

## **Supplementary guidance for the completion of an On Demand Contract Pricing Statement – example 4: Multiple tasking agreements onto a framework contract**

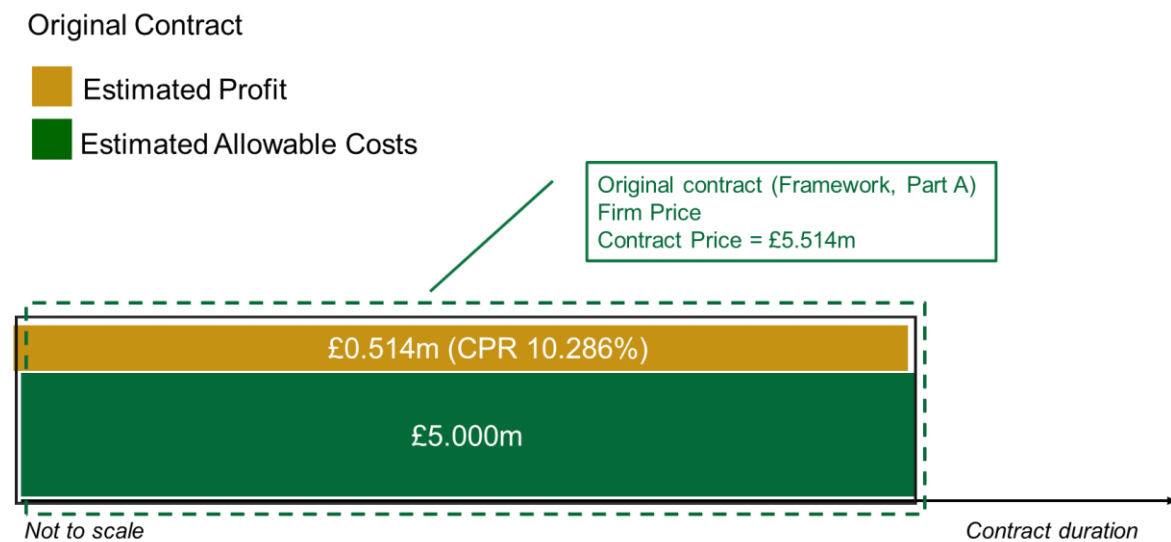
1. The following reporting guidance applies where a contractor is submitting an On-Demand Contract Pricing Statement (OD CPS) following a re-determination of the contract price in line with regulation 14 of the Single Source Contract Regulations. It provides an illustrative example to supplement the guidance on completion of the OD CPS in paragraphs 9.12 to 9.19 of the SSRO's contract reporting guidance. The guidance is not intended to indicate to contractors how contracts should be priced.
2. The [Schedule](#) to the Regulations sets out the approach to take in re-determining the contract price when there is a pricing amendment. Where there is a single pricing amendment, the Schedule specifies how the amended price should be determined by reference to the nature of the amendment. Several scenarios are specified at paragraph 3 to 9 of the Schedule and, where none of those apply, the whole price is to be redetermined in accordance with paragraph 10. Where there are multiple amendments, they are to be treated separately and dealt with in turn in accordance with paragraphs 11 and 12.
3. The application of the Schedule to the Regulations to a pricing amendment may result in different pricing segments in the contract price, as identified in paragraph 9.14 of the contract reporting guidance. Paragraph 9.15 of the guidance identifies that a pricing segment may be:
  - the original contract; or
  - an un-amended element of the original contract following a regulation 14 amendment to one or more other elements; or
  - an individual regulation 14 pricing amendment or a portion of an amendment which has a distinct contract profit rate; or
  - a grouping of pricing amendments, or grouping of portions of pricing amendments, which have contract profit rates of the same value and the same values attributed to each of the six steps.
4. The SSRO has developed an Amendments Spreadsheet (the spreadsheet) to assist contractors in reporting how the contract price has been re-determined in an OD CPS. The example below is an illustration of the application of the reporting guidance and use of the spreadsheet for a specific scenario dealt with in the Schedule to the Regulations.

