

Consultation on pricing amendments guidance

Consultation responses

The SSRO recently consulted on new guidance to support the Ministry of Defence (MOD) and contractors in redetermining the price of qualifying defence contracts and qualifying sub-contracts when pricing amendments are made.

This document summarises the feedback received to the SSRO's consultation, and explains how the SSRO has responded to it in preparing the final guidance.

We are grateful to all those who took the time to respond. In particular, we would like to thank the MOD and the Defence Single Source Advisory Group (DSAG), on behalf of ADS and its members, for their detailed and constructive engagement. The feedback received has been valuable in informing our consideration of the issues and development of the guidance.

We welcome the wider engagement that took place alongside the formal written responses, including discussions with stakeholders on the practical application of the proposed guidance. This engagement has provided additional insight into areas of complexity and where we have been able to respond by providing further clarity or support in the final guidance.

We remain committed to engaging openly with stakeholders as we develop and refine our guidance, and we thank all contributors for their continued support.

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Babcock

Consultation on proposed new guidance for contract amendments:
redetermining the price of a QDC or QSC

Consultation response form

Your details

Name:

Organisation:

Position:

Consultation questions

Consultees do not need to answer all the questions if they are only interested in some aspects of the consultation.

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail. This will help us to understand the basis for your answer and inform our finalisation of the guidance. As a minimum, please include the paragraph number(s) your comment refers to.

In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether or not you consent to publication of your response by marking one of the boxes below.

Yes No

Please note, if you do not consent to publication, we will treat your response as confidential to the extent of any disclosure that is required by law. In the event we are required by law to make a disclosure of your consultation response, to the extent we are legally permitted to do so, we will give you as much notice as possible prior to such a disclosure and will take into account all reasonable requests made by you in relation to the content of such a disclosure.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 1: Does the draft guidance cover the correct areas and have the appropriate structure? If not, please suggest what additional areas the guidance should cover and why this would be helpful.

Yes, the guidance does cover the correct areas, but further updates are requested.

References to the Act and Regulations would be better placed at the beginning of each section as opposed to the end.

Greater clarity on when an amendment triggers a re-price would be beneficial. Guidance refers to Section 15 of the DRA and the Schedule to the Regulations but defining a threshold (e.g., monetary value, % of contract value, risk change) would avoid frequent renegotiations and implantation of too many small changes being treated as major. We would welcome a streamlined process for minor amendments, reducing administrative overhead whilst maintaining compliance.

The approach taken by delivery agencies varies across our business as some will group together multiple changes according to pricing type.

Question 2; Do you support this approach to developing SSRO guidance? We welcome any feedback or suggestions for further improving the user experience.

Please add comments to support your answer:

The opportunity to comment on draft guidance is welcomed. The ability to give other feedback outside of the questions is noted and appreciated.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 3: Do you think the quick start guide is a useful aid for navigating the full guidance, particularly for users who are new to the single source contract regime? We welcome feedback or suggestions for improvements to the content or layout of the quick start guide.

Please add comments to support your answer:

Yes, it is a useful aid to point users to the full guidance through the flowcharts.

The quick guide would benefit by being embodied into the full guidance at the beginning of the document. This will ensure that guidance is all together in one place.

The quick guide would also benefit from having the relevant Regulation in the flowcharts. If included, could dynamic links then be inserted to take the reader to the relevant part of the guidance?

Question 4: Common principles - Do you find the introduction and common principles a helpful entry point to the concepts behind, and requirements of, making pricing amendments? We welcome feedback or suggestions for improvements to the content or layout of the introduction and common principles sections of the guidance.

Please add comments to support your answer:

Yes, we find the introduction and common principles as helpful entry points, and feel they would be improved with the following suggested refinements:-

Section 1.7 of the guidance states that it does not apply to exercising a price option to extend a contract. However, clarity is required on whether the Contract Profit Rate needs to be updated and therefore this guidance utilised if the Baseline Profit Rate and Capital Servicing Adjustment has changed from the Original Contract Profit Rate. If not, reasoning for why this guidance would not apply in that scenario should be included.

It would be beneficial to recognise that different types of options exist - there are those associated with manufacture of goods and those associated with time periods. Where time periods are used, it is highly likely that the option will require re-scoping and re-pricing thus creating the requirement for a new profit calculation.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

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Question 5: Navigating the document - We welcome feedback on the structure of sections 3 to 6. In particular we would welcome any views on whether:

- The structure makes it easy to navigate the document and find relevant content.
- Each pricing amendment scenario is explained clearly and accurately.
- The process for making more than one pricing amendment is clear.
- Concepts such as contractual requirements or distinguishable costs are clearly defined.

Please add comments to support your answer:

Guidance is clear and follows a logical pattern.

We support the improvements that DSAG have suggested in their response which provide a more structured process flow that aids understanding.

Question 6: Illustrative Examples - We welcome feedback on the examples included in the guidance including suggestions to improve their content or presentation.

Please add comments to support your answer:

Illustrative examples are welcomed as useful additions to aid understanding.

Example 3 – it would be beneficial to include an example reason why the firm price defined allowable costs have changed. It may be useful to show separate elements of the allowable costs. The principle is understood but the application is not clear.

Example 4 – it would be beneficial to include an example of where the profit rate is higher or lower than the original contract profit rate for clarity, rather than it being the same.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 7: Cross referencing SSRO guidance and the Regulations:

- Do you feel the guidance covers the key points from other SSRO guidance at the appropriate level of detail to ensure it is clear and accessible for users of varying levels of experience?
- We welcome feedback or suggestions for improvements to the cross referencing.

Please add comments to support your answer:

Dynamic links to the specific legislation referenced in the blue boxes would be useful to save users from having to search the Regulations manually when referred to.

If the quick guide is to remain separate, then it would benefit from having dynamic links inserted to reflect the relevant parts of the guidance.

Question 8: Reporting Requirements (section 7) & Getting help and resolving issues (section 8) - we welcome feedback on the content of these sections.

Please add comments to support your answer:

As question 7, we recommend that adding dynamic links to the relevant legislation would be helpful in the blue box.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

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Question 9: Key questions and answers regarding contract amendments:

- Are the key questions and answers within the draft guidance clear and understandable?
- We would welcome suggestions of any further questions or topics for inclusion.

Please add comments to support your answer:

Yes, the key questions and answers are clear and understandable. One query is whether FAQ 8 relevant to this consultation as this seems more appropriate for the wider FAQ that the SSRO produces periodically.

Note that there is an extra dash in FAQ 9 which needs to be removed (cor-rect).

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 10: Other feedback – Are there any other aspects of the guidance you would like to provide feedback on which are not covered in the questions above?

