HM Revenue & Customs

SCHEDULE 7.1 | Charges and Invoicing

Schedule 7.1 | Charges and Invoicing

1 DEFINITIONS

In this Schedule 7.1 (*Charges and Invoicing*), the following definitions shall apply:

"Achieved Profit Margin"	the cumulative Supplier Profit Margin in any one Contract Year as reported in the relevant Annual Contract Report or Final Reconciliation Report as approved by the Authority;
"Annual Contract Report"	has the meaning given in Schedule 7.5 (*Financial Reports and Audit Rights*);
"Application Baseline Price"	has the meaning set out in Paragraph 8.6 of Part A;
"**Application Service Charges**"	has the meaning set out in Paragraph 8 of Part A;
"Application Software Package"	means any pre-packaged software listed in Annex 8 that is supplied by a third party used to provide part or all of the solution required to meet the Authority's Business Requirements and agreed by the Parties to be charged separately on a pass-through basis;
"Application Support Unit" or "ASU"	means the unit of charge for the Application Service Charges as defined in the Parameterised Model and specified in the Charges Model;
"Application System Software"	means operating system software that is required to enable a Business Application to operate on a virtual machine on the unmanaged FAST Commodity Cloud (FAST-P) IaaS on a production network and the software required by the Supplier to fulfil the Service Requirements set out in this Schedule under the Application System Management component;
"Business Application"	means a software application that supports a business process or function and is a software application under the control of the Supplier;
"Capped ADR"	in relation to a Project Charge, Milestone Payment or Service Charge means a capped average day rate calculated by reference to a Time and Materials pricing mechanism and in accordance with

Paragraph 3 of Part A;

"Charges Model" means the Charges Model spreadsheet as attached in Table 1 of Annex 1 subject to Paragraph 1.1 of Annex 1;

"Corporate Overhead" means the costs of the Supplier's central organisational functions and processes, such as the Supplier's head office, that are not primarily related to the fulfilment of the Authority Requirements but excluding allowable indirect costs apportioned to facilities and administration in the provision of the Services;

"Costs" the following costs (without double recovery) to the extent that they are reasonably and properly incurred by the Supplier in providing the Services:

(a) the cost to the Supplier or the Key Sub-contractor (as the context requires), of engaging the Supplier Personnel, including:

(i) base salary paid to the Supplier Personnel;

(ii) employer's national insurance contributions;

(iii) pension contributions;

(iv) car allowances;

(v) any other contractual employment benefits;

(vi) staff training;

(vii) work place accommodation;

(viii) work place IT equipment and tools reasonably necessary to perform the Services (but not including items included within limb (b) below); and

(ix) reasonable recruitment costs, as agreed with the Authority;

(b) costs incurred in respect of those Assets which are detailed on the Registers and which would be treated as capital costs according to generally accepted accounting principles within the UK, which shall include the cost to be charged in respect of Assets by

the Supplier to the Authority or (to the extent that risk and title in any Asset is not held by the Supplier) any cost actually incurred by the Supplier in respect of those Assets;

(c) operational costs which are not included within (a) or (b) above, to the extent that such costs are necessary and properly incurred by the Supplier in the delivery of the Services;

(d) expenses to the extent these are incurred in delivering any Services:

(e) but excluding from (a) to (d) above:

(i) Corporate Overhead;

(ii) financing or similar costs not related to the provision of the Services;

(iii) maintenance and support costs to the extent that these relate to maintenance and/or support services provided beyond the Term, whether in relation to Assets or otherwise;

(iv) taxation;

(v) fines and penalties; and

(vi) amounts payable under Schedule 7.3 (*Value For Money*).

"Delay Payment Rate" has the meaning given in Paragraph 1.1(a) of Part C;

"**Early-Live Support**" means the activity to resolve issues with new or major enhancements to Business Applications following their initial live implementation necessary for the fulfillment of the Business Requirements pursuant to the appropriate Project Work Order and which is required in addition to that work covered by the output of the Parameterised Model for the relevant new or enhanced Business Application implementation;

"Earned Gain" Supplier Profit in excess of the Target Annual Profit Margin net of any unutilised negative Earned Gain from the previous Contract Year where applicable;

"European Standard"	in relation to an electronic invoice means the European standard and any of the syntaxes published in Commission Implementing Decision (EU) 2017/1870;
"Forecast Earned Gain"	means the Supplier's forecast of the Earned Gain for the full Contract Year as calculated and included in each half-year Contract Report;
"Gainshare Amount"	the proportion of the output of the Gainshare Calculation to be distributed as per the table at Paragraph 4 of Part D;
"Gainshare Calculation"	the calculation detailed at Paragraph 2 of Part D;
"Initial Licence"	means initial cost of licence for an Application Software Package;
"Interim Milestone Retention"	has the meaning given in Paragraph 1.5 of Part B;
"Maintenance Licence"	means a licence providing ongoing use and support of pre-packaged software supplied by a third party;
"Maximum Permitted Profit Margin"	32%;
"Milestone Retention Payments"	has the meaning given in Paragraph 2.1 of Part B;
"Milestone Retention"	has the meaning given in Paragraph 1.5 of Part B;
"Parameterised Model"	means the model set out in Annex 6 subject to Paragraph 1.1 of Annex 6;
"**Parameters**"	means the input parameters, agreed by the Parties, which will be used by the Parameterised Model in Annex 6;
"Pass-Through Expense"	has the meaning given in Paragraph 9 of Part A;
"Reimbursable Expenses"	reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of the Services, calculated at the rates and in accordance

with the Authority's expenses policy current from time to time, but not including:

(a) travel expenses incurred as a result of Supplier Personnel travelling to and from their usual place of work, or to and from the premises at which the Services are principally to be performed, unless the Authority otherwise agrees in advance in writing; and

