



**SSRO**

Single Source  
Regulations Office

## Reporting guidance on preparation and submission of contract reports

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# 1. Introduction

- 1.1 This document is issued by the Single Source Regulations Office (SSRO). It sets out guidance to assist defence contractors with preparing and submitting reports required under the Defence Reform Act 2014 (the Act) and the Single Source Contract Regulations 2014 (the Regulations). This guidance document, which contractors must have regard to, covers preparation and submission of contract reports whose requirements are set out in Part 5 of the Regulations. Contract reports contain a range of data about contract requirements, payments, estimated and actual costs, profit and factors affecting delivery and sub-contracts.
- 1.2 Guidance on use of the SSRO's Defence Contract Analysis and Reporting System (DefCARS) is incorporated into this document and is embedded within the system. A separate guidance document exists on DefCARS functionality. The SSRO maintains DefCARS to enable contractors to comply with the requirement to submit reports electronically and guidance on its use will be relevant to all contractors using the system to prepare and submit contract reports.

## Context

- 1.3 The Act and Regulations establish a scheme of regulation that controls the prices of qualifying defence contracts (QDCs) and qualifying defence sub-contracts (QSCs) and requires transparency on the part of defence contractors.
- 1.4 Reports must be provided in electronic form to the SSRO and the Secretary of State, with the exception of the Strategic Industry Capacity Report, which may be provided in electronic or hard copy form.<sup>1</sup> The SSRO must keep an up-to-date record of QDCs, QSCs and the duration of those contracts which it does through DefCARS.
- 1.5 The reports provide a substantial body of standardised information relevant to the operation of the regulatory framework established by the Act and the Regulations. The information may be used by the SSRO in support of its statutory functions, which include:
- assessing and recommending to the Secretary of State the appropriate rates for use in pricing contracts;
  - issuing statutory guidance on the pricing of contracts, reporting and penalties;
  - giving opinions and determinations on the operation of the framework;
  - carrying out analysis requested by the Secretary of State;
  - keeping under review the extent to which contractors and suppliers are complying with their reporting requirements; and
  - keeping the provision of the framework under review and making recommendations for change to the Secretary of State.
- 1.6 In carrying out its functions, the SSRO must aim to ensure that good value for money is obtained in government expenditure on QDCs, and that contractors are paid a fair and reasonable price under those contracts.

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<sup>1</sup> The Strategic Industry Capacity Report must be provided either in electronic form (via secure means) or in hard copy: Regulation 33(7). Contractors should contact the SSRO helpdesk for further information.

- 1.7 The SSRO analyses reports to help it discharge its aims and functions. It publishes a number of statistical releases which increase transparency over regulated contracts generally, but do not disclose protected information about individual contracts. The SSRO's work should provide benchmarks and parametrics that support the MOD and industry in future contract negotiations.

### Compliance

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

### DefCARS design and development

- 1.11 DefCARS is the central system managed by the SSRO for the capture, storage and analysis of all electronic data reported by contractors and suppliers in accordance with the Act and the Regulations. It is agreed with the MOD that submission of reports via the DefCARS system is how contractors and suppliers are to meet the requirement to electronically submit their reports to the SSRO and the MOD. The current system is a web-based tool, which was launched on 15 March 2017 and replaced an earlier system that had been in operation from the commencement of the Regulations.
- 1.12 DefCARS is intended to provide a user-friendly web interface and facilitate both compliance with reporting obligations and discharge of the SSRO's functions. It differs from the original system, which relied upon submission of Excel-based templates via a portal. This guidance identifies relevant features of DefCARS and gives assistance with submitting reports through the system.
- 1.13 All data submitted via the original system has been securely migrated to DefCARS. The onus is on contractors and suppliers to check that previous contract information is correctly recorded in DefCARS.
- 1.14 The security of data within DefCARS is one of the SSRO's key priorities. Guidance relating to information security and system administration is available to users via 'onboarding' email correspondence with the SSRO helpdesk and via the guidance links in the system. It can be found in the appendices to the version of this document within DefCARS but will not be available on the SSRO's website.

- 1.15 DefCARS is designed to allow contractors to input data in an efficient way. For instance, certain data required across multiple reports will only need to be entered once, certain data is auto-populated from one report to another. Validation errors and warnings will provide the submitter with assistance when reviewing data entered.
- 1.16 The system has been designed to facilitate any future changes to the regulatory framework, and will allow the introduction of better analysis and reports to inform contract negotiations involving the MOD and contractors. The SSRO will also regularly review the functionality of the system, and where necessary, implement upgrades and improvements through system updates.

### **Personal data**

- 1.17 The General Data Protection Regulation came into force on 25 May 2018. The SSRO has reviewed how it manages personal data across the organisation, and in particular in relation to personal data included in the information processed by DefCARS. The SSRO has published a Personal Information Charter which sets out the principles we will apply to personal data.
- 1.18 One of these principles is to limit the information which includes personal data, and is held within DefCARS, to only that which is necessary. In order to help us, the SSRO would encourage anyone submitting statutory reports through DefCARS to limit the personal data content in those reports to that which is specifically required by the Single Source Contract Regulations. Supporting information should not normally include personal data. The SSRO will provide further guidance on the management of personal data in future revisions to its reporting and DefCARS user guidance.

### **Review of the guidance**

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

## 2. Potential QDC and training feature

### Potential QDC/QSC feature

- 2.1 Functionality is available within DefCARS to allow contractors to prepare for submission of a Contract Initiation Report<sup>2</sup> by being able to draft reports before their QDC or QSC is entered into. These draft reports on a potential QDC/QSC can be converted to actual reports, which the contractor is able to edit and then submit in the normal way, after the SSRO or MOD has been notified that a contract has been entered into.
- 2.2 This feature is available to both existing DefCARS users and potential new users. It can only be made available when the MOD or the contracting authority confirms the likelihood that a QDC or QSC will be entered into (in most cases this will include the existence of a MOD or prime contractor contract reference number) and the contracting company has provided the standard contract notification and Administration User information. The notification allows the contract to be set up on DefCARS and the Administration User can add other users.
- 2.3 To discuss access to the Potential QDC/QSC feature, companies should contact the SSRO helpdesk ([helpdesk@ssro.gov.uk](mailto:helpdesk@ssro.gov.uk) or 0203 771 4785). The SSRO will consider requests for a potential QDC to be set up on a case by case basis and will explain if it considers it is not appropriate for a contractor to have access to this feature.
- 2.4 When access to the feature has been secured, DefCARS functionality for draft reports will be largely the same as that for actual reports. The significant difference with the potential QDC functionality is that users are not able to submit the report but can download and print it. Potential and actual QDCs/QSCs appear in the same contract list in DefCARS with the former clearly differentiated from actual contracts.
- 2.5 The MOD and the SSRO will not review or raise issues on a draft report (see paragraphs 2.38 – 2.60 on compliance activities in [the guidance document on DefCARS functionality](#)). This will only happen once the actual QDC/QSC has been entered into and the report has been submitted. Users of the potential QDC/QSC feature will be able to run the validation that exists within DefCARS on their draft reports.
- 2.6 When conversion of a potential QDC/QSC to an actual QDC/QSC needs to take place the contractor will contact the SSRO helpdesk and the SSRO will enable the conversion. The MOD can also convert contracts and will inform the SSRO when they do this on the contractor's behalf. Contractors will not be able to make this conversion themselves and the SSRO will not convert the contract report without the contractor being aware.
- 2.7 Once conversion has taken place anyone with permission to view the contract will receive an email notification and will be able to fill in further details such as the date the contract was entered into, review validation errors and warnings and submit the report to meet their statutory reporting deadline.

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<sup>2</sup> All contract reports are available in the potential QDC/QSC feature.

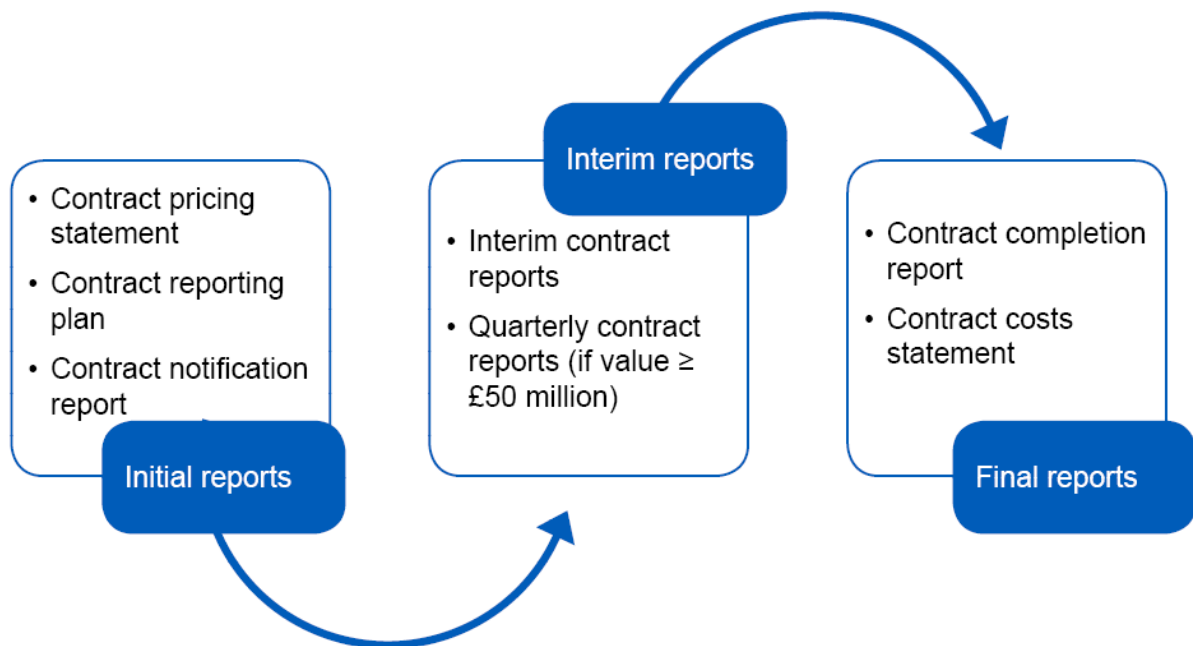
## Training feature

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

## 3. Overview of contract reports

- 3.1 This section of the guidance aims to provide contractors with an overview of the reports that are required under Part 5 of the Regulations in relation to QDCs and QSCs.
- 3.2 All contractors with QDCs and QSCs are required to provide initial and final reports. The submission of and the frequency of interim reports is dependent on the contract value. Exhibit 1 sets out the contract reports that are required.

### Exhibit 1 – Contract reports



- 3.3 In an effort to streamline the data entry required by contractors, the three initial reports (Contract Pricing Statement, Contract Notification Report and Contract Reporting Plan) have been merged and are referred to in DefCARS and this guidance as the **Contract Initiation Report**. The three reports can still be viewed individually and printed for review.
- 3.4 Contractors may be required to (via written direction from the Secretary of State) or agree to (without a written direction) provide On-Demand Contract Reports during the life of the contract. **On-Demand Contract Reports** can be Contract Pricing Statements, Contract Reporting Plans, Interim Contract Reports or Contract Costs Statements. Contractors should refer to Regulation 30 for the type of On-Demand Contract Report due to be submitted and should contact the SSRO before preparing an on-demand report for detailed instructions on how to submit the report in DefCARS. Section 9 provides more information about On-Demand Contract Reports.



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

**Table 1 – Reporting Requirements**

| Report                             | Reporting requirements set out in  |
|------------------------------------|--|
| Contract Notification Report (CNR) | Regulation 22 (General Requirements), Regulation 25 (Contract Notification Report).  |
| Contract Pricing Statement (CPS)   | Regulation 22 (General Requirements), Regulation 23 (Contract Pricing Statement).  |
| Contract Reporting Plan (CRP)      | Regulation 22 (General Requirements), Regulation 24 (Contract Reporting Plan).   |
| Quarterly Contract Report (QCR)    | Regulation 22 (General Requirements), Regulation 26 (Quarterly Contract Report).   |
| Interim Contract Report (ICR)      | Regulation 22 (General Requirements), Regulation 27 (Interim Contract Report).   |
| Contract Completion Report (CCR)   | Regulation 22 (General Requirements), Regulation 28 (Contract Completion Report).  |
| Contract Costs Statement (CCS)     | Regulation 22 (General Requirements), Regulation 29 (Contract Costs Statement).  |
| On-Demand Contract Report          | Regulation 22 (General Requirements), Regulation 30 (On-Demand Contract Report), and one of the following:<br>Regulation 23 (Contract Pricing Statement)<br>Regulation 24 (Contract Reporting Plan)<br>Regulation 27 (Interim Contract Report).<br>Regulation 29 (Contract Costs Statement). |

- 3.6 The Act and the Regulations set out modifications for QSCs. Those relating to the reporting obligations under Part 5 and Part 6 of the Regulations can be found in Regulation 65 (Modifications of these Regulations), as well as throughout this guidance. Differences between the reporting requirements for QDCs and QSCs are relatively minor.
- 3.7 Contractors should also refer to this guidance as well as other SSRO guidance as required by Regulation 22(9) which states that “in preparing a report, a contractor must have regard to any relevant guidance issued by the SSRO”. Other statutory guidance produced by the SSRO which relates to the pricing of contracts and which contractors must have regard to are:
- [Single Source Cost Standards: Statutory Guidance on Allowable Costs.](#)
  - [Guidance on the baseline profit rate and its adjustment.](#)

- 3.8 All monetary values must be reported in sterling unless it is specified in the regulation that a different currency can be used in accordance with Regulation 22(8), except in limited instances in relation to payments within the CNR, ICR and CCR. In these instances, DefCARS will provide an option to specify the currency that data has been reported in. Should the QDC or QSC be contracted in a currency other than sterling, the contracting authority's exchange rate should be used (the MOD's for QDCs and the primary contractor's for QSCs) for the purposes of reporting. The contractor should use a rate consistent with the contracting authority's policies or where no such policies exist, a rate of exchange derived on a just and reasonable basis.

#### Date a contract is 'entered into'

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

**Table 2 – Reporting requirements which relate to 'date entered into'**

| Regulation   | Requirement   |
|--|---|
| Regulation 22(2)(h), (5) General requirements and interpretation | Every report provided in relation to a QDC must contain the date on which the contract was <b>entered into</b> . Annual profiles <sup>3</sup> in reports must include columns representing a continuous range of financial years from that in which the contract was <b>entered into</b> until that in which the contract completion date falls or is expected to fall. |
| Regulation 23(1) Contract Pricing Statement                      | Primary contractors must provide a Contract Pricing Statement for a QDC within one month of the <b>initial reporting date</b> .   |

<sup>3</sup> If the contractor is of the view that it is not possible to express matters in an annual profile, the total amount is permitted.

| Regulation   | Requirement  |
|--|--|
| Regulation 24(1) Contract Reporting Plan                     | Primary contractors must provide a Contract Reporting Plan for a QDC within one month of the <b>initial reporting date</b> .   |
| Regulation 25(1), (2) Contract Notification Report           | <p>Primary contractors must provide a Contract Notification Report for a QDC within one month of the <b>initial reporting date</b>.</p> <p>The Contract Notification Report must contain an annual profile of any estimated costs (split by the defined pricing structure) at the <b>initial reporting date</b> and the date on which each reported<sup>4</sup> sub-contract was, or is expected to be, <b>entered into</b>.</p>   |
| Regulation 26(1), (2), (3) and (6) Quarterly Contract Report | <p>Primary contractors must provide a Quarterly Contract Report for a QDC within one month of the end of each calendar quarter from the <b>initial reporting date</b> until the contract completion date.</p> <p>No report is required for the calendar quarter in which the <b>initial reporting date</b> falls. The first Quarterly Contract Report must be for the period from the <b>initial reporting date</b> to the end of the next calendar quarter.</p> <p>The Quarterly Contract Report must contain:</p> <ul style="list-style-type: none"> <li>a) the annual profile of the estimated costs (split by the contractor reporting structure) at the <b>time of agreement</b>;</li> <li>b) a description of any event that has occurred, or circumstances which have arisen, <b>since the contract was entered into</b>, that have had or are likely to have a material effect in relation to the contract; and</li> <li>c) the date on which any reported<sup>5</sup> sub-contract was, or is expected to be, <b>entered into</b> in relation to the contract.</li> </ul> |

<sup>4</sup> Each sub-contract which the primary contractor has entered into, or intends to enter into, for the purposes of enabling it to perform its obligations under the qualifying defence contract (including the total proportion of the value of the qualifying defence contract which the primary expects to sub-contract). Only sub-contracts with a value of £1 million and above (or, if there are more than 20 such sub-contracts, each of the 20 which have or are expected to have the highest value). These thresholds apply to all reports which require reporting of sub-contracts.

<sup>5</sup> Each sub-contract into which the primary sub-contractor has entered into in the period covered by the report, or intends to enter into, in the calendar quarter following the period covered by the report.

| Regulation  | Requirement  |
|---|--|
| Regulation 27(1), (2), (3), (4) and (5) Interim Contract Report | <p>Primary contractors must provide an Interim Contract Report for a QDC within two months after each reporting date, which can be a date determinable by reference to the <b>time of agreement, initial reporting date</b> or previous reporting date.</p> <p>All Interim Contract Reports must contain an annual profile of any estimated costs (split by the defined pricing structure) at the <b>time of agreement</b>.</p> <p>If the value of a qualifying defence contract is less than £50 million, the Interim Contract Report must also contain the following information:</p> <ul style="list-style-type: none"> <li>a) a description of any event that has occurred, or circumstances that have arisen, <b>since the contract was entered into</b>, that have had or are likely to have a material effect in relation to the contract; and</li> <li>b) the date on which each reported sub-contract was, or is expected to be, <b>entered into</b>.</li> </ul>                  |
| Regulation 28(2) Contract Completion Report                     | <p>The Contract Completion Report must contain:</p> <ul style="list-style-type: none"> <li>a) an annual profile of the maximum amount of profit that could have resulted from the incentive adjustment at the <b>time of agreement</b>;</li> <li>b) an annual profile of any estimated costs (split by the defined pricing structure) at the <b>time of agreement</b>;</li> <li>c) an annual profile of the estimated amount of each cost recovery base set out in the Contract Reporting Plan at the <b>time of agreement</b>;</li> <li>d) a description of any event that has occurred, or circumstances which have arisen, since the contract was <b>entered into</b>, that have had or are likely to have a material effect in relation to the contract; and</li> <li>e) in relation to each relevant sub-contract the date on which the sub-contract was <b>entered into</b>, the date on which each reported sub-contract was, or is expected to be, <b>entered into</b>.</li> </ul> |
| Regulation 30(1) On Demand contract report                      | <p>Within one month of the <b>initial reporting date</b> of a QDC, the Secretary of State may require primary contractors to provide a Contract Costs Statement.</p>   |
| Regulation 39(4)(b)(iv) Rates Comparison Report                 | <p>If the Secretary of State requires a party to a QDC to provide a Rates Comparison Report, the report must contain the date on which each of the relevant contracts was <b>entered into</b>.</p>   |

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

#### **‘Date entered into’**

- 3.13 A contract is ‘entered into’ on the date that a contract is formed, which requires that there is:
- an agreement, which is reached by the process of offer and acceptance;
  - an exchange of consideration (something of value); and
  - an intention by the parties that the agreement be legally binding.
- 3.14 Assuming a valid offer has been made, the date on which a contract is entered into will generally be the date the offer is expected. Acceptance of an offer usually must be communicated to the offeree for the contract to be effective, and an offer can set out the mode of acceptance.
- 3.15 It is possible for contracts to be entered into orally between the MOD and contractors but it is generally expected that such contracts will be made in writing.
- 3.16 Where oral negotiations or a verbal contract have been put in writing, the general position is that the date the contract has been ‘entered into’ will be the date the written contract was entered into and not the date of any earlier verbal contract or negotiations.
- 3.17 Where a party has entered into an intention to proceed agreement (or comfort letter or memorandum of understanding), such an agreement may constitute a contract, depending on the circumstances.
- 3.18 Contractors are advised to take their own legal advice in circumstances where they are unsure whether an agreement:
- has been reached;
  - reflects what was actually agreed;
  - constitutes a contract; or
  - constitutes a contract for the purposes of the Act and the Regulations.

#### **The date a written contract is formed**

- 3.19 Generally, the date a written contract is entered into will be the date the accepting party signs or delivers the contract. There are a variety of ways in which this can be done and, assuming there are two parties to the contract, this includes:
- Where there is a single document which makes it clear that each party is to become bound to the agreement by adding his or her signature to it, the date of entry into the contract is when the second party signed the document.
  - Where there are two copies of the document and each party has signed one copy and exchanged signed copies, the date of entry into the contract is the date the second party delivered the contract.

- Where one person made an offer in the form of a written document which requires that the other party accept the offer by signing the document (but the first party does not need to sign the document), the date of entry to the contract is usually the date the other party signed the document.

3.20 Where in exceptional circumstances a contract is to be accepted by post, the contract is formed on the date the contract is delivered to the Post Office.

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

3.21 The MOD's Commercial Toolkit provides that in single source situations, the MOD should send the contractor a DEFFORM 8 to issue an offer of contract. DEFFORM 8 encloses DEFFORM 10, which is the acceptance of offer of contract form used by the MOD to enter into single source defence contracts.

3.22 DEFFORM 8 states that if the contractor wishes to accept the offer, the contractor should complete, sign and return the DEFFORM 10 to a certain address within 10 working days, and that no contract will come into existence until the contractor has accepted the MOD's offer in accordance with the letter of offer.

3.23 If the MOD uses a DEFFORM 8 and a DEFFORM 10 to make an offer to the contractor, acceptance of the MOD's offer will be complete on the date that the DEFFORM 10 is posted to the MOD (if this is done within the 10 working day timeframe).

3.24 In these circumstances, the date the contract is entered into will be the date that the form is posted to the MOD in accordance with the MOD's letter of offer DEFFORM 8.

3.25 This is an example of the third bullet point in paragraph 3.19 of ways a written contract can be entered into, as well as a situation where a contract is to be accepted by post.

3.26 If the MOD chooses to enter into a contract without using these forms, the other general principles outlined in this guidance will apply (for example, acceptance of an offer could be complete upon the contractor's signature).

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

3.27 A contract may include an 'effective', 'start' or 'commencement' date and these will generally be defined terms. An effective date may be included to establish when the term of the contract begins. A start or commencement date may provide when services, supplies or works are to commence under a contract. The effective, start or commencement date may be different from the date of entry into the contract.

3.28 To the extent that the Regulations refer to the date a contract was 'entered into'. This should be the date the contract is formed, as set out above. If effective, start or commencement dates are different from the date the contract is formed, they should not be included in the data fields of reports where the date of entry is required.

## Contract amendments

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

## Reporting QSC assessments

- 3.33 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)).
- 3.34 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.
- 3.35 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:
- 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.

- 3.36 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).

#### **An amendment may result in a new contract**

- 3.37 In limited circumstances, an amendment to a contract may create a new contract. Under common law<sup>6</sup>, a new contract will arise when the effect of the amendment is to rescind the existing contract. Broadly, this may occur in two circumstances:

- 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.

- 3.38 Contractors should seek legal advice if they are unsure whether a proposed amendment will result in a new contract.

#### **Reporting a QDC by amendment or QDC or QSC following an amendment and rescission of the previous contract**

- 3.39 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:

- 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.

- 3.40 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.

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<sup>6</sup> English law that is derived from custom and judicial precedent rather than statutes.



## Contract completion date

- 3.41 Contractors are required to report the contract completion date of each qualifying contract and of associated sub-contracts. The circumstances in which contract completion dates are required to be reported are set out in Table 3.

**Table 3 - Contract completion date in contract reports**

| Regulation    | Report                             | Requirement  |
|---------------|------------------------------------|--|
| 22(2)(i)      | All                                | Each contract report must contain the contract completion date (or, if that date is not known, the expected contract completion date).                                   |
| 25(2)(l)(vii) | CNR                                | The contractor must report the contract completion date (or, if that is not known, the expected contract completion date) of sub-contracts valued at £1 million or more. |
| 26(6)(k)(vii) | QCR                                | The contractor must report the contract completion date (or, if that is not known, the expected contract completion date) of sub-contracts valued at £1 million or more. |
| 27(5)(e)(vii) | ICR (contract value < £50 million) | The contractor must report the contract completion date (or, if that is not known, the expected contract completion date) of sub-contracts valued at £1 million or more. |
| 28(2)(p)(vii) | CCR                                | The contractor must report the contract completion date (or, if that is not known, the expected contract completion date) of sub-contracts valued at £1 million or more. |

- 3.42 Regulation 4(1) provides that the “contract completion date”, in relation to a contract, means:
- the date described in the contract as the contract completion date; or
  - if no such date is described in the contract, the date on which the contractor completes all obligations which entitle it to final payment under the contract; or
  - if the contract is terminated before the date described in sub-paragraph 1(a) or (b) (as the case may be), the date on which the contract is terminated.
- 3.43 Determination of the contract completion date is, firstly, by application of regulation 4(1)(a). The contractor will need to determine whether the contract completion date has been described in the contract. If not, then regulation 4(1)(b) applies and the contractor will need to determine the contract completion date by reference to when all obligations, which entitle it to final payment from the contracting authority, are complete. If the contract is terminated, then regulation 4(1)(c) will apply to determine the contract completion date. The first two approaches in regulations 4(1)(a) or (b) are mutually exclusive, so if one of them applies, the other will not.

