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HMRC Standard Goods and Services Model Contract

**SCHEDULE 4.3**

**SUB-CONTRACTORS**

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**Sub-Contractors**

**1 APPOINTMENT OF SUB-CONTRACTORS**

- 1.1 The Supplier is entitled to enter into Sub-contracts with the Sub-contractors set out in Annex 1.
- 1.2 Where the Supplier wishes to enter into a Key Sub-contract or replace a Key Sub-contractor, it must obtain the prior written consent of the Authority, such consent not to be unreasonably withheld or delayed. For these purposes, the Authority may withhold its consent to the appointment of a Key Sub-contractor if it reasonably considers that:
- (a) the appointment of a proposed Key Sub-contractor may prejudice the provision of the Services or may be contrary to the interests of the Authority;
  - (b) the proposed Key Sub-contractor is unreliable and/or has not provided reasonable services to its other customers; and/or
  - (c) the proposed Key Sub-contractor employs unfit persons; and/or
  - (d) the proposed Key Sub-contractor should be excluded in accordance with Clause 15.2 (*Exclusion of Sub-Contractors*).
- 1.3 In making a request pursuant to Paragraph 1.2, the Supplier shall provide the Authority with the following information about the proposed Key Sub-contractor:
- (a) its name, registered office and company registration number;
  - (b) a copy of the proposed Key Sub-contract;
  - (c) the purposes for which the proposed Key Sub-contractor will be employed, including the scope/description of any services to be provided by the proposed Key Sub-contractor;
  - (d) if relevant, confirmation that the Key Sub-contract requires the proposed Key Sub-contractor to comply with any relevant service levels;
  - (e) where the proposed Key Sub-contractor is an Affiliate of the Supplier, evidence that demonstrates to the reasonable satisfaction of the Authority that the proposed Sub-contract has been agreed on "arms-length" terms;
  - (f) the Key Sub-contract price expressed as a percentage of the total projected Charges over the Term;
  - (g) (where applicable) the Credit Rating Threshold of the Key Sub-contractor; and
  - (h) any further information reasonably requested by the Authority;.



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- 1.4 The Supplier shall record details of all Sub-contractors that it appoints from time to time in Annex 1 (Notified Sub-contractors and Key Sub-contractors), including whether or not the Sub-contract is a Third Party Contract.
- 1.5 The Supplier shall notify the Authority if and to the extent to which any Sub-contractor has or intends to sub-contract to a third party any of the services it provides to the Supplier under the terms of the Sub-contract. Upon such notification, the Authority may request, and the Supplier shall procure that the Sub-contractor provides to the Authority, a copy of the contract between the Sub-contractor and the third party.

## 2 SUB-CONTRACTS

- 2.1 The Supplier shall ensure that each Key Sub-contract shall include:
  - (a) provisions which will enable the Supplier to discharge its obligations under this Agreement;
  - (b) a right under CRTPA for the Authority to enforce any provisions under the Key Sub-contract which are capable of conferring a benefit upon the Authority;
  - (c) a provision enabling the Authority to enforce the Sub-contract as if it were the Supplier;
  - (d) a provision enabling the Supplier to assign, novate or otherwise transfer any of its rights and/or obligations under the Sub-contract to the Authority or any Replacement Supplier without restriction (including any need to obtain any consent or approval) or payment by the Authority;
  - (e) obligations no less onerous on the Sub-contractor than those imposed on the Supplier under this Agreement in respect of:
    - (i) data protection requirements set out in Clauses 20 (*Authority Data and Security Requirements*) and 23 (*Protection of Personal Data*);
    - (ii) FOIA requirements set out in Clause 22 (*Transparency and Freedom of Information*);
    - (iii) the obligation not to embarrass the Authority or otherwise bring the Authority into disrepute set out in Clause 5.5(k) (*Services*);
    - (iv) the keeping of records in respect of the services being provided under the Sub-contract, including the maintenance of Open Book Data;
    - (v) the conduct of Audits set out in Clause 12.1 to Clause 12.11 (*Records, Reports, Audits & Open Book Data*);
    - (vi) the reporting requirement set out in Paragraph 2.1(b)(vii) of Schedule 8.2 (*Reports and Records*);
    - (vii) the tax compliance requirements set out in Clauses 10.9 to 10.13 (inclusive)

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*(Promoting Tax Compliance);*

- (viii) the use of off-shore tax structures set out in Clauses 10.18 to 10.21 (inclusive) *(Use of Off-shore Tax Structures)*;
  - (ix) the disclosure of Confidential Information set out in Clause 21.3 *(Confidentiality)*; and
  - (x) the slavery and human trafficking compliance requirements set out in Clause 35.5 *(Modern Slavery Act)*.
- (f) provisions enabling the Supplier to terminate the Sub-contract on notice on terms no more onerous on the Supplier than those imposed on the Authority under Clauses 33.1(a) *(Termination by the Authority)* and 34.4 *(Payments by the Authority)* and Schedule 7.2 *(Payments on Termination)* of this Agreement;
- (g) a provision enabling the Supplier, the Authority or any other person on behalf of the Authority to step-in on substantially the same terms as are set out in Clause 30 *(Step-in Rights)*;
- (h) without prejudice and in addition to the other provisions of this Paragraph 2.1 and Paragraph 2.3), a provision requiring Key Sub-contractors to promptly notify the Supplier and the Authority in writing of any of the following of which it is, or ought to be, aware:
- (i) the occurrence of a Financial Distress Event in relation to the Key Sub-contractor; or
  - (ii) any fact, circumstance or matter of which it is aware which could cause the occurrence of a Financial Distress Event in relation to the Key Sub-contractor,
- and in any event, provide such notification within ten (10) Working Days of the date on which the Key Sub-contractor first becomes aware of such;
- (i) a provision requiring Key Sub-contractors to not sub-contract all or any part of the services provided to the Supplier under the Sub-contract without first seeking the written consent of the Authority; and

2.2 The Supplier shall ensure that each Sub-contract shall include a provision requiring Sub-contractors to co-operate with the Supplier and the Authority in order to give full effect to the provisions of Schedule 7.4 *(Financial Distress)*, including meeting with the Supplier and the Authority to discuss and review the effect of the Financial Distress Event on the continued performance and delivery of the Services, and contributing to and complying with the Financial Distress Service Continuity Plan.

2.3 At any time during the Term, the Supplier shall provide within ten (10) Working Days of the Authority's request:

- (a) a copy of any Sub-contract; and



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- (b) any further information relating to that Sub-contract as reasonably requested by the Authority.

### 3 SUPPLY CHAIN PROTECTION

3.1 The Supplier shall ensure that all Sub-contracts (which in this sub-clause includes any contract in the Supplier's supply chain made wholly or substantially for the purpose of performing or contributing to the performance of the whole or any part of this Agreement) contain provisions:

- (a) requiring the Supplier or other party receiving goods or services under the contract to consider and verify invoices under that contract in a timely fashion;
- (b) that if the Supplier or other party fails to consider and verify an invoice in accordance with sub-paragraph (a), the invoice shall be regarded as valid and undisputed for the purpose of sub-paragraph (c) after a reasonable time has passed;
- (c) requiring the Supplier or other party to pay any undisputed sums which are due from it to the Sub-contractor within a specified period not exceeding thirty (30) days of verifying that the invoice is valid and undisputed;
- (d) giving the Authority a right to publish the Supplier's compliance with its obligation to pay undisputed invoices within the specified payment period;
- (e) granting the Supplier a right to terminate the Sub-contract if the relevant Sub-contractor fails to comply, in the performance of its Sub-contract, with legal obligations in the fields of environmental, social or labour law and a requirement that the Sub-contractor includes a provision having the same effect in any sub-contract which it awards;
- (f) requiring the Sub-contractor to provide reports which contain the information referred to in Paragraph 2.1(b)(vii) of Schedule 8.2 (*Reports and Records*); and
- (g) requiring the Sub-contractor to include a clause to the same effect as this Paragraph 3.1 in any contracts it enters into wholly or substantially for the purpose of performing or contributing to the performance of the whole or any part of this Agreement.

3.2 The Supplier shall, and shall ensure that its Sub-contractors shall, grant to the Authority and its Authority Representative and/or Contract Management Representatives the right of access to any of the Supplier premises and/or Supplier Personnel as the Authority may reasonably require during normal business hours in order to observe the activities of the Supplier and any of its Sub-contractors for the purposes of monitoring and/or better understanding of the Services.

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**4 AMENDMENT OF SUB-CONTRACTS**

- 4.1 The Supplier shall not terminate or materially amend the terms of any Sub-contract without the Authority's prior written consent, which shall not be unreasonably withheld or delayed.

**5 RETENTION OF LEGAL OBLIGATIONS**

- 5.1 Notwithstanding the Supplier's right to sub-contract pursuant to this Schedule the Supplier shall remain responsible for all acts and omissions of its Sub-contractors and the acts and omissions of those employed or engaged by the Sub-contractors as if they were its own.
- 5.2 In respect of any element of the Services delivered by Supplier Personnel and/or which are Sub-contracted by the Supplier, an obligation on the Supplier to do or to refrain from doing any act or thing under this Contract, shall include an obligation on the Supplier to procure that the Supplier Personnel and the Sub-contractor also do or refrain from doing such act or thing in their delivery of those elements of the Services.

**6 IMPROVING VISIBILITY OF SUBCONTRACT OPPORTUNITIES AVAILABLE TO SMES AND VCSES IN THE SUPPLY CHAIN**

- 6.1 The following definitions shall apply in this Paragraph 6.1:

**"Contracts Finder"** means the Government's publishing portal for public sector procurement opportunities;

**"SME"** means an enterprise falling within the category of micro, small and medium-sized enterprises defined by the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises; and

**"VCSE"** means a non-governmental organisation that is value-driven and which principally reinvests its surpluses to further social, environmental or cultural objectives.

- 6.2 The Supplier shall:

- (a) subject to Paragraph 6.4, advertise on Contracts Finder all subcontract opportunities arising from or in connection with the provision of the Goods and/or Services above a minimum threshold of £25,000 that arise during the Term;
- (b) within ninety (90) days of awarding a Sub-contract to a Sub-contractor, update the notice on Contracts Finder with details of the successful Sub-contractor;
- (c) monitor the number, type and value of the subcontract opportunities placed on Contracts Finder advertised and awarded in its supply chain during the Term;



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- (d) provide reports on the information at Paragraph 6.2(c) to the Authority in the format and frequency as reasonably specified by the Authority; and
  - (e) promote Contracts Finder to its suppliers and encourage those organisations to register on Contracts Finder.
- 6.3 Each advert referred to at Paragraph 6.2 above shall provide a full and detailed description of the subcontract opportunity with each of the mandatory fields being completed on Contracts Finder by the Supplier.
- 6.4 The obligation at Paragraph 6.2 shall only apply in respect of subcontract opportunities arising after the contract award date.
- 6.5 Notwithstanding Paragraph 6.1 to Paragraph 6.4 above, the Authority may by giving its prior written approval, agree that a subcontract opportunity is not required to be advertised on Contracts Finder.

**7 MANAGEMENT CHARGES AND INFORMATION**

- 7.1 In addition to any other Management Information requirements set out in this Agreement, the Supplier agrees and acknowledges that it shall, at no charge, provide timely, full, accurate and complete SME Management Information (MI) reports to the Authority at the Authority's request which incorporate the data described in the MI Reporting Template, as defined below, ("**SME Management Information Reports**") which is:
- (a) the total contract revenue received directly on a specific contract;
  - (b) the total value of sub-contracted revenues under the contract (including revenues for non-SMEs/non-VCSEs); and
  - (c) the total value of sub-contracted revenues to SMEs and VCSEs.
- 7.2 The SME Management Information Reports shall be provided in the correct format as required by the MI Reporting Template (as defined below) and any guidance issued by the Authority from time to time. The Supplier shall use the initial MI Reporting Template which is set out in Annex 2 to this Schedule and which may be changed from time to time (including the data required and/or format) by the Authority by issuing a replacement version ("**MI Reporting Template**"). The Authority shall give at least thirty (30) days' notice in writing of any such change and shall specify the date from which it must be used.
- 7.3 The Supplier further agrees and acknowledges that it may not make any amendment to the current MI Reporting Template without the prior written approval of the Authority.

ANNEX 1: NOTIFIED SUB-CONTRACTORS AND KEY SUB-CONTRACTORS

1 NOTIFIED SUB-CONTRACTORS AND KEY SUB-CONTRACTORS

- 1.1 In accordance with this Schedule, the Supplier is entitled to sub-contract its obligations under this Agreement to the Sub-Contractors and Key Sub-contractors listed in the table below.
- 1.2 The Parties agree that they will update this Schedule periodically to record any Sub-Contractors and Key Sub-contractors appointed by the Supplier with the consent of the Authority after the Effective Date for the purposes of the delivery of the Services.

Notified Sub-contractors and Key Sub-Contractors

Sub-contractor name and address (if not the same as the registered office)	Registered office and company number	Related product/Service description	Sub-contract price expressed as a percentage of total projected Charges over the Term	Key Sub-contractor?	Credit Rating Threshold	Third Party Contract?
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]			[REDACTED]	
	[REDACTED]				[REDACTED]	
	[REDACTED]				[REDACTED]	
	[REDACTED]				[REDACTED]	
	[REDACTED]				[REDACTED]	
	[REDACTED]				[REDACTED]	

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ANNEX 2: MI REPORTING TEMPLATE



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**SCHEDULE 4.5**

**ASSETS**



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The following equipment is available for the Supplier to use as Authority Supplied Equipment if required. The Authority Supplied Equipment and the Supplier Equipment used at the Authority Premises as at the Effective Date will be recorded by the Supplier in accordance with Clause 9.1 (*Assets*).



Ashford Sevington  
- FM Asset Register.:



HMRC Holyhead IBF  
- IOC Facility FM Ass

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**SCHEDULE 6.1**

**MOBILISATION**

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**Mobilisation****DEFINITIONS**

In this Schedule, the following definitions shall apply:

**"Detailed Mobilisation Plan"** means the plan prepared in accordance with Paragraph 2.2 of this Schedule 6.1 (*Mobilisation*);

**"Mobilisation Commencement Date"** means the later of:

- (i) five (5) Working Days following the Effective Date; or
- (ii) the Monday at least one (1) week following the Effective Date;

**"Mobilisation Plan"** the Outline Mobilisation Plan or (if approved by the Authority pursuant to Paragraph 2.6 of this Schedule) the Detailed Mobilisation Plan as updated in accordance with Paragraph 2.7 of this Schedule from time to time; and

**"Outline Mobilisation Plan"** means the plan in the form set out at Annex 1 of this Schedule 6.1 (*Mobilisation*).

**1 GENERAL**

1.1 The Supplier shall plan, prepare for and carry out Mobilisation in accordance with this Schedule, and shall:

- (a) comply with the Detailed Mobilisation Plan; and
- (b) be responsible for overall management of the activities under the Detailed Mobilisation Plan in order to ensure the timely completion of each Deliverable and Milestone.

1.2 All changes to the Outline Mobilisation Plan shall be subject to the Change Control Procedure provided that the Supplier shall not attempt to postpone any of the Milestones using the Change Control Procedure or otherwise (except in accordance with Clause 31 (*Authority Cause*) or Clause 32 (*Force Majeure*)).

**2 APPROVAL OF THE DETAILED MOBILISATION PLAN**

2.1 The Supplier shall submit a draft of the Detailed Mobilisation Plan to the Authority for approval within twenty (20) Working Days of the Effective Date.

2.2 The Supplier shall ensure that the draft Detailed Mobilisation Plan:

- (a) incorporates all of the Milestones and Milestone Dates set out in the Outline Mobilisation Plan;

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- (b) includes (as a minimum) the Supplier's proposed timescales in respect of the following for each of the Milestones:
    - (i) the completion of any Deliverable;
    - (ii) the completion of any testing to be undertaken in accordance with Schedule 6.2 (*Assurance Procedures*); and
    - (iii) the completion of any deployment or transition activity;
  - (c) clearly details all the steps required to implement the Milestones to be achieved up to and including the final Milestone, in conformity with the Authority Requirements;
  - (d) incorporates as a minimum the set of components required to implement the activities of the Mobilisation Plan as set out in Annex 2 (*Minimum Set of Mobilisation Components*);
  - (e) clearly outlines the required roles and responsibilities of both Parties, including staffing requirements; and
  - (f) to the extent relevant, identifies each of the above in respect of each IBF Site.
- 2.3 Prior to the submission of the draft Detailed Mobilisation Plan to the Authority in accordance with Paragraph 2.1, the Authority shall have the right:
- (a) to review any documentation produced by the Supplier in relation to the development of the Detailed Mobilisation Plan; and
  - (b) to require the Supplier to include any reasonable changes or provisions in the Detailed Mobilisation Plan.
- 2.4 Following receipt of the draft Detailed Mobilisation Plan from the Supplier, the Authority shall:
- (a) review and comment on the draft Detailed Mobilisation Plan as soon as reasonably practicable; and
  - (b) notify the Supplier in writing that it approves or rejects the draft Detailed Mobilisation Plan no later than twenty (20) Working Days after the date on which the draft Detailed Mobilisation Plan is first delivered to the Authority.
- 2.5 If the Authority rejects the draft Detailed Mobilisation Plan:
- (a) the Authority shall inform the Supplier in writing of its reasons for its rejection; and
  - (b) the Supplier shall then revise the draft Detailed Mobilisation Plan (taking reasonable account of the Authority's comments) and shall re-submit a revised draft Detailed Mobilisation Plan to the Authority for the Authority's approval within the (10) Working Days of the date of the Authority's notice of rejection. The provisions of Paragraph 2.4 and this Paragraph 2.5 shall apply again to



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any resubmitted draft Detailed Mobilisation Plan, provided that either Party may refer any disputed matters for resolution by the Dispute Resolution Procedure at any time.

- 2.6 If the Authority approves the draft Detailed Mobilisation Plan, it shall replace the Outline Mobilisation Plan as the Mobilisation Plan from the date of the Authority's notice of approval.
- 2.7 Following the approval of the Detailed Mobilisation Plan by the Authority:
- (a) the Supplier shall submit a revised Detailed Mobilisation Plan to the Authority every month until the final Operational Service Commencement Date; and
  - (b) the Authority shall be entitled to request a revised Detailed Mobilisation Plan at any time by giving written notice to the Supplier. The Supplier shall, within twenty (20) Working Days of receiving such a request, submit a draft revised Detailed Mobilisation Plan to the Authority for approval in accordance with the procedure set out in Paragraph 2.1 to 2.6.
- 2.8 Changes to any Milestones, Milestone Payments or Delay Payments or any other elements of the Detailed Mobilisation Plan which are based on the contents of the Outline Mobilisation Plan shall only be made in accordance with the Change Control Procedure.
- 2.9 Any proposed amendments to the Detailed Mobilisation Plan shall not come into force until they have been approved in writing by the Authority.

### 3 TRANSITION FROM INCUMBENT SUPPLIER OR THE AUTHORITY

- 3.1 The Supplier shall provide to the Authority any reasonable assistance requested by the Authority to allow any services provided by any Incumbent Supplier or the Authority (as applicable) to continue without interruption during Mobilisation and, where applicable, to facilitate the orderly transfer of responsibility for and conduct of those services from any Incumbent Supplier or the Authority (as applicable) to the Supplier without any adverse impact on current service levels and service delivery provided to or by the Authority.

### 4 CHARGES

- 4.1 The Supplier's activities for carrying out its obligations set out in this Schedule shall be charged in accordance with Schedule 7.1 (*Charges and Invoicing*).

### 5 REPORTING AND RISKS

- 5.1 The Supplier shall provide to the Authority progress reports on a weekly basis including an executive dashboard, against the Detailed Mobilisation Plan, which will set out:
- (a) the current status of Mobilisation;

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- (b) the Supplier's progress against all Milestones and other activities set out in the Detailed Mobilisation Plan, any actual or anticipated Delays to the Detailed Mobilisation Plan and anticipated remedial activities in respect of such delay;
  - (c) the actual and anticipated risks and issues (including a RAID log as set out in Paragraph 5.2), the impact or likely impact of such risks and issues on the Detailed Mobilisation Plan and the associated mitigation actions being taken by the Supplier.
- 5.2 The Supplier shall maintain a RAID log which sets out (and promptly report to the Authority upon becoming aware of) any technical, commercial, delivery, financial, legal and other risks, assumptions, issues and dependencies in carrying out the Detailed Mobilisation Plan, including risk mitigation strategies, preventive measures and contingency plans for rapid recovery from the occurrence of all such risks and issues.
- 6 NOT USED**
- 7 ACHIEVEMENT OF MILESTONES AND READINESS REVIEWS**
- 7.1 The Supplier's achievement of the Milestones set out in the Detailed Mobilisation Plan shall be assessed in accordance with Schedule 6.2 (*Assurance Procedures*).
- 7.2 Supplier shall cooperate with and assist the Authority in carrying out readiness reviews for the Mobilisation ten (10) Working Days prior to the relevant Operational Service Commencement Date in order to satisfy key Authority stakeholders that the relevant Services can be transferred to the Supplier without impact on business operations.
- 8 GOVERNMENT REVIEWS**
- 8.1 The Supplier acknowledges that the Services may be subject to Government review at key stages of the project. The Supplier shall cooperate with any bodies undertaking such review and shall allow for such reasonable assistance as may be required for this purpose within the Charges.
- 9 DELAYS**
- 9.1 If the Supplier becomes aware that there is, or there is reasonably likely to be, a Delay:
  - (a) it shall:
    - (i) notify the Authority (and any applicable Service Recipients) in accordance with Clause 27.2 (*Rectification Plan Process*);
    - (ii) comply with the Rectification Plan Process in order to address the impact of the Delay or anticipated Delay;
    - (iii) use all reasonable endeavours to eliminate or mitigate the consequences of any Delay or anticipated Delay; and

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- (b) without prejudice to Paragraph 9.1(a) above, if the Delay or anticipated Delay relates to a Key Milestone, Delay Payments may be payable in accordance with Part C of Schedule 7.1 (*Charges and Invoicing*).



The following plan is bespoke for each IBF Site. Commencement of scoping study and detailed design may start at each IBF Site on different dates.

Milestone	Deliverables (Bulleted list showing all Deliverables (and associated tasks) required for each Milestone)	Duration	Milestone Date	Component Parts	Assurance Criteria (as defined in Schedule 6.2) (Assurance Procedures))
Milestone 1	<ul style="list-style-type: none"> <li>Deliverable 1.1</li> <li>Deliverable 1.2</li> <li>Deliverable 1.3</li> <li>Deliverable 1.4</li> <li>Deliverable 1.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 1.1</li> <li>Component 1.2</li> <li>Component 1.3</li> <li>Component 1.4</li> <li>Component 1.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 1.1</li> <li>Assurance Criterion 1.2</li> <li>Assurance Criterion 1.3</li> <li>Assurance Criterion 1.4</li> <li>Assurance Criterion 1.5</li> </ul>
Milestone 2	<ul style="list-style-type: none"> <li>Deliverable 2.1</li> <li>Deliverable 2.2</li> <li>Deliverable 2.3</li> <li>Deliverable 2.4</li> <li>Deliverable 2.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 2.1</li> <li>Component 2.2</li> <li>Component 2.3</li> <li>Component 2.4</li> <li>Component 2.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 2.1</li> <li>Assurance Criterion 2.2</li> <li>Assurance Criterion 2.3</li> <li>Assurance Criterion 2.4</li> <li>Assurance Criterion 2.5</li> </ul>
Milestone 3	<ul style="list-style-type: none"> <li>Deliverable 3.1</li> <li>Deliverable 3.2</li> <li>Deliverable 3.3</li> <li>Deliverable 3.4</li> <li>Deliverable 3.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 3.1</li> <li>Component 3.2</li> <li>Component 3.3</li> <li>Component 3.4</li> <li>Component 3.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 3.1</li> <li>Assurance Criterion 3.2</li> <li>Assurance Criterion 3.3</li> <li>Assurance Criterion 3.4</li> <li>Assurance Criterion 3.5</li> </ul>
Milestone 4	<ul style="list-style-type: none"> <li>Deliverable 4.1</li> <li>Deliverable 4.2</li> <li>Deliverable 4.3</li> <li>Deliverable 4.4</li> <li>Deliverable 4.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 4.1</li> <li>Component 4.2</li> <li>Component 4.3</li> <li>Component 4.4</li> <li>Component 4.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 4.1</li> <li>Assurance Criterion 4.2</li> <li>Assurance Criterion 4.3</li> <li>Assurance Criterion 4.4</li> <li>Assurance Criterion 4.5</li> </ul>
Milestone 5	<ul style="list-style-type: none"> <li>Deliverable 5.1</li> <li>Deliverable 5.2</li> <li>Deliverable 5.3</li> <li>Deliverable 5.4</li> <li>Deliverable 5.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 5.1</li> <li>Component 5.2</li> <li>Component 5.3</li> <li>Component 5.4</li> <li>Component 5.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 5.1</li> <li>Assurance Criterion 5.2</li> <li>Assurance Criterion 5.3</li> <li>Assurance Criterion 5.4</li> <li>Assurance Criterion 5.5</li> </ul>
Milestone 6	<ul style="list-style-type: none"> <li>Deliverable 6.1</li> <li>Deliverable 6.2</li> <li>Deliverable 6.3</li> <li>Deliverable 6.4</li> <li>Deliverable 6.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 6.1</li> <li>Component 6.2</li> <li>Component 6.3</li> <li>Component 6.4</li> <li>Component 6.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 6.1</li> <li>Assurance Criterion 6.2</li> <li>Assurance Criterion 6.3</li> <li>Assurance Criterion 6.4</li> <li>Assurance Criterion 6.5</li> </ul>
Milestone 7	<ul style="list-style-type: none"> <li>Deliverable 7.1</li> <li>Deliverable 7.2</li> <li>Deliverable 7.3</li> <li>Deliverable 7.4</li> <li>Deliverable 7.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 7.1</li> <li>Component 7.2</li> <li>Component 7.3</li> <li>Component 7.4</li> <li>Component 7.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 7.1</li> <li>Assurance Criterion 7.2</li> <li>Assurance Criterion 7.3</li> <li>Assurance Criterion 7.4</li> <li>Assurance Criterion 7.5</li> </ul>
Milestone 8	<ul style="list-style-type: none"> <li>Deliverable 8.1</li> <li>Deliverable 8.2</li> <li>Deliverable 8.3</li> <li>Deliverable 8.4</li> <li>Deliverable 8.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 8.1</li> <li>Component 8.2</li> <li>Component 8.3</li> <li>Component 8.4</li> <li>Component 8.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 8.1</li> <li>Assurance Criterion 8.2</li> <li>Assurance Criterion 8.3</li> <li>Assurance Criterion 8.4</li> <li>Assurance Criterion 8.5</li> </ul>
Milestone 9	<ul style="list-style-type: none"> <li>Deliverable 9.1</li> <li>Deliverable 9.2</li> <li>Deliverable 9.3</li> <li>Deliverable 9.4</li> <li>Deliverable 9.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 9.1</li> <li>Component 9.2</li> <li>Component 9.3</li> <li>Component 9.4</li> <li>Component 9.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 9.1</li> <li>Assurance Criterion 9.2</li> <li>Assurance Criterion 9.3</li> <li>Assurance Criterion 9.4</li> <li>Assurance Criterion 9.5</li> </ul>
Milestone 10	<ul style="list-style-type: none"> <li>Deliverable 10.1</li> <li>Deliverable 10.2</li> <li>Deliverable 10.3</li> <li>Deliverable 10.4</li> <li>Deliverable 10.5</li> </ul>	10 weeks	10/10/2020	<ul style="list-style-type: none"> <li>Component 10.1</li> <li>Component 10.2</li> <li>Component 10.3</li> <li>Component 10.4</li> <li>Component 10.5</li> </ul>	<ul style="list-style-type: none"> <li>Assurance Criterion 10.1</li> <li>Assurance Criterion 10.2</li> <li>Assurance Criterion 10.3</li> <li>Assurance Criterion 10.4</li> <li>Assurance Criterion 10.5</li> </ul>



The figure displays a 4x2 grid of bar charts, where each row corresponds to a different value of  $\lambda$  (0.001, 0.01, 0.1, and 1) and each column corresponds to a different parameter ( $\alpha$  and  $\beta$ ). The x-axis for each chart represents the simulated values, and the y-axis represents the frequency of those values. The charts illustrate how the distribution of simulated values changes as  $\lambda$  increases. For  $\alpha$ , the distributions are generally centered around 0. For  $\beta$ , the distributions are generally centered around 1. The distributions for  $\lambda = 0.001$  are the most spread out, while the distributions for  $\lambda = 1$  are the most concentrated.

