

Introduction

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 for the taxpayer whilst providing fair and reasonable prices for contractors. 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 legislative reporting 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's duration. These are known as contract reports.² Additionally, some contractors are also required to provide detailed information about their calculation of overheads, the engagement they have had with Small and Medium-Sized Enterprises (SMEs), and about their overall industrial capacity. These are known as reports on overheads and forward planning ('supplier reports').³

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. Where we refer to report "reviews" in this bulletin, we are referring to the processes set out in this methodology.

This bulletin presents key compliance information relating to reports expected for submission between 1 May 2024 and 30 April 2025. Historical data in this bulletin goes back to the period commencing 1 May 2018, when compliance related data first became available in DefCARS. Timeliness and quality data⁴ is a snapshot as of 2 June 2025 ('the cut-off date') throughout this report and accompanying thematic reviews.

Overall timeliness, at 70 per cent, for contract and supplier reports has increased slightly over last year by 3 per cent. Performance remains below the SSRO's Key Performance Indicator (KPI) target of 75 per cent. While some contractors continue to meet reporting requirements consistently, others are still not meeting timeliness expectations, with instances of both late and missing submissions. However, the number of reports due in 2024/25 also

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), the Component Completion Report (CompCR) 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 presentation.

increased by 18 per cent from 2023/24. Further detail is available in the [accompanying databook](#).

Commencing 2025/26, we have committed to publishing more detail on data quality within DefCARS beyond the “right first time” and “correct upon subsequent submission” statistics, and we are changing our KPI accordingly to one that focuses on whether contractors have taken steps to improve the quality of submissions subsequent to any issues being identified in their submissions. Overall, this presents a better measure of contractor engagement with the reporting and compliance processes. For 2024/25, we still present the original metrics along with some additional data.

In 2024/25, 48 per cent of contract and supplier reports were assessed as ‘correct first time’, which is below the SSRO’s KPI target of 75 per cent. This represents a slight decrease from 51 per cent in the previous year.

In 2024/25, 68 per cent of contract reports were correct first time, showing a small improvement from 66 per cent last year. In contrast, the proportion of supplier reports correct first time, has remained low at 20 per cent – marginally decreasing from 21 per cent in the prior year.

The proportion of all report types correct upon subsequent submission, however, achieved 75 per cent or greater showing that action is taken by contractors when issues are raised. This represented 88 per cent for contract reports and 79 per cent for supplier reports when considering the resolution of issues following review by the MOD and the SSRO.

For reports reviewed by either the MOD or the SSRO, the quality of submissions improved to 95 per cent for contract reports and 89 per cent for supplier reports after resolution. Although slightly lower than 97 per cent and 91 per cent respectively in the previous year, this shows a continued process of effective issue resolution.

The number of Compliance Notices issued by the MOD has decreased slightly from 110 last year to 88 this year; there were 30 fewer compliance notices issues against supplier reports or examination notices; there were 8 more compliance notices issued against contract reports.

The MOD may take enforcement action for non-compliance with the Regulations, which includes issuing compliance and penalty notices, while the SSRO can support contractors in complying with their reporting obligations and the MOD’s compliance activities. We seek to improve compliance with the Single Source Contract Regulations 2014 (the “Regulations”) by:

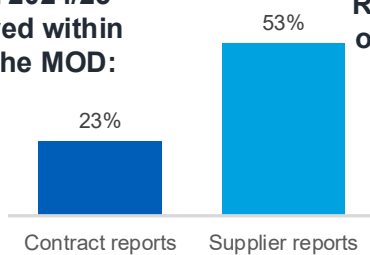
- providing guidance on Regulations that may benefit from further interpretation;
- engaging regularly with industry through reporting workshops;
- providing contractors with a significant number of QDCs with monthly management information to assist in tracking required submissions;
- providing management information and analysis to the MOD to help prioritise areas for compliance activities; and
- acting as an independent investigator and arbitrator to settle disagreements between contractors and the MOD in respect of compliance and compliance related matters.

We continue to work with the MOD and industry so that the SSRO is best able to support compliance outcomes to help deliver value for money defence procurement in line with the expectations of the Strategic Defence Review.

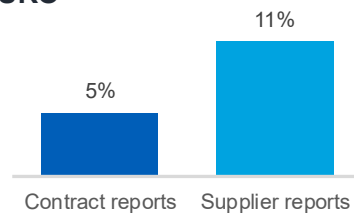
2024/25 Annual Compliance Bulletin

SSROSingle Source
Regulations Office

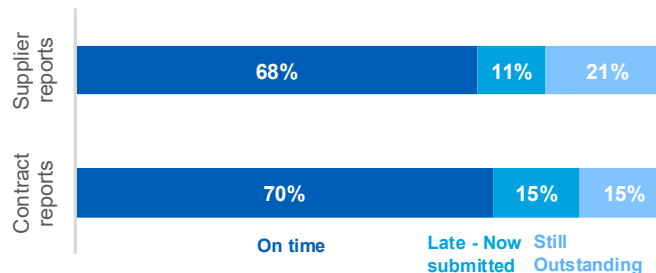
Proportion of 2024/25 reports reviewed within DefCARS by the MOD:

33%

Reports with issues outstanding (SSRO or MOD):

7%

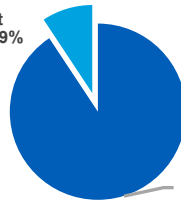
For reports due in 2024/25:



Overdue reports due from 1 May 2018 to 30 April 2025

Contract reports

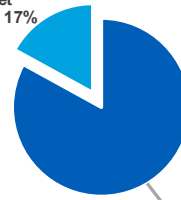
not yet received 9%



received 91%

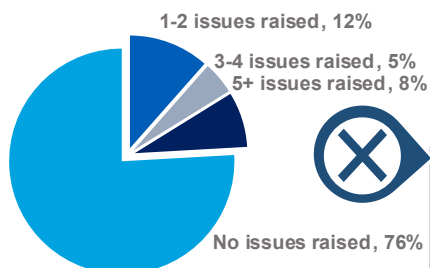
Supplier reports

not yet received 17%



received 83%

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



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

Compliance notices

72

Contract reports

16

Overhead reports

Penalty notices

0

Contract reports

0

Overhead reports

2024/25 Summary

Timeliness

- Overall timeliness, at 70 per cent, for contract and supplier reports has increased slightly since last year but remains below the SSRO's Key Performance Indicator (KPI) target of 75 per cent for these reports.
- The number of reports due in 2024/25 increased by 18 per cent overall from 2023/24.
- Timeliness, when compared to the prior year, increased slightly to 70 per cent for contract reports (69 per cent 2023/24) and 68 per cent for supplier reports (65 per cent 2023/24).⁵
- Initial reports saw the greatest year-on-year improvement in on-time submissions, increasing from 36 per cent in 2023/24 to 50 per cent in 2024/25.
- The MOD issued 88 Compliance Notices. This was a decrease from the 110 compliance notices which were issued last year. To date, no penalty notices have been issued under the Regulations.
- 15 per cent of contract reports and 21 per cent of supplier reports remain outstanding and have not been received.
- The proportion of late-outstanding reports increased across all report types in 2024/25 compared to the previous year, indicating a broader trend of delayed or missing submissions.
- Our thematic review on contract components found many contractors have yet to notify the SSRO of components, and there is a low rate of compliance with the amendments to the Defence Reform Act 2014, which came into effect 1 April 2024.

Quality

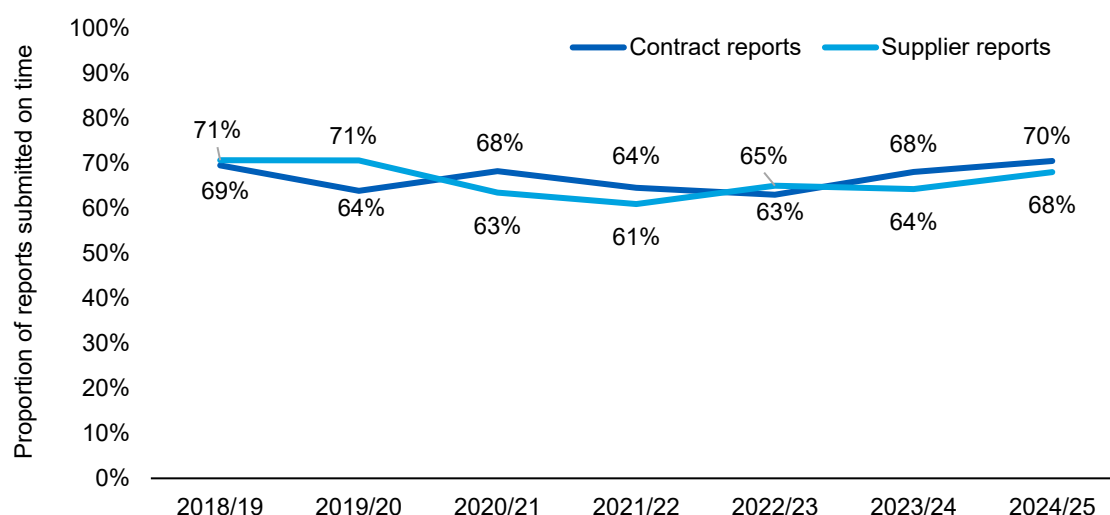
- The SSRO reviewed 100 per cent of report submissions. The MOD reviewed 23 per cent of contract reports and 53 per cent of supplier reports.
- Our thematic review highlighted that for contract reports this is the lowest rate of MOD reviews since compliance data started to be collected in DefCARS. However, there is new MOD engagement through its management information reports, and from January 2025 more training and support has been provided by the MOD to its staff to improve contract reviews, particularly at contract initiation and closure.
- A substantially higher proportion of supplier reports have been reviewed following process changes in 2022/23.
- Where both the MOD and the SSRO have reviewed the submissions, 48 per cent of contract and supplier reports were submitted 'correct first time'. 84 per cent were made correct on subsequent re-submission.
- Where both the MOD and the SSRO have reviewed the submissions, 68 per cent of contract reports were correct first time, compared to 20 per cent of supplier reports. The relatively low rate on supplier reports reflects more MOD review activity on supplier reports and joint MOD/supplier engagement in recent years.
- Expanding the dataset to any report where either the SSRO or the MOD have reviewed the submission, 84 per cent of contract reports and 56 per cent of supplier reports were correct first time.
- 7 per cent of submissions still had issues remaining outstanding, consisting of 5 per cent of contract reports and 11 per cent of supplier reports.

