCs/QSCs who had provided annual price data, over the expected contract duration (10 contracts did not provide annual profile data). As per the profiles from the previous bulletins, there was a peak in the total estimated price in the current year, as this is the latest year in which new contracts have entered the regime and many QDCs/QSCs from previous years are still ongoing (the average duration of QDCs/QSCs in these years is approximately four years or longer). The annual total estimated price begins to decrease in future financial years, as contracts are expected to complete. Only 65 of the total 359 QDCs/QSCs have an estimated duration of over six years, which may explain the lower total estimated prices expected in later years. As new contracts become QDCs/QSCs, the values in future financial years are expected to increase, as evidenced by the profiles from the previous two bulletins. The figure includes reported pricing data profiled for 2015/16 onwards, but contractors may not profile the price, may only profile some of the price, or may not profile it in the standard fields of the contract reports used in this analysis, for example where there are sunk costs. The data in Figure 8 above accounts for £40.6 billion of the £51.0 billion total estimated contract price reported to date across all financial years.

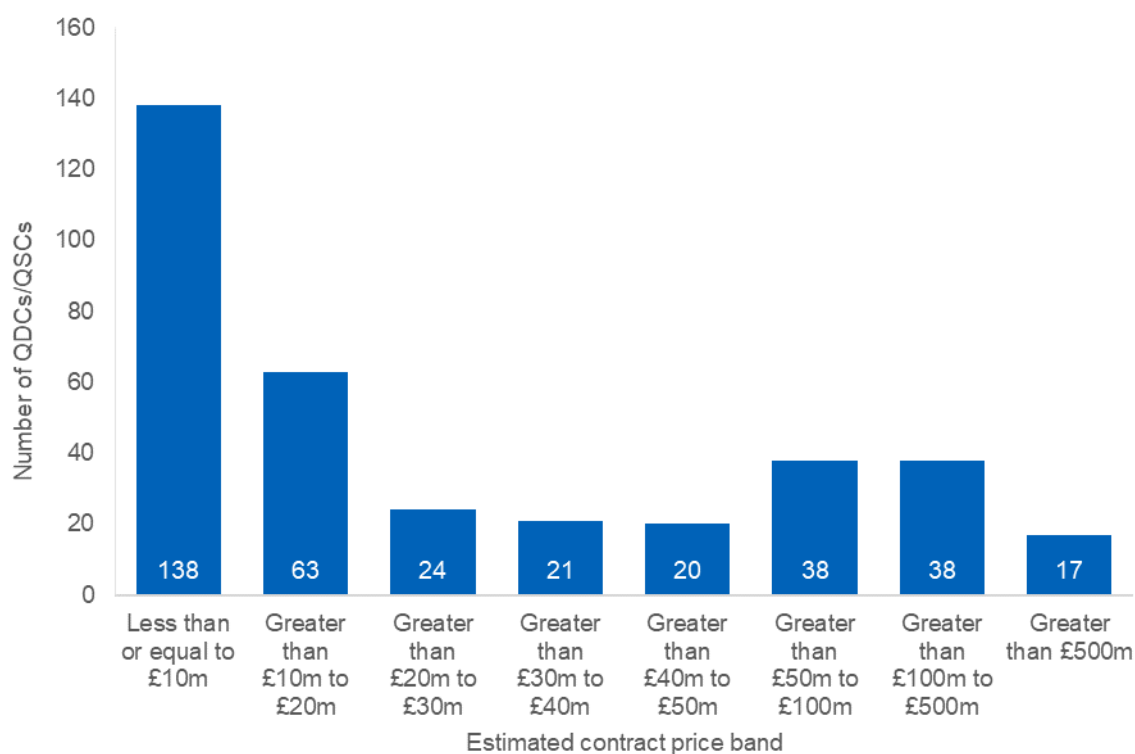
Figure 9: Number of QDCs/QSCs by estimated contract price for all QDCs/QSCs

Figure 9 shows the number of QDCs/QSCs by price band for all QDCs/QSCs. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC. For all QDCs/QSCs, the lower price bands of 'less than or equal to £10m' and 'greater than £10m to £20m' were the two most common price bands.

Regulated pricing methods

The Single Source Contract Regulations 2014 (Regulation 10) specify six regulated pricing methods that can be used to determine the price payable for a QSC/QSC. The method used to price a QDC/QSC can influence the final price and profit payable, and the incentive to control costs. The six pricing methods are as follows:

- Firm pricing;
- Fixed pricing;
- Cost-plus pricing;
- Estimate-based fee pricing;
- Volume-driven pricing; and
- Target pricing.

Regulation 10 of the **Single Source Contract Regulations 2014** introduces the six regulated pricing methods and describes how they operate for the purposes of the price formula.

Figure 10 shows how many QDCs/QSCs used one, two or three or more pricing methods in the pricing of their contract. Out of the 351 QDCs/QSCs where pricing method data was provided, the majority (266 QDCs/QSCs; 76 per cent) reported using one regulated pricing method in the pricing of the contract, whilst 74 QDCs/QSCs used two pricing methods (21 per cent) and 11 QDCs/QSCs used three or more pricing methods (3 per cent). Eight contracts did not provide any pricing method data, and so have been excluded from analysis in this section.

Figure 10: Number of QDCs/QSCs that have used 1, 2 and 3 or more pricing methods used in a proportion of the contract

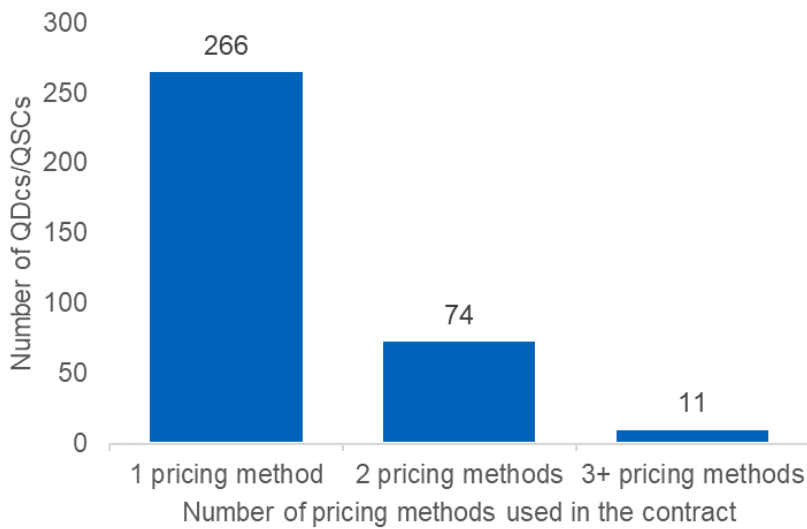


Figure 11 presents the number of QDCs/QSCs that used each of the six pricing methods in a proportion of the contract. The single most reported pricing method across all QDCs/QSCs was firm pricing, with 264 out of 351 QDCs/QSCs (75 per cent) using this pricing method within the contract (sometimes in combination with other pricing methods). Firm pricing has been the most utilised method each year since 2015/16. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC, and for further detail on the top 10 combinations of pricing methods used (Figure 11a in the databook).

Figure 11: Number of QDCs/QSCs that use each pricing method in a proportion of the contract, for all QDCs/QSCs

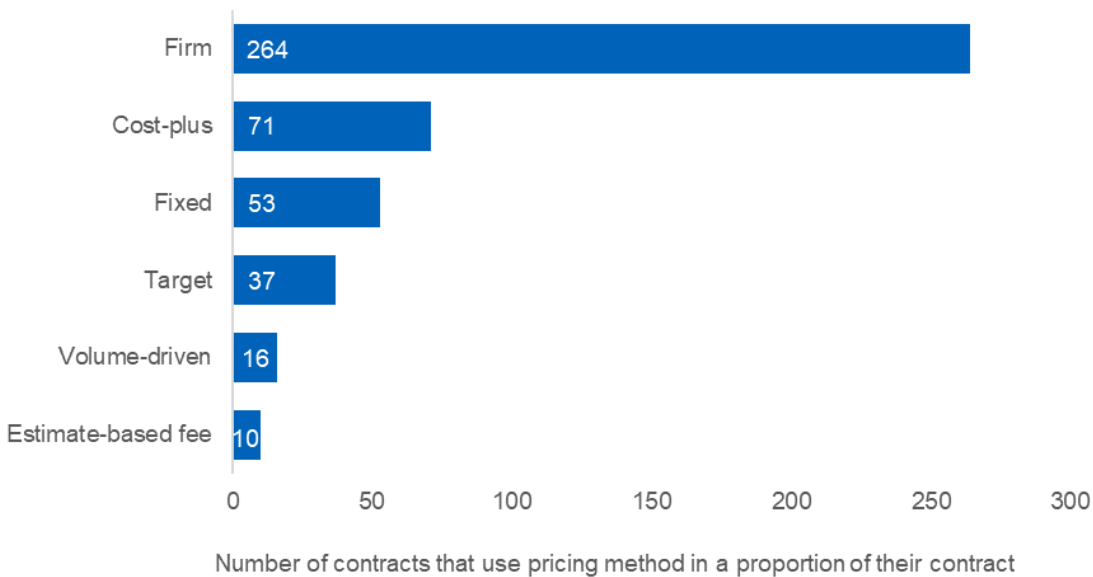
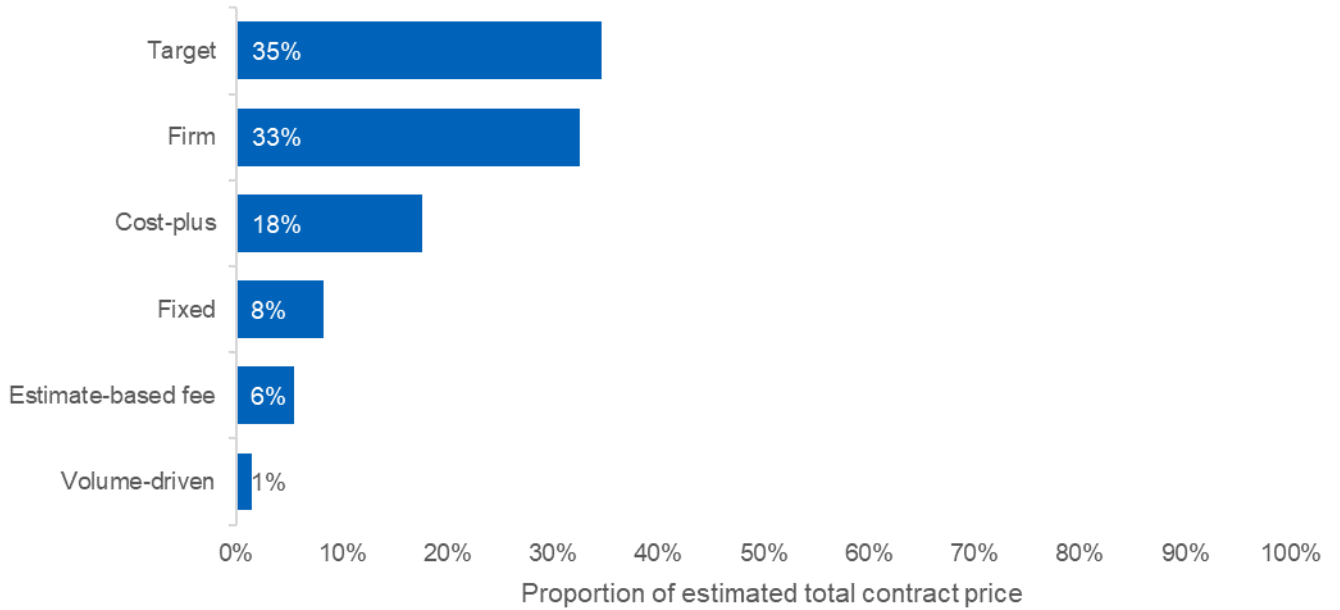


