SECTION 4

Prices and Rates

Schedule 1 Pricing Methodology

1 Purpose

The purpose of this schedule is to describe the principles and methodology used to prepare the Price List.

2 Not used

3 Principles used in respect of the Price List

3.1 Prices in the Price List are on an annual basis unless stated otherwise.

3.2 Managements Costs include all labour and on-costs for remote contract management and contract dedicated support teams;

3.3 All costs of operating and maintaining the Helpdesk and CAFM System other than the cost of setting up the Helpdesk and CAFM System are included in the Price List .including. Costs of setting up the Helpdesk and CAFM System (including initial capital purchases) are included within the Mobilisation and Set-up costs.

3.4 Control of Asbestos – includes: all costs general management systems and requirements, in relation to the Asbestos Registers and Management Plans but does not include any specific works to Asbestos Containing Materials (ACM's), which will constitute Ad-Hoc works.;

3.5 All Prices are inclusive of all overheads.

3.6 All costs of mobilisation and set up including contract-specific capital purchases, initial staff training, communications costs, etc are included within the Prices for Setting up and Mobilisation;

3.7 The Base Date for the Prices is the Service Commencement Date. Prices for Mobilisation and Set up are not subject to indexation.

3.8 All costs of TUPE administration are included within the Prices for Mobilisation and Set up.

3.9 All employee costs including costs of current employees of Incumbent Contractors, who will transfer to the Participant under the rules of TUPE, are included within the Prices for TUPE.

3.10 The Parties acknowledge and agree that the Price List incorporates TUPE data information set out at Appendix 2 of Section 3 Schedule 3 (Specification of Services) (the "**Base TUPE Information**"). To the extent that, following 14 April 2014, there are any changes made to the Base TUPE Information, then the *Contractor* shall seek a compensation event in respect of such changes and the *Employer* shall be entitled to make an adjustment to the Price List, by means of assessment of a compensation event under clause 63 in respect of such amount, as, represents the difference between: (A) the financial information contained in the Base TUPE Information; and (B) the actual costs incurred by the *Contractor* as correspond to the Base TUPE Information.

3.11 The Parties acknowledge and agree that the Price List assumes the Contractor will make employer contributions to each of the Schemes at rates equal to 20% of employees' salaries (the "**Prescribed Contribution Rates**"). To the extent that there are differences between the Prescribed Contribution Rates and the actual employer contribution rates applicable at services commencement, then, subject to paragraph 13.13 below, the Contractor shall seek a compensation event in respect of such changes and the Employer shall be entitled to make an adjustment to the Price List, by means of assessment of a compensation event under clause 63 in respect of such amount, as, subject to paragraph 3.12 below, represents the difference between: (A) the amount of employer contributions to the Schemes that would be payable using the Prescribed Contribution Rates; and (B) the actual amount of employer contributions to the Schemes that is payable using the actual employer contribution rates for the Schemes applicable at services commencement.

3.12 Subject to paragraph 13.13 below, where the amount of the employer contributions to the Schemes that would be payable using the Prescribed Contribution Rates (i.e. "(A)" above) is greater than the actual amount of the employer contributions to the Schemes that is payable using the actual employer contribution rates for the Schemes applicable at services commencement (i.e. "(B)" above) the Parties acknowledge and agree that the

Contactor shall be liable to pay the Employer as a debt such sum as represents the difference between "(A)" and "(B)".

3.13 No adjustment or payment shall be made pursuant to clause 13.11 or 13.12 respectively in respect of a particular category of membership or salary level if the Prescribed Contribution Rates are up to (or equal to) 2% greater or less than the actual employer contribution rates applicable at services commencement for such category of membership and/or salary level

4 Adjustment of the Net Annual Costs

4.1 The parties acknowledge and agree that the Net Annual Cost ("NAC") is a firm price and shall not be adjusted except for the following:

4.1.1 The NAC may be subject to adjustment as set out in Paragraph 8 - Price Adjustment Mechanism of this Schedule in respect of Significant Data Discrepancies identified during the Verification Period.

4.1.2 The NAC may be subject to adjustment in respect of any changes to Prices assessed under clause 63.1.

4.1.3 The NAC may be subject to adjustment in respect of any changes to Prices arising from the operation of Section 4, Schedule 2 – Incentivisation Scheme and Continuous Improvement assessed under clause 63.1.

4.2 All payments under the Contract are subject to additions and deductions and the other provisions of this Contract, including Section 4, Schedule 4 – Key Performance Indicators.

5 Not used

6 Service Commencement Date

Services that are provided before the Service Commencement Date are assessed under clause 63.1.