$\lambda$	Parameter	Approximate Distribution (Frequency)
0.001	$\alpha$	Values range from -10 to 10, with a peak frequency of approximately 100.
0.001	$\beta$	Values range from 0 to 2, with a peak frequency of approximately 100.
0.01	$\alpha$	Values range from -5 to 5, with a peak frequency of approximately 50.
0.01	$\beta$	Values range from 0 to 2, with a peak frequency of approximately 50.
0.1	$\alpha$	Values range from -2 to 2, with a peak frequency of approximately 20.
0.1	$\beta$	Values range from 0 to 2, with a peak frequency of approximately 20.
1	$\alpha$	Values range from -1 to 1, with a peak frequency of approximately 10.
1	$\beta$	Values range from 0 to 2, with a peak frequency of approximately 10.

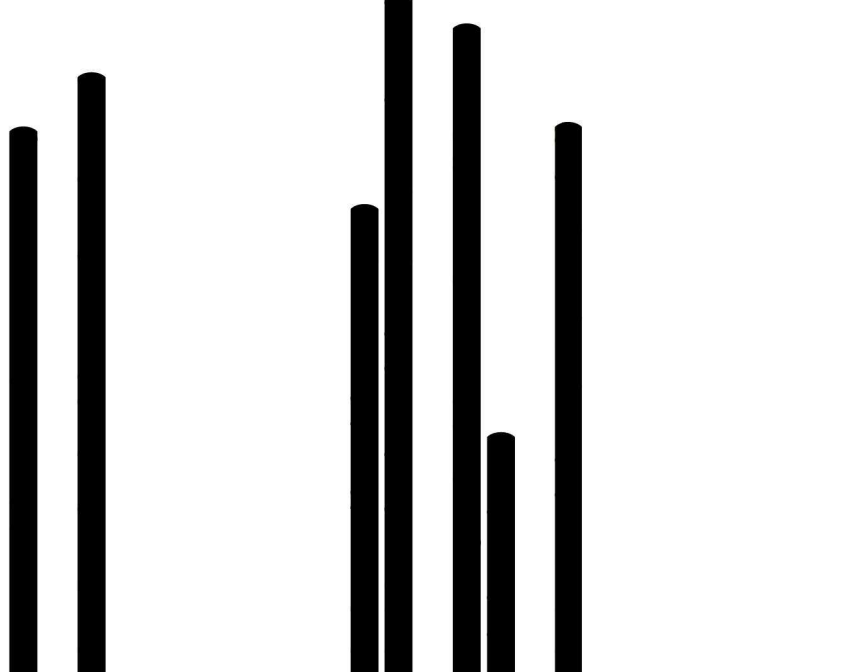
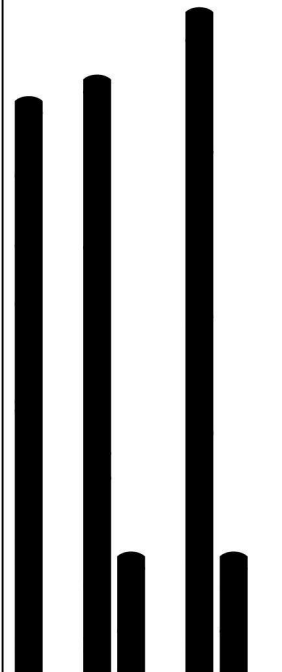

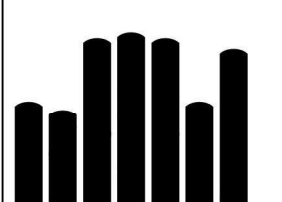


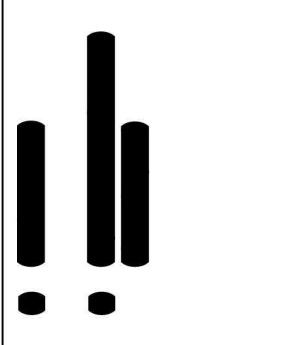

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				<div>[REDACTED]</div>
<div>[REDACTED]</div>	<div>[REDACTED]</div>		<div>[REDACTED]</div>	<div>[REDACTED]</div>





The figure is a bar chart with five rows, each representing a time period. The x-axis lists 20 countries: Australia, Canada, China, France, Germany, India, Italy, Japan, Korea, Mexico, Netherlands, Norway, Russia, Sweden, Switzerland, Taiwan, United Kingdom, United States, and Other. The y-axis represents the number of publications, ranging from 0 to 100. The bars are colored in a light blue/teal shade. The data shows a general increase in publications over time for most countries, with the United States and China showing the highest numbers in the later periods.

Country	Period 1	Period 2	Period 3	Period 4	Period 5
Australia	10	15	20	25	30
Canada	15	20	25	30	35
China	20	25	30	35	40
France	25	30	35	40	45
Germany	30	35	40	45	50
India	35	40	45	50	55
Italy	40	45	50	55	60
Japan	45	50	55	60	65
Korea	50	55	60	65	70
Mexico	55	60	65	70	75
Netherlands	60	65	70	75	80
Norway	65	70	75	80	85
Russia	70	75	80	85	90
Sweden	75	80	85	90	95
Switzerland	80	85	90	95	100
Taiwan	85	90	95	100	105
United Kingdom	90	95	100	105	110
United States	95	100	105	110	115
Other	10	15	20	25	30





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The figure consists of a 4x12 grid of black bars. Each bar's height is determined by a binary value (0 or 1) at a specific row and column intersection. The grid is divided into four horizontal sections by three lines. The top section contains the most bars, while the bottom section contains the fewest.

Row	Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9	Col 10	Col 11	Col 12
1	1	0	1	0	1	1	0	1	1	0	1	1
2	1	1	0	1	1	0	1	1	0	1	1	1
3	1	1	0	1	1	0	1	1	0	1	1	1
4	1	1	0	1	1	0	1	1	0	1	1	1

The figure displays a bar chart representing the frequency distribution of 1000 simulated values for the parameter  $\alpha$ . The x-axis, labeled  $\alpha$ , spans from 0.0 to 1.0 with major tick marks every 0.1 units. The y-axis, labeled Frequency, ranges from 0 to 100 with major tick marks every 20 units. The distribution is characterized by a high frequency of values near 0.0, with a peak frequency of approximately 100. The frequency decreases as  $\alpha$  increases, with a notable dip around 0.5, followed by a slight increase and then a final peak near 1.0. The bars are black and have a width of 0.05.

$\alpha$	Frequency
0.0	100
0.05	80
0.1	60
0.15	40
0.2	20
0.25	10
0.3	5
0.35	3
0.4	2
0.45	1
0.5	1
0.55	1
0.6	1
0.65	1
0.7	1
0.75	1
0.8	1
0.85	1
0.9	1
0.95	1
1.0	1

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Age Group	Number of People
0-10	400
11-20	950
21-30	600
31-40	100
41-50	100
51-60	200
61-70	100
71-80	250
81-90	50
91+	150

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## ANNEX 2: MINIMUM SET OF MOBILISATION COMPONENTS

Mobilisation component	Description
Mobilisation management	To set up and manage the Mobilisation, based on industry standard good practice project and programme management frameworks.
Data management	To perform the detailed data discovery of Service(s) and to manage and maintain the data from service transfer.
Governance	To implement governance for the Detailed Mobilisation Plan (for instance, the organisational forums) as detailed in Schedule 8.1 ( <i>Governance</i> ) and Schedule 6.1 ( <i>Mobilisation</i> ), to enable the management of the relationship between the Supplier and the Authority from the Effective Date.
Communication	To plan, prepare and implement an effective communication approach from Mobilisation Commencement Date, as jointly agreed by the Supplier and the Authority.
Staff transfer	To carry out the staff consultation and engagement to effect the smooth transition and integration of in scope roles/staff from Incumbent Supplier to the Supplier, as specified in Schedule 9.1 ( <i>Staff Transfer</i> ).
Pay, pension and benefits	To plan, prepare and implement the solutions for payroll, pensions and staff benefits.
Workforce management	To manage overall transferring and required workforce resourcing including: attrition, vacant roles, recruitment, backfill for Key Personnel, contract staff and grade mapping.

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Mobilisation component	Description
Knowledge transfer	To transfer the knowledge from the Incumbent Suppliers to the Supplier for the transferred Service(s).
Induction and training	To provide induction information to the transferring staff relating to the Supplier. To deliver appropriate training for staff where needed for service provision under the Supplier's operating model.
In-flight projects	To assess and transfer in flight projects to the Supplier as appropriate. To implement the project management processes and tools to support the delivery of any new projects for the Authority after the transfer of Service(s).
Demand management	To develop processes and tools that enable the Supplier to manage all service requests.
Post Contract Verification	To undertake the detailed discovery to validate assumptions in the contractual documentation and to prepare a final report to agree and approve all Contract Changes prior to the defined period specified in the Agreement.
Asset validation	To validate and make accurate the list of in-scope assets for which management responsibility is to be transferred from the Authority and Incumbent Supplier to the Supplier, in accordance with Schedule 4.5 (Assets).
Operating model and service design	To design and deliver the operating model for service provision including (as a minimum): process, organisation, location, data, applications, tooling, technology and commercials.
Finance	To set up all the processes defined in the Agreement, Schedule 7.1 ( <i>Charges and Invoicing</i> ) and Schedule 7.5 ( <i>Financial Reports</i> ) that the Supplier and the Authority shall use to provide financial information, ensuring the accurate and timely billing and payment for the Service(s).

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Mobilisation component	Description
Contract management	To implement processes and procedures to effectively manage the contract from the Operational Services Commencement Date, and handle queries, issues and Contract Changes as they arise during the Term.
Asset management	To take responsibility for the Incumbent Supplier's asset management solution and continue to operate it.
Reporting	Ensure the continued production of reports as specified in Schedule 6.1 ( <i>Mobilisation</i> ) and Schedule 8.2 ( <i>Reports and Records</i> ) in order to support Governance and operations.
Service continuity management	To perform gap analysis and report, agree and align the changes necessary to ensure no disruption to service throughout the transfer of Service(s).
Quality management	To provide assurance to the Supplier and the Authority that the Deliverables are complete, have met their quality criteria and the agreed processes have been observed.
Security management	To report, agree and align the activities necessary to ensure system security is maintained or enhanced during Mobilisation, as specified in Schedule 2.4 ( <i>Security Management</i> ).
User account provisioning	To set up infrastructure and user accounts including access rights to tools and applications needed for each role.
Testing	To provide evidence that the Supplier Solution as designed and developed is suitable for the delivery of the Service(s) and meets the Authority requirements.
Mobilisation readiness	To assess the state of Supplier readiness for a successful transfer and ongoing end to end provision of Service(s).



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Mobilisation component	Description
Cutover and Day 1 Experience	Over the weeks prior to the transfer of Service(s), to plan and prepare for a smooth transfer of the Service(s) from the Incumbent Supplier to the Supplier. On day of transfer of Service(s), to implement the cutover plan and transfer the Service(s) to the Supplier.
Post Mobilisation aftercare	To plan and implement support arrangements for the period following transfer of Service(s). To resolve issues arising from the transfer of Service(s).



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**SCHEDULE 6.2**

**ASSURANCE PROCEDURES**

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**Assurance Procedures**

**1. DEFINITIONS**

In this Schedule, the following definition shall apply:

- |                             |   |
|-----------------------------|---|
| <b>“Achieve”</b>            | in respect of a Milestone, the issue of a Milestone Achievement Certificate in respect of that Milestone in accordance with the provisions of this Schedule, and <b>“Achieved”</b> and <b>“Achievement”</b> shall be construed accordingly; |
| <b>“Assurance Criteria”</b> | in respect of a Deliverable and Milestone, the assurance criteria for that Deliverable as set out in the Mobilisation Plan; and   |
| <b>“Assurance Issues”</b>   | in respect of a Deliverable and Milestone any failure to meet the requirement in Paragraph 3.1.   |

**2. MILESTONE REVIEW**

- 2.1 The Supplier shall notify the Authority as soon as reasonably practicable after completion of any Milestone. Before making such notification, the Supplier shall subject the relevant Deliverables to its own internal quality control measures.
- 2.2 Following notification of completion of a Milestone, the Authority shall undertake a review process of the relevant Deliverables as soon as reasonably practicable.

**3. ISSUE OF MILESTONE ACHIEVEMENT CERTIFICATE**

- 3.1 The Authority shall issue a Milestone Achievement Certificate in respect of a given Milestone as soon as is reasonably practicable following:
- (a) achievement to the reasonable satisfaction of the Authority of all Assurance Criteria associated with that Milestone; and
  - (b) performance by the Supplier to the reasonable satisfaction of the Authority of any other tasks identified in the Mobilisation Plan, as associated with that Milestone.
- 3.2 The grant of a Milestone Achievement Certificate shall entitle the Supplier to the receipt of a payment in respect of that Milestone in accordance with the provisions of Schedule 7.1 (*Charges and Invoicing*).
- 3.3 If a Milestone is not Achieved, the Authority shall promptly issue a report to the Supplier setting out the applicable Assurance Issues and any other reasons for the relevant Milestone not being Achieved.

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- 3.4 If there are Assurance Issues, the Authority may at its discretion (without waiving any rights in relation to the other options):
- (i) refuse to issue a Milestone Achievement Certificate and, without prejudice to the Authority's other rights and remedies, such failure shall constitute a Notifiable Default for the purposes of Clause 27.1 (*Rectification Plan Process*); or
  - (ii) choose to issue a Milestone Achievement Certificate conditional on the remediation of the Assurance Issues failure in accordance with an agreed Rectification Plan provided that:
    - (1) any Rectification Plan shall be agreed before the issue of a conditional Milestone Achievement Certificate unless the Authority agrees otherwise; and
    - (2) where the Authority issues a conditional Milestone Achievement Certificate, it may (but shall not be obliged to) revise the failed Milestone Date and any subsequent Milestone Date.

**4. RISK**

- 4.1 The issue of a Milestone Achievement Certificate and/or a conditional Milestone Achievement Certificate shall not:
- (a) operate to transfer any risk that the relevant Deliverable or Milestone is complete or will meet and/or satisfy the Authority's requirements for that Deliverable or Milestone; or
  - (b) affect the Authority's right subsequently to reject all or any element of the Deliverables and/or any Milestone to which the Milestone Achievement Certificate relates.
- 4.2 Notwithstanding the issuing of any Milestone Achievement Certificate (including the Milestone Achievement Certificate in respect of the ATP Milestone), the Supplier shall remain solely responsible for ensuring that:
- 4.2.1 the Supplier Solution as designed and developed is suitable for the delivery of the Services and meets the Authority Requirements;
  - 4.2.2 the Services are implemented in accordance with this Agreement; and
  - 4.2.3 each Target Performance Level is met from the Operational Service Commencement Date.

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**ANNEX 1: EXAMPLE MILESTONE ACHIEVEMENT CERTIFICATE**

To: **[NAME OF SUPPLIER]**

FROM: **[NAME OF AUTHORITY]**

**[Date]**

Dear Sirs,

**MILESTONE ACHIEVEMENT CERTIFICATE**

Milestone: **[insert description of Milestone]**

We refer to the agreement (the “**Agreement**”) relating to the provision of the Services between the **[name of Authority]** (the “**Authority**”) and **[name of Supplier]** (the “**Supplier**”) dated **[date]**.

Capitalised terms used in this certificate have the meanings given to them in Schedule 1 (*Definitions*) or Schedule 6.2 (*Assurance Procedures*) of the Agreement.

We confirm that all the Deliverables relating to Milestone **[number]** have been approved by the Authority.

You may now issue an invoice in respect of the Milestone Payment associated with this Milestone in accordance with the provisions of Schedule 7.1 (*Charges and Invoicing*).

Yours faithfully

**[Name]**

**[Position]**

acting on behalf of **[Authority]**

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**SCHEDULE 6.3**

**PROJECTS**



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**Projects****1. DEFINITIONS**

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

<b>“CDM”</b>	the Construction (Design and Management) Regulations 2015;
<b>“FBC”</b>	a detailed full business case proposal in relation to a Project as described in Paragraph 6;
<b>“Feasibility Case”</b>	a written feasibility case produced by the Supplier pursuant to this Schedule 6.3 setting out, in high-level, summary detail, the nature and objectives of the proposed Project;
<b>“JCT Terms and Conditions”</b>	the form of Joint Contracts Tribunal (JCT) terms and conditions current at the time of discussing and agreeing a Project pursuant to this Schedule 6.3;
<b>“OBC”</b>	an outline business case proposal in relation to a Project, as described in Paragraph 5;
<b>“Project Materials”</b>	in respect of any Project, the SBC, Feasibility Case, the OBC, the FBC and all work-in-progress to which they relate and any ancillary or related documentation, information and know-how prepared or generated by the Supplier in developing the SBC, Feasibility Case, OBC or FBC and/or in preparation for implementation by the Supplier of the Project in question; and
<b>“SBC”</b>	a business case for a proposed Project which is valued at not more than £50,000.00 (fifty thousand pounds) or such amount as the Parties shall agree in writing from time to time.

**2. OVERVIEW**

- 2.1 This Schedule 6.3 shall not apply to the development of Changes Requests, unless otherwise expressly agreed by the Authority (at its sole discretion) in writing.
- 2.2 Without limitation, this Schedule 6.3 may be used to develop projects relating to works and/or services not included within the Services as at the Effective Date (“**Projects**”).
- 2.3 The Parties shall, in relation to any Feasibility Case, SBC, OBC and/or FBC produced pursuant to this Schedule, agree whether the rights, title and interest in Project Materials shall vest in the Authority or the Supplier.

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- 2.4 Notwithstanding Clauses 16 - 18 of the Agreement and the remaining provisions of this Schedule 6.3, where the issue of ownership of Intellectual Property Rights in Project Specific IPR relating to a Project is not specifically agreed in an SBC, OBC or FBC (as relevant) relating to such Project, such Intellectual Property Rights shall be deemed to vest in the Authority.
- 2.5 Without prejudice or limitation to the generality of this Schedule 6.3 and the scope of potential Projects, the Parties acknowledge that they have discussed the list of potential Projects set out in Appendix 1 to this Schedule 6.3 and agreed that these may form the basis of one or more Projects during the Term. Neither of the Parties shall be under any obligation to either propose or agree to any such potential Projects, but either Party may propose any such potential Project to be developed as a Project and the provisions of this Schedule 6.3 shall apply to any such development.
3. **PROJECTS**
- 3.1 The Supplier and/or the Authority may propose ideas for Projects at any time during the Term. Where the Authority Representative approves an idea in writing for a Project, the Supplier shall produce a Feasibility Case and submit this to the Authority within thirty (30) days of such approval.
- 3.2 The Authority shall determine at its absolute discretion whether the Feasibility Case is viable. Where the Feasibility Case approved by the Authority:
- 3.2.1 qualifies as an SBC, upon the Authority request, the Supplier shall produce a SBC in accordance with the provisions of Paragraph 4. Where the proposed Project does not qualify as an SBC, but the Authority (at its discretion) either proposes or agrees in writing that it may be treated as an SBC for the purposes of this Schedule, the Project shall be progressed in accordance with the provisions of Paragraph 4; and
- 3.2.2 does not qualify as an SBC pursuant to Paragraph 3.2.1, upon the Authority's request the Supplier shall produce an OBC pursuant to Paragraph 5.
- 3.3 In proposing ideas for Projects and in producing an SBC or Feasibility Case and OBC in relation to a Project, the Supplier shall consider and where appropriate take due account of:
- 3.3.1 any specific criteria (including affordability) communicated by the Authority;
- 3.3.2 statutory and other duties imposed upon the Authority from time to time; and
- 3.3.3 relevant Laws, regulations and Good Industry Practice from time to time.
- 3.4 The Authority and the Supplier shall agree the basis of intended funding for each Project.



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- 3.5 The Parties shall establish, by agreement in writing, the proposed timescale within which the Supplier shall complete the SBC, Feasibility Case, OBC and FBC (as applicable) or, if no timescale is proposed, within a reasonable time as the idea for the Project is proposed.
- 3.6 The costs of producing Feasibility Cases shall be borne by the Supplier.
- 3.7 Where a Party considers that a Project is subject to the CDM, it shall notify the other Party in good time during the relevant processes set out in Paragraphs 4 to 7 below (as the case may be) and the Parties shall, as part of those processes, have good faith discussions with the aim of agreeing what (if any) additional terms are required in order to comply with the CDM.

**Financial Transparency Objectives**

- 3.8 Notwithstanding any other provision of this Schedule 6.3, where the Supplier is providing costs/pricing for a Project, the calculation of costs shall facilitate the Financial Transparency Objectives.

**4. SMALL BUSINESS CASE**

- 4.1 Where a Project is deemed to be an SBC (pursuant to Paragraph 3.2.1), the Supplier shall not (subject to Paragraph 4.3) be required to provide an OBC and FBC but instead shall prepare an SBC.
- 4.2 The Supplier shall ensure that each SBC shall (unless otherwise agreed by the Parties in writing) include sufficient information regarding the proposed Project to enable the Authority to approve or reject the Project, which shall include, as a minimum:
- 4.2.1 the scope of the Project and assumptions and exclusions, deliverables of the Project, timescales and outcomes;
  - 4.2.2 the financial consequences of implementing the Project, including by:
    - 4.2.2.1 providing pricing details;
    - 4.2.2.2 setting out any potential impact on the Charges (unless the Project will be subject to separate JCT Terms and Conditions);
    - 4.2.2.3 any impact of the Project on the Services;
    - 4.2.2.4 the ownership of intellectual property generated by the Project (the rebuttable assumption shall be that this shall be owned by the Authority);
    - 4.2.2.5 whether the Project will be subject to the CDM;
    - 4.2.2.6 whether the Project will be subject to the terms and conditions of this Agreement or the JCT Terms and Conditions; and

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- 4.2.2.7 a clear route to achieving the benefits as set out in the SBC, underpinned by either a commercial guarantee from the Supplier or an implementation plan, in either case where the same is deemed to be acceptable by the Authority (acting reasonably and in good faith).
- 4.3 The Supplier shall present the SBC to the Authority and the Authority shall determine whether or not the Supplier should proceed with the Project, or, whether further detail is required. Where further detail is required the Authority may request such specific further detail. Where the Authority reasonably believes the SBC proposal should be developed further it may require that the proposal is developed into an FBC by the Supplier (in which case Paragraph 6 shall apply).
- 4.4 The costs of producing SBCs shall be borne by the Supplier.
5. **OUTLINE BUSINESS CASE**
- 5.1 The Authority shall determine at its absolute discretion whether it requires the Supplier to produce any OBCs over the Term. The Supplier shall inform the Authority of the cost associated with producing any OBC, which shall be calculated by reference to the rate card as set out in Table 1 of Annex 1 of Schedule 7.1 (*Charges and Invoicing*). The Supplier shall not proceed with the production of any OBC until the costs of producing such OBC have been agreed by the Authority.
- 5.2 The Supplier shall ensure that each OBC shall (unless otherwise agreed by the Parties in writing) include sufficient information regarding the proposed Project to enable the Authority to approve or reject the Project in principle and to enable it to decide whether to proceed to FBC, which shall include as a minimum the following information:
- 5.2.1 a Project overview with objectives of the Project;
  - 5.2.2 the broad scope of the Project and assumptions and exclusions;
  - 5.2.3 the broad deliverables, outline implementation plan/milestones, anticipated time scales, anticipated success criteria and likely outcomes in terms of additional income, improvements to services, cost reductions or otherwise;
  - 5.2.4 an outline identification of costs to be incurred (including the cost of producing the OBC) and resources required from the Authority, Supplier and/or third parties;
  - 5.2.5 the funding and pricing options for the Project;
  - 5.2.6 a consideration of dependencies, risks and assumptions;
  - 5.2.7 any implications for existing Services;
  - 5.2.8 any impact on the Charges (unless the Project will be subject to separate JCT Terms and Conditions);



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- 5.2.9 the quantum and type of resources which the Authority will need to make available;
  - 5.2.10 the Supplier's proposal as to the ownership of intellectual property rights likely to be generated by the development and implementation of the Project. The rebuttable assumption shall be that this shall be owned by the Authority; and
  - 5.2.11 whether the Project will be subject to the terms and conditions of this Agreement or the JCT Terms and Conditions.
- 5.3 The Supplier shall initially present the OBC to the Authority Representative.
- 5.4 The Authority Representative shall consider the OBC and may recommend that the Supplier amends or clarifies any aspect of the OBC. The Supplier shall take account of such recommendations in revising the OBC for re-submission to the Authority Representative. If the Authority Representative accepts an OBC, it will place the OBC before the Authority for its consideration.
- 5.5 If the Authority requires further information, clarification or amendment of any aspect of the OBC, the Supplier shall provide such clarification or amendment within ten (10) Working Days (or such period as is otherwise agreed) of receipt by the Supplier of a request by the Authority in writing for the same.
- 5.6 The Authority may accept or reject any OBC at its sole discretion. Within ten (10) Working Days (or such period as is otherwise agreed) of receipt of the OBC (modified if applicable pursuant to Paragraph 5.5 and complying in all respects with the requirements of Paragraph 5.1) or within such longer period as is dictated by the Authority's decision making procedures, the Authority shall give notice to the Supplier as to whether to proceed to prepare an FBC. If the Authority is prepared to proceed to an FBC, the provisions of Paragraph 6 shall apply.
- 5.7 Notwithstanding Paragraphs 5.1 to 5.6, the Authority may decide at its sole discretion to produce an OBC or an FBC in respect of a Project itself.
- 5.8 The costs of producing an OBC (as agreed pursuant to this Paragraph 5) shall be borne by the Authority where the OBC:
- 5.8.1 complies with the requirements of Paragraph 5; and
  - 5.8.2 is either:
    - 5.8.2.1 Proven by an FBC in relation to the same Project. In this Paragraph "**Proven**" shall mean that there is a clear route to achieving the benefits as set out in the OBC, underpinned by either a commercial guarantee from the Supplier or an implementation plan, in either case where the same is deemed to be acceptable by the Authority (acting reasonably and in good faith); or
    - 5.8.2.2 not taken forward by the Authority with the Supplier for reasons that are not related to the quality of the OBC.



