



Compliance bulletin 2023/24

Single Source
Regulations Office

30 September 2024

Defence suppliers are required to submit information about single source defence contracts¹ to the SSRO and the MOD, using the SSRO's Defence Contract Analysis and Reporting System (DefCARS). These submissions are a fundamental component of the regulatory framework, containing a range of data regarding contractual requirements, payments, estimated and actual costs, profit and factors affecting delivery of the contract. This information can be compared and used to support the MOD's procurement decisions and contract management activities, to achieve value for money whilst providing fair and reasonable prices. The SSRO monitors whether the submissions are timely (being delivered in line with timescales set out in the legislation) and, alongside the MOD, whether they are of a good quality (complying with the legislative requirements).

Contractors, who are party to a Qualifying Defence Contract (QDC) or a Qualifying Sub-Contract (QSC), are required to submit reports throughout the contract duration. These are known as contract reports². Additionally, some contractors are also required to provide detailed information about their calculation of overheads, the engagement they have had with Small or Medium Enterprises (SMEs), and about their overall industrial capacity. These are known as supplier reports³.

The SSRO's published **compliance and review methodology** (the methodology) sets out how it will keep under review the extent to which persons subject to reporting requirements are complying with them. The methodology also addresses how the SSRO may use reported information to keep the provisions of the legislation under review in order to make recommendations for change.

This compliance bulletin presents key compliance information⁴ relating to reports expected for submission between 1 May 2023 and 30 April 2024. Data in this bulletin is also presented in relation to the period commencing 1 May 2018, when compliance related data first became available in DefCARS.

Overall timeliness, at 69 per cent, for contract and supplier reports has increased since last year. Whilst this remains below the SSRO's Key Performance Indicator (KPI), we are pleased to see there has been an increase in the timeliness of most report types, even if it has been marginal in some cases. When allowing for additional time, beyond the expected submission date, most of the expected reports are eventually received.

¹ Under section 24 of the Defence Reform Act 2014

² Reports that make up the suite of contract reports include: Initial reports (the Contract Pricing Statement (CPS), Contract Reporting Plan (CRP) and Contract Notification Report (CNR)), update reports (the Quarterly Contract Report (QCR) and Interim Contract Report (ICR)), and completion reports (the Contract Completion Report (CCR) and Contract Costs Statement (CCS)).

³ Reports that make up the suite of supplier reports are: Overhead reports (Qualifying Business Unit Cost Analysis Report (QBUCAR), Estimated Rates Claim Report (ERCR), Actual Rates Claim Report (ARCR), Estimated Rates Agreement Pricing Statement (ERAPS), Rates Comparison Report (RCR)) and strategic reports (Strategic Industry Capacity Report (SICR) and Small and Medium Enterprise Report (SMER)).

⁴ Totals and sub-totals are calculated on unrounded figures, before being rounded for presentational purposes.

The data quality of initial and overhead submissions remains an area for contractors to improve upon to get submissions 'right first time'. The proportion of all report types correct upon subsequent submission, however, achieved 90% or greater showing that action is taken when issues that need resolution are identified. There is a need for the MOD to ensure that the data provided to it under the legislation is considered and utilised appropriately, and this means that it needs to ensure that more submissions are accessed and reviewed in DefCARS.

The number of Compliance Notices issued by the MOD against contract reports increased when compared to last year, with two thirds resulting in contractors taking positive action. There were, however, no Compliance Notices issued against initial reports. These reports become due after a contract is first entered into. As at the cut-off date for this bulletin, approximately one third of the initial reports expected during 2023/24 remain outstanding and the MOD should consider whether additional enforcement action is required in these cases. Compliance Notices and Examination Notices raised against Overhead reports were very successful, with all but one resulting in the submission of the required information.

Wherever possible, we will continue to help both contractors and the MOD meet their obligations, rather than simply monitoring compliance and reporting on it afterwards. We will continue to focus on building stakeholders' understanding of what is required and how it can best be provided by industry through our on-boarding training, DefCARS demonstrations, helpdesk support, reporting guidance, provision of non-referral advice, DefCARS developments and monthly compliance Management Information (MI). We also promote consistent and ongoing use of the data by working with the MOD by raising awareness of compliance issues, performing targeted reviews of individual submissions and providing direct feedback to MOD teams on these reviews, undertaking thematic reviews across a range of submissions, and supporting the Compliance Notice process.

2023/24 Annual Compliance Bulletin

SSRO Single Source Regulations Office

Key KPIs

Overall **Timeliness** of Reports:

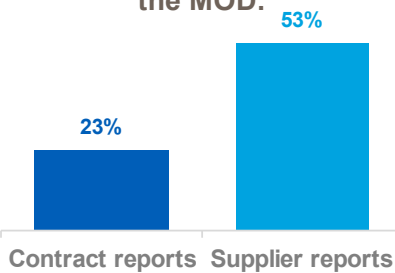
69%

Overall **Quality** of Reports:

51%

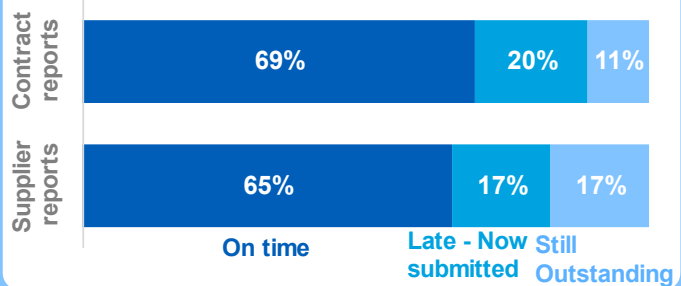
MOD reviews

Proportion of 2023/24 reports reviewed within DefCARS by the MOD:

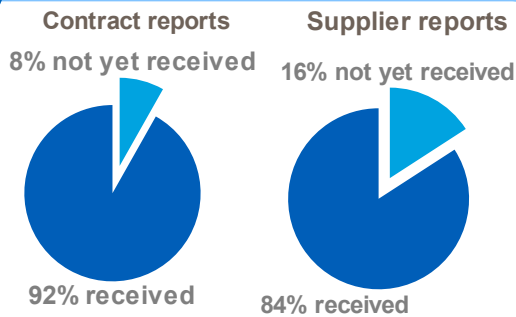


Timeliness of reports

For reports due in 2023/24:



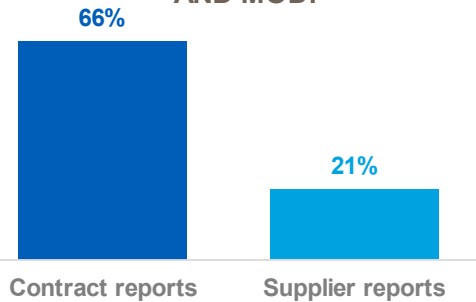
Overdue reports



These numbers represent reports due from 1 May 2018 to 30 April 2024

Quality of reports

Reports correct first time for reports reviewed by the SSRO AND MOD:



