

SCHEDULE 4 - GOVERNANCE AND CONTRACT MANAGEMENT

1. Definitions

1.1. Without prejudice to Schedule 1 (Definitions and Interpretations), for the purposes of this Schedule 4, the following shall have the following meanings:

Term	Definition
Contractor's Executive Management	Means the Contractor's executive management board as appointed by the Contractor and identified in the Deliverable Quality Plan;
Contractor's Senior Management	Means the Contractor's senior contract delivery team as appointed by the Contractor and as identified in the Deliverable Quality Plan; and
Contractor's Establishment Delivery Team	Means the nominated Contractor Employees responsible for the local level delivery team as identified in the Deliverable Quality Plan.

2. Meetings

2.1. The Contractor and the Authority shall attend and shall procure the attendance of their respective representatives as required, or in the case of the Contractor as requested by the Authority, at meetings as set out in this Schedule 4.

3. Level 1 Meeting

3.1. Membership

a. Authority

- (i) Level 1 Chairman; ACOS (CSAV);
- (ii) Defence Commercial Team Leader;
- (iii) NCHQ Financial Officer;
- (iv) Level 2 Chairman (AE ISCM SO1);
- (v) NCHQ Contract Manager (ESS SO2) – Meeting Secretary;
- (vi) NCHQ Designated Officer (ESS SO3);
- (vii) If required, any other party requested by the Level 1 Chairman.

b. Contractor:

- (i) Members of Contractor's Executive Management;
- (ii) Contract Manager;
- (iii) If required, any other party requested by the Contract Manager.

3.2. For any Level 1 Meeting to be quorate, there shall be at least two members of the Contractor's Executive Management team, the Contract Manager, Level Chairman and two of the Authority's Level Representatives.

Terms of Reference

3.3. The aim of the Level 1 Meeting is for the Contractor to advise the Authority on the overall performance of this Contract against Key Performance Indicators (KPIs) and financial performance against the Target Cost, and to manage and arbitrate disputes raised to the Level 1 Meeting.

3.4. The Level 1 Meeting shall:

- a. be chaired by the Level 1 Chairman;
- b. review and consider the Annual Report;
- c. review relationship management;
- d. review Contractor performance against the KPIs and summarise in the Annual Report;
- e. review the Continuous Improvement Report and incorporate it into the Annual Report;
- f. resolve issues that have been escalated from the Level 2 Meetings;
- g. review the Contractor's contribution to the Typed Air Station (TAS) output;
- h. review the output planned for the following Year and any strategic issues likely to affect the contract;
- i. review the risks escalated from the Level 2 Meeting in accordance with paragraph 4.4d, together with the potential impact and proposed mitigation of each risk; and
- j. review of a financial summary of this Contract (based on the Financial Reports).

Level 1 Chairman Authority

3.5. The Level 1 Chairman is authorised to:

- a. arbitrate any issues referred from the Level 2 Meeting, and where such issues are not resolved by negotiation, refer such matters to the Dispute Resolution procedure set out in DEFCON 530 (Dispute Resolution); and
- b. sponsor, authorise and approve work for a Major Change.

Frequency

3.6. The Level 1 Meeting shall be held annually on a mutually agreed date in May, or as may be required for resolution of issues escalated prior to reference to DEFCON 530 (Dispute Resolution).

Notice of Meeting

3.7. The Contractor shall issue a calling notice, the Annual Report and any relevant documentation no later than ten (10) days in advance of the Level 1 Meeting.

3.8. Notwithstanding paragraph 3.6, in the case of resolution of issues, a Level 1 Meeting shall be convened no later than twenty (20) days following referral from the Level 2 Meeting.

3.9. If any Level 1 Meeting is convened but not quorate, the Level 1 Meeting shall be adjourned and reconvened as soon as reasonably practicable thereafter.