**Illustrative example 4: Reporting of multiple tasking agreements onto a framework contract (several separate applications over time of Paragraph 7 of the Schedule to the Regulations)**

**The contract scenario, as originally agreed**

- A ten year qualifying contract was entered into on 1 January 2019, as a framework contract, using a firm pricing method as defined in regulation 10(4). In this case the allowable costs were estimated at £5.000 million at the initial time of agreement. The contract profit rate of this contract was agreed at 10.286%. The MOD and the contractor are referring to the framework part of the contract as 'Part A of the contract'. Figure 1 below represents the reported contract price of £5.514 million at the initial time of agreement.

**Figure 1 – Representation of the contract price at the initial time of agreement**



**Reporting of the illustrative example’s profit and allowable costs in DefCARS at the initial time of agreement**

- The contractor was required to provide the initial contract reports within a month of the date the contract was entered into on 1 January 2019. The initial reports included the six-step profit rate calculation, contract price, the pricing methods used and the contract profit rate for the contract. DefCARS enables the three initial reports (Contract Pricing Statement, Contract Reporting Plan, and Contract Notification Report) to be submitted through a single, combined report entry which is described in DefCARS as the Contract Initiation Report (CIR). The following Figures 2 and 3 show how the price information would appear in DefCARS in the CIR:

- Profit page of the CIR (see Figure 2)
- Pricing Method Breakdown of the CIR (see Figure 3)

**Figure 2 – Allowable costs, profit and contract profit rate reported on the Profit page in the CIR**

## Contract Profit Rate

	Value
Statutory Guidance on Allowable Costs in force at the time of agreement	VERSION 3.0 - 1 APRIL 2018 ▼
Statutory Guidance on the Contract Profit Rate in force at the time of agreement	VERSION 4.0 - 15 MARCH 2018 ▼
Total Allowable Costs (Including any Risk Contingency Element)	5.000
Total Risk Contingency included in Allowable Costs	0.000

Ref	Description	Value
Step 1	Baseline Profit Rate (BPR) %	2018/19 BPR 6.81% <input type="text"/>
Step 2	Cost Risk Adjustment %	0.000 <input type="text"/>
Step 3	Profit On Cost Once (POCO) adjustment %	0.000 <input type="text"/>
Step 4	Single Source Regulations Office - funding adjustment %	-0.024 <input type="text"/>
Step 5	Agreed Incentive Adjustment %	2.000 <input type="text"/>
<a href="#">Capital Servicing Adjustment Calculator</a>		
Step 6	Capital Servicing Adjustment %	% 1.500 <input type="text"/>
<b>CALCULATION OF THE SIX PROFIT RATE STEPS</b>		% 10.286 <input type="text"/>
CPR	<b>CONTRACT PROFIT RATE</b>	% 10.286 <input type="text"/>
<b>CONTRACT PROFIT RATE - Expressed as amount</b>		£m 0.5143 <input type="text"/>
Price	<b>The total Contract Price, including maximum amount that can be earned via Incentive Adjustment</b>	£m 5.5143 <input type="text"/>

Figure 3 – Price by pricing method reported on the Pricing Method Breakdown page in the CIR

## Pricing Method Breakdown

Price Breakdown - Millions to 3 d.p.	GBP
Firm Pricing	<input type="text" value="5.514"/>
Fixed Pricing	<input type="text"/>
Cost Plus Pricing	<input type="text"/>
Estimate Based Fee Pricing	<input type="text"/>
Volume Driven Pricing	<input type="text"/>
Target Pricing	<input type="text"/>
Total	<input type="text" value="5.514"/>
Comments on Pricing method breakdown	<input type="text"/>

