

SSRO

Single Source
Regulations Office

Reporting guidance changes

Appendices, September and October 2021

29 September 2021

Appendix 1 – Rounding in validations

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|---|---|--|--|
| <p>The following parameters are applied within the system when reported fields are matched for validation purposes:</p> <ul style="list-style-type: none"> For any percentages reported within a submission, the two percentages should match to the second decimal point with a tolerance limit of +/- 0.01; For any fields that are being compared within a submission where the cell value is less than £100m, the two values should match to one decimal point with a tolerance limit of +/- 0.1; and For any fields that are being compared within a submission where the cell value is greater than £100m, the two values should match to the nearest million with a tolerance of +/- 1. | <p>Table 1 in the consultation document should be included in guidance and it should be clearer where tolerances are % or financial values (£m).</p> <p>There should be three financial value thresholds instead of two. For contracts under £100m the tolerance of +/- 0.1 is not material once a £50m level is reached. It would be constructive to have a tolerance of +/- 0.5 for contracts between £50m and £100m.</p> | <p>The SSRO agrees that Table 1 from the consultation document should be included with amendments to make clear whether tolerances are in percentage points or £ million.</p> <p>The proposed tolerances are intended to keep an appropriate level of validation checking between fields while avoiding validation errors being produced due to rounding differences. The SSRO does not see the need for the proposed distinction between contracts valued between £0m - £50m and £50m - £100m but will keep the new tolerances under review to determine whether they are having the intended effect.</p> | <p>Inclusion of Table 1 on page 14 of the reporting guidance consultation document in the final guidance with some minor amendments [see next page].</p> <p>The following note will also be added to the published validation rules document in October 2021:</p> <p>“Number comparisons within submissions are subject to tolerances for minor differences, for example due to rounding. The specified parameters that apply to the validation checks are set out in the SSRO’s guidance on DefCARS functionality in October 2021”.</p> |

The table below will be included at paragraph 2.19 in the [SSRO's guidance on DefCARS functionality](#) with the following guidance:

2.19 The parameters in Table 3 are applied within the system when reported fields are matched for validation purposes.

Table 3 - Validation tolerances to be applied when comparing fields within submissions

| Comparison | Tolerance | Examples |
|--|--|--|
| Any percentages reported within a submission. | The two percentages should match to the second decimal point with a tolerance limit of +/- 0.01 percentage points. | <p>'Profit' page: Contract Profit Rate 10.75%.</p> <p>'Summary Analysis of Price' page: auto calculated sum of the overall contract profit 10.76%. No validation warning.</p> <p>'Summary Analysis of Price' page: auto calculated sum of the overall contract profit 10.78%. Validation warning.</p> |
| Any financial values within a submission less than £100m. | The two values should match to one decimal point with a tolerance limit of +/- £0.1 million. | <p>'Contract' page: Total Contract Price £9.918m.</p> <p>'Profit' page: Total Contract Price £9.926m No validation warning.</p> <p>'Profit' page: Total Contract Price £9.713m Validation warning.</p> |
| Any financial values within a submission greater than £100m. | The two values should match to the nearest million with a tolerance of +/- £1 million. | <p>'Contract' page: Total Contract Price £789.110m.</p> <p>'Profit' page: Total Contract Price £790.01m No validation warning.</p> <p>'Profit' page: Total Contract Price £786.110m Validation warning.</p> |

Appendix 2 – Linking compliance issues to owners

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|--|---|--|--|
| <p>The Report Home page will display summary lists added to reports via the Comments, Issues and Supporting Information pop-up. The following sections will be displayed in the Report Home page:</p> <p>a) Comments: This table will set out each comment that has been raised against the report along with the page and relevant field (if any) that the comment has been tagged against.</p> <p>b) Current Issues: This table will set out all open issues in relation to the report, providing a description of the issue along with the page and relevant field (if any) that the issue has been logged against. If an issue has been closed it will not remain on this page but will remain in the Comments, Issues and Supporting Information pop-up in the relevant report page.</p> <p>c) File Uploads: This table will list each file that has been uploaded to support the report along with the page and relevant field that the file has been tagged against and whether the upload is linked to an issue.</p> | <p>Paragraph 2.31 needs to be amended to indicate that the Report Home Page identifies open as well as resolved issues.</p> | <p>The SSRO agrees with this suggested change.</p> | <p>Paragraph 2.32 in the DefCARS functionality guidance.</p> <p>The Report Home page will display summary lists added to reports via the Comments, Issues and Supporting Information pop-up. The following sections will be displayed in the Report Home page:</p> <p>a) Comments: This table will set out each comment that has been raised against the report along with the page and relevant field (if any) that the comment has been tagged against.</p> <p>b) Current Open Issues: This table will set out all open issues in relation to the report, providing a description of the issue along with the page and relevant field (if any) that the issue has been logged against.</p> <p>c) Current Resolved Issues: This table will set out all issues previously raised on a report which have been closed and require no further action. If an issue has been closed it will also appear in the Comments, Issues and Supporting Information pop-up in the relevant report page.</p> <p>c) File Uploads: This table will list each file that has been uploaded to support the report along with the page and relevant field that the file has been tagged against and whether the upload is linked to an issue.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|--|------------------------------|---------------|--|
| <p>By selecting the view icon (see Exhibit 4) the user will be taken to the Report Home page for that report where the individual issues will be listed (see Exhibit 5). The Report Home page will display two blue status boxes which indicate the overall stage the report is at in the SSRO and the MOD review process (stages are explained in paragraph 2.56). The page will also show both current open issues and current resolved issues. These issues will have separate headings with current open issues under a red heading and current resolved issues under an amber heading (see Exhibit 5). There is a column display on the 'Current open issues' table and 'Current resolved issues' table, labelled 'Issue forwarded to the MOD, issue priority'. This column indicates the level of priority (High, Medium or Low) given to this issue by the SSRO. The user can also download the report to see a summary of current open and current resolved issues as shown on the Report Home page.</p> | <p>No comments provided.</p> | <p>N/A</p> | <p>As per proposed guidance. Paragraph 2.41 in the DefCARS functionality guidance.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|---|--|--|--|
| <p>Contractors will be able to add their response to the MOD or SSRO issue by clicking show/hide new comment in the Comments Log, entering a comment in the box and clicking the 'add new comment' button (see Exhibit 9). The system will then automatically set the issue to being with a specified organisation: the SSRO or the MOD, depending on who initially raised the issue. Paragraph 2.47 explains how responses are approved.</p> | <p>No comments provided.</p> | <p>The paragraph reference in the last sentence has been updated.</p> | <p>Paragraph 2.45 in the DefCARS functionality guidance.</p> <p>Contractors will be able to add their response to the MOD or SSRO issue by clicking show/hide new comment in the Comments Log, entering a comment in the box and clicking the 'add new comment' button (see Exhibit 9). The system will then automatically set the issue to being with a specified organisation: the SSRO or the MOD, depending on who initially raised the issue. Paragraph 2.49 explains how responses are approved.</p> |
| <p>The compliance functionality in DefCARS follows a workflow for each issue, which is used to identify the party who should take the next action on each issue. Exhibit 13 details the workflow for compliance issues raised by the SSRO and Exhibit 14 details the workflow for compliance issues raised by the MOD.</p> | <p>One stakeholder assumed that 'issue closed' in the process flow diagram meant that these issues were formally closed and this should be clarified in the process flow diagram. Also, they said that the process flow diagram should be amended to distinguish between issues raised by the MOD and those forwarded to the MOD's Single Source Advisory Team (SSAT).</p> | <p>When issues are closed on DefCARS they are formally closed. Issues are not forwarded by MOD users to the SSAT but only forwarded by the SSRO to the MOD. No changes are needed to the process flow diagrams as they accurately reflect the current compliance methodology. Changes made to paragraph 2.58 to include references to Table 4 and Table 5.</p> | <p>Paragraph 2.59 in the DefCARS functionality guidance.</p> <p>The compliance functionality in DefCARS follows a workflow for each issue, which is used to identify the party who should take the next action on each issue. Exhibit 13 and Table 4 details the workflow for compliance issues raised by the SSRO and Exhibit 14 and Table 5 details the workflow for compliance issues raised by the MOD.</p> <p>[Exhibits 13 and 14 and Tables 4 and 5 are shown on page 8]</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|---|------------------------------|---------------|--|
| <p>Where issues have remained open for over 30 days since initial release, DefCARS will send automated email notifications to all parties associated with the contract as a reminder to review any open issues and/or responses to issues and to action these accordingly. This email notification will identify the party who needs to take action in relation to an unresolved issue, and the number of unresolved issues. It will continue to be sent every 30 days until the issue is resolved.</p> | <p>No comments provided.</p> | <p>N/A</p> | <p>Paragraph 2.62 in the DefCARS functionality guidance. As per proposed guidance.</p> |

