



HM Revenue
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HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (November 2020)

SCHEDULE 3 | Authority Responsibilities



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Schedule 3 | Authority Responsibilities

1 INTRODUCTION

- 1.1 The responsibilities of the Authority set out in this Schedule shall constitute the "Authority Responsibilities" under this Agreement. Any other obligations shall not be "Authority Responsibilities" and the Authority shall have no liability in respect of the same unless they are specifically stated to be "Authority Responsibilities" and cross referenced in the table in Paragraph 3.
- 1.2 The responsibilities of the Authority specified within this Schedule shall be provided to the Supplier free of charge, unless otherwise agreed between the Parties.

2 GENERAL OBLIGATIONS

The Authority shall:

- (a) use its reasonable endeavours to provide the Supplier with access to appropriate members of the Authority's staff, as such access is reasonably requested by the Supplier in order for the Supplier to discharge its obligations throughout the Term and the Termination Assistance Period;
- (b) provide sufficient and suitably qualified staff to fulfil the Authority's roles and duties under this Agreement as defined in the Transition Plan;
- (c) use its reasonable endeavours to provide such documentation, data and/or other information that the Supplier reasonably requests that is necessary to perform its obligations under the terms of this Agreement provided that such documentation, data and/or information is available to the Authority and is authorised for release by the Authority; and
- (d) procure for the Supplier such agreed access and use of the Authority Premises (as a licensee only) and facilities (including relevant IT systems) as is reasonably required for the Supplier to comply with its obligations under this Agreement, such access to be provided during the Authority's normal working hours on each Working Day or as otherwise agreed by the Authority (such agreement not to be unreasonably withheld or delayed).

3 SPECIFIC OBLIGATIONS

NOT USED



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SCHEDULE 4.1 | Supplier Solution



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Schedule 4.1 | Supplier Solution

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

ANNEX 1 | RESPONSE FOR QUESTION E13.1

REDACTED

ANNEX 2 | ITT event clarification questions

REDACTED

ANNEX 3 | Supplier bid clarifications

REDACTED



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SCHEDULE 4.2 | Commercially Sensitive Information



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Schedule 4.2 | Commercially Sensitive Information

No.	Date	Item(s)	Duration of Confidentiality



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SCHEDULE 4.3 | Notified Sub-Contractors and Key Sub-Contractors



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Schedule 4.3 | Notified Sub-Contractors and Key Sub-Contractors

- 1** In accordance with Clause 15 (*Supply Chain Rights and Protections*), the Supplier is entitled to sub-contract its obligations under this Agreement to the Sub-Contractors and Key Sub-contractors listed in the table below.
- 2** The Parties agree that they will update this Schedule periodically to record any Sub-Contractors and Key Sub-contractors appointed by the Supplier with the consent of the Authority after the Effective Date for the purposes of the delivery of the Services.

3 Notified Key Sub-Contractors

Key Sub-contractor name and address (if not the same as the registered office)	Registered office and company number	Related product/Service description	Key Sub-contract price expressed as a percentage of total projected Charges over the Term	Key role in delivery of the Services	Credit Rating Threshold
TBC	TBC	TBC	TBC		[Level 1]

4 Notified Sub-Contractors

Sub-contractor name and address (if not the same as the registered office)	Registered office and company number	Related product/Service description	Sub-contract price expressed as a percentage of total projected Charges over the Term	Key role in delivery of the Services	Credit Rating Threshold
TBC	TBC	TBC	TBC		[Level 1]



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SCHEDULE 4.4 | Third-Party Contracts



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Schedule 4.4 | Third-Party Contracts

- 1** The contracts listed in the table below constitute Third-Party Contracts entered into exclusively for the purposes of delivering the Services.
- 2** The Supplier shall be entitled to update this Schedule in accordance with Clause 15.5 (*Appointment of Sub-contractors*).

Third-party supplier name and address (if not the same as the registered office)	Registered office and company number	Related product/service description
TBC	TBC	TBC



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SCHEDULE 4.5 | Assets



Schedule 4.5 | Assets

1 INTRODUCTION

- 1.1 The Supplier shall use the Supplier Equipment in accordance with Clause 9 (*Assets, Equipment, Maintenance and Accommodation*) of the Agreement in the provision of Services.
- 1.2 Any Changes to the Assets shall be dealt with in accordance with the Change Control Procedure.
- 1.3 The Supplier Equipment that will be used at the Authority Premises are set out in the table below:

	Supplier Equipment <i>[insert name and description]</i>	Authority Premises where Supplier Equipment will be located	Number of Supplier Equipment at the Authority Premises
1.			
2.			



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SCHEDULE 5 | Intellectual Property Rights



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Schedule 5 | Intellectual Property Rights

1 THE SOFTWARE

- 1.1 The Software below is licensed to the Authority in accordance with Clauses 16 (*Intellectual Property Rights*) and 17 (*Licences Granted by the Supplier*).
- 1.2 The Parties agree that they will update this Schedule regularly, and in any event no less than every 6 (six) Months from the Effective Date, to record any Supplier Software or Third Party Software subsequently licensed by the Supplier or third parties for the purposes of the delivery of the Services.

2 SUPPLIER SOFTWARE

The Supplier Software is:

Software	Supplier (if an Affiliate of the Supplier)	Purpose	Number of Licences	Restrictions	Number of Copies	Type (COTS or Non-COTS)	Term/Expiry

3 THIRD PARTY SOFTWARE

The Third Party Software is:

Third Party Software	Supplier	Purpose	Number of Licences	Restrictions	Number of Copies	Type (COTS or Non-COTS)	Term/Expiry

4 OTHER IPR

- 4.1 The IPR below is licensed to the Authority in accordance with Clauses 16 (*Intellectual Property Rights*) and 17 (*Licences Granted by the Supplier*).
- 4.2 The Parties agree that they will update this Schedule periodically to record any Third Party IPRs subsequently licensed by the Supplier or third parties for the purposes of the delivery of the Services.

5 THIRD PARTY IPRs

The Third Party IPRs are:

Third Party IPRs	Description

6 SUPPLIER BACKGROUND IPRS

The Supplier Background IPRs are:

Supplier Background IPRs	Description

Annex 1 | Form of Letter Re Sub-Licensing of Supplier Cots Software and Supplier Cots Background IPRs

[Supplier letterhead]

[insert Authority
name and address]

[Date]

Dear Sirs

LICENCES FOR SUPPLIER COTS SOFTWARE AND SUPPLIER COTS BACKGROUND IPRs

We refer to the agreement between us dated [insert date] in respect of [brief summary of subject of the Agreement] (the “Agreement”). Capitalised expressions used in this letter have the same meanings as in the Agreement.

In accordance with Clause 17.2(b) of the Agreement we confirm that:

1. the Authority is licensed by the Supplier to use the Supplier COTS Software and Supplier COTS Background IPRs identified in the first column of the Appendix to this letter (the “Appendix”) on the terms of the licences identified in the second column of the Appendix (the “Licences”); and
2. notwithstanding any provision to the contrary in the Licences, it is agreed that the Authority may sub-license, assign and novate the Supplier COTS Software and Supplier COTS Background IPRs as referred to in Clause 17.1(b) of the Agreement.

Yours faithfully,

Signed:

On behalf of [name of the Supplier]

Annex 2 | Form of Confidentiality Undertaking

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made on [*date*] 20

BETWEEN:

- (1) [*insert name*] of [*insert address*] (the “**Sub-licensee**”); and
- (2) [*insert name*] of [*insert address*] (the “**Supplier**” and together with the Supplier, the “**Parties**”).

WHEREAS:

- (A) [*insert name of Authority*] (the “**Authority**”) and the Supplier are party to a contract dated [*insert date*] (the “**Contract**”) for the provision by the Supplier of [*insert brief description of services*] to the Authority.
- (B) The Authority wishes to grant a sub-licence to the Sub-licensee in respect of certain software and intellectual property rights licensed to the Authority pursuant to the Contract (the “**Sub-licence**”).
- (C) It is a requirement of the Contract that, before the Authority grants such sub-licence to the Sub-licensee, the Sub-licensee execute a confidentiality agreement in favour of the Supplier in or substantially in the form of this Agreement to protect the Confidential Information of the Supplier.

