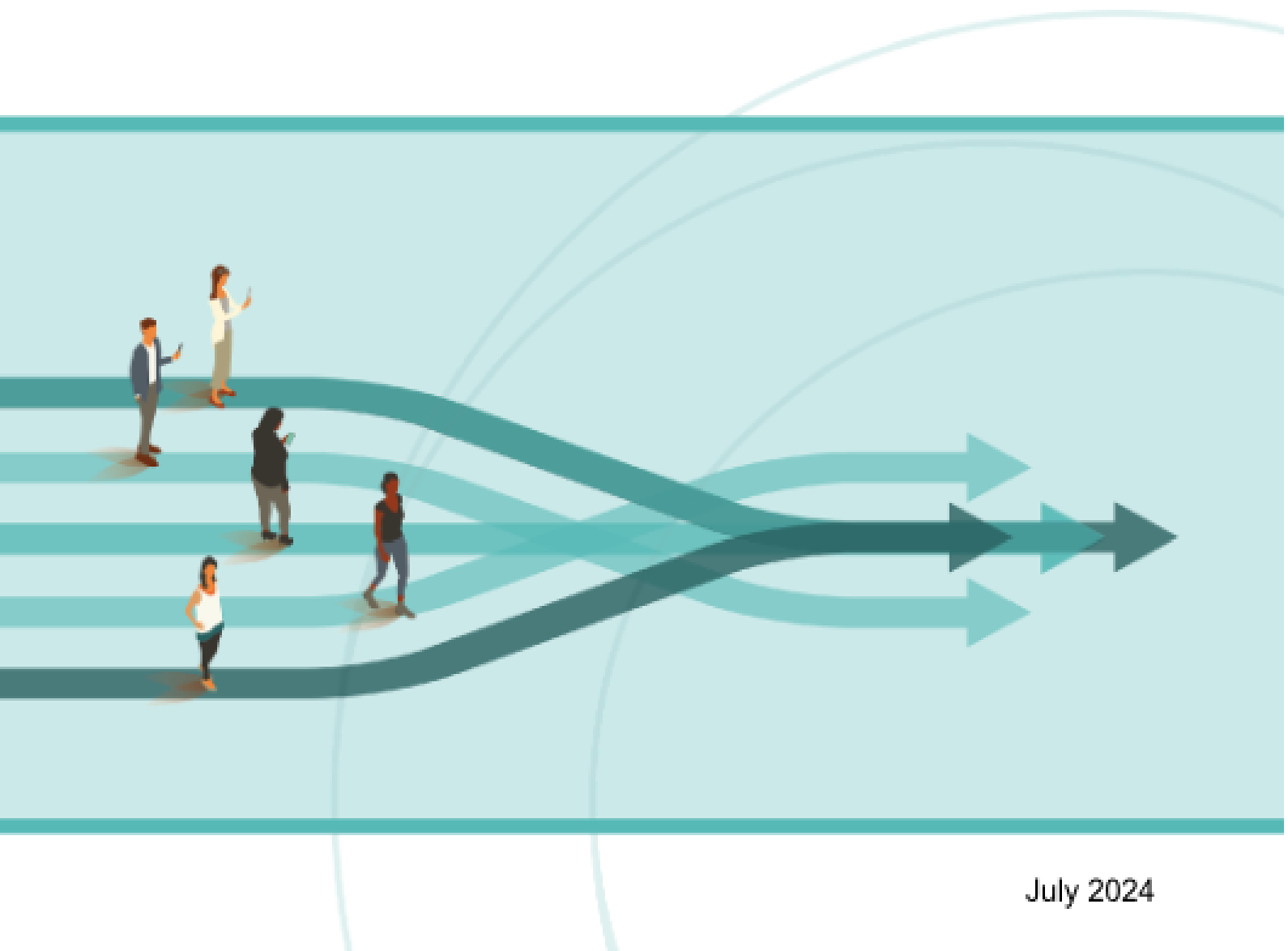




Government
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Procurement Act 2023

Guidance: Defence and Security Contracts



July 2024

Guidance on Defence and Security Contracts

Are defence and security contracts treated differently from other contracts in the [Procurement Act 2023](#)?

