Ministry of Defence

Contract Number: 701478374

PROJECT SOCIETAS

SCHEDULE 6.1

PRICING AND PAYMENT

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1. GENERAL PRINCIPLES OF PRICING AND PAYMENT

1.1. This Schedule sets out pricing and payment conditions for the Contract duration and Options, which are broken down into the following pricing periods:

1.1.1. Pricing Period 1: Contract Years 1 to 6;

1.1.2. Pricing Period 2 (Option 1): Contract Years 7 to 8;

1.1.3. Pricing Period 3 (Option 2): Contract Years 9 to 10.

1.2. Annex 1 (Price Schedule) to this Schedule 6.1 sets out the price for each Contract Year within each Pricing Period. Payment shall be subject to Condition 19 (Pricing and Payment), DEFCON 522 (Payment and Recovery of Sums Due) and this Schedule 6.1.

1.3. The pricing mechanism to calculate payment shall be in accordance with the following:

1.3.1. **Firm Price** shall apply to the Contract Years 1, 2 & 3. Costs calculated by reference to Firm Pricing shall not be subject to variation by way of Indexation.

1.3.2. **Fixed Price** shall apply to Contract Years 4, 5, 6, and Options 1 and 2. Charges calculated by reference to a Fixed Price mechanism shall be subject to increase by way of Indexation under Variation of Price at Condition 11 of this Schedule 6.1.

1.4. The Contract Price will be comprised of the following;

1.4.1. the costs in relation to the provision of the Core Services as defined in Condition 3.1 of this Schedule 6.1;

1.4.2. the profit in relation to the provision of the Core Services which shall be at risk for the delivery of the Services in accordance with Schedule 2.2 (Performance and Collaboration) (The "Profit Fee at Risk"):

1.5. Service Credits: 90% of the annual Profit Fee at Risk shall be allocated against Key Performance Indicators (KPIs) in accordance with Condition 1.2.1 of Schedule 2.2 (Performance and Collaboration). The Profit Fee at Risk allocated against KPIs may be adjusted in accordance with Condition 7 (Change of Key Performance Indicators) of Part A (Key Performance Indicators) of Schedule 2.2 (Performance and Collaboration); and

1.5.1. Collaboration Fee: 10% of the annual Profit Fee at Risk shall be allocated against the Collaboration Fee in accordance with Condition 1.2.2 of Schedule 2.2 (Performance and Collaboration). The Collaboration Fee may be adjusted pursuant to Part B (Collaboration Requirements) of Schedule 2.2 (Performance and Collaboration);

1.5.2. the Milestone delivery costs, that shall include the Training Review (Milestone 1) and the Training System Review (Milestone 2);

1.5.3. the Export costs; and

1.5.4. any Over & Above (O&A) Tasking Price in accordance with Schedule 7.3 (Over & Above Tasking).

1.6. The Contractor must provide and maintain Financial Models which underpin the Contract Price in accordance with Annex 2 (Financial Model) of this Schedule 6.1.

1.7. Any O&A Task Price shall be contained within a separate Financial Model to the other elements of the Contract Price, but all Financial Models should be compiled on the same basis, adopting consistent principles, assumptions and rationale and be able to analysed together by the Authority.

1.8. The Contractor and the Authority shall both retain copies of the Financial Models in hard and soft copy and the Contractor must provide the Authority with updates to the Financial Models in accordance with the provisions of Annex 2 (Financial Model) of this Schedule 6.1.

1.9. Changes to the Contract must be made in accordance with Schedule 7.2 (Change Control Procedure).

1.10. A change identified in accordance with Schedule 7.2 (Change Control Procedure) shall be calculated in accordance with the basis and assumptions set out in the Financial Model.

1.11. The Contract Items below for Pricing Period 1 are set out in at Annex 1 (Price Schedule) of this Schedule 6.1:

1.11.1. Items 1 to 6: Core Service Payment (Annex 1 Table 1);

1.11.2. Items 7 to 8: Milestone Deliverables (Annex 1 Table 2);

1.11.3. Item 9: Over and Above Tasking (Annex 1 Table 3);

1.11.4. Item 10: Exports (Annex 1 Table 4); and

1.11.5. Item 11: Collaboration Fee (Annex 1 Table 5).

2. PAYMENT REPORT

2.1. The Contractor shall provide to the Authority a monthly Payment Report within five (5) Business Days of the end of each month stating the Charges payable in accordance with this Contract. The Parties shall endeavour to agree the Payment Report within five (5) Business Days of receipt of the Payment Report by the Authority, following which the Contractor shall be entitled to submit its invoice.

2.2. The Payment Report shall at all times include clear and transparent supporting information to enable the Authority's assessment of the Charges to be invoiced. The Contractor undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice. The Payment Report shall be adequately detailed against the following non-exhaustive list:

2.2.1. the dates / period(s) to which the relevant Charge(s) relate;

2.2.2. the reference number of the purchase order to which it relates;

2.2.3. a description of the Contractor Deliverables;

2.2.4. the pricing mechanism used to calculate the Charges (Firm or Fixed Price);

2.2.5. 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 Contract, and, separately, any VAT or other sales tax payable in respect of each of the same; and

2.2.6. reference to any reports or deliverables required by the Authority in respect of the Contractor Deliverables to which the Charges detailed on the invoice relate.