⁵ Note the overall figure is also shown 70 per cent due to rounding.

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 2024/25, at 70 per cent overall, timeliness has improved slightly by 3 per cent when compared to the previous year. However, it remains below our KPI target. Further detail is included in the [accompanying databook](#). Figure 1 shows timeliness since 2018/19.

Figure 1: Contract and supplier report submission timeliness 2018/19 - 2024/25



Since May 2018, contractors have been required to submit a total of 8,848 reports based on requirements under the Regulations; contractors have submitted 7,884 reports. Table 1 details the number of reports required under the Regulations by report type for 2024/25. The SSRO expected 1,901 reports in 2024/25 (an increase in the number of reports by 292 over the expected number of reports in 2023/24), of which we received 1,591 (1,328 on time and 263 submitted late).

Table 1: Total number of expected reports by year, by report type

Financial Year	Initial reports	Update reports	Completion reports	Overhead reports	Strategic reports	Total
2018/19	190	224	15	134	43	606
2019/20	367	334	34	145	42	922
2020/21	317	504	56	146	59	1,082
2021/22	300	644	81	165	60	1,250
2022/23	312	791	101	212	62	1,478
2023/24	294	893	123	237	62	1,609
2024/25	330	978	137	392	64	1,901
Total	2,110	4,368	547	1,431	392	8,848

Table 2 shows the timeliness of report submission by report type for 2024/25 and 2023/24. In 2024/25, the percentages of reports submitted on time varied based on type of report as follows: 50 per cent of initial reports (36 per cent in 2023/24), 78 per cent of update reports (unchanged from 2023/24), 68 per cent of completion reports (71 per cent in 2023/24), 74 per cent of overhead reports (73 per cent in 2023/24) and 33 per cent of strategic reports (31 per cent in 2023/24).

Table 2: Analysis of timeliness of expected reports in 2024/25, by report type and timeliness status compared to 2023/24

Report Type	Report Group	Reports submitted on time		Reports submitted late		Reports not yet submitted	
		2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Contract	Initial reports	50%	36%	19%	38%	31%	27%
	Update reports	78%	78%	14%	19%	9%	3%
	Completion reports	68%	71%	11%	13%	21%	16%
Supplier	Overhead reports	74%	73%	13%	21%	14%	6%
	Strategic reports	33%	31%	3%	6%	64%	63%

A total of 85 per cent of all the contract reports and 79 per cent of all the supplier reports expected during 2024/25 were received by the cut-off date for this bulletin. Table 3 details the length of delay for the different report types. Most submissions, when made, are received within 30 days of the due date.

Table 3: Analysis of the time taken to make report submissions, by report type, for reports due in 2024/25 by 02 June 2025

Length of delay	Initial reports	Update reports	Completion reports	Overhead reports	Strategic reports
On time	50%	78%	68%	74%	33%
1-30 days	11%	8%	7%	9%	0%
31-60 days late	3%	2%	1%	1%	2%
61-90 days late	2%	1%	1%	3%	2%
91-180 days late	3%	2%	1%	0%	0%
181+ days late	1%	1%	1%	0%	0%
Late - Outstanding	31%	9%	21%	14%	64%
Total	100%	100%	100%	100%	100%

MOD enforcement action

The MOD may take enforcement action for non-compliance with the Regulations. 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.

The SSRO can support contractors in complying with their reporting obligations and the MOD's compliance activities, but is not permitted to issue Compliance Notices or Penalty Notices under the legislation as this is reserved for the MOD.

The MOD issued 88 Compliance Notices and no Penalty Notices in 2024/25.

Table 4 shows that 72 Compliance Notices were attributable to contract reports; 9 of these related to initial reports, 43 to update reports and 20 to completion reports. 44 of the Compliance Notices resulted in reports being submitted, with 31 of those submissions being received within the timeframe stipulated in the Compliance Notice and 13 after the date set. We were informed by the MOD that 11 Compliance Notices were withdrawn without

receiving the outstanding report submissions as there were changes made to existing information on the system, usually a change to the contract reporting plan which provided an updated submission due date for the missing report. At the cut-off date for the analysis used in this report, 15 contractors had not complied with 17 Compliance Notices issued by the MOD for contract reports.

16 Compliance Notices were attributable to supplier reports; 10 of these were in relation to missing reports and 6 in relation to non-compliance with Examination Notices. All 10 of the Compliance Notices for missing submissions resulted in the reports being submitted, with 8 of those submissions being received within the timeframe stipulated in the Compliance Notice and 2 after the date set.

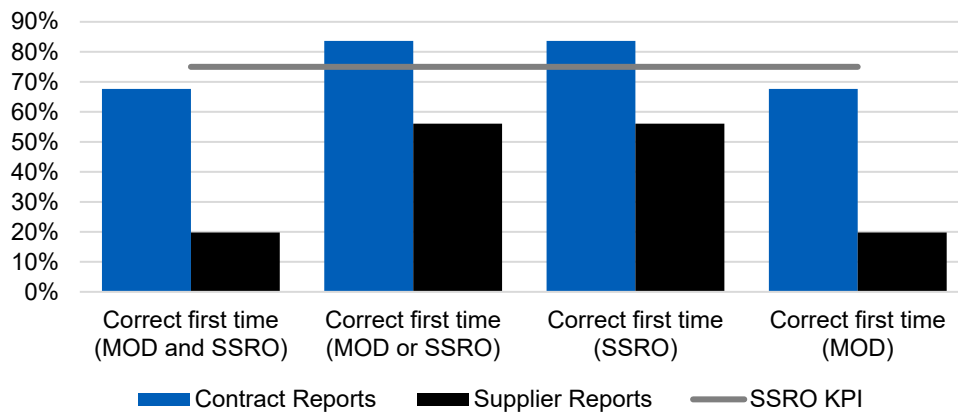
Table 4: Compliance Notices issued in 2024/25

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
72 Contract	31	13	11	17
10 Supplier	8	2	0	0
6 for Supplier non-compliance with Examination Notices	6	0	0	0

The quality of submissions

The quality KPI for reports that are correct first time is set at 75 per cent in the SSRO's Corporate Plan 2024-27. In 2024/25, at 48 per cent, the quality of submissions made 'correct first time' was below our target and 4 per cent below the previous year's restated performance. Further detail is included in the [accompanying databook](#).

Figure 2 details correct first time submissions in 2024/25. The SSRO reviewed 1,591 (100 per cent) of report submissions and the MOD reviewed 473 (30 per cent). Of the 1,591 report submissions reviewed, 84 per cent of contract reports and 56 per cent of supplier reports were submitted correct first time. When considering the 473 (30 per cent) report submissions reviewed by both the MOD and the SSRO, 68 per cent of contract reports and 20 per cent of supplier reports were submitted correct first time, this is primarily because when both MOD and SSRO review reports more issues are detected with data quality, as both organisations are examining the data from different perspectives.

Figure 2: Proportion of reports submitted correct first time in 2024/25

For 2024/25 reports, the MOD reviewed 23 per cent of contract reports and 53 per cent of supplier reports within DefCARS itself. The rest of the analysis in this bulletin concerns reports the SSRO reviewed even if the MOD did not review them (which is all reports submitted because the SSRO reviewed 100 per cent of reports).

As shown in Figures 3 and 4, the level of review coverage is negatively correlated to the correct first-time measure, as previously un-reviewed reports are more likely to have issues than reports that have routine reviews because a lack of review means that issues are not picked up on.