1. The specific defence and security provisions in the [Procurement Act 2023 \(Act\)](#), listed at Annex A to this guidance, provide derogations and flexibility to cater for the limited differences in the way that contracting authorities awarding defence and security contracts need to operate compared to those awarding other contracts.
2. Some of the provisions in the Act relating to equal treatment of suppliers and greater openness in the conduct of procurement procedures might not be practical where the nature of the defence market limits the scope for competition. Others may put at risk the UK's defence and security interests, such as maintaining security of supply for critical defence supplies.
3. To deal with and alleviate such practicalities and risks, the Act includes specific defence and security provisions that allow:
 - a. contracting authorities to derogate from certain provisions in the Act; or
 - b. additional flexibilities which are not available to contracting authorities procuring other contracts.
4. This guidance deals only with the specific provisions that apply to defence and security contracts. Where there are no specific provisions, there is no difference for defence and security contracts and reference should be made to relevant other guidance on various aspects of the Act.

What is the legal framework that governs defence and security contracts?

5. The rules governing defence and security procurement in the UK are contained in the Act and replace the repealed Defence and Security Public Contracts Regulations 2011 (DSPCR). Defence and security contracts are defined at [section 7](#) of the Act.
6. Contracting authorities awarding defence and security contracts are generally governed by the provisions in the Act, just like any other contracting authority. There are some exceptions and this guidance provides an overview of the specific defence and security provisions that apply.
7. Some mixed contracts will contain elements which, if procured separately, would be subject to special rules, such as those applicable to defence and security contracts. [Section 10](#) provides for when those contracts are to be treated according to the rules that reflect the special nature of one element (i.e. when they are to be treated as a 'special regime contract', as defined in [section 10](#)), or when they are to be treated as subject to the standard rules in the Act.

What has changed?

8. Whereas defence and security contracts were previously regulated separately (under the DSPCR), the Act regulates defence and security contracts and other types of contracts. This consolidation serves to reduce the overall volume of procurement legislation and simplifies the rules for contracting authorities.
9. The scope of what falls within a defence and security contract in the Act is wider than the previous legislation in that the Act covers goods, services or works that are otherwise relevant to the operational capability, effectiveness, readiness for action, safety or security of the armed forces.
10. The Act also provides additional flexibility for direct awards and permitted modifications that will allow defence authorities to take advantage of technical developments, mitigate any adverse effects and maintain continuity of supply.

Key points and policy intent

Application

11. The defence and security provisions in the Act apply to 'defence and security contracts' that are public contracts. A defence and security contract is a public contract where:
 - a. the estimated value of the contract exceeds the threshold for defence and security contracts; and
 - b. the contract is not an exempted contract ([section 3](#)).
12. In order to rely upon the provisions at [Schedule 5, paragraph 20](#) (Direct award justifications) and [Schedule 8, paragraphs 10-11](#) (Permitted contract modifications) the procurement must, in addition to the requirements set out in paragraph 10 above, be undertaken by a 'defence authority' (see paragraph 24 below).

What is a defence and security contract?

13. [Section 7\(1\)](#) defines a 'defence and security contract' as a contract for the supply of:
 - a. military equipment, which includes any parts, components or subassemblies of military equipment (see [section 7\(7\)](#));
 - b. sensitive equipment;
 - c. goods, services or works necessary for the development, production, maintenance or decommissioning of military equipment or sensitive equipment;
 - d. logistics services relating to military equipment or sensitive equipment;

- e. goods, services or works for wholly military purposes¹;
 - f. sensitive services or sensitive works;
 - g. goods, services or works that are otherwise relevant to the operational capability, effectiveness, readiness for action, safety or security of the armed forces.
14. These terms are further defined in [section 7\(7\)](#) and contracting authorities should check whether a procurement falls within the definition in the Act. Military equipment is equipment specifically designed or adapted for military purposes. Sensitive equipment, works and services cover procurements for security purposes which involve dealing with 'classified information'. Classified information means information or other material which requires protection from unauthorised access, distribution, or destruction, or from other compromise in the interests of national security and is protected by law (such as the Official Secrets Act).
15. The definition of a defence and security contract at [section 7\(1\)](#) primarily covers contracts currently within the scope of the DSPCR but it also includes other contracts of the type set out in [section 7\(1\)\(g\)](#), where the defence and security provisions in the Act are to apply. [Section 7\(1\)\(g\)](#) could include, for example, a drone designed for the civil market, but which is being put to military use and where the defence and security provisions in the Act, such as the modification ground for technical refresh, should apply in order to ensure operational advantage is maintained.
16. A defence and security contract includes a defence and security framework, which is a framework under which only defence and security contracts will be awarded (see paragraphs 35-37 below).

