



Future eGates Services

SCHEDULE 15

CHARGES AND INVOICING

Schedule 15 (*Charges and Invoicing*)

1 DEFINITIONS

1.1 In this Schedule, the following definitions shall apply:

“Achieved Profit Margin”	the cumulative Supplier Profit Margin calculated from (and including) the Effective Date (and to include any adjustment to the Charges made pursuant to Paragraph 2.2 of Part D of this Schedule) to (and including) the last day of the previous Contract Year;
“Anticipated Contract Life Profit Margin”	the anticipated Supplier Profit Margin over the Term as reflected in the Financial Model submitted by the Supplier (Bidder at the time) as part of its ISFT Tender Submission. For the avoidance of doubt and stated as a percentage the Anticipated Contract Life Profit Margin is [REDACTED];
“Baseline Indexable Costs”	Those Costs (i.e. the total Costs relevant to the unit charge being indexed) as identified in the Financial Model submitted by the Supplier (Bidder at the time) to support its ISFT Financial Model submission and included at Annex 6 of this Schedule
“Certificate of Costs”	a certificate of costs signed 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 certificate) and substantially in the format set out in Annex 3 of this Schedule;
“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> <ul style="list-style-type: none"> (a) the cost to the Supplier or the Key Sub-contractor (as the context requires), of engaging the Supplier Personnel, including: <ul style="list-style-type: none"> (i) base salary paid to the Supplier Personnel;

- (ii) employer's national insurance contributions;
 - (iii) Employer Pension Contributions;
 - (iv) car allowances; and
 - (v) any other contractual employment benefits;
- (b) 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, 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;
- (c) 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;
- (d) Forecast Contingency Costs;
- (e) 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:

- (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) amounts payable under Schedule 17 (*Benchmarking*); and
- (vii) non-cash items (including depreciation, amortisation, impairments and movements in provisions);

“Day Rate”	The rates chargeable by the Supplier to the Authority for work required by the Authority in accordance with Paragraph 5 of Part A to this Schedule and as set out at Annex 8 of this Schedule;
“Delay Payment Rate”	has the meaning given in Paragraph 1.1(a) of Part C of this Schedule;
“European Standard”	in relation to an electronic invoice means the European standard and any of the syntaxes published in Commission Implementing Decision (EU) 2017/1870.
“Fixed Implementation Charges”	Those Charges as described at Paragraph 1.3 to 1.8 of Part B to this Schedule;
“Forecast Contingency Costs”	the costs which the Supplier forecasts may be incurred in relation to the risks and contingencies that are identified in the Risk Register, such costs being those set out in the column headed ‘Forecast Contingency Costs’ in the Risk Register (as such costs are updated from time to time);
“Forecast Profit Margin”	the cumulative Supplier Profit Margin calculated from (and including) the Effective Date to (and including) the final day of the Term;
“Indexation” and “Index”	the adjustment of an amount or sum in accordance with Paragraph 5 of Part C of this Schedule;
“Maximum Permitted Profit Margin”	the Anticipated Contract Life Profit Margin plus 5%;

“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);
“Payment Release Milestone”	The CPP Milestones set out in Paragraph 1.7 of Part B of this Schedule;
“Payment Retention” (And “retained amounts” shall be construed accordingly)	Has the meaning given in Paragraph 1.6 of Part B of this Schedule;
“Rate Card”	The rate card (any of Table 1.1, Table 1.2 or Table 1.3 as appropriate and as Approved by the Authority) set out at Annex 8 of this Schedule
“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 Authority's expenses policy current from time to time, but not including:</p> <ul style="list-style-type: none">(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;
“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 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 relation to the relevant Milestone divided by the total Charges 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 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;

“The Employer Pension Contributions”

means:

- (c) in respect of CSPS Eligible Employees those sums set out at Clauses 7.1.1 (*annual administration charges covering core services*), 7.1.5 (*employer contributions*), 7.1.7 (*the ASLC*) and 7.1.8 (*flat charges applicable to the Partnership Pension Account*) of the Admission Agreement;
- (d) in respect of NHSPS Eligible Employees, the standard employer contribution rate applicable to NHS Pension Scheme employers during the Term and payable by the Supplier (but no other costs, contributions, charges or surcharges payable by the Supplier to or in respect of the NHS Pension Scheme or in respect of any NHS Premature Retirement Rights, unless otherwise agreed in writing by the Authority);
- (e) in respect of LGPS Eligible Employees the standard employer contribution rate applicable to LGPS Eligible Employees during the Term and payable by the Supplier (but no other costs, contributions, charges or surcharges payable by the Supplier to or in respect of the LGPS or in respect of any Beckmann Liabilities, unless otherwise agreed in writing by the Authority); and

such other employer pension contributions, charges or costs incurred by the Supplier which

have been expressly agreed by the Authority in writing to constitute 'Employer Pension Contributions';

“Total Implementation Charges”	The total Charges in relation to Implementation Services during the National Estate Rollout Phase as calculated on worksheet “Imp Rev Calcs FIXED” of the Financial Mode or Quarterly Contract Report as the case may be;
“Unit Charge”	Any of the unitised Charges set out in Annex 1 or Annex 2 of this Schedule
“Verification Period”	Each 6 month period, commencing from the date that falls due 6 months after the submission of the first Annual Contract Report and then each relevant Contract Report which falls due at 6 monthly intervals thereafter;

PART A: PRICING**1 APPLICABLE PRICING MECHANISM**

- 1.1 Milestone Payments, Fixed Implementation Charges and Service Charges shall be calculated using the pricing mechanism specified in Annex 1 and Annex 2, on the basis of the rates and prices specified in those annexes and as more particularly set out in this Schedule.
- 1.2 The tables at Annex 1 set out which pricing mechanism shall be used to calculate each Milestone Payment and the Fixed Implementation Charges, which shall be one or more of the following:
- (a) Not Used;
 - (b) **"Fixed Price"**, in which case the provisions of Paragraph 3 of Part A shall apply;
 - (c) Not Used.
- 1.3 The tables at Annex 2 set out which pricing mechanism shall be used to calculate each Service Charge, which shall be one or more of the following:
- (a) Not Used;
 - (b) **"Volume Based"** pricing, in which case the provisions of Paragraph 4 of Part A shall apply; or
 - (c) **"Fixed Price"** in which case the provisions of Paragraph 3 of Part A shall apply.

2 NOT USED**3 FIXED PRICE MILESTONE PAYMENTS OR SERVICE CHARGES**

- 3.1 Where Annex 1 or Annex 2 indicates that a Milestone Payment, Fixed Implementation Charge or 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 the relevant table of Annex 1 or Annex 2.
- 3.2 Charges calculated by reference to a Fixed Price pricing mechanism shall, where relevant be subject to increase by way of Indexation.

4 VOLUME BASED/CONSUMPTION BASED CHARGES

- 4.1 Where Annex 1 or Annex 2 indicates that a Charge is to be calculated by reference to a volumetric or consumption based pricing mechanism, the relevant Charge per unit shall be the amount set out against that Charge in the relevant table of Annex 1 or Annex 2.
- 4.2 Charges calculated by reference to a volumetric/consumption based pricing mechanism shall, where relevant be subject to increase by way of Indexation.

5 RATE CARD

5.1 The Day Rates in Annex 8 to this Schedule shall apply where relevant to any:

5.1.1 Contract Change;

5.1.2 discretionary project work required by the Authority;

5.1.3 uplift to the Implementation Charge (MOB2b, MOB2c, EA2 and/or IMP2 as applicable) for work undertaken outside of Normal Business Hours and calculated by taking the number of hours worked assumed in the relevant Implementation Charge to be during Normal Business Hours but actually performed outside of Normal Business Hours and multiplying this by the difference in the Rate Card between the Day Rates for Normal Business Hours and outside of Normal Business Hours for the relevant role(s) performing the tasks;

5.1.4 additional support requirements required by the Authority during Early Life Support at a Port (or Model Port as the case may be) over and above those Early Life Support Requirements stated in Schedule 2 (*Services Description*);

5.1.5 Authority requests for Enhanced Service Support Provision as set out in Paragraph 4 of Annex 1, Part A of Schedule 3 (*Performance Levels*); and

5.1.6 Charges in relation to the Termination Services

where the Charges are to be priced on a Time and Materials basis. For the avoidance of doubt, the Authority may request and the Supplier shall provide a Fixed Price quotation from the Supplier for any such services.

5.2 The Supplier shall only be entitled to charge the Day Rates applicable in Annex 8 to this Schedule to the level of skill and experience reasonably required to fulfil a particular task (whether or not the Supplier has to use more senior personnel or a higher skill grade to fulfil the role).

5.3 The Rate Card is based on eight (8) work hours (whether or not such hours are worked consecutively and whether or not they are worked on the same day) but if the actual hours incurred are less, or more, then the amount chargeable will be calculated pro rata.

5.4 Any work carried out by a role which is not costed in Annex 8 to this Schedule shall not be chargeable to the Authority unless the Authority specifically requests the Supplier to provide an individual for such a role, in which case the day rates for such individuals shall be agreed by the Authority and the Supplier pursuant to an agreed Contract Change and calculated on the same basis as the other Day Rates in Annex 8 to this Schedule.

5.5 In relation to this Paragraph 5 to Part A of this Schedule, where the Supplier elects to use a third party supplier or consultant to perform a role that was

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anticipated to be and costed in the Rate Card as an internal resource of the Supplier, then the Supplier shall only be entitled to charge the Authority the applicable Day Rates in Annex 8 to this Schedule (or otherwise agree an appropriate day rate with the Authority for inclusion in Annex 8 pursuant to an agreed Contract Change) unless the Authority specifically requests to use a specific third party supplier or consultant, in which case, provided the Authority provides its prior written consent, the Supplier shall be entitled to charge the third party supplier's or consultant's reasonable charges on a pass-through basis as agreed between the Parties.

- 5.6 In the event of the Rate Card being used for a single project, work order or similar arrangement in relation to any of the circumstances set out in Paragraph 5.1, where the total days calculated and to be charged by the Supplier exceed eight hundred (800) work hours (i.e. 100 days) then the applicable Day Rates in Annex 8 to this Schedule shall be discounted as follows:

Total Required work Hours	Discount %
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

- 5.7 The Day Rates set out in Tables 1.1, 1.2 and 1.3 of Annex 8 shall be subject to annual Indexation in accordance with Paragraph 5.5(b) of Part C to this Schedule.

6 REIMBURSABLE EXPENSES

- 6.1 Where:

- (a) Services are to be charged using the Time and Materials 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.

- 6.2 The Authority 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 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.

PART B: CHARGING MECHANISMS**1 MILESTONE PAYMENTS & FIXED IMPLEMENTATION CHARGES****Milestone Payments:**

- 1.1 Subject to the provisions of Paragraph 1 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.
- 1.2 Each invoice relating to a Milestone Payment shall be supported by:
- (a) a Milestone Achievement Certificate.
 - (b) Not Used

Fixed Implementation Charges:

- 1.3 Fixed Implementation Charges shall be chargeable by the Supplier on a monthly basis throughout the National Estate Rollout Phase of the Contract. These Charges shall recover the Supplier's implementation programme running costs which are fixed during each calendar month of the National Estate Rollout Phase.
- 1.4 As an illustrative example, where the National Estate Rollout Phase takes 30 months, the Supplier shall be entitled to Charge for 30 units of the Fixed Implementation Unit Charge as set out in Table 7 of Annex 1 to this Schedule. However, where the National Estate Rollout Phase takes longer (or shorter) then the Fixed Implementation Charges shall be adjusted monthly as appropriate. For example, should the National Estate Rollout Phase take 36 months, then the Supplier shall be entitled to Charge for 36 units of the Fixed Implementation Unit Charge. Similarly, if the National Estate Rollout Phase was accelerated and completed within 24 months, the Supplier would be able to Charge for 24 units of the Fixed Implementation Unit Charge.
- 1.5 Notwithstanding Clause 29 (*Authority Cause*), where the Supplier fails to meet a Key Milestone Date, any such period of delay shall be deducted from the overall time taken to complete the National Estate Rollout Phase such that the Fixed Implementation Charge that would otherwise have been payable to the Supplier for that period of delay shall not be payable by the Authority and instead deducted from the Charges.

Payment Retention:

- 1.6 Where the Supplier's Fixed Implementation Charges exceed 30% of the Total Implementation Charges, such amounts that exceed 30% of the Total Implementation Charges shall be retained by the Authority. The Supplier shall be entitled to invoice for and the Authority shall pay in accordance with Part E of this Schedule any amount of the monthly Fixed Implementation Charge not retained by the Authority. Any such Payment Retention shall accrue on a

monthly basis until such time that the Supplier Achieves the Payment Release Milestone relating to the release of such retained amounts.