Figure 12 presents the proportion of the estimated contract price attributed to each of the pricing methods across the 351 QDCs/QSCs that provided this data. Please see the accompanying databook for a breakdown by financial year in which the contract became a QDC/QSC. Across the six years, target pricing was the pricing method with the highest proportion of the contract price associated with it (35 per cent), closely followed by firm pricing, at 33 per cent. Volume-driven pricing was the pricing method with the lowest amount of contract price associated with it overall, with 1 per cent of the total contract price associated with this method. In 2020/21, target pricing

was utilised in 55 per cent of the total contract price, with firm pricing representing 34 per cent. Variation in the use of pricing methods each year can be influenced by a small number of high value contracts.

Figure 12: Proportion of total estimated price of QDCs/QSCs, by regulated pricing method, for all QDCs/QSCs



Profit

Estimated contract profit rates, including the adjustments made to the baseline profit rate.

Summary

- In the 2020/21 financial year (between 1 April 2020 and 31 March 2021), the average (mean) contract profit rate was 9.56 per cent, an increase of 0.47 percentage points compared to an average of 9.09 per cent in 2019/20 QDCs/QSCs.
- Aside from the baseline profit rate, the adjustment with the most impact on the contract profit rate was the capital servicing adjustment in all financial years. The average (mean) capital servicing adjustment was 1.05 per cent in 2020/21 QDCs/QSCs.
- Of the 358 QDCs/QSCs across all financial years that submitted profit information, 37 (10 per cent) had reported a profit-on-cost-once (POCO) adjustment, whilst 71 (20 per cent) had reported an incentive adjustment.

The Defence Reform Act 2014 and the Single Source Contract Regulations 2014 together prescribe a six-step process which should be used to determine the contract profit rate for a QDC/QSC. For more information on these six steps, please refer to the **SSRO's Guidance on the baseline profit rate and its adjustment**. The 'Outturn price of completed contracts' section includes information on the actual and forecast profit in completed contracts. One QDC/QSC did not provide any profit rate step data, and so it has been excluded from the analysis in this section.

The data presented in this section is based on estimated profit rates at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment if an on-demand CPS has been received) and does not necessarily represent the profit that will be achieved once the contract is complete. This may differ from the profit information reported in the 'Price and pricing methods' section, which can be sourced from more up-to-date reports that contain the overall profit rate, but not the detail of the six profit rate steps.

Figure 13 and Figure 14 below show the average (mean) adjustments made to the baseline profit rate (BPR) for each profit rate step, for the contracts that became QDCs/QSCs in 2019/20 and 2020/21 respectively. The mean contract profit rate across all 358 QDCs/QSCs in all financial years was 9.41 per cent.

Figure 13: Average (mean) profit rate steps agreed at the latest time of agreement, for 2019/20 QDCs/QSCs²

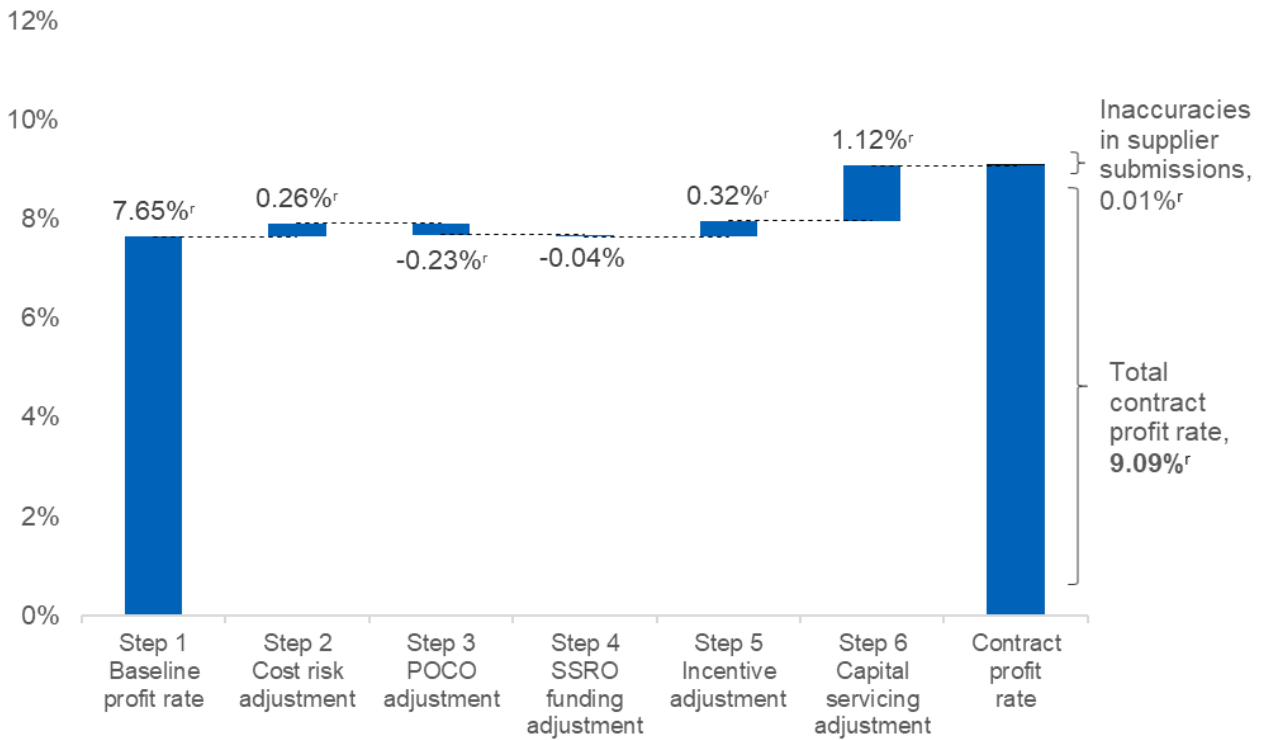
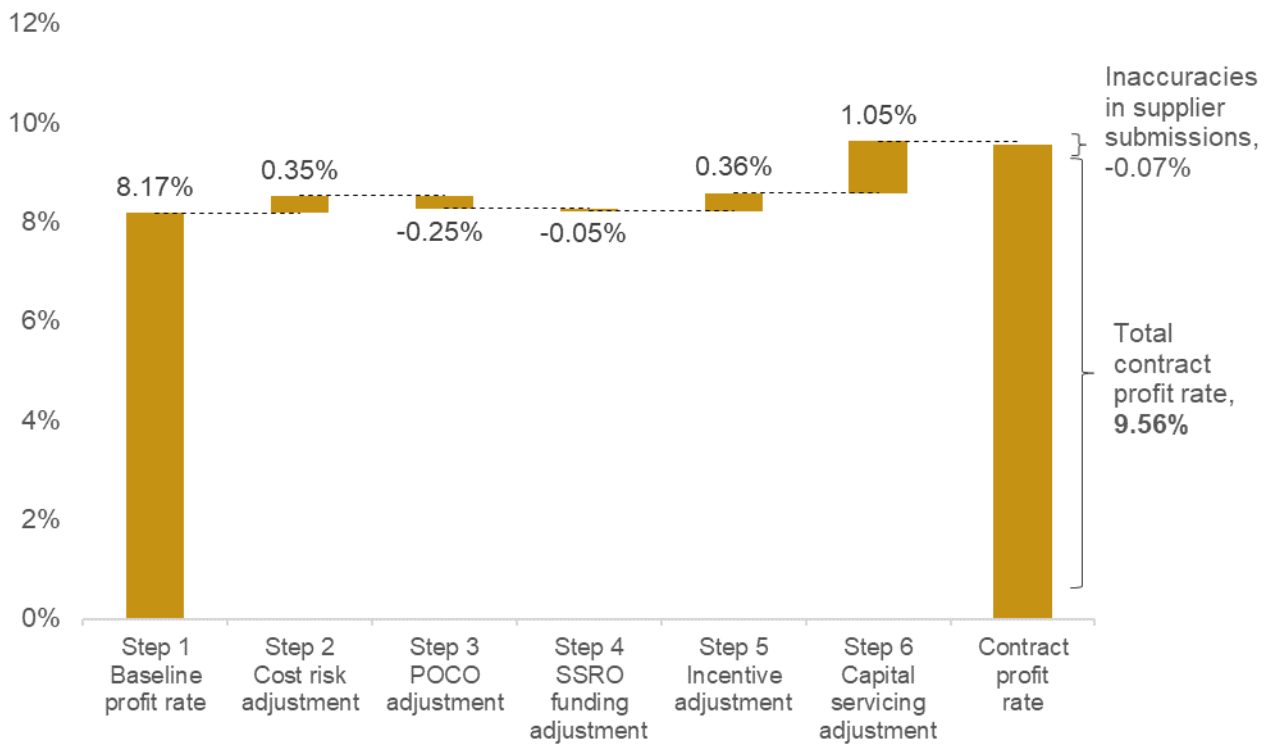