What are the financial thresholds for defence and security contracts?

17. [Schedule 1, paragraph 1](#), of the Act sets out the various thresholds applicable to the different categories of contracts. Whether the estimated value of a contract (that is not an exempted contract) is above or below the relevant threshold determines whether it is 'covered procurement' under the Act - that is, whether generally it is subject to the rules applicable to public contracts or (if relevant) to the below-threshold regime in [Part 6](#). The table below sets out the thresholds for defence and security contracts that have applied since 1 January 2024. The thresholds in the Act currently reflect those in place at the time of Royal Assent and will be updated by secondary legislation prior to the Act coming into force.

Type of defence and security contract	Threshold
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¹ 'wholly military purposes' include:

- (a) the transportation of military personnel or military equipment;
- (b) the training of military personnel;
- (c) the training of other personnel to use military equipment; and
- (d) the construction of military facilities, including military airfields, military storage facilities or facilities for the maintenance of military equipment.

Goods	£429,809
Services	£429,809
Works	£5,372,609
Concession	£5,372,609

What exemptions are available to contracting authorities?

18. [Schedule 2](#) sets out the types of contracts to which the rules on covered procurement do not apply ('exempted contracts'). With the exception of the exemptions applicable only to utilities, all of the exemptions could be applicable when contracting authorities award defence and security contracts.
19. In addition to the exemptions specifically relevant in defence and security procurement, set out below are the types of exempted contracts that may be particularly relevant to defence and security contracts, although other types of exempted contracts may also be relevant. Please refer to the guidance on [exempted contracts](#) for further information.
20. Defence and security contracts (counterparty). [Schedule 2, paragraph 4](#) exempts government-to-government defence and security contracts where a contracting authority procures directly from the government of another state or territory, which would include the governing authority of the state or territory and a regional or local government within a state or territory.
21. Research and development services (subject-matter). [Schedule 2, paragraph 22](#) exempts contracts for research and development services (R&D). There is a degree of overlap with the direct award ground for prototypes and development. The grounds for direct award have a wider scope for R&D than this exemption and may be suitable where the R&D also involves goods as well as services.
22. International agreements and organisations (subject-matter). [Schedule 2, paragraph 23\(a\)](#) (stationing of military personnel) exempts contracts relating to the stationing of military personnel which a contracting authority is obliged to award in accordance with the procurement rules of an international agreement.
23. National security (subject-matter). [Schedule 2, paragraph 25](#) exempts contracts where the contracting authority determines that doing so is in the interests of national security. This exemption is available to all contracting authorities, not just those procuring defence and security contracts. National security interests can include, provided they are properly justified, procurements that are too sensitive to advertise, or where the UK's national security requires the contract to be delivered by a UK supplier. National security is not defined in the Act, in order to ensure that it is sufficiently flexible to protect the UK's national security interests, but must be properly justified.

24. Defence and security (subject-matter). The Act provides a number of exemptions for defence and security contracts where the application of the Act to either the contracting authority or the supplier is not appropriate:
- a. [Schedule 2, paragraph 27](#) exempts a defence and security contract awarded to a supplier outside of the UK where operational needs require the contract to be concluded with a supplier who is located in the area of operations where the armed forces are deployed. Operational requirements mean that contracts need to be placed with local suppliers or a specific supplier for speed of acquisition. That often makes it impractical and inefficient to place contracts with suppliers outside of the state in which the armed forces are deployed;
 - b. [Schedule 2, paragraph 28](#) exempts a defence and security contract awarded to a supplier located in another state or territory where the armed forces maintain a military presence, and the relevant state or territory requires a local supplier to be awarded the contract as part of the conditions for the presence of the armed forces;
 - c. [Schedule 2, paragraph 29](#) exempts a defence and security contract awarded under a procedure of an international organisation of which the UK is a member, such as NATO or OCCAR;
 - d. [Schedule 2, paragraph 30](#) exempts a defence and security contract awarded under an international arrangement, such as a memorandum of understanding, where the purpose of that arrangement is for the UK and one or more other states or territories to jointly develop or exploit a new product.

What is a defence authority?