(b) subsistence expenses incurred by Supplier Personnel whilst performing the Services at their usual place of work, or to and from the premises at which the Services are principally to be performed;

"Review Period"	has the meaning given in Paragraph 5 of Annex 7 (Parameterised Model Review);
"**SQL Request**"	means a request to carry out SQL based queries for specific Business Application datasets the charges for which are calculated pursuant to Paragraph 8.9 of Part A;
"Supplier Profit Margin"	in relation to a period, the Supplier Profit for the relevant period divided by the total revenue over the same period and expressed as a percentage;
"Supplier Profit"	in relation to a period, the difference between the total revenue and total Costs for the relevant period;
"Supporting Documentation"	sufficient information in writing to enable the Authority reasonably to assess whether the Charges, Reimbursable Expenses and other sums due from the Authority detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts;
"Target Annual Profit Margin"	19.9%;
"Withheld Gainshare Amount"	has meaning given in Paragraph 3.2 of Part D;

"Work Day"	7.5 Work Hours, whether or not such hours are worked consecutively and whether or not they are worked on the same day;
"Work Hours"	the hours spent by the Supplier Personnel properly working on the Services including time spent travelling (other than to and from the Supplier's offices, or to and from the Sites) but excluding lunch breaks;

PART A | PRICING

1 INTRODUCTION

1.1 This Schedule 7.1 (*Charges and Invoicing*) is to set out the provisions relating to:

(a) Project Charges;

(b) Milestone Payments;

(c) Service Charges;

(d) Pass Through Expenses and other expenses;

(e) adjustments to the Charges, including Service Credits, Delay Payments, payments for Delays due to Authority Cause;

(f) changes to the Charges;

(g) Charges for the provision of Termination Services and other services; and

(h) invoicing and payment terms.

2 APPLICABLE PRICING MECHANISM

2.1. Project Charges, Milestone Payments and Service Charges shall be calculated using the pricing mechanism specified in this Part A and on the basis of the rates and prices specified in Annex 1 as more particularly set out in this Schedule.

2.2. Except as expressly set out in Paragraph 2.3, the Project Work Order sets out which pricing mechanism shall be used to calculate Project Charges and each Milestone Payment, which shall be one or more of the following:

(a) "Time and Materials", in which case the provisions of Paragraph 3 shall apply;

(b) not used;

(c) "Fixed Price", in which case the provisions of Paragraph 5 shall apply; or

(d) "Firm Price", in which case the provisions of Paragraph 6 shall apply.

2.3. Milestone Payments shall not apply in respect of:

(a) third party charges (including charges under the Supplier's Key Sub-contracts) which are charged to the Supplier on a different basis than apply to the Supplier for that Project (or arrangement of equivalent effect), provided that the Supplier has used commercially reasonable endeavours to procure that the relevant third party charges on the same basis or arrangement of equivalent effect (and, where possible, a basis with the same milestone payments as apply

to the Supplier for that Project). These third party charges shall be charged in accordance with, where the Supplier has procured an alternative basis (or arrangement of equivalent effect), that alternative price basis (if requested by Authority), or otherwise in accordance with Paragraph 3;

(b) Early-Live Support;

(c) Application System Software and Application Software Packages; and

(d) Pass-Through Expenses.

2.4. Table 2 of Annex 2 sets out which pricing mechanism shall be used to calculate each Service Charge, which shall be one or more of the following:

(a) "Time and Materials", in which case the provisions of Paragraph 3 shall apply;

(b) "Volume Based" pricing, in which case the provisions of Paragraph 7 shall apply;

(c) "Fixed Price" in which case the provisions of Paragraph 5 shall apply; or

(d) "Application Support Unit" pricing in which case the provisions of Paragraph 8 shall apply.

3 TIME AND MATERIALS PROJECT CHARGES, MILESTONE PAYMENTS OR SERVICE CHARGES

3.1. Where the Project Work Order or Table 2 of Annex 2 indicates that a Project Charge, Milestone Payment or Service Charge (as applicable) is to be calculated by reference to a Time and Materials pricing mechanism:

(a) the day rates set out in Table 1 of Annex 1 shall be used to calculate the relevant Charges, provided that the Supplier (or its Sub-contractor) shall:

(i) not be entitled to include any uplift for risks or contingencies within its day rates;

(ii) where a cap is specified against the relevant Service Charge in Table 2 of Annex 1, not be paid any Charges to the extent that they would otherwise exceed the cap unless the Supplier has obtained the Authority's prior written consent. The Supplier shall monitor the amount of each Service Charge incurred in relation to the relevant cap and notify the Authority immediately in the event of any risk that the cap may be exceeded and the Authority shall instruct the Supplier on how to proceed, where the options for this are set out in Table 2 of Annex 1;

(iii) unless otherwise agreed by the Authority in relation to the relevant Project Charge, Milestone Payment or Service Charge (as the case may be), not be paid any Charges to the extent that they would otherwise exceed the amount calculated by multiplying:

(A) the total number of days expended by the Supplier in relation to the relevant Milestone; or

(B) the total number of days expended by the Supplier during the relevant Service Period in relation to the relevant Service,

by the Capped ADR, where such a cap is specified in Table 2 of Annex 1 or agreed as part of the Project Work Order; and

(iv) only be entitled to be paid Charges that have been properly incurred; and

(b) the Supplier shall keep records of hours properly worked by Supplier Personnel (in the form of timesheets) and expenses incurred and submit a summary of the relevant records with each invoice. If the Authority requests copies of such records, the Supplier shall make them available to the Authority within ten (10) Working Days of the Authority's request.

4 NOT USED

5 FIXED PRICE PROJECT CHARGES, MILESTONE PAYMENTS OR SERVICE CHARGES

5.1. Where the Project Work Order or Table 2 of Annex 2 indicates that a Project Charge, Milestone Payment or Service Charge is to be calculated by reference to a Fixed Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in the Project Work Order or Table 5 of Annex 1 as appropriate.