3. ITEMS 1 TO 6: CORE SERVICE PAYMENT

3.1. The Core Service Payment (CSP) shall comprise the following SOR Service Requirement (SR) References, as set out under Part 2 Service Requirements in Schedule 2.1 (Statement of Requirement) together the Core Services:

3.1.1. SR 2.1.1 - Provision of SQEP;

3.1.2. SR 2.2.1 - Provision of Training;

3.1.3. SR 2.3.1 - Continuous Improvement;

3.1.4. SR 2.3.2 - Provision of Lead Industry Partner;

3.1.5. SR 2.5.1 - Provision of CIS SQEP; and

3.1.6. SR 2.5.3 - Provision of CIS Duty.

3.2. Purchase orders shall be established by the Authority at the start of each Contract Year, and paid in equal monthly sums. The payment of CSP shall be subject to KPI Service Credit quarterly Deductions as applicable in accordance with PART A: Key Performance Indicators of Schedule 2.2 (Performance and Collaboration).

3.3. The CSP less any Deductions shall only be adjusted as follows:

(a) the annual re-forecast of the SQEP and Training requirements; and

(b) any in-Year Change in accordance with Schedule 7.2 (Change Control Procedure).

3.4. Core Service Payment Item Numbers for Pricing Periods 2 and 3 are detailed in Annex 1, Tables 6 and 10 respectively and shall be subject to Conditions 3.1 to 3.3 above.

4. ANNUAL RECONCILIATION OF ITEMS 1 TO 6: CORE SERVICE PAYMENT

4.1. The Contractor shall monitor the provision of SQEP, CIS SQEP, Training, and Lead Industry Partner, and provide status updates against contracted provision within the monthly Payment Report to the Authority's Project Manager in accordance with Condition 2 above, in advance of formal reconciliation obligations set out in Conditions 4.2 to 4.8 below.

4.2. No later than twenty (20) Business Days following the end of each Contract Year, the Contractor shall provide to the Authority's Project Manager an annual SQEP, CIS SQEP, Training and Lead Industry Partner Provision Statement which was provided during that Contract Year.

4.3. The Authority shall agree with the Contractor the level of detail required three months ahead of the annual SQEP, CIS SQEP, Training and Lead Industry Partner Provision Statement deliverable to support the Authority's review.

4.4. In the event that the SQEP, CIS SQEP, Training and Lead Industry Partner provision in a Contract Year is less than that set out within Annex 1 to Schedule 2.1 (SQEP Requirement), agreed training delivery under SR 2.2.1 in Schedule 2.1 (Statement of Requirement), and contracted provision of Lead Industry Partner (in accordance with the Schedule 4.1 Contractor Solution), a payment shall be due from the Contractor to the Authority. The Contractor shall deduct such payment from the next monthly invoice.

4.5. The payment due from the Contractor shall be calculated as follows:

4.5.1 Contracted cost of the non-provided requirement (£) x (1+Annual Contract Profit Margin) (decimal)

Where:

Contracted cost of the non-provided requirement is calculated as the:

(Non-provided requirement (number)/Contracted requirement (number)) x Contracted direct variable cost of requirement (£)

The Annual Reconciliation shall be calculated by individual SQEP, CIS SQEP, training course, and Lead Industry Partner provision, and aggregated into a single payment due from the Contractor.

Reconciliation of the Lead Industry Partner shall be undertaken against the provision set out in the Contractor Solution at Schedule 4.1, utilising the principles of the worked SQEP example provided below at 4.5.2.

For the purpose of the Annual Reconciliation, any days worked by SQEP or CIS SQEP in excess of their contracted 220 days shall not be used to offset any unavailability of SQEP or CIS SQEP who work less than their contracted days.

Overheads and indirect costs shall not be applied for the purpose of the Annual Reconciliation.

4.5.2 Worked SQEP example:

In Contract Year 1, Resource A is contracted at a direct variable cost of £110,000 for 220 Full Time Equivalent (FTE) days. However, Resource A is only available for 200 FTE days
Resource B is contracted at a direct variable cost of £130,000 for 150 FTE days. However, Resource B is only available for 140 FTE days.
Overheads and indirect costs included in the year 1 Contract Price are £500,000, and the Annual Contract Profit Margin for the year is 12%

Payment due from the Contractor is:

Resource A
(220-200)/220 x 110,000 x (1 + 0.12)[1] = £11,200
Resource B
(150-140)/150 x 130,000 x (1 + 0.12) = £9,707

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[1] 0.12 represents the 12% Annual Contract Profit Margin

Total payment due from the Contractor to the Authority = £20,907

4.5.3 Worked Training example:

In Contract Year 2, five (5) Y Training courses were contracted at a direct variable cost of £100,000.
And four (4) Z training courses were contracted at a direct variable cost of £120,000.
However, only four (4) training Y courses and three (3) training Z courses were delivered.
Overheads and indirect costs included in the Contract Price is £500,000, and the Annual Contract Profit Margin for the year is 7%

Payment due from the Contractor is:

Training Y course
(5-4)/5 x 100,000 x (1 + 0.07)[2] = £21,400
Training Z course
(4-3)/4 x 120,000 x (1 + 0.07) = £32,100

Total payment due from the Contractor to the Authority = £53,500

4.6. For the avoidance of doubt. The annual reconciliation shall reflect the Contract cost of providing the Contractor Deliverables and not the actual cost of delivering the Contractor Deliverables.

