

**SSRO**

Single Source  
Regulations Office

# Consultation response: Draft guidance guidance on qualifying sub-contracts

30 June 2025

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# 1. Introduction

- 1.1 The regulatory framework for single source defence contracts<sup>1</sup> applies to qualifying sub-contracts (QSCs) and sub-contractors in much the same way as it applies to qualifying defence contracts (QDCs) and primary contractors but with some specific modifications. The provisions of the Act and the Regulations define when a contract is a QSC and confers a number of related obligations, rights, and powers, where specified, on the Ministry of Defence (MOD) (acting for the Secretary of State), the parties to qualifying contracts and the SSRO.
- 1.2 In response to a request from members of the SSRO's Operational Working Group<sup>2</sup> in October 2024 for an accessible summary of the regulatory provisions related to QSCs, the SSRO prepared and consulted on [draft guidance](#) from 2 April to 14 May 2025.
- 1.3 The SSRO is grateful to the following organisations for taking time to provide written responses to the consultation: the ADS-facilitated Defence Single Source Advisory Group; techUK; Babcock International Group; Leonardo UK Ltd; MBDA; the MOD; QinetiQ; Rolls-Royce; and Thales UK Ltd.
- 1.4 This document provides a summary of:
  - a. the feedback provided by respondents to the SSRO's consultation;
  - b. the changes made by the SSRO in response to the feedback in preparing the final guidance for publication; and
  - c. other action the SSRO intends to take related to matters raised by consultation respondents.
- 1.5 Appendix 1 includes a quantitative analysis of the responses provided to specific questions in the SSRO's [consultation document](#).
- 1.6 Appendix 2 highlights the changes that have been made to the draft guidance published on 2 April 2025 in preparing the [guidance on QSCs](#) published on 30 June 2025.

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1 Established by the Defence Reform Act 2014 (the Act) and the Single Source Contract Regulations 2014 (the Regulations).

2 Comprised of representatives of the MOD and its contractors.

## 2. Feedback on the proposed guidance

- 2.1 Consultation respondents made a variety of suggestions for how the text of the draft guidance might be revised to provide additional clarity for readers. The SSRO has considered these and made changes where these were deemed appropriate in finalising the guidance for publication.
- 2.2 The sections below summarise the feedback provided by respondents on more significant matters and how these have informed the development of the SSRO's guidance on QSCs.

### General comments

- 2.3 Consultation respondents acknowledged that the provisions of the regulatory framework that apply to QSCs are complex and welcomed the greater clarity that the guidance would provide to help the parties to QSCs understand their legal obligations. A number of general matters were raised by respondents which are summarised below.

Matters raised	SSRO response
<p>Several industry respondents questioned the SSRO's interpretation of the legislative provisions pertaining to contract components in relation to QSCs. These respondents pointed out that regulation 9A (Components of QDCs) is disapplied in relation to QSCs and sub-contractors by regulation 65(3) but also acknowledged that the parties to a QSC might agree that parts of a contract may be treated distinctly for the purpose of determining the price payable under the contract (as provided for by section 15(7) of the Act). One respondent suggested all reference to components should be removed from the guidance. Another thought the guidance should clarify that component reporting was not required for QSCs unless specifically requested by the MOD. One considered that the requirement to provide a component completion report (regulation 27A) did not apply to QSCs and sub-contractors. Another said that the Regulations would need to be amended if the MOD intended to enforce the requirements to identify components of QSCs.</p> <p>The MOD said that QSCs should be able to have components in the same way as QDCs and noted that legislative changes may be needed to make this clearer for parties to QSCs.</p>	<p>The SSRO has considered the representations made by consultation respondents on this matter.</p> <p>While we note the disapplication of regulation 9A in respect of QSCs, it remains the case that sections 15(7) and 30(1) of the Act provide that a part of a QSC is to be treated distinctly from other parts of that contract where the Regulations contain provision to that effect or the parties to the contract agree that it should. There are many regulations that, if applied in determining the price payable under a QSC, have the effect of treating a part of that contract distinctly from another part. This would mean that the QSC has components. For example:</p> <ul style="list-style-type: none"> <li>• regulation 10 (Default pricing of contracts) allows the pricing formula to be applied to determine the price payable under a component of a QSC, rather than for the whole contract; and</li> <li>• regulation 11 (Steps in determining contract profit rate) allows the steps to be applied to determine the contract profit rate for a component of a QSC, rather than for the whole contract.</li> </ul>