4. Level 2 Meeting

4.1. Membership

a. Authority

- (i) Level 2 Chairman (AE ISCM SO1);
- (ii) NCHQ Contract Manager (ESS SO2);
- (iii) NCHQ Designated Officer (ESS SO3) – Meeting Secretary;
- (iv) NCHQ Commercial Officer;
- (v) NCHQ Financial Officer;
- (vi) Establishment Representative (normally DO(R);
- (vii) each Air Station Level 3 Chairman (Designated Officer (Representative); and
- (viii) if required any other party requested by the Level 2 Chairman.

b. Contractor:

- (i) Contract Manager;
- (ii) members of the Contractor's Senior Management;
- (iii) Level 2 Meeting;
- (iv) if required, any other party requested by the Contract Manager.

4.2. For any Level 2 Meeting to be quorate, there shall be at least two members of the Contractor's Senior Management, the Contract Manager, the Level 2 Chairman and two of the Authority's Level 2 Representatives.

Terms of Reference

4.3. The aim of the Level 2 Meeting is for the Contractor to advise the Level 2 Chairman on the Contractor's performance in delivering the Services and any cost savings or continuous improvements made.

4.4. The Level 2 Meeting shall:

- a. be chaired by the Level 2 Chairman;

- b. review and consider each of the Level 2 Progress Reports;
- c. set strategic direction and guidance to the Level 3 Meetings;
- d. review risks held by both the Authority and the Contractor escalated from the Level 3 Meeting in accordance with paragraph 5.5e, mitigate as appropriate and identify those risks together with potential impact and proposed mitigation to be raised at the Level 1 Meeting;
- e. review Contractor performance against the KPIs and summarise in the Level 2 Progress Report;
- f. confirm any payment adjustment required for the previous period;
- g. consider and approve contract change requests;
- h. review Contractor performance against the Continuous Improvement Programme;
- i. resolve issues that have been escalated from the Level 3 Meetings;
- j. provide performance data, both operational and financial, to support the production of the Annual Report for the Level 1 Meeting;
- k. produce the draft Annual Report for the Level 1 Meeting; and
- l. review security and safety matters.

Out of Committee Work

4.5. The Authority and the Contractor shall agree by Service Commencement Date methods of working by which the Level 2 Meeting can agree and then monitor the implementation of UORs out of committee, subject to the provisions of Schedule 5 (Change and Change Management).

Level 2 Chairman is authorised to:

- 4.6
- a. approve Contractor payment in accordance with Schedule 3 (Contract Price and Payment) taking account of any withholdings or deductions made in accordance with Schedule 10 (Performance Mechanism);
 - b. review and approve Remedy Plans produced as a consequence of a Performance Failure;
 - c. endorse the change in accordance with Schedule 5 (Change and Change Management);
 - d. identify, authorise and approve UORs;
 - e. identify, authorise and approve Changes and present this to the Level 1 Meeting if required;
 - f. approve Change Proposals in respect of Continuous Improvement and;
 - g. arbitrate any issues referred from the Level 3 Meeting, and where such issues remain unresolved, escalate such issues to the Level 1 Meeting.

Frequency

4.7. The Level 2 Meeting shall be held every three months, (or as may be required for the resolution of issues escalated from the Level 3 Meetings prior to reference to the Level 1 Meeting).

Notice of Meeting

4.8. The Contractor shall issue a calling notice, the Level 2 Progress Report and any relevant documentation no later than ten (10) days in advance of the Level 2 Meeting.

4.9. Notwithstanding paragraph 4.7, in the case of resolution of issues, a Level 2 Meeting shall be held no later than twenty (20) days following referral from the Level 3 Meeting.

4.10. If any Level 2 Meeting is convened but not quorate, the Level 2 Meeting shall be adjourned and reconvened as soon as reasonably practicable thereafter.

5. Level 3 Meeting

5.1. Each of the following Level 3 Meetings shall be held monthly at:

- a. RNAS Culdrose;
- b. RNAS Yeovilton;

5.2. Membership

- a. Authority:
 - (i) the relevant Level 3 Chairman (Air Station Designated Officer (Representative));
 - (ii) Customer Receiving Service representatives (SO2 level);
 - (iii) Navy Command Commercial Representative; and
 - (iv) if required, any other party requested by the Level 3 Chairman.
- b. Contractor:
 - (i) members of the Contractor's Establishment Delivery Team;
 - (ii) Contract Manager (or authorised representative); and/or
 - (iii) members of the Contractor's Senior Management.