IT IS AGREED as follows:

1 Interpretation

- 1.1 In this Agreement, unless the context otherwise requires:

“IPR Confidential Information” means:

- (a) Information, including all personal data within the meaning of the Data Protection Act 2018, and however it is conveyed, provided by the Authority to the Sub-licensee pursuant to or in anticipation of in connection with the Sub-licence that relates to:
 - (i) the Supplier; or

- (ii) the operations, business, affairs, developments, intellectual property rights, trade secrets, know-how and/or personnel of the Supplier;
- (b) the source code and the object code of the software sub-licensed to the Sub-licensee pursuant to or in anticipation of the Sub-licence together with build information, relevant design and development information, technical specifications of all functionality including those not included in standard manuals (such as those that modify system performance and access levels), configuration details, test scripts, user manuals, operating manuals, process definitions and procedures, and all such other documentation supplied by the Supplier to the Authority pursuant to or in connection with the Sub-licence;
- (c) other Information provided by the Authority pursuant to this Agreement to the Sub-licensee that is clearly designated as being confidential or equivalent or that ought reasonably to be considered to be confidential whether or not it is so marked which comes (or has come) to the Sub-licensee's attention or into the Sub-licensee's possession in connection with the Sub-licence; and
- (d) discussions, negotiations, and correspondence between the Authority or any of its directors, officers, employees, consultants or professional advisers and the Sub-licensee or any of its directors, officers, employees, consultants and professional advisers in connection with the Sub-licence and all matters arising therefrom; and
- (e) Information derived from any of the above but not including any Information that:
 - (i) was in the possession of the Sub-licensee without obligation of confidentiality prior to its disclosure by the Authority;
 - (ii) was already generally available and in the public domain at the time of disclosure otherwise than by a breach of this Agreement or breach of a duty of confidentiality; or

(iii) was independently developed without access to the Confidential Information;

“Information” means all information of whatever nature, however conveyed and in whatever form, including in writing, orally, by demonstration, electronically and in a tangible, visual or machine-readable medium (including CD-ROM, magnetic and digital form); and

“Sub-licence” has the meaning given to that expression in recital (B) to this Agreement.

1.2 In this Agreement:

- (a) a reference to any gender includes a reference to other genders;
- (b) the singular includes the plural and vice-versa;
- (c) the words “include” and cognate expressions shall be construed as if they were immediately followed by the words “without limitation”;
- (d) references to any statutory provision include a reference to that provision as modified, replaced, amended and/or re-enacted from time to time (before or after the date of this Agreement) and any prior or subsequent subordinate legislation made under it;
- (e) headings are included for ease of reference only and shall not affect the interpretation or construction of this Agreement; and
- (f) references to Clauses are to clauses of this Agreement.

2 Confidentiality Obligations

2.1 In consideration of the Authority entering into the Sub-licence, the Sub-licensee shall:

- (a) treat all Confidential Information as secret and confidential;
- (b) have in place and maintain proper security measures and procedures to protect the confidentiality of the Confidential Information (having regard to its form and nature);
- (c) not disclose or permit the disclosure of any of the Confidential Information to any other person without obtaining the prior written consent of the Supplier or except as expressly set out in this Agreement;
- (d) not transfer any of the Confidential Information outside the United Kingdom;
- (e) not use or exploit any of the Confidential Information for any purpose whatsoever other than as permitted under the Sub-licence;

- (f) immediately notify the Supplier in writing if it suspects or becomes aware of any unauthorised access, copying, use or disclosure in any form of any of the Confidential Information; and
- (g) upon the expiry or termination of the Sub-licence:
 - (i) destroy or return to the Supplier all documents and other tangible materials that contain any of the Confidential Information;
 - (ii) ensure, so far as reasonably practicable, that all Confidential Information held in electronic, digital or other machine-readable form ceases to be readily accessible (other than by the information technology staff of the Sub-licensee) from any computer, word processor, voicemail system or any other device; and
 - (iii) make no further use of any Confidential Information.

3 Permitted Disclosures

- 3.1 The Sub-licensee may disclose Confidential Information to those of its directors, officers, employees, consultants and professional advisers who:
- (a) reasonably need to receive the Confidential Information in connection with the Sub-licence; and
 - (b) have been informed by the Sub-licensee of the confidential nature of the Confidential Information; and
 - (c) have agreed to terms similar to those in this Agreement.
- 3.2 The Sub-licensee shall be entitled to disclose Confidential Information to the extent that it is required to do so by applicable law or by order of a court or other public body that has jurisdiction over the Sub-licensee.
- 3.3 Before making a disclosure pursuant to Clause 3.2, the Sublicensee shall, if the circumstances permit:
- (a) notify the Supplier in writing of the proposed disclosure as soon as possible (and if possible before the court or other public body orders the disclosure of the Confidential Information); and
 - (b) ask the court or other public body to treat the Confidential Information as confidential.

4 General

- 4.1 The Sub-licensee acknowledges and agrees that all property, including intellectual property rights, in Confidential Information disclosed to it by the Supplier shall remain with and be vested in the Supplier.

- 4.2 This Agreement does not include, expressly or by implication, any representations, warranties or other obligations:
- (a) to grant the Sub-licensee any licence or rights other than as may be expressly stated in the Sub-licence;
 - (b) to require the Supplier to disclose, continue disclosing or update any Confidential Information; or
 - (c) as to the accuracy, efficacy, completeness, capabilities, safety or any other qualities whatsoever of any Information or materials provided pursuant to or in anticipation of the Sub-licence.
- 4.3 The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers or remedies provided by law. No failure or delay by either Party to exercise any right, power or remedy will operate as a waiver of it nor will any partial exercise preclude any further exercise of the same, or of some other right, power or remedy.
- 4.4 Without prejudice to any other rights or remedies that the Supplier may have, the Sub-licensee acknowledges and agrees that damages alone may not be an adequate remedy for any breach by the Sub-licensee of any of the provisions of this Agreement. Accordingly, the Sub-licensee acknowledges that the Supplier shall be entitled to the remedies of injunction and specific performance as well as any other equitable relief for any threatened or actual breach of this Agreement and/or breach of confidence and that no proof of special damages shall be necessary for the enforcement of such remedies.
- 4.5 The maximum liability of the Sub-licensee to the Supplier for any breach of this Agreement shall be limited to ten million pounds (£10,000,000).
- 4.6 For the purposes of the Contracts (Rights of Third Parties) Act 1999 no one other than the Parties has the right to enforce the terms of this Agreement.
- 4.7 Each Party shall be responsible for all costs incurred by it or on its behalf in connection with this Agreement.
- 4.8 This Agreement may be executed in any number of counterparts and by the Parties on separate counterparts but shall not be effective until each Party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

5 Notices

- 5.1 Any notice to be given under this Agreement (each a “**Notice**”) shall be given in writing and shall be delivered by hand and shall be deemed to have been duly given at the time of delivery provided that such Notice is sent to the relevant physical address, and expressly marked for the attention of the relevant individual, set out in Clause 45.2.

5.2 Any Notice:

(a) if to be given to the Supplier shall be sent to:

[Address]

Attention: [Contact name and/or position, e.g. "The Finance Director"]

if to be given to the Sub-licensee shall be sent to:

[Name of Organisation]

[Address]

Attention: []

6 Governing law

6.1 This Agreement shall be governed by, and construed in accordance with, English law and any matter claim or dispute arising out of or in connection with this Agreement whether contractual or non-contractual, shall be governed by and determined in accordance with English law.

6.2 Each Party hereby irrevocably submits to the exclusive jurisdiction of the English courts in respect of any claim or dispute arising out of or in connection with this Agreement.

IN WITNESS of the above this Agreement has been signed by the duly authorised representatives of the Parties on the date which appears at the head of page 1.

For and on behalf of [name of Supplier]

Signature:

Date:

Name:

Position:

For and on behalf of [name of Sub-licensee]

Signature:

Date:

Name:

Position:



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SCHEDULE 6.1 | Transition



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Schedule 6.1 | Transition

DEFINITIONS

In this Schedule, the following definitions shall apply:

"Detailed Transition Plan",	means the plan prepared in accordance with paragraph 3.2 of Part A of this Schedule 6.1 (<i>Transition</i>);
"Outline Transition Plan",	means the plan in the form set out at Annex 1 to Part A of this Schedule 6.1;
"Readiness Reviews"	reviews carried out in accordance with paragraph 6.2(a) of this Schedule 6.1 (<i>Transition</i>) in order to satisfy key Authority stakeholders that the relevant Services can be transferred to the Supplier without impact on business operations;
"Supplier Transition Team"	has the meaning given to it at paragraph 5.1(a) of Part A of this Schedule 6.1 (<i>Transition</i>);
"Supplier's Transition Manager"	has the meaning given to it at paragraph 5.1(b) of Part A this Schedule 6.1 (<i>Transition</i>);
"Transition"	the transition of services from the Incumbent Supplier to the Supplier;
"Transition Plan"	the Outline Transition Plan and the Detailed Transition Plan as described in this Schedule 6.1 (<i>Transition</i>);
"Transition Services Commencement Date"	the date on which the Supplier is to commence provision of the first of the Services, being agrees by both Parties post Discovery Period.

Part A | Transition

1 INTRODUCTION

1.1 This Schedule:

- (a) defines the process for the preparation and implementation of the Outline Transition Plan and Detailed Transition Plan;
- (b) identifies the Milestones (and associated Deliverables) including the Milestones which trigger payment to the Supplier of the applicable Milestone Payments.
- (c) sets out the reporting requirements, governance and management of the Transition Plan.

1.2 The following documents form part of this Schedule:

- (a) Annex 1: Outline Transition Plan;
- (b) Annex 2: Minimum Set of Transition Components;
- (c) Annex 3: Responsibilities of the Supplier Transition Team.