7 Provision of In Scope Services to Affected Properties after the Service Commencement Date

7.1 If during the Term of the Contract, there is a requirement to provide *services* which are not included in the Price List these are assessed under clause 63.1

8 Price Adjustment Mechanism

The Price Adjustment Mechanism is a process which facilitates amendment to the Price List as a result of the correction of discrepancies identified in the Baseline Significant Data by the *Contractor* during the Verification Period.

8.1 Baseline Significant Data Categories

The NAC has been calculated on the basis of one or more of the following Baseline Significant Data Categories.

Service Levels	
	Building category and service level
Building Information Available	
	GIA (m2) advised for procurement;
	Type of Lease;
	M&E Asset Register
	Building Asset Register
	Business Continuity Plan available
	Core days and core hours
	Security clearance requirements
	Listed Building
Managed Services	
	Energy management;
	Number of meters;
	Number of transactions;
Help Desk	
	Number of calls per annum
Hard Services	
	Maintenance Strategy;
	External fabric maintenance;
	Internal building fabric maintenance;
	Fire Fighting Equipment maintenance;

	Sprinkler system;
	Number of extinguishers;
	Lift maintenance;
	Number of lifts;
	Number of floors lift(s) serve;
	Type of lift (passenger/goods lift, stair lift);
	CCTV maintenance;
	Number of cameras;
	Barrier control maintenance;
	Number of Barriers;
	Type of Barrier;
	PAT testing; Number of PAT tests
	BMS operate and maintain;
	Type of system;
	Number of outstations;
	External grounds and gardens
	Site area hard m2;
	Site area soft m2;
Soft Services	
	Cleaning Services
	Cleaning standard 1 (basic); m² area
	Cleaning standard 2 (normal); m² area
	Cleaning standard 3 (hygienic areas); m² area
	Cleaning standard 4 (prestige areas); m² area
	IT Sanitation; Number of items
	Telephone sanitisation; Number of items
	External cleaning; m² area
	External window cleaning; Number of floors
	Feminine hygiene; Number of sanitary bins
	Cleaning; number of barrier mats
	Waste Disposal
	General waste volumes; tonnage
	Confidential waste volumes; tonnage
	Recycled waste volumes; tonnage
	Medical waste volumes; tonnage
	Food waste volumes; tonnage
	Switchboard
	Volume of calls; calls received per day

8.2 Application of the Price Adjustment Mechanism

8.2.1 Exclusions

The Price Adjustment Mechanism shall not apply:

- Unless the discrepancy identified is a Significant Data Discrepancy, and then shall only be adjusted as provided for in this Schedule;
- Where it was reasonably foreseeable (or ought to have been reasonably foreseeable) to the *Contractor* (and capable of being discovered by a desktop study) that the Baseline Significant Data was incorrect;
- Where the relevant increase in price has already been accounted for in an adjustment to the NAC relating to any other Significant Data Discrepancy (or by any other means);
- Unless the Significant Data Discrepancy has a material and adverse effect on the cost of Providing the Services.

8.2.2 Measure and Compare

Subject to Clause 8.2.1, the Actual Significant Data shall be compared against the Baseline Significant Data so as to ascertain whether the Significant Data Discrepancy has a material and adverse effect on the cost of Providing the Services. If the Significant Data Discrepancy has a material and adverse effect on the cost of Providing the Services then Clause 8.2.3 shall apply.

8.2.3 Adjust

Subject to Clause 8.2.1 above, the, NAC shall be adjusted by the difference between the Baseline Significant Data and the Actual Significant Data to reflect the actual change in cost of Providing the Services as a result of the change in the Baseline Significant Data. The *Contractor* shall provide substantiation for all adjustments sought to the *Employer*, and the satisfaction of the *Employer* to such substantiation shall be a pre-condition to any adjustment. In addition, such substantiation must provide evidence that any change in the between the Baseline Significant Data and the Actual Significant Data has a clear and direct impact in the cost of Providing the Services:

- So as to reflect the Actual Significant Data;
- So as to reflect the cost of providing similar services at other Affected Property; and
- Taking into account all reasonable and proper costs and/or savings in Providing the Services as a result of the Significant Data Discrepancy.
- For clarification, using 8.3.1 NIA as an example, if the Actual Significant Data for an Affected Property is 9% greater than the Baseline Significant Data, then the Price Adjustment Mechanism will be adjusted by 4% subject to the provision of all necessary substantiation noted above.