Exhibit 13 – Compliance workflow for issues raised by the SSRO

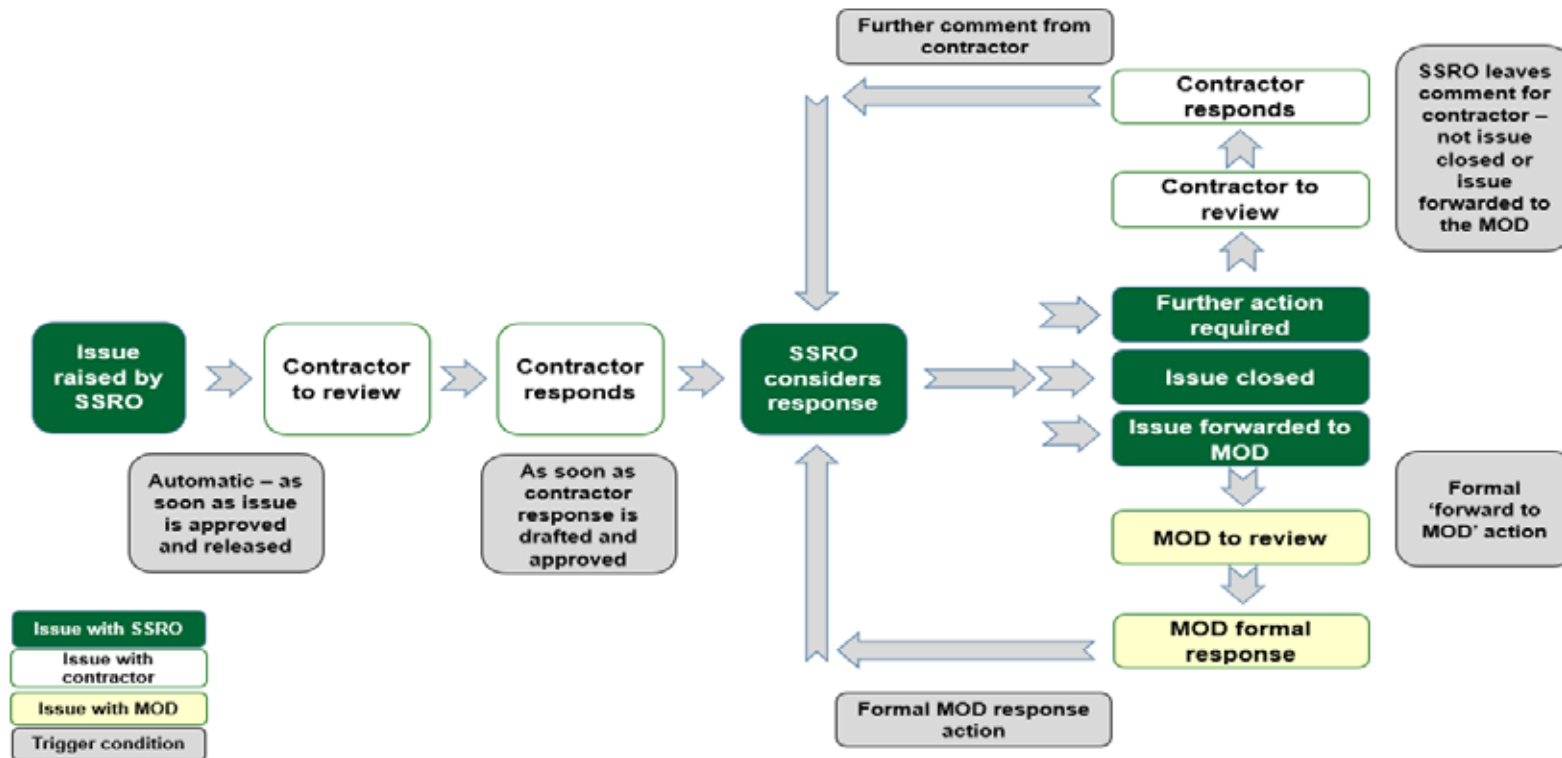


Table 4: trigger conditions for issues raised by the SSRO

| User | Condition | Action |
|------------|---|--|
| SSRO | Issue(s) initially released to contractor. | Issue(s) automatically set to 'next action with contractor'. |
| Contractor | Contractor response to individual issue is drafted and approved. | Issue(s) automatically set to 'next action with SSRO'. |
| SSRO | Comments left against individual issue(s) for the contractor. | Issue(s) automatically set to 'next action with contractor'. |
| Contractor | Comments left against individual issue(s) for the SSRO. | Issue(s) automatically set to 'next action with SSRO'. |
| SSRO | Issue(s) are 'forwarded to the MOD' by the SSRO. | Issue(s) automatically set to 'next action with MOD'. |
| MOD | MOD provides a formal response to the issue to the SSRO by selecting 'respond to the SSRO'. | Issue(s) automatically set to 'next action with SSRO'. |