6 FIRM PRICE PROJECT CHARGES OR MILESTONE PAYMENTS

6.1. Where the Project Work Order indicates that a Project Charge or Milestone Payment is to be calculated by reference to a Firm Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in the Project Work Order or Table 6 of Annex 1 as appropriate.

7 VOLUME BASED SERVICE CHARGES

7.1. Where Table 2 of Annex 2 indicates that a Service Charge is to be calculated by reference to a Volume Based pricing mechanism, the relevant Charges shall be calculated on the basis of the unit costs set out against that Service Charge in Table 7 of Annex 1.

7.2. In the event that the volume of any Services that are to be calculated by reference to a Volume Based pricing mechanism fall outside the relevant volume bands set out

against that Service Charge in Table 7 of Annex 1, the relevant Service Charges shall be calculated in accordance with the Change Control Procedure and Paragraph 4 of Part C.

8 APPLICATION SUPPORT UNIT CHARGES

8.1. Where Table 2 of Annex 2 indicates that a Services Charge is to be calculated by reference to an Application Support Unit pricing mechanism, the relevant Charges shall be calculated using the Parameterised Model in Annex 6 and the Charges Model.

Parameterised Model

8.2. The Parties shall use the Parameterised Model in Annex 6 to calculate:

(a) the effect on the Application Service Charges due to changes to Business Applications (whether through Change Control or operational change); and

(b) the effect on the Application Service Charges due to the addition of Business Applications to the scope.

8.3. The Supplier shall propose the value of the Parameters to be input into the Parameterised Model for the addition of a Business Application or change to a Business Application. The Authority shall review that proposal, and within sixty (60) days of its receipt, either:

(a) the Authority shall confirm its agreement to the proposed value; or

(b) if, acting reasonably, the Authority believes that the Supplier has proposed an incorrect value, the Authority shall propose an alternative value.

8.4. If the Authority fails to confirm its agreement to the proposed value or to propose an alternative value within this sixty (60) day period, the Supplier shall use its proposal in applying the Parameterised Model. Following the expiry of thirty (30) days of this sixty (60) day period, the Supplier shall contact the Authority for an initial discussion in respect of the Supplier's proposal.

8.5. Should the Supplier reject the alternative value proposed by the Authority in accordance with Paragraph 8.3(b) the Parties shall refer the dispute through the Dispute Resolution Procedure in accordance with Schedule 8.4 (Dispute Resolution Procedure), but until resolution of such dispute, any revision to the Application Service Charges (or the implementation of any new Application Service Charges) shall be calculated using the Supplier's proposed value of the Parameters but shall be reduced by the Target Annual Profit Margin. Following the resolution of the dispute, any difference between the actual Application Service Charges paid by the Authority and the Application Service Charges which, following the dispute resolution, the Parties agree should have been paid by the Authority, using the agreed value of the Parameters, shall be applied to the invoice following the resolution of the dispute as a one-off adjustment and those agreed values shall be applied to future Application

Service Charges for that Business Application.

Application Baseline Price

8.6. Each Business Application will have an "Application Baseline Price", being:

(a) initially, either:

(i) in respect of Business Applications existing and listed in the Charges Model as at the Effective Date, the Application Baseline Price that the Parties have agreed for that Business Application as set out in the Charges Model; or

(ii) in respect of any other Business Application, the Application Baseline Price calculated by the first application of the Parameterised Model for that Business Application; and

(b) taking into account any changes to the Application Baseline Price for a Business Application calculated by the application of the Parameterised Model for that change in accordance with Paragraphs 8.7 to 8.9.

Effect of Changes to Business Applications

8.7. The Parameterised Model shall be used to determine the effect of a change to any Business Application on the Application Service Charges. The output of the Parameterised Model for determining such effect will be Application Support Units (or ASUs). The modelled price change will be calculated by multiplying the number of ASUs by the unit price for that ASU as set out in the Charges Model. The Modelled Price Change will be applied to the then current Application Baseline Price to determine the revised Application Baseline Price.

Decommissioning

8.8. Where a Business Application is decommissioned, the Supplier shall apply the procedure set out in paragraph 3.4 of Part B.

SQL Requests

8.9. For the purposes of the Application Service Charges, SQL Requests are addressed as follows:

(a) A base level of SQL Requests is included in the Application Baseline Prices for New Tax Credits (NTC) and Integrated Debt Management System (IDMS).

(b) The annual number of SQL Requests built into the Application Baseline Price is, in respect of new tax credits (NTC), three hundred and sixty (360), and, in respect of integrated debt management system (IDMS), one hundred (100). This provides for a maximum number of SQL Requests for each of NTC and IDMS where each SQL Request is submitted separately, rather than being

combined. When two or more SQL Requests are submitted as a combined SQL Request they shall be counted separately for the purpose of the maximum numbers.

(c) If, in both of any two (2) consecutive quarters, the average monthly run rate of SQL Requests for either NTC or IDMS is greater than 33 or 9.17 respectively (being greater than 110% of the average monthly rate of the annual values in Paragraph 8.9(b) above), the Parties shall use the Change Control Procedure to adjust appropriately the Application Baseline Price to reflect the average actual run rate of SQL Requests.

(d) The Supplier shall be responsible for tracking the actual SQL Requests and reporting to the Authority in writing on a quarterly basis. This report shall include the number of actual SQL Requests and reasonable information to help the Authority to understand the nature of those SQL Requests, including the purpose and status of each SQL Request.

9 PASS-THROUGH EXPENSES

9.1. Subject to Paragraph 10 below, the Authority shall not be required to pay any expenses other than those Pass-Through Expenses which are due and payable in accordance with this Paragraph 9.

