HM Revenue & Customs

SCHEDULE 2.2 | Performance Levels

OFFICIAL – SENSITIVE - COMMERCIAL

Schedule 2.2 | Performance Levels

1 DEFINITIONS

In this Schedule 2.2 (*Performance Levels*), the following definitions shall apply:

"Affected Performance Indicators"	has the meaning given in Paragraph 1.12 of Part B;
"Available"	means a Business Application being able to perform its agreed function when required and references to "**Availability**" and **"Unavailable"** shall be construed accordingly;
"Commercially Reasonable Efforts"	means taking such steps and performing them in such a way as a well-managed organisation would undertake with the aim of achieving a particular desired result for its own benefit, assuming such organisation was acting in a commercial, prudent and reasonable manner;
"Epsilon Amount" or "ε"	means the sum of: (i) any monthly Service Charges not subject to Service Credits in accordance with tab '4. CM Charges – Service Support' of the Charges Model in Annex 1 of Schedule 7.1 (*Charges and Invoicing*); (ii) any other Service Charges attracting a margin of 2.5% or less on the third party charges incurred by the Supplier; and (iii) any other monthly Service Charges where both Parties agree the risk has been passed through to the Authority;
"KBE Notice" and "KBE End Notice"	has the meaning given at Paragraph 2.13 and 2.14 of Part A;
"Key Business Event" or "KBE"	means an event designated as such by the Authority from time to time;
"Measurement Start Date"	means the date on which a Performance Indicator shall apply and start being measured as set out in Annex 1;

"Performance Failure"	has the meaning given in Paragraph 1.7 of Part A;
"Performance Monitoring Report"	has the meaning given in Paragraph 1.1 of Part B;
"Performance Review Meeting"	the regular meetings between the Supplier and the Authority to manage and review the Supplier's performance under this Schedule 2.2 (*Performance Levels),* as further described in Paragraph 1.5 of Part B;
"Repeat KPI Failure"	has the meaning given in Paragraph 4.1 of Part A;
"Repeat SPI Failure"	has the meaning given in Paragraph 4.3 of Part A;
"Repeat Failure Count"	has the meaning given in Paragraph 4.6 of Part A;
"Service Credit Cap"	means the cap described at Paragraph 6.3 of Part A;
"Service Level Packages"	means the service level packages (being “Enhanced”, “Standard” and “Minimum”) that determine the Target Performance Level and the Severity Levels for each Performance Indicator (details of which are set out in Table I of Annex 1); and
"Severity Levels"	means, for each Performance Indicator, the bands or levels of performance falling below the Target Performance Level which determine the seriousness of the Supplier's failure, as determined in accordance with the tables in Annex 1 and which are further described in paragraph 1.7 of Part A.

PART A | PERFORMANCE INDICATORS AND SERVICE CREDITS

1 PERFORMANCE INDICATORS

1.1 Annex 1 to this Schedule 2.2 (*Performance Levels*) sets out the Performance Indicators which the Parties have agreed shall be used to measure the performance of the Services by the Supplier. The Target Performance Levels and Severity Levels which are applicable to this Agreement and for each Performance Indicator will depend upon and be determined by the Service Level Package which has been selected by the Authority for the relevant Performance Indicator from time to time and which applies at the relevant time. The initial Service Level Package which has been selected for each Performance Indicator shall be as determined by the Authority and set out in Annex 2 as at the Effective Date.

1.2 Performance Indicators are broken down into Key Performance Indicators and Subsidiary Performance Indicators, the Supplier's performance of and against which the Parties have agreed will be measured.

1.3 Performance Indicators and Target Performance Levels and Severity Levels in relation thereto will be set individually where relevant by reference to the relevant Service Level Package.

1.4 The Supplier shall perform the Services so that they meet or exceed the applicable Target Performance Levels at all times.

1.5 Each Performance Indicator which relates to a Business Application shall apply and be measured from the relevant Measurement Start Date for that Performance Indicator as stated in Annex 1.

1.6 The Supplier shall monitor its performance of the Services against the Target Performance Level for each Performance Indicator and shall send the Authority a Performance Monitoring Report detailing the level of service and relevant level of performance actually achieved by the Supplier against each Performance Indicator in the relevant Measurement Period in accordance with the provisions of Part B of this Schedule 2.2 (*Performance Levels*).

1.7 The Target Performance Level is the minimum standard of performance which is required by the Authority. A **"Performance Failure"** will have occurred where the Supplier fails to provide any part of the Services in accordance with and so as to at least meet the relevant Target Performance Levels. Performance Failures are further divided into the following Severity Levels:

(a) a "Minor KPI Failure" or "Minor SPI Failure" will have occurred where the Supplier fails to provide any part of the Services to a level which meets or exceeds the Target Performance Level for the relevant Performance Indicator, but where performance meets or exceeds the relevant Major Failure Performance Threshold;

(b) a "Major KPI Failure" or "Major SPI Failure" will have occurred where the Supplier fails to provide any part of the Services to a level which meets or exceeds the Major Failure Performance Threshold for the relevant Performance Indicator, but, in the case of a KPI where performance meets or exceeds the relevant Critical Failure Performance Threshold (as appropriate) (if one exists);

(c) a "Critical KPI Failure" will have occurred where the Supplier fails to provide any part of the Services to a level which meets or exceeds the Critical Failure Performance Threshold for the relevant Performance Indicator. It is acknowledged and agreed by the Supplier that the Critical Failure Performance Threshold level has been set for the most critical of the Services and Performance Indicators, and represents a level of non-performance by the Supplier which would represent a serious Performance Failure

1.8 The Parties acknowledge and agree that not every Performance Indicator has each Severity Level associated with it. The Parties further acknowledge and agree that no Key Performance Indicator shall be modelled in a way which only has a Critical KPI Failure level. For example, a Key Performance Indicator may have a "Minor KPI Failure" level and a "Critical KPI Failure" level attributed to it, but not a "Critical KPI Failure" level only.

