



SSRO

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Defence Contract Analysis and Reporting System (DefCARS)

Reporting guidance and system user guide for
defence contractors

Version 2 - 16 August 2017

Contents

1.	Introduction	3
2.	General system functionality	6
3.	Overview of contract reports	13
4.	Contract Initiation Report (CIR)	15
5.	Updating contract data – Quarterly Contract Report (QCR)	41
6.	Updating contract data – Interim Contract Report (ICR - Lower and Higher Value)	47
7.	Completion of a contract – Contract Completion Report (CCR)	51
8.	Completion of a contract – Contract Costs Statement (CCS)	52
9.	On-Demand Contract Reports	54
10.	Supplier reporting – General Information	56
11.	Supplier reporting – Actual Rates Claim Report (ARCR)	60
12.	Supplier reporting – Estimated Rates Claim Report (ERCR)	62
13.	Supplier reporting – QBU Cost Analysis Reports (QBUACAR and QBUECAR)	63
14.	Supplier reporting – Estimated Rates Agreement Pricing Statement (ERAPS)	71
15.	Supplier reporting – Rates Comparison Report (RCR)	73
16.	Supplier reporting – SME Report (SME Report)	74
17.	Supplier reporting – Strategic Industry Capacity Report (SICR)	76
	Appendix 1 – Overview of reporting requirements	77
	Appendix 2 – DPS glossary	79
	Appendix 3 – DefCARS release features	81
	Appendix 4 – DefCARS reporting guidance updates	82

1. Introduction

- 1.1 This document is issued by the Single Source Regulations Office (SSRO). It sets out guidance to assist defence contractors with preparing and submitting reports required under the Defence Reform Act 2014 (the Act) and the Single Source Contract Regulations 2014 (the Regulations).
- 1.2 Guidance on use of the SSRO's Defence Contract Analysis and Reporting System (DefCARS) is incorporated into this document. The SSRO maintains DefCARS to enable contractors to comply with the requirement to submit reports electronically and guidance on its use will be relevant to all contractors using the system to prepare and submit reports.
- 1.3 Contractors must have regard to the guidance when preparing reports required by Parts 5 and 6 of the Regulations.

Context

- 1.4 The Act and Regulations establish a scheme of regulation that controls the prices of qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs) and requires transparency on the part of defence contractors.
- 1.5 As part of the transparency requirements, the Regulations provide for submission of reports falling in two broad categories:

Contract reports	These reports are specified in Part 5 of the Regulations and are required to be submitted by contractors for all QDCs and QSCs. The reports contain a range of data about contract requirements, payments, estimated and actual costs and profit, factors affecting delivery and sub-contracts.
Supplier reports	These reports are specified in Part 6 of the Regulations and are required from defence contractors when relevant triggers have been met. The reports consist of overhead reports, the Strategic Industry Capacity Report and the SME Report. ¹

- 1.6 Reports must be provided to the SSRO and the Ministry of Defence (MOD) and, with the exception of the Strategic Industry Capacity Report, must be provided in electronic form.² The SSRO must keep an up-to-date record of QDCs, QSCs and the duration of those contracts.

¹ SME refers to micro, small and medium-sized enterprises, as defined in Commission Recommendation 2003/361/EC: Regulation 2(1).

² The Strategic Industry Capacity Report must be provided either in electronic form (via secure means) or in hard copy: Regulation 33(7). Contractors should contact the SSRO helpdesk for further information.

- 1.7 The reports provide a substantial body of standardised information relevant to the operation of the regulatory framework established by the Act and Regulations. The information may be used by the SSRO in support of its statutory functions, which include:
- assessing the appropriate rates for use in pricing contracts;
 - issuing statutory guidance on pricing contracts, reporting and penalties;
 - giving opinions and making determinations on the operation of the framework;
 - carrying out analysis requested by the Secretary of State;
 - keeping under review the extent to which contractors and suppliers are complying with reporting requirements; and
 - keeping the provision of the framework under review and making recommendations for change to the Secretary of State.
- 1.8 In carrying out its functions, the SSRO must aim to ensure that good value for money is obtained in government expenditure on QDCs, and that contractors are paid a fair and reasonable price under those contracts.
- 1.9 The SSRO uses the reports to support its programme of studies and analysis which help it to discharge its aims and functions. It publishes a number of statistical releases which increase transparency over regulated contracts generally, but do not disclose protected information about individual contracts. The SSRO's work should provide benchmarks and parametrics that support the MOD and industry in future contract negotiations.

Compliance

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

DefCARS design and development

- 1.13 DefCARS is the central system managed by the SSRO for the capture, storage and analysis of all electronic data reported by contractors and suppliers in accordance with the Act and the Regulations. It is agreed with the MOD that submission of reports via the DefCARS system is how contractors and suppliers are to meet the requirement to electronically submit their reports to both the SSRO and the MOD. The current system (DefCARS 2) is a web-based tool, which was launched on 15 March 2017 and replaced an earlier system (DefCARS 1) that had been in operation from commencement of the Regulations.
- 1.14 DefCARS 2 is intended to provide a user-friendly web interface and facilitate both compliance with reporting obligations and discharge of the SSRO's functions. It differs from DefCARS 1, which relied upon submission of Excel based-templates via a portal. This guidance identifies relevant features of DefCARS 2 and gives assistance with submitting reports through the system.
- 1.15 All data submitted via DefCARS 1 has been securely migrated to DefCARS 2. The onus is on contractors and suppliers to check that previous contract information is correctly recorded in DefCARS 2.
- 1.16 The security of data within DefCARS is one of the SSRO's key priorities. Guidance relating to information security and system administration is available to users via 'onboarding' email correspondence with the SSRO helpdesk and via the guidance links in the system. It can be found in the appendices to the version of this document within DefCARS but will not be available on the SSRO's website.
- 1.17 DefCARS is designed to allow contractors to input data in an efficient way. For instance, certain data required across multiple reports will only need to be entered once, certain data is auto-populated from one report to another³ and validation checks (warnings and errors) will provide the submitter with assistance when reviewing data entered.
- 1.18 The system has been designed to facilitate any future changes to the regulatory framework, and will allow the introduction of better trend analysis and reports to inform contract negotiations involving the MOD and contractors. The SSRO will also regularly review the functionality of the system, and where necessary, implement upgrades and improvements through post-launch system updates. Individual release details are set out in Appendix 3.

Review of the guidance

- 1.19 The SSRO engages on its reporting guidance and DefCARS through its Reporting and IT group. The group meets quarterly and has representation from both industry and the MOD.
- 1.20 The SSRO will prioritise the future development of its reporting guidance and DefCARS, taking into account the feedback received from the Reporting and IT group. The SSRO will aim to issue updates at appropriate intervals, clearly explaining what has changed from version to version (See Appendix 4). Contractors will need to familiarise themselves with these changes and any impact on their reporting requirements.

³ There are some limitations on auto-population from migrated DefCARS 1 reports to future DefCARS 2 reports.

2. General system functionality

- 2.1 This section sets out guidance in relation to the general system functionality in DefCARS, covering user navigation, data formats, auto-population and validation. References are made to report types throughout the section, which are further explained in sections 3 and 10.

[Contractor home page](#)

- 2.2 When a defence contractor user logs into DefCARS a calendar will be visible on the home page. This calendar shows the submission dates listed in the latest submitted reporting plan for each contract that the user has access to. Reporting plan dates are required in the Contract Reporting Plan, which is submitted via a Contract Initiation Report (CIR) on DefCARS 2 (see Sections 3 and 4). Submission dates for supplier reports are not displayed as supplier reporting is dependent upon whether ongoing contract conditions are met within a financial year (see Section 10).
- 2.3 Users can navigate between years using the arrows at the top of the calendar. By hovering over a date the Contractor, Contract and Report Due Date (the submission date) are displayed. Email notifications will alert contractors to forthcoming report submission dates and will in the future show when issues are raised in submitted reports, as set out in Exhibit 1 below.

Exhibit 1 – System generated email notifications

Message category	Event
Calendar	Submission date reminder
	Report overdue reminder
Issues (this function is not yet operational)	SSRO issues released
	MOD issues released
Status (this function is not yet operational)	SSRO status changed
	MOD status changed

- 2.4 For submissions migrated from DefCARS 1, the system presents dates in the calendar based on the reporting plan in the latest submitted Contract Notification Report (CNR) or Contract Reporting Plan (CRP). If contractors submitted an updated reporting plan in a Contract Pricing Statement (CPS), Quarterly Contract Report (QCR) or an Interim Contract Report (ICR) in DefCARS 1, these updated dates will not appear in the home page calendar and email notifications will not be received. Contractors can submit a corrected CNR or CRP with updated dates to populate the reporting calendar, if desired.
- 2.5 Below the calendar, users will also see a list of all the contracts that they have access to, submitted reports, and reports available for completion below the calendar. The system will highlight the status (e.g. if a report is due or overdue) and any identified issues with each submitted report in this list.
- 2.6 Each report can be accessed in the DefCARS 2 format via its accompanying 'View' icon. Users who have submitted a report in DefCARS 1 will be able to access their original Excel report submission from the list of reports (contract and suppliers) on the home page. The DefCARS 1 report will appear in the list of reports clearly labelled as a DefCARS 1 submission and will be accessible by clicking the blue link which includes the original file name and the report will then be downloaded. In the DefCARS 2 format some DefCARS 1 information may appear differently because the structure of DefCARS 1 reports has changed.
- 2.7 Any supporting information accompanying contract reports submitted in DefCARS 1 will be accessible by clicking in the View icon for the report which has been migrated. The supporting information can be found in the Report Submission Admin page and the Comments, Issues and Supporting Information area on the right-hand side.
- 2.8 Users can start new reports from this home page, where the user's permissions allow this. Once a report is submitted, it becomes read only. Users can submit a correction to a report using the 'start correction' option on the home page. All data from the submitted report will be copied to a new version which can be edited or updated. A 'new submission' icon will appear for contracts logged on the system but where no information has yet been added.
- 2.9 It is not possible for multiple users to update the same report at the same time. However, progress in a report can be saved and a different user can then log in and continue with the same report. This is to prevent users from overwriting information input by other users who may be completing the report at the same time.

[System help and guidance](#)

- 2.10 Users can access system help and this reporting guidance via a help bar on the left-hand side of the contractor home page, and the 'Get help with this page' links at the top of each page within reports. The links on each page take the user to the equivalent page within the guidance document.

[Report Navigation](#)

- 2.11 Each report can be navigated using the menu visible on the left-hand side of the screen or via the Next Page buttons at the bottom of each report page.

Data formats

2.12 DefCARS facilitates the collection of data in a standardised format for the analysis purposes. Therefore, some data is required in certain specified formats which are set out in Table 1 below.

Table 1 – Data formats

Data type	Guidance
Dates	All dates must be in the format dd/mm/yyyy. Dates can either be entered by selecting the relevant date from a calendar view or can be typed in.
Percentages	Percentages are to be entered excluding the percentage sign and as, for example, "10.5". If the user enters "0.105" instead, the system will recognise this as 0.105%, and if the user enters "ten and a half per cent", the system will not convert words to the relevant figure.
Monetary values	All monetary values must be reported in sterling unless it is specified in the Regulations that a different currency can be used. In these instances, DefCARS will provide an option to specify the currency that data has been reported in. Should the QDC or QSC be contracted in a currency other than sterling, the contracting authority's exchange rate should be used (the MOD's for QDCs and the primary contractor's for QSCs) for the purposes of reporting. Generally, data is required in units of £ million (e.g. contract prices, contract values) or £ (e.g. cost recovery rates). Users should refer to the system and this guidance for what units are required.
Decimal places	This guidance will specify the number of decimal places required and in most cases three decimal places are needed. An indication of what is required is shown throughout this user guidance. DefCARS can accept up to six decimal places. If a value which has more than six decimal places is pasted into a data field, the system will truncate the value at six decimal places, and will not round it.
Numerical values	The system can accept values with up to ten integers. The system does not currently allow comma separators to be used when entering data. DefCARS will allow values which include comma separators to be pasted into data fields, however the commas will be removed from the formatting once pasted.
Text	There are differing character limits on each field. The system will indicate if the character limit for a field is exceeded.

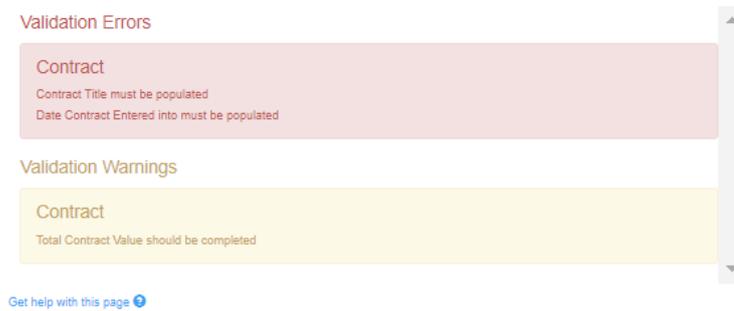
Auto-population

- 2.13 Some information within DefCARS will be auto-populated to reduce the data entry required to complete reports. Where the same fields appear within a report, the system will populate these throughout that report. The system will also auto-populate consistent fields from one report to another. For example:
- The first QCR will be auto-populated from the latest submitted CIR. Any subsequent QCRs will then be auto-populated from the latest submitted QCR.
 - The first ICR (Lower or Higher Value) will be auto-populated from the latest submitted CIR. Any subsequent ICRs will then be auto-populated from the latest submitted ICR.
 - The first Contract Completion Report (CCR) will auto-populate from the latest ICR (of either type) if available and not auto-populate from a QCR. If no ICR is available, then it will populate from the latest CIR.
 - If a draft Qualifying Business Unit Cost Analysis Report (QBUCAR) report is created within 15 months of the 'Last day of the most recently completed Business Unit Relevant Accounting Period' in a previously submitted report, the system will pre-populate all 'prior year estimates' in the draft report, using the 'current year estimates' from the previous QBUCAR.
- 2.14 Contractors and suppliers should check auto-populated data and update where appropriate so that the data complies with the reporting obligations set out in the Regulations for the specific report that they are submitting.
- 2.15 The system will not auto-populate data from any CPSs, CNRs and CRPs submitted in DefCARS 1.

Data validation

- 2.16 The system's validation function does not provide contractors and suppliers with confirmation that their report is compliant with the Act and the Regulations. The validation checks in DefCARS however aim to assist users with ensuring data in reports are in the correct format, that totals sum correctly and that fields which are repeated within reports match.
- 2.17 Users can validate the data inputted on each report in two ways. Firstly, on each report page, users can save the page and then click on the 'Validate' button. Alternatively, users can validate the whole report by clicking on the 'Validate report' button in the left-hand navigation bar. If a page passes the automated validation checks, a green tick will appear next to the page name in the navigation bar.
- 2.18 The system will highlight any validation 'errors' and 'warnings' to the user. A validation error must be addressed before the system will allow the report to be submitted. These are displayed in red. Validation warnings are displayed in yellow and highlight issues with the data inputted. The report can be submitted without correcting these however, if users do not address these issues, the SSRO or the MOD may raise queries relating to them.

Exhibit 2 - Validation errors and warnings



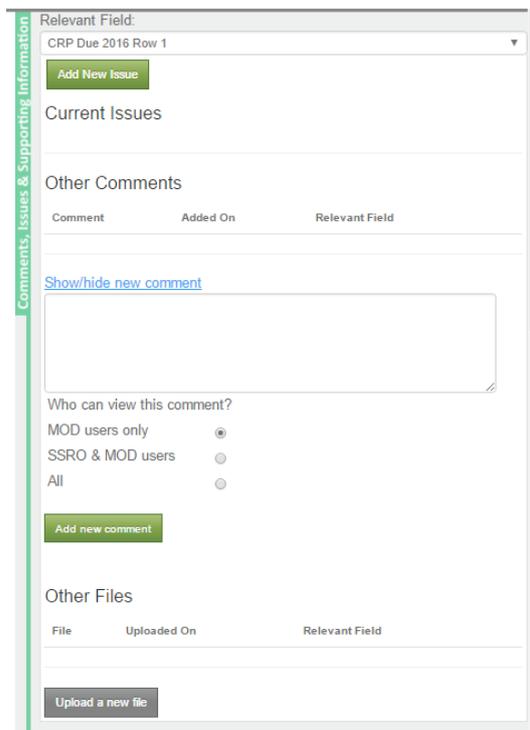
Saving reports

- 2.19 Most pages have a save button at the bottom of them. Where they do not, entered content is saved as it is completed.
- 2.20 It is not possible for multiple users to update the same report at the same time, although progress in a report can be saved and a different user can then log in and continue with the same report. This is to prevent users from overwriting information by other users who may be completing the report at the same time.

