



# SSRO

Single Source  
Regulations Office

## Allowable Costs guidance

Version 6

Issued: 7 November 2022

Applies from: 7 November 2022

## Versions of this guidance

This is version 6 of the Allowable Costs guidance which applies to contracts agreed on or after 7 November 2022. It is a legal requirement to have regard to this guidance, which supersedes all previous versions.

The table in Appendix A highlights changes that have been made from the previous version of the guidance.

The publication and application dates of versions of this guidance are shown below.

Version number	Date published	Applies to contracts agreed on or after
6	7 November 2022	7 November 2022
5.1	29 September 2021	29 September 2021
5	16 March 2020	1 April 2020
4	18 March 2019	1 April 2019
3	1 February 2018	1 April 2018
2	1 July 2016	1 July 2016
1	26 January 2015	26 January 2015

---

# Contents

1.	Introduction	3
2.	Application of the guidance	4
3.	The AAR principles	7
4.	Cost accounting, direct costs, indirect costs and overheads	10
5.	Guidance on specific cost types	13
	Appendix A: Changes from previous version	25

# 1. Introduction

- 1.1 The Defence Reform Act 2014 (the Act) requires that qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs) are priced on the basis of Allowable Costs. A contract is a QDC if it meets the definition laid down in section 14(2) of the Act. A QSC is a contract between a primary contractor and another contractor or between a sub-contractor and another contractor where it meets the definition laid down in section 28 of the Act and has been assessed and notified as a QSC pursuant to the procedure under section 29 of the Act.
- 1.2 The Act also states that, in carrying out its functions, the SSRO must aim to ensure that:
  - good value for money is obtained in government expenditure on QDCs and QSCs; and
  - persons (other than the Secretary of State) who are parties to QDCs and QSCs are paid a fair and reasonable price under those contracts.
- 1.3 Section 20 of the Act specifies when costs are Allowable and sets out related provisions as follows:<sup>1</sup>
  - a. Section 20(1) of the Act stipulates that the SSRO must issue guidance about determining whether costs are Allowable Costs under QDCs and QSCs.
  - b. Section 20(2) of the Act states that both parties need to be satisfied that costs are appropriate, attributable to the contract and reasonable in the circumstances (AAR).
  - c. Section 20(3) of the Act states that the Secretary of State and the contractor must have regard to the SSRO's guidance in determining whether a cost satisfies the AAR test.
  - d. Section 20(4) of the Act states that a contractor (prime contractor or sub-contractor) may at any time be required to show that a particular cost is Allowable.
- 1.4 This guidance applies to the Ministry of Defence (MOD) and all contractors who have been awarded QDCs or QSCs. Terminology used but not expressly defined in this guidance is articulated in the Act or the Single Source Contract Regulations 2014 (the Regulations). Specific accountancy terms have not been defined in this guidance as definitions of these terms exist in relevant accounting standards.<sup>2</sup>
- 1.5 The following sections set out the SSRO's statutory guidance issued pursuant to section 20 of the Act.

---

<sup>1</sup> Sections 20(5) and 20(6) of the Act deal with determinations in relation to Allowable Costs matters. Referrals are covered in Section 2 on Application.

<sup>2</sup> For example, International Accounting Standards Board or Financial Reporting Council.

## 2. Application of the guidance

- 2.1 It is a legal requirement to have regard to this guidance in determining whether costs are Allowable under a QDC or QSC. This guidance applies to QDCs or QSCs entered into or amended on or after 7 November 2022 and replaces version 5.1 of the guidance published on 29 September 2021. The SSRO has provided guidance that will assist the contracting parties to determine the time of agreement for a particular QDC or QSC.<sup>3</sup> Where a change in guidance occurs during contract negotiations, the contractor must report an agreed deviation from the statutory guidance if the previous guidance has informed the majority of the negotiation.
- 2.2 This guidance is intended to assist the parties to determine whether costs are Allowable under qualifying contracts. It sets out advice and information on how the parties should assess particular costs under a QDC or QSC against the requirements of Allowable Costs. It may also be used to support the formulation of cost recovery rates, which may in due course form part of the price of a qualifying contract. An example is where cost recovery rates are agreed at a business unit level, but not yet applied for the purposes of determining a discrete cost under a contract.
- 2.3 For the purpose of pricing a QDC, the Act requires the Secretary of State and the primary contractor to be satisfied that particular costs meet the requirements of Allowable Costs under section 20(2)(a) to (c) of the Act, having regard to SSRO guidance. In the case of a QSC, it is the Secretary of State and the sub-contractor who must be so satisfied. To be satisfied, the Secretary of State may require the primary contractor (in the case of a QDC) or the sub-contractor (in the case of a QSC) to show that the requirements are met (with reference to SSRO guidance or otherwise). In such cases, the burden of proof rests with the contractor or sub-contractor, as the case may be. Whether or not the Secretary of State requires the contractor or sub-contractor to show that the requirements of Allowable Costs are met, the Secretary of State and the contractor or sub-contractor must be satisfied that the costs are Allowable Costs.
- 2.4 If the primary contractor has entered into sub-contracts to a QDC (including any QSC), then the prices of those sub-contracts will be costs in the QDC. The Secretary of State and the primary contractor will need to be satisfied that the prices are Allowable Costs (section 20(2)). The Secretary of State may require the primary contractor to demonstrate this is the case (section 20(4)). The legislation does not prescribe how this may be demonstrated, or what would be sufficient evidence that a sub-contract price satisfies the AAR test. It may be that the price of a sub-contract may be demonstrated to be Allowable without the need to demonstrate that all the component costs are Allowable.

---

<sup>3</sup> SSRO (2021) *Reporting guidance on preparation and submission of contract reports – Version 10*, paragraphs 3.9 to 3.32, available at <https://www.gov.uk/guidance/contract-and-supplier-reporting-defcars-and-associated-guidance>

## Statutory Reports

- 2.5 The primary contractor (or sub-contractor) must provide statutory contract reports for any QDC (or QSC), as described in Part 5 of the Regulations. Suppliers may also be required to provide statutory reports on overheads as described in Part 6 of the Regulations. These reports include requirements where contractors and suppliers must report estimated and actual Allowable Costs, including the reporting of cost recovery rates and cost recovery bases used to calculate Allowable Costs. The SSRO has provided separate contract reporting<sup>4</sup> and supplier reporting<sup>5</sup> guidance which will assist with preparing and submitting the reports required. The reports should be submitted to the MOD and the SSRO using the Defence Contract Analysis and Reporting System (DefCARS).
- 2.6 In the case of a sub-contract that is also a QSC, the contract price must conform to the price formula and the costs must be Allowable. In terms of whether a cost in a QSC is Allowable, the application of section 20(2) and (4) is modified by section 30(1) of the Act. The Secretary of State and the sub-contractor must be satisfied that the costs are Allowable. The obligation to demonstrate to the Secretary of State that a cost included in the price of a QSC is Allowable sits with the sub-contractor. The price of any sub-contract to the QSC will need to be an Allowable Cost in the QSC and the guidance given at paragraph 2.3 will apply equally.

