

# **Instructions for Completion of DEFFORM 815**

August 2015

## Introduction

1. This guidance is issued by the MOD and is intended to help contractors complete the DEFFORM 815 Contract Pricing Statement (CPS) for single source contracts not subject to the Single Source Contract Regulations 2014 (SSCR). The use of 'you' in the following guidance refers to you the contractor.
2. For those single source contracts not subject to the SSCR and valued at or above £1M it is MOD commercial policy that pricing information is received in a standard format (DEFFORM 815). For contracts valued at less than £1M the rationale for seeking a CPS still applies and the MOD commercial officer will advise you if DEFFORM 815 is an appropriate form to use, or whether it is acceptable for you to record the facts and assumptions underpinning your price in some other way. Where the MOD intends you to use DEFFORM 815, DEFCON 815 will be included in the contract terms.
3. Responsibility for completing the CPS rests with you, the contractor, whose price proposal it supports. You should submit a draft CPS with your price proposal, after which you may develop the CPS further in consultation with the MOD as the price is negotiated and the facts and assumptions are agreed. The CPS should be agreed and signed at the same time as contract award.
4. The detail within the CPS will, to a large extent, be determined by the pricing method used and must be proportionate to the value and risk profile of the requirement. For example, a CPS for a higher value more complex contract priced on a cost plus basis is likely to include a greater depth of information than one for a lower value less complex contract priced on a firm price basis.

## General guidance for completing the DEFFORM 815

5. On each page 'HOME' will take you to the home page of the CPS.
6. Within the CPS you will find a number of coloured cells:
  - a. Grey – contain headings;
  - b. Blue – contain section headings;
  - c. White – contain instructions on the information required;
  - d. Yellow – are data entry cells for you to complete; and
  - e. Orange – contain help, definitions or notes for your reference.
7. The content of each cell will be one of the following formats:
  - a. Drop down – choose from the drop down options;
  - b. Free text – enter text or numbers;
  - c. Date – in the format specified in the cell; or
  - d. Numerical – enter the numerical value with the number of decimal places specified.

8. You must where possible complete the schedules in order as some cells support calculations in subsequent pages.
9. You are advised not to copy and paste data entry cells (yellow cells) as this may interfere with the functionality and linking to other pages.
10. You should provide all financial information in GBP unless stated otherwise.
11. For the purposes of this CPS, the financial year is 1 April to 31 March.
12. If you have any problems or have any questions regarding completion of the CPS, please contact the MOD commercial officer identified in the tender documentation.

## **Schedule 01 - Report Admin**

13. This worksheet shows basic information relating to the contract, including the date the report is required and submitted, the MOD commercial officer and contractor points of contact.
  - a. 01 / 01 – complete the cell stating the date the CPS is required in the format dd/mm/yyyy. This date should be no later than the date the contract is entered into. You may include any comments relating to this date in the free text comments box.
  - b. 01 / 02 – prior to submitting the CPS you must complete the cell stating the date you intend to submit the CPS. You may include any comments relating to this date in the free text comments box.
  - c. 02 / 01 – insert the name, position, phone and email contact details of the person submitting the CPS.
  - d. 02 / 02 – insert the name, position, phone and email contact details of the person to be notified if there are any issues with the submitted report.
  - e. 02 / 03 – insert the name, position, phone and email contact details of the MOD commercial officer.
  - f. 03 - you may include any other general comments relevant to the submission of this report.

## **Schedule 02 – Contracting Company – Basic Reference Data**

14. This worksheet shows basic company information including company name, registration number, registered address and Parent Company details.
  - a. 01 – insert the registered name of your company.
  - b. 02 – insert the registered number of your company.
  - c. 03 – insert the trading name of your company if it differs from that in cell 02 / 01.
  - d. 04 to 08 – insert the registered address of your company.

- e. 09 – from the drop down options indicate whether the company is an Small and Medium sized Enterprise <sup>1</sup> or not.
- f. 10 – insert the date of the last day of the most recently completed financial year for your company in the format dd/mm/yyyy.
- g. 11 to 13 – insert the registered name, number and address of any immediate parent undertaking of your company.
- h. 14 to 19 – insert the registered name, number and address of any additional immediate parent company.
- i. 20 – insert any other relevant information relating to that included in 01 to 19.