Uploading Comments, Issues and Supporting Information in reports

- 2.21 Each page in DefCARS has a green bar displayed on the right-hand side of the screen titled 'Comments, Issues and Supporting Information'. Clicking on the green bar expands and hides it. A screen shot of this is shown below.

Exhibit 3 - Comments, issues and supporting information



- 2.22 The expanded bar displays the Comments and Supporting Information functions, which contractors and suppliers may use to provide additional information to meet the reporting obligations set out in the Regulations and to explain or supplement the data entered into the fields on the page.
- 2.23 To add a new comment, the system user can select any data entry field from the drop down menu (all fields on the page are listed) and click the 'Show/hide new comment' link. After typing a new comment in the box that is presented, the user must make sure they select 'Add new comment'. Comments can be edited or deleted using the icons that appear adjacent to them. A complete list of all comments added by the contractor can be found on the Report Home page.
- 2.24 To provide supporting files, the user can select a data entry field from the drop-down menu as above and click on the 'Upload a new file' icon. In a new window, the user will be asked to confirm that the data to be uploaded is classed as OFFICIAL-SENSITIVE-COMMERCIAL or lower. Users should browse for the document and select 'Upload'.
- 2.25 The file types below can be uploaded onto the system are set out below. There is a maximum file size of 100MB which should not cause problems for contractors. The SSRO would prefer Excel documents are submitted in this form rather than as converted pdf documents as this makes analysis more difficult.
- .doc
 - .docx
 - .txt
 - .pdf
 - .ppt
 - .pptx
 - .csv
 - .xls
 - .xlsx
 - .xlt
 - .xltx
 - .xlm
 - .xlsm
 - .ods
 - .mdb
 - .accdb
 - .jpg
 - .png
 - .gif
 - .bmp
 - .zip or .7z (containing one of the above types)⁴
- 2.26 The system also has an Issues function, which will not be visible to contractors and suppliers here as it is for use by the SSRO and the MOD. In due course, this will become operational and contractors will be able to view and respond to issues raised by the SSRO and the MOD. Guidance will be developed accordingly.

Printing reports

- 2.27 The Submission page of each report provides the contractor with the facility to view and print its reports in pdf or Excel format. This functionality is available to the contractor before and after submission to the SSRO and the MOD.

⁴ Archived files in this format are supported, but must contain one of the other accepted file types e.g. .xlsx, .ppt, .doc. When an archived file is uploaded, a file handler process will extract and check the file type contained within, then proceed to process it as normal if it is a supported file. This could be useful when uploading potentially large files to reduce the upload time.

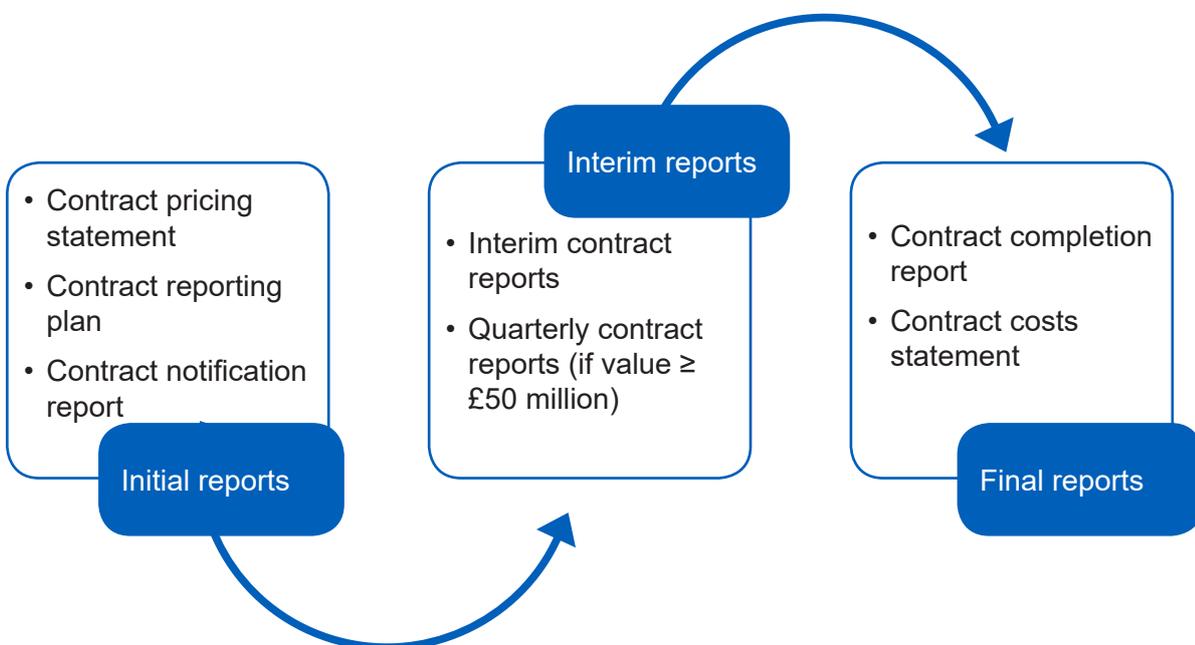
Submission and re-submission

- 2.28 The SSRO or the MOD can only see reports once a contractor has submitted them. Once the contractor is satisfied that the report is ready for submission, it can save and submit the report via the Submission page. If there are remaining validation errors in the report, DefCARS will not allow submission. If there are remaining validation warnings in the report, DefCARS will alert the submitter to review these before confirming that they wish to submit. Unresolved validation warnings may result in an increased number of queries from the SSRO to the contractor.
- 2.29 Once the report has been submitted, it can no longer be edited so the contractors should make every effort to ensure that they are content before submitting it. Contractors are however able to make corrections or other amendments to the report.
- 2.30 To make a correction or amendment, the contractor should navigate to the Contractor Home Page. The contractor will see an icon labelled 'Start Correction' against each report migrated from DefCARS 1 and submitted in DefCARS 2. This will open a new draft of the report populated with the information from the previously submitted report. This information can be edited by the contractor, and saved and submitted via the Submission page.
- 2.31 The Contractor Home Page will display the original submission as 'S1' (if it is the first submission of its report type, 'S2' if the second and so on), and the corrected report as 'S1C1' (if it is the first correction of 'S1', 'S1C2' if the second and so on). The 'S' refers to the submission number for that type of report and the 'C' refers to the correction number for that specific report number.

3. Overview of contract reports

- 3.1 This section of the guidance aims to provide contractors with an overview of the reports that are required under Part 5 of the Regulations in relation to QDCs and QSCs.
- 3.2 All QDCs and QSCs are required to provide initial and final reports. The submission of and the frequency of interim reports is dependent on the contract value. Exhibit 4 below sets out the contract reports that are required.

Exhibit 4 – Contract reports



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

3.5 The specific regulations that contractors should refer to when completing their reports are set out in Table 2 below.

Table 2 – Reporting Requirements

Report	Reporting requirements set out in
Contract Notification Report (CNR)	Regulation 22 (General Requirements), Regulation 25 (Contract Notification Report).
Contract Pricing Statement (CPS)	Regulation 22 (General Requirements), Regulation 23 (Contract Pricing Statement).
Contract Reporting Plan (CRP)	Regulation 22 (General Requirements), Regulation 24 (Contract Reporting Plan).
Quarterly Contract Report (QCR)	Regulation 22 (General Requirements), Regulation 26 (Quarterly Contract Report).
Interim Contract Report (ICR)	Regulation 22 (General Requirements), Regulation 27 (Interim Contract Report).
Contract Completion Report (CCR)	Regulation 22 (General Requirements), Regulation 28 (Contract Completion Report).
Contract Costs Statement (CCS)	Regulation 22 (General Requirements), Regulation 29 (Contract Costs Statement).
On-Demand Contract Report	Regulation 22 (General Requirements), Regulation 30 (On-Demand Contract Report), and one of the following: <ul style="list-style-type: none"> • Regulation 23 (Contract Pricing Statement) • Regulation 24 (Contract Reporting Plan) • Regulation 27 (Interim Contract Report). • Regulation 29 (Contract Costs Statement).

3.6 The Act and the Regulations set out modifications for QSCs. Those relating to the reporting obligations under Part 5 and Part 6 of the Regulations can be found in Regulation 65 (Modifications of these Regulations), as well as throughout this guidance. Differences between the reporting requirements for QDCs and QSCs are relatively minor.

3.7 Contractors should also refer to this guidance as well as other SSRO guidance as required by Regulation 22(9) which states that “in preparing a report, a contractor must have regard to any relevant guidance issued by the SSRO”. Statutory guidance is produced by the SSRO on:

- [Single Source Cost Standards: Statutory Guidance on Allowable Costs](#) (last updated 1 July 2016).
- [Guidance on the baseline profit rate and its adjustment](#) (last updated 15 March 2017).

4. Contract Initiation Report (CIR)

- 4.1 This section of the guidance covers the data entry required to generate and submit the initial reports described in Exhibit 2 above. Guidance is provided below on a page by page basis, with each heading referring to a page in DefCARS. Later sections of this document, which provide guidance on other report types refer back to this section if the data entry required is the same or similar.
- 4.2 DefCARS provides for submission of a single Contract Initiation Report (CIR), which covers all data required in the initial reports and is intended to facilitate submission of those reports. Once the CIR has been submitted, DefCARS will automatically generate the Contract Pricing Statement (CPS), Contract Reporting Plan (CRP) and Contract Notification Report (CNR).
- 4.3 The CPS, CRP and CNR (collectively the CIR in DefCARS 2) for a contractor who has a QDC or QSC must be reported within one month of entering into these contracts or when an amendment was agreed that resulted in the contract becoming a QDC.

Key message - Before completing initial contract data for the first time contractors should familiarise themselves with Regulation 22 (General Requirements), Regulation 23 (Contract Pricing Statement), Regulation 24 (Contract Reporting Plan) and Regulation 25 (Contract Notification Report).

[Report Home](#)

- 4.4 The report home page provides users with the report type and name, and how it links to the Regulations.
- 4.5 Comments added via the Comments, Issues and Supporting Information bar throughout the report to provide supporting explanations will be visible here. The user is diverted to the relevant page when clicking on a comment.
- 4.6 Once the issues function is operational, any issues logged by the MOD or the SSRO and each organisations' review status will be visible to the contractor on this page. Guidance will be made available when the function is in use.
- 4.7 The page also includes a 'delete report' button via which the contractor has the option to delete a draft report before it is submitted, should they wish to start again.

[Supplier details](#)

- 4.8 Company details will be pre-populated based on the data provided by the contractor's administration user when setting up the new contract on DefCARS. Anyone completing a report can amend these pre-populated company details and care should be taken to ensure that a submitted report contains the correct information. If any company information is corrected, the person submitting the report should also inform their administrator so that it can be updated generally in the system and inform other reports submitted by the company.

4.9 Table 3 below sets out the details that are required if the contractor is a registered company.

Table 3 – Supplier Details

Data required	Guidance
Company Name	The full registered name of the legal entity (contracting company) as submitted to a registrar of companies, such as Companies House or an overseas equivalent.
Company Registration Number	The registered number of the legal entity (this can consist of numbers and letters), where relevant.
Trading As Name	Include the Trading Name if it is different from the Company Name.
Address Name/Number/Street/Road	The full registered address details of the legal entity.
UK SME Classification (Select Yes or No)	This should reflect whether the registered company meets the definition of SME. The Regulations state that SME has a meaning given in Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium sized enterprises (employ fewer than 250 people and annual turnover of ≤€50m and/or annual balance sheet total of ≤€43m). Users should refer to the full definition provided in Commission Recommendation 2003/361/EC.
Last Day of Most Recent Completed Financial Period	The last day of the most recent accounting period for which financial statements have been or are to be prepared. For example, where a financial period is 12 months to 31 December or six months to 31 March, the relevant date to enter would be 31 December and 31 March respectively.
Immediate Parent Company	The name, registration number and address of immediate parent companies. A parent company has the meaning given by Section 1162 of the Companies Act 2006. This needs to only cover immediate parent companies and not the whole parent chain. More than one immediate parent company may be inputted to cover different ownership scenarios (e.g. joint ventures).
Other Relevant Information	The contractor is asked to provide any other information which is relevant to the contract and might be useful to the SSRO or the Ministry of Defence.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Report submission administration

4.10 The contractor must enter the following administration data, providing key contact details and confirmation relating to the timing of report submission.

Table 4 – Report submission administration data input

Data required	Guidance
Date this report is required by	<p>The Regulations require the report to contain the date that the report is due. This should be considered in conjunction with the data provided on the Contract page (see below).</p> <p>For initial reports the date that the report is due is one month from the date a new contract was entered into or the date an existing contract was amended and became a QDC or QSC.</p> <p>Appendix 1 summarises the deadlines for submission of each of the contract and supplier reports.</p>
Supplier Staff – Contact for Report Compliance Issues	<p>The name, position and contact details of the person who should be contacted if any compliance or penalty notice is given in relation to the contract to which the report relates. These contact details may also be used if the SSRO has any queries to raise under its compliance methodology (or the MOD has any queries on the report).</p>
MOD staff – Main Project Team contact for Supplier	<p>Each QDC will be managed by a Ministry of Defence project team. The name, position and contact details of a member of the project team must be provided. This field does not apply for QSCs.</p>
Supplier Staff – CEO details	<p>The name, position and contact details of the Chief Executive of the contracting company.</p>
Other general comments relevant to the submission of this report	<p>Please include information which helps the SSRO to understand this contract and when it was entered into.</p>
<p>Once these details are complete, select Save then Validate, before moving on to the next page.</p>	

4.11 In addition to the data input required by the contract, the Regulations state that each report must contain the date the report is submitted and the name, position and contact details of the individual submitting the report. These two fields are not visible to the contractor when drafting the report, but will appear in the submitted report. DefCARS will populate these fields based on the actual date the report has been submitted and the details of the user who submitted the report.

Contract

4.12 The contractor must enter some basic data about the contract as explained in Table 5.

Table 5 – Contract data input

Data required	Guidance
Contract Title	The contract title must align with the title on the actual contract.
Contract Description	A brief description of the goods, works or services that are to be provided under the contract, such that a person with reasonable familiarity of the defence sector could understand what is being delivered.
Contractor's Unique Reference Number for Contract	The unique identifying number the contractor has allocated to the contract should be entered.
MOD's Unique Reference Number for Contract	The unique identifying number allocated to the contract by the Secretary of State. This field does not apply for QSCs.
Contract type <div style="border: 1px solid black; border-radius: 15px; padding: 5px; width: fit-content; margin-top: 10px;"> Field added March 2017 </div>	The contractor is asked to categorise their QDC as either one of the following: <ul style="list-style-type: none"> • QDC • QDC by amendment • QSC • QSC by amendment QDC and QSC should be used to reflect new contracts, and QDC by amendment and QSC by amendment should be used to reflect existing contracts which have been amended and have become QDCs or QSCs. The categorisation here will impact which of the date contract entered into or the latest pricing amendment date flows through to the field labelled 'Date contract became a QDC/QSC'.
Date Contract Entered Into	Dates in DefCARS can either be typed in using the format indicated or by using the calendar functionality. The contractor should provide: <ul style="list-style-type: none"> • the date a new contract was entered into; or • if an existing contract was amended and became a QDC or QSC, the date that the contract was originally entered into.
Contract Completion Date	Enter the contract completion date or, if that date is not known, the expected contract completion date. Contractors should refer to Regulation 4 which sets out the meaning of 'contract completion date'.
Latest Pricing Amendment – Date	The Regulations require that every report contains the date of the most recent amendment which affects the price payable under the contract. In the initial report, please provide the date that the contract was amended and became a QDC or QSC. If the contract is a new QDC or QSC, this field should be left blank.