Matters raised	SSRO response
<p>An industry respondent also noted that if the SSRO agreed that there was no provision for QSCs to be priced with distinct components the SSRO's other guidance would also need to be updated to reflect this.</p>	<p>There is no obligation on the parties to a QSC to treat a part of that contract distinctly from another part when determining the price payable under the contract, however, the absence of an agreement by the parties to treat parts of that contract distinctly (i.e., to create contract components) would mean that only one pricing method or (in the case of a contract using a default pricing method) only one contract profit rate could be applied in pricing the entire QSC.</p> <p>We note also that regulation 65 (which modifies application of the Regulations to QSCs and to sub-contractors):</p> <ul style="list-style-type: none"> <li>• does not disapply the 'aggregation of components' pricing method provided for by regulation 19G; and</li> <li>• does not refer to omitting "component completion date" from regulation 2(1).</li> </ul> <p>This is consistent with the possibility that the price of a QSC is formed of components, by the agreement of the parties, in the absence of regulation 9A applying.</p> <p>In relation to reporting, sections 24 and 25 of the Act (concerned with the provision of statutory reports), apply to QSCs and to sub-contractors as they do to QDCs and to primary contractors by virtue of section 30(1) of the Act. Our draft guidance explained how the reporting requirements of the Regulations are modified in the case of QSCs. The requirements for reporting information about components are not modified in their application to QSCs and to sub-contractors by regulation 65, nor for that matter by regulation 64.</p> <p>Accordingly, we have made no substantive changes in finalising the guidance, other than to note that reporting about components is only required where these exist.</p> <p>We have noted, however, the need for further consideration of the regulatory requirements in this area to ensure these are clear and support the objectives of the regulatory framework.</p>

Matters raised	SSRO response
Industry respondents believed the SSRO would be preparing 'informal' versions of the Act and Regulations incorporating the modifications for QSCs and sub-contractors specified by section 30(1) of the Act and regulations 64 and 65.	We do not consider that modified versions of the Act and Regulations would be more helpful to those needing to apply the Act and Regulations than the guidance provided by the SSRO.
Some respondents indicated a preference for references to the Act and Regulations to be included in the body of the text rather than as footnotes.	While it is important to ensure clear links are made to the legislation which underpins the SSRO's guidance, we believe the benefits that would be gained by including these references within the body of the text (rather than as footnotes) would be outweighed by a reduction in readability.
Some respondents thought it would be preferable if the guidance for contracting authorities was published separately from the guidance for sub-contractors under QSCs.	We think it is helpful for contracting authorities and sub-contractors under QSCs to understand the regulatory requirements to which each other are subject. In practice, a sub-contractor under a QSC may also be a contracting authority in relation to any further sub-contracts and will need to access the guidance relevant to each role. For this reason we see no reason to separate the guidance for contracting authorities from the guidance for sub-contractors.
Some respondents thought it would be helpful to include examples to support understanding of key points and a diagram showing how terms used in the guidance related to the supply chain for a QDC.	We have provided a simplified supply chain diagram on p6 of the guidance which aims to clarify which contracts are subject to the regulatory framework and the use of terms.  We welcome suggestions from stakeholders on where examples might be useful to aid understanding, together with examples that they consider might usefully be included in future versions of the guidance.
Some respondents considered that certain issues related to the SSRO's guidance were a consequence of the legislative provisions to which the guidance relates, rather than the guidance itself. For example, the requirement to undertake QSC assessments for all proposed sub-contracts, including those of low value was considered disproportionate. These respondents wanted the SSRO to influence the development of the regulatory provisions to ensure they were more appropriate.	The SSRO continues to keep the operation of the regulatory framework under review and will consider the merits of the matters raised by consultation respondents when next preparing for recommendations for regulatory changes for submission to the Secretary of State.

## Structure and definitions

- 2.4 The guidance on QSCs is intended to assist the MOD, the holders of QDCs or QSCs, and any person who expects to enter into such a contract to better understand their obligations and rights in relation to QSCs. The draft guidance was divided into sections with the aim of enabling the users of the guidance to quickly identify which parts of the guidance are relevant to their particular circumstances.

### Structure

- 2.5 We asked stakeholders how helpful or unhelpful the structure of the proposed guidance was in assisting readers to identify content that was relevant to their needs. All respondents expressing a view considered that the document structure enabled access to relevant content.

Matters raised	SSRO response
One respondent queried whether any particular significance was attached to the text presented in blue boxes.	We can confirm that there is no specific significance to attach to the text in blue boxes. This is merely a presentational aid.

### Definitions

- 2.6 We asked stakeholders what changes, if any, they would make to the definitions provided at paragraph 1.5 of the proposed guidance.