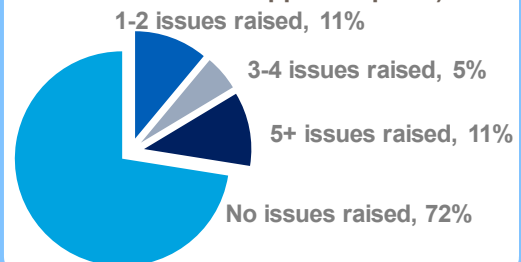
Compliance and examination notices

Compliance, examination and penalty notices issued by the MOD since the last compliance report:

Compliance notices:	64 Contract reports	46 Overhead reports
Examination notices:	0 Contract reports	49 Overhead reports
Penalty notices:	0 Contract reports	0 Overhead reports

Number of issues per report

Number of issues raised per report (incl. Contract and Supplier reports):



2023/24 Summary

Timeliness

- Overall timeliness, at 69 per cent, for contract and supplier reports has increased since last year but remains below the SSRO's Key Performance Indicator (KPI) target of 75 per cent for these reports.
- Timeliness increased to 69 per cent for contract reports and remained at 65 per cent for supplier reports when compared to the prior year.
- Except for overhead reports, there has been a marginal increase in the timeliness of every report type.
- The MOD issued 110 Compliance Notices, 49 Examination Notices and no Penalty Notices. This was an increase on the previous year and resulted in contractors taking positive action.
- A total of 89 per cent of the contract reports and 83 per cent of the supplier reports have been received.
- Update and overhead reports have the lowest proportion of outstanding reports with 4 per cent and 5 per cent respectively remaining outstanding.
- Strategic and initial reports are the least timely with 65 per cent and 29 per cent respectively remaining outstanding.

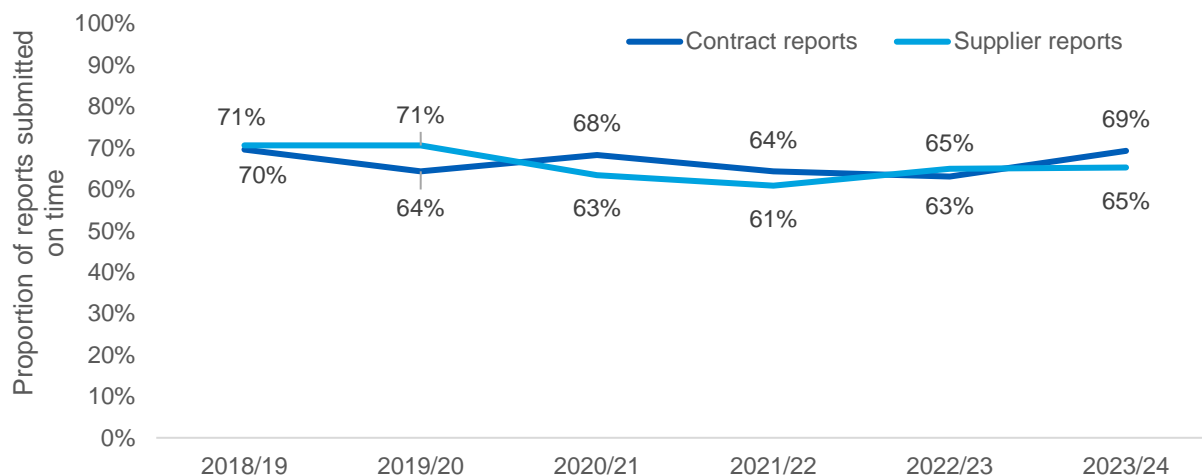
Quality

- Fifty-one per cent of contract and supplier reports are submitted 'correct first time'. This is below the SSRO's KPI target of 75 per cent for these reports.
- Sixty-six per cent of contract reports were correct first time, compared to 21 per cent of supplier reports, where both the MOD and the SSRO have reviewed the submissions.
- Expanding the dataset to any report where the SSRO or the MOD have reviewed the submission, 81 per cent of contract reports and 27 per cent of supplier reports were correct first time.
- The quality of the submissions increased to 97 per cent for contract reports and 91 per cent for supplier reports when considering the subsequent resolution of issues raised where either the MOD or the SSRO have reviewed the submissions.
- Nineteen per cent of contract reports reviewed by either the MOD or the SSRO contain at least one issue raised. Forty-three per cent of initial reports contain at least one issue, which is the highest proportion of issues when compared to the other contract report types.
- Seventy-three per cent of supplier reports contain at least one issue identified by either the MOD or the SSRO.
- The MOD has accessed 59 per cent of contract and supplier reports in DefCARS.

The timeliness of submissions

The SSRO has a KPI in its corporate plan that 75 per cent of submissions made by contractors are on time. In 2023/24, at 69 per cent overall, timeliness has increased when compared to the previous year⁵, but remains below our KPI target. Further detail is included in the **accompanying databook**. Figure 1 shows timeliness has increased for contract reports but has remained the same for supplier reports in 2023/24, when compared to the prior year.

Figure 1: Contract and supplier report submission timeliness 2018/19 to 2023/24



Contractors have provided the SSRO with 6,271 individual report submissions since May 2018. Table 1 details the number of reports expected by report type for 2023/24. The SSRO expected 1582 reports in 2023/24 (an increase of 105 over last year), of which we received 1392.

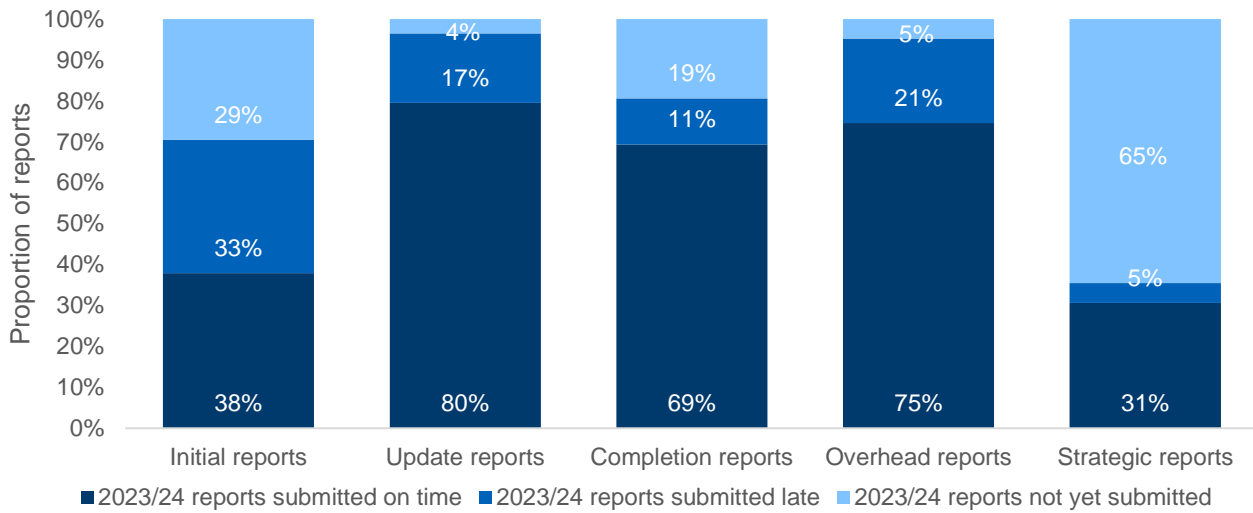
Table 1: Total number of expected reports in 2023/24, by report type