Please add comments to support your answer:

We are supportive of the DSAG response submitted via ADS.

We would welcome early engagement and training sessions once the guidance is finalised, to ensure consistent understanding across both MOD and suppliers. We suggest that the SSRO commits to a review of the guidance 12-18 months after implementation to capture lessons learned and make refinements where necessary.

General Observations

- The draft guidance represents a positive step towards greater clarity and consistency in the treatment of contract amendments.
- Babcock strongly supports the principle of proportionality, ensuring that the administrative burden of applying the guidance is commensurate with the scale and impact of the amendment.
- We would encourage the SSRO to ensure that the guidance remains flexible enough to accommodate the wide variety of contract types, sizes, and operational contexts within the defence sector.

Specific Comments on the Draft Guidance

Definitions and Scope

- Greater clarity is needed on the definition of “material amendment” and the thresholds that would trigger application of the guidance.
- We recommend including worked examples or case studies to illustrate how the guidance applies in practice.

Process and Timelines

- The guidance should set out indicative timelines for review and approval of amendments, to support effective planning and avoid unnecessary delays.
- As mentioned in our response to question 1, Babcock would welcome a streamlined process for minor amendments, reducing administrative overhead while maintaining compliance.

Costing and Pricing Adjustments

- The approach to pricing amendments should explicitly recognise the need for flexibility in applying cost models, particularly where amendments are small in scale or urgent in nature.
- Guidance should confirm that adjustments will be based on fair and reasonable principles, avoiding retrospective application of new requirements.

Governance and Oversight

- Babcock support the emphasis on governance but recommend that the guidance avoids duplicating existing MOD assurance processes.
- A risk-based approach to oversight would ensure that resources are focused on amendments with the greatest potential impact.

Transparency and Publication

- Babcock supports transparency but notes the need to balance this with protection of commercially sensitive information.
- Babcock recommend that the SSRO provides clear safeguards to ensure that confidential data is not inadvertently disclosed

BAE Systems

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Consultation questions

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In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether or not you consent to publication of your response by marking one of the boxes below.

Yes

No

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Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 1: Does the draft guidance cover the correct areas and have the appropriate structure? If not, please suggest what additional areas the guidance should cover and why this would be helpful.

Yes, we think the guidance covers the correct areas and is helpful, though there is still a good level of knowledge needed to be able to navigate and understand the documents.

We believe the guidance could benefit from further clarification regarding and an example where the overall price remains and there are scope changes which impact individual components and the contract profit rates. Clarity is required if such an example still exempt from being a pricing amendment. It would be beneficial to define at what level price is defined - overall contract price or by component price level?

Structure

- References to the Act and Regulations - we would recommend these are included at the beginning of each section rather than at the end, along with additional references where relevant throughout each section;
- We recommend use of numbering of sub-sections, which would facilitate direct reference within the flow diagram in the quick start guidance;
- Key terms and definitions - Would suggest grouping the Act, Regulations and the Guidance together in the table.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

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Question 2; Do you support this approach to developing SSRO guidance? We welcome any feedback or suggestions for further improving the user experience.

Please add comments to support your answer:

Yes, we support the approach of consulting with stakeholders on any new or proposed changes to guidance.

Question 3: Do you think the quick start guide is a useful aid for navigating the full guidance, particularly for users who are new to the single source contract regime? We welcome feedback or suggestions for improvements to the content or layout of the quick start guide.

Please add comments to support your answer:

We believe the quick start guide is a useful aid for navigating the full guidance, however there is still a good level of knowledge needed to be able to navigate and understand the documents. This may be difficult for a user who is new to the Single Source Contracting Regime.

If possible, we would welcome dynamic links from the quick start guide to the specific sections and sub-sections of the full guidance and from guidance documentation to relevant Sections of the Act and regulations. This would help to make the documentation and associated Act and Regulations more accessible to users.

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Question 4: Common principles - Do you find the introduction and common principles a helpful entry point to the concepts behind, and requirements of, making pricing amendments? We welcome feedback or suggestions for improvements to the content or layout of the introduction and common principles sections of the guidance.

Please add comments to support your answer:

Yes helpful.

Paragraph 1.8

*'Changes to the contract price may not always be the result of a contract amendment. Such a change could arise, for example, in the context of a variation of price clause, or a target cost incentive fee adjustment that has already been provided for in the contract. **Non-pricing amendments** such as these are neither within scope of the Schedule to the Regulations nor this guidance.'*

The wording used in this paragraph is confusing. It states changes to the contract price are not always a result of a contract amendment, however the final paragraph refers to 'non-pricing amendments' which is confusing as the contract price is changing in this example, but not because of an amendment.

We would suggest: *'...Changes to the contract prices such as these are neither within scope of the Schedule to the Regulations nor this guidance.'*

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Question 5: Navigating the document - We welcome feedback on the structure of sections 3 to 6. In particular we would welcome any views on whether:

- The structure makes it easy to navigate the document and find relevant content.
- Each pricing amendment scenario is explained clearly and accurately.
- The process for making more than one pricing amendment is clear.
- Concepts such as contractual requirements or distinguishable costs are clearly defined.

Please add comments to support your answer:

The structure makes it easy to navigate the document and find relevant content.

- See responses to Question 1
- As per response to Question 3 - we would welcome dynamic links from the quick start guide to the specific sections and sub-sections of the full guidance and from guidance documentation to relevant Sections of the Act and regulations.

The process for making more than one pricing amendment is clear.

The concept of addressing multiple changes is clear, but we believe the guidance could benefit from further clarification on what order changes should be dealt with.

Question 6: Illustrative Examples - We welcome feedback on the examples included in the guidance including suggestions to improve their content or presentation.

Please add comments to support your answer:

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We found the inclusion of examples helpful in understanding the guidance. Where we recognise it is not possible to cover every contracting scenario, we believe the guidance could be strengthened by including further illustrative examples to aide understanding.

Paragraph 3.6

It is the Secretary of State, not the SSRO who issue the baseline profit rate (step 1) and capital servicing rates (step 4).

Example 2: Changing the default pricing method.

We believe this example could be strengthened by beginning with a summary of the total contract prior to the amendment. This would make it clearer components are formed because of the contract amendment, and did not previously exist in the contract.

E.g.

- Total Original contract price and profit rate ignoring the split of pre/post amendment (I.e. £165m contract assuming 10% for cost plus and 5 year period, £150m Allowable Cost (AC), roughly c.£30m per year.)
- Component 1 - then becomes the first 3 years (work performed to date) £100m actual AC at 10% profit rate, £110m in total.
- Component 2 - is the change in scope from Cost plus to Firm. Now uses 12% profit rate, £50m AC estimated, therefore new component £60m.
- New total contract price is £170m (£110m + £60m), previously original contract £165m, increase of £5m.