Release of Payment Retentions:

- 1.7 The Supplier shall be entitled to invoice for and the Authority shall pay any retained amounts as set out in Paragraph 1.6 above (and as accrued at that time) on Achievement of the following CPP Milestones (IMP2 Milestones):
- Relating to the Phase of eGates at the relevant Port which represents the Achievement of the cumulative Implementation of 25% of the eGates in scope to be Implemented during the National Estate Rollout Phase;
 - Relating to the Phase of eGates at the relevant Port which represents the Achievement of the cumulative Implementation of 50% of the eGates in scope to be Implemented during the National Estate Rollout Phase;
 - Relating to the Phase of eGates at the relevant Port which represents the Achievement of the cumulative Implementation of 75% of the eGates in scope to be Implemented during the National Estate Rollout Phase; and
 - Relating to the Phase of eGates at the relevant Port which represents the Achievement of the final eGates in scope to be Implemented during the National Estate Rollout Phase;
- 1.8 Payment Retentions and the release of Payment Retentions shall operate such that Payment Retentions shall accrue on a monthly basis until a Payment Release Milestone (as set out in Paragraph 1.7 above) is met, at which point any retained amounts at that time become payable by the Authority and are reduced to zero. Payment Retentions shall continue to accrue on a monthly basis, only being released on the achievement of the relevant Payment Release Milestone, until such time that the National Estate Rollout Phase is completed.

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*” (or “Milestone Payment Trigger Event” as the case may be) column of the Tables set out in Annex 2 of this Schedule.
- 2.2 Service Charges shall be invoiced by the Supplier for each Service Period in arrears in accordance with the requirements of Part E.

2.3 If a Service Charge is to be calculated by reference to a Fixed Price pricing mechanism and the relevant Service:

(a) commences on a day other than the first day of a month; and/or

(b) 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.

2.4 Any Service Credits that accrue during a Service Period shall be deducted from the Service Charges payable for the next following Service Period. 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.

3 Not Used

PART C: ADJUSTMENTS TO THE CHARGES AND RISK REGISTER

1 DELAY PAYMENTS

- 1.1 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 1.2;
 - (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; and
 - (c) on a daily basis, with any part day’s Delay counting as a day.
- 1.2 Where a Delay Payment is payable in respect of a Key Milestone, the Delay Payment Rate shall be a rate of [REDACTED] per eGate per day and shall apply to each CPP Milestone of each Phase at every Port (the second CPP Milestone in the case of Model Port as further described at Paragraph 3 of Schedule 13 (*Implementation*)) where eGates are to be Implemented, including for the avoidance of doubt, the Model Port and Early Adopter Sites.
- (a) Not Used
 - (b) Not Used
 - (c) Not Used
- 1.3 Not Used
- 1.4 Not Used
- 1.5 The Parties agree that Delay Payments calculated in accordance with the Delay Payment Rate is 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. The Delay Payment Rate is stated exclusive of VAT.
- 1.6 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.
- 1.7 Where any such payment set out in Paragraph 1.6 of this Part C to this Schedule is not paid in accordance with the timescales set out in Paragraph 1.6 of this Part C to this Schedule then the Supplier shall in addition to the Delay Payment be liable for interest at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, which shall accrue on a daily basis from (and including) the due date set out in Paragraph 1.6 of this Part C to this Schedule up to (but excluding) the date of actual payment, whether before or after judgment.

2 PAYMENTS FOR DELAYS DUE TO AUTHORITY CAUSE

- 2.1 If the Supplier is entitled in accordance with Clause 29.1(iii)(D) (*Authority Cause*) to compensation for failure to Achieve a Milestone by its Milestone Date, then, subject always to Clause 23 (*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 29.1 (*Authority Cause*)together with an amount equal to the Anticipated Contract Life Profit Margin thereon;
 - (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;
 - (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 in respect of the relevant Milestone in Annex 1 of this Schedule; and
 - (d) Not Used.
- 2.2 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.

3 SERVICE CREDITS

3.1 Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 3 (*Performance Levels*).

3.2 For each Service Period:

- (a) the Service Points accrued shall be converted to a percentage deduction from the Service Charges for the relevant Service Period on the basis of one point equating to a 1.9841%; and
- (b) the total Service Credits applicable for the Service Period shall be calculated in accordance with the following formula:

$$SC = TSP \times x \times AC$$

where:

SC is the total Service Credits for the relevant Service Period, capped at the Anticipated Profit Margin for Service Charges;

TSP is the total Service Points that have accrued for the relevant Service Period;

x is 1.9841%; and

AC is the total Anticipated Contract Life Profit Margin stated as a percentage and applied to the value of the Service Charges payable for the relevant Service Period (prior to deduction of applicable Service Credits).

3.3 The liability of the Supplier in respect of Service Credits shall be subject to Clause 23.4(c) (*Financial and other Limits*) provided that, for the avoidance of doubt, the operation of the Service Credit Cap shall not affect the continued accrual of Service Points in excess of such financial limit in accordance with the provisions of Schedule 3 (*Performance Levels*).

3.4 Service Credits are a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received and are stated exclusive of VAT.

3.5 Service Credits shall be shown as a deduction from the amount due from the Authority to the Supplier in the invoice for the Service Period immediately succeeding the Service Period to which they relate.

4 CHANGES TO CHARGES

4.1 Any Changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 22 (*Change Control Procedure*) and on the basis that the Supplier Profit Margin on such Charges shall:

- (a) Not Used
 - (b) in no event exceed the Maximum Permitted Profit Margin.
- 4.2 The Authority may request that any Impact Assessment presents Charges without Indexation for the purposes of comparison.

5 INDEXATION

- 5.1 Throughout the Term of the Contract the Supplier shall take all reasonable steps to manage the level of Costs and mitigate the effects of inflationary increases and any other increases to Costs.
- 5.2 The Parties agree to perform the process set out in this Paragraph 5 at all times in an open and transparent manner, acting in good faith and with a duty of care in respect to the “Public Purse”.
- 5.3 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 5 to reflect the effects of inflation.
- 5.4 The Parties agree that the amounts or sums which may be “subject to Indexation” are identified in the Financial Model and fall under the following categories of cost:
- (a) eGate Asset Costs;
 - (b) Labour Costs;
 - (c) Delivery Costs; and
 - (d) Sub-contractor Costs.
- 5.5 Where Indexation applies it shall take effect as follows:
- (a) Within the first three (3) contract months following the Effective Date and actionable via Contract Change to be agreed between the Parties to account for the Period between the first day of the calendar month following the deadline date (i.e. 1st March 2024) set during the procurement phase for the Supplier (Bidder at the time) to submit its ISFT Tender Submission to the Authority to (and including) the last day of the calendar month preceding the date on which this Contract was signed by both of the Parties; and
 - (b) annually thereafter on the first day of the calendar month that follows each anniversary of the Effective Date.

Sub-contractor costs shall specifically be excluded from the calculation of Indexation in limb 5.5(a) to this Part C of Schedule 15 (*Charges and Invoicing*) and also from the calculation of Indexation at the first anniversary of the Effective Date in relation to limb 5.5(b) to this Part C of Schedule 15 (*Charges and Invoicing*).

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5.6 The Parties agree in good faith to work together to update the Charges where required as soon as reasonably practicable following the publication of the relevant indices set out in Paragraph 5.7 below. The Parties further agree that the Charges shall be updated in a single exercise following the publication of the final relevant index rather than in a piecemeal or iterative way. Any such change to the Charges shall in any event be back dated to the date at which Indexation applies as described in Paragraph 5.5.

5.7 The following indices shall apply:

Cost Categories	Index	Link to where Published
eGate Asset	Trading Economics: European Union Producer Prices	European Union Producer Prices (tradingeconomics.com)
Labour	ONS: AWE: Whole Economy Year on Year Three Month Average Growth (%): Seasonally Adjusted Regular Pay Excluding Arrears	AWE: Whole Economy Year on Year Three Month Average Growth (%): Seasonally Adjusted Regular Pay Excluding Arrears - Office for National Statistics (ons.gov.uk)
Delivery	Trading Economics: European Union CPI Transportation	European Union CPI Transportation - December 2022 Data - 1996-2021 Historical (tradingeconomics.com)
Sub-contractor	Not Index linked but capped at the lower of the actual increase (as described in Step 2 to Paragraph 5.8 below) and 1.5%. Sub-contractor costs shall only be included in the calculation of Indexation from the second anniversary of the Effective Date and specifically only in relation to limb 5.5(b) to this Part C of Schedule 15 (<i>Charges and Invoicing</i>).	Not Index linked but capped at the lower of the actual increase (as described in Step 2 to Paragraph 5.8 below) and 1.5%. Sub-contractor costs shall only be included in the calculation of Indexation from the second anniversary of the Effective Date and specifically only in relation to limb 5.5(b) to this Part C of Schedule 15 (<i>Charges and Invoicing</i>).

- 5.8 Method of Calculation: Where a change to the Charges is required by the provisions of this Paragraph 5, the change to the Charges shall be calculated following the steps set out in this Paragraph 5.8

Step 1: The relevant indices in Paragraph 5.7 at the dates specified in Paragraph 5.5(b) shall be identified as a percentage (%) reflecting the rate of inflation for the previous 12 month period.

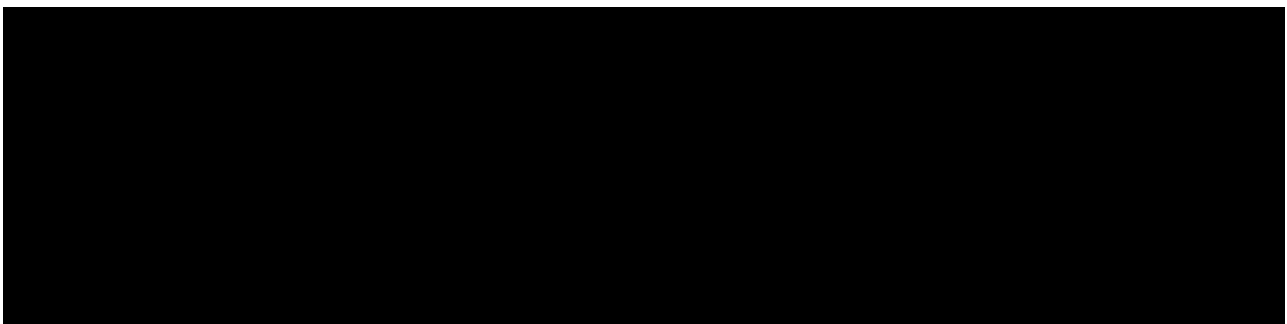
Step 2: The Supplier shall identify the actual cost increases (identified as a percentage (%)) that its business has incurred in relation to the cost categories set out in Paragraph 5.4 over the same 12 month period as in Step 1 above. In relation to such cost increases the Supplier shall:

- (i) Prepare evidence to verify the cost increase (e.g. Global/Regional pay award, notice of cost increases from third party suppliers etc); and
- (ii) Further evidence that the Supplier had taken all reasonable steps to avoid such increases.

Step 3: In order to impact the relevant Charges, the Supplier shall be entitled to apply the lower of the percentage (%) as calculated in Step 1 and the percentage (%) as calculated in Step 2 to the Baseline Indexable Costs.

Step 4: The application of the percentage identified in Step 3 for each cost category identified in Paragraph 5.4 shall be used to adjust the Baseline Indexable Costs to calculate a weighted percentage increase to the overall total of Baseline Indexable Costs. The following simple example illustrates this:

Example: Say for the revision of the unit charge for the Management Service:



Step 5: Subject to Paragraph 5.11 of this Part C, steps 1 to 4 above shall be performed separately for each type of Charge as set out in the Financial Model and Annex 1 and 2 of this Schedule (i.e. Mobilisation and Early Adopter Milestones, eGate Asset Charges, Other Asset & Equipment Charges, Implementation (National Estate Rollout) Charges, Implementation (Outside of National Estate Rollout) Charges, Fixed Implementation Charges, Management Service Charges, Preventative Maintenance Charges, Reactive Support Charges, Charges relating to Decommissions, Disposals and Relocations and consumption based Training Charges) with the weighted percentage increase as calculated in Step 4 above being applied to the

relevant Charge to calculate the revised Charge. The calculation to determine the revision to the relevant Charge or Charges shall assume profit equal to the Anticipated Contract Life Profit Margin and as such the adjustment to the relevant Charge is calculated as follows:

$$\text{i.e. } RC = PC \times W$$

where:

RC = The Revised unit charge;

PC = The equivalent unit charge prior to the revision; and

W = The weighted percentage increase calculated in Step 4 on the Baseline Indexable Costs relevant to the unit charge.

- 5.9 Steps 1 to 5 as set out in Paragraph 5.8 shall be performed annually in accordance with Paragraph 5.5 in an incremental fashion such that there is no double counting of previously accounted inflationary increases to the Charges.
- 5.10 Where the percentage calculated in Step 3 of Paragraph 5.8 exceeds 8%, the Parties agree that the provisions of Paragraph 5 shall not automatically apply and that the provisions of Annex 7 (Hyper Inflation) of this Schedule shall instead apply.
- 5.11 The Supplier shall not be entitled to index:
- 5.11.1 any Milestone Payments where the application of Indexation has resulted from a delay caused by the Supplier to a Milestone in the Implementation Plan (or Site Specific Implementation Plan) that triggers the Milestone Payment set out in Annex 1 to this Schedule; and/or
- 5.11.2 Fixed Implementation Charges as set out in Table 7 of Annex 1 to this Schedule for cost increases in relation to Sub-contractor costs. i.e. Sub-contractor costs shall specifically be excluded from the calculation of Indexation in relation to Fixed Implementation Charges throughout the Term.
- 5.12 In any event, except as set out in this Paragraph 5, 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.

