

CALL OFF SCHEDULE 2: CHARGES AND INVOICING

1. DEFINITIONS

In this Call Off Schedule 2, the following definitions shall apply:

“Achieved Profit Margin”	the cumulative Supplier Profit Margin calculated from (and including) the Commencement Date (or, if applicable, the date of the last adjustment to the Charges made pursuant to Paragraph 2.2 of Part E) to (and including) the last day of the previous Contract Year;
“Actual Savings”	means actual amount of the savings achieved by the Supplier in each Contract Year, as further described in Paragraph 6 of Part C;
“Anticipated Contract Life Profit Margin”	the anticipated Supplier Profit Margin over the Contract Period as reflected in the Financial Model;
“Bonus Payment(s)”	means an amount payable to the Supplier pursuant to Paragraph 8 of Part C of this Schedule;
"Catalogue Charges"	means the applicable price payable for each Catalogue Item as set out in the prevailing Service Catalogue;
"Catalogue Item"	means an item set out in the Service Catalogue;
“Costs”	<p>the following costs (without double recovery) to the extent that they are reasonably and properly incurred by the Supplier in providing the Services:</p> <p>1.1 the cost to the Supplier or the Key Sub-Contractor (as the context requires), calculated per Work Day, of engaging the Supplier Personnel, including:</p> <p>1.1.1 base salary paid to the Supplier Personnel;</p> <p>1.1.2 employer's national insurance contributions;</p> <p>1.1.3 pension contributions;</p> <p>1.1.4 car allowances;</p> <p>1.1.5 any other contractual employment benefits;</p> <p>1.1.6 staff training;</p> <p>1.1.7 work place accommodation;</p> <p>1.1.8 work place IT equipment and tools reasonably necessary to perform the Services (but not including items included within limb (b) below); and</p> <p>1.1.9 reasonable recruitment costs, as agreed with the Buyer;</p> <p>1.2 costs incurred in respect of those Assets which are detailed on the Registers and which would be treated as capital costs according to generally accepted accounting principles within the UK,</p>

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	<p>which shall include the cost to be charged in respect of Assets by the Supplier to the Buyer 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;</p> <p>1.3 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; and</p> <p>1.4 Reimbursable Expenses to the extent these are incurred in delivering any Services where the Charges for those Services are to be calculated on a Fixed Price or Firm Price pricing mechanism; but excluding:</p> <p>1.4.1 Overhead;</p> <p>1.4.2 financing or similar costs;</p> <p>1.4.3 maintenance and support costs to the extent that these relate to maintenance and/or support services provided beyond the Contract Period, whether in relation to Assets or otherwise;</p> <p>1.4.4 taxation;</p> <p>1.4.5 fines and penalties;</p> <p>1.4.6 amounts payable under Call Off Schedule 15 (Benchmarking); and</p> <p>1.4.7 non-cash items (including depreciation, amortisation, impairments and movements in provisions);</p>
“Deductions”	all Service Credits, Compensation for Critical Service Level Failure, Delay Payments or any other deduction which is paid or payable to the Buyer under this Contract;
“Delay Payment Rate”	has the meaning given in Paragraph 1.1.1 of Part C;
“Final Achieved Profit Margin”	the cumulative Supplier Profit Margin calculated from (and including) the Commencement Date to (and including) the last day of the Contract Period; and for the purposes of such calculation "total Charges" shall include all income paid and payable to the Supplier under the Contract in respect of that period;
“Final Contract Reconciliation Report”	has the meaning given in Paragraph 4.5.3 of Part F;
“Financial Model”	the Initial Financial Model or the latest Updated Financial Model, whichever has been most recently approved by the Buyer in accordance with Paragraph 4 of Part F;
“Financial Reports”	the reports listed in the table in Paragraph 5.1 of Part F;
“Financial Representative”	a reasonably skilled and experienced member of the Supplier's staff who has specific responsibility for preparing, maintaining, facilitating access to, discussing

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	and explaining the Open Book Data, Financial Model and Financial Reports;
“Guaranteed Savings”	means the savings identified in Paragraph 6.1 of Part C in respect of each Contract Year, as further described in that Paragraph and the rest of Paragraph 6 of Part C;
“Indexation” and “Index”	the adjustment of an amount or sum in accordance with Paragraph 3 of Part C;
“Initial Financial Model”	the financial model projecting the anticipated Charges in relation to the provision of Services as prepared and agreed in accordance with Paragraph 4.3 of Part F;
“Maximum Permitted Profit Margin”	the Anticipated Contract Life Profit Margin plus 5%;
“Milestone Reconciliation Report”	a report of that name listed in the table in Paragraph 5.1 of Part F;
“Milestone Retention”	has the meaning given in Paragraph 1.3 of Part B;
“Onerous Contract”	a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, as defined under International Accounting Standard 37;
“Onerous Contract Report”	means a report provided by the Supplier pursuant to Paragraph 3 of Part F to this Schedule;
“Open Book Data”	<p>means complete and accurate financial and non-financial information which is sufficient to enable the Buyer to verify the Charges already paid or payable and Charges forecast to be paid during the Contract Period, including details and all assumptions relating to:</p> <p>1.1.1 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 supplied to the Buyer under this Contract or procured and used by the Supplier exclusively for the provision of the Services to the Buyer;</p> <p>1.1.2 operating expenditure relating to the provision of the Services including an analysis showing:</p> <ul style="list-style-type: none"> (a) the unit costs and any other consumables and bought-in services; (b) 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; (c) a list of Costs underpinning those rates for each manpower grade, being the agreed rate less the Supplier Profit Margin; and

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	<p>1.1.3 Overheads;</p> <p>1.1.4 all interest, expenses and any other third party financing costs incurred in relation to the provision of the Services;</p> <p>1.1.5 the Supplier Profit achieved over the Contract Period and on an annual basis;</p> <p>1.1.6 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;</p> <p>1.1.7 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</p> <p>1.1.8 the actual Costs profile for each Service Period under this Contract;</p>
"Overhead"	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 (a) of the definition of "Costs";
"Reimbursable Expenses"	<p>reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of the Services, calculated at the rates and in accordance with the Buyer's expenses policy current from time to time, but not including:</p> <p>1.1.1 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 Buyer otherwise agrees in advance in writing; and</p> <p>1.1.2 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;</p>
"Supplier Profit"	in relation to a period or a Milestone (as the context requires), the difference between the total Charges (in nominal cash flow terms but excluding any Deductions and Bonus Payments) and total Costs (in nominal cash flow terms) for the relevant period or in relation to the relevant Milestone;
"Supplier Profit Margin"	in relation to a period or a Milestone (as the context requires), the Supplier Profit for the relevant period or in

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	relation to the relevant Milestone divided by the total Charges (excluding any Bonus Payments) over the same period or in relation to the relevant Milestone and expressed as a percentage;
"Supporting Documentation"	sufficient information in writing to enable the Buyer reasonably to assess whether the Charges, Reimbursable Expenses and other sums due from the Buyer detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts;
"Updated Financial Model"	the Financial Model which is updated pursuant to Paragraphs 4.5 to 4.11 of Part F of this Schedule.
"Verification Period"	in relation to an Allowable Assumption, the period from (and including) the Commencement Date to (and including) the date at which the relevant Allowable Assumption expires, as set out against the relevant Allowable Assumption in column 11 in the table in Part D of Attachment 2 (Charges and Invoicing) of the Order Form;
"Work Day"	Eight (8) Work Hours, whether or not such hours are worked consecutively and whether or not they are worked on the same day; and
"Work Hours"	the hours spent by the Supplier Personnel properly working on the provision of 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.

