



Defence Reform Act 2014

2014 CHAPTER 20

PART 2

SINGLE SOURCE CONTRACTS

Pricing of contracts

20 Allowable costs

- (1) The SSRO must issue guidance about determining whether costs are allowable costs under qualifying defence contracts.
- (2) In determining whether a particular cost is an allowable cost under a qualifying defence contract, the Secretary of State or an authorised person, and the primary contractor, must be satisfied that the cost is—
 - (a) appropriate,
 - (b) attributable to the contract, and
 - (c) reasonable in the circumstances.
- (3) In determining whether the requirements set out in subsection (2)(a) to (c) are met in relation to a particular cost, the Secretary of State or an authorised person, and the primary contractor, must have regard to guidance issued under subsection (1).
- (4) The Secretary of State or an authorised person may at any time require a primary contractor to show (whether by reference to guidance issued under subsection (1) or otherwise) that the requirements set out in subsection (2)(a) to (c) are met in relation to a particular cost claimed by the primary contractor as an allowable cost under a qualifying defence contract.
- (5) The SSRO may determine the extent to which a particular cost is an allowable cost under a qualifying defence contract where the Secretary of State, an authorised person or the primary contractor applies to the SSRO for such a determination.
- (6) The SSRO may determine that the price payable under the contract is to be adjusted by an amount specified by the SSRO in consequence of a determination under

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subsection (5), having regard to the extent to which the cost in question was treated as an allowable cost when the price payable under the contract was determined (or last determined) in accordance with section 15.