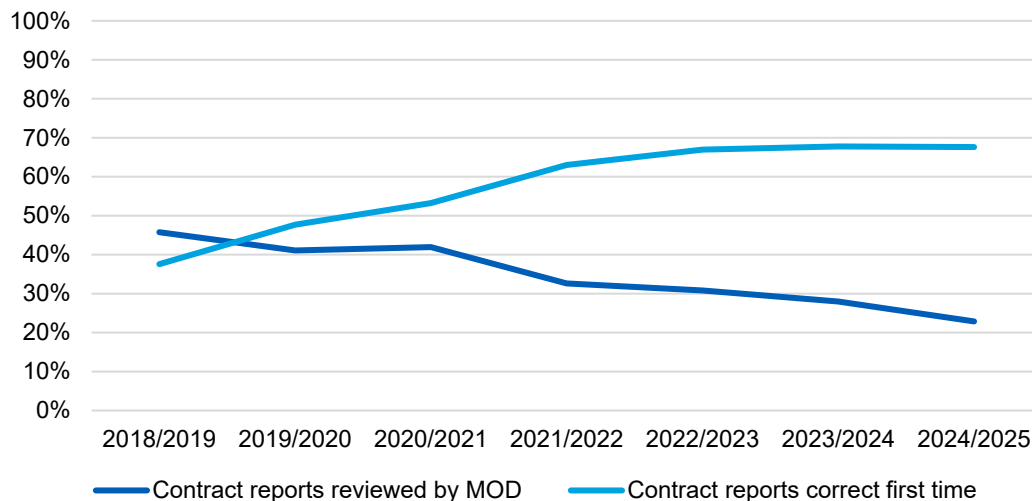
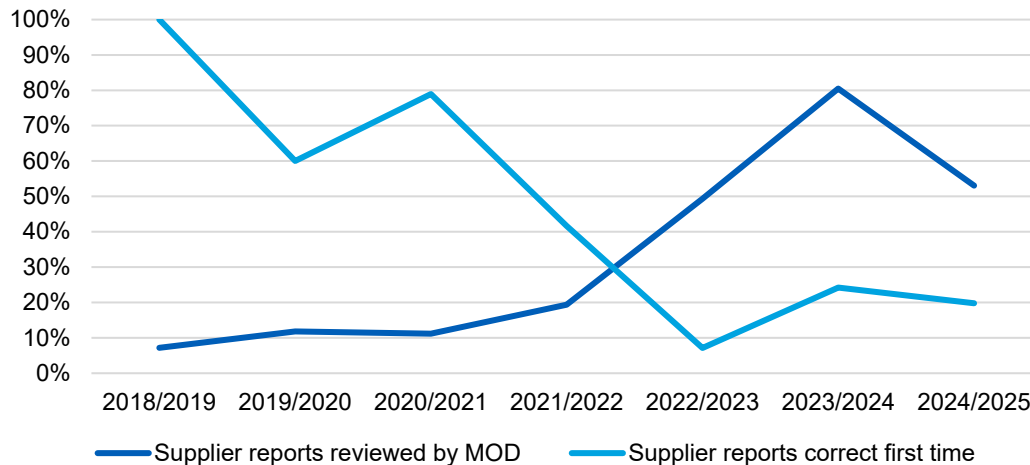
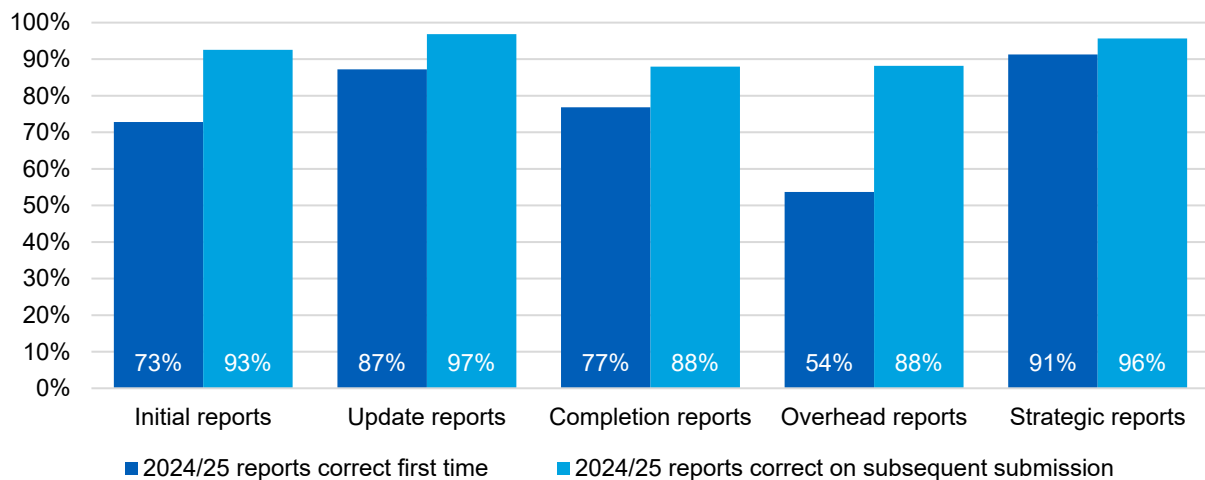
Figure 3: Proportion of contract reports reviewed by the MOD and the percentage of those found correct first time, by financial year.

Figure 4: Proportion of supplier reports reviewed by the MOD and the percentage of those found correct first time, by financial year.



When considering the subsequent resolution of issues raised, the quality of the submissions increases to 95 per cent for contract reports and 89 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 2024/25.

Figure 5: Proportion of report submissions correct first time and in subsequent submissions, by report type, for reports submitted in 2024/25



In line with our compliance methodology, the SSRO closed 79 issues raised in DefCARS in 2024/25 that were not addressed by the contractor within 6 months, and these have not been counted as being correct. Of these, 48 issues were forwarded to the MOD but were all closed after six months (the point beyond which the MOD is unable to take enforcement action) without response and the SSRO is unaware of whether any further actions were taken because of the issue or not.

There was a wide range of issues raised by the SSRO and the MOD on the statutory reports due in 2024/25. Figure 6 shows the top themes identified from the issues raised by the MOD for both contract and supplier reports. 124 of the 262 (47 per cent) issues raised by the MOD on contract reports and 474 of the 584 (81 per cent) issues raised on supplier reports centred around these top five themes. Supplier reports showed six key themes due to there being the same number of issues within the fifth and sixth issue themes.

Figure 6: Top five themes from contract and supplier report issues raised by the MOD in 2024/25

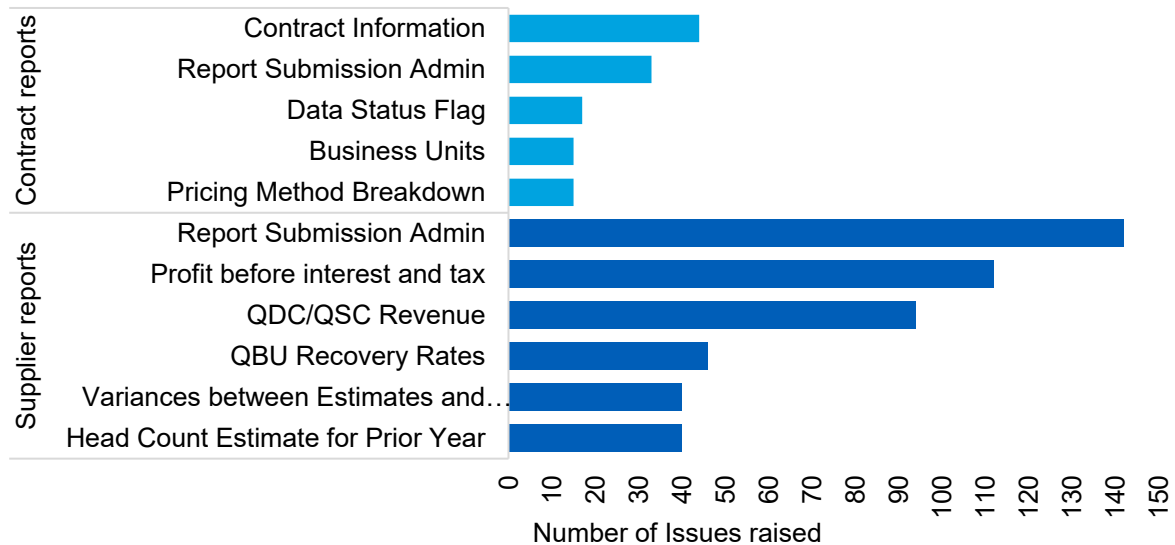


Figure 7 shows the top five themes identified from the issues raised by the SSRO for both contract and supplier reports. 140 of the 382 (37 per cent) issues raised by the SSRO on contract reports and 69 of the 91 (76 per cent) issues raised on supplier reports centred around these top five themes.

Figure 7: Top five themes from contract and supplier report issues raised by the SSRO in 2024/25



We have sought to develop the quality assessment of submissions beyond the 'pass or fail' assessment based on whether the submission has issues raised on it.

From 2025/26, we intend to use the number of reports with issues outstanding as a KPI, as this focuses on contractors resolving issues raised in respect of the report. We also intend to develop new measures of data quality that we track continuously, rather than through irregular thematic reviews. Further detail on this is included in Appendix 2. Our objective is to present an assessment of the overall quality of the dataset in DefCARS based on a variety of metrics.

To this end, Figure 8 and Figure 9 show a combined summary of all the reports that we expected to receive since the reporting year 2018/19. These reports have been grouped based on statuses that have a material impact on the quality of the submission:

- the report was not received at all;
- the report has issues raised by the MOD or SSRO that have yet to be resolved by the contractor;
- the report has not been reviewed by the MOD (as the MOD has access to the actual contract, its review is necessary to verify the expected data is being provided); and
- the report has been reviewed and any outstanding issues have been resolved (at which point the data is expected to be of reasonably good quality).

