

ANNEX C TO CONTRACT NUMBER 701554382**INCENTIVISATION AND PERFORMANCE INDICATORS****1. INCENTIVISATION**

a. The incentivisation model is designed to guarantee a level of manpower outputs delivered by the Contractor for each SFF and guarantee the information flows required by the CMT. The manpower output is calculated by the use of Annex G which identifies the maximum number of hours that each of the defined outputs contributes to the total number of man hours of work delivered each year by each SFF. The Authority recognises that some tasking does not fall easily into such a model and their contribution to the number of man hours of output produced will be by adding together the agreed hours to complete the task on the Non-Scheduled Maintenance form at Annex I. The GSE and MT work is of lower priority in relation to work on the aircraft and by having such a model, enables the Contractor to offset lost hours of GSE/MT etc work by producing additional aircraft output when the need arises.

b. For the purpose of the LD model a day late is defined as any time after 24:00hr that any item is returned late and such time is always to be rounded up to the nearest day. A Working Day is defined as any calendar day Monday to Friday inclusive that this is not a public holiday.

2. LIQUIDATED DAMAGE (LD) CLAUSE FOR LATE RETURN OF SCHEDULED MAINTENANCE.

a. All scheduled maintenance programs are to be accepted by the SFF as presented by the Units Fleet Planner. Only where the Contractor can demonstrate to the Unit Fleet Manager that they do not have the spare capacity to start the work can they seek from the Unit Fleet Manager an alternative acceptance date in writing. Between the time the Contractor accepts the Aircraft and its return to the Authority/Contractor, by the completion and dated signatures of Annex K, the Contractor has the number of working days, including date of acceptance and return to the Authority/Contractor, to complete each of the defined Scheduled Maintenance tasks within the tables below. Where the Contractor fails to meet these timeframes the corresponding LDs for each day's delay in returning the aircraft will apply unless the Contractor can clearly demonstrate to the CMT with supporting evidence that such an arising was outside its control as a result of either surge or unpredicted reduction in RAFM availability. Only in extreme circumstances will the CMT consider any alternative reasons for not invoking the liquidated damages clause as the Authority takes the view that such arising should be manageable by the Contractor.

b. Some surface finish maintenance activities are not carried out within the dedicated SFF, rather carried out in standard aircraft maintenance facilities or hardened aircraft shelters. In such circumstances, the Contractor are to continue to use the form at Annex K, though no visual inspection is required, rather by signing Annex K, the Contractor is only acknowledging the acceptance of the required task. The Contractor in the narrative box of Annex K is to provide a statement of where the task was completed. In all other respects Annex K is to be treated in accordance with the procedures defined within this contract.

c. Should the Authority consider that the Contractor is in breach of Contract the Authority intends to claim/invoke LDs in accordance with this Annex. When a breach has occurred, the

Authority will issue a letter to the Contractor informing them of the amount to be claimed according to the LDs provision. Where either the Contractor fails to respond to such a notice within 10 working days or has agreed to accept the LD, the Authority shall notify the DGSM Finance Management Shared Service Centre (FMSSC) of the LD claim by issuing a Form DAB1 'Request to Invoice'. FMSSC shall then issue an invoice to the Contractor in order to seek recovery of the amount due.

d. If the Contractor has not made payment within a reasonable time, FMSSC will automatically take action under DEFCON 509 'Recovery of Sums Due' to Set off the sum against the payments due.

e. The maximum limit of liquidated damages against any single event of either an aircraft or off aircraft components not being returned within the defined timeframes within this Annex is set at the value of each task that has attracted the LD.

Liquidated Damages by Airframe and Unit

Table 1

Unit	Aircraft	Scheduled Maintenance	Number of Working Days to Complete the Task (2 Days accounted for receipt and dispatch variables) within these figures	LDs for each day late All LDs within this table are capped at the total value of each task to which they relate

3. OFF AIRCRAFT COMPONENTS DELIVERED AFTER COMMENCEMENT OF SCHEDULED MAINTENANCE.

Current practice is that during scheduled maintenance components are removed from the aircraft, i.e. flaps and rudders etc, for inspection and subsequent maintenance before being issued to the SFF. This may result in the airframe being issued to the SFF without these components, which may follow on shortly afterwards. All off aircraft components delivered to the SFF are to be completed and returned to the Authority/Contractor within 12 working days

of acceptance of the component using a temporary transfer of custodianship of equipment form, see Annex K. As stated within the contract both the receipt and return of the component are included with the 12 days given to undertake the work. Any component returned late will attract the liquidated damage appropriate to the aircraft the component belongs too. In exceptional circumstances where the Contractor is not responsible for the late return of a component, the Contractor can seek dispensation from the liquidated damages from the CMT.

