Schedule 7.6 - Savings Payments

1 **Definitions**

1.1 In this Schedule unless the context otherwise requires, words and phrases shall have the following meanings:

Account Management Charges	has the meaning given to that term in Schedule 7.1 (Charges and Invoicing);
Annual Savings Payment	the aggregate total of all Savings Payments due to the Supplier in accordance with Paragraph 2.2 of Part A of this schedule 7.6;
Approved Redeployment costs	Redeployment Costs that the Authority has agreed to pay in an Approved Savings Proposal;
Approved Relevant Capital Costs	Relevant Capital Costs that the Authority has agreed to pay in an Approved Savings Proposal;
Approved Savings Proposals	those Savings Proposals that are Approved by the Authority in accordance with Paragraph 1.2 of Part A;
Authority Savings Liabilities	the Indemnified Redundancy Costs and/or Approved Redeployment Costs and/or Approved Relevant Capital Costs for which the Authority is liable in accordance with an Approved Savings Proposal;
Gainshare	the [REDACTED]share attributed to the Authority (on the one hand) and the Supplier (on the other hand) and used for the purpose of calculating the amount of any Savings Payment;
In-scope Employee	means a Transferring Former Supplier Employee save where the Supplier and Former Supplier are the same entity such that the Employment Regulations do not apply to transfer staff, in which case it shall mean those employees of such entity who: (a) were immediately before the Operational Services Commencement Date wholly or mainly assigned to an organised grouping of employees which had as its principal purposes the carrying out of services on behalf of the Authority, in substitution for which services (in whole or part) the Services are provided (in whole or part), and had been so assigned for at least one year prior to the Operational Services Commencement Date; and (b) would have transferred to the Supplier under the Employment Regulations had the Supplier (or, if relevant, the Supplier Subcontractor),

and Former Supplier been different entities such that the relevant employees transferred under the Employment Regulations;

Indemnified Redundancy Costs	any redundancy costs incurred by the Supplier which the Authority has, or is obliged to, indemnify the Supplier for in accordance with Part C of this Schedule;
Maximum Savings Payment Amount	[REDACTED] over the Term;
Redeployment Costs	has the meaning given to that term in Paragraph 1.5.2 of Part C of this Schedule 7.6;
Redundancy Payment	means any of the following payments made by the Supplier (or, if relevant, the Supplier Subcontractor), to any of its employees: (a) statutory redundancy payments made in accordance with section 162 of the Employment Rights Act 1996; (b) contractual redundancy payments (which for this purpose shall mean redundancy payments made in accordance with the terms and conditions of employment to which the relevant employee was entitled at the Reference Date and for the avoidance of doubt, in each employee's case, shall not include any ex gratia payment, payment for accrued holiday, payment made in satisfaction of any right to pension benefits on dismissal for redundancy or any other payment made as compensation for the termination of employment); (c) in respect of each relevant employee, either: (i) payment of damages for breach of the applicable statutory notice entitlement or, if higher, the notice entitlement under the terms and conditions of employment to which the relevant employee was entitled at the Reference Date; or (ii) payment in lieu of any such notice entitlement, made pursuant to such terms and conditions of employment; (d) any payment made in satisfaction of any Early Retirement Right to which the relevant employee was entitled under his or her terms and conditions of employment on the Reference Date, but for the avoidance of doubt, shall not include any payment of salary or wages or of any benefit

in respect of any period of continuing employment (whether during a notice period or otherwise);