Figure 8: Contract report summary quality measures

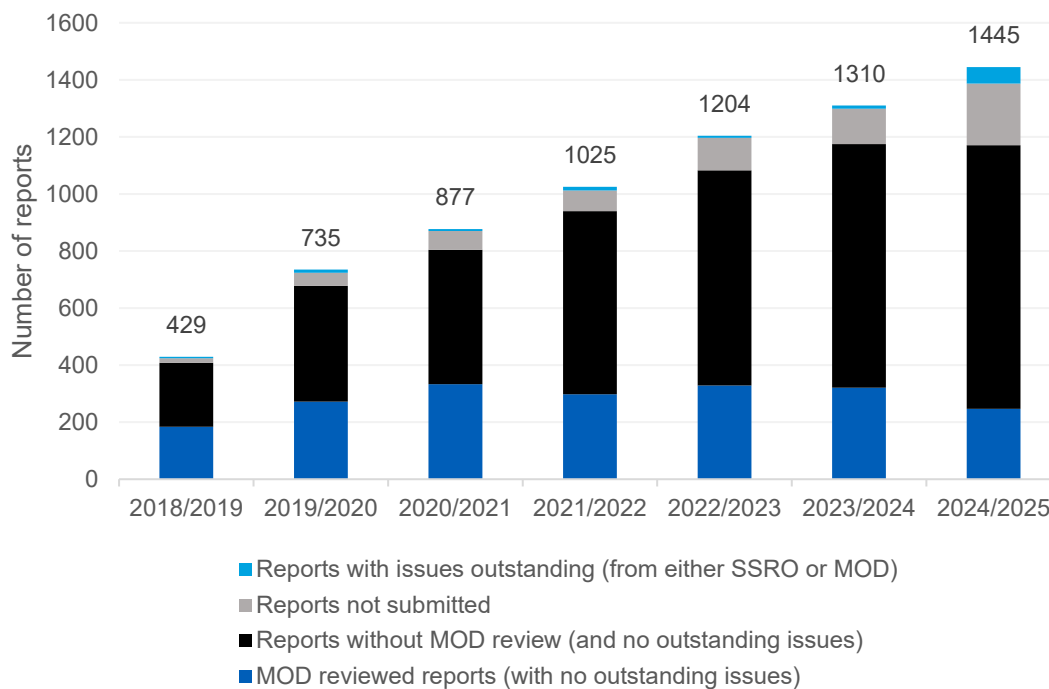
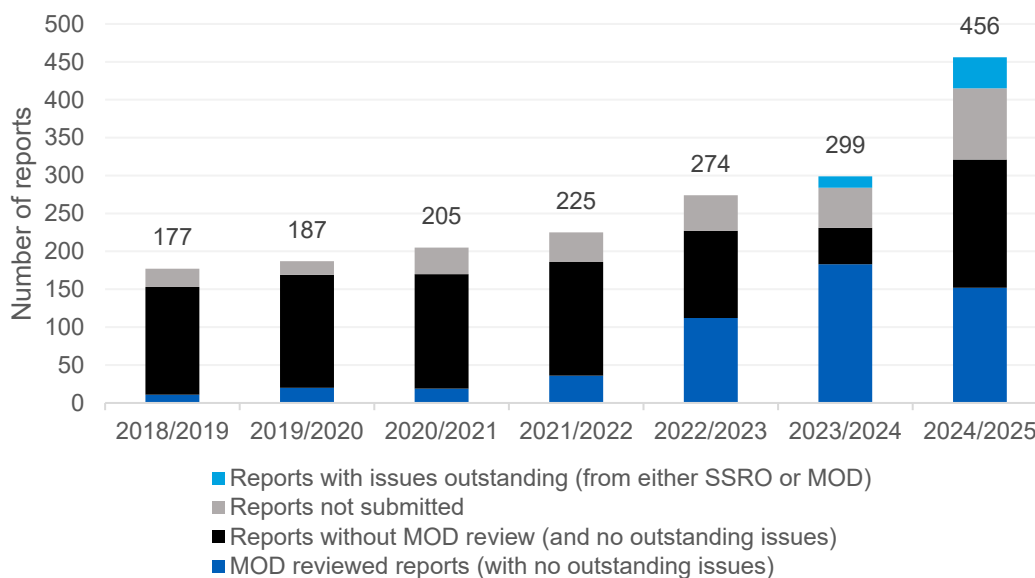


Figure 9: Supplier report summary quality measures



Appendix 1: Thematic review on components

Executive summary

- 1.1 Since the introduction of componentisation in April 2024, the SSRO has received a notification of a component existing on 64 contracts. As of 2 June 2025, almost three in four contracts that we identified as likely to have a component have not had a component report submitted despite relevant due dates passing. This is likely to be an underestimate as the SSRO is not able to identify all components. The SSRO, MOD and industry continue to engage via the Reporting and IT Sub-Group to jointly address these issues.

Introduction

- 1.2 Since 1 April 2024, the Defence Reform Act 2014 (DRA) has provided a definition of a component of the contract price⁶. A part of a contract is to be treated distinctly where either the Single Source Contract Regulations (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. Examples of a component are where a contract:
- uses a different contract pricing method to the contract pricing method used in any other part of the contract;
 - has a different contract profit rate to the contract profit rate used in any other part of the contract; or
 - has a price which has been re-determined in accordance with a provision of the Schedule that requires the part to be treated as a new component.
- 1.3 The Regulations make provision for the reporting of component information throughout the duration of the contract and set different reporting requirements depending on when the contract was entered into, when amendments are made to those contracts and what the value of those pricing amendments are. The reporting requirements are based on different contractual circumstances, including if the:
- contract became a QDC **before** 1 April 2024 and has component(s) valued **less** than £50m;
 - contract became a QDC **before** 1 April 2024 and has component(s) valued **greater** than £50m;
 - contract became a QDC on or **after** 1 April 2024 with component(s) (whatever the value) **from the outset**;
 - contract became a QDC on or **after** 1 April 2024 and with component(s) valued **less than £10m** is added **by amendment** later; or
 - contract became a QDC on or **after** 1 April 2024 and with component(s) valued **greater than £10m** is added **by amendment** later.

⁶ Section 15(6) of the Defence Reform Act 2014 defines “component”, in relation to a contract, as a part of the contract that is to be treated distinctly from other such parts in determining the price payable under the contract.

- 1.4 This thematic review covers all contracts that became a QDC/QSC before 31 March 2025. For those contracts in effect following the change in legislation on 1 April 2024, we consider:
- the number of contracts that may have components based on available information from DefCARS, and the total number of components on each of these contracts;
 - what the Regulations would have required to be submitted by now for each contract, and how many of these contracts have established components in DefCARS for which a report submission has come due; and
 - what common reporting issues we have observed with component level information in submissions that have been made so far.

Methodology

- 1.5 In the first instance we can identify components where we have been informed about them by the contractor, and the SSRO establishes these components in DefCARS. Where we have not been alerted to any components, we can use reported data on contract pricing types or commentary on the contract profit rate. The former can be identified easily through data extracts from DefCARS, while the latter requires manual review.

Identifying components from multiple contract pricing types

- 1.6 For components based on a different contract pricing method, the Regulations require the contractor to report a breakdown of the total contract price by pricing method in each of the report submissions and the SSRO can use this to identify components based on pricing type. In some cases, the reported price breakdown may indicate a component is greater than £50 million, and may therefore require component QCRs.

Identifying components from multiple contract profit rates

- 1.7 The SSRO has manually reviewed attachments and comments on contract reports to identify potential components based on profit rates. We relied on keyword or other indicators⁷ to identify possible profit components, which resulted in over 200 contracts to review (or over 40 per cent of contracts active within the review period).

Assessing the overall number of components

- 1.8 Where possible, the SSRO has identified if the profit-rate component is distinct from a pricing type component to avoid double counting the total number of components in a contract. In many cases it is not possible to be certain of the components of a contract because contractors have provided a comment or attachment that the profit

⁷ Indicators: The “profit” page on any report contains an attached excel file, excluding files with the name containing the words “CSA”, “Capital Servicing Adjustment”, “CRA”, “POCO”, “incentive”; a file attachment on any report named with the word “profit”, “blended”, “CPS_Amendment_Spreadsheet”, “weighted”, or “combined”; a comment on the profit page contains the word “blended”, “weighted”, or “combined”; the contract has submitted an on-demand contract pricing statement; the contract is a QDC by amendment; the contract profit rate reported does not match the sum of the required steps to determine contract profit rate (for example, if the steps were left blank); the contract baseline profit rate does not use the BPR valid for the year it became a QDC/QSC; the contract was identified in the 2020/21 thematic review on contract profit rates as having a profit rate distinct from the rest of the contract. The 2020/21 review is contained in [Appendix 6, SSRO Annual Compliance Report 2021](#) and examined the reasons why contracts might not be based on the four-steps required by Regulation 23(2)(b), identifying 30 contracts where the contract profit rate was blended.

rate is blended, but we have no further information to show how rates have been blended. In these cases, we have made an assumption that the pricing type and profit rate components overlap.