PART A – PRICING

1. APPLICABLE PRICING MECHANISM

- 1.1 Milestone Payments and Service Charges due under this Contract shall be calculated using the pricing mechanism specified in the respective tables in Part A (Milestone Payments and Delay Payments) and Part B (Service Charges) of Attachment 2 (Charges and Invoicing) of the Order Form and as more particularly set out in this Schedule.
- 1.2 Part A of Attachment 2 of the Order Form sets out which pricing mechanism shall be used to calculate each Milestone Payment, which shall be one or more of the following:
 - 1.2.1 **“Time and Materials”**, in which case the provisions of Paragraph 4 shall apply; or
 - 1.2.2 **“Firm Price”**, in which case the provisions of Paragraph 3 shall apply.
- 1.3 Part B of Attachment 2 of the Order Form sets out which pricing mechanism shall be used to calculate each Service Charge, which shall be one or more of the following:
 - 1.3.1 **“Volume Based”** pricing, in which case the provisions of Paragraph 5 shall apply;
 - 1.3.2 **“Time and Materials”**, in which case the provisions of Paragraph 4 shall apply; or
 - 1.3.3 **“Fixed Price”**, in which case the provisions of Paragraph 2 shall apply.
- 1.4 Project Charges (including Charges for In-Flight Projects) shall be calculated in accordance with the provisions of Paragraph 3 of Part B of this Schedule.

2. FIXED PRICE CHARGES

- 2.1 Where Part B of Attachment 2 of the Order Form indicates that a Service Charge 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 1 of Part B of Attachment 2 of the Order Form.
- 2.2 Service Charges calculated by reference to a Fixed Price pricing mechanism shall be subject to adjustment by way of Indexation.

3. FIRM PRICE CHARGES

- 3.1 Where Part A of Attachment 2 of the Order Form indicates that a Milestone Payment is to be calculated by reference to a Firm Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Part A of Attachment 2 of the Order Form.
- 3.2 Charges calculated by reference to a Firm Price pricing mechanism shall not be subject to adjustment by way of Indexation.

4. TIME AND MATERIAL CHARGES

- 4.1 Where the Parties agree in writing that a particular Charge is to be calculated by reference to a Time and Materials pricing mechanism (e.g. pursuant to a Contract Change or a Project (including In-Flight Projects)):

- 4.1.1 the day rates set out in Table 1 in Part C (Supplier Personnel Rate Card for Calculation of Time and Materials Charges) of Attachment 2 (Charges and Invoicing) of the Order Form shall be used to calculate the relevant Charges, provided that the Supplier (or its Sub-Contractor) shall:
 - 4.1.1.1 not be entitled to include any uplift for risks or contingencies within its day rates;
 - 4.1.1.2 not be paid any Charges to the extent that they would otherwise exceed any cap on such Charges set out in Table 2 of Part C (Supplier Personnel Rate Card for Calculation of Time and Materials Charges) of Attachment 2 (Charges and Invoicing) of the Order Form (or otherwise agreed in writing by the Parties) unless the Supplier has obtained the Buyer's prior written consent. The Supplier shall monitor the amount of each Charge incurred in relation to the relevant cap and notify the Buyer immediately in the event of any risk that the cap may be exceeded and the Buyer shall instruct the Supplier on how to proceed;
 - 4.1.1.3 only be entitled to be paid Charges that have been properly and reasonably incurred, taking into account the Supplier's obligation to deliver the Services or Project in a proportionate and efficient manner; and
- 4.1.2 the Supplier shall keep records of hours properly worked by Supplier Personnel (in the form of timesheets) and expenses incurred and submit a summary of the relevant records with each invoice. If the Buyer requests copies of such records, the Supplier shall make them available to the Buyer within ten (10) Working Days of the Buyer's request.
- 4.2 The Supplier shall be entitled to Index the rates set out Table 1 in Part C (Supplier Personnel Rate Card for Calculation of Time and Materials Charges) of Attachment 2 (Charges and Invoicing) of the Order Form in accordance with Paragraph 3 of Part C of this Call Off Schedule 2 (Charges and Invoicing).
- 4.3 The Parties may also agree to a fixed price for a Project or Change where such fixed price is calculated in accordance with a Time and Materials pricing mechanism.

5. VOLUME BASED SERVICE CHARGES

- 5.1 Where Part B of Attachment 2 of the Order Form indicates that a Service Charge is to be calculated by reference to a Volume Based pricing mechanism, the relevant Charges shall be calculated on the basis of the unit costs set out against that Service Charge in Table 2 of Part B of Attachment 2 of the Order Form.
- 5.2 In the event that the volume of any Services that are to be calculated by reference to a Volume Based pricing mechanism fall outside the relevant volume bands set out against that Service Charge in Table 2 of Part B of Attachment 2 of the Order Form, the relevant Service Charges shall be calculated in accordance with the Change Control Procedure and Paragraph 2 of Part C.
- 5.3 The Charge per unit set out in Table 2 of Part B of Attachment 2 of the Order Form shall be subject to annual Indexation.

6. REIMBURSEABLE EXPENSES

6.1 Where:

6.1.1 Services are to be charged using the Time and Materials pricing mechanism; and

6.1.2 the Buyer so agrees in writing,

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

6.2 The Buyer shall provide a copy of its current expenses policy to the Supplier upon request.

6.3 Except as expressly set out in Paragraph 6.1, 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 Contract and no further amounts shall be payable by the Buyer to the Supplier in respect of such performance, including in respect of matters such as:

6.3.1 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

6.3.2 any amount for any services provided or costs incurred by the Supplier prior to the Commencement Date.

7. PASS-THROUGH COSTS

7.1 Without prejudice to the provisions of Paragraph 2 of Part C of this Call Off Schedule 2 (Charges and Invoicing), if the Supplier procures on behalf of the Buyer any hardware assets, third party contracts, firmware or Software from third parties (each a "**Pass-through Product**"), the Supplier shall provide Pass-Through Products on a pass-through basis with mark-up (which shall be calculated as the difference between the charge to the Buyer and the costs charged by the relevant third party to the Supplier, divided by such costs charged by the third party and expressed as a percentage) which mark-up will be no more than five percent (5%).

PART B – CHARGING MECHANISMS

1. MILESTONE PAYMENTS

- 1.1 Subject to the provisions of Paragraph 1.2 of Part C of this Call Off Schedule 2 (Charges and Invoicing) in relation to the deduction of Delay Payments, on the Achievement of a Milestone the Supplier shall be entitled to invoice the Buyer 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 10% of the Charges for that Milestone, calculated prior to deduction from the Milestone Payment of any Delay Payment attributable to that Milestone and without taking account of any amount payable by the Supplier pursuant to Paragraph 1.2 of Part C.

Release of Milestone Retentions

- 1.4 When all Milestones have been Achieved and Milestone Achievement Certificates issued, the Supplier shall be entitled to invoice the Buyer for an amount equal to all Milestone Retentions.
- 1.5 The Supplier shall provide Milestone Reconciliation Reports as and when required in accordance with the provisions of Paragraph 5 of Part F of this Schedule.

2. SERVICE CHARGES

- 2.1 Service Charges shall be invoiced by the Supplier for each Service Period in arrears in accordance with the requirements of Part D of this Call Off Schedule 2 (Charges and Invoicing).
- 2.2 If a Service Charge:
 - 2.2.1 commences on a day other than the first day of a month; and/or
 - 2.2.2 ends on a day other than the last day of a month,the Service Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.

3. PROJECT CHARGES

- 3.1 Any applicable Project Charges (including Charges for In-Flight Projects) shall be calculated in accordance with:
 - 3.1.1 the Firm Price pricing mechanism, or, by exception and as requested by the Buyer, the Time and Materials pricing mechanism; and
 - 3.1.2 where applicable:
 - (a) the rate card in Part C (Supplier Personnel Rate Card for Calculation of Time and Materials Charges) of Attachment 2 (Charges and Invoicing) of the Order Form;
 - (b) any applicable discounts under Paragraph 5 of Part C and

(c) in accordance with Paragraph 2 of Part C of this Schedule; and

3.1.3 the provisions of Call Off Schedule 19 (Projects).

