

OFFICIAL COMMERCIAL

SCHEDULE 7.1

CHARGES AND INVOICING

PART A: GENERAL

1. GENERAL

1.1 This Schedule details:

1.1.1 the Charges for the Services under this Agreement;

1.1.2 application of Milestone payments; and

1.1.3 the invoicing procedure.

1.2 Indexation shall not apply to the Charges or any other payments under this Agreement.

1.3 Without prejudice to Paragraph 4.4 below, where the Supplier is likely to incur previously unforeseen costs or there are potential movements in forecasted costs that are likely to alter the Supplier's annual budgetary forecast of costs by 5% or more, the Supplier shall inform the Authority as soon as practicable.

2. NOT USED

3. CHARGES FOR SET UP ACTIVITY

3.1 The Target Set-up Cost, Maximum Cost and Set-up Fee shall be as set out in Part 1 of Annex 1.

3.2 Any Set-up Fees for future Service delivery activity shall be calculated at the same percentage rate above the Target Set-up Cost for such activity as was applied to the Target Set-up Costs at the Effective Date.

3.3 The Authority shall (subject to Paragraphs 3.4 to 3.6) pay the Actual Cost in respect of Set-up Activity on a monthly basis on receipt of a valid invoice and on evidence that the activities that have been planned to take place in that month in accordance with the Mobilisation Plan set out in Schedule 6.1 (Mobilisation and Resource Plans) have been carried out.

- 3.4 In respect of Set-up Activity, if the Actual Costs are lower than the Target Set-up Cost, the Supplier shall only be entitled to receive payment for the Actual Costs plus any agreed Set-up Fee (subject to the Authority's right to verify the Charges using the Pre-Payment Validation, Post-Payment Validation and via scrutiny of the Cost MI).
- 3.5 In respect of Set-up Activity, if the Actual Costs are higher than the Target Set-up Cost but below the Maximum Cost, then subject to the invoicing procedures set out in this Schedule being complied with (including the Authority's right to verify the Charges using the Pre-Payment Validation, Post-Payment Validation and via scrutiny of the Cost MI), the Supplier shall be entitled to receive payment for the Actual Costs and the agreed Set-up Fee.
- 3.6 The Supplier shall not be entitled to any payment or reimbursement in respect of that part of the Actual Costs which exceed the Maximum Cost, such costs to be the sole responsibility of the Supplier.
- 3.7 The Supplier may submit an invoice (which shall become payable in accordance with the provisions of Part C of this Schedule) in respect of the Set up Fee once the Supplier has met the Business Readiness Criteria as set out in Paragraph 1.8 of Schedule 6.1 (Mobilisation and Resource Plans).
- 3.8 All costs relating to Set-Up Activity will be charged by the Supplier no later than 31 December 2015.

4. TARGET COST WITH INCENTIVISATION FEE

- 4.1 The Service Charges are to be calculated by reference to the pricing mechanism set out in this Paragraph 4 (the "TCIF Mechanism").
- 4.2 The Target Cost, Target Price, Target Fee, Cost Cap and Incentivisation Percentages for each Service Period during the Term are set out at Part 2 of Annex 1 of this Schedule 7.1.
- 4.3 The Service Charges shall be the sum of:
 - 4.3.1
 - (a) (subject to the following provisions of this Paragraph 4) Actual Costs incurred in the delivery of the Services up to the Target Cost; and
 - (b) the Target Fee - fixed at £[REDACTED] per month from 1st March 2021; and

- 4.3.2 any adjustment made pursuant to the Incentivisation provisions set out below.
- 4.4 The Supplier will be solely responsible for Actual Costs which exceed the Cost Cap.
- 4.5 Where the Actual Costs exceed the Target Cost, the Parties shall apply Painshare. Painshare shall be calculated and applied as follows.
- 4.5.1 The difference between the Target Cost and the Actual Cost up to the Cost Cap shall be the “Extra Cost”
i.e. $\text{Actual Cost up to the Cost Cap} - \text{Target Cost} = \text{Extra Cost}$
- 4.5.2 Subject to Paragraph 4.5.3, the Extra Cost shall be apportioned between Supplier and Authority at the agreed Incentivisation Percentages.
i.e. $\text{Extra Cost} \times \text{Supplier Incentivisation Percentage} = \text{Supplier's Painshare}$
- 4.5.3 Where the Supplier's proportion of the Extra Cost exceeds their Target Fee then Supplier's Painshare shall equal their Target Fee.
- 4.5.4 The Supplier's Painshare shall be deducted from the next payable Service Charges.
- 4.6 The examples below provide examples of the Incentivisation mechanism and calculation of the Service Charge due.
- 4.6.1 Example 1a – Example of how Incentivisation will work where Actual Costs exceed the Target Cost but fall below the Cost Cap:

Illustration of Painshare calculation in year 2 with 50/50 painshare	
Target Cost per month	£[REDACTED]
Target Fee (monthly profit)	£[REDACTED]
Target Price	£[REDACTED]
Cost Cap	£[REDACTED] (Target price + £[REDACTED])
Actual monthly cost	£[REDACTED]

1. Calculate Painshare

1.1. Calculate Extra Cost

Actual Cost - Target Cost = Extra Cost
up to the Cap

£[REDACTED] - £[REDACTED] = £[REDACTED]

1.2. Calculate Suppliers proportion of the Pain to share

Extra Cost x Supplier Incentivisation = Supplier proportion
of pain

Percentage (50%)

£[REDACTED] x 0.5 = £[REDACTED]

1.3. Check how much of the Target Fee has been eroded

The Suppliers proportion of the Extra Cost exceeds the Target Fee therefore...

1.4. Calculate Supplier Painshare

Supplier Painshare = Target Fee = £[REDACTED]

2. Calculate Service Charges due

The Service Charge due to the Supplier in the above example is

Actual Cost up to the Cap £[REDACTED].

Target Fee £[REDACTED]

Painshare adjustment (£[REDACTED])

Service Charge due £[REDACTED]

4.6.2 Example 1b – Example of how Incentivisation will work between the Supplier and Authority when Actual Costs exceed the Target Cost and exceed the Cost Cap:

Illustration of Painshare calculation in year 1 with 80/20 Painshare	
Target Cost per month	£[REDACTED]
Target Fee per month	£[REDACTED]
Target Price	£[REDACTED]
Cost Cap	£[REDACTED] (Target price + £[REDACTED])

Actual monthly cost	£[REDACTED]

1. Calculate Painshare

1.1. Calculate Extra Cost

Actual Cost - Target Cost = Extra Cost

up to the Cap

£[REDACTED] - £[REDACTED] = £[REDACTED]

(Actual Cost above the Cost Cap (to be borne by the Supplier) = £[REDACTED])

1.2. Calculate Suppliers proportion of the Pain to share

Extra Cost x Supplier Incentivisation = Supplier proportion
of pain

Percentage (20%)

£[REDACTED] x 0.2 = £[REDACTED]

1.3. Check how much of the Target Fee has been eroded

The Supplier's proportion is less than Target Fee therefore:

1.4. Calculate Supplier Painshare

Supplier Painshare = Supplier proportion = £[REDACTED]

2. Calculate Service Charges due

The Service Charge due to the Supplier in the above example is

Actual Cost up to the Cap £[REDACTED]

Target Fee £[REDACTED]

Painshare adjustment (£[REDACTED])

Service Charge due £[REDACTED]

- 4.7 Where the Supplier's Actual Costs are less than the Target Cost, Gainshare will apply and the Parties shall share the savings between the Actual Cost and the Target Cost (in accordance with the Incentivisation Percentages set out in the definition of Gainshare).
- 4.8 The Authority and the Supplier shall share all gains and there will be no cap placed on the gain that may be shared between the Supplier and the Authority under Gainshare
- 4.9 The example below provides an example of Gainshare:
- 4.9.1 Example 1c – Example of how Incentivisation will work where Actual Costs fall below the Target Cost (using for the purposes of this example the Incentivisation Percentage set for Service Delivery Years 2-5):

Illustration of Gainshare calculation in year 2 with 50/50 Gainshare	
Target Cost per month	£[REDACTED]
Target Fee per month	£[REDACTED]
Target Price	£[REDACTED]
Cost Cap	£[REDACTED] (Target price + £[REDACTED])
Actual monthly cost	£[REDACTED]

1. Calculate Gainshare

1.1. Calculate Gain to share

Gain to share

$$\begin{array}{rclcl} \text{Target Cost} & - & \text{Actual Cost} & = & \text{Gain to share} \\ \text{£[REDACTED]} & - & \text{£[REDACTED]} & = & \text{£[REDACTED]} \end{array}$$

1.2. Calculate Suppliers proportion of the Gain to share

$$\begin{array}{rclcl} \text{Gain to share} & \times & \text{Supplier Incentive} & = & \text{Supplier proportion} & \text{Percentage (50\%)} & \text{of gain} \\ \text{£[REDACTED]} & \times & 0.5 & = & \text{£[REDACTED]} \\ \text{Supplier Gainshare} & = & \text{£[REDACTED]} \end{array}$$

2. Calculate Service Charges due

The Charge due to the Supplier in the above example is

Actual Cost up to the Cap £[REDACTED]

Target Fee £[REDACTED]

Gainshare adjustment £[REDACTED]

Service Charge due £[REDACTED]

4.10 The Supplier shall report to the Authority its Actual Costs, incurred in delivering the Agreement on a Monthly basis as part of the Outturn Report.

5. STABILITY AWARD FEE

5.1 The Supplier shall be entitled to a Stability Award Fee of [REDACTED] (£[REDACTED]), to be paid in Month 4 after the Operational Service Commencement Date, if the Supplier meets all of the following performance targets in respect of Service delivery during the first three (3) Months after the Operational Service Commencement Date (“the Stability Award Period”):

- 5.1.1 the average daily Completed Assessments achieved by the Supplier is equal to or greater than the average daily Completed Assessments achieved by the Exiting Supplier in the two months immediately prior to the Operational Service Commencement Date (this requirement is not subject to regional targets);
- 5.1.2 all quality Service Levels are met during the Stability Award Period;
- 5.1.3 the Supplier's performance in respect of non-quality Service Levels are at least at the same level as those achieved by the Exiting Supplier in the two months immediately prior to the Operational Service Commencement Date;
- 5.1.4 a gross attrition rate of Healthcare Professional FTEs transferred at the Operational Service Commencement Date of no more than 80% of the average gross attrition rate in the two months immediately prior to the Operational Service Commencement Date; and

- 5.1.5 a net increase of at least 10% in the total number of Healthcare Professional FTEs over the number of full time equivalents who either transfer or are made available to the Supplier at the Operational Service Commencement Date, expected to be [REDACTED] (on the basis that HCP count excludes HCPs recruited from the Existing Supplier or a PIP supplier in the period between the Effective Date and the Operational Service Commencement Date, and excludes HCPs recruited as a result of recruitment activity carried out by or on behalf of the Authority).
- 5.2 The Stability Award Fee shall not be subject to Authority claw-back if the Supplier fails to deliver the volumes required by the Authority or fails to achieve the Service Levels in the remainder of the year post Operational Service Commencement Date.

