STATUTORY INSTRUMENTS

2026 No. 510

PUBLIC PROCUREMENT

The Single Source Contract (Amendment) Regulations 2026

Made - - - -	*11th May 2026*
Laid before Parliament	*14th May 2026*
Coming into force - -	*5th June 2026*

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 17(1), 17(2), 30(2) and 35(1) of the Defence Reform Act 2014(**a**).

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Single Source Contract (Amendment) Regulations 2026 and come into force on 5th June 2026.

(2) These Regulations extend to England and Wales, Scotland and Northern Ireland.

Amendment to regulation 11 of the Single Source Contract Regulations 2014

2.—(1) Regulation 11 (steps in determining contract profit rate) of the Single Source Contract Regulations 2014(**b**) is amended as follows.

(2) In paragraph (6)—

(a) after "component specified by the Secretary of State", insert "(the relevant provisions)";

(b) for "two percentage points", substitute "ten percentage points".

(3) After paragraph (6), insert—

"(6A) In specifying the relevant provisions, the Secretary of State must also specify an outcome that must be achieved in order for the incentive adjustment to be payable, and that outcome must—

(a) be capable of objective verification; and

(b) relate to the performance of the relevant provisions.

(6B) If assessing the outcome or the performance of the relevant provisions includes any element of judgement by one or both of the contracting parties, or any person associated with the primary contractor(**c**), that element must be capable of being determined by a suitably qualified independent person.

(**a**) 2014 c. 20. Section 17 was amended by paragraph 9 of Schedule 10 to the Procurement Act 2023 (c. 54) (which was inserted by section 117 of that Act), and section 35(1)(a) was amended by paragraph 18(2) of Schedule 10 of the Procurement Act 2023.

(**b**) S.I. 2014/3337, amended by S.I. 2024/420; there are other amending instruments but none is relevant.

(**c**) For the definition of "associated", see section 43(3) of the Defence Reform Act 2014.

(6C) In determining the amount of the incentive adjustment, the Secretary of State must be satisfied that it is reasonable in the circumstances, having regard to the potential public benefit arising from its use.".

Amendment to regulation 51 of the Single Source Contract Regulations 2014

3.—(1) Regulation 51 (matters on which the SSRO must give an opinion) is amended as follows.

(2) In paragraph (1)(a)(i), for "step 2 or 4" substitute "step 2, 3 or 4".

Amendment to regulation 65 of the Single Source Contract Regulations 2014

4.—(1) Regulation 65 (modifications of these Regulations) is amended as follows.

(2) For paragraph (4)(a) substitute—

"(a) in paragraph (6)—

(i) for each "Secretary of State" there were substituted "contracting authority";

(ii) for "ten percentage points" there were substituted "two percentage points";

(aa) paragraph (6A), (6B), and (6C) were omitted;".

Luke Pollard
Minister of State
Ministry of Defence

11th May 2026

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Single Source Contract Regulations 2014 (S.I. 2014/3337, amended by S.I. 2024/420) (the "2014 Regulations").

Regulation 2 amends regulation 11 of the 2014 Regulations, which sets out the steps to be followed by the Secretary of State in determining a contract profit rate for a qualifying defence contract under those Regulations. Regulation 2 amends regulation 11 to raise the permissible incentive adjustment from two to ten percentage points. It further amends regulation 11 such that the incentive adjustment may only be used in respect of outcomes which are objectively verifiable, and which relate to relevant provisions of the contract in question.

Regulation 3 amends regulation 51 of the 2014 Regulations in order to add the determination of an incentive adjustment to the list of matters on which the Single Source Regulations Office is required to give an opinion on a reference made to it by a person mentioned in section 35(2) of the Defence Reform Act 2014.

Regulation 4 amends regulation 65 of the 2014 Regulations, so that for qualifying sub-contracts the permissible incentive adjustment remains at two percentage points, and continues to be determined by the contracting authority.

A De Minimis Assessment of the effect that this instrument will have on the costs of business and the voluntary sector is published with the Explanatory Memorandum alongside the Statutory Instrument on www.legislation.gov.uk.

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