### **Date described in the contract**

- 3.44 If the contract contains a date which is described as the contract completion date, then that date is the contract completion date. The following examples show how a contract completion date of 31 December 2026 may be sufficiently described in a contract to satisfy the definition:
- The contract completion date is 31 December 2026; or
  - Completion of the contract shall be 31 December 2026; or
  - The parties agree that the date for completion of the contract is 31/12/2016.
- 3.45 The key requirement for describing the contract completion date in the contract in a way that satisfies regulation 4(1)(a) is that the description used clearly and unambiguously indicates both the date and that it is the contract completion date. A reference merely to the date on which the main contract deliverable is to be provided may be insufficient.
- 3.46 If a contract completion date is described in the contract, there will be no need to apply regulation 4(1)(b) (the date on which all obligations are completed entitling the contractor to final payment). The parties to the contract may change the contract completion date by amending the contract. Paragraphs 3.58 – 3.60 identify how the contractor should deal with reporting a new contract completion date.

### **Completion of all obligations entitling the contractor to final payment**

- 3.47 Where the contract does not describe the contract completion date in line with regulation 4(1)(a), and assuming the contract has not been terminated, the contract completion date is determined by regulation 4(1)(b). The contract completion date will be the date that all obligations which entitle the contractor to final payment have been completed.
- 3.48 If a contractor submits a contract report prior to the contract completion date, it will have to anticipate or predict the date on which it will complete the obligations that entitle it to final payment. The contractor should exercise its best judgment in making this prediction, considering all relevant circumstances, such as:
- the terms of the contract;
  - performance to date;
  - information provided by the MOD; and
  - any material events and circumstances.
- 3.49 The contractor's expectation of when it will complete all obligations entitling it to final payment under the contract may change as the contract progresses. There are many reasons why this may be the case, including changed requirements, unexpected circumstances and performance issues. Paragraphs 3.58 – 3.60 identify how the contractor should deal with reporting a new contract completion date.

- 3.50 There are payments that should not be considered when determining the contract completion date under regulation 4(1)(b). First, regulation 4(2) provides that the following payments are not final payments:
- any payment relating to the effect of specified indices or rates (regulation 10(5) or (10));
  - any TCIF adjustment; any payment under regulation 16 (final price adjustment); and
  - any amount which is determined by the SSRO to be payable.
- 3.51 Secondly, a contract may contain accrued obligations which continue beyond when obligations which attract final payment have completed. Foreseeably, these will include:
- an obligation to keep relevant records (regulation 20);
  - an obligation to co-operate with the contracting authority in respect of requests under the Freedom of Information Act 2000; and
  - an obligation in respect to the payment of damages under a warranty.
- 3.52 Unless obligations attract a payment under the contract from the contracting authority, they should not be considered when determining the contract completion date under regulation 4(1)(b).

### **Termination of a contract**

- 3.53 A contract may be terminated in advance of the expected contract completion date. If that occurs, then regulation 4(1)(c) provides that the contract completion date will be the date on which the contract is terminated.
- 3.54 Determining the date of termination of a contract will depend upon the mechanism by which the contract is terminated and how it is exercised. For example, if a contract is terminated by exercising a contractual right to do so on giving 30 days' notice, the date on which the contract is terminated may be stated in the notice of termination. Issues may arise in determining whether a contract has been terminated and, if so, the date on which termination takes effect, for example:
- whether notice has been given in the required manner and form, if any;
  - correct identification of the date on which notice takes effect; and
  - correct determination of when any notice period expires.
- 3.55 The contract may specify circumstances which give rise to termination and the requirements for doing so. There may also be relevant provision in statute and common law. The contractor should consider taking legal advice to ensure the contract completion date is correctly identified for the purposes of reporting.
- 3.56 A contract completion date is likely to be determined under regulation 4(1)(c) (termination of the contract) after a contract completion date has already been reported in earlier contract reports. Paragraphs 3.58 – 3.60 identify how the contractor should deal with reporting a new contract completion date.

## Contract completion dates in different contracting arrangements

3.57 The contract completion date is determined on a contract-by-contract basis, and not by reference to other contracts which may be linked or subject to it. For example, a QDC may contain a date which is described as the contract completion date. This would be the contract completion date of the QDC in accordance with regulation 4(1)(a). A QSC, which is let under that QDC, may have a contract completion date which is determined under regulation 4(1)(b). In that situation the contract completion date of the QSC may fall before, on, or even after the contract completion date of the QDC. Similarly, a framework agreement may have a contract completion date determined by regulation 4(1)(a) and provide for separate, call-off contracts to be awarded under the framework. The contract completion dates of those call-off contracts may fall before, on, or after the contract completion date of the framework agreement without changing the contract completion date of the framework agreement.

### Changes to the contract completion date

- 3.58 The contract completion date may change in the following circumstances:
- The contract completion date is described in the contract and the parties amend the contract to change the described date.
  - The contractor's prediction of when it will complete all obligations entitling it to final payment under the contract changes due to some change in circumstances.
  - The contract is terminated in advance of the expected contract completion date.
- 3.59 The contract completion date is used to establish the due dates of the CCR and CCS. It is also the date following which no further ICRs or QCRs are required. Table 4 summarises the effect of the contract completion date on other reporting requirements.

**Table 4 - Reporting dates established or qualified by the contract completion date**

| Regulation                    | Report            | Requirement  |
|-------------------------------|-------------------|--|
| 26(1)                         | QCR               | QCRs must be provided in respect of contracts with a value of £50m or more for each calendar quarter until the contract completion date.   |
| 27(2)(a)(ii) and 27(3)(a)(ii) | ICR               | Where the parties agree the dates on which ICRs are to be submitted, those dates must fall before the contract completion date.  |
| 28(1)                         | CCR               | A contractor is required to provide a CCR within six months after the contract completion date.  |
| 29(1)                         | CCS               | A contractor is required to provide a CCS within twelve months after the contract completion date.   |
| 30(1) and 30(3)               | On-demand reports | The Secretary of State may require by written direction a contractor to provide a CCS for specified periods, each such period ending on a date before the contract completion date. The Secretary of State may require by written direction a contractor to provide a CPS, CRP, ICR and CCS, each such direction being made before the contract completion date. |

- 3.60 If the contract completion date changes, the contractor must report the correct contract completion date in subsequent contract reports. There will not always be a subsequent QCR or ICR in which such a change can be reported. In part, this will depend on the timing of the change in the contract completion date. It is also relevant that contracts valued below £50 million do not require QCRs and that ICRs may be infrequent, subject to any agreement reached by the parties as to when ICRs will be required.
- 3.61 DefCARS will calculate the due dates of reports based on the contract completion date that the contractor has reported in the Contract Reporting Plan (CRP). A changed contract completion date in a QCR or ICR will not update the CRP. If the contract completion date reported in the CRP is no longer accurate, the contractor should consider updating the CRP, otherwise the contractor may receive compliance queries and system prompts for submission of the reports in Table 4. The MOD may direct the submission of an on-demand CRP, to ensure the updated contract completion date and changed reporting requirements are recorded, or the contractor may agree to provide an on-demand CRP without written direction (Regulation 24(2)(c)). Contractors can submit an on-demand CRP in DefCARS and Section 9 of this guidance deals with the submission of on-demand reports.

### Reporting price elements for periods before a contract became a QDC or QSC

- 3.62 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.
- 3.63 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:
- 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.
- 3.64 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:

- 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.

3.65 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.

### **Contract price**

3.66 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:

- Contract page: Total Contract Price
- Profit page: Total Contract Price
- Summary Analysis of Price: Total Contract Price

3.67 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.

### **Allowable Costs**

3.68 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<sup>7</sup>. 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:

- 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.

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<sup>7</sup> Contract Notification Report, Quarterly Contract Report, Interim Contract Report and Contract Completion Report.

- 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.
- 3.69 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.
- 3.70 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.
- 3.71 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.

### **Profit**

- 3.72 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.
- 3.73 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, 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.
- 3.74 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.

- 3.75 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'.

#### **Other aspects of contract reporting**

- 3.76 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.



## 4. Contract Initiation Report (CIR)

- 4.1 This section of the guidance covers the data entry required to generate and submit the initial reports described in Exhibit 1. Guidance is provided below on a page by page basis, with each heading referring to a page in DefCARS. Later sections of this document, which provide guidance on other report types, may refer back to this section if the data entry required is the same or similar.
- 4.2 Contractors must submit a Contract Pricing Statement (CPS), Contract Reporting Plan (CRP) and Contract Notification Report (CNR) within one month of their QDC or QSC being entered into. DefCARS provides for submission of a single Contract Initiation Report (CIR), which covers all the data required in the three statutory reports. When a part of the CIR is downloaded, for example the CPS, all the elements of the CIR are downloaded but the relevant parts will be shown in white cells and all other elements will be greyed out. The report does not need to be submitted before whole reports can be downloaded. The reports will display the data entered at the point of the download. Before completing the CIR contractors should familiarise themselves with regulations 22 – 25. Table 1 of Appendix 3 details which elements of the CRP, CPS and CNR make up each of the individual CIR pages.

### Report Home

- 4.3 The Report Home page includes any comments or supporting information which are part of the report and any issues raised against it after submission by the contractor and review by the SSRO or the MOD. Further information on this is included at paragraphs 2.25 – 2.30 in the reporting guidance on DefCARS functionality. The page also includes a 'delete report' button via which the contractor has the option to delete a draft report before it is submitted, should they wish to start again.

### Supplier

- 4.4 Company details will be pre-populated based on the data provided by the contractor's Administration User when the SSRO sets up the new contract on DefCARS. Anyone completing a report can amend these pre-populated company details and care should be taken to ensure that a submitted report contains the correct information. If any company information is corrected, the person submitting the report should also inform their Administration User so that the information can be updated in the system administration and inform other reports submitted by the company.
- 4.5 Table 5 sets out the details that are required if the contractor is a registered company.

**Table 5 – Supplier Details**

| Data required   | Guidance   |
|---|--|
| Company Name  | The full registered name of the legal entity (contracting company) as submitted to a registrar of companies, such as Companies House or an overseas equivalent.  |
| Company Number  | The registered number of the legal entity (this can consist of numbers and letters), where relevant. For UK registered companies this will be the number allocated by Companies House.   |
| Trading As Name   | Include the Trading Name if it is different from the Company Name. If the Trading Name is the same as the Company Name this should be confirmed by re-entering the name in this field.   |
| Address Details   | The full registered address details of the legal entity.   |
| Is the company a Small or Medium Sized Enterprise (SME)?<br>(Select Yes or No)  | The contractor should select yes or no to indicate whether the registered company meets the definition of an SME. The Regulations state that an SME has a meaning given in Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium sized enterprises (employ fewer than 250 people and annual turnover of ≤€50 million and/or annual balance sheet total of ≤€43 million). Users should refer to the full definition provided in Commission Recommendation 2003/361/EC. |
| Last Day of Most Recent Completed Financial Period  | The last day of the most recent accounting period for which financial statements have been or are to be prepared. For example, where a financial period is 12 months to 31 December or six months to 31 March, the relevant date to enter would be 31 December and 31 March respectively. This date is not auto-populated by DefCARS.  |
| Immediate Parent Company  | The registered name and company number of any immediate parent company of the contractor and the address of its registered office. A parent company has the meaning given by Section 1162 of the Companies Act 2006. This needs to only cover immediate parent companies and not the whole parent chain. More than one immediate parent company may be input to cover different ownership scenarios (e.g. joint ventures).   |
| The contractor may provide any other information relevant to the data on this page using the comments functionality or by attaching supporting files. |  |
| Once these details are complete, select Save then Validate, before moving on to the next page.  |  |

## Report submission administration

- 4.6 The contractor must enter the following administration data (see Table 6), providing key contact details and confirmation relating to the timing of report submission.

**Table 6 – Report submission administration data input**

| Data required   | Guidance   |
|---|--|
| Date this report is due   | <p>The Regulations require the report to contain the date that the report is due. This should be considered in conjunction with the data provided on the Contract page (see Table 7).</p> <p>For initial reports the date that the report is due is one month from the date a new contract was entered into or one month from the date an existing contract was amended and became a QDC or QSC. Further guidance on the date a contract is entered into is provided on page 10.</p> <p>Appendix 1 summarises the deadlines for submission of each of the contract and supplier reports and provides assistance on how these should be calculated.</p> |
| Date this report was submitted to the MOD & SSRO  | This field will not be visible when the report is being completed by the contractor, but will be populated by DefCARS when the report has been submitted and visible when the report is viewed after submission.   |
| Supplier Staff – Report Submitted by  | The name, position and contact details of the person who submits the report.   |
| Supplier Staff – Contact for Compliance/Penalty Notice Issues   | The name, position and contact details of the person who should be contacted if there are any compliance and penalty notices given in relation to the contract to which the report relates (Regulation 22(2)(a)(ii)).  |
| MOD Staff – Individual responsible for managing the contract  | <p>Each QDC will be managed by a Ministry of Defence delivery team. The name, position and contact details of a member of the delivery team must be provided.</p> <p><b>This field does not apply for QSCs.</b></p>  |
| Supplier Staff – CEO Contact details  | The name, position and contact details of the Chief Executive of the contracting company.  |
| The contractor may provide any other information relevant to the data on this page using the comments functionality or by attaching supporting files. |  |
| Once these details are complete, select Save then Validate, before moving on to the next page.  |  |

## Contract

- 4.7 The contractor must enter some basic data about the contract as explained in Table 7.

**Table 7 – Contract data input**

| Data required                                     | Guidance   |
|---|--|
| Contract Title                                    | The contract title provided should be consistent with the title on the actual contract.  |
| Contract Description                              | A brief description of the goods, works or services that are to be provided under the contract, such that a person with reasonable familiarity of the defence sector could understand what is being delivered.   |
| Contractor's Unique Reference Number for Contract | The unique identifying number the contractor has allocated to the contract should be entered.  |
| MOD's Unique Reference Number for Contract        | The unique identifying number allocated to the contract by the Secretary of State. <b>This field does not apply for QSCs.</b>  |
| Contract type                                     | <p>The contractor is asked to categorise their QDC as either one of the following:</p> <ul style="list-style-type: none"> <li>• QDC</li> <li>• QDC by amendment</li> <li>• QSC</li> </ul> <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> |
| Date Contract Entered Into                        | <p>Dates in DefCARS can either be typed in using the format indicated or by using the calendar functionality.</p> <p>The contractor should provide:</p> <ul style="list-style-type: none"> <li>• the date a new contract was entered into; or</li> <li>• if an existing contract was amended and became a QDC, the date that the contract was originally entered into.</li> </ul> <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>  |

| Data required                                      | Guidance  |
|--|---|
| Contract Completion Date                           | <p>Enter the contract completion date or, if that date is not known, the expected contract completion date. Contractors should refer to Regulation 4 which sets out the meaning of 'contract completion date'. Further guidance on the contract completion date is provided at paragraph 3.41 on page 17 of this document.</p>  |
| Latest Pricing Amendment – Date                    | <p>The Regulations require that every report contains the date of the most recent pricing amendment which affects the price payable under the contract.</p> <p>In the initial reports, a pricing amendment would not generally be expected. If the contract became a QDC by reason of an amendment, then please provide the date that the contract was amended. If the contract did not become a QDC or QSC by reason of an amendment and there has been no other pricing amendment, this field and the next two fields should be left blank in the initial reports.</p>  |
| Latest Pricing Amendment – Contractor Reference ID | <p>Enter the identifying number you have allocated to the pricing amendment. If the contractor has not allocated an identifying number to the amendment, then the contractor should enter 'not applicable' or 'N/A'.</p>  |
| Latest Pricing Amendment – MOD Reference ID        | <p>Enter the identifying number the MOD has allocated to the pricing amendment. If the MOD has not allocated an identifying number to the amendment then the contractor should enter 'not applicable' or 'N/A'.</p>   |
| Date contract became a QDC/ QSC                    | <p>This will be auto-populated based on the information provided in the Contract Type, Date Contract Entered Into and Latest Pricing Amendment Date fields (see above).</p> <p>The contractor is required to provide annual profiles of costs and profit in the contract reports. DefCARS will generate the appropriate span of years for the annual profiles based on the date in this field (i.e. the date the contract became a QDC or QSC) and the contract completion date, which is also provided on this page. The profile years are based on government financial years. The first year of each annual profile will be the financial year in which the contract became a QDC or QSC. The last year of each annual profile will be the financial year in which the contract completion date falls. For example, if the contract was entered into on 5 May 2020 and the contract completion date is 30 June 2023, DefCARS will present annual profile years from 2020/21 to 2023/24.</p> <p>The date in this field also drives the automated dates in the reporting plan. This date can only be amended in corrections to the initial S1 submission of the CIR.</p> |

| Data required                | Guidance   |
|------------------------------|--|
| Total Contract Price         | <p>The total contract price should be entered to three decimal places. The term contract price is defined in Regulation 2(1). It is either:</p> <ul style="list-style-type: none"> <li>• the price resulting from application of the pricing formula in regulation 10 ((Allowable Costs x Contract Profit Rate) + Allowable Costs); or</li> <li>• if there have been one or more pricing amendments, then the total contract price will be the most recent amended price, i.e. the price last determined by applying regulation 14 and the Schedule to the Regulations.</li> </ul> <p>The pricing formula does not provide for the addition of Value Added Tax (VAT). Output VAT should not be added to a price determined by application of the formula.</p>  |
| Total Price 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. Examples of where the contracting authority may not be committed when the contract is entered into include:</p> <ul style="list-style-type: none"> <li>• an option price that the contracting authority does not become bound to pay until the option is exercised.</li> <li>• a volume-driven price in which the unit price is known but the contracting authority is under no obligation to purchase any specific volume of units.</li> </ul> <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, the contractor should discuss with the MOD the appropriate amount to report and it may be appropriate in such circumstances to report the same amount as the contract price.</p> |

| Data required  | Guidance  |
|--|---|
| Business unit (Y/N)  | Contractors are asked to indicate by selecting Yes or No, whether there are any business units in relation to which a cost recovery rate has been used to determine the contract price. Where Yes is selected the relevant business units should be listed. Business units can be added by clicking on the blue cross icon, can be edited using the green icon and can be deleted using the red icon. |
| Once these details are complete, select Save then Validate, before moving on to the next page. |   |

## Reporting Plan

- 4.8 Contractors are required to provide the following information in the contract reporting plan:
- 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 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)).
- 4.9 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.
- 4.10 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.
- 4.11 Due dates entered on the Reporting Plan page will be reflected in the reporting calendar on the contractor's home page of DefCARS. 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.
- 4.12 This page draws on the information entered on the Contract page (the contract entered into date and the contract completion date) to generate the reporting and submission dates for the fixed mandated requirements (CPS, CRP, CNR, CCR, CCS).

- 4.13 The contractor will need to provide the following information about on-demand reports:
- 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.
- 4.14 DefCARS will ask a series of questions to assist the contractor to provide the required information. These questions are listed in Table 8.

**Table 8 – Reporting plan data input**

| Data required   | Guidance   |
|---|--|
| Contract entered into and Contract completion date        | These dates will be auto-populated from previously entered data on the Contract page.  |
| Are you required to submit quarterly contract reports?    | The contractor should indicate using the Yes/No selection buttons whether QCRs are required. Please note that if QCRs are required, where you are also required to submit an ICR it will be the higher value report. If these reports are required (where the contract value was assessed at £50 million or greater), DefCARS will auto-populate the due dates and the submission dates for QCRs.  |
| Are there agreed ICR reporting dates within the contract? | The contractor should confirm (by selecting Yes or No) whether they have agreed ICR reporting dates with the contracting authority. If there is agreement, contractors should enter the due dates agreed in the ICR report section of the Reporting Plan. If there is no agreement, DefCARS will auto-populate the relevant due dates and submission dates based on the default dates prescribed in the Regulations. Table 26 in the ICR section of this guidance explains how ICR due dates are calculated. |
| Required reports for every QDC/QSC                        | There are five reports that are required for every QDC and QSC (the CRP, CNR, CPS, CCR and CCS). This table auto-populates the dates for the initial reporting date for the CRP, CNR and CPS and the contract completion date for the CCR and the CCS and shows the dates when these reports must be submitted.  |
| Quarterly Contract Reports (QCR)                          | Where QCRs are a requirement the dates when these reports are due and must be submitted are auto-populated.  |
| Interim Contract Reports (ICR)                            | 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.   |



| Data required   | Guidance  |
|---|---|
| <b>Only complete the section below if On-Demand reports are required</b>  |   |
| <p>On-Demand Contract Reports:</p> <ul style="list-style-type: none"> <li>• Contract Reporting Plan (CRP)</li> <li>• Contract Pricing Statement (CPS)</li> <li>• Interim Contract Report (ICR)</li> <li>• Contract Costs Statement (CCS)</li> </ul> | <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"> <li>• Where CCS has been selected, is the report required for a specified period? (Yes/No) <ul style="list-style-type: none"> <li>• Where Yes, the start and end date of the specified period are required.</li> </ul> </li> <li>• Are you submitting this report under written direction from the Secretary of State or by agreement? <ul style="list-style-type: none"> <li>• Where by agreement, the contractor is asked to provide the date by which the report will be submitted.</li> <li>• Where by written direction, the contractor is asked if there is a due date for submission of the report (Y/N).</li> </ul> </li> <li>• Where the report is being submitted under written direction, the date the written direction was received?</li> </ul> <p>This process should be repeated for each on-demand report that the contractor has agreed to submit or is required to submit.</p> |
| Comments  | <p>If the contractor believes the auto-populated reporting plan to be incorrect, then comments can be made in this field. The contractor should also provide the dates that it believes apply instead.</p>  |
| Dates Confirmed   | <p>The contractor should tick this box to confirm that they have reviewed the reporting dates and they are correct. If applicable, it would be helpful to provide a supporting comment to explain why the box has purposely been left unticked.</p>   |
| <p>Once these details are complete, select Save then Validate, before moving on to the next page.</p>   |   |

## Profit

- 4.15 Regulation 23(2)(e) states that in a contract pricing statement the contractor must describe:
- i. the contractor's facts, assumptions and calculations relevant to each element of the Allowable Costs (including those relevant to any risk or contingency include in the Allowable Costs); and
  - ii. any facts or assumptions provided by the Secretary of State and used by the contractor in the calculations.

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

- 4.16 This page collects high-level information on Allowable Costs and detailed information on the six-step contract profit rate calculation that generate the contract price. Fields should be completed based on the information in Table 9 and 10.

**Table 9 – Profit data input**

| Data required   | Guidance   |
|---|--|
| Statutory Guidance on Allowable Costs in force at the time of agreement           | Select from the drop-down list, the version of the SSRO's statutory guidance on Allowable Costs that the contractor has had regard to. The contractor should provide any relevant comments/explanation, particularly where there has been any deviation from the statutory guidance on Allowable Costs.  |
| Statutory Guidance on the Contract Profit Rate in force at the time of agreement. | Select from the drop-down list, the version of the SSRO's statutory guidance on the Contract Profit Rate that the contractor has had regard to. The contractor should provide any relevant comments/explanation, particularly where there has been any deviation from the statutory guidance on the Contract Profit Rate.  |
| Total Allowable Costs (including any Risk Contingency Element)                    | <p>Confirm the total Allowable Costs (including any risk contingency element) in the contract in £ millions to three decimal places.</p> <p>The contractor may provide supporting comments and explanation here to help the SSRO and the MOD understand the quantum of Allowable Costs, but that later CIR pages that ask the contractor to provide further details relating to Allowable Costs.</p> |

| Data required   | Guidance   |
|---|--|
| Total Risk Contingency included in Allowable Costs  | 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. |
| The contractor may provide any other information relevant to the data on this page using the comments functionality or by attaching supporting files. |  |
| Once these details are complete, select Save then Validate, before moving on to the next page.  |  |

- 4.17 The following data entry relates to the calculation of the contract profit rate. Regulation 23(2)(d) sets out that the contractor must “describe the calculation that was made under Regulation 11 to determine the contract profit rate, including all adjustments that were made under steps 1 to 6”. Contractors should supplement the data fields below with further information (via the expandable Comments, Issues and Supporting Information pop-up window) about how each profit rate adjustment was determined, including calculations and explanation, to meet the reporting requirement.