3.2 Project Charges shall be invoiced in accordance with Call Off Schedule 19 (Projects).

4. CATALOGUE ITEMS AND CATALOGUE CHARGES

4.1 If the Buyer gives notice that it requires the Supplier to provide any Catalogue Item, the Supplier shall be entitled to receive Catalogue Charges for the relevant Catalogue Item (where indicated in the Service Catalogue and agreed with the Buyer in advance) in respect of the Service Period in which the Supplier completes the supply of the relevant Catalogue Item. Such Catalogue Charges shall be invoiced by the Supplier in accordance with Part D of this Call Off Schedule 2 (Charges and Invoicing).

4.2 During the Contract Period, the Supplier shall attend regular meetings with the Buyer in order to review the Service Catalogue and agree any additions, removals or changes to the Service Catalogue (including the Catalogue Charges), such meetings to take place on a monthly basis or as otherwise notified to the Supplier by the Buyer in advance. The price in relation to any additional items which constitute Pass-through Products shall always comply with the provisions of Paragraph 7 of Part A of this Schedule.

PART C – ADJUSTMENTS TO THE CHARGES

1. DELAY PAYMENTS

- 1.1 If a Milestone has not been Achieved on or before the relevant Milestone Date, the Supplier shall pay a Delay Payment to the Buyer in respect of that Milestone. Delay Payments shall accrue:
 - 1.1.1 at the daily rate of sixteen thousand eight hundred and seventy-one pounds and twenty-five pence (£16,871.25) (the “**Delay Payment Rate**”);
 - 1.1.2 from (but excluding) the relevant Milestone Date to (and including) the earlier of:
 - (a) the date on which the Milestone is Achieved;
 - (b) the expiry of the Delay Deduction Period; and
 - 1.1.3 on a daily basis, with any part day’s Delay counting as a day.
- 1.2 Where the Supplier serves a notice of Delay in achieving a Milestone, the Supplier shall, within five (5) Working Days of the date the notice is served:
 - 1.2.1 pay to the Buyer in cleared funds on account of the relevant Delay Payment (but subject always to Paragraph 1.3) an amount equal to ten (10) days of Delay Payments in accordance with Paragraph 1.4, calculated at the applicable Delay Payment Rate; and
 - 1.2.2 issue a credit note to the Buyer in respect of the relevant amount.

Failure to make payment within ten (10) Working Days of the Supplier’s notice shall invalidate the notice.
- 1.3 Subject to the provisions of Paragraph 1.6 of this Part C, any amounts paid to the Buyer pursuant to Paragraph 1.2 shall not be refundable to the Supplier in any circumstances, including where a Delay as referred to in the Supplier’s notice:
 - 1.3.1 does not occur; or
 - 1.3.2 does occur but continues for fewer days during the relevant Delay Deduction Period than the number of days referred to in Paragraph 1.2.
- 1.4 The Parties agree that Delay Payments calculated in accordance with the applicable Delay Payment Rates are in each case a genuine pre-estimate of the Losses which the Buyer will incur as a result of any failure by the Supplier to Achieve the relevant Milestone by the Milestone Date. Delay Payment Rates are stated exclusive of VAT.
- 1.5 The Delay Payment in respect of a Milestone (net of any payment made in respect of that Milestone pursuant to Paragraph 1.2 of this Part C) shall be shown as a deduction from the amount due from the Buyer to the Supplier in the next invoice due to be issued by the Supplier after the date on which the relevant Milestone is Achieved or the expiry of the Delay Deduction Period (as the case may be). If the relevant 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:

- 1.5.1 issue a credit note to the Buyer in respect of the total amount of the Delay Payment in respect of the Milestone (net of any payment made in respect of the Milestone pursuant to Paragraph 1.2); and
 - 1.5.2 pay to the Buyer as a debt a sum equal to the total amount of the Delay Payment in respect of the 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.
- 1.6 In the event that the Supplier Achieves the final CPP Milestone on or before its Milestone Date, the Supplier shall be entitled to earn back 75% of any Delay Payments it has paid to the Buyer under this Paragraph 1 ("**Earn Back**"), and to invoice the Buyer accordingly within five (5) Working Days of such Achievement.
- 1.7 The Buyer shall not be entitled to recover the same loss twice through the payment of Delay Payments which accrue and become payable in respect of separate Milestones.

2. CHANGES TO CHARGES

- 2.1 Any Changes to the Charges shall be developed and agreed by the Parties in accordance with Call Off Schedule 5 (Change Control Procedure) or in the case of Projects in accordance with Call Off Schedule 19 (Projects).
- 2.2 The Buyer may request that any Impact Assessment (as defined in Call Off Schedule 5 (Change Control Procedure) or, in the case of Projects, Call Off Schedule 19 (Projects)) presents Charges without Indexation for the purposes of comparison.
- 2.3 In respect of any Project Charges, or Charges for Services introduced via a Change, the Buyer's reimbursement to the Supplier for any materials, Supplier costs, Sub-Contractor or other third-party costs is subject to the Supplier:
- 2.3.1 calculating any proposed Charges in accordance with the principles set out in this Paragraph 2;
 - 2.3.2 providing evidence of the input costs for providing the Services; including without limitation:
 - (a) labour and resource costs broken down by Services; hardware and software costs;
 - (b) where applicable, accommodation and location costs broken down by Site;
 - (c) hardware and software costs broken down into major asset categories and (in respect of hardware) make and model and (in respect of software) make and version. In addition, separately identifiable costs for licences, licence support, renewal dates and software version upgrades;
 - (d) an explanation and supporting details of any asset leasing costs applicable to this Contract;
 - (e) depreciation policy applicable to assets (including software and hardware);

- (f) pricing of risk / contingency;
 - (g) financing costs (if applicable) showing the interest rate and calculation and the need to apply financing explained; and
 - (h) other miscellaneous costs;
- 2.3.3 providing sufficient evidence in the form of quotes or otherwise agreed by the Buyer (on the relevant organisation's letterhead, documentation, or correspondence);
- 2.3.4 applying no more than the Maximum Permitted Profit Margin to such costs; and
- 2.3.5 obtaining the Buyer's written agreement, via the Change Control Procedure or Call Off Schedule 19 (Projects), to such amounts prior to the commencement of work/ provision of the Services.

3. INDEXATION

- 3.1 Any amounts or sums in this Contract which are expressed to be "subject to Indexation" shall be adjusted in accordance with the provisions of this Paragraph 3 to reflect the effects of inflation. For the avoidance of doubt, Milestone Payment amounts shall not be subject to Indexation.
- 3.2 Where Indexation applies, the relevant adjustment shall be:
- 3.2.1 applied on the first day of the second April following the Achievement of the final CPP Milestone and on the first day of April in each subsequent year (each such date an "adjustment date"); and
 - 3.2.2 determined by multiplying the relevant amount or sum by the percentage increase or changes in the Consumer Price Index published for the twelve (12) months ended on the 31 January immediately preceding the relevant adjustment date.
- 3.3 Except as set out in this Paragraph 3, 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, and any such increases shall be borne by the Supplier or Sub-Contractors (as the case may be).

4. ALLOWABLE ASSUMPTIONS

- 4.1 The Supplier shall determine whether each Allowable Assumption is accurate within its Verification Period.
- 4.2 During each Verification Period, the Buyer shall provide the Supplier with reasonable assistance and access to information within its possession or reasonable control and which the Buyer deems is relevant to the Allowable Assumption being verified.
- 4.3 Within ten (10) Working Days of the end of each Verification Period, the Supplier shall provide the Buyer 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 Implementation Plan and/or the Initial Financial Model require adjustment.

