



Single Source
Regulations Office

Quarterly qualifying defence contract statistics: Q1 2024/25

29 August 2024

This bulletin presents key statistics relating to the number, duration and estimated price, costs and profit of qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs) that became QDCs/QSCs between 1 April 2024 and 30 June 2024. Data is also presented since 1 April 2015, the start of the financial year in which contract reports were first submitted.

The SSRO was notified of 689 contracts that became QDCs/QSCs between 1 April 2015 and 30 June 2024. This analysis is based on 638 contracts that became QDCs/QSCs by 30 June 2024, and for which the SSRO received contract reports by 31 July 2024, as contractors have one month after the date the contract becomes a QDC/QSC to submit reports.

The analysis is based on data taken from reports submitted by the contractors for each QDC/QSC as of 31 July 2024. The data may be updated or changed in subsequent reports and may not reflect values at contract completion. Where any figures have been revised from those previously published, this is denoted by an 'r'.

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

Summary

In the three months between 1 April 2024 and 30 June 2024:

- Seven contracts became QDCs, and nine contracts became QSCs.
- The total estimated contract price was £0.2 billion (£0.18 billion of estimated Allowable Costs and £0.02 billion of estimated profit).

Since the start of the regime, between 1 April 2015 and 30 June 2024:

- 638 contracts became QDCs/QSCs (536 QDCs and 102 QSCs).
- The total estimated contract price was £105.8 billion (£97.1 billion of estimated Allowable Costs, £8.8 billion of estimated profit).
- The mean estimated contract profit rate of QDCs/QSCs was 9.46 per cent¹.
- The mean estimated contract duration of QDCs/QSCs was 4.9 years.

¹ Six QDCs have been excluded from the profit rate analysis. See the *Notes to the Statistics: Profit* section for more information about why these are excluded.

