

SSRO

Single Source
Regulations Office

Reporting guidance consultation

Changes to guidance in response to the MOD's revisions to statutory reporting requirements

19 February 2024

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1. Introduction

- 1.1 The Procurement Act 2023 amended the Defence Reform Act (the Act) 2014 to introduce changes to the pricing and reporting of qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs). The Single Source Contract Regulations will be amended in line with the amended DRA and initial changes ('tranche one') will be implemented in April 2024 with further changes ('tranche two') made at a later date.
- 1.2 The SSRO is consulting on changes which it will make to its reporting guidance and proposals for changes to the Defence Contract Analysis and Reporting System (DefCARS) from 1 April 2024 in response to the tranche one amendments to the legislation. This consultation document also proposes changes to our compliance methodology from 1 April 2024, consequent on the legislative update. These proposals include changes to the calculation of our quality KPI, to allow contractors a period of familiarisation with the revised legislation, the updated reporting guidance and with changes in DefCARS.
- 1.3 The draft Regulations were laid in Parliament in January 2024 and, given the intended 1 April implementation date, the SSRO will be consulting on the guidance and changes to DefCARS at the same time as the guidance is in force and potentially being applied by contractors. This approach will allow sufficient time for stakeholders to familiarise themselves with the guidance, and to begin applying it, before then responding in an informed way to the consultation questions. The detailed guidance changes will be issued as soon as possible after this consultation document, no later than 25 March, and some are subject to DefCARS developments taking place. We intend to hold workshops on 12 March and 8 May to discuss with stakeholders the proposals set out in this consultation document.
- 1.4 The MOD expects to make its tranche two amendments to the legislation later in 2024/25 and the SSRO will again update its reporting guidance and conduct a further consultation for those amendments at that time. It is anticipated that any changes needed to the guidance in response to the feedback we receive as part of this consultation will likely be made at that time, but this is not expected to be before October 2024.

2. Pricing aspects of the updated legislation

- 2.1 Currently all QDCs and QSCs are required to be priced using the pricing formula (Allowable Costs + (Contract Profit Rate x Allowable Costs)). From 1 April 2024, the amended legislation enables all or parts of a qualifying contract to be priced using alternative pricing methods in certain circumstances. We have issued updated guidance to support the application of these new and amended pricing provisions. The SSRO is currently inviting stakeholder input into the development of its guidance by consulting on new alternative pricing guidance as well as a range of changes to the existing pricing methods, reflected in changes to its guidance on Allowable Costs and guidance on the baseline profit rate and its adjustment. These consultations close on 17 April 2024 and the relevant documents are available on the [SSRO's website](#).
- 2.2 Under the revised legislation a component of a contract is formed when part of the contract is treated distinctly from other parts in determining the price payable. A part of a contract is to be treated distinctly where either the Regulations contain provision to that effect (i.e. the effect of applying the Regulations is that part of the contract is treated distinctly in determining the price payable), or where the parties agree that it should. The SSRO's [Alternative pricing guidance](#) provides further information. The use of components in a contract has implications for reporting in situations where contractors need to report the contract price, as well as any changes to the contract price throughout the contract duration. The reporting requirements will be different depending on the contract pricing method(s) used for the contract or for each component.

3. Reporting using DefCARS

- 3.1 The SSRO will be making changes to DefCARS to support the new reporting obligations. Short to medium term solutions ('workarounds') need to be introduced to ensure contractors can meet their reporting requirements from 1 April 2024, however the earliest we expect reports to be submitted based on these updated reporting requirements will be 1 May 2024. The DefCARS page changes are explained in this consultation document. Detailed guidance changes will be issued by the SSRO following the release of this consultation document, and by no later than 25 March, at which point we expect the relevant DefCARS developments to have been completed and ready to go live on 1 April.
- 3.2 In order to facilitate the reporting of component level information, the SSRO has identified that the most practical solution in the short term is to use the existing contract level reporting functionality in DefCARS to report component information. This approach will use, for the most part, the same suite of reports and report pages that are currently used for submitting contract level information. Some modifications which are critical to support the updated reporting requirements, first need to be made and are explained in this consultation document.

- 3.3 The benefits of providing the ability for contractors to report component level information in the same way as contract level information include:
- familiarity with the layout of the current reporting system, where component level information can easily be reported in a structured format and linked to the overall contract and where the current auto-population rules for subsequent component level information will continue to apply as present;
 - the ability to set a reporting plan within the system for component level information, which will provide a timeline for when this information will be updated, both as the contract is delivered and when it has completed; and
 - the ability to analyse component level information separately, improving the value of the data submitted on the system.
- 3.4 Contractors should be aware that some [validation warnings](#) within component level information may flag when they are not applicable to the component information being reported. This is because the SSRO has decided to prioritise those developments which facilitate component level reporting and to deal with issues which could arise for the vast majority of contracts, rather than diverting resources to deal with every possible scenario that may arise when using one pricing method over another. The contract reporting guidance will explain that, where such validation warnings arise, they should be ignored by contractors when submitting component level information.
- 3.5 In some cases, the workaround implemented for individual reporting requirements will be that the contractor simply attaches the relevant information to a page in DefCARS. When that is the case, the guidance will explain the information to be attached and where this is to be done.
- 3.6 The SSRO's [DefCARS Future Technology Strategy](#) explains that one of our priorities for the system is the development of data uploads, including upload templates. We undertook a pilot exercise in quarter three of 2023/24 to test an upload capability. We are working to analyse the results of the pilot with the contractors involved in the testing and will seek to develop this capability as part of a longer-term solution for better and more timely reporting. This will be undertaken once the MOD's revisions to the legislation are concluded and we have a complete picture of future reporting requirements. We will consult on longer term solutions when the future reporting requirements become clear.

4. Reporting implications following changes to Part 5 of the Regulations

- 4.1 This section of the consultation document explains the main changes which are being made to the reporting requirements contained in Parts 5 and 6 of the Single Source Contract Regulations and how the SSRO envisages they will be met by those completing the submissions within DefCARS. The changes described in this consultation are not exhaustive and contractors will need to ensure that they have a full understanding of all the changes, and the implications for existing and new contracts, when the updated reporting guidance is issued.

General requirements for Part 5 reports (contract reports)

- 4.2 Where a contract price is formed of components, some of the general requirements required for each report are equally required for each component if the information is different to that for the contract. Examples of information which needs to be provided for the component include a description of the goods, works or services being provided under the component, the date that component was entered into and the date the component is expected to be completed.
- 4.3 Additionally, where a regulation requires a statement of actual costs, actual price payable or actual volumes, but permits 5% or more of those to be estimated, the contractor must provide the actual costs, price or volumes as soon as is reasonably practicable after that information becomes available. This applies to all reports, apart from the CCS where an estimate of more than 2 per cent will require resubmission. Contractors will be able to meet this requirement via a correction to the original submission.

Creation of components

- 4.4 Section 15(6) of the Act provides the definition of a 'component' in relation to a contract and contractors will need to understand this definition when pricing a QDC or QSC. Components may be created either when a contract is first entered into as a QDC or QSC, or when a pricing amendment is made. Paragraphs 1.10 to 1.14 of the [Alternative pricing guidance](#) provides further explanation. When components are created, there are associated reporting obligations.
- 4.5 Contractors will need to notify the SSRO that they have a contract which contains components, how many components there are, and to which contract they relate. The SSRO will be able to add components to DefCARS in the same way that contracts are currently added, and these components will be linked to the contract level report through a specified naming convention.
- 4.6 When a QDC or QSC is entered into, the contractor will need to submit the initial reports (a contract initiation report (CIR) in DefCARS) for the contract and will also need to submit a CIR with the component level information in relation to each component. This will ensure that the contractor can meet the component reporting requirements and also provide information about when component information will be updated while the component exists.