**Table 10 – Calculation of the contract profit rate data input**

| Data required                                    | Guidance  |
|--|---|
| Step 1 – Baseline Profit Rate (BPR) %            | <p>Select from the drop-down list the baseline profit rate which applies to the contract. This should be the rate determined by the Secretary of State and published in the London Gazette for the financial year in which the time of agreement falls. For a QDC this means:</p> <ul style="list-style-type: none"> <li>• the date of entry into contract, if the contract is a QDC by virtue of section 14(3) of the Act;</li> <li>• the date of the amendment that resulted in the contract becoming a QDC, if it is a QDC by virtue of section 14(4) or (5) of the Act; or</li> <li>• the date the price was re-determined, if there has been an amendment that affects the price.</li> </ul> <p>If there has been an amendment that affects the price, contractors should refer to guidance in Chapter 9 on submission of an on-demand Contract Pricing Statement when the whole or part of the contract price has been re-determined.</p> <p>For a QSC, the time of agreement will be the date of entry into the sub-contract. There is an option to select 'Other' and specify a different rate to two decimal places (e.g. it might be necessary where a contract has come into the regime on amendment). If this option is used, the contractor should explain why it has applied a baseline profit rate other than one determined by the Secretary of State and provide calculations to demonstrate how the alternative rate has been arrived at.</p> |
| Step 2 – Cost Risk Adjustment %                  | <p>State any Cost Risk Adjustment that has been agreed with the MOD or the prime contractor in the case of a QSC, to two decimal places. This must be within a range of plus or minus 25 per cent of the baseline profit rate at Step 1.</p> <p>The requirement to provide a description of how the adjustment was calculated applies to any cost risk adjustment, including zero cost risk adjustments.</p>  |
| Step 3 – Profit on Cost Once (POCO) adjustment % | <p>State any deduction (this should never be an increase) from the amount resulting after Step 2, to two decimal places. The adjustment should be determined in accordance with Regulation 12, so as to ensure that profit arises only once in relation to those Allowable Costs under the contract that relate to the price payable under any group sub-contracts (including any further group sub-contracts).</p> <p>The SSRO provides a methodology (see SSRO Guidance on the Baseline Profit Rate and its Adjustment) for contractors to use to calculate any deduction required.</p>   |

| Data required  | Guidance   |
|--|--|
| Step 4 – Single Source Regulations Office funding adjustment % | State the SSRO funding adjustment to deduct from the amount resulting from Step 3. This should be the rate approved by the Secretary of State in force at the time of entering into the contract. The funding adjustment should be entered as a negative figure.   |
| Step 5 – Agreed Incentive Adjustment %                         | State any incentive adjustment agreed with the Secretary of State (QDCs) or contracting authority (QSCs), to two decimal places. This adjustment can be between zero and two percentage points. Consider including an explanation of the financial incentive and how it would apply in the supporting description.   |
| Step 6 – Capital Servicing Adjustment %                        | <p>State the Capital Servicing Adjustment (CSA) agreed with the Secretary of State (QDCs) or contracting authority (QSCs) to add to or deduct from Step 5, to two decimal places.</p> <p>The SSRO provides an approach to calculating the CSA in its statutory guidance on the Contract Profit Rate. A CSA Calculator is provided in DefCARS to mirror the approach (see below for further details).</p> <p>Alternatively contractors can manually enter a % amount for the CSA. If the contractor had used the CSA Calculator, any manual overwrite which does not match the calculated figure will generate a validation warning, and the contractor should consider providing supporting information to explain.</p> <p>If the contractor has chosen not to use the calculator (e.g. it might be necessary where a contract has come into the regime on amendment), the value entered should be supported by equivalent information on how it was calculated.</p> |
| Sum of the six profit rate steps %                             | DefCARS will automatically calculate and display the output of the six-step process and this field will not be editable by the contractor. The calculation will also be displayed in the next data field and will be editable by the contractor.   |

| Data required  | Guidance   |
|--|--|
| Contract Profit Rate (CPR) %   | The contractor is required by regulation 23(2)(a) to provide the contract profit rate used to determine the contract price. This will be the agreed contract profit rate and will usually be stated in the contract. The contractor should enter the contract profit in this field as a percentage. The contract profit rate should be the output of the six step process described on this page, as required by regulations 10 and 11. DefCARS will automatically calculate and display the output of the six-step process, which will assist the contractor to check that the six steps and the reported contract profit rate have been correctly reported. If there is a difference, contractors are asked to provide an explanation in the comment field next to the Contract Profit Rate % field. A validation warning will flag where there is a difference between the 'Sum of the six profit rate steps %' field and the 'Contract Profit Rate %' where the contractor has not provided an explanation for the difference. |
| Contract Profit – expressed as an amount   | The profit element of the contract price will be presented in £ million. The amount is calculated by multiplying the calculated Contract Profit Rate percentage and the Total Allowable Costs (including risk contingency element).  |
| Total Contract Price, including the maximum amount that can be earned via Incentive Adjustment | The total contract price will be presented in £ million. It is calculated by summing the Total Allowable Costs (including risk contingency allowance) and Contract Profit expressed as a £ million amount.<br><br>The contractor should check these values to ensure that they are correct. There is a validation rule to check this figure agrees to the contract price entered on the Contract page.   |
| Once these details are complete, select Save then Validate, before moving on to the next page. |  |

### Capital Servicing Adjustment Calculation

- 4.18 The Capital Servicing Adjustment (CSA) calculation is provided by data fields in DefCARS (see Table 11) and aims to make it easier for contractors to demonstrate that they have had regard to the calculation set out in statutory guidance.
- 4.19 The CSA calculation requires input of three pieces of data that are expected to be held by the prime contractor and their group sub-contractors and not the MOD – the fixed capital, working capital and cost of production. The calculation also requires contractors to select relevant fixed capital and working capital rates. These are determined and published by the Secretary of State. The current rates, and those for prior years, can be found on the [profit rate page of the SSRO website](#).
- 4.20 Contractors should refer to the SSRO's [Guidance on the Baseline Profit Rate and its Adjustment](#) which includes further guidance, including definitions and considerations, on the elements of CSA calculation.

**Table 11 – Capital servicing adjustment data input**

| Data required   | Guidance  |
|---|---|
| Reporting period to which these costs relate            | Input field. This is the financial reporting period (annual) which the figures entered below relate to. The drop-down menu provides a list of historic government financial years as well as an 'Other' option. The contractor should use the 'Other' option if its accounting period is not aligned with the government's financial year. If the contractor uses the 'Other' option it should use the supporting comments functionality to provide the financial reporting period to which the costs relate. |
| A - Fixed Capital                                       | Input field. Figures should be entered in £ million to three decimal places.  |
| B - Working Capital                                     | Input field. Figures should be entered in £ million to three decimal places.  |
| C - Total Capital Employed                              | Calculated by DefCARS (the total of A + B).   |
| Do the above figures relate to a single business unit?  | Drop down list (Yes or No). The contractor is asked to confirm (Yes or No) whether the figures relate to a single business unit. If not, the contractor should list the business units which the figures relate to.   |
| D – Cost of Production                                  | Input field. Figures should be entered in £ million to three decimal places.  |
| E – CP:CE ratio   | Calculated by DefCARS (D divided by C).   |
| F – Fixed Capital as a proportion of capital employed   | Calculated by DefCARS (A divided by C).   |
| G – Working Capital as a proportion of capital employed | Calculated by DefCARS (B divided by C).   |
| H – Capital Servicing rate used (year)                  | Input field. The drop-down menu provides a list of government financial years from 2014/15 as well as an 'Other' option. The contractor must have regard to the capital servicing rates in force at the time of contract agreement. Any deviation from this and any use of the 'Other' option should be explained via supporting comments.  |
| I - Fixed capital servicing rate                        | Auto-populated by DefCARS based on the contractor's selection at H. If 'Other' was selected, the contractor can manually enter a fixed capital, positive working capital and negative working capital servicing rate. The contractor may provide supporting information relating to the rates used.   |
| J - Positive working capital servicing rate             |   |
| K - Negative working capital servicing rate             |   |
| L - Capital servicing rate                              | Calculated by DefCARS (F divided by I, plus G divided by J or K).   |

| Data required  | Guidance  |
|--|---|
| M – Capital servicing adjustment   | Calculated by DefCARS (L divided by E). Contractors should check that this gives the capital servicing adjustment for the contract. |
| Once these details are complete, select Submit. The user will need to ensure that all information on the Profit page is saved and validated. |   |

### Pricing method breakdown

- 4.21 The contractor is required by regulation 22(2)(k) to provide the regulated pricing method or methods used to determine the price payable under the contract and, if known, the amount of the price resulting from each method. There are six regulated pricing methods that the parties to a QDC may decide to use, as set out in Regulation 10(4) to 10(12). All regulated pricing methods use an estimate and/or actual Allowable Cost base. DefCARS lists the six regulated pricing methods and provides fields in which the contractor should record the amount of the contract price from each pricing method that is used in the contract, if it is known. If a pricing method is used in the contract but the amount of the price associated with that pricing method is unknown, this should be explained using the comments functionality and the contractor should identify the pricing method by entering zero in the relevant field.



4.22 DefCARS includes a field in which the breakdown of the contract price reported on this page is totalled. The contractor should ensure that the total price reported on this page is the same as the price reported on the Contract page. DefCARS undertakes a validation flag to contractors where the price does not match the contract price reported earlier on the Contract Page. The contractor should input all figures on this page in £ millions to three decimal places. The contractor can provide any relevant comments about the pricing method(s) used on the contract

### **Defined Pricing Structure (DPS Inputs)**

4.23 The contractor is required to specify in the CRP the Defined Pricing Structure (DPS) that will be used to split costs in the CNR, ICRs and the CCR. This page enables the contractor to describe the DPS that will be used. The following paragraphs provide further guidance on the DPS.

4.24 The SSRO has developed DPS principles which contractors should have regard to when preparing this aspect of reporting which is included in the CIR, ICR and CCR. The primary purpose of these principles is to have consistent application of the DPS and high quality data that informs future single source procurement.

### **Principles**

4.25 The purpose of the DPS is to support benchmarking and parametric estimating. The DPS establishes a single, centrally available, comprehensive data set to determine relationships between costs and outputs, and record the estimated and outturn costs, for every QDC and QSC. This will enable future analysis such as benchmarking, while assisting effective contract monitoring without being burdensome. The DPS is a product and service-orientated hierarchy.

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

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

- unmanned marine systems; and
- IT systems.

- 4.27 The glossary at Appendix 2 provides definitions for each of the above DPS equipment types. Contractors should consider the outputs being delivered and/or the services being provided within the contract and select a DPS which most closely matches these. The contractor should discuss and agree which of the 16 DPS templates is to be used for DPS reporting with the MOD in advance of entering into the contract and before the contractor starts to prepare the initial reports. Paragraph 4.32 provides more guidance on what to consider. Where a non-standard (not one of the 16) structure is agreed with the MOD, the contractor should contact the SSRO helpdesk or call 0203 771 4785 to discuss how this can be reported.
- 4.28 The DPS should be articulated in no more than four levels:
1. Level 1 is the entire system and/or programme (e.g. submarine, IT system or rotary wing aircraft).
  2. Level 2 are the major elements subordinate to the Level 1 system / programme (e.g. system test and evaluation, main hardware/software or training).
  3. Level 3 are elements subordinate to Level 2 (e.g. development test and evaluation, hardware/software subsystem or test facilities).
  4. Level 4 elements follow the same process of breakdown for those subordinate to Level 3 (e.g. depth maintenance activities, software product engineering or supply chain management). Level 4 will cover all elements that are not included in Levels 1-3<sup>8</sup>.
- 4.29 The DPS has been constructed so that each level of decomposition contains a breakdown of the cost at the parent level. Table 12 illustrates how costs can be broken down within a DPS. Level 1 of the DPS must total 100 per cent of the contract price excluding risk contingency and profit. The breakdown of each subsequent level must total the level before.

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<sup>8</sup> If the MOD desire additional granularity beyond level 4, this may only be applied with the agreement of the relevant contractor.

**Table 12 – Defined pricing structure cost breakdown example**

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

- 4.30 The templates should be followed and completed using the levels and lines applicable to the contract. Where a contractor considers a new line item is required to better suit the product or service, they should use the “Other” category at levels 2 - 4. Use of the “Other” category must not account for more than 5 per cent of the total cost, unless agreed with the MOD and contractor. The “Other” categories are now editable within DefCARS so contractors can use this feature to describe any additional outputs that are not reflected in the DPS structure which they would like to use (use of commas or other grammar symbols may result in validation errors). Descriptions should be clear and concise as for cost descriptors in other parts of the structure.
- 4.31 The “Other” category is to be used in the following circumstances:
- when there is no appropriate description available within the DPS; or
  - where a small proportion of costs would be difficult to apportion to categories listed in the DPS.
- 4.32 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:
- 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.

4.33 If a QDC or QSC provides support for equipment, the contractor should:

- 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.

4.34 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.

4.35 At each DPS level, DefCARS will aggregate data provided at lower levels, so that at the top level (level one), the DPS will show the total allowable costs (excluding risk contingency). The DPS structure should include outputs that will be provided by sub-contractors.

4.36 The SSRO recognises that the contractor may have to apportion and estimate their costs against individual DPS cost categories. The method of apportionment should be consistent in all contract reports that require a DPS. The contractor should be prepared to provide information which helps the MOD to understand its approach to apportionment and estimation.

4.37 The contractor may also wish to provide information to explain how it has mapped costs reported under another structure (e.g. Work Breakdown Structure) to the DPS. This can be attached as a separate document to the DPS breakdown and explained using the comments functionality in DefCARS.

4.38 If an amendment to the contract is made, which subsequently alters the DPS, any amendments to the DPS will be required to be agreed with the MOD. Any changes will be required to be highlighted in subsequent reports that require costs to be split by the DPS (i.e. ICRs and the CCR); earlier submitted reports will not need to be amended and re-submitted.

### **How to input the DPS in DefCARS**

4.39 The contractor should first select the most appropriate and agreed DPS from the list of 16 in the drop-down list. Once selected, DefCARS will update the page to display the relevant DPS lines for that structure.

4.40 The contractor should then select each DPS line which they are going to allocate costs to by ticking the data input option after each relevant description. Detailed descriptions for each line are provided to help with selection against which estimated and, in the future, actual costs will need to be reported.

- 4.41 If the contractor has selected the 'Specialist Equipment' DPS, it should provide a descriptor for Level 1, which identifies the equipment against which costs are being reported. The user can provide the description by ticking the Level 1 row. A text box will then open automatically and the user can add a description before submitting the text via the green 'Submit' button. The user must add the Level 1 descriptor before selecting the other DPS input rows, as ticking the Level 1 row will remove ticks against any Level 2-4 rows. If the agreed DPS uses rows at Levels 2-4, the contractor will also need to provide a descriptor for each row used at each Level. This can be done by using the same process as is used to provide a descriptor for the Level 1 row, i.e. tick the row, add the description in the text box and press the green 'Submit' button. If users want to subsequently edit the line description then they should press the blue 'Edit' button.
- 4.42 When the 'Other' selection is ticked, the text box opens automatically. The contractor should enter descriptive text in the text box that explains the costs included on that line, then submit this by pressing the green 'Submit' button. Further explanation of the type of costs included in these rows can be added via the comments functionality.
- 4.43 Where a user wants to provide an explanation about a DPS line that is not editable then the same approach of using the Comments, Issues and Supporting Information window should be adopted.
- 4.44 Once all the DPS lines which the costs will be reported against have been selected, the user needs to Save and Validate the page before moving on to allocate costs to the structure on the next page.

### DPS Input Values

- 4.45 The contractor is required to report in the CNR the following:
- an annual profile of any estimated costs (split by the DPS) at the initial reporting date; and
  - the total amount of those Allowable Costs (split by the DPS) that are non-recurring.
- This page enables contractors to provide the annual profile and the total amount of any non-recurring costs.
- 4.46 The DPS lines selected on the DPS Inputs page will be displayed on the DPS Input Values page. DefCARS will display cells that require cost inputs in white. Grey cells will calculate based on data entered in the white cells. All columns will have the cost status 'Priced Estimate' auto-populated as all contracts at the initial stage of reporting should include estimated costs.
- 4.47 Costs should be provided in £ million to three decimal places. **The costs should exclude risk contingency included in total Allowable Costs**, as risk contingency is entered on the Summary Analysis of Price page. DefCARS provides the facility for an annual profile of costs to be provided. If, for example, there are sunk costs the contractor may provide an annual profile of these in a separate spreadsheet and include the total of these type of costs in the not profiled column provided in DefCARS along with any supporting comments. The contractor should reflect any of the total amount which is non-recurring expenditure in the final column.

- 4.48 Contractors can copy and paste data into the DPS fields in batches to speed up data entry, using the green icon. The window that appears when the green icon is used provides instructions about how much data can be pasted in at a time. Data can only be pasted in where input rows are located together. For instance, cost data can be pasted in for levels 1.5.2-1.5.4, but 1.6.2-1.6.4 would have to be pasted in separately. Alternatively, contractors can enter data directly into the individual fields.
- 4.49 The system will indicate if the costs entered in this breakdown exceed the total Allowable Costs (including risk contingency) entered earlier.

### Summary Analysis of Price

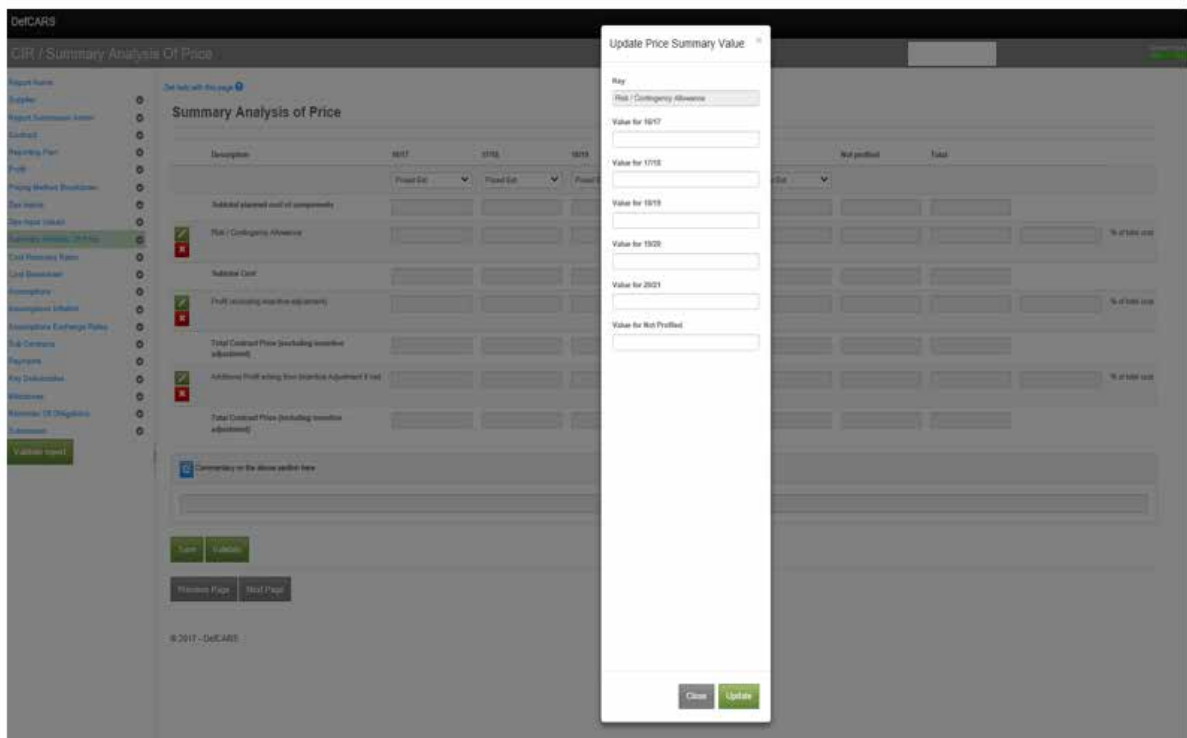
- 4.50 The contractor is required to report in the CNR the following:
- an annual profile (or, if the contractor is of the view that it is not possible to express these matters in an annual profile, the total amount) of:
    - » any risk contingency element in the Allowable Costs;
    - » planned amounts of profit, excluding any incentive adjustment; and
    - » the maximum amount of profit resulting from an incentive adjustment.
- 4.51 This page enables the contractor to provide this profile for risk contingency and profit. Any amounts that cannot be profiled, should be included in the 'not profiled' column. The guidance in Table 13 assumes that an annual profile can be reported. As this is the beginning of the contract the cost status flags will all show as Priced Estimate.

**Table 13 – Summary Analysis of Price data input**

| Data required   | Guidance   |
|---|--|
| Total Allowable Costs from DPS                        | The Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered against the DPS. This will be shown in £ millions to three decimal places.   |
| Risk / Contingency Element within the Allowable Costs | <p>The contractor should provide the annual profile of risk contingency included in the Allowable Costs. The total risk contingency and the percentage of total cost will be calculated by DefCARS. The total figure should match the risk contingency figure shown on the Profit page.</p> <p>The profile can be entered by selecting the green icon (see Exhibit 2) and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p> |
| Subtotal Cost   | Calculated by DefCARS. Contractors should check that the subtotals for each year and row are correct and the row totals reflect the total Allowable Costs.   |

| Data required  | Guidance  |
|--|---|
| Profit (excluding incentive adjustment)  | <p>The contractor should provide the annual profile of profit (excluding the amount due to any Step 5 incentive adjustment) within the contract price. The total and the percentage of total profit excluding and incentive adjustment will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon (see Exhibit 2) and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p>  |
| Total Contract Price (excluding incentive adjustment)  | Calculated by DefCARS.  |
| Maximum Profit arising from Incentive Adjustment   | <p>The contractor should provide the annual profile of maximum profit that could arise due to any Step 5 incentive adjustment within the contract price. The total and the percentage of total profit that may arise from Step 5 will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon (see Exhibit 2) and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p> <p>Contractors should check that this value plus profit (excluding incentive adjustment) sums to the overall contract profit entered on the Profit Page.</p> |
| Total Contract Price (including incentive adjustment)  | Calculated by DefCARS. Contractors should check that this line agrees to the total contract price and corresponds to the contract price entered on the Contract page.   |
| <p>The contractor may provide any other information relevant to the data on this page using the comments functionality or by attaching supporting files.</p> |   |
| <p>Once these details are complete, select Save then Validate, before moving on to the next page.</p>  |   |

### Exhibit 2 – Completing the Summary Analysis of Price



## Cost recovery rates

- 4.52 This page enables contractors to list and profile the cost recovery bases used, or expected to be used in determining the contract price. Contractors are asked to provide a detailed breakdown of cost recovery rates, to support the reporting requirement to provide the contractor's facts, assumptions and calculations relevant to each element of Allowable Costs.
- 4.53 The rates could apply to direct or indirect cost recovery, depending upon the contractor's management systems and methodology relevant to determining the Allowable Costs under the contract. Contractors should consider the two important definitions in the Regulations (Regulation 2) that are set out below, when determining what data should be included.
- **Cost recovery base** - the unit of measure to which a cost recovery rate is applied in order to calculate a cost under a contract
  - **Cost recovery rate** - a rate calculated for a business unit that is used to determine a cost payable under a contract, being a rate per unit of a cost recovery base that is multiplied by the quantum of that cost recovery base to determine the cost.
- 4.54 Even though data on cost recovery rates is now collected via standard fields, contractors should supplement the data entry fields below with further supporting information about the composition of rates to meet the obligations under Regulation 23(2)(e) if required.
- 4.55 Regardless of the contractor's method of providing supporting information (i.e. within the CIR or via a supplier report), the fields in the page should be completed (Table 14) to confirm the applicable cost recovery rates in the requested format. Users need to click on the blue cross icon to add individual recovery rates.