6. AWARD FEES

- 6.1 In order to incentivise the number of Completed WCA Assessments delivered by the Supplier under this Agreement, the Authority shall pay Award Fees as described below.

Monthly Calculation

- 6.2 The actual number of successfully Completed WCA Assessments achieved by the Supplier will be assessed each Month (by the Supplier, who shall report to the Authority accordingly) against the WCA Monthly Volume Target.
- 6.3 Subject to the remainder of this Paragraph 6, where, in any Month:
- 6.3.1 the number of Completed WCA Assessments (Face to Face Reviews or Paper-Based Reviews, as applicable) exceeds the applicable WCA Monthly Volume Target (or as otherwise subsequently agreed by the Authority); and
- 6.3.2 the Supplier achieves the relevant quality Service Levels (SC1 and SC2) applicable to WCA Assessments set out in Table 2 of Schedule 2.2 (Performance Levels) for all Completed WCA Assessments completed in that Month, the Authority shall pay (in the next following Month, subject to receipt of a valid invoice) Face to Face Award Fees and/or Paper-Based Review Award Fees, as the case may be and as further described below, for each Completed WCA Assessment above the applicable WCA Monthly Volume Target.
- 6.4 Face to Face Award Fees shall be payable where the Face to Face Monthly Volume Target has been exceeded (irrespective of whether the Paper-Based Review Monthly Volume has been exceeded, met or failed).

- 6.5 Paper-Based Review Award Fees shall be payable only where the Paper-Based Review Monthly Volume Target has been exceeded and also the Face to Face Monthly Volume has been either met or exceeded and will not be payable where the Face to Face Monthly Volume has failed..
- 6.6 The value of the Award Fee per Completed WCA Assessment shall be calculated on the following basis:
- 6.6.1 Award Fee (per Completed WCA Assessment) = Target Unit Cost (which, for the avoidance of doubt includes both limbs (a) (applicable for Award Fees payable in Service Delivery Years 1 to 3) and (b) (applicable for Award Fees payable in Service Delivery Year 4 through to Service Delivery Year 9 (inclusive)) in the definition of Target Unit Cost in Schedule 1) x A % x Award Fee Factor;
- 6.6.2 where A is 20% in Service Delivery Year 1 and 50% in Service Delivery Year 2 through to Service Delivery Year 9 (inclusive);
- 6.6.3 the Award Fee Factors which shall apply in Service Delivery Years 1, and Service Delivery Year 2 through to Service Delivery Year 9 (inclusive) are set out in Table 2a below.

Table 2a

Type of Assessment	Service Delivery Year 1	Service Delivery Year 2	Service Delivery Year 3, 4 and 5 and 6 and Service Delivery Years 7, 8 and 9
Award Fee Factor – Face-to-Face Award Fee	340%	136%	136%
Award Fee Factor – Paper Based Review Award Fee	50%	20%	Not applicable

Annual Reconciliation

- 6.7 The Parties will undertake an annual reconciliation of the Award Fees payable at the end of each Service Delivery Year as follows.
- 6.8 The Supplier shall repay to the Authority all Face to Face Award Fees paid to the Supplier by the Authority during a Service Delivery Year (as part of the monthly calculation) if the Supplier does not exceed the Face to Face Annual Volume Target in that Service Delivery Year.
- 6.9 The Supplier shall repay to the Authority all Paper-Based Review Award Fees paid to the Supplier by the Authority during a Service Delivery Year if the Supplier does not both: (i) meet or exceed the Face to Face Annual Volume Target in that Service Delivery Year, and also (ii) exceed Paper-Based Review Annual Volume Target in that Service Delivery Year.
- 6.10 The Supplier will still be eligible for Award Fees where the Supplier's actual number of Completed WCA Assessments exceed the national target set by the Authority, even if the Supplier has failed to achieve the regional Volume Based Service Levels (i.e SC4b) set by the Authority.
- 6.11 The Supplier will not be entitled to receive two Award Fees for the same over-achievement in volumes. The Authority shall not be liable to make duplicate payments.
- 6.12 There shall be no cap on the number of Award Fees the Supplier can receive for exceeding the WCA Monthly Volume Target.
- 6.13 Award Fees shall be applied in the following order:
- 6.13.1 Completed WCA Assessments delivered through Face-to-face consultations;
 - 6.13.2 Completed WCA Assessments delivered through Paper Based Assessments.
 - 6.13.3 The table below sets out a number of examples of how Award Fees will be applied (but is not comprehensive):

Table 2b –

	Example 1: <i>F2F over, PBR under, total under</i>	Example 2: <i>F2F under, PBR over, total over</i>	Example 3: <i>F2F over, PBR over, total over</i>
Target Face-to-face Volume	[REDACTED]	[REDACTED]	[REDACTED]

Target Paper-based review Volume	[REDACTED]	[REDACTED]	[REDACTED]
Target Total WCA Volume	[REDACTED]	[REDACTED]	[REDACTED]
Actual Face-to-face Volume	[REDACTED]	[REDACTED]	[REDACTED]
Actual Paper-based review Volume	[REDACTED]	[REDACTED]	[REDACTED]
Actual Total WCA Volume	[REDACTED]	[REDACTED]	[REDACTED]
Face-to-face: over/(under)-delivery	[REDACTED]	[REDACTED]	[REDACTED]
Paper-based review: over/(under)-delivery	[REDACTED]	[REDACTED]	[REDACTED]
Total WCA Volume: over/(under)-delivery	[REDACTED]	[REDACTED]	[REDACTED]
Volume eligible for award: Face-to-face	[REDACTED]	[REDACTED]	[REDACTED]
Award Fee (£): Face-to-face	[REDACTED]	[REDACTED]	[REDACTED]
Volume eligible for award: Paper-based review	[REDACTED]	[REDACTED]	[REDACTED]
Award Fee (£): Paper-based review	[REDACTED]	[REDACTED]	[REDACTED]
Total WCA volume eligible for Award Fee	[REDACTED]	[REDACTED]	[REDACTED]
Total WCA Award Fee (£)	[REDACTED]	[REDACTED]	[REDACTED]

*Figures are for illustrative purposes only.

6.14 In respect of Service Delivery Years 2 to 8 , no Paper Based Award Fees shall be payable and this Paragraph 6 shall be construed accordingly. In respect of Service Delivery Year 9, the period of April 2023 – July 2023 (inclusive) shall be deemed to constitute a year and the provisions set out in Paragraphs 6.7 to 6.13 shall apply *mutatis mutandis*.

6.15 In respect of Service Delivery Year 7 - 9, the value of an Award Fee shall be agreed before completion of the BAU Transition process.

7. COSTS

7.1 The Supplier shall exclude from Target Costs and Actual Costs the following:

- 7.1.1 costs for the IT ASIS service incurred and paid by the Authority;
- 7.1.2 costs for improvement to the Authority Premises in accordance with Schedule 15.1 (Estates);
- 7.1.3 for Service Delivery Year 1 – Year 1 Supplier Premises Target Costs and Year 1 Supplier Premises Actual Costs (which shall be dealt with in accordance with Paragraphs 14 15 and 16 of this Schedule);
- 7.1.4 Supplier Premises Charges for Service Delivery Years 2 to Service Delivery Year 9 (inclusive) invoiced via the Supplier Premises ACM Charges (which shall be dealt with in accordance with Paragraphs 14 15 and 16 of this Schedule);
- 7.1.5 Estate costs charged to the Authority via Pass-through Costs (Schedule 1 Definitions refers);
- 7.1.6 costs for Courier services incurred and paid by the Authority;
- 7.1.7 Costs for Royal Mail Collection Services, Business Reply Envelopes and postage for outputs produced by the ASIS IT System incurred and paid by the Authority. (Pre-paid envelopes from Royal Mail, which are required by the Supplier to deliver the Services, and are outside of those produced by the ASIS System, will be procured by the Supplier and charged to the Authority as a Pass-through Cost);
- 7.1.8 Other Pass Through Costs (Schedule 1 Definitions refers); and
- 7.1.9 Actual Cost plus Mark Up (Incremental Charging) for Additional Services in accordance with Clause 5.10 (see paragraphs 13.2 to 13.8 of this Schedule 7.1).

7.2 Examples of allowable categories of cost that will (subject to Paragraph 7.1 above) be reimbursed are summarised in Annex 3 of this Schedule 7.1.

7.3 Unless otherwise agreed by the Authority, any cost incurred by the Supplier prior to the Effective Date shall be borne by the Supplier and the Authority shall not be liable to reimburse any such cost.

- 7.4 In respect of expenses to be incurred for travel and subsistence (and which form part of the Target Cost), the Supplier shall comply with the Authority's expenses policy as embedded below (Travel Policy (Annex 1)). It is acknowledged that the Authority may change its own expenses policy from time to time. In the event it does so (i) the Authority shall provide a copy of the same via the Change Control Procedure (ii) the Supplier shall assess any detrimental impact on billable costs that would occur if such new policy were applicable (iii) the Supplier and the Authority shall agree exceptions to any such new policy (such that the Supplier shall not suffer any increase in its unbillable costs as a result of the updates in the Authority's expenses policy) (iv) once the exceptions are agreed, the Authority and the Supplier shall agree a contract variation replacing the embedded expense policy with the new version and the agreed exceptions.

[EMBEDDED DOCUMENT REMOVED]

- 7.5 Should the Supplier wish to secure additional premises for the purposes of delivering the Services, other than In Scope Supplier Premises, beyond 29 February 2016, requests to do so should be made to the Authority in writing with supporting rationale. The Authority will respond to the Supplier's request within 5 Working Days. The Authority shall not unreasonably withhold approval. Should approval be given by the Authority, any costs incurred by the Supplier in connection with those Premises will be reimbursed through the TCIF mechanisms in Service Delivery Year 3 and (by way of Supplier Premises ACM Mechanism) in Service Delivery Years 4 to 9 (inclusive) . Under this Paragraph 7.5, as part of the Second Estate Contract Change, Authority approval was given to the Supplier to acquire four rooms in Bristol.
- 7.6 Should the Supplier in Service Delivery Year 4 through to Service Delivery Year 9 (inclusive) wish to secure additional premises to house Supplier Personnel for CHDA's convenience, the Supplier shall submit to the Authority a request in writing supported by a business case. The Authority will respond to the Supplier's request within 10 Working Days. Should approval be given by the Authority, any costs incurred by the Supplier in connection with those Premises will be reimbursed through the TCIF mechanisms.