- 4.7 Where an existing QDC or QSC is amended and components have been created, a revised Contract Pricing Statement (CPS) and Contract Reporting Plan (CRP) must be submitted, but not a revised Contract Notification Report (CNR). In these cases, the contract level report will need to be revised and the component level information will need to be reported separately. This requirement will be best met by submitting an on-demand(OD) CPS and CRP for the revision to contract level information as the previously submitted information can be easily amended, and the component specific information can be provided via an OD CPS and OD CRP for each component. Table 1 shows what is required.
- 4.8 Additionally, in cases where a contract is in the regime prior to April 2024 and the contract contains existing components (with multiple default pricing methods for which a Final Price Adjustment (FPA) may apply), the contractor will need to separately report component level information. This should be submitted at the same time as the next scheduled update or completion report.

Table 1 – report information required for each component(s)

Scenario	Contract level reporting	Component level reporting
New contract with components	CIR in DefCARS.	CIR for each component.
Existing contract amended with component(s) created post 1 April 2024.	Revised CPS and CRP using on-demand functionality in DefCARS.	New OD CPS and OD CRP for each component using on-demand functionality in DefCARS.
Existing contract entered into pre 1 April 2024 with existing component for which an FPA may apply.	As normal.	New OD CPS and OD CRP for each component using on-demand functionality in DefCARS.

- 4.9 Appendix 1 provides example scenarios which consider the different routes by which components of a contract price need to be reported on. Appendix 2 provides a summary of reporting requirements, by DefCARS reports and pages, applicable to the different contract pricing methods.

The timing of submissions following contract amendment

- 4.10 The timing of the submission of these revised reports depends on the value of the amendment, with a threshold set at £10 million. If the amendment value is £10 million or greater, the revised reports must be submitted within one month of the amendment. If the amendment value is below £10 million, the reports are to be submitted at the same time as the next scheduled update or completion report. The reporting guidance will be revised to explain how to report the due date of a revised CPS and CRP.

Initial reports for contracts with components which use the default pricing methods

- 4.11 The default pricing methods (e.g. firm price, cost plus etc) are described in Regulation 10. Table 2 summarises the component level information for each of the three initial reports where components have been priced using the default pricing methods. Modifications which are being made to DefCARS pages to allow for the updated reporting requirements are set out in Table 12 (section 5 of this consultation document covers DefCARS changes).
- 4.12 In cases where:
- components form part of a new contract, the reporting requirements will be met through the submission of a CIR for the contract alongside information submitted separately using existing DefCARS functionality for each component; or
 - components are created on amendment, the reporting requirements will be met through the submission of an OD CPS and OD CRP for the contract alongside information submitted separately using existing DefCARS functionality for each component.

Table 2 – component level information where default pricing methods are used

Report	Component level information required
Contract Pricing Statement (CPS)	<ul style="list-style-type: none"> • Allowable Costs associated with component. • Profit rate calculation associated with the component. • Facts, assumptions and calculations associated with the component.
Contract Reporting Plan (CRP)	<ul style="list-style-type: none"> • Specific component level information which the contractor must provide . • The due date of the information. • How contract deliverables relate to components. • How contract cost recovery bases relate to components.
Contract Notification report (CNR)	<ul style="list-style-type: none"> • Explanation of how the annual profile of costs and profit (including risk contingency and incentive) relates to each component.

Quarterly contract reports for contracts using the default pricing methods

- 4.13 The Regulations now require Quarterly Contract Reports (QCRs) for contracts with components which use the default pricing methods to also contain relevant component information. When this information needs to be submitted is determined by the value of the component.

- 4.14 Where a contract contains components in respect of which costs and profits are determined and identified separately for the purpose of pricing the contract (as per the default pricing methods) and the components are valued at below £50 million, relevant component information needs to be provided in a QCR where the information is different to that provided in relation to the contract. The only QCR information which is not considered to be relevant component information relates to the reporting of sub-contracts, which will only be reported at the contract level.
- 4.15 This relevant component information needs to be provided on dates agreed between the MOD and the contractor, no more than five years following the time of agreement. Where there is no agreement, the due date for the information is more frequent, becoming due three years after the last day of the calendar quarter during which the initial reporting date fell.
- 4.16 The contractor will need to make clear when this information is required in the DefCARS reporting plan for the component. The reporting plan page in DefCARS does not currently allow QCR dates to be edited, although this is intended to change in order that the required QCR dates for components can be edited to reflect the relevant frequency.
- 4.17 Where components which have costs and profit separately identifiable and are valued at or above £50 million, the QCR information for a component is to be separately identified on a quarterly basis. Table 3 sets out the required frequency of reporting the component information.

Table 3 – frequency of component information provided in QCRs

Component value (where component has costs and profit separately identifiable)	Agreed dates between the MOD and the contractor at the time of agreement	No agreement
£50 million or above	N/A – both contract level and component level QCR information submitted quarterly.	
Below £50 million	<p>No more than five years following the time of agreement.</p> <p>Then such further dates before the expected contract completion date as may be agreed between the parties, each date to be no more than five years after the date agreed for the first and subsequent set of relevant component information.</p>	<p>On the date which is three years after the last day of the calendar quarter during which the initial reporting date fell.</p> <p>Then on the date which is each third anniversary of that date and subsequent reporting dates.</p>

Interim contract reports for contracts using the default pricing methods

- 4.18 Where a contract contains components in respect of which costs and profits are determined and identified separately for the purpose of pricing the contract (as per the default pricing methods) and the components are valued at or above £50 million, component information needs to be provided in an Interim Contract Report (ICR) where the information is different to that provided in relation to the contract. The relevant information for a component with a value of or over £50 million is the same as the information currently provided in a higher value ICR (ICRH) submission, except that the reporting of payment information and output metrics is not required for the component.
- 4.19 Where components are valued at below £50 million and where the costs and profits are determined and identified separately for the purpose of pricing the contract, relevant component information needs to be provided in the lower value ICR (ICRL) where it is different to the information provided in relation to the contract. This information is:
- a forecast of any TCIF or final price adjustment which the contractor expects to make in relation to the component;
 - any events or circumstances in relation to the component; and
 - any milestones in the contract which are specific to the component.
- 4.20 The contractor and the MOD can agree different ICR reporting dates for component level information in relation to each component. If there is no alternative agreement, the reporting dates for component level information are the same as those for the contract. Tables 4 and 5 show ICR requirements for contract and component level information.

Table 4 – ICR reporting dates for contract level information

ICR reports	< £50 million		≥ £50 million	
	1 st report	Later reports	1 st report	Later reports
Contract information: Agreed dates	≤ 5 years from time of agreement	≤ 5 years from previous reporting date	≤ 3 years from time of agreement	≤ 3 years from previous reporting date
Contract information: Without agreement	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

Table 5 – ICR reporting dates for component level information

ICR reports	< £50 million		≥ £50 million	
	1 st report	Later reports	1 st report	Later reports
Contract information: Agreed dates	≤ 5 years from time of agreement	≤ 5 years from previous reporting date	≤ 3 years from time of agreement	≤ 3 years from previous reporting date
Component information: Without agreement	Same dates as contract level ICR information			

The completion reports for contracts using the default pricing methods

- 4.21 When a component completes, contractors may be required to submit a component completion report. They will do this within 12 months of the component completion date unless the component completion date is within 12 months of the contract completion date. In these cases, the component completion information will then be required as usual when the Contract Completion Report (CCR) is submitted six months after the contract completion date. If a separate component completion report is submitted for a component, the CCR need not contain the information in relation to that component.
- 4.22 Where a component completed more than 12 months before the expected contract completion date, a component level Contract Costs Statement (CCS) will be required within 12 months of the component completion date, in addition to the later CCS submission for the contract.
- 4.23 There is no difference in the relevant information that needs to be reported between the contract and component level completion reports under the default pricing methods.

Alternative pricing methods

- 4.24 QDCs and QSCs (or components thereof) can be priced using the seven alternative pricing methods as set out in Regulation 19A-G:
- 19A: Commercial pricing;
 - 19B: Prices determined in accordance with law (either in relation to 19B(3), or 19B(4));
 - 19C: Previously agreed price;
 - 19D: Novated contract price;
 - 19E: Competed rates applied to uncompleted volumes (CRUV);
 - 19F: Agreed changes to the contract profit rate; and
 - 19G: Aggregation of components.