- 4.4 Each Allowable Assumption shall be deemed accurate unless adjusting for the relevant Allowable Assumption has an impact:
- 4.4.1 on the Financial Model greater than the associated trigger for invocation, as set out in column 9 of the table in Part D of Attachment 2 (Charges and Invoicing) of the Order Form; or
 - 4.4.2 on the Implementation Plan which would require adjustment under the Change Control Procedure, as identified in column 3 of the table in Part D of Attachment 2 (Charges and Invoicing) of the Order Form,
- in which case Paragraph 4.5 of this Part C shall apply.
- 4.5 Where the Parties agree that an Allowable Assumption is not accurate and the Financial Model and/or Implementation Plan require adjusting:
- 4.5.1 the Supplier shall take all reasonable steps to mitigate the impact of the Allowable Assumption on the Financial Model and/or Implementation Plan;
 - 4.5.2 the Supplier may (subject to Paragraph 4.5.3 of this Part C) propose a 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
 - 4.5.3 where the Supplier proposes a Change to the Charges under Paragraph 4.5.2 of this Part C, the Change request shall reflect the requirements of the table in Part D of Attachment 2 (Charges and Invoicing) of the Order Form, including the requirement that any proposed adjustment to the Charges shall not exceed the maximum impact on the relevant Charges as specified in column 7 of the table in Part D of Attachment 2 (Charges and Invoicing) of the Order Form.

5. DISCOUNTS

- 5.1 The Parties acknowledge that the discount structure as set out in Annex 1 to this Call Off Schedule 2 shall be applied by the Supplier to any Charges under this Contract.
- 5.2 Discounts as accrued under this Contract will become due to the Buyer according to the specific nature of the discount as set out in Annex 1 and as per the provisions of this Contract.
- 5.3 In respect of discounts which are calculated based on specific metrics (for example the number of days taken by the Buyer to pay a prior invoice) these will be applied to the next invoice due in relation to the provision of the Services.

6. GUARANTEED SAVINGS

- 6.1 The Supplier shall, throughout the life of this Contract and in accordance with Clause 17.2 and Call Off Schedule 17 (Continuous Improvement), commit to the process of the continuous improvement of the Services, which shall include a commitment to proactively seek to deliver savings for the Buyer, which savings shall include Guaranteed Savings of 5% year on year savings against the Service Charges in each Contract Year.
- 6.2 In the performance of the Services, the Supplier shall enhance efficiency and strive to deliver the Services at a lower overall cost, year on year, through the delivery of Guaranteed Savings.

- 6.3 The Supplier shall ensure that the Actual Savings delivered to the Buyer will be equal to or greater than the Guaranteed Savings.
- 6.4 In the event that the Actual Savings do not equal or exceed the equivalent sum of Guaranteed Savings, then the Supplier shall be liable for and shall pay to Buyer an amount equal to the difference between the Actual Savings and the Guaranteed Saving for the relevant Contract Year, which payment shall be made by the Supplier to Buyer no later than thirty (30) days following the end of the relevant Contract Year.
- 6.5 Savings in excess of the amounts specified in Paragraph 6.1 in the relevant Contract Year shall be credited to the next subsequent Contract Year.
- 6.6 The Supplier shall track any and all Actual Savings across the life of this Contract, maintaining a record of:
- 6.6.1 the cumulative total of Actual Savings achieved to date in the current Contract Year and the total Actual Savings achieved in each previous Contract Year, as applicable, together with a summary of performance against the Guaranteed Savings; and
 - 6.6.2 the Guaranteed Savings applicable to the current Contract Year, and in each previous Contract Year, as applicable, together with details of the remaining Guaranteed Savings due to be delivered during the remainder of the current Contract Year,

which will be reported by the Supplier to the Buyer on a monthly basis, and will be discussed at each Commercial Management Board meeting. The Supplier shall submit a cumulative quarterly report to the Buyer no later than ten (10) Working Days prior to the date of such meeting. On request, the Buyer shall be entitled to audit the relevant records of the Supplier and interrogate the underlying data.

7. VOLUME-BASED DISCOUNTS AND REBATES

- 7.1 In the event that the Supplier receives a discount or rebate in respect of any third party charges incorporated within the Charges which has not been reflected in the Charges, the Supplier shall pass through such discount or rebate to the Buyer by way of an adjustment to the Charges proportionate to the level of such discount or rebate which is attributable to the receipt of the relevant Services and/or Goods by the Buyer under this Contract. For the avoidance of doubt, any such discounts or rebates which are passed through to the Buyer pursuant to this Paragraph 7.1 shall not count towards the savings calculations (whether Actual Savings or Guaranteed Savings) for the purposes of Paragraph 6 above.

8. BONUS PAYMENTS

- 8.1 With effect from the start of Contract Year 2, the Supplier shall be entitled to the receipt of Bonus Payments linked to the achievement of XLAs as agreed between the Parties pursuant to Paragraph 4.2 of Part A of Call Off Schedule 3 (Service Levels, Service Credits and Performance Monitoring), subject to the following:
- 8.1.1 any applicable Bonus Payments will be calculated using the mechanism agreed between the Parties pursuant to Paragraph 4.2 of Part A of Call Off Schedule 3 (Service Levels, Service Credits and Performance Monitoring), including circumstances in which the Supplier will not be entitled to receive Bonus Payments where it otherwise would have been entitled to do so (for example, in the event of unsatisfactory performance in respect of Service Levels, KPIs and/or satisfaction surveys); and

- 8.1.2 the total value of Bonus Payments received by the Supplier in each Contract Year shall not exceed the maximum amount of Bonus Payment available in respect of that Contract Year as set out in the table below:

Contract Year	Maximum Bonus Payment (in aggregate)
2	£1,000,000
3	£750,000
4	£500,000
5	£500,000

9. REDUNDANCY COSTS

- 9.1 In this Paragraph 9, the following terms shall have the meanings assigned to them below:

- 9.1.1 **"Eligible Redundant Employee"** means a Transferring Former Supplier Employee:

- (a) who is compulsorily dismissed by the Supplier by reason of redundancy (as such term is defined in section 139 of the Employment Rights Act 1996) as a result of an economic technical organisational reason entailing changes to the Supplier's workforce; and
- (b) in respect of whom the Supplier has followed a fair dismissal procedure and complied fully with all contractual and legislative requirements as well as the requirements of this Paragraph 9;

- 9.1.2 **"Redundancy Costs"** means, in respect of each Eligible Redundant Employee:

- (a) a statutory redundancy pay entitlement (calculated in accordance with Part XI of the Employment Rights Act 1996); and
- (b) any contractual redundancy pay entitlement (which transferred to the Supplier under the Employment Regulations, including any entitlement under Regulation 10(2) of the Employment Regulations which transferred to the Supplier under the Employment Regulations) to the extent it exceeds the statutory redundancy pay entitlement; and
- (c) any contractual payment in lieu of notice entitlement (which transferred to the Supplier under the Employment Regulations) to terminate the employment (or the balance of such notice where part of the notice period has been worked) where the Supplier shows to the Buyer's reasonable satisfaction that it was not reasonably practicable for that employee to continue in employment during their period of notice.

- 9.2 Subject to the provisions of this Paragraph 9 including the cap specified at Paragraph 9.7 of this Part C, the Buyer shall pay to the Supplier any Redundancy Costs incurred by the Supplier in relation to each Eligible Redundant Employee, within thirty (30) days after issuance of a written request by the Supplier for such amount, subject to the

OFFICIAL

Supplier having provided sufficient information to the Buyer to verify to the reasonable satisfaction of the Buyer compliance with this Paragraph 9.

