



# 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 to the primary contractor.
- (2) The regulations must provide for the price payable under the contract to be determined in accordance with the formula in subsection (4).
- (3) The regulations must provide that where the Secretary of State and the primary contractor propose to amend the 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 the formula in subsection (4), or
  - (b) the price payable in respect of the amendment must be determined in accordance with that formula.

- (4) The formula is—

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

where—

- (a) “CPR” is the contract profit rate for the contract (see section 17), and
  - (b) “AC” means the primary contractor’s allowable costs under the contract (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).