1.9 If the Supplier fails to measure or report on a Performance Indicator in accordance with the requirements placed upon it by Part B of this Schedule 2.2 (*Performance Levels*), the Supplier shall be deemed to have failed to meet the Target Performance Level for the relevant Performance Indicator in the relevant Measurement Period, unless the Authority otherwise agrees in writing. For the purposes of paragraphs 3 below, the Service Points which shall accrue to the Supplier shall be deemed to be the least severe available for that Performance Indicator unless determined otherwise by the Authority in accordance with Part B.

1.10 Service Points, and therefore Service Credits, shall accrue for any KPI Failure which occurs in the relevant Measurement Period and shall be calculated in accordance with Paragraphs 3, 4 and 6 of this Part A.

1.11 Service Points do not accrue for any SPI Failure which occurs in the relevant Measurement Period, however the relevant Subsidiary Performance Indicator shall be monitored and reported on in accordance with Part B of this Schedule 2.2 (*Performance Levels*).

2 CREATION, MODIFICATION, PROMOTION AND DEMOTION OF PERFORMANCE INDICATORS AND KEY BUSINESS EVENTS

2.1 Without prejudice to the rules on promotion and demotion below, new Performance Indicators for existing Services may only be added to the Agreement through the Change Control Procedure. Where a new Service is introduced to this Agreement through the Change Control Procedure, appropriate Performance Indicators, Target Performance Levels, Major Failure Performance Thresholds and Critical Failure Performance Thresholds may either be proposed by the Authority or failing that, shall be proposed by the Supplier (acting reasonably and in good faith in accordance with Good Industry Practice) as part of its Impact Assessment in relation to the relevant proposed Change (and, so far as possible, taking an approach which is commensurate with the nearest equivalent Performance Indicator(s) already in existence under the Agreement and the best equivalent level which is otherwise available in the market at the relevant time). Such proposed details will be agreed and documented at the same time that the new Service is agreed and documented.

2.2 Where the Parties fail to agree on or document the Performance Indicators for a new Service in accordance with paragraph 2.1 above before the required implementation date of the new Service then the new Service shall still be implemented and:

(a) the disagreement shall be treated as an Escalation Process Trigger Event and dealt with in accordance with the Escalation Process;

(b) the Supplier shall be entitled to charge for the new Service from the commencement of the new Service in accordance with Schedule 7.1 (*Charges and Invoicing*);

(c) prior to the implementation of the outcome of the Escalation Process, the Performance Indicators used in measuring and reporting on the performance of the new Service and in the calculation of Service Credits shall be deemed to be those proposed by the Supplier unless:

(i) the Supplier has failed to propose Performance Indicators for the new Service; or

(ii) the Authority reasonably considers that the Performance Indicators proposed by the Supplier are not commensurate with the nearest equivalent Performance Indicators already in existence under the Agreement,

in which case the Performance Indicators shall be those proposed by the Authority.

2.3 The Authority may remove a Performance Indicator at its sole discretion at any time by giving notice to the Supplier. Such notice and removal will take effect from the end of the relevant applicable Measurement Period or, if sooner, the date following 30 days from the date of the notice (or such other time, if any, as may be specified by the Authority in the relevant notice). The consequence of such removal by the Authority shall be that the removed Performance Indicator will no longer be applicable to future or existing Services and any Service Points which may have been attributed to such a removed Performance Indicator may be re-allocated by the Authority amongst the remaining Performance Indicators in accordance with paragraph 3.5 below save that such re-allocation may happen at any time in line with, and shall take effect at the same time as, the removal of the relevant Performance Indicator.

2.4 Without prejudice to the ability of the Authority to select between different Service Level Packages in accordance with Annex 2 and/or any changes in accordance with Paragraph 2.8 below, Target Performance Level, Major Failure Performance Threshold, Critical Failure Performance Threshold, and/or a Severity Level may only be changed as a result of the application of:

(a) the Change Control Procedure;

(b) the continuous improvement requirements set out in clause 8 of this Agreement which will be addressed through the Change Control Procedure;

(c) the agreed results of a benchmarking exercise which is carried out pursuant to the provisions of Schedule 7.3 (*Value for Money*) which will be addressed through the Change Control Procedure; or

(d) an agreed adjustment under paragraph 2.8 below to reflect the designation by the Authority of a Key Business Event.

2.5 Any KPI may, at any time, be demoted by the Authority to an SPI at the sole discretion of the Authority and by sending written notice to the Supplier. Any such demotion shall take effect from the end of the relevant applicable Measurement Period or, if sooner, the date falling 30 days from the date of the relevant notice (or such other time, if any, as may be specified by the Authority in the relevant notice). Where a KPI is demoted to a SPI, Service Points shall no longer accrue where the Supplier fails to meet or exceed the Target Performance Level in respect of such Performance Indicator. All other attributes (including the relevant Target Performance Level and Severity Levels) of the KPI shall remain unaffected. Any Service Points which may have been attributed to such a demoted KPI may be re-allocated by the Authority amongst the remaining Performance Indicators in accordance with paragraph 3.5 below, save that such re-allocation may happen at any time and in line with, and shall take effect at the same time as, the demotion of the relevant KPI.

2.6 Subject to the remaining provisions of this paragraph 2.6, and without prejudice (and in addition) to paragraph 2.7 below, a SPI may be promoted to a KPI at the sole discretion of the Authority by sending written notice to the Supplier at least one relevant Measurement Period in advance of any such promotion. The promotion of an SPI to a KPI shall take effect at the start of the next Measurement Period to commence for that promoted SPI following service of notice in writing by the Authority in accordance with this paragraph 2.6. The Parties agree that:

(a) no more than one (1) SPI can be promoted to a KPI in any one Measurement Period but without prejudice and in addition to any promotion under paragraph 2.7 below;

(b) no promoted KPI can be demoted to an SPI for three (3) full relevant Measurement Periods (commencing with the first Measurement Period to occur for the new KPI following service of notice in writing by the Authority in accordance with this paragraph 2.6);

(c) promoted KPIs shall be liable to accrue Service Points in accordance with the provisions of paragraph 3 (and the Authority may in the notice of promotion confirm how Service Points are to be allocated to the relevant promoted KPI and, where relevant, moves from other KPIs); and

(d) to the extent that it does not already have one, the Authority may designate the Minor and Major Failure Performance Threshold(s) which will apply to the newly promoted KPI.