Reference Date	means the Relevant Transfer Date, save that where the Supplier (or, if relevant, the Supplier Subcontractor), and Former Supplier are the same entity such that the Employment Regulations do not apply to transfer staff, the relevant date shall be either the Effective Date or, if the employee became employed by the Supplier (or, if relevant, the Supplier Subcontractor), after such date, the date of commencement of employment;
Relevant Capital Costs	capital costs linked to the implementation of a Savings Proposal;
Savings	means a reduction in the Charges payable by the Authority under this Agreement due to a reduction in the Security Officer Charges and/or the Account Management Charges due to implementation of an Approved Savings Proposal calculated by deducting the relevant Charges payable after implementation of the relevant Savings Proposal from the relevant Charges payable immediately prior to the Savings Proposal being implemented;
Savings Payment	the amount payable to the Supplier by the Authority calculated by applying the Gainshare to the Savings arising from an Approved Savings Proposal during the Savings Period;
Savings Period	means a period of 12 months commencing on the Savings Realisation Date;
Savings Proposal	means: (a) any proposal set out in a Security Plan (and incorporating the relevant information in Paragraph 1 of Part A) for Savings in relation to Security Officer Charges for a specific Affected Property; or (b) a written proposal by the Supplier under Paragraph 1 of Part A for Savings in relation to Security Officer Charges under an existing Security Plan and/or Savings in relation to Account Management Charges;
Savings Realisation Date	means in respect of an Approved Savings Proposal, the date when the full amount of any Indemnified Redundancy Costs and/or Approved Redeployment Costs paid by the Authority in connection with the Approved Savings Proposal have been recovered by the Authority through the Savings;
Security Officers	has the meaning given in Schedule 7.1 (Charges and Invoicing);

Security Officer Charges	has the meaning given in Schedule 7.1 (Charges and Invoicing);
Supplier Savings Account	the notional account maintained by the Authority that comprises all Savings Payments accruing to the Supplier in accordance with this Schedule 7.6;
Supporting Documentation	sufficient information in writing to enable the Authority to assess whether the Charges and/or other sums due from the Authority detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates, copies of invoices, receipts, details of salary and other benefits in fact paid, payslips and contracts of employment and any other relevant documents setting out employment terms and/or any such other evidence to demonstrate cost incurred by the Supplier.

2 Overview

2.1 During the Term (in particular when creating each Security Plan) and at no additional charge, the Supplier shall identify opportunities for Savings in respect of Security Officer Charges and Account Management Personnel Charges.

2.2 Savings shall include a positive financial benefit to the Authority that effects changes in the volume or means of provision of Security Officers or Account Management Personnel.

2.3 In relation to any Savings realised by the Supplier the parties have agreed that the Savings realised during the Savings Period shall be split between the Authority and the Supplier 50:50, provided that the Supplier shall not be entitled to any Savings Payments in excess of the Maximum Savings Payment Amount over the Term of the Agreement. Following the Savings Period all relevant Savings shall accrue to the benefit of the Authority through a reduction in the relevant Charges.

2.4 When considering a Savings Proposal the Authority may agree to indemnify the Supplier for relevant Indemnified Redundancy Costs and/or to pay for Redeployment Costs and/or Relevant Capital Costs that will arise due to the implementation of the relevant Savings Proposal once it becomes an Approved Savings Proposal. Where such an Approved Savings Proposal is implemented, the Authority shall be liable to pay the Supplier any agreed Indemnified Redundancy Costs, Approved Redeployment Costs and/or Relevant Capital Costs. For the avoidance of doubt, the Authority shall be only be liable for Indemnified Redundancy Costs, Approved Redeployment Costs and Relevant Capital Costs that arise as a consequence of the implementation of any Approved Savings Proposals where the Authority has expressly agreed to be liable in the relevant Approved Savings Proposal.

2.5 For the avoidance of doubt, this Schedule shall not apply to any reduction in the Security Officer Charges where such reduction is as a consequence of reduction in the number of Security Officers due to a reduction in the number of Affected Properties. In such circumstances, the Supplier shall update the Financial Model accordingly and the Security Officer Charges shall be charged in accordance with the updated Financial Model.

2.6 The remaining parts of this Schedule 7.6 set out the procedures that the parties will follow in relation to the matters summarised in this Overview.