9.2. The Parties may agree from time to time an expense (the "Pass-Through Expense"), related to the Agreement, in connection with which:

(a) the Parties agree that the Supplier shall act as payment agent for the Authority (as described in Paragraph 4.1 of Part B of this Schedule 7.1 (*Charges and Invoicing*); or

(b) not used; or

(c) is otherwise agreed to be treated as a Pass-Through Expense in accordance with Paragraph 9.3.

9.3. The following shall be treated as Pass-Through Expenses for which the Authority shall pay an agreed third-party cost plus a margin:

(a) an Application Software Package, where:

(i) the Initial Licence costs shall be charged to the Authority at cost plus 2.5% margin; and

(ii) the ongoing Maintenance Licence costs shall be charged to the Authority at cost plus 5% margin.

(b) on-going support, maintenance and licence costs for Application System Software will be charged at cost plus 5%;

(c) any third-party professional service that is requested by the Authority connected to the Authority's Business Requirements will be charged at cost plus 5% margin.

9.4. In respect of Pass-Through Expenses in accordance with Paragraph 9.3, the Supplier shall invoice the Authority and the Authority shall pay the Supplier on the same basis as the third party supplier invoices the Supplier.

10 OTHER EXPENSES

10.1. Where it is agreed in limited circumstances with the Authority in advance as part of a Project Work Order, the Supplier shall be entitled to be reimbursed by the Authority for Reimbursable Expenses (in addition to being paid the relevant Charges), provided that such Reimbursable Expenses are supported by Supporting Documentation.

10.2. The Authority shall provide a copy of its current expenses policy to the Supplier upon request.

10.3. Except as expressly set out in Paragraphs 9.2, 9.3 and 10.1, the Charges shall include all costs and expenses relating to the Deliverables, the Services and/or the Supplier's performance of its obligations under this Agreement and no further amounts shall be payable by the Authority to the Supplier in respect of such performance, including in respect of matters such as:

(a) any incidental expenses that the Supplier incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop and office equipment costs required by the Supplier Personnel, including network or data interchange costs or other telecommunications charges; or

(b) any amount for any services provided or costs incurred by the Supplier prior to the Effective Date.

11 EARLY-LIVE SUPORT

11.1. Where it is agreed that pursuant to a Project Work Order that the implementation of a new Business Application or a major enhancement to a Business Application requires Early-Live Support then the Supplier shall be entitled to charge the Authority on a Time and Materials basis in accordance with this Part A Paragraph 3 above for the Early-Live Support (unless the Parties agree to a Fixed Price basis for Early-Live Support when Part A paragraph 5 shall apply) to the extent detailed for such activities in the Project Work Order.

PART B | CHARGING MECHANISMS

1 PROJECT CHARGES

1.1. Project Charges and any related Milestones are to be agreed for each Project as per the provisions in Schedule 6.3 (*Projects and Ordering*).

1.2. Each Project Work Order may or may not have interim Milestones but in all cases will include a CPP Milestone being the final Milestone of any Project.

1.3. Each Project Work Order will include the expected profile of charges for the Project shown by Service Period.

1.4. Each Service Period the Supplier shall calculate for each Project in accordance with the Project Work Order for that Project and in accordance with Part A above the charges for that Service Period (excluding any charges included in Part A Paragraph 2.3 and prior to any Milestone Retentions, Interim Milestone Retentions or Milestone Retention Payments) using:

a. where the Project Work Order pricing mechanism indicates that the Project is to be charged on a Time and Materials basis the total number of Work Days actually expended by the Supplier during the Service Period; or

b. where the Project Work Order pricing mechanism indicates that the Project is to be charged on basis other than Time and Materials then the amount of the expected charge for that Service Period shown in the Project Work Order.

1.5. Each Service Period the Supplier shall calculate for each Project a Milestone Retention for that Project for that Service Period as 10% of the charges calculated in accordance with this Part B Paragraph 1.4 and an Interim Milestone Retention for that Project for the Service Period also as 10% of the charges calculated in accordance with this Part B Paragraph 1.4.

1.6. Following the end of each Service Period the Supplier shall be entitled to invoice the Authority for each Project the amount calculated in this Part B Paragraph 1.4 minus the amounts calculated in this Part B Paragraph 1.5.

1.7. Following the end of each Service Period the Supplier shall also be entitled to invoice the Authority for each Project any applicable Charges that are not included in Milestone Payments in accordance with Part A paragraph 2.3 which are included in the Project Work Order for that Project and payable in that Service Period.

2 MILESTONE PAYMENTS

2.1. Subject to the provisions of Paragraph 1.3 of Part C in relation to the deduction of Delay Payments, on the Achievement of a Milestone for a Project in that Service Period (if any) the Supplier shall be entitled to invoice the Authority in addition to the

amounts calculated in Part B Paragraphs 1.6 and 1.7 above:

(a) the total of the Interim Milestone Retentions for that Project from the previous Milestone or the start of the Project if it is the first Milestone; and

(b) if the Milestone is also the CPP Milestone for the Project the total of the Milestone Retentions for that Project from the start of the Project,

(together "**Milestone Retention Payments**").

2.2. Each invoice which includes any Milestone Retention Payments shall be supported by all relevant Milestone Achievement Certificates.

3 SERVICE CHARGES

3.1. Each Service to which a Service Charge relates shall commence on the relevant Operational Service Commencement Date.

3.2. Service Charges shall be invoiced by the Supplier for each Service Period in arrears in accordance with the requirements of Part E.

3.3. If a Service Charge is to be calculated by reference to a Fixed Price pricing mechanism and the relevant Service:

(a) commences on a day other than the first day of a month; and/or

(b) ends on a day other than the last day of a month,

the Service Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.

3.4. If a Service Charge is to be calculated by reference to an Application Support Unit pricing mechanism and the relevant service:

(a) commences or is changed on a day other than the first day of a month; and/or

(b) ends or is changed on a day other than the last day of a month,

then the Service Charges for those new or changed Business Applications shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.

