



Defence Reform Act 2014

2014 CHAPTER 20

PART 2

SINGLE SOURCE CONTRACTS

Pricing of contracts

18 Contract profit rate: supplementary

- (1) The Secretary of State or an authorised person, and the primary contractor, must have regard to guidance issued by the SSRO in relation to any of the steps set out in section 17(2).
- (2) Single source contract regulations may—
 - (a) disapply the requirement to take any or all of steps 2 to [F14] in section 17(2) in relation to a qualifying defence contract the value of which is less than the amount specified for the purposes of this paragraph [F2, or a component of such a contract];
 - (b) provide for any or all of those steps to apply in relation to such a contract [F3 or component] with modifications set out in the regulations;
 - (c) where the Secretary of State is a party to a group of qualifying defence contracts with the same primary contractor, provide for section 17(2) to apply in relation to those contracts [F4 or components of those contracts]—
 - (i) taken together or individually, and
 - (ii) with such modifications as may be set out in the regulations.
- (3) Single source contract regulations may provide that the SSRO—
 - [F5(a) may, on an application by a person within subsection (4), determine whether—
 - (i) the baseline profit rate identified under step 1 in section 17(2) is correct in relation to a qualifying defence contract or a component of such a contract;
 - (ii) an adjustment agreed under any of steps 2 to 4 in section 17(2) is appropriate;

Changes to legislation: Defence Reform Act 2014, Section 18 is up to date with all changes known to be in force on or before 03 March 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (iii) an adjustment agreed under step 3 in section 17(2) is in accordance with the regulations];
- (b) may, in consequence of a determination by virtue of paragraph (a) that the amount of such an adjustment is not appropriate, determine that the price payable under the contract is to be adjusted by an amount specified by the SSRO.
- (4) The following persons are within this subsection—
- (a) the Secretary of State,
 - (b) an authorised person, and
 - (c) the primary contractor.

Textual Amendments

- F1** Word in s. 18(2)(a) substituted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 10(2)(a)**; S.I. 2024/61, reg. 2(1)(b)(iv) (with reg. 3)
- F2** Words in s. 18(2)(a) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 10(2)(b)**; S.I. 2024/61, reg. 2(1)(b)(iv) (with reg. 3)
- F3** Words in s. 18(2)(b) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 10(3)**; S.I. 2024/61, reg. 2(1)(b)(iv) (with reg. 3)
- F4** Words in s. 18(2)(c) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 10(4)**; S.I. 2024/61, reg. 2(1)(b)(iv) (with reg. 3)
- F5** S. 18(3)(a) substituted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 10(5)**; S.I. 2024/61, reg. 2(1)(b)(iv) (with reg. 3)

Commencement Information

- I1** S. 18 in force at 14.7.2014 for specified purposes by S.I. 2014/1751, **art. 4(e)**
- I2** S. 18 in force at 5.12.2014 in so far as not already in force by S.I. 2014/3162, **art. 3(a)**

Changes to legislation:

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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](#)