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In all other circumstances the costs of producing an OBC shall be borne by the Supplier. Where the Authority is liable for the costs of an OBC pursuant to Paragraph 5.8.2.1, such costs shall be included within the costs of the implementation of the Project and paid by the Authority in accordance with the agreed implementation plan for such Project. For the avoidance of doubt, the costs payable by the Authority for each OBC pursuant to this Paragraph 5.8 shall in no event exceed the cost assessment for such OBC provided to the Authority by the Supplier pursuant to Paragraph 5.1.

**6. FULL BUSINESS CASE**

- 6.1 The Supplier shall inform the Authority of the cost associated with producing any FBC, which shall be calculated by reference to the rate card as set out in the Costs Model of Schedule 7.1 (*Charges and Invoicing*). No OBC shall proceed to an FBC without the prior written approval of the Authority, including as to the costs of producing the FBC as informed to the Authority pursuant to this Paragraph 6.
- 6.2 Where approval is given, the Supplier shall, in consultation with the Authority, prepare an FBC in respect of a Project in accordance with the OBC, within ten (10) Working Days of a request by the Authority (or where this period is unreasonable in the context of the Project involved, such different period as the Parties may agree in writing when the OBC is approved).
- 6.3 The Supplier shall ensure that the FBC sets out a more comprehensive and detailed analysis of the matters required for the OBC (as stated in Paragraph 5.2), ensuring the Authority has appropriate and sufficient information regarding the proposed Project to enable the Authority to approve or reject the Project and the following minimum information:
  - 6.3.1 an assessment and proposed allocation of the risks associated with the Project and ways in which the risks will be managed and minimised;
  - 6.3.2 such evidence as may be reasonably required to demonstrate that the Supplier (or where it is proposed that a third party, as the Sub-contractor, will implement the Project, the third party) has the required skills, expertise, experience and resources to implement the Project;
  - 6.3.3 any changes required to the Agreement;
  - 6.3.4 the financial consequences of implementing the Project and demonstration that the Project represents value for money for the Authority including by providing pricing details;
  - 6.3.5 key performance standards/service levels which show best in class standards;
  - 6.3.6 any employees of the Authority (or any third party supplier to the Authority), the employment of which the Supplier considers will transfer to the Supplier or be seconded to the Supplier if the Supplier were to carry out the implementation of the Project;
  - 6.3.7 test success criteria relating to the implementation of the Project;

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- 6.3.8 approach to limitations on liability;
  - 6.3.9 the Supplier's proposal as to the ownership of intellectual property rights likely to be generated by the development and implementation of the Project. The rebuttable assumption shall be that this shall be owned by the Authority;
  - 6.3.10 whether the Project will be subject to the terms and conditions of this Agreement or the JCT Terms and Conditions; and
  - 6.3.11 any other information as may be reasonably relevant in the circumstances.
- 6.4 During the implementation by the Supplier of the Project and beyond, the Supplier will continue to be obliged to provide the Services in accordance with this Agreement. Unless the parties agree otherwise, no FBC shall assume or require any deterioration in the Target Performance Levels, Performance Indicators, or other diminution in service delivery during such implementation or thereafter.
- 6.5 The Supplier shall present the FBC to the Authority Representative. The Authority Representative shall consider the FBC and may recommend that the Supplier amends or clarifies any aspect of the FBC. If the Authority Representative accepts an FBC it will place the FBC before the Authority for its consideration.
- 6.6 If the Authority requires further information, clarification or amendment of any aspect of the FBC, the Supplier shall provide such clarification or amendment within ten (10) Working Days (or such period as is otherwise agreed in writing) of receipt by the Supplier of a request by the Authority in writing for the same.
- 6.7 If the Authority is not satisfied (acting reasonably) with the proposals set out in any FBC, the Parties shall negotiate in good faith to reach an accommodation.
- 6.8 The Authority may accept or reject any FBC at its sole discretion. Within ten (10) Working Days of receipt of any FBC, (modified, if applicable pursuant to Paragraphs 6.6 and 6.7 and complying in all respects with the foregoing requirements of this Paragraph 6) or within such longer period as is dictated by the Authority's decision making procedures, the Authority shall give written notice to the Supplier as to whether the proposals set out in the FBC are accepted.
- 6.9 If the Authority gives written notice to the Supplier that the FBC is approved the following provisions shall apply:
- 6.9.1 the Project shall be implemented and delivered by the Supplier and the Authority in accordance with the terms of the FBC;
  - 6.9.2 where relevant, this Agreement and any agreements made pursuant to it shall be deemed to have been modified to the extent made necessary by the proposed implementation of the Project (on the basis accepted by the Authority pursuant to Paragraph 6.8) so that this Agreement so modified (if relevant) shall apply in full to the implementation of the Project and the provision of the Services (incorporating the Project) thereafter;



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- 6.9.3 all rights, title and interest in the Project Materials shall vest in the Authority.
- 6.10 If the Authority rejects any OBC or FBC, as soon as reasonably possible, the Supplier shall provide the Project Materials to the Authority or to such third party as the Authority may nominate and the Supplier shall provide such information, documentation and assistance as is reasonable in the circumstances, together with all relevant information in relation to staff deployed, records, data and any contracts between the Supplier and Third Party Contracts in order to enable the Authority or the third party to achieve the development and implementation of the Project (or a similar Project) for the Authority within the Project timescale in question (including such information, documentation and assistance as is necessary in order to enable the Authority to advertise and/or invite tenders for the work involved and/or award a contract for the work to a third party).
- 6.11 The costs of producing an FBC (as agreed pursuant to this Paragraph 6) shall be borne by the Authority where the FBC:
- 6.11.1 complies with the requirements of Paragraph 6; and
  - 6.11.2 either:
    - 6.11.2.1 sets out a clear route to achieving the benefits as set out in the FBC, underpinned by either a commercial guarantee from the Supplier or an implementation plan, in either case where the same is deemed to be acceptable by the Authority (acting reasonably and in good faith); or
    - 6.11.2.2 is not taken forward by the Authority with the Supplier for reasons that are not related to the quality of the FBC.

In all other circumstances the costs of producing an FBC shall be borne by the Supplier. Where the Authority is liable for the costs of an OBC pursuant to Paragraph 6.11.2.1, such costs shall be included within the costs of the implementation of the Project and paid by the Authority in accordance with the agreed implementation plan for such Project. For the avoidance of doubt, the costs payable by the Authority for each FBC pursuant to this Paragraph 5.8 shall in no event exceed the cost assessment for such FBC provided to the Authority by the Supplier pursuant to Paragraph 5.1.

## 7. COMPETITIVE PROCUREMENT

- 7.1 The Supplier acknowledges that the Authority may decide in relation to individual Projects to carry out the work otherwise than through the Supplier or go through a competitive tender process in relation to a Project (whether or not it is required to do so by Law). The Authority may notify the Supplier of its intention to do this at any time. The Supplier shall not be entitled to any preferential treatment by the Authority if it chooses to participate in any tender process operated by or on behalf of the Authority in relation to the development and implementation of Projects.

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**8. IMPLEMENTATION**

- 8.1 The Supplier shall implement and manage the Project and the Authority shall assist the Supplier in implementation of the Project in each case in accordance with the agreed terms pursuant to Paragraph 6.9 and the other provisions of the Agreement (or the relevant JCT Terms and Conditions or any agreed third party equivalent terms and conditions).
- 8.2 Once a Project has been agreed pursuant to this Schedule, the Authority shall issue a Change Authorisation Note pursuant to the Change Control Procedure. A Project shall not be deemed to be authorised by the Authority until this step has been completed.

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**Annex 1**

**Potential Projects**

Examples of potential projects include:

1. surfacing works including tarmacking works;
2. lighting works;
3. white lines; and
4. installation of systems.

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**SCHEDULE 6.4**

**BILLABLE WORKS**



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**1. INTRODUCTION**

1.1 In this Schedule, the following definitions shall apply:

<b>“Billable Works and Approvals Process”</b>	has the meaning given to it in Paragraph 1.2;
<b>“Billable Works Management Uplift”</b>	in respect of each Tier of Billable Works, the maximum percentage specified as such in the “Pricing Variables” tab in the Cost Model;
<b>“Business Critical”</b>	the matter is critical to the operation of the business;
<b>“Business Critical Event”</b>	any incident or potential incident that presents an immediate threat to security, health, safety, wellbeing, serious disruption, extensive damage to Sites and / or Business Critical issues;
<b>“CAFM System”</b>	has the meaning given to it in Schedule 2.1A ( <i>Services Description Definitions</i> ); and
<b>“Tier”</b>	each tier of Billable Works identified in Paragraph 3 of this Schedule.

1.2 This Schedule prescribes the procedure, calculations and rates to be used by the Authority and Supplier when assessing the Charges for Billable Works (the **“Billable Works and Approvals Process”**).

1.3 Annex 1 (Billable Works Process Flow) sets out an overview of the Billable Works Approvals Process but, in the event of conflict between Annex 1 and the other terms in this Schedule, the terms of this Schedule shall prevail.

**2. BILLABLE WORKS**

2.1 All Billable Works shall be authorised in accordance with the Billable Works and Approvals Process. The Authority may at its discretion require Billable Works to be:

2.1.1 managed and executed by the Supplier;

2.1.2 managed by a third party nominated by the Authority and executed by the Supplier; or

2.1.3 managed by the Supplier and executed by any third party nominated by the Authority,

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and the Authority may require an estimate/quotation for Billable Works from the Supplier at any time, which the Supplier shall provide within the timeframes as stated within Schedule 2.2 (*Performance Levels*).

- 2.2 Any estimate/quotation for Billable Works provided by the Supplier to the Authority pursuant to Paragraph 2.1 shall specify the Charges for the Billable Works together with a breakdown of the costs that the Supplier anticipates it would incur undertaking such Billable Works including the following categories:

2.2.1 labour;

2.2.2 parts;

2.2.3 replacement Assets;

2.2.4 materials;

2.2.5 profit;

2.2.6 relevant Billable Works Management Uplift; and

2.2.7 such other applicable cost categories as the Authority may notify to the Supplier from time to time it requires to be specified in the estimate/quotation.

The estimate/quotation for Billable Works must not include any Overhead.

### 3. QUOTATION AND TENDERS FOR BILLABLE WORKS

- 3.1 Where the Authority gives instructions to the Supplier to manage and/or execute Billable Works that the Authority anticipates will fall within thresholds for Tier One, Tier Two, Tier Three or Tier Four Billable Works (in each case as set out in the table at Paragraph 3.6, below):

3.1.1 Tier One Billable Works shall be managed and executed by the Supplier and no quotation shall be required.

3.1.2 Tier Two Billable Works shall be managed and/or executed by the Supplier. Where instructed by the Authority, the Supplier shall obtain at least two (2) written quotations. The Authority shall determine which, if any, quotation to accept acting in its absolute discretion. The Supplier shall not (and shall procure that no other supplier from which it has obtained a quotation shall) commence any Tier Two Billable Works until written approval has been granted by the Authority to proceed.

3.1.3 Tier Three Billable Works shall be managed and/or executed by the Supplier. Where instructed by the Authority, the Supplier shall obtain at least three (3) written quotations. The Authority shall determine which, if any, quotation to accept acting in its absolute discretion. The Supplier shall not (and shall procure that no other supplier from which it has obtained a quotation shall) commence any Tier Three Billable Works until written approval has been granted by the Authority to proceed.

3.1.4 Tier Four Billable Works shall be managed and/or executed by the Supplier. Where instructed by the Authority, the Supplier shall obtain at least four (4) formal tenders under the Supplier's defined procurement process. The Supplier shall not commence any Tier Four Billable Works until written approval has been granted by the Authority to proceed.



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3.2 The Supplier shall seek prior written approval from the Authority prior to proceeding to provide any Billable Works with the exception of:

3.2.1 Tier One Billable Works; or

3.2.2 Billable Works required as a consequence of a Business Critical Event.

In respect of such Billable Works noted at Paragraph 3.2.2:

- (a) Paragraph 3.1 will not apply;
- (b) the Authority shall pay to the Supplier the Supplier's reasonable and demonstrable costs incurred by the Supplier undertaking such Billable Works provided that, where relevant, such costs are calculated in accordance with the rates in the tab headed "Schedule of Rates" in the Cost Model and other principles in the Cost Model and supported by appropriate evidence and documentation; and
- (c) notwithstanding (b) above, the Supplier shall retrospectively provide an estimate/quotation in accordance with Paragraph 2 as soon as reasonably practicable.

3.3 Billable Works shall not proceed until an instruction is received from the Authority in writing or via the CAFM System.

3.4 Quotations for Billable Works may include the Billable Works Management Uplift.

3.5 If Billable Works are aborted by the Authority prior to completion, any claim for costs up to the point of it being aborted shall be limited to costs actually, reasonably and properly incurred by the Supplier (and any third party acting on behalf of the Supplier) and they shall be evidenced as part of any quote considered and approved by the Authority in relation to such Billable Works.

3.6 The Tiers of Billable Works are as follows:

<b>Tier</b>	<b>Estimated total value range</b>
Tier One Billable Works	██████████
Tier Two Billable Works	██████████████████
Tier Three Billable Works	██████████████████████
Tier Four Billable Works	██████████████████

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**SCHEDULE 7.1**

**CHARGES AND INVOICING**

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**Charges and Invoicing****1 DEFINITIONS**

In this Schedule, the following definitions shall apply:

- “Achieved Profit Margin”** the cumulative Supplier Profit Margin calculated from (and including) the Effective Date (or if applicable, the date of the last adjustment to the Charges made pursuant to Paragraph 8 of Part C of this Schedule) to (and including) the last day of the previous Contract Year;
- “Capital Assets”** an asset with a minimum value of £5,000 at point of acquisition and with a useful life longer than one year, thus generating a future economic benefit beyond the accounting period purchased. Excluding IT hardware and furniture;
- “Costs”** the following costs (without double recovery) to the extent that they are reasonably and properly incurred by the Supplier in relation to providing the Services:
- (a) amounts payable by the Supplier to Sub-contractors;
  - (b) the cost to the Supplier or the Key Sub-contractor (as the context requires), calculated per Work Day, of engaging the Supplier Personnel, including:
    - (i) base salary paid to the Supplier Personnel;
    - (ii) employer’s national insurance contributions and any other employment related levies or impositions which the Supplier is required by law to pay to a tax authority (which shall include but not be limited to the Apprenticeship Levy);
    - (iii) pension contributions;
    - (iv) car allowances;
    - (v) any other contractual employment benefits;
    - (vi) staff training;
    - (vii) work place accommodation;
    - (viii) work place IT equipment and tools reasonably necessary to perform the

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Services (but not including items included within limb (b) below); and

- (ix) reasonable recruitment costs, as agreed with the Authority;
- (c) costs incurred in respect of those Assets which are detailed on the Registers and which would be treated as capital costs according to UK GAAP, which shall include the cost to be charged in respect of Assets by the Supplier to the Authority or (to the extent that risk and title in any Asset is not held by the Supplier) any cost actually incurred by the Supplier in respect of those Assets. In both cases limited to the charges to the profit and loss account (such as depreciation or amortisation) according to generally accepted accounting principles within the UK;
- (d) operational costs which are not included within (a) or (b) above, to the extent that such costs are necessary and properly incurred by the Supplier in the delivery of the Services;
- (e) Reimbursable Expenses to the extent these are properly incurred in delivering the Services in accordance with Paragraph 5 of Part A of Schedule 7.1 (*Charges and Invoicing*)

but excluding:

- (i) Overhead;
- (ii) financing or similar costs;
- (iii) maintenance and support costs to the extent that these relate to maintenance and/or support services provided beyond the Term, whether in relation to Assets or otherwise;
- (iv) taxation;
- (v) fines and penalties;
- (vi) any amounts payable to the Authority as Service Credits and Delay Payments;
- (vii) any amounts payable under Schedule 7.3 (*Value For Money*); and
- (viii) non-cash items (including



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depreciation, amortisation,  
impairments and movements in  
provisions);

(ix) any Pass-Through Costs;

<b>“Financial Model”</b>	the report in the form agreed by the Authority pursuant to Paragraph 1.4 of Part D of this Schedule 7.1 ( <i>Charges and Invoicing</i> ) and which is to be provided by the Supplier to the Authority pursuant to Paragraph 1.1 of Part B of Schedule 7.5 ( <i>Financial Reports</i> ), in the form most recently approved by the Authority in accordance with Paragraph 3.3(b) of Part B of Schedule 7.5 ( <i>Financial Reports</i> );
<b>“Guaranteed Maximum Price”</b>	in relation to a Service Period, 110% of the Target Price for the relevant Service Period;
<b>“Incurred Costs”</b>	In respect of any Service Period, the Costs actually incurred by the Supplier during that Service Period but excluding an Costs relation to the Mobilisation Services;
<b>“Indexation” and “Index”</b>	the adjustment of an amount or sum in accordance with Paragraph 6 of Part C;
<b>“Management Fee”</b>	in any Service Period, the percentage identified as such in the Cost Model and which comprises Supplier Profit, Corporate Overhead and Management Overhead;
<b>“Overhead”</b>	those amounts which are intended to recover a proportion of the Supplier’s or the Key Sub-contractor’s (as the context requires) indirect corporate costs (including financing, marketing, advertising, research and development and insurance costs and any fines or penalties) but excluding allowable indirect costs apportioned to facilities and administration in the provision of Supplier Personnel and accordingly included within limb (b) of the definition of “Costs”. For the avoidance of doubt, Corporate Overhead and Management Overhead are Overhead for the purpose of this Agreement;
<b>“Pass-Through Costs”</b>	any third party charges payable by the Authority in accordance with Paragraph 6 of Part A of this Schedule 7.1 ( <i>Charges and Invoicing</i> );
<b>“Reimbursable Expenses”</b>	reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of

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the Services, calculated at the rates and in accordance with the Authority's expenses policy current from time to time, but not including:

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

**“Supporting Documentation”**

sufficient information in writing to enable the Authority reasonably to assess whether the Charges, Reimbursable Expenses and other sums due from the Authority detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts;

**“Target Cost”**

has the meaning given in Paragraph 3.1 of Part A;

**“Target Price”**

has the meaning give in Paragraph 3.1; and

**“Work Hours”**

the hours spent by the Supplier Personnel properly working on the Services including time spent travelling (other than to and from the Supplier's offices, or to and from the Sites) but excluding lunch breaks.

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## PART A: PRICING

**1 INTRODUCTION**

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

- (a) Milestone Payments;
- (b) Service Charges;
- (c) Reimbursable Expenses and Pass-Through Costs;
- (d) adjustments to the Charges, including Service Credits, Delay Payments, Indexation and payments for Delays due to Authority Cause;
- (e) changes to the Charges;
- (f) Charges for the provision of Termination Services; and
- (g) invoicing and payment terms.

**2 APPLICABLE PRICING MECHANISM**

2.1. Milestone Payments and Service Charges shall be calculated using the pricing mechanism specified in Annex 2 and on the basis of the rates and prices specified in Annex 1.

2.2. The pricing mechanism that shall be used to calculate each Milestone Payment shall be "Fixed Price", in which case the provisions of Paragraph 4 shall apply.

The pricing mechanism that shall be used to calculate each Service Charge shall be Guaranteed Maximum Price with Target Cost, in which case the provisions of Paragraph 3 will apply.

**3 GUARANTEED MAXIMUM PRICE WITH TARGET COST INCENTIVE SERVICE CHARGE**

3.1. The target Costs (the "**Target Cost**") and the target price ("**Target Price**") for each Service Period shall be as set out in the Financial Model. The Target Price for each Service Period shall be the Target Cost for that Service Period plus the Management Fee percentage (of the specific monthly Target Cost) on top.

3.2. The percentage Management Fee will be used to set a fixed monetary value ("**Management Fee Value**").

3.3. If the Incurred Costs in any Service Period are equal to the Target Cost for that Service Period, the Service Charge for that Service Period shall be the Target Price.

3.4. If the Incurred Costs in any Service Period are lower than the Target Cost for that Service Period, the Service Charge for that Service Period shall be calculated as follows:

$$\text{Service Charge} = \text{IC} + \text{MPV}$$



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where:

IC is the Incurred Costs relating to the relevant Service Period; and

MFV is the Management Fee Value.

- 3.5. If the Incurred Costs relating to a Service Period are greater than the Target Cost for that Service Period, the difference between the Incurred Costs and the Target Cost shall be borne equally between the Authority and the Supplier (resulting in the Supplier receiving less than the Management Fee Value in relation to that Service Period), provided that the maximum Service Charge payable by the Authority for the relevant Service Period shall not exceed an amount equal to the Guaranteed Maximum Price represented numerically:

[REDACTED] [REDACTED]  
 [REDACTED] [REDACTED]  
 [REDACTED] [REDACTED]  
 [REDACTED]  
 [REDACTED] [REDACTED]  
 [REDACTED] [REDACTED]  
 [REDACTED] [REDACTED]  
 [REDACTED]

where:

IC is the Incurred Costs relating to the relevant Service Period;

TC is the Target Cost for the relevant Service Period;

TP is the Target Price for the relevant Service Period; and

GMP is  $TP \times 1.1$ , being the Guaranteed Maximum Price for the relevant Service Period.

- 3.6. The Supplier shall not be entitled to Index the Target Costs and Target Prices. The Supplier shall be entitled to Index the Costs in the Cost Model, which will trigger a consequential amendment to the Target Costs and Target Prices when the Financial Model is updated in accordance with Paragraph 1.1 of Part B of Schedule 7.5 (*Financial Reports*).

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**4 FIXED PRICE MILESTONE PAYMENTS**

- 4.1. Where Table 1 of Annex 2 indicates that a Milestone Payment is to be calculated by reference to a Fixed Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Table 3 of Annex 1.
- 4.2. Charges calculated by reference to a Fixed Price pricing mechanism shall be subject to increase by way of Indexation.

**5 EXPENSES****5.1. Where:**

- (a) Services are to be charged using the Guaranteed Maximum Price with Target Cost pricing mechanism; and
- (b) the Authority so agrees in writing,

the Supplier shall be entitled to be reimbursed by the Authority for Reimbursable Expenses (in addition to being paid the relevant Charges), provided that such Reimbursable Expenses are supported by Supporting Documentation.

- 5.2. The Authority shall provide a copy of its current expenses policy to the Supplier upon request.
- 5.3. Except as expressly set out in Paragraph 5.1, the Charges shall include all costs and expenses relating to the Deliverables, the Services and/or the Supplier's performance of its obligations under this Agreement and no further amounts in respect of such costs and expenses shall be payable by the Authority to the Supplier in respect of such performance, including in respect of matters such as:
- (a) any incidental expenses that the Supplier incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop and office equipment costs required by the Supplier Personnel, including network or data interchange costs or other telecommunications charges; or
  - (b) any amount for any services provided or costs incurred by the Supplier prior to the Effective Date.

**6 CAPITAL ASSETS**

- 6.1. Subject to Paragraph 6.2, the Authority shall pay to the Supplier an amount equal to any amount payable by the Supplier in connection with the procurement of Capital Assets in connection with the Services, which shall be invoiced by the Supplier in accordance with Part E of this Schedule 7.1 (*Charges and Invoicing*). Such amounts:
- (a) will be passed through to the Authority without any mark-up or Overhead charges and are not Service Charges; and
  - (b) will not form part of the Target Costs or Incurred Costs.



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- 6.2. The Supplier shall not procure any Capital Asset from third parties on behalf of the Authority without the prior written consent of the Authority.

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**PART B: CHARGING MECHANISMS****DEFINITIONS**

In this Part B, the following definitions shall apply:

**“Milestone Retention”** has the meaning given in Paragraph 1.3 of this Part.

**1 MILESTONE PAYMENTS**

1.1 Subject to the provisions of Paragraph 2.5 of Part C in relation to the deduction of Delay Payments, on the Achievement of a Milestone the Supplier shall be entitled to invoice the Authority for the Milestone Payment associated with that Milestone less the applicable Milestone Retention in accordance with this Part B.

1.2 Each invoice relating to a Milestone Payment shall be supported by a Milestone Achievement Certificate.

1.3 The **“Milestone Retention”** for each Milestone shall be calculated as follows:

- (a) where the Milestone Payment for the relevant Milestone is determined by reference to a Fixed Price pricing mechanism, 10% of the Charges for that Milestone,

and, in the case of a Key Milestone, prior to deduction from the Milestone Payment of any Delay Payment attributable to that Key Milestone.

**Release of Milestone Retentions**

1.4 On Achievement of a CPP Milestone relating to the Supplier Solution or one or more Services (as the case may be), the Supplier shall be entitled to invoice the Authority for an amount equal to all Milestone Retentions that relate to Milestones identified in the *“CPP Milestone Charge Number”* column of Table 1 (or, in relation to Milestone Retentions in respect of Optional Services, Table 3) of Annex 2 as corresponding to the CPP Milestone Charge Number for that Achieved CPP Milestone provided that such amount has not been paid before such CPP Milestone.

