

SSRO

Single Source
Regulations Office

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Contract amendments: guidance on redetermining the price of a QDC or QSC

Quick start guide



1. Introduction

- 1.1 The parties to a qualifying defence contract (QDC) or qualifying sub-contract (QSC) may agree to amend that contract (or a component of that contract¹) in a way that affects the contract price.² The Defence Reform Act 2014 (“the Act”) and the Schedule to the Single Source Contract Regulations (“the Regulations”) set out how the price payable under a QDC or QSC must be redetermined in these circumstances. Such an amendment is defined in the Regulations as a “pricing amendment”. Amendments that do not affect the price of a qualifying contract (i.e. which are not pricing amendments) are beyond the scope of this guidance as the Schedule to the Regulations does not apply in those circumstances.
- 1.2 This quick start guide is designed to assist users to understand how to redetermine the price of a QDC or QSC when a pricing amendment is proposed. It identifies the relevant sections of the full guidance on the pricing of contract amendments ([‘the full guidance’](#)), which is published by the SSRO alongside this quick start guide.

2. How to use the quick start guide

- 2.1 The first step in using this quick start guide is to identify the scenario(s) which applies to your proposed pricing amendment. The Schedule to the Regulations sets out various pricing amendment scenarios and provides the method by which the contract price must be redetermined in that scenario. Pages 3 and 4 of this quick start guide contain flowcharts covering the amendment scenarios set out in the Regulations. Page 3 covers the default pricing methods and page 4 covers the alternative pricing methods. Users can follow the charts based on the pricing method used in their contract and the type of pricing amendment they wish to make.
- 2.2 This quick start guide and the full guidance are intended to be read alongside other SSRO guidance which may also apply when redetermining the price of your contract:
 - [Guidance on the baseline profit rate and its adjustment](#)
 - [Guidance on allowable costs](#)
 - [Guidance on the alternative pricing of contracts](#)
 - [Guidance on preparation and submission of contract reports](#)
- 2.3 Different parts of the guidance in this document and other SSRO guidance will apply depending on the nature of the pricing amendment you are proposing to make. For example, if you are proposing to amend a contractual requirement, you need to refer to the relevant section in this document and the full guidance, as well as the guidance on allowable costs and the guidance on the BPR and its adjustment. Links to relevant guidance documents have been provided throughout the full guidance to assist users in navigating between guidance documents.
- 2.4 Sections 1 and 2 of the full guidance introduce the concept of pricing amendments and principles common to all amendment types. Section 9 of the full guidance contains key questions and answers regarding the pricing of contract amendments that users may find helpful.

¹ For the purposes of the regulatory framework for single source defence contracts, a part of a qualifying contract which is priced distinctly from any other part of that contract is referred to as a ‘component’. Subsequent references in this document, including in respect of the flowcharts, to a QDC or QSC should also be read as applying to a component of such a contract unless otherwise stated.

² The original price of the contract which is subject to a pricing amendment is defined under paragraph 1(2) of the Schedule as the price determined in accordance with a contract pricing method or the price determined (or last determined) in accordance with the Schedule where the contract has previously been amended in a way that affects the price payable under the contract. 2

3. QDC by amendment

- 3.1 An amendment to a contract that is outside of the regime may result, with the agreement of the parties to the contract, in that contract becoming a QDC. We refer to these contracts as a 'QDC by amendment'. Amendments that result in a contract becoming a QDC are outside the scope of this guidance (and parties should instead refer to section 5 of the Guidance on the alternative pricing of contracts). This quick start guide, and the full guidance do apply, however, to any subsequent pricing amendments which are proposed in relation to a QDC by amendment.

4. Making more than one amendment

- 4.1 Where the parties to a qualifying contract propose to make multiple pricing amendments to that contract at the same time, the Regulations describe the process that must be followed. The Regulations require that each pricing amendment is dealt with in turn and this is explained in section 6 of the full guidance. Users may find it helpful to return to this quick start guide to direct them to the relevant sections of the full guidance as each pricing amendment is dealt with.

5. Single amendment guidance flowcharts

- 5.1 The flowcharts on the following pages direct users to the relevant pages of the full guidance for each of the amendment scenarios set out in the Regulations. The flowcharts contain a brief description of the amendment a user would be proposing to make in each scenario.
- 5.2 Page 4 covers contracts priced using a default pricing method. These are:
- Firm pricing
 - Fixed pricing
 - Cost-plus pricing
 - Estimate-based fee pricing
 - Volume-driven pricing
 - Target pricing
- 5.3 Page 5 covers contracts priced using an alternative pricing method. These are:
- Commercial pricing
 - Prices determined in accordance with Law
 - Previously agreed price
 - Novated contract price
 - Competed rates applied to uncompleted volumes (CRUV)
 - Agreed changes to the contract profit rate
 - Aggregation of components
- 5.4 Flowchart legend:

	Starting point – existing contract priced using either a default pricing method or an alternative pricing method.
	Amendment scenarios set out in the Regulations.
	Specific scenarios not described in the Regulations.