Example 3 : Amending a defined element of allowable costs.

In the example the profit rate changes due to a differing BPR (different financial years) from 10% to 12% - It would be helpful to reorder the text to explain that the financial years are different and therefore the profit rates changes in the example before introducing in the calculation. This will help the reader to follow the logic.

The example would also benefit from a sentence to highlight the contract will now have two components - the amendment creates a new component as a different CPR has been used.

Example 4 : A pricing amendment that will change a contractual requirement

In this example the same profit rate (10%) has been used for the original CPR and the contract amendment. The example highlights the application of the 4-step process may not always result in the contract profit rate for the original contract and for the amendment being identical. We believe it would be beneficial to include an example where the contract profit rate for the original contract and for the amendment differ to clarify how this would apply in practice.

Paragraph 3.42

'Amendments to the contract specification which do not add to the contract price do not need to be considered, as these will be reflected in lower actual allowable costs under the contract, thereby reducing the contract price without further adjustment.'

We appreciate amendments which do not add to the contract price under a cost-plus contract do not constitute a pricing amendment. However, we believe this paragraph is misleading. Even though the impact of a reduction in scope will (in theory) be captured by lower actual costs under a cost-plus contract, a non-pricing amendment would still be required to remove the scope or contractual requirement from the contract in order to remove any legal obligations. This point requires clarity in the guidance.

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Question 7: Cross referencing SSRO guidance and the Regulations:

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- We welcome feedback or suggestions for improvements to the cross referencing.

Please add comments to support your answer:

Helpful, though there is still a good level of knowledge needed to be able to navigate and understand the documents. New users may struggle to know which element to use, though the quick start guide helps and so do the worked examples.

Please see response to previous questions regarding our views on cross referencing documents and the inclusion of dynamic links.

Question 8: Reporting Requirements (section 7) & Getting help and resolving issues (section 8) - we welcome feedback on the content of these sections.

Please add comments to support your answer:

No comments to add.

Question 9: Key questions and answers regarding contract amendments:

- Are the key questions and answers within the draft guidance clear and understandable?
- We would welcome suggestions of any further questions or topics for inclusion.

Please add comments to support your answer:

The proposed guidance is clear in highlighting that parties should be aware that if they agree a different profit rate for a contract amendment, they will face increased reporting requirements as a result. This sentiment is repeated throughout the guidance. However, the document does not highlight that, where additional reporting requirements are incurred as a result of a contract amendment, providing the costs are in line with AAR principles, additional reporting costs should also be priced into the associated amendment. This doesn't feel balanced in ensuring a fair price for the contractor. We would recommend this is included as a key Q&A in the guidance for clarity.

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Question 10: Other feedback – Are there any other aspects of the guidance you would like to provide feedback on which are not covered in the questions above?

Please add comments to support your answer:

BAE Systems supports the consultation response submitted by DSAG and the above response is complementary to highlight our specific comments.

Leonardo

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Your details

Name:

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Position:

Consultation questions

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In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether or not you consent to publication of your response by marking one of the boxes below.

Yes

No

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Question 1: Does the draft guidance cover the correct areas and have the appropriate structure? If not, please suggest what additional areas the guidance should cover and why this would be helpful.

Overall, the proposed guidance covers the correct areas.

We offer the following suggestions which we believe would enhance the readers experience when using the guidance:

- Referencing the Act and Regulations at the appropriate sections/paragraphs, as opposed to the at the end of each section.
It is important users can see a clear linkage between guidance and the Act/Regulations;
- Sections could be numbered to allow easier referencing to other sections and within the flow diagram in the quick start guidance.

Question 2; Do you support this approach to developing SSRO guidance? We welcome any feedback or suggestions for further improving the user experience.

Please add comments to support your answer:

Yes, we support the approach of consulting with stakeholders on any new or proposed changes to guidance.

We would welcome the opportunity to discuss that proposed in a forum where all stakeholders could share their thoughts and discuss differing aspects of that proposed, in a timely manner and prior to consultation response deadlines.

Question 3: Do you think the quick start guide is a useful aid for navigating the full guidance, particularly for users who are new to the single source contract regime? We welcome feedback or suggestions for improvements to the content or layout of the quick start guide.

Please add comments to support your answer:

The concept of the “quick start guide” we support and see as a useful addition for users.

However, as one needed to quickly refer to the full guidance, we believe it would be a better flow for users if it was incorporated at the front of the full guidance.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

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Question 4: Common principles - Do you find the introduction and common principles a helpful entry point to the concepts behind, and requirements of, making pricing amendments? We welcome feedback or suggestions for improvements to the content or layout of the introduction and common principles sections of the guidance.

Please add comments to support your answer:

Yes, the setting out of common principles we see as helpful.

Please see the mark-up of the proposed guidance submitted by DSAG, along with their response to the consultation, which we support.

Question 5: Navigating the document - We welcome feedback on the structure of sections 3 to 6. In particular we would welcome any views on whether:

- The structure makes it easy to navigate the document and find relevant content.
- Each pricing amendment scenario is explained clearly and accurately.
- The process for making more than one pricing amendment is clear.
- Concepts such as contractual requirements or distinguishable costs are clearly defined.

Please add comments to support your answer:

Question 6: Illustrative Examples - We welcome feedback on the examples included in the guidance including suggestions to improve their content or presentation.

Please add comments to support your answer:

In answer to both questions 5 and 6:

To aid navigation of the document, we would propose use of numbered sub-sections as this would enhance the users experience and facilitate the use of dynamic links within the process flow (currently proposed within the quick start guidance - see response to question 4).

We see examples as an important aspect in any guidance, to assist users in understanding of regulations and guidance, demonstrating the application in practical scenarios.

Some additional examples have been identified within DSAG's mark-up of guidance where deemed beneficial.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

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Question 7: Cross referencing SSRO guidance and the Regulations:

- Do you feel the guidance covers the key points from other SSRO guidance at the appropriate level of detail to ensure it is clear and accessible for users of varying levels of experience?
- We welcome feedback or suggestions for improvements to the cross referencing.

Please add comments to support your answer:

We would welcome, as mentioned above in our response to question 1, additional referencing to Act/Regulations, which could also be dynamic links to further assist users.

Question 8: Reporting Requirements (section 7) & Getting help and resolving issues (section 8) - we welcome feedback on the content of these sections.

Please add comments to support your answer:

We see it important to include such a section, as helpful to users.

Question 9: Key questions and answers regarding contract amendments:

- Are the key questions and answers within the draft guidance clear and understandable?
- We would welcome suggestions of any further questions or topics for inclusion.