6 ALLOWABLE ASSUMPTIONS

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

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

- 6.3 Within ten (10) Working Days of the end 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 Implementation Plan and/or the Financial Model require adjustment.
- 6.4 Each Allowable Assumption shall be deemed accurate unless adjusting for the relevant Allowable Assumption has an impact:
- (a) on the Financial Model; or
 - (b) on the Implementation Plan which would require adjustment under the Change Control Procedure, as identified in column 3 of the table in Annex 5,

in which case Paragraph 6.5 shall apply.

- 6.5 Where the Parties agree that an Allowable Assumption is not accurate and the Financial Model and/or Implementation Plan require adjusting:
- (a) the Supplier shall take all reasonable steps to mitigate the impact of the Allowable Assumption on the Financial Model and/or the Implementation Plan;
 - (b) the Supplier may (subject to Paragraph 6.5(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
 - (c) where the Supplier proposes a Change to the Charges under Paragraph 6.5(b), the Change Request shall reflect the requirements of the table in Annex 5, 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 Annex 5.

7 RISK REGISTER

- 7.1 The Parties shall review the Risk Register set out in Annex 4 from time to time and as otherwise required for the purposes of Schedule 21 (*Governance*).

PART D: EXCESSIVE SUPPLIER PROFIT MARGIN**1 LIMIT ON SUPPLIER PROFIT MARGIN**

- 1.1 The Supplier acknowledges that the Achieved Profit Margin applicable over the Term shall not exceed the Maximum Permitted Profit Margin.
- 1.2 The Supplier shall include in each Annual Contract Report the Achieved Profit Margin and Forecast Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up and the provisions of Paragraph 2 of Part B of Schedule 19 (*Financial Reports and Audit Rights*) shall apply to the approval of the Annual Contract Report.

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

- 2.1 If an Annual Contract Report demonstrates (or it is otherwise determined pursuant to Paragraph 2 of Part B of Schedule 19 (*Financial Reports and Audit Rights*)) that the Forecast Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up exceeds the Maximum Permitted Profit Margin:
- (a) the Supplier shall, within five (5) Working Days of delivery to the Authority of the Annual Contract Report, propose such adjustments to the Charges as will ensure that the Forecast Profit Margin over the Term will not exceed the Maximum Permitted Profit Margin;
 - (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) if the Parties cannot agree such revised adjustments and the Authority terminates this Contract by issuing a Termination Notice to the Supplier pursuant to Clause 31.1(a) (*Termination by the Authority*), then for the purpose of calculating any Compensation Payment due to the Supplier, the Termination Notice shall be deemed to have been served as at the date of receipt by the Authority of the relevant Annual Contract Report.
- 2.2 Pending agreement of a proposed adjustment to the Charges pursuant to this Part D, the Charges then in force shall continue to apply. Once the adjustments to the Charges are agreed in accordance with Paragraph 2.1, 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.

- 2.3 The Authority at its absolute discretion may elect instead of following the process to adjust the Charges as set out in Paragraph 2.1 to this Part D of Schedule to recover the amount as described in Paragraph 2.1 as a one-off repayment. In such circumstances the Supplier Shall within 30 days:
- (a) issue a credit note to the Authority in respect of the total amount repayable; and
 - (b) pay to the Authority as a debt the sum equal to the total amount repayable.
- 2.4 Where the Authority elects to recover the amount as described in Paragraph 2.1 to this Part D of Schedule as a one-off repayment, the Authority shall inform the Supplier if any further adjustment to the Charges is required. Where a further adjustment to the Charges is deemed appropriate the Parties shall work in good faith to agree the required changes via the Change Control Procedure.
- 2.5 For the avoidance of doubt, this Paragraph 2 shall apply where an Annual Contract Report demonstrates that the Forecast Profit Margin exceeds the Maximum Permitted Profit Margin whether or not any such prior adjustment to the Charges (or one-off repayment) has been made throughout the Term.

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

- 1.1 The Authority shall accept for processing any electronic invoice that complies with the European Standard, provided that it is valid and undisputed.
- 1.2 If the Supplier proposes to submit for payment an invoice that does not comply with the European Standard 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 e-invoicing system, 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 Contract;
 - (e) the reference number of the purchase order (and where relevant the PO line item number) 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);
 - (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 Authority 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;
 - (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 Supplier's VAT registration number and 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); and
 - (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.
- 1.4 The Supplier shall invoice the Authority in respect of Services in accordance with the requirements of Part B. The Supplier shall first submit to the Authority a draft invoice setting out the Charges payable. The Parties shall endeavour to agree the draft invoice within five (5) Working Days of its receipt by the Authority, following which the Supplier shall be entitled to submit its invoice.
- 1.5 Each invoice shall at all times be accompanied by Supporting Documentation. 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 by the Authority from time to time to substantiate an invoice.
- 1.6 The Supplier shall submit all invoices and Supporting Documentation:

Via e-mail;

- Home Office - hosupplierinvoices@homeoffice.gov.uk

OR (where required by the Authority)

Via Post;

If the Supplier is unable to submit invoices by email, invoices can be sent via post to:

Accounts Payable

Home Office

HO Box 5015

SSCL

Phoenix House

Newport

NP10 8FZ

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with a copy (again including any Supporting Documentation) to such other person and at such place as the Authority may notify to the Supplier from time to time.

Contact details for suppliers:

All enquiries from suppliers should be directed to SSCL;

- Email: finance-ap-enquiries@homeoffice.gov.uk
- Telephone: 0345 010 0125

- 1.7 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.
- 1.8 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.
- 1.9 If the Authority fails to consider and verify an invoice in accordance with Paragraphs 1.4 and 1.8, the invoice shall be regarded as valid and undisputed for the purpose of Paragraph 2.1, after a reasonable time has passed.

2 PAYMENT TERMS

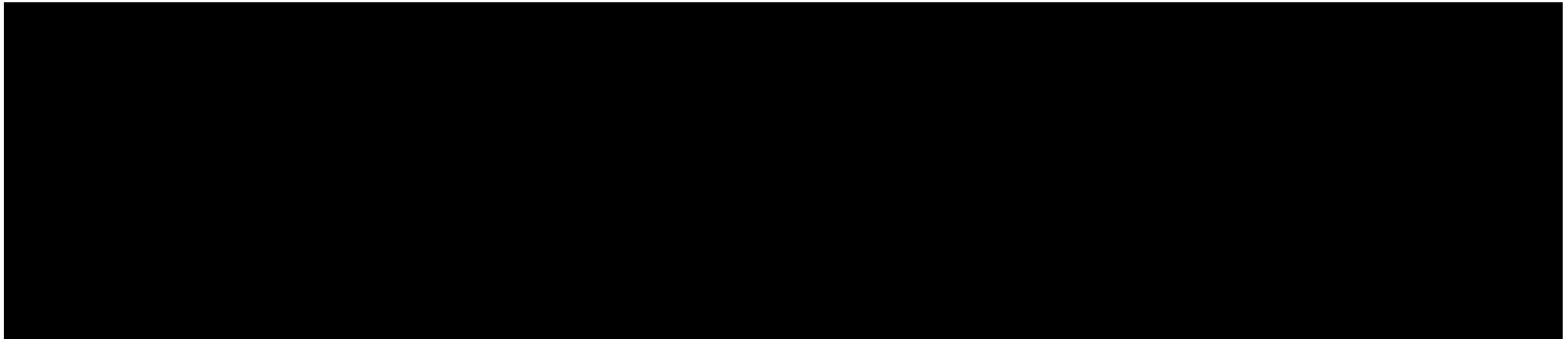
- 2.1 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier within thirty (30) days of verifying that the invoice is valid and undisputed.
- 2.2 Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic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

ANNEX 1: CHARGING FOR IMPLEMENTATION SERVICES

In relation to the Milestone Payment Trigger Events described in this Annex 1, Paragraph 13 of Schedule 14 (*Testing Procedures*) shall apply at all times.

Table 1: Mobilisation Phase

Mobilisation	Unit Charge	Charging Mechanism	Payment Milestone	Milestone Reference	Milestone Date***	Milestone Payment Trigger Event
	£					



Note 1: Table 1 above summarises those Charges as set out in the “3.1 Mobilisation” worksheet of the Financial Model and does not include the Charges associated with the Early Adopter Sites as well as any eGate and other assets and equipment required by the Model Port.

Note 2: The Supplier’s Charges for the Mobilisation Phase are recovered via seven (7) Milestone Payments. These Milestone Payments are as follows:

MOB1a: which recovers 5% of the Charges as set out in the “3.1 Mobilisation” worksheet of the Financial Model (See Table 1 of this Annex 1);

MOB1b: which recovers 10% of the Charges as set out in the “3.1 Mobilisation” worksheet of the Financial Model (See Table 1 of this Annex 1);

MOB2a (Not shown in Table 1 above): which recovers 75% of the eGate Asset Charge for the eGates being Implemented at the Model Port and Charged at the appropriate banded eGate Asset Unit Charge (see Table 5 of this Annex 1);

***MOB2b:** which comprises three (3) parts. These are:

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- (i) Part 1: which recovers the remaining 25% of the eGate Asset Charge (not recovered via the MOB2a Milestone Payment) for the eGates being Implemented at the Model Port and Charged at the appropriate banded eGate Asset Unit Charge (see Table 5 of this Annex 1);
- (ii) Part 2: which recovers 100% of the Other Assets & Equipment Charge in relation to the Implementation of the Model Port (see Table 6 of this Annex 1); and
- (iii) Part 3: which recovers 45% of the Charges as set out in the “3.1 Mobilisation” worksheet of the Financial Model and including the recovery of costs relating to the Implementation effort required at the Model Port (See Table 1 of this Annex 1).

For the avoidance of doubt, although the value of the Charges associated with Part 1 and Part 2 of Milestone MOB2b are not included in Table 1 above (instead included below in tables 5 and 6 respectively) all three parts to the MOB2b Milestone payment shall be paid by the Authority together as a single Milestone Payment on Achievement of the MOB2b Milestone associated with the Model Port;

MOB2c: which recovers 15% of the Charges as set out in the “3.1 Mobilisation” worksheet of the Financial Model (See Table 1 of this Annex 1);

MOB3: which recovers 10% of the Charges as set out in the “3.1 Mobilisation” worksheet of the Financial Model (See Table 1 of this Annex 1); and

MOB4: which recovers 15% of the Charges as set out in the “3.1 Mobilisation” worksheet of the Financial Model (See Table 1 of this Annex 1).

****Note 3:** For the avoidance of doubt; there are two CPP Milestones associated with the Model Port as further described in Paragraph 3 of Schedule 13 (*Implementation*).

*****Note 4:** The Milestone Dates set out in Table 1 above shall be the predetermined Milestone Dates to be included in the Initial Implementation Plan unless otherwise amended by the Parties in producing the Implementation Plans in accordance with Schedule 13. Furthermore, the Parties acknowledge that the Supplier’s ability to achieve such Milestone Dates will at all times be subject to

the timely provision of or fulfilment of those relevant Authority Responsibilities, set out in Schedule 7, by the dates reasonably agreed and included within the Implementation Plan.

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Table 2: Early Adopter Sites

Early Adopter Sites	Unit Charge	Charging Mechanism	Payment Milestone	Milestone Reference	Milestone Payment Trigger Event (Per Early Adopter Site)
	£				

***Note 1:** The Supplier's Charges for the Implementation of the Services at a given Early Adopter Site are recovered via two (2) Milestone Payments. These Milestone Payments are as follows:

EA1 (Not shown in Table 2 above): which recovers 75% of the eGate Asset Charge for the eGates being Implemented at the given Early Adopter Site and Charged at the appropriate banded eGate Asset Unit Charge (see Table 5 of this Annex 1); and

EA2: which has three (3) parts to this EA2 Milestone Payment. These are:

- (iv) Part 1: which recovers the remaining 25% of the eGate Asset Charge (not recovered via the EA1 Milestone Payment) for the eGates being Implemented at the given Early Adopter Site and Charged at the appropriate banded eGate Asset Unit Charge (see Table 5 of this Annex 1);
- (v) Part 2: which recovers 100% of the Other Assets & Equipment Charge relating to the given Early Adopter Site (see Table 6 of this Annex 1); and
- (vi) Part 3: which recovers 100% of the Implementation Charge relating to the given Early Adopter Site (See Table 2 of this Annex 1).

For the avoidance of doubt, although the value of the Charges associated with Part 1 and Part 2 of Milestone EA2 are not included in Table 2 above (instead included below in tables 5 and 6 respectively) all three parts to the EA2 Milestone payment shall be paid by the Authority together as a single Milestone Payment on Achievement of the relevant EA2 Milestone for the given Early Adopter Site.