## Records and information

- 2.7 In relation to a QDC, Regulation 20 requires the primary contractor to keep 'relevant records'. In the case of a QSC, it is the sub-contractor who is so required. Section 23 of the Act defines relevant records as accounting and other records (whether in hard or electronic form) which the primary contractor or sub-contractor, as the case may be, 'may reasonably be expected to keep' and 'which are sufficiently up-to-date and accurate' for use by the Secretary of State for specific purposes, such as verifying certain matters relating to the price payable under a QDC or QSC, including whether a cost is an Allowable Cost.
- 2.8 The Act and Regulations do not specify what information is required in order to be satisfied that a cost is an Allowable Cost. Information used for this purpose will include relevant records kept by the contractor, information held by the Secretary of State or information available from third party sources. In determining what type and standard of information is required, the relevant parties identified in paragraph 2.3 should take a proportionate approach considering:
- the specific requirements and circumstances of the contract;
  - the materiality and type of particular costs;
  - the information that is available and its relevance; and
  - what it is reasonable to expect would be available.
- 2.9 Transparency between the parties as to what type and standard of information each considers is required to be satisfied that a cost is an Allowable Cost will facilitate the achievement of a proportionate approach.
- 2.10 The information used to show that costs are Allowable Costs should make sufficiently clear to both the Secretary of State and the primary contractor (in a QDC) or sub-contractor (in a QSC) how the costs meet the requirements to be appropriate, attributable to the contract and reasonable in the circumstances.

---

<sup>4</sup> [Reporting guidance on preparation and submission of contract reports - Version 10.1 – 26 January 2022](#)

<sup>5</sup> [Reporting guidance on preparation and submission of supplier reports - Version 8.1 - 26 May 2021.](#)

## Further clarification

- 2.11 Any general enquiries related to this guidance should be addressed to the SSRO helpdesk.<sup>6</sup> The SSRO responds as quickly as possible to such requests, provided they are matters of general guidance and not contract-specific.
- 2.12 If the parties to a QDC or QSC, in advance of entering into the contract, would like a view as to whether costs under the contract may be Allowable Costs, then a referral may be made to the SSRO for an opinion. The SSRO has published guidance as to how it will deal with such referrals for an opinion.<sup>7</sup>
- 2.13 Following contract award, the parties to a QDC or QSC may apply to the SSRO to determine the extent to which costs are Allowable Costs. If such a referral is made, the SSRO will make a determination as to the extent to which costs are Allowable Costs (section 20(5) and 20(6)). The final determination has legal consequences for the parties. The SSRO has published guidance as to how it will deal with such referrals for a determination.<sup>8</sup>

---

<sup>6</sup> [helpdesk@ssro.gov.uk](mailto:helpdesk@ssro.gov.uk)

<sup>7</sup> SSRO (2021) [\*Guidance on the SSRO's Referrals Procedures for Opinions under the Defence Reform Act 2014\*](#)

<sup>8</sup> SSRO (2021) [\*Guidance on the SSRO's Referrals Procedures for Determinations under the Defence Reform Act 2014\*](#)

## 3. The AAR principles

- 3.1 A contractor's costs (which include those already incurred and those which are anticipated) are Allowable Costs in a QDC or QSC to the extent they are appropriate, attributable to the contract and reasonable in the circumstances. The requirements of Allowable Costs are that they must be appropriate, attributable, and reasonable. Each of these must be met whether the contractor's costs are estimated or actual, and whether they are applied to the contract as a direct cost or as an indirect cost (i.e. one which has been calculated using a cost recovery rate).
- 3.2 Paragraphs 3.12 to 3.15 of this guidance sets out the typical characteristics of costs that meet the requirements of Allowable Costs. The relevant parties should consider the characteristics when evaluating whether a particular cost incurred by the contractor meets each of the requirements of Allowable Costs.
- 3.3 Determining whether each requirement of Allowable Costs is met calls for judgement to be applied by the Secretary of State and the contractor or sub-contractor, as the case may be. This includes judgement regarding:
  - a. the relative importance of the characteristics identified in the guidance to the particular cost under consideration, taking account of the circumstances of the case; and
  - b. the type and standard of information required to be satisfied that the particular cost demonstrates the characteristics identified in the guidance.
- 3.4 The relevant parties may agree on differing standards and types of information in evidencing each of the three characteristics of Allowable Costs.
- 3.5 Section 20 of the Act sets out the requirements of Allowable Costs which apply to a particular cost under a qualifying contract. These requirements may be assessed at any time. Where this guidance is applied in advance of a cost being applied to a particular qualifying contract (for example when agreeing cost recovery rates for a business unit), the parties should agree which aspects of the requirements of Allowable Costs can be demonstrated at the time, and those which should be considered once the circumstances of the contract are known. Section 4 of this guidance provides additional guidance on the application of the requirements of Allowable Costs in the agreement of cost recovery rates.
- 3.6 Section 5 of this document provides additional guidance related to the evaluation of specific categories of cost including, in some cases, the types of evidence that should be considered.
- 3.7 This guidance is intended to assist the parties to determine the Allowable Costs for a QDC or QSC in a way that supports the SSRO's statutory aims of ensuring that:
  - a. good value for money is obtained in government expenditure on qualifying defence contracts, and
  - b. persons (other than the Secretary of State) who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts.
- 3.8 The relevant parties should have regard to these aims when applying the guidance and considering whether costs meet the requirements to be appropriate, attributable to the contract and reasonable in the circumstances.