## The contractual pricing amendment scenario

7. In the period 1 April 2019 to 31 March 2020, three tasking agreements have been placed under the contract. Each was a separate pricing amendment following paragraph 7 of the Schedule to the Regulations, priced at the time of amendment, and used the same values at each of the six profit rate steps. The MOD and the contractor have agreed that an annual OD CPS report will be provided at the end of each financial year, in order to capture the amendments resulting from the tasks placed in that period. In this example, the MOD and the contractor have agreed that the tasks placed during each financial year can be grouped to be reported into one pricing segment, since they were priced using the same profit rate and the same values were attributed to each of the six steps (note that the MOD and the contractor could have agreed instead to report each task into distinct pricing segments). The MOD and the contractor refer to the tasking agreements under this framework as 'Part B of the contract'. The price of the framework part of the contract (Part A) has not changed as a result of the amendments.

## Regulation 14 – Pricing of the amendment

8. Paragraph 7 of the Schedule to the Regulations specifies how the contract price should be determined in circumstances where the proposed pricing amendment will change a contractual requirement of the contract or of a defined component of the contract. Paragraph 7 applies where the cost-pricing method is not being used. Each tasking agreement placed was a pricing amendment in accordance with paragraph 7 of the Schedule. The approach specified in paragraph 7 is summarised in Table 1.

**Table 1 – Regulation 14 (paragraph 7 of the Schedule) calculation**

The original contract price
+
Price payable in respect of the amendment
=
Price payable under the amended contract

9. The original contract price is £5.514 million.
10. The price payable in respect of the amendment relating to Task 1 is estimated and reported at the value of £2.307 million, using a firm pricing method, and derived from:
- The estimated allowable costs of the Task 1, agreed at £2.100 million (including risk contingency of £0.100 million); and
  - The contract profit rate agreed at the time of the amendment for the pricing of Task 1, agreed at 9.851% as shown in Table 2.

**Table 2 – Calculation of the contract profit rate in respect of the amendment**

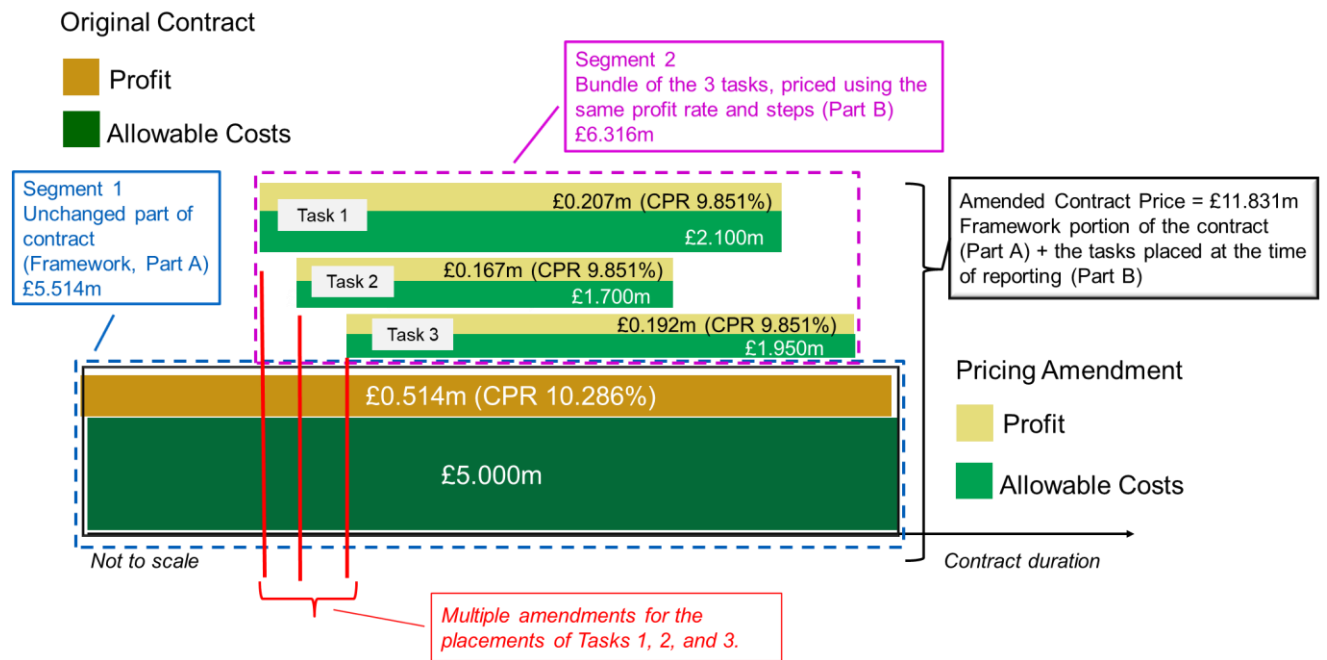
Step 1 – Baseline profit rate	7.63%
Step 2 – Cost risk adjustment	0.763%
Step 3 – Profit on cost once adjustment	0.000%
Step 4 – SSRO funding adjustment	-0.042%
Step 5 – Incentive adjustment	0.000%
Step 6 – Capital servicing adjustment	1.500%
<b>Contract profit rate</b>	<b>9.851%</b>