1.3 The Supplier shall:

- (a) provide to the Authority any reasonable assistance requested by the Authority to allow the services provided by the Incumbent Supplier to continue without interruption during Transition and to facilitate the orderly transfer of responsibility for and conduct of the services from the Incumbent Supplier to the Supplier without any adverse impact on current service levels and service delivery provided to the Authority;
- (b) use all reasonable endeavours to minimise the risk of Delay in accordance with Clause 6 and/or to service performance during Transition, including the provision of additional resources to carry out the Transition Plan at the Supplier's own cost;
- (c) comply with its obligations under the Outline Transition Plan, the Detailed Transition Plan, and this Schedule **Error! Reference source not found.** (*Transition*), and the Supplier shall be responsible for the costs associated with any failure by the Supplier to comply with such obligations. Any issue arising from the Supplier's performance of its obligations shall be escalated for resolution to the Operational Board.

2 OUTLINE TRANSITION PLAN

- 2.1 The Supplier shall submit the Outline Transition Plan within ten (10) days of the Contract Award, unless agreed otherwise with the Authority.
- 2.2 All changes to the Outline Transition Plan shall be subject to written approval by the Authority provided that the Supplier shall not attempt to postpone any of the Milestones (except in accordance with Clause 32 (*Authority Cause and Ecosystem Failures*)).
- 2.3 The Outline Transition Plan is described in Annex 1 and contains a summary of the transition Milestones, Deliverables and due dates.

3 APPROVAL OF THE DETAILED TRANSITION PLAN

- 3.1 The Supplier shall submit a draft of the Detailed Transition Plan to the Authority for approval following the completion of the Discovery period, or by a date instructed by the Authority. The Supplier shall ensure that the Detailed Transition Plan is developed in accordance with the requirements set out in the Outline Transition Plan and incorporating the Authority's requirements following collaborative discussion between both Parties.
- 3.2 The Supplier shall ensure that the draft Detailed Transition Plan:
- (a) incorporates all of the Milestones and Milestone Dates set out in the Outline Transition Plan;
 - (b) includes (as a minimum) the Supplier's proposed timescales in respect of the following for each of the Milestones:
 - (i) the completion of any Deliverable;
 - (ii) the completion of any build activity;
 - (iii) the completion of any Testing to be undertaken in accordance with Schedule 6.2 (*Testing Procedures*); and
 - (iv) the completion of any deployment or transition activity;
 - (c) clearly detail all the steps required to implement the Milestones to be achieved up to and including the final Milestone, in conformity with the Authority Requirements;
 - (d) incorporates as a minimum the set of components required to implement the activities of the Transition Plan as set out in Annex 2 (*Minimum Set of Transition Components*);
 - (e) clearly outlines the required roles and responsibilities of both Parties, including staffing requirements;

- (f) is produced using a software tool as specified, or agreed by the Authority;
 - (g) clearly details all the Supplier's dependencies on the Authority in order to complete the activities under the Detailed Transition Plan;
 - (h) all the Supplier's assumptions in setting out the activities and timescales in the Detailed Transition Plan; and
 - (i) complies with the requirements of Schedule 11 (*Collaboration*).
- 3.3 Prior to the submission of the draft Detailed Transition Plan to the Authority in accordance with Paragraph 3.1, the Authority shall have the right:
- (a) to review any documentation produced by the Supplier in relation to the development of the Detailed Transition Plan, including:
 - (i) details of the Supplier's intended approach to the Detailed Transition Plan and its development;
 - (i) copies of any drafts of the Detailed Transition Plan produced by the Supplier; and
 - (ii) any other work in progress in relation to the Detailed Transition Plan; and
 - (b) to require the Supplier to include any reasonable changes or provisions in the Detailed Transition Plan.
- 3.4 Following receipt of the draft Detailed Transition Plan from the Supplier, the Authority shall:
- (a) review and comment on the draft Detailed Transition Plan as soon as reasonably practicable; and
 - (b) notify the Supplier in writing that it approves or rejects the draft Detailed Transition Plan no later than 15 Working Days after the date on which the draft Detailed Transition Plan is first delivered to the Authority.
- 3.5 If the Authority rejects the draft Detailed Transition Plan:
- (a) the Authority shall inform the Supplier in writing of its reasons for its rejection; and
 - (b) the Supplier shall then revise the draft Detailed Transition Plan (taking reasonable account of the Authority's comments) and shall re-submit a revised draft Detailed Transition Plan to the Authority for the Authority's approval within 20 Working Days of the date of the Authority's notice of rejection. The provisions of Paragraph 3.4 and this Paragraph 3.5 shall apply again to any resubmitted draft Detailed Transition Plan, provided that either Party may

refer any disputed matters for resolution by the Dispute Resolution Procedure set out in Schedule 8.4 (*Dispute Resolution*) at any time.

- 3.6 If the Authority approves the draft Detailed Transition Plan, it shall replace the Outline Transition Plan from the date of the Authority's notice of approval.

4 UPDATES TO AND MAINTENANCE OF THE DETAILED TRANSITION PLAN

- 4.1 Following the approval of the Detailed Transition Plan by the Authority:

- (a) the Authority shall be entitled to request a revised Detailed Transition Plan at any time by giving written notice to the Supplier. The Supplier shall submit a draft revised Detailed Transition Plan to the Authority within ten (10) Working Days of receiving such a request from the Authority (or such longer period as the Parties may agree provided that any failure to agree such longer period shall be referred to the Dispute Resolution Procedure);
- (b) any revisions to the Detailed Transition Plan which may impact on Key Milestones should be notified to the Authority for approval in Real Time.
- (c) any revised Detailed Transition Plan shall (subject to Paragraph 4.2) be submitted by the Supplier for approval in accordance with the procedure set out in Paragraph 3; and
- (d) the Supplier's performance against the Transition Plan shall be continuously monitored through operational activity and at regular intervals via Review Boards (to be agreed). In preparation for such Board Meetings, the Supplier shall provide to the Authority not less than five (5) Working Days in advance:
 - (i) the current Detailed Transition Plan; and
 - (ii) any reports as specified in the Detailed Transition Plan.

- 4.2 Save for any amendments which are of a type identified and notified by the Authority (at the Authority's discretion) to the Supplier in writing as not requiring approval, any material amendments to the Detailed Transition Plan shall be subject to the Change Control Procedure provided that:

- (a) any amendments to elements of the Detailed Transition Plan which are based on the contents of the Outline Transition Plan shall be deemed to be material amendments; and
- (b) in no circumstances shall the Supplier be entitled to alter or request an alteration to any Milestone Date except in accordance with Clause 32 (*Authority Cause and Ecosystem Failure*).

- 4.3 Any proposed amendments to the Detailed Transition Plan shall not come into force until they have been approved in writing by the Authority.

5 RESOURCE COMMITMENTS AND CHARGES

5.1 The Supplier shall:

- (a) coordinate and provide sufficient and appropriately skilled resources to carry out the Supplier's obligations under this Schedule including the responsibilities set out in Annex 3 (*Responsibilities of the Supplier Transition Team*) ("**Supplier Transition Team**");
- (b) appoint an individual Supplier Personnel in accordance with Clause 14 with the responsibility for managing the Supplier's obligations under this Schedule and provide written notification of such appointment to the Authority within two (2) weeks of the Effective Date ("**Supplier's Transition Manager**").

5.2 The Supplier's activities for carrying out its obligations set out in this Schedule shall be charged on a Time and Materials basis in accordance with the rate card set out at Annex 1 of Schedule 7.1 (*Charges and Invoicing*) and payable as part of a Milestone Payment in accordance with Schedule 7.1 (*Charges and Invoicing*).

6 IMPLEMENTATION OF THE DETAILED TRANSITION PLAN

6.1 The Supplier shall plan, prepare for and carry out the Transition activities in accordance with this Schedule, and shall:

- (a) comply with the Detailed Transition Plan;
- (b) deliver as a minimum, the set of components required to implement the activities of the Transition Plan as set out in Annex 2 (*Minimum Set of Transition Components*);
- (c) be responsible for overall management of the activities under the Detailed Transition Plan in order to ensure the timely completion of each task and Milestone;
- (d) carry out the Detailed Transition Plan without causing any disruption to the Authority's business operations unless:
 - (i) the Supplier has procured the Authority's agreement in writing no less than six (6) weeks prior to the associated disruption; or
 - (ii) if the Supplier is unable to provide six (6) weeks' notice of such disruption to the Authority, the Supplier has notified the Authority as soon as possible upon becoming aware of the disruption and the Authority has agreed to such disruption through the Fast-Track Change Procedure in Schedule 8.3.
- (e) not take any step (expressly or implicitly or directly or indirectly by itself or through any other person) to dissuade or discourage any employees engaged

in the provision of the Services from transferring their employment from the Authority and/or the Incumbent Supplier to the Supplier.