Please add comments to support your answer:

Please see the marked-up version as submitted by DSAG for further comments. Overall, this additional section is seen as helpful to users.

Question 10: Other feedback – Are there any other aspects of the guidance you would like to provide feedback on which are not covered in the questions above?

Please add comments to support your answer:

We support the consultation response submitted by DSAG and see our response above as complementary.

QinetiQ

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Consultation questions

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Yes

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Consultation response form

Question 1: Does the draft guidance cover the correct areas and have the appropriate structure? If not, please suggest what additional areas the guidance should cover and why this would be helpful.

Yes, seems well structured. Examples within guidance documents are always beneficial.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

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Question 2; Do you support this approach to developing SSRO guidance? We welcome any feedback or suggestions for further improving the user experience.

Please add comments to support your answer:

Yes, this is a good approach. The FPA guidance was a sensible first choice of additional guidance and this is the most appropriate topic to follow.

The consultation document is very clear, explaining the background and scope etc.

I assume it does, but does the approach to producing the guidance include reviewing the responses to commonly asked questions and incorporating the answers to those questions? Those published Q&A are useful but it is a little frustrating they are becoming a long list of additional information to be aware of. Ideally all responses to CAQ would be incorporated within updated versions of the relevant guidance to which they relate.

In addition to consultation on a new guidance document I would recommend amending/enhancing the approach to add a follow-up 'request for comments' post publication, a while after having been used in practice. Once you have been using it for a while it is easier to recommend proposed changes.

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Question 3: Do you think the quick start guide is a useful aid for navigating the full guidance, particularly for users who are new to the single source contract regime? We welcome feedback or suggestions for improvements to the content or layout of the quick start guide.

Please add comments to support your answer:

The flowchart is useful, but doesn't work being in a separate document. Feels a bit awkward to cross refer between separate documents. It would be preferable that we have the single guidance document and that the quick start guide flow chart is merely included upfront in the guidance document.

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Question 4: Common principles - Do you find the introduction and common principles a helpful entry point to the concepts behind, and requirements of, making pricing amendments? We welcome feedback or suggestions for improvements to the content or layout of the introduction and common principles sections of the guidance.

Please add comments to support your answer:

Yes, the introduction and common principles are helpful sections.

The introduction helpfully references the Act and the Regs but it would be additionally helpful if links could be provided.

Para 1.4 could benefit from having a list of bullet points setting out what the various pricing amendment scenarios are.

Para 1.7 refers to exercising a priced option. Highlighting that exercising a priced option to extend a contract does not affect the contract price. This seems odd/confusing noting that the contract price is different whether an option is exercised or not. The price is different in each case so surely this affects the contract price. Though maybe can at least extend that paragraph to acknowledge that agreeing not to exercise a priced option does affect the price and this guidance does apply in that scenario.

Priced options is one area which may not be completely clear, so either here or elsewhere (e.g. guidance on alternative pricing; guidance on preparation of contract reports) it would be good to clarify how priced options impact reporting. i.e. does contract price always include priced options (even before those options are taken up, even if unknown or unlikely to be exercised); and hence do reports (& contract prices) only need to be updated as and when an option is not exercised rather than if/when an option is exercised, or rather than believed unlikely to be exercised. Seems odd to be, for example, reporting a 10-year, £100m QDC if the contract is only currently contracted as a 5-year, £50m contract (plus an option to extend for a further 5 years). Surely this does affect the price? If the option is not exercised the total contract price will change (from £100m to £50m). And/or vice versa. DefCARS reports don't seem to clearly distinguish between price excluding options and price including options. Clarification and expansion of this section would be welcome.

Para 1.8 refers to VoP clauses and states that these are out-of-scope of this guidance. But guidance on VoP clauses would also be welcome. Exercising a VoP is surely a contract amendment in respect of price. Though is really an amendment to price through enacting a clause already contained within the contract. How the VoP mechanism works is already within the contract, but the impact of the quantification of the VoP clause is that the contract price changes. We would welcome a new section/paragraph in the guidance to cover how price-changes from enacting VoP clauses are catered for i.e. after a period of time when an outer year's costs have been uplifted by inflation and converting from fixed to firm price, what CPR should be applied to the amended costs; the same CPR as originally contracted or the CPR in place at the time of amending the price? If this is not deemed to be 'contract amendment' then we should use the original CPR. We would welcome this being clarified in this section of the guidance.

Under para 2.1, the wording of that would infer that effecting a VoP (to reflect impact of inflation) is within scope, as the contract is being amended to reflect a revised price.

Para 2.2. Here and elsewhere when directed to the Regulations could we please have links to the Regulations. N.B. it is sometimes difficult to find the Regs due to search

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 5: Navigating the document - We welcome feedback on the structure of sections 3 to 6. In particular we would welcome any views on whether:

- The structure makes it easy to navigate the document and find relevant content.
- Each pricing amendment scenario is explained clearly and accurately.
- The process for making more than one pricing amendment is clear.
- Concepts such as contractual requirements or distinguishable costs are clearly defined.

Please add comments to support your answer:

Can the heading before 3.16 be amended to include “..with no change to contractual requirements/scope”?

The Section 3 guidance is clearer in respect of an increase in scope and incremental additional costs. Example 4 (3.35) does specifically consider a reduction in scope but does not explicitly highlight that this is contrary to what would be expected. The Regulations seem daft and not appropriate. Would be sensible to remove exactly the same element of price that was originally priced-in (when removing a specific, identical bit of scope which is no longer required). The Regs require that something priced at £X is removed at £Y. A positive or negative price will be generated for an element of scope that has not been delivered, rather than zero. Can the Regulations be changed?

Section 3.17 covers provisional rates. How does converting provisional rates to final approved rates (which is something already catered for in the contractual terms) differ to converting uninflated costs to inflated costs under a VOP clause? Both scenarios change the contract price and neither involve new amendments to the contractual terms (merely enacting clauses already included in the contract). Hence, why is one deemed to be a contract amendment and the other is not?

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 6: Illustrative Examples - We welcome feedback on the examples included in the guidance including suggestions to improve their content or presentation.

Please add comments to support your answer:

These examples are helpful thank you.

Example 4 should explicitly state that a positive or negative price will be generated (if the CPR is different) for an element of scope that has not been delivered, rather than zero.

Example 6 could explicitly state that as the specific costs being amended can't be distinguished, the new profit rate is applied to all costs incurred post amendment.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 7: Cross referencing SSRO guidance and the Regulations:

- Do you feel the guidance covers the key points from other SSRO guidance at the appropriate level of detail to ensure it is clear and accessible for users of varying levels of experience?
- We welcome feedback or suggestions for improvements to the cross referencing.