Figure 14: Average (mean) profit rate steps agreed at the latest time of agreement, for 2020/21 QDCs/QSCs³



³ Note: Some QDCs/QSCs had reported a BPR or SSRO funding adjustment that differed from the rate set by the Secretary of State for that year (for example where a profit rate includes sunk costs, before the BPR was set, or where an amendment to a contract uses a BPR from a different year), which explains why these figures do not show the published rates.

The average (mean) contract profit rate was higher in 2020/21, by 0.47 percentage points compared to 2019/20 QDCs/QSCs. During the same period the baseline profit rate set by the Secretary of State increased by 0.59 percentage points from 7.63 per cent to 8.22 per cent. Whilst the baseline profit rate is a fixed rate set by the Secretary of State each year, some QDCs/QSCs had reported a different rate to this, sometimes as the result of reporting an average of two or more rates. Because of this, the difference in the average reported baseline profit rate between 2020/21 contracts and 2019/20 contracts was 0.53 percentage points, from 7.65 per cent to 8.17 per cent.

The average cost risk adjustment increased by 0.09 percentage points to 0.35 percentage points for 2020/21 QDCs/QSCs, from 0.26 in 2019/20 QDCs/QSCs (the cost risk adjustment may range between +/- 25 per cent of the baseline profit rate). The average SSRO funding adjustment changed from -0.04 percentage points to -0.05 percentage points during the same period, in line with the fixed rate set by the Secretary of State in each year.

The most significant factor in determining a QDC's/QSC's contract profit rate, as can be seen in Table 2, was the baseline profit rate, contributing on average between 82 per cent to 88 per cent of the contract profit rate. The second most impactful adjustment was the capital servicing adjustment, which comprised 11 per cent of the contract profit rate in 2020/21 QDCs/QSCs.

Of all 358 contracts, the majority (80 per cent) of QDCs/QSCs have agreed a contract profit rate above the baseline profit rate in place at the date the contract became a QDC/QSC, due to the other steps involved in agreeing a contract profit rate shown below. For the annual figures showing how many contracts have agreed a profit rate above/below the baseline profit rate, refer to the accompanying data book.

Table 2: The contribution of each profit rate step towards the average contract profit rate, by financial year in which the contract became a QDC/QSC⁴

Profit rate step (%)	2016/17 (%)	2017/18 (%)	2018/19 (%)	2019/20 (%)	2020/21 (%)
Baseline profit rate	83	88 ^r	82 ^r	84 ^r	86
Cost-risk adjustment	3	5	4	3 ^r	4
Profit-on-cost-once adjustment	0	-5 ^r	-4	-3	-3
SSRO funding adjustment	0	0	0	0	-1
Incentive adjustment	3	4	5	4 ^r	4
Capital servicing adjustment	11	9 ^r	12	12 ^r	11
Other (reporting issues)	0	0	1	0	-1
Contract Profit Rate	100	100	100	100	100

Figure 15 below shows the maximum, minimum, median and interquartile values reported for each of the profit rate adjustments (excluding the baseline profit rate and SSRO funding adjustment, which are fixed values), and the contract profit rate, for 2019/20 and 2020/21 QDCs/QSCs. The profit rate data is as reported by contractors.

Some of the maximum and minimum points may be considered outliers, and so the interquartile range has been included to provide more information on the distribution of data points for each step, specifically the spread of values within the central 50 per cent of the data. The interquartile range of all profit steps has remained relatively consistent for both 2019/20 and 2020/21 QDCs/QSCs. The interquartile range of the contract profit rate widened slightly within 2020/21

⁴ The 'other' row relates mostly to data quality issues, where the reported profit rate steps do not sum to the total contract profit rate reported by contractors.

QDCs/QSCs; the central 50 per cent of contracts in 2020/21 had a contract profit rate between 8.2 per cent and 10.7 per cent, compared to between 8.3 percent and 10.2 per cent in 2019/20 QDCs.

The contract profit rate of QDCs/QSCs in 2020/21 ranged from 3.2% to 13.4%. In 2019/20 QDCs/QSCs, the profit step with the widest range was the POCO adjustment (between zero percentage points and -7.2 percentage points), but in 2020/21 the capital servicing adjustment was the step with the greatest range, between zero and 4.9 percentage points. The POCO adjustment may be more volatile due to a small number of contracts using this adjustment (see Table 3).

Figure 15: Maximum, minimum, median and interquartile range of profit rate steps reported in individual QDCs/QSCs, for 2019/20 and 2020/21 QDCs/QSCs



Not all contracts receive an adjustment for each of the profit rate steps. Most contracts did not report a POCO adjustment (this adjustment may not be applicable, for example), or an incentive adjustment. Table 3 below shows the number of QDCs/QSCs that reported a POCO and/or incentive adjustment. Of the 358 QDCs/QSCs that submitted profit information across all financial years, 37 (10 per cent) had reported a profit-on-cost-once (POCO) adjustment, whilst 71 (20 per cent) had reported an incentive adjustment. These proportions remained relatively consistent in 2020/21.

Table 3: Number of QDCs/QSCs that have reported POCO and/or incentive adjustments, by financial year in which the contract became a QDC/QSC

	Total number of QDCs/QSCs	Number of QDCs/QSCs with a non-zero POCO adjustment		Number of QDCs/QSCs with a non-zero incentive adjustment	
		Number	%	Number	%
2015/16	35	1	3	3 ^r	9 ^r
2016/17	64	5 ^r	8 ^r	14	22
2017/18	52 ^r	7 ^r	13 ^r	9	17 ^r
2018/19	58 ^r	6	10 ^r	14	24 ^r
2019/20	84 ^r	11 ^r	13	18 ^r	21 ^r
2020/21	65	7	11	13	20
Overall	358	37	10	71	20

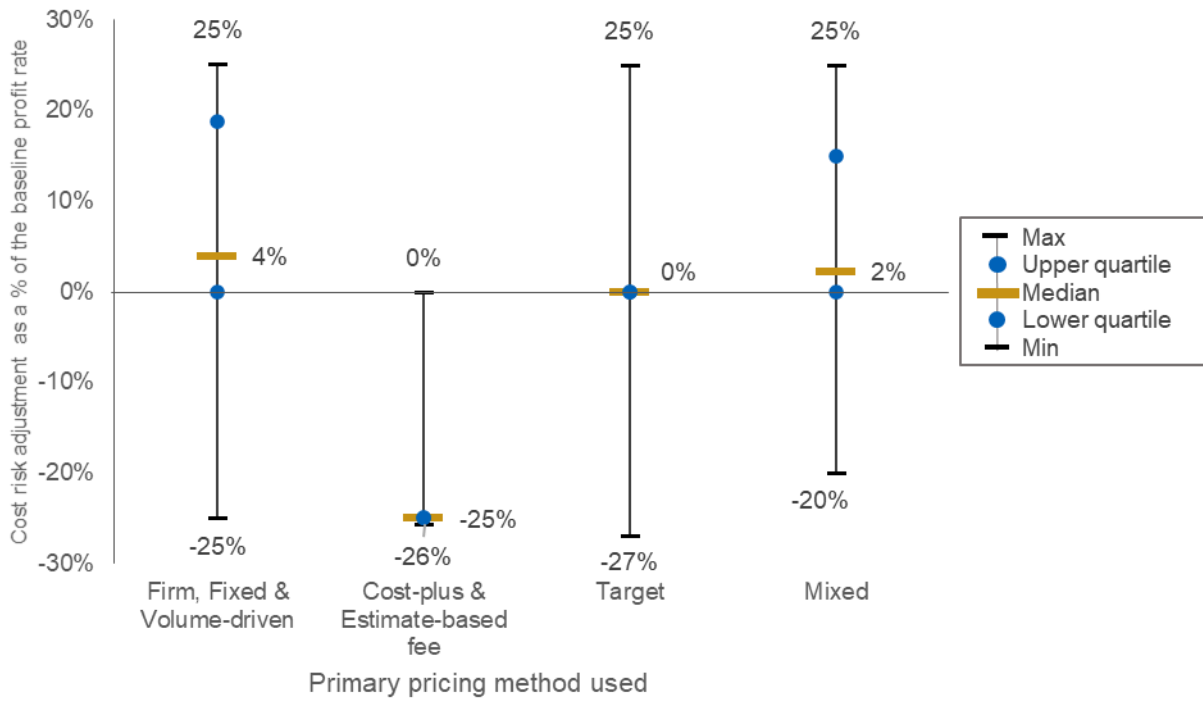
As mentioned, the data presented in this section is based on estimated profit rates at the time of agreement and does not necessarily represent the profit that will be achieved once the contract is complete. The actual profit rate achieved will depend on the performance of the contract, the pricing methods used, and any final price adjustments agreed.

