



SCHEDULE F – PRICING AND PAYMENT FOR CORE SERVICES

MERLIN AND APACHE ENGINES FUTURE SUPPORT

**CONTRACT NUMBER
HELSS/0102**

SCHEDULE F

PRICING AND PAYMENT FOR CORE SERVICES

1 CONTRACT PERIODS

1.1 The Contract will consist of up to four Contract Periods to deliver the Requirement as specified at Schedule A (Statement of Requirements). Pricing for each of the Contracting Periods will be determined in accordance with the following procedure:

- a. Ahead of each follow-on Contract Periods, the Authority will request from the Contractor a priced proposal in the form of a Fully Costed Work Breakdown Structure and a fully populated Financial Model for delivering the Services in the next Contract Period. This shall include, in respect of the follow-on Contract Period:
 - i. Any changes the Authority wishes to make to the Services and the Contract;
 - ii. An impact assessment of the proposed Fully Costed Work Breakdown Structure (WBS) on the agreed Financial Model. Both the WBS and the Financial Model are to be agreed with the Authority in accordance with DEFCON 606 (Edn 06/14). The Financial Model and fully costed Work Breakdown structure shall be used to detail the Target Cost for the Contract Period against the costs to be properly incurred for the purposes of this agreement, in line with the work to be provided as set out in Schedule A (Statement of Requirements).
- b. If requested by the Authority, the Contractor shall provide any additional information required and/or shall consider revising the proposal in accordance with Authority feedback and resubmitting it to the Authority.

2. MAXIMUM PRICE TARGET COST INCENTIVE FEE (MPTCIF)

2.1 The Parties have agreed that a Maximum Price Target Cost Incentive Fee ("MPTCIF") arrangement as set out in this Schedule shall apply to all work carried out by the Contractor under Item 1 in Schedule A (Statement of Requirements).

2.2 The total amount payable to the Contractor for each Contracting Period under Item 1 of the Schedule of Requirements to the Contract shall be based on the Actual Costs incurred by the Contractor plus the Target Fee as set out in this Schedule F minus any performance withholds applied in accordance with Schedule G (Performance for Core Services).

2.3 For the avoidance of doubt, the Contractor shall present as part of the monthly application for payment process contemplated in the Contract, a transactional report detailing the in-period Contractor's Actual Costs incurred and a reasonable description/justification for these costs. The Authority will include this information in the review of the related payment application. In the event of the costs not being Allowable (Appropriate, Attributable and Reasonable), the Authority may disallow or defer payment of such costs.

2.4 The Contractor's Actual Costs under Clause 2.2 above means the Contractor's outturn costs properly incurred for the purposes of delivering its obligations under Item 1 of the Schedule of Requirements, where such costs are verified by the Authority to be Allowable (Appropriate, Attributable and Reasonable) costs as if the Contract was a Qualifying Defence Contract under the Defence Reform Act 2014.

2.5 Nine (9) months prior to the end of the Contract Period, the Contractor shall submit to the Authority an auditable estimate of the final cost statement showing Allowable (Appropriate, Attributable and Reasonable) costs. The Supplier shall supply the final cost statement no later than six (6) months after the end of the Contract Period. The Authority may elect at its sole discretion to undertake an audit of the costs included in the estimated and/or final cost statements to satisfy itself that the costs are Allowable (Appropriate, Attributable and Reasonable).

Contract Period 1

2.6 The MPTCIF arrangement under Item 1 of the Schedule of Requirements comprises the following elements:

- a. Target Cost - £xxxx. [as bid by the Contractor, the cost broken down into a table by Contract Year and based on the Annual Flying Task (AFT) as detailed in Schedule E (Baseline Assumptions)].
- b. Target Fee - £xxxx. [as bid by the Contractor, the Target Fee being a percentage of the Target Cost in 2.5.a above submitted as part of the Tender return].
- c. Target Price - £xxxx. [being the total sum of the Target Cost plus the Target Fee broken down by Contract Year and included in the table provided in the Tenderer's response].
- d. Maximum Price - £xxxx. [as bid by the Contractor, the Maximum Price being a percentage of the Target Cost in 2.5.a above submitted as part of the Tender return and being the maximum amount payable by the Authority. The Maximum Price will need to be calculated both annually and over the term of the Contract in accordance with the process and tables set out under Clause 2.10.

2.7 The Contractor and the Authority shall share any cost over-runs above the Target Cost, where the Actual Costs exceed the Target Cost, or cost under-runs below the Target Cost where the Actual Costs are less than the Target Cost.

2.8 Notwithstanding Clause 2.2, the final price payable by the Authority to the Contractor shall not exceed the Maximum Price.