8. SALARY CHALLENGE

- 8.1. The Parties acknowledge that the Supplier may be required to increase salaries for HCPs to address the market rate movement in salaries applying to HCPs delivering functional assessment services as (i) originally raised in a letter from the Supplier to the Authority dated 6 March 2019 with controlled correspondence reference [REDACTED] and as subsequently discussed between the Parties and reflected in the notes recording the negotiation meetings to extend the Agreement by 17 Months dated 7, 14, 26, 27 March and 1, 5, 8 April 2019 (the “**Market Rate Movement**”).
- 8.2. As agreed as part of the CY6/7 extension negotiations, the Authority shall make available a contingency provision in respect of the increase to the Supplier’s HCPs’ salaries and associated employer’s costs (including, without limitation, employer’s contribution to tax and national insurance) up to a maximum sum of £[REDACTED] per annum in respect of Service Delivery Years 6 and 7 (amounting to a maximum of £[REDACTED] in respect of Service Delivery Year 6 and a maximum pro-rata sum of £[REDACTED] in respect of Service Delivery Year 7 for the **sole purpose** of mitigating the risks arising from the Market Rate Movement. The contingency provision shall cover any potential increase in the Target Cost and associated increase in the Target Fee resulting from the Market Rate Movement as further described in paragraph 8.6 of Part A to this Schedule 7.1 in Service Delivery Years 6 and 7.
- 8.3. Without prejudice to paragraph 8.2 of this Schedule 7.1, the Target Cost for Service Delivery Year 5 is agreed and finalised and the Parties agree that this will not be revisited, changed or amended due to the Market Rate Movement.
- 8.4. The Supplier will discuss its proposals for specific cost items to address the Market Rate Movement in advance of their implementation as follows:
- 8.4.1. in relation to proposals to be solely implemented and applied within Service Delivery Year 5, the Supplier will inform the Authority’s account director responsible for the performance management of the delivery of services under the Agreement

(the “**Account Director**”) as soon as reasonably practicable and no later than 5 Working Days in advance of such implementation via controlled correspondence;

- 8.4.2 in relation to proposals to be implemented in Service Delivery Year 5 which will be carried over into and applied within Service Delivery Years 6 and/or 7 (including, but not limited to, regional salary increases which are proposed to apply to Service Delivery Years 5, 6 and 7 but excluding any one-off non-consolidated payments including but, not limited to, bonus payments which apply in Service Delivery Year 5), the Supplier will provide MRM Evidence for the requirement of such implementation to the Account Director via controlled correspondence for such implementation to be agreed by the Account Director on behalf of the Authority. The Account Director shall not unreasonably withhold or delay his/her agreement to such implementation based on the principles set out in controlled correspondence reference [REDACTED] following receipt of MRM Evidence to verify that the salary increments and other costs are due to the Market Rate Movement and the Account Director shall respond via controlled correspondence within 5 Working Days of receipt of all MRM Evidence provided by the Supplier as reasonably required by the Authority; and
- 8.4.3 in relation to proposals to be implemented after the end of Service Delivery Year 5 (including, but not limited to, retention bonuses which are proposed to apply in Service Delivery Years 6, and 7), the Supplier will provide MRM Evidence for the requirement of such implementation to the Account Director via controlled correspondence for such implementation to be agreed by the Account Director on behalf of the Authority. The Account Director shall not unreasonably withhold or delay his/her agreement to such implementation based on the principles set out in controlled correspondence reference [REDACTED] following receipt of MRM Evidence to verify that the salary increments and other costs are due to the Market Rate Movement and the Account Director shall respond via controlled correspondence within 5 Working Days of receipt of all MRM Evidence provided by the Supplier as reasonably required by the Authority.
- 8.5. Notwithstanding paragraph 8.3 of Part A to this Schedule 7.1, during Service Delivery Year 5 the Supplier may incur Actual Costs as it considers necessary to address the Market Rate Movement.

8.6. By 29 February 2020, the Authority will adjust the Payment Model in respect of both Service Delivery Years 6 and 7 to reflect adjustments to the Target Cost and Target Fee to account for the following anticipated costs:

- 8.6.1. any evidenced Actual Costs incurred by the Supplier in Service Delivery Year 5 which will be carried over into Service Delivery Years 6 and 7 and which were agreed by the Account Director pursuant to paragraph 8.4.2 of Part A to this Schedule 7.1; and
- 8.6.2. any anticipated Actual Costs to be incurred by the Supplier in Service Delivery Years 6 and 7 which will be solely implemented after the end of Service Delivery Year 5 and were agreed by the Account Director pursuant to paragraph 8.4.3 of Part A to this Schedule 7.1.

8.7. In Service Delivery Year 6 and Service Delivery Year 7:

- 8.7.1. any proposals of the Supplier in relation to cost items to address the Market Rate Movement in respect of Service Delivery Year 6 to and Service Delivery Year 7 must be submitted to the Authority by no later than the end of Service Delivery Year 6, no proposals issued following this date will be considered by the Authority.
- 8.7.2. the Payment Model shall be updated retrospectively on or before 29 February 2020 and every three months thereafter during Service Delivery Year 6 and Service Delivery Year 7 (each such update an **Update**) to reflect any salary proposals the implementation of which were agreed by the Account Director in the period from the date of the most recent Update pursuant to paragraph 8.4.3 of Part A to this Schedule 7.1.
- 8.7.3. Notwithstanding paragraph 8.4.3 and 8.7 of Part A to this Schedule 7.1, during Service Delivery Year 6 and Service Delivery Year 7, the Supplier may incur Actual Costs as it considers necessary to address the Market Rate Movement. Proposals which are implemented without the Account Director's agreement will not be reflected in any adjustment to the Target Cost and Target Fee and any updates to the Payment Model.

- 8.8. As agreed as part of the negotiations covering the period 1st March 2021 – 31st July 2023 the Authority shall make available a contingency provision in respect of the increase to the Supplier's HCPs' salaries and associated employer's costs (including, without limitation, employer's contribution to tax and national insurance) up to a maximum sum of £[REDACTED] across the entire 29 month period for the **sole purpose** of mitigating the risks arising from incremental market rate movements and to ensure recruitment can be sustained in all geographic areas. This contingency provision shall cover any potential increase in the Target Cost resulting from such incremental market rate movements.
- 8.9. The Supplier will discuss its proposals for specific cost items to address these incremental market rate movements in advance of their implementation as follows:
- 8.9.1. in relation to proposals to be implemented during the 29 month period (including, but not limited to, retention bonuses which are proposed to apply at any point during that period) the Supplier will provide evidence of the incremental market rate movement for the requirement of such implementation to the Account Director via controlled correspondence for such implementation to be agreed by the Account Director on behalf of the Authority. The Account Director shall not unreasonably withhold or delay his/her agreement to such implementation based on the principles set out in controlled correspondence reference [REDACTED] following receipt of that evidence to verify that the salary increments and other costs are due to incremental market rate movement and the Account Director shall respond via controlled correspondence within 5 Working Days of receipt of all such Evidence provided by the Supplier as reasonably required by the Authority.
- 8.10. Should the cost items be agreed by the Authority, the Payment Model will be updated accordingly. Updates will follow every three months to reflect any additional salary proposals the implementation of which were agreed by the Account Director (up to a maximum of the maximum contingency agreed for the 29 month period of £[REDACTED])
- 8.11. Notwithstanding paragraphs 8.8 – 8.10 the Supplier may incur Actual Costs as it considers necessary to address incremental market rate movements. Proposals which are implemented without the Account Director's agreement will not be reflected in any adjustment to the Target Cost and Target Fee and any updates to the Payment Model

- 8.12. The Actual Costs of a Salary Increase of [REDACTED] for each year is already included in the Target Costs for 2 years of BAU service delivery following transition to BAU from operating under Schedule 19. However, the Supplier will treat this [REDACTED] as a maximum level for Salary increases. If the Supplier concludes that a lower salary increase is appropriate, the balance will be removed from the Target Cost. Neither Party shall benefit from Gainshare as a result of such removal of any balance from Target Cost. If the Supplier wishes to offer a Salary increase in excess of [REDACTED], this should be discussed with the Authority and agreed with the Account Director prior to implementation.

9. SERVICE POINTS AND SERVICE CREDITS

- 9.1 The financial value of Service Credits shall be calculated by reference to the number of Service Points accrued pursuant to the provisions of Schedule 2.2 (Performance Levels).
- 9.2 Subject to Paragraphs 9.2.2 and 9.2.3 below and 9.2.4, each Month, the total number of Service Points across all Service Levels shall be converted into a financial deduction (a Service Credit) using the following formula:
- 9.2.1 Service Credit = $0.2 \times (\text{Total Service Points} \times \text{Target Unit Price})$, where:
- "Total Service Points" means total Service Points accrued in
the period under consideration;
- "Target Unit Price" means:
- (a) in respect of Service Delivery Years 1 - 3, the
aggregate Target Price for those three Service
Delivery Years divided by the aggregate of the Target
Volumes for those three Service Delivery Years,
- and
- (b) in respect of Service Delivery Years 4 and 5, the
aggregate Target Price for those two Service Delivery

- Years divided by the aggregate of the Target Volumes for those two Service Delivery Years;
- (c) in respect of Service Delivery Year 6 the aggregate Target Price for those two Service Delivery Years divided by the aggregate of the Target Volumes for those two Service Delivery Years; and
- (d) in respect of Service Delivery Years 7 – 9 the Service Credit Price Point Value is fixed at £[REDACTED] In respect of Service Delivery Years 7 – 9 the Service Credit Price Point Value is fixed at £[REDACTED]. Therefore, each Month, the total number of Service Points across all Service Levels shall be converted into a financial deduction (a Service Credit) using the following formula:

For the avoidance of doubt, any Test and Learn Activity will not result in any change to the Target Cost or Target Volume for Service Delivery Year 4 to Service Delivery Year 9 (inclusive). Any agreed exceptional costs for replacement resource, if applicable, will be charged to the Authority as Pass through Costs.

9.2.2 The fixed Target Unit Price of £[REDACTED] shall apply only in respect of the calculation of Service Credits from commencement of Service Delivery Year 1 up to and including 31st December 2015. Accordingly, for the period commencing on and from 1 March 2015 up to and including 31 December 2015 only, that fixed value Target Unit Price shall be used in the Service Credit formula in Paragraph 9.2.1 above as opposed to using the total Target Price for the entire Agreement divided by the Target Volume.