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

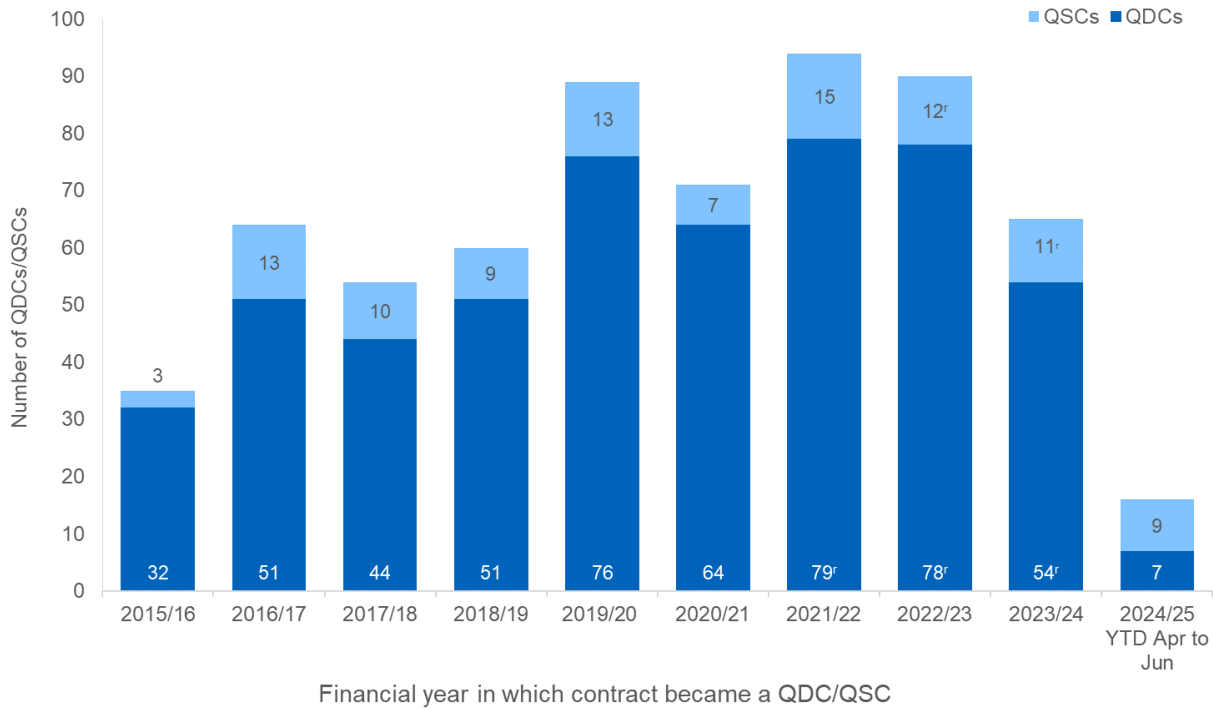
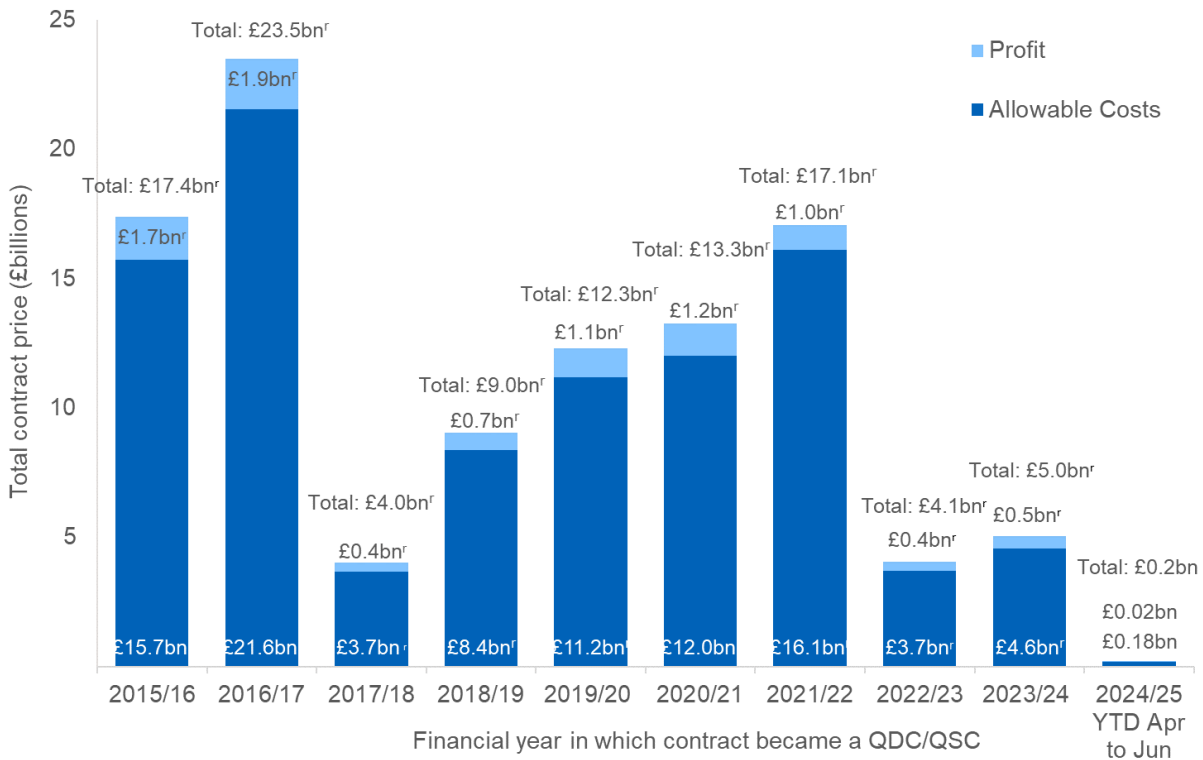


Figure 2: Estimated stock of total contract price of QDCs/QSCs by financial year in which contract became a QDC/QSC, split by estimated cost and profit²



² From 1 April 2024, contracts or components of contracts can use alternative pricing methods where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in the statistics on contract price.

Table 1: Number of QDCs/QSCs by financial year in which contract became QDC/QSC³

Financial year in which contract became a QDC/QSC	QDCs	QSCs	Total
2015/16	32	3	35
2016/17	51	13	64
2017/18	44	10	54
2018/19	51	9	60
2019/20	76	13	89
2020/21	64	7	71
2021/22	79 r	15	94 r
2022/23	78 r	12 r	90
2023/24	54 r	11 r	65 r
2024/25 YTD Apr to Jun	7	9	16
Total	536	102	638

Table 2: Estimated stock of total contract price of QDCs/QSCs by financial year in which contract became a QDC/QSC, split by estimated cost and profit⁴⁵⁶