- 3.9 References in this guidance to costs that ‘enable the performance of the contract’ include those suitably and necessarily incurred by the contractor before, at or after the time of agreement to:
- a. deliver the contract in question; or
  - b. deliver multiple contracts including the contract in question and equitably apportioned to those contracts; or
  - c. ensure the efficient and proper operation of the business of delivering defence contracts and subcontracts.
- 3.10 Delivering the contract in question may require sustaining an essential or desirable capability. This may include a capability that is required to deliver the contract in question or similar contracts in the future. Whether the cost of sustaining an essential or desirable capability is Allowable will depend on the circumstances and the contract in question. For example, if there is an explicitly recorded agreement between contracting parties that the MOD requires an essential or desirable capability to be maintained, or other circumstances which would indicate the MOD’s ongoing or future need for the capability.
- 3.11 References in this guidance to costs which ‘would withstand public scrutiny’ include those which meet high standards of regularity, propriety and prudence, such that the relevant standards expected by Parliament or the Ministry of Defence.

### **Appropriate**

- 3.12 A cost is appropriate if it is of a type and arising from an activity that:
- a. a reasonable person informed of the facts would consider enables the performance of the QDC or QSC in question; and
  - b. would withstand public scrutiny.

### **Attributable to the contract**

- 3.13 A cost is attributable to the contract if it:
- a. is incurred by the contractor;
  - b. enables the performance of the QDC or QSC in question;
  - c. is applied directly or indirectly to the contract on a basis that is consistent with the contractor’s overarching cost accounting practices or using a methodology agreed with the Secretary of State; and
  - d. has not been and is not anticipated to be recovered, directly or indirectly, from another source, as Allowable Costs must only be recovered once.

### **Reasonable in the circumstances**

- 3.14 A cost is reasonable in the circumstances if it is of an amount that:
- a. a reasonable person informed of the facts would consider consistent with enabling the performance of the QDC or QSC in question;
  - b. would withstand public scrutiny;
  - c. is consistent with costs incurred by the contractor in similar circumstances; and
  - d. demonstrates due regard for economy and efficiency in the use of resources.

- 3.15 Consideration must be given to the circumstances of the case when determining whether costs are reasonable. Circumstances which may influence costs, and which may, therefore, be considered when determining if a cost is reasonable in the circumstances, include, but are not limited to:
- a. the level of competitiveness and/or market testing undertaken in the supply chain;
  - b. the particular specification and performance requirements of the contract;
  - c. the capability necessary to perform the contract;
  - d. uncertainty and risk affecting estimated costs;
  - e. the impact on actual costs of events which were not anticipated at the time of agreement;
  - f. the economic environment;
  - g. the statutory provisions in place at the time of contracting; and
  - h. any alternative options available, for example, to justify decisions as to whether to sub-contract or undertake work 'in-house'.

## 4. Cost accounting, direct costs, indirect costs and overheads

### Cost accounting

- 4.1 When used in this guidance, the terms direct, indirect and overhead costs have the meanings assigned to them in Table 1. Contractors may use terms which differ from those given. Where those terms are synonymous, or otherwise refer to the same thing, the guidance should be construed and applied accordingly.

**Table 1: Terms and definitions**

Definitions	
Direct cost	A cost that can be traced to a discrete package of goods, works or services specified under a particular qualifying contract.
Overhead cost or overhead	A cost that is used by multiple activities and which cannot be traced, or that the parties agree not to trace, to a discrete package of goods, works or services specified under a particular qualifying contract.
Indirect cost or indirectly recovered cost	A cost that is allocated and apportioned to a qualifying contract using a cost recovery rate. Indirect costs may include overheads. Some direct costs, such as labour, may be applied indirectly as a matter of convenience.

- 4.2 Contractors with QDCs and QSCs may agree with the Secretary of State a methodology for the allocation and apportionment of costs to be used in the contract. A cost accounting methodology includes:
- choosing whether a cost, or class of cost, is to be applied directly or indirectly to the contract;
  - where a cost is applied indirectly to the contract; identifying the cost recovery base for each pool and measuring it; and calculating the cost recovery rates (for example £ per hour of labour).
- 4.3 The methodology may be described in a Questionnaire on Method of Allocation of Costs (QMAC) which is agreed between the relevant parties. The agreement of a QMAC does not demonstrate that costs are Allowable, however the parties may find its contents informative in applying this guidance. For example, in identifying the type of costs and corresponding cost recovery bases which the parties may agree to recover through application of rates. The methodology detailing in what circumstances costs will be applied should be unambiguous.
- 4.4 In order to be Allowable, the contractor must be able to demonstrate that costs have been allocated in a way that is fair in the circumstance and which avoids systematic over or under recovery. Additional care will be needed where the contractor's costing system for work under contract to the Secretary of State is different from that used for other work, as the costing systems may not be directly comparable.

- 4.5 The SSRO is not prescriptive about whether costs are categorised as direct or indirect costs, but the MOD will want to be satisfied with the assignment of costs to contracts (or groups of contracts) and the method by which costs are shared amongst contracts. Section 2 of this guidance sets out the contractor's duty to keep relevant records and submit statutory reports in respect of Allowable Costs.

### Direct costs

- 4.6 Direct costs which are attributable to a single contract should be assessed against section 3 and relevant guidance in section 4 to be claimed as Allowable. Direct costs which the contractor seeks to recover following use of cost recovery rates should be assessed against the guidance on indirect costing in paragraphs 4.8 - 4.11.

### Overhead costs

- 4.7 Overhead costs considered Allowable and not identified as arising from performing a single qualifying contract should be assessed against the guidance in section 3 and any relevant guidance in section 4. Overhead costs which the contractor seeks to recover following use of cost recovery rates should be assessed against the guidance on indirect costing in paragraphs 4.8– 4.11.

### Indirect costs and cost recovery rates

- 4.8 Some costs may be determined through the use of recovery rates which are applied to an appropriate recovery base. A contract may contain Allowable Costs which are both applied directly, and applied indirectly through the use of a rate. A cost recovery rate is a rate of cost per unit of a cost recovery base. For example, a rate of £50 per hour applied to a cost recovery base of 1,000 labour hours would generate a cost of £50,000.
- 4.9 The agreement of estimated and actual rates will be determined between the contractor and the MOD. For cost recovery rates to be consistent with the requirements of Allowable Costs, a cost recovery rate, when applied to a suitable cost recovery base, should produce a cost estimate which is Allowable. It cannot be fully determined, however, that a particular cost is an Allowable Cost under a qualifying contract in accordance with the requirement of section 20(2) of the Act until the contract to which the rate is to be applied is being priced.
- 4.10 Because cost recovery rates may be used as the basis of costs claimed as Allowable under a qualifying contract, their formulation should be guided by the requirements of Allowable Costs. Rates which are not consistent with the requirements of Allowable Costs are unlikely to be applicable in a way that would be suitable for determining the Allowable Costs under a qualifying contract. The following are typical characteristics of a suitable cost recovery rate which is consistent with the requirements of Allowable Costs. The relevant parties should consider these characteristics during the process of evaluating whether a cost recovery rate to be used to price a qualifying contract is consistent with each requirement:
- (i) **Appropriate:** cost pools comprise costs arising from activities which relate to the performance of contracts of the type to which the rate is anticipated to apply. It is not a requirement that a cost that is included in a cost pool meets the requirements of Allowable Costs, only the element which is to be allocated and apportioned to qualifying contracts. Examples of costs which may be appropriate include: the HR cost of the relevant business unit delivering the contract(s); research in the domain of the scope of the contract(s); and other business enablers that exist for the benefit of the customer or are required for the contracting company to function lawfully or efficiently.