Exhibit 14 – Compliance workflow for issues raised by the MOD

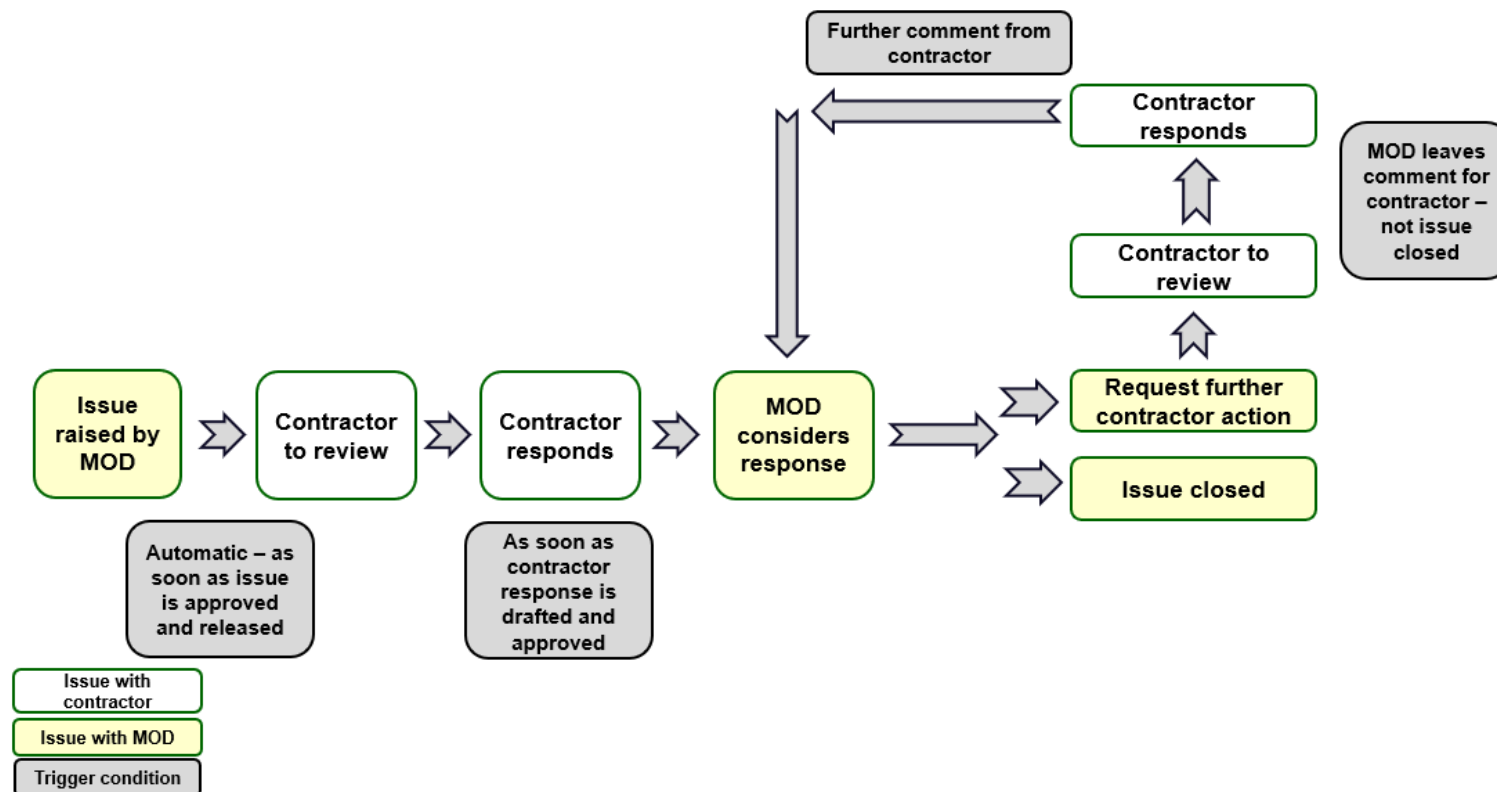


Table 5: trigger conditions for issues raised by the MOD

| User | Condition | Action |
|------------|---|--|
| MOD | Issue(s) initially released to contractor. | Issue(s) automatically set to 'next action with contractor'. |
| Contractor | Contractor response to individual issue drafted and approved. | Issue(s) automatically set to 'next action with MOD'. |
| MOD | Comments left against individual issue(s) for the contractor. | Issue(s) automatically set to 'next action with contractor'. |
| Contractor | Comments left against individual issue(s) for the MOD. | Issue(s) automatically set to 'next action with MOD'. |

Appendix 3 – Reporting sunk and committed elements in a contract

The table below sets out the new reporting guidance which will be inserted after paragraph 3.53 in the [contract reporting guidance](#).

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|--|-----------------------|------------------|--|
| <p>Reporting price elements for periods before a contract became a QDC or QSC</p> <p>The price of a QDC or QSC must be determined in accordance with the pricing formula $((CPR \times AC) + AC)$. This applies to the whole contract price, even if part of the price relates to a period before the contract became a QDC or QSC. The SSRO reports non-compliant prices of QDCs and QSCs in accordance with its compliance methodology.</p> | No comments provided. | N/A | As per proposed guidance. Paragraph 3.62 in the contract reporting guidance. |
| <p>In some cases, however, the pricing of the whole contract in accordance with the formula may not take place, resulting in a price that is non-compliant with the legislation. This has been observed to occur in the following circumstances:</p> <ul style="list-style-type: none"> • A contract becomes a QDC following an amendment and the agreement of the parties, under sections 14(2) and 14(4) or (5) of the Act. • A contract becomes a QDC following an amendment that at common law rescinds the previous contract and the contract meets the requirements for being a QDC under sections 14(2) and (3) of the Act. • A sub-contract becomes a QSC when an amendment would at common law rescind the previous contract and the proposed new sub-contract is assessed as being a QSC under regulation 61 and written notification is given to the MOD and the sub-contractor. | No comments provided. | No changes made. | As per proposed guidance. Paragraph 3.63 in the contract reporting guidance. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|--|--|--|--|
| <p>A contractor may find reporting difficult in such circumstances, as DefCARS has been established to receive reports of contract prices that are in accordance with the legislation. The following guidance assists contractors to report elements of a contract price that relate to a period before the contract became a QDC or QSC and have not been re-priced in accordance with the pricing formula. In such cases the contractor should report in a way that:</p> <ul style="list-style-type: none"> • The whole of the contract price is reported. • Annual profiles are provided of all costs and profit where this information is available. • A single contract profit rate is reported and is supported by any calculations used to arrive at that contract profit rate. • Sunk and committed elements of the contract price should be separately identifiable, with the contractor describing in a Contract Pricing Statement the facts, assumptions and calculations relevant to each element of the Allowable Costs. • There is consistency in the approach to reporting any sunk and committed elements from one contract report to another to allow meaningful comparison. | No comments provided. | N/A | As per proposed guidance. Paragraph 3.64 in the contract reporting guidance. |
| <p>The terms sunk and committed costs are used in this guidance. They have the same meaning as is used in the SSRO's Allowable Costs guidance. The SSRO assumes that in most cases, there will be profit associated with these costs.</p> | One stakeholder commented on the definition of terms and how in their view the SSRO used a number of terms without definition or meaningful description. | The SSRO has made changes to this reporting guidance to only use the terms sunk and committed costs which are defined in the Allowable Costs guidance. | As per proposed guidance. Paragraph 3.65 in the contract reporting guidance. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|--|--|--|--|
| <p>Contract price</p> <p>The contractor is required to report the contract price in the Contract Pricing Statement, Quarterly Contract Report, Interim Contract Report and Contract Completion Report. The contract price is reported in the following data fields in the initial reports (CIR) in DefCARS:</p> <ul style="list-style-type: none"> • Contract page: Total Contract Price • Profit page: Total Contract Price • Summary Analysis of Price: Total Contract Price | No comments provided. | N/A | As per proposed guidance. Paragraph 3.66 in the contract reporting guidance. |
| When the contractor reports the contract price (as a total and by pricing method), this should include any sunk and committed price. | One stakeholder commented on the definition of terms and how in their view the SSRO used a number of terms without definition or meaningful description. | Amended to remove the term sunk and committed price. | Paragraph 3.67 in the contract reporting guidance. When the contractor reports the contract price (as a total and by pricing method) this should include any sunk and committed costs and any associated profit. |
| <p>Allowable Costs</p> <p>The contractor is required to break down the Allowable Costs (excluding risk contingency) by the defined pricing structure (DPS). This is required in four reports (see footnote).</p> <p>Footnote - Contract Notification Report, Quarterly Contract Report, Interim Contract Report and Contract Completion Report.</p> | No comments provided. | | As per proposed guidance. Paragraph 3.68 in the contract reporting guidance. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|--|---|---|---|
| <p>If the contract price includes sunk or committed elements, the contractor should do the following:</p> <ul style="list-style-type: none"> • Include any sunk or committed costs in the ‘not profiled’ column where these can be allocated to individual DPS lines in the ‘DPS Input Values’ page. • If the contractor does not have historic cost information split by the DPS, these costs should be reported at the total level (Level 1) rather than by individual DPS line using the ‘not profiled’ column in the ‘DPS Input Values’ page. An annual profile of these total costs by DPS should be provided in an attached spreadsheet. • Any costs which relate to risk contingency will need to be added to the ‘not profiled’ column of the ‘Risk Contingency Element within the Allowable Costs’ row in the ‘Summary Analysis of Price’ page in the CIR. | <p>One stakeholder commented on the definition of terms and how in their view the SSRO used a number of terms without definition or meaningful description.</p> | <p>Amended to only refer to sunk and committed costs.</p> <p>The SSRO is considering adding a Yes/No page on the Profit page of the CIR to allow contractors to confirm if they are reporting sunk and committed costs.</p> | <p>Paragraph 3.68 in the contract reporting guidance.</p> <p>The contractor is asked to confirm using the Yes/No button whether there are sunk and committed costs to report. If Yes is selected, the contractor should do the following:</p> <ul style="list-style-type: none"> • Include any sunk or committed costs in the ‘not profiled’ column where these can be allocated to individual DPS lines in the ‘DPS Input Values’ page. • If the contractor does not have historic cost information split by the DPS, these costs should be reported at the total level (Level 1) rather than by individual DPS line using the ‘not profiled’ column in the ‘DPS Input Values’ page. An annual profile of these total costs by DPS should be provided in an attached spreadsheet. • Any sunk and committed costs which relate to risk contingency will need to be added to the ‘not profiled’ column of the ‘Risk Contingency Element of the Allowable Costs’ row in the ‘Summary Analysis of Price’ page in the CIR. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>The contractor should provide a breakdown of any costs included in the 'not profiled' column, identifying any sunk and committed costs where these costs have been reported as a single figure. The contractor should provide the breakdown in a spreadsheet, which can be uploaded into the system on the 'Summary Analysis of Price' page.</p> | <p>No comments provided.</p> | <p>N/A</p> | <p>As per proposed guidance. Paragraph 3.69 in the contract reporting guidance.</p> |
| <p>The 'Cost Breakdown' page within the initial reports allows contractors the option to add additional cost categories. The contractor can add categories for sunk and committed costs to this breakdown. This cost breakdown is only provided in the initial reports or an on-demand Contract Pricing Statement.</p> | <p>No comments provided.</p> | <p>N/A</p> | <p>As per proposed guidance. Paragraph 3.70 in the contract reporting guidance.</p> |
| <p>In update reports, the contractor must report the quantum of Allowable Costs as at the latest time of agreement and the latest expected outturn. Any sunk and committed Allowable Costs which were in the initial reports and reported in the 'not profiled' column will be auto-populated in the 'Summary Analysis of Price' page. If the breakdown of the 'not profiled' costs has been uploaded in an earlier submission, the contractor is not required to resubmit this breakdown unless the costs have changed following a contract amendment. Any changes to these costs will need to be reflected in the 'Actual and Forecast Price Summary' unless there has been a pricing amendment which would be reflected in the 'Summary Analysis of Price'. Any variances related to a change in the sunk and committed costs which need to be explained should be reported in the 'Variances, events and circumstances' page.</p> | <p>No comments provided.</p> | <p>N/A</p> | <p>As per proposed guidance. Paragraph 3.71 in the contract reporting guidance.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|---|-----------------------|--|---|
| <p>Profit</p> <p>A QDC or QSC is required to have a single contract profit rate, including where the contract became a QDC or QSC following an amendment. DefCARS facilitates the reporting of a single contract profit rate based on the six-step profit rate calculation.</p> | No comments provided. | The change is to assist with distinguishing between a QDC/QSC following an amendment and rescission of a previous contract and a QDC by amendment. | <p>Paragraph 3.72 in the contract reporting guidance.</p> <p>A QDC or QSC is required to have a single contract profit rate, including where the contract became a QDC by amendment, or became a QDC or QSC following an amendment and rescission of the previous contract. DefCARS facilitates the reporting of a single contract profit rate based on the six-step profit rate calculation.</p> |
| <p>The contractor should report the six-step calculation and the contract profit rate on the 'Profit' page of DefCARS (which only appears in the Contract Pricing Statement). Where the contract profit rate is not the same as the calculation of the six steps (see footnote), DefCARS will flag a validation warning and the contractor will be asked to provide an explanation. In such circumstances, the contractor should attach a calculation of the contract price, clearly showing how the contract profit rate has been calculated.</p> <p>Footnote - In May 2021, the SSRO is planning a minor change to DefCARS and its reporting guidance. DefCARS will sum the six profit rate steps and then a contractor can use the Contract Profit Rate % field to report a different contract profit rate if they need to do this.</p> | No comments provided. | N/A | As per proposed guidance. Paragraph 3.73 in the contract reporting guidance. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|--|---|---|--|
| <p>In the ‘Summary Analysis of Price’ page, any sunk or committed profit should be added together and reported as a total in the ‘not profiled’ column. The contractor, if they consider it possible, should provide an annual breakdown of this total figure, split by sunk or committed in an attached spreadsheet to show how the total figure is made up. The contractor can provide any further explanation of the total figure or the annual profile using the comments functionality.</p> | <p>One stakeholder commented on the definition of terms and how in their view the SSRO used a number of terms without definition or meaningful description.</p> | <p>Amended to only refer to sunk and committed costs.</p> | <p>Paragraph 3.74 in the contract reporting guidance.</p> <p>In the ‘Summary Analysis of Price’ page, any profit associated with sunk or committed costs should be added together and reported as a total in the ‘not profiled’ column. The contractor, if they consider it possible, should provide an annual breakdown of this total figure, split by sunk or committed in an attached spreadsheet to show how the total figure is made up. The contractor can provide any further explanation of the total figure or the annual profile using the comments functionality.</p> |
| <p>In the update reports, a six-step profit calculation is not required. The contractor must report the quantum of profit in the original estimate and the latest outturn. Any profit which was in the initial reports will be auto-populated in the ‘Summary Analysis of Price’ page and any changes will need to be reflected in the ‘Actual and Forecast Price Summary’.</p> | <p>No comments provided.</p> | <p>N/A</p> | <p>As per proposed guidance. Paragraph 3.75 in the contract reporting guidance.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|---|-----------------------|---------------|--|
| <p>Other aspects of contract reporting</p> <p>Contractors should consider whether they can report information on cost recovery rates, milestones, deliverables, metrics, payments and sub-contracts which were relevant for the period from when the contract was entered into until it was amended to be a QDC. This reporting would be via separate attachment in the case of cost recovery rates. All other information can be added within the data structures set out in DefCARS.</p> | No comments provided. | N/A | As per proposed guidance. Paragraph 3.76 in the contract reporting guidance. |
| <p>Confirm the total Allowable Costs (including any risk contingency element) in the contract in £ millions to three decimal places. The contractor should ensure this total includes any sunk or committed costs where these need to be reported, particularly for contracts which were amended to be a QDC but also for QDCs and QSCs. Further guidance on this aspect of reporting is included in chapter 3. The contractor should provide supporting comments and explanation here to help the SSRO and the MOD understand the quantum of Allowable Costs. Later data entry pages will ask the contractor to provide further breakdowns of the Allowable Costs.</p> | No comments provided. | N/A | As per proposed guidance. Profit data input - Table 9, row 4, column 2 in the contract reporting guidance. |