**Table 14 – Cost recovery rates data input**

| Data required              | Guidance  |
|----------------------------|---|
| Pricing Business Unit Name | The name of the business unit which the cost recovery rate is associated with. Business units listed here should also feature on the list of business units provided on the Contract page.  |
| Name of cost recovery rate | A name should be attached to the cost recovery rate which explains the type of activity the rate is associated with. For example, engineering labour, maintenance overhead.   |
| Recovery Base Units        | The unit of measure to which the cost recovery rate will be applied. For example, hours, square feet.   |
| Type of cost recovery rate | The rate can be described as Labour, Labour and Overhead, Overhead or Other. If 'Other' is used, please attach a supporting comment to define the cost recovery rate. Note that costs for 'Other' cost recovery rate type on the Cost Recovery rates page do not flow through to the Cost Breakdown page. |



| Data required   | Guidance   |
|---|--|
| Rate Type   | The rate type (GBP or Percent) should be selected from the drop-down menu.   |
| <b><i>For each year of the contract the following data should be entered.</i></b>   |  |
| Volume  | The quantum of activity by which the cost recovery rate will be multiplied by (i.e. an annual profile of the cost recovery bases as required by the Regulations).  |
| Rate (£s or %)  | Add the cost recovery rate in GBP or Percent (as per the rate type selected). For those recovery bases that have Percent selected as the rate type, recovery volumes should be in a cash amount. Please note that GBP values entered here are in £s whereas elsewhere in the report values are likely to be in units of £ million. |
| Of which overheads (if applicable)  | The amount in GBP of the cost recovery rate which is related to overheads. For example, if the cost recovery rate is GBP10 per hour, the overhead proportion could be GBP3 of that GBP10.  |
| Rate agreed by the MOD?   | DefCARS presents the contractor with a choice between “final” and “provisional”. If the MOD has agreed the rate, then the contractor should select final. Otherwise, provisional should be selected.   |
| <b><i>For costs which cannot be allocated to individual years</i></b>   |  |
| Not profiled  | There may be some rate related costs which cannot be profiled to any individual year. Explanatory comments should be provided to explain why rates and bases have not been profiled.   |
| <b><i>DefCARS will automatically calculate totals for data entered on this page. Contractors should check there are no errors in the data entered and the calculated totals may assist with this.</i></b> |  |
| Total volume  | The total volume of the recovery base (e.g. hours) in each year and not profiled which is applied to each cost recovery rate will be shown in this column.   |
| Total cost from each cost recovery rate   | The total cost for each recovery rate is calculated by multiplying the recovery base volumes by the recovery rate in each year and any that are not profiled annually. At the bottom of the page the total cost from all cost recovery rates is shown. The total figure is also split by labour and overheads.                     |

### Cost breakdown

- 4.56 Contractors are asked to provide a high-level breakdown of the total estimated Allowable Costs into categories, setting out the proportion of costs relating to labour, overheads, materials, sub-contracts and risk. Contractors will have to exercise judgement about whether costs are categorised as materials or sub-contracts, as provision of materials may be sub-contracted to another supplier. Contractors should check that the costs of sub-contracts reported on this page are consistent with the total price of the QDC/QSC which is attributable to sub-contracts provided on the sub-contracts page.

- 4.57 This summary table should not replace any cost model and other supporting documents which the contractor decides to include with their submission to demonstrate its facts, assumptions and calculations relating to Allowable Costs.
- 4.58 Some fields within the Cost Breakdown table are auto-populated from other areas of the report and others require data entry. Table 15 provides further information on this. All costs should be entered in £ millions to three decimal places. Comments functionality is available to enable contractors to provide information about facts, assumptions and calculations relating to the relevant element of Allowable Costs.

**Table 15 – Cost breakdown data input**

| Data required         | Guidance   |
|-----------------------|--|
| Labour (from rates)   | <p>DefCARS will auto-populate this field based on the data provided on the Cost Recovery Rates page in relation to 'Labour' rates and 'Labour and Overheads' rates. The figure shown will be the result of individual rates times volume by year and the individual rate type.</p> <p>The contractor may also wish to reconsider the inputs on the Cost Recovery page if the value populated here is not as expected.</p> <p>The contractor may overwrite the value shown if it is not reflective of labour costs recovered through a cost recovery rate and provide a supporting comment to explain why there is a difference.</p>    |
| Labour (other)        | <p>Input field for the contractor to reflect the element of Allowable Costs which relates to labour costs which are not recovered through a cost recovery rate (e.g. direct salaries charged to a contract).</p>   |
| Overhead (from rates) | <p>DefCARS will auto-populate this field based on the data provided on the Cost Recovery Rates page in relation to 'Overheads' rates and 'Labour and Overheads' rates. The figure shown will be the result of individual rates times volume by year and the individual rate type.</p> <p>The contractor may also wish to reconsider the inputs on the Cost Recovery page if the value populated here is not as expected.</p> <p>The contractor may overwrite the value shown if it is not reflective of labour costs recovered through a cost recovery rate and provide a supporting comment to explain why there is a difference.</p> |
| Overhead (other)      | <p>Input field for the contractor to reflect the element of Allowable Costs which relates to overheads costs which are not recovered through a cost recovery rate (e.g. back office costs charged directly to a contract).</p>   |
| Material              | <p>Input field for the contractor to reflect the element of Allowable Costs which relates to materials costs (e.g. steel, components).</p>   |

| Data required  | Guidance   |
|--|--|
| Sub-contracts  | Input field for the contractor to reflect the element of Allowable Costs which relates to costs which have been sub-contracted either to another group company or another contractor. Some sub-contracts may be for the supply of materials so the contractor will need to decide whether this category or the previous one is most appropriate.                                     |
| Risk Contingency Element   | DefCARS will auto-populate this field using the 'Total Risk Contingency included in Allowable Costs' field on the Profit page. The field cannot be edited on the Profit page, following which the change will be reflected here.   |
| Unreconciled   | The contractor may enter a value to reflect any costs that remain unreconciled. However, the contractor should provide a supporting comment to explain what these are and why they have not been able to reconcile total costs to the categories above and any additional rows added by the contractor.  |
| [Additional rows]  | Contractors are encouraged to map costs against the provided categories, however additional rows can be added by selecting the blue cross icon at the top of the table (and deleted using the red icon next to the additional row).<br><br>Users will need to give a clear name to each new cost line added as well as a supporting comment to set out why the new line is required. |
| Total  | Calculated by DefCARS based on the figures entered above.  |
| Once these details are complete, select Save then Validate, before moving on to the next page. |  |

## Assumptions

4.59 Contractors must describe:

- the contractor's facts, assumptions and calculations relevant to each element of the Allowable Costs (including those relevant to any risk contingency included in the Allowable Costs); and
- any facts or assumptions provided by the Secretary of State and used by the contractor in those calculations.

4.60 All information materially relevant to the contract price for any QDC or QSC is required. The MOD and the SSRO will use the information to understand how the price has been calculated, to satisfy themselves that the law has been followed, and that due regard has been given to the statutory guidance.

4.61 The information required on assumptions, facts and calculations ideally should be provided using the fields in DefCARS. If this is not possible, supporting documentation (for example, in a cost model) can be provided. This may be the case where the recovery base data has not been provided or where the initial review of the submission by the SSRO raises some queries.

4.62 Information provided can either relate to input assumptions or calculations and will apply to risk related or non-risk related Allowable Costs. Ideally the assumptions should link through to the calculations which support them. Below are some examples of information which contractors could provide under the four information categories:

- **Allowable Costs (excluding risk)** - input assumptions. Examples include: an MDAL (Master Data Assumptions Log), a jointly-owned or contractor-developed cost/price model, detailed engineering cost models, make/buy plans;
- **Allowable Costs (excluding risk)** - calculations. Examples include: a jointly-owned or contractor-developed cost / price model, detailed engineering cost models;
- **Risk and Contingency Allowance** - input assumptions. Examples include: a risk register, supplemented where necessary with the numerical inputs to the risk modelling calculations; and
- **Risk and Contingency Allowance** - calculations. Examples include: a jointly-owned or contractor-developed risk model.

4.63 For each assumption, fact and calculation contractors should provide the information explained in Table 16. This information is about all assumptions except for inflation rate and exchange rate assumptions which are dealt with separately.

**Table 16 – Assumptions input**

| Data required   | Guidance  |
|---|---|
| Are there any Allowable Cost assumptions (including risk contingency) relating to this contract? (Yes/No) | The contractor is asked to confirm if there are assumptions relevant to the calculation of Allowable Costs, excluding inflation and exchange rate assumptions which are captured in specific pages within the report. When Yes is selected, the contractor should provide data in the fields below. Selecting No will conceal the data entry fields that are described in the rest of this table. |
| Information category  | The contractor should select one of the four categories listed above. Depending on which is selected, the following fields will be greyed out where no data entry is required. For example, if an assumption category is selected then the fields asking for information on calculations will be greyed out.  |
| <b>Assumptions</b>  |   |
| Description of assumption   | A clear description of the assumption which would be understood by a reasonable person with familiarity with the defence sector.  |
| Value if number   | A number value in £ sterling.   |
| Relevant Units  | Any volume based assumptions should be quantified.  |
| Explanation of source and justification of use  | A brief explanation of the source of the information or assumption and why the contractor considers them to be relevant.  |

| Data required   | Guidance  |
|---|---|
| <b>Calculations</b>   |   |
| Purpose of calculation – output derived                               | An explanation of why the calculation is being used.  |
| Description of calculation (inputs required, assumptions relied upon) | A brief explanation of the calculation and how it is applied.   |
| Other relevant comments   | Any other comments which the contractor considers to be relevant.   |
| Assumption provided by Secretary of State/Contracting Authority       | The contractor should state if the assumption, fact or calculation has been provided by the MOD ( <b>for QSCs this will either be the contracting authority or the MOD</b> ). |

### Assumptions Inflation

- 4.64 The SSRO asks contractors to separately explain any inflation (cost or price inflation rather than inflation of volumes or hours) rate assumptions which have been applied in pricing their contracts.
- 4.65 Contractors can add an inflation assumption by selecting the blue cross. A window will appear for contractors to input data, as described in Table 17, for each assumption. Contractors can add as many inflation assumption rows as is relevant for their contract price.

**Table 17 – Inflation rate assumptions data input**

| Data required   | Guidance   |
|---|--|
| Are there inflation assumptions relating to the contract? (Yes/No)    | The contractor is asked to confirm if there are inflation assumptions relevant to the calculation of Allowable Costs. When Yes is selected, the SSRO would expect to see data provided in the fields below.  |
| Assumption  | The contractor should describe the type of inflation assumption that it is adding, for example wage inflation.   |
| Assumption Description  | The contractor should provide a clear description of the assumption including any index it may be linked to.   |
| Pricing Method  | The contractor should select from the drop-down menu the relevant regulated pricing method that applies to the price element subject to the inflation assumption. The contractor may select 'applies across more than one pricing method', for instance, where a general inflation rate has been applied to costs within different pricing methods. The contractor may wish to provide a comment to explain which pricing methods the assumption relates to. |
| Does the contract include a VOP (Variation of Price) clause for this? | The contractor should confirm if the contract includes a VOP clause for this assumption. If there is a VOP clause the contractor should explain this clause (for example, what triggers the clause and any indices it might be linked to).   |
| Type of cost assumption applies to                                    | The contractor should identify the type of cost that the inflation rate assumption applies to, for example engineering labour cost.  |

| Data required  | Guidance   |
|----------------|--|
| Annual profile | The contractor should provide an annual profile of the assumed inflation rate (in percentage terms) and the Allowable Costs that are linked to the assumed rate (in £ million to three decimal places). If it is not possible to profile the inflation rates and costs, the contractor may use the 'not profiled' fields to provide the overall inflation assumption. An explanatory comment regarding why it cannot be profiled should be provided. |

### Assumptions Exchange Rates

- 4.66 The SSRO asks contractors to separately explain any exchange rate assumptions which have been applied within the agreed contract price. If exchange rates are not applicable contractors should confirm this.
- 4.67 Contractors can add an exchange rate assumption by selecting the blue cross. A window will appear for contractors to input data, as described in Table 18, for each assumption. Contractors can add as many exchange rate assumption rows as is relevant for their contract prices.

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

| Data required  | Guidance  |
|--|---|
| Are there exchange rate assumptions relating to the contract? (Yes/No) | The contractor is asked to confirm if there are exchange rate assumptions relevant to the calculation of Allowable Costs. When Yes is selected, the SSRO would expect to see data provided in the fields below.   |
| Assumption   | The contractor should describe the type of the exchange rate assumption that it is adding, for example, exchange rate for material purchases.   |
| Assumption Description   | The contractor should provide a clear description of the assumption including the basis of the assumed exchange rates used within the agreed contract price.  |
| Currency from  | The contractor should select the source currency for any exchange rate assumption from the drop-down list. If Other is selected, please use the Assumption Description field to describe the source currency.   |
| Currency to  | The contractor should select the output currency for any exchange rate assumption from the drop-down list. If Other is selected, please use the Assumption Description field to describe the output currency.   |
| Pricing Method   | The contractor should select from the drop-down menu the relevant regulated pricing method that applies to the price element subject to the exchange rate assumption. The contractor may select 'applies across more than one pricing method', for instance, where an exchange rate has been applied to currencies within different pricing methods. The contractor may wish to provide a comment to explain which pricing methods the assumption relates to. |

| Data required   | Guidance  |
|---|---|
| Does the contract include a VOP (Variation of Price) clause for this? | The contractor should confirm if the contract includes a VOP clause for this assumption. If there is a VOP clause the contractor should explain this clause (for example, what triggers the clause and any indices it might be linked to).  |
| Type of cost assumption applies to                                    | The contractor should identify the type of cost that the exchange rate assumption applies to e.g. US materials cost.  |
| Annual profile  | The contractor should provide an annual profile of the assumed exchange rate (this should be the exchange rate which is the from Currency entered earlier, for example if from EUR to GBP, the EUR exchange rate) and the Allowable Costs that are linked to the assumed rate (in £ million to three decimal places). If it is not possible to profile the exchange rates and costs, the contractor may use the 'not profiled' fields to provide the overall exchange rate assumption. An explanatory comment regarding why it cannot be profiled should be provided. |

### Sub-contracts

- 4.68 Contractors must provide a description of actual or intended sub-contracts which the primary contractor has entered into, or intends to enter into, for the purpose of enabling it to perform its obligations under the QDC or QSC. There may be scenarios where a contractor does not yet know there will be sub-contracts when they submit their initial set of reports. If full information is not known at this time, partial information can be provided and updated through later reports. A sub-contract may enable the performance of more than one contract and may enable both qualifying and non-qualifying contracts, in which case it should be reported in respect of each QDC or QSC that it enables.
- 4.69 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued at not less than £1 million using the grey 'Yes'/'No' buttons. Then, for each sub-contract which has or is expected to have a value of not less than £1 million, the contractor must include the following information (Table 19). Sub-contracts can be added by clicking on the blue + icon, can be edited using the green icon and can be deleted using the red icon. Copy and paste functionality is available to enter this data from Excel.

**Table 19 – Sub-contract data input**

| Data required  | Guidance  |
|--|---|
| Sub-contractor   | If the sub-contractor is a registered company, include the full registered name (made to a registrar of companies such as Companies House or an overseas equivalent), include the name of the sub-contractor if it is not a registered company.   |
| Company Number   | If the sub-contractor is a registered company, include the company registration number and the address of its registered office.  |
| Registered Address   |   |
| Associated (Group Co.)   | The primary contractor should declare if the sub-contractor is associated with them by entering a 'Yes' in the data field.  |
| SME?   | The primary contractor must identify if the sub-contractor is a small or medium sized enterprise (Yes or No). The definition of an SME is provided in Table 5 of this guidance.   |
| Brief description of the goods, works or services that will be provided under the sub-contract | This should describe the scope of the contract and the key deliverables.  |
| Date contract entered into/ expected to be entered into  | Enter the date the sub-contract was, or is expected to be, entered into and the contract completion date, or expected contract completion date.   |
| Expected Contract Completion date  |   |
| Actual or estimated sub-contract price (£m)  | Enter the actual (or estimated) price payable under the sub-contract in £ million, to three decimal places.   |
| Assessed as QSC?   | <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"> <li>• Not Yet Assessed</li> <li>• 'YES' is a QSC</li> <li>• 'No' is not a QSC</li> </ul>  |
| Outcome of the negative assessment   | Where the value of the sub-contract or proposed sub-contract is equal to or more than £15 million and the prime contractor has assessed that the sub-contract would not be a qualifying sub-contract, the prime contractor must report the outcome of the negative assessment. The contractor should report the outcome of the negative assessment using the free text field. |
| Competitive process?   | The contractor should indicate whether the award of the contract is not, or would not be, the result of a competitive process.  |



| Data required   | Guidance  |
|---|---|
| Enables any non-qualifying contracts?                             | The contractor should indicate whether the contract enables the performance of contracts other than qualifying defence contract(s) or qualifying sub-contract(s).   |
| Sub-contract entered into   | Confirm if the sub-contract has been entered into as at the reporting date with a tick.   |
| Total price of the QDC/QSC which is attributable to sub-contracts | The contractor should report the total price of the QDC/QSC which is attributable to sub-contracts. This field is auto-populated from the cost breakdown page and will need to be checked by the contractor. The percentage of contract price attributed to sub-contracts will be calculated. |

## Payments

- 4.70 Contractors must provide a list of all payments exceeding £100,000 or 1 per cent of the contract price (whichever is greater) expected to be made by the Secretary of State under the contract. Contractors must also provide an annual profile of all payments expected to be made by the MOD by currency. **These fields do not apply for QSCs, so any validation errors should be ignored when completing a CIR in DefCARS for a QSC.**
- 4.71 The significant individual MOD payments (those exceeding £100,000 or 1 per cent of the contract price, whichever is greater) and annual profiles can be added using the green cross icon. The information required is described in Table 20.

**Table 20 – Payments data input**

| Data required   | Guidance   |
|---|--|
| Significant MOD payments (Yes/No)                         | The contractor is asked to confirm if there are any significant payments by selecting Yes or No. A significant payment is one that exceeds £100,000 or 1 per cent of the contract price, whichever is greater. When Yes is selected, the contractor should provide data in the fields below. Selecting No will hide the 'significant individual payments' data entry fields that are described in the 'list of significant individual MOD payments' section of Table 20. |
| <b><i>List of significant individual MOD payments</i></b> |  |
| Contracted Date   | For each payment, select the date on which the payment is expected to fall due using the calendar.   |
| Actual/Expected Date                                      | For each payment, include the actual or expected payment date. In the CIR all payments should be expected rather than actual.  |
| Currency  | State the currency in which the contract specifies the Secretary of State is to make payments. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.  |

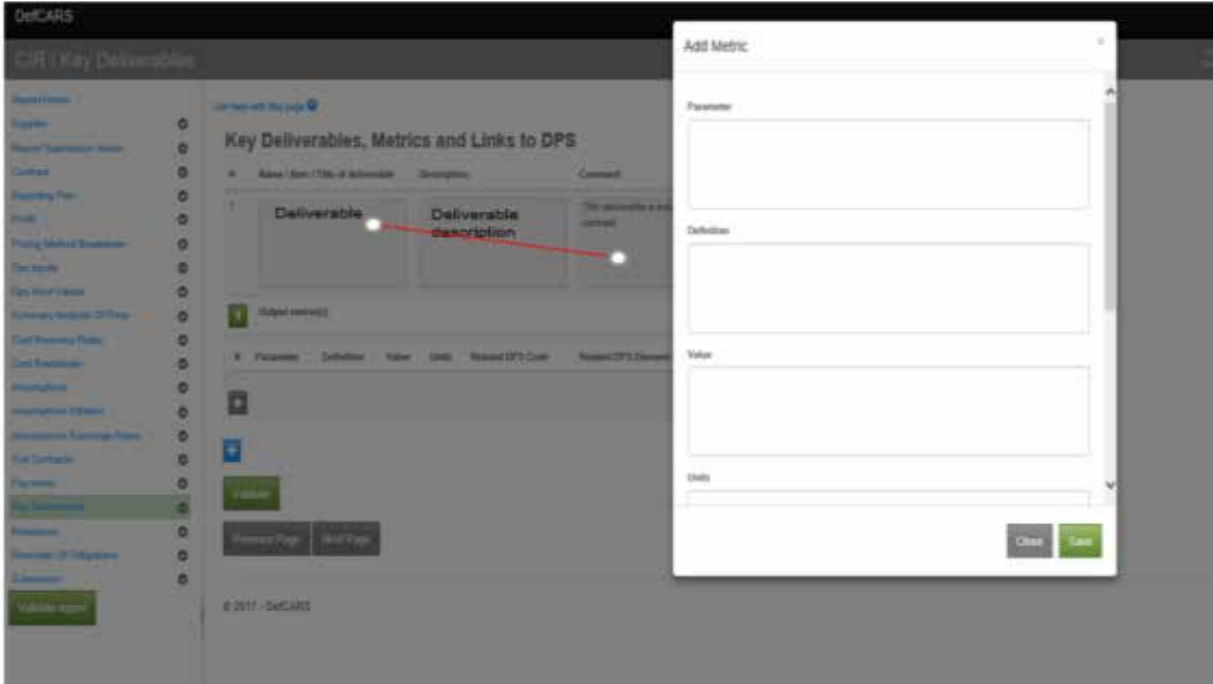
| Data required   | Guidance   |
|---|--|
| Amount  | For each payment, include the expected amount of each payment, in millions of any currency to three decimal places. In future reports (for example, the Interim Contract Report) this might be the actual amount.  |
| <b>Annual Profile summarising all contracted payments</b>   |  |
| Currency  | State the currency in which the contract specifies the Secretary of State is to make payments. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.        |
| Annual profile  | Provide an annual profile of all contracted payments (per each currency) that the contract requires the Secretary of State to make. Amounts should be stated in millions to three decimal points. At the end of each row DefCARS automatically provides a total field to assist contractors with checking the data provided. |
| The contractor may provide any other information relevant to the data on this page using the comments functionality or by attaching supporting files. |  |
| Once these details are complete, select Save then Validate, before moving on to the next page.  |  |

### Key deliverables

- 4.72 On this page, contractors must provide a list of key deliverables specified in the contract, with a brief description of each. Contractors must also provide a list of the output metrics that will be used to describe deliverables and used to express the estimated quantum of the key deliverables.
- 4.73 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.
- 4.74 An output metric means a quantifiable description of any goods, works or services (including a number, weight, dimension, time or physical capability, but not including a monetary value). Examples of metrics include quantity of aircraft/ engines that are available or the weight of a finished vessel. Each metric ideally should be linked to a DPS line and description.
- 4.75 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.

4.76 Deliverables and metrics need to be added to DefCARS sequentially. The contractor should first add a deliverable by selecting the blue cross icon and saving its name and description. The deliverable row will be displayed on the page along with a green arrow icon. The contractor should use this green arrow icon and then the grey cross icon to add the output metrics associated with that deliverable (Exhibit 3).

**Exhibit 3 – Adding output metrics**



4.77 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.

**Table 21 – Deliverables and metrics data input**

| Data required                      | Guidance   |
|------------------------------------|--|
| Name / Item / Title of deliverable | The contractor should provide a short name for the deliverable. For example, delivery of completed vessel.                           |
| Description                        | The contractor should provide a description of that key deliverable. For example, deliver completed vessel to [recipient] by [date]. |
| <b>Metrics</b>                     |  |
| Parameter                          | The contractor should provide a short name for the metric. For example, engine test hours.   |
| Definition                         | The contractor should define the metric. For example, minimum test hours for each vessel engine.                                     |

| Data required   | Guidance   |
|---|--|
| Value   | The contractor should include the value (not £ as output metrics are not monetary-based) and units of the quantity for each metric. For example, value = 300; units = hours. |
| Units   |  |
| DPS Code  | The contractor should state the DPS code that the metric relates to, as per the applicable DPS template.   |
| DPS Description   | The contractor should state the DPS code that the metric relates to, as per those codes which have been used earlier to report Allowable Costs.                              |
| The contractor may provide any other information relevant to the data on this page using the comments functionality or by attaching supporting files. |  |
| Once these details are complete, select Save then Validate, before moving on to the next page.  |  |

### Milestones

- 4.78 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 and is 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.

**Table 22 – Milestones data input**

| Data required   | Guidance   |
|---|--|
| Milestone Short Name  | The contractor should provide a short name for the milestone. For example, delivery of [parts].  |
| Milestone Description   | The contractor should provide a description of that milestone. For example, delivery of [parts] to [recipient] by [date] for [purpose].  |
| Contracted Target Date  | Where the contract sets an expected date for a delivery milestone to be completed, contractors should select that date using the calendar.   |
| Actual or Forecast Completion Date  | The page includes a field for the actual or forecast completion date. In the initial reports the contracted date and the actual and forecast date for the milestone are likely to be the same. |
| The contractor may provide any other information relevant to the data on this page using the comments functionality or by attaching supporting files. |  |
| Once these details are complete, select Save then Validate, before moving on to the next page.  |  |

## Reminder of obligations

- 4.79 Data entry should now be complete for the CIR. Contractors will be asked to review their information before submitting and should declare that the following three statements are true or explain why they are not:
- The estimates of Allowable Costs used in the calculation of the contract price comply with all relevant parts of Section 20 of the Defence Reform Act 2014. Any departure from guidance issued under Section 20(1) of the Defence Reform Act has been identified and explained in the CPS.
  - The Contract Profit Rate has been calculated in accordance with Sections 17, 18 and 19 of the Defence Reform Act 2014 and the Single Source Contract Regulations.
  - The price of this contract has been calculated with the formula in Section 15 of the Defence Reform Act 2014, and the figure stated is the same as the price stated in the final signed version of the Contract to which the CPS relates.