Please add comments to support your answer:

Cross referencing is very helpful, thank you.

Some places would benefit from more e.g. para 2.2 having a reference to the Regs.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 8: Reporting Requirements (section 7) & Getting help and resolving issues (section 8) - we welcome feedback on the content of these sections.

Please add comments to support your answer:

The guidance correctly interprets the Regulations, but we would request that SSRO does more to influence and amend the Regulations which are clearly inappropriate from a reporting and compliance perspective – specifically meaning that the ‘Component reporting’ problem needs addressing.

Section 7 isn’t very helpful, merely referring back to another document which itself isn’t clear. E.g. para 7.2 refers to Table 2 in the Contract Reporting Guidance, which in some scenarios merely states “No change to existing requirements”. Hence the reader needs to go searching.

This contract amendment guidance would benefit from having greater detail on the implications for reporting e.g. requiring updated CPS/CRP. Repeating some of the guidance from the other document and also linking to more specific sections of the other guidance.

[N.B. ‘OD CRP’ is misleading as implies only required when demanded of the contractor. In reality the contractor shouldn’t wait until a demand comes in from MOD/SSRO but should submit such a report anyway]

It is currently quite hard work to determine what reports need updating in respect of a contract amendment. Needing to have a 194 page guidance document on contract reporting clearly highlights a problem with the Regulations.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 9: Key questions and answers regarding contract amendments:

- Are the key questions and answers within the draft guidance clear and understandable?
- We would welcome suggestions of any further questions or topics for inclusion.

Please add comments to support your answer:

Good idea to have such a section. Suggestions for other questions:

1. I have priced a (what should be firm-priced) contract using provisional labour rates, awaiting promulgation by MOD of approved rates. On subsequent promulgation of such rates and needing to convert to a firm-priced contract, what elements of the contract price do I need to change i.e. do we merely recalculate the labour element of the cost base and apply the same BPR and CSA as used in the previously agreed contract price or do we use the BPR and CSA in place at time of effecting the conversion from provisional to firm?
2. When enacting a VOP clause e.g. converting a fixed price for an outer year of a contract into a firm price using an agreed inflation index, is this change to contract costs (and price) effected using the BPR and CSA in effect at time of entering into the original fixed price contract or do we use the BPR and CSA in place at time of effecting the VOP?

N.B. these are basically the same questions but as these are two common types of contract amendment it is worth specifically pulling them out. I assume the answer to the first will be “The Regulations currently require that any amendment uses the BPR and CSA for the year in which the amendment is made”. Though whether that is appropriate or not is up for debate and could/should be considered in future amends to the Regs. Adding additional scope to a contract has logic to using a new CPR, but if the scope is unchanged there is merit to using the originally intended CPR. I’m unclear as to what the answer is to the second question above if VOP is not covered by the Regs (see below).

Existing question 10 in the draft guidance sort of addresses this. The wording of this is not clear, stating that “A pricing amendment is a contract amendment that affects the original contract or component price. Where there has been no contract amendment (because, for example, the variation is provided for in the contractual clauses) then the Schedule will not apply.” Though surely a change to a contract’s price must constitute being a contract amendment (even if catered for in the contract’s existing terms)? This is confusing because the contract price can change due to effecting an existing contract clause e.g. enacting a VOP in respect of inflation. An inflation VOP is therefore provided for in the contractual clauses, so implies the resulting change in contract price is not a pricing amendment. And hence not covered by this guidance, leaving an unaddressed issue. Grateful if this could be addressed in this guidance. For that matter, if the original contract contains clauses in respect of effecting a future price change through a change of labour rates from provisional rates to approved rates, one could argue that is not a pricing amendment as the variation in price is “provided for in the contractual clauses”.

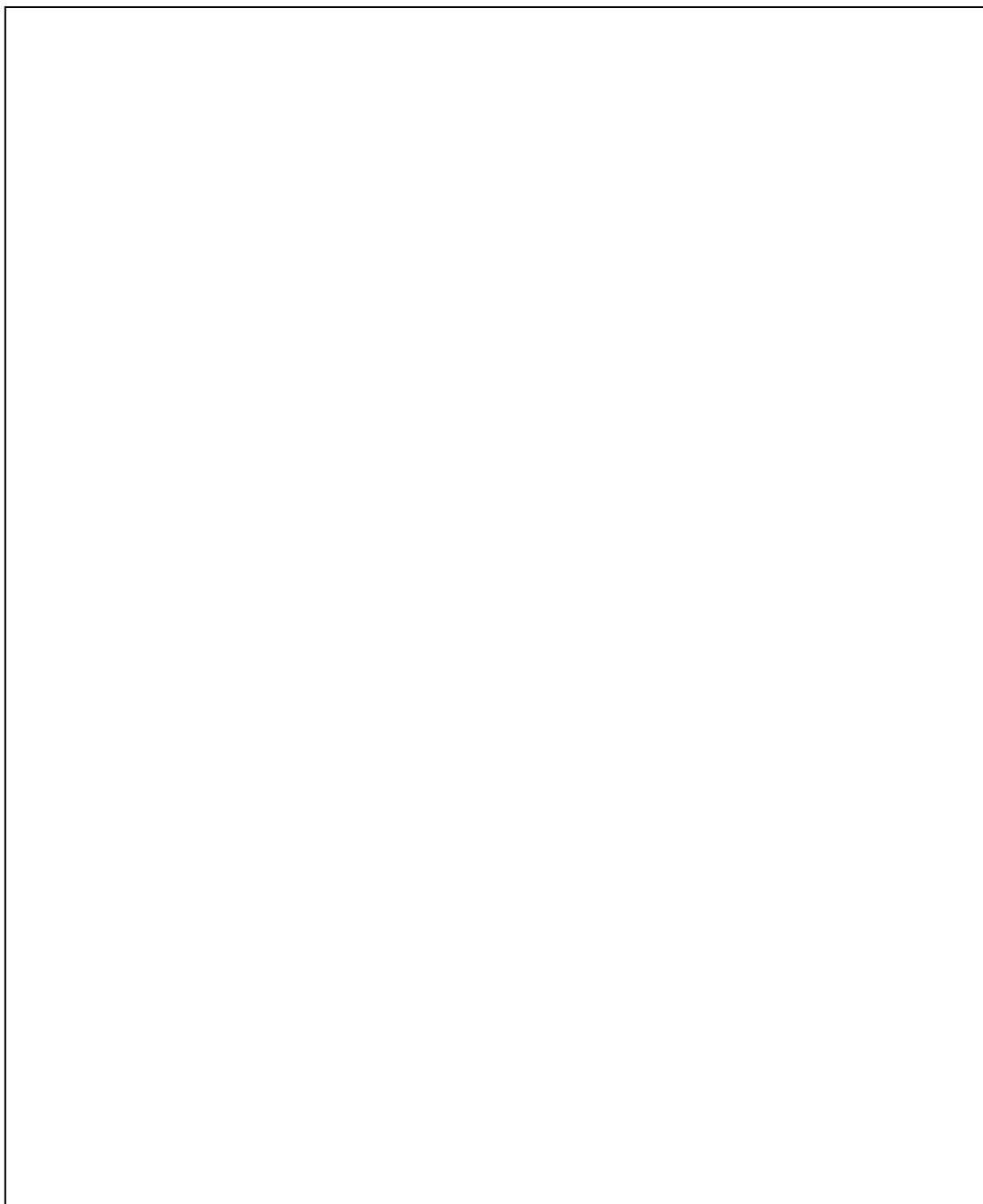
Regarding the existing draft question 9, this may be the correct interpretation of the current Regulations, but the Regulations are clearly flawed. If you contracted to deliver a service at a price of £Xm and then agree that is no longer required, it makes no sense to reduce the contract price by £Ym rather than £Xm (with the two values being different due to application of a different CPR to the same estimate of costs). Can SSRO push for this to be addressed in the next iteration of the Regs?

