Home Office

AUTHORITY: The Secretary of State for the Home Department

Schedule O – Service Improvement

Escorting Services

THE CONTRACT

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1. GENERAL

1.1 The Authority requires the Supplier to:

(a) monitor both its own operations, and the wider market place to identify opportunities to innovate and add value to the Authority's Escort Service operations and to deliver Service Improvements; and

(b) improve the efficiency of its operations over time to deliver Service Improvements.

1.2 Service Improvements may provide value to the Authority in direct financial savings, reductions in the Charges and operational efficiency.

2 SERVICE IMPROVEMENT TYPES

Contract Service Improvements

2.1 Contract Service Improvements directly deliver savings to the Authority through a reduction in the Costs and therefore the Charges.

2.2 Contract Service Improvements may result in the Supplier earning a Contract Service Improvement Payment in accordance with Paragraph 3 below.

Continuous Improvement Efficiencies

2.3 Continuous Improvement Efficiencies improve the operational effectiveness of the Authority’s escorting and removal process.

2.4 Continuous improvement efficiencies may result in the Supplier earning a Continuous Improvement Payment in accordance with Paragraph 4 below.

3 CONTRACT SERVICE IMPROVEMENT PAYMENTS

Reduction in Mobilisation/Milestone Payments (Contract Service Improvement Payments (Mob))

3.1 The Supplier will perform Mobilisation as efficiently as possible, and look for opportunities for reducing the cost of Mobilisation to the Authority.

3.2 The Mobilisation Contract Service Improvement Payment shall be calculated based upon the open book reporting principles detailed in Schedule F (Payment Mechanism) and Schedule Q (Financial Reports & Audit Rights). Profit above the level declared by the Supplier in the Financial Pricing Model shall be treated as a Contract Service Improvement and shall be shared by the Authority and the Supplier on a 50%:50% basis as follows.

3.3 Where the Supplier's actual Mobilisation Costs are lower than the target Mobilisation Costs identified in the Financial Pricing Model, the Charges for Mobilisation shall be reduced to reflect the reduction in Mobilisation Costs, including consequent reductions in Profit arising from Mobilisation Charges.

3.4 Where Charges have already been paid that should have been reduced in accordance with Paragraph 3.3, the Supplier shall reduce the next invoice(s) payable by the Authority to reflect the reduction that should have been applied.

3.5 The Supplier shall be entitled to a Mobilisation Contract Service Improvement Payment of 50% of the reduction in the Charges achieved in accordance with Paragraphs 3.3 and 3.4 above.

Reduction in Annual Service Charge (Contract Service Improvement Payments (ASC))

3.6 The Supplier will improve the efficiency of its operations during the Term.

3.7 Where the Supplier's target Costs in any Contract Year as identified in the Financial Pricing Model are higher than the Supplier's actual costs in respect of that Contract Year, identified in accordance with Schedules F (Payment Mechanism) and Q (Financial Reports and Audit Rights), whether through increased efficiency or otherwise, the difference between such target Costs and such actual Costs will result in the Supplier Profit Margin exceeding the average bid margin across all Service Areas as stated in Table 2 of Annex D to Schedule F (*Payment Mechanism*) .

3.8 In accordance with Part E of Schedule F (*Payment Mechanism*) the Supplier acknowledges that the Supplier Profit Margin, shall not exceed the average bid margin across all Service Areas as stated in Table 2 of Annex D to Schedule F (*Payment Mechanism*). Where the Supplier Profit Margin does exceed the average bid margin, for whatever reason (excluding any Gain Share, or other Service Improvement Payments to which the supplier would be entitled in addition to the Supplier Profit Margin), the amount of profit which exceeds the average bid margin shall be the "**Contract Service Improvement**". The Contract Service Improvement shall exclude reductions in the Supplier's Costs agreed by the Authority in its sole discretion to be resulting from an agreed Continuous Improvement Efficiency or an agreed Service Innovation.

3.9 Contract Service Improvements shall be shared by the Parties on a 70%:30% basis with the Supplier retaining 30% of the efficiency. This default 70%:30% split shall be known as the "**Profit Share Base**". The Profit Share Base shall be modified in accordance with the process set out in Paragraphs 7.9 to 7.11 of Schedule G (Performance Evaluation and Service Unavailability).

3.10 The Contract Service Improvement shall be calculated at the end of each Contract Year for that Contract Year based upon the open book reporting principles detailed in Schedules F (Payment Mechanism) and Q (Financial Reports and Audit Rights). The Supplier shall submit a calculation of the Contract Service Improvement within 10 Working Days of the end of the Contract Year with detailed supporting evidence for approval by the Authority. The Authority may carry out an audit, directly or via a third party auditor, of the Supplier's accounts to verify this calculation.