2.9 The total amount payable by the Authority under the MPTCIF shall be calculated as follows:

- a. If the Actual Costs are equal to the Target Costs then the total amount payable by the Authority shall be the Actual Costs plus the Target Fee.
- b. If the Actual Costs are less than the Target Cost the total price payable by the Authority shall be:
 - i. The Actual Costs; plus,
 - ii. The Target Fee, plus,
 - iii. Where the Actual Costs are no more than 20% below the Target Cost, the Parties will share the difference between Actual Costs and the Target Cost on a 60:40 (Contractor: Authority) ratio; or

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- iv. Where the Actual Costs are more than 20% below the Target Cost, the Parties will share the first 20% of any savings in accordance with Clause 2.8.b.iii, and shall share the remainder on a 40:60 (Contractor: Authority) ratio.
- c. If the Actual Costs are greater than the Target Cost the total price payable by the Authority shall be:
 - i. The Target Costs; plus
 - ii. The Target Fee; plus,
 - iii. 50% of the difference between the Target Cost and the Actual Costs, except where this calculation results in a total amount payable which is greater than the Maximum Price, in which case the total amount payable shall be the Maximum Price.
- d. Where a payment is due to the Authority following reconciliation, i.e. where the sum of the payments made by the Authority exceeds the price payable in accordance with this Clause 2.8.2, the Contractor shall submit a credit via the Authority's CP&F system in favour of the Authority equal to the amount owing to the Authority within one month of the Authority notifying the Contractor of the outcome of the reconciliation.
- e. Where a payment is due to the Contractor following reconciliation, i.e. where the sum of the payments made by the Authority is less than the price payable in accordance with this Clause 2.8., the Authority shall add a new purchase order to the Authority's CP&F system in favour of the Contractor equal to the amount owing to the Contractor within one month of it notifying the Contractor of the outcome of the reconciliation.

2.10 Notwithstanding Clause 2.8, where the Contractor's performance under the Contract is such that it fails to meet any or all the KPIs as detailed in Schedule G (Performance for Core Services) for any given period of measurement, the Target Fee as detailed at Clause 2.6 of this Schedule C shall be subject to permanent deductions. The maximum deduction is 1/12 of the Annual Target Fee for the year in question per month. In the event of the Contractor failing to evidence reasonably their performance, the Authority may choose to defer payment pending reasonable evidence of performance. An illustration demonstrating the payment mechanism is provided in Annex 1 (Payment Mechanism Illustration) to this Schedule F.

Adjustment of Maximum Price Target Cost Incentive Fee Arrangement

2.11 At the commencement of the Contract, the Contractor shall set a baseline Target Price for the Contract Period based on delivering an Engine Service to meet the Annual Flying Task provided in Schedule E – Baseline Assumptions.

[Note: The Tenderer is to complete the Tables on the pages overleaf and those at Schedule E as part of their submission]

Target Price over the Contract Periods

Annual Flying Task figures per CASP	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Apache Engines

Target Price by Financial Year (£ GBP)											
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
% of Annual Flying Task (AFT)	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030
120%											
110%											
100%											
90%											
80%											
70%											

Merlin Mk2

Target Price by Financial Year (£ GBP)											
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
% of Annual Flying Task (AFT)	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030
120%											
110%											
100%											
90%											

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80%											
70%											

Target Price by Financial Year (£ GBP)										
	Option 1			Option 2			Option 3			
AFT (@100%) per CASP										
% of Annual Flying Task (AFT)	2030/2031	2031/2032	2032/2033	2033/2034	2034/2035	2035/2036	2036/2037	2037/2038	2038/2039	2039/2040
120%										
110%										
100%										
90%										
80%										
70%										

Merlin Mk3A/4A

Target Price by Financial Year (£ GBP)											
% of Annual Flying Task (AFT)	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030
120%											
110%											
100%											
90%											
80%											
70%											

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Target Price by Financial Year (£ GBP)										
	Option 1			Option 2			Option 3			
AFT (@100%) per CASP										
% of Annual Flying Task (AFT)	2030/2031	2031/2032	2032/2033	2033/2034	2034/2035	2035/2036	2036/2037	2037/2038	2038/2039	2039/2040
120%										
110%										
100%										
90%										
80%										
70%										

Merlin Mk3/4

Target Price by Financial Year (£ GBP)											
% of Annual Flying Task (AFT)	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030
120%											
110%											
100%											
90%											
80%											
70%											

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Target Price by Financial Year (£ GBP)										
	Option 1			Option 2			Option 3			
AFT (@100%) per CASP										
% of Annual Flying Task (AFT)	2030/2031	2031/2032	2032/2033	2033/2034	2034/2035	2035/2036	2036/2037	2037/2038	2038/2039	2039/2040
120%										
110%										
100%										
90%										
80%										
70%										

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2.12 Annually, the Target Price will need to be adjusted by reference to the updated Annual Flying Task (AFT) produced by the Front Line Commands.

