



Crown  
Commercial  
Service

**Request to approve a variation for Provision of Consultancy for the  
Type 26 Global Combat Ship Financial and Strategy Support  
Programme – Independent Cost Review with Strat. Dev & Support  
to commercial**

**TO**

**Ministry of Defence (MoD)**

**Contract Reference Number: CCCC15A22L2  
(Variation Reference: CCCC15A22L2-05)**

**Document Control:**

<b>Author:</b>	<b>Role</b>
REDACTED	Category Executive
<b>Authoriser:</b>	<b>Role</b>
REDACTED	Senior Procurement Specialist

## 1. Executive Summary

- 1.1 The Contract for consultancy support for Type 26 Global Combat Ship Financial & Strategy Support Programme - Independent Cost Review with Strategic Development & Support to Commercial Negotiations, consisted of two individual Lots (L1 – McKinsey & Company Inc. and Lot 2 - Deloitte LLP). The value of this Contract meant that it was tendered as an OJEU requirement. The Contract was let by the Crown Commercial Service (Newport) acting as managing agent for the Ministry of Defence (MoD) in November 2015.
- 1.2 This paper seeks your approval to uplift the Contract value in line with the existing terms and conditions and an extension of 6 months from 1<sup>st</sup> July 2017 to 31<sup>st</sup> December 2017. In line with the original specification (Appendix C – Lot 1 and 2 Adhoc Tasks) the Authority also requires the inclusion of support for the strategic analysis of Type 31 Procurement Strategy.
- 1.3 This is in line with your delegation taking into account this paper, Customer Change Notice and the confirmation of approval from MoD (RFA).
- 1.4 The key points to consider are:
  - 1.4.1 This variation requires an uplift in Contract Value in line with the total Contract Value of the following:
    - 1.4.1.1 Lot 2 – The current Contract value is REDACTED (exc.VAT). An uplift of REDACTED (exc. VAT) taking the Contract Value to REDACTED (exc. VAT).
  - 1.4.2 The uplift is due to support being required to the National Shipbuilding Strategy (NSbS) for the strategic development of the outline Procurement Strategy of the new Type 31 General Purpose Frigate (GPFF). In line with the original specification (Appendix C – Lot 1 and 2 Adhoc Tasks) the Authority requires the inclusion of support for the strategic analysis of Type 31 Procurement Strategy.
  - 1.4.3 Customer has confirmed that if any further Type 31 consultancy support is required, it will be subject to separate approval and contractual agreements.
  - 1.4.4 There is an option within the Contract to extend for a period of up to 36 months and for the Contract value to be increased up to a maximum combined value for both Lots of REDACTED (exc. VAT).
  - 1.4.5 This is the fifth variation to the Contract. The first variation was a time only extension of three months. This was to ensure continuity of service whilst the customer was obtaining approval to secure further funding. The second variation was an uplift in value of REDACTED (exc.VAT) and an extension to 30th June 2017 in line with the above option within the Contract. The third variation was an uplift in value of REDACTED (exc.VAT). The fourth variation was an amendment to the DEFCONs.

- 1.4.6 The existing Contract is due to expire on 30<sup>th</sup> June 2017 and the customer has received approval to extend the Contract from 1<sup>st</sup> July 2017 to 31<sup>st</sup> December 2017.

## **2. Issue**

- 2.1 The variation includes the following:

- 2.1.1 An uplift in Contract Value of REDACTED (exc.VAT) for Lot 2 in line with the total Contract Value.
- 2.1.2 Extension of the contract by 6 months from 1st July 2017 to 31st December 2017
- 2.1.3 In line with the original specification (Appendix C – Lot 1 and 2 Adhoc Tasks) the Authority requires the inclusion of support for the strategic analysis of Type 31 Procurement Strategy.

## **3. Background**

- 3.1 The Contract duration was originally from 6<sup>th</sup> January 2015 to 31<sup>st</sup> March 2016.
- 3.2 The scope of this requirement covers two core requirements external consultancy was required to be delivered as 2 separate Lots - Lot 1 and Lot 2, both of which are interrelated and are critical in progressing the T26 GCS Programme at the required pace and to the maximum benefit of MOD during the early stages of the next phase of the T26 Programme. This also included limited support to the National Shipbuilding Strategy (NSbS).
- 3.3 Support to the NSbS included strategic development of the outline Procurement Strategy of the new Type 31 GPFF by Deloitte LLP which has now culminated due to reaching the task approvals limit.

- 3.4 The variation request is due to the following:

- 3.4.1 The NSbS work undertaken during 2016 included an independent report to inform the UK NSbS by Sir John Parker. This report was published on the 29th November 2016 and makes a number of recommendations that the Department wishes to incorporate into its' formal response in the form of the NSbS. Publication of the NSbS is scheduled for the Spring of 2017. Several recommendations relate to the Procurement Strategy of the T31 GPFF which requires further development before the NSbS is published.
- 3.4.2 Thus far, Deloitte LLP has supported the T31 Project Team with strategic analysis of the procurement strategy challenge, development of the assessment success criteria and high level options analysis. It is now proposed that this support continues until March 2017 so that the outline Procurement Strategy can be developed in parallel with the NSbS and that continuity of expert knowledge and thought is leveraged to the maximum extent. The next steps include the development of the proposed contracts architecture, risk/opportunity analysis of the contract interfaces and the development of the contracts incentivisation framework. Work will also include sensitivity analysis and contingency / fall-back planning should programme assumptions change.

3.4.3 There have been significant knowledge and skills transfer including deep understanding of the shipbuilding industrial base and associated commercial landscape. This has led to an improved intelligent client capability. This transfer of skills and knowledge will continue to be achieved by collaborative working between MOD staff and consultants as laid out in the tender response submitted as part of the original bid.

#### 4. Options

A.	No Action – Risk of supplier not having payment and being unable to continue with the work
B.	Implement uplift of Contract Value in line with the options within the terms and Conditions.

#### Option Benefits/Risks

	Benefits	Risks
A.	No benefits	The Authority is at risk of being unable to move forward with the project.
B.	Continuity of service and ensures objectives of the overall project are met.	There is a risk of possible scope creep if the customer is to continue to use this Contract for Type 31 consultancy. However, this is mitigated due to the approved business case recognising that if further consultancy was needed, this would be through a new Contract.

#### 5. Recommendation

5.1 My recommendation is to approve the uplift of Contract Value to the contract and extend the contract from 1<sup>st</sup> July 2017 to 31<sup>st</sup> December 2017 as outlined above (Option B).

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