



# Defence Reform Act 2014

## 2014 CHAPTER 20

### PART 2

#### SINGLE SOURCE CONTRACTS

##### *Pricing of contracts*

#### 16 Pricing of contracts: supplementary

- (1) Single source contract regulations may specify circumstances in which, if the Secretary of State and the primary contractor so agree—
  - (a) the price determined in accordance with section 15 is to be taken as a target price, and
  - (b) the total price payable under the contract is subject to adjustment by reference to any difference between—
    - (i) the amount of the primary contractor's actual allowable costs under the contract [<sup>F1</sup>or, where relevant, a component of that contract], and
    - (ii) the amount of the estimated allowable costs used for the purpose of determining the target price.
- (2) The amount of any adjustment by virtue of subsection (1)(b) must be determined—
  - (a) by agreement between the Secretary of State, or an authorised person, and the primary contractor, or
  - (b) by the SSRO, where the matter is referred to it by the Secretary of State, an authorised person or the primary contractor.
- (3) Section 21 (final price adjustment) does not apply to a contract in a case where an agreement of a kind mentioned in subsection (1) has effect.
- [<sup>F2</sup>(4) Single source contract regulations may provide that the SSRO—
  - (a) must, on an application by a person within subsection (5), determine whether the method used to determine the price payable under a qualifying defence contract or a component of that contract was appropriate;

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*Changes to legislation: Defence Reform Act 2014, Section 16 is up to date with all changes known to be in force on or before 26 June 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*

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- (b) may, in consequence of a determination under paragraph (a), determine that the price payable under the contract is to be adjusted by an amount specified by the SSRO.
- (5) The following persons are within this subsection—
- (a) the Secretary of State,
  - (b) an authorised person, and
  - (c) the primary contractor.]

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#### **Textual Amendments**

- F1** Words in s. 16(1)(b)(i) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 4(2)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)
- F2** S. 16(4)(5) inserted (19.1.2024) by Procurement Act 2023 (c. 54), s. 127(2), **Sch. 10 para. 4(3)**; S.I. 2024/61, reg. 2(1)(b)(iii) (with reg. 3)

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#### **Commencement Information**

- I1** S. 16 in force at 14.7.2014 for specified purposes by S.I. 2014/1751, **art. 4(c)**
- I2** S. 16 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:**

Defence Reform Act 2014, Section 16 is up to date with all changes known to be in force on or before 26 June 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.

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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\(3\)](#)