2.13 The Authority will provide the Contractor with this updated Annual Flying Task for the next Contract Year 3 months before the commencement of each Contract Year. The Parties to the Contract shall then compare the updated Annual Flying Task to the baseline Annual Flying Task detailed in Schedule E (Baseline Assumptions) to determine the flying hour band and associated Target Cost that shall pertain for that year. Where the Authority does not provide an updated Annual Flying Task in any Contract Year, then the Contractor shall set a Target Cost for the service based on the 100% band for the appropriate year in Schedule E (Baseline Assumptions).

2.14 The revised Target Cost, determined in accordance with 2.12 above, will then be used to determine the revised Target Fee and Target Price that shall pertain for that year.

2.15 The revised Target Price shall then be used to calculate a revised Target Price for the Contract Period; comprising the Target Price for all previous Contract Years plus the Target Price for the current year, calculated in accordance with 2.13, above plus the Target Price for future Contract Years (assuming 100% of the Annual Flying Task).

2.16 Similarly, a revised Maximum Price should be calculated for the Contract Year and the Contract Period as per 2.12, 2.13 and 2.14 above.

2.17 The Contractor shall provide details of its calculations for the above 1 month prior to the commencement of the financial year in question for acceptance by the Authority.

Hours Below Defined Limits

2.18 Where the Authority provide an updated Annual Flying Task at a lower limit than has been defined at Schedule E then the Contractor shall set a Target Cost for the service based on the 70% line for the appropriate year in Schedule E (Baseline Assumptions).

2.19 The revised Target Cost will then be used to determine the revised Target Fee and Target Price that shall pertain for that year.

2.20 The revised Target Price shall then be used to calculate a revised Target Price for the Contract.

2.21 Similarly, a revised Maximum Price should be calculated.

2.22 The Contractor shall provide details of its calculations for the above 1 month prior to the commencement of the financial year in question for acceptance by the Authority.

Hours Above Defined Limits

2.23 Hours flown in excess of 120% of the Annual Flying Task as detailed at Schedule E (Baseline Assumptions) in any financial year are defined as "Surge". Hours in excess of the Annual Flying Task but less than or equal to 120% of the Annual Flying Task are not Surge.

2.24 The Authority will, where possible, inform the Contractor of any planned Surge in advance of its occurrence.

2.25 Where a surge arises, the Authority undertakes to make additional payments for those Surge flying hours under Item 2 in Schedule of Requirements.

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3 REVISION OF THE MAXIMUM PRICE TARGET COST INCENTIVE FEE ARRANGEMENT IN RESPECT OF ESCALATION

3.1 The Target Cost, Target Price and Maximum Price identified and adjusted at Clause 2 shall be subject to further revision as follows:

- a. Payments to the Contractor in respect of Item 1 Services shall be made on a monthly basis at one-twelfth of the Annual Target Price as set out in this Schedule F. The payments due in respect of Services provided from Contract award until 31 March 2023 shall not be subject to escalation. From 1 April 2023, the monthly payments due under Clause 2 shall be revised in accordance with the change in the estimated average annual index value of [K8ZU – Top Level Service Index for in-service support] between a base date of March 2023 and the estimated average annual increase for the financial year based on the forecast as made in the December before the relevant financial year. This calculation shall be conducted each year at the same time as the Authority provides an updated Annual Flying Task three (3) months before the commencement of each financial year.
- b. The Target Cost, Target Fee and Target Price identified in this schedule shall be escalated in the same way and to the same extent.
- c. For the avoidance of doubt, following any revision of the Target Cost in accordance with Clauses 2 and 3, the Maximum Price shall continue to reflect the cap on the maximum amount payable by the Authority.
- d. Where the Index referred to in Clause 3.1.a is no longer produced, or in the opinion of the Authority is subject to change in its scope to the extent it is no longer suitable for the purposes of this Clause 3, the Authority shall nominate an alternate Index and formula with the intent that it shall be substituted for the Index identified in Clause 3.1.a.

4 INTERIM MPTCIF RECONCILIATION

4.1 The Parties agree that the MPTCIF arrangement for each Pricing Period shall be subject to annual reconciliation. Both the cost payment and fee payment shall be subject to this reconciliation.