- 9.2.3 When the Parties undertake the reconciliation of Service Credits to be performed in respect of each Service Delivery Year and in respect of Service Levels marked in Table 2 of Annex 1 of Schedule 2.2 (Performance Levels) with a “Monthly (A)”, in accordance with Paragraphs 9.13 to 9.16 below, the Service Credits used for such calculations in respect of Service Delivery Year 1 shall be based on Service Credits calculated using the fixed Target Unit Price of £[REDACTED] in respect of the period from commencement of Service Delivery Year 1 up to and including 31 December 2015 only and otherwise using the formula (with its definitions) in Paragraph 9.2.1 above.
- 9.2.4 For Service Delivery Year 4 through to Service Delivery Year 9 (inclusive) – for the purposes of SC11(a) , Service Credits shall be calculated as follows (and demonstrated by the example):-

A x B x C where :

A= number of seconds by which SC11(a) Target Service Level was exceeded

B= service credit weighting (currently 50)

C = Service Credit factor is calculated as $0.2 \times (\text{Total Service Points} \times \text{Target Unit Price})$,

Example:

	Month 1	Month 2	Month 3	Quarter 1 Actual (not a mean average)

ASA of Claimant calls answered (in seconds)	80 seconds (s)	70s	75s	75s
SC11(a) – Call Answering Time SCs charged	80-75 = Target exceeded by 5 seconds (so "A" = 5) B= Weighting 50 C= £[REDACTED]* So Service Credit = £[REDACTED]	Nil	Nil	Quarterly target met All SCs charged in the quarter are reimbursed £[REDACTED] returned to the Supplier
	* current Service Credit value			

9.2.5 For the purposes of calculating Service Credits for SC11a, the Supplier shall enter in to the Authority's Payment Model, the actual Monthly Average Speed of Answer (ASA). At the end of each Quarter, the Supplier shall also enter the actual Quarterly ASA. Where the Quarterly Target is met, all Service Credits charged within that Quarter will be reimbursed. Where the Quarterly Target is not met, Service Credits will be calculated using the same formula as stated in Clause 9.2.4, with the difference either being charged to the Supplier, where the Monthly Service Credits are less than Quarterly Service Credits due, or reimbursed, where the Monthly Service Credits charged, exceed the Quarterly Service Credits due.

9.3 The liability of the Supplier in respect of Service Credits shall be subject to Clause 25.4 (Financial and other Limits) and the operation of any Service Credit Cap).

- 9.4 Service Credits are a reduction of the Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received and are stated exclusive of VAT.
- 9.5 Where the Supplier is liable for Service Credits, these shall be processed in accordance with the invoicing procedures set out at Part C to this Schedule 7.1.
- 9.6 Any relief agreed in writing between the Parties that is applicable for the relevant Service Delivery Year (or any part thereof) shall be applied to such Service Credits in proportion to that part of the Service Delivery Year to which it was applied.
- 9.7 Service Credits will be applied in respect of Monthly Service Levels but shall not exceed the Monthly Service Credit Cap.

Quarterly reconciliation

- 9.8 The Parties will undertake a quarterly reconciliation of Service Credits in respect of Service Levels marked in Table 2 of Schedule 2.2 (Performance Levels) with a "Monthly (Q)" as follows by reference to the difference between the Quarterly Actual Percentage and the Quarterly Target Percentage, as defined below (and, where applicable, a balancing payment shall be made by the Authority).
- 9.9 In respect of Service Delivery Year 1 through to Service Delivery Year 8 (inclusive), and the first Quarter of Service Delivery Year 9 the Parties shall calculate in respect of each quarter:
 - 9.9.1 the "Quarterly Target Percentage", being the same given Service Level percentage as applied for the Months within the quarter; and
 - 9.9.2 the "Quarterly Actual Percentage", being the quarterly total volume achieved divided by the total volume referred (less DNA) in the relevant quarter.In respect of June and July of Service Delivery Year 9 only, those two months are deemed to constitute a quarter and the definitions contained in Clauses 9.9.1 and 9.9.2 shall be replaced as follows:
 - (a) the "Quarterly Target Percentage", being the same given Service Level percentage as applied for June and July 2023; and

(b) the "Quarterly Actual Percentage", being the total volume achieved in June and July 2021 divided by the total volume referred (less DNA) in June and July 2023. A manual adjustment shall be made to the Payment Model to reflect this where necessary.

9.10 If, in a quarter, the Quarterly Actual Percentage is equal to or exceeds the Quarterly Target Percentage, then the Authority shall repay to the Supplier a sum equal to all Service Credits which have been applied in respect of such Service Levels in the Months of that quarter.

9.11 If, in a quarter, the Quarterly Actual Percentage is less than the Quarterly Target Percentage, then the percentage difference shall be applied to the applicable SLA Target Service Levels for the quarter and the number of cases calculated. The number of cases shall be used as an input to the formula in Paragraph 2.1 of Schedule 2.2 (Performance Levels) to calculate for Service Points. The Service Points shall go into the formula in Paragraph 9.2.1 above for calculating Service Credits and yielding a quarterly Service Credit amount. The quarterly Service Credit shall be compared to the Service Credit applied for each of the months and if less, the Authority shall refund the difference; and if more, no payment shall be made by the Supplier to the Authority.

9.12 The quarterly Service Credit amount calculated in Paragraph 9.11 above shall be capped at the Quarterly Service Credit Cap.

The following table provides an example of this calculation.

	Month1	Month 2	Month 3	Total
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Annual Reconciliation for Volume Service Levels

9.13 The Parties will undertake an annual reconciliation of Service Credits in respect of Service Levels marked in Table 2 of Annex 1 of Schedule 2.2 (Performance Levels) with an "Monthly (A)" as follows.

- 9.14 The annual reconciliation in respect of Service Points in accordance with Paragraphs 4.2 and 6 of Schedule 2.2 (Performance Levels) shall be carried out and the figures produced shall be converted into Service Credits (subject to the Annual Service Credit Cap, not the Monthly Service Credit Cap) in accordance with the provisions of this Schedule 7.1.
- 9.15 In respect of Service Delivery Year 1 through to Service Delivery Year 8 (inclusive), if the amount of the Service Credit calculated in accordance with Paragraph 9.14 is less than the amount of Service Credits which has been imposed in respect of the applicable Service Levels in each Month of the relevant Service Delivery Year, then the Authority shall pay to the Supplier an amount equal to the difference.
- 9.16 In respect of Service Delivery Year 1 through to Service Delivery Year 8 (inclusive), if the amount of the Service Credit calculated in accordance with Paragraph 9.14 is more than the amount of Service Credits which has been imposed in respect of the applicable Service Levels in each Month of the relevant Service Delivery Year, then the Supplier shall pay to the Authority an amount equal to the difference.
- 9.16A In respect of Service Delivery Year 9, if the amount of the Service Credit calculated in accordance with Paragraph 9.14 is less than the amount of Service Credits which has been imposed in respect of the applicable Service Levels in each Month during the period of April 2023 (inclusive) to July 2023 (inclusive), then the Authority shall pay to the Supplier an amount equal to the difference.
- 9.16B In respect of Service Delivery Year 9, if the amount of the Service Credit calculated in accordance with Paragraph 9.14 is more than the amount of Service Credits which has been imposed in respect of the applicable Service Levels in each Month of during the period of April 2023 (inclusive) to July 2023 (inclusive), then the Supplier shall pay to the Authority an amount equal to the difference. A manual adjustment shall be made to the Payment Model to reflect this where necessary.

Initial Partial Service Credit Holiday

- 9.17 Service Credits shall not be applied in the first three months following the Service Commencement Date for any Service Level other than the Quality Service Levels in SC1, SC2 and SC3 in Table 2 of Annex 1 to Schedule 2.2 (Performance Levels). The provisions of this Paragraph shall not affect the application of any applicable annual Service Level.

10. NOT USED

11. CHANGES TO PRICING

- 11.1. Without prejudice to Schedule 8.2 (Change Control Procedure), the provisions of this Paragraph 11 shall apply to the pricing of any Contract Change (or proposed Contract Change) and the calculation of any change to the Charges consequent upon a Contract Change (or any such change to the Charges that may result if a proposed Contract Change is agreed).
- 11.2. The Parties acknowledge that a Contract Change may have an impact on the Charges in one or both of the following ways:
- 11.2.1. the Contract Change may generate a one-off cost or one-off saving, in which case Paragraph 11.4 shall apply; and/or
 - 11.2.2. the Contract Change may generate a change to the operational process used in the provision of the Services, leading to a change to the Target Costs on which the Charges are based, in which case Paragraph 11.5 shall apply.
- 11.3. If either (or both) of the cases referred to in Paragraphs 11.2.1 and 11.2.2 above is likely to arise, the Supplier shall use the Authority's finance templates consisting of the Pricing Structure and the Payment Model Template and submit these with the Contract Change form to demonstrate and justify any claim for additional or reduced Charges and/or proposed revisions to the Target Costs on which the Charges are based arising as a result of any proposed Contract Change. Such submission shall be at the Supplier's own cost and shall:
- 11.3.1. be based on and reflect the principles of the Payment Model Template;
 - 11.3.2. include estimated volumes of each type of resource to be employed and the applicable rate card;
 - 11.3.3. include full disclosure of any assumptions underlying such quotation; and
 - 11.3.4. include evidence of the cost of any assets required for the Contract Change in accordance with the CBS.
- 11.4. Where Paragraph 11.2.1 applies:
- 11.4.1. the Supplier shall be paid in full (or, as the case may be, the Authority shall be reimbursed) upon completion of the Change, or by an agreed schedule of Milestone Payments (both payment options subject to meeting specified acceptance criteria agreed at the outset); and

- 11.4.2. the Supplier shall raise a separate invoice or credit note (or, as the case may be, the Authority shall issue a separate purchase order) in respect of the one-off cost or saving.
- 11.5. Where Paragraph 11.2.2 applies:
 - 11.5.1. any agreed changes to the Charges shall be effected by amending the Target Costs and the Payment Model as at the Effective Date and the amended version shall be saved with the identifying words, "Payment Model as at [*Date to be added*]";
 - 11.5.2. such adjustment to Target Costs shall not be made more than once a quarter. The effective date of any such adjustment to Target Costs ("Price Adjustment Effective Date") shall be at the start of the quarter (1 June, 1 September, 1 December, 1 March) immediately following implementation of the Contract Change in question. For example, where the Contract Change in question is implemented during February in a Contract Year, the relevant Target Costs shall be adjusted with effect from 1 March in that Contract Year. If there are several adjustments in one quarter, these will be aggregated to make one adjustment at the start of the next quarter;
 - 11.5.3. the Authority shall provide the Supplier with a revised Annex 1 of this Schedule 7.1 on each Price Adjustment Effective Date;
 - 11.5.4. all such Changes shall be implemented timeously and such implementation shall not await the applicable Price Adjustment Effective Date, provided always that if a Change is implemented and there is a demonstrable financial loss to a Party due to the relevant Target Costs not being adjusted until the Price Adjustment Effective Date (the first day of the next quarter), then either Party shall be entitled to seek recovery of the amount due in the following manner:
 - 11.5.4.1. if the Supplier, it should submit a separate invoice and Supporting Documentation; or
 - 11.5.4.2. if the Authority, it should issue a credit note request and Supporting Documentation, and
 any request to seek recovery of such an amount must be submitted within 3 Months of the Price Adjustment Effective Date.