The table below reflects changes to the SSRO's Allowable Costs guidance. Paragraphs 4.7 and 4.8 of the [Allowable Costs guidance](#) are deleted and a new section F.4 created.

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|---|---|--|--|
| <p>F. Exceptional and abnormal costs</p> <p>F.4 Sunk and committed costs</p> <p>F.4.1 Sunk costs are costs that have been incurred, and committed costs are costs that have already been agreed to be incurred, at the time a contract becomes a qualifying contract. Sunk and committed cost may include, for example, bid costs (See C.2) or the cost of work undertaken at risk.</p> <p>F.4.2 Sunk and committed costs may be Allowable Costs subject to satisfying the requirements described in this Part, Section 3 and any other relevant Part of Section 5 of this guidance.</p> <p>F.4.3 If a contract becomes a qualifying contract following an amendment, sunk and committed costs may relate to goods, works, or services provided under the original contract. The SSRO expects that the parties would make appropriate arrangements such that it should be unnecessary for any question to be raised with the SSRO in relation to any sunk costs (see footnote). Such arrangements may include stating in the amended contract that:</p> <ul style="list-style-type: none"> • the contracting parties agree that the sunk costs are Allowable Costs; and • the parties will not seek to reclaim costs or to claim additional costs in respect of the period prior to the amended contract becoming a QDC or QSC. | <p>The following classes of sunk costs might need different descriptions:</p> <ul style="list-style-type: none"> • something that has been delivered, • establishment of assets that will be used throughout the performance of the contract, but may never be delivered, • parts in stores that are in general inventory, allocated to the contract during its life, • costs that have been incurred but for which the value can only be estimated at the time of pricing, | <p>The SSRO considers that the Allowable Costs guidance would be the same for all those classes of sunk costs and therefore the proposed guidance is unchanged.</p> <p>Contractors should adopt a consistent approach to the allocation or apportionment of the costs of assets (non-cash costs) and of the costs of inventory. We agree that such costs may be sunk and committed costs, but the costs may also be allocated and apportioned to the time the asset or inventory is used on the contract. The SSRO is not prescriptive about the approach taken.</p> <p>The change at paragraph F.4.3 is to assist with distinguishing between a QDC/QSC following and amendment and rescission of a previous contract and a QDC by amendment.</p> | <p>F. Exceptional and abnormal costs</p> <p>F.4 Sunk and committed costs</p> <p>F.4.1 Sunk costs are costs that have been incurred, and committed costs are costs that have already been agreed to be incurred, at the time a contract becomes a qualifying contract. Sunk and committed cost may include, for example, bid costs (See C.2) or the cost of work undertaken at risk.</p> <p>F.4.2 Sunk and committed costs may be Allowable Costs subject to satisfying the requirements described in this Part, Section 3 and any other relevant Part of Section 5 of this guidance.</p> <p>F.4.3 If a contract becomes a qualifying contract following an amendment (see footnote 1), sunk and committed costs may relate to goods, works, or services provided under the original contract. The SSRO expects that the parties would make appropriate arrangements such that it should be unnecessary for any question to be raised with the SSRO in relation to any sunk costs (see footnote 2). Such arrangements may include stating in the amended contract that:</p> <ul style="list-style-type: none"> • the contracting parties agree that the sunk costs are Allowable Costs; and • the parties will not seek to reclaim costs or to claim additional costs in respect of the period prior to the contract becoming a QDC or QSC. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|---|----------------------|---------------|--|
| <p>Footnote – Sunk costs will still need to be notified in accordance with the reporting requirements.</p> | | | <p>Footnote 1 - For example, a QDC by amendment, or a QDC or QSC following an amendment and rescission of the previous contract. For further details on amended contracts see Reporting guidance on preparation and submission of contract reports available at https://www.gov.uk/guidance/contract-and-supplier-reporting-defcars-and-associated-guidance</p> <p>Footnote 2 – Sunk costs will still need to be notified in accordance with the reporting requirements.</p> |