Matters raised	SSRO response
Several respondents requested clarification on whether the term 'contracting authority' referred solely to the MOD.	The definition we included in the guidance was that provided under regulation 5(13). We have expanded on that definition and included an illustrative supply chain diagram to provide additional clarity on use of the term.
One respondent thought it would be helpful to define 'arm's-length' in the context of procurement processes.	We have included a definition in footnote 13 of the guidance.

## Section 2: Your QSC questions answered

- 2.7 Section 2 of the proposed guidance provided brief answers to some of the most common queries related to QSCs and identified the relevant parts of the document to which readers should refer for further information. We asked stakeholders how helpful or unhelpful the answers to the questions included in this section were. All industry respondents expressing a view said that they found the answers helpful. The MOD, however, considered the questions and responses were overly repetitive.
- 2.8 The SSRO made a number of changes to the proposed questions and responses to take account of feedback provided on these by consultation respondents.
- 2.9 We asked stakeholders whether there were any other QSC-related questions to which it would be helpful to provide responses. Most respondents felt no additional questions were needed. Three questions were added in response to suggestions made by consultation respondents.

- Q5 – on the consequences of not complying with the regulatory provisions;
- Q6 – on the support the SSRO provides to the parties to QSCs; and
- Q20 – on record-keeping.

### Section 3: Assessing if a contract is a QSC

- 2.10 Section 3 of the proposed guidance identified the factors that need to be considered when assessing whether a contract is a QSC and matters related to when a QSC assessment should be completed.
- 2.11 We asked stakeholders how helpful or unhelpful this section was in explaining the regulatory requirements for undertaking a QSC assessment. Most respondents expressing a view found this section helpful.
- 2.12 A number of minor changes have been made to the text in section 3 of the guidance in response to the feedback provided by consultation respondents. More significant matters raised by respondents in relation to the guidance in this section are summarised below.

Matters raised	SSRO response
Several respondents requested clarification on when two contracts should be considered to have the purpose of fulfilling the same requirement for goods, works or services.	<p>Contracts with the same or an associated person which are not the result of a competitive process and have the purpose of fulfilling the same requirement should be aggregated for the purpose of calculating the value of a contract which is subject to a QSC assessment. This is to discourage contracting authorities from dividing a requirement for goods, works or services into multiple contracts with the same person for the purpose of avoiding those contracts being subject to the regulatory framework.</p> <p>The SSRO consulted on draft guidance that was intended to assist those undertaking QSC assessments to determine whether two or more contracts entered into with the same sub-contractor (or persons associated that person) fulfilled the same requirements for goods, works or services. The SSRO's proposal was broadly aligned with what we understand the MOD's internal guidance on the Regulations to be.</p> <p>Minor changes have been made in finalising the guidance at paragraph 3.5.c.ii in response to comments from respondents. The SSRO welcomes proposals for alternative text which might be considered for inclusion in future versions.</p>

## Section 4: QSC notifications and appeals

- 2.13 Section 4 of the proposed guidance identified the requirements for providing notifications related to QSC assessments and how a prospective sub-contractor can make an appeal to the SSRO against a positive QSC assessment.
- 2.14 We asked stakeholders how helpful or unhelpful this section was in explaining the regulatory requirements for notifications and appeals related to QSC assessments. All respondents expressing a view found this section helpful.
- 2.15 A number of minor changes have been made to the text in section 4 of the guidance in response to the feedback provided by consultation respondents. More significant matters raised by respondents in relation to the guidance in this section are summarised below.

Matters raised	SSRO response
<p>Several respondents raised queries or provided comments on the need for notification to be provided by contracting authorities to the MOD and SSRO of QSC assessments undertaken (required by regulation 61(8)) and the requirement for contractors under qualifying contracts to report information about sub-contracts and QSC assessments in their statutory contract reports (required by various regulations). Some considered this resulted in unnecessary duplication. The need for separate notification was questioned given that in many cases (contracts over £1 million in value) information would be provided in statutory reports about QSC assessments undertaken. Some respondents, including the MOD, questioned the benefit for the MOD or SSRO of receiving information about a large number of QSC assessments relating to low-value sub-contracts. Industry respondents expressed a preference for providing notification on QSC assessments via the SSRO's contract reporting system (DefCARS) rather than separately. One respondent questioned the purpose of reporting information about sub-contracts that were not QSCs.</p>	<p>The SSRO acknowledges the concerns about administrative duplication. At present, the Regulations require QSC assessments to be undertaken for all proposed sub-contracts and notification of these to be given to the MOD and SSRO. The Regulations also contain additional reporting requirements for sub-contracts with values exceeding £1 million and £15 million.</p> <p>We consider there is benefit to the SSRO being notified at the earliest opportunity about QSC assessments undertaken as this enables the SSRO to assist prospective sub-contractors to understand and comply with their obligations under the regulatory framework. If the SSRO were to rely on information provided in statutory contract reports this may result in the SSRO's offer of support to sub-contractors being less timely and of sub-optimal benefit.</p> <p>We note also that the reporting of information about sub-contracts to qualifying contracts gives the MOD enhanced visibility of the supply chain for qualifying contracts in order to identify and if needed, address supply chain risks.</p> <p>The SSRO has noted the need for further consideration of the regulatory requirements in this area.</p>