4.25 This section of the consultation document explains the reporting implications for each alternative pricing method, including the considerations for each type of contract report. The SSRO's pricing guidance and its new [alternative pricing guidance](#) explains each of the alternative pricing methods, including example scenarios where they may be used. This reporting consultation document does not repeat these explanations.

Cross cutting requirements for alternative pricing methods

4.26 The revised legislation sets out some general requirements of which contractors need to be aware when considering how to report, once alternative pricing methods are used:

- where 'costs' (estimated or actual) were used primarily as the basis for pricing, in some cases the 'price payable' or 'volumes' are to be reported instead of the costs;
- where the price of a contract or component is determined entirely using a method that does not require costs to be distinguished from profits (Regulations 19A Commercial Pricing, 19B(3) Prices determined in accordance with law, 19C previously agreed price or 19E Competed rates applied to uncompleted volumes), any requirement to report information split by the defined pricing structure (DPS) does not apply; or
- where the contract or component price was determined in accordance with a contract pricing method that does not require costs to be distinguished from profits, any reference in the legislation to the 'costs of the contract or component' is to be treated as a reference to the 'price of the contract or component'.

4.27 These requirements, alongside other relevant matters, are considered in more detail below for contracts with components that use alternative pricing methods. These requirements are set out for individual DefCARS pages, explaining any differences across the initial, update and completion reports.

Initial reports for contracts using alternative pricing methods

4.28 Table 6 summarises the specific CPS, CRP and CNR requirements for contracts or components which use an alternative pricing method. Modifications which are being made to DefCARS pages to allow for the updated reporting requirements are set out in Table 12 (section 5 of this consultation document considers DefCARS developments).

4.29 In cases where:

- alternatively priced components are part of a new contract, the reporting requirements will be met through the submission of a CIR for the contract and a CIR for each component; or
- alternatively priced components are created on amendment, the reporting requirements will be met through the submission of an OD CPS and OD CRP for the amendments to the contract and an OD CPS and OD CRP for each component.

Table 6 – component level initial reporting information where alternative pricing methods are used

Method	CPS	CRP	CNR
19A	Explanation of the application of the commercial pricing method; how the commercial price was demonstrated to be reasonable; and the facts, assumptions and calculations relevant to the basis on which the market price was determined, including any adjustment made.	Detail the price that the contracting authority is committed to paying for the contract and the value of the component; a list of every QCR, ICR, CCR, CCS which will be required; a description of any on-demand report and what it has been agreed to provide; and a list of the output metrics that will be used to describe deliverables in the report.	Detail the list of the key deliverables specified in the contract, with a brief description of each; the estimated quantum of those deliverables; an explanation of which of those deliverables relate to which component; a list of all payments exceeding the greater of £100,000 or 1% of the contract price including amount, date and currency; all delivery milestones, including dates, together with an explanation of how each milestone relates to any component of the contract.

Method	CPS	CRP	CNR
19B	<p>19B(3) Provide the relevant legal provision and how that provision affects the price; and the facts, assumptions and calculations.</p> <p>19B(4) Provide the relevant legal provision, and how that provision affects the price; the approach used to secure the price as close to compliance with the legislation; justification for using the price determined in accordance with law method; how it was demonstrated to be reasonable; the facts, assumptions and calculations relevant to the pricing of the item including any variation that was made.</p>	<p>19B(3) Detail the price that the contracting authority is committed to paying for the contract and the value of the component; a list of every QCR, ICR, CCR, CCS which will be required; a description of any on-demand report and what it has been agreed to provide.</p> <p>19B(4) as per default CRP.</p>	<p>19B(3) as per default CNR, less output metric information for key deliverables and the total amount of non-recurring allowable costs (split by the DPS).</p> <p>19B(4) as per default CNR.</p>
19C	<p>Description of any element that enables a variance in price; any mechanism put in place to prevent excessive profit or loss and the facts, assumptions and calculations.</p>	<p>Detail the price that the contracting authority is committed to paying for the contract and the value of the component; a list of every QCR, ICR, CCR, CCS which will be required; a description of any on-demand report and what it has been agreed to provide.</p>	<p>A list of all payments exceeding the greater of £100,000 or 1% of the contract price including amount, date and currency.</p>
19D	<p>Same information as required for CPS pre-novation.</p>	<p>Same information as required for CRP pre-novation.</p>	<p>N/A.</p>

Method	CPS	CRP	CNR
19E	Description of facts, assumptions and calculations relevant to each element of the allowable costs (including those relevant to any risk or contingency); any facts of assumptions provided by the Secretary of State ; and the volumes that are applied to the competed rates to arrive at the contract price.	Detail the price that the contracting authority is committed to paying for the contract and the value of the component; a list of every QCR, ICR, CCR, CCS which will be required; a description of any on-demand report and what it has been agreed to provide; a list of the output metrics that will be used to describe deliverables in the report; and a list of competed rates used to price the contract.	As per default CNR submission , except competed rate information should be reported instead of cost recovery bases and the total amount of non-recurring allowable costs (split by the DPS) need not be reported.
19F	As per default CPS submission.	As per default CRP submission.	N/A
19G	Contract level only: Set out any total cost risk adjustment or total incentive adjustment in relation to the contract and each component; explain how the total of all cost risk adjustments in relation to the contract and each component remain within the limit for the cost risk adjustment for the contract; and how the total of all incentive adjustments in relation to the contract and each component remain within the limit for the incentive adjustment and cost risk adjustment for the contract.	N/A	N/A

QCRs for contracts or components using alternative pricing methods

- 4.30 No quarterly contract report (QCR) is required for a contract or component where costs and profits are not determined and identified separately for the purpose of pricing the contract (19A Commercial Pricing, 19B(3) Prices determined in accordance with law, 19C previously agreed price or 19E Competed rates applied to uncompleted volumes); and where the value of that contract or component is less than £50m.
- 4.31 Where contracts or components are priced entirely using alternative pricing methods in respect of which costs and profits are not determined and identified separately for the purpose of pricing the contract and where the value of the contract or component is £50m or more, a QCR must contain:
- a. the current estimate of the price; and
 - b. details of any variance between the current estimate of the price and previous estimates of the price, and the reasons for the variance.
- 4.32 No other QCR specific information is required for these contracts or components.
- 4.33 Where a contract contains alternatively priced components in respect of which costs and profits are determined and identified separately for the purpose of pricing the contract (19B(4) Prices determined in accordance with law, 19D Novated contract price, 19F Agreed changes to the contract profit rate) and the components are valued at below £50 million, relevant component information needs to be provided in a QCR submitted by the contractor where the information is different to that provided in relation to the contract. The only QCR information which is not considered to be relevant component information relates to the reporting of sub-contracts, which will only be reported at the contract level.
- 4.34 Where components have costs and profits that are determined and identified separately for the purpose of pricing the contract and are valued at or above £50 million, the QCR is completed for the relevant component information on a quarterly basis alongside a QCR for the overall contract.
- 4.35 Relevant component information needs to be provided on dates agreed between the MOD and the contractor, which can be no more than five years following the time of agreement. Where there is no agreement, the due date for the information is more frequent, becoming due three years after the last day of the calendar quarter during which the initial reporting date fell. The contractor will need to make clear when this information is required in the Reporting Plan for the component. The reporting plan page in DefCARS currently does not allow QCR dates to be edited, although this is intended to change in order that QCR dates for components can be edited to reflect the relevant frequency. Table 7 sets out the required frequency of the component information.

Table 7 – frequency of alternatively priced information provided in QCRs

Alternatively priced Contract or Component value	Agreed dates between the MOD and the contractor at the time of agreement	No agreement
Any contract or component value £50 million or above.	N/A – both contract level and component level QCR information submitted quarterly.	
Costs and profits are not determined and identified separately for the purpose of pricing; and contract or component value below £50 million.	N/A – QCR reporting is not applicable.	
Costs and profits are determined and identified separately for the purpose of pricing; and contract or component value below £50 million.	No more than five years following the time of agreement. Then such further dates before the expected contract completion date as may be agreed between the parties, each date to be no more than five years after the date agreed for the first set of relevant component information.	On the date which is three years after the last day of the calendar quarter during which the initial reporting date fell. Then on the date which is each third anniversary of that date.