- 1.9 For example, if a contract has both cost-plus and firm pricing types, and a comment indicates the contract profit rate is a blended calculation of two numbers, we have assessed two components rather than four (i.e. we assume the two profit rates align to the two pricing types, which may or may not be the case). These would be counted as two pricing method components and zero additional “distinct” profit rate components. If, however, we observed six profit rates and two pricing methods, we have assessed these as a total of six components: two pricing methods and four additional distinct profit rate components.
- 1.10 This methodology is fully reliant on DefCARS data to produce an estimate of the number of components. When identifying different pricing types, the data is relatively clear, but for different profit rates we must rely on interpretation of comments or attachments. Furthermore, some contractors have told us there may be hundreds of components not separately identified based on their agreement of multiple tasking authorisation forms (‘TAFs’) with different profit rates; in this case, the following values would be materially underestimated.
- 1.11 In some cases, we may not have identified a component using either of these methods, but we will have been notified of a component by the contractor on DefCARS. In 15 cases, we did not identify any components on the contract before being notified (resulting in 44 additional components), and in other cases we identified some components but were notified of additional ones by the contractor (resulting in 192 additional components).

Analysis

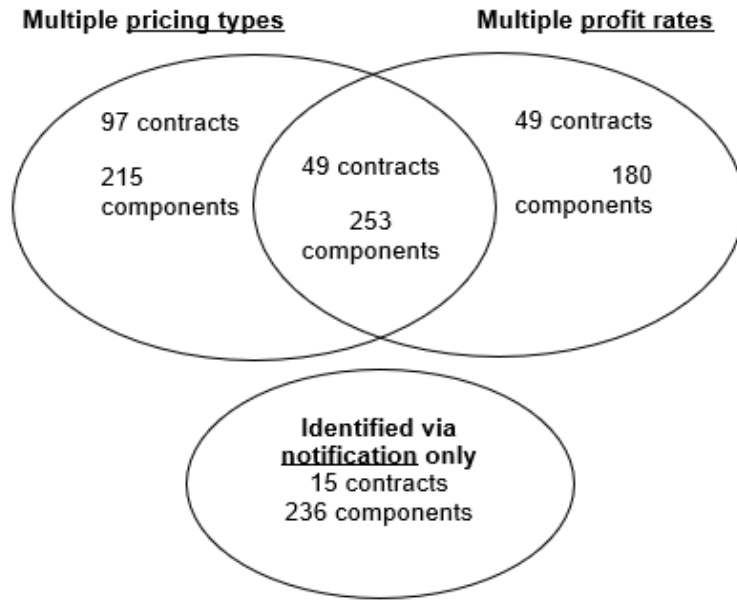
- 1.12 As of 2 June 2025, 511 contracts were included in the review window. Of these, 210 contracts have 884 potential components based on available information, set out in the table below.

Table 1: Count of contracts likely to have components and number of components

Method	Number of Contracts	Number of Components
Identified by multiple pricing types only	97	215
Identified by multiple profit rates only	49	180
Identified by both pricing method and profit rates	49	253
Identified by contractor notification only and set up on DefCARS	15	236
Total	210	884

- 1.13 Figure 1 highlights that a contract can have components based on pricing types and profit rates and will commonly have both.

Figure 1: Contracts and components by whether they were identified as having multiple pricing types, profit rates, or both



Components based on different pricing methods

1.14 The table below breaks down the contracts with multiple pricing methods. The most common type of component is having a contract with both a firm and a fixed pricing method, followed by a contract with both a firm and cost-plus pricing method.

Table 2: Count of contracts where there are multiple pricing methods

Pricing Methods	Number of Contracts	Number of Components
2 Pricing Methods	115	230
Firm Pricing; Fixed Pricing	57	114
Firm Pricing; Cost Plus Pricing	23	46
Fixed Pricing; Cost Plus Pricing	8	16
Cost Plus Pricing; Target Based	5	10
Firm Pricing; Volume Driven	5	10
Firm Pricing; Estimate Based Fee	5	10
Other	12	24
3 Pricing Methods	24	72
Firm Pricing; Fixed Pricing; Cost Plus Pricing	9	27
Other	15	45
4 Pricing Methods	7	28
Grand Total	146	330

Components based on different profit rates

1.15 Our estimate of distinct profit-rate components is only approximate because we rely on interpreting comments or attachments in DefCARS. This is likely to be a substantial under-estimate, as contractors have told us there are potentially hundreds of profit-based components on some contracts.

- 1.16 We were able to identify at least 98 contracts that, when taken all together, contained a total of 361 profit rates. A common cause for blending profit rates is contracts with multiple tasking orders, or TAFs, each of which may have a different profit rate. In some cases, we observed these profit rates to only be a few basis points different from each other.
- 1.17 Of these 361 components, some may align to existing pricing method components. Where we did not have information suggesting otherwise, we assumed pricing method components aligned with the different profit rates, for this reason, we have only counted 318 additional “distinct” components.

Table 3: Count of contracts and components by number of profit rates on the contract

Number of Profit Rates	Number of contracts	Total profit components	Additional distinct components
2	54	108	85
3	14	42	33
>=4	30	211	200
Total	98	361	318

*Distinct from components based on contract pricing method, as explained in para 1.9.

Compliance and components on DefCARS

- 1.18 Table 4 shows there have been 393 components set up on DefCARS since 1 April 2024, across 64 contracts. Of these, we would not have been able to identify 236 through the analysis methodology detailed above, demonstrating that components are difficult to identify based solely on existing information contained in DefCARS.

Table 4: Summary of component information on DefCARS as of 2 June 2025

Description	Count
Count of contracts with components on DefCARS	64
Count of components notified	393
Count of contracts with any component report	37
Count of components with any report	160
Total number of component level report submissions	201
Total number of component reporting plans	108
Total number of component CIR/CPS/ICR/QCR reports	93

- 1.19 Of the 210 contracts that we identified as having in total 884 probable components, in some cases the contractor would not yet need to submit a report. This is because the reporting depends on the circumstances of each contract to determine when such reports are due.
- 1.20 We encouraged contractors to submit an on-demand contract reporting plan for components as soon as was possible. This was to help contractors prepare for future submissions; however, submitting this plan is not a requirement under the Regulations in most cases. Of the 393 components set up on DefCARS, there have been 108 on-demand reporting plans submitted. The due date of the first component report required under the Regulations for the 210 contracts is set out in Table 5.

Table 5: When the first component report on a contract would be required

Scenario	First Component Report Due	Number of Contracts
Contract became a QDC before 1 April 2024 and component value less than £50m	First ICR due after 1 April 2024 or the CCR	114
Contract became a QDC before 1 April 2024 and component value greater than £50m	The earlier of the first ICR due after 1 April 2024 or the QCR due July 2025, or the CCR	75
Contract became a QDC on or after 1 April 2024 with components (whatever the value) from the outset	At the same time as the CIR and all subsequent reports	21
Contract became a QDC on or after 1 April 2024 and a component value less than £10m is added by amendment later	First ICR due after 1 April 2024 or the CCR	0
Contract became a QDC on or after 1 April 2024 and a component value greater than £10m is added by amendment later	An On-Demand CPS and On-Demand CRP within one month of the amendment	0
Total		210

Notes: ICR dates for components could be changed by agreement with the MOD. Component size only assessed for contract pricing methods.

- 1.21 Using these scenarios, we can identify for which contracts in each group there ought to have been a first component report submitted, as of 2 June 2025. We can compare this to how many of these contracts have components set up for them on DefCARS and for which a submission has been made.
- 1.22 We have not assessed whether a particular report was on time or not, only whether a report has now been made. Of 210 contracts, a submission has not yet been required for 69 of them. The first report due date for a component has passed in respect of 141 contracts. Of these 141 contracts, a report has been submitted for 32. In respect of 15 of the 141 contracts, although components have been created on DefCARS for them, no report has yet been submitted. No action has yet been taken in respect of 94 of the 141 contracts.

Table 6: Number of contracts with components on DefCARS and reports

First component report due status	No components set up on DefCARS	Components set up on DefCARS but no reports submitted	At least one report submitted	Total
Due date upcoming	52	12	5	69
Due date passed	94	15	32	141
Total	146	27	37	210

Overall submission coverage

- 1.23 Table 7 shows that about three in four contracts or components have yet to have any report made, despite passing a relevant due date.

Table 7: Comparing identified components vs submitted reports

Description	Number of Contracts	Number of Components
Total identified by thematic review	210	884
Total past due date for submission	141	598
Submitted any report on DefCARS	37	160
Proportion past due but no reports	74%	73%

- 1.24 Table 7 includes reporting plan submissions. The table sets out whether a contractor has made steps to establish components on DefCARS, not whether they have fully complied with the Regulations. If compliance was assessed on a component-by-component basis, the rate of compliance would be lower. Additionally, the contractor needs to be aware of the circumstances of their contract to identify the necessary reports. For example, a contractor may mistakenly submit a CIR rather than an ICR as required. The expected type of component report may have been submitted for as few as 13 contracts (approximately 1/10 contracts).
- 1.25 In most cases, only one report would need to have been submitted for a component to date. The transitional provisions to the Regulations mean that QCR submissions for contracts entered into before 1 April 2024 only become due from 31 July 2025. It is only for contracts valued above £50 million that were entered into after 1 April 2024 where additional QCR reports for components would have become due before 2 June 2025. To date, we can identify six contracts entered into after 1 April 2024 with at least one pricing-method component greater than £50 million. In total, there are five QCRs we would have expected in addition to a CIR across these six contracts. None of these six contracts have submitted any component level report information.