**2 SERVICE CHARGES**

2.1 Each Service to which a Service Charge relates shall commence on the Achievement of the Milestone set out against that Service in the *“Service Charge Trigger Event”* column of Table 2 of Annex 2.

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

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**3 CHARGES FOR ORDERS**

- 3.1 The Charges for Billable Works and / or Projects will be calculated in accordance with Schedule 6.3 (*Projects*) and Schedule 6.4 (*Billable Works*).

**4 CHARGES FOR TERMINATION SERVICES**

- 4.1 Subject to Paragraph 4.2, Termination Services will be charged in accordance with the rates set out in Table 1 of Annex 1 of this Schedule.
- 4.2 Where required by the Authority at any time during the Term, the Parties shall, as part of an Exit Plan, agree the Milestones in respect of the Termination Services (each an “**Exit Milestone**”) and the milestone achievement criteria against which such Charges shall be payable.

**Exit Milestone Payments**

- 4.3 On Achievement of an Exit Milestone, the Supplier shall be entitled to invoice the Authority for the payment associated with that Exit Milestone less the applicable Exit Milestone Retention in accordance with this Paragraph 4.
- 4.4 Each invoice relating to an Exit Milestone payment shall be supported by
- (a) a Milestone Achievement Certificate.
- 4.5 The “**Exit Milestone Retention**” for each Exit Milestone shall be 10% of the Charges for that Milestone.
- 4.6 No earlier than ninety (90) days following Achievement of the last Exit Milestone, the Supplier shall be entitled to invoice the Authority for an amount equal to all Exit Milestone Retentions that relate to Exit Milestones which have not been paid previously.

**5 OPTIONAL SERVICES**

If the Authority gives notice pursuant to Clause 5.11 (*Optional Services*) that it requires the Supplier to provide any or all of the Optional Services:

- (a) the Milestone Payments (if any) for the relevant Optional Services shall be calculated by reference to the pricing mechanism for those Optional Services set out in Table 3 of Annex 2; and
- (b) the Service Charges for the relevant Optional Services shall be calculated by reference to the pricing mechanism for those Optional Services set out in Table 4 of Annex 2,

in both cases using the relevant rates and prices specified in the Financial Model.



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**PART C: ADJUSTMENTS TO THE CHARGES****1 DEFINITIONS**

In this Part C, the following definitions shall apply:

<b>“Allowable Assumption”</b>	means the assumptions set out in Annex 4;
<b>“Delay Payment Rate”</b>	means the daily rate for Delay Payments determined in accordance with Paragraph 2.1 of this Part; and
<b>“Verification Period”</b>	in relation to an Allowable Assumption, the period from (and including) the Effective Date to (and including) the date at which the relevant Allowable Assumption expires, as set out against the relevant Allowable Assumption in column 8 in the table in Annex 4.

**2 DELAY PAYMENTS**

- 2.1 If a Key Milestone has not been Achieved on or before the relevant Milestone Date, the Supplier shall pay a Delay Payment to the Authority in respect of that Key Milestone. Delay Payments shall accrue:
- (a) at the daily rate (the **“Delay Payment Rate”**) determined in accordance with Paragraph 2.2;
  - (b) from (but excluding) the relevant Milestone Date to (and including) the earlier of:
    - (i) the date on which the Key Milestone is Achieved; and
    - (ii) the expiry of the Delay Deduction Period (which for the avoidance of doubt shall be thirty (30) calendar days from the relevant Milestone Date); and
  - (c) on a daily basis, with any part day’s Delay counting as a day,
 

except that the Authority shall not be entitled to receive Delay Payments to the extent that the Achievement of any Milestone is affected by a Force Majeure Event.
- 2.2 Where a Delay Payment is payable in respect of a Key Milestone, the Delay Payment Rate shall be the amount set out in column 5 of Table 1 of Annex 2 for the Key Milestone.
- 2.3 The Parties agree that Delay Payments calculated in accordance with the applicable Delay Payment Rates:

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- (a) in each case a genuine pre-estimate of the Losses which the Authority will incur as a result of any failure by the Supplier to Achieve the relevant Key Milestone by the Milestone Date; and
- (b) do not impose a detriment on the Supplier out of all proportion to the legitimate interests of the Authority.

2.4 Delay Payment Rates are stated exclusive of VAT.

2.5 The Delay Payment in respect of a Key Milestone shall be shown as a deduction from the amount due from the Authority to the Supplier in the next invoice due to be issued by the Supplier after the date on which the relevant Key Milestone is Achieved or the expiry of the Delay Deduction Period (as the case may be). If the relevant Key Milestone is not Achieved by the expiry of the Delay Deduction Period and no invoice is due to be issued by the Supplier within ten (10) Working Days of expiry of the Delay Deduction Period, then the Supplier shall within ten (10) Working Days of expiry of the Delay Deduction Period:

- (a) issue a credit note to the Authority in respect of the total amount of the Delay Payment in respect of the Key Milestone; and
- (b) pay to the Authority as a debt a sum equal to the total amount of the Delay Payment in respect of the Key Milestone together with interest on such amount at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from (and including) the due date up to (but excluding) the date of actual payment, whether before or after judgment.

2.6 Delay Payments shall be the Authority's exclusive financial remedy for the Supplier's failure to Achieve a Key Milestone by its Milestone Date except where:

- (a) the Authority is entitled to or does terminate this Agreement pursuant to Clause 33.1(b) (*Termination by the Authority*); or
- (b) the Delay exceeds the Delay Deduction Period.

### 3 PAYMENTS FOR DELAYS DUE TO AUTHORITY CAUSE

3.1 If the Supplier is entitled in accordance with Clause 31.1 (*Authority Cause*) to compensation for failure to Achieve a Milestone by its Milestone Date, then, subject always to Clause 25 (*Limitations on Liability*), such compensation shall be determined in accordance with the following principles:

- (a) the compensation shall reimburse the Supplier for additional Costs incurred by the Supplier that the Supplier:
  - (i) can demonstrate it has incurred solely and directly as a result of the Authority Cause; and
  - (ii) is, has been, or will be unable to mitigate, having complied with its obligations under Clause 31 (*Authority Cause*)

together with an amount equal to the Supplier Profit Margin thereon;



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- (b) the compensation shall not operate so as to put the Supplier in a better position than it would have been in but for the occurrence of the Authority Cause; and
  - (c) where the relevant Milestone Payment is to be calculated based upon a Fixed Price pricing mechanism, the compensation shall include such amount as is appropriate to maintain the Supplier Profit Margin set out in respect of the relevant Milestone in Table 5 of the Financial Model.
- 3.2 The Supplier shall provide the Authority with any information the Authority may require in order to assess the validity of the Supplier's claim to compensation.

**4 SERVICE CREDITS**

- 4.1 Any Service Credits that accrue during a Service Period shall be calculated in the next following Service Period and shall be deducted from the Services Charges in such next Service Period. For the avoidance of doubt, by way of a worked example, in respect of the Services performed in Service Period 1, the total number of Service Points accumulated in Service Period 1 shall be calculated during Service Period 2 and the resulting Service Credits shall be deducted from the invoice relating to Service Period 2. Where any Service Credits would have otherwise been due in the final Service Period, the Supplier shall issue a credit note to the Authority in the month following the final Service Period and make payment to the Authority to the value of such credit note within ten (10) Working Days of issue of the credit note. An invoice for a Service Charge shall not be payable by the Authority unless all adjustments (including Service Credits) relating to the Service Charges for the immediately preceding Service Period have been agreed.

**5 CHANGES TO CHARGES**

- 5.1 Any changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 8.3 (*Change Control Procedure*).
- 5.2 Where the Supplier can provide evidence that a percentage increase to the Mandatory Wage in a given period has exceeded any percentage increase for the same period in accordance with Paragraph 6 below, the Supplier may request an increase in the Charges by using the Change Control Procedure.
- 5.3 For the purpose of Paragraph 5.2 the Supplier must include in it evidence details of:
- (a) the Supplier Personnel affected by the Mandatory Wage increase and the Services that they provide;
  - (b) the affected Supplier Personnel's current hourly rate of pay; and
  - (c) the number of hours worked by each of the affected Supplier Personnel.
- 5.4 It is the Authority's discretion to accept the Change Request under Paragraph 5.2 and must not accept any such Change Request that:

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- (a) exceeds the difference between the percentage increase for the given period in accordance with Paragraph 6 below and the percentage increase to the Mandatory Wage for each member of the Supplier Personnel affected by the Mandatory Wage increase;
- (b) seeks to increases in the Charges which go beyond the Services affected by the Mandatory Wage increase; and
- (c) increases the Charges in respect of those Supplier Personnel on an hourly rate already in excess of the Mandatory Wage (whether or not to maintain differentials between the affected Supplier Personnel and higher paid Supplier Personnel).

**6 INDEXATION**

- 6.1 Any amounts or sums in this Agreement which are expressed to be “subject to Indexation” shall be adjusted in accordance with the provisions of this Paragraph 6 to reflect the effects of inflation.
- 6.2 The following costs, expenses, fees or charges included in the Charges shall not be subject to adjustment under this Paragraph 6 and shall not be included in the relevant amount or sum for the purposes of Paragraph 6.3:
  - (a) any costs charged by the Supplier to the Authority in respect of Assets or Authority Assets (including capital costs and installation, maintenance and support costs) which are incurred by the Supplier prior to the relevant adjustment date but which remain to be recovered through the Charges.
- 6.3 Where Indexation applies, the relevant adjustment shall be:
  - (a) applied on each anniversary of the Effective Date (each such date an “adjustment date”); and
  - (b) determined by multiplying the relevant amount or sum by the percentage increase or change in the Consumer Price Index published for the twelve (12) months ended on the 31 January immediately preceding the relevant adjustment date.
- 6.4 Except as set out in this Paragraph 6, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Supplier or Sub-contractors of the performance of their obligations.

**7 ALLOWABLE ASSUMPTIONS**

- 7.1 The Supplier shall determine whether each Allowable Assumption is accurate within its Verification Period.
- 7.2 During each Verification Period, the Authority shall provide the Supplier with reasonable assistance and access to information within its possession or reasonable



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control and which the Authority deems is relevant to the Allowable Assumption being verified.

- 7.3 On the last day of each Verification Period, the Supplier shall provide the Authority with a written report setting out the results of the Supplier's verification activity for the relevant Allowable Assumption, including whether the Allowable Assumption is accurate or whether the Mobilisation Plan and/or the Models require adjustment.
- 7.4 Each Allowable Assumption shall be deemed accurate unless adjusting for the relevant Allowable Assumption has:
- (a) a non-trivial adverse impact on the Supplier's costs of performing its obligations under this Agreement; and
  - (b) an impact on the Mobilisation Plan which would require adjustment under the Change Control Procedure,
- in which case Paragraph 7.5 shall apply.
- 7.5 Where the Parties agree that an Allowable Assumption is not accurate and the Models and/or Mobilisation Plan require adjusting:
- (a) the Supplier shall take all reasonable steps to mitigate the impact of the Allowable Assumption on the Models and/or the Mobilisation Plan;
  - (b) the Supplier may (subject to Paragraph 7.5(c)) propose a Contract Change to take account of the impact of the adjustment of the Allowable Assumption and such Change Request shall be considered in accordance with the Change Control Procedure; and
  - (c) where the Supplier proposes a change to the Charges under Paragraph 7.5(b), the Change Request shall reflect the requirements of the table in Annex 4.

## 8 EXCESSIVE SUPPLIER PROFIT

- 8.1 Within ten (10) Working Days following the end of each Contract Year, at the same time that the Supplier provides to the Authority its updated Financial Model for the last Service Period in that Contract Year in accordance with Part B of Schedule 7.5 (*Financial Reports*), the Supplier shall notify to the Authority of:
- (a) the Achieved Profit Margin; and
  - (b) the anticipated Supplier Profit Margin forecast by the Supplier over the Term in accordance with the Financial Model, as at the last day of the previous Contract Year ("**Anticipated Contract Life Profit Margin**"),

as at the end of that Contract Year. The Supplier will provide the Authority such supporting information as the Authority may reasonably request in order to verify the Achieved Profit Margin and the Anticipated Contract Life Profit Margin given in the Supplier's notice.

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- 8.2 The Parties shall meet to discuss the above as part of their discussions regarding the contents of the Financial Model pursuant to Paragraph 3 of Part B of Schedule 7.5 (*Financial Reports*). If the Authority, acting reasonably and taking into account the Supplier's representations, considers that the Achieved Profit Margin and/or Anticipated Contract Life Profit Margin is not reasonable and proportionate (taking into account all of the circumstances, including the nature of the Services, any reduction in the Supplier's costs as a result of the implementation of any improvement pursuant to Clause 8 (*Service Improvement*) or Part A (Continuous Improvement) of Schedule 7.3 (*Value for Money*) and the profit margin of Comparable Supplies), it will give notice to the Supplier within ten (10) Working Days requiring the Supplier to reduce the Supplier Profit or propose alternative adjustment to the Charges in order to ensure that the Achieved Profit Margin, both over the next Contract Year and over the Term, and the Anticipated Contract Life Profit Margin will be reasonable and proportionate (taking into account the nature of the Services and the profit margin of Comparable Supplies) and:
- (a) the Supplier shall, within five (5) Working Days of the Authority's notice, propose a reduction to the Supplier Profit or such other adjustments to the Charges as will ensure that the Achieved Profit Margin, both over the next Contract Year and over the Term, and the Anticipated Contract Life Profit Margin will be reasonable and proportionate (taking into account all of the circumstances, including the nature of the Services, any reduction in the Supplier's costs as a result of the implementation of any improvement pursuant to Clause 8 (*Service Improvement*) or Part A (Continuous Improvement) of Schedule 7.3 (*Value for Money*) and the profit margin of Comparable Supplies);
  - (b) the Authority (acting reasonably) may agree or reject the proposed adjustments;
  - (c) if the Authority rejects the proposed adjustments it shall give reasons and the Supplier shall propose revised adjustments within ten (10) Working Days of receiving those reasons; and
  - (d) both Parties shall act reasonably and in good faith in order to agree a resolution to these discussions.
- 8.3 Pending agreement of a proposed reduction of the Supplier Profit or other adjustments to the Charges pursuant to this Paragraph 8, the Charges then in force shall continue to apply. Once the adjustments to the Charges are agreed in accordance with Paragraph 8.2, the Parties shall document the adjustment in a Change Authorisation Note and the adjusted Charges shall apply with effect from the first day of the Service Period that immediately follows the Service Period in which the Change Authorisation Note is executed or such other date as is specified in the Change Authorisation Note.



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## PART D: FINANCIAL MODEL

**1 FINANCIAL MODEL**

- 1.1 The Supplier shall submit a draft of the Financial Model to the Authority for approval within sixty (60) days of the Effective Date.
- 1.2 The Supplier shall ensure that the Financial Model shall:
- (a) incorporate the Costs and Management Fee set out in the Cost Model to:
    - (i) include the schedule of rates;
    - (ii) ensure that the Target Costs for the for the second, third, fourth and fifth Operational Years (as defined in Paragraph 1.8) reflect the value of any Savings (as defined in Paragraph 1.8) identified in the Cost Model for those Years; and
    - (iii) and otherwise be consistent with the principles in the Cost Model (including any amendment to the Cost Model agreed pursuant to Paragraph 7 of Part C of this Schedule 7.1 (*Charges and Invoicing*));
  - (b) provide sufficient detail for the Authority to have visibility of all the costs to be incurred by the Supplier and of the Charges to be paid in respect of the provision of the Services;
  - (c) provide visibility of the input costs for providing the Services throughout the Term, excluding Management Fee;
  - (d) provide a reasonably skilled and experienced individual with a full analysis of the Supplier's capital and operating costs and the assumptions used to develop and modify the Charges set out in this Schedule 7.1 (*Charges and Invoicing*);
  - (e) 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 and with the labelling in the Cost Model;
  - (f) clearly show the calculation of any financing charges associated with outstanding balances (between costs incurred and revenue received); and
  - (g) provide visibility of the Management Fee (including a breakdown of its constituent parts, being Supplier Profit, Corporate Overhead and Management Overhead); and
  - (h) be a true and fair reflection of the Costs and anticipated Management Fee, forecast by the Supplier.

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- 1.3 The Supplier shall, if requested by the Authority, provide (or procure the provision of) the above level of information in relation to the costs and expenses to be incurred by any of its Sub-contractors or third party suppliers.
- 1.4 Following receipt of the draft Financial Model from the Supplier, the Authority shall:
- (a) review and comment on the draft Financial Model as soon as reasonably practicable; and
  - (b) notify the Supplier in writing that it approves or rejects the draft Financial Model no later than thirty (30) days after the date on which the draft Financial Model is first delivered to the Authority.
- 1.5 If the Authority rejects the draft Financial Model:
- (a) the Authority shall inform the Supplier in writing of its reasons for its rejection; and
  - (b) the Supplier shall then revise the draft Financial Model (taking reasonable account of the Authority's comments) and shall re submit a revised draft Financial Model to the Authority for the Authority's approval within ten (10) Working Days of the date of the Authority's notice of rejection. The provisions of Paragraph 1.4 and this Paragraph 1.5 shall apply again to any resubmitted draft Financial Model, provided that either Party may refer any disputed matters for resolution by the Dispute Resolution Procedure at any time.
- 1.6 If the Authority approves the draft Financial Model, it shall be the first approved Financial Model from the date of the Authority's notice of approval. Until such approval, references to the Financial Model in this Agreement shall be interpreted as references to the Cost Model.
- 1.7 The Financial Model shall be updated on a monthly basis in accordance with Paragraph 1.1 of Part B of Schedule 7.5 (*Financial Reports*).
- 1.8 For the purposes of Paragraph 1.2(a)(ii):
- (a) **"Operational Year"** means:
    - (i) a period of 12 months following the Operational Service Commencement Date; or
    - (ii) thereafter, a period of 12 months commencing on each anniversary of the Operational Service Commencement Date,provided that the final Operational Year shall end on the expiry or termination of the Term; and
  - (b) **"Savings"** means the amount by which the total Costs identified in the Cost Model in any Operational Year are lower than any previous Operational Year.



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**PART E: INVOICING AND PAYMENT TERMS****1 SUPPLIER INVOICES**

- 1.1 The Supplier agrees and acknowledges that it shall not raise an invoice without having procured a purchase order number in accordance with Clause 10.2 (*Charges and Invoicing*) of this Agreement and that discrete purchase order numbers shall be used in respect of each Service and each Order.
- 1.2 The Supplier shall:
- (a) comply with the requirements of the Authority's e-invoicing system;
  - (b) prepare and provide to the Authority for approval of the format a template invoice within ten (10) Working Days of the Effective Date which shall include, as a minimum, the details set out in Paragraph 1.3 together with such other information as the Authority may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and
  - (c) make such amendments as may be reasonably required by the Authority if the template invoice outlined in (b) is not approved by the Authority.
- 1.3 The Supplier shall ensure that each invoice is submitted in the correct format for the Authority's chosen electronic transaction system and/or that it contains the following information:
- (a) the date of the invoice;
  - (b) a unique invoice number;
  - (c) the Service Period or other period(s) to which the relevant Charge(s) relate;
  - (d) the correct reference for this Agreement;
  - (e) the reference number of the purchase order to which it relates;
  - (f) the dates between which the Services that are the subject of each of the Charges detailed on the invoice were performed;
  - (g) a description of the Services;
  - (h) the pricing mechanism used to calculate the Charges;
  - (i) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone (if applicable);
  - (j) the total Charges gross and net of any applicable deductions and, separately, the amount of any Reimbursable Expenses properly chargeable to the Authority under the terms of this Agreement, and, separately, any VAT or other sales tax payable in respect of each of the same;

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- (k) details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;
  - (l) reference to any reports required by the Authority in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);
  - (m) a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;
  - (n) the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number);
  - (o) where the Services have been structured into separate Service lines, the information at (a) to (n) of this Paragraph 1.3 shall be broken down in each invoice per Service line; and
  - (p) details of any gainshare that the Supplier is entitled to be paid pursuant to Paragraph 2.4 of Part A of Schedule 7.3 (*Value for Money*).
- 1.4 The Supplier shall submit all invoices and Supporting Documentation through the Authority's chosen electronic transaction system.
- 1.5 The Supplier shall within the first ten (10) Working Days of the Service Period following the Service Period to which the proposed invoice relates, submit to the Authority:
- (a) in a format specified by the Authority, a draft schedule of Charges payable for the Services performed by the Supplier in the preceding Service Period; and
  - (b) all applicable Supporting Documentation (in a format specified by the Authority). Any assessment by the Authority as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Authority any other documentation reasonably required to the Authority from time to time to substantiate an invoice.
- 1.6 The Parties shall endeavour to agree the draft schedule of Charges within five (5) Working Days of its receipt by the Authority. The Supplier shall be entitled to submit its invoice immediately after agreement of the draft schedule of Charges or after the expiry of five (5) Working Days following receipt of the draft schedule of Charges by the Authority (whichever is the earlier).
- 1.7 Following receipt of each invoice, the Authority shall notify the Supplier whether the Charges set out in that invoice are disputed by the Authority (and, if they are disputed, the reasons why amounts are disputed).
- 1.8 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.



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- 1.9 The Authority shall regard an invoice as valid only if it complies with the provisions of this Part E. Where any invoice does not conform to the Authority's requirements set out in this Part E, the Authority shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.
- 1.10 If the Authority does not dispute any Charges reflected in an invoice or dispute the validity of an invoice in accordance with Paragraphs 1.6 and 1.9, the invoice shall be regarded as valid and undisputed for the purpose of this Part E after a reasonable time has passed.
- 1.11 The Supplier shall be entitled to raise invoices as follows:
- (a) in respect of Milestones, upon the Achievement of the relevant Milestone; and
  - (b) in respect of Service Charges, in arrears in the Service Period following the Service Period to which the Charge relates in accordance with Paragraph 1.6;
  - (c) in respect of any Pass-Through Costs, upon the Supplier incurring any such costs;
  - (d) in respect of Billable Works or Projects, where permitted to do so in accordance with Schedule 6.3 (*Projects*) and Schedule 6.4 (*Billable Works*);
  - (e) for any other Charges which accrue in accordance with this Agreement and which are not covered by the other paragraphs of this Paragraph 1.11, in arrears in the Service Period following the Service Period to which the Charge relates in accordance with Paragraph 1.6; and
  - (f) upon expiry and/or termination of this Agreement, for all amounts or Charges which have accrued or are due or payable by the Authority and which not otherwise been invoiced by the Supplier.

**2 PAYMENT TERMS**

- 2.1 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier within thirty (30) days of verifying that the invoice is valid and undisputed in accordance with this Part E.
- 2.2 Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Supplier has specified on its invoice.

**3 DISPUTES OVER INVOICES**

- 3.1 The Authority may withhold or deduct payment of any amount it believes the Supplier is not entitled to pursuant to this Agreement ("Disputed Amount") pending agreement or determination of the Supplier's entitlement in relation to the Disputed Amount, subject to notifying the Supplier of such belief (and the reasons

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for it) in accordance with Paragraph 1.7 of this Part E. The Authority shall make payment on any amounts reflected on an invoice which are not Disputed Amounts.

- 3.2 Within four (4) Working Days following receipt by the Supplier of any notice served by the Authority as referred to in Paragraph 2.1 of this Part E above, the Supplier shall respond by notifying the Authority as to whether or not it agrees with the statements made in that notice and the grounds for such agreement or disagreement.
- 3.3 If the Supplier responds pursuant to Paragraph 3.2 of this Part E above that it does not agree with all or any of the statements made in the Authority's notice and the Parties cannot agree that an overpayment or underpayment has been made or cannot agree the amount of the overpayment or underpayment, they shall be determined in accordance with the Dispute Resolution Procedure.
- 3.4 If the resolution in respect of any Disputed Amount above:
- (a) shows that any amount is payable to the Supplier, such amount will be paid by the Authority within fifteen (15) days, together with interest thereon (which shall be payable for the period from when such amount was originally due had such amount not been withheld until payment) at the rate set out Clause 10.5 (*Charges and Invoicing*) of this Agreement; and
  - (b) shows that there was a mistake with the invoice (or part thereof) caused by the Supplier and that:
    - (i) an adjustment is required to the amount payable by the Authority; or
    - (ii) the invoice (or part thereof) should not have been raised,

then:

(aa) the Authority shall not be liable to pay any interest on the part of the invoice that required such adjustment or that should not have been raised; and

(bb) if an overcharge has been made the Supplier shall within fifteen (15) days, repay any overpaid amount to the Authority with interest thereon (which shall be payable for the period from when such amount was originally paid by the Authority) at the rate set out Clause 10.5 (*Charges and Invoicing*) of this Agreement.

#### 4 PRESERVATION OF AUTHORITY'S RIGHTS

- 4.1 No payment made by or on behalf of the Authority will constitute acceptance or approval by the Authority of the Services or any other matter or thing or otherwise prejudice any rights or remedies which the Authority may have against the Supplier including the right to recover any amount overpaid or wrongfully paid to the Supplier provided always that nothing in this Paragraph 4.1 shall allow the Authority to be compensated twice for the same loss.