Matters raised	SSRO response
<p>Respondents questioned why the guidance did not require contracting authorities to provide notice of a positive QSC assessment to the SSRO, rather than just request this. The MOD considered that there was a requirement for notice of a positive QSC assessment to be provided to the SSRO.</p>	<p>The SSRO notes that there is presently no statutory obligation for the SSRO to be provided with such notices, although we consider it would be beneficial to the operation of the regulatory framework if contracting authorities were required to provide these to us.</p> <p>The SSRO will consider further the regulatory requirements in this area.</p>
<p>Several respondents raised queries or made comments related to whether a sub-contract which was entered into before a notice of a positive QSC assessment had been provided could (once such a notice was received) have the status of a QSC and be subject to the provisions of the Act and the Regulations. In general, respondents were of the view that if notice of positive assessment was not provided before a sub-contract was entered into it could never be a QSC and would not be subject to the regulatory framework.</p>	<p>The SSRO notes that, although it is desirable for a notice of positive QSC assessment to be given before a sub-contract is entered into, the Act and Regulations include no deadline for when such a notice is to be given.</p> <p>Accordingly, while the relevant provisions of the Act and Regulations<sup>3</sup> make QSC status conditional on a notice of positive assessment being provided (at some unspecified point in time), this is not conditional on the notice of positive assessment being provided before the sub-contract is entered into. Indeed, regulation 58(6) provides instead that 'Part 2 of the Act, and these Regulations, shall not apply to a qualifying sub-contract in respect of which no notice has been given under section 29(2) (b) or (4)(b)'. We note also that there is no barrier to sub-contractors refusing to enter into sub-contracts pending receipt of notice of a positive QSC assessment.</p> <p>This is a matter on which the SSRO has previously made representations to the MOD and we have noted again the need for clarification to be provided when the Act and Regulations are next reviewed.</p> <p>For the time being, the SSRO's guidance maintains the position set out in the Act and Regulations that a sub-contract which has been entered into prior to a positive QSC assessment being given will become a QSC and will become subject to the provisions of the Act and the Regulations once such a notice is provided.</p>

<sup>3</sup> Explanatory Notes cannot be used to override or add to the statutory text (*Westminster City Council v National Asylum Support Service* [2002] UKHL 38).

## Section 5: Agreeing the price of a QSC

- 2.16 Section 5 of the proposed guidance identified how the regulatory requirements for pricing qualifying contracts are modified for QSCs and provided signposting to other relevant SSRO guidance.
- 2.17 We asked stakeholders how helpful or unhelpful this section was in understanding the regulatory requirements for agreeing the price of a QSC. Respondents had mixed views on this section with less than half reporting that it was helpful.
- 2.18 A number of minor changes have been made to the text in section 5 of the guidance in response to the feedback provided by consultation respondents. More significant matters raised by respondents in relation to the guidance in this section are summarised below.

Matters raised	SSRO response
Several industry respondents questioned the SSRO's interpretation of the legislative provisions pertaining to contract components in relation to the pricing of QSCs.	Our response to these comments is provided on page 4 of this document.
The SSRO's draft guidance on modifications which apply to the determination of allowable costs under a QSC correctly reflected the legislative provisions under which the MOD and sub-contractor must be satisfied that the sub-contractor's claimed costs meet the requirements of allowable costs under a contract using a default pricing method. However, the MOD considered there was a need to explain the role that should be played by a contracting authority in determining that the costs claimed by a sub-contractor under a QSC met the requirements of allowable costs, given that the price of the QSC would inform the price of the contracting authority's qualifying contract. The MOD considered that a primary contractor under a QDC would have a key role (as the contracting authority under a QSC) in determining whether the sub-contractor's costs met the requirements of allowable costs.	The guidance has been updated to provide additional clarification on this matter. In practice, as the price of a QSC will be a cost to the contracting authority which will inform the price of a superior QSC or QDC, the contracting authority should ensure that the sub-contractor's costs meet the requirements of allowable costs. It will either have received assurance on this from the MOD or will obtain its own assurance if the MOD has authorised it to agree the allowable costs under the QSC on the Secretary of State's behalf. The role of the contracting authority may be limited, however, by any overriding need to maintain commercial confidentiality between the contracting authority and the prospective sub-contractor under the QSC who may be market competitors.