6.2 Readiness Review

- (a) The Supplier shall cooperate with and assist the Authority in carrying out Readiness Reviews for the Transition prior to the Operational Service Commencement Date in order to satisfy key Authority stakeholders that the relevant Services can be transferred to the Supplier without impact on business operations. The date of these Readiness Reviews will be agreed by The Authority during the Discovery period.
- (b) As part of the Readiness Review, The Authority shall agree a recovery plan to remedy the issues identified by the Readiness Review that have significant impact on business operations.
- (c) The Parties shall define and agree the conditions which form the basis of the Readiness Review reports within 10 Working Days (unless agreed otherwise by both Parties) after the Effective Date.

6.3 Third Parties

- (a) The Supplier shall cooperate with and provide assistance to the Authority and any relevant third party in order to achieve the transition of Services in accordance with this Schedule and Schedule 11 (*Collaboration*).

6.4 Disputes

- (a) The Parties shall escalate any Disputes arising from the Transition Plan to the Operational Board, and the Supplier shall provide to the Authority within two (2) Working Days of its request all documentation relevant to the Dispute that is available at that time.
- (b) Where the Entry Transition Board have been unable to resolve such Dispute, the Parties shall follow the Dispute Resolution Procedure and the Parties agree to use the Expedited Dispute Timetable.

6.5 Reporting

- (a) The Supplier shall provide to the Authority progress reports on a weekly basis, including a dashboard, against the Detailed Transition Plan, which will set out:
 - (i) the current status of the transition activities;
 - (ii) the Supplier's progress against all Milestones and other activities set out in the Detailed Transition Plan, any actual or anticipated delays to the Detailed Transition Plan and anticipated remedial activities in respect of such delay;

- (iii) the actual and anticipated delays to the Detailed Transition Plan as a result of any failure or delay by the Authority as set out in Schedule 3 (*Authority Responsibilities*), the impact of such failures on the Supplier and the associated mitigation actions taken by the Supplier; and
 - (iv) the actual and anticipated risks and issues (including the RAID log as set out in Paragraph 6.8(a)(i)), the impact or likely impact of such risks and issues on the Detailed Transition Plan and the associated mitigation actions being taken by the Supplier.
- (b) The Supplier shall promptly provide other progress reports on the Detailed Transition Plan as reasonably requested by the Authority.
- (c) The Supplier shall promptly (and in any event, no later than five (5) Working Days prior to the relevant governance meeting) provide all reports required in accordance with the Detailed Transition Plan and as reasonably requested by the Authority.

6.6 Security and Safety

- (a) The Supplier shall carry out its obligations under this Schedule in compliance with all applicable site safety and security procedures of the Authority and the Incumbent Supplier to the Authority (as applicable) and in accordance with the relevant provisions of the Agreement.

6.7 Service Documentation

- (a) Prior to the Operational Service Commencement Date and as part of the Transition Readiness Signed Off Milestone as set out in Annex 1, the Supplier shall provide to the Authority operational and service delivery documentation, including its operations manual, defining how the Supplier will deliver the Services. This documentation shall include a description of all the operational and service management processes, procedures and tools which will be used by the Supplier in delivering the Services. In preparing this documentation the Supplier shall take into consideration the existing processes and procedures of the Incumbent Supplier in its provision of similar services to the Authority.

6.8 Risks, Assumptions, Issues and Dependencies (“RAID”) Management

- (a) The Supplier shall:
 - (i) maintain a RAID log which sets out any risks, assumptions, issues and dependencies in carrying out the Detailed Transition Plan, including risk mitigation strategies, preventive measures and contingency plans for rapid recovery from the occurrence of such risks and issues;

- (ii) identify and promptly report to the Authority upon becoming aware of any risks, assumptions, issues and dependencies in carrying out the Detailed Transition Plan;
- (iii) create and maintain (based upon consultation with and engagement of the Authority) a RAID management plan which will clearly list all technical, commercial, delivery, financial and legal risks, assumptions, issues and dependencies that impact the Parties and the Detailed Transition Plan. The RAID management plan shall be created by the Supplier within one (1) month of the Effective Date and provided to the Authority fortnightly; and
- (iv) develop contingency plans for each identified risk and any risks that are categorised as 'High Impact and High Likelihood'. Such contingency plans shall be developed within two (2) Working Days of being categorised and reported as 'High Impact and High Likelihood' risks and shall be provided to the Authority upon request.

7 ACHIEVEMENT OF MILESTONES

- 7.1 The Supplier's achievement of the Milestones set out in the Detailed Transition Plan shall be assessed in accordance with Schedule 6.2 (*Testing Procedures*).

8 GOVERNMENT REVIEWS

- 8.1 The Supplier acknowledges that the Services may be subject to Government review at key stages of the project. The Supplier shall cooperate with any bodies undertaking such review and shall allow for such reasonable assistance as may be required for this purpose within the Charges.

ANNEX 1: OUTLINE TRANSITION PLAN

Milestone	Deliverables <i>(bulleted list showing all Deliverables (and associated tasks) required for each Milestone)</i>	Duration <i>(Working Days)</i>	Milestone Date	Authority Responsibilities <i>(if applicable)</i>	Link to ATP/CPP
REDACTED	REDACTED		TBA		
REDACTED	REDACTED		TBA		
REDACTED	REDACTED		TBA		
REDACTED	REDACTED		Effective Date + 3 months		
REDACTED	REDACTED		TBA		
REDACTED	REDACTED		TBA		
REDACTED	REDACTED		TBA		

Milestone	Deliverables <i>(bulleted list showing all Deliverables (and associated tasks) required for each Milestone)</i>	Duration <i>(Working Days)</i>	Milestone Date	Authority Responsibilities <i>(if applicable)</i>	Link to ATP/CPP
REDACTED	REDACTED		TBA		
REDACTED	REDACTED		TBA		
REDACTED	REDACTED		TBA		

ANNEX 2: MINIMUM SET OF TRANSITION COMPONENTS

Transition component	Description
Transition management	To set up and manage the Transition phase of the Supplier, based on industry standard good practice project and programme management frameworks.
Data management	To perform the detailed data discovery period of Service(s) and to manage and maintain the data from service transfer.
Governance	To implement governance for the Detailed Transition Plan (for instance, the organisational forums) as detailed in Schedule 8.1 (<i>Governance</i>) and Schedule Error! Reference source not found. (<i>Transition</i>), to enable the management of the relationship between the Supplier and the Authority from Contract Start.
Communication	To plan, prepare and implement an effective communication approach from the Effective Date, as jointly agreed by the Supplier and the Authority.
Staff transfer	To carry out the staff consultation and engagement to effect the smooth transition and integration of In Scope Roles/Staff from Incumbent Supplier to the Supplier, as specified in Schedule 9.1 (<i>Staff Transfer</i>).
Pay, pension and benefits	To plan, prepare and implement the solutions for payroll, pensions and staff benefits.
Workforce management	To manage overall transferring and required workforce resourcing including: attrition, vacant roles, recruitment, backfill for key personnel, contract staff and grade mapping.

Transition component	Description
Knowledge transfer	To transfer the knowledge from the Incumbent Supplier to the Supplier for the transferred Service(s).
Induction and training	To provide induction information to the transferring staff relating to the Supplier. To deliver appropriate training for staff where needed for service provision under the Supplier's operating model.
Third-Party Contracts	As specified in Schedule 4.4 (<i>Third-Party Contracts</i>), Schedule 4.5 (<i>Assets</i>) and Schedule 5 (<i>IPR</i>), to novate service contracts, and to obtain the right to use for all identified in-scope 3rd party software licences.
In-Flight Projects	To assess In-Flight Projects and transfer In-Flight Projects to the Supplier as appropriate. To implement the project management processes and tools to support the delivery of any new projects for the Authority after the transfer of Service(s).
Demand management	To develop processes and tools that enable the Supplier to manage all service requests.
Post Contract Verification	To undertake the detailed discovery period to validate assumptions in the contractual documentation and to prepare a final report to agree and approve all Changes prior to the defined period specified in the Agreement.
Asset validation	To validate and make accurate the list of in-scope assets for which management responsibility is to be transferred from the Authority and Incumbent Supplier to the Supplier, in accordance with Schedule 4.5 (<i>Assets</i>).
Operating model and service design	To design and deliver the operating model for service provision including (as a minimum): process, organisation, location, data, applications, tooling, technology and commercials.

Transition component	Description
Finance	To set up all the processes defined in the Agreement, Schedule 7.1 (<i>Charges and Invoicing</i>) and Schedule 7.5 (<i>Financial Reports and Audit Rights</i>) that the Supplier and the Authority shall use to provide financial information, ensuring the accurate and timely billing and payment for the Service(s).
Contract management	To implement processes and procedures to effectively manage the contract from the Operational Service Commencement Date, and handle queries, issues and Changes as they arise during the Term.
Asset management	To take responsibility for the Incumbent Supplier's asset management solution and continue to operate it.
Reporting	Ensure the continued production of reports as specified in Schedule Error! Reference source not found. (<i>Transition</i>) and Schedule 8.2 (<i>Reports and Records</i>) in order to support Governance and operations.
Service continuity management	To perform gap analysis and report, agree and align the changes necessary to ensure no disruption to service throughout the transfer of Service(s).
Quality management	To provide assurance to the Supplier and the Authority that the Supplier's Deliverables are complete, have met their quality criteria and the agreed processes have been observed.
Security management	To report, agree and align the activities necessary to ensure system security is maintained or enhanced during Transition, as specified in Schedule 2.4 (<i>Security Management</i>).
User account provisioning	To set up infrastructure and user accounts including access rights to tools and applications needed for each role.