4.7. In the final Contract Year, the reconciliation shall be undertaken in the final quarter, with the Charges in the final month being subject to reconciliation prior to invoicing.

4.8. Where the Option Periods are invoked, the provisions of 4.7 shall apply to the final Contract Year of each of the respective Option Periods.

5. ITEMS 7 TO 8: MILESTONE DELIVERABLES

5.1. The Milestone Deliverables shall meet the requirements set out in Schedule 2.1 (Statement of Requirements) as follows:

5.1.1. Milestone 1: Training Review Plan (Service Requirement (SR) Ref 2.2.2.) is to be provided by the date specified in the Statement of Requirements and shall be paid in arrears on the Authority's acceptance in accordance with the acceptance procedure at Conditions 5.2 to 5.3 of this Schedule 6.1;

5.1.2. Milestone 2: Training System Review Plan (Service Requirement (SR) Ref 2.2.3.) is to be provided by the date specified in the Statement of Requirements and shall be paid in arrears on Authority acceptance in accordance with the acceptance procedure at Conditions 5.2 to 5.3 of this Schedule 6.1.

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[2] 0.07 represents the 7% Annual Contract Profit Margin

5.2. Following receipt of the Milestone Deliverables from the Contractor, the Authority shall review and comment on them as soon as reasonably practicable and notify the Contractor in writing that it approves or rejects the Milestone Deliverable no later than twenty (20) Business Days after the date on which they are first delivered to the Authority.

5.3. If the Authority rejects a Milestone Deliverable, the Contractor shall then revise the Milestone Deliverable (taking reasonable account of the Authority's comments) and shall re-submit the revised Milestone Deliverable to the Authority for the Authority's approval, within twenty (20) Business Days of the date of the Authority's notice of rejection. The provisions of Condition 5.2 and 5.3 of this Schedule 6.1 shall apply again to any resubmitted Milestone Deliverable. Any re-work of Milestone Deliverables shall be at the Contractor's own expense.

5.4. Following acceptance, in the event that the Authority decides to proceed with all or any of the recommendations of the Training Review (Milestone 1), it shall be incorporated into the Contract as Appendix 3 to Schedule 4.1: Training Review (Milestone 1) by formal amendment in accordance with Schedule 7.2 (Change Control Procedure).

5.5. Following acceptance, in the event that the Authority decides to proceed with all or any of the recommendations of the Training System Review (Milestone 2), it shall be incorporated into the Contract as Appendix 4 to Schedule 4.1: Training System Review (Milestone 2) by formal amendment in accordance with Schedule 7.2 (Change Control Procedure).

6. ITEM 9: OVER AND ABOVE TASKING

6.1. O&A Tasking shall be subject to Schedule 7.3 (Over & Above Tasking) and shall be paid on the Authority's acceptance in accordance with the arrangements set out in the O&A Tasking and with DEFCON 525 (Acceptance). Authority acceptance of the O&A Task shall be provided through countersignature of Part D of the O&A Tasking Form at Appendix 1 to Schedule 7.3 (Over & Above Tasking).

6.2. In the event of the Authority's rejection in accordance with DEFCON 524 (Rejection), the Authority reserves the right to withhold any payment until the Authority is content that the task has been delivered to the Authority's satisfaction.

6.3. Over and Above Tasking Item Numbers for Pricing Periods 2 and 3 are detailed in Annex 1, Tables 7 and 11 respectively and shall be subject to Conditions 6.1 to 6.2 above.

7. ITEM 10: EXPORTS

7.1. The Contractor shall fund its costs of the provision of the business development capability (Service Requirement (SR) 2.4.1 of Schedule 2.1 (Statement of Requirements)) and the cost of working alongside the Defence export lead to implement the Campaign Plan (Service Requirement (SR) 2.4.3 of Schedule 2.1 (Statement of Requirements)), (together 'Exports Generation Support Costs'), until such time that the Authority has receipted payment from an overseas government following the sale of Mission Data, whereby the net profit of the sale can offset some or all of these costs. Where the Authority is paid via interim payments, the Contractor shall be paid under the same terms.

7.2. The Authority shall contract with the Contractor for the provision of any additional SQEP requirement to support the manufacture of the export Mission Data in accordance with Schedule 7.3 (Over & Above Tasking).

7.3. Following the receipt of the payment from the sale of the Mission Data to the overseas government, the Authority shall pay to the Contractor from net profit the unpaid

Exports Generation Support Costs from the Service Commencement Date (SCD) to the date of the sale of the Mission Data, as set out in Annex 1 (Price Schedule) of this Schedule 6.1.

7.4. In the event that the Authority contracts for the sale of Mission Data other than at a Contract Year end, the payment of the Exports Generation Support Costs in relation to the Contract Year in which the sale is made, shall be apportioned on a time basis.