ICRs for contracts or components using alternative pricing methods

- 4.36 Where components are valued at or above £50 million and costs and profits are determined and identified separately for the purpose of pricing (19B(4) Prices determined in accordance with law, 19D Novated contract price, 19F Agreed changes to the contract profit rate), component information needs to be provided in an Interim Contract Report (ICR) in cases where the information is different to that provided in relation to the contract. The relevant information for a component with a value of £50 million or more is the same as the information currently provided in an ICRH submission, except that the reporting of payment information and output metrics is not required for the component.
- 4.37 Where components are valued at below £50 million and costs and profits are determined and identified separately for the purpose of pricing, relevant component information needs to be provided in the ICRL where it is different to the information provided in relation to the contract. The relevant component information for the ICRL includes the relevant ICRH component information in addition to:

- a. a forecast of any TCIF or final price adjustment which the contractor expects to make in relation to the component;
- b. information on any events or circumstances in relation to the component; and
- c. information on any milestones in the contract which are specific to the component.

4.38 The ICR reporting requirements for contracts and components using alternative pricing methods where costs and profits are not determined and identified separately for the purpose of pricing (19A Commercial Pricing, 19B(3) Prices determined in accordance with law, 19C previously agreed price or 19E Competed rates applied to uncompleted volumes) are different for reporting at contract level and reporting at component level. Table 8 summarises the reporting requirements for these different alternative pricing methods.

Table 8 – contract and component level interim reporting information for alternative pricing methods where costs and profits are not determined and identified separately for the purpose of pricing

Alternative pricing method	Contract level ICRH (contract value of or over £50m)	Component level ICRH (component value of or over £50m)	Contract level ICRL (contract value under £50m)	Component level ICRL (component value under £50m)
19A	Reporting of key deliverables including quantum of deliverables; a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price ; and a list of all payments exceeding the greater of £100,000 or 1% of the contract price.	Reporting of key deliverables; and a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price.	ICRH information along with: A description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones.	ICRH information along with: A description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones.

Alternative pricing method	Contract level ICRH (contract value of or over £50m)	Component level ICRH (component value of or over £50m)	Contract level ICRL (contract value under £50m)	Component level ICRL (component value under £50m)
19B(3)	Reporting of key deliverables including quantum of deliverables; a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price; and a list of all payments exceeding the greater of £100,000 or 1% of the contract price.	Reporting of key deliverables; and a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price.	ICRH information along with: A description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones.	ICRH information along with: A description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones.
19C	Details of the current estimate of the price; and any variance between the current estimate of the price and previous estimates of the price, and the reasons for the variance.	Details of the current estimate of the price; and any variance between the current estimate of the price and previous estimates of the price, and the reasons for the variance.	ICRH information along with: Information on any FPA or TCIF applicable; a description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones.	ICRH information along with: Information on any FPA or TCIF applicable; a description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones.

Alternative pricing method	Contract level ICRH (contract value of or over £50m)	Component level ICRH (component value of or over £50m)	Contract level ICRL (contract value under £50m)	Component level ICRL (component value under £50m)
19E	Reporting of key deliverables including quantum of deliverables; an annual profile of the competed rates and the volume of each rate; a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price; and a list of all payments exceeding the greater of £100,000 or 1% of the contract price.	Reporting of key deliverables; an annual profile of the competed rates and the volume of each rate; a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price.	ICRH information along with: A description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones; and information on sub-contracts.	ICRH information along with: A description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones.

4.39 The contractor and the MOD can agree different ICR reporting dates for component level information in relation to each component. If there is no agreement to different reporting dates, the reporting dates for the components are the same as those for the contract. Tables 9 and 10 show ICR requirements for contract and component level information.

Table 9 – ICR reporting dates for alternative pricing contract information

ICR reports	< £50 million		≥ £50 million	
	1 st report	Later reports	1 st report	Later reports
Contract information: Agreed dates	≤ 5 years from time of agreement	≤ 5 years from previous reporting date	≤ 3 years from time of agreement	≤ 3 years from previous reporting date
Contract information: Without agreement	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

Table 10 – ICR reporting dates for alternative pricing component information

ICR reports	< £50 million		≥ £50 million	
	1 st report	Later reports	1 st report	Later reports
Component information: Agreed dates	≤ 5 years from time of agreement	≤ 5 years from previous reporting date	≤ 3 years from time of agreement	≤ 3 years from previous reporting date
Component information: Without agreement	Same dates as contract level ICR			

The contract completion report for contracts using alternative pricing methods

- 4.40 When a component completes, contractors may be required to submit a component completion report. They will do this within 12 months of the component completion date unless the component completion date is within 12 months of the contract completion date. Where that is the case, the component completion information will then be required when the Contract Completion Report (CCR) is submitted, six months after the contract end date. If a separate component completion report is submitted for a component, the contract completion report need not contain the information in relation to this component.
- 4.41 The CCR reporting requirements for contracts and components using alternative pricing methods where costs and profits are not determined and identified separately for the purpose of pricing (19A Commercial Pricing, 19B(3) Prices determined in accordance with law, 19C previously agreed price or 19E Competed rates applied to uncompleted volumes) are different to those for contracts or components which use the default pricing methods or alternative pricing methods in respect of which costs and profits are determined and identified separately for the purpose of pricing (19B(4) Prices determined in accordance with law, 19D Novated contract price, 19F Agreed changes to the contract profit rate).

4.42 In cases where alternative pricing methods are used and where costs and profits are determined and identified separately for the purpose of pricing, the CCR is completed in the usual way. Table 11 summarises the reporting requirements for the alternative pricing methods where costs and profits are not determined and identified separately for the purpose of pricing. There is no difference in the relevant information that needs to be reported between the contract and component level contract completion report.

Table 11 – contract and component level completion reporting information for alternative pricing methods where costs and profits are not determined and identified separately for the purpose of pricing

Alternative pricing method	Contract and Component level Completion Report
19A	Reporting of key deliverables including quantum of deliverables; a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price; a list of all payments exceeding the greater of £100,000 or 1% of the contract price; description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on delivery milestones; and information on any component completion report provided (contract level only).
19B(3)	Reporting of key deliverables including quantum of deliverables; a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price; a list of all payments exceeding the greater of £100,000 or 1% of the contract price; description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; and information on delivery milestones; and information on any component completion report provided (contract level only).
19C	Reporting of key deliverables including quantum of deliverables; an annual profile of any estimated costs for the contract or component (split by the defined pricing structure); an annual profile of the estimated amount of each cost recovery base set out in the contract reporting plan at the time of agreement; an annual profile of the actual costs (split by the defined pricing structure); an annual profile of the actual amount of each cost recovery base set out in the contract reporting plan; a quantified analysis of the causes of variance between the estimated price of the contract and the current estimated price; description of any events or circumstances that have had or are likely to have a material effect in relation to the contract price payable; information on any TCIF or FPA applicable; information on delivery milestones; a list of all payments exceeding the greater of £100,000 or 1% of the contract price; and information on any component completion report provided (contract level only).

Alternative pricing method	Contract and Component level Completion Report
19E	CCR as usual, except that cost recovery base information is substituted for competed rate information and no annual profiles of the estimated and actual costs (split by the defined pricing structure); no information on FPA or TCIF is applicable; and information on any component completion report provided (contract level only).