The use of different pricing methods is one of the factors which can expose the contracting parties to varying amounts of risk that the actual costs of a contract differ from the estimated costs. The purpose of the cost risk adjustment is to incorporate into the contract profit rate an addition or deduction to reflect the risk that the contractor's actual Allowable Costs in delivering the requirement will differ from the estimated Allowable Costs included in the contract price. This adjustment can be between +/- 25 per cent of the baseline profit rate. Further information on this adjustment can be found in the **SSRO's Guidance on the baseline profit rate and its adjustment**.

Figure 16 below shows the maximum, median, minimum and interquartile range of cost risk adjustments (as a percentage of the BPR) agreed within contracts using each of the pricing methods. Contracts can employ multiple pricing methods, and so QDCs/QSCs have been allocated to a 'primary' pricing method if more than 75 per cent of the contract price is reported against that pricing method. Where there is no one pricing method with more than 75 per cent of the contract price, this is classified as 'mixed'. Some pricing methods have been grouped due to the similar ways in which profit risk sharing is treated in these. Eight contracts have not reported pricing method data, so the analysis is based on 351 contracts.

The **SSRO's Guidance on the baseline profit rate and its adjustment** states that for cost-plus and estimate-based fee contracts the cost risk adjustment should be set at minus 25 per cent of the baseline profit rate, which is why the median and interquartile range for these pricing methods appears much lower compared to other pricing methods. For the other pricing methods, there is more variation in the cost risk adjustment applied across contracts, with the full range of +/-25 per cent of the baseline profit rate being used across most other pricing methods. The median for firm, fixed and volume-driven contracts is slightly higher than for other pricing methods, at +4 per cent of the baseline profit rate, and a wider interquartile range is seen here too; the central 50 per cent of these contracts had cost risk adjustment values as a percentage of the BPR between zero per cent to +19 per cent. The interquartile range for target pricing contracts is zero. Some contracts have reported cost risk adjustments that fall outside of the +/- 25 per cent threshold, and the statistics use this data as reported by contractors.

Figure 16: Maximum, median, minimum and interquartile range of estimated Cost Risk Adjustment as a percentage of Baseline Profit Rate, by primary pricing method, for all QDCs/QSCs



Sub-contracts

Number and estimated price of the sub-contracts that assist in the delivery of QDCs/QSCs.

Summary

- The number of reported sub-contracts (with a value of £1 million or more in each QDC/QSC) was lower in 2020/21 QDCs/QSCs at 55, compared to 144 in 2019/20 QDCs/QSCs.
- The total estimated price of reported sub-contracts was lower for 2020/21 QDCs/QSCs than for 2019/20 QDCs/QSCs, at £0.9 billion compared to £1.6 billion.
- The proportion of all reported sub-contracts with SMEs remained similar this year (25 per cent in 2019/20 QDCs/QSCs, and 24 per cent in 2020/21 QDCs/QSCs).
- Across all years, the average price of a sub-contract with an SME was £6.1 million, compared to an average of £15.6 million for sub-contracts with non-SMEs. The average price of a sub-contract has increased in 2020/21 to £22.5 million, from £8.2 million in 2019/20.

The data presented in this section includes the latest estimated total price of sub-contracting within QDCs/QSCs (Figure 18) and analysis of the estimated or actual price reported about individual subcontracts with a value of £1 million or more (contractors do not need to submit data on individual subcontracts below this threshold, see Figures 17, 19 and 20). QSCs are included in this analysis as they are sub-contracts to QDCs. All data is sourced from the latest report containing information on subcontracts for the whole contract, and the statistics do not necessarily represent the sub-contract prices once the contract is complete.

Please note that figures have been revised since the previous bulletin, due to a number of changes in the methodology used (see the Methodology section for further details).

Figure 17: Number of reported sub-contracts with a value of £1 million or more, by financial year in which contract became a QDC/QSC, and SME status

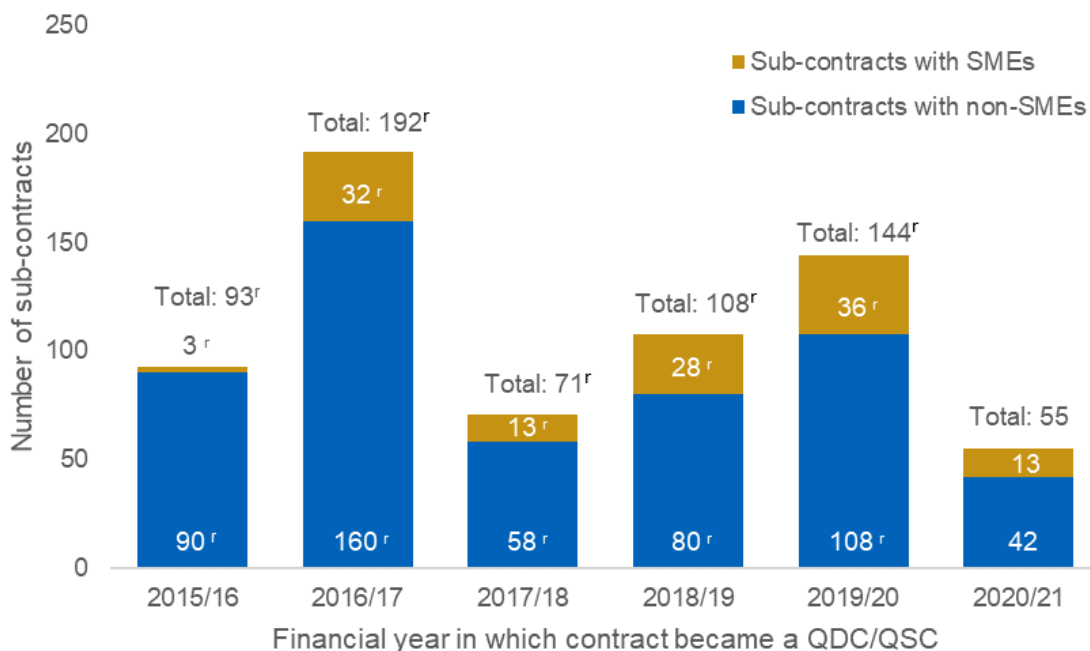


Figure 17 shows there were 663 sub-contracts with a value of £1 million or more reported to the SSRO since the start of 2015/16: 55 of these were with 2020/21 QDCs/QSCs. Given only contracts with a value of £1 million or more are reported, this data may not represent the entirety of sub-contracts involved in the delivery of QDCs/QSCs.

For all QDCs/QSCs, the proportion of sub-contracts with SMEs is 17 per cent. For 2020/21 QDCs/QSCs, this was 24 per cent, similar to the levels in 2019/20 QDCs/QSCs (25 per cent).

Figure 18 below shows the latest total estimated price of sub-contracts to QDCs/QSCs, by financial year. The total estimated price of sub-contracts in 2020/21 was lower than that seen in 2019/20 (£0.9 billion in 2020/21 compared to £1.6 billion in 2019/20).

Figure 18: Total estimated price of sub-contracts, by financial year in which contract became a QDC/QSC

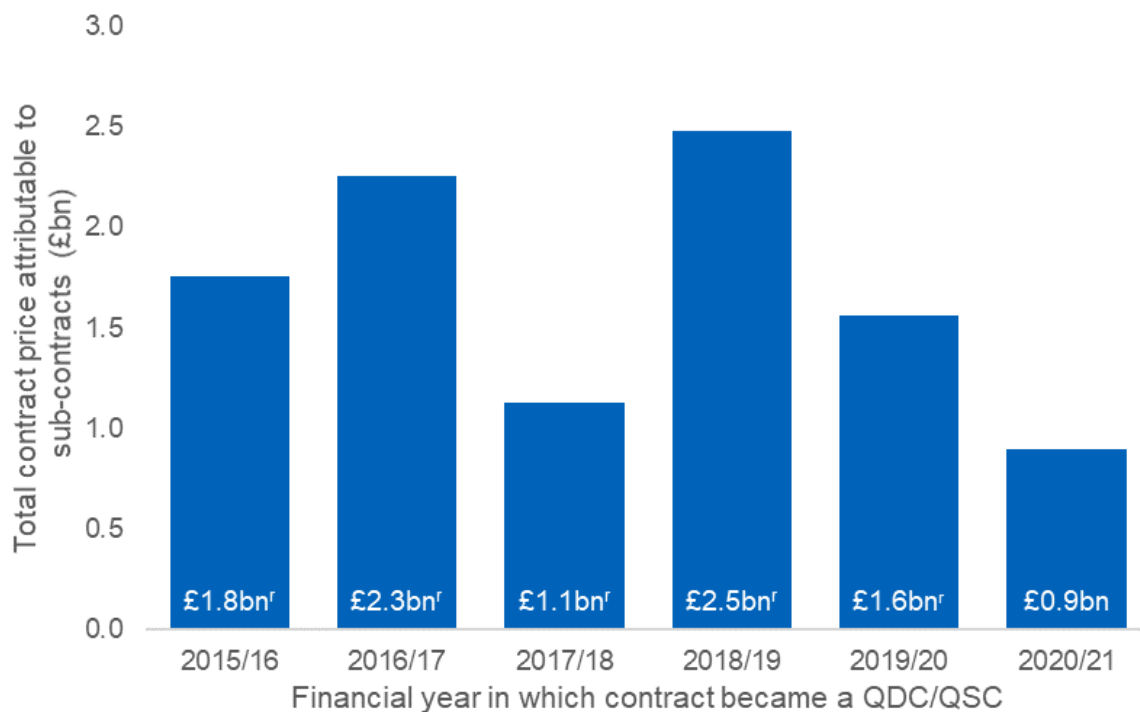


Figure 19 and 20 show the number and price of reported sub-contracts with a value of £1 million or more split by price bands, for all financial years. The majority of reported sub-contracts have tended to be lower value (55 per cent of sub-contracts were £5 million or under), but a small number of large value sub-contracts comprised most of the total reported sub-contract price. Sub-contracts priced at £25 million or greater represented 11 per cent of the number of reported sub-contracts, but 65 per cent of the total sub-contract price. The mean reported sub-contract price in 2020/21 contracts was £22.5 million, an increase from 2018/19 where the average was £8.2 million. For sub-contracts with SMEs in 2020/21, the average was £11.6 million, compared to £27.0 million for sub-contracts with non-SMEs.