2.7 In addition to any promotion under paragraph 2.6 above, the Authority shall be entitled to promote a SPI to a KPI when the SPI has accrued a Repeat SPI Failure (as further outlined in paragraph 4). Where the relevant SPI is promoted to a KPI (which shall be conducted in accordance with paragraph 2.6), the Repeat Failure Count which applied to the SPI shall be reset to zero (0) (i.e. as if there had been no preceding Performance Failure in respect of the newly promoted KPI).

2.8 The Parties are committed to ensuring that certain business critical, public-facing business processes or events operate effectively so that the Authority's reputation is protected and have therefore agreed to focus more management attention on these in the form of Key Business Events. Therefore, the Parties shall agree, introduce, monitor and measure KBEs in accordance with the arrangements set out in paragraphs 2.9 to 2.14 below.

2.9 On an annual basis, the Authority shall select up to ten (10) KBEs to be measured and monitored. The Authority shall nominate the ten (10) KBEs by the 31st January immediately preceding the beginning of the financial year in which they are to operate. Measures for each KBE will be agreed by the Parties no less than six (6) weeks in advance of the beginning of that KBE.

2.10 The measures for each KBE will include objective measures of activities which are important in ensuring the attainment of the Authority's business objectives.

2.11 The Parties shall further develop the measurement of KBEs in the following category: objective measures in the form of mechanically measurable sets of success criteria linked to the Authority's business objectives.

2.12 The Parties recognise that for certain KBEs, amendments may need to be made to the Performance Indicators during a KBE. Any amendments to Performance Indicators during a KBE will be agreed in advance of the KBE via the Change Control Procedure and managed by the Authority in accordance with this Schedule 2.2 (*Performance Levels*).

2.13 The Authority on occasion may declare a new KBE to meet with the Authority's business critical responsibilities. The Authority may at any time give reasonable notice in writing to the Supplier to declare that a particular event relating to the business of the Authority is a Key Business Event (**"KBE Notice"**). Such KBE Notice may include:

(a) the date on which the KBE will take effect;

(b) the end date of the KBE; and

(c) the relevant duration of which any amendments will apply.

2.14 In the event that the Authority serves a KBE Notice on the Supplier in accordance with paragraph 2.13 above, the Supplier agrees that the relevant amendments shall apply to this Agreement for any duration set out in such notice or, if no such duration is specified, until the Authority provides a further notice in writing to the Supplier confirming that the relevant Key Business Event has ended and the relevant amendments are no longer required (**"KBE End Notice"**). The KBE End Notice shall take effect meaning that the relevant amendments shall (without prejudice to any Changes to the Agreement which may have been agreed between the Parties following the service of the relevant KBE Notice) cease to apply for the purposes of this Agreement no sooner than 20 Working Days from the date of the relevant KBE End Notice.

3 SERVICE POINTS

3.1 If the level of performance of the Supplier during a Measurement Period meets or exceeds the Target Performance Level in respect of a Key Performance Indicator, no Service Points shall accrue to the Supplier in respect of that Key Performance Indicator.

3.2 If the level of performance of the Supplier during a Measurement Period is below the Target Performance Level in respect of a Key Performance Indicator, Service Points shall accrue to the Supplier in respect of that Key Performance Indicator as set out in Annex 1 (and as such points may be adjusted in accordance with this Schedule 2.2 (*Performance Levels*)).

3.3 The number of Service Points that shall accrue to the Supplier in respect of a KPI Failure shall be the relevant number as set out in Annex 1 (in its form at the relevant time and as may be adjusted in accordance with this Schedule 2.2 (*Performance Levels*) and the Agreement) depending on whether the KPI Failure is a Minor KPI Failure, a Major KPI Failure or a Critical KPI Failure, unless the KPI Failure is a Repeat KPI Failure in which case the provisions of paragraph 4 shall also apply. For the avoidance of doubt, where a KPI only has Service Points associated with a Minor KPI Failure and/or a Major KPI Failure, then in the event of a Critical KPI Failure against that KPI, Service Points shall still accrue to the Supplier, and at the highest available amount associated with that KPI.

3.4 It is acknowledged and agreed that the total number of Service Points that may be allocated across all KPIs shall not exceed 150. In calculating this figure, the Service Points that are deemed to be allocated to any one KPI shall be the maximum Service Points that can be awarded in respect of a Performance Failure relating to that Key Performance Indicator. Annex 1 to this Schedule 2.2 (*Performance Levels*) sets out the initial allocation of Service Points across the KPIs and shall be updated from time to time in accordance with the provisions of this Schedule 2.2 (*Performance Levels*).

Example: if, for a particular KPI, a Minor KPI Failure is allocated 10 Service Points and a Major KPI Failure is allocated 20 Service Points , the total Service Point allocation to that KPI for the purposes of this paragraph (and assessing the amount from the total mentioned above which is allocated to that KPI) would be 20.