Financial year in which contract became a QDC/QSC	Allowable Costs (£m)	Profit (£m)	Total Contract Price (£m)
2015/16	15,718 r	1,666 r	17,384 r
2016/17	21,562 r	1,928 r	23,490 r
2017/18	3,655 r	361 r	4,016 r
2018/19	8,371 r	664 r	9,034 r
2019/20	11,181 r	1,117 r	12,298 r
2020/21	12,029 r	1,230 r	13,259 r
2021/22	16,102 r	963 r	17,065 r
2022/23	3,698 r	349 r	4,048 r
2023/24	4,569 r	467 r	5,036 r
2024/25 YTD Apr to Jun	179	16	195
Total	97,065	8,761	105,825

³ For a further breakdown of the number and contract price of QDCs/QSCs by financial quarter, please refer to the accompanying databook.

⁴ Calculating the percentage of profit on total Allowable Costs using these figures would represent the cost weighted average profit rate. This differs from the average (mean) estimated profit rate reported in Table 3.

⁵ Data is based on 638 QDCs/QSCs.

⁶ From 1 April 2024, contracts or components of contracts can use alternative pricing methods where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in the statistics on contract price.

Table 3: Average (mean) estimated contract profit rate agreed at the latest time of agreement by financial year in which contract became a QDC/QSC⁷⁸

Financial year in which a contract became a QDC/QSC	Average contract profit rate (%)
2015/16	10.86
2016/17	10.56
2017/18	8.45
2018/19	8.39
2019/20	9.03
2020/21	9.55
2021/22	9.57 r
2022/23	9.52 r
2023/24	9.91 r
2024/25 YTD Apr to Jun	8.74
Total	9.46

Table 4: Average (mean) estimated contract duration⁹ of QDCs/QSCs by financial year in which contract became a QDC/QSC

Financial year in which contract became a QDC/QSC	Average duration (years)
2015/16	6.3
2016/17	6.4
2017/18	5.9
2018/19	5.7 r
2019/20	5.0 r
2020/21	4.8 r
2021/22	4.4
2022/23	3.9 r
2023/24	3.4 r
2024/25 YTD Apr to Jun	2.1
Total	4.9

⁷ Six QDCs/QSCs have been excluded from this analysis. The analysis is based on 632 QDCs/QSCs. Please see the *Notes to the Statistics: Profit section* for explanations of why they have been excluded.

⁸ From 1 April 2024, contracts or components of contracts can use alternative pricing methods where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in the statistics on contract profit rates.

⁹ The estimated contract duration presented is the time between the date the contract became a QDC/QSC, and the expected, or actual where available, contract completion date. Analysis is based on 638 QDCs/QSCs.

Notes to the statistics

Data source

The data in this bulletin is reported by defence contractors to the SSRO through contract reports, as required by Part 5 of the Single Source Contract Regulations 2014. It is sourced from contract reports submitted to the SSRO by contractors and collated in the Defence Contract Analysis and Reporting System (DefCARS). The individual contract reports used in each statistic in the bulletin are described in the methodology below. For further information about the data used, the **SSRO's reporting guidance** for these reports is available on the SSRO's website.

Methodology

The analysis reports on all contracts which became QDCs/QSCs between 1 April 2015 and 30 June 2024, and that have submitted reports on or before 31 July 2024. This means the majority of data presented relates to active contracts but data for a small proportion of completed contracts are also included. Please refer to the **Annual qualifying defence contract statistics: 2023/24** for more information on how many contracts have completed. Data for both QDCs and QSCs are included in these statistics, and are reported separately where specified. Some QDCs/QSCs are framework contracts, with the individual contracts let under those framework contracts (sometimes referred to as call-off contracts, tasks, or orders) also being QDCs/QSCs, and so will be counted as separate QDCs/QSCs within the statistics.

All time-series data is reported using the date a contract became a QDC/QSC (the initial reporting date¹⁰), unless otherwise specified. Defence contractors are required to submit their initial contract reports within a month of this date. This statistical bulletin reports on the latest agreed position for each QDC/QSC.

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

Number and duration

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

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

Price

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

¹⁰ Either the date the contract was entered into, or if it is a contract brought into the regime following an amendment, the date of the amendment.

Statement, Contract Notification Report, Quarterly Contract Report, Interim Contract Report or Contract Completion Report. Contracts may be excluded from the analysis due to data quality issues with the data provided.