8.3 Conditions Relating to the Price Adjustment Mechanism

Where the Baseline Significant Data sought to be relied on is comprised of the following:

8.3.1 Gross Internal Area ('GIA')

GIA figures or information, the Price Adjustment Mechanism shall only apply where the verified GIA is larger or smaller than five per cent (5%) of that stated in the Baseline Significant Data;

8.3.2 **Grounds dimensions**

The Price Adjustment Mechanism shall only apply to grounds dimensions where the verified area is larger or smaller than five hundred (500) square metres of that stated in the Baseline Significant Data;

8.3.3 **Numbers of fixed or static items**

The Price Adjustment Mechanism shall only apply where the verified numbers of mechanical and electrical plant and equipment (and any other items listed in the Asset Data provided to the *Contractor* in the Data Pack during the tender period and annexed to this Agreement) requiring services is larger or smaller than five per cent (5%) of that stated in the Baseline Significant Data;

8.3.4 **Numbers of Specialist Equipment**

The Price Adjustment Mechanism shall only apply where the verified hours of maintenance required is larger or smaller than one hundred (100) hours per year than that required to maintain the numbers of specialist Equipment stated in the Baseline Significant Data for any one Affected Property.

8.3.5 The *Contractor* shall notify the *Employer* of any data discrepancies, and any of those it believes to Significant Data Discrepancies, in writing and shall report on these at the Monthly contract meetings until the expiry of the Verification Period.

8.3.6 For the avoidance of doubt, all measurements and comparisons carried out for the purposes of clause 8.3.1 to 8.3.5 above, shall be carried out on the basis of an individual Affected Property only.

8.3.7 The *Contractor* is limited to the Verification Period for the identification of Significant Data Discrepancies. The Parties will meet within one month from the end of the Verification Period to agree any adjustment to the Price List for the remaining term of the Contract. For the avoidance of doubt (and subject to paragraph 8.3.9 below) any potential Significant Data Discrepancies that have not been identified and notified to the *Employer* by the end of the Verification Period in accordance with this Schedule will be deemed to have been included for in the Price List and no additional payment will be made from the *Employer* to the *Contractor*.

8.3.8 Any adjustment to the price payable for *services* resulting from Significant Data Discrepancies provided from the Service Commencement Date to the date the Price List is adjusted in accordance with paragraph 8.3.7 shall be made the within 1 month following the adjustment of the price list .

8.3.9 Notwithstanding clause 8.3.7 above, the *Employer* shall be entitled to apply the Price Adjustment Mechanism at any time during the Term where it has identified any Significant Data Discrepancy. The *Employer* shall be entitled to reimbursement in respect of any sums paid to the *Contractor* (that would not have been paid but for the incorrect Baseline Significant Data), including adjustments in accordance with Clause X.1, from the Service Commencement Date to the date of identification of the Significant Data Discrepancy. The NAC shall be adjusted in accordance with clause 63.1.

8.3.10 Payments to be made by the *Contractor* to the *Employer* pursuant to Clause 8.3.9 (calculated on the basis that the correct price had been applied) shall be made within three months following the *Employer*'s identification of the Significant Data Discrepancy and the adjusted NAC shall have immediate effect.

SECTION 4

Prices and Rates

Schedule 2 Incentivisation Scheme and Continuous Improvement

1. Purpose

The purpose of this schedule is to describe how the *Contractor* may add value to the operation of each Affected Property and/or the delivery of the *services* under this Contract by a commitment to continuously improve the *services* and incentivise the *Contractor* to deliver cost savings, the benefit of which may be shared through the incentivisation scheme detailed in paragraph 3 below.

2. Continuous Improvement

2.1 The Parties acknowledge that the *Contractor* is paid as part of the Prices in the Price List for resources that are expected to deliver continuous improvement. This shall include, but not be limited to:

2.1.1 Improving the *services* to enable the *Employer* to deliver its Core Business more efficiently and effectively to its customers;

2.1.2 Improving the strategic positioning of the *services* as a platform for supporting delivery of current and future programmes;

2.1.3 Reducing the cost of operating the *services* and therefore the price to the *Employer*;

2.1.4 Improving the productivity of the *Employer's* resources which utilise the *services*;

2.1.5 Improving the *services*; and

2.1.6 Improving the technology used in connection with the *services*.

2.2 In performing the *services* the *Contractor* shall have regard to providing continuously improved *services* in terms of value for money.

2.3 The *Contractor* shall also develop proposals as may be requested by the *Employer* from time to time, acting reasonably, which may include, but not be limited to:

2.3.1 New ways of working in delivery of the *services*;

2.3.2 Extended use or capacity of the existing *services*;

2.3.3 Enhancements to the existing *services* that will provide better *services* delivery;

2.3.4 Technological improvements; and

2.3.5 Multi-skilling.

2.4 Any such proposals referred to in paragraph 2.3 above shall be subject to agreement by the Parties.

2.5 Improvements may require updates to:

- Section 3, Schedule 3 - Outline Specification of Services;
- Section 4, Schedule 3 - Price List and Section;
- Section 4, Schedule 4 – Key Performance Indicators; and

which once agreed shall be implemented in accordance with the compensation event process under clause 60.