Please note that some of the individual sub-contracts reported may contribute to more than one contract, so the sub-contract prices reported in Figures 19 and 20 are not necessarily fully attributable to the QDC/QSC it has been reported against. Some of the sub-contract prices used in these figures may therefore overestimate the amount of sub-contracting occurring within the associated QDC/QSC.

Figure 19: Number of reported sub-contracts with a value of £1 million or more, by price band and financial year in which contract became a QDC/QSC, for all QDCs/QSCs

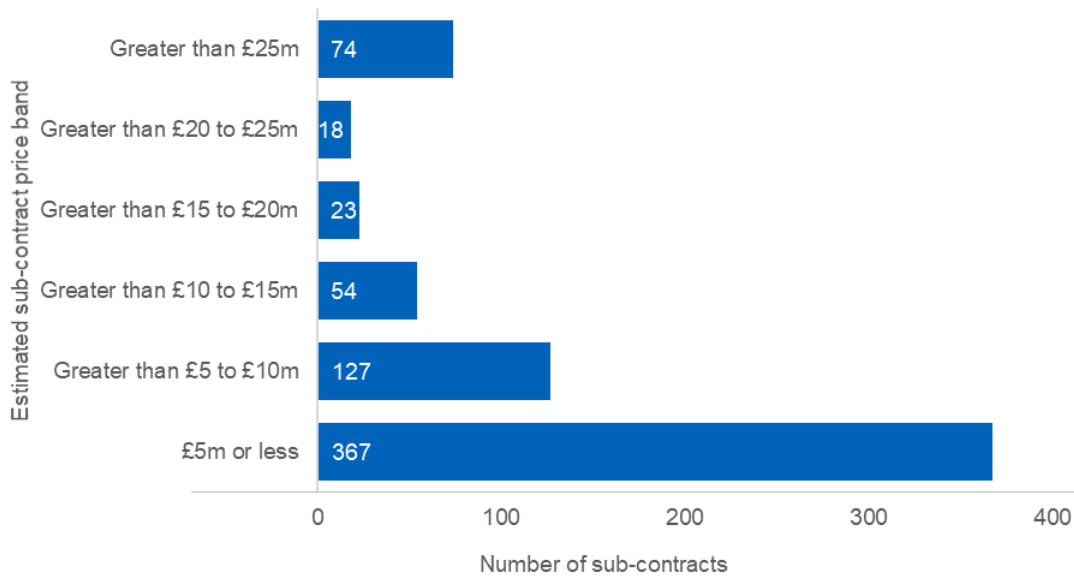
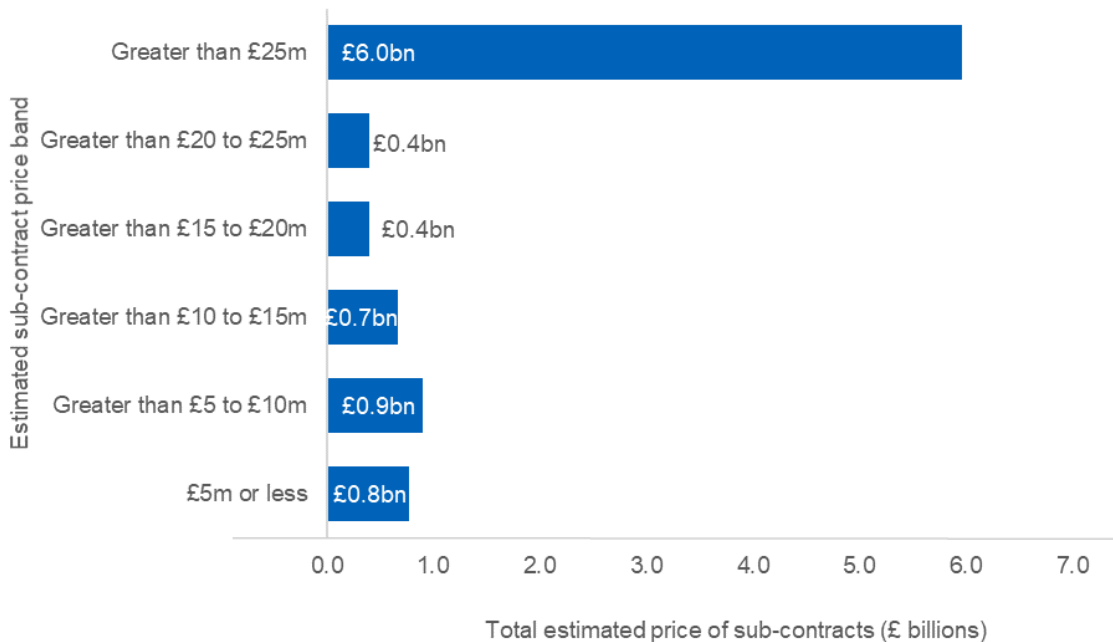


Figure 20: Total estimated price of reported sub-contracts with a value of £1 million or more, by price band and financial year in which contract became a QDC/QSC, for all QDCs/QSCs



Outturn price of completed contracts

Actual and forecast costs and profit, and profit rates, for contracts that have submitted contract completion reports.

Summary

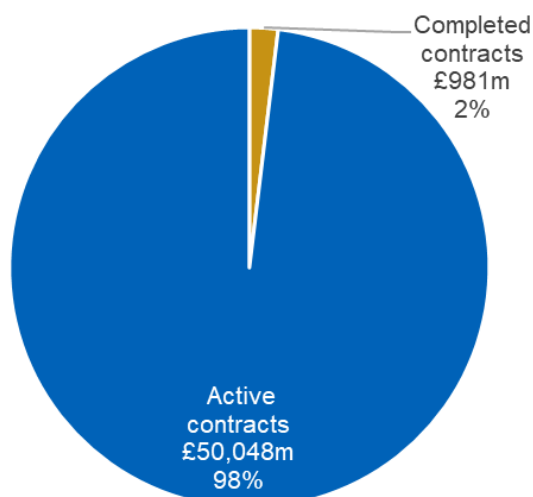
- As of 30 April 2021, 35 of the 359 QDCs/QSCs have submitted contract completion reports, indicating they have completed.
- These 35 QDCs/QSCs had an estimated total contract price (at the latest time of agreement) of £981 million, representing 2 per cent of the total estimated contract price for all QDCs/QSCs.
- The limited outturn data in this section should not be used to draw wider conclusions about the overall operation of the pricing elements of the regulatory framework.
- These contracts reported an actual and forecast price at contract completion of £972 million, a reduction of £9 million. This consisted of a reduction in Allowable Costs of £36 million, and an increase in profit of £27 million.
- The majority of completed QDCs/QSCs (21 contracts) reported a reduction in the actual and forecast price of the contract compared to the estimates at the latest time of agreement. Five contracts reported no change, and six reported an increase in contract price.

For the purpose of these statistics, a completed contract is defined as a contract with a submitted Contract Completion Report (CCR). This is due six months after the contract completion date, so these statistics may not contain contracts that have completed within six months of the data extract date (30 April 2021). If the SSRO has not received a CCR report, then the contract is defined as 'active' within these statistics.

This section reports on the contractors' assessment of the outturn price of contracts payable by the contracting authority, at the date the CCR is submitted. A contractor can still report some forecast costs (up to 5 per cent of the price without an explanation, or more if an explanation is given) when submitting a CCR, so the actual and forecast price may not reflect the final outturn price. It also does not reflect any final price adjustments or target cost incentive fee (TCIF) adjustments. For the purpose of this analysis, variances have been calculated between the estimated price at the latest time of agreement (either the date the contract became a QDC/QSC, or if there has been an amendment, the date of the latest amendment) and the actual and forecast price at the contract completion date. The variances therefore do not reflect changes due to previous amendments during the life of the contract.

Please refer to the Methodology section for further details on how completed contracts are defined.