Data required	Guidance
Latest Pricing Amendment – Contractor Reference ID	Enter the identifying number you have allocated to the amendment.
Latest Pricing Amendment – MOD Reference ID	Enter the identifying number the MOD has allocated to the amendment. This field does not apply for QSCs by amendment.
Date contract became a QDC/ QSC <div style="border: 1px solid black; border-radius: 15px; padding: 5px; width: fit-content; margin-top: 10px;"> Field added March 2017 </div>	<p>This will be auto-populated based on the information provided in the Contract Type, Date Contract Entered Into and Latest Pricing Amendment Date fields (see above).</p> <p>Annual profiles in later pages start from the date in this field (i.e. the date the contract became a QDC or QSC) and end at the contract completion date. If the contract became a QDC/QSC on amendment, contractors may wish to submit separate information to cover the years prior to the date of that amendment.</p> <p>The date in this field also drives the automated dates in the reporting plan.</p>
Total Contract Price	The price which results from the pricing formula ((Allowable Costs x Contract Profit Rate) + Allowable Costs), to three decimal places.
Total Contract Value for threshold purposes	The contract value is to be determined by the contracting authority (see Regulation 5), to three decimal places.
Name of business unit	Include any business unit in relation to which a cost recovery rate has been used in determining the price payable under the contract. Business units can be added by clicking on the blue cross icon, can be edited using the green icon and can be deleted using the red icon.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Reporting Plan

- 4.13 The Regulations require contractors to set out the dates of reports required to be submitted in relation to the contract. The data entered here will be carried into the reporting calendar on the contractor's home page. Please see the 'General System Functionality' section of this guidance (Section 2) for further details about how the reporting calendar operates.
- 4.14 This page draws on the information entered on the Contract page (the contract entered into date, the contract completion date and the contract value) to generate the reporting and submission dates for the fixed mandated requirements (CPS, CRP, CNR, CCR, CCS) and the QCRs.
- 4.15 The contractor must enter the reporting dates of ICRs. DefCARS will use these dates to auto-populate the equivalent submission dates. The contractor will also have to provide both the reporting dates and submission dates of any On-Demand Contract Reports which the contractor has agreed to provide or that have been directed by the Secretary of State.

Table 6 – Reporting plan data input

Data required	Guidance
Contract entered into and Contract completion date	These dates will be auto-populated from previously entered data on the Contract page.
Contract value for threshold purposes	The contract value previously entered will be auto-populated.
Quarterly contract report required	The system will pre-populate this field with Yes or No depending on the contract value previously entered. Yes will show if the contract value exceeds £50 million.
Fixed Mandated Requirements	There are five reports that are required for every QDC and QSC (the CRP, CNR, CPS, CCS and CCR). This table auto-populates the fields with the dates when these reports are due and when they must be submitted. The months allowed for submission of these reports are displayed.
Quarterly Contract Reports (QCR)	Where QCRs are a requirement the dates when these reports are due and must be submitted are auto-populated.
Interim Contract Reports (ICR)	<p>The contractor must add, where there is agreement between parties and where these reports are required, the dates when the reports fall due. Where there is no agreement between the parties, the contractor must enter the default dates set out in the Regulations (see Appendix 1).</p> <p>Submission dates will be automatically displayed by DefCARS (i.e. within two months of each reporting date entered). Extra rows can be added by clicking on the blue cross.</p> <p>If there are any additional on-demand ICRs to report at this stage, the ICR fields can be used to add these. Please provide an explanatory comment to clearly set out which dates relate to the on-demand reports.</p>
On-Demand Contract Reports: <ul style="list-style-type: none"> • Contract Reporting Plan (CRP) • Contract Pricing Statement (CPS) • Contract Costs Statement (CCS) 	<p>The reporting and submission dates must be provided where the contractor has agreed to provide, or has received written direction from the Secretary of State to provide, On-Demand Contract Reports.</p> <p>Any on-demand ICRs should be entered in the above section. Contractors can enter dates for on-demand CRPs, CPSs and CCSs here.</p> <p>Extra rows can be added by clicking on the blue cross.</p> <p>The fields can be left blank if there are no On-Demand Contract Reports to report at this stage. If applicable, it would be helpful to provide a supporting comment to that effect.</p>
Comments	If the contractor believes the auto-populated reporting plan to be incorrect, then comments can be made in this field. The contractor should also provide the dates that it believes apply instead.
Dates Confirmed	The contractor should tick this box to confirm that they have reviewed the reporting dates and they are correct. If applicable, it would be helpful to provide a supporting comment to explain why the box has purposely been left unticked.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Profit

4.16 This page collects high level information on Allowable Costs and detailed information on the six-step contract profit rate calculation that together comprise the contract price. Fields should be completed based on the information in Table 7 and 8 below.

Table 7 – Profit data input

Data required	Guidance
Statutory Guidance on Allowable Costs in force at the time of agreement	Select from the drop-down list, the version of the SSRO's statutory guidance on Allowable Costs that the contractor has had regard to. The contractor should provide any relevant comments/explanation, particularly where there has been any deviation from the statutory guidance on Allowable Costs.
Statutory Guidance on the Contract Profit Rate in force at the time of agreement. <div style="border: 1px solid black; border-radius: 15px; padding: 2px; display: inline-block; margin-top: 10px;">Field added March 2017</div>	Select from the drop-down list, the version of the SSRO's statutory guidance on the Contract Profit Rate that the contractor has had regard to. The contractor should provide any relevant comments/explanation, particularly where there has been any deviation from the statutory guidance on the Contract Profit Rate.
Total Allowable Costs (including any Risk Contingency Allowance)	Confirm the total Allowable Costs (including risk contingency) in the contract in £ millions to three decimal places. The contractor may also provide supporting comments and explanation here to help the SSRO and the MOD understand the quantum of Allowable Costs, noting that later CIR pages ask the contractor to provide further details relating to Allowable Costs.
Total Risk Contingency included in the Allowable Costs	Confirm the element of total Allowable Costs which is risk contingency in £ millions and to three decimal places. If no risk contingency has been priced into Allowable Costs, zero should be entered to confirm this. The contractor may also provide supporting comments and explanation here to help the SSRO and the MOD understand the quantum of risk contingency, noting that later CIR pages ask the contractor to provide further details relating to risk contingency.

4.17 The following data entry relates to the calculation of the contract profit rate.

Key message - Regulation 23(2)(d) sets out that the contractor must “describe the calculation that was made under regulation 11 to determine the contract profit rate, including all adjustments that were made under steps 1 to 6”.

Contractors should supplement the data entry fields below with further information (via the expandable Comments, Issues and Supporting Information bar) about how each profit rate adjustment was determined, including calculations and explanations, to meet the reporting requirement.

Table 8 – Calculation of the contract profit rate data input

Data required	Guidance
Step 1 – Baseline Profit Rate (BPR) %	<p>Select from the drop-down list, the baseline profit rate which applies to the contract. This should be the rate determined by the Secretary of State and published in the London Gazette for the financial year in which the time of agreement falls. For a QDC this means:</p> <ul style="list-style-type: none"> the date of entry into contract, if the contract is a QDC by virtue of section 14(3) of the Act; the date of the amendment that resulted in the contract becoming a QDC, if it is a QDC by virtue of section 14(4) or (5) of the Act; or the date the price was re-determined, if there has been an amendment that affects the price. <p>For a QSC, the time of agreement will be the date of entry into the sub-contract. There is an option to select 'Other' and specify a different rate to two decimal places (e.g. where sunk price needs to be taken into account). If this option is used, the contractor should explain why it has applied a baseline profit rate other than one determined by the Secretary of State and provide calculations to demonstrate how the alternative rate has been arrived at.</p>
Step 2 – Cost Risk Adjustment %	<p>State any Cost Risk Adjustment that has been agreed with the MOD or the prime contractor in the case of a QSC, to two decimal places. This must be within a range of plus or minus 25 per cent of the baseline profit rate.</p> <p>The requirement to provide a description of how the adjustment was calculated applies to any cost risk adjustment, including zero cost risk adjustments.</p>
Step 3 – Profit on Cost Once (POCO) adjustment %	<p>State any deduction (this should never be an increase) from the amount resulting after Step 2, to two decimal places. The adjustment should be determined in accordance with Regulation 12, so as to ensure that profit arises only once in relation to those Allowable Costs under the contract that relate to the price payable under any group sub-contract (including any further group sub-contract).</p> <p>The SSRO provides a methodology (see SSRO Guidance on the Baseline Profit Rate and its Adjustment) for contractors to use to calculate any deduction required.</p>
Step 4 – Single Source Regulations Office funding adjustment %	<p>State the SSRO funding adjustment to deduct from the amount resulting from Step 3. This should be the rate approved by the Secretary of State in force at the time of contract agreement.</p> <p>This adjustment applies for the first time in 2017/18.</p>
Step 5 – Incentive Adjustment %	<p>State any incentive adjustment agreed with the Secretary of State (QDCs) or contracting authority (QSCs), to two decimal places. This adjustment can be between zero and two percentage points. Consider including an explanation of the financial incentive and how it would apply in the supporting description.</p>

Data required	Guidance
Step 6 – Capital Servicing Allowance adjustment %	<p>State the Capital Servicing Allowance (CSA) adjustment agreed with the Secretary of State (QDCs) or contracting authority (QSCs) to add to or deduct from Step 5, to two decimal places.</p> <p>The SSRO provides an approach to calculating the CSA adjustment in its statutory guidance on the Contract Profit Rate. A CSA Adjustment Calculator is provided in DefCARS to mirror the approach (see below for further details).</p> <p>Alternatively contractors can manually enter a % amount for the CSA adjustment. If the contractor had used the CSA Adjustment Calculator, any manual overwrite will delete the data entered into the calculator.</p> <p>If the contractor has chosen not to use the in-built calculator (e.g. where sunk price needs to be taken into account), the value entered should be supported by equivalent information on how it was calculated.</p>
Contract Profit Rate (CPR) %	<p>This amount will be calculated by DefCARS based on the percentages entered at Steps 1 – 6. Contractors should ensure that the rate presented in the cell is the final rate used to price the contract.</p> <p>Users can overwrite the calculated contract profit rate but must consider that the Regulations state that the contract profit rate is the result of applying the six steps. If a contract profit rate is manually entered, the user will see a validation warning to flag any difference between the calculated value and an overwritten one. The contractor should provide a supporting explanation if it chooses submit any alternative contract profit rate.</p>
Contract Profit – expressed as an amount	<p>The profit element of the contract price will be presented in £ million. The amount is calculated by multiplying Contract Profit Rate as a percentage and Total Allowable Costs (including risk contingency allowance).</p>
Total Contract Price, including the maximum amount that can be earned via the Incentive Adjustment	<p>The total contract price will be presented in £ million. It is calculated by summing the Total Allowable Costs (including risk contingency allowance) and Contract Profit Rate expressed as an amount.</p> <p>The contractor should check these values to ensure that it is content that these reflect profit and price correctly. There is a validation rule to check this figure agrees to the contract price entered on the Contract page.</p>
Once these details are complete, select Save then Validate, before moving on to the next page.	

Capital Servicing Adjustment Calculation

- 4.18 The Capital Servicing Adjustment (CSA) calculation is provided by data fields in DefCARS 2 and aims to make it easier for contractors to demonstrate that they have had regard to the calculation set out in statutory guidance. These fields were added in March 2017.
- 4.19 The CSA calculation requires input of three pieces of data that are likely to be held by the prime contractor and their group sub-contractors and not the MOD – the fixed capital, working capital and cost of production. The calculation also requires contractors to input relevant fixed capital and working capital rates. These are determined and published by the Secretary of State.
- 4.20 Contractors should refer to the SSRO's [Guidance on the Baseline Profit Rate and its Adjustment](#) which includes further guidance, including definitions and considerations, on the elements of capital servicing adjustment calculation.
- 4.21 The contractor should state if the Capital Servicing Adjustment has been agreed with the MOD and is final via provision of supporting comments.

Table 9 – Capital servicing adjustment data input

Data required	Guidance
Reporting period to which these costs relate	Input field. This is the financial reporting period which the figures entered below relate to. The drop-down menu provides a list of historic government financial years as well as an 'Other' option. Use of the 'Other' option should be explained via supporting comments.
A - Fixed Capital	Input field. Figures in should be entered in £ million to three decimal places.
B - Working Capital	Input field. Figures in should be entered in £ million to three decimal places.
C - Total Capital Employed	Calculated by DefCARS (the total of A + B).
Do the above figures relate to a single business unit?	Drop down list (Yes or No). The contractor is asked to confirm (Yes or No) whether the figures relate to a single business unit. If not, the contractor should list the business units which the figures relate to.
D – Cost of Production	Input field. Figures should be entered in £ million to three decimal places.
E – CP:CE ratio	Calculated by DefCARS (D divided by C).
F – Fixed capital as a proportion of capital employed	Calculated by DefCARS (A divided by C).
G – Working capital as a proportion of capital employed	Calculated by DefCARS (B divided by C).
H – Capital servicing rates used (year)	Input field. The drop-down menu provides a list of government financial years from 2014/15 to date as well as an 'Other' option. The contractor must have regard to the capital servicing rates in force at the time of contract agreement. Any deviation from this and any use of the 'Other' option should be explained via supporting comments.

Data required	Guidance
I - Fixed capital servicing rate	Auto-populated by DefCARS based on the contractor's selection at H. If 'Other' was selected, the contractor can manually enter a fixed capital, positive working capital and negative working capital servicing rate. The contractor should provide supporting information relating to the rates used.
J - Positive working capital servicing rate	
K - Negative working capital servicing rate	
L - Capital servicing rate	Calculated by DefCARS (F divided by I, plus G divided by J or K).
M – Capital servicing adjustment	Calculated by DefCARS (L divided by E). Contractors should check that this gives the capital servicing adjustment for the contract.
Once these details are complete, select Submit. The user will need to ensure that all information on the profit page is saved and validated.	

Pricing method breakdown

- 4.22 The contractor must confirm which of the six regulated pricing methods (this can be one or many) apply to the contract by inputting the price resulting from each method in £ millions to three decimal places. There is a validation message to flag to contractors that they should ensure the price matches that reported earlier on the Contract Page.
- 4.23 The contractor can provide any relevant comments about the pricing method(s) used on the contract. If the contractor has used a pricing method which is not one of the six regulated methods they should explain the method and the price associated with it in the comments field or using the expandable bar on the right-hand side of the page.

Defined Pricing Structure (DPS Inputs)

- 4.24 This page sets out the contractor's description of the direct and indirect Allowable Costs (excluding risk contingency) of its contract using a Defined Pricing Structure (DPS). The annual cost profile is provided on the next page.
- 4.25 The SSRO developed DPS principles which were published in June 2015. These principles are now incorporated into this DefCARS user guidance. These principles present the SSRO's guidance to contractors for effectively preparing, understanding and presenting a DPS. The primary purpose of these principles is to achieve a consistent application of the DPS.
- 4.26 The contractor should have regard to the DPS principles below when providing the required DPS data in the CIR, the ICRs and the CCR.

Principles

- 4.27 The objective of the DPS is to establish a single, centrally available, comprehensive data set to determine relationships between costs and outputs, and record the estimated and outturn costs, for every QDC and QSC. This will enable future analysis such as benchmarking, while assisting effective contract monitoring without being burdensome.

- 4.28 The DPS is a product or service-orientated hierarchy. The goal is to develop a DPS that defines the logical relationship among all components to a specific level that does not constrain the contractor's ability to define or manage the programme or resources to deliver that programme.
- 4.29 The SSRO has published [16 different DPS templates](#) on its website. These are:
- surface ships;
 - submarines;
 - drones (unmanned aerial vehicles);
 - rotary wing aircrafts;
 - fixed wing aircrafts;
 - track vehicles ("A" class vehicles);
 - surface vehicles ("B" class vehicles);
 - wheeled armoured vehicles (armoured vehicles which are not in "A" class);
 - missile systems;
 - specialist equipment;
 - weapon systems;
 - service contracts;
 - radar and communications;
 - ordnance;
 - unmanned marine systems; and
 - IT systems.
- 4.30 The glossary at Appendix 2 provides definitions for each of the above DPS equipment types. Contractors should consider the outputs being delivered and/ or the services being provided within the contract and select a DPS which most closely matches these. The contractor should agree which of the 16 DPS templates is to be used with the Ministry of Defence during contract negotiations. Where a non-standard (not one of the 16) structure is agreed with the MOD, the contractor should contact the SSRO helpdesk or call 0203 771 4785 to discuss how this can be reported.
- 4.31 The DPS should be articulated in no more than four levels:
1. Level 1 is the entire system and/or programme, a programme element, project, sub programme or service;
 2. Level 2 are the major elements subordinate to the Level 1 system / programme. These major elements include hardware and software elements or key services;
 3. Level 3 are elements subordinate to Level 2 and include hardware, software and services; and

4. Level 4 elements follow the same process of breakdown for those subordinate to Level 3 and represent a further definition of the hardware, software and services. Level 4 will cover all elements that are not included in Levels 1-3⁵.

4.32 The DPS has been constructed so that each level of decomposition contains a breakdown of the cost at the parent level. Table 10 below illustrates how costs can be broken down within a DPS. Level 1 of the DPS must total 100 per cent of the contract value excluding profit and the breakdown of each subsequent level must total the level before.