25. Certain provisions in the Act relating to defence and security contracts only apply to contracts awarded by defence authorities. A defence authority' is defined in [section 7\(5\)](#) of the Act as a contracting authority specified in regulations made by a Minister of the Crown.
26. Currently, the Secretary of State for Defence, the Atomic Weapons Establishment, the National Crime Agency and the Oil and Pipelines Agency satisfy the statutory requirements of the Act and are specified as defence authorities in regulations under the Act.
27. The defence and security provisions that are applicable only to defence authorities are as follows:
- a. [Schedule 5, paragraph 20](#), which permits direct award of defence and security contracts where necessary to enhance or maintain the operational capability, effectiveness, readiness for action, safety, or security of the armed forces; and

- b. [Schedule 8, paragraphs 10-11](#) which permit modifications of defence and security contracts:
 - i. to take advantage in developments in technology; or
 - ii. to mitigate the adverse effects of developments in technology; or
 - iii. where the continuous supply of goods, works or services supplied under a contract are necessary to ensure the ability of the armed forces to maintain their operational capabilities, effectiveness, readiness for action, safety, security or logistical capabilities and the modification is necessary to ensure there is a continuous supply of those goods, works or services.

International agreements

- 28. [Part 7](#) of the Act uses the term 'treaty state suppliers' to identify suppliers from countries that are entitled to benefit from one of the international agreements listed in [Schedule 9](#). It ensures that treaty state suppliers have the right to no less favourable treatment than domestic suppliers when participating in a procurement under the Act, to the extent covered by their relevant agreement, including, where provided for in the agreement, the right to seek remedies under the Act.
- 29. Defence and security contracts listed at [section 7\(1\)\(a-f\)](#) are not included in any of the international agreements in [Schedule 9](#), so a contracting authority's duty to comply with Parts 1 to 5, 7 and 8 of the Act, as referred to in [section 100](#), for the procurement of those contracts is only owed to suppliers from the UK, Crown Dependencies and British Overseas Territories.
- 30. Contracting authorities carrying out procurements for such defence and security contracts therefore have the discretion to exclude suppliers, and sub-contractors of any supplier, from outside the UK, Crown Dependencies and British Overseas Territories from these procurements. They are, of course, permitted to include suppliers outside of the UK, Crown Dependencies and British Overseas Territories in their procurements.
- 31. For defence and security contracts listed at [Section 7\(1\)\(g\)](#), contracting authorities considering excluding non-UK, Crown Dependencies and British Overseas Territories suppliers will need to check the coverage of the international agreements listed in [Schedule 9](#) as some treaty state suppliers may have a right to participate in these procurements.

Specific provisions applicable to carrying out a defence and security procurement

- 32. Competitive tendering procedure. Generally, contracting authorities awarding defence and security contracts must use the same procurement procedures as are used by other contracting authorities. [Section 20](#) sets out the provisions relating to competitive

tendering procedures. Please see the guidance on [competitive tendering procedures](#) for more information.

33. **Direct award.** [Section 41](#) permits a contracting authority to award a contract directly, without first running a competitive tendering procedure when a direct award justification (set out in [Schedule 5](#)) applies. Whilst all of the direct award justifications are available, there are three specific provisions for directly awarding defence and security contracts:
- a. [Schedule 5, paragraph 18](#) allows contracting authorities to directly award contracts for the supply of air or maritime transport services to the armed forces or security services while they are deployed outside the UK or in order for them to be deployed outside the UK. For example, this would allow the contracting authority to employ a broker to find a suitable aircraft or vessel to provide the transport;
 - b. [Schedule 5, paragraph 19](#) allows contracting authorities to directly award a contract instead of modifying an existing contract where, had the existing contract been modified, the modification would not have been substantial or the permitted modification grounds in [Schedule 8, paragraphs 4 and 8](#) would have applied. This justification can only be used where the new contract would be a 'qualifying defence contract' under [section 14\(2\)](#) of the [Defence Reform Act 2014 \(Defence Reform Act\)](#). This provision ensures that the new contract falls under the pricing arrangements in the [Single Source Contract Regulations 2014](#);
 - c. [Schedule 5, paragraph 20](#) allows defence authorities (see paragraphs 24-26 above) to directly award defence and security contracts listed at [section 7\(1\)\(a-f\)](#) where the direct award is necessary to enhance or maintain the operational capability, effectiveness, readiness for action, safety or security of the armed forces. Cabinet Office and Ministry of Defence have agreed a threshold of £20 million above which the Ministry of Defence would need to seek Cabinet Office approval in order to use the direct award ground at [Schedule 5, paragraph 20](#), which also applies to Defence Equipment and Support.
34. Whenever directly awarding a contract, the contracting authority must be able to demonstrate the necessity of direct award, which must be set out in the transparency notice required by [section 44\(1\)](#). Please refer to the guidance on [direct award](#) for further information on these and other justifications and the transparency notice.
35. **Defence and security frameworks.** [Section 47](#) sets out the maximum term for frameworks. It provides that the maximum term for a defence and security framework (and a utilities framework) is eight years. For all other frameworks, the maximum term is four years. [Section 47\(4\)](#) defines a defence and security framework as a framework that provides for the future award of only public contracts (referred to here as 'call-off contracts') that are defence and security contracts. The longer term reflects the complexities of the defence and security markets.

