

SCHEDULE 6 - PRICING OF CHANGE

1. Definitions

1.1 Without prejudice to the Schedule 1 (Definitions and Interpretations), for the purposes of this Schedule 6, the following terms shall have the following meanings:

Term	Definition
Authority Approved CI	Has the meaning set out in Schedule 14 (Continuous Improvement Plan);
Contractor CI	Has the meaning set out in Schedule 14 (Continuous Improvement Plan);
Final Proposal	Has the meaning set out in Schedule 5 (Change and Change Management);
Gainshare	Means the arrangement detailed in paragraph 6 of this Schedule 6, which provides a financial benefit to both Parties through savings made as a result of Authority Approved CI;
Gainshare Fee	Means the share of any Gainshare received by the Contractor;
Monthly Sum	Has the meaning set out in paragraph 3 of Schedule 3 (Contract Price and Payment);;
Outline Proposal	Has the meaning set out in Schedule 5 (Change and Change Management);
Routine Change	Has the meaning set out in Schedule 5 (Change and Change Management);
Routine Change Request	Has the meaning set out in Schedule 5 (Change and Change Management);
Task Termination Notice	Has the meaning set out in Schedule 5 (Change and Change Management);

2. Introduction

2.1. The change management processes defined in Schedule 5 (Change and Change Management) identify those types of change for which a change to the Contract Price is required.

2.2. In the event that a change to the Contract Price is required in accordance with Schedule 5 (Change and Change Management), the provisions of paragraphs 3 to 6 shall apply.

3. UORs

3.1. In the event that the Contractor is requested to submit proposals in respect of a UOR in accordance with paragraph 3 of Schedule 5 (Change and Change Management) the Contractor shall submit to the Authority a full breakdown of the estimated change in costs to reflect the additional effort required to deliver the Services calculated using the rates detailed at Annex A to this Schedule 6 and the labour effort and materials required shall be agreed in accordance with DEFCON 643 (Price Fixing – Non Qualifying Contracts).

3.2. The amount payable to the Contractor shall be amended and the payment profile at Annex D to Schedule 3 amended accordingly.

4. Routine Change

4.1. The Authority and the Contractor shall agree fair and reasonable changes to the Contract Price in accordance DEFCON 643.

4.2. Upon receipt of a Routine Change Request, the Contractor shall, in accordance with paragraph 10 of Schedule 5 (Change and Change Management), submit to the Authority an Outline Proposal, and subsequently a Final Proposal, which shall include a full breakdown of the estimated change in costs, any adjustment required to the Contract Price and a proposed payment profile. Where the Routine Change is related to an Input Based Requirements then the Contractor form priced manpower rates at Annex A to this Schedule 6 shall be used to calculate the manpower element of the Routine Change.

4.3. The Monthly Sum payable to the Contractor shall be paid in accordance with Schedule 3 (Contract Price and Payment).

5. Break of Task

5.1. In the event of a Task Termination Notice being given to the Contractor in accordance with paragraph 8 of Schedule 5 (Change and Change Management), the Authority shall pay to the Contractor fair and reasonable prices for Task Services or Task Deliverables and Contractor commitments which would otherwise represent an unavoidable loss.

5.2. Claims for payment by the Contractor under paragraph 8 of Schedule 5 (Change and Change Management) shall be made in accordance with the procedure set out in DEFFORM 43 (Memorandum To Contractor On Disposal Of Materials Etc. Made Surplus By The Termination, Amendment Or Reduction Of Ministry Of Defence Contracts), which shall include a proposed payment profile.

5.3. The Contract Price shall be amended to reflect the Break of Task and, pursuant to paragraph 5.2, the Contractor's claim for payment.

5.4. The Monthly Sum payable to the Contractor shall be amended in accordance with Schedule 3 (Contract Price and Payment).

6. Continuous Improvement

6.1. The Contractor shall seek to identify opportunities to implement efficiencies and reduce the cost of the delivery of Services throughout the Contract Period including proposed changes from input to output specifications under Schedule 2.17 of the Statement of Requirement

6.2. In accordance with paragraph 4.1 of Schedule 14 (Continuous Improvement Plan), the implementation of Contractor CI shall not result in a change to the Contract Price.

6.3. For Authority Approved CI agreed in accordance with paragraph 3.1 of Schedule 14 (Continuous Improvement Plan) and paragraph 5 of Schedule 5 (Change and Change Management), which results in an adjustment to the Contract

Price as detailed in Schedule 3 (Pricing Mechanism), the Contractor shall receive a Gainshare Fee.

6.4. The Gainshare Fee shall be considered outside of the Contract Price as a share of the estimated saving to the Contract Price for each such agreed Authority Approved CI. The Gainshare Fee shall be calculated by applying a percentage to the reduction in the Contract Price arising as a result of the Authority Approved CI as follows:

- a. the Gainshare Fee for the Contract Year in which a net saving first occurs: 60% share;
- b. for the 2nd Contract Year of net savings: 60% share;
- c. for the 3rd Contract Year of net savings: 60% share; and
- d. for 4th Contract Year and beyond: 50% share.

6.5. Payment of the Gainshare Fee shall be made in accordance with paragraph 8 of Schedule 3 (Contract Price and Payment).

6.6. The Gainshare Fee shall not be payable after the Expiry Date.

6.7. The Contractor may identify in the Continuous Improvement Programme opportunities that shall result in benefits to the Authority outside the scope of this Contract and have no direct impact on the Contract requirement or Contract Price. Implementation of any such proposed change shall be at the sole discretion of the Authority and shall not result in a financial share for the Contractor but may be considered in any review of the Contract in accordance with clause 22 (Review).