Part A – Savings

1 Savings Proposal

1.1 Each Savings Proposal submitted to the Authority by the Supplier shall include as a minimum:

1.1.1 a written explanation of the nature of the proposed Savings;

1.1.2 the Supplier's assessment of any impact on the delivery of the Services, including any changes that the Supplier would consider necessary to be made to the Statement of Requirements or to the relevant Detailed Solutions;

1.1.3 the Supplier's estimate of the impact on the current Security Officer Charges or the current Account Management Personnel Charges (as applicable);

1.1.4 the Supplier's estimate of any Redundancy Payments, Redeployment Costs or Relevant Capital Costs that will arise due to the implementation of the Savings Proposal;

1.1.5 the Supplier's estimate of the total amount of the Savings and any prospective Savings Payments anticipated by the Supplier;

1.1.6 the proposed Savings Realisation Date;

1.1.7 the Supplier's assessment of the operational, commercial and reputational impact on the Authority and any risks associated with the Savings Proposal including any risk of not implementing the Savings Proposal; and

1.1.8 the proposed terms of any required Contract Change and/or required changes to Security Plans.

1.2 The Authority may Approve or reject a Savings Proposal at its discretion. The Supplier shall not implement a Savings Proposal unless it has been Approved by the Authority pursuant to Schedule 12 (Approval). The Authority shall respond to a Savings Proposal under Schedule 12 (Approval) within 20 Working Days of receipt by the Authority of the Saving Proposal. If no response is received from the Authority the Savings Proposal shall be deemed to be rejected.

1.3 Once a Savings Proposal has been Approved the Supplier shall:

1.3.1 implement the Savings Proposal as Approved;

1.3.2 reduce the relevant Charges in accordance with the Approved Savings Proposal as soon as the Approved Savings Proposal is implemented (and for the avoidance of doubt, the Supplier shall not be permitted to raise any Charges in excess of the agreed Charges set out in the relevant Approved Savings Proposal);

1.3.3 update the Financial Model to take account of the Approved Savings Proposal;

1.3.4 notify the Authority of any Authority Savings Liabilities incurred and add such Authority Savings Liabilities to the invoice raised by the Supplier in the Month(s) following the Month(s) in which the Authority Savings Liabilities arise; and

1.3.5 notify the Authority in writing of the Supplier's calculation of the Savings Payment.

1.4 Each Party shall bear its own costs in relation to the preparation and consideration of a Savings Proposal.

1.5 The Supplier shall keep a record of all Approved Savings Proposals in accordance with Paragraph 2.4 of Schedule 8.4 (Records).

2 Payment of Savings Payments

2.1 The Supplier shall record all Savings Payments that are to be allocated in the Supplier Savings Account and shall:

2.1.1 record the Contract Year at the end of which each Approved Proposal Savings Payment shall become due to be paid to the Supplier, which shall be the Contract Year in which the relevant Savings Period for the relevant Approved Savings Proposal ends; and

2.1.2 allocate a reference to each Savings Payment so that it can be identified against the relevant Approved Savings Proposal.

2.2 Subject to compliance with Paragraph 2.5 and the provisions of Paragraph 2.14 of this Part A, the Supplier shall be entitled to an Annual Savings Payment where at the end of a Contract Year Savings Payments have been recorded in the Supplier Savings Account which are due to be paid at the end of that Contract Year.

2.3 The aggregate Annual Savings Payments shall under no circumstances exceed the Maximum Savings Payment Amount. Any Savings Payments that accrue over and above the Maximum Savings Payment Amount shall accrue solely to the benefit of the Authority.

2.4 All Savings that accrue prior to the Savings Realisation Date and after the end of the relevant Savings Period for each Approved Savings Proposal shall be for the sole benefit of the Authority and the Supplier shall not be entitled to any share of such Savings.

2.5 The Supplier shall only be entitled to an Annual Savings Payment for the relevant Contract Year where:

2.5.1 any reduction in the Supplier Savings Account under Paragraph 4 of Part A of Schedule 2.2 (Performance Levels) has been fully accounted for; and

2.5.2 the Savings:

(a) are properly attributable to the performance of the Supplier under any Approved Savings Proposals;

(b) does not arise, or are not materially contributed to, through a reduction in the standard of performance of the Services;

(c) the Approved Savings Proposal has effects which were contemplated in Paragraph 2.4 (Overview); and

(d) no Supplier Termination Event is outstanding or has occurred during the relevant Contract Year in which the Annual Savings Payment is due (which event has not been satisfactorily remedied in accordance with this Agreement).