- 9.3 The Buyer's obligation to pay any Redundancy Costs set out in Paragraph 9.2 above shall not apply in relation to an Eligible Redundant Employee(s) dismissed by the Supplier as redundant:
- 9.3.1 where the relevant Eligible Redundant Employee is identified more than thirty (30) calendar days after a Relevant Transfer; or
 - 9.3.2 to the extent that any Redundancy Costs are attributable to any increases made by the Supplier to any Eligible Redundant Employee's contractual entitlements to redundancy and/or notice periods that applied immediately prior to the Relevant Transfer; or
 - 9.3.3 in respect of any prospective Eligible Redundant Employee who was in-scope to transfer to the Supplier pursuant to the Employment Regulations but who objected to such transfer pursuant to Regulation 4(7) of the Employment Regulations; or
 - 9.3.4 where the relevant Eligible Redundant Employee's effective date of termination of employment is not within the six (6) month period immediately following a Relevant Transfer.
- 9.4 The Supplier shall use reasonable endeavours to:
- 9.4.1 redeploy, re-employ or re-engage any prospective Eligible Redundant Employees within the Supplier or procure that any associated employer (as defined in section 231 of the Employment Rights Act 1996) of the Supplier re-employs or re-engages any prospective Eligible Redundant Employee; and
 - 9.4.2 otherwise mitigate the Redundancy Costs to the fullest extent reasonably possible in the circumstances.
- 9.5 The Supplier shall provide:
- 9.5.1 such documents or information as the Buyer may reasonably require to verify the Redundancy Costs claimed by the Supplier; and
 - 9.5.2 information and relevant supporting documents to explain the process followed by Supplier in compliance with its obligations under Paragraph 9.4 above, in each case prior to any payment under Paragraph 9.2 above.
- 9.6 If any Eligible Redundant Employee is made compulsorily redundant by the Supplier but is subsequently re-employed or re-engaged by the Supplier or any associated employer of the Supplier within one (1) year of the date such Eligible Redundant Employee's employment by the Supplier terminated, the Supplier shall promptly notify the Buyer in writing and repay the Buyer any payment made by the Buyer to the Supplier in respect of that Eligible Redundant Employee pursuant to Paragraph 9.2 within thirty (30) days of the date on which such re-employment or re-engagement commences.
- 9.7 The Buyer's aggregate liability for any Redundancy Costs payable in accordance with Paragraph 9.2 above shall be capped in the aggregate at the lower of: (a) a figure representing 80% of the Redundancy Costs incurred by the Supplier in relation to Eligible Redundant Employee(s) and (b) a total figure of one million and seven hundred and sixty thousand pounds (£1,760,000) for all Transferring Former Supplier Employees. The Buyer shall have no liability for any Redundancy Costs incurred by the Supplier in relation to any Eligible Redundant Employee in excess of such amount.

- 9.8 This Paragraph 9 shall not apply to any cost (including without limitation Redundancy Costs) related to any Supplier Staff who are not the subject of a Relevant Transfer pursuant to this Contract and/or who are not Transferring Former Supplier Employee(s).

10. STAFFING COSTS

- 10.1 In this Paragraph 10, the following terms shall have the meanings assigned to them below:

10.1.1 **"Anticipated Transferring Former Supplier Employees"** means the Former Supplier Personnel to whom it was anticipated the Employment Regulations would apply on the Relevant Transfer Date as set out in the relevant Former Supplier's Provisional Supplier Personnel List and **"Anticipated Transferring Former Supplier Employee"** shall be construed accordingly;

10.1.2 **"Baseline Staffing Costs"** has the meaning given to it in Paragraph 10.2;

10.1.3 **"Employer Pension Contributions"** means

- (a) in respect of CSPA Eligible Employees, those costs identified within the CSPA Admission Agreement as:-

- (i) employer contributions for the Partnership Pension Account;
- (ii) the accruing superannuation liability charge ASCL, being the employer contributions for all other parts of the CSPA; or
- (iii) flat charges applicable to the Partnership Pension Account of the CSPA Admission Agreement,

but does not include any other costs or charges relating to benefits under or participation in the CSPA. For the purposes of Paragraph 10.2 only, the **"CSPA Eligible Employees"** shall be those Anticipated Transferring Former Supplier Employees who: (i) a Former Supplier indicated in the Former Supplier's Provisional Supplier Personnel List was a member of CSPA; and (ii) the Supplier anticipated would be retained and utilised in the provision of the Services as set out in the Baseline Staffing Costs;

- (b) in respect of LGPS Eligible Employees who the Supplier anticipated would be retained and utilised in the provision of the Services as set out in the Baseline Staffing Costs, those sums attributable to the following:-

- (i) the employer contribution rate and
- (ii) the ill-health allowance (such ill-health allowance can only be recovered at the rate in force at the Call-Off Commencement Date),

but does not include any other costs or charges relating to benefits under or participation in the LGPS, or any element of discretionary benefits described in Paragraph 5 of Part D Pensions, Annex D3: LGPS of Call Off Schedule 14 (Staff Transfer Schedule). For the purposes of Paragraph 10.2 only, the **"LGPS Eligible Employees"**

OFFICIAL

shall be those Anticipated Transferring Former Supplier Employees who: (i) a Former Supplier indicated in the Former Supplier's Provisional Supplier Personnel List was a member of LGPS; and (ii) the Supplier anticipated would be retained and utilised in the provision of the Services as set out in the Baseline Staffing Costs;

- (c) in respect of an Anticipated Transferring Former Supplier Employee who is not a Fair Deal Employee as stated in the Former Supplier's Provisional Supplier Personnel List, those employer pension contributions payable at the Call-Off Commencement Date arising from:-
- (i) a contractual term of the relevant contract of employment; or
 - (ii) obligations under Part 1 of the Pensions Act 2008, the terms of which satisfy the conditions in section 258 of the Pensions Act 2004 and the Transfer of Employer (Pension Protection) Regulations 2005 (where applicable).

- 10.1.4 **"Former Supplier"** means Capgemini UK Plc or CSC Computer Sciences Limited (as the case may be);
- 10.1.5 **"Former Supplier Personnel"** means all persons employed or engaged by a Former Supplier together with a Former Supplier's servants, agents, suppliers, consultants and sub-contractors (and all persons employed by any sub-contractor together with the sub-contractor's servants, consultants, agents, suppliers and sub-contractors) used in the performance of its obligations under the Incumbent Contract;
- 10.1.6 **"Former Supplier's Provisional Supplier Personnel List"** a list prepared and updated by a Former Supplier (and/or their sub-contractor(s)), and provided to the Supplier as part of the ITT, of all Former Supplier Personnel who were at the date of the list wholly or mainly engaged in or assigned to the provision of the Legacy Services or any relevant part of the Legacy Services which it was envisaged as at the date of such list will no longer be provided by a Former Supplier (or its sub-contractor);
- 10.1.7 **"Incumbent Contract"** means the contract between the Buyer and a Former Supplier in respect of the Legacy Services;
- 10.1.8 **"Legacy Services"** means the services provided by a Former Supplier to the Buyer which are substantiantially similar to the Services (or part thereof);
- 10.1.9 **"Retained Employees"** means those Anticipated Transferring Former Supplier Employees who are retained by the Supplier and will be utilised in the provision of the Services;
- 10.1.10 **"Staffing Costs"** means:
- (a) annual salary;
 - (b) annual national insurance contributions; and
 - (c) Employer Pension Contributions; and

10.1.11 **"Staffing Cost Cap"** means for those Anticipated Transferring Former Supplier Employees who the Supplier indicated in its Baseline Staffing Costs would be retained and utilised in the provision of the Services:

- (a) the total aggregate value of the annual salaries;
- (b) the total aggregate value of the annual national insurance contributions as set out in the Baseline Staffing Cost; and
- (c) the total aggregate value of the assumed Employer Pension Contributions as set out in the Baseline Staffing Cost,

in each case calculated by reference to the upper limit of the salary bandings provided in the Former Supplier's Provisional Supplier Personnel List.

10.2 As at the Commencement Date, the Supplier has compiled the Charges using the staffing information contained within a Former Supplier's Provisional Supplier Personnel List. This staffing information included salary bandings for each Anticipated Transferring Former Supplier Employee. For the purposes of compiling the Charges the Supplier assumed a mid point salary within the salary bandings provided and made other assumptions in respect of annual national insurance contributions and Employer Pension Contributions for those Anticipated Transferring Former Supplier Employees whom the Supplier anticipated would be retained and utilised in the provision of the Services. Using this methodology and taking into account the assumptions made by the Supplier regarding retention and redeployment of Anticipated Transferring Former Supplier Employees, the Supplier assumed a total Staffing Cost of [REDACTED] ("Baseline Staffing Costs"). The Supplier shall provide a spreadsheet detailing the breakdown of the Baseline Staffing Costs to the Buyer within ten (10) Working Days of the Commencement Date.