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Table 3: Implementation of eGates during/inside the National Estate Rollout Phase

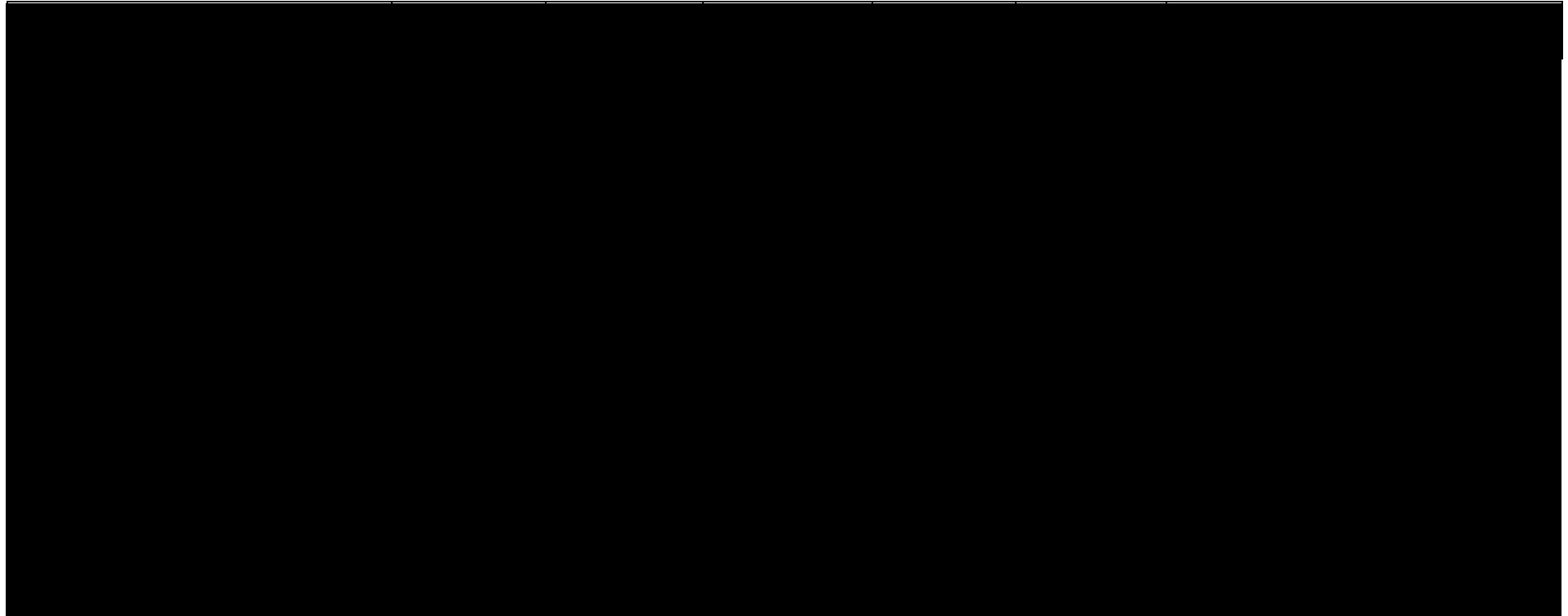
IMPLEMENTATION (National Estate Rollout)	Unit Charge Reference	Unit Charge	Charging Mechanism	Payment Milestone	Milestone Reference	Milestone Payment Trigger Event (Per Phase per Port)
		£				

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***Note 1:** Milestone Payments for the Implementation of eGates at Ports during/inside the National Estate Rollout Phase of the Contract are similar to Milestone Payments at Early Adopter Sites in that the Supplier's Charges for the Implementation of the Services in a given Phase at a given Port during the National Estate Rollout Phase are recovered via two (2) Milestone Payments. These Milestone Payments are as follows:

IMP1: which recovers 75% of the eGate Asset Charge for the eGates being Implemented in a given Phase at the given Port and Charged at the appropriate banded eGate Asset Unit Charge (see Table 5 of this Annex 1); and

IMP2: which has three (3) parts to this IMP2 Milestone Payment. These are:

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- (i) Part 1: which recovers the remaining 25% of the eGate Asset Charge (not recovered via the IMP1 Milestone Payment) for the eGates being Implemented in a given Phase at a given Port during NER and Charged at the appropriate banded eGate Asset Unit Charge (see Table 5 of this Annex 1);
- (ii) Part 2: which recovers 100% of the Other Assets & Equipment Charge** relating to a given Phase at a given Port during NER (see Table 6 of this Annex 1); and
- (iii) Part 3: which recovers 100% of the Implementation Charge*** relating to a given Phase at a given Port during NER (See Table 3 of this Annex 1).

For the avoidance of doubt, all three parts to the EA2 Milestone payment shall be paid by the Authority together as a single Milestone Payment on Achievement of the relevant EA2 Milestone for the given Phase and Port.

****Note 2:** The application of the Part 2 element of the IMP2 Milestone Payment shall be as described at Table 6 of this Annex 1 such that the “Other Assets & Equipment – Phase 1 Implementations” Charge shall apply to all First Phase and Single Phase Port Implementations, but the “Other Assets & Equipment – Additional OA&E Implementation 1” and “Other Assets & Equipment – Additional OA&E Implementation 2” Charges shall only apply where the relevant numbers of eGates, as set out at Table 6 of this Annex 1, have been Implemented at a given Port.

*****Note 3:** Charging for Part 3 of the IMP2 Milestone Payment (i.e. the effort of Implementing eGates in a given Phase at a given Port during NER) is dependent on the number of eGates being implemented in a Phase and Port and shall be derived from either:

- (i) The appropriate single Unit Charge as set out in Table 3 of this Annex 1; or
- (ii) depending on the number of eGates being Implemented from a combination of the Unit Charges set out in Table 3 of this Annex 1.

The following illustrative examples explain this further:

Illustration 1: Say the 2nd Phase of an Implementation at a Port during NER in the United Kingdom requires 7 eGates to be Implemented, then Part 3 of the IMP2 Milestone Payment for the Implementation effort associated with those eGates would be the sum of the Charge for one (1) "Implementation of 5 eGates (located in the UK)" (1 x Unit

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Charge Reference IMP5UKIN) plus the Charge for two (2) "Implementation of 1 eGate (located in the UK)" (2 x Unit Charge Reference IMP1UKIN).

Illustration 2: Say 4 eGates are required in a single Phase Implementation during NER at a Juxtaposed Port, then Part 3 of the IMP2 Milestone Payment for the Implementation effort associated with those eGates would be the single Charge for "Implementation of 4 eGates (Juxtaposed Port)" (1 x Unit Charge Reference IMP4JUXIN).

Illustration 3: Say the 2nd Phase of an Implementation during NER at a Port in the UK required 11 eGates to be Implemented then Part 3 of the IMP2 Milestone Payment for the Implementation effort associated with those eGates would be the sum of the Charge for one (1) "Implementation of 10 eGates (located in the UK)" (1 x Unit Charge Reference IMP10UKIN) plus the Charge for one (1) "Implementation of 1 eGate (located in the UK)" (1 x Unit Charge Reference IMP1UKIN).

Table 4: Implementation of eGates subsequent to/outside of the National Estate Rollout Phase

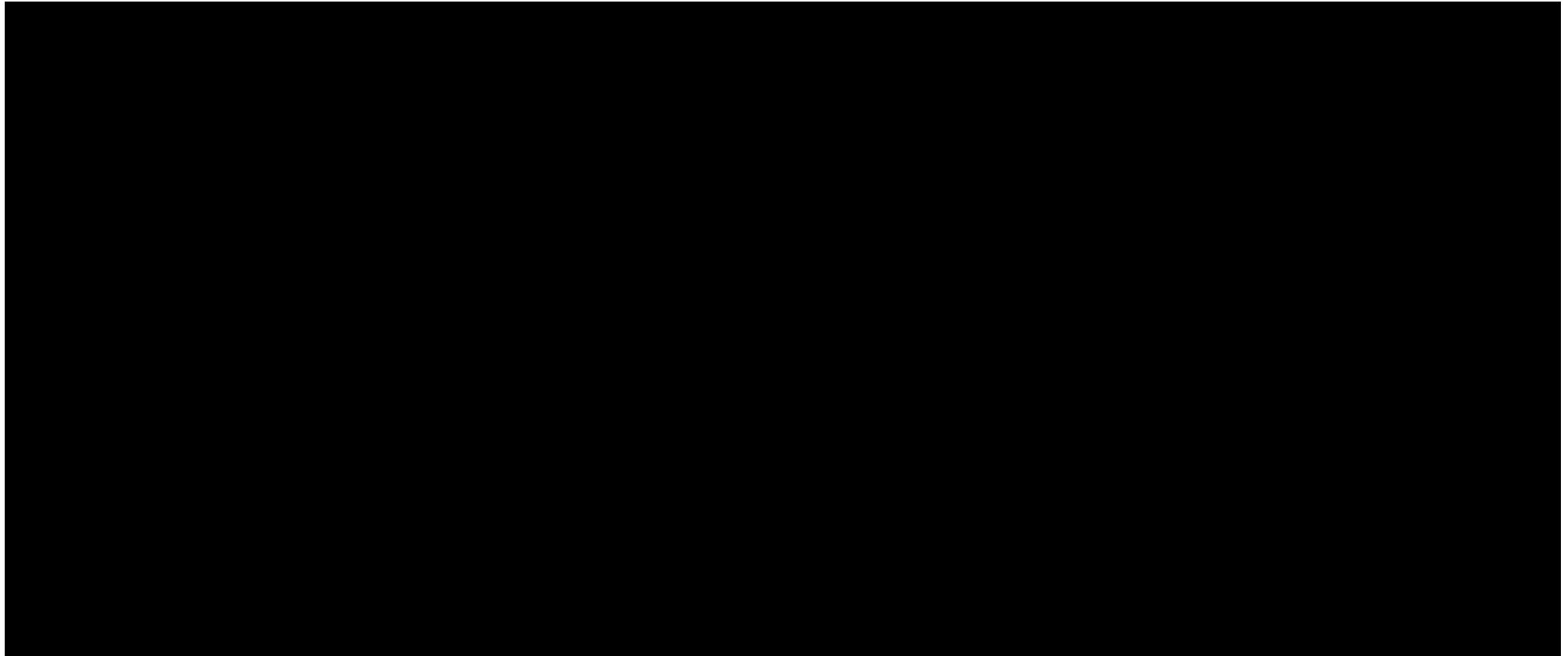
IMPLEMENTATION (Outside National Estate Rollout)	Unit Charge Reference	Unit Charge	Charging Mechanism	Payment Milestone	Milestone Reference	Milestone Payment Trigger Event (Per Phase per Port)
		£				

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***Note 1:** Milestone Payments for the Implementation of eGates at Ports subsequent to/outside of the National Estate Rollout Phase of the Contract have the same Charging mechanism and payment structure as for the Implementation of eGates at Ports during/inside the National Estate Rollout Phase. The Supplier's Charges for the Implementation of the Services in a given Phase at a given Port subsequent to/outside of the National Estate Rollout Phase are recovered via two (2) Milestone Payments. These Milestone Payments are as follows:

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IMP1: which recovers 75% of the eGate Asset Charge for the eGates being Implemented in a given Phase at the given Port and Charged at the appropriate banded eGate Asset Unit Charge (see Table 5 of this Annex 1); and

IMP2: which has three (3) parts to this IMP2 Milestone Payment. These are:

- (i) Part 1: which recovers the remaining 25% of the eGate Asset Charge (not recovered via the IMP1 Milestone Payment) for the eGates being Implemented in a given Phase at a given Port subsequent to/outside of NER and Charged at the appropriate banded eGate Asset Unit Charge (see Table 5 of this Annex 1);
- (ii) Part 2: which recovers 100% of the Other Assets & Equipment Charge** relating to a given Phase at a given Port subsequent to/outside of NER (see Table 6 of this Annex 1); and
- (iii) Part 3: which recovers 100% of the Implementation Charge*** relating to a given Phase at a given Port subsequent to/outside of NER (See Table 4 of this Annex 1).

For the avoidance of doubt, all three parts to the EA2 Milestone payment shall be paid by the Authority together as a single Milestone Payment on Achievement of the relevant EA2 Milestone for the given Phase and Port.

****Note 2:** The application of the Part 2 element of the IMP2 Milestone Payment shall be as described at Table 6 of this Annex 1 such that the “Other Assets & Equipment – Phase 1 Implementations” Charge shall apply to all First Phase and Single Phase Port Implementations, but the “Other Assets & Equipment – Additional OA&E Implementation 1” and “Other Assets & Equipment – Additional OA&E Implementation 2” Charges shall only apply where the relevant numbers of eGates, as set out at Table 6 of this Annex 1, have been Implemented at a given Port.

*****Note 3:** Charging for Part 3 of the IMP2 Milestone Payment (i.e. the effort of Implementing eGates in a given Phase at Ports subsequent to/outside of the National Estate Rollout Phase) is dependent on the number of eGates being implemented in a Phase and Port and shall be derived from either:

- (iii) The appropriate single Unit Charge as set out in Table 4 of this Annex 1; or
- (iv) depending on the number of eGates being Implemented from a combination of the Unit Charges set out in Table 4 of this Annex 1.

The following illustrative examples explain this further:

Illustration 1: Say the 2nd Phase of an Implementation at a Port outside of NER in the United Kingdom requires 7 eGates to be Implemented, then Part 3 of the IMP2 Milestone Payment for the Implementation effort associated with those eGates would be the sum of the Charge for one (1) "Implementation of 5 eGates (located in the UK)" (1 x Unit Charge Reference IMP5UKOUT) plus the Charge for two (2) "Implementation of 1 eGate (located in the UK)" (2 x Unit Charge Reference IMP1UKOUT).

Illustration 2: Say 4 eGates are required in a single Phase Implementation outside of NER at a Juxtaposed Port, then Part 3 of the IMP2 Milestone Payment for the Implementation effort associated with those eGates would be the single charge for "Implementation of 4 eGates (Juxtaposed Port)" (1 x Unit Charge Reference IMP4JUXOUT).