Consultation on proposed new guidance for contract amendments:
redetermining the price of a QDC or QSC

Consultation response form

Question 10: Other feedback – Are there any other aspects of the guidance you would like to provide feedback on which are not covered in the questions above?

Please add comments to support your answer:

A large, empty rectangular box with a thin black border, intended for the respondent to provide their feedback comments. The box is currently blank.

Thales

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Your details

Name:

Organisation:

Position:

Consultation questions

Consultees do not need to answer all the questions if they are only interested in some aspects of the consultation.

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail. This will help us to understand the basis for your answer and inform our finalisation of the guidance. As a minimum, please include the paragraph number(s) your comment refers to.

In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether you consent to publication of your response by marking one of the boxes below.

Yes, OK for consent

Please note, if you do not consent to publication, we will treat your response as confidential to the extent of any disclosure that is required by law. In the event we are required by law to make a disclosure of your consultation response, to the extent we are legally permitted to do so, we will give you as much notice as possible prior to such a disclosure and will take into account all reasonable requests made by you in relation to the content of such a disclosure.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 1: Does the draft guidance cover the correct areas and have the appropriate structure? If not, please suggest what additional areas the guidance should cover and why this would be helpful.

Long complicated guidance topic, should the topic components also be added to the title ?
suggestion ---Contract amendments guidance on redetermination of the price of a QDC or QSC
and creation of components.

One of the ultimate aims to increase the pace of procurement and reduce additional cost is
admirable. The guidance could actually refer to the words in the MOD current reforms and
Defence Industrial Strategy (DIS) allowing the regime to speed up and simplify the acquisition
process.

There are clear headings and content but would suggest critical information with links to the
Defence Reform Act specific sections, SSCRS and SSRO guidance to be included in the
beginning in addition to the references within the document itself.

One of the issues is who has the authority to approve amendments? We have had an instance
when the Authority have stated agreements post contract award have been made without
authority - is there a clear delegated authority that can be issued to all contractors for
clarity?

We need far more education on amendments and components across both MoD and industry.
We should consider the benefits of joint training.

Additionally, the extra work taken for reporting components seems to be disproportionate to
the benefit and we should understand the end user requirements and equally the burden this
puts on industry. We seem to have lost the concept of demonstrable commercial purpose and
fair and reasonable prices for Industry !

Consultation on proposed new guidance for contract amendments:
redetermining the price of a QDC or QSC

Consultation response form

Question 2; Do you support this approach to developing SSRO guidance? We welcome any feedback or suggestions for further improving the user experience.

Please add comments to support your answer:

Yes, we support this approach to the guidance, and it is good to be signposted to the legislation. Internal Thales training that we undertake, on many subjects including Ethics & ESG, are always given an online test that we have to pass to ensure understanding! Appreciate this is a new idea but could be part of further teach ins

It is much better in our view to have face to face discussions with Industry colleagues to go through prior to the final version of guidance change.

We need a book like a BIBLE, with clear guidance signposted to the relevant chapters and regulation number. Where referencing other legislation such as the Procurement Act, this needs to be clearly linked to the relevant sections for the avoidance of doubt. Industry in our view are often more aware than the customer at times of the legislation and requirements and we need to ensure that we are of the same level of knowledge.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 3: Do you think the quick start guide is a useful aid for navigating the full guidance, particularly for users who are new to the single source contract regime. We welcome feedback or suggestions for improvements to the content or layout of the quick start guide.

Please add comments to support your answer:

The quick start guide is useful.

Query on the Page 3 diagram - you refer to seeking a pricing change that does not result in a contractual change e.g. replacing provisional rates for final rates is a bit misleading. Final rates will be agreed ACTUALS. We talk about the six default pricing methods but often the MOD try to enforce a seventh which is a provisional price if estimates are not agreed.

We need to be more compliant with the legislation across all elements as this whole process is meant to be more simple not complex! Industry submits their estimates in line with the statutory deadlines and in our view these latest submitted estimates are what should be used for pricing and any fluctuations dealt with in a PEPL adjustment post contract closure. This avoids provisional pricing and long, protracted contract negotiations.

In our view the initial default pricing method whereby both parties agree and determine a firm price in accordance with one of the 6 default pricing method does not include the option for any pegging of rates until price is agreed. If we do not have an agreed price at Contract Award, we should not be required to report in DefCARs as it's not a QDC itself until that price is agreed, and removes the need for duplicated DefCARs reporting.

We must not forget the concept of good value for money and time wasted on this activity is not a good focus. Contractors need to also be paid a fair and reasonable price.

The diagram for alternative pricing methods is clear, but each box is not that easy to implement but it's a good signpost as a first point of call.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 4: Common principles - Do you find the introduction and common principles a helpful entry point to the concepts behind, and requirements of, making pricing amendments? We welcome feedback or suggestions for improvements to the content or layout of the introduction and common principles sections of the guidance.

Please add comments to support your answer:

The introduction is good.

The definitions could be enhanced - Single Source Regulations office - the independent non departmental public body **responsible for overseeing and monitoring the Single source procurement framework established by Part 2 of the Defence reform Act 2014**

We could include the current values for QDCs and QSCs £5m and £25m. Not sure why the comment has been added re allowable profit by ref to the BPR at the time of pricing. If Price is not agreed at contract award, **BPR should be at time of agreed price**, not at time of contract award.

More detail could be included on VOP (1.8). For instance, if the indices used are to be changed from those declared in the contract, or indeed any split in milestones between labour and materials that differs from that originally stated, these could impact the contract price and thus it is unclear if this should be an amendment.