Appendix 4 - Reporting on-demand report due dates

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>Contractors are required to provide the following information in the contract reporting plan:</p> <ul style="list-style-type: none"> • A list of every quarterly contract report, interim contract report, contract completion report and contract costs statement which will be required for the contract, which includes on demand versions of these reports where applicable, and the dates on which those reports will be due (regulation 24(2)(b)); and • A description of any on-demand contract pricing statement, contract reporting plan, interim contract report or contract costs statement that the contractor has agreed to provide, which should include the date on which the contractor has agreed to provide the report (regulation 24(2)(c)). <p>Due dates entered on the Reporting Plan page will be reflected in the reporting calendar on the contractor's home page of DefCARS.</p> <p>Further details about how the reporting calendar operates are included in the guidance on DefCARS functionality. Section 9 of this guidance provides assistance on how to submit on-demand CRPs. Appendix 1 identifies the relationship between reporting dates for on-demand reports and due dates.</p> | <p>Clarification is required that on-demand reports within the Contract Reporting Plan (CRP) are only required if known at the time of agreement and thus submission of the CRP. If written direction during the contract life, it is not clear where the regulations require the update of the CRP.</p> <p>The SSRO should make clearer that an on-demand report will need to be created post CIR submission to make amendments to the CRP.</p> | <p>The SSRO recognises that the legislation does not require the submission of a new CRP where there is written direction for an on-demand report (other than for a CRP itself). However, it will be beneficial for contractors to do this as it will keep DefCARS up to date as a record of all reports which are due to be submitted.</p> <p>The SSRO agrees that it is helpful to indicate in its guidance that on-demand reports are not likely to be requested until after the initial reports have been submitted.</p> | <p>Paragraphs 4.8 – 4.11 in the contract reporting guidance.</p> <p>Contractors are required to provide the following information in the contract reporting plan:</p> <ul style="list-style-type: none"> • A list of every quarterly contract report, interim contract report, contract completion report and contract costs statement which will be required for the contract, which includes those reports which can be requested on-demand by written direction where applicable, and the dates on which those reports will be due (regulation 24(2)(b)); and • A description of any on-demand contract pricing statement, contract reporting plan, interim contract report and contract costs statement that the contractor has agreed to provide, which should include the date on which the contractor has agreed to provide the report (regulation 24(2)(c)). <p>The contractor is not required to list in the on-demand CRP, a CRP or CPS for which a written direction is received from the MOD. However, it will be beneficial for contractors to do this as it will keep DefCARS up to date as a record of all reports which are due to be submitted and so the contractor may wish to include those in the CRP.</p> <p>A written direction to submit on-demand reports is likely to be received after the initial reports, including the CRP, are submitted. For the same reason, upon receipt of any new written direction for an on-demand report, contractors may wish to submit an on-demand CRP because this is the only way of keeping the initial CRP up to date.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| | | | <p>Due dates entered on the Reporting Plan page will be reflected in the reporting calendar on the contractor's home page of DefCARS.</p> <p>Further details about how the reporting calendar operates are included in the guidance on DefCARS functionality. Section 9 of this guidance provides assistance on how to submit on-demand CRPs. Appendix 1 identifies the relationship between reporting dates for on-demand reports and due dates.</p> |
| <p>The contractor will need to provide the following information about on-demand reports:</p> <ul style="list-style-type: none"> • A description of each on-demand report that it has agreed to provide, including the date on which it has agreed the report will be provided and whether the report is being submitted under written direction by the Secretary of State or by agreement. For example, the contractor may have agreed to submit an on-demand CPS and CRP 30 days after a date on which it is expected the contract will be amended. • For any contract costs statement that is required for a specified period, details of the start and end date of the specified period. <p>DefCARS will ask a series of questions to assist the contractor to provide the required information. These questions are listed in Table 8.</p> | No comments provided. | Minor points of clarification. | <p>Paragraphs 4.13 and 4.14 in the contract reporting guidance.</p> <p>The contractor will need to provide the following information about on-demand reports:</p> <ul style="list-style-type: none"> • A description of each on-demand report that it is to provide, including the date on which it will be due and whether the report is being submitted under written direction by the Secretary of State or by agreement. For example, the contractor may have agreed to submit an on-demand CPS and CRP 30 days after a date on which it is expected the contract will be amended. • For any contract costs statement that is required for a specified period, details of the start and end date of the specified period. <p>DefCARS will ask a series of questions to assist the contractor to provide the required information. These questions are listed in Table 8.</p> |
| <p>If the contractor confirmed that there are agreed ICR dates then they should identify the reporting dates. If the contractor has not agreed these dates then the reporting dates will be auto-populated by DefCARS. Extra rows can be added by clicking on the blue cross.</p> | No comments provided. | N/A | As per proposed guidance. Table 8, Row 7, Guidance Column in the contract reporting guidance. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>DefCARS assists contractors to list on-demand reports that they have agreed to provide or been directed to provide by the Secretary of State, and to identify the date by which each report will or must be provided. Contractors should select from the drop-down list provided the on-demand report (Contract Reporting Plan, Contract Pricing Statement, Interim Contract Report or Contract Costs Statement) that they have agreed or are required to submit. Once the contractor has selected a report, DefCARS will ask the following questions:</p> <ul style="list-style-type: none"> • Where CCS has been selected, is the report required for a specified period? (Yes/No) <ul style="list-style-type: none"> • Where Yes, the start and end date of the specified period are required. • Are you submitting this report under written direction from the Secretary of State or by agreement? <ul style="list-style-type: none"> • Where by agreement, the contractor is asked to provide the date by which the report will be submitted. • Where by written direction, the contractor is asked if there is an agreed date for submission of the report (Y/N). • Where the report is being submitted under written direction, the date the written direction was received? <p>This process should be repeated for each on-demand report that the contractor has agreed to submit or is required to submit.</p> | <ul style="list-style-type: none"> • No comments provided. | <p>Minor point of clarification to change the word ‘agreed’ to ‘due’ in the following option under the second question – Where by written direction, the contractor is asked if there is a due date for submission of the report (Y/N).</p> | <p>Table 8, Row 9, Guidance Column in the contract reporting guidance.</p> <p>DefCARS assists contractors to list on-demand reports that they have agreed to provide or been directed to provide by the Secretary of State, and to identify the date by which each report will or must be provided. Contractors should select from the drop-down list provided the on-demand report (Contract Reporting Plan, Contract Pricing Statement, Interim Contract Report or Contract Costs Statement) that they have agreed or are required to submit. Once the contractor has selected a report, DefCARS will ask the following questions:</p> <ul style="list-style-type: none"> • Where CCS has been selected, is the report required for a specified period? (Yes/No) <ul style="list-style-type: none"> • Where Yes, the start and end date of the specified period are required. • Are you submitting this report under written direction from the Secretary of State or by agreement? <ul style="list-style-type: none"> • Where by agreement, the contractor is asked to provide the date by which the report will be submitted. • Where by written direction, the contractor is asked if there is a due date for submission of the report (Y/N). • Where the report is being submitted under written direction, the date the written direction was received? <p>This process should be repeated for each on-demand report that the contractor has agreed to submit or is required to submit.</p> |