3.5 The Authority shall be entitled to redistribute Service Points between KPIs (including newly promoted KPIs and from demoted or removed KPIs) at its sole discretion by giving at least one (1) months' notice in writing to the Supplier without prejudice to any time periods applicable under paragraph 2.3, 2.5 or 2.6 above but without having to follow the Change Control Procedure, subject to the following restrictions:

(a) the maximum number of Service Points that can be allocated to any one (1) single KPI is 30 (without prejudice to the application of Paragraph 4 below in relation to Repeat Failures);

(b) no more than 60 Service Points can be reallocated across all of the KPIs in any one Measurement Period (save for any reallocation as a result of a promotion under paragraph 2.7 above and/or as a result of a Key Business Event as described at paragraphs 2.8 above)

(c) any such reallocation shall take effect at the start of the next Measurement Period to commence for the relevant KPIs following service of notice in writing by the Authority in accordance with this paragraph 3.5; and

(d) the total Service Points allocated cannot (without prejudice to the application of Paragraph 4 below) exceed the limit specified in paragraph 3.4, although not all Service Points need to be allocated at all times (For example only and without prejudice to the formality of this section, a KPI which is measured on a monthly basis may have 10 Service Points deducted from it and moved to a KPI which is measured on a quarterly basis. As the KPI measured on a quarterly basis is on a different measurement cycle to the monthly KPI, those Service Points will not be relevant for accrual until the end of the relevant quarterly Measurement Period). Any unallocated Service Points are available to be allocated by the Authority in addition to the limit specified in 3.5(b).

3.6 For the avoidance of doubt:

(a) Service Points will be accrued by the Supplier based on the relevant Performance Failures which have occurred against the Performance Indicators; and

(b) Service Points (and accordingly Service Credits) shall be accrued cumulatively by the Supplier (and for each KPI against which there is a relevant Performance Failure). Service Credits and Service Points accrued by the Supplier for all Performance Failures in a Service Period shall be added together to give the total Service Credit due from the Supplier in respect of that Service Period

4 REPEAT KPI FAILURES/REPEAT SPI FAILURES

4.1 Subject to Paragraph 4.2, if a KPI Failure occurs in respect of the same Key Performance Indicator in any two consecutive Measurement Periods, the second and any subsequent such KPI Failure shall be a **"Repeat KPI Failure"**.

4.2 Where an event occurs that impacts Availability and such event continues uninterrupted into subsequent Measurement Periods (as set out in the example below), the KPI Failure in the subsequent Measurement Periods shall not in itself constitute a Repeat KPI Failure against the relevant Availability measure.

Example:

An Availability KPI is measured on the basis of a system's hours of uptime on a 24x7 basis, across a calendar month-long Measurement Period, not exceeding 6 hours downtime in total. The system becomes Unavailable on the last day of the month at 4pm, in Measurement Period 1. The system is recovered into service at 10am the following day, which is in the next calendar month (Measurement Period 2).

In both Measurement Periods, the Unavailable hours are enough to cause the KPI to be Failed (8 hours Unavailable in Measurement Period 1, and 10 hours Unavailable in Measurement Period 2, against a target of no more than 6 hours). There are no further outages in Measurement Period 2 which impact the KPI.

Both Measurement Periods will report a failure, and accrue the relevant Service Points. However, the Repeat Failure Count will remain at 0 for Measurement Period 2 as the Supplier can demonstrate that the Performance Failure causing the KPI not to be met in the second Measurement Period was the same as in the first.

If, however, there had been other, separate outages in Measurement Period 2 which would on their own have caused the KPI to be failed (i.e. when the impact of that initial Performance Failure has been discounted from the measure, there are still more than 6 hours of outages), then a Repeat Failure would be applied and the Repeat Failure Count would instead be 1 in Measurement Period 2.

4.3 If a SPI Failure occurs in respect of the same Subsidiary Performance Indicator in any two consecutive Measurements Periods, the second and any subsequent SPI Failure shall be a **"Repeat SPI Failure"**. The Supplier shall track and report on the current number of sequential Repeat SPI Failures for each Subsidiary Performance Indicator.

4.4 To the extent that the Authority, or any other third party which supplies services to the Authority (excluding any Supplier Subcontractors acting in their capacity as a Subcontractor to the Supplier or any other third party providing services to the Supplier relating to this Agreement), has materially impacted the Supplier's ability to take remedial action to correct the root cause of a KPI (or SPI) Failure and that same root cause results in a KPI (or SPI) Failure in the next Measurement Period, the subsequent KPI (or SPI) Failure shall not constitute a Repeat KPI (or SPI) Failure.

4.5 Not used.

4.6 In each Performance Monitoring Report, the Supplier shall track and report on the current number of sequential Repeat KPI Failures for each KPI (the "**Repeat Failure Count"**). For example, if a KPI Failure has occurred in three (3) sequential Measurement Periods, the Repeat Failure Count will be two (2).

4.7 The Repeat Failure Count shall be a count of the number of sequential Repeat KPI Failures (being failures to meet the relevant Target Performance Levels. The severity of the Performance Failure shall be irrelevant to the Repeat Failure Count. Any Minor KPI Failures, Major KPI Failures and Critical KPI Failures shall each be counted as one increment of the Repeat Failure Count.

4.8 When, in a Measurement Period, a KPI with a Repeat Failure Count above zero (0) meets its Target Performance Level, the Repeat Failure Count shall be reset to zero (0).

4.9 Without prejudice to the Authority's other rights and remedies, there shall be no upper limit to the Repeat Failure Count. However, a Repeat Failure Count of four (4) or more shall be deemed to be a Critical KPI Failure by the Supplier against the relevant KPI.

4.10 The number of Service Points that shall accrue to the Supplier in respect of a Measurement Period and for a KPI Failure that is a Repeat KPI Failure shall be calculated as follows:

SP = P + (P * RFC * 0.5)

where:

SP = the number of Service Points that shall accrue for the relevant Repeat KPI Failure;

P = the applicable number of Service Points for that KPI Failure as set out in Annex 1 (as updated) depending on whether the relevant Repeat KPI Failure is a Minor KPI Failure, a Major KPI Failure or a Critical KPI Failure and the applicable Service Level Package; and

RFC = the Repeat Failure Count.

5 REMEDIES

5.1 Without prejudice to the Authority's other rights and remedies in this Agreement, the Parties acknowledge and agree that Critical KPI Failures and Repeat KPI Failures (at the level referred to at paragraph 4.9 above) represent a level of non-performance that would entitle the Authority to invoke its termination rights set out in clause 34.1(b) of this Agreement.