The contract costs statement for contracts using alternative pricing methods

- 4.43 Where a component completed more than 12 months before the expected contract completion date, a component level Contract Costs Statement (CCS) will be required within 12 months of the component completion date, in addition to the later CCS submission for the contract. There is no difference in the relevant information that needs to be reported between the contract and component level CCS.
- 4.44 The CCS reporting requirements for contracts and components using alternative pricing methods in respect of which costs and profits are not determined and identified separately for the purpose of pricing are different to those for contracts or components using the default pricing methods or alternative pricing methods in respect of which costs and profits are determined and identified separately for the purpose of pricing.
- 4.45 In cases where alternative pricing methods are used and in respect of which costs and profits are determined and identified separately for the purpose of pricing, the CCS is completed in the usual way consistent with the default pricing method. In cases where the contract or component uses alternative pricing methods in respect of which costs are not determined and identified separately for the purpose of pricing, the reporting requirements will need to be met through an attachment to the CCS submission and are required to include:
- a. an annual profile of the actual price (including actual competed rates and volumes where applicable); and
 - b. an explanation of any variance between the total estimated price and the actual total price payable.

5. DefCARS developments

- 5.1 The reporting approach will use, for the most part, the same suite of reports and report pages that are currently used for submissions. System changes have been prioritised that will allow for component level reporting and facilitate structured reporting for the vast majority of contracts. The guidance will explain where changes are intended to be made in the future, including for example, where field names should for now be taken to represent information that is required for both 'the contract or component,'.
- 5.2 Modifications which are being made to DefCARS pages to allow for the updated reporting requirements are set out in Table 12.

Table 12 – Modifications to DefCARS pages

DefCARS page name	Modification required?	Notes
Report submission admin	✘	<p>No change to page. Field names will apply to contract or component.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any component level information.</p>
Contract	✔	<p>A new field allowing a contractor to report 'value' will be included in the page, but this need only be completed when submitting a CRP (or OD CRP) for either contract or component level information. The 'total price committed to pay' field only applies at contract level.</p> <p>Contract type field will remain as 'QDC, QDC by amendment, or QSC'. When completing component level information, the contractor will need to select the relevant type as per the contract level report, either as QDC or QSC. The 'by amendment' category is not applicable for component level reporting. Therefore where the contract type in a contract level report is QDC or QDC by amendment the contractor should only select 'QDC' when reporting component level information. Where the contract type is QSC in a contract level report, the contractor should select QSC when reporting component level information.</p> <p>Field names will apply to contract or component level information. For example, 'contract entered into' date should be read as 'component or contract entered into' date. The field 'latest pricing amendment' date must remain blank when reporting component level information.</p>

DefCARS page name	Modification required?	Notes
		<p>The eight red validation errors on this page remain applicable for component level information and so will not be amended. No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any component.</p>
Reporting plan	✓	<p>The Yes/No button and automatic calculation of the QCR dates will remain, however the automatically populated date fields will be editable in the plan to allow contractors to report QCR submission dates in circumstances where the submissions are not made quarterly.</p> <p>The automatic calculation of the CCR and CCS dates will remain, however the automatically populated date fields will be editable to allow contractors to ensure completion report dates that are different as between the contract and component level information can be identified.</p> <p>Field names will apply to contracts or components. For example, 'date contract became a QDC/QSC' should be read as 'date contract or component was entered into'.</p> <p>The ability to add due dates for on-demand requests for component level information will remain applicable.</p> <p>The single red validation error on this page remains applicable for component level information and so will not be amended. No change is required to existing amber validation warnings, however these should be ignored if flagged when not applicable for any component level report.</p>
Profit	✓	<p>The step numbering from the profit calculation will be removed as the current steps 3 and 4 will not be applicable for contracts entered into from 1 April 2024, but will need to remain for contracts entered into prior to 1 April 2024. Contractors will need to leave these fields blank in future for new contracts / components.</p> <p>At contract level, this page will remain as an overall contract summary. Contractors will need to take the following approach:</p>

DefCARS page name	Modification required?	Notes
		<ul style="list-style-type: none"> • Select relevant statutory guidance from dropdown. If more than one set of guidance applies across the contract then the most recent guidance used should be selected and an explanation provided; • Complete total allowable costs for all components using a default pricing method, and leave field blank for any contract priced entirely with alternatively priced component(s) where costs are indistinguishable from profits; • Complete total risk contingency included in the allowable costs for all components using the default pricing methods, and leave field blank for any contract priced entirely with alternatively priced component(s) where costs are indistinguishable from profits; • Select applicable BPR from the dropdown where one rate applies to the whole contract and only default pricing methods are used, or select 'other' and leave field blank where there are multiple BPRs because there are a number of components with a distinct BPR or for any contract priced entirely with alternatively priced component(s) where costs are indistinguishable from profits or where a combination of default and alternative pricing methods have been used; • Complete applicable CRA where one rate applies to the whole contract and only default pricing methods are used. Leave field blank where there are multiple CRAs because of a number of components with a distinct CRA or for any contract priced entirely with alternatively priced component(s) where costs are indistinguishable from profits) or where a combination of default and alternative pricing methods have been used; • POCO - leave blank for contracts entered into after 1 April 2024 or where a contract has a component entered into after 1 April 2024; • SSRO funding adjustment - leave blank for contracts entered into after 1 April 2024 or where a contract has a component entered into after 1 April 2024;

DefCARS page name	Modification required?	Notes
		<ul style="list-style-type: none"> • Complete applicable IA where one rate applies to the whole contract and only default pricing methods are used. Leave field blank where there are multiple IAs because of a number of components with a distinct IA or for any contract priced entirely with alternatively priced component(s) where costs are indistinguishable from profits or where a combination of default and alternative pricing methods have been used; • Complete applicable CSA where one rate applies to the whole contract and only default pricing methods are used. Leave field blank where there are multiple CSAs because of a number of components with a distinct CSA or for any contract priced entirely with alternatively priced component(s) where costs are indistinguishable from profits or where a combination of default and alternative pricing methods have been used; • CPR - % and £m value will be auto calculated for the contracts which use a single default pricing method. Contractors should overwrite the CPR % for the total % in relation to all components using the default pricing methods where there are multiple distinct CPRs across components and also attach a calculation for the overwritten CPR %; • The existing field 'the total contract price', which derives from the Allowable Costs x CPR formula is to be renamed 'sub-total contract price derived from default pricing method' and will be auto-calculated based on the information completed above; • A new field will be added named 'alternative price' which will allow the contractor to input the total price in £m for any alternative price component(s) or alternatively priced contract where costs are indistinguishable from profits. Contractors should leave blank if all components use the default pricing method;

DefCARS page name	Modification required?	Notes
		<ul style="list-style-type: none"> • A new field will be added called '19G aggregation of components'. Contractors are to input the total amount in £m for the total CRA or IA adjustment at contract level (excluding any amount taken account of using the default pricing methods) and attach a calculation to explain how these additional amounts have been calculated. Leave field blank if not applicable or if costs are indistinguishable from profits; and • A new field will be added named 'total contract or component price' which will auto sum the sub-total contract price derived from 'default pricing method', the '19G aggregation of components' and the 'alternative price' fields to give total contract price. This should reconcile to the total contract price reported on the contract page of DefCARS. <p>For component level information, contractors will need to take the following approach:</p> <ul style="list-style-type: none"> • Select relevant statutory guidance from dropdown; • Complete total allowable costs if the component uses a default pricing method. Leave field blank for any alternatively priced component where costs are indistinguishable from profits; • Complete total risk contingency included in the allowable costs if the component uses the default pricing method. Leave field blank for any alternatively priced component where costs are indistinguishable from profits; • Complete applicable BPR from the dropdown. Select 'other' and leave field blank for any alternatively priced component where costs are indistinguishable from profits; • Complete applicable CRA. Leave field blank for any alternatively priced component where costs are indistinguishable from profits; • POCO - leave blank for component level information entered into after 1 April 2024; • SSRO funding adjustment - leave blank for component level information entered into after 1 April 2024;