Appendix 5 – Amended sub-contracts

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>Reporting QSC Assessments</p> <p>Contractors are required to report the outcome of any assessment that has been made of whether a sub-contract is a QSC. This information must be provided in the Contract Notification Report, Quarterly Contract Report and Interim Contract Report (see regulations 25(2)(l)(ix), 26(6)(k)(ix) and 27(5)(e)(ix)).</p> <p>Regulation 61 specifies the circumstances in which an assessment must be carried out of whether a proposed sub-contract would be a QSC (a QSC assessment). A QSC assessment must be carried out by the primary contractor or other person who proposes to enter into a sub-contract if the proposed sub-contract involves the provision of anything for the purposes of a QDC or QSC to which the contractor or other person is a party. Regulation 61 also specifies that the person carrying out the assessment must keep a record of the assessment, give written notice to the sub-contractor if it considers the contract would be a QSC, and in all cases give written notice that an assessment has been made to the MOD and the SSRO.</p> | <p>One stakeholder thought that the guidance changes clarified the requirement, while another suggested that the SSRO had not gone far enough in setting out the circumstances in which an amendment to a contract would result in its rescission.</p> <p>ADS thought that the SSRO should not include this topic in the proposed guidance, arguing that such situations are rare and affect a reducing number of contracts.</p> <p>ADS asserted that references to common law would not be understood by most users but did not explain why.</p> <p>One industry stakeholder agreed that the term ‘QSC by amendment’ should be removed from DefCARS but thought it was not helpful to refer to ‘a QSC following an amendment’ since it may cause confusion with a QDC by amendment.</p> <p>A stakeholder submitted that if a new sub-contract is proposed it will require assessment to determine if it is a QSC, and wording to that effect should be included in the guidance.</p> | <p>The SSRO’s reporting guidance is not intended to act as legal advice and, in any event, could not cover every situation in which a contract amendment may result in its rescission. We are content with providing a broad statement of the legal position, with a recommendation that contractors take legal advice as needed.</p> <p>We cannot comment on the frequency of such amendments, other than to observe that DefCARS contains details of contracts which have been reported as falling into this category. It is unclear why such amendments would reduce in future, nor does it follow that guidance should not support contractors in being able to submit reports for such contracts.</p> <p>The term “common law” is used elsewhere in the guidance and we think individuals who are unfamiliar with it can readily find a definition. We have nevertheless included a footnote to indicate that it is the part of English law that is derived from custom and judicial precedent rather than statutes.</p> | <p>Reporting QSC Assessments</p> <p>Paragraphs 3.33 to 3.40 in the contract reporting guidance.</p> <p>Contractors are required to report the outcome of any assessment that has been made of whether a sub-contract is a QSC. This information must be provided in the Contract Notification Report, Quarterly Contract Report and Interim Contract Report (see regulations 25(2)(l)(ix), 26(6)(k)(ix) and 27(5)(e)(ix)).</p> <p>Regulation 61 specifies the circumstances in which an assessment must be carried out of whether a proposed sub-contract would be a QSC (a QSC assessment). A QSC assessment must be carried out by the primary contractor or other person who proposes to enter into a sub-contract if the proposed sub-contract involves the provision of anything for the purposes of a QDC or QSC to which the contractor or other person is a party. Regulation 61 also specifies that the person carrying out the assessment must keep a record of the assessment, give written notice to the sub-contractor if it considers the contract would be a QSC, and in all cases give written notice that an assessment has been made to the MOD and the SSRO.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>The Regulations only call for a QSC assessment to be undertaken at the time when it is proposed to enter into the sub-contract. The Regulations do not require a QSC assessment to be undertaken if an existing sub-contract is subsequently amended. A proposed amendment to a sub-contract will, however, trigger the requirement for a QSC assessment under regulation 61 if:</p> <ul style="list-style-type: none"> • the parties propose to amend a sub-contract in a way that results in a new sub-contract; and • the sub-contract provides anything for the purposes of a QDC or QSC. <p>If the outcome of the QSC assessment is positive and the proposed amendment is made, the new QSC will be brought into the regime upon the contractor complying with the notice requirements under regulation 61(3).</p> | | <p>We accept that the term ‘QDC by amendment’ denotes QDCs which come into the regime under section 14(4) or (5) of the Act. We accept that there is no similar provision for QSCs and to maintain this distinction we have changed all references in the proposed guidance to QDCs or QSCs which arise “following an amendment” to refer to contracts which become QDCs or QSCs “following an amendment and rescission of the previous contract.”</p> <p>The consultation paper provided a general statement of how the SSRO considers the requirement to undertake a QSC assessment may be triggered in the context of a new sub-contract which is created following an amendment and rescission. Regulation 61 confirms the circumstances in which a QSC assessment is required and it is not intended that the SSRO’s reporting guidance re-state that position.</p> | <p>The Regulations only call for a QSC assessment to be undertaken at the time when it is proposed to enter into the sub-contract. The Regulations do not require a QSC assessment to be undertaken if an existing sub-contract is subsequently amended. A proposed amendment to a sub-contract will, however, trigger the requirement for a QSC assessment under regulation 61 if:</p> <ul style="list-style-type: none"> • the parties propose to amend a sub-contract in a way that results in a new sub-contract; and • the sub-contract provides anything for the purposes of a QDC or QSC. <p>If the outcome of the QSC assessment is positive and the proposed amendment is made, the new QSC will be brought into the regime upon the contractor complying with the notice requirements under regulation 61(3).</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>An amendment may result in a new contract</p> <p>In limited circumstances, an amendment to a contract may create a new contract. Under common law, a new contract will arise when the effect of the amendment is to rescind the existing contract. Broadly, this may occur in two circumstances:</p> <ul style="list-style-type: none"> • By express agreement between the parties. For example, in a deed of restatement and amendment, the parties may state that the previous contract is rescinded. • By implication. The circumstances or the terms of the amendment may imply a rescission of the previous contract. A rescission may be presumed if the amendment is entirely or wholly inconsistent with the previous contract. This may occur if the amendment introduces a substantially different requirement. <p>Contractors should seek legal advice if they are unsure whether a proposed amendment will result in a new contract.</p> | | | <p>An amendment may result in a new contract</p> <p>In limited circumstances, an amendment to a contract may create a new contract. Under common law (see footnote), a new contract will arise when the effect of the amendment is to rescind the existing contract. Broadly, this may occur in two circumstances:</p> <ul style="list-style-type: none"> • By express agreement between the parties. For example, in a deed of restatement and amendment, the parties may state that the previous contract is rescinded. • By implication. The circumstances or the terms of the amendment may imply a rescission of the previous contract. A rescission may be presumed if the amendment is entirely or wholly inconsistent with the previous contract. This may occur if the amendment introduces a substantially different requirement. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>Reporting a QDC by amendment or QDC or QSC following an amendment and rescission of the previous contract</p> <p>Contractors are required to report the price of a QDC or QSC in the contract reports. The pricing formula in regulation 10 applies to the whole of the contract price, including in the following circumstances:</p> <ul style="list-style-type: none"> • A contract becomes a QDC following an amendment and the agreement of the parties, under sections 14(2) and 14(4) or (5) of the Act. • A contract becomes a QDC following an amendment that at common law rescinds the previous contract and the contract meets the requirements for being a QDC under sections 14(2) and (3) of the Act. • A sub-contract becomes a QSC when an amendment would at common law rescind the previous contract and the proposed new sub-contract is assessed as being a QSC under regulation 61 and written notification is given to the MOD and the sub-contractor. | | | <p>Contractors should seek legal advice if they are unsure whether a proposed amendment will result in a new contract.</p> <p>Footnote - English law that is derived from custom and judicial precedent rather than statutes.</p> <p>Reporting a QDC by amendment or QDC or QSC following an amendment and rescission of the previous contract</p> <p>Contractors are required to report the price of a QDC or QSC in the contract reports. The pricing formula in regulation 10 applies to the whole of the contract price, including in the following circumstances:</p> <ul style="list-style-type: none"> • A contract becomes a QDC following an amendment and the agreement of the parties, under sections 14(2) and 14(4) or (5) of the Act. • A contract becomes a QDC following an amendment that at common law rescinds the previous contract and the contract meets the requirements for being a QDC under sections 14(2) and (3) of the Act. • A sub-contract becomes a QSC when an amendment would at common law rescind the previous contract and the proposed new sub-contract is assessed as being a QSC under regulation 61 and written notification is given to the MOD and the sub-contractor. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>If a contract has become a QDC by amendment or a QDC or QSC following an amendment and rescission of the previous contract, there will likely be a component of the contract that was not originally priced in accordance with the price formula. The whole contract should be re-priced in accordance with the formula in such circumstances. Chapter 3 of the guidance also explains how sub-contractors can report in circumstances where the price is non-compliant and there are elements of the price that have not been priced in accordance with the price formula.</p> | | | <p>If a contract has become a QDC by amendment or a QDC or QSC following an amendment and rescission of the previous contract, there will likely be a component of the contract that was not originally priced in accordance with the price formula. The whole contract should be re-priced in accordance with the formula in such circumstances. Chapter 3 of the guidance also explains how sub-contractors can report in circumstances where the price is non-compliant and there are elements of the price that have not been priced in accordance with the price formula.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>Contract Type</p> <p>The contractor is asked to categorise their QDC as either one of the following:</p> <ul style="list-style-type: none"> • QDC • QDC by amendment • QSC <p>QDC and QSC should be used to reflect new contracts (including where the new contract results from amendment and rescission of a previous contract). QDC by amendment should be used to indicate contracts which have become QDCs following an amendment and the agreement of the parties, under sections 14(2) and 14(4) or (5) of the Act.</p> <p>The categorisation here will impact on the field labelled 'Date contract became a QDC/QSC'. This will either be the 'date contract entered into' if the contract-type selected is a QDC or QSC, or the 'latest pricing amendment date' if a QDC by amendment is selected.</p> | | | <p>Table 7, Row 6 - Contract data input in the contract reporting guidance.</p> <p>Contract Type</p> <p>The contractor is asked to categorise their QDC as either one of the following:</p> <ul style="list-style-type: none"> • QDC • QDC by amendment • QSC <p>QDC and QSC should be used to reflect new contracts (including where the new contract results from amendment and rescission of a previous contract). QDC by amendment should be used to indicate contracts which were not QDCs, but have become so following an amendment and the agreement of the parties under sections 14(2) and 14(4) or (5) of the Act.</p> <p>The categorisation here will impact on the field labelled 'Date contract became a QDC/QSC'. This will either be the 'date contract entered into' if the contract-type selected is a QDC or QSC, or the 'latest pricing amendment date' if a QDC by amendment is selected.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>Date Contract Entered Into</p> <p>Dates in DefCARS can either be typed in using the format indicated or by using the calendar functionality.</p> <p>The contractor should provide:</p> <ul style="list-style-type: none"> • the date a new contract was entered into; or • if an existing contract was amended and became a QDC, the date that the contract was originally entered into. <p>If a new contract has been created following an amendment and rescission of a previous contract, the date of entry into the contract will be the date the amending instrument was entered into.</p> <p>Further guidance on the date a contract is entered into is provided on page 10.</p> | <p>A stakeholder proposed that guidance should not refer to amendment and rescission, but only to a new sub-contract being created following rescission.</p> | <p>The SSRO does not agree with changing references to ‘amendment and rescission’ to ‘new contracts created following rescission’. The proposed guidance is intended to deal with the situation involving an amendment which results in a new contract being created, rather than the rescission of contracts generally.</p> <p>For the reasons given, no changes have been made.</p> | <p>As per proposed guidance. Table 7, Row 7 - Contract data input in the contract reporting guidance</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p><u>Minor consequential changes</u></p> <p>In its consultation paper, the SSRO confirmed that further minor changes would be made to update the references to ‘QSC by amendment’ in the current guidance. The updated paragraphs are set out in the column opposite.</p> | | <p>Paragraph 5.23, sentence 3: Analysis of Cost by Supplier Breakdown (Allowable Costs excluding risk contingency at the latest time of agreement) in the contract reporting guidance.</p> <p>‘QDC by amendment’ replaced with ‘the contract became a QDC or QSC following an amendment and rescission of a previous contract.’</p> <p>Paragraph 5.32, sentence 1: Actual & Forecast Analysis of Cost (expected Allowable Costs excluding risk contingency).</p> | <p>The latest time of agreement will either be when the contract was entered into or the date it was amended (if the contract became a QDC by amendment or the contract became a QDC or QSC following an amendment and rescission of a previous contract), or the date of the most recent price re-determination following a pricing amendment.</p> <p>If the contract became a QDC by amendment or the contract became a QDC or QSC following an amendment and rescission of a previous contract and there are costs prior to the amendment, the contractor should provide an annual profile of these in a separate spreadsheet (if these were not attached to a previous report or page) and include the total of these type of costs in the ‘not profiled’ column provided in DefCARS along with any supporting comments.</p> |