4. AIRCRAFT RANDOM RECTIFICATION (RR) WORK

All Aircraft RR are to be accepted by the SFF as presented by the Units Fleet Planner where prior CMT approval is not required or after the CMT has approved the request. Only where the Contractor can demonstrate to the Unit Fleet Manager that they do not have the spare capacity to start the work can they seek from the Unit Fleet Manager an alternative acceptance date. Where the Contractor is unable to quantify the type and scale of the activity necessary to undertake the work, all such tasks are to be undertaken using Annex I procedures. The CMT will approve the proposed works where the anticipated hours to complete the work exceed the self-certification thresholds, detailed under General Condition 4, and agree the turnaround time to undertake the task, though such a turnaround time is to be no greater than the maximum time given for each aircraft as shown at Annex G, unless the Contractor can demonstrate to either the Unit Fleet Manager or CMT, whichever is the more appropriate, that they do not have the spare capacity to start the work immediately, where upon by mutual agreement an alternative timeframe will be agreed. For the liquidated damages clause, this stated turnaround time, as stated on the relevant Annex I, which includes within the timeframe the date for both receipt and return of the aircraft to the Authority/Contractor, will be used to determine the Aircraft RR will attract liquidated damages. This will be calculated for each working day the aircraft is delivered late beyond the stated number of days to complete the task. The Contractor shall be given relief from any respective liquidated damages where they had obtained prior approval from the CMT within the agreed timeframe to undertake the work that there was a significant issue relating to the undertaking for which the Contractor was either unable to have reasonably foreseen or could not have managed the arising.

5. OFF AIRCRAFT COMPONENTS (brand new or previously used)

a. All off aircraft components are to be accepted by the SFF within 3 working days of the Authority/Contractors request and completed/returned to the Authority/Contractor within 12 working days of accepting the component using Annex K procedures. All costs associated with these tasks are to have been included within the prices charged to the Authority for each aircraft schedule maintenance activity and therefore do not attract any additional cost to the Authority. Where the Contractor fails to complete the task and return the off aircraft component to the Authority/Contractor within the 12 working day timescale, such a shortfall will attract liquidated damages in accordance with Table 1 for the aircraft to which the component relates.

b. Where components returned late are for more than 1 aircraft, the liquidated damage clause will relate to the number of aircraft that the poor performance and late return of the components relate to.

Example

4 flaps returned 1 day late relating to 1 aircraft will attract 1 days liquidated damage.

Or

4 flaps returned 1 day late relating to 2 aircraft will attract 1 days liquidated damage for each aircraft.

6. GUARANTEED OUTPUT HOURS OF GSE/MT WORK PER ANNUM

a. The Authority is also looking for a minimum output of hours of labour produced by each SFF each year for GSE/MT. This will be calculated by adding together all hours of GSE/MT output produced each year together with any hours of Scheduled Maintenance and Aircraft Random Rectification produced that are in excess of the stated levels of output required at Table 1 of Annex G for each unit. Annex G states the minimum number of hours of output required for FY 21/22 Commencing on 1st April, and a provisional estimate for FY22/23. The CMT will firm up each given estimate 3 months prior to the commencement of each year.

b. The Authority does not predict any major change in the levels of activity that the Contractor will be expected to produce each year and with the minimum period of 3 months' notice of the coming years requirement, the Contractor is expected to manage their resources appropriately. In exceptional circumstances where the levels of business change by more than the percentage defined at Table 2 below per unit from one year to the next and the Contractor can demonstrate to the CMT exceptional costs, taking into account of any savings or additional costs within the current Management Fee, the management fees will be amended accordingly. The CMT will consider all cases where the trigger points as defined in Table 2 have been exceeded. The CMT will need to be satisfied that where the trigger points have been exceeded as a result of additional work, the Contractor took all reasonable measures to both mitigate against such an event and limit the potential financial impact of such an arising. Where work has dropped off, resulting in exceeding the trigger point(s), the CMT and Contractor will work closely to determine any savings to be made in the Management Fee. Any payment agreed by the CMT will be against item 1 of the SOR.