Transition component	Description
Test and Assurance	To provide evidence that the Supplier Solution as designed and developed is suitable for the delivery of the Service(s) and meets the Authority requirements.
Transition readiness	To assess the state of Supplier readiness for a successful transfer and ongoing end to end provision of Service(s).
Cutover and Day 1 Experience	Over the weeks prior to the transfer of Service(s), to plan and prepare for a smooth transfer of the Service(s) from the Incumbent Supplier to the Supplier. On day of transfer of Service(s), to implement the cutover plan and transfer the Service(s) to the Supplier.
Post Transition aftercare	To plan and implement support arrangements for the period following transfer of Service(s). To resolve issues arising from the transfer of Service(s).

ANNEX 3: RESPONSIBILITIES OF THE SUPPLIER TRANSITION TEAM

The Supplier's Transition Team shall be responsible for carrying out the operation of the Transition Plans, including:

- (a) execution of the agreed Detailed Transition Plan and associated activities and deliverables;
- (b) management of the Detailed Transition Plan and resources and activities pertaining to planning, management and control;
- (c) transition of all relevant in-scope personnel from the Authority or the Incumbent Supplier (as applicable) and transfer of Third-Party Contracts as agreed;
- (d) communicating with and reporting to the Authority in accordance with the Detailed Transition Plan;
- (e) monitoring, reporting and managing risks as set out in this Schedule;
- (f) ensuring compliance with the Supplier's obligations under this Agreement;
- (g) planning and conducting the Readiness Reviews;
- (h) managing conflicts and issues arising under the Detailed Transition Plan



HM Revenue
& Customs

HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (November 2020)

SCHEDULE 6.2 | Testing Procedures



OFFICIAL – SENSITIVE - COMMERCIAL

OFFICIAL

Schedule 6.2 | Testing Procedures

1. DEFINITIONS

In this Schedule, the following definitions shall apply:

“Component”	any constituent parts of the infrastructure for a Service, hardware or Software;
“E2E Test Provider”	has the meaning set out in Paragraph 10.6;
“Material Test Issue”	a Test Issue of Severity Level 1 or Severity Level 2;
“Severity Level”	the level of severity of a Test Issue, the criteria for which are described in Annex 1;
“Test Certificate”	a certificate materially in the form of the document contained in Annex 2 issued by the Authority when a Deliverable has satisfied its relevant Test Exit Criteria;
“Test Completion Review”	a meeting between the Parties to review the Test Completion Report and to confirm that the Test Exit Criteria have been met;
“Test Completion Report”	the report to be produced by the Supplier setting out a summary of the results of the Tests as defined in the Test Plan;
“Test Design”	the specification that sets out how Tests will demonstrate that the Test Exit Criteria have been satisfied, as described in more detail in Paragraph 9;
“Test Entry Criteria”	the criteria that must be met before a Deliverable can be submitted for Testing;
“Test Exit Criteria”	in relation to a Test, the test exit criteria for that Test as referred to in Paragraph 8.5 Error! Reference source not found. ;
“Test Issue”	any variance or non-conformity of a Deliverable from its requirements (such requirements being set out in the relevant Test Exit Criteria);
“Test Issue Threshold”	in relation to the Tests applicable to a Milestone, a maximum number of Severity Level 3, Severity

	Level 4 and Severity Level 5 Test Issues as set out in the relevant Test Plan;
“Test Issue Management Log”	a log for the recording of Test Issues as described further in Paragraph 12.1;
“Test Plan”	a plan: <ul style="list-style-type: none"> (a) for the Testing of Deliverables; and (b) setting out other agreed criteria related to the achievement of Milestones, as described further in Paragraph 8;
“Testing Procedures”	the applicable testing procedures and Test Exit Criteria set out in this Schedule.
“Test Strategy”	the Supplier's strategy for the conduct of Testing under this Agreement as described further in Paragraph 7;
“Test Witness”	any person appointed by the Authority pursuant to Paragraph 13.1; and

2. INTRODUCTION

2.1 This Schedule sets out:

- (a) the components of the Test Strategy, Test Plans and Test Designs (as set out in Part B of this Schedule); and
- (b) the process for Testing and the issuing by the Authority of Test Certificates (as set out in Part C of this Schedule); and

3. GENERAL

- 3.1 This Schedule shall apply to all Deliverables provided by the Supplier to the Authority under this Agreement, including any Deliverables set out in a Change Authorisation Note, Change Request or Statement of Work
- 3.2 The Supplier shall ensure that any Deliverable provided pursuant to a Change Authorisation Note, Change Request or Statement of Work will not prejudice the effectiveness, operational integrity and/or security of the Services.
- 3.3 For Parts B and C of this Schedule, the Authority's obligations in relation to the Testing Procedures and Deliverables shall be carried out by the Authority's CDIO IT Delivery Project Manager (unless otherwise notified by the Authority).

Part A | NOT USED

4. NOT USED

5. NOT USED

Part B | Supplier's Test Documentation

6. INTRODUCTION

6.1 NOT USED

7. TEST STRATEGY

7.1 The Supplier shall develop the Test Strategy and submit it for the approval of the Authority no later than 20 Working Days (or such other period as the Parties may agree in writing) after the Discovery Period.

7.2 The Test Strategy shall include as a minimum:

- (a) an overview of the Testing to be conducted in accordance with the Detailed Transition Plan and includes the Test scope, objectives, assumptions, principles, governance and controls;
- (b) the definition of all Test activities including planning, preparation, design, execution and closure stages;
- (c) a summary of the Testing lifecycle which will define the different Test stages;
- (d) the generic Test Entry Criteria and Test Exit Criteria;
- (e) the approach to Test data;
- (f) the Test Issue management process;
- (g) the Supplier's dependencies on third parties and on the Authority;
- (h) the process to be used to capture and record Test results and the categorisation of Test Issues;
- (i) the method for mapping the expected Test results to the Test Exit Criteria;
- (j) the procedure to be followed if a Deliverable fails to satisfy the Test Exit Criteria or produces unexpected results, including a procedure for the resolution of Test Issues;
- (k) the procedure to be followed to sign off each Test;

- (l) the process for the production of Test Completion Reports and a summary of how Test information will be communicated to the Authority;
- (m) the Industry Standards on which the Supplier's Test products and processes are based;
- (n) the legal and regulatory constraints relevant to the Testing;
- (o) the Test environments;
- (p) the strategy for Security Testing;
- (q) the Test compatibility with Particular Needs software used to meet the needs of users with accessibility and assistive requirements;
- (r) how customers and stakeholders will be involved in Testing;
- (s) the names and contact details of the Supplier's Test representatives; and
- (t) a high-level identification of the resources required for Testing, including Authority and/or third-party involvement in the conduct of the Tests.

7.3 The Supplier shall comply with the HMRC Test Principles as described in the HMRC Organisational Test Strategy set out in Annex 4 (or as updated by the Authority from time to time and notified to the Supplier) when developing the Test Strategy.

7.4 The Supplier shall, throughout the Term review, maintain, and update the Test Strategy, at least once a quarter.

8. TEST PLANS

8.1 The Supplier shall develop Test Plans and submit these for the approval of the Authority no later than 20 Working Days (or such other period as the Parties may agree in the Test Strategy or otherwise agree in writing) prior to the start date for the relevant Testing.

8.2 Each Test Plan shall include as a minimum:

- (a) the relevant purpose and scope of the Test, the Milestone to which it relates, the requirements being tested, the approach to be undertaken, and, for each Test, the specific Test Entry Criteria and Test Exit Criteria to be satisfied, the requirements in relation to the environment, tools to support Testing, risks that may occur, approach to communications and stakeholder engagement;
- (b) a detailed procedure for the Tests to be carried out, including:
 - (i) the timetable for the Tests, including start and end dates;
 - (ii) the Testing mechanism;

- (iii) dates and methods by which the Authority can inspect Test results or witness the Tests in order to establish that the Test Exit Criteria have been met;
 - (iv) the mechanism for ensuring the quality, completeness and relevance of the Tests;
 - (v) the format and an example of Test progress reports and the process with which the Authority accesses daily Test schedules;
 - (vi) the process which the Authority will use to review Test Issues and the Supplier's process in resolving these in a timely basis;
 - (vii) the Test Gantt chart;
 - (viii) the re-Test procedure, the timetable and the resources which would be required for re-Testing; and
 - (c) the process for escalating Test Issues from a re-Test situation to the taking of specific remedial action to resolve the Test Issue.
- 8.3 The Supplier shall comply with the Authority's Test Principles as described in the current Organisational Test Strategy and set out in Annex 4 when developing the Test Plans.
- 8.4 The Authority shall not unreasonably withhold or delay its approval of the Test Plans provided that the Supplier shall incorporate any reasonable requirements of the Authority in the Test Plans.
- 8.5 The Test Exit Criteria for:
- (a) each Test that must be Achieved for the Supplier to Achieve the Milestones are set out in Annex 1 to Schedule 6.1 (*Transition*) shall be as set out in the Detailed Transition Plan; and
 - (b) all other Tests shall be agreed between the Parties as part of the relevant Test Plan pursuant to Paragraph 8.