Appendix 6 – DPS principles

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>The contractor should report against the relevant DPS headings and agree the approach being taken with the MOD. The contractor should consider the following things when discussing with the MOD:</p> <ul style="list-style-type: none"> • whether the number of lines selected in the DPS is proportionate for the quantum of Allowable Costs being reported; • whether the contractor needs to inform the MOD about difficulties they may have in the availability of the financial information they need to meet this reporting requirement; • the specification or requirement under the contract and the extent to which the DPS lines apply (e.g. a whole platform may require more lines to be completed than a component); • the DPS structure should include outputs that will be provided by sub-contractors; and • all reasonable efforts should be made to include cost data accurately or at least to the nearest £10,000. Contractors should report at this level of accuracy unless the MOD agrees that a lower level of precision is required. | <p>The guidance states ‘the DPS structure should include output metrics that will be provided by sub-contractors’. This is not a requirement of the legislation.</p> <p>The SSRO should wait until the outcome of the MOD’s Review of Legislation as DPS changes are planned.</p> <p>The SSRO should not provide guidance on the level and content of reporting under the DPS. Only the MOD know what is required. The SSRO should not make proposals to link the DPS to outputs provided by sub-contractors (para 4.28) nor issue guidance on metrics (para 4.66)</p> | <p>The reference in the proposed guidance was as follows – ‘the DPS structure should include outputs that will be provided by sub-contractors’. The word metrics was not included. The SSRO considers the price of a sub-contract to be an Allowable Cost in a QDC which should be reported by DPS. We have made this clearer in the final guidance.</p> <p>The SSRO considers that it will still be useful to implement these guidance changes until there may be legislative change relating to the DPS which would require guidance to be amended in the future.</p> <p>The SSRO can issue statutory guidance on any aspect of reporting and our guidance is less prescriptive about level and content than it previously was. The SSRO recognises this is a matter for discussion between the MOD and the contractor.</p> | <p>Paragraph 4.32 in the contract reporting guidance.</p> <p>Where a contractor is reporting against a DPS structure, they should report against the relevant DPS headings and agree the approach being taken with the MOD. The contractor should consider the following things when discussing the DPS with the MOD:</p> <ul style="list-style-type: none"> • whether the number of lines selected in the DPS is proportionate for the quantum of Allowable Costs being reported; • whether the contractor needs to inform the MOD about difficulties they may have in the availability of the financial information they need to meet this reporting requirement; • the specification or requirement under the contract and the extent to which the DPS lines apply (e.g. a whole platform may require more lines to be completed than a component); • the DPS structure should include costs which are related to sub-contracts; and • all reasonable efforts should be made to include cost data accurately or at least to the nearest £10,000. Contractors should report at this level of accuracy unless the MOD agrees that a lower level of precision is required. |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>If a QDC or QSC provides support for equipment, the contractor should:</p> <ul style="list-style-type: none"> • Select the DPS for the equipment type to which the support relates. • Report the support costs against the output to which they are most closely related. <p>The Specialist Equipment DPS should only be used if the contract is to provide support to an equipment type which is not covered in one of the other 15 templates.</p> | No comments provided. | N/A | As per proposed guidance. Paragraphs 4.33 and 4.34 in the contract reporting guidance. |
| <p>The DPS templates include examples of output metrics which may be useful. Metrics can also be drawn from the contractor's performance management system or from the contract itself. The contractor should involve the MOD in identifying the output metrics to be included in contract reports and how these should be linked to the DPS. This should be performed before the contract is entered into and the contractor begins to prepare their reports.</p> | No comments provided. | N/A | As per proposed guidance. Paragraphs 4.75 in the contract reporting guidance. |