11. The price payable in respect of the amendment relating to Task 2 is estimated and reported at the value of £1.867 million, using a firm pricing method, and derived from:
  - The estimated allowable costs of the Task 2, agreed at £1.700 million (including risk contingency of £0.200 million); and
  - The contract profit rate agreed at the time of the amendment for the pricing of Task 2, agreed at 9.851% as shown in Table 2.
12. The price payable in respect of the amendment relating to Task 3 is estimated and reported at the value of £2.142 million, using a firm pricing method, and derived from:
  - The estimated allowable costs of the Task 3, agreed at £1.950 million (including risk contingency of £0.150 million); and
  - The contract profit rate agreed at the time of the amendment for the pricing of Task 3, agreed at 9.851% as shown in Table 2.
13. Therefore, the price payable under the amended contract, at the date of 1 January 2020 is reported as £11.831 million.

**Segmented representation of the new contract price, following the 3 amendments**

14. In reporting the change of contract price payable from £5.514 million to £11.831 million following the three pricing amendments (Task 1, Task 2 and Task 3), the details of the pricing information of two pricing segments can be provided. This is illustrated in Figure 4 below, and the pricing details shown in the spreadsheet at Figure 5.

**Figure 4 – Representation of the pricing segments of the new contract price following the amendments**



**Reporting of the profit and allowable costs in the OD CPS, following the amendment**

15. In providing the OD CPS after the end of Q1 2022, as agreed with the MOD, the contractor provides pricing information to report the effect of the amendments (in this example this will cover the amendments of Task 1, 2 and 3) to the pricing of the contract. The contractor makes the OD CPS submission which includes:

- Amendment Spreadsheet completed and attached to the Contract Profit Page of the OD CPS (see Figure 5);
- Contract Profit page of the OD CPS (see Figure 6); and
- Pricing Method Breakdown of the OD CPS (see Figure 7).



## The Amendment Spreadsheet

16. Figure 5 and 6 shows how the spreadsheet would be completed in a paragraph 7 of the Schedule scenario, for the amendments that are explained in paragraph 7 of this guidance.

