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STATUTORY INSTRUMENTS

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**2014 No. 3337**

**The Single Source Contract Regulations 2014**

**PART 3**

Pricing of contracts

**Calculation of final price adjustment**

**17.**—(1) Where the outturn profit rate exceeds the contract profit rate, the final price adjustment is to be calculated in accordance with whichever of paragraphs (2) to (4) applies.

(2) Where the difference is at least 5% but less than 10%, the contract price is decreased by an amount equal to 25% of the outturn profit which exceeds excess level 1.

(3) Where the difference is at least 10% but less than 15%, the contract price is decreased by an amount equal to the total of—

- (a) 50% of the outturn profit above excess level 2; and
- (b) 25% of the outturn profit above excess level 1 (but excluding the outturn profit which is above excess level 2).

(4) Where the difference is at least 15%, the contract price is decreased by an amount equal to the total of—

- (a) 75% of the outturn profit above excess level 3;
- (b) 50% of the outturn profit above excess level 2 (but excluding the outturn profit which is above excess level 3); and
- (c) 25% of the outturn profit above excess level 1 (but excluding the outturn profit which is above excess level 2).

(5) Where the outturn costs exceed the contract price, the contract price is increased by the total of—

- (a) an amount equal to 25% of that excess up to the loss level; and
- (b) an amount equal to 50% of any such excess above the loss level.

(6) In this regulation—

- (a) “excess level 1” means the contract profit which would have been achieved under the contract (before the application of the final price adjustment) if—
  - (i) “AC” in the formula in regulation 10(1) were the outturn costs; and
  - (ii) the contract profit rate were 5 percentage points higher;
- (b) “excess level 2” means the contract profit which would have been achieved under the contract (before the application of the final price adjustment) if—
  - (i) “AC” in the formula in regulation 10(1) were the outturn costs; and
  - (ii) the contract profit rate were 10 percentage points higher;

- (c) “excess level 3” means the contract profit which would have been achieved under the contract (before the application of the final price adjustment) if—
  - (i) “AC” in the formula in regulation 10(1) were the outturn costs; and
  - (ii) the contract profit rate were 15 percentage points higher;
- (d) “loss level” means the loss which the primary contractor would have made under the contract (before the application of the final price adjustment) had the outturn costs been 5% higher than the contract price;
- (e) “outturn costs” means the amount of the primary contractor’s actual costs under the contract which meet the requirements set out in section 20(2)(a) to (c);
- (f) “outturn profit” means the difference between the contract price and the outturn costs;
- (g) “outturn profit rate” means the outturn profit, expressed as a percentage of the outturn costs;
- (h) references to “the difference” are to the difference between the outturn profit rate and the contract profit rate;
- (i) references to the contract profit rate or contract price exclude any amount resulting from step 5 of regulation 11 (incentive adjustment);
- (j) references to actual costs or the contract price exclude any liquidated damages or interest on overdue payments payable under the terms of the contract.
- [<sup>F1</sup>(k) where the contract contains at least one component which is not a relevant defined component, references to the contract price, the contract profit, the contract profit rate, the loss level and the outturn costs relate only to the relevant defined component or components of the contract;
- (l) references to the relevant defined component or components of a contract are to the component or components of the contract with a price determined by the firm pricing method, the fixed pricing method or the volume-driven pricing method.]

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**Textual Amendments**

- F1** Reg. 17(6)(k)(l) inserted (1.9.2019) by [The Single Source Contract \(Amendment\) Regulations 2019](#) (S.I. 2019/1106), regs. 1, 7

**Changes to legislation:**

There are currently no known outstanding effects for the The Single Source Contract Regulations 2014, Section 17.