Matters raised	SSRO response
<p>One industry respondent considered the guidance on the POCO adjustment at paragraphs 5.24 and 5.25 of the draft guidance should be deleted. It said that regulation 13A only provides for an adjustment in respect of attributable profit under a group sub-contract to be made in the case of a QDC. It pointed out that regulation 13A was not modified by regulation 65 and that Section 20(2A) of the Act which provides for the POCO adjustment was unmodified by regulation 64. It believed this approach avoided confusion and reduced the risk that more than one POCO adjustment might be made under different contracts in the supply chain in respect of the same attributable profit under a group sub-contract.</p>	<p>The SSRO notes that section 20(2A) of the Act and regulation 13A are modified by section 30(1) of the Act to apply to QSCs and to sub-contractors as they do to QDCs and to primary contractors.</p> <p>This means that that the POCO adjustment may apply just to a QSC in respect of any group-sub-contract to that QSC. For example, where the sub-contractor under a QSC (which is not a group sub-contract to a QDC) enters into a further sub-contract (which is a group sub-contract to the QSC) a POCO adjustment may apply to the QSC. However, no POCO adjustment would apply to the QDC in relation to the further sub-contract.</p> <p>We agree that where a primary contractor under a QDC enters into a QSC which is a group sub-contract, and the sub-contractor under that QSC enters into a further group sub-contract, it is possible to structure the POCO adjustment such that it applies and is distributed between the allowable costs of both the QDC and QSC. However this may not be desirable, due to the added complexity of applying the POCO adjustment only once to the allowable costs of the QDC. In practice we are not aware of contractors pursuing separate applications of the POCO adjustment within the QDC supply chain in preference to a single application to the QDC.</p>
<p>One respondent considered that the SSRO's guidance should explain the mechanism by which a payment to the Secretary of State by the sub-contractor under a QSC or by the Secretary of State to the sub-contractor under a QSC in relation to a final price adjustment would be made.</p>	<p>Such payment mechanisms are not addressed by the Act or Regulations. As such we do not consider this is a matter on which the SSRO can provide guidance.</p>

## Section 6: Record-keeping and reporting by sub-contractor under QSCs

- 2.19 Section 6 of the proposed guidance identified how the regulatory requirements for record-keeping and reporting are modified for sub-contractors under QSCs and provided signposting to other relevant SSRO guidance.
- 2.20 We asked stakeholders how helpful or unhelpful this section was in understanding the regulatory requirements for record-keeping and reporting. All respondents expressing a view found this section helpful.
- 2.21 A number of minor changes have been made to the text in section 6 of the guidance in response to the feedback provided by consultation respondents. More significant matters raised by respondents in relation to the guidance in this section are summarised below.

Matters raised	SSRO response
Several industry respondents questioned the SSRO's interpretation of the legislative provisions pertaining to contract components in relation to the reporting of QSCs.	Our response to these comments is provided on page 4 of this document.
An industry respondent considered that the section on record-keeping needed to be expanded to include information on the MOD's rights under the Act and Regulations to examine relevant records	We have provided information on the relevant provisions in paragraphs 6.11 to 6.12.
An industry respondent considered it would be helpful to include guidance on the duty to report relevant events, circumstances and information (section 26 of the Act).	We have provided guidance on the relevant provisions in paragraphs 6.31 to 6.34 and will consider the need for any associated update to the SSRO's reporting guidance in due course.
One respondent highlighted a potential inconsistency between the transparency requirements of the Regulations and legal requirements in other countries for international contractors which prohibit disclosure of certain information.	The SSRO has noted in response to previous commentary on this topic that the Regulations apply to overseas contractors as they do to UK contractors and that the MOD may take enforcement action where contractors do not comply with their reporting obligations. The SSRO encourages prospective contractors and sub-contractors to consider the reporting requirements of the regulatory framework before entering into a qualifying contract. We hope this guidance will assist prospective sub-contractors to do so.