10.3 No later than thirty (30) calendar days following a Relevant Transfer, the Supplier shall:

10.3.1 undertake a reconciliation activity to:

- (a) determine the actual Staffing Costs for the Retained Employees (the **"Actual Staffing Costs"**), such calculation shall:
 - (i) exclude any increases to Staffing Costs made by the Supplier on or after the Relevant Transfer Date; and
 - (ii) be subject to the Salary Cost Cap, each element of which shall be applied to the corresponding element of the Staffing Costs. By way of example the cap specified in limb (a) of the definition of Salary Cost Cap shall be applied to the annual salary element of the Staffing Costs such that if the actual aggregate annual salary cost exceeds the amount calculated under limb (a) of the Salary Cost Cap then, for the purposes of calculating the Actual Staffing Costs, the Salary Cost Cap figure for annual salaries shall be used instead; and
- (b) calculate the difference between the Baseline Staffing Costs and the Actual Staffing Costs (**"Staffing Cost Delta"**) as a percentage and an amount; and

10.3.2 provide a detailed breakdown of the Staffing Cost Delta to the Buyer.

10.4 Subject to Paragraph 10.5, within fourteen (14) calendar days of receipt of the detailed breakdown by the Buyer, the Parties shall meet to discuss what (if any) changes to the

OFFICIAL

Charges are required to reflect the Staffing Cost Delta. Any changes shall be agreed via the Change Control Procedure.

- 10.5 Any changes to the Charges shall be subject to the following principles and requirements:
- 10.5.1 where the Actual Staffing Costs are lower than the Baseline Staffing Costs, the Buyer shall be entitled to a reduction in the Charges;
 - 10.5.2 where the Actual Staffing Costs are greater than the Baseline Staffing Costs, the Supplier shall be entitled to increase the Charges;
 - 10.5.3 any increase or decrease to the Charges shall be amortised and shall not be payable as a lump sum payment;
 - 10.5.4 no adjustment to the Charges shall be made:
 - (a) in respect of any Retained Employee(s) who will not, under the Supplier's delivery model, be more than 50% dedicated to the provision of the Services;
 - (b) in respect of any Eligible Redundant Employees; and/ or
 - (c) in respect of any Transferring Former Supplier Employee(s) who were not on a Former Supplier's Provisional Supplier Personnel List.

PART D – INVOICING AND PAYMENT TERMS

1. SUPPLIER INVOICES

- 1.1 The Buyer shall accept for processing any Electronic Invoice that complies with any standards required by this Contract or otherwise agreed in writing by the Parties, provided that it is valid and undisputed.
- 1.2 If the Supplier proposes to submit for payment an invoice that does not comply with such agreed standards the Supplier shall comply with the requirements of the Buyer's e-invoicing system. In the alternative the Supplier shall:
 - 1.2.1 prepare and provide to the Buyer for approval of the format a template invoice within ten (10) Working Days of the Commencement Date which shall include, as a minimum, the details set out in Paragraph 1.2.3 below together with such other information as the Buyer may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and
 - 1.2.2 make such amendments as may be reasonably required by the Buyer if the template invoice outlined in Paragraph 1.2.1 above is not approved by the Buyer.
 - 1.2.3 The Supplier shall ensure that each invoice 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 Contract;
 - (e) the reference number of the purchase order to which it relates (if any);
 - (f) the dates between which the Services 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 (such as Fixed Price, Time and Materials etc.);
 - (i) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
 - (j) the total Charges gross and net of any applicable deductions and, separately, the amount of any Reimbursable Expenses properly chargeable to the Buyer under the terms of this Contract, and, separately, any VAT or other sales tax payable in respect of each of the same;
 - (k) details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;

OFFICIAL

- (l) reference to any reports required by the Buyer 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 Buyer, then to any such reports as are validated by the Buyer 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 1.2.3 shall be broken down in each invoice per Service line; and
 - (p) and any other information reasonably required by the Buyer.
- 1.3 The Supplier shall invoice the Buyer in respect of Services in accordance with the requirements of Part B of this Call Off Schedule 2 (Charges and Invoicing).
- 1.4 Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment by the Buyer as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Buyer any other documentation reasonably required by the Buyer from time to time to substantiate an invoice.
- 1.5 The Supplier shall submit all invoices and Supporting Documentation through the Buyer's electronic system (as notified to the Supplier) or if that is not possible to the address or email set out in the Order Form with a copy (again including any Supporting Documentation) to such other person and at such place as the Buyer may notify to the Supplier from time to time.
- 1.6 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Buyer in writing.
- 1.7 The Buyer shall regard an invoice as valid only if it complies with the provisions of this Part D. Where any invoice does not conform to the Buyer's requirements set out in this Part D, the Buyer shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.

2. PAYMENT TERMS

- 2.1 Subject to the relevant provisions of this Call Off Schedule 2 (Charges and Invoicing), the Buyer shall make payment to the Supplier within thirty (30) days of verifying that the invoice is valid and undisputed.
- 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.

PART E – EXCESSIVE SUPPLIER PROFIT MARGIN

1. LIMIT ON SUPPLIER PROFIT MARGIN

- 1.1 The Supplier acknowledges that the Achieved Profit Margin applicable over the Contract Period shall not exceed the Maximum Permitted Profit Margin.
- 1.2 The Supplier shall include in each Updated Financial Model submitted at the end of a Contract Year, a report detailing the Achieved Profit Margin as at the end of the that Contract Year ("**Annual Profit Report**") and the provisions of Paragraphs 4.5 to 4.12 of Part F of this Schedule shall apply to the approval of each such Updated Financial Model (including its Annual Profit Report).

2. ADJUSTMENT TO THE CHARGES IN THE EVENT OF EXCESS SUPPLIER PROFIT

- 2.1 If an Annual Profit Report demonstrates (or it is otherwise determined pursuant to Paragraphs 4.5 to 4.12 of Part F of this Schedule that the Achieved Profit Margin as at the end of the Contract Year to which the Annual Profit Report applies exceeds the Maximum Permitted Profit Margin:
 - 2.1.1 the Supplier shall, within five (5) Working Days of delivery to the Buyer of the Updated Financial Model which includes the Annual Profit Report, propose such adjustments to the Charges as will ensure that the Achieved Profit Margin over the next Contract Year will not exceed the Maximum Permitted Profit Margin;
 - 2.1.2 the Buyer (acting reasonably) may agree or reject the proposed adjustments;
 - 2.1.3 if the Buyer 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
 - 2.1.4 if the Parties cannot agree such revised adjustments and the Buyer terminates this Contract by issuing a Termination Notice to the Supplier pursuant to Clause 35.1.9 (Termination without Cause), then for the purpose of calculating any early termination fee due to the Supplier pursuant to Clause 36.2.1 (Consequences of termination under Clause 35.1.9 (Termination without Cause)), the Termination Notice shall be deemed to have been served as at the date of receipt by the Buyer of the relevant Updated Financial Model.
- 2.2 Pending agreement of a proposed adjustment to the Charges pursuant to this Part E, the Charges then in force shall continue to apply. Once the adjustments to the Charges are agreed in accordance with Paragraph 2.1 of this Part E, 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 first Service Period of the next Contract Year that immediately follows the Contract Year to which the Annual Profit Report applied.

3. BUYER CLAWBACK OF EXCESS SUPPLIER PROFIT

- 3.1 If the Final Reconciliation Report demonstrates (or it is otherwise determined pursuant to Paragraphs 4.5 to 4.12 of Part F of this Schedule) that the Final Achieved Profit Margin exceeds the Maximum Permitted Profit Margin, then:
 - 3.1.1 the Buyer shall be entitled to 100% of the difference between:
 - (a) the total Supplier Profit; and

OFFICIAL

- (b) the Supplier Profit that would have been achieved if the Supplier had met the Maximum Permitted Profit Margin exactly; and
- 3.1.2 the Supplier shall be required to pay the Buyer the amount derived from the calculation in Paragraph 3.1.1 above within ten (10) days of submitting the Final Reconciliation Report.