3.5. Any Service Credits that accrue during a Service Period shall be calculated in the next following Service Period and shall be deducted from the Services Charges in such next Service Period. For the avoidance of doubt, by way of a worked example, in respect of the Services performed in Service Period 1, the total number of Service Points accumulated in Service Period 1 shall be calculated during Service Period 2 and the resulting Service Credits shall be deducted from the invoice relating to Service Period

2. Where any Service Credits would have otherwise been due in the final Service Period, the Supplier shall issue a credit note to the Authority in the month following the final Service Period and make payment to the Authority to the value of such credit note within ten (10) Working Days of issue of the credit note.

4 PASS-THROUGH EXPENSES

4.1. With respect to Pass-Through Expenses for which the Parties agree that the Supplier shall act as payment agent for the Authority, the Supplier shall:

(a) review the invoice charges to determine the validity and accuracy of the Pass-Through Expense;

(b) provide the Authority with a reasonable opportunity to review the original invoice; and

(c) pay the amounts due and invoice the Authority, on the Supplier's next invoice, for the Pass-Through Expense without mark-up, fees or overhead charges of any kind unless otherwise agreed with the Authority in accordance with Paragraph 9.3 Part A.

4.2. Not used.

4.3. With respect to services or materials paid for on a Pass-Through Expenses basis, the Authority reserves the right to:

(a) obtain such services or materials directly from a third party;

(b) designate the third party who shall provide such services or materials;

(c) require the Supplier to identify and consider multiple sources for such services or materials, or to conduct a competitive procurement; and

(d) review and approve the Pass-Through Expense for such services or materials before entering into a contract for such services or materials.

4.4. If the Supplier receives a refund, credit or other rebate from a third party for a Pass-Through Expense, the Supplier shall promptly notify the Authority of such refund, credit or rebate and shall (if appropriate) promptly pay the full amount of such refund, credit or rebate, as the case may be, to the Authority.

4.5. Wherever the Agreement obliges the Authority to pay any amount to the Supplier in respect of any Pass-Through Expenses incurred by the Supplier in respect of third parties:

(a) that obligation shall be construed as applying only to so much of such sums as have been properly incurred on an arm's length commercial basis or, where not incurred on an arm's length commercial basis (including where the

payment is made to the Supplier or an Affiliate of the Supplier), so much of said sums as are proper and reasonable;

(b) the Supplier shall, where requested by the Authority, provide reasonable supporting evidence of Pass-Through Expenses; and

(c) that obligation shall not apply to any VAT incurred by the Supplier in respect of Pass-Through Expenses that it is able to recover from the Authority, but that obligation shall extend to any VAT properly charged by the Supplier to the Authority on any Pass-Through Expenses.

5 CHARGES FOR TERMINATION SERVICES AND OTHER SERVICES

5.1. The Time and Material Charges for Termination Services will be determined based on the agreed Exit Plan in accordance with Schedule 8.5 *(Exit Management)* and the day rates set out in Table 1 of Annex 1 applicable at that time shall be used to calculate the relevant Charges.

5.2. Where the Authority requests the Supplier to to assist the Authority in producing a Project Request in accordance with Schedule 6.3 *(Projects and Ordering)* then the Charges for the required Supplier effort shall be on a Time and Materials basis using day rates set out in Table 1 of Annex 1 applicable at that time.

PART C | ADJUSTMENTS TO THE CHARGES AND RISK REGISTER

1 DELAY PAYMENTS

Paragraph 1 of this Part C only applies where Key Milestones and Delay Payment Rates have been agreed for inclusion in a Project.

1.1 If a Key Milestone has not been Achieved on or before the relevant Milestone Date, the Supplier shall pay a Delay Payment to the Authority in respect of that Key Milestone. Delay Payments shall accrue:

(a) at the daily rate (the "**Delay Payment Rate**") determined in accordance with Paragraph 1.2;

(b) from (but excluding) the relevant Milestone Date to (and including) the earlier of:

(i) the date on which the Key Milestone is Achieved; and

(ii) the expiry of the Delay Deduction Period; and

(c) on a daily basis, with any part day's Delay counting as a day.

1.2 Where a Delay Payment is payable in respect of a Key Milestone, the Delay Payment Rate shall be:

(a) where the Supplier has given the Authority less than three (3) months' prior notice of the Delay, the amount set out in the Project Work Order for the Key Milestone;

(b) where the Supplier has given the Authority between three (3) months' and 6 months' prior notice of the Delay, the amount set out in the Project Work Order for the Key Milestone; or

(c) where the Supplier has given the Authority more than six (6) months' prior notice of the Delay, the amount set out in the Project Work Order for the Key Milestone.

1.3 Where the Supplier serves a notice pursuant to Paragraph 1.2(b) or 1.2(c), the Supplier shall, within five (5) Working Days of the date the notice is served:

(a) credit to the Authority on the next available invoice on account of the relevant Delay Payment (but subject always to Paragraph 1.4) an amount equal to:

(i) in the case of a notice served pursuant to Paragraph 1.2(b), 5 days of Delay Payments; or

(ii) in the case of a notice served pursuant to Paragraph 1.2(c), 10 days of Delay Payments in accordance with paragraph 1.4,

in each case calculated at the applicable Delay Payment Rate; and

(b) issue a credit note to the Authority in respect of the relevant amount.

Failure to make payment within ten (10) Working Days of the Supplier's notice shall invalidate the notice.

1.4 Any amounts paid to the Authority pursuant to Paragraph 1.3 shall not be refundable to the Supplier in any circumstances, including where a Delay as referred to in the Supplier's notice:

(a) does not occur; or

(b) does occur but continues for fewer days during the relevant Delay Deduction Period than the number of days referred to in Paragraph 1.3(a) or 1.3(b) as the case may be. Any amounts paid to the Authority pursuant to Paragraph 1.3 shall count towards the Supplier's liability for Delay Payments for the relevant Delay.