2.6 Within 30 Working Days of the end of a relevant Contract Year the Supplier shall submit to the Authority a statement (**Supplier Savings Statement**) detailing:

2.6.1 the Savings Periods that have ended in that Contract Year;

2.6.2 a summary of what, if any, Savings have been achieved during the Savings Periods that have ended in that Contract Year;

2.6.3 whether the Supplier considers itself entitled to an Annual Savings Payment; and

2.6.4 the basis of calculation of the Annual Savings Payments (including a breakdown of each individual Savings Payment which make up the Annual Savings Payment) to which the Supplier considers itself entitled.

2.7 Where the Authority accepts the Supplier Savings Statement (**Accepted Supplier Savings Statement**) then the Supplier shall be due the specified Annual Savings Payment in accordance with Paragraph 2.12 of this Part A.

2.8 Where the Authority rejects any Supplier Savings Statement, the Authority shall provide the Supplier with its assessment of the amount, if any, that the Authority considers the Supplier is entitled to by way of an Annual Savings Payment (**Authority Savings Statement**).

2.9 Following receipt by the Supplier of the Authority Savings Statement, the Supplier shall provide any Supporting Documentation requested by the Authority and shall respond to any requests for further information requested by the Authority.

2.10 The Parties shall convene such further meetings and make such other discussions, communication and exchanges with a view to reaching agreement in relation to whether the Supplier is entitled to any Annual Savings Payment and if so the amount of such payment.

2.11 Where the Parties are unable to agree any Annual Savings Payment following the process set out in this Paragraph 2 of this Part A, the Dispute shall be referred to the Dispute Resolution Procedure.

2.12 At the end of each Contract Year the Supplier may raise an invoice for the Annual Savings Payment in respect of an Accepted Supplier Savings Statement. The Authority shall pay such invoice in accordance with Schedule 7.1 (Charges and Invoicing).

2.13 Where the Agreement is terminated by the Authority there shall be no Annual Savings Payment for the Contract Year in which the Agreement is terminated.

2.14 Where a Savings Proposal has been approved and implemented by the Supplier and a Savings Payment has been made to the Supplier as part of an Annual Savings Payment but the anticipated Savings as set out in the Approved Savings Proposal are not realised in subsequent Contract Years (**Lost Savings**) the Supplier shall be required to reimburse the Authority the amount of the Lost Savings.

2.15 The Approval by the Authority of a Savings Proposal shall not in any way limit or excuse the performance of the Supplier of its obligations under this Agreement. The provisions of this Schedule are without prejudice to the Authority's other rights and remedies.

3 Worked Example

The Supplier and Authority have recently completed the roll-out of new Security Systems at Site A and as a result the Supplier requires two less Security Officers. The Supplier submits to the Authority a Savings Proposal that details proposed savings of REDACTED per annum generated by the reduction of Security Officer Charges. The Authority and Supplier agree [REDACTED] The Authority and Supplier agree that the [REDACTED] cost [REDACTED] costs will be borne by the Authority.

Once the [REDACTED] liability cost and redeployment costs have been recovered by the Authority through the annual saving, the saving in the following REDACTED months is split REDACTED between Authority and Supplier. This generates [REDACTED] each for the Authority and Supplier. All proceeds of the saving prior to the Savings Realisation Date and after the Savings Period are attributed to the Authority.

4 Updates to the Financial Model following an Approved Savings Proposal

4.1 Without prejudice to Paragraph 2 of Part B of Schedule 7.5 (Financial Reports and Audit Rights), following the implementation of any Approved Savings Proposal, the Supplier shall update the then current Financial Model to reflect any agreed changes to the Account Management Charges (as applicable).