Illustration 3: Say the 2nd Phase of an Implementation outside of NER at a Port in the UK required 11 eGates to be Implemented then Part 3 of the IMP2 Milestone Payment for the Implementation effort associated with those eGates would be the sum of the Charge for one (1) "Implementation of 10 eGates (located in the UK)" (1 x Unit Charge Reference IMP10UKOUT) plus the Charge for one (1) "Implementation of 1 eGate (located in the UK)" (1 x Unit Charge Reference IMP1UKOUT).

Table 5: eGate Unit Charges

eGate Bandings (Standard Width eGates)	Unit Charge	Charging Mechanism	Payment Milestone	Milestone Reference	Milestone Payment Trigger Event
	£				

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eGate Bandings (Accessibility eGates)	Unit Charge	Charging Mechanism	Payment Milestone	Milestone Reference	Milestone Payment Trigger Event

***Note 1:** Charges relating to eGates are banded as set out in this Table 5 above and the applicable Charges to be applied to eGates from a batch ordered by the Authority are therefore determined by the Authority's order size as set out in Table 5.

However, eGates are not Charged for by the Supplier directly per se. The Supplier's Charges for eGates are recovered via the applicable Milestones described at Tables 1,2, 3 and 4 in this Annex 1. Therefore, Charges for eGates are recovered via Milestone Payments MOB2a, MOB2b, EA1, EA2, IMP1 and IMP2 as applicable.

The eGate Asset Charge includes Charges relating to all components of the eGates (e.g. software and non-standard hardware (readers, scanners, cameras, CCTV equipment etc)) but not supporting infrastructure such as server room equipment, monitoring officer monitoring station equipment, switches, SEAP etc.

For further information, see Tables 1, 2, 3 and 4 of this Annex 1 and the related Paragraphs provided under each of those tables.

Table 6: Other Assets & Equipment

Other Assets & Equipment	Unit Charge	Charging Mechanism	Payment Milestone	Milestone Reference	Milestone Payment Trigger Event
	£				

***Note 1:** Up to a maximum of three (3) separate Charges in relation to Other Assets and Equipment are Chargeable by the Supplier to the Authority at a given Port. These Charges are as follows:

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- Other Assets & Equipment (Phase 1 Implementations) - Following Achievement of the MOB2b, EA2 or IMP2 Milestone (as applicable), this Unit Charge is Chargeable by the Supplier to the Authority in relation to all first Phase and single Phase Ports. This Charge recovers the cost of Supporting Assets and Equipment (including equipment required in server rooms such as servers and switches and equipment required at the Border Force Monitoring Officer's station including SEAP containers, switches, Monitoring Screens and any peripheral equipment such as keyboards and mice) to be Implemented during the first Phase at a Port;
- Other Assets & Equipment (Additional OA&E Implementation 1) - Following Achievement of the applicable IMP2 Milestone, this Unit Charge is Chargeable by the Supplier to the Authority in relation to a multiple Phase Port where the eGates being Implemented during the relevant Phase takes the cumulative total of eGates Implemented at that Port to greater than 10 eGates. This Charge recovers the cost of the additional Supporting Assets and Equipment required by the Implementation of those eGates in excess of ten (10) at the given Port.
- Other Assets & Equipment (Additional OA&E Implementation 2) - Following Achievement of the applicable IMP2 Milestone, this Unit Charge is Chargeable by the Supplier to the Authority in relation to a multiple Phase Port where the eGates being Implemented during the relevant Phase takes the cumulative total of eGates Implemented at that Port to greater than 20 eGates. This Charge recovers the cost of the additional Supporting Assets and Equipment required by the Implementation of those eGates in excess of twenty (20) at the given Port.

Illustrative Example:

Say there are four (4) Phases at Port A. The number of eGates to be Implemented at Port A in each Phase and the Other Asset and Equipment Charges that would apply are as follows:

- Phase 1: 5 eGates (Cumulative Total of 5 eGates); - Other Assets & Equipment (Phase 1 Implementations) Charge shall be Chargeable by the Supplier on Achievement of the CPP (IMP2) Milestone for Phase 1;
- Phase 2: 5 eGates (Cumulative Total of 10 eGates); - No Other Assets & Equipment related Charges shall apply for this Phase;
- Phase 3: 5 eGates (Cumulative Total of 15 eGates); - Other Assets & Equipment (Additional OA&E Implementation 1) Charge shall be Chargeable by the Supplier on Achievement of the CPP (IMP2) Milestone for Phase 3 and

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- Phase 4: 10 eGates (Cumulative Total of 25 eGates); - Other Assets & Equipment (Additional OA&E Implementation 2)
Charge shall be Chargeable by the Supplier on Achievement of the CPP (IMP2) Milestone for Phase 4.

Table 7: Fixed Implementation Charges

Fixed Implementation Charge	Unit Charge	Charging Mechanism	Payment Milestone	Charge Reference	Milestone Payment Trigger Event
	£				

Note 1: Fixed Implementation Charges are chargeable in accordance with Paragraphs 1.3 to 1.8 of Part B of this Schedule.

Table 8: Consumption Based Training Courses

Consumption Based Training	Unit Charge	Charging Mechanism	Payment Milestone	Charge Reference	Milestone Payment Trigger Event
	£				

Note 1: All training Charges in Table 8 are paid for by the Authority on a consumption basis per course (i.e. they are volumetric in nature driven by the actual number of courses needed to train the Monitoring Officers, Superusers and eGate Hosts that the

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Authority requires to be trained). Payment of these Unit Charges shall be monthly in arrears based on the number of such training courses delivered by the Supplier in the previous month.

Note 2: The Charges relating to consumption based refresher training courses for Superusers are included at Table 5 of Annex 2 to this Schedule.

Note 3: Any costs relating to the creation and initial set up of training courses, e-learning content and/or other training materials are recoverable by the Supplier and included in the Mobilisation Charges set out in Table 1 of Annex 1 to this Schedule.

Note 4: Any costs relating to the maintenance and upkeep of training courses, e-learning content and/or other training materials are recoverable by the Supplier and included in the Management Service Charges set out in Table 1 of Annex 2 to this Schedule.

Note 5: Further information in relation to training courses (maximum course length, approximate class size, method of delivery etc) is set out in Controlled Document E-9-124 Training Structure Table, see Schedule 34 (*Controlled Documents*).

ANNEX 2: CHARGING FOR OPERATIONAL SERVICES (SERVICE CHARGES)

In relation to the Service Charge Trigger Events and/or Milestone Payment Trigger Events described in this Annex 2, Paragraph 13 of Schedule 14 (*Testing Procedures*) shall apply at all times.

Table 1: Management Service

Management Service	Unit Charge	Charging Mechanism	Charge Reference	Service Charge Trigger Event
	£			

***Note 1:** The Fixed Price Charging mechanism for the Management Service is per Port per Month. These Charges are chargeable by the Supplier to the Authority in accordance with the provisions of this Schedule and in particular, Paragraph 2.3 of Part B to this Schedule. Charging for the Management Service is:

- (i) per Port and is triggered by Achievement of the CPP Milestone relating to the first Phase of that Port (or the only CPP Milestone for single Phase Ports as the case may be); and
- (ii) such that all Ports where the Supplier has Achieved the CPP Milestone (associated with the first Phase of eGates at those Ports) are all charged for by the Supplier at the same charging band.

Illustrative example:

Say, by Contract month 20 the Supplier has Achieved the CPP Milestone (associated with the first Phase of eGates at those Ports) at 5 different Ports, then subject to Paragraph 2.3 of Part B to this Schedule, all 5 of those Ports would be charged by the Supplier for that month at the Band 1 (1-5 Ports) Charge. If in the following month, say the Supplier Achieves CPP Milestones associated with the first Phase of eGates at a further 3 Ports (bringing the total to 8 Ports), then, subject to Paragraph 2.3 of Part B to this Schedule, all 8 Ports would be charged by the Supplier in Contract month 21 at Band 2 (6-10 Ports).

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****Note 2:** For Model Port, the Service Charge Trigger Event shall be the second CPP Milestone as further described at Paragraph 3 of Schedule 13 (*Implementation*).

Table 2: Permitted Maintenance

Permitted Maintenance	Unit Charge	Charging Mechanism	Charge Reference	Service Charge Trigger Event
	£			

***Note 1:** The Fixed Price Charging mechanism for Permitted Maintenance is per eGate per month. These Charges are chargeable by the Supplier to the Authority in accordance with the provisions of this Schedule and in particular Paragraph 2.3 of Part B to this Schedule.

****Note 2:** For Model Port, the Service Charge Trigger Event shall be the second CPP Milestone as further described at Paragraph 3 of Schedule 13 (*Implementation*).

Table 3: Reactive Support

Reactive Support	Unit Charge	Charging Mechanism	Charge Reference	Service Charge Trigger Event
	£			

***Note 1:** The Fixed Price Charging mechanism for Reactive Support is per eGate per month. These Charges are chargeable by the Supplier to the Authority in accordance with the provisions of this Schedule and in particular Paragraph 2.3 of Part B to this Schedule.

****Note 2:** For Model Port, the Service Charge Trigger Event shall be the second CPP Milestone as further described at Paragraph 3 of Schedule 13 (*Implementation*).

Table 4 (Relocations, Decommissioning and Disposals)

Redeployments*	Unit Charge	Charging Mechanism	Charge Reference	Service Charge Trigger Event
	£			

*Relocations, Decommissions and Disposals may collectively be referred to as “Redeployments”. The charging of Redeployments shall be on a fixed Unit Charge basis for either 5 eGates or 10 eGates. Any volume of Decommissions and/or Disposals as well as any other Relocation scenario not covered by this Annex 2 shall be priced and agreed between the Parties separately as a project.

Note 1: The Decommissioning Unit Charges DEC5UK, DEC10UK, DEC5JUX and DEC10JUX recover all Supplier costs associated with decommissioning 5 eGates or 10 eGates (as applicable) including the Supplier's costs of physically removing the eGate but not any costs of repackaging and palletting the decommissioned eGates, transportation and/or storage which will be identified and agreed between the Parties on a case by case basis. The Supplier shall be entitled to charge separately for the reasonable costs incurred by the Supplier for any such repackaging, palletting, transportation and/or storage required by the Authority.

Note 2: The Disposal Unit Charges DIS5UK, DIS10UK, DIS5JUX and DIS10JUX recover all Supplier costs associated with disposing of 5 eGates or 10 eGates (as applicable).

Note 3: The Book Ending Unit Charge BOOKEND recovers all Supplier costs relating to any remedial work required to eGates previously Implemented by the Supplier to ensure that in a scenario where the Authority requires only a subset of the eGates within a larger connected array/bank of eGates at a Port to be relocated, decommissioned or disposed of, all of the remaining eGates operate normally in their operating environment and in accordance with the requirements of the Contract.

Note 4: The Relocation Unit Charges REL5UK and REL10UK recover all Supplier costs associated with relocating 5 eGates or 10 eGates (as applicable) in the following scenario:

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- i. the relocation is to take place within the same Port in the United Kingdom;
- ii. the Gates are relocated within the Port immediately. i.e. Following decommissioning, there is no delay to implementing the eGates in their new location within the Port and therefore there is no need for the eGates to go into storage;
- iii. the eGates are decommissioned and relocated in a single bank (5 or 10 as appropriate) with no requirement for splitting an existing bank and book ending;
- iv. the relocation of the eGates shall include the relocation of the related monitoring station equipment and server room equipment which should be assumed to support only the eGates being decommissioned and relocated; and
- v. the relocated eGates are implemented such that they operate normally in their operating environment in their new location and in accordance with the requirements of the Contract.

Further Interpretation of the Charging Mechanism for Redeployments:

- i. In a Disposal scenario, the Supplier may Charge the Authority the Unit Charge for both a Decommission and a Disposal for the applicable number of eGates;
- ii. In a Relocation scenario, the Supplier may Charge the Authority the Unit Charge for both a Decommission and a Relocation for the applicable number of eGates;
- iii. Where applicable, the Book Ending charge is also Chargeable by the Supplier to the Authority in addition to either a Disposal or Relocation;
- iv. The Supplier shall be entitled to Charge the Authority for such Redeployment Charges once the Authority has Approved the work performed by the Supplier as being satisfactorily completed; and
- v. Where a Relocation of eGates requires additional eGate hardware to be provided by the Supplier (for example where the decommission of the eGates is a decommission of a subset of eGates from a larger bank of eGates) the Charge for the required additional eGate hardware shall be agreed between the Parties, such Charge being derived from the appropriate eGate Asset Charge set out in Table 5 of Annex 1 to this Schedule.

Table 5 Consumption Based Refresher Training Courses for Superusers

Superuser Refresher Training	Unit Charge	Charging Mechanism	Payment Milestone	Charge Reference	Milestone Payment Trigger Event
	£				

Note 1: All training Charges in Table 5 are paid for by the Authority on a consumption basis per course (i.e. they are volumetric in nature driven by the courses needed to train the actual number of Superusers that the Authority requires to be retrained). Payment of these Unit Charges shall be monthly in arrears based on the number of such training courses delivered by the Supplier in the previous month.

Note 2: The Charges relating to all other consumption based training courses are included at Table 8 of Annex 1 to this Schedule.