Table 10 – Defined pricing structure cost breakdown example

Level 1	Level 2	Level 3	Level 4	
Contract Value £220m	£100m	£35m	£10m	
			£5m	
			£20m	
		£10m	£1m	
			£9m	
			£55m	£5m
	Profit = £20m	£20m	£5m	£40m
				£10m
		£10m	£2m	£5m
				£8m
Level 1 = £200m	£70m	£20m	£10m	
			£16m	
		£50m	£18m	£0.5m
	£14.5m			
	£3m			
				£29m

4.33 The templates are to be followed and completed as fully as possible. However, we do not expect every line of the template DPS to be completed if it is not applicable. Furthermore, not all four levels will need to be completed for all contracts.

4.34 In addition, where a contractor considers a new line item is required to better suit the product or service procured, they should use the “other” category at levels 2 - 4. Any “other” categories used must be agreed with the MOD. Use of the “other” category must not account for more than 5 per cent of the total cost, unless agreed with the MOD and contractor. The “other” categories are now editable within DefCARS so contractors can use this feature to describe any additional outputs that are not reflected in the DPS structure which they would like to use.

⁵ If the MOD desire additional granularity beyond level 4, this may only be applied with the agreement of the relevant contractor.

- 4.35 Use of the “other” category is to be used in the following circumstances:
- when there is no appropriate description available within the DPS; or
 - where a small proportion of costs would be difficult to apportion to categories listed in the DPS.
- 4.36 The level of relevant detail that a contractor provides should relate to the total contract value. The larger a contract, the more detail is expected⁶.
- 4.37 Contractors should use a consistent approach when apportioning costs to the DPS within reports. All reasonable efforts should be made to include cost data accurately or at least to the nearest £10,000. Where the costs of items cannot be mapped directly, they need to be either estimated or a pro rata value used. Contractors should be prepared to demonstrate this approach, and are requested to provide the following information with the DPS:
- mapping documents from the work breakdown structure (WBS) to programme management costs (if applicable) and to the DPS; and
 - the method of apportionment of costs.
- 4.38 If an amendment to the contract is made, which subsequently alters the DPS, any amendments to the DPS will be required to be agreed with the MOD. Any changes will be required to be highlighted in subsequent reports that require costs to be split by the DPS (i.e. ICRs and the CCR); earlier submitted reports will not need to be amended and re-submitted.

How to input the DPS in DefCARS

- 4.39 The contractor should first select the most appropriate and agreed DPS from the list of 16 in the drop-down list. Once selected, DefCARS will update the page to display the relevant DPS lines for that structure.
- 4.40 The contractor should then select each DPS line which they are going to allocate costs to by ticking the data input option after each relevant description. Detailed descriptions for each line are provided to help with selection.
- 4.41 DefCARS is designed in such a way as to allow simple data entry of the structure. For example, if there are two Level 3 items selected, DefCARS will not allow a user to populate the Level 2 total. To complete a Level 2 total, Level 3 items would need to be unticked. DefCARS will ask the user if it wants to proceed to remove Level 3 ticks if an attempt is made to use the Level 2 parent line.
- 4.42 If the contractor has selected the ‘Specialist Equipment’ DPS, it should provide a descriptor for Level 1. The user can do so by ticking the Level 1 row and then selecting the Edit button. A box will appear and the user can add a description before submitting the text via the Submit button. The user must add the Level 1 descriptor before selecting the other DPS input rows as ticking the Level 1 row will remove ticks against any Level 2-4 rows.

⁶ The required length of the DPS will vary depending on the contract value. As not all categories or levels need to be completed for each contract, the predicted length of the DPS is as follows:

- Under £10m: 10 – 20 rows
- Under £100m: 30 – 60 rows
- Over £100m: 60 – 100 rows

- 4.43 If the contractor has made use of the 'Other' lines, the user should provide explanations about what costs are included via the Edit buttons. The relevant rows need to be ticked first to enable the Edit buttons.
- 4.44 DPS descriptors are aligned to the published templates and are not editable in DefCARS. Where a user wants to provide an explanation alongside a descriptor then the same approach of using the Comments, Issues and Supporting Information window should be adopted.
- 4.45 Once the DPS lines have all been selected, the user needs to Save and Validate the page before moving on to allocate costs to the structure on the next page.

DPS Input Values

- 4.46 This page enables contractors to provide an annual profile of any estimated costs (split by the DPS) at the initial reporting date and the total of those costs that are non-recurring, as required by the Regulations.
- 4.47 The DPS lines selected on the DPS Inputs page will be displayed here on the DPS Input Values page. DefCARS will display cells that require cost inputs in white. Grey cells will calculate based on data entered in the white cells. All columns will have the cost status 'Priced Estimate' given the stage at which the contract is.
- 4.48 Costs should be provided in £ million to three decimal places. **The costs should exclude risk contingency included in total Allowable Costs**, as risk contingency is entered on the Summary Analysis of Price page. Costs which cannot be allocated to any financial year may be added in the not-profiled column, however the contractor will need to provide supporting comments in relation to why costs cannot be profiled. One reason could be that sunk costs are included in not-profiled. Where sunk costs and other non-profiled costs are included together in this column, the contractor should explain the quantum of each category. The contractor should reflect any of the total amount which is non-recurring expenditure in the final column.
- 4.49 Contractors can copy and paste data into the DPS fields in batches, using the green icon. Data can only be pasted in where input rows are located together. For instance, cost data can be pasted in for levels 1.5.2-1.5.4, but 1.6.2-1.6.4 would have to be pasted in separately.
- 4.50 The window that appears when the green icon is used provides instructions about how much data can be pasted in at a time. Alternatively, contractors can enter data directly which might be more time consuming.
- 4.51 The system will indicate if the costs entered in this breakdown exceed the total Allowable Costs (including risk contingency) entered earlier.

Summary Analysis of Price

- 4.52 The contractor must provide an annual profile of any risk contingency included in total Allowable Costs and profit across the number of years that the contract is for. As this is the beginning of the contract the cost status flags will all show as Priced Estimate.

Table 11 – Summary Analysis of Price data input

Data required	Guidance
Subtotal planned cost of components	The Allowable Costs (excluding risk contingency) profile will be auto-populated based on data entered against the DPS. This will be shown in £ millions to three decimal places.
Risk / Contingency Allowance	<p>The annual profile of risk contingency included in the cost base within the contract price. The total and the percentage of total cost will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p>
Subtotal Cost	Calculated by DefCARS. Contractors should check that this line agrees to the total Allowable Costs in the contract price.
Profit (excluding incentive adjustment)	<p>The annual profile of profit (excluding the amount due to Step 5) within the contract price. The total and the percentage of total cost will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p>
Total Contract Price (excluding incentive adjustment)	Calculated by DefCARS.
Additional Profit arising from Incentive Adjustment if met	<p>The annual profile of maximum profit that could arise due to Step 5 within the contract price. The total and the percentage of total cost will be calculated by DefCARS.</p> <p>The profile can be entered by selecting the green icon and deleted by selecting the red icon. This should be entered in £ millions to three decimal places.</p> <p>Contractors to check that this plus Profit (excluding incentive adjustment) sums to the overall contract profit rate entered on the Profit Page.</p>
Total Contract Price (including incentive adjustment)	Calculated by DefCARS. Contractors should check that this line agrees to the total contract price and corresponds to the contract price entered on the Contract page.
Commentary on the above section	The contractor is asked to provide any additional comments relating to the price summary which is relevant and might be useful to the SSRO or the Ministry of Defence.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Cost recovery rates

- 4.53 This page enables contractors to list and profile the cost recovery bases used, or expected to be used in determining the contract price or that the contractor will use in contract reports. Contractors are asked to provide a detailed breakdown of cost recovery rates, to support the reporting requirement to provide the contractor's facts, assumptions and calculations relevant to each element of Allowable Costs.

4.54 The rates could apply to direct or indirect cost recovery, depending upon the contractor's management systems and methodology relevant to determining the cost payable under the contract. Contractors should consider the two important definitions in the Regulations (Regulation 2) that are set out below, when determining what data should be included.

- **Cost recovery base** - the unit of measure to which a cost recovery rate is applied in order to calculate a cost under a contract
- **Cost recovery rate** - a rate calculated for a business unit that is used to determine a cost payable under a contract, being a rate per unit of a cost recovery base that is multiplied by the quantum of that cost recovery base to determine the cost.

4.55 The format of this page will appear new for contractors who previously submitted reports through DefCARS 1, but the information requirement remains in line with the Regulations and has not altered. This new page format was added in March 2017 and pulls together information previously collected in separate areas of the old reporting templates in a more consistent way for the purposes of future analysis.

Key message - Even though data on cost recovery rates is now collected via standard fields, contractors should supplement the data entry fields below with further supporting information about the composition of rates to meet the obligations under Regulation 23(2)(e).

4.56 If relevant supporting information on the composition of rates has been provided via a previously submitted supplier report, the contractor may reference this. However, the contractor has an obligation under this report and therefore must consider whether the supplier report submission is sufficient to meet the obligation under Regulation 23(2)(e) to supply its facts, assumptions and calculations relevant to each element of the Allowable Costs. Any reference to a supplier report must be sufficient that the SSRO or MOD reader may easily identify the supplier report and clearly understand how it reconciles to the data provided in the contract report.

4.57 Regardless of the contractor's method of providing supporting information (i.e. within the CIR or via a supplier report), the fields in the page should be completed to confirm the applicable cost recovery rates in the requested format. Users need to click on the blue cross icon to add individual recovery rates.

Table 12 – Cost recovery rates data input

Data required	Guidance
Pricing business unit name	The name of the business unit which the cost recovery rate is associated with. Business units listed here should also feature on the list of business units provided on the Contract page.
Name of cost recovery rate <div style="border: 1px solid black; border-radius: 15px; padding: 2px; width: fit-content;">Field added March 2017</div>	A name should be attached to the cost recovery rate which explains the type of activity the rate is associated with. For example, engineering labour, maintenance overhead.
Recovery base units	The unit of measure to which the cost recovery rate will be applied. For example, hours, square feet.
Type of cost recovery rate <div style="border: 1px solid black; border-radius: 15px; padding: 2px; width: fit-content;">Field added March 2017</div>	The rate can be described as Labour, Labour and Overhead, Overhead or Other. If Other is used, please attach a supporting comment to define the cost recovery rate.
Rate type <div style="border: 1px solid black; border-radius: 15px; padding: 2px; width: fit-content;">Field added March 2017</div>	This should be entered either as an amount in £ or a percentage.
<i>For each year of the contract the following data should be entered.</i>	
Volume	The quantum of activity by which the cost recovery rate will be multiplied by (i.e. an annual profile of the cost recovery bases as required by the Regulations).
Rate (£s or %)	The cost recovery rate in £ or %. Please note the difference to the majority of other value fields in DefCARS which require units of £ million.
Of which overheads (if applicable) <div style="border: 1px solid black; border-radius: 15px; padding: 2px; width: fit-content;">Field added March 2017</div>	The amount in £ of the cost recovery rate which is related to overheads. For example, if the cost recovery rate is £10 per hour, the overhead proportion could be £3 of that £10.
Rate agreed by the MOD <div style="border: 1px solid black; border-radius: 15px; padding: 2px; width: fit-content;">Field added March 2017</div>	Final or Provisional. Contractors will normally receive confirmation from the MOD's Cost Advisory and Assurance Service (CAAS) when rates are approved.
<i>For costs which cannot be allocated to individual years</i>	
Not profiled	There may be some rate related costs which cannot be profiled to any individual year. Explanatory comments should be provided to explain why rates and bases have not been profiled.

Cost breakdown

- 4.58 Contractors are asked to provide a high-level breakdown of total Allowable Costs by nature, setting out the proportion of costs relating to labour, overheads, materials, sub-contracts and risk. Contractors will have to exercise judgement about whether costs are categorised as materials or sub-contracts, as provision of materials may be sub-contracted to another supplier.
- 4.59 The format of this summary table is new to DefCARS 2 (added in March 2017), but **it should not replace any cost model and other supporting documents** which the contractor decides to include with their submission to demonstrate its facts, assumptions and calculations relating to Allowable Costs.
- 4.60 Some fields within the Cost Breakdown table are auto-populated from other areas of the report and others require data entry. Table 13 provides further information on this. All costs should be entered in £ millions to three decimal places.

Table 13 – Cost breakdown data input

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

Data required	Guidance
Risk Contingency Element	DefCARS will auto-populate this field using the 'Total Risk Contingency included in Allowable Costs' field on the Profit page. The field cannot be edited here.
Unreconciled	The contractor may enter in a value to reflect any costs that remain unreconciled. However, the contractor should provide a supporting comment to explain what these are and why they have not been able to reconcile total costs to the categories above and any additional rows added by the contractor.
[Additional rows]	Contractors are encouraged to map costs against the provided categories, however additional rows can be added by selecting the blue cross icon at the top of the table (and deleted using the red icon next to the additional row). Users will need to give a clear name to each new cost line added as well as a supporting comment to set out why the new line is required.
Total	Calculated by DefCARS based on the figures entered above.
Once these details are complete, select Save then Validate, before moving on to the next page.	

Assumptions

4.61 Contractors must describe:

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

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

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

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

- **Allowable Costs (excluding risk)** - input assumptions. Examples include: an MDAL (Master Data Assumptions Log), a jointly-owned or contractor-developed cost/price model, detailed engineering cost models, make/buy plans;
- **Allowable Costs (excluding risk)** - calculations. Examples include: a jointly-owned or contractor-developed cost / price model, detailed engineering cost models;

- **Risk and Contingency Allowance** - input assumptions. Examples include: a risk register, supplemented where necessary with the numerical inputs to the **risk** modelling calculations; and
- **Risk and Contingency Allowance** - calculations. Examples include: a jointly-owned or contractor-developed risk model.

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

Table 14 – Assumptions input

Data required	Guidance
Information category	Select one of the four categories listed above. Depending on which is selected, the following fields will be greyed out where no data entry is required. For example, if an assumption category is selected then the fields asking for information on calculations will be greyed out.
Assumptions	
Description of assumption	A clear description of the assumption which would be understood by a reasonable person with familiarity with the defence sector.
Value if number	A number value in £ sterling.
Relevant Units	Any volume based assumptions should be quantified.
Explanation of source and justification of use	A brief explanation of the source of the information or assumption and why the contractor considers them to be relevant.
Calculations	
Purpose of calculation – output derived	An explanation of why the calculation is being used.
Description of calculation (inputs required, assumptions relied upon)	A brief explanation of the calculation and how it is applied.
Other relevant comments	Any other comments which the contractor considers to be relevant.
Assumption provided by the Secretary of State?	The contractor should state if the assumption, fact or calculation has been provided by the Ministry of Defence.

Assumptions Inflation and Exchange Rates

4.66 The SSRO asks contractors to separately explain any inflation (cost or price inflation rather than inflation of volumes or hours) and exchange rate assumptions which have been applied. These fields were added in March 2017. Contractors should provide the following information about these types of assumptions by selecting the blue cross.

Table 15 – Inflation and exchange rate assumptions data input

Data required	Guidance
Assumption	The contractor should identify if the assumption is related to inflation or exchange rates.
Assumption description	A clear description of the assumption including which index it is linked to.
Regulated pricing method	This field will not be pre-populated from earlier pricing information provided so the user needs to enter this.
Variation of Price (VOP) clause	The contractor should confirm if the contract includes a VOP clause for this assumption. If there is a VOP clause the contractor should explain what it is based on.
Type of cost assumption	The contractor should identify what type of cost assumption the inflation or exchange rate assumption applies to.
Annual profile	Contractors are asked to identify inflation and exchange rates by year and the Allowable Costs that are linked to each rate. Any costs which cannot be profiled should also be included. Allowable Costs should be entered in £ million, to three decimal places.

Sub-contracts

- 4.67 Contractors must provide a description of actual or intended sub-contracts which the primary contractor has entered into, or intends to enter into, for the purpose of enabling it to perform its obligations under the QDC or QSC. There may be scenarios where a contractor does not yet know there will be sub-contracts when they submit their initial set of reports. If full information is not known at this time, partial information can be provided and updated through later reports.
- 4.68 For each sub-contract which has or is expected to have a value of not less than £1 million (or if there are more than 20 such sub-contracts, each of the 20 which have, or are expected to have, the highest value), the contractor must include the following information.