Initial reports	Update reports	Completion reports	Overhead reports	Strategic reports	Total
285	879	124	232	62	1,582

Figure 2 shows the timeliness of report submission by report type for 2023/24. This shows 38 per cent on time for initial reports (35 per cent in 2022/23), 80 per cent for update reports (75 per cent in 2022/23), 69 per cent for completion reports (60 per cent in 2022/23), 75 per cent for overhead reports (76 per cent in 2022/23) and 31 per cent for strategic reports (26 per cent in 2022/23).

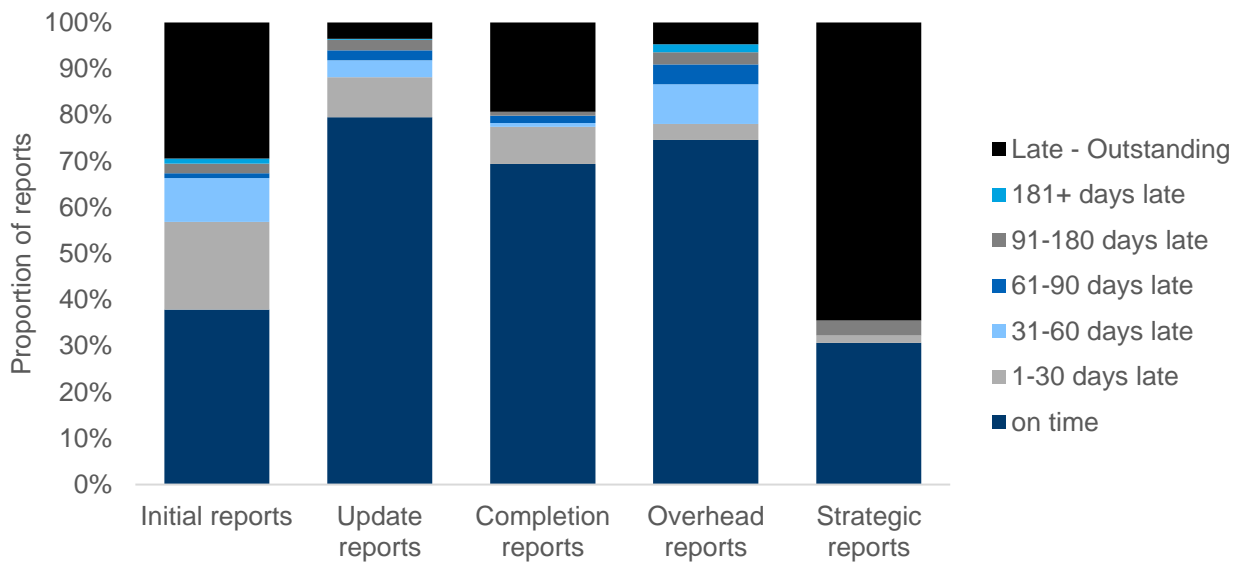
⁵ Throughout this report data attributable to previous years may be restated when compared to previous publications of the compliance report. Such changes occur where report submissions which were not received by a previous reporting cut-off date are later received, where suppliers have provided corrected or updated reports with new data, or where the SSRO has been made aware of different reporting requirements than originally thought. For further information please refer to Appendix 1: Data Sources and Methodology.

Figure 2: Analysis of timeliness of expected reports in 2023/24, by report type and timeliness status



A total of 89 per cent of the contract reports and 83 per cent of the supplier reports expected during 2023/24 were received by the cut-off date for this bulletin of 30 June 2024. Figure 3 shows how reports are submitted over time by each of the report types.

Figure 3: Analysis of the time taken to make report submissions, by report type, for reports due in 2023/24 by 30 June 2024



Update reports, overhead reports and completion reports continue to have the lowest proportion of outstanding reports. Submission of strategic supplier reports and initial reports remain the least timely. Whilst all report types have late submissions, 33 per cent of initial reports were submitted late and a further 29 per cent remain outstanding.

MOD enforcement action

The MOD issued 110 Compliance Notices and no Penalty Notices in 2023/24. The Secretary of State is empowered to take enforcement action if a contractor fails to meet its reporting obligations, which may, for example, be in relation to a missing submission or in relation to a submission that is in contravention of the reporting requirements that are set out in the legislation. Enforcement may consist of a Compliance Notice which requires a contractor to take action, or a Penalty Notice which imposes a fine.

Table 2 shows that 64 Compliance Notices were attributable to contract reports, with 39 of these relating to update reports and 25 to completion reports. Twenty-eight of these notices resulted in reports being submitted with 26 of those submissions being received within the timeframe stipulated in the compliance notice and two after the date set. Fifteen Compliance Notices were closed by the MOD without receiving the outstanding report submissions as there were changes made to existing information on the system. At the cut-off date for the analysis used in this report, fourteen contractors had not complied with 21 Compliance Notices for contract reports issued by the MOD.

Forty-six Compliance Notices were attributable to Overhead reports. Forty-five of these notices resulted in reports being submitted, with 37 of those submissions being received within the timeframe stipulated in the Compliance Notice and eight after the date set. One Compliance Notice was closed by the MOD without receiving the outstanding report submission as changes were made to existing information on the system.