### **Schedule 03 – Contract – Basic Reference Data**

15. This worksheet shows basic contract details such as the contract number, contract start and end dates, high level pricing analysis and intra group sub-contractor details. You must complete all of the fields.

- a. 01 / 01 – insert the title that aligns with that on the contract document.
- b. 01 / 02 – insert a summary description of the goods, works or services that the contract is intended to deliver.
- c. 01 / 03 – insert your unique reference number you have allocated to the contract.
- d. 01 / 04 – insert the MOD unique reference number for the contract.
- e. 01 / 05 – insert the date on which the contract was entered into.
- f. 01 / 06 – insert the date the contract is expected to complete.
- g. 01 / 07 – insert the date of the most recent contract amendment which affects the price payable under the contract where applicable.
- h. 01 / 08 – insert your unique reference number you have allocated to the amendment.
- i. 01 / 09 – insert the MOD unique reference number allocated to the amendment.
- j. 02 / 01 to 02 / 08 – insert the price breakdown in millions to three decimal places resulting from each pricing method(s) used in determining the price payable under the contract, and the total price in the appropriate currency.
- k. 03 / 01 to 03 / 06 – insert the name of any intra-group business units involved in the delivery of this contract and the estimated value. If there

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<sup>1</sup> Has the meaning given in Commission Recommendation 203/361/EC of May 2003 concerning the definition of micro, small and medium sized enterprises

are more than ten business units being used, you should only list the top ten by value.

I. 04 / 01 to 04 / 11 – insert the intended or actual third party sub-contracts to be used in the delivery of this contract, where the value of the sub-contract will be £100K or more. If there are more than ten sub-contracts then list only those top ten with the highest value .

## **Schedule 04 – Reminder of Obligations**

16. This worksheet is a reminder of your obligations under DEFCON 815 and of the MOD's policy approach to determine allowable costs in accordance with the SSRO published statutory guidance. You must:

- a. confirm or otherwise that the CPS supports DEFCON 815;
- b. confirm or otherwise your adherence to the SSRO published statutory guidance on allowable costs (SGAC). Where you have followed the SGAC you must explain how you have priced the contract; and
- c. insert the total allowable costs, including any risk contingency allowance but excluding profit, in millions to three decimal places.

17. The contract profit rate and total contract price feed through from worksheet 05 - Contract Profit Rate, therefore you do not need to enter anything here.

## **Schedule 05 – Contract Profit Rate (CPR)**

18. This worksheet provides details of the CPR used in the contract. You must insert the CPR you have applied to the contract as a percentage. You must state the name of the document / spreadsheet used to derive the CPR and confirm that you have provided a copy of it with the CPS. In the majority of cases for contracts less than £5M the negotiated CPR will comprise of the Baseline Profit Rate (BPR) and Capital Servicing Adjustment (CSA). However, where other adjustments are negotiated to produce the CPR (e.g. a risk or incentive adjustment) your supporting papers must document and explain these adjustments.

## **Schedule 06 – Assumptions Summary Requirements**

19. This worksheet is of particular importance as it should record all the supporting documentation you submit in support of your price proposal, such as cost models, risk registers etc. Section 1 gives an overview of how information should be presented. Section 02 is for you to record the main assumptions which you have used to build-up of the price proposal, based on the following five information categories:

- a. Pricing assumptions (excluding risk) – examples include a Master Data Assumptions Log (MDAL), make / buy plans, detailed engineering cost models, a contractor developed or jointly owned cost / price model.