## Submission

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

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

- 5.1 This section of the guidance covers the reporting requirements and data entry associated with the Quarterly Contract Report (QCR). Before completing the QCR for the first time, contractors should familiarise themselves with Regulation 22 (General Requirements) and Regulation 26 (Quarterly Contract Report). Contractors should also read and familiarise themselves with paragraph 5.8, which deals with auto-population of the QCR.
- 5.2 Regulation 22(10)(b) defines a quarter as one of the following periods:
- 1 April to 30 June (Quarter 1 in the Government's financial year)
  - 1 July to 30 September (Quarter 2)
  - 1 October to 31 December (Quarter 3)
  - 1 January to 31 March (Quarter 4)
- 5.3 Contractors are required to submit QCRs if their contract is assessed as being valued at £50 million or more. The reports are due within one month of the end of each calendar quarter, so the due dates for submission of QCRs are:
- 31 July
  - 31 October
  - 31 January
  - 30 April
- 5.4 DefCARS calculates QCR due dates but the contractor should check to ensure that their QCR due dates are correct. No report is required for the calendar quarter in which the initial reporting date or contract completion date fall. The initial reporting date is defined in Regulation 22(10)(c) as either the date of amendment (for a QDC by amendment) or, in all other cases, the date the contract was entered into.
- 5.5 The first report must cover the period from the initial reporting date to the end of the next calendar quarter. For example, if a contract is entered into on 5 January, then the QCR covers the period 5 January to 30 June and is due by 31 July.
- 5.6 The value assessment for threshold purposes (see Regulation 5) is undertaken by the contracting authority:
- for proposed contracts for which an assessment has been undertaken under Regulation 12(1) for a POCO adjustment, or under Regulation 61 to determine whether the contract would be a QSC, at the date of that assessment or, if later, at the date on which it is proposed to enter into the contract;
  - for QDCs by amendment, at the date of the amendment; or
  - in all other cases, at the date the contract is entered into.

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

### **Report Home**

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

### **Supplier**

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

### **Report Submission Administration**

- 5.11 The fields on this page are the same as those on the Report Submission Admin page in the initial set of reports. The contact details of contractor and MOD staff involved in the contract are shown on this page and are auto-populated from the initial reports or a previous QCR and the contractor should check this information for accuracy. If there has been a change in staff from those identified in an earlier report then the new staff details should be reported.
- 5.12 The contractor is required by regulation 22(2)(b) to provide the date that the report is due. DefCARS assists selection of the correct due date by providing the following options in a drop-down list:
- A list of regular statutory reports and associated due dates from the latest submitted CRP; and
  - Other regular statutory reports – select date as report due date not reflected in the latest submitted CRP.

- 5.13 If the report being submitted is included in the latest submitted CRP, the contractor should select the relevant report from the drop-down list. If the reporting plan does not include the relevant report the contractor should select the due date from the calendar. When a contractor selects the 'Other' option the following warning will be displayed – 'You are submitting a report which is not reflected in the Contract Reporting Plan. You may wish to consider adding this report to an on-demand Contract Reporting Plan prior to submitting this report'. The CRP can be updated by submitting:
- a correction to an existing CRP (if the original reporting plan was incorrect); or
  - an on-demand CRP (if there are new reporting requirements, see Chapter 9).
- 5.14 If the CRP is updated, the revised dates will be reflected in the drop-down list within the 'date this report is due' field.

### **Contract**

- 5.15 All contract details are auto-populated and the contractor should check this information for accuracy. The 'Date contract became a QDC/QSC' field is explained in Table 7 of Section 4 of the CIR. The 'Date contract became a QDC/QSC' field is populated by DefCARS in the initial reports and carried forward to future reports. The date is read only in the QCR and cannot be changed in this report. The contract type should not be changed from that reported in the initial reports. If an error was made on the initial report then a correction to that report should be made.
- 5.16 A contractor can amend the 'Date contract became a QDC/QSC' field. This should only be done where a mistake was made on the Contract page in the initial report submission. This is done by creating a correction to the last submitted initial report and amending either the 'Date contract entered into' or 'Latest pricing amendment – date' field, whichever date was incorrect. The corrected data will then flow through to a QCR which is started after the correction has been submitted. Annual profiles in later pages start from the date in this field (i.e. the date the contract became a QDC or QSC) and end at the contract completion date.
- 5.17 The 'Contract Completion Date' may change, due to:
- a change in circumstances which impact the completion of all obligations entitling the contractor to final payment under the contract;
  - an amendment to the contract; or
  - termination of the contract.



- 5.18 There is more detailed guidance on contract completion date changes in Chapter 3. A changed Contract Completion Date will affect the due dates of the CCR and CCS and may change the number and timing of QCRs and ICRs. The MOD may direct the submission of an on-demand Contract Reporting Plan, to ensure the updated Contract Completion Date and changed reporting requirements are recorded, or the contractor may agree to provide an on-demand Contract Reporting Plan without written direction (Regulation 24(2)(c)). Chapter 9 of this guidance explains how a contractor can submit an on-demand Contract Reporting Plan. The contractor should enter the new Contract Completion Date in the relevant field on the Contract page in the on-demand Contract Reporting Plan (see Table 5 in the CIR section). DefCARS will recalculate the due dates of QCRs as a result of the revised Contract Completion Date. When a new QCR is generated by DefCARS, it will reflect the revised Contract Completion Date and have the correct number of years for which the required information should be provided.
- 5.19 If there has been an amendment during the reporting period which has resulted in a change to the contract price, the MOD may direct the submission of an on-demand Contract Pricing Statement (CPS), or the contractor may provide this report without written direction (regulation 24(2)(c)). Chapter 9 of this guidance explains how a contractor can submit an on-demand CPS. Where applicable, the contractor should submit any on-demand CPS prior to completing the QCR and ensure the pricing information is consistent in both reports. When the QCR is being completed the contractor should complete or update the 'Latest Pricing Amendment' fields. If there has been more than one pricing amendment in-quarter, contractors should enter details for the latest time of agreement.

### **Pricing Method Breakdown**

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

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

- 5.21 In QCRs, contractors provide the breakdown of costs by their own reporting structure which may not be the same as the Defined Pricing Structure (DPS) used in the Contract Notification Report, Interim Contract Report(s) and Contract Completion Report. Some contractors have aligned their management systems with the DPS in which case the DPS and their own reporting structure would be the same. On this page, contractors are required to report an annual profile of the estimated (agreed) Allowable Costs at the latest time of agreement, excluding any risk contingency, using their own reporting structure over each year of the contract duration. The latest time of agreement will either be when the contract was entered into or the date it was amended (if the contract became a QDC 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.

- 5.22 When compiling its first QCR, the contractor will be required to enter its cost reporting structure and provide an annual profile of estimated Allowable Costs across the contractual years in £ million to three decimal places. This profile should exclude the amount for risk contingency included in the Allowable Costs as this is reported on the next page of the report. When there has been a pricing amendment since the initial reports or between QCRs this analysis needs to be updated to reflect the Allowable Costs excluding risk contingency at the latest time of agreement. Each cost descriptor (e.g. engineering, programme management) needs to be added individually by selecting the blue 'x' icon before data can be entered. Rows may be deleted using the grey 'x' on the left of each row although contractors are advised to not delete descriptors used in previous reports unless there has been an amendment to the contract which requires this change. In subsequent QCRs, the cost descriptors will be auto-populated and additional rows can be added if the structure changes by clicking on the blue 'x' icon.
- 5.23 DefCARS does not facilitate, via standard fields, the reporting of an annual profile for any years prior to the contract becoming a QDC or QSC. In circumstances where there are costs prior to the date a contract became a QDC or QSC (Table 7 of Section 4 of the CIR guidance) then the contractor should:
- add the costs as total amounts in the 'not profiled' column; and
  - provide a supporting spreadsheet setting out the annual profile for the earlier period.
- 5.24 The number of cost descriptors should reflect the quantum of the contract price and be sufficient to understand the types of cost which have been estimated. The sum of each column will be displayed in the top row as the cost lines are populated.

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

- 5.25 The contractor is required by Regulation 26(6)(b-c) to provide information about the contract price. This page in DefCARS pulls all these requirements together. The contractor should check that the information included on this page summarises the contract price at the time of agreement (which may have moved forward in time due to a pricing amendment). The price may be the original price reported in the Contract Pricing Statement or, in the event that there has been an amendment during the reporting period which has resulted in a change to the contract price, the new price. The price should reflect the most recent price amendment at the reporting date. The data status flags on this page are all set to Priced Estimate.
- 5.26 The 'Cost breakdown by contractor's reporting structure' line is auto-populated from the information provided on the Analysis of Cost by Supplier Breakdown page. The risk contingency element and profit (including and excluding any incentive adjustment) will be auto-populated from the initial reports in the first QCR submitted for the contract. The amounts for risk contingency and profit will then be auto-populated in each QCR from a previous QCR. The contractor should check all information on this page is correct.

- 5.27 The contractor is required to review the annual profile, if this has been populated from a previous QCR, for risk/contingency element, profit (excluding incentive adjustment) and any incentive adjustment if applicable and make any amendments. If the contractor is of the view that an annual profile of risk contingency or profit cannot be provided then a total amount can be reported in the 'not profiled' column. The contractor should explain why an annual profile is not possible, as otherwise compliance queries are likely to be raised. Totals by financial year and by line should be checked by the contractor to ensure they are correct. Figures should be entered in £ millions, to three decimal places. Table 23 explains the data entry which is required.

**Table 23 – Summary Analysis of Price data input**

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

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

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

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

- 5.29 For each financial year, the contractor must indicate whether the Allowable Costs have been incurred, are forecast, or a combination of both by using the drop-down menu at the top of the table to update the cost status. The cost categories used by the SSRO to allow contractors to meet this requirement are:
- 'Final Actual': the contractor considers the costs to be final actual costs that will not change (for example, where actual cost recovery rates have been agreed with the MOD).
  - 'Provisional Actual': the contractor considers the costs to be provisional actual costs (for example, where cost recovery rates are yet to be agreed with the MOD and therefore may be subject to change).
  - 'Actual & Forecast': a combination of forecast and actual costs which may be relevant to QCRs where the contractor is reporting mid-financial year (for example, a QCR reported as at the end of June may consider costs incurred in Q1 and Q2 of that year to be actual (provisional or final) and Q3 and Q4 costs as forecast).
  - 'Forecast': costs which are forecast (in other words, the costs expected in a future financial year).
- 5.30 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. The costs should be provided in a way that enables a meaningful comparison between the 'Analysis of Cost by Supplier Breakdown' and the 'Actual and Forecast Analysis of Cost'.
- 5.31 If new cost descriptor lines are required on the Actual and Forecast Analysis of Cost page, then the contractor should add these in the Analysis of Cost by Supplier Breakdown page and enter a '0' value entered in each column of the new row in the Analysis of Cost by Supplier Breakdown page. These extra lines will then be carried forward to the Actual & Forecast Analysis of Cost page where an annual profile can be provided.

### **Actual & Forecast Price Summary (expected price)**

- 5.32 The actual and forecast Allowable Costs (excluding risk contingency) from the previous page will be auto-populated in the 'Total actual and forecast Allowable Costs from contractor's reporting structure' row of this profile. The cost categories at the top of the page will be pre-populated from the Actual & Forecast Analysis of Cost page. The contractor should check this information for accuracy.
- 5.33 The contractor is required by Regulation 26(6)(c) to provide an annual profile of any risk contingency included in the total Allowable Costs and profit across the contractual years. This profile is not auto-populated from previous reports. If the contractor is of the view that an annual profile of risk contingency cannot be provided then a total amount can be reported in the 'not profiled' column. If it has been possible to provide an annual profile of this on the Summary Analysis of Price page then an annual profile should also be provided on this page. Contractors should check the year and line totals are correct and match the expected contract price.

- 5.34 This page reflects the overall price of the contract as currently expected by the contractor. The total estimated Allowable Costs (including risk contingency) on this page is compared by DefCARS to the total actual and forecast Allowable Costs in the Summary Analysis of Price and shown as a variance to be explained, on the Variance, Events and Circumstances page. Table 24 explains the data entry which is required.

**Table 24 – Actual Forecast Price Summary data input**

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

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

### Quarter

- 5.35 The contractor is required by Regulation 26(6)(e) to provide a quarterly breakdown of costs, by the contractor's reporting structure. This page in DefCARS enables the analysis to be provided. This analysis should include costs already incurred and the forecast costs for the relevant calendar quarters. The quarterly analysis must be by reference to the calendar quarters of each of:
- the previous financial year;
  - the current financial year; and
  - the next financial year.
- 5.36 When completing QCRs during the first financial year, the contractor may find there is no previous financial year to report. The current financial year will be the financial year in which the quarter being reported upon falls. As the contract nears completion, the contractor may find there is no next financial year to report.
- 5.37 By way of example, for a report being submitted on 31 July 2015 covering the period 1 April to 31 March 2015, the previous financial year will be 1 April 2014 to 31 March 2015, the current financial year will be 1 April 2015 to 31 March 2016 and the next financial year will be 1 April 2016 to 31 March 2017.
- 5.38 The financial years refer to the government financial year (April to March) and therefore the cycle of QCR reporting corresponds to the quarters displayed on this page. Please see paragraph 5.2 for reference to these quarters and the periods they cover.

- 5.39 When completing its first QCR, the contractor must first generate the table for quarterly data entry. The contractor can do this by selecting the relevant financial year and the calendar quarter to which the report relates and then use the Generate Quarter Reporting Table button directly below these drop-down menus to generate the profile which has to be completed (see Exhibit 4). This button must be selected before the 'Paste data from Excel' button.
- 5.40 Clicking the 'Generate Quarter Reporting Table' button will also auto-populate the 'Cross Check Against Actual & Forecast Analysis of Cost' totals from the Actual and Forecast Analysis page. The contractor should check these totals for accuracy. In subsequent QCRs, this table is not auto-populated from the previous QCR submission and the table must be generated again for quarterly data entry.

**Exhibit 4 – Generating Quarter Analysis table**

**Quarter Analysis**

Date became a QDC/QSC

Contract Completion Date

Government Financial Year

Calendar Quarter

Generate Quarter Reporting Table

Paste data from Excel

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

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

- 5.41 This will determine which cells need to be completed in the previous, current and next financial years. DefCARS will display these fields in white, greying out fields that do not need to be completed, and highlighting the quarter relating to the QCR in green (Exhibit 5).



## Exhibit 5 – Quarter Analysis table

03/2017    31/03/2018    17/18    Q3

Generate Quarter Reporting Table    Paste data from Excel

Saving new figures will reset the values in the breakdown below.

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

- 5.42 The contractor must confirm the cost data status for each quarter from the drop-down list using the categories included at paragraph 5.30 and complete the quarterly data analysis. All costs should be entered in £ million, to three decimal places. **The contractor must save the data entered using the save button under the table.**
- 5.43 On the far right of the table, DefCARS will provide a comparison between the financial year totals entered on this page to those entered on the Actual Forecast Analysis of Cost page. If the totals do not match, the contractor will be alerted via a validation warning. The contractor should ensure that the Actual & Forecast Analysis of Cost (see paragraphs 5.29 - 5.32) matches the total of the Quarterly analysis on this page for the relevant years.

### Variance, events and circumstances

- 5.44 Regulation 26(6)(f) requires contractors to report a quantified analysis of the causes of variance between any estimated Allowable Costs used to determine the contract price and the total actual and forecast Allowable Costs. The analysis must explain not less than 90 per cent of the total variance. DefCARS will calculate the variance and provides the facility for the contractor to add lines to explain the causes of variance. The contractor should check the calculated variance is correct. The contractor should determine how many individual lines they need to be able to explain the causes of that variance.

- 5.45 The Regulations do not define events and circumstances, but contractors may find that Section 26 of the Act provides a useful reference point to assist in determining whether an event or circumstance has a material effect on a contract. Section 26(3) of the Act provides that events and circumstances have a 'material effect' if they have a material effect in relation to any of the following:
- the contractor's costs;
  - the total price payable to the contractor; or
  - the contractor's ability to perform a material obligation of the contract.
- 5.46 DefCARS brings these requirements (to report causes of variance and events and circumstances) together into a single report page as an event or circumstance might be a cause of variance. Consider an example of a TCIF contract for maintenance of equipment. In the carrying out of the maintenance the equipment is found to be in a worse condition than estimated when the contract price was agreed and additional work is required. This is likely to have a material effect, impacting the costs of providing the maintenance and potentially the price as well. The contractor in this case would have to consider how to report this event and the circumstances associated with it in a meaningful way along with quantification of any variance which should be reported.
- 5.47 The information in Table 25 should be completed for each variance, event or circumstance the contractor is required to report. Individual rows of data can be completed by selecting the blue '+' on the left-hand side of the screen.

**Table 25 – Variance, events or circumstances**

| Data required   | Guidance   |
|---|--|
| Title of Variance, Event or Circumstance  | The contractor should provide a short title to describe the variance, event or circumstance it is reporting. The cause of variance may be related or unrelated to an event or circumstance.                                |
| Is this being reported as a cause of variance, or an event/ circumstance or both? | When the contractor is categorising what they are reporting they should select 'Cause of Variance', 'Event or Circumstance' or 'Both'. Based on this selection, DefCARS will identify the fields that should be completed. |

| Data required  | Guidance  |
|--|---|
| Brief description of event or circumstance or cause of variance                                    | <ul style="list-style-type: none"> <li>Where the contractor has selected 'Cause of Variance' they should describe a cause of variance which they will report a variance against. The fields that relate to reporting of events and circumstances will not be editable. The contractor should enter the amount of variance in £ million relating to this 'Cause of Variance' in the last field in the pop-up window.</li> <li>Where the contractor has selected 'Event or Circumstance', their description should explain the event or circumstance they are reporting. When just reporting an 'Event or Circumstance', fields that relate to a cause of variance will not be editable and therefore no amount of variance will be calculated.</li> <li>Where 'Both' is selected, the contractor should describe the cause of variance and the event or circumstance.</li> </ul>                                       |
| Date Recognised  | If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm the date when they became aware of the event or circumstance. The date is not when the event or circumstance arose but when the contractor became aware of the event or circumstance.   |
| Allowed for in Priced Risk Contingency?  | If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm by selecting 'Yes' that the event or circumstance they are reporting is covered by any risk contingency element of the contract price or select 'No' if it is not covered.  |
| The effect the cause of variance, event or circumstance has had on the costs already incurred (£m) | <p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the effect that the event or circumstance has had on costs already incurred. If a contractor is reporting a variance they can also include figures in this field.</p> <p>For example, assume that:</p> <ul style="list-style-type: none"> <li>the contractor's original Allowable Costs were £100 million;</li> <li>the total forecast Allowable Costs are now £130 million;</li> <li>the variance of £30 million is made up of £10 million of Allowable Costs already incurred and £20 million forecast to be incurred.</li> </ul> <p>In this example, the contractor would enter £10 million in this field. The contractor should enter zero if there has been no financial effect.</p> |

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

5.48 The fields in Table 26 aim to enable a better understanding of the impact of contract pricing amendments (new agreements).

**Table 26 – Pricing amendments**

| Data required                                   | Guidance   |
|---|--|
| Contract amendment                              | The contractor is asked to confirm (Yes or No) if there has been a new agreement since the previous QCR that has had a material effect and led to a re-determination of the contract price under Regulation 14.                          |
| <b>If Yes</b>                                   |  |
| Costs relating to the amendment (£m)            | The contractor is asked to confirm in £ millions the costs relating to the new agreement, to three decimal places.   |
| Total profit rate used for amendment %          | The contractor is asked to confirm the contract profit rate by setting out each of the six steps in % terms. DefCARS sums the six steps to calculate the total profit rate that applies to the new agreement.                            |
| Pricing method breakdown used for the amendment | The contractor is asked to confirm the pricing method breakdown used for the new agreement in £ millions to three decimal places. This should include cost and profit. DefCARS will then calculate the total agreed price in £ millions. |
| Contract completion date                        | The contractor is asked to confirm if the contract completion date has changed (Yes or No). If the contract completion date has changed the contractor should reflect this on the contract page (see paragraph 5.19).                    |
| <b>If Yes</b>                                   |  |
| Contract completion explanation                 | The contractor is asked to provide an explanation of the reasons behind any change in the contract completion date.  |

### Sub-contracts

5.49 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued at not less than £1 million using the grey 'Yes'/'No' buttons. In the QCR, the contractor is required to provide information on sub-contracts into which the primary contractor has entered in the period covered by the report, or intends to enter, in the calendar quarter following the report. The information on sub-contracts provided in the Contract Notification Report is auto-populated in the QCR. Sub-contracts can be added by clicking on the blue + icon, can be edited using the green icon and can be deleted using the red icon. The contractor should check whether the information is correct for the submission in question (including the total value of all sub-contracts). The contractor should update the information on this page to:

- provide any updated information about a sub-contract reported previously;
- report a new contract; or
- provide details of a new sub-contract valued at £1 million or more.

- 5.50 Changes made to this page will carry through to subsequent QCR submissions. The same sub-contract thresholds apply as for other reports. DefCARS provides the facility for the contractor to indicate if there are no sub-contracts which meet the thresholds for reporting. This can be done in the comments box at the top of the page. If there are no sub-contracts for which details need to be provided, then the contractor should make this clear, to avoid follow-up compliance queries.

### **Final payments**

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

### **Milestones**

- 5.53 The information on this page is auto-populated from the data provided in the Contract Notification Report (CNR) or from the previous QCR, if one has been submitted. Contractors should provide an update to the milestone information that was initially reported in the CNR, including any changes to the actual or forecast completion date for each milestone listed. Contractors should provide an explanation if any of these dates has changed. Contractors may also add milestones to the list reported in the CIR. See paragraph 4.78 for further information on how to complete milestone information.

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

- 6.1 Before completing the Interim Contract Report for the first time, contractors should familiarise themselves with Regulation 22 (General Requirements) and Regulation 27 (Interim Contract Report). Contractors should also read and familiarise themselves with paragraph 6.7, which deals with auto-population. This section repeats parts of the guidance given on completion of Quarterly Contract Reports (QCRs) that apply equally to completion of Interim Contract Reports (ICRs). Repeating this guidance should assist contractors who have to submit ICRs but are unfamiliar with the QCR section of this document. We recognise that some contractors may not have contracts with sufficient value to require the submission of QCRs (the QCR threshold is £50 million).
- 6.2 An Interim Contract Report (ICR) must be submitted either:
- on the date or dates agreed between the primary contractor and the Secretary of State; or
  - failing agreement, on the date or dates set by the Regulations.
- 6.3 There are two different sets of requirements for an ICR, depending on the contract value. A lower value ICR will be submitted for a QDC or QSC with a value of less than £50 million and a higher value ICR for those valued at greater than or equal to £50 million. All ICRs must contain the information required by Regulation 27(4). Lower value ICRs must additionally contain the information required by Regulation 27(5). DefCARS has been designed to assist contractors to meet these requirements. Reference is made to the two different sets of requirements, as appropriate, in this guidance.
- 6.4 To determine which ICRs are due, and when they are due, the contractor needs to consider the contract value. The value assessment for threshold purposes is undertaken by the contracting authority:
- for proposed contracts for which an assessment has been undertaken under Regulation 12(1) for a POCO adjustment, or under Regulation 61 to determine whether the contract would be a QSC, at the date of the assessment or, if later, at the date on which it is proposed to enter into the contract;
  - for QDCs by amendment, at the date of the amendment; or
  - in all other cases, at the date the contract is entered into.

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

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

|                          | < £50 million  |  | ≥ £50 million  |  |
|--------------------------|--|--|--|--|
|                          | 1st report   | Later reports                          | 1st report   | Later reports                          |
| <b>Agreed date</b>       | ≤ 5 years from time of agreement                                 | ≤ 5 years from previous reporting date | ≤ 3 years from time of agreement                                   | ≤ 3 years from previous reporting date |
| <b>Without agreement</b> | 3 years after last date of the quarter of initial reporting date | Each third anniversary                 | 12 months after last date of the quarter of initial reporting date | Each anniversary                       |

- 6.6 Before the contract completion date, the Secretary of State can request on-demand ICRs through written directions. If a date is agreed with the Secretary of State that is no more than six months after the date of receiving the written direction, then the on-demand ICR must be delivered by that date. If no such agreement is made, the on-demand ICR must be provided within two months of receiving the written direction. Paragraph 6.18 explains how to reflect changes in the Contract Reporting Plan.
- 6.7 DefCARS seeks to facilitate the submission of ICRs by auto-populating the data required on several pages based on what the contractor submitted previously, either when completing the initial reports (in the case of a first ICR) or in the last ICR. The contractor must review all fields which have been auto-populated making relevant amendments or updates to the information to ensure that it is accurate for that particular submission. In the remainder of this section we explain which parts of the report are auto-populated.