12. ALLOWABLE ASSUMPTIONS

- 12.1. With effect from the Effective Date, 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 Assumptions being verified in accordance with Paragraph 12.2 below.
- 12.2. As soon as practicable after the Effective Date, and in any event no later than 10 Working Days after the Operational Service Commencement Date, the Parties shall agree whether each Allowable Assumption is accurate.
- 12.3. Where the Parties agree that an Allowable Assumption is not accurate and any of the Payment Model as at the Effective Date, Target Cost, WCA Annual Volume Target, WCA Monthly Volume Target and/or Mobilisation Plan or Resource Plan require adjusting:
- 12.3.1. the Supplier shall take all reasonable steps to mitigate the impact of the Allowable Assumption on the Payment Model as at the Effective Date, Target Cost, WCA Annual Volume Target, WCA Monthly Volume Target and/or the Mobilisation Plan or Resource Plan, as the case may be;
- 12.3.2. the Supplier shall (subject to Paragraph 12.3.3) propose a Change to take account of the impact of the adjustment of the Allowable Assumption and such Change Request shall be implemented in accordance with the Change Control Procedure; and
- 12.3.3. where the Supplier proposes a Change to the Charges under Paragraph 12.3.2), the Change Request shall reflect the requirements of the table in Annex 2.

13. ADDITIONAL SERVICES

Rate Card

- 13.1. From 1 March 2015 up to and including 28 February 2019, where the Parties agree the use of Day Rates for Additional Services, the Supplier shall use the Day Rates set out at Part 3 of Annex 1 to this Schedule 7.1. All Day Rates are based on a Working Day consisting of 7.5 hours excluding lunch break and travel time. All rates are exclusive of travel and related Charges.

Actual Cost plus Mark Up (Incremental Charging) (ACIM)

- 13.2. From 1 March 2019 onwards, the Actual Cost Plus Mark Up (Incremental Charging) (the “ACIM Mechanism”) shall, subject always to paragraph 13.4 of Part A to this Schedule 7.1, apply to:
- 13.2.1. charges associated with the delivery of Additional Services and shall be calculated as follows:
 - 13.2.1.1. actual costs incurred by the Supplier (including, without limitation, any associated travel and subsistence costs) in connection with the delivery of the Additional Services (the “**ACIM Actual Costs**”); and
 - 13.2.1.2. [REDACTED] mark-up of the ACIM Actual Costs for ACIM Actual Costs incurred before 1 March 2021 and [REDACTED] mark-up of the ACIM Actual Costs incurred after the Parties have reverted to the BAU Agreement following transition from Schedule 19.
 - 13.2.2. to the extent Schedule 18 does not apply, Additional Services that may be requested by the Authority for the Supplier to support in the development of a new IT system by the Authority to replace the ASIS IT System in connection with the replacement of the Authority IT Services from the ASIS Provider to the Authority (the “**Authority IT Replacement**”) pursuant to the Health Transformation Programme;
 - 13.2.3. additional Services that may require the deployment of HCPs but for which activity, as determined by the Authority in its absolute discretion, the Authority confirms should not be delivered as Test and Learn Activity as set out in paragraph 6.5A of Schedule 2.1; and
 - 13.2.4. any other Additional Services that the Authority may request of the Supplier from time to time in accordance with Clauses 5.10 to 5.14 including, without limitation, Health Transformation Programme initiatives that have no long term impact on any element of the Service Requirement.
- 13.3. The ACIM Mechanism is complementary to the other charging mechanisms and the same underpinning policy agreements that apply to the TCIF Mechanism will be applied in any calculation of ACIM Actual Costs including, but not limited to, compliance with the Authority’s travel policy in accordance with paragraph 7.4 of Part A to Schedule 7.1
- 13.4. The ACIM Mechanism will not be used to the extent that:
- 13.4.1. any HCP is seconded to the Authority for the purposes of a lead auditor as set out in paragraph 41.1 of Schedule 2.1 until (and including) 29 February 2020;
 - 13.4.2. as part of day to day business, the Supplier is acting in the role of a strategic relationship supplier, (being a supplier of the Authority pursuant to a strategically valuable contract in accordance with which the Supplier has the knowhow and infrastructure to offer executive level support to the Authority including, without limitation, delivering strategic executive insights to inform the Authority’s business development and attending and/or speaking at the Authority’s conferences and/or meetings); and/or

- 13.4.3. the Supplier has capacity to deliver the Additional Services without incurring additional cost including, without limitation, where Supplier Personnel are available to deliver the Additional Services without the Supplier deploying additional resource.
- 13.5. The Authority will make requests for Additional Services by using the fast-track "Request for Additional Services" template (as notified by the Authority to the Supplier), or by controlled correspondence. The Supplier shall, unless otherwise agreed between the Parties, have 5 Working Days from the date of receipt of a request to impact and assess the request and respond to the Authority and such response shall include any incremental costs which result from implementing such request and any impact on Service Levels/Service Credits and all supporting rationale and supporting written evidence. The Supplier will advise the Authority if 5 Working Days is not sufficient time in which to impact the request in which case the Supplier will, within 5 Working Days from the date of receipt of such request, agree with the Authority an alternative timeline for impacting, assessing and responding to the request.
- 13.6. The Authority shall consider the Supplier's impact analysis provided pursuant to paragraph 13.5 and respond, unless otherwise agreed between the Parties, within 5 Working Days. The Authority will advise the Supplier if 5 Working Days is not sufficient time in which to respond in which case the Authority will, within 5 Working Days of receipt of the Supplier's impact analysis, agree with the Supplier an alternative timeline for a response.
- 13.7. The Supplier and the Authority shall agree (pursuant to such process) the resource to be deployed by the Supplier in respect of the Additional Services and the impact (if any) on the Services. In the event that the delivery of Additional Services requires the deployment of HCP(s) the Parties will review and agree any impact on Service Levels and/or Service Credits and the Authority may, to the extent applicable, agree volume relief based on the contractual principles which apply to Test and Learn Activity in relation to Face to Face Assessments as set out in paragraphs 6.5A 6) and 7) of Schedule 2.1 or agree an appropriate mechanism to address the impact on Service Levels/Service Credits as a result of the delivery of the Additional Services.
- 13.8. Costs under the ACIM Mechanism will be invoiced separately by the Supplier, Monthly in arrear. All invoices will be subject to 100% validation via normal agreed business processes and the extrapolation activity referred to in paragraph 2.2 of Part C of Schedule 7.1) will not apply.

14. SUPPLIER PREMISES TARGET COST WITH INCENTIVISATION FEE (SERVICE DELIVERY YEAR 1)

- 14.1. The provisions of this Paragraph 14 reflect the Parties' agreement in relation to the Supplier Premises TCIF Mechanism, and unless otherwise agreed by the Parties shall apply on and from 7 August 2015 up to and including 29 February 2016.
- 14.2. Subject to the remaining provisions of this Paragraph 14 and Paragraphs 15 and 16 of this Schedule 7.1 , the total aggregate Supplier Premises TCIF Charges during Service Delivery Year 1 shall be the sum of:

- 14.2.1. the aggregate Year 1 Supplier Premises Actual Costs up to the Supplier Year 1 Premises Target Costs; and
- 14.2.2. the Supplier Premises Fee.
- 14.3. The Supplier will be solely responsible for Year 1 Supplier Premises Actual Costs which exceed the Year 1 Supplier Premises Target Costs.
- 14.4. Subject to Paragraph 14.6, the Supplier shall be entitled to the Year 1 Supplier Premises Actual Costs incurred during Service Delivery Year 1 up to the Year 1 Supplier Premises Cash Cap in addition to the Year 1 Supplier Premises Fee.
- 14.5. Subject to Paragraph 14.6, the Supplier shall be entitled to invoice and the Authority shall pay for the Year 1 Supplier Premises Actual Costs and the Year 1 Supplier Premises Fee on a Monthly basis in arrears in accordance with Part C: Invoicing.
- 14.6. If the Year 1 Supplier Premises Actual Costs reach the Year 1 Supplier Premises Cash Cap, the Supplier shall not be entitled to invoice and the Authority shall have no liability to pay for any Year 1 Supplier Premises Actual Costs which exceed the Year 1 Supplier Premises Cash Cap.
- 14.7. Examples allowable categories of cost that will, subject to this Paragraph 14, and Paragraph 16.1 be reimbursed under the Supplier Premises TCIF mechanism is at Annex 3 to this Schedule.
- 14.8. **Estateshare** Within the First Estates Contract Change the Estateshare methodology and Annual Estateshare methodology were defined. This was applied during Service Delivery Year 1. However, the Supplier did not meet the Annual Volume Targets during Service Delivery Year 1 required to trigger the Annual Estateshare, and as a result of the Second Estates Contract Change both the Estateshare methodology and the Annual Estateshare will not apply to Service Delivery Years 2 to Service Delivery Year 9 (inclusive).
- 14.9 Where the Authority is considering taking an assignment or novation of a Transferring Property Contract in accordance with Paragraph 6.7 of Schedule 8.5 (Exit Management) prior to reinstatement being completed then the Authority shall (where it considers it appropriate and reasonable to do so) appoint an independent surveyor to assess the estimated cost for dilapidations and reinstatement (in respect of the Supplier's obligation to reinstate under the terms of the Supplier's lease/licence to occupy in respect of each Transferring Property Contract. As a minimum, this independent surveyor (working with the Supplier or its agents as appropriate) will take action on behalf of the Authority as detailed in paragraph 15.3.1 (c) . Upon completion by the surveyor (or the

Supplier or its agents) of the aforementioned activity, the Authority shall either (a) proceed with the assignment or novation, or (b) confirm it is not proceeding with the assignment or novation in which event any such costs shall be included in the Supplier ACM Charges pursuant to Paragraph 15.3.1 (c).