Table 2

Unit	Percentage Threshold Change In Output To Trigger A Review Of The Management Fees	Unit	Percentage Threshold Change In Output To Trigger A Review Of The Management Fees

c. Annex G shows the minimum levels of output that the Contractor is to produce yearly at the award of contract for each unit. Over the life of this contract the expected outputs will change and the Authority in agreement with the Contractor will vary these figures to meet the changing requirements of the Authority. The consultation will take account of any Contractors

concerns including both the infrastructure, manpower and skill sets of the staff available to the Contractor to undertake the requirement. By mutual agreement a phase in plan of the new requirement will be established and the revised guaranteed hourly yearly output for the current year will be recalculated by a process of prorating of the new agreed hours from the completion of the phase in for the remainder of the year.

d. In the event that the Authority terminates this Contract as a result of unacceptable performance, the Authority will withhold the last monthly payment of the "Management Fee" until a reconciliation has been carried out as to the number of hours of output that have been produced for the last reporting period. The total Management Fee in the final year will be calculated by pro-rata of delivered output in relation to the stated Management fee for the year, so if the Contractor delivered 50% of the required output for the year, they will be paid 50% of the stated Management Fee for the year.

e. The output hours for Financial Years shall be communicated to the Contractor by 31st December of the preceding year and shall be split into two six-month periods (1 Apr – 30 Sep & 1 Oct – 31 Mar). The hours for the first six-month period shall be Firm (non-revisable) whereas the total for the second six-month period shall be provisional and subject to change in accordance with sub-para 6f.

f. The Authority shall be entitled to make one adjustment to the hours allocated to the second six-month period within an agreed "Limit of Change". The "Limit of Change" during Financial Years shall be capped at a total 2.5% and within this cap the following individual Unit caps shall also apply:

- Total SF Output hours at Unit = <10,000, percentage change to be capped at 15%
- Total SF Output hours at Unit = 10,001 to 30,000, percentage change to be capped at 10%
- Total SF Output hours at Unit = >30,000, percentage change to be capped at 5%

The hours for a Financial Year shall be aggregated over the 12 month period so that if the hours for the first 6 month period are not used, then any deficit may be carried over to the second six month period (subject to the "Limit of Change"). Any adjustment must be communicated to the Contractor by 30th June of the Financial Year concerned.

7. CALCULATING THE NUMBER OF HOURS OF OUTPUT PER YEAR

a. Until the completion of any agreed phase in period is complete any output will not be measured as the incentivisation model will not have commenced, though as work will have commenced during the phase in, this will on occasions lead to an output after completion of the phase in and will be measured. **This is a significant advantage to the Contractor, reducing the need for a longer phase in period.**

b. Annex G shows the average man-hours currently taken by the RAF to undertake each of the types of scheduled maintenance for the aircraft and this in conjunction with delivered output will contribute towards the hours of output delivered by the establishment each year. The Authority recognises that these figures may have some slack in them and that a well-managed SFF should be able to reduce these man-hours to complete the task, though for the incentivisation model these rates will apply for the life of the contract, unless there has been a fundamental change in the way scheduled maintenance is carried out. In addition, as these

figures are on the side of caution, there is **reduced risk** of the incentivisation model being invoked.