### **Report Home Page**

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

### **Supplier**

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



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

### **Report Submission Administration**

- 6.11 The contractor is required by regulation 22(2)(b) to provide the date that the report is due. DefCARS assists selection of the correct due date by providing the following options in a drop-down list:
- A list of regular statutory reports and associated due dates from the latest submitted CRP;
  - Other regular statutory reports – select date as report due date not reflected in the latest submitted CRP;
  - A list of on-demand reports and associated due dates from the latest submitted CRP; and
  - Other on-demand reports – select date as report due date not reflected in the latest submitted CRP.
- 6.12 If the report being submitted is included in the latest submitted CRP, the contractor should select the relevant report from the drop-down list. If the reporting plan does not include the relevant report the contractor should select the due date from the calendar. When a contractor selects one of the 'Other' options the following warning will be displayed – 'You are submitting a report which is not reflected in the Contract Reporting Plan. You may wish to consider adding this report to an on-demand Contract Reporting Plan prior to submitting this report'. The CRP can be updated by submitting:
- a correction to an existing CRP (if the original reporting plan was incorrect); or
  - an on-demand CRP (if there are new reporting requirements, see Chapter 9).
- 6.13 If the CRP is updated, the revised dates will be reflected in the drop-down list within the 'date this report is due' field.
- 6.14 The contact details of contractor and MOD staff involved in the contract are shown on this page and are auto-populated from the initial reports or a previous ICR and should be checked for accuracy. If there has been a change in staff from those identified in an earlier report then the new staff details should be reported. The contractor must enter the date the report is due in the 'Date this report is required by' field. This date should be the same as the ICR due date that was reported within the CRP. If a different date is entered without explanation, then this is likely to result in a query from the SSRO or the MOD. DefCARS will automatically record the date that the report is submitted as well as the details of the user that submitted the report.

## Contract

- 6.15 All contract details are auto-populated from the initial reports or a previous ICR and should be checked for accuracy. The 'Date contract became a QDC/QSC' field is explained in Table 7 of Section 4 of the CIR. The 'Date contract became a QDC/QSC' field is populated by DefCARS in the initial reports and carried forward in future reports. The date is read only in the ICR and cannot be changed in this report.
- 6.16 A contractor can amend the 'Date contract became a QDC/QSC' field. This should only be done where a mistake was made on the Contract page in the initial report submission. This is done by creating a correction to the last submitted initial report and amending either the 'Date contract entered into' or 'Latest pricing amendment – date' field, whichever date was incorrect. The corrected data will then flow through to an ICR which is started after the correction has been submitted. Annual profiles in later pages start from the date in this field (i.e. the date the contract became a QDC or QSC) and end at the contract completion date. The contract type should not be changed from that reported in the initial reports. If an error was made on the initial report then a correction to that report should be made.
- 6.17 The 'Contract Completion Date' may change due to:
- a change in circumstances which impact the completion of all obligations entitling the contractor to final payment under the contract;
  - an amendment to the contract; or
  - termination of the contract.
- 6.18 There is more detailed guidance on contract completion date changes in Chapter 3. A changed Contract Completion Date will affect the due dates of the CCR and CCS and may change the number and timing of QCRs and ICRs. The MOD may direct the submission of an on-demand Contract Reporting Plan, to ensure the updated Contract Completion Date and changed reporting requirements are recorded, or the contractor may agree to provide an on-demand Contract Reporting Plan without written direction (Regulation 24(2)(c)). Chapter 9 of this guidance explains how a contractor can submit an on-demand Contract Reporting Plan. The contractor should enter the new Contract Completion Date in the relevant field on the Contract page in the on-demand Contract Reporting Plan (see Table 7 in the CIR section). DefCARS will recalculate the due dates of ICRs as a result of the revised Contract Completion Date. When a new ICR is generated by DefCARS, it will reflect the revised Contract Completion Date and have the correct number of years for which the required information should be provided.
- 6.19 If there has been an amendment during the reporting period which has resulted in a change to the contract price, the MOD may direct the submission of an on-demand Contract Pricing Statement (CPS), or the contractor may provide this report without written direction (regulation 24(2)(c)). Chapter 9 of this guidance explains how a contractor can submit an on-demand CPS. Where applicable, the contractor should submit any on-demand CPS prior to completing the ICR and ensure the pricing information is consistent in both reports. When the ICR is being completed the contractor should complete or update the 'Latest Pricing Amendment' fields. If there has been more than one pricing amendment during the period covered by the report, contractors should enter details for the latest time of agreement.

## Pricing Method Breakdown

- 6.20 Information on this page is auto-populated and the contractor should check this for accuracy. A pricing amendment may mean that the contract price has changed. Where this is the case, the contract price should be allocated to the relevant pricing methods which now apply to the contract if the amount of the price resulting from each method is known. If the price associated with each pricing method is unknown, this should be explained using the comments functionality. The contractor should ensure that the price reflected on this page matches that reported on the Contract page.
- 6.21 The guidance below explains the information that is required to submit an ICR (Lower Value). The ICR (Higher Value) does not require information on sub-contracts, final payments and milestones as this information is collected in QCRs as explained in Section 5. These three pages will not be visible in a higher value ICR in DefCARS.
- 6.22 Regulation 27 requires the following breakdown of costs by Defined Pricing Structure:
- a. an annual profile of any estimated costs at the time of agreement (when the contract was entered into or at the latest pricing amendment);
  - b. the total amount of those Allowable Costs which are non-recurring. Here, the contractor can report any one-off costs that are included in the contract price and explain what these relate to; and
  - c. an annual profile of the costs already incurred and the forecast costs which are expected to be incurred.

## DPS Inputs

- 6.23 DefCARS carries forward the DPS lines from the Contract Reporting Plan to the ICR. All the DPS lines provided at the time of completing the CRP in DefCARS will have a tick against them on this page. The contractor should not change the DPS lines unless there is a clear reason to do so, as it is important to maintain comparability. A situation in which the contractor may need to change the DPS lines is where there has been a pricing amendment that changes the requirement in some way.
- 6.24 DefCARS facilitates the addition of new lines to the initially reported DPS structure should this be required. The contractor should tick the new lines on this page. Alternatively, if the DPS originally submitted in the CRP was incorrect, then the CRP should be corrected and re-submitted to rectify this before the ICR is started so that the changes will flow through to this report. Any change in DPS should be agreed with the MOD before being reported. There is more detailed guidance on the DPS in Section 4.

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

- 6.25 This page is intended to assist contractors to provide the required annual profile of costs. The information on this page is auto-populated from the latest Contract Notification Report (in the case of a first ICR) or the last ICR. The contractor should check this information for accuracy. The DPS lines which have been selected are displayed. Those cells which require costs (£ million to three decimal places) to be entered will be white. Grey cells will auto-populate based on data entered in the white cells. When there has been a pricing amendment since the initial reports or between ICRs the analysis needs to be updated to reflect the estimate of Allowable Costs excluding risk contingency at the latest time of agreement. The latest time of agreement will either be when the contract was entered into or the date it was amended (if the contract became a QDC by amendment), or the date of the most recent price re-determination following a pricing amendment.
- 6.26 DefCARS does not facilitate, via standard fields, the reporting of an annual profile for any years prior to the contract becoming a QDC or QSC. In circumstances where there are costs prior to the date a contract became a QDC or QSC (Table 7 of Section 4 of the CIR guidance) then the contractor should:
- add the costs as total amounts in the 'not profiled' column; and
  - provide a supporting spreadsheet setting out the annual profile for the earlier period.
- 6.27 The not-profiled amounts can be reported by DPS line or through the addition of an 'Other' line on the DPS Input page. The contractor should also reflect in the final column any of the total amount which is non-recurring expenditure included in the Allowable Costs. The sum of each column will be displayed in the top row as the cost lines are populated.

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

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

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

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

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

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

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

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

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

### **Actual & Forecast Price Summary**

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

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

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



| Data required   | Guidance  |
|---|---|
| Expected maximum profit arising from incentive adjustment   | The contractor is required by Regulation 27(4)(g) to provide the annual profile of maximum profit that could arise due to an incentive adjustment (Step 5) within the forecast contract price or, if this is not possible, report this as a total amount in the 'not profiled' column. This total and the percentage of total cost that may arise from an incentive adjustment will be calculated by DefCARS. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places. |
| Total Contract Price (including incentive adjustment)   | The total contract price is calculated by DefCARS from the figures in the table. Contractors should check that this line agrees to the total forecast contract price by year and in total.  |
| The contractor may provide any other information relevant to the data on this page using the comments functionality or by attaching supporting files. |   |
| Once these details are complete, select 'Save' then 'Validate', before moving on to the next page.  |   |

### Variance, events and circumstances

- 6.38 Regulation 27(4)(i) requires contractors to report a quantified analysis of the causes of variance between any estimated costs used to determine the contract price and the total actual and forecast costs. The analysis must explain not less than 90 percent of the total variance. DefCARS will calculate the variance and provides the facility for the contractor to add lines to explain the causes of variance. The contractor should check the calculated variance is correct. The contractor should determine how many individual lines they need to be able to explain the causes of that variance.
- 6.39 For lower value ICRs, where the contract value is less than £50 million, contractors must also consider Regulation 27(5)(b), which requires the contractor to provide a description of any event that has occurred, or circumstances which have arisen, since the contract was entered into, that have had or are likely to have a material effect in relation to the contract.
- 6.40 The Regulations do not define events and circumstances, but contractors may find that section 26 of the Act provides a useful reference point to assist in determining whether an event or circumstance has a material effect on a contract. Section 26(3) of the Act confirms that events and circumstances have a "material effect" if they have a material effect in relation to any of the following:
- the contractor's costs;
  - the total price payable to the contractor; or
  - the contractor's ability to perform a material obligation of the contract.
- 6.41 DefCARS brings both these requirements (to report causes of variance and events and circumstances) together in the lower value ICR in a single report page as an event or circumstance might be a cause of variance. The higher value ICR only requires a quantified analysis of the cause of variance as set out in Regulation 27(4)(i).

- 6.42 Consider an example of a TCIF contract for maintenance of equipment. In the carrying out of the maintenance the equipment is found to be in a worse condition than estimated when the contract price was agreed and additional work is required. This is likely to have a material effect, impacting the costs of providing the maintenance and potentially the price as well. The contractor in this case would have to consider how to report this event and the circumstances associated with it in a meaningful way along with quantification of any variance which should be reported.

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

| Data required   | Guidance  |
|---|---|
| Title of variance, event or circumstance  | The contractor should provide a short title to describe the cause of variance it is reporting. The cause of variance may be related to or unrelated to the event or circumstance.   |
| Is this being reported as a cause of variance, or an event/ circumstance or both? | When the contractor is categorising what they are reporting they should select 'Cause of Variance', 'Event or Circumstance' or 'Both'. Based on this selection, DefCARS will identify the fields that should be completed.  |
| Brief description of event or circumstance or cause of variance                   | <ul style="list-style-type: none"> <li>• Where the contractor has selected 'Cause of Variance' they should describe a cause of variance which they will report a variance against. The fields that relate to reporting of events and circumstances will not be editable. The contractor should enter the amount of variance in £ million relating to this 'Cause of Variance' in the last field in the pop-up window.</li> <li>• Where the contractor has selected 'Event or Circumstance', their description should explain the event or circumstance they are reporting. When just reporting an 'Event or Circumstance', fields that relate to a cause of variance will not be editable and therefore no amount of variance will be calculated.</li> <li>• Where 'Both' is selected, the contractor should describe the cause of variance and the event or circumstance.</li> </ul> |
| Date recognised   | If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm the date when they became aware of the event or circumstance arose but when the contractor became aware of the event or circumstance. The date is not when the event or circumstance arose but when the contractor became aware of the event or circumstance.   |

| Data required  | Guidance  |
|--|---|
| Allowed for in Priced Risk Contingency?  | <p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm by selecting 'Yes' that the event or circumstance they are reporting is covered by any risk contingency element of the contract price or select 'No' if not covered.</p>   |
| The effect the cause of variance, event or circumstance has had on the costs already incurred (£m)   | <p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the effect that the event or circumstance has had on costs already incurred. If a contractor is reporting a variance they can also include figures in this field.</p> <p>For example, assume that:</p> <ul style="list-style-type: none"> <li>• the contractor's original Allowable Costs were £100 million;</li> <li>• the total forecast Allowable Costs are now £130 million;</li> <li>• the variance of £30 million is made up of £10 million of Allowable Costs already incurred and £20 million forecast to be incurred.</li> </ul> <p>In this example, the contractor would enter £10 million in this field. The contractor should enter zero if there has been no financial effect.</p> |
| The forecast effect that the cause of variance, event or circumstance will have on the forecast costs which it is expected will be incurred (£m) | <p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the forecast effect that the event or circumstances will have on the forecast costs which it is expected will be incurred. If a contractor is reporting a variance they can also include figures in this field.</p> <p>In the example used in the row above, the contractor is asked to identify how much of the £30 million variance relates to the forecast costs they are reporting. In this example, the contractor would enter £20 million in this field. The contractor should enter zero if there has been no financial effect.</p>  |

| Data required  | Guidance  |
|--|---|
| Has this caused a variance between any estimated costs used to determine the contract price and total actual and forecast costs? | This field records whether any costs reported are used in the variance analysis. This field is not editable and is populated automatically depending on what the contractor is reporting. Where 'Cause of Variance' or 'Both' is selected then this field will be auto-populated with 'Yes', and where only an 'Event or Circumstance' is selected it will be auto-populated with 'No'. Where the contractor has selected 'Both', a 'Calculate' button will be visible, and a contractor should select 'Calculate' if they wish the financial figures in the previous two fields to be used as part of the variance analysis. |
| Amount of Variance (£m)  | If the contractor selected the 'Calculate' button the amount of variance will be auto-populated and should be checked for accuracy. The calculated figure can be over-written by the contractor if they want to report a different financial amount against their cause of variance.  |
| % of total variance  | This field is calculated by DefCARS and reflects how much of the total variance has been accounted for in this row which the contractor has completed. The variance percentage explained in all the rows is shown at the bottom of the list and must be not less than 90 per cent.  |
| % of total planned cost  | This field is calculated by DefCARS and reflects the amount of the variance explained in this row which the contractor has completed as a percentage of the total estimated Allowable Costs (including risk contingency).   |

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

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

## Actual & Forecast Cost Recovery Bases

- 6.44 The recovery bases and recovery base units entered on the previous page are auto-populated onto this page from the Cost Recovery Bases page. The contractor must provide the actual and forecast volumes for each year and select the cost status category from the drop-down list, confirming the cost status using the four categories in paragraph 6.33. Any years where volumes were confirmed as 'Final Actuals' in a previous ICR will be auto-populated. The contractor should check all information on this page for accuracy and explain any differences between the volumes reported in this page and the previous page and if volumes have been included in the 'not profiled' column. If the contractor does not explain such differences, this may lead to compliance queries.

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

- 6.45 The contractor is asked to positively confirm whether there are any actual or intended sub-contracts valued at not less than £1 million using the grey 'Yes'/'No' buttons. The information provided in the Contract Notification Report on sub-contracts is auto-populated in the ICR. The contractor should check whether the information is correct for the submission in question (including the total value of all sub-contracts). Sub-contracts can be added by clicking on the blue + icon, can be edited using the green icon and can be deleted using the red icon. The contractor should update the information on this page to:
- provide updated information about a sub-contract reported previously;
  - report a new contract; or
  - provide details of a new sub-contract valued at £1 million or more.
- 6.46 Changes made to this page will carry through to subsequent ICR submissions. The same sub-contract thresholds apply as for other reports. DefCARS provides the facility for the contractor to indicate if there are no sub-contracts which meet the thresholds for reporting. This can be done in the comments box at the top of the page. If there are no sub-contracts for which details need to be provided, then the contractor should make this clear, to avoid follow-up compliance queries.

## Payments

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

**Table 31 – Payments Information**

| Data required   | Guidance   |
|---|--|
| Significant MOD payments (Yes/No)                         | The contractor is asked to confirm if there are any significant payments by selecting Yes or No. A significant payment is one that exceeds £100,000 or 1 per cent of the contract price, whichever is greater. When Yes is selected, the contractor should provide data in the fields below. Selecting No will hide the 'significant individual payments' data entry fields that are described in the 'list of significant individual MOD payments' section of this table. |
| <b>List of significant individual MOD payments</b>        |  |
| Contracted Date   | For each payment, include the date on which the payment is expected to fall due.   |
| Actual/Expected Date                                      | For each payment, include the actual or expected payment date.   |
| Currency  | As required by the contract, select the appropriate currency in which the contractor expects the Secretary of State to make payments. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.   |
| Amount  | For each payment, include the amount or expected amount of each payment in million (any currency) to three decimal places.   |
| <b>Annual profile summarising all contracted payments</b> |  |
| Currency  | State the currency in which the contract specifies the Secretary of State is to make payments. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.  |
| Annual profile  | Provide an annual profile of all such payments the contractor requires the Secretary of State to make, in the required currency. Amounts must exclude any final adjustment/ settlements and should be stated in millions to three decimal points. At the end of each row DefCARS automatically provides a total field to assist contractors with checking the data provided.   |

**Key deliverables**

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

## Final payments

- 6.49 The ICR must contain a forecast target cost incentive fee (TCIF) adjustment (see Regulation 15) or any final price adjustment (see Regulation 16) which the contractor expects to make. The final price adjustment only applies to contracts priced using the firm, fixed and volume-driven pricing methods. The contractor should report a value of '0' in each field if there is no TCIF or final price adjustment. The contractor should enter the amount of any positive (due to the contractor) or negative (due to the MOD) adjustment for any of the following payment types with any explanation which is necessary:
- Protection from Excess Profits and Losses (PEPL);
  - Target Cost Incentive Fee (TCIF) adjustment;
  - Incentive adjustment; and
  - Other – key performance indicators (KPIs).
- 6.50 All figures should be entered in £ million, to three decimal places. This section will be auto-populated from the data provided in the previous submitted ICR.

## Milestones

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

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

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

### **Report Home Page**

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

### **Supplier**

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



- 7.7 The individual completing the report should discuss any changes they make to supplier details in the CCR with their Administration User. This is so that the Administration User can make the same changes to the master data record to keep both sets of data consistent. The contractor's Administration User will have access to the master data and can update this record in the Contract Administration page at any time.

### **Report Submission Administration**

- 7.8 The contact details of contractor and MOD staff involved in the contract are shown on this page and are auto-populated from the latest contract report submitted prior to the CCR and should be checked for accuracy. If there has been a change in staff from those identified in an earlier report, then the new staff details should be reported.
- 7.9 The contractor is required by regulation 22(2)(b) to provide the date that the report is due. DefCARS assists selection of the correct due date by providing the following options in a drop-down list:
- A list of regular statutory reports and associated due dates from the latest submitted CRP; and
  - Other regular statutory reports – select date as report due date not reflected in the latest submitted CRP.
- 7.10 If the report being submitted is included in the latest submitted CRP, the contractor should select the relevant report from the drop-down list. If the reporting plan does not include the relevant report the contractor should select the due date from the calendar. When a contractor selects the 'Other' option the following warning will be displayed – 'You are submitting a report which is not reflected in the Contract Reporting Plan. You may wish to consider adding this report to an on-demand Contract Reporting Plan prior to submitting this report'. The CRP can be updated by submitting:
- a correction to an existing CRP (if the original reporting plan was incorrect); or
  - an on-demand CRP (if there are new reporting requirements, see Chapter 9).
- 7.11 If the CRP is updated, the revised dates will be reflected in the drop-down list within the 'date this report is due' field.

### **Contract**

- 7.12 All contract details are auto-populated from the latest previously submitted report and should be checked for accuracy. Details should be updated where necessary and guidance relating to some specific fields on the contract page is explained in paragraphs 7.13 – 7.15. The contract type should not be changed from that reported in the initial reports. If an error was made on the initial report then a correction to that report should be made.

- 7.13 A contractor can amend the 'Date contract became a QDC/QSC' field. This should only be done where a mistake was made on the Contract page in the initial report submission. This is done by creating a correction to the last submitted initial report and amending either the 'Date contract entered into' or 'Latest pricing amendment – date' field, whichever date was incorrect. The corrected data will then flow through to a CCR which is started after the correction has been submitted. Annual profiles in later pages start from the date in this field (i.e. the date the contract became a QDC or QSC) and end at the contract completion date.
- 7.14 The Contract page includes the Contract Completion Date, which is auto-populated by DefCARS from the latest submitted report. The contractor should ensure that the Contract Completion Date is correct. If the Contract Completion Date has changed from the auto-populated date, DefCARS provides the facility to amend the Contract Completion Date in the CCR but the Reporting Plan will not be automatically updated to reflect this. The contractor may amend the Reporting Plan by submitting an on-demand CRP, either in response to a written direction from the MOD or by agreement. Chapter 9 of this guidance explains how to submit an on-demand CRP. When submitting the on-demand CRP, the contractor should update the contract completion information and add the due dates of any new reports resulting from this change.
- 7.15 If there has been an amendment during the reporting period which has resulted in a change to the contract price, the MOD may direct the submission of an on-demand Contract Pricing Statement (CPS), or the contractor may provide this report without written direction (regulation 24(2)(c)). Chapter 9 of this guidance explains how a contractor can submit an on-demand CPS. Where applicable, the contractor should submit an on-demand CPS prior to completing the CCR and ensure the pricing information is consistent in both reports. When the CCR is being completed the contractor should complete or update the 'Latest Pricing Amendment' fields. If there has been more than one pricing amendment during the period covered by the report, contractors should enter details for the latest time of agreement.

### **Pricing Method Breakdown**

- 7.16 Information on this page is auto-populated from the latest previously submitted report and the contractor should check this for accuracy. A pricing amendment may mean that the contract price has changed. Where this is the case, the contract price should be allocated to the relevant pricing methods which now apply to the contract if the amount of the price resulting from each method is known. If the price associated with each pricing method is unknown, this should be explained using the comments functionality. The contractor should ensure that the price reflected on this page matches that reported on the Contract page.

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

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

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

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

- 7.21 The contractor is required by Regulation 28(2)(d)-(e) to provide an annual profile of estimated costs split by DPS, including the total amount of those costs which are non-recurring. This page is intended to assist contractors to provide the required annual profile of costs.
- 7.22 The information on this page is auto-populated from the latest previously submitted contract report if this was an ICR. If the latest previously submitted report is a QCR then this page will be blank in the CCR due to the QCR not containing DPS information and should be completed. The contractor should check any auto-populated information for accuracy.
- 7.23 The page will display the DPS lines which have been selected on the DPS Inputs page. Those cells which require costs to be entered will be white. Grey cells are calculated and will auto-populate based on data entered in the white cells. Costs should be entered in £ million to three decimal places.
- 7.24 When there has been a pricing amendment since the latest previously submitted report, the analysis needs to be updated to reflect the estimate of Allowable Costs excluding risk contingency at the latest time of agreement. The latest time of agreement will either be when the contract was entered into or the date it was amended (if the contract became a QDC by amendment), or the date of the most recent price re-determination following a pricing amendment.
- 7.25 DefCARS does not facilitate, via standard fields, the reporting of an annual profile for any years prior to the contract becoming a QDC or QSC. In circumstances where there are costs prior to the date a contract became a QDC or QSC (Table 7 of Section 4 of the CIR guidance) then the contractor should:
- add the costs as total amounts in the 'not profiled' column; and
  - provide a supporting spreadsheet setting out the annual profile for the earlier period.

- 7.26 The not-profiled amounts can be reported by DPS line or through the addition of an 'Other' line on the DPS Input page. The contractor should also reflect in the final column any of the total amount which is non-recurring expenditure included in the Allowable Costs. The sum of each column will be displayed in the top row as the cost lines are populated.

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

- 7.27 The contractor is required by regulation 28(2)(c)(i), (iii) and (v) to provide information about the contract price. This page enables the contractor to provide the required information about any risk contingency element included in the Allowable Costs, the maximum profit that could have resulted from the incentive adjustment and the planned amount of profit, excluding the incentive adjustment.
- 7.28 The contractor should check that the information included on this page, carried forward from the last submitted report, summarises the contract price at the latest time of agreement (which may have moved forward in time due to a pricing amendment). The price may be the original price reported in the Contract Pricing Statement or, in the event that there has been one or multiple pricing amendments during the reporting period which has resulted in a change to the contract price, the latest agreed price.
- 7.29 DefCARS will auto-populate some of the information on this page but the contractor should check all data for accuracy. The contractor should note the following:
- The data status flags on this page are set to Priced Estimate.
  - The 'Cost breakdown by DPS line' (profiled on the previous page) is auto-populated from the information provided on the DPS Input Values page.
  - The risk contingency element and profit (including and excluding any incentive adjustment) will be auto-populated from the latest previously submitted QCR or ICR. The contractor will need to check that the amounts are correct and make any necessary amendments. Changes should only be made if there has been a pricing amendment.
- 7.30 If an annual profile was included in a previous report, the contractor should continue to report annually. Totals by financial year and by line should be checked by the contractor to ensure they are correct. Figures should be entered in £ millions, to three decimal places. The guidance in Table 32 provides guidance on how to provide this price breakdown.