1.5 The Parties agree that Delay Payments calculated in accordance with the applicable Delay Payment Rates:

(a) represent a genuine pre-estimate of the Losses which the Authority will incur as a result of any failure by the Supplier to Achieve the relevant Key Milestone by the Milestone Date; and

(b) do not impose a detriment on the Supplier out of all proportion to the legitimate interests of the Authority.

1.6 Delay Payment Rates are stated exclusive of VAT.

1.7 The Delay Payment in respect of a Key Milestone (net of any payment made in respect of that Key Milestone pursuant to Paragraph 1.3) shall be shown as a deduction from the amount due from the Authority to the Supplier in the next invoice due to be issued by the Supplier after the date on which the relevant Key Milestone is Achieved or the expiry of the Delay Deduction Period (as the case may be). If the relevant Key Milestone is not Achieved by the expiry of the Delay Deduction Period and no invoice is due to be issued by the Supplier within twenty two (22) Working Days of expiry of the Delay Deduction Period, then the Supplier shall within twenty two (22) Working Days of expiry of the Delay Deduction Period:

(a) issue a credit note to the Authority in respect of the total amount of the Delay Payment in respect of the Key Milestone (net of any payment made in respect of the Key Milestone pursuant to Paragraph 1.3); and

(b) not used.

2 PAYMENTS FOR DELAYS DUE TO AUTHORITY CAUSE AND COLLABORATION FAILURE

2.1 If the Supplier is entitled in accordance with Clause 32.1(iii)(D) (*Authority Cause and Ecosystem Failure*) to compensation for failure to Achieve a Milestone by its Milestone Date, then, subject always to Clause 25 (*Limitations on Liability*), such compensation shall be determined in accordance with the following principles:

(a) the compensation shall reimburse the Supplier for additional Costs incurred by the Supplier that the Supplier:

(i) can demonstrate it has incurred solely and directly as a result of the Authority Cause; and

(ii) is, has been, or will be unable to mitigate, having complied with its obligations under Clause 32.1 (*Authority Cause*),

together with an amount equal to the Target Annual Profit Margin thereon;

(b) the compensation shall not operate so as to put the Supplier in a better position than it would have been in but for the occurrence of the Authority Cause;

(c) not used;

(d) not used;

(e) where the Project Charge or Milestone Payment includes any Charges which are capped, then to the extent that the compensation agreed pursuant to this Paragraph 2 results in the Authority paying additional Time and Materials Charges for resources or effort which the Supplier demonstrates are required as a result of the Authority Cause, such additional Time and Materials Charges shall be disregarded for the purposes of calculating the relevant cap.

2.2 Not used.

2.3 The Supplier shall provide the Authority with any information the Authority may reasonably require in order to assess the validity of the Supplier's claim to compensation.

3 SERVICE CREDITS

3.1 Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 2.2 (*Performance Levels*).

4 CHANGES TO CHARGES

4.1 Any Changes to the Charges Model shall be developed and agreed by the Parties in accordance with Schedule 8.3 (*Change Control Procedure*).

5 INDEXATION

5.1 Unless stated otherwise in this Agreement or in the Charges Model, the Charges shall be adjusted in accordance with the provisions of this Paragraph 5 to reflect the effects of inflation ("**Indexation**").

5.2 Where Indexation applies, the relevant adjustment shall be:

(a) applied on the 1 July 2023 and on the first day of July in each subsequent year (each such date an "adjustment date"); and

(b) determined by multiplying the relevant amount or sum by the percentage increase or change in the Consumer Price Index (or such other index as the Parties may agree to be a reasonable replacement in the event that CPI is no longer available) published for the twelve (12) months ended on the 31 August immediately preceding the relevant adjustment date.

5.3 Except as set out in this Paragraph 5, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Supplier or Sub-contractors of the performance of their obligations.

6 PARAMETERISED MODEL REVIEW

6.1 The Parties shall review the actual operation of the Parameterised Model in accordance with those provisions set out in Annex 7 (Parameterised Model Review) to this Schedule.

7 RISK REGISTER

The Parties shall review the Risk Register set out in Annex 4 from time to time and as otherwise required for the purposes of Schedule 8.1 (*Governance*).

8 CHARGING MODEL

8.1 The Supplier shall comply with its obligations with respect to Financial Management set out in Paragraph 1 of Schedule 7.5 (*Financial Reports and Audit Rights*).

PART D | PROFIT GAINSHARE MECHANISM

1 FINANCIAL MODEL REPORTS

1.1 The Supplier shall include in each Annual Contract Report and the Final Reconciliation Report the Achieved Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up or the Final Reconciliation Report and the provisions of Paragraph 1 of Part B of Schedule 7.5 (*Financial Reports and Audit Rights*) shall apply to the approval of each Annual Contract Report and the Final Reconciliation Report.

1.2 Each Annual Contract Report and the Final Reconciliation Report shall include the Gainshare Calculation in accordance with Paragraph 2.

1.3 The Supplier shall include in each half-year Contract Report a Forecast Earned Gain for the full Contract Year, taking into account actuals to date.

2 GAINSHARE CALCULATION

2.1 The Gainshare Calculation shall be prepared in accordance with Paragraph 2.2 and the gainsharing ratios set out in Paragraph 4 shall apply.

2.2 Each Gainshare Calculation shall:

(a) Calculate the Earned Gain using the Achieved Profit Margin(s) from the relevant Annual Contract Report(s) and/or Final Reconciliation Report as applicable;

(b) show separately the amounts of Earned Gain falling into Band 1, Band 2 and Band 3 as defined in Paragraph 4;

(c) show separately the Supplier's Gainshare Amount and the Authority's Gainshare Amount; and

(d) be certified as correct and accurate in accordance with Paragraph 1.5 of Part B in Schedule 7.5 (*Financial Reports and Audit Rights*) as part of each Annual Contract Report and the Final Reconciliation Report.