Appendix 7 – Changes discussed with the Reporting and IT sub-group

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>Deliverables and milestones</p> <p>A deliverable is a product, set of products or package of work that will be delivered to, and formally accepted by, a stakeholder. It would be expected that a contract would have at least one key deliverable. A deliverable could be a report, a document, a software product, a server upgrade or any other building block of an overall project. Examples of deliverables include a completed vessel, available engines or delivery of a training programme. A deliverable may be composed of multiple smaller deliverables.</p> | <p>References to reports and documents are important as these can be key deliverables in a contract.</p> <p>Need to emphasise that there should be discussion between the MOD and contractors on which deliverables to report.</p> <p>Stakeholder could be a group of stakeholders rather than just an individual contractor.</p> <p>Stakeholders suggested that there may be certain cases where there are no deliverables which can be identified in a contract. For example, manpower provision contracts.</p> | <p>The SSRO has made a minor amendment to the final guidance to recognise that deliverables could be accepted by a group of stakeholders as opposed to a single stakeholder.</p> <p>We have not amended the guidance to recommend that the MOD agrees deliverables with the contractor as paragraph 4.66 in the current guidance says that only deliverables specified in the contract need to be reported and therefore these would have been agreed when entering into the contract.</p> | <p>Paragraph 4.73 in the contract reporting guidance.</p> <p>A deliverable is a product, set of products or package of work that will be delivered by the contractor to, and formally accepted by, the contracting authority (on whose behalf there may be one or more stakeholders) and which can be described using an output metric. It would be expected that a contract would have at least one deliverable. A deliverable could be a report, a document, a software product, a server upgrade or any other building block of an overall project. Examples of deliverables include a completed vessel, available engines or delivery of a training programme. A deliverable may be composed of multiple smaller deliverables.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>Users are able to enter as many deliverables as they wish and as many metrics as they wish against each deliverable. Completion of the contract could be a deliverable where no separate outputs during the life of the contract can be identified. There should be at least one metric per key deliverable. The data entry required is set out in Table 21.</p> | <p>Contractors can find it challenging to link a metric and DPS code to each deliverable.</p> | <p>We know that the MOD is considering the reporting of metrics as part of its Review of Legislation and therefore the SSRO does not propose making any changes in the approach to reporting metrics at this time.</p> | <p>As per proposed guidance. Paragraph 4.77 in the contract reporting guidance.</p> |
| <p>Contractors should indicate using the Yes/No option whether there are milestones to report. Where there are milestones to report, contractors must provide a list of all delivery milestones set out in the contract. A milestone is a key event selected for its importance in the schedule commonly associated with tangible acceptance of deliverables. The completion of a deliverable may be a milestone in the contract but there may be other milestones in the contract, including steps on the way to completing a deliverable. Examples of milestones include completion of sea or flying trials, completion of plans or design and delivery of the final product.</p> | <p>No specific comments were made about this proposal.</p> | <p>The SSRO will implement the proposed guidance.</p> | <p>As per proposed guidance. Paragraph 4.72 in the contract reporting guidance.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| Price the contracting authority is committed to pay | | | |
| <p>The price the contracting authority is committed to paying is the price that the contracting authority is contractually bound to pay. This amount may be the same as the contract price. The amount that the contracting authority is contractually bound to pay will depend on the terms of the contract and how the pricing mechanism operates. However, there may be some contracts in respect of which some or all of the contract price only becomes committed upon some action or election by the contracting authority.</p> <p>Examples of where the contract price and price committed to pay may be different include:</p> <ul style="list-style-type: none"> • a contract which includes a priced option that the contracting authority does not become bound to pay until the option is exercised. • a contract employing the volume-driven pricing method in which the unit price is known but the contracting authority is under no obligation to purchase any specific volume of units. | <p>Stakeholders did not fully understand that the requirement to report the price the contracting authority is committed to pay had replaced the previous requirement to report the contract value in the contract reporting plan in 2019.</p> <p>Some stakeholders felt that this new reporting requirement should either be removed through an amendment to the legislation or be replaced with the requirement to report contract value.</p> <p>Some stakeholders found parts of the SSRO's current guidance confusing.</p> | <p>The SSRO has decided that rather than implement the proposal the extant guidance will be retained. The SSRO will not implement any changes until it has considered this issue further and has sought additional stakeholder feedback.</p> | <p>No change to extant guidance in Table 7, Row 14 in the contract reporting guidance.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|--|----------------------|---------------|----------------|
| <ul style="list-style-type: none"> • a contract employing the volume-driven pricing method where the contracting authority has committed to purchase a specific volume, but the estimated volume of output at the initial reporting date is more than that commitment. • a contract employing the cost-plus pricing method where the contracting authority has committed to a minimum spend, but the contract price at the initial reporting date is less than that commitment. <p>These examples are not exhaustive and the contractor should consider taking legal advice to understand what the contracting authority is committed to pay. If the amount the contracting authority is committed to pay is indeterminate in amount, such as in a contract employing the fixed pricing method or volume-driven pricing method where the changes in specified indices or rates may be estimated, the contractor should discuss with the MOD the appropriate amount to report or use information which is available at the initial reporting date. It may be appropriate in such circumstances to report the same amount as the contract price.</p> | | | |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
|---|--|---|---|
| Total price of the QDC/QSC attributable to sub-contracts | | | |
| <p>The contractor should report the total price of the QDC/QSC which is expected to be attributable to sub-contracts. This includes the prime contractor’s profit attributable to all sub-contractors. The percentage of contract price attributed to sub-contracts will be calculated.</p> | <p>Stakeholders commented that this change could be confusing as the SSRO had previously stated that sub-contract costs should not include the prime’s profit. Stakeholders stated that the proposal the SSRO had provided seemed to be an appropriate solution to the legislative requirement as currently constructed.</p> | <p>The SSRO has considered again the proposed reporting guidance changes relating to regulation 25(2)(k). Under regulation 25(2)(k), the contractor is required to provide the following in the contract notification report:</p> <p>“the total proportion of the contract price of the qualifying defence contract which the primary contractor expects to sub-contract”.</p> <p>The same is required in quarterly contract reports (regulation 26(6)(j)) and in interim contract reports for contracts valued below £50 million (regulation 27(5)(d)).</p> <p>We consider there is no requirement in 25(2)(k) to collect the profit the prime expects to get paid for the allowable costs of the sub-contracts. Therefore what we have in place at the moment meets the reporting requirements.</p> | <p>No change to extant guidance in Table 19, Row 16 in the contract reporting guidance.</p> |

| Proposed guidance | Stakeholder feedback | SSRO response | Final guidance |
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| <p>The contractor should check whether the information is correct for the submission in question. The contractor should make sure that the total price of the QDC/QSC which is expected to be attributable to sub-contracts is correct and includes the prime contractor's profit attributable to all sub-contractors.</p> | | | <p>No change to extant guidance in Paragraph 5.51 and 6.47 in the contract reporting guidance.</p> |
| <p>Delete (including the total value of all sub-contracts) as not applicable to the CCR.</p> | | | <p>Guidance deleted in paragraph 7.49 in the contract reporting guidance as information not applicable in the Contract Completion Report.</p> |
| <p>Reporting the outcome of QSC assessments</p> | | | |
| <p>Confirm if the sub-contract has been assessed to determine whether it is a QSC, and if so, the outcome of that assessment (i.e. whether it is a QSC) using the following options:</p> <ul style="list-style-type: none"> • Not Yet Assessed • “YES” is a QSC • “NO” is not a QSC | <p>Stakeholders supported his proposal.</p> | <p>The SSRO will implement the proposed guidance and make the associated changes to DefCARS.</p> | <p>As per proposed guidance. Table 19, Row 11 in the contract reporting guidance.</p> |