Example Of Output Calculations (True attributed hrs per task are at Annex G)

RAF Coningsby (Output for 1st 6 months of the Financial Year)

Type	Description	Hrs to complete task	Number of Outputs delivered within period	Total Hrs of Output
Depth C/D				
Depth D				
Depth A/B				
Depth A/B				
Add-hoc tasks				
			Total	

c. The liquidated damages shows that the Authority regards the failure to return aircraft requiring scheduled maintenance or Aircraft RR within defined timeframes as being the primary role of the SFF. Where the CMT ask the Contractor to carry out tasks which distract from meeting these objectives the Contractor will in writing present the CMT with a statement of impact of the effects of such an event. The CMT must in writing or via e-mail respond by confirming that an alternative objective needs to take precedence before the Contractor re-deploys its resources away from scheduled maintenance or Aircraft RR to meet the new requirement. Such authorisation can be used to mitigate against the Authority's instigation of the LD clause up to the scale and scope written within the Contractors impact statement.

d. Under normal circumstance any surge in scheduled maintenance or Aircraft RR will be met by re-deploying resources away from Annex I tasking work procedures. that are not Aircraft RRs. Where such re-brigading of resources or physical constraints prevent the Contractor from meeting the exacting turn round times expected for scheduled maintenance, or Aircraft RR, the Contractor is within the same day as the Contractor is aware on such an event produce a plan on how best he can meet the requirement, by considering among others the measures defined at Condition 15 of the Terms and Conditions of Contract, to best protect the critical outputs of the SFF. The CMT will in consultation with the Contractor authorise civilian overtime in accordance with General Condition 3(e)

e. Any man hours paid at a rate of overtime are to be deducted for the hours of output produced by the SFF, all other additional scheduled maintenance output will contribute to the overall total, compensating for Annex I output not being produced.

f. The CMT may request 1 or more of the Work Orders (WO) listed below to be provided in support of seeking approval to undertake a task defined within an Annex I procedure. These work orders are only to be provided to the CMT on request, assisting in establishing

that the proposal is commensurate with the work to be undertaken. Each approved Annex I and its stated hours of work to complete the task will be added to the output of hours of work delivered by each SFF for the year in which the task is complete. All WOs are to be kept with its appropriate Annex I for 2 years after the contract expires and are to be made readily available to the CMT on request.

Work Orders

Form 6 work	1084 work	Component F707A
F755J work	F755G work	F933C

g. No work undertaken to rectify poor workmanship or rectification of damage caused directly by the Contractors personnel or as a result of providing RAFM with faulty information/instructions, Annex K refers, will contribute to the hours of output produced. The Contractor is to present to the CMT all Annex Ks which prove that the SFF Contractor is not responsible for any later claimed damage to aircraft/equipment which subsequently comes to light. Where the SFF Contractor is unable to produce the appropriately authorised Annex K, the liability for all such damage and its rectification lies with the SFF Contractor. The Contractor in producing the man hours of output report to the CMT, Annex F refers, are not to include within the figures produced any output for rectification work that has been undertaken that the Authority has not accepted liability for. In addition any work subsequently found to be either substandard or subject to an ongoing dispute is not to contribute to these calculations and where already having been added to the ongoing yearly figures, is to be removed for the next contract review meeting. Only where ongoing disputes have been resolved in the favour of the Contractor are the hours of work associated to undertake either the original work or any subsequent rectification work is to contribute to the hours of output produced.

h. As payment of non-scheduled Maintenance will be via appropriately authorised tasks as shown above, the hours of work quoted against each of these tasks are to contribute to the man-hours of output delivered each year. In the highly unlikely event that there is insufficient work within each SFF, as defined at condition 17 of the Terms and Conditions, the CMT in consultation with the Contractor can give a temporary exception from the man-hours of output incentivisation model, calculated in accordance with paragraph 8 below, where neither any output completed or the duration of the exemption will contribute to the calculations.

8. CALCULATION OF THE MONTHLY MANAGEMENT FEE

a. The Authority recognises that a total output of less 95% of that which is stated at Annex G is unacceptable and should monthly levels of output projected forward indicate a shortfall greater than 5% on more than 2 consecutive months, the Contractor is to immediately produce an action plan showing the root of the problem; both the processes and resources proposed to resolve the issue.

b. The Authority will pay the percentage of the Management Fee equivalent to the percentage of hours produced for the year to-date as defined at Annex G, up to the total value of the Management fee, less any retention for under performance of output for GSE/MT or the information PI. At the year end the Authority will pay the Management fee in full, less any permanent retention of money resultant from the incentivisation model.