5.2 The Parties agree that:

(a) Service Credits are a non-exclusive remedy and shall be without prejudice to any rights or remedies of the Authority under this Agreement or at Law including any entitlement that the Authority may have to damages and/or to terminate;

(b) notwithstanding the Supplier's liability for Service Credits, nothing in this Schedule 2.2 (*Performance Levels*) shall prejudice the Supplier's rights to seek relief or compensation under Clause 32 of this Agreement. Unless specified otherwise in a Performance Indicator, the Supplier shall only be accountable for any failure to meet that Performance Indicator to the extent that such failures are due to failure of the Supplier performing the Services; and

(c) the Supplier shall be entitled to seek relief from Performance Failures in accordance with Clause 32 of this Agreement to the extent that such failures are caused by the action or inaction of the Authority or its third party suppliers who have direct contracts with the Authority provided that the Supplier has notified the Authority promptly and in any event as part of the report in which the relief is claimed.

(d) **Example 1**

(e) An application is not Available to the Authority because of network outage not arising from the Services. In this case it will still be measured and reported as Available in accordance with the relevant Performance Indicator and so no claim for relief is necessary.

(f) **Example 2**

(g) The Supplier cannot fix a Business Application error which is causing that application not to be Available due to a network or hardware error attributable to a third party supplier of the Authority. This will be shown as a Performance Failure but the Supplier shall be entitled to seek relief.

5.3 The provisions of Clause 32 of this Agreement shall apply in respect of any failure by the Supplier to provide the Services in accordance with the Target Performance Levels which would not have occurred but for an Authority Cause or Ecosystem Failure.

5.4 Once any necessary allocation of Service Points has been determined and made, the Parties shall make the necessary adjustments to the next invoice to be raised by the Supplier pursuant to Schedule 7.1 (*Charges and Invoicing*).

6 SERVICE CREDITS AND AMOUNT AT RISK

6.1 Schedule 7.1 (*Charges and Invoicing*) sets out the mechanism by which Service Credits are applied to invoices.

6.2 The maximum Service Credits which shall be payable by the Supplier irrespective of the number of Service Points accrued shall not exceed the Service Credit Cap.

6.3 The Service Credit Cap shall be 13% of the monthly Service Charges (minus ε). For the avoidance of doubt, the operation of the Service Credit Cap shall not affect the continued accrual of Service Points where relevant in accordance with the provisions of this Schedule 2.2 (*Performance Levels*) (for the purposes of calculating whether certain thresholds within this Agreement have been reached).

6.4 Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period by reference to those Key Performance Indicators for which the Measurement Period ended in or at the end of that Service Period.

6.5 For each Service Period:

(a) the Service Points accrued shall be converted to a percentage deduction from the Service Charges for the relevant Service Period; and

(b) the total Service Credits applicable in respect of the Service Period shall be calculated in accordance with the following formula:

SC = TSP *x* X *x* AC *x* SCC

where:

SC is the total Service Credits for the relevant Service Period;

TSP is the total Service Points that have accrued for the relevant Service;

X is 1%;

AC is the total Services Charges payable for the relevant Service Period (prior to deduction of applicable Service Credits) minus ε;

SCC is the Service Credit Cap percentage (13%),

provided that the Service Credits in a Service Period shall not exceed the Service Credit Cap.

Worked example:

The Supplier has failed to meet an Availability target and the Major Failure Performance Threshold is breached with 20 Service Points allocated.

The Supplier has also failed the Minor Failure Performance Threshold of a separate Key Performance Indicator incurring a further 15 Service Points (i.e., the total Service Credit Points (TSP in the equation above) equals 35).

If the Supplier's charge for supporting and providing all the Operational Services in the Service Period minus ε is £100,000 (i.e., AC = £100,000) and the Service Credit Cap percentage is 13% (i.e., SCC = 13%), then the total Service Credits for that Service Period in respect of Availability shall be calculated as follows:

Service Credit Cap = (£100,000 x 13%) = £13,000

Service Credits = (35 x 1%) x (£13,000) = £4,550

Then since the Service Credits amount is less than the Service Credit Cap then £4,550 is the amount of Service Credits due for the Service Period. (Had the Service Credits amount calculated been greater or equal to the Service Credit Cap then £13,000 would have been the amount of Service Credits due for the Service Period).

6.6 The Authority shall use the Performance Monitoring Reports provided pursuant to Part B, amongst other things, to verify the calculation and accuracy of the Service Credits (if any) applicable to each Service Period.

6.7 It is acknowledged and agreed that, where as result of the Authority exercising its sole discretionary rights in accordance with paragraphs 2.3, 2.5, 2.6, 2.7 and/or 3.5 of this Schedule 2.2 (*Performance Levels*), a change is made to the Performance Indicators, including (but not limited to) a change in the allocation of Service Points and/or the promotion or demotion of a SPI or KPI, the Authority may issue a revised version of Annex 1 reflecting such changes and that version shall, as between the Parties, apply for the purposes of this Schedule 2.2 (*Performance Levels*) from that point.

6.8 Annex 2 is maintained by the Authority through a separate operational governance and version control arrangement and as such does not need to be re-applied to this Agreement via a Change Authorisation Note.

6.9 Any changes to Annex 1 and/or Annex 2 shall be by agreement between the Parties except to the extent that the changes are as result of the Authority exercising its sole discretionary rights in accordance with paragraphs 2.3, 2.5, 2.6, 2.7 and/or 3.5, in which case such changes shall not be subject to the agreement of the Parties and the Authority shall have no obligation to seek the approval of the Supplier prior to making such changes.

6.10 Changes to Annex 2 will be documented by the Authority and issued to the Supplier and the latest agreed versions will not be conformed into this Agreement but will nevertheless be treated as forming part of this Agreement.