- (ii) **Attributable to the contract:** the recovery base used to apportion the cost pool is applied in a way that fairly reflects use of resource by the contract(s) to which the rate may apply. In general, a suitable method is one which most closely aligns the driver of a particular cost to the recovery base. For example, using a recovery base of labour hours may be suitable for direct labour costs, but headcount may be more suitable for back-office functions. The scope of the recovery base should match that of the cost pool.
- (iii) **Reasonable in the circumstances:** the quantum of costs in the pool and of the recovery base are justifiable with respect to agreed levels of efficiency and productivity. For example, they may be consistent with those that a well run company operating under competitive market pressure to maximise efficiency would be expected to incur and allocate to contracts. This may reflect improvements on historical trends given the outputs, accounting for any changes in circumstance, cost control measures, and the expectation of productivity improvements.

4.11 The parties will need to apply judgement in agreeing the type and standard of evidence that it is reasonable for the contractor to provide in order to demonstrate that their estimated, actual and claimed costs within recovery rates are consistent with the requirements of Allowable Costs. In determining what type and standard of information is required, the relevant parties should take a proportionate approach (see section 2). When determining a proportionate type and standard of information to support the calculation of cost recovery rates, the parties should:

- Consider the types of contracts to which the rates will be applied to ensure the scope of the cost pool and recovery base are suitable.
- Consider consistency between the scope of the cost pool and recovery base when adjusting either.

### Accounting methods

4.12 Contracting companies may adopt a variety of accounting policies and practices and make judgements in the preparation of financial statements for statutory reporting purposes (for example, International Financial Reporting Standards and UK Generally Accepted Accounting Practice) and for the preparation of management accounts to inform internal decision-making. Application of these policies and practices to QDCs, will not necessarily result in costs charged satisfying the AAR principles, and contractors must therefore have regard to this guidance.

## 5. Guidance on specific cost types

- 5.1 All costs must satisfy the AAR test in order to be Allowable. Costs will either be completely Allowable, Allowable in part or not Allowable. This section provides guidance in relation to how the AAR test should be applied in relation to the specified categories. In some cases, the SSRO indicates the type of evidence that should be considered but the contracting parties may agree that additional evidence is necessary. The structure of this section is set out below:

Part	Sub-section	Cost type
Part A – Labour costs	A.1	Employee benefits
	A.2	Pension costs
	A.3	Redundancy costs
	A.4	Inflation of labour costs or rates
Part B – Material costs	B.1	Inflation of material costs or rates
Part C – Sales, marketing, bid, entertainment and third party costs	C.1	Marketing and sales costs
	C.2	Bid costs
	C.3	Entertainment costs
	C.4	Third party costs
Part D – Research and development costs	D.1	Research and development costs
	D.2	Research applied indirectly
	D.3	Development
	D.4	Other matters
Part E – Costs associated with loss, poor performance or other events	E.1	Losses, obsolescence and bad debt
	E.2	Reworks, wastage and faulty workmanship
	E.3	Damages and compensation
	E.4	Credits, notional transactions and penalties
	E.5	Insurance
Part F – Exceptional and abnormal costs	F.1	Exceptional and abnormal costs
	F.2	Costs associated with closure, rationalisation or restructuring
	F.3	Idle facilities and capacity
	F.4	Sunk and committed costs
Part G – Non-cash and financing costs	G.1	Non-cash costs
	G.2	Financing costs
Part H – Risk and uncertainty	H.1	Costs which are affected by risk or uncertainty
	H.2	Risk contingency element
	H.3	Costs associated with mitigating risk or uncertainty
	H.4	Cost risk adjustment

## **Part A: Labour costs**

### **A.1 Employee benefits**

- A.1.1 Where employee benefits payments are made for items such as profit-sharing schemes, shares or benefits in kind, which are an element of employees' normal remuneration, then these may be included in Allowable Costs. The cost of shares issued to employees at favourable prices is to be arrived at in the manner prescribed by the relevant Generally Accepted Accounting Principles.
- A.1.2 Payments of staff bonuses must be in line with company policies. In order for these costs to be considered reasonable in the circumstances, contractors must be able to provide supporting evidence. Exceptional bonuses payable following the sale of a company or part thereof and not part of normal remuneration are unlikely to be considered as Allowable Costs.
- A.1.3 Distributions of profit are generally not Allowable.

### **A.2 Pension costs**

- A.2.1 Current pension costs, whether a defined benefit scheme or a defined contribution scheme, as provided in the income statement as an operating cost may be Allowable subject to the application of this guidance.
- A.2.2 These costs should be reconcilable by scheme to the disclosure notes in the statutory accounts for the contractor in accordance with the relevant Generally Accepted Accounting Principles. The following guidance applies to assessing whether pension costs are Allowable Costs.
- A.2.3 Defined Contribution scheme: all employer contributions paid or accrued in the year.
- A.2.4 Defined Benefit scheme: the relevant annual Allowable Cost will be limited to the current or 'normal' service cost charged to the income statement, and not related to the funding of any deficit cost or past expenses, therefore:
- a. the current service cost is Allowable, this represents the increase in the pension scheme liability for an extra year of service for the contractor's employees; and
  - b. the annual administrative expenses and running costs are Allowable as these are reported as an operating cost relating to the scheme (including Pension Protection Fund levies); however
  - c. all other expenses recognised in the income statement which relate to past service costs, settlement gains and losses, net interest on the pension liability and all re-measurements recognised through the statement of other comprehensive income are not Allowable.