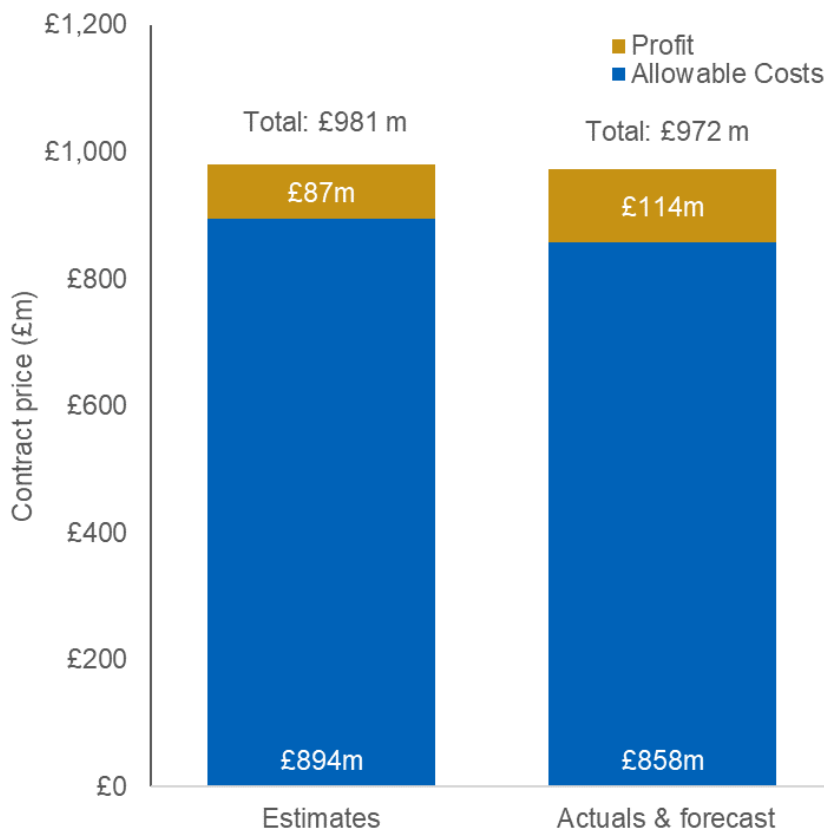
Figure 21: Total estimated contract price of all QDCs/QSCs, by active and completed status



The SSRO has received CCRs for 35 QDCs/QSCs as of 30 April 2021. As shown in Figure 21 above, these contracts have a total estimated contract price of £981 million, representing 2 per cent of the total estimated contract price for all QDCs/QSCs. The contracts have completed since 2015/16, and are all contracts of less than six years in duration. The limited outturn data in this section should not be used to draw wider conclusions about the overall operation of the pricing elements of the regulatory framework. Future statistics bulletins will provide insight into a greater range of completed contracts, as the number of completed contracts continues to grow.

These 35 contracts have reported an actual and forecast contract price of £972 million at contract completion; a reduction from the estimated price at the latest time of agreement of £9 million (1 per cent). This is comprised of an overall reduction in Allowable Costs of £36 million, and an increase in profit of £27 million (see Figure 22).

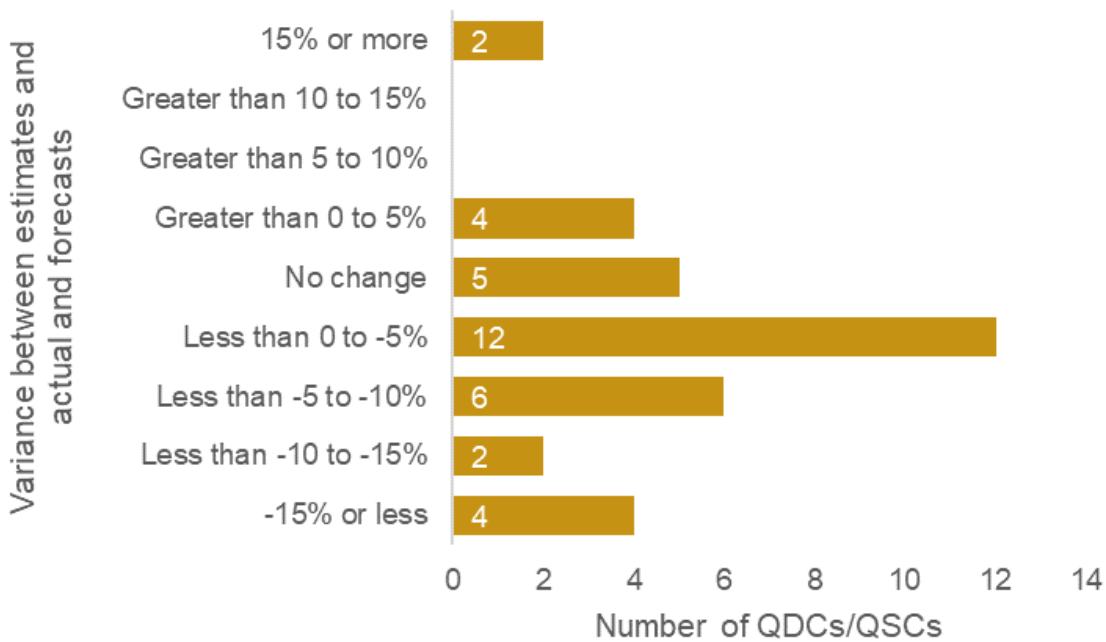
Figure 22: Overall estimated cost and profit at the latest time of agreement and actual and forecast cost and profit at contract completion in 35 completed contracts



Figures 23 to 25 show the number of contracts reporting a variance between the estimates at the latest time of agreement and the actuals and forecasts at contract completion, in their Allowable Costs, profit and overall contract price, by variance band. The use of different pricing methods will have an impact on how variation in costs affect the profits and prices of these contracts. The variance data is as reported by contractors. The underlying cost and profit data has been rounded to three decimal places (in line with the SSRO’s Reporting Guidance on providing this data) before calculating the percentage variance.

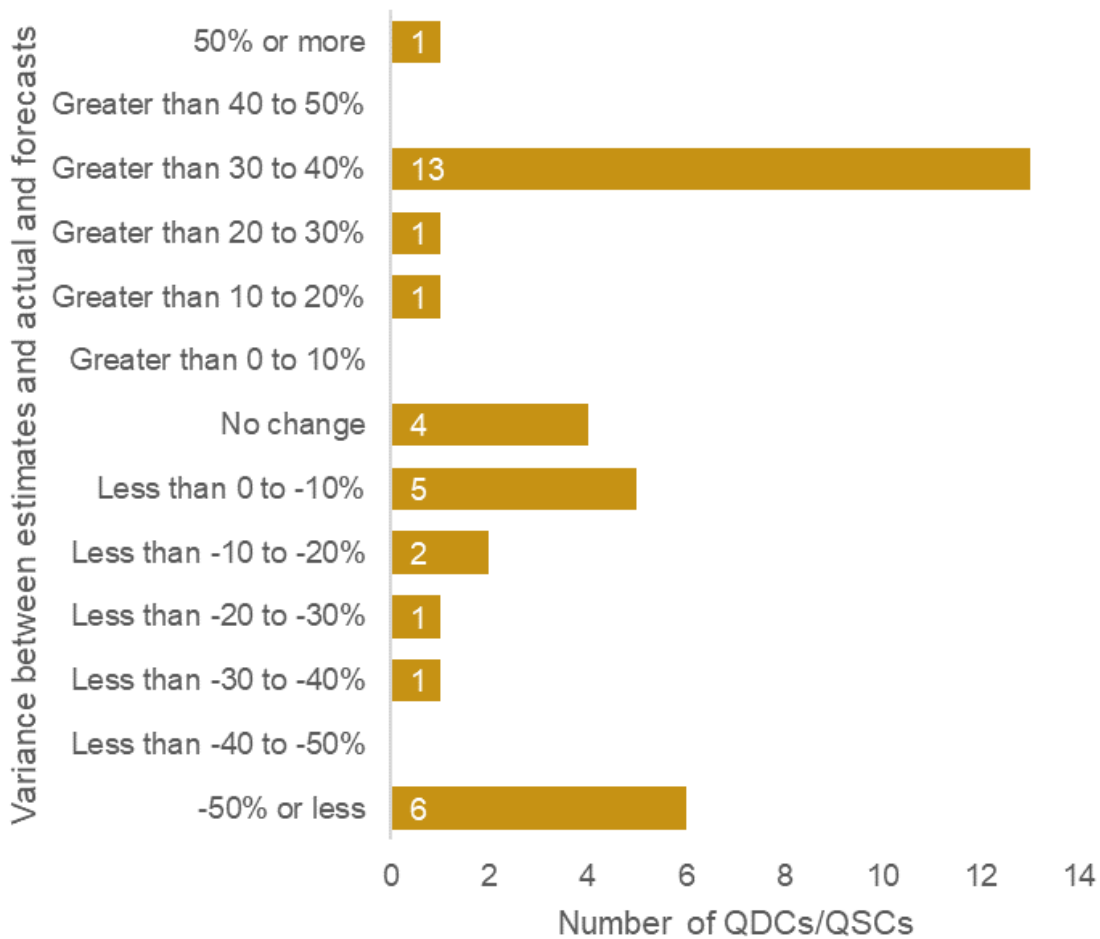
The majority (24 contracts, 69 per cent) of completed QDCs/QSCs reported a reduction in Allowable Costs, with six (17 per cent) reporting an increase in Allowable Costs (see Figure 23). The majority of contracts (60 per cent or 21 QDCs/QSCs) reported a variance in Allowable Costs of between -5 per cent to +5 per cent.

Figure 23: Variance in Allowable Costs; number of completed QDCs/QSCs (35 contracts) by percentage of variance between the estimated Allowable Costs at the latest time of agreement and actual and forecast Allowable Costs at contract completion



Since profits are a smaller component of the contract price than Allowable Costs, small changes in the amount of Allowable Costs can result in larger percentage variances to profit, as can be seen in Figure 24. There were 15 contracts, (43 per cent) of completed QDCs/QSCs reported a reduction in profit, with 16 (46 per cent) reporting an increase in profit. There are 13 QDCs/QSCs (37 per cent) reporting an increase in profit of between 30 and 40 per cent. Six QDCs/QSCs (17 per cent) have reported a decrease in the amount of profit of more than 50 per cent. None of these completed QDCs/QSCs have reported a negative rate of profit.

Figure 24: Variance in profit; number of completed QDCs/QSCs (35 contracts) by percentage of variance between the estimated profit at the latest time of agreement and actual and forecast profit amount (£m) at contract completion



When looking at the overall contract price, as shown in Figure 25, 19 QDCs/QSCs (54 per cent) reported a decrease in contract price and four contracts (11 per cent) reported an increase in contract price. Similar to the variance seen in Allowable Costs, the majority of completed QDCs/QSCs (63 per cent, 22 QDCs/QSCs) reported between -5 per cent and +5 per cent variance in the total contract price, with 12 of these contracts (34 per cent) reporting no change in contract price.