9. TEST DESIGN

- 9.1 Following approval of a Test Plan, the Supplier shall develop the Test Design for the relevant Deliverables and submit the Test Design for the approval of the Authority at least 10 Working Days (or such other period as the Parties may agree in the Test Strategy or otherwise agree in writing) prior to the start of the relevant Testing.
- 9.2 Each Test Design shall include as a minimum:
- (a) a description of the Test conditions;

- (b) the specification of the Test data, including its source, scope, volume and management, a request (if applicable) for relevant Test data to be provided by the Authority and the extent to which it is equivalent to live operational data;
- (c) a plan to make the resources available for Testing;
- (d) Test scripts/cases;
- (e) Test pre-requisites and the mechanism for measuring them; and
- (f) expected Test results, including:
 - (i) a mechanism to be used to capture and record Test results; and
 - (ii) a method to process the Test results to establish their content.

Part C | Testing Procedures

10. TESTING OVERVIEW

- 10.1 All Tests conducted by the Supplier shall be conducted in accordance with the Test Strategy, the Test Plans and the Test Designs.
- 10.2 The Supplier shall not submit any Deliverable for Testing:
 - (a) unless the Supplier is reasonably confident that it will satisfy the relevant Test Exit Criteria;
 - (b) until the Authority has issued a Test Certificate in respect of any prior, dependant Deliverable(s) (unless otherwise agreed by the Parties); and
 - (c) until the Parties have agreed the Test Plan and the Test Design relating to the relevant Deliverable(s).
- 10.3 The Supplier shall submit each Deliverable for Testing or re-Testing by or before the date set out in the Test Plan or the Detailed Transition Plan (as applicable) for the commencement of Testing in respect of the relevant Deliverable.
- 10.4 Prior to the issue of a Test Certificate, the Authority shall be entitled to review the relevant Test Completion Reports and the Test Issue Management Log.
- 10.5 Any Disputes between the Authority and the Supplier regarding Testing shall be referred to the Dispute Resolution Procedure using the Expedited Dispute Timetable.
- 10.6 The Supplier shall cooperate with and provide assistance to the Authority's third-party test provider which carries out end to end Test management and system integration

on behalf of the Authority ("**E2E Test Provider**") in accordance with this Agreement and Annex 5.

11. TESTING

- 11.1 The Supplier shall manage the Testing in accordance with the relevant Test Plan and shall carry out the Tests in accordance with the relevant Test Design. Tests may be witnessed by the Test Witnesses in accordance with Paragraph 13.
- 11.2 The Supplier shall notify the Authority at least 10 Working Days (or such other period as the Parties may agree in writing) in advance of the date, time and location of the relevant Test.
- 11.3 The Supplier shall provide to the Authority and, at the Authority's request, any third-party, with all reasonable assistance and information necessary for conducting the Tests.
- 11.4 The Authority may raise and close Test Issues during the Test witnessing process.
- 11.5 The Supplier shall provide to the Authority in relation to each Test the final Test Completion Report within five (5) Working Days (or such other period as the Parties may agree in writing) of completion of Testing.
- 11.6 Each Test Completion Report shall provide a report on the Testing conducted in respect of the relevant Deliverables, including as a minimum:
- (a) an overview of the Testing conducted;
 - (b) a summary of the Test results, including all Test Issue reports;
 - (c) identification of the relevant Test Exit Criteria that have been satisfied;
 - (d) identification of the relevant Test Exit Criteria that have not been satisfied together with the Supplier's explanation of why those criteria have not been met;
 - (e) the Tests that were not completed together with the Supplier's explanation of why those Tests were not completed;
 - (f) the specification for any hardware and Software used throughout Testing and any changes that were applied to that hardware and/or Software during Testing; and
 - (g) analysis of result information to allow management decisions, based upon risk, on whether to proceed to the next stage.
- 11.7 The Supplier shall hold Test Completion Reviews to demonstrate to the Authority that the Test Exit Criteria have been successfully completed and met.

12. TEST ISSUES

- 12.1 Where a Test Completion Report identifies a Test Issue, the Parties shall agree the classification of the Test Issue using the criteria specified in Annex 1 and the Supplier shall log Test Issues reflecting the Severity Level allocated to each Test Issue.
- 12.2 The Supplier shall be responsible for maintaining the Test Issue Management Log and for ensuring that its contents accurately represent the current status of each Test Issue at all relevant times. The Supplier shall make the Test Issue Management Log available to the Authority upon request.
- 12.3 The Authority shall confirm the classification of any Test Issue unresolved at the end of a Test in consultation with the Supplier. If the Parties are unable to agree the classification of any unresolved Test Issue, the Dispute shall be dealt with in accordance with the Dispute Resolution Procedure using the Expedited Dispute Timetable.

13. TEST WITNESSING

- 13.1 The Authority may, in its sole discretion, require the attendance at any Test of one or more Test Witnesses selected by the Authority, each of whom shall have appropriate skills to fulfil the role of a Test Witness.
- 13.2 The Supplier shall give the Test Witnesses access to any documentation and Testing environments reasonably necessary and requested by the Test Witnesses to perform their role as a Test Witness in respect of the relevant Tests.
- 13.3 The Test Witnesses:
- (a) shall review the Test documentation;
 - (b) shall attend and engage in the performance of the Tests on behalf of the Authority so as to enable the Authority to gain an informed view of whether a Test Issue may be closed or whether the relevant element of the Test should be re-Tested;
 - (c) shall not be involved in the execution of any Test;
 - (d) shall be required to verify that the Supplier conducted the Tests in accordance with the Test Exit Criteria and the relevant Test Plan and Test Design;
 - (e) may produce and deliver their own, independent reports on Testing, which may be used by the Authority to assess whether the Tests have been Achieved;
 - (f) may raise Test Issues on the Test Issue Management Log in respect of any Testing; and

- (g) may require the Supplier to demonstrate the modifications made to any defective Deliverable before a Test Issue is closed.

14. TEST COMPLIANCE REVIEW

- 14.1 Without prejudice to its rights pursuant to Clause 12.2(b) (*Records, Reports, Audits & Open Book Data*), the Authority may perform on-going compliance/quality audits in respect of any part of the Testing (each a “**Test Compliance Review**”) subject to the provisions set out in the agreed Quality Plans.
- 14.2 The focus of the Test Compliance Reviews shall be on:
 - (a) adherence to an agreed methodology;
 - (b) adherence to the agreed Testing process;
 - (c) adherence to the Quality Plans;
 - (d) review of status and key development issues; and
 - (e) identification of key risk areas.
- 14.3 The Supplier shall allow sufficient time in the Test Plan to ensure that adequate responses to a Test Compliance Review can be provided.
- 14.4 The Authority will give the Supplier at least five (5) Working Days' written notice of the Authority's intention to undertake a Test Compliance Review and the Supplier may request, following receipt of that notice, that any Test Compliance Review be delayed by a reasonable time period if in the Supplier's reasonable opinion, the carrying out of a Test Compliance Review at the time specified by the Authority will materially and adversely impact the Test Plan or Detailed Transition Plan (as applicable).
- 14.5 A Test Compliance Review may involve document reviews, interviews with the Supplier Personnel involved in or monitoring the activities being undertaken pursuant to this Schedule, the Authority witnessing Tests and demonstrations of the Deliverables to the Authority. Any Test Compliance Review shall be limited in duration to a maximum time to be agreed between the Supplier and the Authority on a case-by-case basis (such agreement not to be unreasonably withheld or delayed). The Supplier shall provide all reasonable necessary assistance and access to all relevant documentation required by the Authority to enable it to carry out the Test Compliance Review.
- 14.6 If the Test Compliance Review gives the Authority concern in respect of the Testing Procedures or any Test, the Authority shall:
 - (a) discuss the outcome of the Test Compliance Review with the Supplier, giving the Supplier the opportunity to provide feedback in relation to specific activities; and

(b) subsequently prepare a written report for the Supplier detailing its concerns; and the Supplier shall, within a reasonable timeframe, respond in writing to the Authority's report.

14.7 In the event of an inadequate response to the Authority's report from the Supplier, the Authority (acting reasonably) may withhold a Test Certificate until the issues in the report have been addressed to the reasonable satisfaction of the Authority.