### **A.3 Redundancy costs**

- A.3.1 Redundancy payments made in the normal course of business, and which are in accordance with the rates laid down by statute, may be included in Allowable Costs. If payments are made in excess of such rates then these may also be included as agreed between the contractor and employees, but only if approved by the Secretary of State.

### **A.4 Inflation of labour costs or rates**

- A.4.1 Inflation of labour costs or rates should be evidenced against an appropriate benchmark or index in order to be an Allowable Cost.

## **Part B: Material costs**

### **B.1 Inflation of material cost or rates**

- B.1.1 Inflation of material costs or rates should be evidenced against an appropriate benchmark or index in order to be an Allowable Cost.

## **Part C: Marketing, sales, bid, entertainment and third-party costs**

### **C.1 Marketing and sales costs**

- C.1.1 Marketing and sales costs may include such items as salary costs and related staff expenses (travel and subsistence), marketing and sales campaigns, relationship/account management activities, sponsorships and other related commercial activities.
- C.1.2 The MOD may decide to award single source contracts without the need for marketing and sales activity. Section C.2 refers to guidance on bid costs which may be incurred by a contractor when bidding for a single source contract. Marketing and sales costs may either in total or in part be considered Allowable in a single source contract if they meet the AAR principles and deliver demonstrable benefit to the UK Government.
- C.1.3 Financial benefit to the MOD should be demonstrated by showing that the inclusion of marketing and sales costs results in a lower rate or unit costs charged to the QDC or QSC than if marketing and sales costs were excluded. The reduction in costs should be at least equivalent to the marketing and sales costs claimed. A sound evidence base should be provided to show how proven successful orders have resulted (retrospective test) or are expected to result through forecast sales (prospective test) in increased throughput of activity which then leads to the cost reduction in the QDC or QSC.
- C.1.4 A contractor should ensure that any costs claimed are not or will not be recovered through other means. For example, where there is UK Government financial support for marketing and sales campaigns already in place these costs should not be claimed. Where possible, a contractor should provide a breakdown of their costs to enable them to be properly understood and to help determine whether they are Allowable. For example:
- a. segmenting their market by geography or product/service; or
  - b. identifying where campaigns have UK Government financial support.

### **C.2 Bid costs**

- C.2.1 Bid costs are those costs incurred in pursuit of the expected award of a specific contractual outcome. Bid costs incurred by a contractor in pricing a QDC or QSC may be Allowable Costs under the resulting contract and may include the staff costs of preparing and reviewing proposals. As the length of time to develop proposals varies depending on the nature of the contract the SSRO does not determine a timeframe within which these costs would be incurred.
- C.2.2 Bid costs, where possible, should be charged directly to a contract although it is recognised that in some cases they may need to be apportioned as indirect costs. If no contract is awarded for which bid costs have been incurred these costs would generally not be Allowable as there is no QDC or QSC to which they would relate. However, the MOD and contractor may agree if and how any costs are to be recovered through alternative arrangements.
- C.2.3 The contractor's marketing and sales costs should not be included as bid costs and should be treated separately under C.1 of this guidance.

### **C.3 Entertainment costs**

C.3.1 Entertainment costs are not Allowable Costs.

### **C.4 Third party costs**

C.4.1 Donations of a political and charitable nature are not Allowable as these form no part of the costs associated with QDCs or QSCs.

C.4.2 Discounts allowed on sales to third parties are not Allowable as these do not financially benefit the QDC or QSC in question.

## **Part D: Research and development costs**

### **D.1 Research and development**

D.1.1 Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

D.1.2 Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

D.1.3 The costs of research and development incurred, whether applied directly or indirectly to a QDC or QSC, may be Allowable Costs.

### **D.2 Research applied indirectly**

D.2.1 A proportion of the costs of research undertaken during the period of the contract that are applied indirectly to contracts may be attributable to the QDC or QSC in question where the research to which the costs relate enables the performance of the contract.

D.2.2 In determining whether research expenditure is an Allowable Cost, the parties should consider the requirements of the contract and whether these necessitate the research, either expressly or by implication. Some research costs may be necessary if:

- the goods or services could not have been provided but for the research or research of a similar nature, having been undertaken.
- the research costs were necessarily incurred to sustain the contractor's skills, expertise and capability to deliver the contract and other defence contracts in the future.
- there is an explicit agreement between the contractor and the MOD in respect of research to meet the MOD's long-term need.

### **D.3 Development**

D.3.1 Accounting standards allow contractors to account for development costs in different ways. They will either recognise an intangible asset arising from development expenditure and amortise this over time or will write off the costs as they are incurred. Either approach may be used in determining the level of development costs that are Allowable Costs.

D.3.2 Development costs that are recognised as an intangible asset and amortised are dealt with in section G.1 of this guidance.

D.3.3 Development costs that are written off as they are incurred should be applied to the contract on a basis that is consistent with the contractor's overarching cost accounting practices or using a methodology agreed with the Secretary of State.

## **D.4 Other matters**

- D.4.1 The costs of research or development that did not achieve its planned objectives may be Allowable Costs and should be evaluated in the same way as any other research or development costs.

## **Part E: Costs associated with loss, poor performance or other events**

### **E.1 Losses, obsolescence and bad debt**

- E.1.1 Reasonable stock losses and obsolescence costs should be charged directly to the contracts to which they relate as Allowable Costs. In circumstances where it is not possible to identify stock losses or obsolescence costs that specifically apply to contracts then they may still be Allowable. This will only apply when the contractor's costing system is able to isolate these stock losses as an indirect overhead. Contractors will be requested to provide evidence to support any claimed obsolescent stock write-offs and be able to demonstrate that these were not as a result of poor storage, handling or control.
- E.1.2 Losses on other contracts are generally not Allowable, as by their nature these are not applicable to the QDC or QSC in question.
- E.1.3 Bad debts, and any provision for those bad debts, are generally not Allowable unless they specifically relate to and arise on the QDC or QSC in question.

### **E.2 Reworks, wastage and faulty workmanship**

- E.2.1 The costs of reworks and wastage may be Allowable. This recognises that no production or manufacturing process is likely to be completely effective and that attempts to achieve zero rework or wastage may be uneconomical.
- E.2.2 The assessment of what is a reasonable level of rework or wastage will depend on the information available and the specific circumstances of the contract being delivered:
- a. Contractors should have adequate quality control and monitoring systems in place to be able to identify the level and, where material, the causes of reworks and wastage. There should be plans in place to reduce costs through learning curve and efficiency gains.
  - b. Once both parties have considered the information available and the specific circumstances of the contract, including how they compare to other contracts, a judgement can be made about whether costs are Allowable.
- E.2.3 The costs of faulty workmanship are not Allowable where the fault has occurred due to poor skills, training, systems or materials that the contractor has in place or has purchased. Costs associated with faulty workmanship may be Allowable where both parties are satisfied that faulty workmanship cannot be avoided because of the complexity or lack of maturity of the process being undertaken and the AAR test is met. These costs may be re-classified as reworks in some circumstances.