Figure 25: Variance in contract price; number of completed QDCs/QSCs (35 contracts) by percentage of variance between the estimated contract price at the latest time of agreement and actual and forecast contract price at contract completion

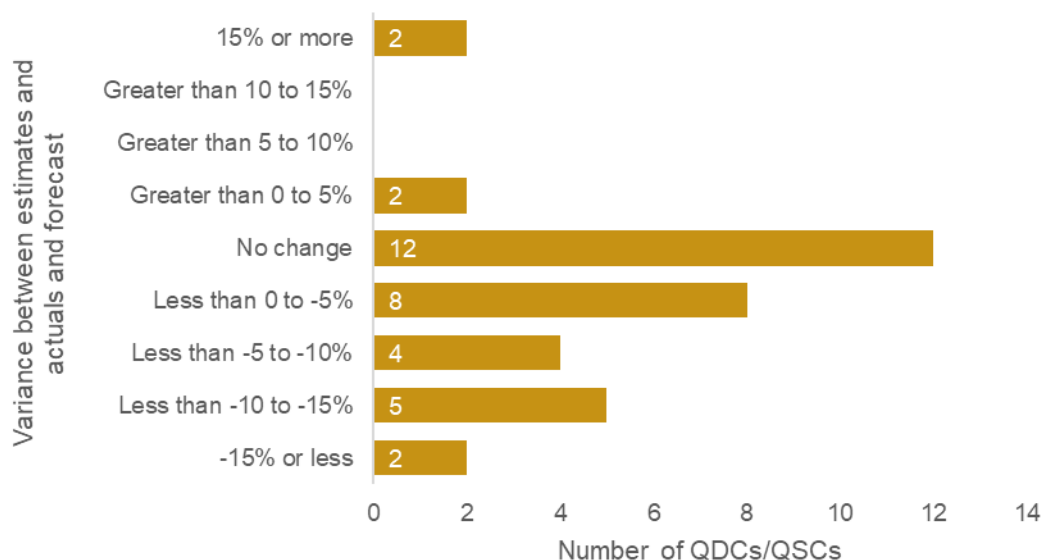


Table 4 shows both the mean and median contract profit rates reported for the 35 QDCs/QSCs, estimated at the latest time of agreement and the actual and forecast profit at contract completion. The mean and median estimated profit rates are similar at 9.43 per cent and 9.53 per cent respectively. When looking at the actual and forecast average profit rates, the mean profit rate increased to 11.62 per cent and the median profit rate reduced to 8.38 per cent. Figure 24 shows a wide range in the variance between estimated and actual profits for this group and caution should be used in drawing wider conclusions from changes in these averages, given this is based on a small number of completed contracts. A small number of contracts reported particularly high actual profit rates, influencing the mean profit rate.

Table 4: Average contract profit rates at the latest time of agreement and actual and forecast at contract completion for 35 completed QDCS/QSCs

Timeframe	Mean contract profit rate (%)	Median contract profit rate (%)
Estimate at latest time of agreement	9.43	9.53
Actual and forecast in contract completion report	11.62	8.38

Methodology

Data source

The data in this bulletin is sourced from contract reports submitted to the SSRO by contractors and collated in the Defence Contract Analysis and Reporting System (DefCARS). The individual contract reports used in each section of the bulletin are described in the methodology below. For further information about the data used, the [SSRO's reporting guidance](#) for these reports is available on the SSRO's website.

Methodology

The analysis reports on all contracts which became QDCs/QSCs between 1 April 2015 and 31 March 2021, and that have submitted reports on or before 30 April 2021. This means the majority of data presented relates to active contracts but data for a small proportion of completed contracts are also included. Data for both QDCs and QSCs are included in these statistics, and are reported separately where specified.

All time-series data is reported using the date a contract became a QDC/QSC (the initial reporting date⁵), unless otherwise specified. Defence contractors are required to submit their initial contract reports within a month of this date. This statistical bulletin reports on the latest agreed position for each QDC/QSC.

The methodology for each section in the bulletin is described below.

Number, duration and SME involvement

While the bulletin reports on QDCs/QSCs which have submitted contract reports, the total number of QDCs/QSCs notified to the SSRO is measured by the amount of QDCs/QSCs (that are not currently marked as a potential QDC/QSC) added to DefCARS, regardless of whether reports have been submitted or not for that contract.

In this analysis a completed contract is defined as a contract with a submitted Contract Completion Report (CCR). This is required six months after the contract completion date and is the first point at which a statutory report submission confirms that a contract has completed. The submission of this report is considered as a more robust method of establishing when a contract completes compared to using the estimated contract completion dates submitted in each report, which may change during the life of the contract. However, there may be a lag of up to six months (or more if the report submission is late) before a contract is classified as complete, and the latest financial year presented in the statistics may not reflect all contracts that have actually completed in that period. Whilst the receipt of the CCR (six months after contract completion) is used as the indicator for when a contract has completed, the financial year in which the contract completed is sourced from the contract completion date in the CCR. Contracts that have not submitted a CCR are defined as 'active'. This may include some contracts which have completed but have not yet submitted a CCR.

When a contract is completed, it is likely that no further contract update reports will be received and the contract data submitted through statutory reports will remain relatively unchanged, unless corrections to these reports are provided. Contract Cost Statements are submitted after the CCR and could update some of the reported data, but these are unstructured reports and so are not used in the analysis.

Contract duration figures reflect the latest reported expected or actual duration reported at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest

⁵ Either the date the contract was entered into, or if it is a contract brought into the regime following an amendment, the date of the amendment.

pricing amendment). The estimated contract duration presented is the time between the date the contract became a QDC/QSC, and the expected, or actual where available, contract completion date. Average contract duration is an arithmetic mean of all QDCs/QSCs within that financial year. Contract duration data is sourced from the latest of the Contract Pricing Statement, Contract Notification Report, On-demand Contract Reporting Plan, Quarterly Contract Report, Interim Contract Report or Contract Completion Report.

The SME status of a contractor or sub-contractor uses data as submitted by the contractors themselves; no verification on whether these align to the definition of an SME as required by the Single Source Contract Regulations 2014 has taken place for the purposes of this analysis. Data on the SME status is sourced from the latest of the Contract Pricing Statement, Contract Notification Report, On-demand Contract Reporting Plan, Quarterly Contract Report, Interim Contract Report or Contract Completion Report.

Price and pricing methods

The contract price and pricing method statistics reflect the estimated price, at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment). The total contract price may sometimes include costs incurred before an amended contract becomes a QDC/QSC ('sunk costs'). Pricing data is sourced from the latest submitted Contract Pricing Statement, Contract Notification Report, Quarterly Contract Report, Interim Contract Report or Contract Completion Report.

The total price of all contracts in these statistics includes the price of all QDCs and QSCs, meaning that QSC prices are counted both within the 'parent' QDC price and separately, representing the total price of all contracts subject to the Single Source Contract Regulations (see Figure 26 for an overview of how QSCs are treated in this analysis).

Profit

The contract profit rate data in this section is sourced from the latest available Contract Pricing Statement. The majority of contract profit rate statistics reflect the agreed position at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment if an on-demand CPS has been received) and does not necessarily represent the profit that will be achieved once the contract is complete. This may differ from the profit information reported in the 'Price and pricing methods' section, which can be sourced from more up-to-date reports.

The mean contract profit rates are an arithmetic mean of the reported contract profit rates reported by QDCs/QSCs within that financial year. Where one of the profit rate steps does not apply (as is the case with the POCO adjustment for many QDC/QSCs), this is treated as a zero in the calculations for averages.

Upper quartile and lower quartile values were introduced from 2018/19 onwards in the 2019/20 statistics bulletin, and so figures for previous financial years are not reported in the accompanying databook.

Contracts can employ multiple pricing methods, and so QDCs/QSCs in Figure 16 have been allocated to a 'primary' pricing method if more than 75 per cent of the contract price is reported against that pricing method. Where there is no one pricing method with more than 75 per cent of the contract price, this is classified as 'mixed'. Some pricing methods have been grouped due to the similar ways in which profit risk sharing is treated in these. Note that this differs from how contracts are allocated to pricing methods in the 'Price and pricing methods' section, where contracts are allocated to a pricing method if any proportion of the contract is attributed to a pricing method.

Sub-contracts

QSCs are included within the sub-contracting numbers and price data in this analysis. It is also possible for a sub-contract to a QSC to also become a QSC, and this would be included in both the total price of all contracts, as well as the sub-contracting figures (see Figure 26).

The sub-contract data is sourced from the latest report containing information on subcontracts for the whole contract (the latest of the Contract Notification Report, Interim Contract Report or Contract Completion Report). From the 2020/21 bulletin onwards, Quarterly Contract Reports (QCRs) are no longer used to source sub-contract data, as these reports only require data on sub-contracts entered into in the reporting period covered by the QCR, or the following quarterly period, and therefore don't represent the total sub-contracting picture within a contract.