## Section 7: Notifying the SSRO of changes

- 2.22 Section 7 of the proposed guidance identified the provision for a sub-contractor under a QSC to give notice that the regulatory framework should cease to apply to that contract and provided signposting to other relevant guidance.
- 2.23 We asked stakeholders how helpful or unhelpful this section was in understanding the regulatory provisions pertaining to notices of cessation. All respondents expressing a view found this section helpful.
- 2.24 Minor changes have been made to the text in this section 7 of the guidance in response to the feedback provided by consultation respondents. There were no significant matters raised.

## Section 8: Enforcement action by the MOD

- 2.25 Section 8 of the proposed guidance identified the basis on which the MOD may take enforcement action where contraventions of the regulatory requirements occur.
- 2.26 We asked stakeholders how helpful or unhelpful this section was in understanding the regulatory provisions related to compliance and penalty notices. All respondents expressing a view found this section helpful.
- 2.27 Matters raised by respondents in relation to the guidance in this section are summarised below.

Matters raised	SSRO response
One industry respondent considered it would be beneficial to place greater emphasis on the QSC-related contraventions which might lead to enforcement action by the MOD.	The guidance has set out the contraventions which may give rise to enforcement action from the MOD. All of those contraventions set out in section 8 of the guidance apply to QSCs. No changes were made to the guidance in response to this comment.
One industry respondent questioned whether the guidance on enforcement action could include recommendations for steps that should be taken by the MOD prior to issuing a compliance notice. The respondent considered that the issuing of a compliance notice should be avoided for trivial matters that could be rectified in a timely manner through discussion with the contractor.	<p>Paragraph 6.32 of the draft guidance included a link to the SSRO's guidance on DefCARS functionality. We have updated section 6 in the guidance in response to this comment to make clear that issues related to report submission are raised in DefCARS for resolution by the contractor and that issues left unresolved may lead to enforcement action by the MOD.</p> <p>It should be noted, however, that not all contraventions relate to reporting matters. The failure to undertake a QSC assessment or the failure to give notice of a positive QSC assessment are, for example, not matters that would necessarily be identified through reviewing reports and raising issues within DefCARS.</p>

## Section 9: How the SSRO can help

- 2.28 Section 9 of the proposed guidance provided an overview of the support the SSRO provides to assist the MOD and new and existing contractors and sub-contractors under qualifying contracts to understand and apply the regulatory framework.
- 2.29 We asked stakeholders how helpful or unhelpful this section was in understanding the different types of support provided by the SSRO. All respondents expressing a view found this section helpful.
- 2.30 Most respondents felt no changes were needed. One suggestion was made in relation to the guidance in this section.

Matters raised	SSRO response
An industry respondent considered it would be beneficial to have a separate section on referrals with examples of matters that can be referred and the timelines for referral.	We have included an appendix in the guidance which provides the information requested.

## QSC assessment notification forms

- 2.31 The SSRO also consulted on updated versions of its previously published *QSC Assessment Notification* and *Positive QSC Assessment Notification* forms, which may be used by contracting authorities when fulfilling their obligations to provide specified notifications about QSC assessments.
- 2.32 We asked stakeholders how helpful or unhelpful the forms were in assisting contracting authorities to meet their obligations to provide specified notifications about QSC assessments. Respondents had mixed views on the contents of the forms.
- 2.33 The following matters were raised by respondents.

Matters raised	SSRO response
Some respondents sought clarification on the threshold values that apply in relation to notification and reporting of QSC assessments and expressed a wish for there to be consistency across requirements.	<p>The SSRO's draft guidance reflects the legislative requirements for notification of QSC assessments and the requirements for providing information about QSC assessments in statutory contract reports and notes that these are distinct obligations.</p> <p>While no changes have been made to the guidance in response to the feedback received we will give further consideration to the need for and potential benefits that may arise from legislative changes in this area.</p>

Matters raised	SSRO response
<p>The SSRO's draft guidance expressed a preference for QSC assessment notifications to be provided to the SSRO by email, while noting that other means of notification are possible, including via statutory contract report submissions.</p> <p>One respondent expressed a preference for using the Contract Initiation Report (CIR) in DefCARS as the route for notifying the MOD and the SSRO about QSC assessments, noting that the Regulations did not specify the format or timing of notifications and the administrative burden associated with other forms of notification.</p>	<p>The SSRO wishes to provide support to sub-contractors entering into QSCs at the earliest opportunity. This will be facilitated where the SSRO is notified about QSC assessments at the earliest opportunity. A CIR is not due until one month after the contract to which it relates has been entered into, by which time any QSCs to that contract may also have been entered into. The SSRO also notes that some QSC assessments may be undertaken after the CIR has been submitted.</p> <p>No changes have been made to the guidance.</p>

## 3. Next steps

- 3.1 The SSRO has taken or will take the following action in response to the feedback provided on its draft guidance.