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[REDACTED]

Charge Number	Target Cost (£)	Target Price (£)	Guaranteed Price (£)	Maximum
[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]
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OFFICIAL - SENSITIVE - COMMERCIAL

HMRC Standard Goods and Services Model Contract

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TABLE 3: FIXED PRICES

Milestone	Milestone Payment (£)

ANNEX 2: CHARGING MECHANISM AND ADJUSTMENTS



Service Component	Charge Number	Pricing Mechanism	CPP Milestone Charge Number	Delay Payments (if Key Milestone) (£ per day)
Go Live at Holyhead	M1	FIXED	Not applicable	[REDACTED]
Go Live at Sevington	M2	FIXED	Not applicable	[REDACTED]

## HMRC Standard Goods and Services Model Contract

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## TABLE 2: SERVICE CHARGES

Service Component	Charge Number	Pricing Mechanism	Service Charge Trigger Event	Service Charge Expiration Trigger Event
On Site Services (Holyhead)	SC1	GMPTC	Go Live Holyhead	Contract expiry or early termination

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HMRC Standard Goods and Services Model Contract

Service Component	Charge Number	Pricing Mechanism	Service Trigger Event	Service Charge Expiration Trigger Event
On Site Services (Sevington)	SC2	GMPTC	Go Live at Sevington	Contract expiry or early termination

TABLE 3: OPTIONAL SERVICES MILESTONE PAYMENTS

Service Component	Charge Number	Pricing Mechanism	CPP Milestone Charge Number	Delay Payments (if Milestone) (£ per day)
[Not used at submission]				
[Not used at submission]				



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HMRC Standard Goods and Services Model Contract

TABLE 4: OPTIONAL SERVICES SERVICE CHARGES

Service Component	Charge Number	Pricing Mechanism	Service Charge Trigger Event	Service Charge Expiration Trigger Event
[Not used at submission]				
[Not used at submission]				



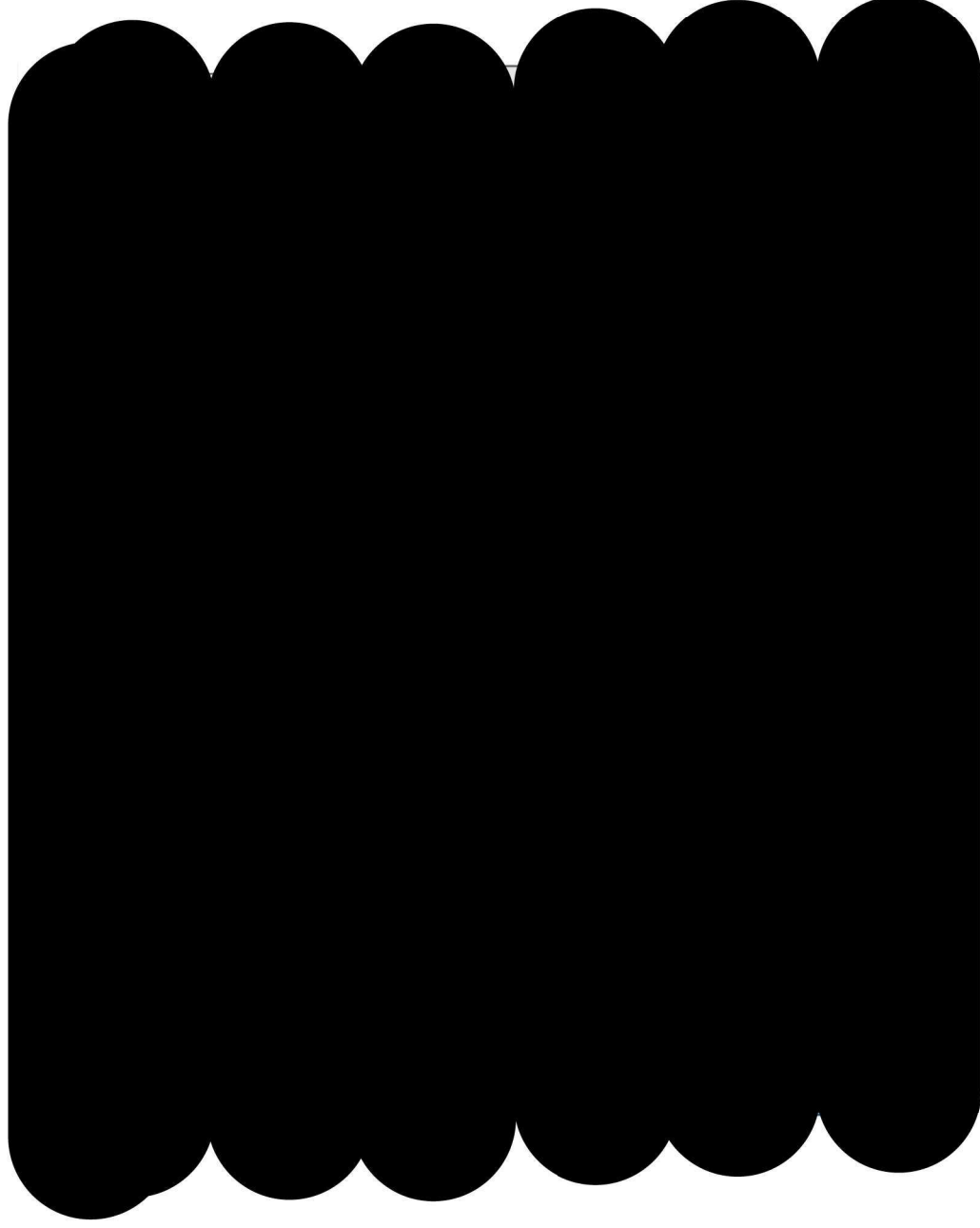
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HMRC Standard Goods and Services Model Contract

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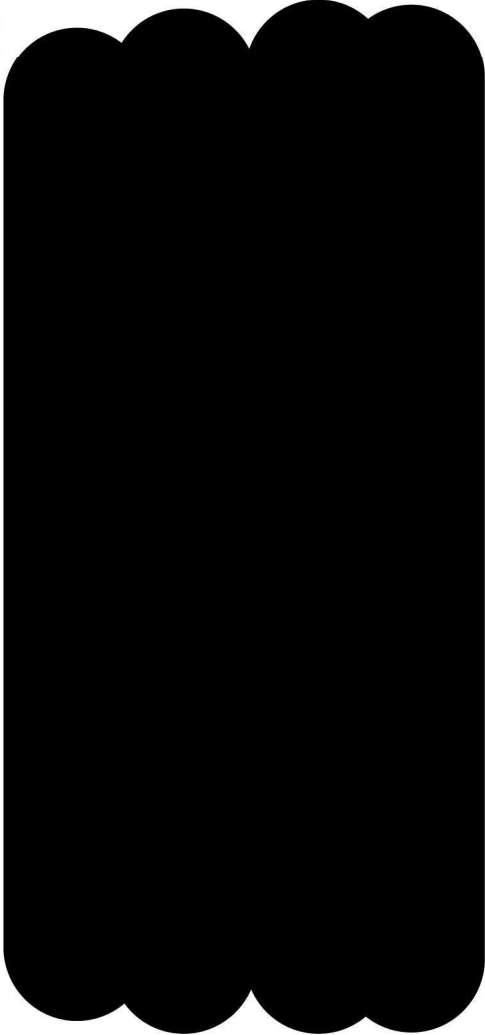
HMRC Standard Goods and Services Model Contract





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HMRC Standard Goods and Services Model Contract





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HMRC Standard Goods and Services Model Contract

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HMRC Standard Goods and Services Model Contract

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Schedule of Rates										



### Exit Provision - Rate Card

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HMRC Standard Goods and Services Model Contract

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[REDACTED]	[REDACTED]

Site Summary

Building details		
Site Name	Asbestos Screening	Hoypoad
Year 1 (includes mobilisation)		
[REDACTED]	[REDACTED]	[REDACTED]
Year 2		
[REDACTED]	[REDACTED]	[REDACTED]

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HMRC Standard Goods and Services Model Contract

Year 2	[REDACTED]
Year 3	[REDACTED]
Year 4	[REDACTED]
Year 5	[REDACTED]
Year 6	[REDACTED]
Year 7	[REDACTED]
Year 8	[REDACTED]
Year 9	[REDACTED]
Year 10	[REDACTED]
Year 11	[REDACTED]
Year 12	[REDACTED]
Year 13	[REDACTED]
Year 14	[REDACTED]
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Year 61	[REDACTED]
Year 62	[REDACTED]
Year 63	[REDACTED]
Year 64	[REDACTED]
Year 65	[REDACTED]
Year 66	[REDACTED]
Year 67	[REDACTED]
Year 68	[REDACTED]
Year 69	[REDACTED]
Year 70	[REDACTED]
Year 71	[REDACTED]
Year 72	[REDACTED]
Year 73	[REDACTED]
Year 74	[REDACTED]
Year 75	[REDACTED]
Year 76	[REDACTED]
Year 77	[REDACTED]
Year 78	[REDACTED]
Year 79	[REDACTED]
Year 80	[REDACTED]
Year 81	[REDACTED]
Year 82	[REDACTED]
Year 83	[REDACTED]
Year 84	[REDACTED]
Year 85	[REDACTED]
Year 86	[REDACTED]
Year 87	[REDACTED]
Year 88	[REDACTED]
Year 89	[REDACTED]
Year 90	[REDACTED]
Year 91	[REDACTED]
Year 92	[REDACTED]
Year 93	[REDACTED]
Year 94	[REDACTED]
Year 95	[REDACTED]
Year 96	[REDACTED]
Year 97	[REDACTED]
Year 98	[REDACTED]
Year 99	[REDACTED]
Year 100	[REDACTED]

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
1	2	3	4	5	6	7	8
ion of proposed Assumption	Impact on the Mobilisation Plan or Project Plan if the Allowable Assumption is not accurate	Basis of Calculation of Cost Impact	Verification Method  (how the Supplier will verify the Allowable Assumption)	Trigger for Invocation  (what will determine that the Transition Plan and/or Project Plan and/or Models may require adjustment for the Allowable Assumption)	Period of Impact  (period that the updated assumption will have an impact)	Expi days Serv Data Site	
Sites have been and constructed dance with standards in place me of their tion and, at the handover to the , will be at with the y’s statutory and e obligations	Supplier may be required to conduct remedial works to ensure compliance with the Authority’s statutory and insurance obligations prior to accepting responsibility for operating the IBF Sites (and associated liabilities). The Supplier is under an obligation pursuant to Paragraph 10.12 of Schedule 2.1 ( <i>Services Description</i> ) to produce and submit a compliance plan (“ <b>Compliance Plan</b> ”) of the IBF Sites as part of Mobilisation detailing remedial action required	As set out in the Compliance Plan, via Billable Works	Acceptance of the Compliance Plan by the Authority	Remedial works identified by Supplier in the Compliance Plan and acceptance of that plan by the Authority	Period for rectifying the defect (“ <b>Defects Rectification Period</b> ”) agreed by the Parties following acceptance of the defects report by the Authority, which shall be no more than reasonably necessary and shall not extend beyond the Mobilisation period	Expi Defe Peri	
y Maintained have been ned in accordance 520 Maintenance e	Supplier may be required to conduct remedial works prior to accepting responsibility for operating the Authority Maintained Assets (and associated liabilities)	As set out in the SFG20 Maintenance Schedule, via Billable Works	Survey during Mobilisation and acceptance of that Survey by the Authority	Remedial works identified by Supplier during Mobilisation and acceptance of the same by the Authority	The Mobilisation period up to expiry of thirty (30) days after the Operational Service Commencement Date for the relevant IBF Site	Expi days Serv Data Site	



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**SCHEDULE 7.2**

**PAYMENTS ON TERMINATION**

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**Payments on Termination**

**1 DEFINITIONS**

1.1 In this Schedule, the following definitions shall apply:

**“Applicable Supplier Personnel”**

any Supplier Personnel who:

(a) at the Termination Date:

- (i) are employees of the Supplier;
- (ii) are Dedicated Supplier Personnel;
- (iii) have not transferred (and are not in scope to transfer at a later date) to the Authority or the Replacement Supplier by virtue of the Employment Regulations; and

(b) are dismissed or given notice of dismissal by the Supplier within:

- (i) forty (40) Working Days of the Termination Date; or
- (ii) such longer period required by Law, their employment contract (as at the Termination Date) or an applicable collective agreement; and
- (iii) have not resigned or given notice of resignation prior to the date of their dismissal by the Supplier; and
- (iv) the Supplier can demonstrate to the satisfaction of the Authority:
  - (A) are surplus to the Supplier's requirements after the Termination Date notwithstanding its obligation to provide services to its other customers;
  - (B) are genuinely being dismissed for reasons of redundancy; and
  - (C) have been selected for redundancy by the Supplier on objective grounds other than the fact that the Supplier is entitled to reimbursement under this provision in respect of such employees;

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<b>“Breakage Costs Payment”</b>	<p>an amount equal to the lower of:</p> <p>(a) the sum of the Redundancy Costs and the Contract Breakage Costs as at the Termination Date as determined in accordance with Paragraph 3; and</p> <p>(b) the amount specified in Paragraph 3.2;</p>
<b>“Contract Breakage Costs”</b>	<p>the amounts payable by the Supplier to its Sub-contractors or other third parties (as applicable) for terminating all relevant Third Party Contracts as a direct result of the early termination of this Agreement;</p>
<b>“Dedicated Supplier Personnel”</b>	<p>all Supplier Personnel then assigned to the Services or any part of the Services. If the Supplier is unsure as to whether Supplier Personnel are or should be regarded as so assigned, it shall consult with the Authority whose view shall be determinative provided that the employee has been materially involved in the provision of the Services or any part of the Services;</p>
<b>“Profit Already Paid”</b>	<p>the Supplier Profit paid or payable to the Supplier under this Agreement for the period from the Effective Date up to (and including) the Termination Date;</p>
<b>“Redundancy Costs”</b>	<p>the total sum of any of the following sums paid to Applicable Supplier Personnel, each amount apportioned between the Supplier and the Authority based on the time spent by such employee on the Services as a proportion of the total Service duration:</p> <p>(a) any statutory redundancy payment; and</p> <p>(b) in respect of an employee who was a Transferring Former Supplier Employee or a Transferring Authority Employee, any contractual redundancy payment (or where such a contractual benefit on redundancy is a benefit payable from a pension scheme, the increase in cost to the Supplier as a net present value compared to the benefit payable on termination of employment without redundancy), provided that such employee was entitled to such contractual redundancy payment immediately prior to his or her transfer to the Supplier under the Employment Regulations;</p>



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<b>"Request for Estimate"</b>	a written request sent by the Authority to the Supplier, requiring that the Supplier provide it with an accurate estimate of the Termination Payment that would be payable if the Authority exercised its right under Clause 33.1(a) ( <i>Termination by the Authority</i> ) to terminate this Agreement for convenience on a specified Termination Date;
<b>"Termination Estimate"</b>	has the meaning given in Paragraph 10.2;
<b>"Termination Payment"</b>	means a payment made by the Authority to the Supplier upon termination of the Agreement equal to the sum of the Breakage Costs Payment and the Unrecovered Payment;
<b>"Total Costs Incurred"</b>	the Costs incurred by the Supplier up to the Termination Date in the performance of this Agreement and detailed in the Financial Model (but excluding Contract Breakage Costs, Redundancy Costs and any costs the Supplier would not otherwise be able to recover through the Charges) less any Deductions up to (and including) the Termination Date;
<b>"Unrecovered Costs"</b>	the Costs incurred by the Supplier in the performance of this Agreement (as summarised in the Financial Model) to the extent that the same remain at the Termination Date to be recovered through Charges that but for the termination of this Agreement would have been payable by the Authority after the Termination Date in accordance with Schedule 7.1 ( <i>Charges and Invoicing</i> ) as such Costs and Charges are forecast in the Financial Model;
<b>"Unrecovered Payment"</b>	an amount equal to the lower of: <ul style="list-style-type: none"> <li>(a) the sum of the Unrecovered Costs and the Unrecovered Profit; and</li> <li>(b) the amount specified in Paragraph 4; and</li> </ul>
<b>"Unrecovered Profit"</b>	(Total Costs Incurred x the Supplier Profit Margin) - Profit Already Paid + Milestone Retentions remaining unpaid at the Termination Date.

## 2 TERMINATION PAYMENT OVERVIEW

Upon termination of this Agreement pursuant to one of the events set out in Clause 33 (*Termination Rights*), the Authority may be required to pay to the Supplier a payment in accordance with and subject always to Clauses 34.3 to 34.5 (*Payments by the Authority*) and the provisions of this Schedule 7.2.



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**3 BREAKAGE COSTS PAYMENT**

3.1 The Supplier may recover through the Breakage Costs Payment only those costs incurred by the Supplier directly as a result of the termination of this Agreement which:

- (a) would not have been incurred had this Agreement continued until expiry of the Initial Term, or in the event that the Term has been extended, the expiry of the Extension Period;
- (b) are unavoidable, proven, reasonable, and not capable of recovery;
- (c) are incurred under arrangements or agreements that are directly associated with this Agreement;
- (d) are not Contract Breakage Costs relating to contracts or Sub-contracts with Affiliates of the Supplier; and
- (e) relate directly to the termination of the Services.

**Limitation on Breakage Costs Payment**

3.2 The Breakage Costs Payment shall not exceed the lower of:

- (a) the relevant limit set out in Annex 1; and
- (b) one hundred and twenty per cent (120%) of the estimate for the Breakage Costs Payment set out in any relevant Termination Estimate.

**Redundancy Costs**

3.3 The Authority shall not be liable under this Schedule for any costs associated with Supplier Personnel (whether relating to redundancy, redeployment or otherwise) other than the Redundancy Costs.

3.4 Where the Supplier can demonstrate that a member of Supplier Personnel will be made redundant following termination of this Agreement, but redeployment of such person is possible and would offer value for money to the Authority when compared with redundancy, then the Authority shall pay the Supplier the actual direct costs incurred by the Supplier or its Sub-contractor arising out of the redeployment of such person (including retraining and relocation costs) subject to a maximum amount of thirty thousand pounds Sterling (£30,000) per relevant member of the Supplier Personnel.

**Contract Breakage Costs**

3.5 The Supplier shall be entitled to Contract Breakage Costs only in respect of Third Party Contracts or Sub-contracts which:

- (a) are not assigned or novated to a Replacement Supplier at the request of the Authority in accordance with Schedule 8.5 (*Exit Management*); and

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- (b) the Supplier can demonstrate:
  - (i) are surplus to the Supplier's requirements after the Termination Date, whether in relation to use internally within its business or in providing services to any of its other customers; and
  - (ii) have been entered into by it in the ordinary course of business.

3.6 The Supplier shall seek to negotiate termination of any Third Party Contracts or Sub-contracts with the relevant third party or Sub-contractor (as the case may be) using all reasonable endeavours to minimise the cancellation or termination charges.

3.7 Except with the prior written agreement of the Authority, the Authority shall not be liable for any costs (including cancellation or termination charges) that the Supplier is obliged to pay in respect of:

- (a) the termination of any contractual arrangements for occupation of, support of and/or services provided for Supplier premises which may arise as a consequence of the termination of this Agreement; and/or
- (b) Supplier Equipment not yet provided at the Termination Date.

#### 4 LIMITATION ON UNRECOVERED PAYMENT

The Unrecovered Payment shall not exceed the lowest of:

- (a) the relevant limit set out in Annex 1;
- (b) one hundred and twenty per cent (120%) of the estimate for the Unrecovered Payment set out in any relevant Termination Estimate; and
- (c) the Charges that but for the termination of this Agreement would have been payable by the Authority after the Termination Date in accordance with Schedule 7.1 (*Charges and Invoicing*) as forecast in the Financial Model.

#### 5 MITIGATION OF CONTRACT BREAKAGE COSTS, REDUNDANCY COSTS AND UNRECOVERED COSTS

5.1 The Supplier agrees to use all reasonable endeavours to minimise and mitigate Contract Breakage Costs, Redundancy Costs and Unrecovered Costs by:

- (a) the appropriation of Supplier Equipment, employees and resources for other purposes;
- (b) in relation to Supplier Personnel, seeking to redeploy Supplier Personnel within the Supplier organisation;
- (c) at the Authority's request, assigning any Third Party Contracts and Sub-contracts to the Authority or a third party acting on behalf of the Authority; and



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- (d) in relation Third Party Contracts and Sub-contract that are not to be assigned to the Authority or to another third party, terminating those contracts at the earliest possible date without breach or where contractually permitted.

- 5.2 If Supplier Equipment, employees and resources can be used by the Supplier for other purposes, then there shall be an equitable reduction in the Contract Breakage Costs, Redundancy Costs and Unrecovered Costs payable by the Authority or a third party to the Supplier. In the event of any Dispute arising over whether the Supplier can use any Supplier Equipment, employees and/or resources for other purposes and/or over the amount of the relevant equitable reduction, the Dispute shall be referred to an Expert for determination in accordance with the procedure detailed in Schedule 8.4 (*Dispute Resolution Procedure*).

## 6 FULL AND FINAL SETTLEMENT

Any Termination Payment paid under this Schedule shall be in full and final settlement of any claim, demand and/or proceedings of the Supplier in relation to any termination by the Authority pursuant to Clause 33.1(a) (*Termination by the Authority*) or termination by the Supplier pursuant to Clause 33.6(a) (*Termination by the Supplier*) (as applicable), and the Supplier shall be excluded from all other rights and remedies it would otherwise have been entitled to in respect of any such termination.

## 7 INVOICING FOR THE PAYMENTS ON TERMINATION

All sums due under this Schedule shall be payable by the Authority to the Supplier in accordance with the payment terms set out in Schedule 7.1 (*Charges and Invoicing*).

## 8 SET OFF

The Authority shall be entitled to set off any outstanding liabilities of the Supplier against any amounts that are payable by it pursuant to this Schedule.

## 9 NO DOUBLE RECOVERY

- 9.1 If any amount payable under this Schedule (in whole or in part) relates to or arises from any Transferring Equipment then, to the extent that the Authority makes any payments pursuant to Schedule 8.5 (*Exit Management*) in respect of such Transferring Equipment, such payments shall be deducted from the amount payable pursuant to this Schedule.
- 9.2 The value of the Termination Payment shall be reduced or extinguished to the extent that the Supplier has already received the Charges or the financial benefit of any other rights or remedy given under this Agreement so that there is no double counting in calculating the relevant payment.
- 9.3 Any payments that are due in respect of the Transferring Equipment shall be calculated in accordance with the provisions of the Exit Plan.

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**10 ESTIMATE OF TERMINATION PAYMENT**

- 10.1 The Authority may issue a Request for Estimate at any time during the Term provided that no more than two (2) Requests for Estimate may be issued in any six (6) month period.
- 10.2 The Supplier shall within twenty (20) Working Days of receiving the Request for Estimate (or such other timescale agreed between the Parties), provide an accurate written estimate of the Termination Payment that would be payable by the Authority based on a postulated Termination Date specified in the Request for Estimate (such estimate being the “**Termination Estimate**”). The Termination Estimate shall:
- (a) be based on the relevant amounts set out in the Financial Model;
  - (b) include:
    - (i) details of the mechanism by which the Termination Payment is calculated;
    - (ii) full particulars of the estimated Contract Breakage Costs in respect of each Sub-contract or Third Party Contract and appropriate supporting documentation; and
    - (iii) such information as the Authority may reasonably require; and
  - (c) state the period for which that Termination Estimate remains valid, which shall be not less than twenty (20) Working Days.
- 10.3 The Supplier acknowledges that issue of a Request for Estimate shall not be construed in any way as to represent an intention by the Authority to terminate this Agreement.
- 10.4 If the Authority issues a Termination Notice to the Supplier within the stated period for which a Termination Estimate remains valid, the Supplier shall use the same mechanism to calculate the Termination Payment as was detailed in the Termination Estimate unless otherwise agreed in writing between the Supplier and the Authority.

**11 TERMINATION OF PART**

Where the termination is of part of the Agreement only:

- 11.1 the principles for calculating the Breakage Costs Payment and the Unrecovered Payment as set out in this Schedule 7.2 (*Payment on Termination*) shall be applied to the terminated part of the Agreement only such that the Termination Payment reflects a fair and reasonable assessment of such costs in respect of the terminated Services only, including:
- (a) Redundancy Costs shall relate to such costs incurred in respect of employees engaged in the terminated Services (or part thereof) only;
  - (b) Contract Breakage Costs shall relate to such costs incurred in respect of contracts in connection with the terminated Services (or part thereof) only;



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- (c) Unrecovered Costs shall relate to such costs anticipated to be incurred in respect of the terminated Services (or part thereof) only; and
  - (d) Unrecovered Profit shall reflect the Supplier's actual profit and projected margin in respect of the terminated Services (or part thereof) only.
- 11.2 In the event that there is more than one Partial Termination of the Agreement, the total of each Unrecovered Payment and Breakage Costs Payment that falls due shall not exceed in aggregate 120% of the estimate for the Unrecovered Payment or Breakage Costs Payment in respect of termination of the Agreement as a whole set out in any Termination Estimate.

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ANNEX 1: MAXIMUM PAYMENTS ON TERMINATION

The table below sets out, by Contract Year, the maximum amount of the Unrecovered Payment and Breakage Costs Payment that the Authority shall be liable to pay to the Supplier pursuant to this Agreement:

Termination Date	Maximum Unrecovered Payment	Maximum Breakage Costs Payment
Anytime in the first Contract Year		
Anytime in the second Contract Year		
Anytime in Contract Years 3 - 5		

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**SCHEDULE 7.3**

**VALUE FOR MONEY**

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## Value For Money

## PART A: CONTINUOUS IMPROVEMENT

## 1 CONTINUOUS IMPROVEMENT

1.1 As part of the Supplier's continuous improvement obligations (and without prejudice to the ongoing obligations to continuously improve set out at Clauses 8.1 and 8.2 of the Agreement), the Supplier shall produce each Quarter a report of proposals for improving the provision of the Services and/or reducing the Charges (without adversely affecting the performance of this Agreement) ("**CI Ideas**") during the next Quarter (each a "**Continuous Improvement Report**") for the Authority's approval, such that the Supplier is able to comply with the minimum metrics set out at KPIs 5 and 6 in Annex 1 of Schedule 2.2 (*Performance Levels*). The Continuous Improvement Report must include, as a minimum, proposals identifying:

- (a) relevant new and evolving technologies;
- (b) changes in business processes of the Supplier, the Authority or any Service Recipient(s) and ways of working that would provide cost savings and/or enhanced benefits to the Authority and/or any Service Recipient(s) (such as methods of interaction, supply chain efficiencies, reduction in energy consumption and methods of sale);
- (c) new or potential improvements to the provision of the Services including the quality, responsiveness, procedures, benchmarking methods, likely performance mechanisms and customer support services in relation to the Services; and
- (d) measuring and reducing the sustainability impacts of the Supplier's operations and supply-chains relating to the Deliverables, and identifying opportunities to assist the Authority in meeting their sustainability objectives.

The Supplier shall ensure that each CI Idea it proposes will deliver a return on investment for the Authority or Service Recipients before the end of the Term. For the purposes of this Paragraph "return on investment" shall mean that the cost savings (net of any costs incurred by the Authority or Service Recipients in order to achieve the savings) achieved for the Authority or Service Recipients as a result of the implementation of the CI Idea (after the application of any gainshare) exceed the costs incurred by the Authority to implement that CI Idea.

1.2 The initial Continuous Improvement Report for the first Quarter shall, on the first Operational Service Commencement Date, be updated from the draft submitted by the Supplier in its bid documentation and submitted to the Authority for approval and the Supplier shall submit updates of the Continuous Improvement Report to the Authority Quarterly thereafter.