### **E.3 Damages and compensation**

- E.3.1 Damages, compensation or loss of profit for poor performance, such as breach of contract, are not Allowable Costs.

### **E.4 Credits, notional transactions and penalties**

- E.4.1 Allowable Costs should be net of any credits received by contractors that reduce a particular cost for the contractor. Credits may include, but are not limited to, reimbursements, grants, discounts or refunds.

- E.4.2 Credits that do not reduce a particular cost are not relevant to the determination of Allowable Costs.
- E.4.3 The treatment of a particular credit should be consistent with the contractor's overarching cost accounting practices or using a methodology agreed with the Secretary of State. In determining whether the treatment for a particular credit is appropriate, the relevant parties should consider:
- a. the legal basis of the credit and whether this indicates it reduces costs or not;
  - b. the economic substance of the credit, which may indicate that it reduces costs if:
    - i. there is a requirement, intent, or common practice for the credit to be used to reduce costs;
    - ii. the credit is calculated with direct reference to costs;
    - iii. the credit is received from the same entity with which the costs were incurred; and
    - iv. transactions are settled net of the credit; and
  - c. whether the credit is received as a result of a particular requirement of the contract, which may indicate that it reduces costs.
- E.4.4 Notional values of transactions are generally not Allowable Costs.
- E.4.5 Costs arising from civil penalties and fines are not Allowable Costs. Such costs result from charges imposed by third parties on contractors to penalise them for wrongdoing or to derive compensation for harm done. As such, they do not satisfy the requirements of Allowable Costs.
- E.5 Insurance**
- E.5.1 The costs of insurance, for example, insurance premiums, may be Allowable Costs, subject to satisfying the requirements of this guidance.
- E.5.2 The costs of insurance may be considered to enable the performance of the QDC or QSC in question when:
- a. the insurance is required by statute or by the contract terms and conditions; and
  - b. the costs affected by risk or uncertainty which would be met or reduced by the insurance provider should they be incurred, would, in the absence of the insurance, satisfy the requirements to be appropriate and attributable to the contract.
- E.5.3 In determining whether the costs of insurance are reasonable in the circumstances the relevant parties should ascertain:
- a. whether due regard for economy and efficiency in the use of resources is demonstrated by the relative amounts of:
    - i. the costs of insurance; and
    - ii. the estimated impact of the insured event on the costs of performing the contract given the likelihood of its occurrence; and
  - b. what, if any, other benefits are or were anticipated to arise for the Secretary of State as a result of purchasing the insurance, for example, greater certainty as to contract schedule performance.

- E.5.4 The contractor may purchase insurance for risks associated with a single contract or multiple contracts. Accordingly, the costs of insurance may be applied directly or indirectly to contracts.
- E.5.5 Where insurance provides cover for risks arising from multiple contracts, the benefits of that insurance may accrue disproportionately between those contracts and will be impossible to ascertain at the time of purchase. Accordingly, the relevant parties should agree a methodology for the allocation of insurance costs to contracts that seeks to ensure those costs are equitably apportioned.
- E.5.6 Costs associated with insured events but not covered by insurance, for example policy excesses or deductibles, or costs exceeding the limits of insurance cover, may be Allowable Costs subject to satisfying the requirements to be appropriate, attributable to the contract and reasonable in the circumstances.
- E.5.7 Where such costs are affected by risk or uncertainty the parties should have regard to the guidance in Part H when determining whether the costs are Allowable Cost.

## **Part F: Exceptional or abnormal costs**

### **F.1 Exceptional or abnormal costs**

- F.1.1 This guidance is applicable to all contract discussions between the Secretary of State and contractors regarding Allowable Costs in regard to QDCs and QSCs. Whilst the majority of discussions about whether costs are appropriate, attributable to the contract and reasonable in the circumstances will be resolved without reference to further guidance there are a number of more complex issues that arise that may require additional guidance and this should be sought from the SSRO if agreement cannot be reached between the Secretary of State and the contractor.
- F.1.2 Where costs arise which are exceptional or abnormal in size or incidence then they will be reviewed on a case-by-case basis to determine the extent to which such costs (wholly or in part) are Allowable. These generally relate to exceptional or abnormal costs which would have a major impact on Allowable Costs and require specific additional analysis and evidence to arrive at an agreement on suitable treatment.
- F.1.3 In all cases of an exceptional nature which result in separate negotiations the SSRO should be informed.
- F.1.4 Where the Allowable element of any of the costs is exceptional or abnormal in size and incidence, it is possible that the cost may be spread over a number of years.

### **F.2 Costs associated with closure, rationalisation or restructuring**

- F.2.1 Exceptional costs will not be allowed where they relate to normal commercial business risk and any discussions around closure, rationalisation or restructuring must ensure that value for money remains the primary consideration. Contractors must demonstrate innovation and efficiency in the proposals they submit for reducing the costs associated with the closure, rationalisation or restructuring.
- F.2.2 Where a site is closed resulting in other sites operated by the contractor or within a joint venture benefiting from gaining more work as a result of the site closure, the net cost of closure, rationalisation or restructuring must be tested and recovered against the benefits associated with the other sites or joint venture.
- F.2.3 Profits and losses must be calculated at the time that closure, rationalisation or restructuring takes place.

### F.3 Idle facilities and capacity

- F.3.1 Idle facilities are defined as those facilities and capital assets which are completely unused and that are not required by the contractor to fulfil current QDC or QSC commitments but which were designed for that purpose.
- F.3.2 Idle capacity is that part of an overall facility or capital asset which is under-utilised for the delivery of a QDC or QSC.
- F.3.3 The costs of idle facilities or capacity are not generally Allowable unless after application of the appropriate, attributable and reasonable criteria it is confirmed that those unused facilities:
- a. are determined by the Secretary of State as necessary to meet uncertain defence demands;
  - b. are of a strategic nature that the Secretary of State has determined may be called upon to enable, or support, urgent deployments; or
  - c. are unused due to a change in government or defence policy which could not have been predicted by the contractor.
- F.3.4 Any decision on whether such costs are Allowable must be subject to a separate agreement between the contractor and the Secretary of State, to which the contractor is to provide the relevant evidence to support the payment. Any such agreement is to be separately reported to the SSRO with the necessary evidence to support the agreement.