Note 3: Further information in relation to training courses (maximum course length, approximate class size, method of delivery etc) is set out in Controlled Document E-9-124 Training Structure Table, see Schedule 34 (*Controlled Documents*).

ANNEX 3: PRO-FORMA CERTIFICATE OF COSTS

I **[name of CFO or Director of Finance or equivalent as agreed in advance in writing with the Authority]** of **[insert name of Supplier]**, certify that the financial information provided as part of this Certificate of Costs, incurred in relation to the The Future eGate Services Contract (the “**Contract**”) in relation to the following **[Milestone]**:

[Insert details of Milestone]

- 1 has been reasonably and properly incurred in accordance with **[name of Supplier]**'s books, accounts, other documents and records;
- 2 is accurate and not misleading in all key respects; and
- 3 is in conformity with the Contract and with all generally accepted accounting principles within the United Kingdom.

Signed **[Director of Finance or equivalent]**

[Name of Supplier]

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The Supplier confirms that the risks set out in this Annex 4 are accurate as at the Effective Date and are included within the Forecast Contingency Costs. Any amendments (new risks, mitigations, increases, decrease etc) to the Risk Register shall be managed and reported by the Supplier to the Authority via the Financial Reports as described further in Schedule 19 (*Financial Reporting & Audit Rights*).

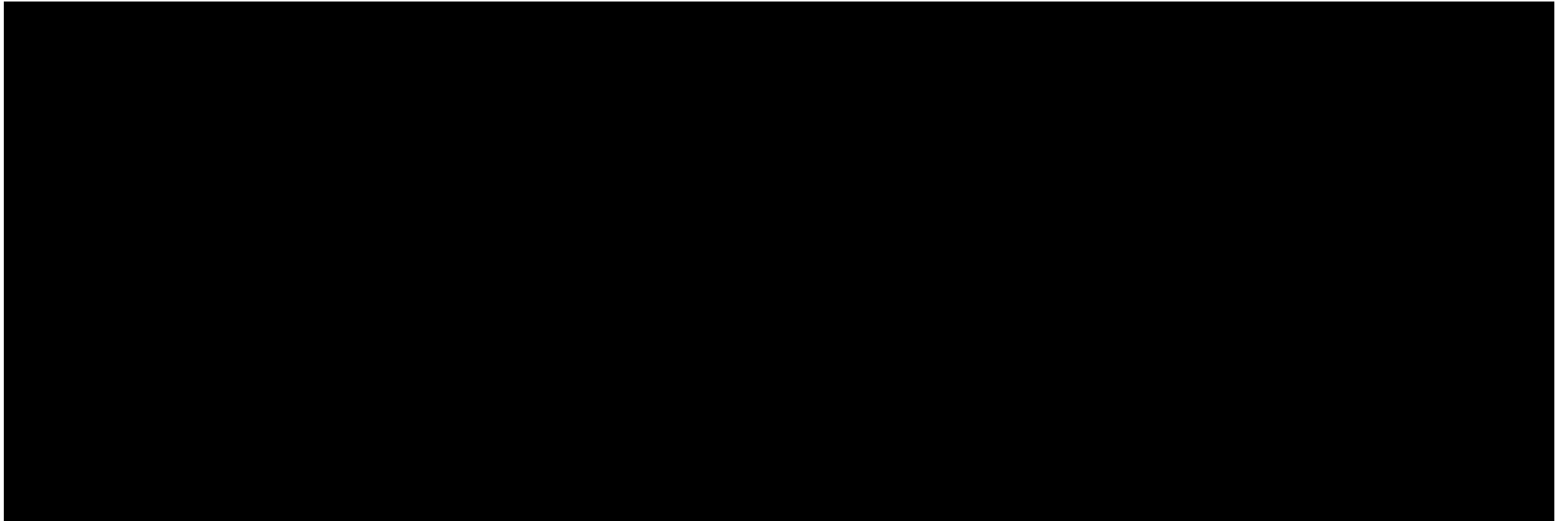
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Risk Ref	Risk Name	Description of risk	Timing	Likelihood (stated as a %)	Impact (£k)	Impact (description)		Forecast Contin- gency Costs (£k)	Owner

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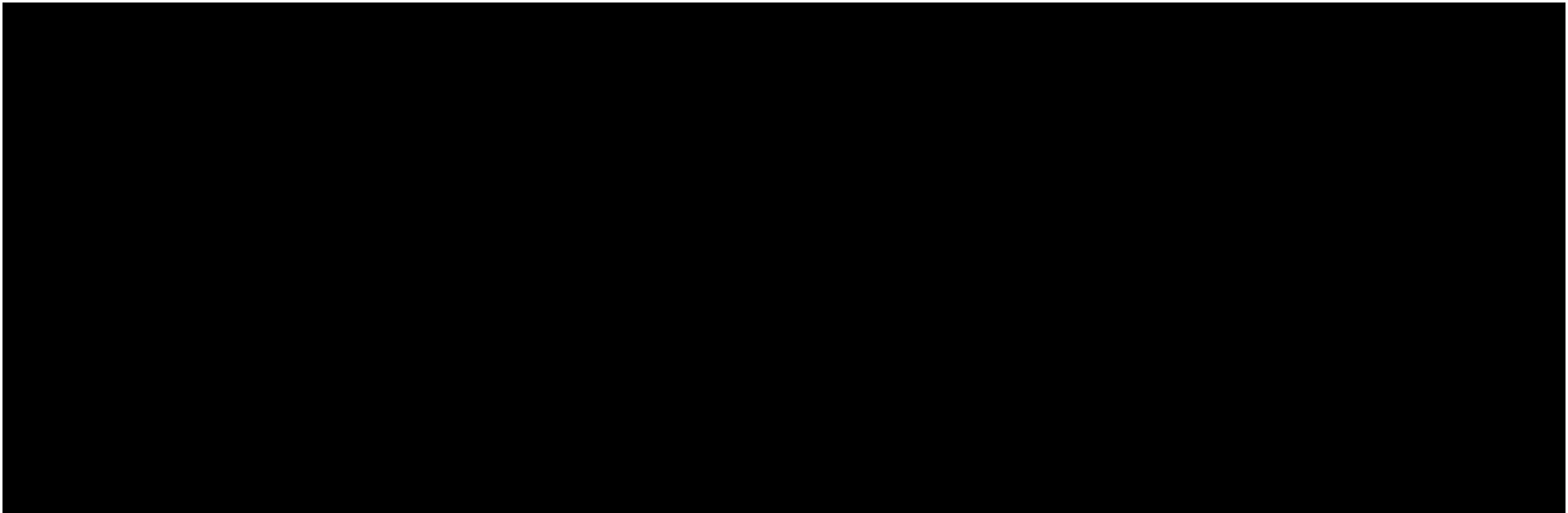
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ANNEX 5: Allowable Assumptions

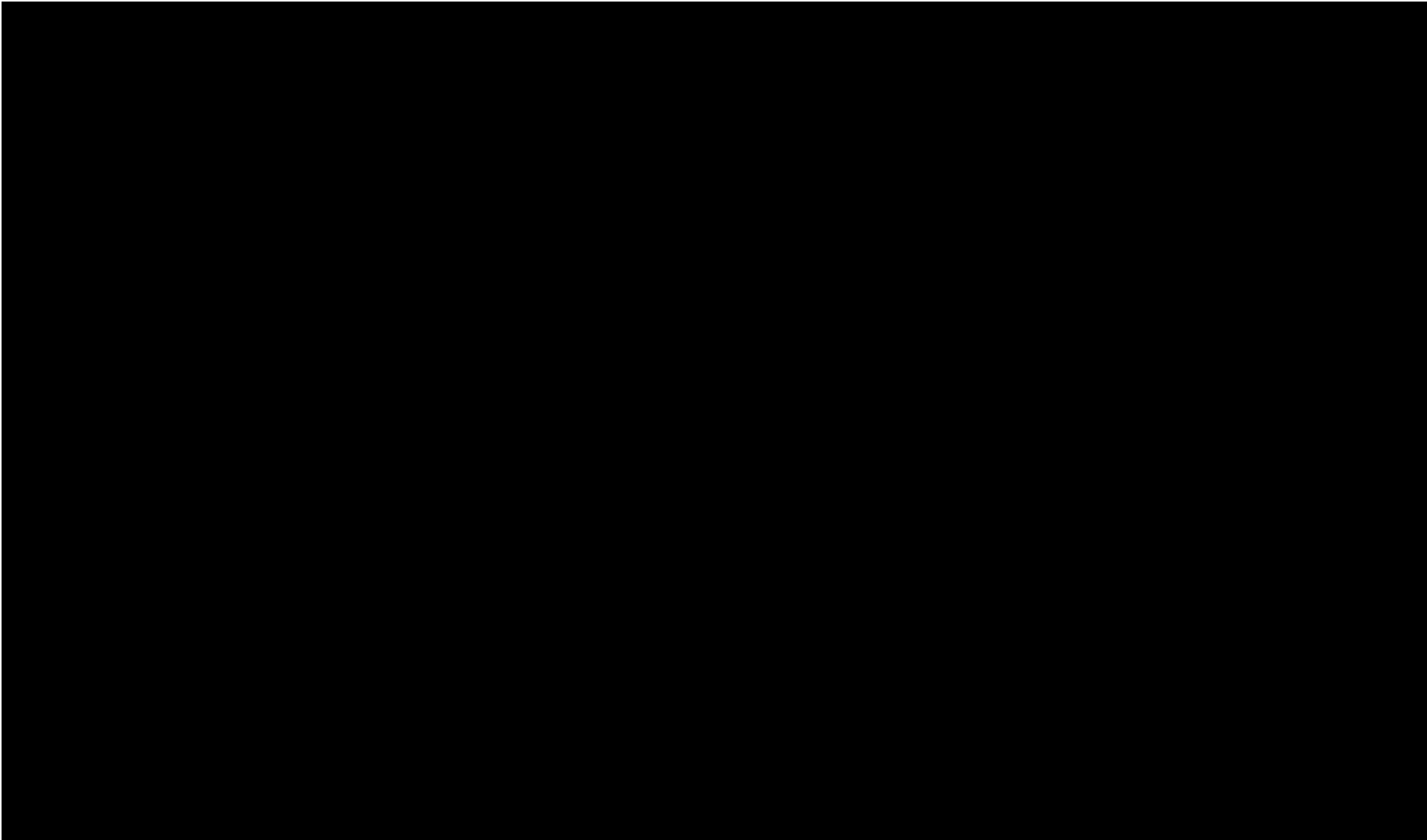
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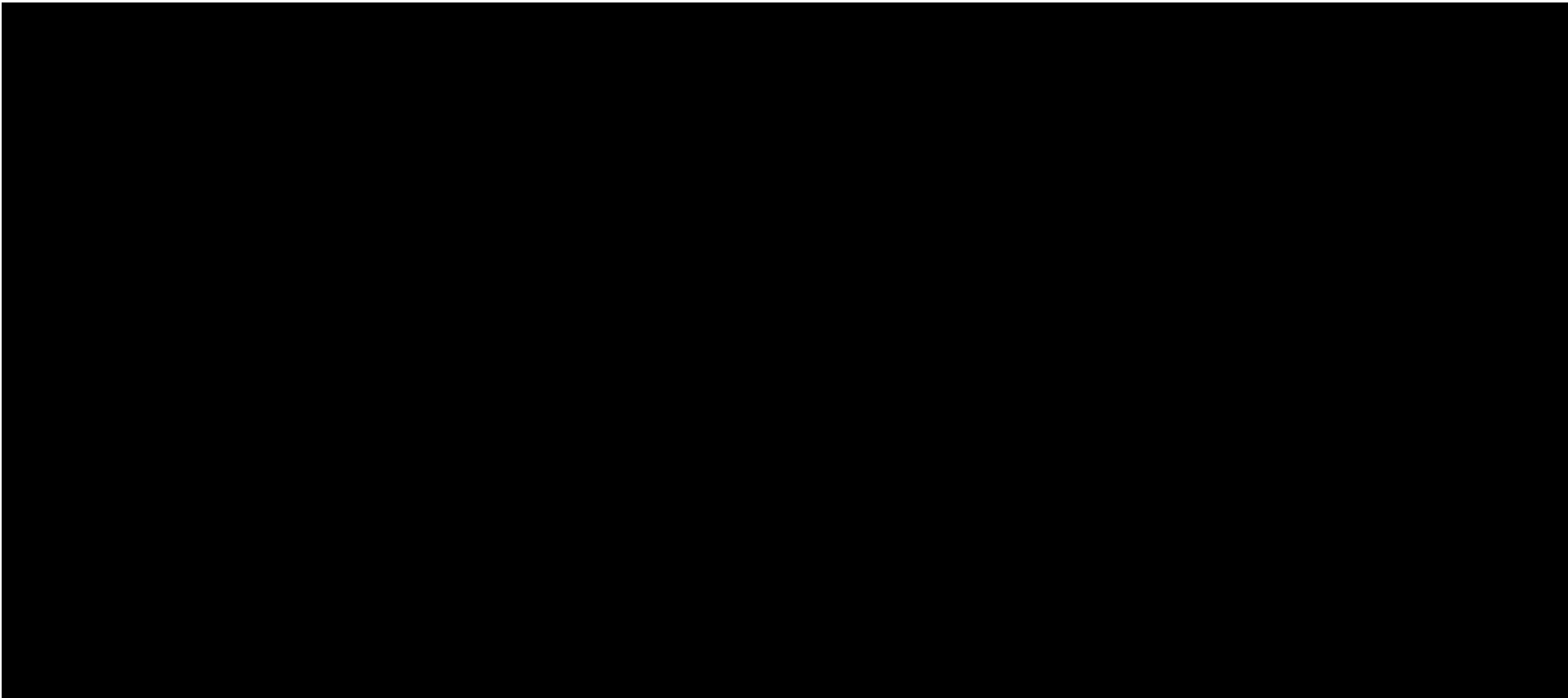
ANNEX 6: Baseline Indexable Costs