DefCARS page name	Modification required?	Notes
		<ul style="list-style-type: none"> • Complete applicable IA. Leave field blank for any alternatively priced component where costs are indistinguishable from profits; • Complete applicable CSA (and complete the SSRO CSA calculator). Leave field blank for any alternatively priced component where costs are indistinguishable from profits; • CPR - % and £m value will be auto calculated for the component; • The field 'the total contract price', which derives from the Allowable Costs x CPR formula is to be renamed 'sub-total contract price derived from default pricing method' and will be auto calculated; • New field 'alternative price' which will allow the contractor to input the total price in £m for an alternative price component where costs are indistinguishable from profits. Leave blank if component uses a default pricing method; • New field '19G aggregation of components' – leave blank for the component; and • New 'total contract or component price' field which will auto sum to give total component price. This should reconcile to the total component price reported on the contract page of DefCARS. <p>Field names will apply to contracts and components, for example contract profit rate should be read as contract or component profit rate.</p> <p>There will be an additional amendment to an amber validation warning to now compare the new 'total contract or component price' field to the 'total contract price' field in the contract page. No changes will be made to any other existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level information.</p>

DefCARS page name	Modification required?	Notes
Pricing method breakdown	✓	<p>New fields will be added to allow the contractor to add the alternative price method amounts to this page:</p> <ul style="list-style-type: none"> • Commercial pricing • Prices determined in accordance with law • Previously agreed price • Novated contract price • Competed rates applied to uncompleted volumes • Agreed changes to the contract profit rate • Aggregation of components <p>At contract level, this will be for all applicable pricing methods, including any contract level adjustment made for the CRA and IA. At the component level it will be for the individual component only. In both cases, the total should sum to the total price reported in the contract page.</p> <p>No change to existing amber validation warnings.</p>
DPS inputs & DPS input values	✗	<p>No change to these pages. Where a DPS breakdown is not applicable, no DPS input needs to be selected.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Summary analysis of price	✗	<p>No change to this page. Where a summary analysis of price is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Cost recovery rates	✗	<p>No change to this page. Where cost recovery rates are not applicable, the page need not be completed. In cases where competed rates are applied to uncompleted volumes, contractors can use the existing “name of the cost recovery rate” column to describe the competed rate and enter the amount in the rate column for each year.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>

DefCARS page name	Modification required?	Notes
Cost breakdown	x	<p>No change to this page. Where an allowable cost breakdown not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Assumptions	✓	<p>We plan to add new categories 'alternative pricing – input assumption' and 'alternative pricing-calculation' to the existing drop down information categories to allow the contractor to add assumption information in relation to:</p> <ul style="list-style-type: none"> • Commercial pricing • Prices determined in accordance with law • Previously agreed price • Novated contract price • Competed rates applied to uncompleted volumes • Agreed changes to the contract profit rate • Aggregation of components <p>No change to existing amber validation warnings.</p>
Assumptions inflation	x	No change to this page. 'No' can still be selected from the 'Yes/No' selection if the information is not applicable.
Assumptions exchange rates	x	No change to this page. 'No' can still be selected from the 'Yes/No' selection if the information is not applicable.
Subcontracts	x	No change to this page. 'No' can still be selected from the 'Yes/No' selection if the information is not applicable.
Payments	x	<p>No change to this page. 'No' can still be selected from the 'Yes/No' selection if the information is not applicable for significant payments.</p> <p>The annual profile of payments can still be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>

DefCARS page name	Modification required?	Notes
Key deliverables	x	<p>No change to this page. Where an output metric is not applicable, that element of the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Milestones	x	<p>No change to this page. 'No' can still be selected from the 'Yes/No' selection if the information is not applicable.</p>
Analysis of cost by supplier breakdown - estimated	x	<p>No change to this page. Where the analysis of cost is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Actual and forecast DPS input values	x	<p>No change to this page. Where the analysis of cost by DPS is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Actual and forecast analysis of cost	x	<p>No change to this page. Where the analysis of cost is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Actual and forecast price summary	x	<p>No change to this page. Where the analysis of cost by DPS is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Cost recovery bases	x	<p>No change to this page. Where the analysis of cost recovery bases is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>

DefCARS page name	Modification required?	Notes
Actual and forecast cost recovery bases	✘	<p>No change to this page. Where the analysis of cost recovery bases is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Quarter	✘	<p>No change to this page. Where the analysis of cost by quarter is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Variance, events and circumstances	✔	<p>Where the analysis of variances, events and circumstances is not applicable, the page need not be completed.</p> <p>Additional fields to be added to the page for the reporting of price variance in cases where the costs are indistinguishable from profits, and this will perform two functions - Variance calculation and variance explanation:</p> <ul style="list-style-type: none"> • Previous price estimate – contractor input field • Current price estimate - contractor input field • Total variance – auto-calculated <p>The contractor will need to explain the variance via an attachment. In some reports this needs to be 90 per cent of the variance and in others it needs to be 100 per cent.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>
Final payments	✘	<p>No change to this page. Where the analysis of final payments is not applicable, the page need not be completed.</p> <p>No change to existing amber validation warnings, however these should be ignored if flagged when not applicable for any contract or component level report.</p>

6. Changes impacting reports submitted under Part 6 of the Regulations

- 6.1 Schedule 10 of the Procurement Act amends section 25 of the Defence Reform Act to introduce two changes that impact reports submitted under Part 6 of the Regulations (supplier reports). The first relates to the definition of a designated person, which requires amendment to first be made to the Regulations to enable it, which we expect to be made in the future. The Secretary of State and an ultimate parent undertaking (UPU) will be able to agree that the designated person can be a person who is not the UPU.
- 6.2 The second amendment changes the definition of a financial year in relation to supplier report information. A financial year will be a year beginning on 1 April, or a year beginning with such other date as may be agreed between the Secretary of State and a designated person.
- 6.3 There are no changes to the Regulations which impact the general reporting requirements from 1 April 2024 in the individual reports under Part 6. There are expected to be changes made at a later date which will impact supplier reports as part of the MOD's tranche two legislative changes. A change has, however, been made to the Regulations to amend the value of contracts which is to be taken into consideration when determining whether a Qualifying Business Unit (QBU) exists. Any part of a contract, the price of which was determined in accordance with a contract pricing method under which costs are indistinguishable from profits, is to be disregarded when considering whether the ongoing contract condition is met in relation to a financial year.
- 6.4 The supplier reporting guidance will be updated to clarify the definitions in relation to:
- Financial Year;
 - Relevant Financial Year; and
 - Calculating the threshold contract value for meeting the on-going contract condition.
- 6.5 The example scenarios in the guidance detailing the report submission due dates will also be updated to include the scenario where the financial year and the contractor's accounting period align.
- 6.6 No changes will be made to DefCARS. Contractors will need to select the Relevant Financial Year in the 'report submission admin' page that most closely aligns with the report information being submitted, ensure this is sequential to the year last selected for submission if applicable, and will need to leave a comment to explain the dates agreed as the financial year.

7. Other minor guidance changes

7.1 The SSRO is taking the opportunity as part of this consultation to make stakeholders aware of some minor and uncontroversial changes it has made to its reporting guidance in the version which will include the substantive changes on which we are consulting. These changes have been identified based on issues communicated by stakeholders or where the SSRO has considered that the additional clarification would be helpful. Table 13 explains the key changes which have been made.

Table 13 – Key minor and uncontroversial changes to contract reporting guidance

Topic	Brief description of change
Reporting of sub-contracts	Contractors are not always clear whether a purchase order constitutes a sub-contract which needs to be separately identified in contract reports if it has a value which exceeds £1 million. We have provided additional guidance to help make this clearer.
QSC assessments	The SSRO has published a response to a question on this topic on 6 February 2024 and the same guidance has been incorporated into the contract reporting guidance.
ICR due dates	When contracts are amended and as a result there is a new contract completion date, depending on when a contractor updates DefCARS to reflect this change, ICR due dates in the past may be added to the Contract Reporting Plan which are not required. This issue and the steps to take have been included in the contract reporting guidance.
CEO details	Contractors sometimes query why they have to provide Chief Executive details when submitting each contract report. We have clarified that this is not a legislative reporting requirement and therefore can be ignored.
DefCARS 1 data	We have removed reference to data which was submitted in the original DefCARS system being migrated to the current system.