2.6 The provisions of this Section 4, Schedule 2 - Incentivisation Scheme and Continuous Improvement are without prejudice to the provisions of Section 3, Schedule 3 - Outline Specification of Services and Section 3, Schedule 4 – Key Performance Indicators. Prior to the start of each annual anniversary of the Service Commencement Date, the *Contractor* shall issue to the *Employer* a continuous improvement action plan ("CIAP"). The CIAP shall include but not be limited to:

2.6.1 Areas of service delivery that will be focused upon.

2.6.2 Aims and goals in improving service delivery.

2.6.3 Target amount of savings for the following contract year.

2.6.4 Improvement in energy performance management

2.6.5 Target amount of annual energy savings

2.6.6 How improvements in areas of service delivery will benefit the *Employer*.

2.6.7 New technologies which could add benefit to service delivery.

2.6.8 Previous Contract years' achievements/non-achievements.

2.7 The *Contractor* shall report on the progress towards achieving the required goals / targets as detailed within the CIAP on a quarterly basis in the agreed format with the *Employer*.

3. Incentivisation Scheme

3.1 The *Contractor* shall operate any proposals for the Incentivisation Scheme in accordance with this schedule. The flow chart at Annex A describes the application of the model for the identification and processing of initiatives generated by the *Contractor* for the improvement of the *services*. Incentivisation Scheme under this model shall be utilised only for actual, demonstrable and agreed savings. Incentivisation Scheme proposals may take different forms such as management improvements, process changes, alternative methods of *service* delivery, project improvements and 'spend to save' schemes, for example. The *Contractor* must propose an Incentivisation Scheme that demonstrates a tangible financial and qualitative benefit.

3.2 The *Contractor* shall be responsible for the process of capturing, assessing, reporting and making recommendations to the *Employer* on initiatives and proposals for the Incentivisation Scheme. The *Employer*'s decision on whether to accept any recommendations for the Incentivisation Scheme made by the *Contractor* shall be final.

3.3 In submitting any Incentivisation Scheme proposal using the compensation event process the following shall apply:

3.3.1 The proposal will include a business case for the new or different way the *Contractor* intends to Provide the *services* and a cost / benefit analysis consisting of an outline of the costs which might be saved by the *Employer* and the impact on any third party (both direct and indirect), the costs which might be incurred by the *Contractor*, third party or the *Employer* and the potential benefit(s) (financial or otherwise) to the *Employer*, any impact on the Contract, and a proposed ratio of the shared benefits. Recognised techniques such as simple payback, discounted cash flow analysis and index of profitability shall be utilised where appropriate to demonstrate the anticipated benefits of the proposal.

3.3.2 The Parties will meet to discuss the proposal and will agree the investment (financial or otherwise) to be contributed by both Parties, the amount of funding to be contributed by each Party, the activities required to realise the opportunity, the amount of savings and the shared benefits ratio.

3.3.3 The *Employer* will then assess the proposal and will, in writing, either accept it in principle, reject it, or offer recommendations or refinements in order for the *Contractor* to submit a revised proposal.

3.3.4 The *Employer*'s decision as to the ratio of shared benefits shall be final.

3.3.5 The *Contractor* will take special notice of the operating parameters under which the *Employer* works and hereby acknowledges that the *Employer* shall be entitled not to proceed with initiatives proposed by the *Contractor*. However, the *Employer* shall endeavour to provide open discussion feedback on all suggestions whether the outcome is positive or not.

3.3.6 If and when the *Employer* in writing accepts the proposal, the *Contractor* shall formulate an implementation plan, which will set out in more detail the way in which the *Contractor* intends that the proposal will be implemented

3.3.7 The *Contractor* will implement the proposal in accordance with the implementation plan, only when the compensation event has been approved by the *Employer*.

3.3.8 The Parties will meet on a periodic basis to review the performance of the implemented Incentivisation Scheme proposals, identify any shortfall or surplus in benefits realised and agree the apportionment of any such shortfall or surplus.

3.3.9 The *Employer*'s decision as to the apportionment of any shortfall or surplus shall be final.

3.5 No deductions to the Prices pursuant to clause 60 shall be made until such point that any capital investment or other fixed costs and investments agreed in relation to a particular Incentivisation Scheme project pursuant to paragraphs 3.3.1 and 3.3.2 made by the *Contractor* in order to realise the savings has been settled through the mechanism for compensation events at clause 60. This only applies where the *Contractor* has invested capital or other agreed investments to achieve the improved performance and payments against this investment by the *Employer* to the *Contractor* are still due.