5.3. For any Level 3 Meeting to be quorate, there shall be at least two members of the Contractor's Establishment Delivery Team, the relevant Level 3 Chairman and two of the Authority's Level 3 Representatives.

Terms of Reference

5.4. The aim of the Level 3 Meeting is to manage delivery of the Services in accordance with the Contract.

5.5. The Level 3 Meetings shall:

- a. be conducted in accordance with the standing agenda set out at Annex A to this Schedule 4;
- b. review the draft Level 3 Progress Report produced by the Contractor;
- c. allow the Authority to endorse the monthly Performance Report for services received, in order to confirm the monthly payment to be made (and note any discrepancies for the quarterly reconciliation exercise);
- d. review Contractor performance in accordance with Schedule 10 (Performance Mechanism);
- e. review risks held by both the Authority and the Contractor, mitigate as appropriate and identify those risk together with potential impact and proposed mitigation to be raised at the Level 2 Meeting;
- f. prepare the Level 2 Progress Report for the Level 2 Meeting;
- g. review Contractor performance against the Continuous Improvement Programme;
- h. discuss and resolve any operational issues;
- i. review security and safety matters; and
- j. provide performance data, both operational and financial, to support the production of the Annual Report by the Level 2 Chairman.

Level 3 Chairman's Authority

5.6. Each Level 3 Chairman is authorised to:

- a. raise matters relating to Unsatisfactory Performance with the Contractor;
- b. monitor the Contractor's progress against any Service Recovery Plan;
- c. agree and manage with the Contractor minor change each Level 3 Chairman can only consider or approve Change within its allocation/authority;
- d. endorse the content of Outline Proposals in respect of Continuous Improvement for approval t Level 2 Meetings;
- e. represent the relevant Establishment at the Level 2 Meeting;
- f. oversee the application of this Contract at the Establishment in order to maximise benefits and demonstrate effectiveness in, but limited to, the following areas:
 - (i) actively seeking to work with the Contractor;
 - (ii) working together to identify and resolve risk; and
 - (iii) encouraging a culture of continuous improvement in the interest of the Authority and the Contractor; and

- g. arbitrate any operational issues, and where such issues remain unresolved, escalate such issue to the Level 2 Meeting.

Frequency

5.7. The Level 3 Meeting shall be held monthly within the first ten (10) days of the month end, or the following Business Day.

Notice of Meeting

5.8. The Contractor shall issue a calling notice, the Level 3 Progress Report and relevant documentation no later than five (5) days in advance of the Level 3 Meeting.

5.9. if any meeting is convened but not quorate, the Level 3 Meeting shall be adjourned and reconvened as soon as reasonably practicable thereafter.

Remote Sites

5.10. The Authority and the Contractor shall agree by Service Commencement Date methods of working by which the activities of the Level 3 Meeting, as detailed in paragraph 5.5, can be best delivered at remote sites.

6. Representatives

Authority's Representatives

6.1. The Authority's Representatives shall act on behalf of the Authority in connection with this Contract and the Authority's Representatives shall be entitled to, and shall, exercise all of the functions of the Authority under this Contract and other Contract Documents, save as otherwise expressly provided or as notified by the Authority to the Contractor from time to time.

6.2. The Contractor shall allow the Authority's Representatives access to observe, quality assure, evaluate and study the provision of the Services at any time. The Contractor shall provide all such assistance and information as the Authority's Representatives may reasonably require.

6.3. The Contractor shall not rely on any act or omission of the Authority's Representatives so as to give rise to any waiver or estoppel in respect of any obligations of the Contractor under this Contract and no examination or review of the Services by the Authority's Representatives shall relieve the Contractor of any liability or modify such liability, unless expressly agreed in accordance with the provisions of Schedule 5 (Change and Change Management).