2.3 Following receipt by the Authority of a Gainshare Calculation, the Supplier shall at its own expense provide to the Authority any such additional information as it may reasonably request so that the Authority can verify the accuracy of the Gainshare Calculation.

2.4 Within 30 days of receipt of the Gainshare Calculation and all additional information required pursuant to Paragraph 2.3, the Authority shall notify the Supplier whether it agrees with or disputes the Gainshare Calculation.

3 PAYMENT OF GAINSHARE AMOUNT

3.1 Following agreement by the Authority of the Gainshare Calculation for a Contract Year ("CYN"), the Supplier shall, subject to Paragraph 3.2 (which is not applicable in the Final Contract Year), pay to the Authority the Authority's Gainshare Amount at the earliest point between January and March following the end of the Contract Year as allowed by the date on which the Gainshare Calculation is agreed by the Authority.

3.2 If the Forecast Earned Gain is negative in the half-year Contract Report of the Contract Year the Authority's Gainshare Amount is due (CYN+1), then:

(a) the Supplier shall be entitled to withhold up to that amount from the payment of the Authority's Gainshare Amount ("**Withheld Gainshare Amount**"), where the Withheld Gainshare Amount cannot be greater than the Authority's Gainshare Amount;

(b) if subsequently the Earned Gain for that Contract Year (CYN+1) is greater than the Forecast Earned Gain, then the Withheld Gainshare Amount shall be recalculated in accordance with this Schedule, and the reduction in the Withheld Gainshare Amount, up to and including the full value of the Withheld Gainshare Amount, shall be paid to the Authority within thirty (30) days of the earliest of: (i) the relevant Annual Contract Report (CYN+1) being presented by the Supplier with an Earned Gain greater than the Forecast Earned Gain; or (ii) when the relevant Annual Contract Report for that Contract Year (CYN+1) is agreed and the Earned Gain has changed from less than or equal to the Forecast Earned Gain to greater than the Forecast Earned Gain during the review period;

(c) following agreement of CYN+1 Gainshare, any remaining Withheld Gainshare Amount from CYN is deemed closed and not payable to the Authority; and

(d) negative Earned Gain used to withhold the payment of the Authority's Gainshare Amount will be deemed as utilised for the purposes of calculating Earned Gain in future Contract Years.

3.3 For Contract Years other than the final Contract Year, the Supplier shall apply a credit to the Authority's account in lieu of any payment due in accordance with this Paragraph 3.

4 GAIN SHARING RATIOS

4.1 The following table details the manner in which Earned Gain achieved by the Supplier over each Contract Year shall be shared between the Authority and the Supplier:

Band	Where the Supplier Profit is	Supplier % share of Earned Gain	Authority % share of Earned Gain
Band 1	Less than or equal to Target Annual Profit Margin	N/A	N/A
Band 2	More than the Target Annual Profit Margin and less than or equal to the Maximum Permitted Profit Margin	50%	50%
Band 3	More than the Maximum Permitted Profit Margin	0%	100%

PART E | INVOICING AND PAYMENT TERMS

1 SUPPLIER INVOICES

1.1 Without prejudice to the generality of the invoicing procedure specified in the Agreement, the Supplier shall procure a Purchase Order Number from the Authority prior to the commencement of any Services and the Supplier acknowledges and agrees that should it commence Services without a Purchase Order Number:

(a) the Supplier does so at its own risk; and

(b) the Authority shall not be obliged to pay any invoice without a valid Purchase Order Number having been provided to the Supplier.

1.2 The Authority shall accept for processing any electronic invoice that complies with the European Standard, provided that it is valid and undisputed.

1.3 If the Supplier proposes to submit for payment an invoice that does not comply with the European standard the Supplier shall:

(a) comply with the requirements of the Authority's e-invoicing system (myBUY);

(b) prepare and provide to the Authority for approval of the format a template invoice within ten (10) Working Days of the Effective Date which shall include, as a minimum, the details set out in Paragraph 1.4 together with such other information as the Authority may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and

(c) make such amendments as may be reasonably required by the Authority if the template invoice outlined in (a) is not approved by the Authority.

1.4 The Supplier shall ensure that each invoice is submitted in the correct format for the Authority's chosen electronic transaction system and/or that where required by the Authority it contains the following information:

(a) the date of the invoice;

(b) a unique invoice number;

(c) the Service Period or other period(s) to which the relevant Charge(s) relate;

(d) the correct reference for this Agreement;

(e) the reference number of the purchase order to which it relates;

(f) the dates between which the Services that are the subject of each of the Charges detailed on the invoice were performed;

(g) a description of the Services;

(h) the pricing mechanism used to calculate the Charges (such as Fixed Price, Time and Materials etc);

(i) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;

(j) the total Charges gross and net of any applicable deductions and, separately, the amount of any Reimbursable Expenses properly chargeable to the Authority under the terms of this Agreement, and, separately, any VAT or other sales tax payable in respect of each of the same;

(k) details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;

(l) reference to any reports required by the Authority in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);

(m) a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;

(n) the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number); and

(o) where the Services have been structured into separate Service lines, the information at (a) to (n) of this paragraph 1.4 shall be broken down in each invoice per Service line.

1.5 Not used.

1.6 Each invoice shall, where required by the Authority, be accompanied by Supporting Documentation. Any assessment by the Authority as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice.

1.7 The Supplier shall submit all invoices and Supporting Documentation through the Authority’s chosen electronic transaction system.

1.8 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.