**Table 32 – Summary Analysis of Price data input**

| Data required   | Guidance   |
|---|--|
| Cost breakdown by Defined Pricing Structure           | The Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered on the DPS Input Values page. This will be shown in £ millions to three decimal places. The contractor should ensure that each annual amount and the total are correct.  |
| Risk / Contingency Element within the Allowable Costs | The contractor is required by Regulation 28(2)(c)(i) to provide an annual profile of risk contingency included in the Allowable Costs within the latest agreed contract price. The contractor can provide the annual profile on this page. The profile can be entered by selecting the green icon and deleted by selecting the red icon. If the contractor believes it is not possible to express the risk contingency in an annual profile, the contractor must provide the total amount of the risk contingency. The contractor can enter this amount in the 'not profiled' column. The total risk contingency element and the percentage of total cost will be calculated by DefCARS. This should be entered in £ millions to three decimal places. |
| Subtotal Cost   | This total Allowable Costs is calculated by DefCARS from the two cost rows at the top of the table. The contractor should check that this line agrees to the total Allowable Costs in the latest agreed contract price.  |
| Price (excluding incentive adjustment)                | The contractor is required by Regulation 28(2)(c)(v) to provide an annual profile of planned amounts of profit (excluding the maximum amount due to any incentive adjustment (Step 5) included in the contract profit rate) or if this is not possible the total amount (in the 'not profiled' column) included within the latest agreed contract price. The total and the percentage of total profit excluding Step 5 will be calculated by DefCARS. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.  |
| Total Contract Price (excluding incentive adjustment) | The total contract price (excluding profit arising from an incentive adjustment) is calculated by DefCARS based on the figures reported in the third and fourth rows of the table.   |

| Data required   | Guidance   |
|---|--|
| Maximum Profit arising from Incentive Adjustment  | The contractor is required by Regulation 28(2)(c)(iii) to provide the annual profile of the maximum profit that could have resulted from the incentive adjustment at the latest time of agreement and included in the contract profit rate or if this is not possible the total amount (in the 'not profiled' column). In either case, the amounts entered should be in £ millions to three decimal places. The profile can be entered by selecting the green icon and deleted by selecting the red icon. The approach should be consistent for the risk contingency and the planned profit. If there is no incentive adjustment, then the contractor should confirm this by entering a '0' value in each year. If an incentive adjustment was reported in the Contract Pricing Statement, this row should not total to zero. The total amount of incentive adjustment and the percentage of total cost that may arise from an incentive adjustment will be calculated by DefCARS. |
| Total Contract Price (including incentive adjustment)   | The total contract price is calculated by DefCARS based on the figures entered in the table. Contractors should check that this line agrees to the total latest agreed contract price and corresponds to the contract price entered on the Contract page. By selecting 'Save' and 'Validate' on this page the contractor will be able to determine if the figures agree.   |
| Commentary on the above section   | The contractor is asked to provide any additional comments relating to the price summary (using the blue edit icon) which are relevant and might be useful to the SSRO or the MOD. This should include explanatory comments relating to changes in the price in comparison to the last report submitted.   |
| Once these details are complete, please select 'Save' then 'Validate', before moving on to the next page. |  |

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

- 7.31 The contractor is required by Regulation 28(2)(g) to report an annual profile of the actual costs (split by the defined pricing structure). Regulation 22(6) allows a contractor, where they are reporting actual costs, to report up to 5 per cent of the costs as estimates and where greater than 5 per cent are estimated to provide an explanation of why this is. If non-recurring expenditure was included in the DPS Input Values page, it should also be included in this analysis. Contractors should use the categories in Table 32 to identify actual and estimated costs.
- 7.32 The same DPS lines selected on the DPS Input Values page will appear on this page. If the latest previously submitted contract report is an ICR, any final actual costs previously reported will be auto-populated within the relevant year. These costs should be checked for accuracy. There is no auto-population where the last report was a QCR as the reporting structure is different.

- 7.33 For each financial year, the contractor must indicate whether the Allowable Costs have been incurred, are forecast, or a combination of both by using the drop-down menu at the top of the table to update the cost status. Table 33 shows how these terms in the Regulations map to the cost categories in DefCARS.

**Table 33 – Cost categorisation**

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

- 7.34 If a contract became a QDC on amendment, there may have been costs prior to the amendment. These are sometimes referred to as 'sunk' costs. In these circumstances, the contractor should provide an annual profile of these sunk costs in a separate spreadsheet (if these were not attached to a previous report or page) and include the total of these types of costs in the 'not profiled' column provided in DefCARS along with any supporting comments. The sunk costs need to be included in the 'DPS Input Values' (estimated Allowable Costs excluding risk contingency) and the 'Actual and Forecast DPS Input Values' (actual Allowable Costs excluding risk contingency) so that a meaningful comparison between the two cost breakdowns can be made in order to determine variances.
- 7.35 Paragraphs 7.17 – 7.20 explain how to add lines to the DPS used in the CCR and state that changes to the DPS should be agreed with the MOD. If new DPS lines were not required in the breakdown on the DPS Input Values page but are required on the Actual and Forecast Analysis DPS Input Values page, then the contractor should add these in the DPS Input page and enter a '0' value in each column of the new row in the DPS Input Values page. These new lines will then be carried forward to the Actual & Forecast Analysis DPS Input Values page where an annual profile against the amended structure can be provided.

## Actual & Forecast Price Summary

- 7.36 This page should detail the price that the contractor expects to be paid for delivering the contract. The actual Allowable Costs from the previous page will be auto-populated in the 'Total Actual & Forecast Allowable Costs by DPS' row of this profile. The cost categories at the top of the page (see Table 33) will be pre-populated from the Actual & Forecast DPS Input Values page. The contractor should check this information for accuracy.
- 7.37 The contractor should provide an annual profile of any actual risk contingency included in the total Allowable Costs and actual profit across the contractual years. This profile is not auto-populated from previous reports.
- 7.38 If the contractor is of the view that an annual profile of any actual risk contingency cannot be provided, then a total amount can be reported in the 'not profiled' column. If it has been possible to provide an annual profile of this on the Summary Analysis of Price page, then the contractor should provide an annual profile on this page. Contractors should check the year and line totals are correct and match the expected contract price. The guidance in Table 34 assumes that an annual profile can be provided.

**Table 34 – Actual and Forecast Price Summary data input**

| Data required   | Guidance   |
|---|--|
| Cost breakdown by Defined Pricing Structure           | The actual and estimated Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered on the Actual & Forecast DPS Input Values. This will be shown in £ millions to three decimal places. The contractor should check to ensure that the profile accurately reflects their latest estimate of the actual Allowable Costs (excluding risk contingency) to deliver the contract to completion.   |
| Risk / Contingency Element within the Allowable Costs | <p>The contractor is required by Regulation 28(2)(c) (ii) to provide the annual profile of any actual risk contingency element or, if this is not possible, the total amount. If there has been an increase in the risk contingency element of the Allowable Costs or if expected risk contingency included in the agreed price has not been utilised the contractor may wish to explain the reasons for this. The total and the percentage of total cost will be calculated by DefCARS.</p> <p>Annual profiles are added by clicking the green icon to the left of the row description. Clicking the green icon will bring up the 'Update Price Summary Value' window where the annual profiles can be entered in the fields provided and then saved by clicking the 'Update' button at the bottom of the window. Profiles can be deleted by selecting the red cross icon. Annual profiles should be entered in £ millions to three decimal places.</p> |



| Data required  | Guidance  |
|--|---|
| Subtotal Cost  | The actual Allowable Costs are calculated by DefCARS from the two cost rows at the top of the table. The contractor should check that this is the total actual Allowable Costs as at the reporting date.  |
| Profit (excluding incentive adjustment)  | The contractor is required by Regulation 28(2)(c) (vi) to provide the annual profile of the actual amount of profit (excluding the amount due to any incentive adjustment (Step 5)) within the contract price or, if this is not possible, to report this as a total amount in the 'not profiled' column. Total profit and the percentage of total cost excluding any incentive adjustment will be calculated by DefCARS from the data entered by the contractor and should be checked. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places. |
| Total Contract Price (excluding incentive adjustment)  | The total contract price (excluding any profit for an incentive adjustment) is calculated by DefCARS based on the third and fourth rows in the table.   |
| Expected maximum profit arising from incentive adjustment  | The contractor is required by Regulation 28(2)(c)(iv) to provide the annual profile of the actual incentive adjustment (Step 5) within the contract price or, if this is not possible, report this as a total amount in the 'not profiled' column. This total and the percentage of total cost that may arise from an incentive adjustment will be calculated by DefCARS. The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.   |
| Total Contract Price (including incentive adjustment)  | The total contract price is calculated by DefCARS from the figures in the table. Contractors should check that this line agrees to the total contract price by year and in total.   |
| Commentary on the above section  | If the contractor considers there is information not captured in the DefCARS fields on this page which they wish to provide then they can click on the blue icon and complete the comments box.   |
| Once these details are complete, select 'Save' then 'Validate', before moving on to the next page. |   |

## Variance, events and circumstances

- 7.39 Regulation 28(2)(i) requires contractors to report a quantified analysis of the causes of variance between any estimated costs used to determine the contract price and the total actual and forecast costs. The forecast costs are expected to be estimates of the actual Allowable Costs. Forecast costs will be costs expected to be incurred, whereas actual Allowable Costs will be those already incurred. The analysis must explain not less than 90 percent of the total variance. DefCARS will calculate the variance and provides the facility for the contractor to add lines to explain the causes of variance. The contractor should ensure the calculated variance is correct. The contractor should complete sufficient individual lines to meet the requirement to explain 90 per cent of the total variance.
- 7.40 Regulation 28(2)(j) requires the contractor to provide a description of any event that has occurred, or circumstances which have arisen, since the contract was entered into, that have had or are likely to have a material effect in relation to the contract.
- 7.41 The Regulations do not define events and circumstances, but contractors may find that section 26 of the Act provides a useful reference point to assist in determining whether an event or circumstance has a material effect on a contract. Section 26(3) of the Act confirms that events and circumstances have a “material effect” if they have a material effect in relation to any of the following:
- the contractor’s costs;
  - the total price payable to the contractor; or
  - the contractor’s ability to perform a material obligation of the contract.
- 7.42 DefCARS brings both these requirements (to report causes of variance and events and circumstances) together in a single report page as an event or circumstance might be a cause of variance. Table 35 explains the reporting requirements.
- 7.43 Where a variance is the same as that reported in a previous submission, then the explanation for the variance should be the same. If a different explanation is given, then the contractor should include a comment to explain why this is the case. Otherwise, the different explanations are likely to result in compliance queries.

**Table 35 – Variance, events or circumstances**

| Data required   | Guidance  |
|---|---|
| Title of variance, event or circumstance  | The contractor should provide a short title to describe the cause of variance it is reporting. The cause of variance may be related to or unrelated to an event or circumstance.  |
| Is this being reported as a cause of variance, or an event/ circumstance or both? | When the contractor is categorising what they are reporting they should select 'Cause of Variance', 'Event or Circumstance' or 'Both'. Based on this selection, DefCARS will identify the fields that should be completed.  |
| Brief description of event or circumstance or cause of variance                   | <ul style="list-style-type: none"> <li>• Where the contractor has selected 'Cause of Variance' they should describe a cause of variance which they will report a variance against. The fields that relate to reporting of events and circumstances will not be editable. The contractor should enter the amount of variance in £ million relating to this 'Cause of Variance' in the last field in the pop-up window.</li> <li>• Where the contractor has selected 'Event or Circumstance', their description should explain the event or circumstance they are reporting. When just reporting an 'Event or Circumstance', fields that relate to a cause of variance will not be editable and therefore no amount of variance will be calculated.</li> <li>• Where 'Both' is selected, the contractor should describe the cause of variance and the event or circumstance.</li> </ul> |
| Date recognised   | If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm the date on which they became aware of the event or circumstance. The date is not when the event or circumstance arose but when the contractor became aware of the event or circumstance.   |
| Allowed for in Priced Risk Contingency?   | If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should confirm by selecting 'Yes' that the event or circumstance they are reporting is covered by any risk contingency element of the contract price or select 'No' if not covered.  |

| Data required   | Guidance   |
|---|--|
| <p>The effect the cause of variance, event or circumstance has had on the costs already incurred (£m)</p>   | <p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the effect that the event or circumstance has had on costs already incurred. If a contractor is reporting a variance, they can also include figures in this field.</p> <p>For example, assume that:</p> <ul style="list-style-type: none"> <li>• the contractor's original Allowable Costs were £100 million;</li> <li>• the total forecast Allowable Costs are now £130 million;</li> <li>• the variance of £30 million is made up of £10 million of Allowable Costs already incurred and £20 million forecast to be incurred.</li> </ul> <p>In this example, the contractor would enter £10 million in this field. The contractor should enter zero if there has been no financial effect.</p> |
| <p>The forecast effect that the cause of variance, event or circumstance will have on the forecast costs which it is expected will be incurred (£m)</p> | <p>If a contractor has selected 'Event or Circumstance' or 'Both' in the third column and there is a material effect on the contract, then they should enter a cost (in £ million to three decimal places) which represents the forecast effect that the event or circumstances will have on the forecast costs which it is expected will be incurred. If a contractor is reporting a variance they can also include figures in this field.</p> <p>In the example used in the row above, the contractor is asked to identify how much of the £30 million variance relates to the forecast costs they are reporting. In this example, the contractor would enter £20 million in this field. The contractor should enter zero if there has been no financial effect.</p>   |
| <p>Has this caused a variance between any estimated costs used to determine the contract price and total actual and forecast costs?</p>                 | <p>This field records whether any costs reported are used in the variance analysis. This field is not editable and is populated automatically depending on what the contractor is reporting. Where 'Cause of Variance' or 'Both' is selected then this field will be auto-populated with 'Yes', and where only an 'Event or Circumstance' is selected it will be auto-populated with 'No'. Where a contractor has selected 'Both', a 'Calculate' button will be visible, and the contractor should select 'Calculate' if they wish the financial figures in the previous two fields to be used as part of the variance analysis.</p>   |

| Data required           | Guidance  |
|-------------------------|---|
| Amount of Variance (£m) | If the contractor selected the 'Calculate' button, the amount of variance will be auto-populated and should be checked for accuracy. The calculated figure can be over-written by the contractor if they want to report a different financial amount against their cause of variance. |
| % of total variance     | This field is calculated by DefCARS and reflects how much of the total variance has been accounted for in this row which the contractor has completed. The variance percentage explained in all the rows is shown at the bottom of the list and must be not less than 90 per cent.    |
| % of total planned cost | This field is calculated by DefCARS and reflects the amount of the variance explained in this row which the contractor has completed as a percentage of the total estimated Allowable Costs (including risk contingency).   |

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

- 7.44 Regulation 28(2)(f) requires an annual profile of the estimated amount of each cost recovery base set out in the Contract Reporting Plan at the time of agreement. This page allows the contractor to fulfil this requirement. Where the latest previously submitted contract report is the CRP or an ICR, the recovery base and recovery base units and volumes are auto-populated by DefCARS based on the data previously reported. The contractor should check the auto-populated information for accuracy.
- 7.45 Where the latest previously submitted contract report is a QCR, this page will be blank as the QCR does not require information on cost recovery bases to be reported. In this case, the contractor should enter an annual profile of the recovery bases set out in the CRP at the latest time of agreement. If there has been an amendment to the contract which results in new cost recovery rates, bases and volumes, and where there is no requirement for an on-demand CRP, the contractor can add new cost recovery bases and recovery base units if required by clicking the blue icon on this page.

### Actual & Forecast Cost Recovery Bases

- 7.46 Regulation 28(2)(h) requires an annual profile of the actual amount of each recovery base set out in the CRP. This page allows the contractor to fulfil this requirement. The recovery bases and recovery base units entered on the previous page are auto-populated onto this page from the Cost Recovery Bases page. The contractor must provide the actual volumes for each year. The cost status category should be selected from the drop-down list, confirming the cost status using the categories in Table 32. Where the latest previously submitted report is an ICR, any years where volumes were confirmed as 'Final Actuals' in the previous ICR will be auto-populated. The contractor should check all information on this page for accuracy and explain any differences between the volumes reported in this page and the previous page. If the contractor does not explain such differences, this may lead to compliance queries.

## Sub-contracts

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

- provide updated information about a sub-contract reported previously;
- report a new contract; or
- provide details of a new sub-contract valued at £1 million or more.

## Payments

7.48 **Contractors who have a QSC are not required to report information on payments.** In the CCR, the contractor is required by Regulation 28(2)(l) to provide a list of all MOD payments exceeding £100,000 or 1 percent of the contract value (whichever is greater) that have been or are expected to be made under the contract. Most payments are expected to have been made if the contract has been completed. If the latest previously submitted contract report is an ICR, then the information previously submitted will be auto-populated on this page. The contractor should check any auto-populated information and ensure that it is correct in relation to this submission. Where the latest submitted report is a QCR, this page will be blank. In this case the contractor should enter the payment information as at the contract completion date. The information collected in DefCARS is explained in Table 36.

**Table 36 – Payments Information**

| Data required   | Guidance   |
|---|--|
| Significant MOD payments (Yes/No)                         | The contractor is asked to confirm if there are any significant payments by selecting Yes or No. A significant payment is one that exceeds £100,000 or 1 per cent of the contract price, whichever is greater. When Yes is selected, the contractor should provide data in the fields below. Selecting No will hide the 'significant individual payments' data entry fields that are described in the 'list of significant individual MOD payments' section of this table. |
| <b>List of significant individual MOD payments</b>        |  |
| Contracted Date   | For each payment, include the date on which the payment was expected to fall due.  |
| Actual/Expected Date                                      | For each payment, include the actual or expected payment date.   |
| Currency  | State the currency in which the contract specifies the Secretary of State is to make payments. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.  |
| Amount  | For each payment, include the amount or expected amount of each payment in million (any currency) to three decimal places.   |
| <b>Annual profile summarising all contracted payments</b> |  |
| Currency  | State the currency in which the contract specifies the Secretary of State is to make payments. The contractor should select the currency from the drop-down list. If the relevant currency is not available in the drop-down list, please contact the SSRO's helpdesk to arrange for the currency list to be updated.  |
| Annual profile  | Provide an annual profile of all such payments the contractor requires the Secretary of State to make, in the required currency. Amounts must exclude any final adjustment/ settlements and should be stated in millions to three decimal points. At the end of each row DefCARS automatically provides a total field to assist contractors with checking the data provided.   |

**Key deliverables**

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

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

### Final payments

- 7.51 The CCR must contain a forecast target cost incentive fee (TCIF) adjustment (see Regulation 15) or any final price adjustment (see Regulation 16) which the contractor expects will be made. The Contract Cost Statement, due six months after the CCR, is used to determine any adjustment. The final price adjustment only applies to contracts priced using the firm, fixed and volume-driven pricing methods. The contractor should report a value of '0' in each field if there is no TCIF or final price adjustment. The contractor should enter the amount of any positive (due to the contractor) or negative (due to the MOD) adjustment for any of the following payment types with any explanation which is necessary:
- Protection from Excess Profits and Losses (PEPL);
  - Target Cost Incentive Fee (TCIF) adjustment;
  - Incentive adjustment; and
  - Other – key performance indicators (KPIs).
- 7.52 All figures should be entered in £ million, to three decimal places. This section will be auto-populated from the data provided in the previous submitted ICR.

### Milestones

- 7.53 Regulation 28(2)(o) requires the contractor to report on all delivery milestones set out in the contract. This page allows the contractor to report on the delivery milestones. The information on this page is auto-populated from the data provided in the latest submitted ICR or QCR and should be checked for accuracy. Any changes required to the milestones can be made by clicking the green edit icon and milestones can be added by clicking the blue '+' button. Where there is a variance between the expected date for a delivery milestone set out in the contract and the actual completion date, the contractor should provide a description of the cause of variance (see Table 35). As the contract is completed it is expected that all actual milestone dates will be in the past.



**Table 37 – Milestones data input**

| Data required                      | Guidance  |
|------------------------------------|---|
| Milestone Short Name               | The contractor should provide a short name for the milestone. For example, delivery of [parts].   |
| Milestone Description              | The contractor should provide a description of that milestone. For example, delivery of [parts] to [recipient] by [date] for [purpose].   |
| Contracted Target Date             | Where the contract sets an expected date for a delivery milestone to be completed, contractors should select that date using the calendar.  |
| Actual or Forecast Completion Date | The page includes a field for the actual or forecast completion date. The contractor should select the actual or expected completion date from the calendar.                                      |
| Comment                            | The contractor should provide a description of the causes of any variance between the expected date for a delivery milestone set out in the contract, and the actual or expected completion date. |

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

- 8.1 Before completing the Contract Costs Statement (CCS) for the first time, contractors should familiarise themselves with Regulations 22 and 29. The CCS must be provided within twelve months after the contract completion date. The same obligation will apply to a sub-contractor in respect of a QSC.
- 8.2 Data fields which relate to Regulation 22, which are a requirement of all contract reports, are provided in DefCARS and are auto-populated from the last contract report. The contractor should check this information for accuracy and make any necessary amendments. The contractor must attach a separate document to the Report Submission Admin page to meet their Regulation 29 requirements which are explained in the Costs Statement section of the CCS guidance in paragraphs 8.15 – 8.19.

### Report Home

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

### Supplier

- 8.4 The supplier details are auto-populated from master data previously entered by the contractor in the Contract Administration page of DefCARS. The contractor should check the data which is auto-populated in the Supplier page for accuracy. The supplier details fields in the CCS are not read-only and can be amended in the report.
- 8.5 The individual completing the report should discuss any changes they make to supplier details in the CCS with their Administration User. This is so that the Administration User can make the same changes to the master data record to keep both sets of data consistent. The contractor's Administration User will have access to the master data and can update this record in the Contract Administration page at any time.

### Report Submission Administration

- 8.6 The contact details of contractor and MOD staff involved in the contract are shown on this page and are auto-populated from the latest contract report submitted prior to the CCS and should be checked for accuracy. If there has been a change in staff from those identified in an earlier report, then the new staff details should be reported.
- 8.7 The contractor is required by regulation 22(2)(b) to provide the date that the report is due. DefCARS assists selection of the correct due date by providing the following options in a drop-down list:
- A list of regular statutory reports and associated due dates from the latest submitted CRP;
  - Other regular statutory reports – select date as report due date not reflected in the latest submitted CRP;

- A list of on-demand reports and associated due dates from the latest submitted CRP; and
- Other on-demand reports – select date as report due date not reflected in the latest submitted CRP.

8.8 If the report being submitted is included in the latest submitted CRP, the contractor should select the relevant report from the drop-down list. If the reporting plan does not include the relevant report the contractor should select the due date from the calendar. When a contractor selects one of the 'Other' options the following warning will be displayed – 'You are submitting a report which is not reflected in the Contract Reporting Plan. You may wish to consider adding this report to an on-demand Contract Reporting Plan prior to submitting this report'. The CRP can be updated by submitting:

- a correction to an existing CRP (if the original reporting plan was incorrect); or
- an on-demand CRP (if there are new reporting requirements, see section 9).

8.9 If the CRP is updated, the revised dates will be reflected in the drop-down list within the 'date this report is due' field.

### **Contract**

8.10 All contract details are auto-populated from the latest previously submitted report and should be checked for accuracy. Details should be updated where necessary and guidance relating to some specific fields on the contract page is explained in paragraphs 8.10 – 8.13. The contract type should not be changed from that reported in the initial reports. If an error was made on the initial report then a correction to that report should be made.

8.11 A contractor can amend the 'Date contract became a QDC/QSC' field. This should only be done where a mistake was made on the Contract page in the initial report submission. This is done by creating a correction to the last submitted initial report and amending either the 'Date contract entered into' or 'Latest pricing amendment – date' field, whichever date was incorrect. The corrected data will then flow through to a CCS which is started after the correction has been submitted.

8.12 If the contract has not completed, then the CCS is not due. The Contract page includes the Contract Completion Date, which is auto-populated by DefCARS from the latest submitted report. The contractor should ensure that the Contract Completion Date is correct. If the Contract Completion Date has changed from the auto-populated date, DefCARS provides the facility to amend the Contract Completion Date in the CCS but the Reporting Plan will not be automatically updated to reflect this. The contractor may amend the Reporting Plan by submitting an on-demand CRP, either in response to a written direction from the MOD or by agreement. Chapter 9 of this guidance explains how to submit an on-demand CRP. When submitting the on-demand CRP, the contractor should update the contract completion information and add the due dates of any new reports resulting from this change.

- 8.13 The contractor should update the 'Latest Pricing Amendment' fields if there has been an amendment during the reporting period (between the last submitted report and the completion of the contract) which resulted in a change to the contract price. If there has been more than one amendment during the period covered by the report, contractors should enter details for the latest time of agreement.