Table 16 – Sub-contract data input

Data required	Guidance
Sub-contractor	If the sub-contractor is a registered company, include the full registered name (made to a registrar of companies such as Companies House or an overseas equivalent), Include the name of the sub-contractor if it is not a registered company.
Registration Number	If the sub-contractor is a registered company, include the company registration number and the address of its registered office.
Registered Address	
Associated (Group Co.)	The primary contractor should declare if the sub-contractor is associated with them.
SME?	The primary contractor must identify if the sub-contractor is a small or medium sized enterprise (Yes or No). The definition of an SME is provided earlier in this guidance.

Data required	Guidance
Summary description	This should describe the scope of the contract and the key deliverables.
Date contract entered into/ expected to be entered into Expected Contract Completion date	Enter the date the sub-contract was, or is expected to be, entered into and the contract completion date, or expected contract completion date.
Sub-contract price (£m)	Enter the actual (or estimated) price payable under the sub-contract in £ million, to three decimal places.
Assessed as QSC?	Confirm if the sub-contract has been assessed to determine whether it is a QSC, and if so, the outcome of that assessment (i.e. whether it is a QSC).
Sub-contract entered into Field added March 2017	Confirm if the sub-contract has been entered into as at the reporting date with a tick.
Total value of all sub-contracts attributable to the QDC/QSC (including those under £1 million) Field added March 2017	The contractor should enter the total value of all sub-contracts attributable to the QDC/QSC in £ million, to three decimal places. This needs to include sub-contracts valued below £1 million so this value could be greater than the individual sub-contracts detailed above. The percentage of contract price attributed to sub-contracts will be calculated.

Payments

- 4.69 Contractors must provide a list of all MOD payments exceeding £100,000 or 1 per cent of the contract value (whichever is greater) expected to be made by the Secretary of State under the contract. Any individual payments can be explained if necessary. Initially these payments will be expected payments and actual amounts will be updated in future ICRs and CCRs.
- 4.70 Individual payments can be selected using the green cross icon. Once the individual payments are shown then the annual profile can be added below them, again by selecting the green cross icon. The information required is explained in Table 17 below. **These fields do not apply for QSCs.**

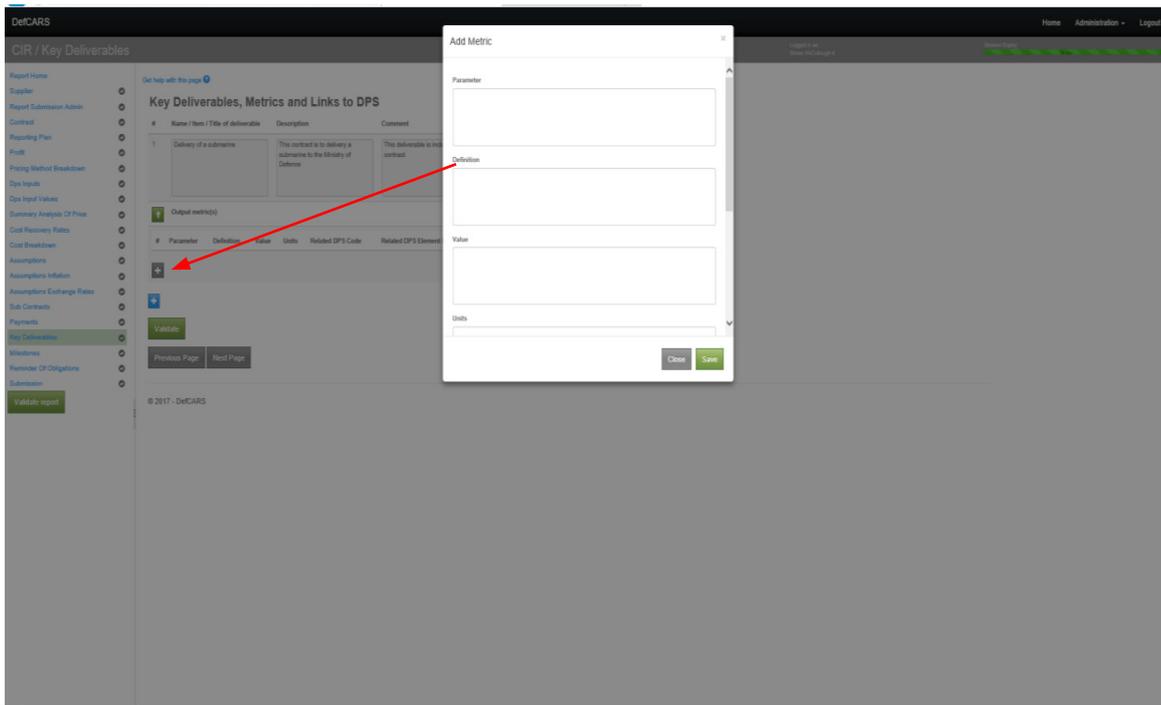
Table 17 – Significant individual payments data input

Data required	Guidance
Contracted Date	For each payment, include the date on which the payment is expected to fall due.
Actual/Expected Date	For each payment, include the actual or expected payment date. In the CIR all payments should be expected rather than actual.
Currency	Select the appropriate currency in which the contract specifies the Secretary of State is to make payments.
Amount	For each payment, include the amount or expected amount of each payment in millions of any currency to three decimal places.
Annual profile summarising all contracted payments	Provide an annual profile of all contracted payments the contractor requires the Secretary of State to make, in each currency that the contract requires payments in. Amounts must exclude any final adjustment/ settlements and be made to three decimal points.

Key deliverables

- 4.71 Contractors must provide a list of key **deliverables** (name and description) specified in the contract, with a brief description of each. A deliverable means any goods, works or services which are provided under a contract and can be described using an output metric. It would be expected that there would be at least one key deliverable. Examples of deliverables include a completed vessel, available engines or delivery of a training programme. DefCARS requires a short name for the deliverable and a description.
- 4.72 Contractors must also provide a list of the **output metrics** that will be used to describe deliverables and used to express the estimated quantum of the key deliverables. The [DPS templates](#) include examples of output metrics which may be useful. Metrics associated with a deliverable are added by clicking on the green arrow icon (see Exhibit 5 below). An output metric means a quantifiable description of any goods, works or services (including a number, weight, dimension, time or physical capability, but not including a monetary value). Metrics can be drawn from the contractor's performance management system or may be included in separate contract reports provided to the MOD, where applicable.

Exhibit 5 – Adding output metrics



4.73 Examples of metrics include quantity of aircraft/engines that are available or the weight of a finished vessel. Each metric should be linked to a DPS line and description. Users are able to enter as many metrics as they wish against each deliverable. There should be at least one metric per key deliverable. For each metric contractors should:

- provide a parameter;
- define the metric, for example, test hours for vessel engines; and
- include the value (not £) and units of the quantity for each metric. For example, value = 300; units = hours.

Milestones

4.74 Contractors must also provide a list of all delivery **milestones** set out in the contract. Where the contract sets an expected date for a delivery milestone to be completed, contractors should include that date. There should be at least one milestone. Examples of milestones include completion of sea/flying trials, completion of plans or design and delivery of the final product. Contractors should:

- Include a short name for the milestone and a longer milestone description. For example, delivery or receipt of parts;
- Include the contracted target date as well as the actual or forecast completion date; and
- Explain any material date variance in the comments box that the contractor may be aware of at this early stage of contract delivery.

Reminder of obligations

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

Submission

- 4.76 The Submission page is where contractors can download and review their CIR inputs, before submission to the SSRO and the MOD. The report submitter should review all data entered before saving and submitting the report. Contractors can use the view report function and validate report function to assist them in doing so.
- 4.77 Users can review the CNR, CPS and CRP separately in PDF or Excel format. When selecting one of these view options, the contractor will see a complete CIR report which highlights the fields relevant to the report they have selected, and shades the other elements in the report in grey.
- 4.78 As described earlier in this guidance, DefCARS allows contractors to validate the whole report and review validation errors and warnings at any stage before submission. Contractors may find it helpful to validate the report at this last stage.
- 4.79 Once contractors are satisfied that the report is ready for submission, they can save and submit. If there are remaining validation errors in the report, DefCARS will not allow submission. If there are remaining validation warnings in the report, DefCARS will alert the submitter to review these before confirming that they wish to submit. Unresolved validation warnings may result in an increased number of queries from the SSRO to the contractor.

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

Key message - Before completing the Quarterly Contract Report for the first time, contractors should familiarise themselves with Regulation 26.

- 5.1 A Quarterly Contract Report (QCR) is not required if the value of the contract is below £50 million. A QCR is required within one month of the end of the calendar quarter from the initial reporting date until the contract completion date. No report is required for the calendar quarter in which the initial reporting date or contract completion date fall.
- 5.2 The supplier and contract information will not be auto-populated from the CIR, unless the CIR was submitted in DefCARS 2. For guidance on the following pages see Section 4 on the CIR:
- [Supplier](#)
 - [Report Submission Administration](#)
 - [Contract](#)
 - [Pricing Method Breakdown](#)

[Analysis of Cost by Supplier Breakdown](#)

- 5.3 In QCRs, contractors are required to report using their own reporting structure rather than the DPS. The contractor will be required to enter this structure and provide an annual profile of estimated costs in £ million to three decimal places. The years to be covered will be based on the number of years displayed.
- 5.4 Each reporting line needs to be added individually by selecting the blue cross icon and then costs allocated in the relevant year or in the not profiled column. The contractor should be satisfied that the total Allowable Costs have been correctly profiled.

[Summary Analysis of Price](#)

- 5.5 Once the Analysis of Cost By Supplier Breakdown has been completed the contractor will be asked to confirm the element of estimated costs that relates to risk contingency allowance. The contractor will also confirm the estimated profit (excluding Incentive Adjustment) and separately any additional profit arising from an incentive adjustment.

- 5.6 The price reported should be the original contract price unless there has been a contract amendment between the previous and current report which has resulted in a different price. This means any variance reported in actual/forecast tables will be following the amendment and not include elements of pre and post amendment. Differences between the original price and the amended price can be easily understood by comparing the CIR and subsequent QCRs or ICRs.
- 5.7 This is done by selecting the green icon on the left of the page for each element of breakdown required as Exhibit 6 below.

Exhibit 6 – Completing Summary Analysis of Price

The screenshot displays the 'Summary Analysis of Price' interface in DefCARS. The main window shows a table with columns for financial years (16/17, 17/18, 18/19) and a 'Total' column. A modal window titled 'Update Price Summary Value' is open, allowing the user to input values for various components like Risk/Contingency Allowance, Subtotal Cost, Profit, and Additional Profit-earning Item. The modal has 'Close' and 'Update' buttons.

- 5.8 Estimated costs and profit must be split across financial years or all included as not profiled. Totals should be checked by the contractor to ensure they are correct. All costs should be entered in £ million, to three decimal places.

Actual Forecast Analysis of Cost

- 5.9 The contractor must report an annual profile of the costs already incurred and the forecast costs which are expected to be incurred, or a combination of both. Costs are again built up using the contractor's own reporting structure. All costs should be entered in £ million, to three decimal places. For each financial year, the contractor will be asked to confirm whether the cost status is one of the following four categories:
- final actual costs (ideally audited and included in the company's financial statements);
 - provisional actual costs (not yet subject to audit);
 - a combination of forecast and actual costs; or
 - forecast cost (expected costs).

Actual Forecast Price Summary

- 5.10 Once complete, the contractor should split the information in the same way as in the page titled Summary Analysis of Price.

Quarter

- 5.11 The report requires a breakdown of costs, by the contractor's reporting structure, already incurred and the forecast costs by reference to the calendar quarters of each of:
- the previous financial year;
 - the current financial year; and
 - the next financial year.
- 5.12 The contractor must select the government financial year (April to March) and calendar quarter to which the report relates and then select save. This will determine which cells need to be completed in the previous, current and next financial year format with the relevant quarter column highlighted in green. The contractor must then confirm the cost data status for each quarter using the categories included at paragraph 5.11 above. DefCARS will provide a comparison between the financial year totals entered on this page to those entered on the previous page (Actual-Forecast) and if they do not match there will be a validation warning. All costs should be entered in £ million, to three decimal places.

Variance, events and circumstances

Key message - The information on variances is in a new format (added in March 2017) to link variances to risks and opportunities (events).

- 5.13 The QCR requires a quantified analysis of the causes of variance (explaining not less than 90 per cent of the total variance) between any estimated cost used to determine the contract price, and the actual and forecast costs. DefCARS, based on information already completed by the contractor, will calculate the variance between the total planned costs (including any risk contingency) and the total actual and forecast costs to completion.
- 5.14 The QCR requires a description of any event that has occurred, or circumstances which have arisen, since the contract was entered into, that have had or are likely to have a material effect in relation to the contract. The information in Table 18 below should be completed for each variance, event or circumstance the contractor is required to report. A screen shot is provided below.

Table 18 – Variance, events or circumstances

Data required	Guidance
Title of variance, event or circumstance	Short title for the variance, event or circumstance which explains why it had an impact on delivery of the contract.
Is this being reported as a cause of variance, or an event/circumstance or both? <div style="border: 1px solid black; border-radius: 15px; padding: 5px; width: fit-content;">Field added March 2017</div>	The contractor is asked to confirm if the variance, event or circumstance is being reported as a cause of variance, or an event or circumstance or both. A variance will have a quantifiable impact on cost, an event or circumstance may be something which happens which the contractor wants to report but has not yet had a financial impact, but may do in the future. It is important to select the right category as it determines what further information is required.
Brief description of event or circumstance or cause of variance	Short explanation of the variance, described in a way which the MOD and SSRO would understand.
Date recognised	Date in the format - dd/mm/yyyy.
Allowed for in Priced Risk Contingency?	The contractor should confirm (Yes or No) if there is an allowance in risk contingency costs for this event or circumstance.
The effect the event or circumstance has had on the costs already incurred (£m)	The contractor is asked to confirm if there is a financial effect, which the event or circumstance has had on costs already incurred, which can be quantified in £ millions to three decimal places. This field will only accept a number.
The forecast effect that the event or circumstance will have on the forecast costs which it is expected will be incurred (£m)	The contractor is asked to quantify the forecast effect that the event or circumstance will have on forecast costs which it is expected will be incurred in £ millions to three decimal places. This field will only accept a number.
Has this caused a variance between any estimated costs used to determine the contract price and total actual forecast costs? <div style="border: 1px solid black; border-radius: 15px; padding: 5px; width: fit-content;">Field added March 2017</div>	The contractor is asked to confirm (Yes or No) whether the event or circumstance has caused a variance between any estimated costs used to determine the contract price and total actual and forecast costs.
Amount of Variance	Select the calculate button to work out the sum of the effect on costs already incurred and forecast effect in £ millions. The remaining variance after each variance, event or circumstance is entered is shown so the user is aware of whether they have passed the 90 per cent threshold.
% of total variance	This is calculated by DefCARS. The sum of these figures for each event or circumstance must be not less than 90 per cent of the total variance.
% of total planned cost	This is calculated by DefCARS.

Key message - The following are fields which were added in March 2017 with the aim to better understand the impact of contract amendments.

Data required	Guidance
Contract amendment	The contractor is asked to confirm (Yes or No) if there has been a contract amendment that has had a material effect and led to a re-determination of the contract price.
If Yes	
Costs relating to the amendment	The contractor is asked to confirm in £ millions the costs relating to the contract amendment, to three decimal places.
Profit rate used for amendment	The contractor is asked to confirm the new contract profit rate (using each of the six steps) in % (number value only not text). DefCARS calculates the total profit rate used for amendment in %. This should be entered to two decimal places.
Pricing method breakdown used for the amendment	The contractor is asked to confirm the pricing method breakdown used for the amendment in £ millions to three decimal places. DefCARS calculates the total amendment cost in £ millions.
Contract completion date	The contractor is asked to confirm if the contract completion date has changed (Yes or No).
If Yes	
Contract completion explanation	The contractor is asked to provide an explanation of the reasons behind any change in the contract completion date.

Sub-contracts

5.15 The contractor is asked to update information on sub-contracts, first reported in the CIR, in the QCR. Information on this is included in paragraphs 4.67 and 4.68 of this guide.

Final payments

5.16 The QCR must contain a forecast target cost incentive fee (TCIF) adjustment or any final price adjustment (see Regulation 16) which the contractor expects to make. The contractor should enter the amount of any positive (due to the contractor) or negative (due to the MOD) adjustment for any of the following payment types with any explanation which is necessary:

- Protection from Excess Profits and Losses (PEPL);
- TCIF adjustment;
- incentive adjustment; and
- other (KPI).

- 5.17 All figures should be entered in £ million, to three decimal places. It would be helpful if in the comments box contractors could state if the payment type is not applicable and confirm if no adjustments are foreseen.