To calculate the monthly Management Fee

$$MP = \frac{GMEMF * HOPYT}{TRHOPY} - PYT - CIPIRYD + \frac{SMEMF}{12}$$

MP	=	Monthly Payment due in respect of the Management Fee per each unit
GMEMF	=	GSE/MT Element of Management Fee that is calculated for each SFF in accordance with paragraph 9
HOPYT	=	Hours of Output Produced Year To-Date **
TRHOPY	=	Total Required Hours of Output Per Year for GSE/MT
PYT	=	Payment Year To Date (excludes any PI Permanent Retention)
CIPIRYD	=	Cumulative Information Performances Indicator Retention Year To Date
SMEMF	=	Scheduled Maintenance Element of Management Fee a 12 th per month

Note

For this incentivisation model the maximum figure that HOPYT can be is the same figure as TRHOPY.

Example of Calculating the Management Fee (see example at Para 7)

Month 6 of the Financial Year

Calculated Yearly Management Fee for GSE/MT	
GSE/MT (Table 2 of Annex G)	= £75,000.00
Calculated Yearly Management Fee for Scheduled	
Maintenance (Table 1 of Annex G)	= £24,000.00
Yearly man hour of output required GSE/MT	= 61,793.00 hrs
Total hours of output produced for the year to date	= 24,920.00 hrs
Total Payment Made Year To-date (5 months)	= £23,500.00 (reflecting some under
performance)	
Cumulative Information PI Retention Year to Date	= £ 2,000.00

Calculations for Month 6 of the Contract Year

$$MP = \frac{£75,000.00 * 24,920.00}{61,793.00} - £23,500.00 - £2,000.00 + \frac{£24,000.00}{12} = £6,746.14 \text{ payment in month 6}$$

Note

This will be subject to any permanent retention of money for failure to meet the Management Information Performance Indicators. Though for the purpose of this model, such money retained will not detract from the carry over figure into the next month of the figure generated from the man-hour model.

Each SFF will have its own management fee with these calculations being carried out at monthly intervals.

** = (GSE/MT hours of output produced plus any positive pro rata balance of RR & Scheduled Maintenance produced in addition to that which would be expected for the time of year.

Example of average RR & Scheduled Maintenance Calculations (To only be applied where the output

produced is greater than the
calculated requirement)

Table 1 of Annex G Required Output for Year 2000hrs
At end of month 6 produced 1400hrs

Expected year to date total = $\frac{2000 \times 6}{12} = 1000\text{hrs}$

Positive pro rata balance – 1400-1000 = 400hrs which will be added to HOPYT

c. The Authority recognises that there will be significant amount of non output related work that needs to be completed by the Contractor from the commencement of the phase in of each SFF.

Therefore, for the management fee model the number of hours defined at Annex G that the Contractor will be expected to deliver for the Financial Year 2021/2022 will be prorated from the date falling two weeks after commencement of the phase in for each SFF i.e. if the commencement of the phase in starts week 20 into the FY this will result in the Contractor being required to produce 18/52 of the corresponding hours for the SFF at Annex G and to be paid 20/52 of the yearly management fee for that SFF.

9. CALCULATING RETENTION OF THE “MANAGEMENT FEE” AS A RESULT OF FAILURE TO DELIVER REQUIRED OUTPUT OF GSE MT

a. For the purpose of this Contract the hours stated at Annex G are the total hours of output required at each SFF and are a combination of both ad-hoc and scheduled maintenance hour estimates for the year. All stated hours to 31st Mar 22 are a firm requirement, beyond which are estimates and subject to review in accordance with paragraph 6 of Annex C. The Contractor can expect future required outputs to vary over the life of the Contract and must be prepared to accept reasonable changes in these figures from year to year. In the event that agreement cannot be reached the Authority reserve the right to invoke DEFCON 656 in full or part of this contract agreement as required.