15. SUPPLIER PREMISES ACTUAL COST WITH MARGIN (ACM) (SERVICE DELIVERY YEAR 2 TO SERVICE DELIVERY YEAR 9 (INCLUSIVE))

- 15.1. The provisions of this Paragraph 15 reflect the Parties' agreement in relation to the Supplier Premises ACM Mechanism, and unless otherwise agreed by the Parties shall apply on and from 1 March 2016 up to and including 31 July 2023.
- 15.2. During Service Delivery Year 2 through to Service Delivery Year 9 (inclusive), the Supplier shall be entitled to recover the Years 2 to 9 Supplier Premises Actual Costs incurred during the relevant Service Delivery Year in relation to:
 - 15.2.1 Permanent Premises in respect of which Premises Agreements were signed during Service Delivery Year 1, as set out in Appendix 2 Supplier Premises Service Delivery Year 1 of Schedule 15.1 (Estates);
 - 15.2.2 Permanent Premises in respect of which Premises Agreements were or are to be signed during Service Delivery Years 2 or 3, as set out in Paragraph 9.9 of Schedule 15.1 (Estates); and
 - 15.2.3 Permanent Premises in respect of which the Supplier has sought and the Authority has provided written business case approval in accordance with Paragraph 11 of Schedule 15.1 (Estates) (all such Permanent Premises (and any extensions or replacements thereto) being the **"In Scope Supplier Premises"**).
- 15.3. Subject to Paragraph 15, the Supplier Premises ACM Charges shall be:
 - 15.3.1 during each of Service Delivery Year 2 through to Service Delivery Year 9 (inclusive) (and in respect of the items set out in Paragraph 15.3.1 (c) including those incurred after Service Delivery Year 9):
 - a) the aggregate Years 2 to 9 Supplier Premises Actual Costs incurred in relation to the In Scope Supplier Premises during the relevant Service Delivery Year;
 - b) the Supplier Premises Fee ; and,

- c) properly incurred actual costs for decommissioning (including required repairs (dilapidations) and reinstating In Scope Supplier Premises during the Term (where In Scope Supplier Premises are vacated) and/or after the end of the Term provided that the Supplier has:

15.3.1.1.1. Unless explicitly agreed by the Authority not to do so, (eg because of value for money considerations), employed an independent property surveyors to assess on behalf of the Supplier, through a physical examination of the property, i) the action required to meet Landlord decommissioning/dilapidations requirements as defined in the lease/licence to occupy eg to remove any tenant alterations, make good consequential damage, internal decoration etc ii) to identify where the Supplier has made improvements to the property during the period of occupation iii) a reasonable estimate of costs that would be incurred by the Supplier.

15.3.1.1.2. Negotiated, as appropriate, with the landlord to, as far as is reasonably practicable to, reduce costs and limit the financial liability of the Authority

15.3.1.1.3. Provides documentary evidence showing that the Supplier complied with Paragraph 15.3 (c) (i) and (ii).

- d) the properly incurred actual costs in relation to the Casual Hire Site Services on the basis that

- (i) All actual third party, dedicated salary and employer, expenses and any central services time costs including appropriate overheads will be charged as part of the Supplier Premises Charges invoicing process;
- (ii) If the individual allocated to the Casual Hire Site Services (and such other resource as the Supplier may have) is not sufficient internal resource for delivery of the Casual Hire Site Services, third parties may be used to supplement the Maximus UK internal teams;
- (iii) The Supplier may incur such costs in advance of 1st April 2021 in preparation for, and may commence the recruitment process for any roles in delivery of the Casual Hire Site Service;

(iv) In the event the individual not be fully deployed on Casual Hire activity, the individual will be made available to support wider corporate central teams (in MAXIMUS) for work other than the Services. Where the resource is utilised by alternative Maximus teams for such other work, internal company recharges will apply such that the Authority will not be charged for time spent by the individual in delivering wider corporate services and will only be charged for work related to the Services.

- 15.4 Subject to Paragraphs 15.2 and 15.3 the Supplier shall be entitled to invoice and the Authority shall pay the Supplier Premises ACM Charges on a Monthly basis in arrears in accordance with Part C: Invoicing.
- 15.5 The Supplier shall report to the Authority on Years 2 to 9 Supplier Premises Actual Costs incurred during Service Delivery Year 2 through to Service Delivery Year 9 (inclusive) on a Monthly basis as part of the Supplier Premises Outturn Report.

16. COSTS FOR SUPPLIER PREMISES TCIF MECHANISM AND SUPPLIER ACM MECHANISM

- 16.1. The Supplier shall exclude from Year 1 Supplier Premises Target Costs, Year 1 Supplier Premises Actual Costs and Years 2 to 9 Supplier Premises Actual Costs the following:
- 16.1.1. costs for the IT ASIS service incurred and paid by the Authority;
 - 16.1.2. costs for Courier services incurred and paid by the Authority; and
 - 16.1.3. costs for Royal Mail Collection Services, Business Reply Envelopes and postage for outputs produced by the ASIS IT System incurred and paid by the Authority. (Pre-paid envelopes from Royal Mail, which are required by the Supplier to deliver the Services, and are outside of those produced by the ASIS System, will be procured by the Supplier and charged to the Authority as a Pass-through Cost).

17. CLAIMANT EXPENSE SERVICES BEING PROVIDED BY THE SUPPLIER UNDER THIS AGREEMENT

- 17.1. Notwithstanding any other provision in this Schedule 7, the Authority and the Supplier have agreed the provisions in this Paragraph 17 in relation to the claimant expense services being provided by the Supplier under this Agreement

- 17.2. The Target Cost within the TCIF for Service Delivery Years 1, 2 and 3 only shall be adjusted to remove the following costs being the amount associated with the payment of non-BACS claims only. All Gainshare and other calculations made that were based on Actual Costs and Target Fee up to the time that this adjustment is made shall be recalculated and where there has been an under or over payment by the Authority to the Supplier, the Supplier will refund to the Authority any such over payment and DWP will pay the Supplier any underpayment

<u>BAFO - 36 months - Non BACS</u>	Contract year 1	Contract year 2	Contract year 3	Total
[REDACTED]				

With regard to Service Delivery Year 4 through to Service Delivery Year 9 (inclusive), any amounts associated with the payment of non-BACS claims only have been included in the Target Cost and Target Fee for Service Delivery Year 4 through to Service Delivery Year 9 (inclusive).

- 17.3. The cost of the Supplier solution to pay Claimant expenses shall then be added to the Target Cost and Target Fee for Service Delivery Years 1, 2 and 3 only provided that the cost of such a solution shall not exceed those shown below:

<u>New Deal – 28.6 month (BACS and Non)</u>	Contract year 1	Contract year 2	Contract year 3	Total
[REDACTED]				

- 17.4. The Authority will also pay for all Pass-through Costs for Service Delivery Years 1 to 3 (inclusive) (being the bank cheque/BACS charges associated with each expense claim payment and the associated letter and postage costs) which have been estimated at £[REDACTED] (for the period 12th Oct 15 – Feb 18 inclusive). In addition, the Authority will reimburse the Supplier as a Pass-through Cost for all expense claims paid to Claimants.
- 17.5. Total costs for the new solution for the period 12th Oct 15 – Feb 18 (inclusive) are therefore a maximum of £[REDACTED] plus estimated pass-through costs of £[REDACTED].
- 17.6. The Parties shall agree final maximum Claimant solution costs for the period 12th Oct 15 – Feb 18 (inclusive) no later than 15 August 2015. The Parties agree to work together to review and minimise such costs (where possible). As part of agreeing final costs, the Supplier shall be required to demonstrate value for money to the Authority in respect of final BACS/Bank Charges agreed.
- 17.6A The Authority will also pay for associated Pass-through Costs for Service Delivery Year 4 through to Service Delivery Year 9 (inclusive) (being the bank cheque/BACS charges associated with each expense claim payment and the associated letter and postage costs). In addition, the Authority will reimburse the Supplier as a Pass-through Cost for all expense claims paid to Claimants. (For the avoidance of doubt, for Service Delivery Year 4 through to Service Delivery Year 9 the costs of the Supplier solution to pay Claimant expenses (excluding Pass-Through Costs) are already included within the Target Cost and Target Fee for Service Delivery Years 4 to 9 inclusive.)
- 17.7. Following a phased implementation, and by no later than 12 October 2015, the Supplier will be responsible for issuing payments direct into bank accounts or by cheque (excluding Girocheques).
- 17.8. In the event that the Supplier is not able to deliver the Claimant expenses IT solution by no later than 12 October 2015, the Supplier shall implement a manual process (to be approved by the Authority in accordance with Paragraph 3.5(2) of Schedule 3) (subject to confirmation by the Authority that the manual process is acceptable) until the IT solution is delivered:-
- (a) where the Supplier has to invoke a contingency solution due to the Supplier's default in implementing the full IT Solution, the Supplier shall be responsible for the costs of such a solution and the Target Cost and Pass-through Costs shall not increase;
 - (b) where the Supplier has to invoke a contingency solution resulting from an Authority Cause, the Supplier shall not be responsible for the costs of such a solution and shall have no liability for any losses, errors or omissions caused due to

processing such claims by way of the contingency solution (and for the avoidance of doubt any such losses, errors or omissions shall be excluded from any extrapolation activity referred to in Paragraph 2.2 of Part C of Schedule 7.1).

17.9 For the avoidance of doubt, the effect of the tables in Paragraph 17.2 and 17.3 above has been incorporated into the table in Annex 1, Part 2, Paragraph 1.

PART B: MILESTONES – SERVICE DELIVERY YEARS 1-3 ONLY**1 MILESTONE PAYMENTS**

- 1.1 The Authority shall make Milestone Payments on the Supplier's Achievement of the relevant Milestone(s) as may be agreed between the Parties from time to time.
- 1.2 The Authority shall pay Milestone Payments retrospectively and subject to provisions of Part C of this Schedule 7.1.
- 1.3 On the Achievement of a Milestone the Supplier shall be entitled to invoice the Authority for the Milestone Payment associated with that Milestone as part of the Charges invoice.
- 1.4 Each invoice relating to a Milestone Payment shall be supported by a Milestone Achievement Certificate and shall follow the following payment process:
 - (a) no later than 10 Working Days after the invoice referred to in Paragraph 1.3 to this Part B has been issued, the Supplier shall:
 - (i) submit to the Authority a report setting out the incurred costs and actual Milestone Payment for the Milestone; and
 - (ii) issue a certificate of costs with Supporting Documentation, which shall exclude any accruals, prepayments and provisions.

2 TIME AND MATERIALS MILESTONE PAYMENTS

- 2.1 Where Part 1 of Annex 1 to this Schedule 7.1 indicates that a Milestone Payment is to be calculated by reference to a Time and Materials pricing mechanism:
 - (a) the day rates set out in Part 3 of Annex 1 to this Schedule 7.1 shall be used to calculate the relevant Charges provided that the Supplier (or its Sub-contractor) shall not be entitled to include any uplift for risks or contingencies within its Day Rates;
 - (b) the Supplier shall only be entitled to be paid Charges that have been properly and reasonably incurred, taking into account the Supplier's obligation to deliver the Services in a proportionate and efficient manner; and
 - (c) the Supplier shall keep records of hours properly worked by Supplier Personnel (in the form of timesheets) and expenses incurred and submit a summary of the relevant records as part of the Outturn Report. If the Authority requests copies of such records, the Supplier shall make them available to the Authority within ten (10) Working Days of the Authority's request.