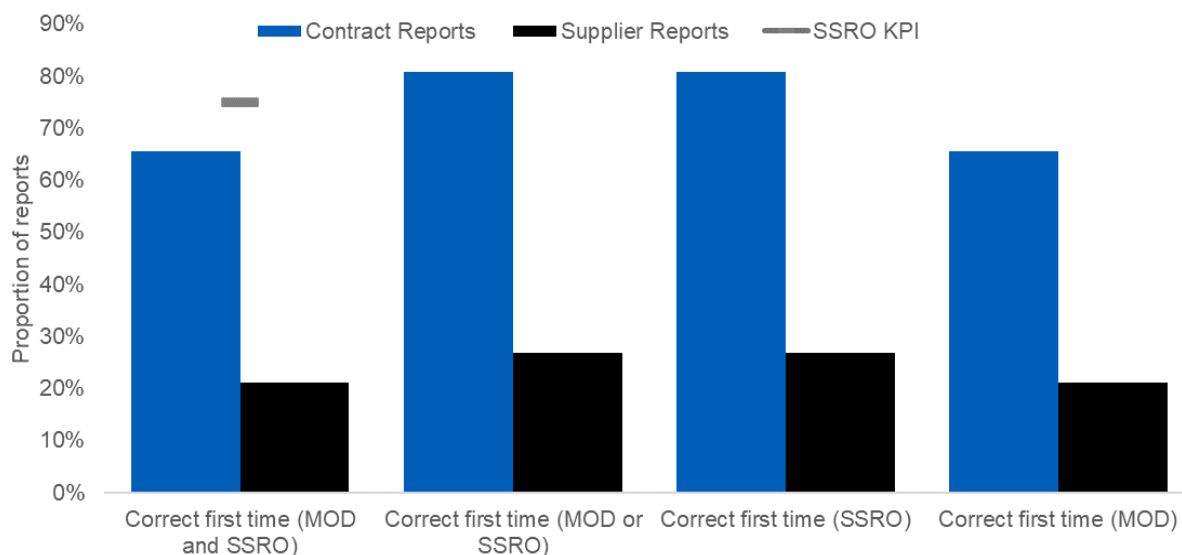
The MOD also issued 49 Examination Notices attributable to supplier reports. These are written notices issued by the Secretary of State which entitle the MOD to examine relevant records. Forty-eight resulted in satisfactory information from suppliers.

Table 2: Impact of Compliance Notices issued in 2023/24

Total number of Compliance Notices issued	Submissions received within the stipulated timescales	Submissions received after the stipulated timescales	Notice closed following update of existing information	Report submissions remain outstanding
64 Contract	26	2	15	21
46 Supplier	37	8	1	0

The quality of submissions

Our quality KPI for reports that are correct first time is set at 75 per cent in our corporate plan. In 2023/24, at 51 per cent, the quality of submissions was below our target and the same as the previous year's restated performance. Further detail is included in the **accompanying databook**. Figure 4 details correct first time submissions in 2023/24. There were 389 reports where both the MOD and the SSRO reviewed the submissions, with 66 per cent of contract reports and 21 per cent of supplier reports correct first time. There were 1,312 reports where either the MOD or the SSRO had reviewed the submissions, with 81 per cent of contract reports and 27 per cent of supplier reports correct first time. The SSRO reviewed 1,312 (94 per cent) of report submissions whereas the MOD reviewed 389 (28 per cent) reports.

Figure 4: Proportion of reports submitted correct first time in 2023/24

The MOD accessed a total of 59 per cent of the contract and supplier reports in DefCARS during 2023/24, subsequently reviewing 23 per cent of contract reports and 53 per cent of supplier reports within the system itself⁶. The rest of the analysis in this bulletin is therefore based upon using those report submissions reviewed by either the MOD or the SSRO, by the cut-off date of 30 June 2024, which increases the reports considered to 1,145 (99 per cent) of contract and 167 (69 per cent) of supplier reports as demonstrated in Table 3.

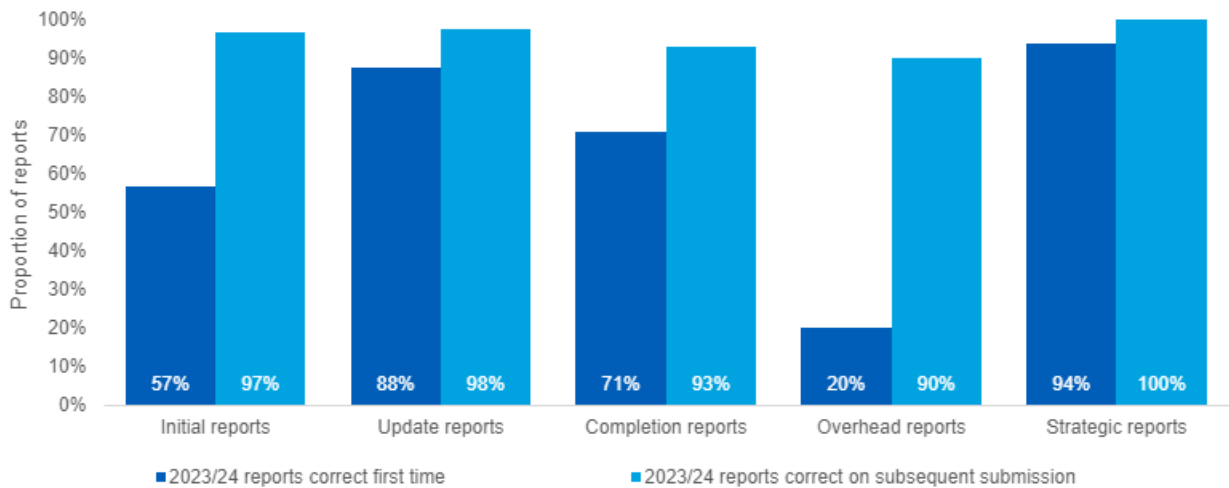
Table 3: Proportion of reports reviewed by the SSRO/MOD, by report type

Report group	Reviewed by SSRO	Reviewed by MOD
Contract	99%	23%
Supplier	69%	53%

When considering the subsequent resolution of issues raised, the quality of the submissions increases to 97 per cent for contract reports and 91 per cent for supplier reports. Figure 5 shows the proportion of report submissions correct first time and following subsequent submissions through correction reports, for the different types of reports in 2023/24.

⁶ The SSRO has developed DefCARS to facilitate review of reports by the MOD. The SSRO counts a submission as reviewed if it is either signed off on the system correct first time (no issues raised), or if an issue is raised on the submission.

Figure 5: Proportion of report submissions correct first time and in subsequent submissions, by report type, for reports submitted in 2023/24