b. for the purpose of this incentivisation model as long as the total hours of output for each SFF exceed those shown at Annex G as amended from year to year in accordance with paragraph 6 of Annex C, the Contractor will be entitled to payment of the full Management Fee applicable in the relevant year for that SFF. In the event that total hours of output at years end are less than these agreed figures and such a deficit is solely due to the Contractors failure to deliver against GSE/MT output the incentivisation model and permanent retention of part of the management fee will apply as set out in paragraph 9 of this Annex C for the shortfall in GSE/MT from the number of hours agreed with the CMT to be undertaken against these tasks. This assessment of total output will be carried out each month and take account of any enhanced delivery of Aircraft RR and Scheduled Maintenance within its calculation.

c. Although the Management Fee per units at Annex B do not show how the works defined at Table 1 and 2 of Annex G contributed to the construction of their costs, for the purpose of this model these Management Fees will be prorated in accordance with the percentage contribution of the total number of hours that Annex G Table 1 and 2, constituting MT/GSE and other miscellaneous SF activity, contributes to the total output required from an SFF.

Example

Total Required Hours of output required at unit "X" on Annex G = 4000hrs

Total Required Hours of output required at unit "X" on Annex G for GSE/MT is 1800hrs

Total Management fee at unit "X" on Annex B is £6,000.00

GSE/MT (Table 2 of Annex G) Element of Management Fee = $\frac{£6,000.00 \times 1800}{4000} = £2,700.00$

Aircraft Scheduled Maintenance (Table 1 of Annex G) = £6,000.00 - £2,700.00 = £3,300.00

The temporary/permanent retention of an element of the Management Fee will only apply to the GSE/MT Element of Management Fee as shown in the example above.

d. Table 3 shows the impact on the retention of the GSE/MT element of the Management Fee for under performance against the contract.

Table 3

Category	Percentage GSE/MT deficit for each SFF.	Impact on retention of a Percentage of the GSE/MT Element of Management Fee that is calculated for each SFF in accordance with paragraph 9c above.
A	At or above guaranteed levels of output	Full 100% Payment of the GSE/MT Element of the Management Fee.
B	95 % of defined output	Every 1% drop in output below the 95% required output will result in a 2% temporary retention in the GSE/MT Element of the Management Fee that would have been paid against a Category A output up to a Category C event. Any retention at the year-end will be a permanent retention with any balance owing to the Authority being carried over into the new contract year. All percentage availability's produced are rounded to the nearest percentage.
C	70 % of defined output	50% of the final GSE/MT Element of the Management Fee to be paid.

There will be a final reconciliation of the Management fee at the year-end, taking into account of both overall output delivered and any under delivery of GSE/MT output. Any retention of the Management Fee will then become permanent. The incentivisation model will then be reset and only monies still owing that in the unlikely event could not be paid as part of the contract year-end settlement will be collected within the 1st month of the new contract year.

Should availability be Category C and the Contractor does not meet the objectives of the plan, the Authority reserve the right to terminate the Contract, Condition 13 of the Contract refers.

Example of the retention of the GSE/MT element of the Management Fee.

Unit A Hours of Scheduled Aircraft Maintenance and Aircraft RR expected is 2000hrs for the year in question number of hours of Scheduled Maintenance and Aircraft RR produced is 2200hrs

Hours of GSE/MT expected is 1500hrs

Number of hours of GSE/MT produces is 1200hrs

GSE/MT Element of Management Fee is £4,000

Nett deficit of hours of GSE produced = $\text{sum}(2200+1200) - \text{sum}(2000+1500) = -100\text{hrs}$

Calculation of percentage shortfall on GSE/MT if appropriate is

Percentage GSE/MT deficit = $100 - \frac{\text{Nett deficit of hours of GSE produced}}{\text{Total expected output of GSE/MT}}$

$= 100 - \frac{100}{1500} = 93.33\%$ this represents a 4% permanent retention in the GSE/MT Management Fee

GSE/MT Management Fee Payment at Year end is $\text{£}4,000.00 \times 96\% = \text{£}3,840.00$ (less any information

PI permanent
Retention

10. RANDOM RECTIFICATION'S (RR), PRIMARY (P) AND PRIMARY* (P*) MAINTENANCE

Unlike scheduled maintenance, RRs are difficult to predict when they are going to arise and by their very nature are difficult to quantify sufficiently to secure firm prices as requested for Scheduled Maintenance defined at Annex B. Additionally the Contractor needs to be able to assess the work required to be undertaken, before giving a turn around time to complete the task. Such a quote needs to be presented on an Annex I which where in excess of the agreed self-certification thresholds defined within the Terms and Conditions of the contract will need the CMT acceptance. Only where the Contractor has exceeded the stated turn around time, taking account of when the Contractor takes custodianship of the aircraft by signing an Annex K, will the liquidated damages at Table 1 apply. For the purpose of the man-hours incentivisation model the hours on Annex I to complete the task are to be used in the calculations.