Analysis of issues arising

- 1.26 We noted in [the recent consultation response](#) to our compliance methodology a number of changes. Specifically, our KPI calculations would be “*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.*”
- 1.27 For this thematic review we reviewed 53 component level submissions. In doing so, we identified a total of 56 issues with the submissions, summarised as:
- completion of component level information when not required (17 cases);
 - information relating to specific components not provided (18 cases);
 - merging of information across multiple components (11 cases);
 - transitional provisions relating to QCR reporting and reporting of recovery bases not followed (9 cases); and
 - completion of SSRO funding adjustment when the step is no longer applicable (1 case).
- 1.28 We observe the challenges of having component reports set up as separate contracts within DefCARS; specifically, the lack of validations across a set of components and the parent contract. As part of our future data quality work, we intend to examine consistency between component and parent contracts reports and undertake a thematic review on issues arising across all component level submissions.

Appendix 2: Thematic review of quality indicator and reporting issues

Executive summary

- 1.1 The declining proportion of contract reports reviews by the MOD, versus relatively high level of MOD supplier report review impact the SSRO's headline quality KPI: 'correct first time' reports. For this reason, the SSRO is developing an "issues outstanding" metric as one of its future KPIs to focus on contractors responding to raised queries rather than on the initial submission as a measure of overall quality. We can also make our KPI more robust to review procedural challenges such as ensuring all issues are closed or consistency in reviewer approach.

Introduction

- 1.2 As per the SSRO's [Compliance and review methodology October 2024](#) ("the methodology"), we have developed DefCARS to facilitate the review by both the MOD and the SSRO of report submissions. DefCARS allows issues to be identified and responded to within the system. Without access to the contracts, the SSRO bases its reviews on automatic validation warnings;⁸ only the MOD can confirm whether submissions accurately reflect the qualifying contract.
- 1.3 Under section 2 of the methodology, we set out the use of a 'pass or fail' approach to assessing the quality of submitted data. If there is a single unresolved issue on a report, the report is categorised as "issues outstanding". Where there are no active issues, reports are categorised as "correct first time" or "correct on subsequent submission", depending on whether: any issues were raised in the first place, if the issue was set to have an impact on the quality indicator, and if it was a reporting issue rather than a pricing issue⁹.
- 1.4 MOD's review would be able to cover more content of a report, as the MOD has access to further information about the contract. In addition, DefCARS can indicate that a report has been reviewed and marked (by the MOD and/or SSRO) as "no current issues".
- 1.5 Where a report has been marked as "no current issues" or an issue raised, our statistics consider this report to be formally "reviewed" by that party, which is distinct from having 'accessed' the report on DefCARS with no evidence of formal review.
- 1.6 Our thematic review in relation to reporting issues and the quality indicator examines how the MOD uses DefCARS facilities for raising issues; specifically:
- how many reports can be counted as 'formally reviewed' by the MOD on the system;
 - how many issues the MOD raises and the coverage of issues across contracts reports and supplier reports;
 - the amount of time that passes between an original submission and raising of subsequent issues; and
 - how many issues raised by the MOD are left open despite subsequent submissions being made.

⁸ The SSRO [publishes its list of validation warnings](#) and keeps them under review.

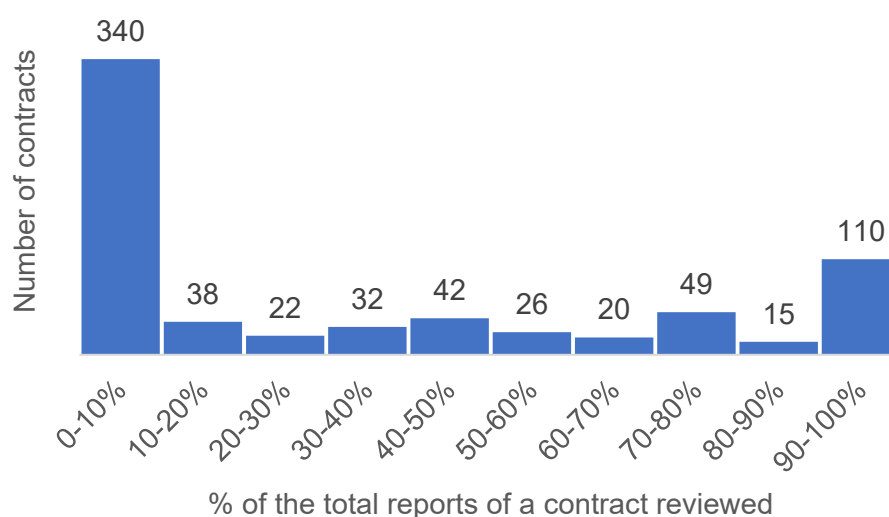
⁹ An issue raised by the SSRO in relation to its section 36(2) function will generally be categorised as a 'reporting' issue, and as a 'pricing' issue if it is in relation to its section 39(1) function.

Review of reports

Coverage of MOD reviews on contract reports

- 1.7 DefCARS provides the functionality to record when a review of a submission has been made. This also allows the SSRO to analyse whether report submissions have been reviewed by either the SSRO or the MOD.
- 1.8 Our analysis for this thematic review considered a total of 755 contracts with reports due between May 2018 and 30 April 2025 (the review period). Of these, at least one report was submitted per contract for 694 contracts. Of these 694 contracts, 328 (47 per cent) contracts have not had a MOD review of any of the reports submitted to DefCARS, i.e. for 328 contracts, no report associated with that contract has had an issue raised or had a MOD user set the report to “no current issues”.
- 1.9 Available data shows that just less than half of these 328 contracts had at least one report accessed by a MOD user assigned to verifying contract data; as a result, while it may not count as reviewed, the data within the report was still accessed. However, this does not assess whether contract information is routinely accessed.
- 1.10 Figure 1 shows that the most common outcome is to have less than 10 per cent of reports submitted in respect of a contract reviewed by the MOD in DefCARS. 340 contracts have had between 0 per cent and 10 per cent of their reports reviewed. However, the second most common occurrence is that contracts have had more than 90 per cent of their reports reviewed, whereby 110 contracts have had more than 90 per cent of their reports reviewed by the MOD.

Figure 1: Number of contracts grouped by what percentage of reports have been reviewed by the MOD for that contract, all reports submitted since May 2018.



- 1.11 Table 1 shows that the percentage of contracts which have had none of their reports (from that year) reviewed by the MOD has also been increasing year-on-year for the last seven years.

Table 1: Number of contracts by financial year with no associated report reviews by the MOD

Financial year report due	Number of contracts submitting data in financial year	Number of contracts without MOD reviews	Percentage of contracts without MOD reviews
2018/2019	125	61	49%
2019/2020	202	103	51%
2020/2021	239	128	54%
2021/2022	308	193	63%
2022/2023	348	230	66%
2023/2024	397	271	68%
2024/2025	426	314	74%

Coverage of MOD reviews on supplier reports

- 1.12 Reviews of supplier reports by the MOD have significantly increased since 2022/23.
- 1.13 A similar calculation can be done for Qualifying Business Units (QBUs), counting in each financial year how many QBUs were set up on DefCARS that submitted at least one report, then how many of those have not received any MOD review on any report.
- 1.14 Table 2 shows that in 2024/25, 76 QBUs submitted a report on DefCARS. 30 of those did not have any of their reports from that year reviewed, but the MOD tends to review supplier report submissions in bulk and there will likely be further reviews after the cut-off date for this report of 2 June 2025.

Table 2: Number of QBUs by financial year with no associated report reviews by the MOD

Financial year	No. Of QBUs reporting on DefCARS	QBUs with no reviews by the MOD	% of QBUs with no reviews by the MOD
2018/2019	40	37	93%
2019/2020	46	39	85%
2020/2021	44	38	86%
2021/2022	50	35	70%
2022/2023	55	24	44%
2023/2024	66	16	24%
2024/2025	76	30	39%

- 1.15 The total number of report submissions (rather than contracts or QBUs) for 2024/25 by their MOD review status is shown in Table 3.