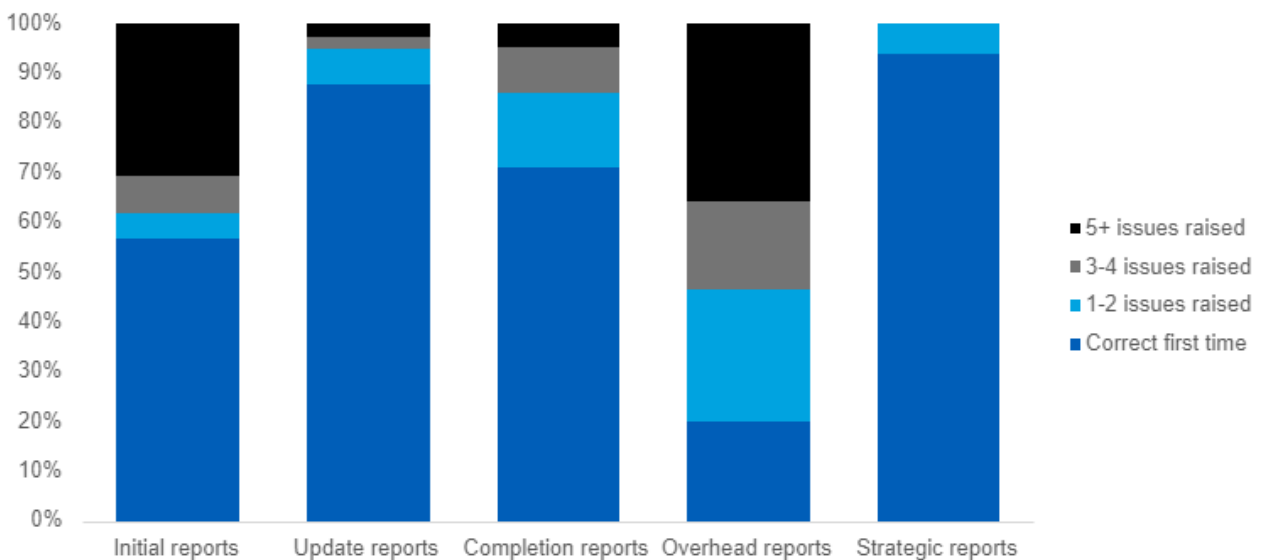


In accordance with our compliance methodology the SSRO closed 87 issues raised in the system in 2023/24 that were not addressed by the contractor within 6 months, and these have not been counted as being correct. Sixty-six of these issues were forwarded to the MOD but were closed without any evidence of whether they were resolved or responded to.

As per last year, strategic reports were 100 per cent correct on subsequent submission. However, without the MOD’s input into the quality of SICRs, and with no issues being raised on SICRs by the SSRO, issues raised are solely attributable to SMER reviews.

We developed the quality assessment of submissions beyond the ‘pass or fail’ assessment. Nine hundred and seventy (74 per cent) of contract and supplier reports due in 2023/24, where either the MOD or the SSRO has reviewed the submissions, were correct first time (no issues raised). 128 reports (10 per cent) contain between one and two issues, 70 reports (5 per cent) between three and four issues and 144 reports (11 per cent) five or more issues. Twenty-six per cent of reports reviewed contain 100 per cent of the issues. Figure 6 shows the number of issues raised by report type.

Figure 6: Analysis of reports due in 2023/24, and reviewed, by number of issues raised



Nineteen per cent of contract reports reviewed contain all the contract report issues raised. Forty-three per cent of initial reports contain at least one issue, which is the highest proportion of issues when compared to the other contract report types. Seventy-three per cent of supplier reports reviewed contain at least one issue. Eighty per cent of overhead reports reviewed contain at least one issue, with most issues being raised on the QBUCAR submissions.

There were a wide range of issues raised by the SSRO and the MOD on the statutory reports due in 2023/24. Figure 7 shows the top five⁷ themes identified from the issues raised by the MOD for both contract and supplier reports. In 2023/24, 114 of the 244 (47%) issues raised by the MOD on contract reports and 291 of the 364 (80%) issues raised on supplier reports centred around these top five themes.

Figure 7: Top five themes from contract and supplier report issues raised by the MOD in 2023/24

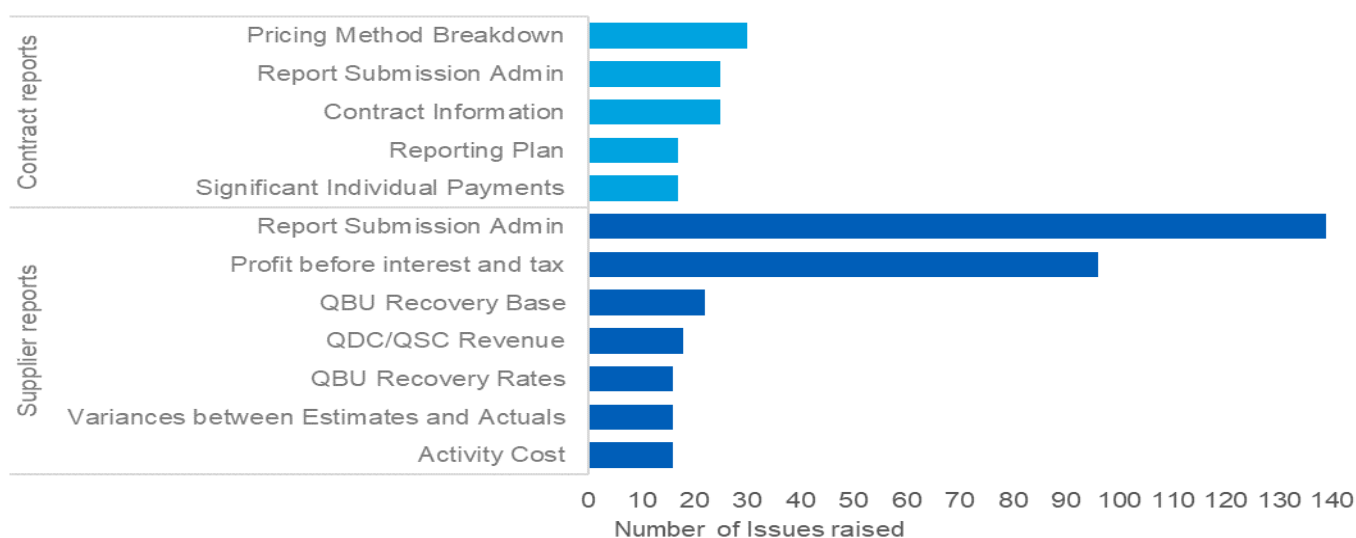


Figure 8 shows the top five themes identified from the issues raised by the SSRO for both contract and supplier reports. In 2023/24, 145 of the 460 issues raised by the SSRO on contract reports and 69 of the 100 issues raised on supplier reports centred around these top five themes.

Figure 8: Top five themes from contract and supplier report issues raised by the SSRO in 2023/24



⁷ For supplier reports, there are three themes of MOD issues which occurred the same number of times.

Appendix 1: Data Sources and Methodology

SSRO functions

The SSRO must keep under review the extent to which persons subject to reporting requirements under the Act are complying with them.

The SSRO’s compliance methodology directly supports two of our statutory functions:

- the requirement under section 36(2) of the Act to keep under review the extent to which persons subject to reporting requirements are complying with them; and
- the requirement under section 39(1) of the Act to keep under review the provision made by the Act and the Regulations.