1.3 The Supplier shall provide sufficient information (including a proposed implementation plan) with each suggested improvement to enable a decision by



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the Authority on whether to implement it. The Supplier shall provide any further information as reasonably requested and shall seek to ensure that suggested improvements are reasonably feasible and substantial (a collection of smaller suggested improvements may be classed collectively as substantial).

- 1.4 If the Authority wishes to incorporate any improvement into this Agreement:
- (a) the Authority shall send the Supplier a Change Request in accordance with the Change Control Procedure; and
  - (b) unless agreed otherwise by the Authority in accordance with the Change Control Procedure, the costs arising from any improvement shall have no effect on and are included in the Charges and the Supplier shall implement any Contract Change pursuant to Paragraph 1.4(a) in accordance with Schedule 6.3 (*Projects*) or Schedule 6.4 (*Billable Works*) as applicable.
- 1.5 All costs relating to the compilation or updating of the Continuous Improvement Report shall have no effect on and are included in the Charges.
- 1.6 Subject to Paragraph 2 (*Efficiency Gain Share*), if used, below, should the Supplier's costs in providing the Services to the Authority be reduced as a result of any changes implemented, all of the cost savings shall be passed on to the Authority by way of a consequential and immediate reduction in the Charges for the Services.

## 2 EFFICIENCY GAIN SHARE

- 2.1 This Paragraph 2 shall not apply to the extent that Paragraph 3 of Part A of Schedule 7.1 (*Guaranteed Maximum Price with Target Costs*) applies.
- 2.2 At any time during the Term, including when submitting its Continuous Improvement Report, the Supplier may make a proposal for gainshare, for future initiatives, by submitting a report to the Authority detailing the efficiency gain proposals that might be applied to the Services to reduce the Charges payable under this Agreement and/or achieve savings to the Authority and/or any Service Recipient(s) elsewhere, including:
- (a) details of how the savings are calculated and the time period to which it relates. All savings set out in the report must be based in fact (and net of any costs incurred by the Authority or Service Recipient(s)) and incorporate a baseline measure, the costs necessary for each Party to achieve the savings (if any), budget forecast and measures to actualise the savings. The savings identified in the report shall be proven and auditable savings and not based on estimated or deemed savings; and
  - (b) an equitable and reasonable proposal as to how the savings to be achieved should be shared between the Authority and the Supplier.
- a "Gain Share Report".
- 2.3 The Supplier shall use the form of Gain Share Report submitted by the Supplier and approved by the Authority prior to the first Operational Service Commencement

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Date. The Authority may incorporate any improvement from the Gain Share Report into this Agreement in accordance with Paragraph 1.4 above.

- 2.4 Unless otherwise agreed between the Parties, the savings achieved through the proposals contained within a Gain Share Report and implemented through the Change Control Procedure shall be payable to the Supplier for the initial twelve months following such implementation and thereafter no further payment in respect of such proposals shall be due to the Supplier and be split between the Parties in that the Supplier shall be entitled to retain twenty percent (20%) of the financial gain and the remaining eighty percent (80%) of the financial gain shall be passed to the Authority which may include by way of a reduction in the Charges.

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**PART B: BENCHMARKING****1 DEFINITIONS**

In this Part B, the following definitions shall apply:

<b>“Benchmark Report”</b>	the report produced by the Benchmarker following the Benchmark Review as further described in Paragraph 5;
<b>“Benchmark Review”</b>	a review of one or more of the Services carried out in accordance with Paragraph 4 to determine whether those Services represent Good Value;
<b>“Benchmarked Service(s)”</b>	the Services (or any part of the Services) that the Authority elects to include in a Benchmark Review under Paragraph 2.1 of this Part B;
<b>“Benchmarker”</b>	a neutral and independent third party with knowledge and experience of financial matters in relation to the Benchmarked Service;
<b>“Comparable Service”</b>	in relation to a Benchmarked Service, a service that is identical or materially similar to the Benchmarked Service (including in terms of scope, specification, volume and quality of performance) and performed within the UK or Europe;
<b>“Comparison Group”</b>	in relation to a Comparable Service, a sample group of organisations providing the Comparable Service identified by the Benchmarker under Paragraph 4.8 which consists of organisations which are either of similar size to the Supplier or which are similarly structured in terms of their business and their service offering so as to be (in the Benchmarker's professional opinion) fair comparators with the Supplier or which, in the professional opinion of the Benchmarker, are best practice organisations and, where there are a reasonable number of such organisations, referencing only those organisations that are carrying on at least a significant part of their business within the United Kingdom;



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<b>“Equivalent Data”</b>	<b>Services</b> in relation to a Comparable Service, data derived from an analysis of the Comparable Service provided by the Comparison Group as adjusted in accordance with Paragraph 4.9 provided that the Benchmark shall not use any such data that relates to a period which ended more than thirty-six (36) months prior to the date of the appointment of the Benchmark;
<b>“Good Value”</b>	in relation to a Benchmarked Service, and based on an analysis of Equivalent Services Data, that: <ul style="list-style-type: none"> <li>(a) having taken into account the Performance Indicators and Target Performance Levels, the value for money of the Charges attributable to that Benchmarked Service is at least as good as the value for money of the Upper Quartile; and</li> <li>(b) any Performance Indicators and Target Performance Levels applicable to that Benchmarked Service are, having taken into account the Charges, equal to or better than the median service levels for the Comparable Service; and</li> </ul>
<b>“Upper Quartile”</b>	the top twenty five per cent (25%) of instances of provision of a Comparable Service by members of the Comparison Group ranked by best value for money to the recipients of that Comparable Service.

**2 FREQUENCY, PURPOSE AND SCOPE OF BENCHMARK REVIEW**

- 2.1 The Authority may, by written notice to the Supplier, require a Benchmark Review of any or all of the Services in order to establish whether a Benchmarked Service is, and/or the Benchmarked Services as a whole are, Good Value. The Authority shall confirm which of the Services are to be the Benchmarked Services in its notice to the Supplier.
- 2.2 The Authority shall not be entitled to carry out a Benchmark Review of any Services during the twelve (12) month period from the Effective Date, nor (subject always to Paragraph 2.3) at intervals of less than twelve (12) months after the completion of any previous Benchmark Review relating to the same Services (or part thereof).
- 2.3 The Authority shall be entitled to initiate a Benchmark Review in determining whether to extend the Term of this Agreement in accordance with Clause 4.3 (*Extension of the Initial Term*) of this Agreement.

**3 APPOINTMENT OF BENCHMARKER**

- 3.1 The Authority shall appoint as the Benchmark to carry out the Benchmark Review such organisation as the Authority, acting reasonably, deems appropriate. The Authority shall confirm the identity of the Benchmark by written notice to the



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Supplier. If the Supplier, acting reasonably, disagrees with the identity of the Benchmarker that the Authority has selected, it shall notify the Authority in writing no later than five (5) days following the date of the Authority's written notification of the identity of the Benchmarker, giving reasons for its objection and proposing one or more alternatives. The Authority shall consider the Supplier's objection (and shall act reasonably in doing so) and shall seek to reach an agreement with the Supplier as to an alternative benchmarker, however the final decision as to the Benchmarker to be appointed shall rest with the Authority.

- 3.2 The Authority shall, at the written request of the Supplier, require the Benchmarker to enter into a confidentiality agreement with the Supplier in the form prescribed by the Authority which shall be in, or substantially in, the form set out in the Annex to this Schedule.
- 3.3 The costs and expenses of the Benchmarker and the Benchmark Review shall be shared equally between both Parties provided that each Party shall bear its own internal costs of the Benchmark Review. The Benchmarker shall not be compensated on a contingency fee or incentive basis.
- 3.4 The Authority shall be entitled to pay the Benchmarker's costs and expenses in full and to recover the Supplier's share from the Supplier as a debt.

#### **4 BENCHMARK REVIEW**

- 4.1 The Authority shall require the Benchmarker to produce, and to send to each Party for approval, a draft plan for the Benchmark Review within ten (10) Working Days after the date of the appointment of the Benchmarker, or such longer period as the Benchmarker shall reasonably request in all the circumstances. The draft plan must include:
  - (a) a proposed cost and timetable for the Benchmark Review;
  - (b) a description of the benchmarking methodology to be used which must demonstrate that the methodology to be used is capable of fulfilling the benchmarking purpose;
  - (c) a description of how the Benchmarker will scope and identify the Comparison Group.
- 4.2 The Parties acknowledge and agree that the selection and or use of proxies for the Comparison Group (both in terms of number and identity of entities) and Comparable Services shall be a matter for the Benchmarker's professional judgment using:
  - (a) market intelligence;
  - (b) the Benchmarker's own data and experience;
  - (c) relevant published information; and
  - (d) information from other suppliers and purchasers on Comparable Services.

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- 4.3 Each Party shall give notice in writing to the Benchmarker and to the other Party within ten (10) Working Days after receiving the draft plan either approving the draft plan or suggesting amendments to that plan which must be reasonable. Where a Party suggests amendments to the draft plan pursuant to this Paragraph 4.3, the Benchmarker shall, if it believes the amendments are reasonable, produce an amended draft plan. Paragraph 4.1 and this Paragraph 4.3 shall apply to any amended draft plan.
- 4.4 Failure by a Party to give notice under Paragraph 4.3 shall be treated as approval of the draft plan by that Party. If the Parties fail to approve the draft plan within thirty (30) Working Days of its first being sent to them pursuant to Paragraph 4.1 then the Benchmarker shall prescribe the plan.
- 4.5 Once the plan is approved by both Parties or prescribed by the Benchmarker, the Benchmarker shall carry out the Benchmark Review in accordance with the plan. Each Party shall procure that all the information described in the plan, together with any additional information reasonably required by the Benchmarker is provided to the Benchmarker without undue delay. If the Supplier causes any delay or fails to provide any information requested from it by the Benchmarker whether described in the plan or reasonably requested by the Benchmarker, such failure or delay shall constitute a material Default for the purposes of Clause 27.2(c) (*Rectification Plan Process*).
- 4.6 Each Party shall co-operate fully with the Benchmarker, including by providing access to records, technical documentation, premises, equipment, systems and personnel at times reasonably requested by the Benchmarker, provided that the Benchmarker shall be instructed to minimise any disruption to the Services.
- 4.7 Either Party may provide additional material to the Benchmarker to assist the Benchmarker in conducting the Benchmark Review.
- 4.8 Once it has received the information it requires, the Benchmarker shall:
- (a) finalise the sample of entities constituting the Comparison Group and collect data relating to Comparable Services. The final selection of the Comparison Group (both in terms of number and identity of entities) and of the Comparable Services shall be a matter for the Benchmarker's professional judgment;
  - (b) derive the Equivalent Services Data by applying the adjustment factors listed in Paragraph 4.9 and from an analysis of Comparable Services;
  - (c) derive the relative value for money of the charges payable for the Comparable Services using the Equivalent Services Data and from that derive the Upper Quartile;
  - (d) derive the median service levels relating to the Comparable Services using the Equivalent Services Data;
  - (e) compare the value for money of the Charges attributable to the Benchmarked Services (having regard in particular to the applicable



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Performance Indicators and Target Service Levels) to the value for money of the Upper Quartile;

- (f) compare the Performance Indicators and Target Service Levels attributable to the Benchmarked Services (having regard to the Charges and Service Credits) with the median service levels using the Equivalent Services Data; and
- (g) determine whether or not each Benchmarked Service is and/or the Benchmarked Services as a whole are, Good Value.

4.9 In carrying out the benchmarking analysis the Benchmarker shall have regard to the following matters when performing a comparative assessment of the Benchmarked Service and the Comparable Service in order to derive Equivalent Services Data:

- (a) the contractual terms and business environment under which the Services are being provided (including the scope, scale, complexity and geographical spread of the Services);
- (b) any front-end investment and development costs of the Supplier;
- (c) the Supplier's risk profile including the financial, performance or liability risks associated with the provision of the Services as a whole;
- (d) the extent of the Supplier's management and contract governance responsibilities;
- (e) exchange rates; and
- (f) any other reasonable factors demonstrated by the Supplier, which, if not taken into consideration, could unfairly cause the Supplier's pricing to appear non-competitive (such as erroneous costing, non-sustainable behaviour including excessive consumption of energy or over-aggressive pricing).

## 5 BENCHMARK REPORT

5.1 The Benchmarker shall be required to prepare a Benchmark Report and deliver it simultaneously to both Parties, at the time specified in the plan produced pursuant to Paragraph 4 setting out its findings. The Benchmark Report shall:

- (a) include a finding as to whether or not each Benchmarked Service is and/or whether the Benchmarked Services as a whole are, Good Value;
- (b) include other findings (if any) regarding the quality and competitiveness or otherwise of those Services;
- (c) if any Benchmarked Service is not Good Value, or the Benchmarked Services as a whole are not Good Value, specify the changes that would be required to the Charges, Performance Indicators and/or Target Performance Levels, that would be required to make that Benchmarked Service or those Benchmarked Services as a whole Good Value; and

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- (d) illustrate the method used for any normalisation of the Equivalent Services Data.
- 5.2 The Benchmarker shall act as an expert and not as an arbitrator.
- 5.3 If the Benchmark Report states that any Benchmarked Service is not Good Value or that the Benchmarked Services as a whole are not Good Value, then the Supplier shall (subject to Paragraphs 5.5 and 5.6) implement the changes set out in the Benchmark Report as soon as reasonably practicable within timescales agreed with the Authority but in any event within no more than three (3) months. Any associated changes to the Charges shall take effect only from the same date and shall not be retrospective.
- 5.4 The Supplier acknowledges and agrees that Benchmark Reviews shall not result in any increase to the Charges, disapplication of the Performance Indicators or any reduction in the Target Performance Levels.
- 5.5 The Supplier shall be entitled to reject any Benchmark Report if the Supplier reasonably considers that the Benchmarker has not followed the procedure for the related Benchmark Review as set out in this Schedule in any material respect.
- 5.6 The Supplier shall not be obliged to implement any Benchmark Report to the extent this would cause the Supplier to provide the Services at a loss (as determined, by reference to the Financial Model), or to the extent the Supplier cannot technically implement the recommended changes.
- 5.7 In the event of any Dispute arising over whether the Benchmarker has followed the procedure for the related Benchmark Review under Paragraph 5.5 and/or any matter referred to in Paragraph 5.6, the Dispute shall be referred to Expert Determination. For the avoidance of doubt in the event of a Dispute between the Parties, the Authority shall continue to pay the Charges to the Supplier in accordance with the terms of this Agreement and the Performance Indicators and Target Performance Levels shall remain unchanged pending the conclusion of the Expert Determination.
- 5.8 On conclusion of the Expert Determination:
- (a) if the Expert determines that all or any part of the Benchmark Report recommendations regarding any reduction in the Charges shall be implemented by the Supplier, the Supplier shall immediately repay to the Authority the difference between the Charges paid by the Authority up to and including the date of the Expert's determination and the date upon which the recommended reduction in Charges should have originally taken effect pursuant to Paragraph 5.3 together with interest thereon at the applicable rate under the Late Payment Of Commercial Debts (Interest) Act 1998; and
  - (b) if the Expert determines that all or any part of the Benchmark Report recommendations regarding any changes to the Performance Indicators and/or Target Performance Levels shall be implemented by the Supplier:
    - (i) the Supplier shall immediately implement the relevant changes;



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- (ii) the Supplier shall immediately pay an amount equal to any Service Credits which would have accrued up to and including the date of the Expert's determination if the relevant changes had taken effect on the date determined pursuant to Paragraph 5.3 together with interest thereon at the applicable rate under the Late Payment Of Commercial Debts (Interest) Act 1998; and
- (iii) the relevant changes shall thereafter be subject to the Change Control Procedure for the purposes only of formalising and documenting the relevant change or amendment for the purposes of this Agreement (it being acknowledged and agreed that the decision as to whether and what changes are to be made has already been finalised by the Expert).

5.9 Any failure by the Supplier to implement the changes as set out in the Benchmark Report in accordance with the relevant timescales determined in accordance with Paragraph 5.3 (unless the provisions of Paragraph 5.6 apply) or in accordance with Paragraph 5.8 shall, without prejudice to any other rights or remedies of the Authority, constitute a Supplier Termination Event.

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**ANNEX: CONFIDENTIALITY AGREEMENT  
CONFIDENTIALITY AGREEMENT**

**THIS AGREEMENT** is made on **[date]**

**BETWEEN:**

- (1) **[insert name]** of **[insert address]** (the “**Supplier**”); and
- (2) **[insert name]** of **[insert address]** (the “**Benchmarker**” and together with the Supplier, the “**Parties**”).

**WHEREAS:**

- (A) **[insert name of Authority]** (the “**Authority**”) and the Supplier are party to a contract dated **[insert date]** (the “**Contract**”) for the provision by the Supplier of **[insert brief description of services]** to the Authority.
- (B) The Benchmarker is to receive Confidential Information from the Supplier for the purpose of carrying out a benchmarking review for the Authority of one or more of such services pursuant to the terms of the Contract (the “**Permitted Purpose**”).

**IT IS AGREED as follows:**

**1 Interpretation**

1.1 In this agreement, unless the context otherwise requires:

**“Confidential Information”** means:

- (a) Information, including all personal data within the meaning of the Data Protection Act 2018, and however it is conveyed, provided by the Supplier to the Benchmarker pursuant to this Agreement that relates to:
  - (i) the Supplier; or
  - (ii) the operations, business, affairs, developments, intellectual property rights, trade secrets, know-how and/or personnel of the Supplier;
- (b) other Information provided by the Supplier pursuant to this Agreement to the Benchmarker that is clearly designated as being confidential or equivalent or that ought reasonably to be considered to be confidential which comes (or has come) to the Benchmarker’s attention or into the Benchmarker’s possession in connection with the Permitted Purpose;
- (c) discussions, negotiations, and correspondence between the Supplier or any of its directors, officers, employees,

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consultants or professional advisers and the Benchmarker or any of its directors, officers, employees, consultants and professional advisers in connection with the Permitted Purpose and all matters arising therefrom; and

(d) Information derived from any of the above,

but not including any Information that:

(e) was in the possession of the Benchmarker without obligation of confidentiality prior to its disclosure by the Supplier;

(f) the Benchmarker obtained on a non-confidential basis from a third party who is not, to the Benchmarker's knowledge or belief, bound by a confidentiality agreement with the Supplier or otherwise prohibited from disclosing the information to the Benchmarker;

(g) was already generally available and in the public domain at the time of disclosure otherwise than by a breach of this Agreement or breach of a duty of confidentiality; or

(h) was independently developed without access to the Confidential Information;

**“Information”** means all information of whatever nature, however conveyed and in whatever form, including in writing, orally, by demonstration, electronically and in a tangible, visual or machine-readable medium (including CD-ROM, magnetic and digital form); and

**“Permitted Purpose”** has the meaning given to that expression in recital (B) to this Agreement.

## 1.2 In this agreement:

- (a) a reference to any gender includes a reference to other genders;
- (b) the singular includes the plural and vice versa;
- (c) the words “include” and cognate expressions shall be construed as if they were immediately followed by the words “without limitation”;
- (d) references to any statutory provision include a reference to that provision as modified, replaced, amended and/or re-enacted from time to time (before or after the date of this agreement) and any prior or subsequent subordinate legislation made under it;
- (e) headings are included for ease of reference only and shall not affect the interpretation or construction of this agreement; and



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- (f) references to Clauses are to clauses of this agreement.

**2 Confidentiality Obligations**

2.1 In consideration of the Supplier providing Confidential Information to the Benchmark, the Benchmark shall:

- (a) treat all Confidential Information as secret and confidential;
- (b) have in place and maintain proper security measures and procedures to protect the confidentiality of the Confidential Information (having regard to its form and nature);
- (c) not disclose or permit the disclosure of any of the Confidential Information to any other person without obtaining the prior written consent of the Supplier or, if relevant, other owner or except as expressly set out in this agreement;
- (d) not transfer any of the Confidential Information outside the United Kingdom;
- (e) not use or exploit any of the Confidential Information for any purpose whatsoever other than the Permitted Purpose;
- (f) immediately notify the Supplier in writing if it suspects or becomes aware of any unauthorised access, copying, use or disclosure in any form of any of the Confidential Information; and
- (g) once the Permitted Purpose has been fulfilled:
  - (i) destroy or return to the Supplier all documents and other tangible materials that contain any of the Confidential Information;
  - (ii) ensure, so far as reasonably practicable, that all Confidential Information held in electronic, digital or other machine-readable form ceases to be readily accessible (other than by the information technology staff of the Benchmark) from any computer, word processor, voicemail system or any other device; and
  - (iii) make no further use of any Confidential Information.

**3 Permitted Disclosures**

3.1 The Benchmark may disclose Confidential Information to those of its directors, officers, employees, consultants and professional advisers who:

- (a) reasonably need to receive the Confidential Information in connection with the Permitted Purpose; and
- (b) have been informed by the Benchmark of the confidential nature of the Confidential Information; and
- (c) have agreed to terms similar to those in this agreement.



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- 3.2 The Benchmarker shall be entitled to disclose Confidential Information to the Authority for the Permitted Purpose and to any Expert appointed in relation to a Dispute as referred to in Paragraph 5.5 of Part B of Schedule 7.3 (*Value For Money*) to the Contract.
- 3.3 The Benchmarker shall be entitled to disclose Confidential Information to the extent that it is required to do so by applicable law or by order of a court or other public body that has jurisdiction over the Benchmarker.
- 3.4 Before making a disclosure pursuant to Clause 3.3, the Benchmarker shall, if the circumstances permit:
- (a) notify the Supplier in writing of the proposed disclosure as soon as possible (and if possible before the court or other public body orders the disclosure of the Confidential Information); and
  - (b) ask the court or other public body to treat the Confidential Information as confidential.

**4 General**

- 4.1 The Benchmarker acknowledges and agrees that all property, including intellectual property rights, in Confidential Information disclosed to it by the Supplier shall remain with and be vested in the Supplier.
- 4.2 This agreement does not include, expressly or by implication, any representations, warranties or other obligations:
- (a) to grant the Benchmarker any licence or rights other than as may be expressly stated in this agreement;
  - (b) to require the Supplier to disclose, continue disclosing or update any Confidential Information; or
  - (c) as to the accuracy, efficacy, completeness, capabilities, safety or any other qualities whatsoever of any Information or materials provided pursuant to or in anticipation of this agreement.
- 4.3 The rights, powers and remedies provided in this agreement are cumulative and not exclusive of any rights, powers or remedies provided by law. No failure or delay by either Party to exercise any right, power or remedy will operate as a waiver of it nor will any partial exercise preclude any further exercise of the same, or of some other right, power or remedy.
- 4.4 Without prejudice to any other rights or remedies that the Supplier may have, the Benchmarker acknowledges and agrees that damages alone may not be an adequate remedy for any breach by the Benchmarker of any of the provisions of this agreement. Accordingly, the Benchmarker acknowledges that the Supplier shall be entitled to the remedies of injunction and specific performance as well as any other equitable relief for any threatened or actual breach of this agreement and/or breach of confidence and that no proof of special damages shall be necessary for the enforcement of such remedies.

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- 4.5 The maximum liability of the Benchmarker to the Supplier for any breach of this agreement shall be limited to ten million pounds Sterling (£10,000,000).
- 4.6 For the purposes of the Contracts (Rights of Third Parties) Act 1999 no one other than the Parties has the right to enforce the terms of this agreement.
- 4.7 Each Party shall be responsible for all costs incurred by it or on its behalf in connection with this agreement.
- 4.8 This agreement may be executed in any number of counterparts and by the Parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

**5 Notices**

- 5.1 Any notice to be given under this agreement (each a “**Notice**”) shall be given in writing and shall be delivered by hand and shall be deemed to have been duly given at the time of delivery provided that such Notice is sent to the relevant physical address, and expressly marked for the attention of the relevant individual, set out in Clause 5.2.

## 5.2 Any Notice:

- (a) if to be given to the Supplier shall be sent to:

**[Address]**

Attention: **[Contact name and/or position, e.g. “The Finance Director”]**

- (b) if to be given to the Benchmarker shall be sent to:

**[Name of Organisation]**  
**[Address]**

Attention: [ ]

**6 Governing law**

- 6.1 This agreement shall be governed by, and construed in accordance with, English law and any matter claim or dispute arising out of or in connection with this Agreement whether contractual or non-contractual, shall be governed by and determined in accordance with English law.
- 6.2 Each Party hereby irrevocably submits to the exclusive jurisdiction of the English courts in respect of any claim or dispute arising out of or in connection with this agreement.

**IN WITNESS** of the above this Agreement has been signed by the duly authorised representatives of the Parties on the date which appears at the head of page 1.

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**For and on behalf of [*name of Supplier*]**

Signature:  
\_\_\_\_\_

Date:

Name:

Position:

**For and on behalf of [*name of Benchmark*]**

Signature:  
\_\_\_\_\_

Date:

Name:

Position:

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**SCHEDULE 7.4**

**FINANCIAL DISTRESS**



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## Financial Distress

**1 DEFINITIONS**

In this Schedule, the following definitions shall apply:

<b>“Applicable Financial Indicators”</b>	means the financial indicators from Paragraph 5.1 of this Schedule which are to apply to the Monitored Suppliers as set out in Paragraph 5.2 of this Schedule;
<b>“Board”</b>	means the Supplier’s board of directors;
<b>“Board Confirmation”</b>	means written confirmation from the Board in accordance with Paragraph 8 of this Schedule;
<b>“Credit Rating Level”</b>	a credit rating level as specified in Annex 1 of this Schedule;
<b>“Credit Rating Threshold”</b>	the minimum Credit Rating Level for each entity in the FDE Group as set out in Annex 3 of this Schedule;
<b>“FDE Group”</b>	means the Supplier, Key Sub-contractors and the Monitored Suppliers;
<b>“Financial Indicators”</b>	<p>a) in respect of the Supplier and Key Sub-contractors means each of the financial indicators set out at Paragraph 5.1 of this Schedule; and</p> <p>b) in respect of each Monitored Supplier, means those Applicable Financial Indicators;</p>
<b>“Financial Target Thresholds”</b>	means the target thresholds for each of the Financial Indicators set out at Paragraph 5.1 of this Schedule;
<b>“Monitored Suppliers”</b>	means those entities specified at Paragraph 5.2 of this Schedule; and
<b>“Rating Agencies”</b>	the rating agencies listed in Annex 1 of this Schedule.