PART B | PERFORMANCE MONITORING

1 PERFORMANCE MONITORING AND PERFORMANCE REVIEW

1.1 Within 10 Working Days of the end of each Service Period, the Supplier shall provide:

(a) a report to the Authority Representative which summarises the performance by the Supplier against each of the applicable Target Performance Levels as more particularly described in Paragraph 1.2 of this Part B (the "**Performance Monitoring Report**"). For the avoidance of doubt, the Supplier shall not be required to obtain the Authority's sign off or agreement of the results prior to the Supplier's submission of the report in accordance with this paragraph 1.1(a).

The method of performance reporting in accordance with this Part B shall be in such format (and using such tools) as the Authority may request from time to time.

1.2 The Performance Monitoring Report shall be in such format as requested by the Authority from time to time, but shall contain, as a minimum, the following information:

Information in respect of the Service Period just ended

(a) for each Key Performance Indicator and Subsidiary Performance Indicator, the actual performance achieved over the Service Period and the relevant Measurement Period which has just ended, and that achieved over the previous three (3) relevant Measurement Periods;

(b) a summary of all Performance Failures that occurred during or which have occurred by the end of the Service Period;

(c) the Severity Level of each Performance Failure which occurred during the Service Period or by the end of it;

(d) which Performance Failures remain outstanding and progress in resolving them;

(e) for any Critical KPI Failures occurring during or by the end of the Service Period, the cause of the relevant KPI Failure and the action being taken to reduce the likelihood of recurrence;

(f) the status of any outstanding Rectification Plan processes, including:

(i) whether or not a Rectification Plan has been agreed; and

(ii) where a Rectification Plan has been agreed, a summary of the Supplier's progress in implementing that Rectification Plan;

(g) for any Repeat KPI Failures and/or Repeat SPI Failures, actions taken to resolve the underlying cause and prevent recurrence;

(h) the number of Service Points awarded in respect of each KPI Failure;

(i) the Service Credits to be applied, indicating the KPI Failure(s) to which the Service Credits relate;

(j) relevant particulars of any aspects of the Supplier's performance which fail to meet the requirements of this Agreement;

(k) such other details as the Authority may reasonably require from time to time;

Information in respect of previous Service Periods

(l) a rolling total of the number of Performance Failures that have occurred over or by the end of the past six Service Periods, including any Repeat Failure Counts; and

(m) the amount of Service Credits that have been incurred by the Supplier over or by the end of the past six Service Periods.

1.3 Not used.

Performance Disputes

1.4 The Performance Monitoring Report shall be reviewed by the Authority at the next Performance Review Meeting held in accordance with Paragraph 1.5. The Supplier acknowledges and agrees that the Authority may, whilst it considers the Performance Monitoring Report, provide, acting reasonably and in good faith, its own assessment of the Supplier's actual level of performance against a particular Performance Indicator. In the event of any dispute or difference between the Supplier's assessment and the Authority's assessment in respect of a Performance Indicator the Authority's assessment shall, for the purposes of the calculation of the Supplier's level of actual performance in relation to the relevant Measurement Period (and any associated remedies) prevail. However, without prejudice to the foregoing, the Supplier shall be entitled to subsequently escalate any remaining dispute or difference to the Operational Performance Board in accordance with Schedule 8.1 (*Governance*).

1.5 The Parties shall attend meetings on a monthly basis (unless otherwise agreed) to review the Performance Monitoring Reports. These meetings (**"Performance Review Meetings"**) shall (unless otherwise agreed):

(a) take place within 5 Working Days of the Performance Monitoring Report being issued by the Supplier;

(b) take place at such location and time (within normal business hours) as the Authority shall reasonably require (unless otherwise agreed in advance); and

(c) be attended by the Supplier Representative and the Authority Representative.

1.6 The Authority shall be entitled to raise any additional questions and/or request any further information from the Supplier regarding any Performance Failure.

1.7 In addition to the requirements above and elsewhere in this Agreement to maintain and provide appropriate documents and records, the Supplier shall provide to the Authority such supporting documentation as the Authority may reasonably require in order to verify the level of the performance of the Supplier both before and after each Measurement Start Date.

1.8 The Supplier shall ensure that the Performance Monitoring Report (as well historic Performance Monitoring Reports) and any variations or amendments thereto, any reports and summaries produced in accordance with this Schedule 2.2 (*Performance Levels*) and any other document or record reasonably required by the Authority are available to the Authority on-line and are capable of being printed.

1.9 If the Authority incorrectly allocates an Incident to the Supplier, the Supplier shall be entitled to charge for its effort in investigating the cause of such Incident in accordance with the day rates in Table 1 of Annex 1 of Schedule 7.1 (*Charges and Invoicing*). Where the Supplier considers that an Incident has been incorrectly allocated, it shall notify the Authority (with reasonable supporting detail) within 10 Working Days of having closed such Incident and the Parties shall then agree whether or not such Incident was incorrectly allocated and (if applicable) the relevant charges (in each case, such agreement not to be unreasonably withheld). Any dispute in this regard shall be dealt with in accordance with Schedule 8.4 (*Dispute Resolution Procedure*). For the avoidance of doubt, no such charges shall be invoiced by the Supplier until such agreement has been reached or dispute resolved.

1.10 The Authority will provide reasonable notice to the Supplier if any of the definitions of Incident Priority Levels or Problem Priority Levels in the Supplier Policies and Procedures Manual are to be amended. If the Supplier reasonably considers that any such amendment is likely to impact upon the Service Charges or its ability to achieve the Performance Indicators, then:

(a) the Supplier shall notify the Authority as soon as reasonably practicable, and in any event within fifteen (15) Working Days after receiving notice from the Authority, of the likely effects of that change, including whether any change is required to the Service Charges or the Performance Indicators;

(b) any changes to the Service Charges and/or Performance Indicators shall be agreed and implemented in accordance with the Change Control Procedure; and

(c) the Supplier shall use Commercially Reasonable Efforts to mitigate any increases in cost.