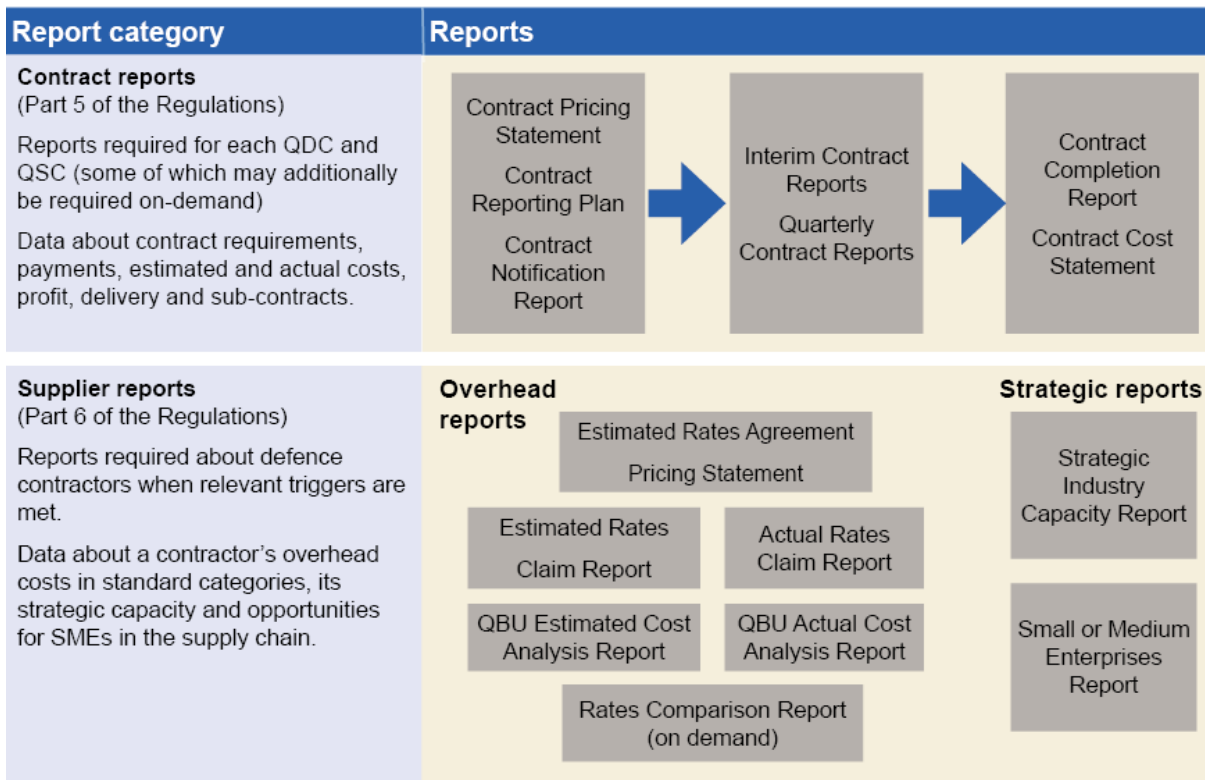
In carrying out these functions, the SSRO must aim to ensure that:

- good value for money is obtained in government expenditure on qualifying defence contracts (value for money); and
- that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts (fair pricing).

Submission requirements

Defence contractors are required to submit two types of reports (contract and supplier), as summarised in Figure 1.

Figure 1: reports required under the regulatory framework



Our analysis refers to three types of contract reports, being the initial, update and completion reports:

- ‘initial reports’ being the Contract Pricing Statement (CPS), the Contract Reporting Plan (CRP) and the Contract Notification Report (CNR), known collectively as the Contract Initiation Report (CIR); and
- the ‘update reports’ being the Interim Contract Report (ICR), the Quarterly Contract Report (QCR), and any on-demand report CPS, CRP and ICR; and
- the ‘completion reports’ being the Contract Completion Report (CCR), Contract Costs Statement (CCS) and any on-demand CCS.

We also refer to two types of supplier report:

- ‘overheads reports’ being the Qualifying Business Unit Estimated Cost Analysis Report (QBUECAR), the Qualifying Business Unit Actual Cost Analysis Report (QBUACAR), the Estimated Rates Agreement Pricing Statement (ERAPS), the Estimated Rates Claim Report (ERCR), the Actual Rates Claim Report (ARCR) and the Rates Comparison Report (RCR) which is only triggered by a written notice from the Secretary of State; and
- ‘strategic reports’ being the Strategic Industry Capacity Report (SICR), and the Small or Medium Enterprises (SME) Report.

The QBUECAR and QBUACAR may together be described as the Qualifying Business Unit Cost Analysis Report (QBUCAR). This QBUCAR is made up of a number of different elements but the area where most data entry is required relates to the analysis of costs, captured by last year prior estimate; last year actuals; last year variance; this year estimate; and this year changes.

Overheads reports may be required for a Qualifying Business Unit (QBU) in some years and not others, depending on whether the ongoing contract condition⁸ and QBU threshold⁹ are met. The SSRO does not have independent access to the information required to assess whether these requirements are met for a QBU and is dependent on notifications from the MOD and the contractor. The analysis is therefore subject to some assumptions made by the SSRO about submissions that are expected when it is aware of certain conditions having been met.

The reporting requirements are set out in Parts 5 and 6 of the Regulations. The SSRO supplements those requirements with reporting guidance, which contractors must have regard to when completing the reports.

⁸ The “ongoing contract condition” is met in relation to a financial year if, at any time in that year, obligations relating to the supply of goods, works or services under one or more of the qualifying defence contracts referred to in section 25(4)(a) or (b) of the Act (as the case may be) are outstanding (section 25(5)). Regulation 31(2) notes that this is subject to a minimum value of qualifying defence contract for the reporting requirement to be imposed, and the amount specified is—

(a) for the financial years ending on 31 March 2016 and 31 March 2017, £20,000,000;
 (b) for subsequent financial years, £50,000,000.

⁹ The total value of what it provides for those purposes in that period is at least £10,000,000.

Information included in this bulletin

The SSRO has developed DefCARS, with input from the defence industry and MOD users, to provide an easy to use and secure means of submitting statutory reports. The majority of the analysis presented in this bulletin is drawn from the data submitted into DefCARS. Compliance-related data was only available in DefCARS for reports submitted from 1 May 2018.

The contract data in this bulletin is sourced from the latest of the CPS, CNR, QCR, ICR, CCR or CCS. Data related to quality and timeliness of submissions are sourced from DefCARS.

This bulletin analyses reports submitted on or before the cut-off date of 30 June 2024. It considers:

- QDCs and QSCs entered into between 1 April 2015 and 31 March 2024 and notified to the SSRO by 30 April 2024;
- associated contract and supplier reports due for submission between 1 May 2018 and 30 April 2024;
- all report submissions received and reviewed for compliance issues up to 30 June 2024 to provide the SSRO and MOD time to review and resolve issues within these reports.

Reporting on compliance issues

The SSRO reviews the reports submitted by contractors and seeks to understand the information provided, relying on automated validation checking in its DefCARS system. More detailed, manual investigations around validation warnings that have not been addressed by the contractor are also considered. The SSRO focuses its manual reviews on issues that can be linked to validation warnings and may base targeted or thematic reviews on issues identified from validation warnings.

Ensuring the accuracy of reported information depends on the MOD also checking reported information and taking action where appropriate. We have enabled the MOD to raise queries with contractors in DefCARS and for contractors to respond, and this information is reviewed by the SSRO as part of the implementation of its compliance methodology.