8. Update to our compliance and review methodology

- 8.1 The SSRO's [compliance and review methodology](#) (the methodology) identifies how the SSRO exercises its function, under section 36(2) of the Act, to keep under review the extent to which persons subject to reporting requirements are complying with them.
- 8.2 Our approach to date has:
- helped to improve the quality of data held within DefCARS. We initially focused on detailed reporting requirements and more recently have been focusing on unresolved DefCARS validation warnings;
 - led to a greater level of MOD reviews of both contract and supplier reports. While there is still work to do with respect to contract reports, which we continue to engage with the MOD on, the level and detail of supplier report reviews by the MOD has meant that the SSRO has been able to take a less prominent role;
 - led to a more developed assessment of the quality of submissions, which we continue to advance, by producing compliance management information for both the MOD and contractors to accompany our quality assessments;
 - allowed for both targeted or thematic reviews to be undertaken on individual submissions or across a range of submissions. These have benefitted MOD teams undertaking reviews and have also been summarised in our compliance reports; and
 - led to a summarised level of compliance information being published, as well as presentation of key findings at the Reporting & IT sub-group, provision of findings to interested MOD contacts, and dissemination of key findings to senior management within the MOD.
- 8.3 The amendments to the legislation to which contractors will need to adhere, alongside the increasing number of QDC / QSC reports submitted year on year will impact the SSRO's ability to continue to review each submission, and need to be considered to ensure a compliance approach that is fit for purpose, proportionate, and specifically allows for contractors to become familiar with the new reporting requirements.
- 8.4 We are therefore proposing to update the compliance methodology, taking effect from 1 April 2024, to allow future flexibility in the SSRO's methodology for the quality and timeliness KPIs. We intend to allow for:
- our timeliness indicator to continue to be based on supplier report submissions and contract level submissions but to also include the new component completion report submissions;

- our quality KPI calculations to be initially based on contract level data in contract reports and supplier report submissions, including the new component completion report submissions but excluding any other component level information included in contract reports. As familiarity grows with the updated reporting requirements, the KPI calculation will be adjusted to take into account component level information in the future; and
- flexibility so that the quality KPI can be focused in the future on the reviews undertaken by the MOD only. In any one year, the SSRO may undertake its own supplementary reviews. Additionally, the SSRO undertakes additional Targeted or Thematic reviews, but these would not count towards the KPI.

8.5 The relevant parts of the methodology that would be updated are set out in Table 14.

Table 14 – Updates to the compliance methodology

Paragraph	From	To
2.2	<p>It is helpful to have some broad measures of whether reporting requirements are being met that can be monitored over time. There are three key performance indicators that the SSRO will apply when measuring compliance against statutory reporting requirements:</p> <p>1a) “All required reports have been submitted within the relevant deadlines”;</p> <p>2a) “Reporting obligations have been met first time for all reports submitted, in accordance with the Regulations and relevant statutory guidance”; and</p> <p>2b) “Reporting obligations have been met either first time or in subsequent submissions for all reports submitted, in accordance with the Regulations and relevant statutory guidance”.</p>	<p>It is helpful to have some broad measures of whether reporting requirements are being met that can be monitored over time. There are three key performance indicators that the SSRO will apply when measuring compliance against statutory reporting requirements:</p> <p>1a) “All required reports have been submitted within the relevant deadlines”;</p> <p>2a) “Where reviewed, reporting obligations have been met first time for reports submitted, in accordance with the Regulations and relevant statutory guidance”; and</p> <p>2b) “Where reviewed, reporting obligations have been met either first time or in subsequent submissions for reports submitted, in accordance with the Regulations and relevant statutory guidance”.</p>

Paragraph	From	To
3.1	The SSRO will examine report submissions made by contractors on DefCARS to identify whether reporting requirements are being met. This review will consider the timeliness of each submission and whether it contains the information prescribed in the Regulations. We will also consider whether a report is consistent with statutory guidance issued by the SSRO.	The SSRO will examine report submissions made by contractors on DefCARS to identify whether reporting requirements are being met. This review will consider the timeliness of submissions and, where reviewed, whether they contain the information prescribed in the Regulations. We will also consider whether a report is consistent with statutory guidance issued by the SSRO.

9. Timetable

- 9.1 The SSRO is issuing this consultation document in advance of the reporting requirements changing on 1 April 2024 and in advance of providing the detailed changes to reporting guidance. The detailed reporting guidance changes will be issued as soon as possible and no later than 25 March. Further iterations of our reporting guidance will be issued in response to this and future consultations, but not before 1 October 2024. There are two workshops planned during the consultation period. The first will set out the key reporting changes and the second will enable stakeholders to ask questions on the guidance proposals to inform their responses. Our timetable is set out below in Table 15.

Table 15 – Current development timetable

Activity	Deadline
Issue consultation document	19 February 2024
Stakeholder workshop 1	12 March 2024
Issue reporting guidance changes	25 March 2024
First set of reporting requirement changes live	1 April 2024
Stakeholder workshop 2	8 May 2024
Consultation ends	28 June 2024
Work through consultation responses, any required reporting guidance changes and potential DefCARS developments post consultation and in response to further legislative changes, if appropriate.	July - September 2024
Issue revised reporting guidance post consultation	1 October 2024
Second set of report requirement changes live	1 October 2024

10. Consultation questions

- 10.1 The SSRO is not consulting on the legislative changes which the MOD has introduced. Instead, we seek views on the changes to our reporting guidance and how DefCARS will be used to capture information. We welcome responses to the following consultation questions:
- Does this document adequately explain how contractors are likely to be impacted by the changes to the reporting requirements which have been made by the MOD? If not, what are your main concerns?
 - Do you understand how component information will need to be reported within DefCARS? If not, what are your main concerns?
 - Do you understand the changes to reporting guidance which are being proposed? If not, what are your main concerns?
 - Do you have any concerns about how you will be able to meet your reporting requirements going forward that could be alleviated through updates to the guidance or DefCARS? Please explain what these are.
 - Do you have any comments on the proposals in relation to our update of the compliance methodology? Please say whether you agree or disagree with the different aspects of the proposals.
- 10.2 Consultees are not required to answer all the questions if they are only interested in some aspects of the consultation.
- 10.3 A consultation response form containing these questions has been published alongside this consultation document on the SSRO's website. Completed response forms should be sent:
- by email, including arranging an appointment to speak to the SSRO about the consultation to: consultations@ssro.gov.uk (preferred).
 - by post to: Review of legislation reporting review consultation, SSRO, G51/G52, 100 Parliament Street, London, SW1A 2BQ.
 - by telephone, including arranging an appointment to speak to the SSRO about the consultation: 020 3771 4767.
- 10.4 Responses to the consultation should be received by 28 June 2024. Responses received after this date may not be taken into account.
- 10.5 The SSRO also welcomes the opportunity to meet with stakeholders to discuss the proposals during the consultation period, either as part of the consultations workshops or as separate discussions. If you wish to arrange individual discussions, please contact akhlaq.shah@ssro.gov.uk.
- 10.6 In the interests of transparency for all stakeholders, the SSRO's preferred practice is to publish responses to its consultations, in full or in summary form. Respondents are asked to confirm in the response form whether they consent to their response being published and to the attribution of comments made. Where consent is not provided comments will only be published in an anonymised form.

10.7 Stakeholders' attention is drawn to the following SSRO policy statements, available on its web site, setting out how it handles the confidential, commercially sensitive and personal information it receives and how it meets its obligations under the Defence Reform Act 2014, the Freedom of Information Act 2000, the UK General Data Protection Regulation and the Data Protection Act 2018.