PART F – FINANCIAL TRANSPARENCY AND FINANCIAL REPORTING

1. FINANCIAL TRANSPARENCY OBJECTIVES

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

Understanding the Charges

- 1.1.1 for the Buyer to understand any payment sought from it by the Supplier;
- 1.1.2 for both Parties to be able to understand the Financial Model and to have confidence that this is based on justifiable numbers and appropriate forecasting techniques;

Agreeing the impact of Change

- 1.1.3 for both Parties to agree the quantitative impact of any Changes and Projects that affect ongoing costs and to identify how these could be mitigated and/or reflected in the Supplier's Charges;
- 1.1.4 for both Parties to be able to review, address issues with and re-forecast progress in relation to the provision of the Services;

Continuous improvement

- 1.1.5 for the Parties to challenge each other with ideas for efficiency and improvements; and
- 1.1.6 to enable the Buyer 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 Buyer of the Financial Transparency Objectives and the Buyer's need for complete transparency in the way in which the Charges are calculated.
- 2.2 During the Contract Period, and for a period of seven (7) years following the end of the Contract Period, the Supplier shall:
 - 2.2.1 maintain and retain the Open Book Data; and
 - 2.2.2 disclose and allow the Buyer and/or the Auditors access to the Open Book Data, including for the purposes of Clause 29 (Records and Audit) of the Core Terms.

3. ONEROUS CONTRACTS

- 3.1 If the Supplier publicly designates the Contract as an Onerous Contract (including where the Supplier has identified the Contract as such in any published accounts or public reports and announcements), the Supplier shall promptly notify the Buyer of the designation and shall prepare and deliver to the Buyer within the timescales agreed by

the Parties (and in any event, no later than two (2) months following the publication of the designation) a draft Onerous Contract Report which includes the following:

- 3.1.1 an initial root cause analysis of the issues and circumstances which may have contributed to the Contract being designated as an Onerous Contract;
 - 3.1.2 an initial risk analysis and impact assessment on the provision of the Services as a result of the Supplier's designation of the Contract as an Onerous Contract;
 - 3.1.3 the measures which the Supplier intends to put in place to minimise and mitigate any adverse impact on the provision on the Services; and
 - 3.1.4 details of any other options which could be put in place to remove the designation of the Contract as an Onerous Contract and/or which could minimise and mitigate any adverse impact on the provision of the Services.
- 3.2 Following receipt of the Onerous Contract Report, the Buyer shall review and comment on the report as soon as reasonably practicable and the Parties shall cooperate in good faith to agree the final form of the report, which shall be submitted to the Buyer Representative such final form report to be agreed no later than one (1) month following the Buyer's receipt of the draft Onerous Contract Report.
- 3.3 Within fourteen (14) Working Days of the final Onerous Contract Report being agreed by the Parties, the Buyer shall review the contents of the report. The Parties shall procure the attendance at the meeting of any key participants where reasonably required (including the Cabinet Office Markets and Suppliers team where the Supplier is a strategic supplier; representatives from any Sub-Contractors; and the project's senior responsible officers (or equivalent) for each Party).
- 3.4 The Supplier acknowledges and agrees that the report is submitted to the Buyer on an information only basis and the Buyer's receipt of and comments in relation to the report shall not be deemed to be an acceptance or rejection of the report nor shall it relieve the Supplier of any liability under this Contract. Any Changes to be agreed by the Parties pursuant to the report shall be subject to the Change Control Procedure.

4. FINANCIAL MODEL

Introduction

- 4.1 This Paragraph 4 (Financial Model) describes the content and construction of, and the process for ongoing maintenance of (including updates to), the Financial Model.

The Financial Model Content and Construction

- 4.2 The Financial Model shall:
- 4.2.1 provide sufficient detail for the Buyer to have visibility of all the Charges to be paid in respect of the provision of the Services;
 - 4.2.2 be constructed (in relation to all Charges, calculations and outputs) on a monthly basis;
 - 4.2.3 quote all monetary values in pounds sterling;
 - 4.2.4 quote all costs as exclusive of any VAT;
 - 4.2.5 quote all costs, prices and Charges based on current prices;

OFFICIAL

- 4.2.6 be provided in the same software package (Microsoft Excel or Microsoft Word), layout and format as the blank templates which have been provided or approved (in writing) by the Buyer from time to time for the purposes of this Contract. The Buyer shall be entitled to modify any template at any time by giving written notice to the Supplier, including a copy of the updated template;
- 4.2.7 not have any parts which are hidden, protected, locked or made otherwise inaccessible or obscured to review or alteration;
- 4.2.8 be laid out in a clear and logical manner, clearly showing the flow from inputs, to outputs via appropriate calculations with:
 - (a) all outputs being consistent with the Charges set out within this Call Off Schedule 2 (Charges and Invoicing) and Attachment 2 (Charges and Invoicing) of the Order Form;
 - (b) any formulae showing a clear separation between inputs and calculations; and
 - (c) any column labelling being consistent between worksheets;
- 4.2.9 clearly show the calculation of any financing charges associated with outstanding balances (between costs incurred and Charges received as set out within the cash flow statement); and
- 4.2.10 include a version control sheet that provides visibility of all changes from the previous, approved version of the Financial Model, together with a summary reconciliation of those changes.

Initial Version of the Financial Model

- 4.3 The Supplier shall work collaboratively with the Buyer to produce and agree the Initial Financial Model within four (4) weeks of the Commencement Date, and which shall be based on the template referred to in Paragraph 4.2.6 above and populated with details of the Charges contained in this Call Off Schedule 2 (Charges and Invoicing) and Attachment 2 (Charges and Invoicing) of the Order Form.

Updates to the Financial Model

- 4.4 The Supplier shall ensure the Financial Model provides an up-to-date and accurate record of all inputs associated with performance of the Services in accordance with Paragraphs 4.5 to 4.13 (inclusive).
- 4.5 The Supplier shall prepare an updated version of the Financial Model for approval by the Buyer in accordance with Paragraphs 4.8 to 4.12:
 - 4.5.1 within four (4) weeks of signature of any Change Authorisation Note which implements a Change which affects the Charges;
 - 4.5.2 in any event, every six (6) months, or at such other time as may be agreed between the Parties for assurance purposes; and
 - 4.5.3 within six (6) months after the end of the Contract Period (the “**Final Contract Reconciliation Report**”).

- 4.6 The Supplier shall adhere to and apply the following principles when preparing any updates to the Financial Model:
- 4.6.1 all updates shall be consistent with and be made only in accordance with the provisions of this Contract;
 - 4.6.2 an update shall only become effective following written approval by the Buyer in accordance with the provisions of Paragraphs 4.8 to 4.12;
 - 4.6.3 all revisions shall be auditable and implemented and documented under formal version control protocols agreed between the Parties;
 - 4.6.4 any amendment which is made in order to evaluate the impact of any inputs, modification or other adjustment shall relate only to such inputs, modification or other adjustment; and
 - 4.6.5 no amendment shall affect, in any way whatsoever, the performance of the Services or the format or structure of the Financial Model, save as agreed in accordance with the Change Control Procedure.
- 4.7 Prior to the submission of any update to the Financial Model for approval by the Buyer, the Buyer shall have the right, at any time, to review any documentation produced by the Supplier in relation to the development of the Financial Model, including:
- 4.7.1 details of the Supplier's intended approach to the Financial Model and its development;
 - 4.7.2 copies of any drafts of the Financial Model produced; and
 - 4.7.3 any other work in progress in relation to the Financial Model.

Approval of updates to Financial Model

- 4.8 Where the Supplier is required to provide the Buyer with an updated version of the Financial Model, the Supplier shall provide an update to the latest version of the Financial Model and deliver the same to the Buyer for approval in accordance with the relevant timescales set out in Paragraph 4.5 above.
- 4.9 The Supplier shall ensure that each version of the Financial Model delivered to the Buyer is certified by a company director of the Supplier, or notified representative with appropriate delegated authority as:
- 4.9.1 being accurate and not misleading;
 - 4.9.2 reflecting actual costs and revenues from the Commencement Date and being updated for latest future forecasts (as required);
 - 4.9.3 having been prepared in conformity with generally accepted accounting principles within the United Kingdom;
 - 4.9.4 being a true and fair reflection of the information included within the Supplier's management and statutory accounts;
 - 4.9.5 being capable of audit to source data; and
 - 4.9.6 compliant with the requirements of Paragraph 4.10 below.