The SSRO's review process starts after a contract submission has been made and, depending on the timeliness of contractor responses to issues, can continue over a period of several months. The SSRO queries potential errors with report submissions that impact data quality, such as:

- internal inconsistencies;
- arithmetical errors; and
- matters that appear to be erroneous, for example incomplete information.

To keep the provisions of the framework under review, the SSRO may also raise issues with contractors in order to understand relevant explanations relating to the pricing of contracts. In line with the Act and Regulations, contractors are obliged to report the facts, assumptions, and calculations relevant to each element of the Allowable Costs and to describe the calculation used to determine the contract profit rate, including all adjustments to the Baseline Profit Rate.

The compliance approach includes querying obvious errors (for example internal reporting inconsistencies) as well as raising any issues if completed reports seem to be erroneous (for example reports containing incomplete or limited information).

We consider the extent to which persons subject to reporting requirements have complied with their obligations and what this tells us about how the regime is operating. To deliver our statutory aims and functions, we seek to achieve the following:

- receipt of good quality data from contractors that is relevant, comparable and reliable;
- identification of issues related to meeting reporting requirements (reporting issues), to data quality and to the application of the regulatory framework, for example pricing control;
- a shared understanding with the MOD and contractors about identified issues; and
- appropriate action by the SSRO, the MOD and contractors to address issues. Action by the SSRO to address issues may include revised support to contractors, updated guidance, development of DefCARS and recommendations for legislative change.

Additionally, we have reviewed the reports submitted by contractors to understand the operation of the provisions of the Act and Regulations with respect to the pricing of contracts. While we have sought to understand the operation of the pricing provisions of the regulatory framework by reference to information reported on individual contracts, we have not audited reported costs or profit rates on a contract by contract basis, nor provided any assurances that individual contracts have been priced in accordance with statutory requirements.

As part of the **compliance and review methodology**, the SSRO typically raises queries arising from report submissions directly with contractors. If the contractor does not respond to issues or provides a response that does not address the issues raised, the SSRO passes these matters to the MOD. Issues raised with the MOD may involve both compliance with reporting requirements and the way in which the system of pricing contracts is being applied.

Our assessment of the quality KPI is currently based on a 'pass or fail' assessment, so a single error in a report will result in a failure. In line with our **compliance methodology** we consider a report to be 'reviewed' if issues are raised for the contractor to respond to or if the report is set to 'no issues', both actions that use the compliance functionality built into DefCARS. MOD and SSRO reviews are undertaken independently. This allows us to provide data based upon whether report submissions were correct first time or following subsequent submissions through the submission of correction reports.

Where the SSRO raised concerns with the MOD on pricing issues, particularly as to how the price control provisions of the Act and the Regulations were being applied, these concerns were categorised as:

- the facts, assumptions and calculations relevant to an element of the Allowable Costs suggested a breach of the Act and the Regulations or deviation from the statutory guidance which was neither reported nor explained;
- the calculation made under Regulation 11, including any adjustment under the six steps, to determine the contract price of a QDC appeared to be a breach of the Act, the Regulations or a deviation from the statutory guidance but was neither reported nor explained;
- an unsatisfactory explanation was provided for an apparent contravention of the Act or the Regulations; or
- a deviation from the statutory guidance was reported by a contractor; and other information material to the pricing of the contract was reported and this appeared to suggest a failure to comply with the Act, the Regulations or a deviation from the statutory guidance.

Data revisions

Data may also be revised for previous periods where report submissions which were not received by the reporting cut-off date are later received, where suppliers have provided corrected or updated reports with new data, or where the SSRO has been made aware of different reporting requirements that applied. Where data is revised, this will be indicated with an 'r'.

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

Adjustments to data

All data is as reported to the SSRO. Some adjustments have been made in circumstances where there are known, and significant, data quality issues so that the analysis is not misleading. Adjustments were made in a small number of cases, for example where some on-demand report requests have been made without an updated CRP.

Additionally, we have manually added to the analysis where the contractor submitted a report outside of the DefCARS system. Mostly, this was for Strategic Industrial Capacity Reports (SICRs), which cannot be submitted in DefCARS.

Analysis

All analysis defines the financial years as being 1 May to 30 April each year. Contractors have one month after the contract becomes a qualifying contract to submit their reports. For example, a contract entered into on 30 March 2024 will have an initial report due date of 30 April 2024 and therefore the initial report would be included in the analysis for the 2023/24 financial year. The analysis aims to be consistent with the **Annual Qualifying Defence Contract Statistics 2023/24**, which reports on contracts by the government financial year in which they became QDCs/QSCs.

Totals and sub-totals are calculated on unrounded figures, before being rounded for presentational purposes.

Timeliness

Analysis of the timeliness of report submissions uses the report due date to group the analysis by financial year. This date is according to the contractor's own reporting plans and report submissions, unless they have not yet been received. In some cases, adjustments may be made to these dates to correct for known errors. Report submissions received with blank report due dates will not be included in the analysis as DefCARS cannot determine which financial year the report relates to. Where reporting plans have not yet been received, the SSRO estimates the report due dates where possible, using information available when the contracts are notified to the SSRO.

Quality

Analysis of the quality of report submissions also uses the report due date to group the analysis into the relevant financial year. Prior to 2021/22 the report submission date was used to group reports into the relevant financial year. Historic figures may therefore have changed to allow for a consistent time series.

Issues raised on a report by the MOD or the SSRO only affect the quality indicator if they relate to reporting requirements; those relating to pricing matters are excluded from the analysis. When an issue is raised, there is the ability to mark it as not affecting the compliance rating, for various reasons. Where this has occurred, the issue is excluded from the analysis, and does not count as an issue raised for compliance purposes.

If an issue is subsequently closed due to it being resolved (usually due to a correction being made, or additional information being provided), then the report will be counted as being correct on subsequent submissions.

Issues raised where the due date is blank will not be included in the analysis as we cannot determine the financial year the issue is attributable to.

If an issue arises on a CIR submission and is applicable to each of the three initial submissions (the CPS, CNR and CRP), it is counted as three individual issues raised. If it is not applicable to all three initial reports, a mapping exercise has been undertaken to identify which of the initial three reports the issue relates to. Due to the large numbers of issues raised, this could not be done on a case-by-case basis and is instead mapped using the broad information category the issue has been assigned to. If an issue has been raised that relates to a field only required in the CPS, for example, this will only count as one issue, and only one of the three initial reports will be assessed as not meeting the statutory requirements. A similar process has been undertaken for QBUCARs, where an issue could be raised on data relating to either the QBUECAR or the QBUACAR.

The overall quality indicator reported in the compliance report considers the proportion of reports where no issues have been raised, for all reports reviewed by the SSRO and the MOD. However, due to the low proportion of MOD reviews seen to date, the rest of the analysis on report quality looks at any reports that have been reviewed by either the SSRO or the MOD, to increase the number of reports available for more in-depth analysis. Some figures have also been reported for reviews undertaken by only the SSRO, and only the MOD separately, for information.