- b. Pricing calculations (excluding risk) – examples include a contractor developed or jointly owned cost / price model, detailed engineering cost model and specifications of those models, independent audit reports of those models.
  - c. Risk and contingency allowance (input assumptions) – for example include a risk register supplemented where necessary with the numerical inputs to the risk modelling calculations.
  - d. Risk and contingency allowance (calculations) - a contractor developed or jointly owned cost / price model and specifications of that model, independent audit reports of that model.
  - e. MOD provided assumptions – such as usage rates, flying hours, etc.
20. The information can be provided by either:
- a. attaching stand alone supporting material such as documents and spreadsheets already created as part of your process of building the price. You should record the details of these in this worksheet 06, section 02 – ‘Audit Trail of Supporting Material shared with this CPS’ and cross reference these to the relevant information category at 18.a.–e.; or
  - b. if the details of specific individual assumptions or calculations are **not** provided within the supporting material detailed at 19.a., then you should record this additional detail within worksheets 07 and 08. These worksheets are explained in more detail in paragraphs 23 and 24 below.
21. When providing details for the five information categories at paragraph 18.a.–e. you must ensure all of the following six ‘fitness for purpose’ criteria are met.
- a. relevant to the final price – the assumptions shared with the MOD are the final version that were used in the calculation of the final price, and that only assumptions that actually affect the final price are used in cross references. this is to avoid problems with version control and to reduce the potential confusion if models that are shared with the MOD contain redundant functionality or inputs;
  - b. complete coverage of the price – sufficient information is shared with the MOD to meet the other criteria across every part of the cost build up. Such as every type of labour hours, all recovery rates, all materials and all sub-contracts. the CPS will not be considered fit for purpose by the MOD if parts of the total cost or price are not explained;
  - c. consistent cost breakdown categories – assumptions are presented and explained using a set of cost breakdown categories consistent with those you have used to build your own estimate of the total allowable costs underpinning the contract price. For example, if you estimate total materials cost from separate assumptions for 40 different material types, it would not be acceptable to share just the resulting total as an assumption;

d. consistent type / level of assumption detail – the types of assumptions shared with the MOD for different elements of allowable costs reflect the way you actually calculate the estimate of that cost in the price build up. you must show the breakdown and all information relating to your costs not just a final resulting cost;

e. clarity – all assumptions presented in supporting documents are clearly and concisely laid out, easy to find and understand, and where necessary explained. clearly laid out documents and spreadsheets make it easier and less time consuming to find important information; and

f. MOD sourced – any MOD provided assumptions must be clearly identified. These assumptions must always be backed up with key information such as the date provided and any audit trail. You should note that any assumption not provided by the MOD, and identified as such, will be deemed to be your assumption wherever it happened to be originally sourced.

22. To enter the above information in section 02 you should complete the cells as follows:

a. information category - select the information category from the drop down menu.

b. filename – enter the file name of the attached supporting documentation.

c. version reference – enter the reference of the final version of the document attached.

d. date stamp – insert the date of the latest version of the document attached.

e. description of contents – provide a description of the contents of the attached supporting document.

f. supporting relevant comments – insert any other supporting relevant comments relating to the attached document.

## **Schedule 07 – Pricing Assumptions (excluding Risk) and Risk Assumptions**

23. You only need to use this worksheet if there are materially relevant pricing assumptions (excluding risk) and / or risk assumptions that are not included within the documentation you have provided and summarised in Schedule 06 - Assumptions Summary Requirements. To enter the additional information in worksheet 07 you should complete the cells as follows:

a. description of assumption – insert the description of your assumption regarding the allowable costs (excluding risk) or your risk assumption.

b. value if number – if your assumption is numerical you must insert the value.

- c. relevant units – specify the relevant units.
- d. explanation of source and justification of use – explain the source of your assumption and why you have included it.
- e. other relevant comments – you can insert any other comments you consider relevant to this assumption.

## **Schedule 08 – Pricing Calculations (excluding Risk) and Risk Calculations**

24. You only need to use this worksheet if there are materially relevant pricing calculations (excluding risk) and / or risk calculations that are **not** included within the documentation you have provided and summarised in Schedule 06 - Assumptions Summary Requirements. To enter the additional information in worksheet 08 you should complete the cells as follows:

- a. purpose of calculation - insert the purpose of the calculation and the output derived from your allowable costs (excluding risk) calculation, or risk calculation,
- b. description of calculation – insert a description of your calculation including the inputs required and the assumptions you relied on.
- c. other relevant comments - you can insert any other comments you consider relevant to this assumption.