Table 3: Total report submissions for reports relating to 2024/25 by whether they have been MOD reviewed

Values	Type	Not reviewed	Reviewed	Total
Reports	Contract	948	281	1229
	Supplier	170	192	362
% of reports	Contract	77%	23%	100%
	Supplier	47%	53%	100%
Total Reports		1,118	473	1,591
Total % of reports		74%	70%	30%

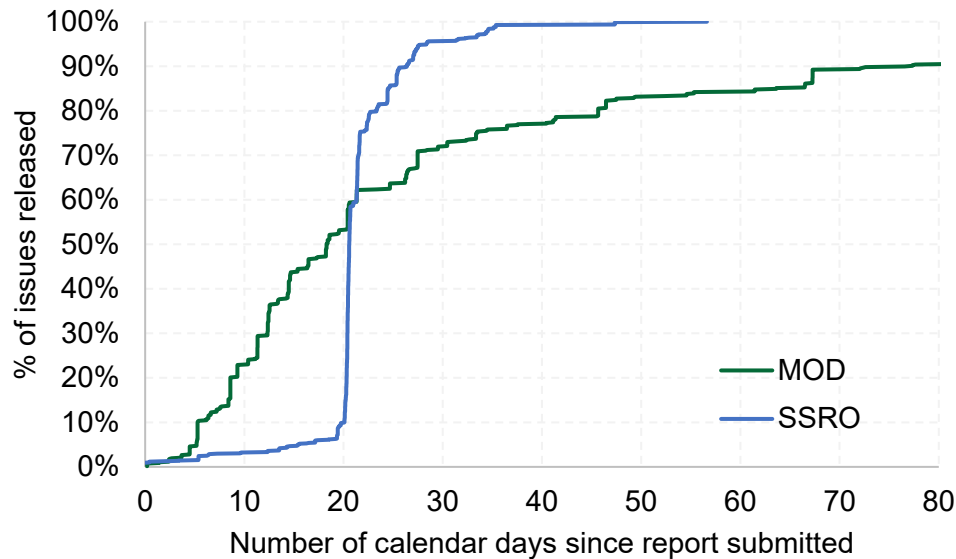
MOD access history

- 1.16 One possibility is that the MOD may examine and use DefCARS data, but not indicate it as “reviewed” on the system. We have therefore examined the last date a MOD “verifier” (a user role with permissions for verifying reported data, typically a commercial officer) accessed any page relating to a contract. We found that 209 contracts have never had a MOD verifier access any page.
- 1.17 Of 426 contracts for which a report has been submitted for the 2024/25 year, 179 (42 per cent) have not had a MOD verifier access it during the year.

Duration of time to raise issues

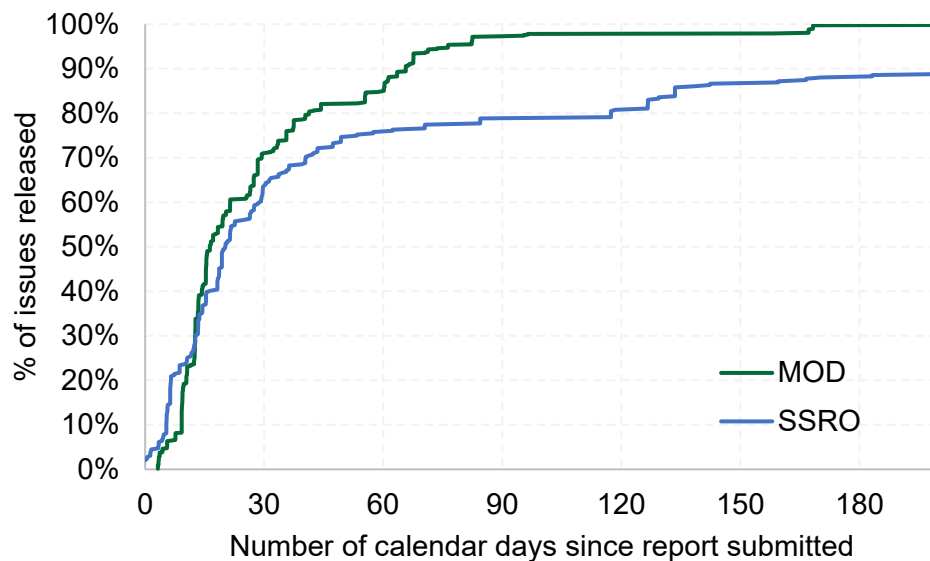
- 1.18 The median number of days from an original contract report submission and an issue being released to the contractor is approximately the same for both the MOD and the SSRO: about 20 calendar days.
- 1.19 The SSRO aims to review reports within 15 working days following the MOD review. Where the MOD does not review reports, the SSRO typically reviews reports only after 15 working days from the date of submission. This impact is visible in the duration curve below, showing a substantial jump in the issues released by the SSRO at approximately the 20 calendar day point (approximately 15 working days). This is because the SSRO holds issues in draft to allow the MOD to release issues before the SSRO.
- 1.20 Figure 2 shows about 20 per cent of MOD issues on contract reports, and 1 per cent of SSRO issues are released more than 45 days following the original report submission.

Figure 2: Percentage of issues released by number of calendar days since the report was submitted, on contract reports submitted between 1 January 2023 and 30 April 2025, excluding correction reports.



- 1.21 For supplier reports, the SSRO does not release issues until the MOD has reviewed the report. As the MOD is now undertaking more reviews of the supplier reports, the SSRO is phasing out its reviews and may only look to review upon request in the future. For these reasons, SSRO issues on supplier reports may be released much later than issues on contract reports.
- 1.22 Overall, since 2023, the median time to release an issue is 16 calendar days for the MOD, and 20 calendar days for the SSRO as shown in Figure 3.

Figure 3: Percentage of issues released by number of calendar days since the report was submitted, on supplier reports submitted between 1 January 2023 and 30 April 2025, excluding correction reports.



Analysis of issues

- 1.23 When issues are resolved within DefCARS, the SSRO or MOD can select whether the issue impacts the compliance rating, which would be the case if additional information is required. The user can also categorise the issue as one related to reporting (impacts compliance), and pricing (does not impact compliance). As shown in the following table, nearly a quarter of issues raised are set to have no compliance impact by one of these methods.

Number of issues by type and compliance impact, since May 2018

	No compliance impact	Impacts compliance**
Number of individual issues raised on DefCARS*		
Pricing	585	n/a
Reporting	1,503	6,971

* Note, a single issue could affect multiple reports under the Regulations but are shown as only one issue for this table. **Pricing issues can technically be categorized as impacting compliance within DefCARS, but all pricing issues are excluded from quality statistics and are therefore included in “no compliance impact” here.

- 1.24 Our core compliance bulletins contain statistics on what pages and data fields issues related to most commonly.

Other concerns relating to raising issues and the impact on a measure of quality

- 1.25 DefCARS facilitates the MOD reviewing reports, and where issues are raised by the MOD a report is categorised as “issues outstanding” until the issues are closed by the MOD on the system itself.
- 1.26 We received feedback from contractors that the MOD managed some issues in a manner that unfairly impacted the quality statistics, for example:
- issues being left open by the MOD despite being actioned by the contractor;
 - issues raised against relatively trivial matters like blank fields vs entering zero, or hardcoding values rather than leaving a formula; or
 - issues raised by the SSRO that receive no response from the MOD.
- 1.27 We examined these examples and present our findings in the following table:

Reporting issues which impact quality, since May 2018

Nature of the issue	Number of issues on DefCARS	Number of reports impacted
Issues relating to hard-coded values	25	27
Issues relating to inputting zeroes rather than leaving blanks	96	48
Issues left open despite corrections	119	45

- 1.28 Note these reports may have had other issues impacting the quality of the submission, in which case the correction of these issues would have no impact on the overall measure of quality.
- 1.29 In addition, these issues cover reports over 7 years. In the SSRO’s analysis, these will not make a material impact on headline measures of quality (between 1-5 per cent of reports might change quality status).

Correct first time quality indicator

- 1.30 There are three main criticisms of the current ‘correct first time’ KPI for submissions:
- it can be negatively impacted by increased MOD reviews, which are arguably increasing overall data quality;
 - the indicator does not change based on how engaged or prompt a contractor is in resolving issues; and
 - there is no assessment of issue materiality
- 1.31 Ideally, our headline quality indicator should track the overall quality of the entire DefCARS dataset, and any action that ultimately improves this data quality should improve our indicators. While we still consider that “correct first time” is a useful measure, particularly for established contracts which have a history of regular review, we want to use a method better suited to compare reporting organisations for our core KPI.
- 1.32 For this reason, we are proposing to move to an “issues outstanding” metric, which will focus on contractors responding to and resolving issues with reporting. However, this metric requires development (or snapshots) to compare over time, because issues are steadily closed. As a result, there will always be more issues outstanding on recent reports than historical reports.

Issues closed by the SSRO due to lack of response

- 1.33 As set out in paragraph 6.8 of the compliance methodology, the SSRO closes any outstanding issues on DefCARS six months after the report due date if the SSRO receives no response but sets it as having an impact on quality. If there are no other issues on the system, this changes the status of the report from “issues outstanding” to “correct on subsequent submission”.

Nature of the issue	Number of issues on DefCARS	Number of reports impacted
SSRO closed due to no response from the MOD or contractor	439	236

- 1.34 To the extent that these issues were genuine and remain unresolved, closing the issue does not reflect an increase in data quality; it is just that the issue is unlikely to be actioned after that date. We have examined historical issues to build a better metric of issues outstanding “as of” a historical date. Specifically, we:
- counted issues that were active as of 1 June each year, for the previous reporting year (reports due between 1 May and 30 April);
 - treated issues as closed if a correction report had been submitted and was awaiting a response, even if the issue had not yet been officially closed;
 - ensured issues counted only if there was at least 15 calendar days of time to respond; and
 - treated the issue as still active if the SSRO closed it only due to no response.
- 1.35 In our analysis, over the last 7 years, around 4-6 per cent of reports for the previous financial year had issues outstanding, as of one month following.
- 1.36 We will continue to develop this metric with our stakeholders ahead of the 2025/26 annual report, as well as additional measures of quality that better summarise quality of the whole dataset.