Milestones

- 5.18 Contractors should provide an update to the milestone information that was initially reported in the CIR. See paragraph 4.74 for further information on how to complete milestone information.

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

Key message - Before completing the Interim Contract Report for the first time, contractors should familiarise themselves with Regulation 27.

- 6.1 An Interim Contract Report (ICR) must be submitted on the date agreed between the primary contractor and the Secretary of State. This date will be no more than five years following the time of agreement to the contract for QDCs with a value less than £50 million and no more than three years for QDCs with a value more than £50 million. This section of the guidance includes all the requirements for the lower value report (<£50 million) and identifies those which do not apply for the higher value report (≥£50 million). The dates for ICRs are summarised in Table 19 below.
- 6.2 Subsequent dates for submission of ICRs before the expected contract completion date will be as agreed between the primary contractor and the Secretary of State and no more than five years after the previous reporting date.
- 6.3 If no agreement on reporting dates has been reached between the primary contractor and the Secretary of State, the reporting dates for ICRs will be three years (for low value report) and 12 months (higher value report) after the calendar quarter during which the initial reporting date fell and each anniversary of that date.

Table 19 – Reporting dates for Interim Contract Reports

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

- 6.4 The following supplier and contract information will be auto-populated from the CIR. For guidance on the following pages see Section 4 of the CIR:

- [Supplier Details](#)
- [Report Submission Admin](#)
- [Contract](#)
- [Pricing Method Breakdown](#)

- 6.5 The guidance below explains the information that is required to submit an ICR (Lower Value). The ICR (Higher Value) does not require information on sub-contracts, final payments and milestones as this information is collected in QCRs as explained in Section 5.

DPS Inputs

- 6.6 The DPS from the CIR flows through to the ICR. If the DPS has changed since the CIR was submitted, the CIR will need to be amended and re-submitted. Any change in DPS needs to be agreed with the MOD. For guidance on inputting the DPS see Section 4 of the CIR in this guide.

DPS Input Values

- 6.7 The DPS lines which have been selected are displayed. Those cells which require costs (£ million to three decimal places) to be entered will be white. Grey cells will auto-populate based on data entered in the white cells. Costs which cannot be allocated to any financial year need to be added in the not-profiled column. The contractor should reflect in the final column any of the total amount which is non-recurring expenditure.

Summary Analysis of Price

- 6.8 Once this has been completed the contractor will be asked to confirm the element of estimated costs that relate to risk contingency allowance. The contractor will also confirm the estimated profit (excluding Incentive Adjustment) and separately any additional profit arising from an incentive adjustment. These estimated costs and profit must be split across financial years or all included as not profiled. Totals should be checked by the contractor to ensure they are correct and any non-recurring expenditure should be identified. Costs should be entered in £ millions, to three decimal places.

Actual Forecast DPS Input Values

- 6.9 The contractor now must report an annual profile of the costs already incurred and the forecast costs which are expected to be incurred, or a combination of both. Costs are again built up using the DPS, and should be in £ million to three decimal places. For each financial year the contractor will be asked to confirm whether the cost is one of the following four categories:
- final actual costs (ideally audited and included in the company's financial statements);
 - provisional actual costs (not yet subject to audit);
 - a combination of forecast and actual costs; and
 - forecast cost (expected costs).

Actual Forecast Price Summary

- 6.10 Once complete, the contractor should split the information in the same way as in paragraph 6.8 above.

Variance, events and circumstances

- 6.11 See paragraphs 5.13 – 5.14 of the QCR section of this guide for information on reporting of variances, events and circumstances for the ICR (Lower Value). The information required for the ICR (Higher Value) is much more simple and straightforward to complete.

Cost Recovery Rates

- 6.12 The user must identify and enter data for each cost recovery rate used to determine the estimated Allowable Costs. In order to do this the following is required:
- name of the pricing business unit name;
 - the recovery base units; and
 - the volume of each unit in each year or not profiled.

Actual Forecast Cost Recovery Rates

- 6.13 For the same rates entered on the previous page the contractor must confirm the actual and forecast volumes confirming the cost status using the four categories in paragraph 6.9 above.

Sub-contracts

- 6.14 The information provided in the CIR and, if required, the QCR on sub-contracts should be updated.

Payments

- 6.15 In the CIR the contractor reported payments it expected to be made by the Secretary of State under the contract. In the ICR, a list of all MOD payments exceeding £100,000 or 1 percent of the contract value (whichever is greater) that have been or are expected to be made under the contract should be reported. The information required is set out in the Table 20 below.

Table 20 – Payments Information in Interim Contract Report

Data required	Guidance
Contracted Date	For each payment, include the date on which the payment is expected to fall due.
Actual/Expected Date	For each payment, include the actual or expected payment date.
Currency	As required by the contract, select the appropriate currency in which the contractor expects the Secretary of State to make payments.
Amount	For each payment, include the amount or expected amount of each payment in million (any currency) to three decimal places.
Annual profile	Provide an annual profile of all significant individual payments the contractor requires the Secretary of State to make, in the required currency. Amounts must exclude any final adjustment/ settlements and be made to one decimal point.

Key deliverables

- 6.16 Paragraph 4.71 – 4.73 in the CIR section of this guide describes the information required on deliverables and metrics.

Final payments

- 6.17 The ICR must contain a forecast target cost incentive fee (TCIF) adjustment or any final price adjustment which the contractor expects to make. The contractor should enter the amount of any positive (due to the contractor) or negative (due to the MOD) adjustment for any of the following payment types with any explanation which is necessary:
- Protection from Excess Profits and Losses (PEPL);
 - TCIF adjustment;
 - incentive adjustment; and
 - other (KPI).

Milestones

- 6.18 Paragraph 4.74 in the Contract Initiation Report section of this guidance describes the information required on milestones.

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

Key message - Before completing the Contract Completion Report for the first time, contractors should familiarise themselves with Regulation 28.

7.1 The Contract Completion Report (CCR) is required to be submitted within six months after the completion date of the QDC or QSC. All the information required in the CCR is the same as in the ICR (Lower Value) which is explained in Section 6 above. The required information is:

- Supplier
- Report Submission Admin
- Contract
- Pricing Method Breakdown
- DPS Inputs
- DPS Input Values
- Summary Analysis of Price
- Actual Forecast DPS Input Values
- Actual Forecast Price Summary
- Variance, Events and Circumstances
- Cost Recovery Rates
- Actual Forecast Cost Recovery Rates
- Sub-Contracts
- Payments
- Key Deliverables
- Final Payments
- Milestones

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

Key message - Before completing the Contract Costs Statement for the first time, contractors should familiarise themselves with Regulation 29.

- 8.1 The Contract Costs Statement (CCS) must be provided within twelve months after the contract completion date. The same obligation will apply to a sub-contractor in respect of a QSC. The CCS is to be based on the contractor's own reporting system and therefore there is no pre-defined structure for this report.
- 8.2 This report includes an annual profile presented in a tabular format, with columns representing a continuous range of financial years, from that in which the contract was entered into until that in which the contract completion date falls or is expected to fall. The annual profile of the actual Allowable Costs must show the following:
 - all purchased items, services and expenses (including payments to sub-contractors) that are direct costs;
 - any other direct costs;
 - all indirect costs, showing each cost recovery rate charged and the amount of the corresponding cost recovery base; and
 - the total actual costs that the contractor claims are Allowable Costs.
- 8.3 The contractor should also provide:
 - the percentage of the Allowable Costs included in the statement that are still estimated rather than actual; and
 - an explanation of any variances between the total actual costs and the costs set out in the annual profit.
- 8.4 The CCS must specify the start and end dates of the contractor's accounting period. It must also set out details of any agreement between the contractor and the Secretary of State as to the cost allocation and apportionment methodology to be used in the CCS. A description is required of the methodology and any departures from it.
- 8.5 It is permissible to use estimated costs in a report in response to a requirement for actual costs. If no explanation is given, then up to five per cent of the costs may be estimated costs. More than five per cent of the costs may be estimated costs if an explanation is given of why actual costs can't be provided at the time of the report and when actual costs will be available. The five per cent threshold is reduced to two per cent in respect of the CCS.

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- 8.6 The contractor is required to provide an explanation in the CCS of any variance between the information in the CCS and the most recent on-demand CCS that provided information of the kind required in the CCS. The contractor must explain in the CCS any variance between the descriptions provided of the actual Allowable Costs (broken into direct and indirect costs) and the total actual costs that the contractor claims are Allowable Costs.

9. On-Demand Contract Reports

- 9.1 Contractors may be required to provide On-Demand Contract Reports if:
- they receive written direction from the Secretary of State during the life of the contract; or
 - they have agreed to provide On-Demand Contract Reports at specified points during the contract length without a written direction.
- 9.2 On-Demand Contract Reports can be CPSs, CRPs, ICRs or CCSs.

Key message - Before completing an On-Demand Contract Report contractors should familiarise themselves with Regulation 22 (General Requirements) and Regulation 30 (On-Demand Contract Report) as well as the relevant regulation for the type of On-Demand Contract Report due to be submitted.

- 9.3 There is no separate report in DefCARS 2 labelled On-Demand Contract Report. Users should use the relevant report for the On-Demand Contract Report required, and start a new submission rather than correcting and re-submitting an existing report. In DefCARS 2, the CPS and CRP are subsumed within the CIR. If submitting one of these reports, users can use a new CIR and complete the fields relevant to the report.
- 9.4 Users can understand which fields are relevant for the CPS and CRP by navigating to the Submission page and viewing the report. When selecting one of the view options, the contractor will see a complete CIR report which highlights the fields relevant to the report they have selected, and shades the other elements in the report in grey. Table 21 below also provides users with an indication of what fields in the CIR are relevant for the CNR, CPS and CRP.

Table 21 – CPS, CRP and CNR fields within the CIR

Contract Initiation Report	Contract Pricing Statement	Contract Notification Report	Contract Reporting Plan
Supplier	Y	Y	Y
Report Submission Admin	Y	Y	Y
Contract	Y	Y	Y
Reporting Plan			Y
Profit	Y		
Pricing Method Breakdown	Y	Y	Y
DPS Input		Y	Y
DPS Input Values		Y	
Summary Analysis of Price		Y	
Cost Recovery Rates	<ul style="list-style-type: none"> • Business Unit Name • Name of rate • Type of cost recovery rate • Rate in £ or % • Rate • Of which overheads • Provisional or final rate 	<ul style="list-style-type: none"> • Name of rate • Volume 	<ul style="list-style-type: none"> • Name of rate • Recovery base units
Cost Breakdown	Y		
Assumptions	Y		
Assumptions Inflation	Y		
Assumptions Exchange Rates	Y		
Sub-Contracts		Y	
Payments		Y	
Key Deliverables		<ul style="list-style-type: none"> • Name of deliverable • Description of deliverable comment • Metric value • Metric units 	<ul style="list-style-type: none"> • Metric parameter • Metric definition • Related DPS code • Related DPS description
Milestones		Y	
Reminder of Obligations	Y		

10. Supplier reporting – General Information

10.1 Part 6 of the Defence Reform Act describes the supplier reports that are required. The supplier reports are summarised in Exhibit 7 below.

Exhibit 7 – Supplier report overview

Overheads	Other reports
<ul style="list-style-type: none"> • Actual rates claim report • Estimated rates claim report • Actual cost analysis report • Estimated cost analysis report • Estimated rates agreement pricing statement 	<ul style="list-style-type: none"> • SME report • Strategic industry capacity report

10.2 The following are key definitions to consider before completing supplier reports.

Designated person

10.3 The Act provides that a designated person must submit these reports if the on-going contract condition is met (see definition in paragraphs 10.4 - 10.6). A designated person will generally be a company rather than an individual. If the contractor under a QDC or QSC is associated with one or more other persons (as is the case, for example⁷, in a group of companies), then the designated person is the ultimate parent undertaking⁸. If the contractor is not part of a group, then the contractor will be the designated person. The SSRO will not necessarily know if the on-going contract condition has been met, this is therefore for the contractor to determine.

Ongoing contract condition

10.4 The requirement to submit supplier reports only applies for a financial year in which the ongoing contract condition is met. This requires that:

- The contractor or someone in the contractor's group is party to at least one QDC or QSC with a value above the prescribed threshold. The threshold is set at £50 million for 2017/18⁹.
- There are obligations outstanding for the supply of goods, works or services under one or more of those contracts at any time in the financial year.

⁷ Whether two people are "associated" turns on whether they are group undertakings in relation to each other within the meaning of section 1161 of the Companies Act 2006: Defence Reform Act 2014, section 43(3) and (4).

⁸ An undertaking is the ultimate parent undertaking in relation to two or more associated persons or to itself and one or more persons associated with it, if it is a parent undertaking of those other persons and is not itself a subsidiary undertaking, where "parent undertaking" and "subsidiary undertaking" have the meanings given by section 1162 of the Companies Act 2006: Defence Reform Act 2014, section 25(9).

⁹ For 2015/16 and 2016/17 the threshold value was £20 million.

10.5 Based on the way the ongoing contract condition is constructed, it is not the total value of a contractor's or group's contracts that triggers the requirement for supplier reports, but rather the existence of at least one high value contract. A contractor or group may have numerous single source defence contracts which together exceed £50 million in value, but unless the contractor or group has at least one contract above the threshold the condition will not be met.

10.6 The Secretary of State may direct that a particular contract is not to be taken into account in determining whether the ongoing contract condition is met in relation to a financial year.

Qualifying Business Unit (QBU)

10.7 The Act specifies that the reporting regime established by the Regulations should require reports relating to the overheads and forward planning of the contractor and, if the contractor is part of a group, any person in the group.

10.8 Suppliers are required to provide reports on overheads in relation to qualifying business units (QBUs). In defining the concept of a QBU, the Regulations contemplate that overhead reports may be provided for a group of undertakings, for a single undertaking, or for a business unit within an undertaking¹⁰.

10.9 The intention is that overhead reports should be provided at the unit level, only going to the undertaking level if no unit can be identified and only to the group level if no undertaking can be identified. The conditions for a unit, undertaking or group to be a QBU in a relevant period are summarised in Table 22 below. A period is relevant for the purpose of defining a QBU if it ends on a day falling within the relevant financial year.

Table 22 – QBU conditions

	Unit	Undertaking	Group
Basic requirement		No unit is a QBU in respect of the period by virtue of carrying on activities for the purposes of the undertaking	In respect of the period, no unit is a QBU by virtue of carrying on activities for the purposes of the undertaking and none of the group undertakings is a QBU
Relationship to the designated person (DP)	Carried out activities for the purposes of the DP or an associated undertaking	Undertaking is the DP or is associated with the DP	Each of the group undertakings either is the DP or is associated with the DP
Financial accounting statements (FASs)	Separate FASs produced for the unit for the period	FASs produced for the undertaking for the period	A single set of FASs is produced in respect of the group
Production	Provides something in the period for a QDC or QSC to which the DP or anyone associated with the DP is a party.		
Value	The total value of what the unit provides for the QDC or QSC in the period is at least £10 million.		

¹⁰ The term 'business unit' is also defined in the Regulations (Regulation 2(1)). A business unit is a unit which carries on activities for the purposes of an undertaking and for which separate financial accounting statements are produced. Alternatively, a business unit is 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 those undertakings.

10.10 The value threshold for a QBU is set at £10 million. QBU submissions are required if the contractor's threshold is met in any one QDC for business units in any QDC, whether each of the QDCs are above the threshold or not.

Pricing QBU

10.11 In addition to defining what a QBU is, the Regulations introduce a further concept of a "pricing QBU". This is a QBU in relation to which a cost recovery rate has been used for determining the price payable under a contract for which the QBU has produced something in the relevant period. In other words it is a QBU whose overhead rate has been used in the contract.

Direct and indirect costs

10.12 Consistent with the approach taken in relation to the CCS, direct costs are defined to mean those not calculated using a cost recovery rate. Indirect costs will have been calculated using a cost recovery rate.

Relevant accounting period

10.13 The relevant accounting period in relation to a QBU means the period in a financial year for which the unit, undertaking or group is a QBU. This may be the whole of a financial year or only part of it, for example, it may be that the unit only provides something for a QDC or QSC for part of a financial year.

On demand reports

10.14 Regulation 30 defines the different reports the Secretary of State may demand by written direction. The Secretary of State may make more than one written direction in relation to the contract. The information required must be provided within 12 months after the last day of each period specified in the written direction.

Due dates

10.15 The overhead reports have set deadlines. The Actual Rates Claim Report is due:

- a. three months after the end of the relevant accounting period; or
- b. three months after the date on which the ongoing contract condition was first met in relation to the financial year, whichever of (a) or (b) is later, or
- c. a date agreed by the Secretary of State in that period.