36. Contracting authorities should consider the terms of frameworks on a case by case basis bearing in mind that utilising the maximum permitted duration in developing or volatile markets might effectively stifle competition and innovation leading to poor value for money.
37. A longer term than eight years is permitted under [section 47\(2\)](#) if the contracting authority considers that this is required due to the nature of goods, services or works to be supplied. For example, a longer term may be necessary where investment is required by suppliers to deliver the call-off contracts under the framework that will take longer than eight years to recoup, or where call-off contracts have a long lead time prior to award and therefore cannot be awarded prior to expiry of the framework. Where a contracting authority relies on [section 47\(2\)](#) to provide for a longer term, [section 47\(3\)](#) requires the contracting authority to publish the rationale for this in the tender or transparency notice for the framework.
38. Contract award notices. [Section 50\(6\)\(a\)](#) exempts contracting authorities from the requirement to publish a contract award notice before entering into a call-off contract awarded under a defence and security framework.
39. Contract Modifications. [Section 74](#) and [Schedule 8](#) apply to the award of defence and security contracts in the same way as for other contracts. In addition, defence authorities may make use of two specific additional permitted modification grounds set out in [Schedule 8](#) to modify their defence and security contracts (i.e. defence authority contracts):
- a. [Schedule 8, paragraph 10](#) permits a defence authority contract to be modified to take advantage of technological developments, or to minimise potential adverse impacts. This allows defence authorities to adapt contracts, for example, to maintain an operational advantage over adversaries, better respond to threats and improve operational capabilities;
 - b. [Schedule 8, paragraph 11](#) permits a defence authority contract to be modified to ensure there are no gaps in the delivery of the contract where this is necessary to ensure that the armed forces are able to maintain their operational capability, effectiveness, readiness for action, safety, security or logistical capabilities. This to ensure that lack of continuous supply does not expose the armed forces to unnecessary risk.
40. Modifications to defence and security contracts are exempted from the requirement to publish contract change notices ([section 75\(6\)](#)). Neither is there a requirement to publish the modified contract (because the contracting authority has not made a 'qualifying modification' as defined in [section 75\(2\)](#)).
41. Implied terms. [Section 67\(6\)\(b\)](#) allows defence authorities to require suppliers to send electronic invoices (in the required electronic form) for processing to specified electronic systems that require the payment of fees by the supplier.

42. [Section 117](#) provides that amendments are made in [Schedule 10](#) to the [Defence Reform Act](#) to enable reforms to the [Single Source Contract Regulations 2014](#). These regulations strike a balance between ensuring value for money for the taxpayer and a fair price for suppliers for un-competed 'qualifying defence contracts'. These reforms were set out in a Command Paper published in 2022² and are designed to ensure that the single source procurement regime can continue to deliver in traditional defence contracts and be applied effectively across the breadth of single source defence work in the future.
43. [Schedule 10, paragraph 2\(2-4\)](#) provides a power to clarify that some cross-government single source contracts with a substantial defence element will come under the [Defence Reform Act](#) regime. That will provide assurance on value for money for a greater proportion of single source defence expenditure.
44. [Schedule 10, paragraphs 3\(2\) and 3\(8\)](#) allow a contract to be split into different components (with, for example, different profit rates or pricing methods) where it makes commercial sense to do so. Further flexibility in the regime is provided by a power in [paragraph 3\(3\)](#) to specify circumstances under which a fair price for all or part of a contract can be demonstrated in ways other than by reference to the pricing formula in the [Defence Reform Act](#). Circumstances for using such an approach will be set out in regulations to the [Defence Reform Act](#) and will include, for example when an item has previously been sold in an open market or where a price is regulated by another law.
45. The contract negotiation process within the [Single Source Contract Regulations 2014](#) is simplified by amendments in [Schedule 10](#):
- c. [paragraph 9\(3\)\(a\)](#) will ensure that the contract better reflects the financial risks involved;
 - d. [paragraph 9\(3\)\(e\)](#) provides a power that will clarify how the incentive adjustment should be applied. The current six-step profit-setting process is being amended to remove two steps.
 - e. [paragraph 11\(3\)](#) will abolish the funding adjustment for the Single Source Regulations Office (SSRO) and remove the adjustment that ensures that profit can be taken on a contract only once. That issue is dealt with through allowable costs by virtue of [paragraph 12\(3\)](#).
46. [Schedule 10, paragraph 13](#) simplifies some reporting requirements to reflect concerns expressed by suppliers and to make compliance with the regulations more straightforward. The amendments in [paragraphs 18 and 19](#) enhance the power of the SSRO to issue guidance, and clarify and expand the range of issues on which it can