### Publication of guidance

- 3.2 Version 1 of the [SSRO's guidance on QSCs](#) has been published alongside this consultation response on 30 June 2025. We will keep the guidance under periodic review and update it as necessary to reflect changes in legislation, the other SSRO guidance to which it refers and feedback provided by users of the guidance.
- 3.3 Where publication of this guidance necessitates changes to existing SSRO guidance or website content, those changes will be implemented as soon as possible.

### Matters arising from the consultation

- 3.4 We have identified the following matters where it may be helpful for the Act and Regulations to be amended to simplify or clarify the regulatory requirements related to QSCs.
- a. The provision for parts of a QSC to be priced distinctly from other parts (i.e., for the contract to be comprised of components), the circumstances in which this might occur, and the reporting requirements related to any components that are formed.
  - b. Requiring contracting authorities to provide notice of both positive and negative QSC assessments to the MOD, the SSRO and the prospective subcontractor to provide additional transparency about the outcome of the QSC assessments undertaken.
  - c. Requiring contracting authorities to undertake QSC assessments and provide notice of the outcome of the assessment prior to the sub-contract being entered into, with the potential for enforcement action to be taken by the MOD where this requirement is not met.
  - d. Removing the restriction on sub-contractor's making appeals against a positive QSC assessment after the sub-contract has been entered into to allow for appeals in cases where notice of a positive assessment has been made shortly before or after the sub-contract was entered into. The existing provision for appeals to be made within 6 months of receipt of a positive QSC assessment would prevail. This may help to avoid delays in the agreement of QSCs with consequent benefits for the delivery of the qualifying contracts they enable.
  - e. Specifying a threshold value below which there would be no requirement for a contracting authority to undertake a QSC assessment in order to reduce the administrative burden on contracting authorities of undertaking these assessments and aligning the requirements for notification of QSC assessments with the requirements for reporting information about sub-contracts in statutory reports.
- 3.5 The SSRO will continue to engage with the MOD and other stakeholders to ensure these matters are considered in the Secretary of State's next review of the regulatory framework.

# Appendix 1: Responses to specific consultation questions

A1.1 Seven respondents provided feedback on how helpful or unhelpful the parts of the proposed guidance were. In most cases these respondents reported that it was helpful.

How helpful or unhelpful...	Very helpful	Helpful	Neither helpful nor unhelpful	Unhelpful	Very unhelpful
...is the structure of the proposed guidance in assisting readers to identify content that is relevant to their needs?	14%	86%	-	-	-
...are the answers to the questions in section 2 (Your QSC questions answered)?	14%	86%	-	-	-
...is section 3 (Assessing if a contract is a QSC) in explaining the regulatory requirements for undertaking a QSC assessment?	29%	57%	14%	-	-
...is section 4 (QSC notifications and appeals) in explaining the regulatory requirements for notifications and appeals related to QSC assessments?	14%	86%	-	-	-
...is section 5 (Agreeing the price of a QSC) in understanding the regulatory requirements for agreeing the price of a QSC?	14%	29%	57%	-	-
...is section 6 (Record keeping and reporting by QSC contractors) in understanding the regulatory requirements for record-keeping and reporting?	43%	57%	-	-	-

How helpful or unhelpful...	Very helpful	Helpful	Neither helpful nor unhelpful	Unhelpful	Very unhelpful
...is section 7 (Notifying the SSRO of changes) in understanding the regulatory provisions pertaining to notices of cessation?	14%	86%	-	-	-
...is section 8 (Enforcement action by the MOD) in understanding the regulatory provisions related to compliance and penalty notices?	-	100%	-	-	-
...is section 9 (How the SSRO can help) in understanding the different types of support provided by the SSRO?	14%	86%	-	-	-
...is the updated <i>QSC Assessment Notification</i> form in assisting contracting authorities to meet their obligations to provide specified notifications about QSC assessments?	29%	43%	14%	14%	-
...is the updated <i>Positive QSC Assessment Notification</i> form in assisting contracting authorities to meet their obligations to provide specified notifications about QSC assessments?	29%	57%	14%	-	-
<b>All questions</b>	<b>19%</b>	<b>70%</b>	<b>9%</b>	<b>1%</b>	<b>-</b>

# Appendix 2: Changes to the draft guidance published for consultation on 2 April 2025

A2.1 The table below highlights the changes that have been made to the draft guidance published on 2 April 2025 in preparing the [guidance on QSCs](#) published on 30 June 2025. References from the guidance to legislation, other SSRO guidance or other publications have been updated throughout as required.