15. OUTCOME OF TESTING

15.1 The Authority shall issue a Test Certificate when the Deliverables satisfy all applicable Test Exit Criteria in respect of that Test.

15.2 The Authority shall notify the Supplier of a Test failure if the Authority deems the Deliverables (or any relevant part) do not satisfy all applicable Test Exit Criteria and:

- (a) the Authority may issue a Test Certificate conditional upon the remediation of the Test Issues;
- (b) where the Parties agree that there is sufficient time prior to the relevant Milestone Date, the Authority may extend the Test Plan by such reasonable period or periods as the Parties may reasonably agree and require the Supplier to rectify the cause of the Test Issue and re-submit the Deliverables (or the relevant part) to Testing; or
- (c) where the failure to satisfy the Test Exit Criteria results, or is likely to result, in the failure (in whole or in part) by the Supplier to meet a Milestone, then without prejudice to the Authority's other rights and remedies, such failure shall constitute a Notifiable Default for the purposes of Clause 27.1 (*Rectification Plan Process*).

15.3 The Authority shall be entitled, without prejudice to any other rights and remedies that it has under this Agreement, to recover from the Supplier any reasonable additional costs it may incur as a direct result of further review or re-Testing which is required for the Test Exit Criteria for that Deliverable to be satisfied.

16. Part D | NOT USED

17. RISK

17.1 The issue of a Test Certificate shall not:

- (a) operate to transfer any risk that the relevant Deliverable or Milestone is complete or will meet and/or satisfy the Authority's requirements for that Deliverable; Milestone; or
- (b) affect the Authority's right subsequently to reject all or any element of the Deliverables to which a Test Certificate relates.

17.2 The Supplier shall remain solely responsible for ensuring that:

- (a) the Supplier Solution as designed and developed is suitable for the delivery of the Services and meets the Authority Requirements;
- (b) the Services are implemented in accordance with this Agreement; and
- (c) each Target Performance Level is met from the relevant Operational Service Commencement Date.

Annex 1 | Test Issues – Severity Levels

- 1.1** Severity Level 1 Test Issue: a Test Issue that causes non-recoverable conditions, e.g., it is not possible to continue using a Component, a Component crashes, there is database or file corruption, or data loss.
- 1.2** Severity Level 2 Test Issue: a Test Issue for which, as reasonably determined by the Authority, there is no practicable workaround available, and which:
- (a) causes a Component to become unusable;
 - (b) causes a lack of functionality, or unexpected functionality, that has an impact on the current Test; or
 - (c) has an adverse impact on any other Component(s) or any other area of the Services.
- 1.3** Severity Level 3 Test Issue: a Test Issue which:
- (a) causes a Component to become unusable;
 - (b) causes a lack of functionality, or unexpected functionality, but which does not impact on the current Test; or
 - (c) has an impact on any other Component(s) or any other area of the Services;
 - (d) but for which, as reasonably determined by the Authority, there is a practicable workaround available.
- 1.4** Severity Level 4 Test Issue: a Test Issue which causes incorrect functionality of a Component or process, but for which there is a simple, Component based, workaround, and which has no impact on the current Test, or other areas of the Services.
- 1.5** Severity Level 5 Test Issue: a Test Issue that causes a minor problem, for which no workaround is required, and which has no impact on the current Test, or other areas of the Services.

Annex 2 | Test Certificate

To: **[NAME OF SUPPLIER]**

FROM: **[NAME OF AUTHORITY]**

[Date]

Dear Sirs,

TEST CERTIFICATE

Deliverables: **[insert description of Deliverables]**

We refer to the agreement (the “**Agreement**”) relating to the provision of the Services between the **[name of Authority]** (the “**Authority**”) and **[name of Supplier]** (the “**Supplier**”) dated **[date]**.

Capitalised terms used in this certificate have the meanings given to them in Schedule 1 (*Definitions*) or Schedule 6.2 (*Testing Procedures*) of the Agreement.

[We confirm that the Deliverables listed above have been tested successfully in accordance with the Test Plan relevant to those Deliverables.]

OR

[This Test Certificate is issued pursuant to Paragraph 15.1 of Schedule 6.2 (*Testing Procedures*) of the Agreement on the condition that any Test Issues are remedied in accordance with the Rectification Plan attached to this certificate.]*

**delete as appropriate*

Yours faithfully

[Name]

[Position]

acting on behalf of **[name of Authority]**

Annex 3 | NOT USED

Annex 4 | HMRC's Test Principles from HMRC Organisational Test Strategy Document Version 2.1 Dated 1 January 2018

Ref	Test Principle (TP)
TP1	Agile By Default - HMRC will use Agile techniques as the preferred delivery approach and take on board GSDM concepts of building quality in, everyone is responsible for quality, fast feedback, tests are an asset of the product, faster delivery into production, clear and consistent view of testing and optimise value. Further details can be found at Section 6.
TP2	Greatly reduce our reliance on end-to-end testing - HMRC's ambition is for components/services to become independently testable and deployable over time, where possible. To support that ambition each component/service must understand its interactions with dependent systems and run thorough discrete integration tests (system integration in the small) on these interactions. System integration in the large tests (sometimes called end to end testing) should only be used to validate end to end connectivity and/or data flows, where integration in the small tests cannot cover. This should result in components/services having better contracts with their dependencies, enabling us to move ever closer to independent testing and deployment of releases.
TP3	Risk Based Testing - focus testing on the highest risk areas according to a documented testing risk assessment. Predictive testing and Failure Mode & Effects Analysis (FMEA) will support the Risk Based Testing approach through historical project data relating to defect trends. The risk based testing approach must be a joint sign-off between the HMRC change owner and the CDIO IT service owner.
TP4	Test Early - testing representatives need early sight of IT change to ensure they are properly assessed for testing requirements in terms of scope, timescales and budget, as well as for ensuring clear and unambiguous acceptance criteria.
TP5	Allow sufficient time for testing - give due consideration to the risks associated with a test, ensuring sufficient iterations/cycles are planned and that there is time for defect detection, defect resolution and retest.
TP6	Defect Prevention - HMRC expect the test process to evolve and improve through post implementation analysis, root cause analysis and test process improvement. By doing this, improved defect prevention can be achieved.
TP7	Test Automation - automate as much as possible to allow early testing of both functional and non-functional requirements. Automated testing will be at the forefront of our drive to make substantial cost savings by implementing an automation first policy.

Ref	Test Principle (TP)
TP8	Test Stage containment - fix defects within iteration/ test stage where they are detected wherever possible rather than defer the risk until a later iteration/test stage.
TP9	Definition of Done, Test Entry Reviews & Test Exit Reviews – For Agile “Definition of Done” has been assessed and agreed for all Epics, Features and User Stories in scope and has been accepted by the Product Owner. For other deliveries all tests under the control of a formal test plan must be subjected to a test entry review to ensure the entry criteria have been met i.e. testing starts when the entry criteria have been met so if the scheduled start date is missed, management action is needed to maintain the test schedule or slippage will occur; all tests must be subjected to a test exit review to ensure that the exit criteria have been met and the test can be formally declared as complete. The Team delivering the outcome should provide evidence of Definition of Done/Exit Criteria at Review.
TP10	Suspension & resumption of testing - under circumstances set out in a test plan, testing may be suspended and then later resumed; such actions will be recorded and may result in project risks and/or issues being raised, depending on the nature of the interruption to testing.
TP11	Test Completion - every test will have an associated test completion condition to formally close the test activity. Test Completion Reports should be produced as required.
TP12	Re-testing and Regression testing - when defects are fixed, they will be subjected to re-test to confirm that the fix is effective; consideration must also be given to the need to administer regression tests, based on the balance of risk for the underlying changes made for the fix and any other changes made in the release.
TP13	Consider the timing of non-functional testing - should not always be left until the end as there could be cases where critical components should be tested early to de-risk the overall solution. Virtualisation can be an effective way of quickly standing up a test environment to carry out non-functional testing early in the lifecycle.
TP14	Re-use of test artefacts - to maintain value in testing the management of test assets for re-use is key.
TP15	User Centred Testing - HMRC puts the user at the forefront of all products it delivers. User testing must be integrated into the Test Lifecycle to ensure that the system satisfies the needs of the customer as specified in the Business and functional requirements (for Agile User Stories and Epics) and provides confidence in its use. There is no separate user acceptance test stage in the HMRC test lifecycle, we need to test functions and Business processes and Business products that our customers and colleagues will use in their daily work throughout the IT lifecycle to ensure we are focused on delivery that quality in use.
TP16	Defect Management Process - incidents that occur during any testing process need to be managed properly. It is expected that robust Defect Management Procedures will be applied during test execution.

Ref	Test Principle (TP)
TP17	Test Environments/Virtualisation - HMRC expect appropriate test environments to be available in a timely fashion to allow testing to be completed. HMRC has a strategic drive towards Virtualised Environments but recognises other environments may be used in the interim.
TP18	Use of test management tools - all categories of test tools will be considered for use by each project/service team.
TP19	Testing must be measurable – this ensures the value of testing can be established in terms of time, cost and quality.
TP20	Adoption of standards - wherever possible use existing corporate, national and international standards, as well as tracking emerging standards to ensure on-going use of industry best practice. Any deviation from standards must be justified and documented.

