
DRAFT STATUTORY INSTRUMENTS

2014 No.

The Single Source Contract Regulations 2014

PART 5

Reports on qualifying defence contracts

Interim contract report

27.—(1) The primary contractor must provide an interim contract report for the qualifying defence contract within two months after each reporting date.

(2) If the value of the qualifying defence contract is less than £50,000,000, the reporting dates are—

(a) either—

- (i) a date agreed between the primary contractor and the Secretary of State at the time of agreement which is no more than five years following the time of agreement; and
- (ii) such further dates before the expected contract completion date as may be agreed between them, each date to be no more than five years after the previous reporting date; or

(b) if no agreement is made under sub-paragraph (a)—

- (i) the date which is three years after the last day of the calendar quarter during which the initial reporting date fell; and
- (ii) the date which is each third anniversary of that date.

(3) Otherwise, the reporting dates are—

(a) either—

- (i) a date agreed between the primary contractor and the Secretary of State at the time of agreement which is no more than three years following the time of agreement; and
- (ii) such further dates before the expected contract completion date as may be agreed between them, each date to be no more than three years after the previous reporting date; or

(b) if no agreement is made under sub-paragraph (a)—

- (i) the date which is 12 months after the last day of the calendar quarter during which the initial reporting date fell; and
- (ii) the date which is each anniversary of that date.

(4) The report must contain the following information—

- (a) a list of the key deliverables specified in the contract, with a brief description of each;
- (b) the estimated quantum of those deliverables, expressed using the output metrics set out in the contract reporting plan;

- (c) an annual profile (or, if the contractor is of the view that it is not possible to express these matters in an annual profile, the total amount) of the following matters which have been, or are expected to be, taken into account in determining the contract price—
 - (i) any risk contingency element included in the allowable costs;
 - (ii) planned amounts of profit, excluding any amount resulting from an adjustment determined under step 5 of regulation 11; and
 - (iii) the maximum amount of profit resulting from an adjustment determined under step 5 of regulation 11;
 - (d) an annual profile of any estimated costs (split by the defined pricing structure) at the time of agreement;
 - (e) the total amount of those allowable costs (split by the defined pricing structure) that are non-recurring;
 - (f) an annual profile of the estimated amount of each cost recovery base set out in the contract reporting plan;
 - (g) an annual profile (or, if the contractor is of the view that it is not possible to express these matters in an annual profile, the total amount) of the following matters—
 - (i) any risk contingency element,
 - (ii) planned amounts of profit, excluding any amount resulting from an adjustment determined under step 5 of regulation 11, and
 - (iii) the expected amount of profit resulting from an adjustment determined under step 5 of regulation 11,that reflect the costs already incurred and the forecast costs which are expected to be incurred, indicating for each year whether those costs have been incurred, are forecast, or a combination of both;
 - (h) an annual profile of the costs already incurred and the forecast costs which are expected to be incurred, split by the defined pricing structure and indicating for each year—
 - (i) whether the costs have been incurred, are forecast, or a combination of both; and
 - (ii) the amount of each cost recovery base set out in the contract reporting plan;
 - (i) a quantified analysis of the causes of variance (explaining not less than 90% of the total variance) between any estimated costs used to determine the contract price and the total actual and forecast costs;
 - (j) a list of all payments exceeding £100,000 or 1% of the contract value (whichever is the greater) that have been or are expected to be made by the Secretary of State under the contract, including—
 - (i) the amount, or expected amount, of each payment;
 - (ii) the date on which each payment did or is expected to fall due; and
 - (iii) if the contract requires the payment to be made in any currency other than sterling, the currency in which the payment was or is to be made;
 - (k) if the contract requires payment to be made in sterling, an annual profile of all such payments made, or which the contractor expects the Secretary of State will make; and
 - (l) if the contract requires payment to be made in any currency other than sterling, an annual profile for each such currency of all payments made, or which the contractor expects the Secretary of State will make.
- (5) If the value of the qualifying defence contract is less than £50,000,000, the report must also contain the following information—

- (a) a forecast of any TCIF adjustment or any final price adjustment (regulation 16) which the contractor expects will be made;
- (b) 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, including—
 - (i) the date on which the contractor became aware of the event or circumstances;
 - (ii) whether the event or circumstances are covered by any contingency element of the contract price;
 - (iii) the effect that the event or circumstances have had on the costs already incurred (paragraph (4)(h)); and
 - (iv) the forecast effect that the event or circumstances will have on the forecast costs which it is expected will be incurred (paragraph (4)(h));
- (c) a list of—
 - (i) all delivery milestones set out in the contract;
 - (ii) where the contract sets an expected date for a delivery milestone to be completed, that date; and
 - (iii) the actual or expected delivery date for each delivery milestone;
- (d) a description of any actual or intended sub-contracts which the primary contractor has entered into, or intends to enter into, for the purposes of enabling it to perform its obligations under the qualifying defence contract (including the total proportion of the value of the qualifying defence contract which the primary contractor expects to sub-contract); and
- (e) in relation to each such sub-contract which has or is expected to have a value of not less than £1,000,000 (or, if there are more than 20 such sub-contracts, each of the 20 which have or are expected to have the highest value)—
 - (i) if the sub-contractor is a registered company, its registered name and company number, and the address of its registered office;
 - (ii) if the sub-contractor is not a registered company, its name;
 - (iii) whether the sub-contractor is associated with the primary contractor;
 - (iv) whether the sub-contractor is an SME;
 - (v) a brief description of the goods, works or services that will be provided under the sub-contract;
 - (vi) the date on which the sub-contract was, or is expected to be, entered into;
 - (vii) the contract completion date (or, if that date is not known, the expected contract completion date);
 - (viii) the (actual or estimated) price payable under the sub-contract; and
 - (ix) if an assessment has been made under regulation 61(1) or (4), the outcome of that assessment.