- 4.10 The Supplier shall:
- 4.10.1 prepare each Financial Model using the same methodology as that used for the Initial Financial Model; and
 - 4.10.2 not have any other internal financial model in relation to the Services inconsistent with the Financial Model.
- 4.11 Unless the Buyer wishes to dispute the Financial Model in accordance with Paragraphs 4.18 and 4.19, the Buyer shall approve the updated Financial Model within thirty (30) days of receipt of the same (or such other period as the Buyer advises the Supplier in writing), at which time it shall become the Updated Financial Model.
- 4.12 Once the Updated Financial Model has been approved by the Buyer, it shall advise the Supplier of its decision in writing and the approved Updated Financial Model shall become, with effect from the date of such approval, the current Financial Model in place for the purposes of the Contract.
- 4.13 The Supplier shall maintain soft copies of each version of the Financial Model approved by the Buyer throughout the Contract Period.
- 4.14 If the Supplier fails to deliver an Updated Financial Model then the Buyer shall in its absolute discretion have the right to invoke an audit to establish the data and/or information required to complete the Updated Financial Model or requested in connection with Sub-Contractor(s). The costs of such an audit shall be borne by the Supplier. In the first instance, both Parties shall work together to ensure the Updated Financial Models are submitted as requested.
- 4.15 During the Contract Period, and for a period of eighteen (18) months following the end of the Contract Period, the Supplier shall make available the Financial Representative at reasonable times and on reasonable notice to answer any queries that the Buyer may have on the Financial Model, any of the Financial Reports detailed in Paragraph 5 below, and/or the Open Book Data.
- 4.16 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:
- 4.16.1 the Costs incurred (or those forecast to be incurred) by the Supplier; and/or
 - 4.16.2 the forecast Charges for the remainder of the Contract Period,
- the Supplier shall, as soon as practicable, notify the Buyer 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 4.16 shall not have the effect of amending any provisions of this Contract.

Visibility Through the Financial Model

- 4.17 Upon request from the Buyer and in accordance with the principles of Open Book Data, the Supplier shall promptly provide to the Buyer details of the elements used to make up any Charges, including:
- 4.17.1 the Supplier's total fixed price for the Services and/or Deliverables;
 - 4.17.2 the margin included in that total fixed price;
 - 4.17.3 a list of the agreed prices against each Service in the Financial Model;

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- 4.17.4 a list of the costs underpinning those prices for each Service in the Financial Model, being the price less the mark up / margin;
- 4.17.5 a summary of the costs broken down against each Service and/or Deliverable;
- 4.17.6 explanation of any underlying assumptions regarding:
 - (a) overtime rates;
 - (b) standard hours;
 - (c) accommodation charges; and
 - (d) discounts applied;
- 4.17.7 the total price for performance of the Services broken down by volume, unit cost and margin;
- 4.17.8 any additional activities, costs and risks that may impact the Buyer and which are not already covered by the Charges;
- 4.17.9 an explanation of the type and value of risk and/or contingency associated with the provision of Services, including the amount of money attributable to each risk for example:
 - (a) strategic/commercial;
 - (b) economic/financial/market;
 - (c) legal and regulatory;
 - (d) organisational/management/human factors;
 - (e) political;
 - (f) environmental;
 - (g) technical/operational/infrastructure;
- 4.17.10 an explanation and supporting details of any actual financing costs applicable to the Contract;
- 4.17.11 an explanation and supporting details of any actual asset leasing costs applicable to this Contract;
- 4.17.12 a statement of the Supplier's actual cashflow for the Contract Period;
- 4.17.13 the actual Charges profile for each Service Period;
- 4.17.14 the costs and expenses to be incurred by any of its Sub-Contractors or third party suppliers; and
- 4.17.15 any additional information as the Buyer reasonably requires.

Dispute

- 4.18 If the Buyer, at any time, disputes any version of the Financial Model it may request such further information from the Supplier as it requires prior to delivering a decision on whether it accepts or rejects the relevant Financial Model.
- 4.19 In the event that the Buyer and the Supplier are unable to reach agreement on the Financial Model, the matter shall be referred for determination in accordance with the Dispute Resolution Procedure.

Key Sub-Contractors

- 4.20 The Supplier shall, if requested by the Buyer, provide (or procure the provision of) a report or reports including the level of information set out in the Financial Model in relation to the costs and expenses to be incurred by any of its Key Sub-Contractors.
- 4.21 Without prejudice to Clause 29 of the Core Terms, the Supplier shall:
- 4.21.1 be responsible for collecting and auditing the financial data required from Key Sub-Contractors and for any associated costs and expenses incurred or forecast to be incurred; and
 - 4.21.2 on written request by the Buyer, provide the Buyer or procure that the Buyer is provided with:
 - (a) full copies of audit reports for the Key Sub-Contractors. The Buyer shall be entitled to rely on such audit reports; and
 - (b) further explanation of, and supporting information in relation to, any audit reports provided.

5. OTHER FINANCIAL REPORTS**Provision of the Financial Reports**

- 5.1 In addition to the Financial Model, the Supplier shall provide to the Buyer all the following Financial Reports in accordance with Table 1 below. The contents and format of each shall be as per the corresponding template provided or approved (in writing) by the Buyer from time to time.

Table 1: Financial Reports

Financial Report	Purpose	Occurrence and Frequency of submission
Onerous Contract Report	A report to inform the Buyer if the Supplier considers the Contract has become an Onerous Contract in accordance with Paragraph 3 of this Part F.	<p>Occurrence: only when the Supplier considers the Contract has become an Onerous Contract</p> <p>Frequency: Promptly notify the Buyer of the designation and shall prepare and deliver to the Buyer within the timescales agreed by the Parties (and in any event, no later than two (2) months following the publication of the designation.</p>

Financial Report	Purpose	Occurrence and Frequency of submission
Milestone Reconciliation Report	<p>Provides the actual Charges against the anticipated Charges during the Implementation, including financial details regarding the Milestone Retention payments.</p> <p>A final Milestone Reconciliation Report shall be agreed and signed off by both Parties after the final Milestone Retention payment.</p>	<p>Occurrence: for the period of the Implementation only</p> <p>Frequency: Within one (1) Month after the payment of each Milestone Payment or Milestone Retention payment.</p>

Review and Approval of Other Financial Reports

- 5.2 The Financial Reports shall constitute Transparency Reports and shall be subject to review and approval in accordance with the provisions of Call Off Schedule 6 (Transparency Reports).

ANNEX 1: DISCOUNT STRUCTURE

1) DISCOUNTS

a) Duration of Project – Discount structure

The Day Rates used to calculate Project Charges for a Project shall be reduced based on the duration of that Project by application of the following discount rates:

Total Project Duration	Percentage Discount Applied (%)
Less than 90 Working Days	
90 – 179 Working Days	
180 – 239 Working Days	
240 Working Days and Above	

b) Term Discount

i) The Supplier will offer the following term discounts for all Service Charges under this Contract according to the following table:

Contract Year	Percentage Discount Applied (%)
1	
2	
3	
4	
5	

c) Supplier Nominated Discounts

- i) The Supplier will offer additional discounts for Charges payable under this Contract according to the following table:

Description of Supplier Nominated Discounts	
Contract Period Discount	■

d) Cumulative Total Value of Project Discounts

- i) The Supplier will provide the Buyer with the following additional discounts based on total cumulative spend on Projects under this Contract per Contract Year:

Total Cumulative Value of Projects per Contract Year	Details of Discount Available (£) or Percentage (%)
Up to £15,000,000	
Up to £20,000,000	
Up to £25,000,000	