10.16 With the exception of the Rates Comparison Report, the due dates of the other reports are determined either by reference to each other or by the three-step formulation above. Table 23 below sets out the relevant due dates.

Table 23 – Overhead report due dates

Report	Due date
Actual Rates Claim Report (ARCR)	A date determined by the three steps in paragraph 10.15.
QBU Actual Cost Analysis Report (QBUACAR)	With the ARCR, if a pricing QBU. On a date determined by the three steps for other QBUs.
Estimated Rates Claim Report (ERCR)	A date determined by the three steps
QBU Estimated Cost Analysis Report (QBUECAR)	With the ERCR, if a pricing QBU. On a date determined by the three steps for other QBUs.
Estimated Rates Agreement Pricing Statement	With the ERCR.
Rates Comparison Report (RCR)	Within two months of receiving written notice from the Secretary of State.

11. Supplier reporting – Actual Rates Claim Report (ARCR)

Key message - Before completing the ARCR for the first time, contractors should familiarise themselves with Regulation 34.

- 11.1 The purpose of the Actual Rates Claim Report (ARCR) is to provide the actual cost recovery rates and recovery bases used in a pricing QBU, and how these have been calculated. The designated person is required to submit an ARCR for each relevant financial year for each of its pricing QBUs.
- 11.2 The minimum value of a QDC for this report is:
- £20 million for the financial years ending 31 March 2016 and 31 March 2017; and
 - £50 million for subsequent financial years.
- 11.3 There is no pre-defined structure for this report and suppliers should provide information from their own systems and submit the report in electronic form to DefCARS. The report should include the following information:

Cost recovery rates and bases

- All cost recovery rates for the QBU for which a claim relating to the relevant accounting period has been or will be made.
- A list of all cost recovery bases used to calculate the cost recovery rates.

QBU financial accounting statements and supporting schedules

- The QBU's financial accounting statements and accounting schedules for the relevant accounting period.

Adjustment analysis

- Quantified analysis of the adjustments made between those financial accounting statements and costs claimed for recovery through cost recovery rates.
- Quantified analysis of any adjustments for costs incurred in the relevant accounting period that have been or will be included in a claim relating to a period other than the relevant accounting period.
- Quantified analysis of any adjustments for costs incurred in a period other than the relevant accounting period that have been or will be included in a claim relating to a period other than the relevant accounting period.
- Quantified analysis of QBU costs recovered as direct costs under any QDC, QSC or other defence contract.

- Quantified analysis of QBU costs allocated to each cost recovery base that has been included in the list of all the cost recovery bases that have been used to calculate the cost recovery rates described above.

Calculations

- Calculation of the amount of each cost recovery base.
- Calculation of each cost recovery rate, including for each the total cost claimed and the cost recovery base used to calculate it and the amount of each such cost recovery rate.
- Description of any deviation from the relevant guidance in respect of the cost recovery rates.

12. Supplier reporting – Estimated Rates Claim Report (ERCR)

Key message - Before completing the Estimated Rates Claim Report for the first time, contractors should familiarise themselves with Regulation 36.

12.1 There is no pre-defined structure for the Estimated Rates Claim Report (ERCR). The report should include the following information:

Cost recovery rates and bases

- All cost recovery rates for the QBU which have been calculated for that QBU and for which it is anticipated that a claim will be made during a future relevant accounting period.
- A list of all the cost recovery bases that have been used to calculate the cost recovery rates described above.
- Describe any deviation from the relevant statutory guidance in calculating those cost recovery rates.

QBU approved internal budget

- The QBU's budget, approved in accordance with the QBU's internal budgetary procedures, including a quantified analysis by the categories used in the QBU's financial statements and accounting schedules.

Adjustment analysis

- Quantified analysis of the adjustments made between the budget and costs claimed for recovery through cost recovery rates.
- Quantified analysis of any adjustments for costs incurred or forecast for one relevant accounting period but recovered in other relevant accounting periods.
- Quantified analysis of QBU costs estimated to be recovered as direct costs under any QDC, QSC, or other defence contract.
- Quantified analysis of QBU estimated costs allocated to each cost recovery base.

Calculations

- Calculation of the estimated amount of each cost recovery base.
- Calculation of each estimated cost recovery rate, including for each the total estimated cost claimed and the cost recovery base used to calculate it and the estimated amount of each such cost recovery rate.
- Description of any deviation from the relevant guidance in respect of the cost recovery rates.

13. Supplier reporting – QBU Cost Analysis Reports (QBUACAR and QBUECAR)

Key message - Before completing the QBU Actual Cost Analysis Report for the first time, contractors should familiarise themselves with Regulation 35 and Regulation 37 for the QBU Estimated Cost Analysis Report.

- 13.1 In DefCARS the requirement to submit a QBU Actual Cost Analysis Report (QBUACAR) and a QBU Estimated Cost Analysis Report (QBUECAR) has been combined in terms of data entry into a single QBU Cost Analysis Report (QBUCAR). Regulation 35(2) states that in the case of a pricing QBU, the QBUACAR must be provided with the ARCR for that relevant financial year. The QBUECAR must be provided with the Estimated Rates Claim Report (ERCR).
- 13.2 The report submission data required is the same as in other reports. Business unit information should also be provided. This report is made up of a number of different elements but the first five are where most data entry is required and are captured in a similar format:
- last year prior estimate;
 - last year actuals;
 - last year variance;
 - this year estimate; and
 - this year changes.
- 13.3 For those suppliers submitting estimates only (i.e. those who did not submit a QBUCAR the year before), please select the financial year preceding the financial year to which the estimates relate.
- 13.4 Functionality has been provided to allow contractors to copy and paste data from Excel into DefCARS. Contractors must use the latest QBUACAR reporting template (available on the SSRO website) in order to do this so that the data is in the correct format. Alternatively, contractors can enter data directly which might be more time consuming.
- 13.5 On clicking on the Paste data from Excel icon on the top left hand corner of the page, instructions will appear which will guide contractors through the pasting process. Yellow cells on this page required data entry whereas white cells will contain calculated values.

Last Year Prior Estimate

- 13.6 If a QBUECAR was required for the QBU in relation to the financial year immediately preceding the relevant financial year, the report must contain the costs analysis information as estimated in the previous report. An explanation of any difference between the costs analysis information as estimated in the previous report and the costs analysis information in this report is also required.
- 13.7 The prior estimates (see Table 24 below) can be added on the page titled Last Year Prior Estimate. All figures unless stated are in £'000.

Table 24 – Cost Analysis for QBUECAR and QBUACAR

Column	Guidance
Column 1 – Profit before Interest and Tax	<p>Information in this column should be completed first and should be taken directly from the financial statements of the QBU. Sales revenue (always enter as a negative figure), net movement in inventory and costs of direct materials are completed first before costs in the following areas which are each broken down into further sub-elements:</p> <ul style="list-style-type: none"> • people/payroll; • plant, machinery, equipment and other consumables; • premises; • selling and marketing; • general and administration; and • other. <p>It is likely that these are cost categories which the contractor uses for internal reporting. Explanation of what costs are included under these headings would be helpful. The figure at the bottom should be the profit before interest and tax for the QBU.</p>
Column 2 - Adjustments	<p>The system will automatically remove revenue, inventory and non-labour direct costs and populate Column 3. The contractor should make any other adjustments which are required.</p>
Column 3 – Direct Labour and Indirect Production Cost	<p>Based on the data entered in Column 1 and 2, Column 3 is auto-populated. This results in the cost that need to be allocated in Columns 4 - 14 to provide a functional analysis of direct labour and indirect production cost.</p>

Column	Guidance
Columns 4 - 14	<p>The functional analysis must cover the following functions:</p> <ul style="list-style-type: none"> • production; • design; • engineering; • site services; • procurement; • sales; • finance; • human resources; • information technology; • legal/contractual; and • business unit 'HQ'/other. <p>It is likely that these are cost categories which the contractor uses for internal reporting. Explanation of what costs are included under these headings would be helpful.</p>
Column 15 - Total	This column populates as data is entered into Columns 4 – 14.
Column 16 – Check Difference	This column highlights any difference between the figures in Column 3 and 15.
Column 17 and 18 – Remove Allowable Costs and Adjust for Net Timing Difference	Enter any adjustments required to remove disallowed costs (this must be a negative figure like -10,000) and include a positive or negative adjustment for net timing differences.
Column 19 – Allowable Costs to be recovered this year	The total Allowable Costs to be recovered in the financial year are populated based on any adjustments made in Column 17 and 18.
Column 20 – Remove Costs recovered directly	Remove any costs recovered directly from the business unit/contracts.
Column 21 – Recovered through rates	The total costs recovered through rates is auto-populated in the final column.
General Comments	Any relevant comments can be added at the bottom of this page.

Last Year Actuals

13.8 The total actual costs incurred by the QBU now need to be entered in the Last Year Actuals page. Information required is in the same format as in Table 24 above.

Last Year Variance

13.9 The system will automatically calculate any variance between the Last Year Estimates and the Last Year Actuals. The contractor should provide commentary to explain any material variances between actual and estimates.

This Year's Estimates

13.10 Estimates for the current financial year should be entered under the same format as in Table 24 above.

This Year Changes

13.11 The system will automatically calculate the change between last year's actuals and this year's estimates.

Headcount

13.12 This page pulls through information from the relevant cost breakdown information already entered to identify staff, (in the Permanent Staff table on the left half of the page) and contractor costs. Table 25 explains the fields which feature carried forward information and where the data is taken from. (in the Consultants/Contractors table on the right half of the page) The costs then have to be split using the yellow cells between those which are directly and indirectly recovered. The contractor will be asked to confirm the total number of employees and contractors. The split of recovery between direct and indirect costs should be presented as a percentage (this field was added in March 2017).

13.13 The contractor must input the estimates as well as actuals for the relevant accounting period. For employees the contractor should provide the annual total new joiners and leavers. Any variances between estimates and actuals should be explained.

Table 25 – Fields in the Headcount page where data is carried forward from previous pages

Field	Source Page	Source Fields	Calculation
Permanent Staff; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g. Production, Design)
Consultants/ Contractors; Actuals for Prior Year; Total staffing costs	Last Year Actuals	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g. Production, Design)
Consultants/ Contractors; Actuals for Prior Year; Total staffing costs	This Year Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g. Production, Design)
Consultants/ Contractors; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward

Field	Source Page	Source Fields	Calculation
Permanent Staff; Actuals for Prior Year; Total staffing costs	Last Year Actuals	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward
Permanent Staff; Actuals for Prior Year; Total staffing costs	This Year Estimate	01 – People/Payroll field – Contractors/ Short term labour hire	No calculation – single Source Field carried forward
Permanent Staff; Estimate for Prior Year; Total staffing costs	Last Year Prior Estimate	01 - People/Payroll fields (Main Payroll, Pensions, Bonuses, Redundancy Costs, Social Security and People and Payroll – Other)	Sum of Source Fields for the specified cost category (e.g. Production, Design)

Activity Costs

13.14 The contractor should enter costs for the following activities:

- bids and contractors;
- research and development;
- training;
- IT infrastructure/large infrastructure projects;
- restructuring and reorganisation
- special projects
- cost saving initiatives; and
- any additional activities not listed above (by clicking on the green cross).

13.15 Contractors must include the following:

- estimated costs (£000s) and actual costs (£000s) for the preceding financial year and any explanation of variance; and
- estimated costs (£000s) for the relevant financial year (which will be compared to the actual costs for the preceding financial year) and any explanation of variance.

Revenue analysis

13.16 Contractors must provide a quantified analysis of the total actual revenue for the QBU (this is not applicable for a non-pricing QBU), presented in the following categories:

1. Revenue from any QDC or QSC of which:
 - 1a QDC revenue; and
 - 1b QSC revenue.
2. Revenue from any other defence contract. This can include:
 - 2a a Single Source MOD contract not under the new Regulations;
 - 2b a Single Source MOD contract under legacy regulations; and
 - 2c a competitive MOD contract.
3. Any other non-MOD revenue (this is drawn from previously entered data and is explained in Table 26).

Table 26 - Fields in the Revenue Analysis page where data is carried forward from previous pages

Field	Source Page	Source Fields	Calculation
Revenue Analysis; Totals/Prior Estimate +ve(£'000)	Last Year Prior Estimate	Revenue & Stock Changes; Sales Revenue	Inversion of value entered in Sales Revenue (i.e. negative value becomes positive)
Revenue Analysis; Totals/Prior Year; Actual +ve(£'000)	Last Year Actuals	Revenue & Stock Changes; Sales Revenue	Inversion of value entered in Sales Revenue (i.e. negative value becomes positive)
Revenue Analysis; Totals/Current Year; Estimate +ve(£'000)	This Year Estimate	Revenue & Stock Changes; Sales Revenue	Inversion of value entered in Sales Revenue (i.e. negative value becomes positive)

13.17 The totals for 1 and 2 above are used in the calculation of the total. Users should ensure that the figures entered against 1a and 1b total the figure entered in 1 and 2a, 2b and 2c total the figure entered in 2. All figures on this page should be positive.

13.18 Contractors must provide:

- the prior year estimate (£000s) and actual (£000s) for the preceding financial year and any explanation of variance; and
- the estimate (£000s) for the relevant financial year (which will be compared to the actual costs for the preceding financial year) and any explanation of variance.

Recovery base

13.19 Contractors must provide estimated and actual values for all cost recovery bases that have been used to calculate the cost recovery rates which have been calculated for the QBU and for which a claim relating to the relevant accounting period has been or will be made. This is not applicable to a non-pricing QBU.

13.20 For primary and secondary recovery bases provide the following information included in Table 27.

Table 27 – Recovery base information

Data required	Guidance
Measure	The measure for the agreed recovery base.
Units	The units of the recovery base.
Prior Year	
Prior Estimate	Provide the prior estimate of the recovery base for the preceding financial year.
Actual	Provide the actual of the recovery base for the relevant financial year.
Variance	The variance between the prior estimate and actual value will be calculated.
As %	The variance will be displayed as a percentage.
Variance Comment	Include comments on the variance between estimated and actual recovery base.
Current Year	
Prior Year Actual	This value is carried forward from the prior estimate field above.
Estimate	Provide the estimate of the recovery base for the current financial year.
Planned Change	This value will be calculated.
As %	The change will be displayed as a percentage.
Change comments	Any comments about the change should be provided.

Agreed rates

13.21 Contractors must provide the estimated and actual values for the cost recovery rates by providing the following information included in Table 28 below. This is not applicable to a non-pricing QBU.

Table 28 – Agreed rates

Data required	Guidance
Rate Type	Please select either Labour, Labour and Overheads, Overheads, Other, Spare.
Rate Name/Description	Please provide a short name or description for the rate.
Prior Year	
Prior Estimate	Provide the prior estimate of the recovery rate for the preceding financial year.
Actual	Provide the actual of the recovery rate for the relevant financial year.
Variance	The variance between the prior estimate and actual value will be calculated.
% Variance	The variance will be displayed as a percentage.
Variance Commentary	Include comments on the variance between estimated and actual recovery base.
Current Year	
Last Year Actual	This value is carried forward from the prior estimate field above.
Estimate	Provide the estimate of the recovery rate for the current financial year.
Variance	This value will be calculated.
% Variance	The change will be displayed as a percentage.
Change Commentary	Any comments about the change should be provided.
Forward Trend	For each of the financial years displayed provide a rates estimate.

Future Initiatives

13.22 Future initiatives only apply in relation to the QBUECAR. Contractors should describe any future initiatives and identify any potential costs and benefits to the MOD in any other financial years covered in this report.

13.23 This information is not applicable for a non-pricing QBU.

14. Supplier reporting – Estimated Rates Agreement Pricing Statement (ERAPS)

Key message - Before completing the Estimated Rates Agreement Pricing Statement for the first time, contractors should familiarise themselves with Regulation 38.

- 14.1 The designated person is required to provide, for each relevant financial year, an Estimated Rates Agreement Pricing Statement (ERAPS) for each of its pricing QBUs that was a pricing QBU in relation to the financial year immediately preceding the relevant financial year. The information required in the ERAPS is summarised in Table 29 below.
- 14.2 The Secretary of State may give written notice to the designated person requiring a further ERAPS for a QBU for the relevant financial year, but may only require one further report for each QBU. The designated person is required to submit the further report within three months of receiving the written notice.
- 14.3 Against each of the following requirements the supplier must confirm if it is applicable to this claim (Yes/No). If Yes, then no justification is required. If No, the supplier must explain why the assumption is not relevant to the claim. Against each requirement, information can be provided that meets the requirement.