The total price of all contracts in these statistics includes the price of all QDCs and QSCs, meaning that QSC prices are counted both within the 'parent' QDC price and separately, representing the total price of all contracts subject to the Single Source Contract Regulations. This is similar for framework contracts that are QDCs/QSCs, where the price of each QDC/QSC contract let under the framework is included in addition to the overall framework QDC/QSC.

From 1 April 2024, contracts or components of contracts can use alternative pricing methods where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in the statistics on contract price. If a contract uses a combination of alternative pricing and default pricing methods, the default priced component is still included in the statistics on contract price. The SSRO will continue to monitor the use of alternative pricing in contracts, and may include these in future statistical bulletins.

Profit

The contract profit rate data is sourced from the latest available Contract Pricing Statement. The contract profit rate statistic presented in Table 3 reflects the agreed position at the latest time of agreement (either the date the contract became a QDC/QSC, or the date of the latest pricing amendment if an on-demand Contract Pricing Statement has been received) and does not necessarily represent the profit that will be achieved once the contract is complete. This may differ from the profit information reported in Figure 2, which can be sourced from more up-to-date reports.

The mean contract profit rates are an arithmetic mean of the contract profit rates reported for QDCs/QSCs within that financial year. Contracts that have agreed the government owned contractor rate (GOCR) with the MOD have been excluded from the average contract profit rate calculations, as have contracts that did not provide any profit rate data, or where there were data quality issues with the data provided.

From 1 April 2024, contracts or components of contracts can use alternative pricing methods where costs and profits are not determined and identified separately for the purposes of pricing the contract. Contracts or components which cannot separate costs and profit are not currently included in the statistics on contract profit rates. If a contract uses a combination of alternative pricing and default pricing methods, the default priced component is still included in the statistics on contract profit rate.

Data quality

Accuracy and reliability

The estimated contract prices, costs, duration and profit rates reported are those used for contract pricing purposes and may not reflect the outturn costs and profit of the contract once it is completed. Where a contract has submitted a Contract Completion Report, the estimated price, cost and profit rate reported in all analysis are still the estimates as at the latest time of agreement, rather than the outturn costs and profits. The **Annual qualifying defence contract statistics: 2023/24 bulletin** includes data on the outturn costs and profits in completed contracts.

The SSRO monitors the extent to which report submissions comply with the reporting requirements under Section 36(2) of the Single Source Contract Regulations. The **SSRO Annual Compliance Report 2023** provides details on the data quality of report submissions with respect to the extent

they comply with the reporting requirements. The SSRO's compliance review function does not involve providing assurance that individual contracts have been priced in accordance with statutory requirements, nor is it an audit of individual submissions. The MOD also carries out reviews of the quality of data contained within these reports, in line with its own commercial guidance. It is important to note that, whilst reviews of the data do take place, reviews may not have taken place on all the data by both organisations at the time of production of this bulletin. Data is as reported by contractors unless there are significant data quality issues (see 'Data adjustments' below).

Data revisions

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

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

Data adjustments

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

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

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

Additionally, some QDCs/QSCs are excluded from the statistics, and the reasons for these are explained in the relevant methodology sections for each statistic above. Where this occurs, a footnote describes how many exclusions are made.

Rounding

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

Commercial sensitivity

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

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

Glossary

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

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

Contract price: The price payable under a QDC or QSC must be determined in accordance with the following formula, or from the 1 April 2024 by one of the other methods specified in the Single Source Contract Regulations:

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

Please refer to the SSRO's 'Guidance on the alternative pricing of contracts' for more information on the other methods.

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

Contract value: As determined under Regulation 5. The contract price and the contract value may be the same but in determining the contract value the contracting authority must take account of contract options which may not be included in the contract price and the likelihood of them being exercised.

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

Qualifying Defence Contract (QDC): A non-competitively procured defence contract entered into on or after 18 December 2014 with a value of £500 million or more (if entered into prior to 31 March 2015), or £5 million or more (if entered into on or after 31 March 2015). Non-competitively procured contracts with a value of £5 million or more and entered into before 18 December 2014, and competitively procured contracts with a value of £5 million or more, may become QDCs if they are amended without competition on or after 18 December 2014 and the parties agree to them being brought within the regulatory framework.

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

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

Further information

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