**2 WARRANTIES AND DUTY TO NOTIFY**

- 2.1 The Supplier warrants and represents to the Authority for the benefit of the Authority that as at the Effective Date:

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- (a) the long term credit ratings issued for each entity in the FDE Group by each of the Rating Agencies are as set out in Annex 3 of this Schedule; and
  - (b) the financial position or, as appropriate, the financial performance of each of the Supplier, Guarantor and Key Sub-contractors satisfies the Financial Target Thresholds.
- 2.2 The Supplier shall promptly notify (or shall procure that its auditors promptly notify) the Authority in writing if there is any downgrade in the credit rating issued by any Rating Agency for any entity in the FDE Group (and in any event within five (5) Working Days of the occurrence of the downgrade).
- 2.3 The Supplier shall:
  - (a) regularly monitor the credit ratings of each entity in the FDE Group with the Rating Agencies;
  - (b) monitor and report on the Financial Indicators for each entity in the FDE Group against the Financial Target Thresholds at least at the frequency set out for each at Paragraph 5.1 (where specified) and in any event, on a regular basis and no less than once a year within one hundred and twenty (120) days after the Accounting Reference Date; and
  - (c) promptly notify (or shall procure that its auditors promptly notify) the Authority in writing following the occurrence of a Financial Distress Event or any fact, circumstance or matter which could cause a Financial Distress Event (and in any event, ensure that such notification is made within ten (10) Working Days of the date on which the Supplier first becomes aware of the Financial Distress Event or the fact, circumstance or matter which could cause a Financial Distress Event).
- 2.4 For the purposes of determining whether a Financial Distress Event has occurred pursuant to the provisions of Paragraph 3.1(a), and for the purposes of determining relief under Paragraph 7.1, the credit rating of an FDE Group entity shall be deemed to have dropped below the applicable Credit Rating Threshold if:
  - (a) any of the Rating Agencies have given a Credit Rating Level for that entity which is below the applicable Credit Rating Threshold; or
  - (b) a Rating Agency that is specified as holding a Credit Rating for an entity as set out at Annex 3 of this Schedule ceases to hold a Credit Rating for that entity.
- 2.5 Each report submitted by the Supplier pursuant to Paragraph 2.3(b) shall:
  - (a) be a single report with separate sections for each of the FDE Group entities;
  - (b) contain a sufficient level of information to enable the Authority to verify the calculations that have been made in respect of the Financial Indicators;
  - (c) include key financial and other supporting information (including any accounts data that has been relied on) as separate annexes;



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- (d) be based on the audited accounts for the date or period on which the Financial Indicator is based or, where the Financial Indicator is not linked to an accounting period or an Accounting Reference Date, on unaudited management accounts prepared in accordance with their normal timetable; and
- (e) include a history of the Financial Indicators reported by the Supplier in graph form to enable the Authority to easily analyse and assess the trends in financial performance.

### 3 FINANCIAL DISTRESS EVENTS

#### 3.1 The following shall be Financial Distress Events:

- (a) the credit rating of an FDE Group entity dropping below the applicable Credit Rating Threshold;
- (b) an FDE Group entity issuing a profits warning to a stock exchange or making any other public announcement, in each case about a material deterioration in its financial position or prospects;
- (c) there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of an FDE Group entity;
- (d) an FDE Group entity committing a material breach of covenant to its lenders;
- (e) a Sub-contractor notifying the Authority that the Supplier has not satisfied any material sums properly due under a specified invoice and not subject to a genuine dispute;
- (f) any of the following:
  - (i) commencement of any litigation against an FDE Group entity with respect to financial indebtedness greater than £5m or obligations under a service contract with a total contract value greater than £5m;
  - (ii) non-payment by an FDE Group entity of any financial indebtedness;
  - (iii) any financial indebtedness of an FDE Group entity becoming due as a result of an event of default;
  - (iv) the cancellation or suspension of any financial indebtedness in respect of an FDE Group entity; or
  - (v) the external auditor of an FDE Group entity expressing a qualified opinion on, or including an emphasis of matter in, its opinion on the statutory accounts of that FDE entity;

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in each case which the Authority reasonably believes (or would be likely reasonably to believe) could directly impact on the continued performance and delivery of the Services in accordance with this Agreement; and

- (g) any one of the Financial Indicators set out at Paragraph 5 for any of the FDE Group entities failing to meet the required Financial Target Threshold.

#### **4 CONSEQUENCES OF FINANCIAL DISTRESS EVENTS**

- 4.1 Immediately upon notification by the Supplier of a Financial Distress Event (or if the Authority becomes aware of a Financial Distress Event without notification and brings the event to the attention of the Supplier), the Supplier shall have the obligations and the Authority shall have the rights and remedies as set out in Paragraphs 4.3 to 4.6.
- 4.2 In the event of a late or non-payment of a Sub-contractor pursuant to Paragraph 3.1(e), the Authority shall not exercise any of its rights or remedies under Paragraph 4.3 without first giving the Supplier ten (10) Working Days to:
  - (a) rectify such late or non-payment; or
  - (b) demonstrate to the Authority's reasonable satisfaction that there is a valid reason for late or non-payment.
- 4.3 The Supplier shall (and shall procure that any Monitored Supplier, the Guarantor and/or any relevant Key Sub-contractor shall):
  - (a) at the request of the Authority, meet the Authority as soon as reasonably practicable (and in any event within three (3) Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Authority may permit and notify to the Supplier in writing) to review the effect of the Financial Distress Event on the continued performance and delivery of the Services in accordance with this Agreement; and
  - (b) where the Authority reasonably believes (taking into account the discussions and any representations made under Paragraph 4.3(a)) that the Financial Distress Event could impact on the continued performance and delivery of the Services in accordance with this Agreement:
    - (i) submit to the Authority for its approval, a draft Financial Distress Remediation Plan as soon as reasonably practicable (and in any event, within ten (10) Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Authority may permit and notify to the Supplier in writing); and



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- (ii) to the extent that it is legally permitted to do so and subject to Paragraph 4.8, provide such information relating to the Supplier, any Monitored Supplier, Key Sub-contractors and/or the Guarantor as the Authority may reasonably require in order to understand the risk to the Services, which may include forecasts in relation to cash flow, orders and profits and details of financial measures being considered to mitigate the impact of the Financial Distress Event.
- 4.4 The Authority shall not withhold its approval of a draft Financial Distress Remediation Plan unreasonably. If the Authority does not approve the draft Financial Distress Remediation Plan, it shall inform the Supplier of its reasons and the Supplier shall take those reasons into account in the preparation of a further draft Financial Distress Remediation Plan, which shall be resubmitted to the Authority within five (5) Working Days of the rejection of the first draft. This process shall be repeated until the Financial Distress Remediation Plan is approved by the Authority or referred to the Dispute Resolution Procedure under Paragraph 4.5.
- 4.5 If the Authority considers that the draft Financial Distress Remediation Plan is insufficiently detailed to be properly evaluated, will take too long to complete or will not ensure the continued performance of the Supplier's obligations in accordance with the Agreement, then it may either agree a further time period for the development and agreement of the Financial Distress Remediation Plan or escalate any issues with the draft Financial Distress Remediation Plan using the Dispute Resolution Procedure.
- 4.6 Following approval of the Financial Distress Remediation Plan by the Authority, the Supplier shall:
  - (a) on a regular basis (which shall not be less than fortnightly):
    - (i) review and make any updates to the Financial Distress Remediation Plan as the Supplier may deem reasonably necessary and/or as may be reasonably requested by the Authority, so that the plan remains adequate, up to date and ensures the continued performance and delivery of the Services in accordance with this Agreement; and
    - (ii) provide a written report to the Authority setting out its progress against the Financial Distress Remediation Plan, the reasons for any changes made to the Financial Distress Remediation Plan by the Supplier and/or the reasons why the Supplier may have decided not to make any changes;
  - (b) where updates are made to the Financial Distress Remediation Plan in accordance with Paragraph 4.6(a), submit an updated Financial Distress Remediation Plan to the Authority for its approval, and the provisions of Paragraphs 4.4 and 4.5 shall apply to the review and approval process for the updated Financial Distress Remediation Plan; and
  - (c) comply with the Financial Distress Remediation Plan (including any updated Financial Distress Remediation Plan) and ensure that it achieves the financial and performance requirements set out in the Financial Distress Remediation Plan.

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- 4.7 Where the Supplier reasonably believes that the relevant Financial Distress Event under Paragraph 4.1 (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the Authority and the Parties may agree that the Supplier shall be relieved of its obligations under Paragraph 4.6.
- 4.8 The Supplier shall use reasonable endeavours to put in place the necessary measures to ensure that the information specified at Paragraph 4.3(b)(ii) is available when required and on request from the Authority and within reasonable timescales. Such measures may include:
- (a) obtaining in advance written authority from Key Sub-contractors, the Guarantor and/or Monitored Suppliers authorising the disclosure of the information to the Authority and/or entering into confidentiality agreements which permit disclosure;
  - (b) agreeing in advance with the Authority, Key Sub-contractors, the Guarantor and/or Monitored Suppliers a form of confidentiality agreement to be entered by the relevant parties to enable the disclosure of the information to the Authority;
  - (c) putting in place any other reasonable arrangements to enable the information to be lawfully disclosed to the Authority (which may include making price sensitive information available to Authority nominated personnel through confidential arrangements, subject to their consent); and
  - (d) disclosing the information to the fullest extent that it is lawfully entitled to do so, including through the use of redaction, anonymization and any other techniques to permit disclosure of the information without breaching a duty of confidentiality.

**5 FINANCIAL INDICATORS**

- 5.1 Subject to the calculation methodology set out at Annex 4 of this Schedule, the Financial Indicators and the corresponding calculations and thresholds used to determine whether a Financial Distress Event has occurred in respect of those Financial Indicators, shall be as follows:

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Financial Indicator	Calculation <sup>1</sup>	Financial Target Threshold:	Monitoring and Reporting Frequency (if different from the default position set out in Paragraph 2.3(b))
1  Operating Margin	<div></div> <div></div> <div></div> <div></div> <div></div>	<div></div>	<div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div>
2  Net Debt to EBITDA Ratio	<div></div> <div></div> <div></div> <div></div> <div></div>	<div></div>	<div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div>
3  Net Interest Paid Cover	<div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div>	<div></div>	<div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div>



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4  Acid Ratio	[REDACTED]	F [REDACTED]	[REDACTED]
	[REDACTED]		[REDACTED]
	[REDACTED]		[REDACTED]
	[REDACTED]		[REDACTED]
	[REDACTED]		[REDACTED]
	[REDACTED]		[REDACTED]
	[REDACTED]		[REDACTED]
	[REDACTED]		[REDACTED]

Key: <sup>1</sup> - See Annex 4 of this Schedule which sets out the calculation methodology to be used in the calculation of each Financial Indicator.

5.2 Monitored Suppliers

Monitored Supplier	Applicable Financial Indicators  (these are the Financial Indicators from the table in Paragraph 5.1 which are to apply to the Monitored Suppliers)
None.	

6 TERMINATION RIGHTS

The Authority shall be entitled to terminate this Agreement under Clause 33.1(b) (*Termination by the Authority*) if:

- (a) the Supplier fails to notify the Authority of a Financial Distress Event in accordance with Paragraph 2.3(c);
- (b) the Parties fail to agree a Financial Distress Remediation Plan (or any updated Financial Distress Remediation Plan) in accordance with Paragraphs 4.3 to 4.5; and/or
- (c) the Supplier fails to comply with the terms of the Financial Distress Remediation Plan (or any updated Financial Distress Remediation Plan) in accordance with Paragraph 4.6(c).



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**7 PRIMACY OF CREDIT RATINGS**

7.1 Without prejudice to the Supplier's obligations and the Authority's rights and remedies under Paragraph 2, if, following the occurrence of a Financial Distress Event pursuant to any of Paragraphs 3.1(b) to 3.1(g), the Rating Agencies review and report subsequently that the credit ratings for the FDE Group entities do not drop below the relevant Credit Rating Thresholds specified for those entities in Annex 3 of this Schedule, then:

- (a) the Supplier shall be relieved automatically of its obligations under Paragraphs 4.3 to 4.6; and
- (b) the Authority shall not be entitled to require the Supplier to provide financial information in accordance with Paragraph 4.3(b)(ii).

**8 BOARD CONFIRMATION**

8.1 Subject to Paragraph 8.4 of this Schedule, the Supplier shall within one hundred and twenty (120) days after each Accounting Reference Date or within fifteen (15) months of the previous Board Confirmation (whichever is the earlier) provide a Board Confirmation to the Authority in the form set out at Annex 5 of this Schedule, confirming that to the best of the Board's knowledge and belief, it is not aware of and has no knowledge:

- (a) that a Financial Distress Event has occurred since the later of the Effective Date or the previous Board Confirmation or is subsisting; or
- (b) of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event.

8.2 The Supplier shall ensure that in its preparation of the Board Confirmation it exercises due care and diligence and has made reasonable enquiry of all relevant Supplier Personnel and other persons as is reasonably necessary to understand and confirm the position.

8.3 In respect of the first Board Confirmation to be provided under this Agreement, the Supplier shall provide the Board Confirmation within fifteen (15) months of the Effective Date if earlier than the timescale for submission set out in Paragraph 8.1 of this Schedule.

8.4 Where the Supplier is unable to provide a Board Confirmation in accordance with Paragraphs 8.1 to 8.3 of this Schedule due to the occurrence of a Financial Distress Event or knowledge of subsisting matters which could reasonably be expected to cause a Financial Distress Event, it will be sufficient for the Supplier to submit in place of the Board Confirmation, a statement from the Board of Directors to the Authority (and where the Supplier is a Strategic Supplier, the Supplier shall send a copy of the statement to the Cabinet Office Markets and Suppliers Team) setting out full details of any Financial Distress Events that have occurred and/or the matters which could reasonably be expected to cause a Financial Distress Event.

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**ANNEX 1: RATING AGENCIES AND THEIR STANDARD RATING SYSTEM****1 Dun & Bradstreet**

**1.1 The Credit Rating and Credit Rating Threshold will be based on the composite Worth/ Credit Rating indicators:**

Financial Strength Indicator	Tangible Net Worth in £		Composite Credit Appraisal			
	From	To	High	Good	Fair	Limited
5A	35,000,000	And above	1	2	3	4
4A	15,000,000	34,999,999	1	2	3	4
3A	7,000,000	14,999,999	1	2	3	4
2A	1,500,000	6,999,999	1	2	3	4
1A	700,000	1,499,999	1	2	3	4
A	350,000	699,999	1	2	3	4
B	200,000	349,999	1	2	3	4
C	100,000	199,999	1	2	3	4
D	70,000	99,999	1	2	3	4
E	35,000	69,999	1	2	3	4
F	20,000	34,999	1	2	3	4
G	8,000	19,999	1	2	3	4
H	-	7,999	1	2	3	4
N	Negative net worth					
O	Net worth undetermined (accounts unavailable or older than 2 years)					

Risk Indicator	Probability of Failure	Guide to Interpretation
1	Minimum Risk	Proceed with transaction - offer extended terms if required
2	Lower than average risk	Proceed with transaction
3	Higher than average risk	Proceed with transaction but monitor closely
4	High risk	Take suitable assurances before extending credit
5	Undetermined	Insufficient Information to assign a risk indicator

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**ANNEX 2: NOT USED**

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**ANNEX 3: CREDIT RATINGS AND CREDIT RATING THRESHOLDS**

Entity	Credit Rating (long term) <i>(insert credit rating issued for the entity at the Effective Date)</i>	Credit Rating Threshold <i>(insert the actual rating (e.g AA-) or the Credit Rating Level (e.g Credit Rating Level 3))</i>
██████████	████	████
████████████████████	████	████



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**ANNEX 4: CALCULATION METHODOLOGY FOR FINANCIAL INDICATORS**

The Supplier shall ensure that it uses the following general and specific methodologies for calculating the Financial Indicators against the Financial Target Thresholds:

**General methodology**

1. **Terminology:** The terms referred to in this Annex are those used by UK companies in their financial statements. Where the entity is not a UK company, the corresponding items should be used even if the terminology is slightly different (for example a charity would refer to a surplus or deficit rather than a profit or loss).
2. **Groups:** Where the entity is the holding company of a group and prepares consolidated financial statements, the consolidated figures should be used.
3. **Foreign currency conversion:** Figures denominated in foreign currencies should be converted at the exchange rate in force at the relevant date for which the Financial Indicator is being calculated.
4. **Treatment of non-underlying items:** Financial Indicators should be based on the figures in the financial statements before adjusting for non-underlying items.

**Specific Methodology**

Financial Indicator	Specific Methodology
1 <b><u>Operating Margin</u></b>	<p>The elements used to calculate the Operating Margin should be shown on the face of the Income Statement in a standard set of financial statements.</p> <p>Figures for Operating Profit and Revenue should exclude the entity's share of the results of any joint ventures or Associates.</p> <p>Where an entity has an operating loss (i.e. where the operating profit is negative), Operating Profit should be taken to be zero.</p>
2	<p><b><i>"Net Debt" = Bank overdrafts + Loans and borrowings + Finance leases + Deferred consideration payable - Cash and cash equivalents</i></b></p> <p><b><i>"EBITDA" = Operating profit + Depreciation charge + Amortisation charge</i></b></p> <p>The majority of the elements used to calculate the Net Debt</p>

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<p><b><u>Net Debt to EBITDA Ratio</u></b></p>	<p>to EBITDA Ratio should be shown on the face of the Balance sheet, Income statement and Statement of Cash Flows in a standard set of financial statements but will otherwise be found in the notes to the financial statements.</p> <ul style="list-style-type: none"> <li>• <b><u>Net Debt</u></b>: The elements of Net Debt may be described slightly differently and should be found either on the face of the Balance Sheet or in the relevant note to the financial statements. All interest bearing liabilities (other than retirement benefit obligations) should be included as borrowings as should, where disclosed, any liabilities (less any assets) in respect of any hedges designated as linked to borrowings (but not non-designated hedges). Borrowings should also include balances owed to other group members. Deferred consideration payable should be included in Net Debt despite typically being non-interest bearing.</li> </ul> <p>Cash and cash equivalents should include short-term financial investments shown in current assets.</p> <p>Where Net debt is negative (i.e. an entity has net cash), the relevant Financial Target Threshold should be treated as having been met.</p> <p><b><u>EBITDA</u></b>: Operating profit should be shown on the face of the Income Statement and, for the purposes of calculating this Financial Indicator, should include the entity's share of the results of any joint ventures or Associates. <i>The depreciation and amortisation charges for the period may be found on the face of the Statement of Cash Flows or in a Note to the Accounts. Where EBITDA is negative, the relevant Financial Target Threshold should be treated as not having been met (unless Net Debt is also negative, in which case the relevant Financial Target Threshold should be treated as having been met).</i></p>
<p>3</p> <p><b><u>Net Interest Paid Cover</u></b></p>	<p><b><i>"Earnings Before Interest and Tax" = Operating profit</i></b>  <b><i>"Net Interest Paid" = Interest paid - Interest received</i></b></p> <p>Operating profit should be shown on the face of the Income Statement in a standard set of financial statements and, for the purposes of calculating this Financial Indicator, should include the entity's share of the results of any joint ventures or Associates.</p> <p>Interest received and interest paid should be shown on the face of the Cash Flow statement.</p>

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	Where Net Interest Paid is negative (i.e. the entity has net interest received), the relevant Financial Target Threshold should be treated as having been met.
<b>4</b> <b><u>Acid Ratio</u></b>	All elements that are used to calculate the Acid Ratio are available on the face of the Balance Sheet in a standard set of financial statements.



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**ANNEX 5: Board Confirmation**

**Supplier Name:**

**Contract Reference Number:**

The Board of Directors acknowledge the requirements set out at Paragraph 8 of Schedule 7.4 (*Financial Distress*) and confirm that the Supplier has exercised due care and diligence and made reasonable enquiry of all relevant Supplier Personnel and other persons as is reasonably necessary to enable the Board to prepare this statement.

The Board of Directors confirms, to the best of its knowledge and belief, that as at the date of this Board Confirmation it is not aware of and has no knowledge:

- a) that a Financial Distress Event has occurred since the later of the previous Board Confirmation and the Effective Date or is subsisting; or
- b) of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event

On behalf of the Board of Directors:

Chair .....

Signed .....

Date .....

Director .....

Signed .....

Date .....



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**SCHEDULE 7.5**

**FINANCIAL REPORTS**

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**Financial Reports****1 DEFINITIONS**

In this Schedule, the following definitions shall apply:

- “Financial Reports”** the reports listed in Paragraph 1.1 of Part B;
- “Financial Representative”** a reasonably skilled and experienced member of the Supplier’s staff who has specific responsibility for preparing, maintaining, facilitating access to, discussing and explaining the Open Book Data and Financial Reports;
- “Financial Transparency Objectives”** has the meaning given in Paragraph 1 of Part A;
- “Open Book Data”** complete and accurate financial and non-financial information which is sufficient to enable the Authority to verify the Charges already paid or payable and Charges forecast to be paid during the remainder of the Term, including details and all assumptions relating to:
- (a) the Supplier’s Costs broken down against each Service and/or Deliverable, including actual capital expenditure (including capital replacement costs) and the unit cost and total actual costs of all hardware and software;
  - (b) operating expenditure relating to the provision of the Services including an analysis showing:
    - (i) the unit costs and quantity of consumables and bought-in services;
    - (ii) manpower resources broken down into the number and grade/role of all Supplier Personnel (free of any contingency) together with a list of agreed rates against each manpower grade;
    - (iii) a list of Costs underpinning those rates for each manpower grade, being the agreed rate less the Supplier’s Profit Margin; and
    - (iv) Reimbursable Expenses;
  - (c) Overheads;
  - (d) all interest, expenses and any other third party financing costs incurred in relation to the

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provision of the Services;

- (e) the Supplier Profit achieved over the Term and on an annual basis;
- (f) confirmation that all methods of Cost apportionment and Overhead allocation are consistent with and not more onerous than such methods applied generally by the Supplier;
- (g) an explanation of the type and value of risk and contingencies associated with the provision of the Services, including the amount of money attributed to each risk and/or contingency; and
- (h) the actual Costs profile for each Service Period; and

**“Rolling Financial Statement”**

the statement in the form set out in Annex 1 showing financial performance for the Contract Year to date and forecast for the next twelve (12) months, including the Charges, revenues, Costs, Supplier Profit and Supplier Profit Margin.

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**PART A: FINANCIAL TRANSPARENCY OBJECTIVES AND OPEN BOOK DATA****1 FINANCIAL TRANSPARENCY OBJECTIVES**

- 1.1 The Supplier acknowledges that the provisions of this Schedule are designed (inter alia) to facilitate, and the Supplier shall co-operate with the Authority in order to achieve, the following objectives:

**Understanding the Charges**

- (a) for the Authority to understand any payment sought from it by the Supplier including an analysis of the Costs, Overhead recoveries (where relevant), time spent by Supplier Personnel in providing the Services and the Supplier Profit Margin;
- (b) for both Parties to be able to understand the Cost Model and Cost forecasts and to have confidence that these are based on justifiable numbers and appropriate forecasting techniques;
- (c) to facilitate the use of gain share and/or Guaranteed Maximum Price with Target Cost pricing mechanisms (where relevant as referred to in Schedule 7.1 (*Charges and Invoicing*) or Schedule 7.3 (*Value for Money*));
- (d) for both Parties to be able to review, address issues with and re-forecast progress in relation to the provision of the Services;

**Agreeing the impact of Contract Change**

- (e) for both Parties to agree the quantitative impact of any Contract Changes that affect ongoing costs and to identify how these could be mitigated and/or reflected in the Supplier's Charges;

**Continuous improvement**

- (f) for the Parties to challenge each other with ideas for efficiency and improvements; and
- (g) to enable the Authority to demonstrate that it is achieving value for money for the tax payer relative to current market prices,

(together the “Financial Transparency Objectives”).

**2 OPEN BOOK DATA**

- 2.1 The Supplier acknowledges the importance to the Authority of the Financial Transparency Objectives and the Authority's need for complete transparency in the way in which the Charges are calculated.
- 2.2 During the Term, and for a period of seven (7) years following the end of the Term, the Supplier shall:
- (a) maintain and retain the Open Book Data; and
  - (b) disclose and allow the Authority and/or the Audit Agents access to the Open Book Data.



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**3 VISIBILITY THROUGH FINANCIAL REPORTING**

3.1 Without prejudice to the generality of Paragraph 2, the Supplier shall, if requested by the Authority, promptly provide to the Authority details of the elements used to make up any Charges, including:

- (a) the Supplier's total GMP+TC for the Services and/or Deliverables;
- (b) the margin included in that total GMP+TC price;
- (c) a list of the agreed prices against each manpower grade in the Financial Model;
- (d) a list of the costs underpinning those prices for each manpower grade in the Financial Model, being the price less the margin;
- (e) a summary of the costs broken down against each Service and/or Deliverable;
- (f) details of any other manpower costs, not already included in these rates, for all activities to be undertaken;
- (g) explanation of any underlying assumptions regarding:
  - (i) overtime rates;
  - (ii) standard hours;
  - (iii) accommodation charges; and
  - (iv) discounts applied;
- (h) a resource estimating model to support the Charges and any Changes (if applicable);
- (i) a breakdown of manpower resources by the number and type of Supplier Personnel (including any Sub-contractors) required for each Deliverable and/or Service and free of any contingency. This should also apply to third party costs;
- (j) the total price of Deliverables broken down by volume, unit cost and margin;
- (k) any additional activities, costs and, risks that may impact the Authority and which are not already covered by the Charges;
- (l) an explanation of the type and value of risk associated with the provision of Services, including the amount of money attributable to each risk;
- (m) an explanation and supporting details of any financing costs applicable to the Agreement;
- (n) the actual Charges profile for each Service Period; and

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- (o) any additional information as the Authority reasonably requires.

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**PART B: FINANCIAL REPORTS**

**1 PROVISION OF THE FINANCIAL REPORTS**

**1.1** The Supplier shall provide:

- (a) the Cost Model on or before the Effective Date; and
- (b) during the Term:
  - (i) the Financial Model within ten (10) Working Days after the end of each Service Period; and
  - (ii) a revised copy of the Rolling Financial Statement within two (2) weeks after the end of each Quarter,

(each a “**Model**” and together the “**Models**”).

**1.2** Each Model shall:

- (a) be completed by the Supplier using reasonable skill and care;
- (b) incorporate and use the same defined terms as are used in this Agreement;
- (c) quote all monetary values in pounds sterling;
- (d) quote all Costs as exclusive of any VAT;
- (e) quote all Costs and Charges based on current prices; and
- (f) be accurate and not misleading.