Do we need to include the comment that the **pricing amendment is a formal written change to a contract allowing for increases or deductions to the contract value**. We then don't need the comment that amendments that do not impact the price are not in scope and also not sure if the appropriateness of compelling parties to agree .

Sec 2.2 could include Reg 7a of the SSCRs 2014 and perhaps include the reasons when an amendment is deemed a new contract.

Reg 7 - States both parties have to agree to treat the contract as an amendment instead of a new contract, though often industry are not given that choice.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 5: Navigating the document - We welcome feedback on the structure of sections 3 to 6. We would welcome any views on whether:

- The structure makes it easy to navigate the document and find relevant content.
- Each pricing amendment scenario is explained clearly and accurately.
- The process for making more than one pricing amendment is clear.
- Concepts such as contractual requirements or distinguishable costs are clearly defined.

Please add comments to support your answer:

We think the structure could be improved if there was an index at the beginning as you can read the document and not be sure if the topic is going to be considered again further in.

The key impact of component creation is the associated additional reporting requirements which are well mentioned. In our view, currently Defence teams do not have much awareness of components. And the demonstrable purpose seems to have been overtaken by the implementation of the regulation to create a different component every time there is a change, rather than looking at materiality or proportionality

3.7 the BPR and the CSA will be those in effect for the financial year at the time of agreement for the amendment. Interesting topic is that the CSA is based on a set of statutory accounts that are to be submitted to Companies house by 9 months after the year end - so should contractors simply update the indices in the CSA calculation for the latest rates issued each April against the last submitted statutory accounts? This would be a once a year adjustment in April. Or do we have a one time adjustment post the submission of the statutory accounts - we need clarification on when to recalculate the CSA!

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 6: Illustrative Examples - We welcome feedback on the examples included in the guidance including suggestions to improve their content or presentation.

Please add comments to support your answer:

The examples are comprehensive. It is good to mention that the parties should be aware of the reporting requirements and both parties must also be aware of any additional cost of these reporting requirements and include hours in the bids for this complexity.

For those Accountants in place, the formation of components and the need to report separately may cause additional discussion on the subject of performance obligations and IFRS 15 accounting standards with external auditors. This whole subject of forming components may be quite complex !

We think the need to identify distinguishable costs up to a certain date may look easier in your examples than in practice as it takes time to agree costs and some costs such as project management may not be that separable.

We do need more examples!

Consultation on proposed new guidance for contract amendments:
redetermining the price of a QDC or QSC

Consultation response form

Question 7: Cross referencing SSRO guidance and the Regulations:

- Do you feel the guidance covers the key points from other SSRO guidance at the appropriate level of detail to ensure it is clear and accessible for users of varying levels of experience?
- We welcome feedback or suggestions for improvements to the cross referencing.

Please add comments to support your answer:

No comment to add as we have mentioned earlier! If we had references and links to the DRA and the SSCRS at the beginning that would be good! And clear links to other acts referenced such as the procurement act.

Also need to ensure only the latest guidance is on the website, and all old versions saved as archived/ not latest version and clearly marked as such. Search engines do not distinguish between the latest and older versions so you can pick up old copies.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 8: Reporting Requirements (section 7) & getting help and resolving issues (section 8) - we welcome feedback on the content of these sections.

Please add comments to support your answer:

It would be useful if the MOD teams could advise the reporting requirements to the SSRO and even more useful if there could be a review of these additional reports to ensure that they satisfy requirements. The DEFCARS reporting should be the mechanism to provide contract information that is needed and not via any other method.

The SSRO help desk has always been helpful and we are sure will continue to be!

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 9: Key questions and answers regarding contract amendments:

- Are the key questions and answers within the draft guidance clear and understandable?
- We would welcome suggestions of any further questions or topics for inclusion.

Please add comments to support your answer:

No additional comment other than those noted above

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 10: Other feedback – Are there any other aspects of the guidance you would like to provide feedback on which are not covered in the questions above?

Please add comments to support your answer:

One thing that could have been covered is when the initial contract has 2 components for example recovery of bid costs which are usually at a different profit rate. Whilst industry is aware at time the MOD Commercial teams may not have the same understanding and the guidance needs to be clear.

We believe being able to ask questions in a an open and honest environment without fear is the way forward.

The question on amendments needs to be fully understood before we can be sure all the answers are understandable - for example, we need to ensure we are clear on provisional pricing that it is not an allowable method for QDC's (it is not in the legislation). It is important to continue to get feedback from stakeholders, both industry and MoD, and joint engagement.

DSAG

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Your details

Name:

Organisation:

Position:

Consultation questions

Consultees do not need to answer all the questions if they are only interested in some aspects of the consultation.

When answering the consultation questions, it would be very helpful if you could support your responses with additional explanation and detail. This will help us to understand the basis for your answer and inform our finalisation of the guidance. As a minimum, please include the paragraph number(s) your comment refers to.

In the interests of transparency, it is our intention to publish responses to this consultation on the SSRO website upon completion of the consultation. Please indicate whether or not you consent to publication of your response by marking one of the boxes below.

Yes

No

Please note, if you do not consent to publication, we will treat your response as confidential to the extent of any disclosure that is required by law. In the event we are required by law to make a disclosure of your consultation response, to the extent we are legally permitted to do so, we will give you as much notice as possible prior to such a disclosure and will take into account all reasonable requests made by you in relation to the content of such a disclosure.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 1: Does the draft guidance cover the correct areas and have the appropriate structure? If not, please suggest what additional areas the guidance should cover and why this would be helpful.

Yes, we think the guidance covers the correct areas.

In the mark-up of the proposed guidance there are suggestions regarding:

- Referencing to the Act and Regulations - we appreciate the directing of the reader to the relevant parts of the Act and Regulations, but would recommend these are included at the beginning of each section rather than at the end, along with additional references where relevant throughout each section (see marked-up proposed guidance for examples);
- We recommend use of numbering of sub-sections, which would facilitate direct reference within the flow diagram in the quick start guidance.

Question 2; Do you support this approach to developing SSRO guidance? We welcome any feedback or suggestions for further improving the user experience.

Please add comments to support your answer:

Yes, we support the approach of consulting with stakeholders on any new or proposed changes to guidance, but would welcome the opportunity to discuss the proposed and our feedback face to face prior to its conclusion and believe this benefits all involved.

We are always keen any guidance encourages and guides the user to read the relevant parts of the Act and regulations.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 3: Do you think the quick start guide is a useful aid for navigating the full guidance, particularly for users who are new to the single source contract regime? We welcome feedback or suggestions for improvements to the content or layout of the quick start guide.