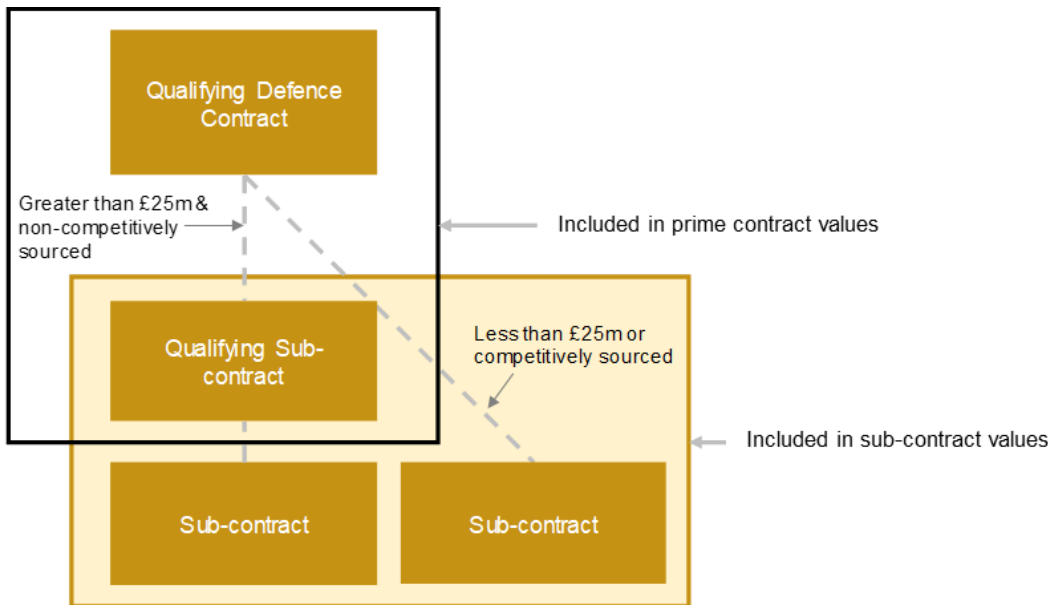
Figures 17, 19 and 20 reflect the actual or intended sub-contracts with a value of £1 million or more reported by contractors. The price data in Figures 19 and 20 presents the sum of the latest estimated or actual sub-contract prices for sub-contracts with a value of £1 million or more. Contractors are required to submit the expected price of sub-contracts agreed for pricing purposes, which may not reflect the actual price at the end of the contract.

For Figures 17, 19 and 20, the SSRO receives partial data on the details of the supply chain involved in QDCs/QSCs, as only sub-contracts with a value of £1 million or more in each QDC/QSC are reported. This analysis as such may not represent the entirety of sub-contracts involved in the delivery of QDCs/QSCs. However, some of the individual sub-contracts reported may contribute to more than one contract, so the sub-contract prices reported in Figure 20 are not necessarily fully attributable to the QDC/QSC it has been reported against. Some of the sub-contract prices used in these figures may therefore overestimate the amount of sub-contracting occurring within the associated QDC/QSC.

Until September 2019, only the highest value 20 sub-contracts with a value of £1 million or more needed to be reported within the contract reports. Since September 2019, the restriction for the top 20 sub-contracts has been removed, so all sub-contracts with a value of £1 million or more must be reported. The analysis in Figures 17, 19 and 20 showing individual sub-contract numbers/prices introduces a new methodology that now uses all sub-contracts reported in contractors' reports, which will either be the top 20 sub-contracts with a value of £1 million or more, or all sub-contracts with a value of £1 million or more, depending on whether the report was submitted before or after September 2019. Some contractors provide details of sub-contracts below £1 million, which are still included in the analysis.

The sub-contract price statistics in Figure 18 reflect the latest estimated total price of sub-contracting within QDCs/QSCs. From this 2020/21 bulletin onwards, Figure 18 now uses the 'Total price of the QDC/QSC that is attributable to sub-contracts' field in DefCARS, rather than the sum of sub-contracts over £1m, following a review of the data quality of this field. Figure 18 therefore includes sub-contracts with a value of less than £1 million, and only includes the amount of the sub-contracts that are attributable to the QDC/QSC.

Figure 26: Diagram showing how QDC, QSC and sub-contracts have been treated in the analysis



Outturn price in completed contracts

When a contract is completed, it is likely that no further contract update reports will be received and the contract data submitted through statutory reports will remain relatively unchanged, unless corrections to these reports are provided. Contract Cost Statements are submitted after the CCR and could update the reported data, but these are unstructured reports and so are not used in the analysis.

The 'Number, duration and SME involvement' methodology section explains how completed contracts are defined in this analysis. All actual and forecast data used in the completed contracts statistics reflect the position at contract completion as reported in the CCR. The estimated costs and profit within this section are also sourced from the CCR and reflect the latest agreed price, which may be the price when the contract was entered into or, if it has been amended, the price following the most recent amendment.

The variances reported within the completed contract statistics have been calculated between the estimated price at the latest time of agreement (either the date the contract became a QDC/QSC or the date of the latest amendment) and the actual and forecast price at the contract completion date. A contractor can still report some forecast costs when submitting its completion reports (up to 5 per cent of the price without an explanation, or more if an explanation is given), so the actual and forecast price may not reflect the final outturn price. It also does not reflect any final price adjustments or TCIF adjustments. The underlying cost and profit data has been rounded to three decimal places (in line with the SSRO's Reporting Guidance on entering this data in DefCARS) before calculating the percentage variance.

Data quality

Accuracy and reliability

The estimated contract prices, costs, duration, sub-contracts and profit rates reported are those used for contract pricing purposes and may not reflect the outturn costs and profit of the contract once it is completed. Where a contract has submitted a Contract Completion Report, the estimated price, cost and profit rate reported in all analysis (other than the 'Outturn price in completed

contracts' section) are still the estimates as at the latest time of agreement, rather than the outturn costs and profits.

The SSRO monitors the extent to which report submissions comply with the reporting requirements under Section 36(2) of the Single Source Contract Regulations. The **SSRO Annual Compliance Report 2020** provides details on the data quality of report submissions with respect to the extent they comply with the reporting requirements. The SSRO's compliance review function does not involve providing assurance that individual contracts have been priced in accordance with statutory requirements, nor is it an audit of individual submissions. The MOD also carry out reviews of the data quality of data contained within these reports, in line with their own commercial guidance. It is important to note that, whilst reviews of the data do take place, reviews may not have taken place on all the data by both organisations at the time of production of this bulletin. Data is as reported by contractors unless there are significant data quality issues (see 'Data adjustments' below).

Data revisions

All figures are provisional and may be updated in future planned statistical releases. Data may also be revised for previous periods where report submissions which were not received by the reporting cut-off date are later received, or where suppliers have provided corrected or updated reports with new data. Where data is revised from a previously published statistic, the figure will be indicated with an 'r'.

Where errors are found in the statistics, or where there are significant changes to published data that might affect the utility of the statistics, the SSRO may correct these by reissuing the publication, outside of the scheduled statistical release programme. Where this happens, the reason and impact of the revision will be given.

Data adjustments

All data is as reported by defence contractors, except in circumstances where there are known, and significant, data quality issues. Where there are issues, the data has been amended to ensure the statistics are not misleading. In summary, the following adjustments were made in a small number of cases:

- some dates the contract became a QDC/QSC were amended, if the reported date fell within a different financial year to the known date the contract became a QDC/QSC;
- some contract/sub-contract prices were amended, for example where these were reported in different units or currency; and
- where the latest contract report did not provide the required data, a previous contract report was used if that did contain the relevant data.

Additionally, where contractors have entered monetary values in currencies other than pounds sterling, values are converted using the exchange rates published by the Bank of England as of the first day of the month in which the contract became a QDC/QSC.

Rounding

Totals are calculated on unrounded figures, before being rounded for presentational purposes. Therefore some totals may not sum due to rounding.

Commercial sensitivity

Due to the commercial sensitivity of this data, the SSRO does not release any information that will enable identification of individual contracts or contractors included within the analysis. Where publication of a low number of QDCs/QSCs within a particular data point may risk anonymity, this is suppressed, denoted by a “*”.

For more information on the SSRO’s handling of commercially sensitive information, see the **SSRO’s statement on its website**.

Glossary

Allowable Costs: A contractor’s costs (which include those already incurred and those which are anticipated) are Allowable Costs in a QDC or QSC to the extent they are appropriate, attributable to the contract and reasonable in the circumstances.

Contract completion date: Provided by the contractor, it may be a date specified in the contract or a date on which it is expected the contractor will become entitled to final payment, or the date on which the contract is terminated.

Contract price: Under a QDC/QSC the contract price must be determined in accordance with the formula as required by The Defence Reform Act 2014 (the Act):

$$\text{Price} = (\text{Contract Profit Rate} \times \text{Allowable Costs}) + \text{Allowable Costs}.$$

Contract profit rate (CPR): When agreeing the contract profit rate, contractors and the MOD must follow a six-step process set out in section 17(2) of the Act and Regulation 11 of the Single Source Contract Regulations 2014.

Date became a QDC/QSC: Either the date the contract was entered into, or if it is a contract brought into the regime following an amendment, the date of the amendment.

Qualifying Defence Contract (QDC): A non-competitively procured defence contract with a value of £5 million or more entered into on or after 18 December 2014. Non-competitively procured contracts entered into before 18 December 2014 and competitively procured contracts may become QDCs if they are amended without competition on or after 18 December 2014 and the parties agree to them being brought within the regulatory framework.

Qualifying Sub-contract (QSC): A sub-contract that has been assessed as meeting the requirements to be a QSC, once notice of the assessment has been given in writing to the sub-contractor and the Secretary of State (or an authorised person). The requirements for a sub-contract to be a QSC include that it is not the result of a competitive process, is valued at £25 million or more and delivers anything for the purposes of a QDC or another QSC. The Defence Reform Act specifies the circumstances in which a contract will be a QDC or a QSC and sets out relevant exclusions and exemptions.

Time of agreement: Either the date on which a QDC/QSC is entered into, the date of an amendment if it is a QDC/QSC by amendment, or if the price payable is re-determined, the date of that redetermination.

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Further information

The SSRO is committed to engaging with stakeholders to improve these statistical releases. If you would like to get in touch, please email us at helpdesk@ssro.gov.uk. The SSRO also welcomes feedback through the regular face-to-face engagement it conducts with stakeholders.