Appendix 3: Data Sources and Methodology

SSRO functions

The SSRO must keep under review the extent to which persons subject to reporting requirements under Part 2 of 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 Part 2 of the Act and the Regulations.

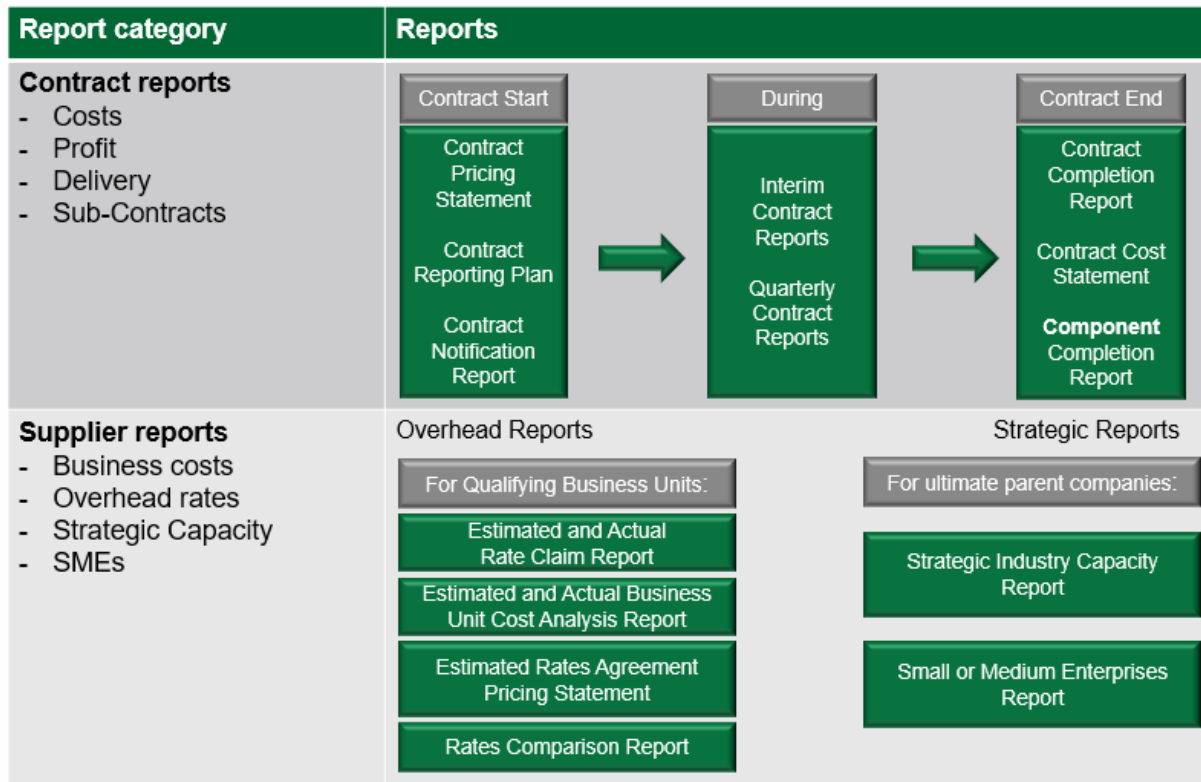
In carrying out these functions, the SSRO must aim to ensure that:

- 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);
- 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) or Component Completion Report (CompCR), 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 condition¹⁰ and QBU threshold¹¹ 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.

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.

¹⁰ 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.

¹¹ The total value of what it provides for those purposes in that period is at least £10,000,000.

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 02 June 2025. It considers:

- QDCs and QSCs entered into between 1 April 2015 and 31 March 2025 and notified to the SSRO by 30 April 2025;
- associated contract and supplier reports that were due for submission between 1 May 2018 and 30 April 2025; and
- all report submissions received and reviewed for compliance issues up to 02 June 2025 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 in the system, and this information is reviewed by the SSRO as part of the application 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 within 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 these actions 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 four 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

Compliance data is generally not expected to be static as data may also be revised for previous periods. For example, reports that were not received by the cut-off date can be submitted later, suppliers can provide corrected or updated reports with new data, or the SSRO can be made aware of different reporting requirements that applied.

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 2025 will have an initial report due date of 30 April 2025 and therefore the initial report would be included in the analysis for the 2024/25 financial year. The analysis aims to be consistent with the [Annual Qualifying Defence Contract Statistics 2024/25](#), 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 would be counted as being correct on subsequent submissions.

Issues raised where the due date is blank are not 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 it is applicable to each of the three initial submissions (the CPS, CNR and CRP), it would be counted as three individual issues raised. If it is not applicable to all three initial reports, a mapping exercise would be undertaken to identify which of the initial three reports the issue relates to. Due to the large number of issues raised, this would not be done on a case-by-case basis and would instead be mapped using the broad information category the issue has been assigned to. If an issue is raised that relates to a field only required in the CPS, for example, this would only count as one issue, and only one of the three initial reports would be assessed as not meeting the statutory requirements. A similar process is 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 2024/25 includes all reports submitted (regardless of their due date) between May 2024 and April 2025, 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

Actual Rates Claim Report (ARCR): A supplier report required under regulation 34 of the Single Source Contract Regulations 2014

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 Defence Reform Act 2014 and regulation 11 of the Single Source Contract Regulations 2014 require that the contract profit rate for any qualifying defence contract must be calculated by applying four steps. The first step requires taking the Baseline Profit Rate which has been determined by the Secretary of State.

Component: Section 15(6) of the Defence Reform Act 2014 defines a “component”, in relation to a contract, as a part of the contract that is to be treated distinctly from other such parts in determining the price payable under the contract

Completion reports: For the purposes of this analysis, the Contract Completion Report/Component Completion Reports (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 Defence Reform Act 2014 (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.

Component Completion Report and Contract Completion Report (CCR): A completion report required under regulation 27A and regulation 28 (respectively) of the Single Source Contract Regulations 2014.

Contract Costs Statement (CCS): A completion report required under regulation 29 of the Single Source Contract Regulations 2014.

Contract Initiation Report (CIR): The collective term for Initial reports, i.e. the Contract Pricing Statement (CPS), the Contract Reporting Plan (CRP) and the Contract Notification Report (CNR).

Contract Notification Report (CNR): An initial report required under regulation 25 of the Single Source Contract Regulations 2014.

Contract price: the price payable under a QDC or QSC, determined in accordance with one, or a combination, of:

- the default pricing method, applying the formula:
Price = (Contract Profit Rate x Allowable Costs) + Allowable Costs, and/or
- an alternative pricing method, in accordance with the relevant provision (contained in Regulations 19A – 19G).

Where a QDC or QSC contains components, the price payable is determined in accordance with:

- Regulation 19G (aggregation of components), or
- The sum of the prices payable for each component

Contract Pricing Statement (CPS): An initial report required under regulation 23 of the Single Source Contract Regulations 2014.

Contract reports: Reports on qualifying defence contracts as described under Part 5 of the Single Source Contract Regulations 2014.

Contract Reporting Plan (CRP): An initial report required under regulation 24 of the Single Source Contract Regulations 2014.

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 2014 (DRA): The primary legislation applicable to qualifying contracts.

Estimated Rates Agreement Pricing Statement (ERAPS): A supplier report required under regulation 38 of the Single Source Contract Regulations 2014.

Estimated Rates Claim Report (ERCR): A supplier report required under regulation 36 of the Single Source Contract Regulations 2014.

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 Single Source Contract Regulations 2014.

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'.

Interim Contract Report (ICR): An update report required under regulation 27 of the Single Source Contract Regulations 2014

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 Defence Reform Act 2014 (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 Business Unit Actual Cost Analysis Report (QBUACAR): An overhead report required under regulation 35 of the Single Source Contract Regulations 2014.

Qualifying Business Unit Cost Analysis Report (QBUCAR): Overhead reports constituting Qualifying Business Unit Actual Cost Analysis Report and Qualifying Business Unit Estimated Costs Analysis Report.

Qualifying Business Unit Estimated Cost Analysis Report (QBUECAR): An overhead report required under regulation 37 of the Single Source Contract Regulations 2014.

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, involving notice of the assessment being 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 2014 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.

Quarterly Contract Report (QCR): An update report required under regulation 26 of the Single Source Contract Regulations 2014.

Rates Comparison Report (RCR): A supplier report required under regulation 39 of the Single Source Contract Regulations 2014.

Regulations: Please refer to the definition of Single Source Contract Regulations 2014.

Single Source Contract Regulations 2014 (Regulations): The Single Source Contract Regulations 2014 are secondary legislation provided for under Part 2 ('Single Source Contracts') of the Defence Reform Act 2014. Collectively the Defence Reform Act 2014 and the Single Source Contract Regulations 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.'

Small or Medium Enterprises Report (SMER): A supplier report requirement under regulation 45 of the Single Source Contract Regulations 2014.

Strategic Industry Capacity Report (SICR): A supplier report required under regulation 40 of the Single Source Contract Regulations 2014.

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.