4.2 During the Contract Period the Contractor shall submit to the Authority, within [one month] of the end of each Contract Year, an interim auditable cost statement detailing a breakdown of those costs it considers a charge to the Contract during the Contract Year that ended immediately preceding the statement date. The Authority may elect at its sole discretion to undertake an audit of the costs included in the interim cost statement.

4.3 Each quarter the Parties shall jointly review the Contractor’s performance and financial reporting to inform the end of year financial reconciliation

4.4 The interim MPTCIF reconciliation for Pricing Period 1 shall comprise the following elements per Contract Year (the sum of which equals those elements detailed in Clause 2.5):

Contract Year	Target Cost	Target Fee	Target Price	Maximum Price
1	[TBD]	[TBD]	[TBD]	[TBD]

Contract Year	Target Cost	Target Fee	Target Price	Maximum Price
2	[TBD]	[TBD]	[TBD]	[TBD]
3	[TBD]	[TBD]	[TBD]	[TBD]
4	[TBD]	[TBD]	[TBD]	[TBD]
5	[TBD]	[TBD]	[TBD]	[TBD]
6	[TBD]	[TBD]	[TBD]	[TBD]
7	[TBD]	[TBD]	[TBD]	[TBD]
8	[TBD]	[TBD]	[TBD]	[TBD]
9	[TBD]	[TBD]	[TBD]	[TBD]
10	[TBD]	[TBD]	[TBD]	[TBD]

4.5 For each Contract Year, the Parties shall share equally any cost over-runs above the Target Cost where the Actual Costs exceed the Target Cost or cost under-runs below the Target Cost where the Actual Costs are less than the Target Cost in accordance with the process set out in Clause 2.8.

4.6 The Parties agree that both parties shall be bound by the Contract to resolve the reconciliation three months after the end of each Contract Year unless agreed mutually by the Authority and the Contractor's equivalent responsible person.

5 PAYMENT UNDER MPTCIF - ITEM 1 IN SCHEDULE OF REQUIREMENTS

5.1 All payments to be made by the Authority to the Contractor under the Contract shall be subject to the provisions of Clause 2 to this Schedule F.

5.2 All payments from the Authority to the Contractor will be made in Pounds Sterling.

5.3 The Electronic Delivery Form (DEFFORM 129J) shall be submitted to the Authority's nominated Project Officer for authorisation. If authorised, the Project Officer shall give authorisation for payment to be made by the Defence Bills Agency (DBA) by loading the relevant information into the Contracting, Purchasing and Financing electronic procurement tool (CP&F) system.

5.4 The approval of and/or making of any payment by the Authority shall not be construed as acceptance of the performance of the Contractor's obligations nor as a waiver of its rights, remedies, and liabilities under this Contract.

5.5 Payment of the Target Cost to be provided under the Contract shall be made via a monthly service payment for cost that shall be paid in arrears. The monthly service payment will be calculated by dividing the Target Cost for the Contract Year by twelve.

5.6 Reconciliation of the Actual Cost against the Target Cost shall be undertaken during the annual reconciliation, whereby the Contractor's actual costs against the Target Cost will be reviewed and agreed and adjustments to payments for that year will be made.

5.7 Payment of the Target Fee to be provided under the Contract shall be made via a monthly service payment for fee that shall be paid in arrears. The monthly service payment for fee will be calculated by dividing the Target Fee for the Contract Year by twelve.

5.8 Reconciliation of the Target Fee shall be undertaken during the quarterly reconciliation, whereby the Contractor's performance against the KPIs in accordance with Schedule G (Performance for Core Services) will be assessed and the impact of any deviation from Level 0 performance will be applied to the Target Fee. This may result in a portion of the total fee payments made during the year being paid back to the Authority as per Clause 2.8.d of this Schedule F.

5.9 The MPTCIF payments (Target Cost and Target Fee) will be adjusted in accordance with Clauses 2, 3 and 4 of this Schedule F and Schedule G (Performance for Core Services).

5.10 An illustration demonstrating the monthly fee and cost process is provided in Annex 2 (Fee and Cost Process) to this Schedule F.

6 PAYMENT – ITEM 2 IN SCHEDULE OF REQUIREMENTS

6.1 The Authority shall pay the Contractor the agreed Firm Prices for tasking authorised under Item 2 of the Schedule of Requirements on completion of the individual tasks.

6.2 The Authority shall also pay under the provisions of Item 2 of the Schedule of Requirements, the agreed amount(s) authorised in respect of Surge flying.

6.3 The Authority will, upon acceptance of such evidence, authorise receipt of the associated payment on CP&F.

[REDACTED]

[REDACTED]

FOI Act Exemption under Section 26 (1) (b)

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14

