

COVID -19 – Requests for MOD Supplier Relief

The COVID-19 pandemic has had a major impact across all sectors of the UK economy. The Government has made available extensive support to UK firms and their employees to mitigate the worst effects. These, combined with the other consequences of the economic downturn, have put significant pressure on the public finances. Whilst the Ministry of Defence (MOD) recognises that Defence suppliers have not been immune to the impact of the COVID-19 pandemic, there is no further public money available to alleviate the pressure it has caused. This means that any impact on performance, cost or time on Defence contracts will have potential adverse consequences on delivery of the Defence Programme.

Since the onset of the COVID-19 pandemic, MOD has received requests for relief from the impact of the COVID-19 pandemic on performance, cost and time of MOD contracts. MOD is engaged in discussions with some suppliers regarding their requests for relief.

If suppliers have been impacted by the COVID-19 pandemic and they believe they may be entitled to relief in terms of performance, cost or time from MOD, they are requested to submit to the central team DefComrcl-COVID-19@mod.gov.uk details of the impact of the COVID-19 pandemic in terms of performance, cost or time.

Attached at Annex A to this notice is a set of evidential criteria against which evidence must be provided this includes: agreement to act on an open book basis; a description of mitigations taken (or an explanation of why alternative sources of relief etc. were not taken); and on what basis you believe MOD should be agreeing to bear any part of the COVID-19 impact in terms of performance, cost or time. MOD accepts no liability to provide any relief in respect of performance, cost or time in respect of any such submission and it will be received and considered by MOD without any commitment on its part.

The central team will need to be provided with full details and relevant supporting evidence in respect of any relief relating to the impact of COVID-19 for the period up to 31 December 2020, ideally by Friday 22 January 2021 and no later than Friday 29 January 2021. In respect of any relief from the impact of the COVID-19 from 1 January 2021 submission should be made within 21 days of first becoming aware of the impact.

The central team will work with you to ensure that they understand any information submitted to MOD. They will then conduct subsequent discussions with you about what relief could be reasonable in the circumstances. All discussions will be without commitment. The request for relief will then be considered through the normal approval.

EVIDENCE REQUIREMENTS

1. Requests for relief must provide data that clearly articulates the specific impacts of the COVID-19 pandemic in terms of Time, Cost and Performance. This Annex details the information the Department require to inform discussions on COVID-19 impacts and appropriate relief. The requirements outlined below are non-exhaustive and additional evidence requirements may be required in relation to a specific request for relief.
2. You must agree to operate on an 'open book' basis to support any request for relief and work collaboratively with MOD to ensure there is transparency:
 - a) A full audit trail will need to support any request for relief, which clearly identifies any impacts and why those impacts occurred.
 - b) You must make available any data, including from ledgers, cash-flow forecasts, balance sheets, and profit and loss accounts and any other documentary evidence as required and requested to support any request for relief.
 - c) For competitive contracts, full transparency of costs, including those related to the original cost base at the time of tendering and subsequent expenditure, will be required to support justification.
3. You must provide full records and a written audit trail of any other performance (i.e. reduction in contracted performance), time (i.e. extension of time) or cost relief already requested or received against identified COVID-19 impacts. You must detail whether this was claimed under an existing contractual arrangement or through another Government COVID relief scheme.
4. We recognise the specific nature of defence work. However, within this proviso we expect that the impacts of the COVID-19 pandemic to have been mitigated to the highest degree possible. You will need to provide evidence of mitigations taken. Examples of mitigations include:
 - a) Use of the Coronavirus Job Retention Scheme;
 - b) Non-productive employees undertaking activities that supported/maintained their future capability, such as online training;
 - c) Recovery of any additional costs through insurance policies, where such relief is covered; and
 - d) Utilisation of home working wherever possible.
5. For impacts related to new or revised ways of working, evidence must be provided to demonstrate that those impacts have been spread across your customer base and that the proportion you seek to recover from MoD is both reasonable and proportionate in relation to that customer base. You must evidence that your MOD and commercial supply chains have been treated on an equal basis.
6. We expect there to be savings and other benefits from the change in working practices due to the COVID-19 pandemic (e.g. reduction in travel & subsistence costs, reduction in energy consumption, et.) and this data should be set out in your evidence as a credit and an offset to any additional costs.

7. Evidence will be required of consultation or advice provided by you to the Authority which explains your decisions in relation to changing ways of working, purchasing of PPE and so on, in order to adapt to the impacts resulting from the COVID-19 pandemic.

8. Where performance, time or cost relief is requested from your supply chain, evidence must be provided to explain what these impacts are and how they are allocated to MOD specifically under the contract.

9. Any other information and or data that you consider will assist with the assessment of the claim should also be submitted.