7.4.1. Worked Export Generation Support Costs apportionment example:

In month 6 of Contract Year 2, the Authority contracts with an overseas government for the sale of Mission Data. No exports of Mission Data were made in Contract Year 1. The Exports Generation Support Costs set out in the Annex 1 (Price Schedule) to this Schedule 6.1 are £250,000 in Contract Year 1 and £260,000 in Contract Year 2.
The payment due from the Authority to the Contractor following the receipt of payment from the overseas government is:

In relation to Contract Year 1:		
Unpaid Export Generation Support Costs	=	£250,000
In relation to Contract Year 2:		
Apportioned unpaid Export Generation Support Costs ((6/12) x 260,000)	=	£130,000
Total payment due to the Contractor from net profit	=	£380,000

7.5 For the avoidance of doubt, the payment of Export Generation Support Costs shall reflect the payment of the contracted Export Generation Support Costs set out in Annex 1 (Pricing Schedule) to this Schedule 6.1 and not the actual costs incurred by the Contractor in delivering the Export Generation Support.

7.5. Payment of Export Generation Support Costs shall be paid in arrears on Authority acceptance in accordance with DEFCON 525 (Acceptance). In the event of the Authority's rejection in accordance with DEFCON 524 (Rejection), the Authority reserves the right to withhold any payment until the Authority is content that the Contractor Deliverables has been delivered to its satisfaction.

7.6. Exports Item Numbers for Periods 2 and 3 are detailed in Annex 1, Tables 8 and 12 respectively and shall be subject to Conditions 7.1 to 7.5 above.

8. ITEM 11: COLLABORATION

8.1. Payment of Item 11 Collaboration Fee shall be made quarterly in arrears subject to Part B (Collaboration Requirements) of Schedule 2.2 (Performance and Collaboration).

8.2. Collaboration Item Numbers for Pricing Periods 2 and 3 are detailed in Annex 1, Tables 9 and 13 respectively and shall be subject to Condition 8.1 above.

9. TRAVEL AND SUBSISTENCE

9.1. Any expenses relating to travel to the Contractor's Place of Work shall be at the Contractor's sole expense.

9.2. Any Travel and Subsistence properly chargeable to the Authority in accordance with this Contract, shall be subject to pre-authorisation by the Authority Project Manager and

priced in accordance with the Authority's Travel Policy at the time of travel. The Authority's Travel Policy shall be provided to the Contractor on request.

10. OPTIONS

10.1. If the Authority gives notice pursuant to Condition 12 of the Terms and Conditions of Contract that it requires the Contractor to provide the Option period/s, priced as set out in Annex 1 (Price Schedule) to this Schedule 6.1, the payments for the relevant Fixed Price Optional items shall be calculated by reference to the mechanism set out at Condition 11 (Variation of Price) of this Schedule 6.1 and reflect any changes in the Statement of Requirements which shall be agreed in accordance with Schedule 7.2 (Change Control Procedure).

Pricing Period 2

10.2. The Contract Items below for Pricing Period 2 are set out in at Annex 1 (Price Schedule) of this Schedule 6.1:

10.2.1. Item 12 : Core Service Payment (Annex 1 Table 6);

10.2.2. Item 13: Over and Above Tasking (Annex 1 Table 7);

10.2.3. Item 14: Exports (Annex 1 Table 8); and

10.2.4. Item 15: Collaboration Fee (Annex 1 Table 9).

Pricing Period 3

10.3. The Contract Items below for Pricing Period 2 are set out in at Annex 1 (Price Schedule) of this Schedule 6.1:

10.3.1. Item 16 : Core Service Payment (Annex 1 Table 10);

10.3.2. Item 17: Over and Above Tasking (Annex 1 Table 11);

10.3.3. Item 18: Exports (Annex 1 Table 12); and

10.3.4. Item 19: Collaboration Fee (Annex 1 Table 13).

11. VARIATION OF PRICE

11.1. The prices stated in the Price Schedule at Annex 1 to this Schedule 6.1 for Years 4 to 10 are Fixed at the contract start date (forecasted to be early December 2022) price levels. The prices do not include provision beyond this date for increases or decreases in the market price of the Articles being purchased. Any such variation shall be calculated in accordance with the following formula:

$$V = P\,(a+b(Oi/Oo)) - P$$

Where:

V represents the variation of price

P represents the Fixed price as stated in the Annex 1 (Price Schedule) of this Schedule 6.1

O represents the index: ONS Top Level SPPI, Sections H to U excl. Section K, unique identifier CDID: HQTI

Oo represents the 12-month average of the OUTPUT Price Index figure prior to the start of the Contract[3]

Oi represents the 12-month average of the OUTPUT Price Index for the payment date period[4]

a represents the Non-Variable Element (NVE) of zero (0)

b represents the Variable Element of 1

a+b=1

11.2. Indices published with a 'B' or 'F' marker, or a suppressed value, in the last 3 years are not valid for Variation of Price clauses and shall not be used. Where the price index has an 'F' marker or suppression applied to it during the term of the Contract, the Authority and the Contractor shall agree an appropriate replacement index or indices. The replacement index or indices shall cover, to the maximum extent possible, the same economic activities as the original index or indices.