6.4. No act or omission of the Authority's Representations or any officer, employee or other person engaged by the Authority shall, except as otherwise provided in this Contract:

- a. in any way relieve the Contractor from any liability, responsibility, obligation or duty under this Contract; or
- b. in the absence or an express order or authorisation under Schedule 5 (Change and Change Management) constitute or authorise a change to the Services.

Contractor's Representatives

6.5. The Contractor shall appoint competent and qualified persons to act as the Contractor's Representatives.

6.6. The Contractor shall use all reasonable endeavours to ensure the continuity in post of the Contractor's Representatives.

6.7. The Contractor shall ensure that there shall be no conflict for the Contractor's Representatives between the demands of this Contract and the demands of any other contract to which the Contractor is a party.

6.8. The Authority's Representatives shall be entitled to treat any decisions or acts which the Contractor's Representatives are authorised to take or do in connection with this Contract as being expressly authorised by the Contractor and the Authority's Representatives shall not be required to determine whether any express authority has in fact been given.

7. Meetings

7.1. The Contractor shall be responsible for taking the minutes of the meetings. These shall be forwarded with ten (10) days of the relevant meeting, in draft form, to the relevant chairman for agreement prior to the final version being issued.

7.2. Either Party may call an extraordinary meeting in addition to the prescribed frequency in this Schedule 4, having given justification and reasonable notice to the other Party.

8. Progress Reports

8.1. The Contractor shall provide the reports detailed in the table below to the Authority in electronic format at the frequency set out in the table below and at least ten (10) days before the Level 2 and Level 1 Meetings are scheduled to take place. Any report which contains financial information of any nature shall represent quantities exclusive of VAT.

No	Report	Content	Frequency	Distribution
1	Level 3 Progress Report	As defined at Annex B	Monthly	Level 3 Representatives
2	Level 2 Progress Report	As defined at Annex B	Quarterly	Level 2 Representatives
3	Annual Report	As defined at Annex B	Annually	Level 1 Representatives

ANNEX A – LEVEL 3 STANDING AGENDA**1. Monthly Meeting**

Item (a)	Subject (b)	Lead (c)
1	Chairman's opening remarks Communication Level 2 Meeting direction and guidance (where applicable)	Chairman
2	Agree minutes from the previous Level 3 Meeting	Chairman
3	Outstanding actions from the previous Level 3 Meeting	Chairman and Contract Manager
4	Discuss the Level 3 Progress Report	Chairman and Contract Manager
5	Review Complaints and remedial actions	Chairman and Contract Manager
6	Agree any payment adjustments to be taken forward to quarterly reconciliation	Chairman and Contract Manager
7	Agree items for inclusion at the Level 2 Meeting and in the Level 2 Progress Report	Chairman and Contract Manager
8	Any other business	Chairman
9	Date of the next Level 1 Meeting	Chairman

Annex B – Annual Report and Progress Reports

Level 1:

The Annual Report shall incorporate as a minimum:

1. A general summary of performance over the period, including a summary of improvements and remedial actions taken during the year to improve performance.
2. An annual summary of Performance Report. This may contain certain proposals to improve and streamline contract administration or tasks for consideration.
3. An update on implementation of any change requests.
4. Highlighting of issues/decision points relating to future tasks/performance.
5. Annual Risk Review.
6. A progress update on SOR Requirement 2.17 progress to implementation.

Level 2:

The Level 2 Progress Report shall incorporate as a minimum:

1. A general summary of performance over the period, including updates on remedial actions taken to improve performance.
2. The Level 2 Performance Report.
3. A summary of any reconciliation/performance payment adjustments due.
4. A list of impending issues/decision points relating to future tasks/performance.
5. A progress update on SOR Requirement 2.17.

Level 3:

The Level 3 Progress Report shall incorporate as a minimum:

1. A general summary of performance over the period, including updates on remedial actions taken to improve performance.
2. The Level 3 Performance reports, to cover both attendance issues (input tasks only), adherence to SQEP requirements and safety performance.
3. A summary of any reconciliation/performance payment adjustments to be taken forward for agreement at the Level 2.