Baseline Indexable Costs, as further detailed at worksheet “1.5 Baseline Indexable Costs” of the Supplier’s Financial Model submitted as part of the ISFT Tender Submission (attached at Annex 9 to this Schedule) are as follows:

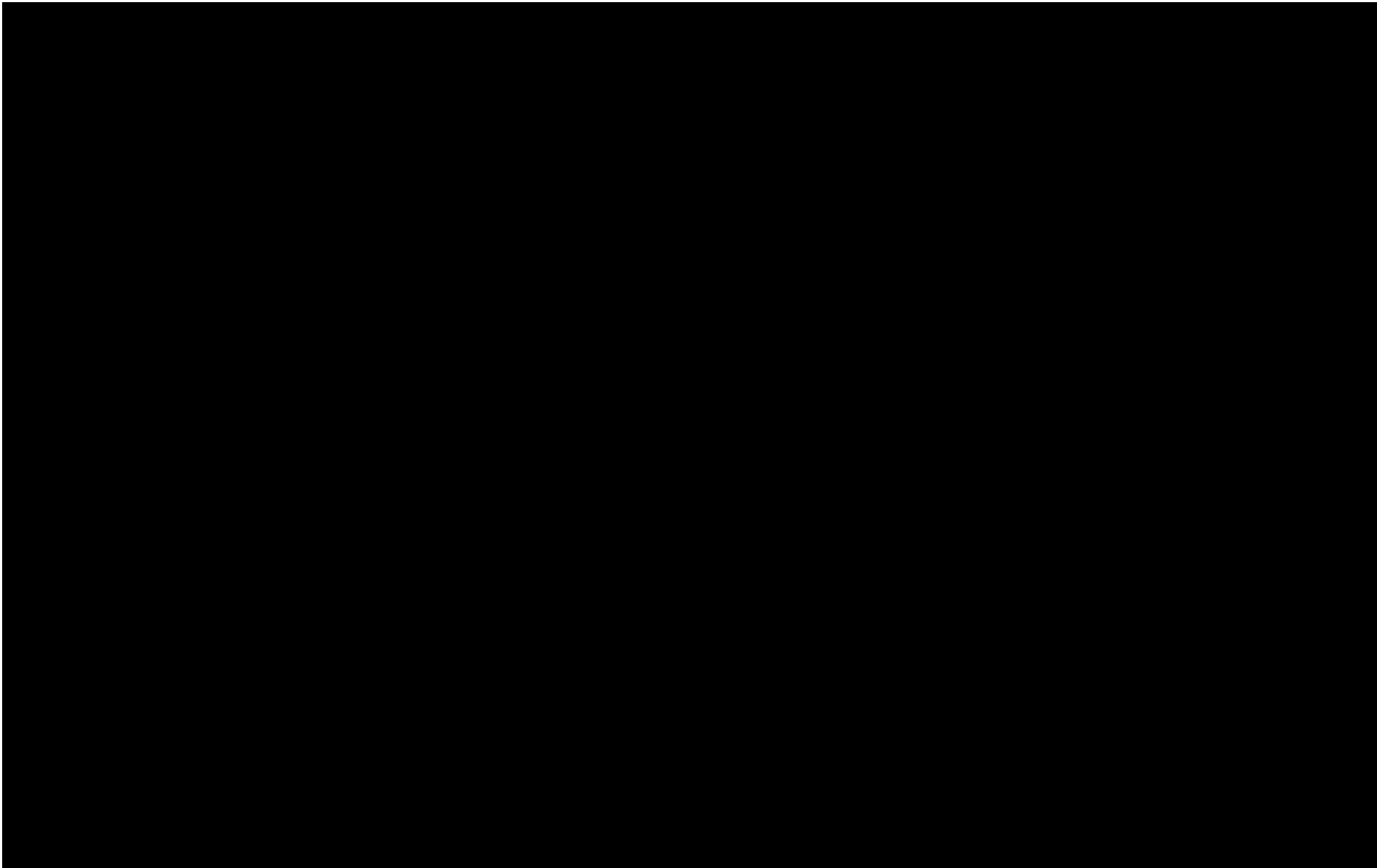








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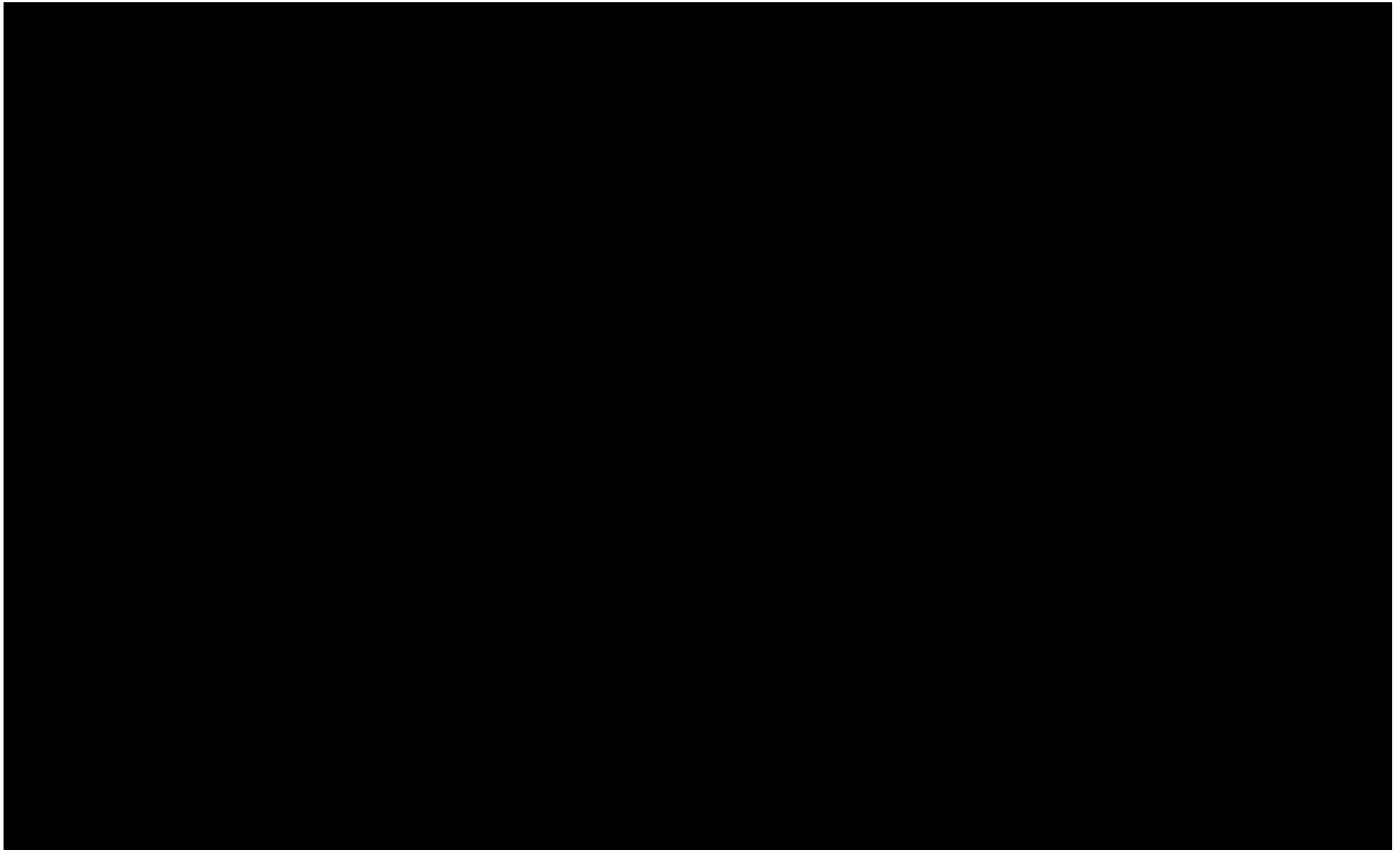