11.3. In the event that any material changes are made to the Price Escalation Index (e.g. a revised statistical base date) during the period of the Contract and before final adjustment of the final Contract Price, then the re-basing methodology outlined by the ONS (the series providers) to match the original index to the new series shall be applied.

11.4. In the event the agreed index ceases to be published (e.g. because of a change in the Standard Industrial Classification) the Authority and the Contractor shall agree an appropriate replacement index or indices, which shall cover to the maximum extent possible the same economic activities as the original index or indices. The methodology outlined by the ONS used for rebasing indices (as in Condition 11.3 above) shall then be applied.

11.5. Notwithstanding the above, any extant index / indices agreed in the Contract shall continue to be used as long as it is / they are available and subject to ONS revisions policy.

11.6. Payments calculated using the extant index / indices during its / their currency shall not be amended retrospectively as a result of any change to the index or indices.

11.7. The Contractor shall notify the Authority of any significant changes in the Contractor Deliverables on the basis of which these provisions were drawn up and agreed, or of any other factor having a material bearing on the operation of these provisions such as to cause a significant divergence from their intended purpose, in order that both parties may consider whether any change in this provision would be appropriate.

11.8. Prices shall be adjusted taking into account the effect of the above formula as soon as possible after publication of the relevant indices or at a later date if so agreed between the Authority and the Contractor. Where an index value is subsequently amended, the

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[3] For example, if the contract start date occurs on 12 Dec 2022, the 12-month average period applicable for this calculation shall be the period 12 Dec 2021 to 11 Dec 2022.

[4] For example, if the contract start date occurs on 12 Dec 2022, the 12-month average period applicable for calculation of the year 4 payment shall be the period 12 Dec 2024 to 11 Dec 2025, with this principle applied to subsequent contract years 5 to 10 inclusive.

Authority and the Contractor shall agree a fair and reasonable adjustment to the price, as necessary.

11.9. Claims under this Condition shall be submitted to the Bill Paying Branch, certified to the effect that the “requirements of this Condition 11 (Variation of Price) to Schedule 6.1” have been met.

Pricing Period 1 (Contract Years 1 to 6)

Table 1: Pricing Period 1: Core Service Payments

CORE SERVICE PAYMENTS (in accordance with Schedule 2.1 SR References: 2.1.1, 2.2.1, 2.3.1, 2.3.2, 2.5.1 and 2.5.3)					
ITEMS 1 to 3: Contract Years 1 to 3 (Firm Price)					
Item ID Number	**Description**	**Payment Terms**	**Annual Price Excluding Profit £ (ex-VAT)**	**Profit £ (ex VAT)**	**Total Price £ (ex VAT)**
1	Contract Year 1: Core Service Payment	The Core Service Payment will be divided into equal monthly sums, payable monthly in arrears in accordance with Condition 3 of this Schedule 6.1.	[x]	[x]	[x]
2	Contract Year 2: Core Service Payment		[x]	[x]	[x]
3	Contract Year 3: Core Service Payment		[x]	[x]	[x]
ITEMS 4 to 6: Contract Years 4 to 6 (Fixed Price)					
Item ID Number	**Description**	**Payment Terms**	**Annual Price Excluding Profit £ (ex-VAT)**	**Profit £ (ex VAT)**	**Total Price £ (ex VAT)**
4	Contract Year 4: Core Service Payment	The Core Service Payment will be divided into equal monthly sums, payable monthly in arrears in accordance with Condition 3 of this Schedule 6.1.	[x]	[x]	[x]
5	Contract Year 5: Core Service Payment		[x]	[x]	[x]
6	Contract Year 6: Core Service Payment		[x]	[x]	[x]

Table 2: Pricing Period 1: Milestone Deliverables

MILESTONE DELIVERABLES (in accordance with Schedule 2.1 SR References: 2.2.2, and 2.2.3)						
ITEMS 7 to 8: Contract Year 1 (Firm Price)						
Item ID Number	**Description**	**Due Date**	**Payment Terms**	**Price Excluding Profit £ (ex-VAT)**	**Profit £ (ex VAT)**	**Total Price £ (ex VAT)**
7	Contract Year 1: Milestone 1 Training Review Plan (SR Ref 2.2.2).	SCD + 3 Months	Payable following acceptance in accordance with Condition 5 of Schedule 6.1 (Pricing and Payment)	[x]	[x]	[x]
8	Contract Year 1: Milestone 2 Training System Review Plan (SR Ref 2.2.3)	SCD + 4 Months		[x]	[x]	[x]

Table 3: Over and Above Tasking

OVER AND ABOVE TASKING (subject to authorisation in accordance with Schedule 7.3)			
ITEM 9: Contract Years 1 to 6 (Firm Price)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
9	Over and Above Tasking in accordance with Schedule 7.3 (Over and Above Tasking)	Payable in arrears in accordance with Condition 6 of Schedule 6.1 (Pricing and Payment)	Limit of Liability to be provided by the Authority