Please add comments to support your answer:

We appreciate the concept of the “quick start guide”, but we did find ourselves quickly utilising the full guidance and the regulations rather than using the “quick start guide”.

We recognise the usefulness of that included within the “quick start guide”, specifically the process flow and would recommend its inclusion at the front of the main guidance.

If possible, we would welcome dynamic links from the quick start guide to the specific sections and sub-sections (as suggested in our response to question 1) of the full guidance and from guidance documentation to relevant Sections of the Act and regulations (we appreciate you have already included links to the guidance documents as a whole).

We suggest the flow as per used within the MODs commercial toolkit (see Appendix C Chapter 3 of the Commercial Toolkit) which may be easier to use, if it referenced the appropriate sections within the SSROs guidance and as mentioned above, provided dynamic links to those sections also.

Question 4: Common principles - Do you find the introduction and common principles a helpful entry point to the concepts behind, and requirements of, making pricing amendments? We welcome feedback or suggestions for improvements to the content or layout of the introduction and common principles sections of the guidance.

Please add comments to support your answer:

Yes, we think setting out common principles is important.

We are grateful for SSRO’s engagement on the application of Section 15 and regulations 64 and 65 with regard to QSCs and would welcome the SSRO consider DSAGs reading of the legislation. We would also appreciate engagement on Regulation 7A’s applicability is to a qualifying contract and a non-qualifying contract.

We also believe it would be helpful to include and explain in this section, regulations:

- 17(5B) agreement to aggregate components for the purpose of the FPA, and
- 22(7A) agreement to report variances at the contract level and report components as priced

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 5: Navigating the document - We welcome feedback on the structure of sections 3 to 6. In particular we would welcome any views on whether:

- The structure makes it easy to navigate the document and find relevant content.
- Each pricing amendment scenario is explained clearly and accurately.
- The process for making more than one pricing amendment is clear.
- Concepts such as contractual requirements or distinguishable costs are clearly defined.

Please add comments to support your answer:

Question 6: Illustrative Examples - We welcome feedback on the examples included in the guidance including suggestions to improve their content or presentation.

Please add comments to support your answer:

In answer to both questions 5 and 6:

Document structure

In most parts, we approve of the structure but believe it could be enhanced for users and offer the following recommendations for your consideration:

- Sub-sections should be numbered - this would help with referring users either from the process flow or within other areas of the guidance itself.

For example, Section 3 qualifying contracts using the default pricing method, there are 3 categories of changes, some with sub-categories. Numbering of sub-headings could be as follows:

3. Redetermining the contract price: Default pricing method

3A. Amendment of a default pricing method used for a contract/component of a contract

3B. Amendment to a defined element of Allowable Cost

3C. Change to contractual requirement

3C1. Firm, Fixed, Volume-driven. Target and Estimate Based Fee default pricing methods

3C2. Cost plus default pricing method where costs are distinguishable

3C3. Cost plus default pricing method where costs are indistinguishable

- There are two Alternate Pricing Methods which are not specifically covered by The Schedule, being 19D Novated contracts and 19F Agreed Changes to the contract profit rate. Whilst we understand the logic of dealing with each APM in turn, we would recommend a new section to deal with these two APMs separately, as reference to pricing amendments is much simpler.

Illustrative examples

We welcome the inclusion of examples, as these assist users in demonstrating that written in both regulation and guidance.

In the attached marked up guidance, we have annotated where improvements to examples could be made and specifically, additional examples would be beneficial. We recognise it is impossible to cover every likely scenario, we recognise regulations in this area are complex and believe additional examples would be beneficial.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 7: Cross referencing SSRO guidance and the Regulations:

- Do you feel the guidance covers the key points from other SSRO guidance at the appropriate level of detail to ensure it is clear and accessible for users of varying levels of experience?
- We welcome feedback or suggestions for improvements to the cross referencing.

Please add comments to support your answer:

We would welcome the following, some have been mentioned above:

- sub-section numbering to further enhance the users experience of the guidance;
- additional reference to the relevant sections of the Act and Regulations;
- if the “quick start guide” is not combined with the full guidance, we would recommend, dynamic links from the “quick start guide” to the specific sections of the full guidance;
- dynamic links to relevant Sections of the Act and relevant regulations would be helpful.

Question 8: Reporting Requirements (section 7) & Getting help and resolving issues (section 8) - we welcome feedback on the content of these sections.

Please add comments to support your answer:

A helpful section explaining the support available

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 9: Key questions and answers regarding contract amendments:

- Are the key questions and answers within the draft guidance clear and understandable?
- We would welcome suggestions of any further questions or topics for inclusion.

Please add comments to support your answer:

A helpful section
Our tracked changes version of your documents we believe provides helpful additions.

Consultation on proposed new guidance for contract amendments: redetermining the price of a QDC or QSC

Consultation response form

Question 10: Other feedback – Are there any other aspects of the guidance you would like to provide feedback on which are not covered in the questions above?

Please add comments to support your answer:

We suggest a detailed workshop to go through our marked-up version of the proposed guidance, along with this input, prior to SSRO's conclusion of this guidance, is required to ensure complete understanding of each other's perspective. The topic is complex, and we believe that a workshop is the only way to explain and explore our feedback to ensure the SSRO fully understand our position. A single exchange of feedback documentation will not be acceptable.

In particular we believe that:

1. The complexity of pricing amendments leads to extra cost and administrative burden. This can add risk due to poor understanding and compliance and is a barrier to entry into single source contracting. We believe this adds no value or protection to the MOD. We suggest this is an area that the SSRO should make proposals to the MOD to significantly simplify the legislation in the imminent review. This can facilitate some of the objectives of the SDR, DIP, DIS.
2. We would like more clarity to the status of VOP changes status. We support the SSRO's reading of the legislation (an operation of the contract not a pricing amendment, therefore the Schedule does not apply). However MOD's process is to call the operation an update of contract value an amendment, which is causing confusion to both parties. We suggest further explanation would be helpful and working with MOD/influencing the 'commercial toolkit' content.
3. Again, we support the SSRO's position that a priced option is not a contract amendment, and the date of agreement has passed. However, the issue of MOD treatment (per item 2) is relevant, additionally there is confusion over what to report in DefCARS before exercise of the option. We would welcome further discussions prior to your conclusions to assist with clarification here.
4. Finally, the MOD's continued and widespread use of provisional pricing is frustrating the purpose of the legislation. The MOD's centre is using the legislation to require industry to push back on the Delivery Teams to stop its use.

As mentioned in our response to Question 4 we welcome the SSRO's commitment to reflecting and considering DSAG's interpretation of the Act and Regulations in regard to QSCs and components, and look forward to following up with yourselves in the coming months.