1.11 In the event that the Supplier notifies the Authority of an impact in accordance with paragraph 1.10 and raises a Change Request, and the Parties fail to agree any Change to the Service Charges or the Performance Indicators within two (2) Months of the Authority receiving an Impact Assessment from the Supplier in accordance with the Change Control Procedure, the Parties shall escalate the matter in accordance with the Escalation Process and until such escalation is resolved:

(a) any Affected Performance Indicators that are KPIs shall be treated as SPIs for the purpose of this Agreement; and

(b) the Supplier shall use Commercially Reasonable Efforts to achieve the Affected Performance Indicators.

1.12 For the purpose of paragraph 1.11, **"Affected Performance Indicators"** means all Performance Indicators that the Supplier reasonably considers are impacted by an amended definition in accordance with paragraph 1.10 and which are identified by the Supplier in its Impact Assessment.

2 PERFORMANCE VERIFICATION

The Authority reserves the right to verify any aspect of the Services and the Supplier's performance under this Agreement against the Target Performance Levels, including by sending test transactions through the IT Environment or otherwise. To the extent that any such performance verification can be demonstrated by the Supplier to cause a Performance Failure, the Supplier shall be relieved of its obligations provided it has notified the Authority in accordance with paragraph 5.2(c) of Part A above.

ANNEX 1 | KEY PERFORMANCE INDICATORS AND SUBSIDIARY PERFORMANCE INDICATORS

[redacted]

ANNEX 2 | *Business Applications Mapped to Service Level Packages*

ServiceNow ID	Business Application Short Name	System Name	New Service Level Package	New Supported Hours for Service Level Package	Service Level Package Comments
BSN0001520	Accts Analysis	TSS - Accounts Analysis (Accts Analysis)	Minimum	08:00 - 18:00	
BSN0001526	ADD	Access to DWP Data (ADD)	Standard	08:00 - 18:00	
BSN0001531	AF	Frameworks (CDF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002460	ARMS	Accounts Receivable Management System (ARMS)	Minimum	08:00-18:00	
BSN0002158	ATR	Frameworks (CDF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001584	BCS	Chief Digital Information Officer (CDIO)	Minimum	08:00 - 18:00	
BSN0001571	Beneficial Loan	TSS - Beneficial Loans (Beneficial Loans)	Minimum	08:00 - 18:00	
BSN0001590	CAD	TSS - Compliance Accountants Database (CAD)	Minimum	08:00 - 18:00	
BSN0002406	CARS	Cloud Architected Repayment Service (CARS)	Minimum	08:00-18:00	
BSN0001149	CESA	Computerised Environment for Self Assessment (CESA)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001624	CESRW	TSS - Confidential Elec Sys Reporting Wrongdoing (CESRW)	Minimum	08:00 - 18:00	
BSN0001626	CGI	TSS - Capital Gains Indexation (CGI)	Minimum	08:00 - 18:00	
BSN0001627	CGSP	TSS - Capital Gains Sharepooling (CGSP)	Minimum	08:00 - 18:00	
BSN0001631	CHF	Contact History Framework (CHF)	Standard	08:00 - 18:00	
BSN0001638	CID	Frameworks (CDF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001641	CIS Reform	Construction Industry Scheme Reform (CISR)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00

ServiceNow ID	Business Application Short Name	System Name	New Service Level Package	New Supported Hours for Service Level Package	Service Level Package Comments
BSN0001641	CISR Reporting	Construction Industry Scheme Reform (CISR)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001658	COMPASS	COMPASS (COMPASS)	Standard	08:00 - 18:00	
N/A	CRS	Computerised Environment for Self Assessment (CESA)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001850	Data Entry	TSS - EDC LOMR Data Entry	Minimum	08:00 - 18:00	
BSN0001718	EBS	Employer Business Service (EBS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002454	ECLSS	TSS - Employer Compliance Laptop Support Tools (ECLSS)	Minimum	08:00 - 18:00	
BSN0002161	ECMIS	Employer Compliance System (ECS)	Standard	08:00 - 18:00	
BSN0001722	ECS	Employer Compliance System (ECS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001729	EDC	Enterprise Data Capture (EDC)	Minimum	08:00 - 18:00	
BSN0001742	eForms	TSS - eForms (eForms)	Minimum	08:00 - 18:00	
BSN0001748	EFR	Frameworks (CDF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001753	EPG	Electronic Payment Gateway (EPG)	Minimum	08:00-18:00	
BSN0001774	FEU	DAB - Foreign Entertainers Unit (FEU)	Standard	08:00 - 18:00	
BSN0005173	Genie	TSS - Reporting Free Format Query Interface (GENIE)	Minimum	08:00 - 18:00	
BSN0001795	Heritage Website	ARTNET Heritage (ARTNET)	Standard	08:00 - 18:00	
BSN0002122	HPAM	High Privilege Access Management (HPAM)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0005349	IAU	DAB - Incentive Award Unit (IAU)	Standard	08:00 - 18:00	
BSN0001809	IDMS	Integrated Debt Management System (IDMS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001551	IHT	ARTNET Heritage (ARTNET)	Standard	08:00 - 18:00	
	IntelNet	Intelligence Network (IntelNet)	Standard	08:00 - 18:00	