**Figure 5 - Spreadsheet completion for the multiple reporting of Tasks example (tab 2 - Template for Input)**

	A	B	C	D	E	F	G	H	I
1	Cells where input is required								
2	Cells where no input required								
3	Calculated cells								
4			Overall Contract	Pricing Segments of the overall contract (post-amendment)			Information of the pricing amendment that led to the OD CPS		
5		MOD Amendment Reference (free text)			Grouping of tasks 19/20		Grouping of tasks 19/20		
6		Date of agreement (free text)		01/01/2019	FY 2019/20		FY 2019/20		
7		Segment reference number (free text)	Overall Contract	Segment 1	Segment 2		Segment 2		
8		Description (free text)		Original Framework agreement - "Part A"	Bundle of tasks under "Part B" placed in FY 19/20		Tasks 1, 2 and 3		
9		Type of Pricing amendment (paragraph of Regulation 14 or /non-Regulation 14) (drop down menu)					Reg 14 – 7(1) Change to requirement (non-Cost Plus)		
10	Price Breakdown	Allowable Costs including Risk Contingency Element (£m, 3dp)	£ 10.750	£ 5.000	£ 5.750	£ -	£ 5.750		£ -
11		Allowable Costs excluding Risk Contingency (£m, 3dp)	£ 10.300	£ 5.000	£ 5.300	£ -	£ 5.300		£ -
12		Risk Contingency Element (£m, 3dp)	£ 0.450	£ -	£ 0.450	£ -	£ 0.450		£ -
13		Profit (£m, 3dp)	£ 1.081	£ 0.514	£ 0.566	£ -	£ 0.566		£ -
14		Contract Price (£m, 3dp)	£ 11.831	£ 5.514	£ 6.316	£ -	£ 6.316		£ -
15	Profit rate	Step 1 - Baseline Profit Rate (% , 2dp)		6.81%	7.63%		7.63%		
16		Step 2 - Cost Risk Adjustment (% , 3dp)		0.000%	0.763%		0.763%		
17		Step 3 - POCO Adjustment (% , 3dp)		0.000%	0.000%		0.000%		
18		Step 4 - SSRO Funding Adjustment (% , 3dp)		-0.024%	-0.042%		-0.042%		
19		Step 5 - Incentive Adjustment (% , 3dp)		2.000%	0.000%		0.000%		
20		Step 6 - Capital Servicing Adjustment (% , 3dp)		1.500%	1.500%		1.500%		
21		Contract Profit Rate (% , 3dp)	10.053%	10.286%	9.851%		9.851%		
22	Pricing Method	Firm Pricing Method (£m, 3dp)	£ 11.831	£ 5.514	£ 6.316		£ 6.316		
23		Fixed Pricing Method (£m, 3dp)							
24		Cost-Plus Pricing Method (£m, 3dp)							
25		Estimate-Based Fee Pricing Method (£m, 3dp)							
26		Volume-Driven Pricing Method (£m, 3dp)							
27		Target Pricing Method (£m, 3dp)							

**Figure 6 - Spreadsheet completion for the multiple reporting of Tasks example (tab 3 - Grouping of Amendments info)**

	A	B
1	<b>MOD contractual reference of amendments</b>	<b>Pricing Segment number where the amendment, or part of the amendment is being reported</b>
2	Task 1	Segment 2
3	Task 2	Segment 2
4	Task 3	Segment 2
5		

### **Explanation of how the template has been completed (tab 2- Template for Input)**

17. The explanation of how the template in Example 4 has been completed, in line with Table 28 of the SSRO's contract reporting guidance, is:

- Column C – this column sets out the re-determined contract price and the overall contract profit rate. The re-determined contract price is £11.831 million, being the addition of pricing segment 1 (£5.514 million) and pricing segment 2 (£6.316 million). The overall contract profit rate is 10.053%, as a cost weighted average of the contract profit rates of pricing segments 1 and 2, reported in Columns D and E.
- Column D – this column sets out the allowable costs and profit which were priced using the firm pricing method at the initial time of agreement (01 January 2019). This is the framework (Part A) part of the contract, which is unchanged by the amendments that took place in the period of Q1 2020.
- Column E – this column sets out the allowable costs and profit which have been added by the amendments of Task 1, Task 2 and Task 3, and constitute additional requirement to the contract. The firm pricing method is also being used for this new requirement. This part of the contract price has a different contract profit rate from pricing segment 1, 9.851% and is reported as pricing segment 2. In this example, the MOD and the contractor have agreed the consolidation of reporting of those tasks under one new segment, pricing segment 2. It is made up of the sum of the three tasking agreements placed under reference Task 1, Task 2 and Task 3, all using the same profit rate.
- Column F – this column is empty in this example as the contract is reported in two pricing segments only.
- Column G – this column shows the grouping of tasks that are being reported in the period agreed by the parties. In this example, as the three tasking agreements created a new pricing segment, pricing segment 2, the information in column G equates with the information in column E.
- Column H – this column is empty in this example Column I – this column is empty in this example The contractor has shown that paragraph 7(1) of the Schedule applies for all three tasks, with selection of this choice in the drop-down menu of cell G9.