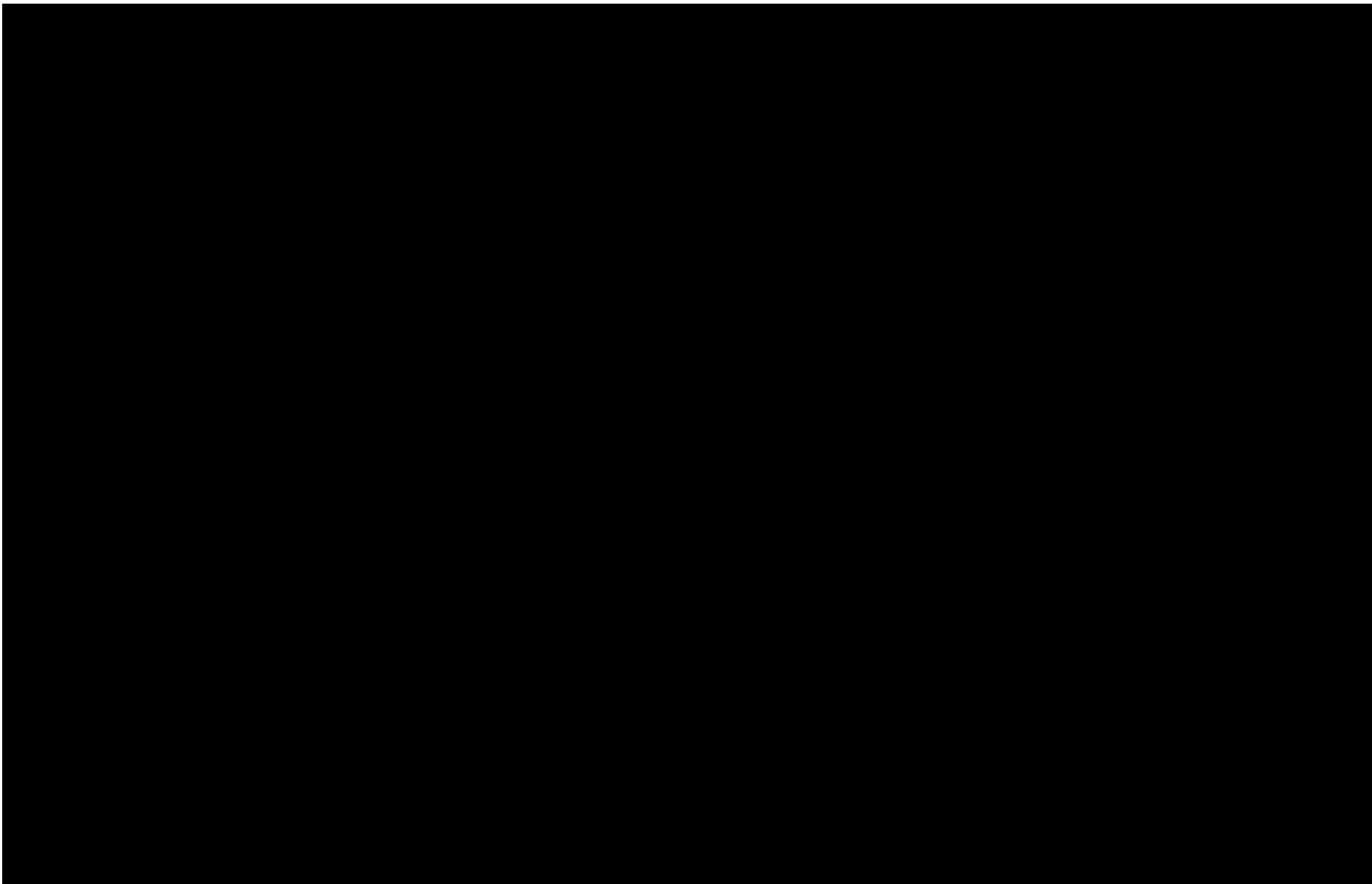
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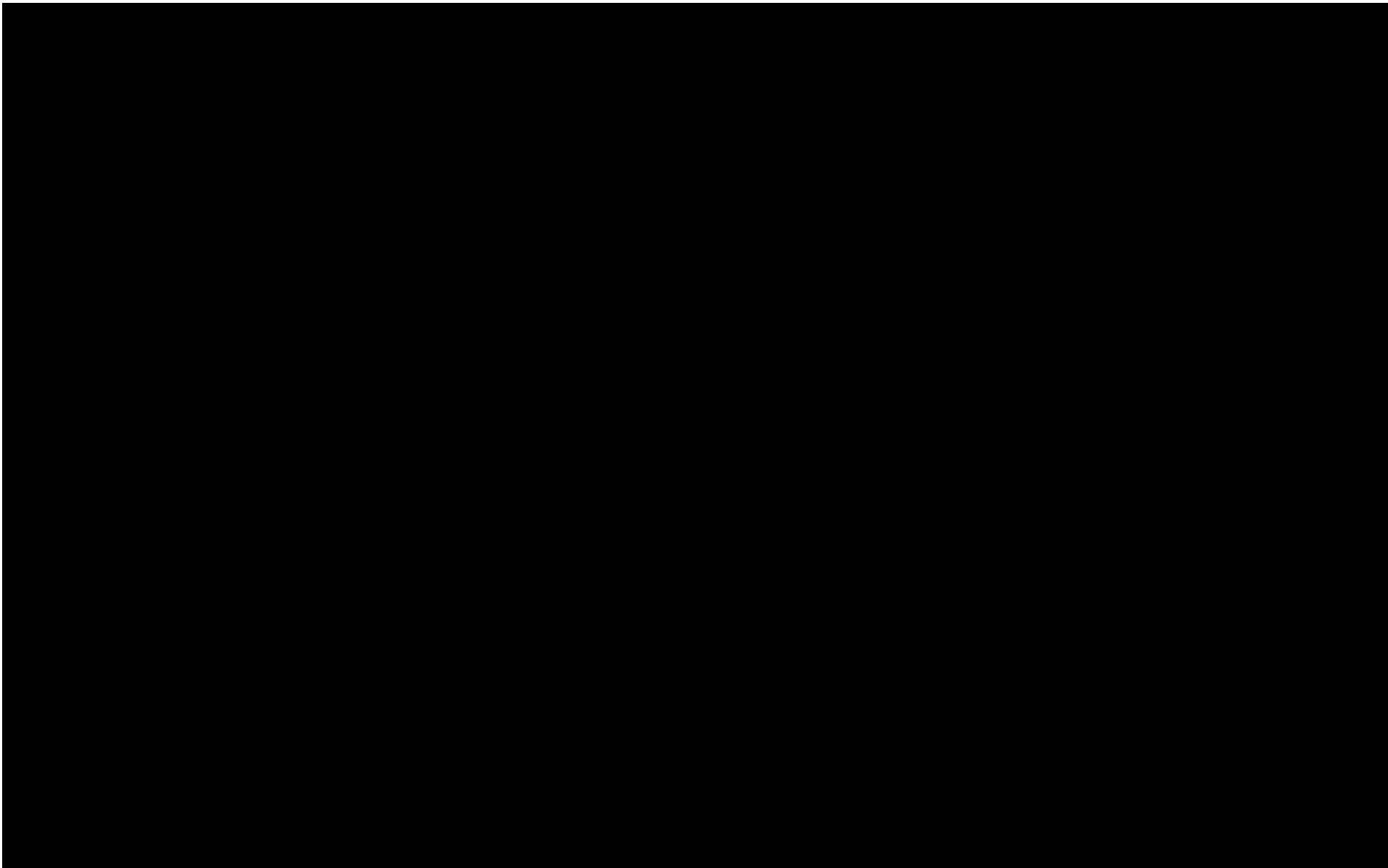
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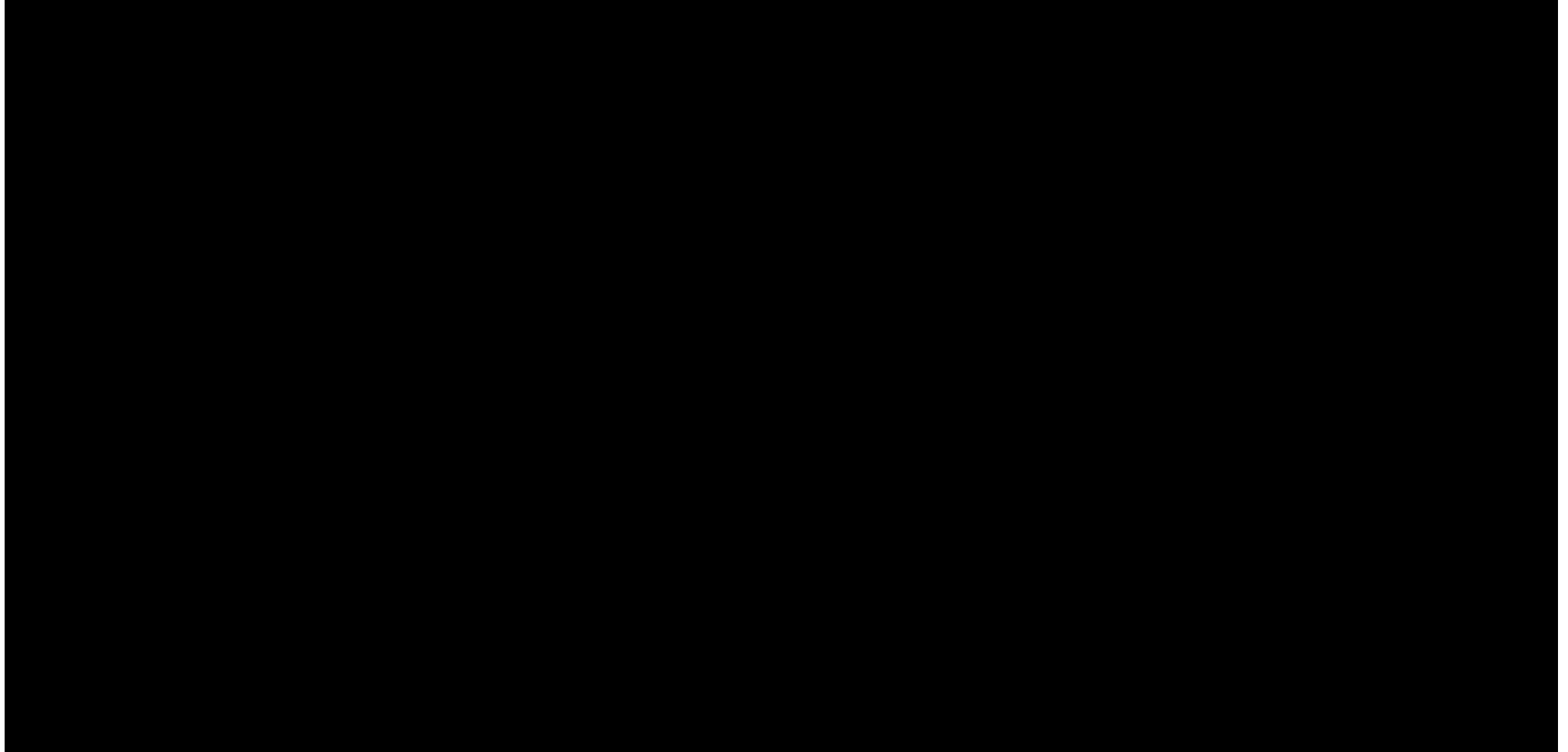


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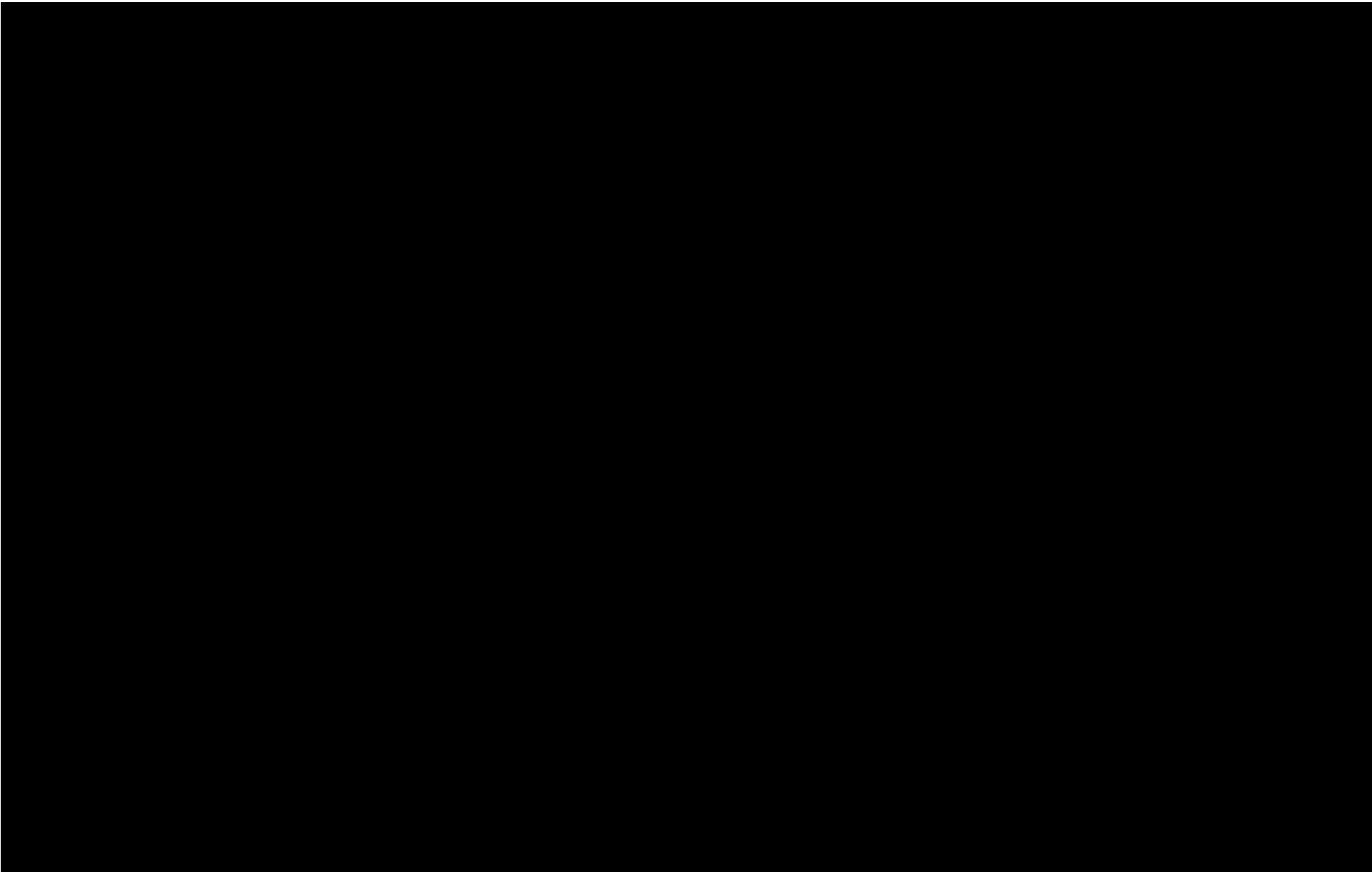
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ANNEX 7: Hyper Inflation

- 1.1 At the Effective Date, the Parties agree that the use of this Annex 7 is anticipated only in exceptional circumstances and that the procedure set out in Paragraph 5 to Part C of this Schedule shall ordinarily be the process used by the Parties to impact necessary inflationary increases (as described in Paragraph 5 of Part C to this Schedule) to the Charges.
- 1.2 Where the percentage calculated in Step 3 of Paragraph 5.8 to Part C of this Schedule exceeds 8%, the Parties agree that the provisions of such Paragraph 5 shall not apply and that the provisions of this Annex 7 (Hyper Inflation) shall apply instead.
- 1.3 In the event of the circumstances set out in Paragraph 1.2 of this Annex 7, the Parties shall meet to discuss the impacts of inflationary costs on the Supplier's financial performance and determine if the process set out in Paragraph 5 to Part C of this Schedule) remains appropriate (despite the percentage calculated in Step 3 of Paragraph 5.8 exceeding 8%) or whether an alternative method of impacting the Charges is required.
- 1.4 Where the Authority Agrees that an alternative method of impacting the Charges is required:
- 1.4.1 Such Charges shall be agreed via the Change Control Procedure (or Fast Track Change as the Parties may agree);
 - 1.4.2 The Supplier shall provide with its Impact Assessment (in accordance with Schedule 22 (*Change Control Procedure*)) and proposals in relation to changing the Charges, an up-to-date Financial Model which shall include actual costs relevant to the Supplier's latest closed (not necessarily audited) month end accounts and in addition the latest forecast of costs; and
 - 1.4.3 The Supplier shall also provide:
 - (i) Evidence that the Supplier has taken all reasonable steps to mitigate and/or minimise the impact of inflationary effects on the relevant costs; and
 - (ii) Other such evidence or information reasonably requested by the Authority to timescales as reasonably required by the Authority in order to assess the validity of the Supplier's request to increase the Charges.

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- 1.5 The evidence, documentation and/or other information provided by the Supplier to the Authority in relation to this Annex 7 shall at all times, whether during the discussions being held in relation to this Annex 7 and/or retrospectively to those discussions, be subject to Part C of Schedule 19 (*Financial Reporting and Audit Rights*).
- 1.6 Where application of this Annex 7 is necessary, the Parties shall at all times, work in good faith, openly and transparently with each other and neither Party shall operate unreasonably or unnecessarily delay any progress in relation to the process required by this Annex 7.

ANNEX 8: Rate Card

Table 1.1: Rate Card (Normal Business Hours)

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Table 1.2: Rate Card (Weekdays Outside of Normal Business Hours):

SFIA Grade / LevelA solid black image with no visible content.

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Table 1.3: Rate Card (Weekends & Bank Holidays in England & Wales):

SFIA Grade / Level			

ANNEX 9: ISFT Financial Model