Part B

Not used

Part C – Indemnified Redundancy Costs

1 Savings related indemnity

1.1 Subject to the following parts of this Part C of Schedule 7.6, the Authority will indemnify and keep indemnified the Supplier and any Supplier Sub-contractor against any Redundancy Payments made to any In-scope Employee who is given notice of termination on grounds of redundancy at any time during the Term.

1.2 Neither the Supplier nor any Supplier Sub-contractor shall have any entitlement under Paragraph 1.1 of this Part C of Schedule 7.6 to any indemnity in respect of any Redundancy Payment unless the same has been presented to the Authority as part of a Savings Proposal and Approved by the Authority in advance in accordance with Schedule 12 (Approval) before it has been incurred.

1.3 Where Approval is sought for any Redundancy Payment under Paragraph 1.2 of this Part C of Schedule 7.6, the Supplier shall provide with its Savings Proposal, in addition to the information required under paragraph 1.1 of Part A of this Schedule 7.6, sufficient information for the Authority to understand:

1.3.1 why the Supplier considers that the In-scope Employees in respect to whom the Redundancy Payment is sought would be surplus to requirements as a result of the Savings Proposal;

1.3.2 that these In-Scope Employees are genuinely being dismissed for reasons of redundancy and are being selected on objective grounds other than the fact that the Supplier may be reimbursed under this provision in respect of these employees;

1.3.3 what alternative courses of action the Supplier has considered and their likely cost;

1.3.4 the mitigation action taken and/or proposed by the Supplier to avoid or reduce the Redundancy Payment including requiring the employee to work their notice, re-deploying them and or transferring them to a different role;

1.3.5 the risks that the Supplier has taken into account prior to seeking Approval; and

1.3.6 the Supplier's calculation of the Redundancy Payment for which Approval is sought.

1.4 For the avoidance of doubt, in respect to the Redundancy Payment, the parties agree that:

1.4.1 each request for Approval will be assessed on its own merits and Approval will be at the Authority's entire discretion;

1.4.2 accordingly, Approval for one request will not preclude the Authority from withholding Approval for any other request, however similar the circumstances may be;

1.4.3 Approval may be withheld if the Authority is not satisfied that the benefit to itself of granting Approval will exceed the cost; and

1.4.4 the Authority may give Approval subject to conditions, including but not limited to setting time limitations, caps on the total Redundancy Payment covered by the indemnity and requiring further evidence of the Supplier's mitigation actions and to demonstrate that any redundancies are genuine and based on objective grounds prior to any notice of termination of employment is issued for redundancy.

1.5 Where the Supplier can demonstrate that an In-scope Employee who is subject to a Savings Proposal for a Redundancy Payment is surplus to requirement in its provisions of the Services, despite the Supplier and/or any Supplier Sub-contractor having taken reasonable steps in order to avoid the redundancy, and accordingly proposes to dismiss the employee as redundant, but redeployment of the employee is possible (for the avoidance of doubt, the Parties agree that redeployment of the employee would not be possible where the Supplier does not have a contractual right to redeploy the employee and, despite reasonable efforts by the Supplier to obtain consent to the redeployment, the employee does not provide such consent) and would offer value for money to the Authority when compared with redundancy, then the Authority may require the Supplier or its Sub-contractor to redeploy that employee. In such circumstances:

1.5.1 the indemnity in respect to Redundancy Payments set out in Paragraph 1.1 of this Part C of Schedule 7.6 shall not apply in respect to that employee; and

1.5.2 the Authority shall pay the Supplier the actual direct costs incurred by the Supplier or the Supplier Sub-contractor arising out of the redeployment of such person (including retraining and relocation costs) subject to a maximum amount of [REDACTED] per employee and appropriate evidence being provided of the costs (**Redeployment Costs**).

1.6 For the avoidance of doubt, neither the Supplier nor any Supplier Sub-contractor shall be entitled to any double recovery from the Authority (whether by way of an indemnity claim or staff cost adjustment under this Agreement). In particular, where Approval is sought for any Redundancy Payment under this Part C of Schedule 7.6, the indemnities set out in clause 13.6 of the Agreement and Part E of Schedule 9.1 shall not apply.