



Defence Reform Act 2014

2014 CHAPTER 20

PART 2

SINGLE SOURCE CONTRACTS

Pricing of contracts

15 Pricing of contracts

- (1) Single source contract regulations must make provision about determining the price payable under a qualifying defence contract [^{F1}, and, where the contract is divided into components, each component of that contract,] to the primary contractor.
- [^{F2}(2) The regulations must provide for the price payable under the contract, or any component, to be determined—
 - (a) in accordance with the formula in subsection (4), or
 - (b) in such circumstances as may be specified in the regulations, in accordance with another method.
- (2A) The regulations must only specify circumstances for the purposes of subsection (2)(b) if the Secretary of State is satisfied that the factors referred to in section 13(2) may be ensured in those circumstances if another method is used.
- (2B) The regulations may also make provision requiring a particular method specified in the regulations to be used in certain of the circumstances specified for the purposes of subsection (2)(b).]
- (3) The regulations must provide that where the Secretary of State and the primary contractor propose to amend the contract [^{F3}or each amended component of that contract,] in a way that would affect the price determined by virtue of subsection (2) or this subsection—
 - (a) the price payable under the amended contract must be re-determined in accordance with [^{F4}the method applicable by virtue of subsection (2)], or

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- (b) the price payable in respect of the amendment must be determined in accordance with that [^{F5}method].

(4) The formula is—

$$(CPR \times AC) + AC$$

where—

- a “CPR” is the contract profit rate for the contract [^{F6}or component] (see section 17), and
b “AC” means the primary contractor's allowable costs under the contract [^{F7}or component] (see section 20).

(5) The regulations may provide for a determination by virtue of subsection (2) or (3) to be made at such times as may be specified in the regulations (and different times may be specified for different kinds of contract [^{F8}or component]).

[^{F9}(6) In this Part, “component”, in relation to a contract, means a part of the contract that is to be treated distinctly from other such parts in determining the price payable under the contract.

(7) For the purposes of subsection (6), a part of a contract is to be treated distinctly if—
(a) single source contract regulations contain provision to that effect, or
(b) the parties to the contract agree that it should.

(8) Single source contract regulations may make provision about when parts of a qualifying defence contract are or are not to be treated distinctly from other parts of the same contract.]

Textual Amendments

- F1** Words in s. 15(1) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(2)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F2** S. 15(2)-(2B) substituted for s. 15(2) (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(3)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F3** Words in s. 15(3)(a) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(4)(a)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F4** Words in s. 15(3)(a) substituted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(4)(b)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F5** Word in s. 15(3)(b) substituted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(5)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F6** Words in s. 15(4) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(6)(a)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F7** Words in s. 15(4) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(6)(b)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F8** Words in s. 15(5) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(7)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F9** S. 15(6)-(8) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 3(8)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)

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Commencement Information

- I1** [S. 15](#) in force at 14.7.2014 for specified purposes by [S.I. 2014/1751](#), **art. 4(b)**
- I2** [S. 15](#) in force at 5.12.2014 in so far as not already in force by [S.I. 2014/3162](#), **art. 3(a)**

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 25(8A) inserted by [2023 c. 54 Sch. 10 para. 13\(3\)](#)
- s. 35A inserted by [2023 c. 54 Sch. 10 para. 19](#)