² [Defence and Security Industrial Strategy: Reforms to the Single Source Contract Regulations, April 2022](#)

adjudicate. That will empower the SSRO to play a greater role in speeding up the contract negotiation process.

What are the primary notices linked to this aspect of the Act?

47. Defence and security procurement is generally governed by the same transparency and noticing requirements as all other procurement under the Act. The exceptions are set out above and are as follows:
- f. there is no requirement to publish a contract award notice for a call-off contract under a defence and security framework;
 - g. there is no obligation to publish a contract change notice when a defence and security contract is being modified;
 - h. when a defence and security contract has been modified, there is no obligation to publish the modified contract.

What other guidance is of particular relevance to this topic area?

Contracting authorities awarding defence and security contracts will need to understand the whole of the Act, as the same provisions (for example, relating to competitive tendering procedures, conditions of participation and award criteria) as apply to contracting authorities awarding other contracts apply. The only exceptions and flexibilities are set out in this guidance. The [suite of guidance published on the Act](#) is therefore relevant, although the following guidance is of particular relevance.

Guidance on [mixed procurement](#)

Guidance on [valuation of contracts](#)

Guidance on [exempted contracts](#)

Guidance on [thresholds](#)

Annex A

Summary of specific defence and security provisions in the [Procurement Act 2023](#)

Legislative reference	Specific defence and security provisions
Section 7 - Defence and security contracts	Section 7(1) defines a 'defence and security contract' for the purposes of the Act. Section 7(2) provides that a framework will be a defence and security contract where it only permits the award of contracts which are defence and security contracts. Section 7(3) ensures the thresholds in Schedule 1 specific to defence and security contracts are applied only in respect of procurements falling within Section 7(1) (a) to (f). Section 7(4) defines a 'defence authority contract'. This is a subset of a defence and security contract and are contracting authorities that are permitted to use the direct award justification in Schedule 5, paragraph 20 and the permitted modification grounds in Schedule 8, paragraphs 10 and 11. Section 7(5) provides a power for a Minister of the Crown to specify contracting authorities which are defence authorities for the purposes of the Act (and in particular for the definition of 'defence authority contract'). Section 7(6) places a restriction on the Minister to specify in regulations under subsection (5) only those contracting authorities whose function is wholly or mainly for the purposes of defence or national security. Section 7(7) provides further definitions for terms used in section 7(1).
Section 41 - Direct award in special cases	Section 41(2) provides that a contract may be directly awarded to an excluded supplier where there is an overriding public interest in doing so. Section 41(5) provides that there is an overriding public interest in directly awarding a contract to an excluded supplier in the following circumstances: • where the procurement is essential for the construction or maintenance of critical national infrastructure. This may be, for example, as defined in the Government's National Cyber Security Strategy; • where the procurement is necessary to ensure the proper functioning of a sector on which the defence, security or economic stability of the UK relies; • where not awarding to the supplier would prejudice the conduct of military or security operations of the armed forces or intelligence services; and • where the justification for direct award is extreme and unavoidable urgency and the contract cannot be awarded, or performed by, a supplier that is not an excluded supplier within the time frame.
Section 47 - Frameworks: maximum term	Section 47(1) limits the maximum term for a defence and security framework to 8 years. Section 47(4) provides the definition of a 'defence and security framework.'