Table 4: Pricing Period 1: Exports

EXPORTS GENERATION SUPPORT COSTS (in accordance with Schedule 2.1 SR References: 2.4.1 and 2.4.3)			
ITEM 10a to 10c: Contract Years 1 to 3 (Firm Price)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
10a	Contract Year 1: Exports Generation Support Costs	Payable in arrears in accordance with Condition 7 of Schedule 6.1 (Pricing and Payment)	[x]
10b	Contract Year 2: Exports Generation Support Costs		[x]
10c	Contract Year 3: Exports Generation Support Costs		[x]
ITEM 10d to 10f: Contract Years 4 to 6 (Fixed Price)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
10d	Contract Year 4: Exports Generation Support Costs	Payable in arrears in accordance with Condition 7 of Schedule 6.1 (Pricing and Payment)	[x]
10e	Contract Year 5: Exports Generation Support Costs		[x]
10f	Contract Year 6: Exports Generation Support Costs		[x]

Table 5: Pricing Period 1: Collaboration

COLLABORATION FEE (in accordance with Part B Collaboration Mechanism of Schedule 2.2 (Performance and Collaboration)			
ITEM 11aa to 11ac: Contract Years 1 to 3 (Firm Price)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
11aa	Contract Year 1: SCD + 3 months Collaboration Fee	Payable quarterly in arrears in accordance with Condition 8 of Schedule 6.1 (Pricing and Payment)	[x]
11ab	Contract Year 2: Every 3 months: Collaboration Fee		[x]

11ac	Contract Year 3: Every 3 months: Collaboration Fee		[x]
		Total	[x]
ITEM 11ad to 11af: Contract Years 4 to 6 (Fixed Price) (in accordance with Schedule 2.2 Part B Collaboration Mechanism)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
11ad	Contract Year 4: Every 3 months: Collaboration Fee	Payable quarterly in arrears in accordance with Condition 8 of Schedule 6.1 (Pricing and Payment)	[x]
11ae	Contract Year 5: Every 3 months: Collaboration Fee		[x]
11af	Contract Year 6: Every 3 months: Collaboration Fee		[x]
		Total	[x]

Pricing Period 2 (Contract Years 7 to 8)

Table 6: Pricing Period 2: Core Service Payments

CORE SERVICE PAYMENTS (in accordance with Schedule 2.1 SR References: 2.1.1, 2.2.1, 2.3.1, 2.3.2, 2.5.1 and 2.5.3)					
ITEMS 12a to 12b: Option Years 7 to 8 (Fixed Price)					
Item Number	**Description**	**Payment Terms**	**Price Excluding Profit £ (ex-VAT)**	**Profit £ (ex VAT)**	**Total Price £ (ex VAT)**
12a.	(Option) Contract Year 7: Core Service Payments	The Core Service Payment will be divided into equal monthly payments, payable monthly in arrears in accordance with Condition 3 of this Schedule 6.1.	[x]	[x]	[x]
12b.	(Option) Contract Year 8: Core Service Payments		[x]	[x]	[x]

Table 7: Pricing Period 2: Over and Above Tasking

OVER AND ABOVE TASKING (subject to authorisation in accordance with Schedule 7.3)			
ITEM 13a: Option Years 7 to 8			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
13a.	(Option) Over and Above Tasking in accordance with Schedule 7.3 (Over and Above Tasking)	Payable in arrears in accordance with Condition 6 of Schedule 6.1 (Pricing and Payment)	Limit of Liability to be provided by the Authority

Table 8: Pricing Period 2: Exports

EXPORTS GENERATION SUPPORT COSTS (in accordance with Schedule 2.1 SR References: 2.4.1 and 2.4.3)			
ITEM 14a to 14b: Years 7 to 8 (Fixed Price)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
14a.	(Option) Contract Year 7: Exports Generation Support Costs	Payable in arrears in accordance with Condition 7 of Schedule 6.1 (Pricing and Payment)	[x]
14b.	(Option) Contract Year 8: Exports Generation Support Costs		[x]

Table 9: Pricing Period 2: Collaboration Fee

COLLABORATION FEE (in accordance with Schedule 2.2 Part B Collaboration Mechanism)			
ITEM 15a to 15b: Years 7 to 8 (Fixed Price)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
15a.	(Option) Contract Year 7: Every 3 months: Collaboration Fee	Payable quarterly in arrears in accordance with Condition 8 of Schedule 6.1 (Pricing and Payment)	
15b	(Option) Contract Year 8: Every 3 months: Collaboration Fee		
		Total	

Pricing Period 3 (Contract Years 9 to 10)

Table 10: Pricing Period 3: Core Service Payments

CORE SERVICE PAYMENTS (in accordance with Schedule 2.1 SR References: 2.1.1, 2.2.1, 2.3.1, 2.3.2, 2.5.1 and 2.5.3)					
ITEMS 16a to 16b: Option Years 9 to 10 (Fixed Price)					
Item Number	**Description**	**Payment Terms**	**Price Excluding Profit £ (ex-VAT)**	**Profit £ (ex VAT)**	**Total Price £ (ex VAT)**
16a.	(Option) Year 9: Contract Core Service Payments	The Core Service Payment will be divided into equal monthly payments, payable monthly in arrears in accordance with Condition 3 of this Schedule 6.1.	[x]	[x]	[x]
16b.	(Option) Year 10: Contract Core Service Payments		[x]	[x]	[x]