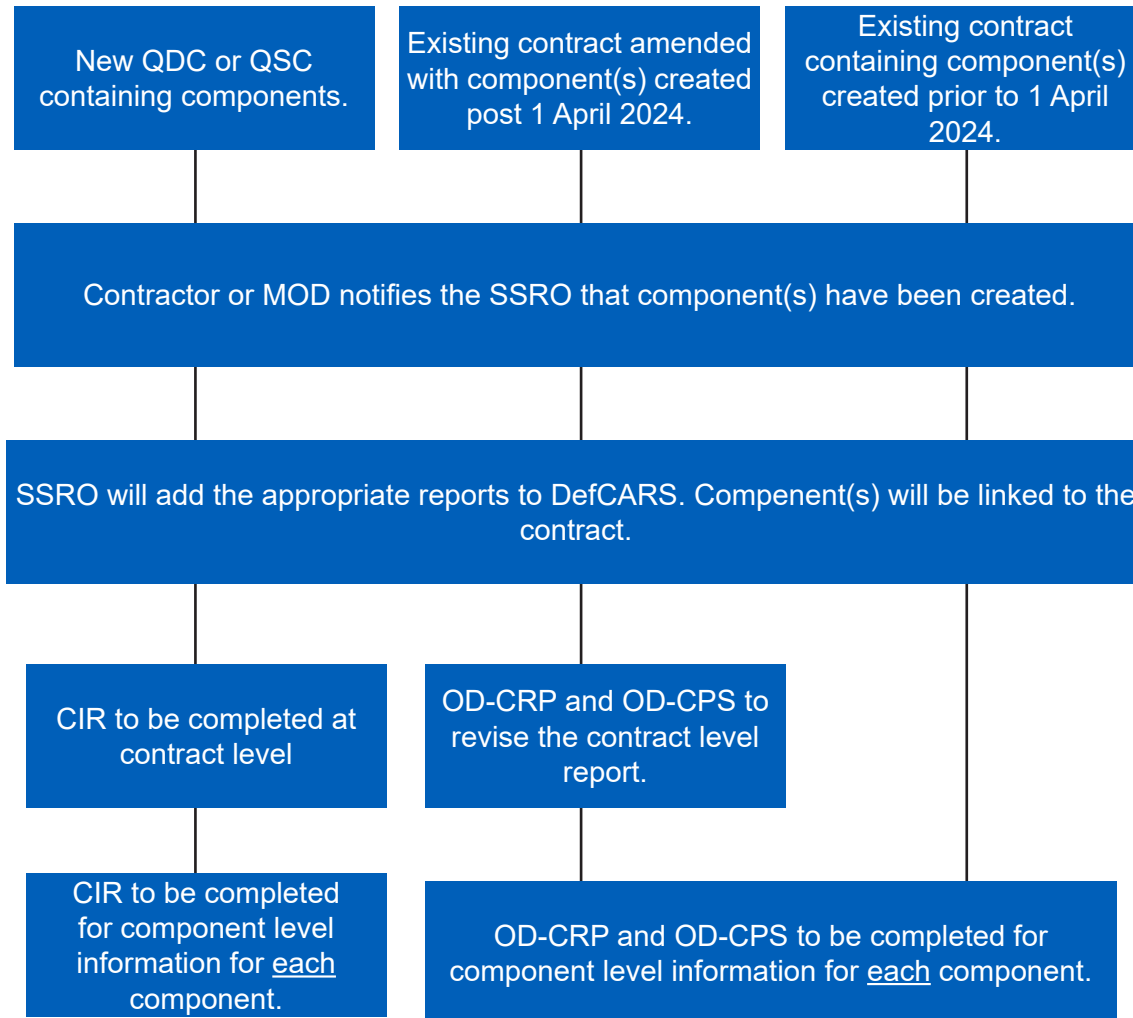
- The Single Source Regulations Office: Handling of Commercially Sensitive Information¹; and
- The Single Source Regulations Office: Our Personal Information Charter.²

1 <https://www.gov.uk/government/news/handling-commercially-sensitive-information>

2 <https://www.gov.uk/government/organisations/single-source-regulations-office/about/personalinformation-charter>

Appendix 1- Actions to report the creation of a component

Comments



There are three different scenarios where component(s) reporting is required.

New QDCs and QSCs and their component(s) must be reported through the submission of contract and component level information within one month of the contract being entered into.

Where an existing contract is amended and the amendment value is £10 million or greater, contract and component level information must be submitted within one month of the amendment. If below £10m, contract and component level information must be submitted at the same time as the next scheduled update or completion report.

The SSRO will need to know which contract the component(s) relate to along with other basic information.

Upon receiving the required information, the SSRO will make available the required reports in DefCARS within 1 to 2 working days. Component level information will be linked to the contract level report through a specified naming convention.

Contract level reporting

Create or revise CIR in DefCARS where necessary.

Component level reporting

Provide component reporting requirements in DefCARS including information about when component information will be updated during the contractual duration.

Example scenario 1

New QDC or QSC entered into post 1 April 2024.

A contractor enters a new QDC that has a total contract price of £80m. £40m of the contract is priced using one of the default pricing methods and the other £40m is priced using an alternative pricing method. This contract contains two components with two different pricing methods.

Contractor or MOD notifies the SSRO that component(s) have been created.

The contractor contacts the SSRO Helpdesk to inform the SSRO that they have entered into a new QDC that contains two different components of the contract price and provides the basic notification information required by the SSRO.

SSRO will add the appropriate reports to DefCARS. Component(s) will be linked to the contract.

The SSRO creates three suites of reports in DefCARS, one for contract level information and two for the component level information. The Component level information will be linked to the contract level report through a specified naming convention.

CIR to be completed at contract level

The CIR at the contract level must be submitted within one month of the contract being entered into.

CIR to be completed for each component of the contract.

Component level information is separately identified via a CIR for each component which is to be submitted within one month of the contract being entered into.

Example scenario 2a

Existing contract amended with component(s) created post 1 April 2024.

A contractor has a QDC that contains one pricing method and one Contract Profit Rate. Post 1 April 2024 a contract amendment is priced at £40m. Although the additional scope in the amendment is under the same default pricing method as the contract, the Contract Profit Rate is different. This contract now contains two components with two different contract profit rates.

Contractor or MOD notifies the SSRO that component(s) have been created.

The contractor contacts the SSRO Helpdesk to inform the SSRO that they have entered into an amendment under the contract which has created two different components of the contract price and provides the basic notification information required by the SSRO.

SSRO will add the appropriate reports to DefCARS. Component(s) will be linked to the contract.

The SSRO create two extra suites of reports in DefCARS which will be linked to the existing contract through a specified naming convention.

OD-CRP and OD-CPS to revise the contract level report.

The OD-CRP and OD-CPS reports at the contract level must be submitted within one month of the amendment being entered into.

OD-CRP and OD-CPS to be completed for each component of the contract.

The two remaining sets of OD-CRP and OD-CPS reports are for each component that must also be submitted within one month of the amendment being entered into.

Contractor or MOD notifies the SSRO that component(s) have been created.

The contractor contacts the SSRO Helpdesk to inform the SSRO that they have entered into an amendment under the contract which has created two different components of the contract price and provides the basic notification information required by the SSRO.

SSRO will add the appropriate reports to DefCARS. Component(s) will be linked to the contract.

The SSRO creates two extra suites of reports in DefCARS which will be linked to the existing contract through a specified naming convention.

OD-CRP and OD-CPS to review the contract level report.

The OD-CRP and OD-CPS reports at the contract level must be submitted at the same time as the next scheduled contract update or completion report.

OD-CRP and OD-CPS to be completed for each component of the contract.

The two remaining sets of OD-CRP and OD-CPS reports for each component must also be submitted at the same time as the next scheduled contract update or completion report.

Example scenario 3 (see paragraph 4.8 above)

A contractor has an existing QDC that was entered into prior to 1 April 2024. At the time of agreement, the parties priced the contract using different regulated pricing methods for defined components of the contract. One component uses the firm pricing method and the other uses the target pricing method.

The requirements of the final price adjustment apply only to the firm priced component, and therefore it is necessary to report this separately to the component using the target pricing method. The same would apply where defined components of the contract are determined by the fixed or volume-driven pricing methods. The contractor contacts the SSRO Helpdesk to inform the SSRO that they have an existing QDC that contains two different components of the contract price and provides the basic notification information required by the SSRO.

The SSRO creates two extra suites of reports in DefCARS which will be linked to the existing contract through a specified naming convention.

The two sets of OD-CRP and OD-CPS reports for each component must be submitted at the same time as the next scheduled contract update or completion report. No additional reports are required at the contract level.