- 2.2 Subject to Paragraph 13 of Part A to this Schedule 7.1, in respect of Time and Material Milestone payments for other transformation, implementation or other project activity (including Pilot projects) during the Term, the Parties shall work together in good faith to develop and agree a payment structure which shall apply to those Milestone Payments.
- 2.3 Milestones calculated using day rates shall not have any additional profit margin, risk, contingency or overhead applied to them.

PART C: INVOICING**1. SUPPLIER INVOICES**

- 1.1. The Supplier shall prepare and provide to the Authority for approval of the format a template invoice within 10 Working Days of the Effective Date which shall include, as a minimum, the details set out in Paragraph 1.2 of this Part C together with such other information as the Authority may reasonably require to assess whether the Charges that will be detailed therein are properly payable. If the template invoice is not approved by the Authority then the Supplier shall make such amendments as may be reasonably required by the Authority within ten (10) days of being notified of non approval.
- 1.2. The Supplier shall ensure the invoice is in a form which is aligned with and which provides sufficient information to input into the Authority's electronic purchasing system (as further detailed at Paragraph 1.4 of this Part C) and contains as a minimum (and where permitted by the Authority's electronic purchasing system) the following:
 - 1.2.1. the date of the invoice
 - 1.2.2. a unique invoice number
 - 1.2.3. the Service Period or other period(s) to which the relevant Charge(s) relate;
 - 1.2.4. the correct reference for this Agreement;
 - 1.2.5. the reference number of the purchase order to which it relates including the amount and time period to which it relates;
 - 1.2.6. the dates between which the Service lines that the Charges apply to were performance;
 - 1.2.7. a description of the Services to which the invoice relates and that have been satisfactorily delivered in accordance with the Agreement;
 - 1.2.8. the pricing mechanism used to calculate the Charges (such as the TCIF, Supplier Premises TCIF Mechanism, Supplier Premises ACM Mechanism, day rates, Pass through Costs etc.)
 - 1.2.9. any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
 - 1.2.10. the total Charges gross and net of any applicable deductions and separately, any VAT or other sales tax payable in respect of each of the same along with the prevailing rate of such taxes;

1.2.11. 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); and

1.2.12. a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries.

All items at Paragraph 1.2.1 to 1.2.12 of this Part C shall be submitted with each draft invoice provided to the Authority pursuant to Paragraph 1.8 of Part C.

- 1.3. The Authority shall make payments to the Supplier on a Monthly basis in arrear for Services provided by the Supplier.
- 1.4. Where Milestone Payments are due, the Parties shall also comply with the provisions of Part B to this Schedule 7.1.
- 1.5. The Authority shall (unless otherwise notified to the Supplier) issue separate purchase orders to the Supplier for each of the Charges, the Award Fee, the Pass-through costs and the Stability Award Fee using the Authority's electronic purchasing system. Such purchase orders shall be issued by the Authority within a reasonable time to enable the Supplier to submit an invoice which is covered by the purchase order.
- 1.6. At the election of the Authority, Service Credits may be processed either in accordance with Paragraph 1.2.10 above or by means of a credit note and the Authority shall notify the Supplier of its election by no later than one month following the Effective Date. Where the Supplier is liable for Service Credits, and the Authority has elected to process Service Credits by means of a credit note, the Supplier shall submit with its invoice (but attached separately) a credit note setting out full details of the Service Credits incurred in the preceding Measurement Period. Where there are no further invoices due to be issued, the Supplier shall pay the Authority an amount equal to the Service Credit within thirty (30) days of the end of the final Service Period.
- 1.7. Upon receipt of a valid purchase order from the Authority (which shall be issued in accordance with Paragraph 1.4 of Part C), subject to Paragraph 1.8 of Part C, the Supplier shall be entitled to invoice the Authority within thirty (30) days of the end of each calendar Month and all invoices shall be clearly addressed to the Authority's relevant department and submitted through the Authority's electronic purchasing system and in accordance with any instructions provided by the Authority to the Supplier in relation to the use of the Authority's electronic purchasing system at the link set out below (or as may be notified to the Supplier from time to time):



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- 1.8. Prior to the submission of the invoice on the Authority's electronic purchasing system and within ten (10) Working Days of the end of each calendar Month, the Supplier shall provide to the Authority a draft invoice in a form and manner notified to the Supplier by the Authority from time to time which complies with the invoicing requirements set out in this Schedule 7.1 (including the Supporting Documentation, and in respect of any costs associated with Permanent Premises, confirmation that (i) the Finance Director (or authorised delegate) has given approval in accordance with Paragraph 9.12 of Schedule 15.1 (Estates)) and (ii) if required, business case approval has been obtained in accordance with Paragraph 11 of Schedule 15.1 (Estates)) to enable the Authority to undertake a provisional pre-payment check to validate the invoice ("Pre-Payment Validation").
- 1.9. The Supplier shall provide any further information reasonably requested by the Authority to enable the Authority to undertake Pre-Payment Validation of the draft invoice, such information to be provided at no additional cost to the Authority.
- 1.10. The Authority shall endeavour to undertake the Pre-Payment Validation within five (5) Working Days of receipt of the draft invoice from the Supplier and shall either Approve or reject the draft invoice. Where the draft invoice is Approved, the Authority shall notify the Supplier and the Supplier shall submit the Approved invoice via the Authority's electronic purchasing system.
- 1.11. Where the draft invoice is rejected by the Authority, the Authority shall notify the Supplier of the disputed items and amounts and the Supplier shall promptly re-submit the invoice but excluding the disputed items and amounts.
- 1.12. The Parties shall work together promptly and in good faith to resolve the disputed items and amounts and shall refer any unresolved items and amounts to the Dispute Resolution Procedure where necessary. The Supplier shall be entitled to submit a further invoice in relation to any items and amounts which were the subject of a dispute and which the Parties subsequently agree to be properly due to the Supplier.

- 1.13. If any invoice rendered by the Supplier is paid but any part of it is disputed or subject to question by the Authority and such part is subsequently agreed or determined not to have been properly payable then the Supplier shall promptly repay such part to the Authority.
- 1.14. The Authority shall regard an invoice as valid only if it complies with the provisions of this Schedule 7.1. Where an invoice or draft invoice does not conform to the Authority's requirements set out in this Schedule 7.1, the Authority shall return the disputed invoice to the Supplier within a reasonable time period and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements. The Authority shall not be liable to pay an invoice that is not valid.
- 1.15. If any part of an invoice rendered by the Supplier is disputed or subject to question by the Authority either before or after payment then the Authority may call for the Supplier to provide such further Supporting Documentation and submit oral evidence as it may reasonably require to verify its liability to pay the amount which is disputed or subject to question and the Supplier shall promptly provide such evidence in a form satisfactory to the Authority.
- 1.16. The Supplier shall provide separate invoices for payments in respect of the Service Charges, Award Fee, Supplier Premises Charges, Pass-through Costs and the Stability Award Fee.
- 1.17. Each invoice shall at all times be accompanied by sufficient Supporting Documentation, the Outturn Report or Supplier Premises Outturn Report (as appropriate), and in respect of any costs associated with Permanent Premises, confirmation that (i) the Finance Director (or authorised delegate) has given approval in accordance with Paragraph 9.12 of Schedule 15.1 (Estates) and (ii) if required, business case approval has been obtained in accordance with Paragraph 11 of Schedule 15.1 (Estates). Any notification to the Supplier by the Authority as to what constitutes Supporting Documentation shall not be exhaustive and the Supplier undertakes to provide to the Authority with any other documentation reasonably required by the Authority from time to time to substantiate an invoice.
- 1.18. The Supplier shall ensure that each invoice item and the Supporting Documentation is aligned with and consistent with the CBS.
- 1.19. The Authority shall undertake comprehensive post payment check and validation of the invoice after the invoice has been Approved for payment by the Authority ("Post-Payment Validation") to ensure that the invoice and invoice items and amounts have been properly and necessarily incurred by the Supplier in accordance with this Agreement and that the Supplier is properly entitled to the payment. The Supplier shall at all times ensure that the Supporting Documentation and the Cost MI provide sufficiently detailed information (in

accordance with the Transparency provisions set out in Schedule 7.5 (Transparency, Financial Reports and Audit Rights) to enable the Authority to accurately and comprehensively verify the invoice and payment.

- 1.20. Payment shall be made by the Authority to the Supplier, in the lawful currency of the United Kingdom, within thirty (30) days from receipt of the undisputed invoices. The Supplier shall invoice the Authority for the Charges that are payable in accordance with the terms of the Agreement.
- 1.21. The Authority reserves the right to undertake Pre-Payment Validation and Post-Payment Validation of invoices/claims and subsequently to recover any sums which have been overpaid by the Authority to the Supplier.
- 1.22. Without prejudice to the provisions of Clause 10.6 and 10.7 (Set Off and Withholding), the Authority shall be entitled to deduct from sums due to the Supplier any amounts owed to it or which are in dispute or subject to question. If the Authority fails to pay the Supplier undisputed sums of money within thirty (30) days from the receipt of a validly issued invoice the Supplier shall:
 - 1.22.1. notify the Authority in writing of such failure to pay and provide details of the invoice concerned;
 - 1.22.2. allow the Authority to make prompt payment of such undisputed sums; and
 - 1.22.3. allow the Authority to provide details of the grounds for why the invoice is disputed.

2. OTHER AREAS OF INVOICE VALIDATION

- 1.23. A Monthly data feed of Completed Assessments shall be provided by the Supplier from which a statistically valid sample will be drawn by the Authority to be checked. Evidence will be drawn from the Authority's own systems and the information provided to the Authority by the Supplier as part of the Supporting Documentation and Cost MI to:
 - 1.23.1. Confirm that the output relates to a valid customer;
 - 1.23.2. Identify and check any duplicate charges to establish if the invoice is correct or not; and
 - 1.23.3. Confirm that the outputs have been delivered in the period the invoice relates to and to the standards required.
- 1.24. Where the Authority in its sole and absolute discretion uses a sample and extrapolation method of invoice and cost validation in respect of this Agreement, if the Authority identifies any error in the Charges levied to the Authority through a sample check of the evidence (such sample size to be reasonable and proportionate so as to represent a statistically significant sample size), then the Authority shall be entitled to extrapolate the value of the percentage error rate across the full cost of the invoice to represent the total value of the invoice in

question. The Supplier shall promptly provide the Authority with a credit note to the amount of the extrapolated error. If the Supplier considers that the extrapolation was inappropriate, then it may at its own cost engage an independent expert (holding reasonably appropriate qualifications subject to the Authority's approval, not to be unreasonably withheld) to audit the totality of all invoices. If the independent expert determines that the actual error is less than the extrapolated error, then the Supplier shall provide the Authority with all appropriate supporting evidence and the Authority shall refund the difference. For the avoidance of doubt, this paragraph 2.2 shall not apply in respect of Costs under the ACIM Mechanism to which extrapolation will not apply.