Table 11: Pricing Period 3: Over and Above Tasking

OVER AND ABOVE TASKING (subject to authorisation in accordance with Schedule 7.3)			
ITEM 17a: Option Years 9 to 10			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
17a.	(Option) Over and Above Tasking in accordance with Schedule 7.3 (Over and Above Tasking)	Payable in arrears in accordance with Condition 6 of Schedule 6.1 (Pricing and Payment)	Limit of Liability to be provided by the Authority

Table 12: Pricing Period 3: Exports

EXPORTS GENERATION SUPPORT COSTS (in accordance with Schedule 2.1 SR References: 2.4.1 and 2.4.3)			
ITEM 18a to 18b: Years 9 to 10 (Fixed Price)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
18a.	(Option) Contract Year 9: Exports Generation Support Costs	Payable in arrears in accordance with Condition 7 of Schedule 6.1 (Pricing and Payment)	[x]
18b.	Option) Contract Year 10: Exports Generation Support Costs		[x]

Table 13: Pricing Period 3: Collaboration Fee

COLLABORATION FEE (in accordance with Schedule 2.2 Part B Collaboration Mechanism)			
ITEM 19a to 19b: Years 9 to 10 (Fixed Price)			
Item ID Number	**Description**	**Payment Terms**	**Total Price £ (ex VAT)**
19a	(Option) Year 9: Every 3 months: Collaboration Fee	Payable quarterly in arrears in accordance with Condition 8 of Schedule 6.1 (Pricing and Payment)	[x]
19b	(Option) Year 10: Every 3 months: Collaboration Fee		[x]
		Total	[x]

ANNEX 2: FINANCIAL MODEL

1 OVERVIEW

1.1 The Financial Models shall be used as a basis for:

(a) considering any changes to the Contract Price under Schedule 7.2 (Change Control Procedure);

(b) the development of the pricing of an O&A Task;

(c) any change in O&A Tasking activities under the relevant O&A Tasking Form; and

(d) for such other purposes as are specifically indicated in this Contract or an O&A Task Form.

2 CONTENT AND CONSTRUCTION OF THE FINANCIAL MODEL

2.1 Each Financial Model shall:

(a) be a computer spreadsheet which shall include the underpinning calculations;

(b) be supported by an assumptions book which shall include the underpinning principal and detailed assumptions and their underlying basis and rationale;

(c) include documentation to explain how it operates to enable the Authority to operate the model;

(d) a change log to record amendments to the Financial Model together with the supporting rationale; and

(e) be inclusive of the full scope of the Contract or the O&A Task Form (as applicable).

2.2 Each Financial Model shall:

(a) provide sufficient detail for the Authority to have visibility of all the costs to be incurred by the Contractor and of the Contract Price to be paid in respect of the provision of the Contractor Deliverables;

(b) quote all monetary values in pounds Sterling;

(c) quote all costs as exclusive of any VAT;

(d) provide a full analysis of the Contractor's costs and the assumptions used to develop and, as appropriate, modify the Contract Price set out in Schedule 6.1 (Pricing and Payment);

(e) quote all costs, prices and revenues based on a Firm Price basis until the end of Contract Year 3, and based on Contract Year 3 prices as may be adjusted for inflation in the subsequent Contract Years;

(f) be constructed in a format and using a software tool agreed by the Authority;

(g) not have any parts which are hidden, protected, locked or made otherwise inaccessible or obscured to review or alteration;

(h) be laid out in a clear and logical manner. The overall flow of information in the Financial Model shall flow from inputs, to calculations, to outputs, with the final output being in tables. Any formulae in the Financial Model shall not contain a mixture of inputs and calculations. Any column labelling in the Financial Model shall be consistent between worksheets;

(i) shall include a cash flow statement that shows the timing and relationship between the planned costs and the revenue which the Contractor expects to receive;

(j) provide a clear link between cost and delivery in order to support transparency review and change processes; and

(k) set out Small Medium Enterprises provided services and Sub-Contracts and the financial elements associated with them.

3 VISIBILITY THROUGH THE FINANCIAL MODEL

3.1 Upon the Authority's Representative(s) written request the Contractor shall promptly provide to the Authority details of the elements used to make up any Contract Price.

3.2 The Financial Models shall provide, inter alia to the Authority for each Contract Year the following information in relation to the Contract Price:

(a) the Contractor's total price for the Contractor Deliverables;

(b) the Contractor's profit (and the calculation of profit) both as a value and as a percentage;

(c) any mark-up applied by the Contractor to any services provided by Sub-Contractors;

(d) the pricing of each of the Service Requirements at the level specified in Part 2 (Services Requirements) of Schedule 2.1 (Services Description Statement of Requirements) to deliver the Requirements;

(e) the costs for providing each of the Services Requirements (as set out in Part 2 (Services Requirements) of Schedule 2.1 (Services Description Statement of Requirements) throughout the Contract Period, excluding mark-up, which shall include without limitation at least the following, separately identifying for both the Contractor and any and each Sub-Contractor(s):

(i) labour broken down by each job title in accordance with and Appendix 1 to Schedule 2.1 (SQEP Competency Framework (SCF)) e.g. Radar Modeller (MDO) Level 3, and broken down and sub-totalled by direct staff costs and direct staff support costs;

(ii) overhead costs;

(iii) accommodation costs (if applicable);

(iv) other miscellaneous costs;