### **Explanation of how the template has been completed – Tab 3**

18. The reference of each contractual amendment, in this case each tasking agreement, is entered in column A. The pricing segment where the pricing information is reported for each tasking agreement reference is entered in column B.



### **The Profit page of the OD CPS**

19. The contractor will amend the Profit page of the OD CPS to input zero against each of the six steps in line with paragraph 9.12 of the contract reporting guidance. The contractor should insert the contract profit rate for the amended contract, which should be consistent with that calculated in Column C of the Amendments Spreadsheet. Figure 7 shows how the Profit page would be completed by the contractor in this scenario.

**Figure 7 - Allowable costs, profit and contract profit rate reported on the Profit page in the OD CPS**

Comments, Issues & Supporting Information:  0  0  1

## Contract Profit Rate

	Value
Statutory Guidance on Allowable Costs in force at the time of agreement	VERSION 4.0 1 APRIL 2019 
Statutory Guidance on the Contract Profit Rate in force at the time of agreement	VERSION 5.0 1 APRIL 2019 
Total Allowable Costs (Including any Risk Contingency Element)	10.750
Total Risk Contingency included in Allowable Costs	0.450

Ref	Description	Value
Step 1	Baseline Profit Rate (BPR) %	<input type="text" value="Other (Please Specify) %"/> <input type="text" value="0.000"/>
Step 2	Cost Risk Adjustment %	<input type="text" value="0.000"/>
Step 3	Profit On Cost Once (POCO) adjustment %	<input type="text" value="0.000"/>
Step 4	Single Source Regulations Office - funding adjustment %	<input type="text" value="0.000"/>
Step 5	Agreed Incentive Adjustment %	<input type="text" value="0.000"/>
<a href="#">Capital Servicing Adjustment Calculator</a>		
Step 6	Capital Servicing Adjustment %	<input type="text" value="0.000"/>
<b>CALCULATION OF THE SIX PROFIT RATE STEPS</b>		<input type="text" value="0"/>
CPR	<b>CONTRACT PROFIT RATE</b>	<input type="text" value="10.053"/>
<b>CONTRACT PROFIT RATE - Expressed as amount</b>		<input type="text" value="1.080698"/>
Price	<b>The total Contract Price, including maximum amount that can be earned via Incentive Adjustment</b>	<input type="text" value="11.830698"/>

## The Pricing Method Breakdown page of the OD CPS

20. The contractor will amend the Pricing Method Breakdown page to show the change in the pricing method used in the amended contract. Figure 8 shows how the Pricing Method Breakdown page would be completed by the contractor in this scenario.

**Figure 8 - Price by pricing method reported on the Pricing Method Breakdown page in the OD CPS**

### Pricing Method Breakdown

Price Breakdown - Millions to 3 d.p.	GBP
Firm Pricing	<input type="text" value="11.831"/>
Fixed Pricing	<input type="text"/>
Cost Plus Pricing	<input type="text"/>
Estimate Based Fee Pricing	<input type="text"/>
Volume Driven Pricing	<input type="text"/>
Target Pricing	<input type="text"/>
Total	<input type="text" value="11.831"/>
Comments on Pricing method breakdown	<input type="text"/>