Section 50 - Contract award notices and assessment summaries	Section 50(6) removes the requirement to publish contract award notices for defence and security contracts awarded under defence and security frameworks. It should be noted that a contract award notice may still be published in relation to contracts awarded under defence and security frameworks; this would trigger a voluntary standstill period (see section 51).
Section 67 - Electronic invoicing: implied term	Section 67(6)(b) allows defence authorities to require suppliers to send electronic invoices (in the required electronic form) for processing to specified electronic systems that require the payment of fees by the supplier.
Section 75 - Contract change notices	Section 75(6) sets out exceptions to the requirement to publish a contract change notice for defence and security contracts.
Section 117 - Single source defence contracts	Section 117 provides that Schedule 10 makes amendments to the Defence Reform Act 2014 .
Section 124 - Index of defined expressions	This section cross-references terms used in the Act to the relevant provisions where they are defined, including the terms defence and security contract and defence authority contract.
Schedule 1 - Threshold amounts	Paragraph 1 sets out the thresholds for defence and security contracts. These will be updated by regulations prior to the Act coming into force to reflect changes in force since 1st January 2024, which are: • defence and security contract that is a goods or service contract - £429, 809 • defence and security contract that is a works contract - £5,372,609 • defence and security contract that is a concession contract - £5,372,609 Paragraph 3 provides a separate power to update defence and security thresholds..
Schedule 2, paragraph 4 : Exempted contracts	<u>Defence and security contracts (counterparty)</u> Paragraph 4 exempts defence and security contracts where the supplier is another government.
Schedule 2, paragraph 23 : Exempted contracts	<u>International agreements and organisations (subject-matter)</u> Paragraph 23 exempts contracts where the contracting authority is obliged to follow a procedure prescribed by an international agreement (of which the UK is a signatory) relating to the stationing of military personnel or the implementation of a joint project between the signatories to that international agreement.

Schedule 2, paragraphs 27-30:- Exempted contracts	<u>Defence and security contracts (subject-matter)</u> Paragraph 27 exempts defence and security contracts awarded to suppliers located outside of the UK where the armed forces are deployed and the operational needs of the armed forces require the contract to be placed with such a supplier. Paragraph 28 exempts a defence and security contract awarded to a supplier located outside of the UK where the armed forces have a military presence and where the state or territory in which they are located requires a contract to be placed with a particular supplier. Paragraph 29 exempts defence and security contracts which are awarded under a procedure of an international organisation of which the UK is a member. Paragraph 30 exempts defence and security contracts awarded under an arrangement between the UK and another state or territory where the purpose of the arrangement is for the joint development of a new product or the exploitation of that product once developed.
Schedule 5, paragraphs 18-20: Direct award justifications	<u>Defence and security</u> Paragraph 18 provides for direct awards for defence and security contracts relating to the supply of air or maritime transport services to the armed forces or security services deployed, or to be deployed, outside the UK where the nature of the services is such that no reasonable supplier can guarantee that the terms of any tender would remain in effect for 10 days from the date of tender submission. Paragraph 19 permits contracting authorities which can rely on the permitted modification grounds referred to in sub paragraphs (2) and (3) to modify a contract, to instead directly award a new contract to the supplier covering the same matters as a modification would. This only applies where the new contract would be a 'qualifying defence contract' within the meaning of section 14(2) of the Defence Reform Act 2014. Paragraph 20 permits the direct award of defence authority contracts falling within the categories of contract within section 7(1)(a-f) where it is necessary for the contract to be awarded directly in order to enhance or maintain the operational capability, effectiveness, readiness for action, safety or security of the armed forces.
Schedule 8, paragraphs 10-11: Permitted contract modifications	Paragraph 10 permits defence authority contracts to be modified where it is necessary to enable the contracting authority to take advantage of developments in technology or prevent or mitigate any adverse effect of such developments. Paragraph 11 permits a defence authority contract to be modified where the modification is necessary to ensure the continuous provision of goods, services or works where that is necessary to ensure the armed forces are able to maintain their operational capabilities, effectiveness, readiness, safety, security or logistical capabilities.

Schedule 10 , Single source defence contracts	Schedule 10 of the Act amends Part 2 of the Defence Reform Act . Part 2 of the Defence and Reform Act creates a framework for regulating single source contracts, with the detail being set out in the Single Source Contract Regulations made under that Act.
Schedule 11 , paragraph 4 : Repeals and revocations	Paragraph 4 repeals DSPCR (S.I. 2011/1848)).

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