(v) any risk contingency costs;

(f) visibility of overhead costs not directly attributable to the Service Requirements to include, separately identifying for both the Contractor and any and each Sub-Contractor(s):

(i) management staff costs and indirect staff support costs;

(ii) other Contract and O&A Tasking activities support costs;

(g) a breakdown of manpower resources by the number and by each job title and SCF level (e.g. Radar Modeller (MDO) Level 3) (including any Sub-Contractors) required for each Requirement, identifying any contingency assumed;

(h) identify those costs which vary as a consequence of an In-Year Change or an Annual Change in the Service Requirements volumes and scope (i.e. variable costs or semi-variable costs) and those which do not change (i.e. fixed costs) including identification of the point at which the fixed cost will vary as a consequence of a change in the Requirements;

(i) separately identify those services and associated costs which will be provided by the Contractor Group; and

(j) any additional information as the Authority reasonably requires.

4 CUSTODY OF THE FINANCIAL MODEL

4.1 Immediately after execution of this Contract and following agreement by both Parties of the changes to the Financial Model(s) under Paragraph 5 (Updates to the Financial Models) below of this Schedule, the Contractor shall provide a soft copy and two (2) hard copies of the Financial Model(s) to the Authority, together with a control document setting out the version of the Financial Model(s) and detailing the amendments made to the previous version of the Financial Model(s).

5 UPDATES TO THE FINANCIAL MODELS

5.1 Unless otherwise agreed in writing between the Parties, any updates to the Financial Models shall reflect, be consistent with and be made only in accordance with the provisions of this Contract and any O&A Task Forms, and shall in all cases be subject to the prior written approval of the Authority (such approval not to be unreasonably withheld or delayed).

5.2 All changes to the Financial Models should be auditable and implemented and documented under formal version control.

5.3 The Contractor shall revise the Financial Model relating to the Contractor Deliverables in the event that:

(a) the cost of delivering the Contractor Deliverables increases or decreases as a consequence of:

(i) the Annual Change process or any In-Year Change; or

(ii) a Specific Change in Law; or

(b) the Parties agree that there should be a change to the Financial Model.

5.4 The Contractor shall revise any Financial Model relating to a Task in the event that:

(a) the cost of delivering the O&A Task increases or decreases as a consequence of a Change to an O&A Task; or

(b) the Parties agree that there should be a change to the Financial Model.

5.5 Amendments and revisions to the Financial Models shall be made consistent with the principles, bases and assumptions which underpin the current Financial Model. The adjustments may reflect prevailing economic conditions, provided that the Authority shall not be required (and the Contractor shall not be entitled) to take into account the financial impact of those risks which the Contractor bears under the terms of this Contract or any O&A Task Forms, including (to the extent borne by the Contractor) changes in VAT rates, taxation rates, RPI and the impact of the KPI Deductions. If it is necessary to amend the logic or formulae incorporated in the Financial Model(s) to permit adjustments to be made, such amendment shall be agreed in writing with the Authority Representative.

5.6 Any new Financial Model created in relation to a new O&A Task shall be constructed using the same methodology as that used for the existing Financial Model(s) (including being consistent with the assumptions and bases underpinning the existing Financial Model(s)), and shall be consistent with and made in accordance with the provisions of this Contract and any O&A Task Forms.

5.7 The Contractor shall adhere to and apply the following principles when preparing an updated Financial Model:

(a) any amendment which is made in order to evaluate the impact of any inputs, modification or other adjustment shall relate only to such inputs, modification or other adjustment; and

(b) no amendment shall affect, in any way whatsoever, the performance of the Contractor Deliverables, save as agreed in accordance with the Change Control Procedure.

5.8 On the occurrence of any event which requires the Financial Model(s) to be updated, the Contractor shall effect the change on the latest version of the Financial Model(s) and deliver the updated Financial Model(s), to the Authority for approval. The Contractor shall ensure that each version of the Financial Model(s) delivered to the Authority shall be certified by a director of the Contractor as being accurate and not misleading and in conformity with all generally accepted accounting principles within the United Kingdom.

5.9 Unless the Authority wishes to dispute the Financial Model(s) in accordance with Paragraph 6 (Dispute) below, the Authority shall approve the updated Financial Model within twenty (20) Business Days of receipt of the same (or such other period as the Authority advises the Contractor in writing).

5.10 If the Authority approves the updated Financial Model(s) submitted by the Contractor, it shall advise the Contractor of its decision in writing and the updated and approved Financial Model(s) shall become, with effect from the date of such approval, the updated Financial Model in place for the purposes of the Contract and/or O&A Task Forms (as relevant).

6 DISPUTE

6.1 If the Authority disputes any Financial Model, it may request such further information from the Contractor as it requires prior to delivering a decision on whether it accepts or rejects the relevant Financial Model.

6.2 In the event that the Authority and the Contractor are unable to reach agreement on any Financial Model, the matter shall be referred for determination in accordance with the Dispute Resolution Procedure.

APPENDIX 1:
CONTRACTOR'S FINANCIAL MODEL

[NOTE TO Tenderers: Winning Tenderer's financial model and assumptions book provided in accordance with Annex 2 Condition 4.1 will be inserted here on contract award]