1.9 The Authority shall regard an invoice as valid only if it complies with the provisions of this Part E. Where any invoice does not conform to the Authority's requirements set out in this Part E, the Authority shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.

1.10 If the Authority fails to consider and verify an invoice in accordance with Paragraph 1.9, the invoice shall be regarded as valid and undisputed for the purpose of Paragraph 2.1 (Payment in thirty (30) days) after ten (10) Working Days has passed.

2 PAYMENT TERMS

2.1 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier within thirty (30) days of submission of a valid invoice.

2.2 Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Supplier has specified on its invoice.

ANNEX 1 | PRICING MECHANISM

1 TABLE 1: SUPPLIER PERSONNEL RATE CARD FOR CALCULATION OF TIME AND MATERIALS CHARGES

See the '3. Manday Rate Card' tab of the Charges Model spreadsheet attached as below:

[redacted]

1.1 It is acknowledged and agreed that, where in accordance with the Agreement, a change is made to the Charges Model and an agreed revised version of the Charges Model is formally approved by the Parties, reflecting such changes, then that formally approved version shall, as between the Parties, apply for the purposes of this Schedule from the point of such joint approval until either a further agreed and approved change is made in accordance with this Paragraph 1.1 or until the end of the Term.

2 TABLE 2: MAXIMUM TIME AND MATERIALS CHARGES

There are no Maximum Time and Materials Charges (the cap) or a Capped ADRs on any Services at the Effective Date. A cap and/or Capped ADR may be agreed on individual Project Work Orders as deemed appropriate; or as agreed through the Change Control Procedure for any future Services that may be required. Where a cap is agreed as part of a Project Work Order or future Service, then this should include the agreed options for what should happen if there is a risk that the cap may be exceeded.

3 NOT USED

4 NOT USED

5 TABLE 5: FIXED PRICES

See the relevant Project Work Orders or the '4. CM Charges – Service Support' tab of the Charges Model spreadsheet.

6 TABLE 6: FIRM PRICES

See the relevant Project Work Orders or the '4. CM Charges – Service Support' tab of the Charges Model spreadsheet.

7 TABLE 7: VOLUME CHARGES

See the '4. CM Charges – Service Support' tab of the Charges Model spreadsheet.

ANNEX 2 | CHARGING MECHANISM AND ADJUSTMENTS

1 TABLE 1: MILESTONE PAYMENTS AND DELAY PAYMENTS

Not used.

2 TABLE 2: SERVICE CHARGES

The Pricing Mechanism for each Service Charge is contained in Column H (UOM) of the '4. CM Charges – Service Support' tab of the Charges Model spreadsheet.

3 Not Used

4 Not Used

ANNEX 3 | NOT USED

ANNEX 4 | RISK REGISTER

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
Risk Number	Risk Name	Description of risk	Timing	Likelihood	Impact (£)	Impact (description)	Mitigation (description)	Cost of mitigation	Post-mitigation impact (£)	Owner

ANNEX 5 | NOT USED

ANNEX 6 | PARAMETERISED MODEL

1. The model as attached below:

[redacted]

1.1 It is acknowledged and agreed that, where in accordance with the Agreement, a change is made to the Parameterised Model and an agreed revised version of the Parameterised Model is formally approved by the Parties, reflecting such changes, then that formally approved version shall, as between the Parties, apply for the purposes of this Schedule from the point of such joint approval until either a further agreed and approved change is made in accordance with this Paragraph 1.1 or until the end of the Term.

ANNEX 7 | PARAMETERISED MODEL REVIEW

1. The Parties agree that the ASU Conversion Factors (Blended Man-day Rates), set out in the Parameterised Model in Annex 6, used in the calculation of Service Charges from outputs produced by the Parameterised Model shall be included in the scope of the relevant benchmarks conducted in accordance with Schedule 7.3 (*Value for Money*).

2. Where the value of any proposed increase in Service Charges for a new Business Application or change to an existing Business Application is over £50,000 (fifty thousand pounds) per annum, the Parties will review the parameters that will apply to that proposal, using any relevant information that either Party believes needs to be included in the review, to determine whether the proposed resource increase is appropriate.

3. The Supplier's Early-Live Support ("ELS") teams will identify and report the problems that were resolved under ELS and will identify the incidents that were associated with those problems so that the number of incidents being reported can be manually reduced by that number for consideration in the Parameterised Model. The costs of undertaking this activity will be included in the Supplier's time and material charges for ELS.

4. The Authority shall, subject to giving the Supplier one (1) month's notice, be entitled to conduct joint reviews with the Supplier of the Parameterised Model provided that such review is not conducted earlier than twelve (12) calendar months after the previous review triggered in accordance with this paragraph.

5. The Parties will consider during any joint review of the Parameterised Model in accordance with paragraph 4:

    a. the reports produced by the Supplier, by Technology Cluster, on the number of incidents, problems and service requests received during the greater of the previous six (6) months or the period since the previous review (the "Review Period");

    b. the scope of the Services provided by the Supplier during the Review Period;

    c. any changes to the scope of the Services provided by the Supplier during the Review Period;

    d. the outputs generated by the Parameterised Model during the Review Period; and

    e. any other relevant information that either Party believes needs to be included in the review.

6. Following the review the Parties, acting reasonably, shall agree if any adjustment needs to be made to the Parameterised Model based upon the information reviewed.

The level of any agreed adjustment shall be on the basis of the information reviewed only and no retrospection to any Service Charges will apply as a result of any adjustment.

7. If the Parties cannot, acting reasonably, agree on whether or not an adjustment to the Parameterised Model should be made or cannot agree on the level or type of adjustment to be made, the disagreement will be referred to the Dispute Resolution Procedure.

ANNEX 8 | LIST OF APPLICATION SOFTWARE PACKAGES CHARGED ON A PASSTHROUGH BASIS

List to be agreed as part of transition and attached here.