3.11 The Authority shall receive its share of the Contract Service Improvement calculated in accordance with Paragraphs 7.9 to 7.11 of Schedule G (Performance Evaluation and Service Unavailability) as a reduction in the following Monthly Service Charges until it has been exhausted, and the Supplier shall retain its portion of the Contract Service Improvement, which shall be known as a "**Contract Service Improvement Payment**".

4 CONTINUOUS IMPROVEMENT PAYMENTS

4.1 The Parties may agree to the implementation of any specific innovation project with the intention of reducing the Charges or the Authority's other costs in connection with the Services, or improving the efficiency of the Services or activities connected to the Services (a "**Continuous Improvement Efficiency**").

4.2 The Supplier will issue to the Authority detailed proposals for the Continuous Improvement Efficiency setting out the financial or other operational benefits to the Authority's escorting and related services operations. These proposals shall be in the form of a business case that clearly outlines the costs and benefits of the proposals being made. Where financial benefits can be identified these shall be clearly shown.

4.3 Each Party shall provide a copy of any business cases for Continuous Improvement Efficiency initiatives which it proposes to the other Party one (1) month prior to the next meeting of the Strategic Contract Review and Delivery Group, for consideration at that meeting.

4.4 If the Authority decides to proceed with the Continuous Improvement Efficiency proposal, the Parties shall agree a mechanism by which the benefits arising from the successful implementation of the Continuous Improvement Efficiency shall be identified and allocated between each of the Parties. The Supplier's share shall be the "**Continuous Improvement Payment**".

4.5 Continuous Improvement Payments shall be payable to the Supplier only in instances where the financial or other benefits to the Authority identified in advance have been delivered to the satisfaction of the Authority in its sole discretion.

4.6 Continuous Improvement Efficiency initiatives shall be treated as Contract Changes, and they shall be subject to the Change Control Procedure as detailed in Schedule L (Change Control Procedure) of this Contract.

5 SERVICE IMPROVEMENT REPORTING

5.1 The Supplier's shall provide a report to the Strategic Contract Review and Delivery Board providing details of all Service Improvements that have been delivered in the period since the last report was issued. This shall include and clearly distinguish between Contract Service Improvement Payments (under Paragraph 3 of this Schedule), and Continuous Improvement Payments (under Paragraph 4 of this schedule). An annual report in the same format shall be provided to the Authority at each anniversary of the Effective Date.

5.2 A summary report of all Service Improvements currently being progressed, but not yet implemented, and any new proposals shall be entered on the "**Service Improvement Register**", which will reside with the Authority at all times. The Authority may provide a copy of the then current Service Improvement Register, and any Service Improvement business cases to the Supplier before the Strategic Contract Review and Delivery Meeting where these will be discussed.

6 SERVICE IMPROVEMENT PAYMENTS

6.1 Both Contract Service Improvement Payments and Continuous Improvement Payments under this Schedule O (Service Improvement) constitute Service Improvement Payments and shall be applied as detailed in this Schedule and Schedule F (Payment Mechanism).

6.2 Service Improvement payments are only due where benefits have been received by the Authority in accordance with this Schedule O (Service Improvement). For the avoidance of doubt, the Authority shall have and make the final decision, in accordance with the terms of this Agreement, in relation to what proportions of the benefits realised are payable to the Supplier.

6.3 Contract Service Improvement Payments (Mob) in respect of mobilisation savings under paragraphs 3.1 to 3.5 of this Schedule O (Service Improvement) shall be treated as one off payments in accordance with Paragraph 3.5 of this Schedule.

6.4 The allocated Continuous Improvement Payments will be forfeited by the Supplier where:

(a) overall performance of the Services is deemed to be poor by the Authority;

(b) benefits are not delivered or demonstrably quantifiable; or

(c) monies payable to the Authority by the Supplier are outstanding.

6.5 All Service Improvement Payments shall cease on the sooner of the termination of the Agreement, the Supplier being given notice of termination for a Supplier Termination Event or the aggregate of Service Improvement Payments made reaching any pre-agreed limit (should such limit be agreed) for that specific Service Improvement.

7 RIGHT TO SUSPEND OR WITHDRAW

7.1 The Authority may at its absolute discretion suspend or withdraw any Service Improvement Payments by giving 10 Working Days' notice to the Supplier. Where the Authority chooses to exercise this right, it will be at no cost to the Authority.

7.2 Where the Authority chooses to enact its right under this Paragraph 7 they shall write to the Supplier giving 10 Working Days' notice, and provide the relevant details.