### **Pricing Method Breakdown**

- 8.14 Information on this page is auto-populated from the latest previously submitted report and the contractor should check this for accuracy. A pricing amendment may mean that the contract price has changed. Where this is the case, the contract price should be allocated to the relevant pricing methods which now apply to the contract if the amount of the price resulting from each method is known. If the price associated with each pricing method is unknown, this should be explained using the comments functionality. The contractor should ensure that the price reflected on this page matches that reported on the Contract page.

### **Cost Statement**

- 8.15 There is no predefined data structure within DefCARS for the remainder of the CCS (Regulation 29 requirements). The format should be determined by the contractor in discussion with the MOD and be based on information available from the contractor's reporting system. This cost statement should include an annual profile presented in a tabular format, with columns representing a continuous range of financial years, from that in which the contract was entered into until that in which the contract completion date falls or is expected to fall.
- 8.16 The annual profile of the actual Allowable Costs must show the following:
- all purchased items, services and expenses (including payments to sub-contractors) that are direct costs;
  - any other direct costs;
  - all indirect costs, showing each cost recovery rate charged and the amount of the corresponding cost recovery base; and
  - the total actual costs that the contractor claims are Allowable Costs.
- 8.17 The contractor should also provide:
- the percentage of the Allowable Costs included in the statement that are still estimated rather than actual;
  - an explanation of the reasons for any variances between the actual Allowable Costs (broken down into direct and indirect costs) and the total actual costs which the contractor claims are Allowable Costs; and
  - an explanation of the reasons for any variance between the information in the CCS and the most recent on-demand report that provided information of the kind required in the CCS.

- 8.18 The CCS must specify the start and end dates of the contractor's accounting period. If there has been any agreement between the contractor and the Secretary of State as to the cost allocation and apportionment methodology to be used in the CCS, a description of that agreement and any departures from the methodology must be provided.
- 8.19 It is permissible to use estimated costs in a CCS in response to a requirement for actual costs. If no explanation is given, then up to two per cent of the costs may be estimated costs. More than two per cent of the costs may be estimated costs if an explanation is given of why actual costs can't be provided at the time of the report and when actual costs will be available.

## 9. On-Demand Contract Reports

- 9.1 The Secretary of State may direct a contractor under regulation 30 to provide the information specified in any of the following in relation to a qualifying contract:
- regulation 23(2) – Contract Pricing Statement (CPS);
  - regulation 24(2) – Contract Reporting Plan (CRP);
  - regulation 27(4) and (5) – Interim Contract Report (ICR); or
  - regulation 29(2) – Contract Cost Statement.
- 9.2 A contractor may also agree to provide any of this information without a written direction (see regulation 24(2)(c)). We refer to reports provided by a contractor containing information specified under regulation 30, whether by direction or agreement, as on-demand reports.
- 9.3 The decision to require on-demand reports is at the discretion of the Secretary of State and more than one direction may be given. The Secretary of State may direct the primary contractor to provide on-demand reports in relation to a qualifying defence contract (QDC) or the sub-contractor in relation to a qualifying sub-contract (QSC). A direction can be given within one month of the initial reporting date requiring periodic submission of the CCS in relation to a contract, or a direction may be given at any time before the contract completion date for provision of information in the CPS, CRP, ICR or CCS. Table 8 of the guidance on the CIR and Appendix 1 details how due dates are calculated for on-demand reports that have been directed by the Secretary of State.
- 9.4 Not all contract reports can be required on-demand. Regulation 30 does not cover the Contract Notification Report (CNR), Quarterly Contract Report (QCR), or the Contract Completion Report (CCR).
- 9.5 If a contractor has agreed to provide on-demand contract reports, the contractor is required to provide a description in the on-demand CRP of what it has agreed to provide. This description should be provided using the comments functionality in the on-demand CRP. The due dates for on-demand reports can be recorded on the Reporting Plan page of the CRP.

### **How to complete an on-demand Contract Pricing Statement and / or on-demand Contract Reporting Plan**

- 9.6 To submit an on-demand CPS or CRP, the contractor should select the appropriate option (on demand CPS or on demand CRP) from the list of contract reports provided on the home page (see Exhibit 6). If the contractor has to submit both an on-demand CPS and an on-demand CRP, the two reports will have to be prepared and submitted separately.

## Exhibit 6 – Screen shot of on-demand report options



- 9.7 The contractor should not submit an on-demand CPS or CRP by:
- submitting a Contract Initiation Report (CIR); or
  - correcting an existing report submission (see DefCARS functionality guidance, paragraphs 2.36-2.37).
- 9.8 DefCARS will auto-populate the first submission (S1) of an on-demand CPS or CRP using the relevant fields from the most recently submitted CIR. Subsequent submissions (S2 and above) of an on-demand CPS or CRP will be auto-populated from the most recent on-demand report of that type. The contractor must ensure that the information provided in an on-demand CPS or CRP is accurate and should make any necessary revisions to auto-populated data prior to submission.
- 9.9 To complete the 'date the report is due' field for an on-demand CPS or CRP, the contractor should:
- Select the 'other' option from the drop-down menu for this field; and
  - Select the due date from the calendar selector which is then provided
- 9.10 Where the on-demand CPS follows a pricing amendment, the report needs to reflect the impact of pricing amendments on the contract price. On the Contract page of an on-demand CPS, the contractor must identify the date and reference number given when the latest pricing amendment was agreed.
- 9.11 When providing an on-demand CPS, a description is required of the effect of pricing amendments, as this information is material to the pricing of the contract (regulation 23(2)(f)). The fields in DefCARS are at an overall contract level (for example, on pricing methods, allowable costs and profit steps).
- 9.12 Where regulation 14 has been applied and the contract price re-determined, the contractor will report on the Profit page the price payable under the amended contract consisting of the Allowable Costs (£m), the profit (£m) and the overall contract profit rate. As the profit payable under the amended contract may result from several applications of contract profit rates, reporting a single set of profit rate steps may no longer be relevant. Until further development of DefCARS, the Profit page may be auto-populated with a six step profit rate calculation from a previous submission or be blank. Where this is the case contractors should do the following:
- a. select 'Other' under Step 1 (Baseline Profit Rate) and enter 0%;
  - b. enter 0% for Steps 2-6;
  - c. check the calculation of the six steps is 0%; and
  - d. enter the overall contract profit rate after the re-determination of the contract price.

- 9.13 The contractor should provide a separate explanation of how the overall contract profit rate has been calculated. Paragraphs 9.14-9.16 and Table 38 provide guidance on how the explanation should be provided.
- 9.14 The SSRO has developed an Amendments Spreadsheet (the spreadsheet) which assists the contractor to report regulation 14 pricing amendment(s) and the re-determined contract price (including the overall contract profit rate) when submitting an on-demand CPS. The overall contract profit rate reported in the spreadsheet should be consistent with that reported on the Profit page in DefCARS and is expected to be the cost weighted average of the CPR of each pricing segment reported (see definition in paragraph 9.15) in the spreadsheet. The spreadsheet is available on the [reporting guidance page of the SSRO website](#) and step by step instructions on how to complete is explained in Table 38.
- 9.15 The spreadsheet enables the contractor to report details of pricing amendment(s) separately from other price segments. A pricing segment can be:
  - the original contract; or
  - an un-amended element of the original contract following a Regulation 14 amendment; or
  - an individual Regulation 14 pricing amendment or a portion of an amendment which has a distinct contract profit rate; or
  - a grouping of pricing amendments, or grouping of portions of pricing amendments, which have contract profit rates of the same value and the same six steps.
- 9.16 Before reporting pricing segments, the contractor should discuss with the MOD which are most useful to report. In the event where contractors are grouping the reporting of several pricing amendments into a pricing segment, they should provide the explanation of the grouping made as part of the OD CPS submission. This explanation can be provided in the structure included in the spreadsheet or submitted as an additional supporting file. The explanation of any grouping should include a list of each MOD contractual reference of the amendments associated with each pricing segment.

**Table 38 – Instructions on how to complete Amendments Spreadsheet**

| Sheet & Column                | Instructions  |
|-------------------------------|---|
| Template for Input – Column C | <p><b>Overall Contract</b></p> <p>This column captures the breakdown of price, contract profit rate (CPR) and pricing method for the total estimated contract price, following the re-determination of price associated with the amendment that has led to the OD CPS being requested. The overall contract profit rate reported in the spreadsheet should be consistent with that reported on the Profit page in DefCARS and is expected to be the cost weighted average of the CPR of each pricing segment reported in the spreadsheet (columns D – F).</p> |



| Sheet & Column                          | Instructions   |
|---|--|
| <p>Template for Input – Columns D-F</p> | <p><b>Pricing segments of the overall contract (post-amendment)</b></p> <p>The contractor should provide pricing details of each pricing segment in columns D to F.</p> <p>When reporting pricing segments, please provide the following:</p> <ul style="list-style-type: none"> <li>• <b>The MOD Amendment Reference:</b> This is the reference used between the MOD and the contractor to refer to the contract amendment. This reference should be provided if a pricing segment results from a single pricing amendment and a single reference can be reported. If the contractor is reporting a grouping of amendments, or a grouping of portions of amendments in an individual segment, this field should remain blank. The contractor should, however, explain the grouping as part of the OD CPS submission. This should be performed by providing a list of each MOD contractual reference for the amendment(s) associated with each pricing segment. This can be provided in the 'Grouping of Amendments info' tab, or can be uploaded separately in another format if this is preferred.</li> <li>• <b>The Date of Agreement:</b> This date should be provided if a pricing segment results from a single pricing amendment and a single date can be reported. If the contractor is reporting a grouping of amendments, or a grouping of portions of amendments in an individual segment, this field should remain blank.</li> <li>• <b>A description of the pricing segment:</b> for example 'First extension to the contract'. This should be a description used between the MOD and the contractor or capable of being understood by both.</li> </ul> <p>Additional columns can be added as necessary by copying an existing Pricing Segment column, including its formats and formulae, if more than three pricing segments are identified.</p> <p>The reported pricing segments must add up to the overall contract price following the amendment (column C).</p> |

| Sheet & Column                   | Instructions   |
|----------------------------------|--|
| Template for Input – Columns G-I | <p data-bbox="711 253 1394 315"><b>Information of the pricing amendment that led to the OD CPS</b></p> <p data-bbox="711 333 1394 436">The contractor should provide pricing details of the amendment that led to the OD CPS. When reporting this pricing information, please provide the following:</p> <ul data-bbox="711 454 1430 1176" style="list-style-type: none"> <li data-bbox="711 454 1430 557">• <b>The MOD Amendment Reference:</b> the reference used between the MOD and the contractor to refer to the contractual amendment.</li> <li data-bbox="711 575 1430 638">• <b>The Date of Agreement:</b> the date where the contractual amendment was entered into.</li> <li data-bbox="711 656 1430 759">• <b>The Segment reference number:</b> the pricing segment number created or affected by the amendment (in whole or in part).</li> <li data-bbox="711 777 1430 947">• <b>A description of the pricing segment:</b> for example 'First extension to the contract'. This should be a description used between the MOD and the contractor or capable of being understood by both.</li> <li data-bbox="711 965 1430 1176">• <b>Type of Pricing amendment:</b> the selection from the drop-down list of the paragraph of the Schedule that has been applied to re-determine the price of the contract. If an element of the amendment affects the contract price but is not a Regulation 14 pricing amendment, please select 'Non-Reg 14 pricing'.</li> </ul> <p data-bbox="711 1193 1430 1332">If the amendment affects more than one pricing segment or is a multiple pricing amendment (paragraphs 11 and 12 of the Schedule), the pricing information should be broken down in distinct columns.</p> <p data-bbox="711 1350 1430 1453">Additional columns can be added as necessary by copying an existing amendment column, including its formats and formulae.</p> |

| Sheet & Column                             | Instructions  |
|--|---|
| Grouping of Amendment Info – Columns A & B | <p>Where contractors are grouping the reporting of several pricing amendments into a pricing segment, they should provide the explanation of the grouping made in the 'Grouping of Amendments info' tab. Contractors can, if preferred, upload a separate file to the OD CPS to address this requirement, provided that the content below is included.</p> <p>When an amendment affects more than one pricing segment, contractors should provide a separate line for each Pricing Segment affected, repeating the MOD contractual reference of the amendment.</p> <ul style="list-style-type: none"> <li>• <b>MOD contractual reference of amendments (column A):</b> the reference used between the MOD and the contractor to refer to the contractual amendment.</li> <li>• <b>Pricing Segment number where the amendment, or part of the amendment, is being reported (column B):</b> the pricing segment number created or affected by the amendment or a portion of the amendment.</li> </ul> |

- 9.17 When submitting an on-demand CPS following regulation 14 pricing amendments, the spreadsheet should be uploaded to the Profit page in the on-demand CPS. The contractor should ensure that the price breakdown in the spreadsheet is consistent with the contract level information (total Allowable Costs, total profit and total contract price) reported in DefCARS. For assistance on how to complete the spreadsheet, the contractor should contact [helpdesk@ssro.gov.uk](mailto:helpdesk@ssro.gov.uk).
- 9.18 In the on-demand CPS the contractor may need to update information on facts, assumptions and calculations associated with the Allowable Costs like changes to, or new, cost recovery rates or pricing indices.
- 9.19 A pricing amendment may result in a change to the contract completion date. In this case, the contractor can report any new contract completion date on the Contract page of the on-demand CRP. Guidance on identifying this date is included in Chapter 3 of this guidance. The change of contract completion date will also update the Reporting Plan page and the contractor should ensure that all reports, including those submitted on-demand, are recorded on this page. Where an on-demand CRP and CPS are being submitted the contractor should submit the on-demand CRP before the on-demand CPS.
- 9.20 Contractors should refer to the SSRO's published DefCARS validations for information on the validations which apply to on-demand reports.
- 9.21 If the contractor is providing an on-demand report by agreement rather than pursuant to a written direction, a description of what it has agreed to provide should be reflected in the CRP. Contractors can use the comments functionality, or upload a document in DefCARS, to provide this explanation (for any on-demand report).

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

- 9.22 This section assumes that the contractor is providing an ICR report which, prior to the on-demand written direction or agreement, was not anticipated in the contractor's CRP. When submitting an on-demand ICR, a contractor should start a new ICR submission.
- 9.23 The contractor may need to submit an ICR as a standalone on-demand report or as part of a set of such reports. If the contractor provides an on-demand ICR report at the same time as they are required to provide an on-demand CRP or CPS (for example, to reflect the contract following application of regulation 14), the contractor should complete and submit the on-demand CRP and CPS before commencing the ICR submission (see paragraphs 9.6 – 9.16). It will also allow much of the data that the contractor will need to provide in an on-demand ICR to be auto-populated from the CIR or the most-recent ICR, if one has been submitted. The contractor should complete the submission by reviewing and updating all fields within the report.
- 9.24 If the contractor wishes for the dates of on-demand reports to be included in the reporting calendar, but the MOD has not required an on-demand CRP, then the contractor would need to provide the information in an on-demand CRP via agreement (see paragraph 9.5).
- 9.25 The contractor must complete the 'date the report is due' field within an on-demand ICR, as this is one of the requirements in all contract reports by virtue of regulation 22. The contractor should select the 'On-demand report' option from the drop-down menu provided in the 'date the report is due' field. DefCARS will then provide a calendar selector from which the contractor should select the due date.

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

- 9.26 This section assumes that the contractor is providing a CCS report which, prior to the on-demand written direction or agreement, was not anticipated in the contractor's CRP (for example, to reflect a change in the Allowable Costs following application of regulation 14). When submitting an on-demand CCS, a contractor should start a new CCS submission.
- 9.27 The contractor may need to submit a CCS as a standalone on-demand report or as part of a set of such reports. Chapter 8 of this document provides guidance on how to complete an on-demand CCS and the information it needs to contain.
- 9.28 If the contractor wishes for the dates of on-demand reports to be included in the reporting calendar, but the MOD has not required an on-demand CRP, then the contractor would need to provide the information in an on-demand CRP via agreement (see paragraph 9.5).
- 9.29 To complete the 'date the report is due' field within an on-demand report CCS the contractor should select the 'On-demand report' option. DefCARS will then provide a calendar selector from which the contractor should select the due date.

# Appendix 1 – Overview of reporting requirements

The deadlines for submitting contract and supplier reports are set by the Regulations. The due date for each type of report is measured by taking a period of one or more months (the submission period) from a specified starting event, as summarised in Table 1.

To determine when the period of a month, or months, expires, the corresponding day rule should be applied.<sup>9</sup> This means that the due date will be the day in the month in which the submission period ends which corresponds with the date of the specified starting event. If there is no corresponding date in that month, then the due date will be the nearest earlier date.

For example, where a QDC is entered into on 15 January, the initial reporting date for that QDC will be 15 January. The initial reports (Contract Pricing Statement, Contract Reporting Plan and Contract Notification Report) are due one month from the initial reporting date, which means that they will be due on the corresponding day in February, i.e. 15 February. If, by contrast, a QDC is entered into on 31 January, there will be no corresponding date in February. In this situation, the nearest, earlier date in February is 28 February (or 29 February in a leap year), and that will be the due date for the initial reports.

The SSRO considers the corresponding day rule should not be applied in respect of Quarterly Contract Reports. To facilitate a clear understanding across all stakeholders of the required submission dates, the due date for Quarterly Contract Reports should be understood as the end of the month following the end of the quarter. On this basis, the submission dates for quarterly contract reports are:

- End of Quarter 1 (31 July);
- End of Quarter 2 (31 October);
- End of Quarter 3 (31 January); and
- End of Quarter 4 (30 April).

DefCARS calculates the due date for contract report submissions. It does not do the same for supplier (overhead and strategic) reports and the corresponding day rule will need to be applied by the designated person to identify the due dates for those reports. When a supplier report is submitted, the SSRO will consider whether the report has been submitted on the correct date based on whether the submission date relates to when the on-going contract condition was met or the end of the designated person's relevant accounting period.

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<sup>9</sup> Interpretation Act 1978, Schedule 1. See *Dodds v Walker* [1981] 2 All ER 609 at 610, per Lord Diplock

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

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

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

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



| When?     | Report                    | Due within                           | Guidance   |
|-----------|---------------------------|--------------------------------------|--|
| On demand | On-Demand Contract Report | Varies according to report required. | <p>If the Secretary of State directs the provision of an on-demand report, the due dates are:</p> <ul style="list-style-type: none"> <li>• CPS or CRP – an agreed date no more than 3 months after receipt of the written direction, or failing agreement 1 month after receipt of the written direction;</li> <li>• ICR - an agreed date no more than 6 months after receipt of the written direction, or failing agreement 2 months after receipt of the written direction;</li> <li>• CCS where direction given within 1 month of the initial reporting date – within 12 months after the last day of each period specified in the written direction; and</li> <li>• CCS where direction given later - an agreed date no more than 18 months after receipt of the written direction, or failing agreement 6 months after receipt of the written direction.</li> </ul> |

## Appendix 2 – DPS glossary

| Equipment type (DPS)      | Definition  |
|---------------------------|---|
| Submarine                 | The complete working boat - includes the design, development, and production of complete units (i.e. the prototype or operationally configured units, which satisfy the requirements of their applicable specification(s), regardless of end use). Includes, for example, hull & structural fittings, primary & secondary propulsion systems, electrical generation including conversion and distribution, control & communications, ship services, outfit & furnishing, armament & pyrotechnics, fixed ballast and all other installed equipment.                |
| Sea System (surface ship) | The complete working ship - includes the design, development, and production of complete units (i.e. the prototype or operationally configured units, which satisfy the requirements of their applicable specification(s), regardless of end use). Includes, for example, hull & superstructure, propulsion, electrical, control & communications, armament, ancillary systems and all other installed equipment.   |
| Unmanned maritime system  | The complex of equipment (hardware/software), data, services, and facilities required to design, develop, produce, test, operate and support unmanned maritime systems. Includes all classes of surface and subsurface (undersea) water vessels:<br>a. Unmanned Surface Vehicles (USVs)<br>b. Unmanned Undersea Vehicles (UUVs)   |
| Surface vehicle           | The complex of equipment (hardware/software), data, services, and facilities required to develop and produce a vehicle system with the capability to navigate over the surface. Surface vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. The Surface Vehicle subsystem DPS should be used for a vehicle used to navigate the surface which does not have track. Excludes track vehicles and wheeled armoured vehicles.  |
| Wheeled Armoured Vehicle  | The complex of equipment (hardware/software), data, services, and facilities required to develop and produce an armoured vehicle system with the capability to navigate over the surface. Vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. Wheeled armoured DPS should be use for any vehicle which navigates the surface with applied armour (track or otherwise). Excludes non applied armoured surface vehicles and track vehicles (armoured or non-armoured). |
| Tracked vehicle           | The complex of equipment (hardware/software), data, services, and facilities required to develop and produce a track vehicle system with the capability to navigate over the surface. Surface vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. Track vehicle DPS should be used for any vehicle which navigates the land with track Excludes Surface Vehicle Systems and wheeled armoured vehicles (vehicles with applied armour).                                |
| Fixed Wing aircraft       | The complex of equipment (hardware/software), data, services, and facilities required to develop, produce, and support a fixed wing aircraft. This contents of this DPS do not apply to rotary wing or unmanned aircraft systems (drones).  |

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

# Appendix 3 – CRP, CPS and CNR fields within the CIR

**Table 1: CRP, CPS and CNR fields within the CIR**

| CIR Report Page<br><ul style="list-style-type: none"> <li>• Y = applicable to that report</li> <li>• N = not applicable to that report</li> <li>• Grey rows relate to pages not applicable to on-demand reports</li> </ul> | CRP   | CPS  | CNR<br>(cannot be requested on-demand)   |
|--|---|--|--|
| Supplier   | Y   | Y  | Y  |
| Report Submission Admin  | Y   | Y  | Y  |
| Contract   | Y   | Y  | Y  |
| Reporting Plan   | Y   | N  | N  |
| Profit   | N   | Y  | N  |
| Pricing Method Breakdown   | Y   | Y  | Y  |
| DPS Inputs   | Y   | N  | N  |
| DPS Input Values   | N   | N  | Y  |
| Summary Analysis of Price  | N   | N  | Y  |
| Cost Recovery Rates  | Y (partial)<br><ul style="list-style-type: none"> <li>• Name of rate</li> <li>• Recovery Base units</li> </ul>  | Y (partial)<br><ul style="list-style-type: none"> <li>• Business Unit Name</li> <li>• Name of rate</li> <li>• Type of cost recovery rate</li> <li>• Rate in £ or %</li> <li>• Rate</li> <li>• Of which overheads</li> <li>• Provisional or final rate</li> </ul> | Y (partial)<br><ul style="list-style-type: none"> <li>• Name of rate</li> <li>• Volume</li> </ul>  |
| Cost Breakdown   | N   | Y  | N  |
| Assumptions  | N   | Y  | N  |
| Assumptions Inflation  | N   | Y  | N  |
| Assumptions Exchange Rates   | N   | Y  | N  |
| Sub Contracts  | N   | N  | Y  |
| Payments   | N   | N  | Y  |
| Key Deliverables   | Y (partial)<br><ul style="list-style-type: none"> <li>• Metric parameter</li> <li>• Metric definition</li> <li>• Related DPS code</li> <li>• Related DPS description</li> </ul> | N  | Y (partial)<br><ul style="list-style-type: none"> <li>• Name of deliverable</li> <li>• Description of deliverable comment</li> <li>• Metric value</li> <li>• Metric units</li> </ul> |

| <b>CIR Report Page</b> <ul style="list-style-type: none"> <li>• Y = applicable to that report</li> <li>• N = not applicable to that report</li> <li>• Grey rows relate to pages not applicable to on-demand reports</li> </ul> | <b>CRP</b> | <b>CPS</b> | <b>CNR</b><br><b>(cannot be requested on-demand)</b> |
|--|------------|------------|--|
| Milestones   | N          | N          | Y  |
| Reminder of Obligations  | N          | Y          | N  |

# Appendix 4 – DefCARS release features

The following table summarises the key system improvements between the last version of guidance published (29 September 2021) and the current version (26 January 2022).

| Month         | DefCARS improvements   |
|---------------|--|
| October 2021  | <ul style="list-style-type: none"> <li>No update</li> </ul>  |
| November 2021 | <ul style="list-style-type: none"> <li>Bug fixes only</li> </ul>   |
| December 2021 | <ul style="list-style-type: none"> <li>Bug fixes only</li> </ul>   |
| January 2022  | <ul style="list-style-type: none"> <li>Change to the existing ICR Cost Recovery Rates page to ensure it matches data collection in the CCR. The page name has also been renamed Cost Recovery Bases to more accurately reflect the information collected</li> <li>On-demand report due dates have now been added to the report due date drop down list which appears on the Report Submission Admin page</li> <li>An in-line message will appear when 'New Submission' is selected which will state "You are starting a new submission of this report type. If you intended to make a correction to a report that has already been submitted, please return to that individual submission on the report home page and press 'Start Correction'"</li> <li>Email notifications relating to compliance issues now contain a consolidated list of unresolved issues for each contract and/or supplier report that the DefCARS user has access to.</li> </ul> |