ServiceNow ID	Business Application Short Name	System Name	New Service Level Package	New Supported Hours for Service Level Package	Service Level Package Comments
BSN0001827	IRS	Integrated Repayment System (IRS)	Standard	08:00 - 18:00	
BSN0001833	Job Scheduler	Job Scheduler	Minimum	08:00 - 18:00	
BSN0001836	KANA	KANA IQ	Standard	08:00-18:00	This will continue to be supported in line with Contact Centre hours. Needs to be a work-off item to align it into the model.
BSN0001837	KANA	KANA Response	Standard	08:00-18:00	This will continue to be supported in line with Contact Centre hours. Needs to be a work-off item to align it into the model.
BSN0001845	LDC	Computerised Environment for Self Assessment (CESA)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002384	MFDS	More Frequent Data Share (MFDS)	Minimum	08:00 - 18:00	
BSN0005007	MOMS	MOMS - New Banking & Payments	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001893	NRL	Non-Resident Landlords (NRL)	Standard	08:00 - 18:00	
BSN0001895	NTC	New Tax Credits (NTC)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001903	Office Tools	TSS - Office Tools (Office Tools)	Minimum	08:00 - 18:00	
BSN0001852	OLDC Summary	TSS - EDC LOMR OLDC Summary	Minimum	08:00 - 18:00	
BSN0001912	OPECS	Occupational Pension Enhanced Computer System (OPECS)	Standard	08:00 - 18:00	
BSN0001945	OTO CLERICAL	Petroleum Revenue Tax (PRT-Desktop)	Minimum	08:00-18:00	
BSN0001946	OTO MIS	Petroleum Revenue Tax (PRT-Desktop)	Minimum	08:00-18:00	
BSN0001947	OTO Utilities	Petroleum Revenue Tax (PRT-Desktop)	Minimum	08:00-18:00	
BSN0001930	PARS	Payment Accounting and Reconciliation System (PARS)	Standard	08:00 - 18:00	
BSN0001931	PAS Core	Penalties and Appeals (PAS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00

ServiceNow ID	Business Application Short Name	System Name	New Service Level Package	New Supported Hours for Service Level Package	Service Level Package Comments
BSN0001936	PFW PLANIT	Planning and Forecasting Work (PFW PLANIT)	Minimum	08:00 - 18:00	
	PGP Support	PGP Support (PGP)	Minimum	08:00 - 18:00	
BSN0001938	PMF	Payments Made Framework (PMF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001940	POBI	Place of Business Index (POBI)	Standard	08:00 - 18:00	
	Print Manager	VME Print Manager (Print Manager)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001943	Print Payslip	Print Payslip (Print Payslip)	Minimum	08:00 - 18:00	
BSN0001949	PTF	Frameworks (CDF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001962	RAGE	Rules Based Service (RBS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0001965	RCS	Receipts Clearing System (RCS)	Minimum	08:00-18:00	
BSN0001851	Reports	TSS - EDC LOMR Reports	Minimum	08:00 - 18:00	
BSN0001984	SA Tracing	Self Assessment Tracing (SA Tracing)	Standard	08:00 - 18:00	
BSN0001176	SA700 Return	TSS - Non-Resident Landlords (SA700 Return)	Minimum	08:00 - 18:00	
BSN0001995	SAGE	DAW - Inheritance Tax (IHT) Accounting System (SAGE)	Standard	08:00 - 18:00	
BSN0001997	SAMAS	Self Assessment Management Accounting Sys (SAMAS)	Standard	08:00 - 18:00	
BSN0001988	SAPR	TSS - SA Pensions Return (SAPR)	Minimum	08:00 - 18:00	
BSN0001986	SAPS	TSS - SA 970 Pension Schemes (SAPS)	Minimum	08:00 - 18:00	
BSN0001991	SATA	TSS - SA Trusts Admin (SATA)	Minimum	08:00 - 18:00	
BSN0001992	SATR	TSS - SA 900 Trusts Return (SATR)	Minimum	08:00 - 18:00	
BSN0002010	SCRAP	Secure Customer Records (SCR)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002011	SCRBU	Secure Customer Records (SCR)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00

ServiceNow ID	Business Application Short Name	System Name	New Service Level Package	New Supported Hours for Service Level Package	Service Level Package Comments
BSN0002012	SCREC	Secure Customer Records (SCR)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
	Screen Scrape	TSS - Screen Scrape DLL (Screen Scrape)	Minimum	08:00 - 18:00	
BSN0002013	SCRIT	Secure Customer Records (SCR)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002014	SCRUC	Secure Customer Records (SCR)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002015	SCRUP	Secure Customer Records (SCR)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002489	SEISS	Self-Employment Income Support Scheme (SEISS)	Minimum	08:00-18:00	
BSN0002028	SET	Managed Data Transfer Service Systems (MDTS SET)	Standard	08:00 - 18:00	
BSN0002029	SharedWorkspace	Shared Workspace (SharedWorkspace)	Standard	08:00 - 18:00	
BSN0002286	SLS	Student Loans Service (SLS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0005383	SPBS	System Parameters Business Service (SPBS)	Standard	08:00 - 18:00	
BSN0002157	SPF	Frameworks (CDF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0005181	Splunk	Splunk (SPLUNK)	Minimum	08:00 - 18:00	
	SRM VME	Software Release Mechanism VME (SRM VME)	Minimum	08:00 - 18:00	
	Staff Program	TSS - EDC LOMR Staff Program	Minimum	08:00 - 18:00	
BSN0002046	STF	Frameworks (CDF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002048	SWORD	Suspect Warehouse of Risk Data (SWORD)	Standard	08:00 - 18:00	
BSN0002049	SWSS	TSS - SCEC Work Support System (SWSS)	Minimum	08:00 - 18:00	
BSN0002055	TBS	Taxpayer Business Service (TBS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002066	TPSS	The Pension Scheme Service (TPSS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00

ServiceNow ID	Business Application Short Name	System Name	New Service Level Package	New Supported Hours for Service Level Package	Service Level Package Comments
BSN0002069	TPUX	Integrated Debt Management System (IDMS)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
BSN0002071	TRADOS	TRADOS Translation Service (TRADOS)	Minimum		
BSN0001698	TSSDA	TSS - Directories And Addresses (TSSDA)	Minimum	08:00 - 18:00	
BSN0002156	UFA	Frameworks (CDF)	Enhanced	00:00 - 24:00	P3, P4 and P5 support hours 08:00 to 18:00
	XFERS-FTPS	Xfers Support for FTPS (XFERS-FTPS)	Minimum	08:00 - 18:00	
BSN0001664	XPATS	TSS - Expatriate Complex Personal Tax Database (CPTT XPATS)	Minimum	08:00 - 18:00	