3. ACCOUNTING PROCEDURES

- 1.25. A senior finance official duly authorised by the Supplier must certify that the amounts claimed are attributable wholly and exclusively to work relating to the Agreement and wholly represent net charges.
- 1.26. It will be the Supplier's responsibility to maintain records of costs and Supporting Documentation, agreed with the Authority, which will be available for inspection by the Authority.
- 1.27. The Supplier shall maintain up to date management and financial information relating to the Agreement.

4. PROVISIONAL MONTHLY INVOICING PROCESS

TCIF Mechanism

- 1.28. The process outlined in this Paragraph is subject to further agreement between the Parties.
- 1.29. The Supplier will populate the Outturn Report in compliance with the provisions of Schedule 7.5 (Financial Reports and Audit Rights).
- 1.30. Prior to the creation of a Monthly invoice, the Supplier will upload into the Payment Model Template:
 - 1.30.1. Actual Costs;
 - 1.30.2. Actual Fees; and
 - 1.30.3. Service Level performance information.
- 1.31. Performance against Service Levels shall be derived from an MI Report identifying which Service Levels have been met.
- 1.32. The Payment Model Template will then generate the amount to be invoiced by the Supplier.
- 1.33. The Supplier will then invoice the Authority the amount calculated by the Payment Model Template and add the appropriate level of VAT.
A copy of the populated Payment Model Template will be saved for each relevant Month as Payment Model as at *[Date to be added]*.

- 1.34. Accompanying each invoice, the Supplier will send to the Authority a copy of the relevant Payment Model as at *[Date to be added]* for that Month, the Outturn Report, and the MI Report used to validate the Service Levels.
- 1.35. If the Supplier reasonably believes that the amounts generated by the Payment Model as at *[Date to be added]* are incorrect because they do not reflect the Agreement, it will notify the Authority accordingly, and provide reasonable supporting documentation, and the Parties will meet to discuss in good faith a resolution of the situation.
- 1.36. The Parties will agree to meet within two months of the Effective Date to review the accuracy of the Payment Model Template and to agree any necessary adjustments. The Parties shall ensure that the Payment Model Template operates in a way that is consistent with the principles contained within this Schedule 7.1.

Supplier Premises Mechanisms

- 1.37. The Parties shall agree such changes to the above process as may be reasonably necessary for the Supplier Premises TCIF Mechanism and the Supplier Premises ACM Mechanism, together with a model which tracks and calculates the Supplier Premises Charges.

ANNEX 1
Part 1

1) Set-up Costs (Maximum Cost with Target Cost)

Milestone Number	Milestone Description	Date	Target Set-up Cost (£)	Maximum Cost % over Target Set-up Cost	Maximum Cost (£)	Set-up Fee (£)
[REDACTED]						
TOTAL						

2) Transformation Costs (not including those already covered by Set-up Costs) (Maximum Cost with Target Cost)

Milestone Number	Milestone Description	Date	Target Set-up Cost (£)	Maximum Cost % over Target Set-up Cost	Maximum Cost (£)	Set-up Fee (£)
[REDACTED]						
TOTAL						

3) Other Costs (not including those covered by Set-up Costs) (Maximum Cost with Target Cost)

[Drafting Note: Where future activity is to be provided on a Milestone basis with 'Maximum Cost with Target Costs' being the agreed pricing mechanism, the Parties should insert the details into this table]

Milestone Number	Milestone Description	Date	Target Set-up Cost (£)	Maximum Cost % over Target Set-up Cost	Maximum Cost (£)	Set-up Fee (£)

[4) Time and Material based Milestone Payments]

[Drafting Note: This section to be populated if and when, during the Term, any of the Charges for future implementation/pilot activity are on a Time and Materials basis with Milestones attached.]

Milestone	Milestone Description	Date	Day Rate (£)	Units	Milestone Payment (£)

Part 2 - Charges which are based on the TCIF Mechanism

1) Charges

Month	Target Cost £000	Target Fee £000	Target Price £000	Incentivisation Percentage	Cost Cap £000
				Supplier%: Authority%	
[REDACTED]					

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As part of the BAU Transition Process, the above table will be updated to reflect First Year following the operation of Schedule 19 and Second year following operation of Schedule 19. Unless otherwise agreed between the Parties, for each month the Target Cost will be based on Schedule 19 Annex 5 and the Target fee Fee will be fixed at £[REDACTED] per month.

2. Painshare and Gainshare ratios for Months 61 to 101

	Painshare Ratio Authority: Supplier)	Gainshare Ratio (Authority:Supplier)

Part 2A

Charges which are based on the Supplier Premises TCIF Mechanism (Service Delivery Year 1)

Month [REDACTED]		Supplier Premises Target Cost	Supplier Premises Fee (fixed)	Supplier Premises Target Cost and Fee

*Totals may not balance within month due to roundings

Part 3

Applicable Day Rates - 1 March 2015 - 28 February 2019

[illegible]

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ANNEX 2
Allowable Assumptions

1. Assumption as to adjustments in Target Price based on changes to PCPS and NHS pension contribution rates

The Parties agree that the Supplier shall be entitled to make future adjustments to the Target Price should any change to the PCSPS and NHS pension contribution rates or policies occur. Where CHDA requires such an adjustment in the future, such change shall be implemented in accordance with the Change Control Procedure in Schedule 8.2.

2. [REDACTED]

[REDACTED]

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
Ref	Description of proposed Allowable Assumption	Impact on the Mobilisation Plan or Resource Plan if the Allowable Assumption is not accurate	Cost Impact (maximum, minimum and most likely values if the Allowable Assumption is not accurate)	Basis of Calculation of Cost Impact	Applicable profit margin	Charge Impact (maximum, minimum and most likely values if the Allowable Assumption is not accurate)	Verification Method (how the Supplier will verify the Allowable Assumption)	Trigger for Invocation (what will determine that the Mobilisation Plan or Resource Plan and/or Payment Model as at the Effective Date may require adjustment for the Allowable Assumption)	Period of Impact (period that the updated assumption will have an impact)	Expiry Date (Date at which the Allowable Assumption expires)
	A minimum of 753.8 (DBS cleared) FTE HCPs will transfer to the Supplier. This includes 53.8 sessional doctors and 50 HCPs									

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
Ref	Description of proposed Allowable	Impact on the Mobilisation Plan or Resource Plan	Cost Impact	Basis Calculation of Cost Impact	Applicable profit margin	Charge Impact	Verification Method	Trigger for Invocation	Period of Impact	Expiry Date
	that will be 'pre-approval'. The 50 'pre-approval' HCPs will be approved within 3 months of the Operational Services Commence ment Date.									
	Outstanding cases: [REDACTED]-[REDACTED] other assessments. [REDACTED]-[REDACTED] WCA cases. By Region this is: Central: 17-20% of total work outstanding London and Home Counties: 26-30% of									

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
Ref	Description of proposed Allowable	Impact on the Mobilisation Plan or Resource Plan	Cost Impact	Basis Calculation of Cost Impact	Applicable profit margin	Charge Impact	Verification Method	Trigger for Invocation	Period of Impact	Expiry Date
	total work outstanding North East: 10-15% of total work outstanding North West: 9-13% of total work outstanding Southern England: 16-20% of total work outstanding Scotland: 6-10% of total work outstanding Wales: 6-10% of total work outstanding									
	The values of the Service Levels at contract award, with the exception of SC4a and SC4b, will									

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
Ref	Description of proposed Allowable	Impact on the Mobilisation Plan or Resource Plan	Cost Impact	Basis Calculation of Cost Impact	Applicable profit margin	Charge Impact	Verification Method	Trigger for Invocation	Period of Impact	Expiry Date
	be based on the levels being achieved by the incumbent provider measured as an average over the last two months of the incumbent provider's contract.									
	The Target Price will be adjusted in future years to reflect any change in the PCSPS and NHS pension contribution rates.									
	TUPE will apply at the end of the new contract and the appropriate									

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
Ref	Description of proposed Allowable	Impact on the Mobilisation Plan or Resource Plan	Cost Impact	Basis Calculation of Cost Impact	Applicable profit margin	Charge Impact	Verification Method	Trigger for Invocation	Period of Impact	Expiry Date
	staff will transfer to the new provider.									
	DWP (AAP) will be responsible for the national audit function associated with the quality service levels (SC1 and SC2) from Operational Services Commencement Date									
	Training of a minimum number of HCPs that is part of BAU for Atos and will not depend on them changing their MSA									

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
Ref	Description of proposed Allowable	Impact on the Mobilisation Plan or Resource Plan	Cost Impact	Basis Calculation of Cost Impact	Applicable profit margin	Charge Impact	Verification Method	Trigger for Invocation	Period of Impact	Expiry Date
	volume ([REDACTED])									

ANNEX 3
Summary of allowable Cost Categories

Cost category	Sub-type	Pricing proposal	Guidance	Allowable costs pursuant to Paragraph 7, schedule 7.1	Allowable costs pursuant to Paragraph 14, schedule 7.1	Allowable costs pursuant to Paragraph 15, schedule 7.1
[REDACTED]						

Cost category	Sub-type	Pricing proposal	Guidance	Allowable costs pursuant to Paragraph 7, schedule 7.1	Allowable costs pursuant to Paragraph 14, schedule 7.1	Allowable costs pursuant to Paragraph 15, schedule 7.1

Cost category	Sub-type	Pricing proposal	Guidance	Allowable costs pursuant to Paragraph 7, schedule 7.1	Allowable costs pursuant to Paragraph 14, schedule 7.1	Allowable costs pursuant to Paragraph 15, schedule 7.1

Cost category	Sub-type	Pricing proposal	Guidance	Allowable costs pursuant to Paragraph 7, schedule 7.1	Allowable costs pursuant to Paragraph 14, schedule 7.1	Allowable costs pursuant to Paragraph 15, schedule 7.1

Annex 4

Payment Model as at the Effective Date

[EMBEDDED DOCUMENT REMOVED]

Annex 5

Estate Model (in respect of Service Delivery Year 1 only)

[EMBEDDED DOCUMENT REMOVED]