**1.3** The Supplier shall ensure that:

- (a) the Rolling Financial Statement is a true and fair reflection of:
  - (i) the Charges invoiced and revenue earned and forecast to be invoiced/earned;
  - (ii) the Costs incurred and forecast to be incurred; and
  - (iii) the Management Fee achieved and forecast to be achieved; and
- (b) the Financial Model:
  - (i) is prepared using the same methodology as that used for the Cost Model; and
  - (ii) complies with the requirements in Part D (Financial Model) of Schedule 7.1 (*Charges and Invoicing*).



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1.4 Each Rolling Financial Statement prepared at the end of a Contract Year and/or at the end of the Term shall be certified by the Supplier's Chief Financial Officer or Director of Finance (or equivalent as agreed in writing by the Authority in advance of issue of the relevant Financial Report), acting with express authority, as:

- (a) being accurate and not misleading;
- (b) having been prepared in conformity with generally accepted accounting principles within the United Kingdom; and
- (c) being a true and fair reflection of the information included within the Supplier's management and statutory accounts.

1.5 Without prejudice to any other right or remedy of the Authority, if an audit undertaken pursuant to Clause 12 (*Records, Reports, Audits & Open Book Data*) identifies that there is an error in any Rolling Financial Statement, the Supplier shall promptly rectify the error.

## 2 NOTIFICATION OF EVENTS AFFECTING THE COSTS OR FORECAST CHARGES

2.1 If the Supplier becomes aware of the occurrence, or the likelihood of the future occurrence, of an event which will or may have a material effect on the following:

- (a) the Costs incurred (or those forecast to be incurred) by the Supplier; and/or
- (b) the forecast Charges for the remainder of the Term,

the Supplier shall, as soon as practicable, notify the Authority in writing of the event in question detailing the actual or anticipated effect. For the avoidance of doubt, notifications provided in accordance with this Paragraph 2.1 shall not have the effect of amending any provisions of this Agreement.

## 3 DISCUSSION OF ROLLING FINANCIAL STATEMENT OR OPEN BOOK DATA OR FINANCIAL MODEL

3.1 During the Term, and for a period of eighteen (18) months following the end of the Term, the Supplier shall make available the Financial Representative at reasonable times and on reasonable notice to answer any queries that the Authority may have on any copy of the Rolling Financial Statement, the Financial Model and/or Open Book Data.

3.2 Notwithstanding Paragraph 3.1, following the delivery by the Supplier of each Rolling Financial Statement and Financial Model:

- (a) the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting;
- (b) the Supplier shall make appropriate Supplier Personnel and advisers available to discuss any variations between:
  - (i) the relevant Rolling Financial Statement and the immediately preceding Rolling Financial Statement; and/or



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(ii) the relevant Financial Model and the immediately preceding Financial Model; and/or

(iii) the Financial Model and the Cost Model (as the case may be),

and to explain such variations (with reference to supporting evidence) to the satisfaction of the Authority.

3.3 In the case of the Financial Model, the Authority shall either, within ten (10) Working Days of the meeting referred to in Paragraph 3.2 notify the Supplier that:

(a) the relevant Financial Model contains errors or omissions or that further explanations or supporting information is required, in which event the Supplier shall make any necessary modifications to the Financial Model and/or supply the Authority with such supporting evidence as is required to address the Authority's concerns within ten (10) Working Days of such notification and the Authority shall following receipt of such amended Financial Model and/or supporting information, approve or reject such Financial Model; or

(b) the Authority has approved the relevant Financial Model.

3.4 Following approval by the Authority of the relevant Financial Model in accordance with Paragraph 3.3, that version shall become, with effect from the date of such approval, the current approved version of the Financial Model for the purposes of this Agreement, a version of which shall be held by both the Authority and the Supplier. If there is a Dispute regarding a Financial Model, the Authority's copy of the relevant Financial Model shall be authoritative.

3.5 If the Parties are unable to reach agreement on any Financial Model within thirty (30) Working Days of its receipt by the Authority, the matter shall be referred for determination in accordance with Schedule 8.4 (*Dispute Resolution Procedure*).

#### 4 KEY SUB-CONTRACTORS

4.1 The Supplier shall, if requested by the Authority, provide (or procure the provision of) a report or reports including the level of information set out in the Rolling Financial Statement in relation to the costs and expenses to be incurred by any of its Key Sub-contractors.

4.2 Without prejudice to the Audit Rights, the Supplier shall:

(a) be responsible for auditing the financial models/reports of its Key Sub-contractors and for any associated costs and expenses incurred or forecast to be incurred; and

(b) on written request by the Authority, provide the Authority or procure that the Authority is provided with:

(i) full copies of audit reports for the Key Sub-contractors. The Authority shall be entitled to rely on such audit reports; and

(ii) further explanation of, and supporting information in relation to, any audit reports provided.

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**ANNEX 1: FORM OF ROLLING FINANCIAL STATEMENT**

Template to be agreed within sixty (60) days of the Effective Date.

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**SCHEDULE 8.1**

**GOVERNANCE**

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**Governance****1 DEFINITIONS**

In this Schedule, the following definitions shall apply:

<b>“Contract Management Representatives”</b>	in respect of a Review Meeting, those contract management team representatives of either Party whose attendance is required pursuant to Paragraph 4 of this Schedule or is otherwise reasonably required to achieve the aims and objectives of the meeting, and any other persons considered by the Authority to be necessary for the review;
<b>“Escalation Level 1”</b>	in respect of the table at Paragraph 5.1 below, an Escalation Level 1 meeting, to be attended by representatives identified at Table 5.1, in accordance with Paragraph 2.1 (a) and (b) of Schedule 8.4 ( <i>Dispute Resolution Procedure</i> );
<b>“Escalation Level 2”</b>	in respect of the table at Paragraph 5.1 below, an Escalation Level 2 meeting, to be attended by representatives identified at Table 5.1, in accordance with Paragraph 4.1 of Schedule 8.4 ( <i>Dispute Resolution Procedure</i> );
<b>“Escalation Level 3”</b>	in respect of the table at Paragraph 5.1 below, an Escalation Level 3 meeting, to be attended by representatives identified at Table 5.1, in accordance with Paragraph 4.1 of Schedule 8.4 ( <i>Dispute Resolution Procedure</i> ); and
<b>“Review Meeting”</b>	a review meeting to consider the progress of the Agreement, discuss the Management Information and to review any operational issues that have arisen in the preceding review meetings.

**2 MANAGEMENT OF THE SERVICES**

- 2.1 Both Parties shall ensure that appropriate resource is made available on a regular basis such that the aims, objectives and specific provisions of this Agreement can be fully realised.

**Meetings**

- 2.2 Each Party shall ensure that its Contract Management Representatives shall make all reasonable efforts to attend Review Meetings at which that Contract Management Representative is required, as identified in Paragraph 4 and as otherwise reasonably required to achieve the aims and objectives of the meeting or at which they are considered by the Authority to be necessary. If any Contract Management Representative is not able to attend a Review Meeting at which it is required in accordance with this Paragraph 2.2, that person shall use all reasonable endeavours to ensure that:
- (a) a delegate attends the relevant Review Meeting in his/her place who (wherever possible) is properly briefed and prepared; and



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(b) that he/she is debriefed by such delegate after the Review Meeting.

2.3 Review Meetings shall be quorate as long as at least two Contract Management Representatives from each Party are present.

2.4 The provisions of this Schedule are without prejudice to other provisions of this Agreement which require regular meetings to take place between the Parties in connection with the delivery of the Services (including Monthly Performance Review Meetings as noted in Paragraph 4.1) and such other meetings which may be held with Other Suppliers and/or other third parties that the Authority may request from time to time. For the avoidance of doubt, such meetings shall also form part of the governance of this Agreement and the Supplier shall ensure that an appropriate representative attends, on the Supplier's behalf.

### 3 CONTRACT MANAGEMENT MECHANISMS

3.1 Both Parties shall pro-actively manage risks attributed to them under the terms of this Agreement.

3.2 The Supplier shall develop, operate, maintain and amend, as agreed with the Authority, processes for:

- (a) the identification and management of risks;
- (b) the identification and management of issues; and
- (c) monitoring and controlling project plans.

### 4 REVIEWS

4.1 Notwithstanding the requirements set out in Annex 1, the Parties shall attend Review Meetings at the following frequency:

	<b>Review Meeting</b>	<b>Frequency</b>
1.	Strategic Review Meeting	Bi-annual
2.	Contract Review Meeting	Quarterly
3.	Performance Review Meeting	Monthly
4.	Operational Review Meeting	Weekly or as required

4.2 The Parties shall agree the format of the Review Meetings (for example, face to face or telephone conference) in advance.

4.3 The Supplier shall provide the Authority with the most up to date Management Information relating to the previous two quarters at least five (5) Working Days before each Review Meeting.

**Strategic Review Meeting (row 1 of table in Paragraph 4.1)**

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- 4.4 The Parties shall hold a bi-annual Review Meeting on a date to be agreed between the Parties or, in the absence of such agreement, within thirty (30) Working Days within six (6) months of the Effective Date. The bi-annual Review Meeting will be attended by the Authority's Senior Responsible Owner and any other relevant Contract Management Representatives.
- 4.5 In respect of the period under review, the Authority will take into account in the Review Meeting any matters it considers necessary, including:
- (a) the Supplier's performance in respect of the Performance Indicators (including any relevant KPIs and SPIs trends analysis and whether the KPIs and SPIs reflect improvements in the Services over the Term and any efficiency gains made by the Supplier);
  - (b) any changes which may need to be made to the Services; and
  - (c) future requirements in relation to the Services.
- 4.6 The Authority shall prepare a report of its findings from the bi-annual Review Meeting and discuss with the Supplier how any proposed changes to the Agreement and/or to the Services shall be addressed. Any Contract Changes to be implemented in accordance with this Paragraph 4.6 shall be implemented in accordance with the Change Control Procedure.

**Contract Review Meeting (row 2 of table in Paragraph 4.1)**

- 4.7 The Parties shall hold a quarterly Review Meeting, on a date to be agreed between the Parties. The quarterly Review Meeting will be attended by the Authority's Commercial Manager and Contract Manager and any other relevant Contract Management Representatives.
- 4.8 In respect of the period under review, the Authority will take into account in the Review Meeting any matters it considers necessary, including:
- (a) overall performance against Performance Indicators;
  - (b) volume trends/general trend analysis;
  - (c) compliance and satisfaction levels;
  - (d) sustainability strategy and performance;
  - (e) business continuity issues and updates;
  - (f) proposals for improvements;
  - (g) financial stability;
  - (h) any changes which may need to be made to the Services
  - (i) risk assessments; and
  - (j) any security issues and the Security Management Plan.



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- 4.9 The quarterly Review Meeting shall be fully minuted by the Supplier. The prepared minutes shall be circulated by the Supplier to all attendees of the meeting, the Authority Representative and any other recipients agreed at the meeting. The minutes of each quarter's Review Meeting will be agreed between the Supplier Representative and the Authority Representative within fourteen (14) days of initial circulation.

**Performance Review Meeting (row 3 of table in Paragraph 4.1)**

- 4.10 A monthly Review Meeting will be held on a date to be agreed between the Parties. The monthly Review Meeting will be attended by the Authority's Commercial Manager and Contract Manager and any other relevant Contract Management Representatives.
- 4.11 In respect of the period under review, the Authority will take into account in the Review Meeting any matters it considers necessary, including:
- (a) the progress of the contract;
  - (b) the Management Information;
  - (c) any changes which may need to be made to the Services; and
  - (d) any problems which have arisen in the preceding months.
- 4.12 The monthly Review Meetings must be fully minuted by the Supplier. The prepared minutes shall be circulated by the Supplier to all attendees of the Review Meeting and also to the Authority Representative and any other recipients agreed at the meeting. The minutes of each month's Review Meeting will be agreed between the Supplier Representative and the Authority Representative within ten (10) days of initial circulation.

**Operational Review Meeting (row 4 of table in Paragraph 4.1)**

- 4.13 A weekly or as required Review Meeting will be held, on an agreed day of each week between the Parties. The weekly Review Meeting will be attended by the Supplier Representative, the Authority Representative and any other day to day contract managers of the Authority and may take the form of a weekly telephone conference.
- 4.14 In respect of the period under review, the Authority will take into account in the Review Meeting any matters it considers necessary, including:
- (a) contract progress;
  - (b) any problems which have arisen in the preceding weeks;
  - (c) any changes which may need to be made to the Services; and
  - (d) jointly managing a weekly issues and risk log to be updated at these meetings.
- 4.15 The weekly review is not required to be minuted however any actions being taken forward should be agreed in writing or using the issues log as a record.

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**5 CONTRACT MANAGEMENT ROLES AND DISPUTE ESCALATION LEVELS**

- 5.1 The Parties shall assign personnel with the appropriate skills and experience to perform the roles and responsibilities listed in the table below and where indicated as a “Key Role” below, the personnel performing that role on behalf of the Supplier is Key Personnel.

Role	Key Role	Responsibilities	Contact Name, Title & Contact Details		Escalation Level
			Authority	Supplier	
Senior Responsible Owner	No	Overall responsibility for delivery of the contract.	[REDACTED] [REDACTED] [REDACTED] [REDACTED]		3
Commercial Director	No	Overall responsibility for the Commercial integrity of the contract.	[REDACTED] [REDACTED] [REDACTED] [REDACTED]		2
Commercial Lead	No	Responsible for overseeing the Contract Review process.	[REDACTED] [REDACTED] [REDACTED]		1
Account Director	Yes	As set out in Schedule 9.2	As set out in Schedule 9.2	As set out in Schedule 9.2	3
Commercial Manager	Yes	As set out in Schedule 9.2	As set out in Schedule 9.2	As set out in Schedule 9.2	2
Service Delivery & CI Lead	Yes	As set out in Schedule 9.2	As set out in Schedule 9.2	As set out in Schedule 9.2	1
Mobilisation Manager	Yes	As set out in Schedule 9.2	As set out in Schedule 9.2	As set out in Schedule 9.2	N/A



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- 5.2 Subject to Clause 11.3 (*Governance*) and Schedule 9.2 (*Key Personnel*), in the event that the Supplier wishes to replace any of its Contract Management Representatives in the roles listed in Paragraph 5.1, the Supplier shall notify the Authority in writing of the proposed change for the Authority's agreement (such agreement not to be unreasonably withheld or delayed). Notwithstanding the foregoing it is intended that each Authority Contract Management Representative has at all times a counterpart Contract Management Representative of equivalent seniority and expertise.
- 5.3 The Authority may, by written notice to the Supplier, revoke or amend the authority of any of its Contract Management Representatives in the roles listed in Paragraph 5.1 or appoint a new Contract Management Representative into the role.

**6 SPECIFIC CONTRACT MANAGEMENT REQUIREMENTS**

The Supplier shall provide the Authority with Management Information in a consolidated report for the whole of the service provided under the contract. The report shall be provided monthly five (5) Working Days before the Performance Review to the nominated Authority Contract Manager. The final scope of requirements may vary and will be agreed with the Supplier during the Mobilisation period and will be subject to change for the duration of the Agreement. As a minimum the Management Information required by the Authority will include:

- (a) Executive summary;
- (b) Service levels and KPI performance;
- (c) Financial information;
- (d) Security incidents;
- (e) Health & safety trend analysis
- (f) Risks and Issues;
- (g) Complaints;
- (h) Continuous Improvement Report;
- (i) Change Requests; and
- (j) Operational trend analysis, including volumes.

This information should be detailed in monthly Management Information packs and performance dashboards as agreed.

**7 SUPPLIER RELATIONSHIP MANAGEMENT**

- 7.1 The Authority's aim is to create a strong, shared supplier relationship management (SRM) approach which engenders, encourages and rewards the implementation of innovative solutions to achieve objectives.

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- 7.2 The Authority's intention is, through innovative thinking, to work with suppliers post contract award to produce better solutions at a lower cost, without compromising customer service, than would otherwise be achieved without change.
- 7.3 The Supplier shall take a pro-active approach to the Authority's supplier relationship management (SRM) activity to ensure the strategic aims are achieved through the use by the Supplier of an effective account management structure.
- 7.4 The Supplier shall ensure that the Supplier Representative, who will be responsible for Authority account management, has the necessary authority to influence any operational activities that may be necessary to help strategic objectives and initiatives to be achieved.
- 7.5 The Supplier shall ensure that it commits to Authority account management in support of Supplier relationship management activity. The Supplier shall ensure that the Supplier Representative is accessible to the Authority at all times during normal working hours (Mon - Fri 08:00 to 18:00), subject to the provisions of Clause 14.3 to 14.5 (*Key Personnel*).
- 7.6 The Authority may require the Supplier, at any time during the Term, to complete:
- (a) an Authority supplier performance management (SPM) questionnaire using the e-sourcing portal;
  - (b) supplier chain risk management questionnaires such as CAESER (now known as "Corporate Responsibility" and details of which can be found at <https://nqc.com/corporate>); and/or
  - (c) data and information assurance assessments or questionnaires such as HADRIAN (now known as "Cyber Security" and details of which can be found at <https://nqc.com/cybersecurity>).
- 7.7 Notwithstanding Paragraphs 7.1-7.6 above, the Authority and the Supplier will manage this Agreement utilising the Strategic Supplier Relationship Management model set out in Annex 1 of this Schedule.



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**ANNEX 1: STRATEGIC SUPPLIER RELATIONSHIP MANAGEMENT**

The Authority and the Supplier agree to operate the following boards at the frequencies set out below:

**1. STRATEGIC SUPPLIER RELATIONSHIP MANAGEMENT (SSRM)**

- 1.1 The Authority and Supplier shall employ Strategic Supplier Relationship Management (SSRM) methodology throughout the lifetime of the contract. For the **Government**, Strategic Supplier Relationship Management (SSRM) is defined as: ***“The practices and behaviours adopted to engage more collaboratively with strategic suppliers to improve delivery of Government objectives and increase mutual value beyond that originally contracted.”***

**Purpose of SSRM**

By developing and implementing a joint business plan collaboratively we aim to strengthen the partnership between both the Authority and the Supplier, promote mutual understanding of each other's business imperatives, jointly work to achieve business outcomes aligned to both the Authority and the Supplier's strategic objectives, unlock innovation and improvement, effectively manage risk and identify mutual value add opportunities.

**Vision of SSRM**

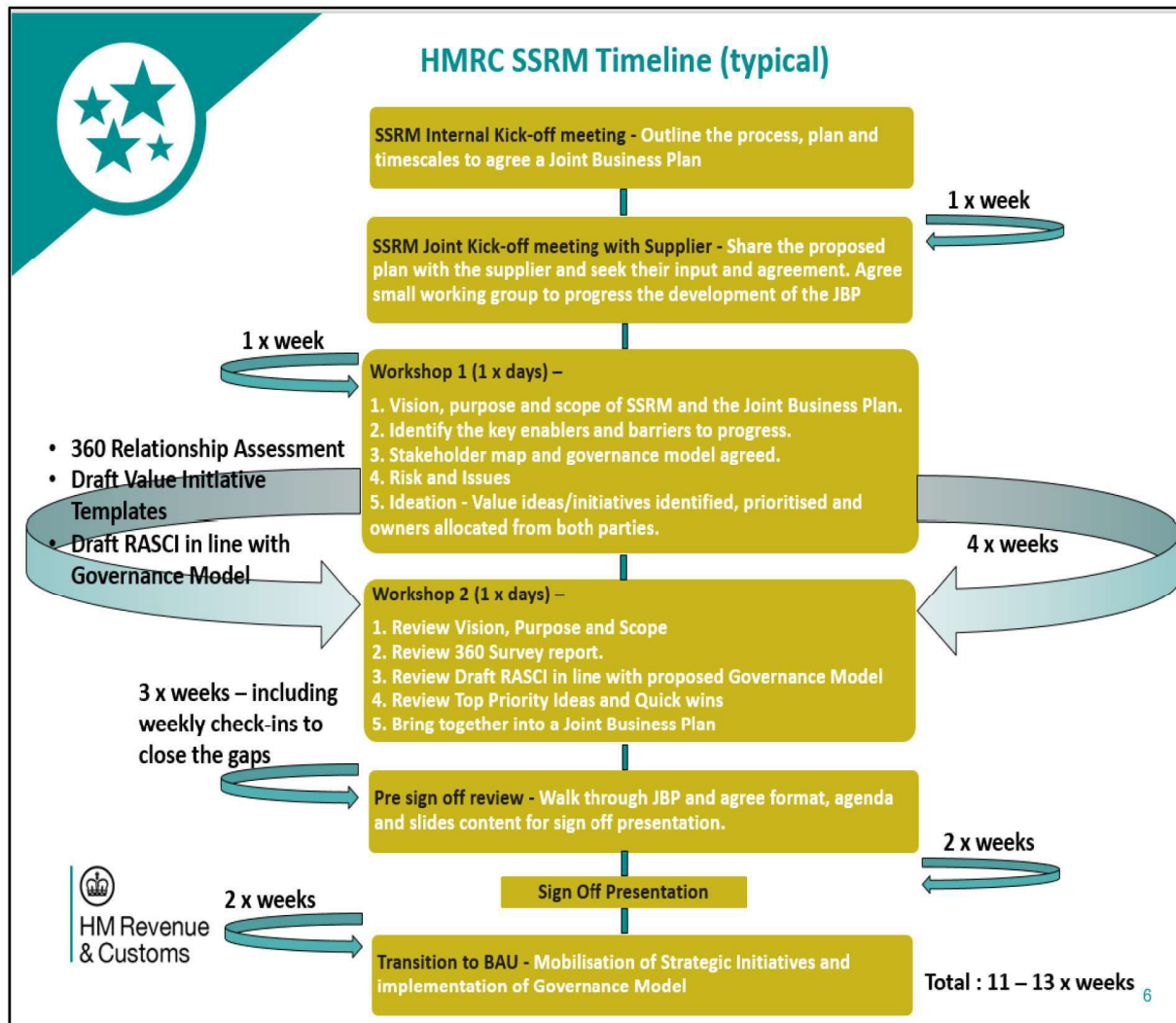
The vision for the relationship is of one that is based on trust and mutual respect. At all times we shall operate to the highest professional and ethical standards. Any issues that arise shall be resolved through open and transparent dialogue and recognise the legitimate interests of the Authority and the Supplier.

- 1.2 The Authority and the Supplier shall play a full and active role in the SSRM programme to develop and sign off a joint business plan to deliver mutual strategic goals.
- 1.3 The Supplier shall play a full and active role in supplier boards to drive innovation and value creation within the Authority's and the Supplier's organisation.
- 1.4 The Authority and the Supplier shall have named Account Executives, whose roles shall be to collaboratively lead the strategic relationship, engage the strategic stakeholders within their organisations to mutually adopt and agree.
- 1.5 Typical SSRM activities and timeline can be found at Table 1 below.

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Table 1



## 2. PERFORMANCE AND CONTRACT MANAGEMENT MEETINGS

- 2.1 The Supplier's Contract Manager is expected to ensure their Contract Management and Service Delivery Teams conducts themselves in a professional manner; responding and actioning communications in a timely manner so as to drive performance, customer experience and enhance the working relationship to meet or exceed service standards set out under the Agreement.
- 2.2 The Authority and the Supplier shall attend and fully participate in the annual Joint Strategic Board, quarterly Joint Strategic Steering Group and monthly Commercial and Operational Meetings to work collaboratively to ensure the Agreement is meeting the outcomes as set out in the specification.
- 2.3 Membership of the Joint Strategic Board shall be at Director level, Joint Strategic Steering Group shall be at Deputy Director level, Commercial Meetings shall be at Senior Commercial Manager level and Operational Meetings shall be at Senior Contract Manager level.



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**3. GOVERNANCE MODEL**

1. Strategic Leadership (Joint Strategic Board - Level 3)
2. Relationship Management (Joint Strategic Steering Group - Level 2)
3. Operational Management (Operational and Commercial Meetings - Level 1)

**Joint Strategic Board (Level 3)**

**Purpose**

Members will discuss direction and progress against the Authority and the Supplier's mutual strategic objectives, relationships, performance and a future view.

**Objectives**

- Strategic overview and planning
- Joint statement of intent
- Review of Joint Business Plan
- Resolution of matters escalated from JSSG

**Joint Strategic Steering Group (JSSG) (Level 2)**

**Purpose**

Members shall discuss direction and progress against the Authority's and the Supplier's mutual strategic goals, relationships, performance and a future view.

**Objectives**

- Agree and review a joint business plan and progress contract performance against strategic goals whilst ensuring the correct governance and assurance is in place.
- Ensure relationship aspects focus on a partnership approach to bring innovation and opportunities for alignment, leading HMRC's Estate to become more efficient in its day to day business.
- Consider how the commercial model is successful in bringing mutual value to all parties

**Commercial Management Monthly (Level 1)**

**Purpose**

Members to discuss commercial elements of the contract to ensure Operational Service delivery is unaffected.

Provide commercial advice and an escalation route for operational issues requiring long term resolution.

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- To administer the contract in an effective and efficient manner collaborating with the business and the supply chain to mitigate risk to all parties.
- Ensure the contract delivers to agreed cost and brings value creation through efficiency and innovation.
- Ensuring contract management plans, Contract Changes, risk registers, exit and contingency plans are in place and jointly agreed and recorded on the Authority Systems.
- Resolution of escalated risks and issues via negotiation with both Parties actively engaged

**Operational Management Monthly (Level 1)****Purpose**

Members to discuss operational performance against agreed service standards and KPI's based on the available Management Information.

**Objectives**

- Timely assessment and validation of payments ensuring performance deductions are correct and accounted for before payment is released.
- Monitoring, collecting and collating day to day performance information to challenge under performance; agreeing targeted action plans to drive improvements in service delivery where required.
- Assurance that the service and performance meets the agreed service standards and Cost Model.
- Realise the potential benefits of new, innovative solutions proposed by the supplier to release additional value into the contract to improve the customer experience.

**4. SUBCONTRACTOR MEETINGS**

- 4.1 The Supplier shall include in all of its Sub-contracts a requirement that a senior representative of the Sub-contractor shall meet with the Authority within one week of receiving a written request for a meeting from the Authority.
- 4.2 The Supplier agrees that the Authority can issue a request to a Sub-contractor to meet if it considers, at its sole discretion that such a meeting would assist in assuring that deliverables being provided by the Sub-contractor meet the agreed service and performance standards under this Agreement.
- 4.3 The Supplier shall attend any meetings between the Authority and the Sub-contractor if any of the Authority or the Sub-contractor consider it would assist in assuring that deliverables being provided by the Sub-contractor meet the agreed service and performance standard under this Agreement.