When a contractor or, if the issues have been forwarded to the MOD, the MOD, does not respond to an issue raised by the SSRO within 6 months from the date the report was due, the issue is automatically closed by the SSRO. Reports in which issues have not been addressed, but closed after six months, have not been counted as being correct in submissions once the issues have been closed.

Reports accessed

The proportion of reports accessed by the MOD measures if any MOD user has opened a report in DefCARS, regardless of length of time or actions completed whilst in the report. It includes all contract reports and all supplier reports apart from the SICRs. Reports and their corrections are grouped together, so if a user accesses one of the reports then the report group is counted as accessed.

The figure for 2023/24 includes all reports submitted (regardless of their due date) between May 2023 and April 2024, and an additional 15 working days has been provided after 30 April to allow users time to access the reports before the measurement was taken.

Glossary of commonly used terms

Allowable Costs: A term used for the costs incurred to deliver a QDC or QSC. Costs must be appropriate, attributable to the contract and reasonable in the circumstances to be considered Allowable.

Baseline Profit Rate (BPR): Section 17(2) of the Act and regulation 11 of the Single Source Contract Regulations 2014 (the "Regulations") require that the contract profit rate for any qualifying defence contract must be calculated by applying six steps. The first step requires taking the Baseline Profit Rate which has been determined by the Secretary of State.

Completion reports: For the purposes of this analysis, the Contract Completion Report (CCR) and the Contract Costs Statement (CCS) have been grouped under the label of 'Completion reports'.

Compliance Notice: A notice issued by the Secretary of State to a person who has contravened section 31 of the DRA (for example, by failing to comply with reporting requirements) where there are steps that can be taken by the person to remedy the contravention. The notice will specify those steps to be taken and will direct the person to take them. The legislation sets a time limit of six months from the relevant submission due date by which the MOD may exercise its power to issue compliance notices for a failure to comply with reporting requirements.

Contract reports: Reports on qualifying defence contracts as described under Part 5 of the Regulations.

Correct first time: Where the SSRO or the MOD has reviewed a report submission in DefCARS that is complete and meets the requirements of the legislation with no issues raised.

Correct on subsequent submission: Where the SSRO or the MOD has reviewed a report submission in DefCARS and raised an issue which has resulted in the contractor either submitting a correction report to rectify an error or providing additional information required by the legislation.

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.

Defence Contract Analysis and Reporting System (DefCARS): The SSRO maintains DefCARS to enable contractors to comply with the requirement to submit reports electronically and provides guidance on its use which is relevant to all contractors using the system to prepare and submit contract reports.

Defence Reform Act (DRA): The primary legislation applicable to qualifying contracts.

Examination Notice: Written notice issued by the Secretary of State to a person to entitle the MOD to examine relevant records within the timeframes defined under regulation 21 in the SSCRs.

Global Ultimate Owner (GUO): For analysis of contract reports, the SSRO has grouped contracting companies into their respective GUO by considering whether the GUO controls a majority (greater than 50.01 per cent) of the voting rights of the company in question. Where a company has no single entity with a controlling majority, the company itself is considered the GUO of the corporate group.

Initial reports: For the purposes of this analysis, the Contract Pricing Statement (CPS), Contract Notification Report (CNR) and the Contract Reporting Plan (CRP) have been grouped under the label of 'Initial reports'.

Issue(s) raised: Where the SSRO or the MOD has reviewed a report submission in DefCARS and raised an issue in the system for the contractor to review and respond accordingly.

KPI: Key Performance Indicator(s) as set out in the SSRO's Corporate Plan which is published on our website.

Overhead reports: For the purposes of this analysis, the Qualifying Business Unit Estimated Cost Analysis Report (QBUECAR), Qualifying Business Unit Actual Cost Analysis Report (QBUACAR), Actual Rates Claim Report (ARCR), Estimated Rates Claim Report (ERCR), Estimated Rates Agreement Pricing Statement (ERAPS) and the Rates Comparison Report (RCR) have been grouped under the label of 'Overhead reports'.

Penalty Notice: A notice issued by the Secretary of State requiring a person to pay a penalty where either the person has failed, without reasonable excuse, to take the steps specified in a Compliance Notice, or has contravened section 31 of the DRA (for example, by failing to comply with reporting requirements) and there are no steps that can be taken by the person to remedy the contravention.

Qualifying Business Unit (QBU): A unit which meets the threshold conditions set out in the legislation and carries out activities for the purposes of an undertaking and for which separate financial accounting statements are produced; or an undertaking or group of undertakings for which a single set of financial accounting statements is produced which is separate from the financial accounting statements of each of these undertakings.

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.

Quality: The assessment of the quality of submissions using performance indicators that are based on a 'pass or fail' assessment, so a single error in a report will result in a fail assessment, which in the case of a reporting matter impacts the quality rating for that submission.

Regulations: Please refer to the definition of Single Source Contract Regulations (SSCR).

Single Source Contract Regulations (SSCR): The Single Source Contract Regulations 2014 are secondary legislation provided for under Part 2 ('Single Source Contracts') of the DRA 2014. Collectively the DRA 2014 and the SSCR 2014 represent the legislation that governs the Single Source procurement framework.

Single Source Regulations Office (SSRO): The SSRO is the regulator of the single source procurement framework. It is an independent arm's length body, whose aim in carrying out its functions is to ensure that good value for money is obtained for the UK taxpayer in Ministry of Defence expenditure on qualifying defence contracts, and that single source contractors are paid a fair and reasonable price under those contracts.

Small and Medium sized Enterprise (SME): Defined by Commission Recommendation 2003/361/EC of 6 May 2003. Extract from Article 2 as follows: 'The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.'

Strategic Reports: For the purposes of this analysis, the Strategic Industry Capacity Report (SICR) and the Small or Medium Enterprises Report (SMER) have been grouped under the label of 'Strategic reports'.

Statutory Reports: In relation to any QDC (or QSC) the primary contractor (or sub-contractor) must provide statutory reports as described in Part 5 of the Regulations. The SSRO has provided separate reporting guidance that will assist defence contractors with preparing and submitting the reports required.

Supplier reports: Reports on overheads and forward planning as described under Part 6 of the Regulations.

Timeliness: Contract reports and supplier reports that are submitted within the timeframes specified under Part 5 and Part 6 of the SSCR.

Ultimate Parent Undertaking (UPU): The analysis of supplier reports is performed by UPU, rather than GUO. The legislation refers to the 'Ultimate Parent Undertaking' to be consistent with the Companies Act 2006 which defines 'parent undertaking' and 'subsidiary undertaking', however contract report submissions do not identify the UPU and so GUO is used instead.

Update reports: For the purposes of this analysis, the Quarterly Contract Reports (QCR), the Interim Contract Reports (ICR), the On Demand Contract Reporting Plan (OD CRP) and the On Demand Contract Pricing Statements (OD CPS) have been grouped under the label of 'Update reports'.

Further information

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