Key to changes:

No change
Deleted
Revised
Added

Section/paragraph in draft dated 2 April 2024	Section/paragraph in v1.0 dated X June 2025
<b>1. Introduction</b>	<b>1. Introduction</b>
1.1	1.1 to 1.2
1.2 to 1.4	1.3 to 1.5
1.5 (and table)	1.6 (and table)
	1.7 (and Exhibit 1)
1.6	1.8
<b>2. Your QSC questions answered</b>	<b>2. Your QSC questions answered</b>
Q1 to Q3	Q1 to Q3
Q4	Q4
	Q5 to Q6
Q5	Q7
Q6	Q8
Q7 to Q9	Q9 to Q11
Q10	Q12
Q11 to Q12	Q13 to Q14
Q13 to Q14	Q15 to Q16
Q15 to Q17	Q17 to Q19
	Q20
Q18	Q21
Q19 to Q22	Q22 to Q25
<b>3. Assessing if a contract is a QSC</b>	<b>3. Assessing if a contract is a QSC</b>
3.1 to 3.2	3.1 to 3.2
3.3 (and box)	3.3 (and box)
3.4 (and boxes A and B)	3.4 (and boxes A and B)
3.5 (and box) to 3.9	3.5 (and box) to 3.9
3.10 (and box)	3.10 (and box)
3.11 to 3.12	3.11 to 3.12

Section/paragraph in draft dated 2 April 2024	Section/paragraph in v1.0 dated X June 2025
<b>4. QSC notifications and appeals</b>	<b>4. QSC notifications and appeals</b>
4.1	4.1
4.2 to 4.4	4.2 to 4.4
4.5	4.5
4.6 to 4.7	4.6 to 4.7
4.8	4.8
4.9 to 4.10	4.9 to 4.10
4.11	4.11
4.12 to 4.14	4.12 to 4.14
4.15	4.15
4.16 to 4.20	4.16 to 4.20
<b>5. Agreeing the price of a QSC</b>	<b>5. Agreeing the price of a QSC</b>
5.1 to 5.2	5.1 to 5.2
5.3 (and table)	5.3 (and table)
5.4 to 5.5	5.4 to 5.5
5.6	5.6
5.7 to 5.12	5.7 to 5.12
5.13 (and diagram)	5.13 (and diagram)
5.14	5.14
	5.15
5.15 to 5.19	5.16 to 5.20
5.20	-
5.21	5.21
5.22	5.22
5.23	5.23
-	5.24
5.24 to 5.25	5.25 to 5.26
5.26	-
5.27	5.27
5.28 to 5.39	5.28 to 5.39
5.40	5.40
<b>6. Record-keeping and reporting by sub-contractors under QSCs</b>	<b>6. Record-keeping and reporting by sub-contractors under QSCs</b>
6.1	6.1
6.2 to 6.3	6.2 to 6.3
6.4	6.4 to 6.5
-	6.6 to 6.7
6.5	6.8
6.6	6.9
6.7	6.10
-	6.11 to 6.12
6.8 (and Exhibit 1)	6.13 (and Exhibit 2)

Section/paragraph in draft dated 2 April 2024	Section/paragraph in v1.0 dated X June 2025
6.9 to 6.18	6.14 to 6.23
6.19	6.24
6.20 to 6.25	6.25 to 6.30
6.26 to 6.27	-
-	6.31 to 6.34
6.28 (and Exhibit 2)	6.35 (and Exhibit 3)
6.29 to 6.31	6.36 to 6.38
6.32	6.39
6.33	6.40
6.34 to 6.35	6.41 to 6.42
<b>7. Notifying the SSRO of changes</b>	<b>7. Notifying the SSRO of changes</b>
7.1 to 7.5	7.1 to 7.5
7.6	7.6
<b>8. Enforcement action by the MOD</b>	<b>8. Enforcement action by the MOD</b>
8.1	8.1
8.2 to 8.4	8.2 to 8.4
8.5 to 8.7	8.5 to 8.7
-	8.8
8.8 to 8.9	8.9 to 8.10
<b>9. How the SSRO can help</b>	<b>9. How the SSRO can help</b>
9.1 to 9.3	9.1 to 9.3
-	9.4
9.4 to 9.7	9.5 to 9.8
9.8 to 9.9	9.9 to 9.10
-	Appendix 1: Matters that may be referred to the SSRO