3.6 The *Contractor* shall report to the *Employer* at the service review meetings on all Incentivisation Scheme matters, in accordance with Document 3, Section 3, Schedule 5 - Management Information, Benchmarking & ICT Requirements. The report shall include, but not be restricted to a description of:

3.8.1 All improvement opportunities identified.

3.8.2 The current status of the implementation of any proposals for improvement.

3.8.3 An assessment of any fully implemented improvements.

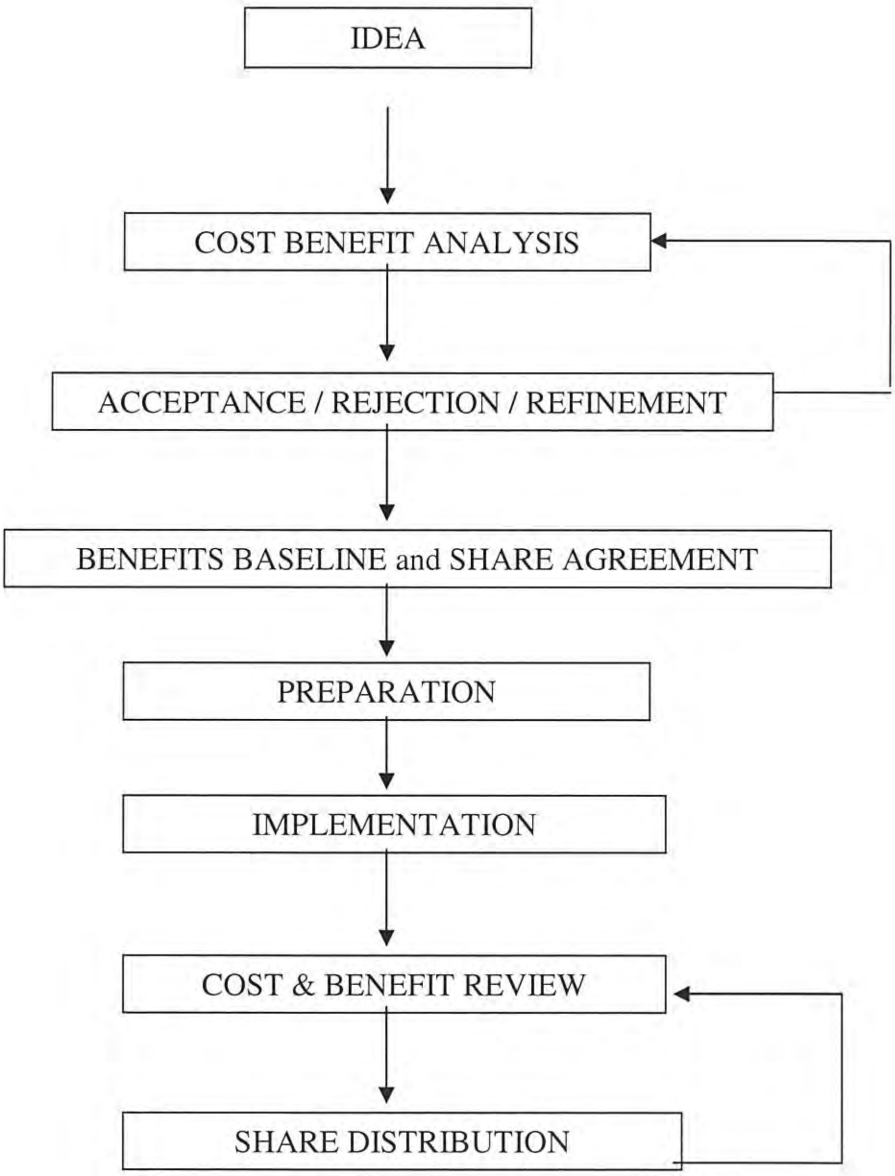
3.8.4 A completed register of Incentivisation Scheme initiatives showing benefit / value realisation.

4 Generally

4.1 There will be a requirement for the *Contractor* to meet at least annually to discuss Best Practice around the provision of the *services*. The forum should aim to share initiatives and specific successes. For avoidance of doubt, it will be the responsibility of the *Employer* to provide a suitable venue.

4.2 The *Employer* reserves the right to share proposals for Incentivisation Scheme with other contractors providing services to the *Employer*.

Annex A - Incentivisation Scheme Identification and Processing of Initiatives Model



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