### F.4 Sunk and committed costs

- F.4.1 Sunk costs are costs that that have been incurred, and committed costs are costs that have already been agreed to be incurred, at the time a contract becomes a qualifying contract. Sunk and committed cost may include, for example, bid costs (See C.2) or the cost of work undertaken at risk.
- F.4.2 Sunk and committed costs may be Allowable Costs subject to satisfying the requirements described in this Part, Section 3 and any other relevant Part of Section 5 of this guidance.
- F.4.3 If a contract becomes a qualifying contract following an amendment,<sup>9</sup> sunk and committed costs may relate to goods, works, or services provided under the original contract. The SSRO expects that the parties would make appropriate arrangements such that it should be unnecessary for any question to be raised with the SSRO in relation to any sunk costs.<sup>10</sup> Such arrangements may include stating in the amended contract that:
- a. the contracting parties agree that the sunk costs are Allowable Costs; and
  - b. the parties will not seek to reclaim costs or to claim additional costs in respect of the period prior to the amended contract becoming a QDC or QSC.

---

<sup>9</sup> For example, a QDC by amendment, or a QDC or QSC following an amendment and rescission of the previous contract. For further details on amended contracts see Reporting guidance on preparation and submission of contract reports available at <https://www.gov.uk/guidance/contract-and-supplier-reporting-defcars-and-associated-guidance>

<sup>10</sup> Sunk costs will still need to be notified in accordance with the reporting requirements.

## Part G: Non-cash and financing costs

### G.1 Non-cash costs

G.1.1 This section is concerned with tangible and intangible assets that have been recorded in the contractor's balance sheet and in respect of which the contractor seeks to charge costs under a QDC. The following are examples of these assets:

- construction of a facility;
- property, plant and equipment which has been purchased;
- internally generated intangible assets, such as development of intellectual property; and
- goodwill that arises when a contractor buys another contractor.

#### Depreciation and amortisation

G.1.2 A non-cash cost is an item that is reported on the income statement for which there is no related cash payment during the period. The non-cash costs associated with tangible assets are known as depreciation and the non-cash costs associated with intangible assets are amortisation.

G.1.3 A contractor should apply its own accounting policies when valuing and recognising assets on its balance sheet. Contractors should adopt a consistent approach to the allocation or apportionment of non-cash costs such as depreciation and amortisation to QDCs or QSCs.

G.1.4 Depreciation and amortisation should not be Allowable in respect of an asset if the costs of the asset have already been recovered from the MOD. For example, if the MOD pays for a tangible asset at or before the start of the contract it should not pay additional costs in the form of depreciation in relation to that asset while the contract is being delivered.

G.1.5 If the MOD retains ownership of an asset and makes it available to the contractor in order for it to deliver the contract, depreciation and amortisation should not be Allowable Costs.

G.1.6 Business combinations, such as the acquisition of a company or business, may result in the creation of goodwill. Goodwill itself is not an Allowable Cost because it is an intangible asset which a contractor may record on its balance sheet due to the application of its accounting principles. A case-by-case review is required to determine the reason for the business combination to determine if the acquisition of the business is attributable to the contract and whether any associated non-cash costs are appropriate and reasonable in the circumstances.

#### Re-valuation and impairment

G.1.7 If a contractor's application of its own accounting policies results in a change in the valuation of an asset (for example, through a re-valuation or an impairment review), this may also result in a change in non-cash costs such as depreciation and amortisation, or a new non-cash cost (for example, an impairment expense or gain). Such circumstances will require a case-by-case review to understand why the value has changed, whether the MOD is due any balancing credit and ensure that any costs are reasonable in the circumstances.

### G.2 Financing costs

G.2.1 Borrowing costs are generally not Allowable Costs. The approach to calculating the step 6 capital servicing adjustment compensates contractors for these costs. The SSRO publishes separate guidance on how the step 6 capital servicing adjustment ensures the contractor receives an appropriate and reasonable return on the fixed and working capital it employs for the purpose of enabling it to perform the contract.<sup>11</sup>

11 SSRO (2022) [Guidance on the Baseline Profit Rate and its Adjustment \(version 7.2\)](#).

## Part H: Risk and uncertainty

### H.1 Costs which are affected by risk or uncertainty

- H.1.1 This guidance applies to costs affected by risk or uncertainty that fall within one of the categories shown in Table A. Reference in this guidance to costs which are affected by risk or uncertainty means that one of the categories in Table A applies to the costs. The terms provided are intended to be used in the interpretation of this guidance document. Where contracting parties use alternative terms in respect of any of the categories shown, this should not alter the substantive interpretation or application of this guidance.

**Table A**

Category	Term
The costs may or may not be incurred by the contractor	Risk
The actual amount of the costs incurred may be higher or lower than the estimated amount of the costs	Uncertainty
The costs possess both of the characteristics described above	Risk and uncertainty

- H.1.2 A contractor's estimated costs which are affected by risk or uncertainty may be Allowable Costs subject to satisfying the requirements described in this Part, Section 3 and any other relevant Part of Section 5 of this guidance.
- H.1.3 In determining an estimate of the total Allowable Costs for the contract the parties should consider:
- a. costs already incurred by the contractor;
  - b. known future costs;
  - c. estimated costs which are affected by risk or uncertainty;
  - d. the anticipated effects of any actions to mitigate risk or uncertainty in the contractor's costs (see Part H.3) which have been agreed by the relevant parties, for example, in risk mitigation plans; and
  - e. the terms and conditions of the contract.
- H.1.4 For a contractor's estimated costs to be Allowable Costs the estimate should aim to anticipate the actual Allowable Costs the contractor will incur in performing the contract, taking account of risk or uncertainty. There should be economy and efficiency in the use of resources, unless there is a clear reason to the contrary [see 3.13 d]. The contractor should seek opportunities for risk reduction or increased efficiency to be captured through the life of the contract.
- H.1.5 There is a range of approaches available to contractors to estimate costs which are affected by risk or uncertainty. The estimating approach or approaches should be suitable to the circumstances of the case, taking account of:
- good practice in cost estimation; and
  - the information available at the time of estimation concerning the assumed or known characteristics of any risk or uncertainty.
- H.1.6 Costs may be estimated using random sampling methods, for example, Monte Carlo simulation, where this is the suitable approach.