Table 29 – Information required in the ERAPS

Category	Required information
Cost recovery base (CRB)	A description of the facts and assumptions used in calculating each cost recovery base listed in the ERCR.
Estimates	A statement as to whether the volume of each cost recovery base has been estimated in a manner consistent with equivalent estimates in previous years and, if not, a description of any changes.
Budget and quantified analysis	A description of the facts and assumptions used in setting the budget for the QBU, (approved in accordance with the QBU's internal budgetary procedures.)
	A description of the facts and assumptions used in making any adjustments made between the budget and costs claimed for recovery through cost recovery rates.
	A description of the facts and assumptions used in making any adjustments for costs incurred in or forecast for one relevant accounting period but recovered in other relevant accounting periods.
	A description of the facts and assumptions used in calculating the QBU costs estimated to be recovered as direct costs under any QDC, QSC, or other defence contract.
	A description of the facts and assumptions used in calculating the QBU estimated costs allocated to each cost recovery base.

Category	Required information
Indices and rates	A description of indices and rates used in calculating the estimated costs included in the ERCR, including for each its source (including that source's version or date) and an explanation of why its use was considered to be appropriate.
Staffing	A description of all material assumptions regarding changes to costs relating to employment.
	A description of all material assumptions used to derive any estimated staff head count upon which estimated costs in the ERCR are based.
Over-capacity	A description of all material assumptions used in calculating any costs relating to decreasing over-capacity that have been included in the cost recovery rates.
Novel or unusual costs	A description of all material assumptions regarding significant costs that have been included in the cost recovery rates and that are novel or unusual.

15. Supplier reporting – Rates Comparison Report (RCR)

Key message - Before completing the RCR for the first time, contractors should familiarise themselves with Regulation 39.

- 15.1 The Secretary of State may give written notice to the designated person requiring a Rates Comparison Report (RCR) for one or more pricing QBUs for any relevant financial year. The RCR is only required if the Secretary of State demands it. The Secretary of State may only require one RCR for a QBU in a relevant financial year.
- 15.2 If a RCR is required, then it must provide a list of all QDCs and QSCs to which the designated person or an associated person is a party that:
- a. have a contract completion date after the first day of the relevant accounting period; and
 - b. have costs that have or will be calculated using a cost recovery rate that relates to the costs of the QBU.
- 15.3 A range of basic information is required to be provided in the RCR in relation to each listed QDC and QSC, namely:
- any unique identifying number allocated to the contract by the contractor;
 - any unique identifying number allocated to the contract by the MOD;
 - any title given to the contract;
 - the date the contract was entered into;
 - the regulated pricing method or methods used in determining the contract price; and
 - whether the contract is a QDC or QSC.
- 15.4 The RCR must state the cost recovery rates used in each listed QDC and QSC. It is required to also specify the actual value of each of the rates, as provided in the QBUACAR.
- 15.5 The RCR must specify the following for each cost recovery rate used in determining or re-determining the contract price of each listed QDC and QSC:
- the actual amount of the cost recovery base attributable to the contract;
 - the amount of the cost recovery base used in determining the contract price; and
 - the cost recovery rate used in determining the contract price.

16. Supplier reporting – SME Report (SME Report)

Key message - Before completing the Small or Medium Enterprises Report for the first time, suppliers should familiarise themselves with Regulation 45.

16.1 The supplier should enter Report Submission Admin information including the relevant financial year to which the Small or Medium Enterprises (SME) Report relates. Information on the ultimate parent undertaking is also required.

Policies

16.2 The supplier should describe the main policies and procedures their organisation operates for engaging with SMEs, specifically including but not limited to:

- any default payment and contracting terms the organisation would use when dealing with SMEs; and
- any special assistance the organisation provides to the SME sector such as banking or credit arrangements.

16.3 Individual rows can be added by clicking on the blue cross. The supplier can attach any policy documents to support their explanation. The supplier should state the name of the policy and attach the relevant description in a named attached file, confirming whether the file is attached (Yes, No or Non-Applicable).

Initiatives

16.4 The supplier should describe any initiatives their organisation is currently operating to develop SME involvement and/or create more opportunities for them to support the organisation to deliver MOD contracts. In particular, include description of anything the organisation is doing to encourage / support SME technical innovation relating to MOD work.

Key Financials

16.5 The supplier must:

- Input the total revenue which the designated person or any person associated with it received from defence contracts, in £ million to three decimal places.
- Enter the amount of that total revenue (in £ million to three decimal places) which related to purchasing goods and services for the purpose of delivering those defence contracts from persons which are not associated with the designated person, including those in the first bullet.
- Enter the amount of that total revenue (in £ million to three decimal places) which related to purchasing goods and services from SMEs for the purpose of delivering those defence contracts in the first bullet.

Indirects

- 16.6 The supplier must provide a description of the extent to which the goods, works or services provided by SMEs have contributed to the delivery of the contract. Include details on SMEs' contribution to the delivery through their participation further down the supply chain.

17. Supplier reporting – Strategic Industry Capacity Report (SICR)

Key message - Before completing the Strategic Industry Capacity Report for the first time, suppliers should familiarise themselves with Regulations 40-44.

- 17.1 The designated person is required to submit a Strategic Industry Capacity Report (SICR) for each relevant financial year. It is due:
- a. 12 months after the end of the time period for the designated person's financial accounting statements ending on any day within the relevant financial year, or
 - b. 12 months after the date on which the ongoing contract condition was first met in relation to the financial year, whichever of (a) or (b) is later, or
 - c. A date agreed by the Secretary of State within six months after the date in (a).
- 17.2 The SICR must relate to the designated person's accounting period. The SICR is concerned with forward planning and must include prescribed information related to the following:
- corporate structure;
 - activities people and infrastructure;
 - forecast costs of maintaining industrial capacity; and
 - capacity and supply chain.
- 17.3 SICRs can contain highly sensitive information, and therefore pose a specific risk, in particular as a collection. For this reason, SICRs are to be submitted via alternative means rather than via DefCARS. If you are due to submit this report, please contact the SSRO helpdesk or call 0203 771 4785 for further instructions.

Appendix 1 – Overview of reporting requirements

When?	Report	Due within
Contract reports		
Contract start	Contract Notification Report	One month of the initial reporting date.
Contract start	Contract Pricing Statement	One month of the initial reporting date.
Contract start	Contract Reporting Plan	One month of the initial reporting date.
Contract duration	Quarterly Contract Report [if >£50m]	One month after quarter end throughout contract length. Not in the quarter of the initial reporting date or of the completion date
Contract duration	Interim Contract Report (higher value) [>£50m]	Within two months after each reporting date. The reporting date is either: Agreed date with Secretary of State within 3 years of agreement and within every 3 years thereafter; or 12 months after the quarter within which the initial reporting date fell and every year thereafter.
Contract duration	Interim Contract Report (lower value) [<£50m]	Within two months after each reporting date. The reporting date is either: Agreed date with Secretary of State within 5 years of agreement and within every 5 years thereafter; or 3 years after the quarter within which the initial reporting date fell and every three years thereafter.
After contract end	Contract Completion Report	6 months after completion date.
After contract end	Contract Costs Statement	12 months after completion date.
On demand	On-Demand Contract Report	Varies according to report required.
Supplier reports		
Each financial year	Actual Rates Claim Report	3 months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 3 months of the relevant accounting period.

When?	Report	Due within
Each financial year	QBU Actual Cost Analysis Report	3 months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 3 months of the relevant accounting period.
Each financial year	Estimated Rates Claim Report	3 months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 3 months of the relevant accounting period.
Each financial year	QBU Estimated Cost Analysis Report	3 months after the end of the relevant accounting period, or the date on which the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 3 months of the relevant accounting period.
Each financial year	Estimated Rates Agreement Pricing Statement	With the Estimated Rates Claim Report for that pricing QBU for the same relevant financial year; or If required by the Secretary of State, within 3 months of receiving notice.
Each financial year	Strategic Industry Capacity Report	12 months after the contractor's accounting period, or when the ongoing contract condition is first met, whichever is later; or An agreed date with Secretary of State within 6 months of the accounting period.
Each financial year	SME Report	Within 12 months of accounting period, or when the ongoing contract condition is first met, whichever is later.
Ad hoc	Rates Comparison Report	Within 2 months of receiving notice from Secretary of State.

Appendix 2 – DPS glossary

Equipment type (DPS)	Definition
Submarine	The complete working boat - includes the design, development, and production of complete units (i.e. the prototype or operationally configured units, which satisfy the requirements of their applicable specification(s), regardless of end use). Includes, for example, hull & structural fittings, primary & secondary propulsion systems, electrical generation including conversion and distribution, control & communications, ship services, outfit & furnishing, armament & pyrotechnics, fixed ballast and all other installed equipment.
Sea System (surface ship)	The complete working ship - includes the design, development, and production of complete units (i.e. the prototype or operationally configured units, which satisfy the requirements of their applicable specification(s), regardless of end use). Includes, for example, hull & superstructure, propulsion, electrical, control & communications, armament, ancillary systems and all other installed equipment.
Unmanned maritime system	The complete working ship - includes the design, development, and production of complete units (i.e. the prototype or operationally configured units, which satisfy the requirements of their applicable specification(s), regardless of end use). Includes, for example, hull & superstructure, propulsion, electrical, control & communications, armament, ancillary systems and all other installed equipment.
Unmanned maritime system	The complex of equipment (hardware/software), data, services, and facilities required to design, develop, produce, test, operate and support unmanned maritime systems. Includes all classes of surface and subsurface (undersea) water vessels: <ul style="list-style-type: none"> a. Unmanned Surface Vehicles (USVs) b. Unmanned Undersea Vehicles (UUVs)
Surface vehicle	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce a vehicle system with the capability to navigate over the surface. Surface vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. The Surface Vehicle subsystem DPS should be used for a vehicle used to navigate the surface which does not have track. Excludes track vehicles and wheeled armoured vehicles.
Wheeled Armoured Vehicle	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce an armoured vehicle system with the capability to navigate over the surface. Vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. Wheeled armoured DPS should be use for any vehicle which navigates the surface with applied armour (track or otherwise). Excludes non applied armoured surface vehicles and track vehicles (armoured or non-armoured).

Equipment type (DPS)	Definition
Tracked vehicle	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce a track vehicle system with the capability to navigate over the surface. Surface vehicle categories include vehicles primarily intended for general purpose applications and those intended for mating with specialised payloads. Track vehicle DPS should be used for any vehicle which navigates the land with track Excludes Surface Vehicle Systems and wheeled armoured vehicles (vehicles with applied armour).
Fixed Wing aircraft	The complex of equipment (hardware/software), data, services, and facilities required to develop, produce, and support a fixed wing aircraft. This contents of this DPS do not apply to rotary wing or unmanned aircraft systems (drones).
Rotary wing aircraft	The complex of equipment (hardware/software), data, services, and facilities required to develop, produce, and support a rotary wing aircraft. The contents of this DPS do not apply to fixed wing or unmanned aircraft systems (drones).
Unmanned aerial vehicle (drone)	The complex of equipment (hardware/software), data, services, and facilities required to design, develop, produce and support UAV systems. Includes, for example: a. Those employing fixed, movable, rotary, or dirigibles and b. those UAVs designed for powered or unpowered movement (i.e. gliders).
Ordnance system	The complex of hardware, software, data, services, and facilities required to develop and produce the capability for applying munitions to a target.
Missile system	The complex of hardware, software, data, services, and facilities required to develop and produce the capability of employing a missile weapon in an operational environment to detect and defeat selected targets.
Weapon system	The complex of hardware, software, data, services, and facilities required to develop and produce the capability of housing, launching and guiding a munition in an operational environment to detect and defeat selected targets.
IT system	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce an Information technology system capability such as a command and control system, radar system, communications system, information system, sensor system, navigation/guidance system, electronic warfare system, support system, etc.
Radar and communications	The complex of equipment (hardware/software), data, services, and facilities required to develop and produce an electronic system capability such as a command and control system, radar system, communications system, information system, sensor system, navigation/guidance system, electronic warfare system, support system, etc.
Ancillary services	This DPS covers any contract for necessary support to the primary activities or operation of an organisation such as facilities management, provision of utilities (gas, electricity and water), outfitting and furnishings and ground maintenance etc.
Specialist equipment	This DPS covers all specialist equipment not listed in another DPS.

Appendix 3 – DefCARS release features

The following summarises the key system improvements between the launch of DefCARS2 and the initial draft of this guidance document (15 March 2017) and the current version (16 August 2017).

24 April 2017

- Introduction of a password reset button to simplify the password creation and password change process.
- Introduction of copy and paste functionality for the DPS Input Values pages within the CIR, ICR and CCR.

11 May 2017

- The Rates Comparison Report was made available.
- Specialist Equipment DPS Template and 'Other' rows in all DPS templates (accessible via the DPS Input pages within the CIR, ICR and CCR) now have editable DPS Element Description fields.
- Users now get a five minute log-out warning rather than the previous one minute warning.

16 August 2017

- Field label updated on the Sub-contracts pages within the CIR, QCR, ICR and CCR from 'sub-contract exercised' to 'sub-contract entered into' for clarity purposes.
- Version 2 of the DefCARS reporting guidance made available via guidance links within DefCARS.

Appendix 4 – DefCARS reporting guidance updates

(between initial draft 15 March 2017 and version 2 16 August 2017)

Guidance topic	Change made
Introduction	Revised to provide greater clarity regarding the context of the regulatory framework in which this guidance sits, how DefCARS has been developed and how this guidance may be updated in future.
General system functionality	This section has been expanded to provide users with more guidance on the reporting calendar, user navigation, data formats, auto-population, validation, saving reports and submission. It has also been re-ordered to follow the journey that users may take in using the system (i.e. from the home page to report entry to submission and correction of reports).
General system functionality	'Uploading Comments, Issues and Supporting Information in reports' section revised to provide guidance to users on finding and using the expandable green bar within reports.
Overview of Contract Reports	A new section has been added to provide users with an overview of all contract reports that may apply to a QDC or QSC, before providing detailed guidance on each of these.
On-Demand Contract Reports	A new section has been added to provide users with guidance in relation to On-Demand Contract Reports and how to submit these.
Rates Comparison Report (RCR)	This report is now available on DefCARS, so text has been removed in relation to the interim arrangements previously in place for submission.
Strategic Industry Capacity Report (SICR)	The SSRO contact for submitting SICRs has been updated.
Various	Clearer links have been provided to the SSRO's guidance external to this document. These are now highlighted in blue.
Updates within the Contract Initiation Report (CIR) section	
Report Home	Further details provided regarding the features of the Report Home page, such as the delete report function.
Report Submission Admin	Additional information provided regarding the use of details relating to the Contact for Report Compliance Issues and the Immediate Parent Company fields. Clarity provided regarding what fields DefCARS automatically populates.
Contract	Greater clarity provided in relation to how the dates mechanistically work within DefCARS for QDCs and QSCs vs QDCs and QSCs on amendment. Reference to Regulation 4 added for users to consider in ascertaining the contract completion date.
Reporting Plan	Guidance revised to set out the context for the reporting plan, and to explain the functionality of the reporting plan and how it interacts with the reporting calendar found on the Contractor Home Page.

Guidance topic	Change made
DPS Inputs	In order to provide guidance on the DPS in one guidance document, the DPS principles set out in the separate guidance document published on June 2015 have been integrated with this reporting guidance. The June 2015 DPS guidance document will remain on the SSRO's website for reference.
DPS Inputs	Guidance amended for system developments in relation to an edit function for describing 'Specialist Equipment' Level 1 and 'Other' line items.
Profit	<p>Drafting changes to reduce repetition with the Guidance on the Baseline Profit Rate and its Adjustments.</p> <p>Clearer headlining of the need for users to provide supplementary information to the standardised fields in order to meet the requirements in the Regulations.</p> <p>Additional explanation added regarding how the CSA calculator can be used.</p>
Cost breakdown	Guidance expanded to provide users with more information about each category and a better understanding of the links to other parts of the CIR.
Cost recovery rates	Guidance expanded to be clearer about the context for the page and the provision of supplementary information about the composition of the rates entered in the standard fields.
Payments	Drafting updated to make it clearer that the payments relate to those payments expected to be made by the Secretary of State.
Submission	Section expanded to provide users with more guidance on how to conduct final checks and how to submit.
<i>Information Security and System Administration guidance updates</i>	
User Account Lock-Out	Guidance updated to explain that an administration user cannot unlock themselves if they become locked out.
Adding a user	Additional text included to inform users that the full name of a user must be used to search for that user. For example, John S will not find John Smith.