11. INFORMATION PERFORMANCE INDICATORS

a. The Authority recognises the importance of management reports to the CMT to effectively monitor the Contractors performance and have therefore incentivised the Contracted to deliver these expeditiously. The Authority at Annex F has identified those

reports and time frames in which they must be delivered to the CMT via e-mail. Failure to meet the requirement of the PI will impact on the total management fee by the permanent withholding of a sum of money. The Contractor is at liberty to request from the Authority an update of performance at any time during the month, with the final results being presented monthly and a final reconciliation at the quarterly contract review meeting. Note all reports are of the same standing and contribute equally to the PI calculations.

b. The Authority recognises communications as essential to this contract and therefore the levels of satisfaction have been set high. Failure to meet the levels of availability defined below will carry a 2.0% permanent retention of the total management fee calculated each month across all SFF, before the man-hours incentivisation model is taken into account.

Table 4

	Satisfactory Delivery Within Agreed Timescales
All Management Reports	2 or more reports delivered late in relation to the timeframes at Annex F will result in permanent retention of 2.% or £5,000 total which ever is the greater of the Management Fees for each SFF generated against this contract for the quarter.

c. These products will only be considered delivered if they fully satisfy the requirement for information as defined. Where the CMT is not content with the information provided, this will be conveyed to the Contractor at the earliest possible convenience and it may enable the Contractor to submit a subsequent report within the agreed time scales at Annex F.

12. IMPACT OF FAULT/QUALITY INVESTIGATION ON THE INCENTIVISATION MODEL

a. Where a fault/quality investigation has been deemed necessary before an item has been accepted back by the Authority/nominee, should the Contractor be found to be solely responsible for the fault, for the incentivisation model within this contract agreement the item will considered to be outstanding until the fault has been corrected and the item accepted back by the Authority/nominee. For the purposes of evaluating liquidated damages the number of days applicable shall be counted from and including the day the item was made available to the Contractor to undertake the rectification work until the day on which rectification work has been completed and the item offered back for acceptance to the Authority.

b. Where the fault/quality investigation has been deemed necessary after the item has been accepted back by the Authority /nominee, unless the Authority/nominee has continued to use the item after the Contractor was notified of the fault, for the incentivisation model within this contract, the item is to be regarded as never being accepted by the Authority/nominee if the results of the fault/quality investigation report are that the Contractor is solely responsible for the fault. For the purposes of evaluating liquidated damages the number of days applicable shall be counted from and including the day the item was made available to the Contractor to undertake the rectification work until the day on which rectification work has been completed and the item offered back for acceptance to the Authority.

c. Where the fault has been found to be solely the responsibility of the Contractor after the item had been accepted back by the Authority/nominee and the Authority/nominee has

continued to use the item during the interim time (i.e. the item is either delivering or is capable of delivering a beneficial output to the Authority/nominee, in service), for the incentivisation and liquidated damages models within this contract, the item is to be regarded as being unavailable from and including the day the item was made available to the Contractor to undertake the rectification work.

d. The Contractor shall not be entitled to claim payment for items subject to fault/quality investigation until the defect report has concluded that the Contractor has not been found to be solely responsible. Should the Contractor not be found to be solely responsible for the defect, the Contractor will be paid in full for all work done prior to the fault/quality investigation being raised by application of the Ad Hoc Annex I procedures. Any resulting rework will be classified as a new RR task by application of the Ad Hoc Annex I procedures and all such Annex I hours shall contribute to the levels of required output.

e. The Contractor will not be entitled to claim any payment for items subject to defect investigation until such investigation reports have concluded that the Contractor is not solely responsible. Where the Authority accepts liability for a fault an Ad Hoc Annex task will be raised to undertake the required corrective rework.