- H.1.7 Costs which are affected by risk or uncertainty should typically be estimated with reference to their expected value as defined in a statistical sense, except where an alternative approach would produce an estimate the parties consider to be closer to the actual Allowable Costs the contractor anticipates it will incur in performing the contract.
- H.1.8 The relevant parties should take a proportionate approach to determining what type and standard of information is required about risk or uncertainty in order to be satisfied that estimated costs are Allowable Costs, having regard to the guidance at paragraph 2.6.
- H.1.9 In determining what type and standard of information it is reasonable to expect would be available, the relevant parties should have regard to:
- a. the specificity of the contract requirements;
  - b. the contractor's experience in performing similar activities;
  - c. good practice in cost estimation; and
  - d. the number and type of factors giving rise to risk or uncertainty affecting costs.
- H.1.10 Evidence might include risk registers, lists of assumptions, cost models or other cost aggregation methods.

## **H.2 Risk contingency element**

- H.2.1 For the purpose of this guidance, 'risk contingency element' refers to the aggregate of costs which are affected by risk or uncertainty that:
- a. the contractor estimates it will incur to enable performance of the contract, and
  - b. whose allocation to a particular cost cannot be made at the time of estimation.
- H.2.2 The term 'risk contingency element' is adopted as the legislation requires contractors to report any risk contingency element within the Allowable Costs of a QDC or QSC. Contracting parties may use alternative terms to describe cost items set out in H 2.1, for example, 'risk allowance'; 'contingency'; or 'management reserve'. This should not alter the substantive interpretation or application of this guidance.
- H.2.3 In assessing if a risk contingency element in the contractor's costs is an Allowable Cost the relevant parties should consider:
- a. whether the estimated costs to which the risk contingency element may be allocated would, if incurred, satisfy the requirements of costs that are appropriate;
  - b. whether the estimated costs to which the risk contingency element may be allocated would, if incurred, satisfy the requirements of costs that are attributable to the contract; and
  - c. whether the amount of the risk contingency element is reasonable in the circumstances given:
    - i. the extent and nature of the risk or uncertainty affecting the estimated costs to which the risk contingency element may be allocated;
    - ii. the contractor's experience in performing similar activities; and
    - iii. the potential for cost efficiencies and risk reduction arising from opportunities for the contracting parties to learn from experience during the life of the contract.
- H.2.4 The approach or approaches to be taken when quantifying a risk contingency element in costs should be appropriate to the circumstances of the case, having regard to the guidance at H.1.3 to H.1.7.

- H.2.5 Where there are no estimated costs affected by risk or uncertainty there should be no requirement for a risk contingency element in Allowable Costs.
- H.2.6 The SSRO provides separate guidance for contractors on the reporting of data on any element of risk contingency in Allowable Costs.<sup>12</sup>

### **H.3 Costs associated with mitigating risk or uncertainty**

- H.3.1 Contractors may take action to reduce the likelihood or impact of risk or uncertainty affecting either the costs of performing the contract or other aspects of contract performance. The costs of such mitigating action ('the costs of mitigation') may be Allowable Costs subject to satisfying the requirements to be appropriate, attributable to the contract and reasonable in the circumstances.
- H.3.2 The contractor may take action to mitigate the likelihood and impact of risk or uncertainty for a single contract or for multiple contracts. Accordingly, the costs of mitigation may be applied directly or indirectly to contracts.
- H.3.3 The costs of mitigation may be considered to enable the performance of the contract if they are incurred with the intention of reducing the likelihood and impact of risk or uncertainty affecting:
- a. a cost which, if it was incurred, would satisfy the requirements to be appropriate and attributable to the contract; or
  - b. any other aspect of contract performance, for example, schedule risk.
- H.3.4 In determining whether the costs of mitigation are reasonable in the circumstances the relevant parties should ascertain:  
Whether due regard for economy and efficiency in the use of resources is demonstrated by the relative amounts of:
- i. the costs of mitigation; and
  - ii. the reduction in the amount of a cost or costs that is or was anticipated as a result of the mitigating actions; and
  - iii. what, if any, other benefits are or were anticipated to arise for the Secretary of State as a result of the mitigating actions, for example, greater certainty as to contract schedule performance.
- H.3.5 More specific guidance on determining whether the costs of insurance are Allowable Costs is provided in Part E.5.

### **H.4 Cost risk adjustment**

- H.4.1 Cost risk is the possibility that the actual amount of costs which are determined to be Allowable Costs will differ from the estimated amount of those costs. The presence of cost risk may be reflected through the agreement of a cost risk adjustment in determining the contract profit rate for a QDC or QSC. The cost risk adjustment should not be used to include within the contract price any element of the estimated costs that have been identified, as these should be considered in the determination of the estimated Allowable Costs. The SSRO provides separate specific guidance on the cost risk adjustment.<sup>13</sup>

---

<sup>12</sup> Reporting guidance on preparation and submission of contract reports available at <https://www.gov.uk/guidance/contract-and-supplier-reporting-defcars-and-associated-guidance>.

<sup>13</sup> See Section 3 in SSRO (2022) [Guidance on the Baseline Profit Rate and its Adjustment \(Version 7.2\)](#).

# Appendix A: Changes from previous version

A.1 The table below highlights changes from version 5 of the guidance to this version. Sections which are not included in the table are unchanged from version 5.1.

## Key to changes:

No change/(moved)
Deleted
Revised
Added

Section/paragraph v5.1	Section/paragraph v6
	2.2
	2.5
2.6	2.8 – revised
3.1	3.1 – revised
3.2	3.2 – revised
	3.4
	3.5
3.8	3.9
3.9	3.10
4.1	
4.2	
4.3	
4.4	
4.5	
4.6	
4.7	
4.8	
	4.1
	4.2
	4.3
	4.4
	4.5
	4.6
	4.7
	4.8
	4.9
	4.10
	4.10 i

Section/paragraph v5.1	Section/paragraph v6
	4.10 ii
	4.10 iii
	4.11
	4.12
A2.4	A2.4
D2.2	D2.2
D2.2 Bullet 1	D2.2 Bullet 1
D2.2 Bullet 2	D2.2 Bullet 2
	D2.2 Bullet 3
E1.1	E1.1
E4.4	E4.4
F.2.2	F2.2
H4.1	H4.1