Annex 5 | Test Service Requirements

1.1 The Supplier shall:

- (a) provide sufficient, appropriate and empowered resource to review and approve the Authority's end to end test strategy ("**E2E Test Strategy**") and/or end to end test plan ("**E2E Test Plan**");
- (b) confirm agreement to the Authority's E2E Test Strategy and/or E2E Test Plan in accordance with the timelines stipulated by the E2E Test Provider;
- (c) provide to the E2E Test Provider the Supplier's Test Strategy and Test Plan (based on the E2E Test Strategy and/or Plan) detailing the testing they will deliver and how it will be executed;
- (d) provide sufficient, appropriate and empowered resource to input to test workshops and discussions;
- (e) provide appropriate live service resource to input to decisions in relation to operational acceptance testing (OAT) and system integration testing (SIT) requirements;
- (f) provide test progress and test completion metrics to the E2E Test Provider's test manager on a weekly basis;
- (g) supply details of any defects in Testing to the E2E Test Provider and provide sufficient, appropriate and empowered resource to input to the Authority's and the E2E Test Provider's problem review forums, also adhering to the defect management process as defined in the E2E Test Strategy and/or Plan;

- (h) complete their delivery activities on time and in accordance with the E2E Test Strategy and/or Plan including meeting the exit criteria for system testing;
- (i) undertake the execution of any operational testing which has been sub-contracted to the Supplier by the Authority;
- (j) execute performance and volume testing;
- (k) undertake Component testing, Component integration testing and system testing;
- (l) provide and maintain the requisite test environments in a timely manner as defined in the E2E Test Strategy and/or Plan;
- (m) provide test data to be used in SIT; and
- (n) provide sufficient, appropriate and empowered resource to provide technical support for the resolution of defects during SIT.



HM Revenue
& Customs

HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (December 2020)

SCHEDULE 7.1 | Charges and Invoicing



OFFICIAL – SENSITIVE - COMMERCIAL

OFFICIAL

Schedule 7.1 | Charges and Invoicing

1 DEFINITIONS

In this Schedule, the following definitions shall apply:

“Achieved Profit Margin”	the cumulative Supplier Profit Margin calculated from (and including) the Effective Date (or, if applicable, the date of the last adjustment to the Charges made pursuant to Paragraph 0 of Part D) to (and including) the last day of the previous Contract Year;
“Anticipated Contract Life Profit Margin”	the anticipated Supplier Profit Margin over the Term as reflected in the Financial Model;
“Capped ADR”	in relation to a Milestone Payment or Service Charge means a capped average day rate calculated by reference to a Time and Materials pricing mechanism and as set out in the Financial Model;
“Certificate of Costs”	a certificate of costs signed by the Supplier’s Chief Financial Officer or Director of Finance (or equivalent as agreed in writing by the Authority in advance of issue of the relevant certificate) and substantially in the format set out in Error! Not a valid result for table. ;
“Costs”	<p>the following costs (without double recovery) to the extent that they are reasonably and properly incurred by the Supplier in providing the Services:</p> <ul style="list-style-type: none"> (a) the cost to the Supplier or the Key Sub-contractor (as the context requires), calculated per Work Day, of engaging the Supplier Personnel, including: <ul style="list-style-type: none"> (i) base salary paid to the Supplier Personnel; (ii) employer’s national insurance contributions; (iii) pension contributions; (iv) car allowances; (v) any other contractual employment benefits;

- (vi) staff training;
 - (vii) work place accommodation;
 - (viii) work place IT equipment and tools reasonably necessary to perform the Services (but not including items included within limb (b) below); and
 - (ix) reasonable recruitment costs, as agreed with the Authority;
- (b) costs incurred in respect of those Assets which are detailed on the Registers and which would be treated as capital costs according to generally accepted accounting principles within the UK, which shall include the cost to be charged in respect of Assets by the Supplier to the Authority or (to the extent that risk and title in any Asset is not held by the Supplier) any cost actually incurred by the Supplier in respect of those Assets;
- (c) operational costs which are not included within (a) or (b) above, to the extent that such costs are necessary and properly incurred by the Supplier in the delivery of the Services;
- (d) Forecast Contingency Costs;
- (e) Reimbursable Expenses to the extent these are incurred in delivering any Services where the Charges for those Services are to be calculated on a Fixed Price or Firm Price pricing mechanism;
- but excluding:
- (i) Overhead;
 - (ii) financing or similar costs;
 - (iii) maintenance and support costs to the extent that these relate to maintenance and/or support services provided beyond the Term, whether in relation to Assets or otherwise;
 - (iv) taxation;
 - (v) fines and penalties;

	<ul style="list-style-type: none"> (vi) amounts payable under Schedule 7.3 (<i>Value For Money</i>); and (vii) non-cash items (including depreciation, amortisation, impairments and movements in provisions);
“Delay Payment Rate”	has the meaning given in Paragraph 1.1(a) of Part C;
“European Standard”	in relation to an electronic invoice means the European standard and any of the syntaxes published in Commission Implementing Decision (EU) 2017/1870.
“Forecast Contingency Costs”	the costs which the Supplier forecasts may be incurred in relation to the risks and contingencies that are identified in the Risk Register, such costs being those set out in the column headed ‘Forecast Contingency Costs’ in the Risk Register (as such costs are updated from time to time);
“Guaranteed Maximum Price”	in relation to a Milestone, 110% of the Target Price for the relevant Milestone;
“Incurred Costs”	<p>in relation to a Milestone, the sum of:</p> <ul style="list-style-type: none"> (a) the fixed day costs set out in Table 2 of Annex 1 multiplied by the number of Work Days that have been expended by the Supplier Personnel in Achieving the relevant Milestone; and (b) any amount that would fall within limbs (b) or (c) of the definition of “Costs” (but subject to exceptions (i) to (vii) in that definition), to the extent that such amount has been incurred in Achieving the relevant Milestone;
“Indexation” and “Index”	the adjustment of an amount or sum in accordance with Paragraph 5 of Part C;
“Maximum Permitted Profit Margin”	the Anticipated Contract Life Profit Margin plus 5%;
“Milestone Group”	has the meaning given in Paragraph 2.2 of Part B;
“Milestone Retention”	has the meaning given in Paragraph 1.3 of Part B;

“Overhead”

those amounts which are intended to recover a proportion of the Supplier’s or the Key Sub-contractor’s (as the context requires) indirect corporate costs (including financing, marketing, advertising, research and development and insurance costs and any fines or penalties) but excluding allowable indirect costs apportioned to facilities and administration in the provision of Supplier Personnel and accordingly included within limb (a) of the definition of “Costs” or the day cost set out in Table 2 of Annex 1;

“Reimbursable Expenses”

reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of the Services, calculated at the rates and in accordance with the Authority's expenses policy current from time to time, but not including:

- (a) travel expenses incurred as a result of Supplier Personnel travelling to and from their usual place of work, or to and from the premises at which the Services are principally to be performed, unless the Authority otherwise agrees in advance in writing; and
- (b) subsistence expenses incurred by Supplier Personnel whilst performing the Services at their usual place of work, or to and from the premises at which the Services are principally to be performed;

“Supplier Profit”

in relation to a period or a Milestone (as the context requires), the difference between the total Charges (in nominal cash flow terms but excluding any Deductions) and total Costs (in nominal cash flow terms) for the relevant period or in relation to the relevant Milestone;

“Supplier Profit Margin”

in relation to a period or a Milestone (as the context requires), the Supplier Profit for the relevant period or in relation to the relevant Milestone divided by the total Charges over the same period or in relation to the relevant Milestone and expressed as a percentage;

“Supporting Documentation”	sufficient information in writing to enable the Authority reasonably to assess whether the Charges, Reimbursable Expenses and other sums due from the Authority detailed in the information are properly payable, including copies of any applicable receipts;
“Target Cost”	has the meaning given in Paragraph 4.1 of Part A;
“Target Price”	the Target Price for the relevant Milestone as set out in Table 4 of Annex 1;
“Verification Period”	in relation to an Allowable Assumption, the period from (and including) the Effective Date to (and including) the date at which the relevant Allowable Assumption expires, as set out against the relevant Allowable Assumption in column 11 in the table in Annex Error! Reference source not found..
“Work Day”	7.5 Work Hours, whether or not such hours are worked consecutively and whether or not they are worked on the same day;
“Work Hours”	the hours spent by the Supplier Personnel properly working on the Services including time spent travelling (other than to and from the Supplier's offices, or to and from the Sites) but excluding lunch breaks;

PART A | PRICING

1 INTRODUCTION

- 1.1 This Schedule **Error! Reference source not found.** (*Charges and Invoicing*) is to set out the provisions relating to:
- (a) Milestone Payments;
 - (b) Service Charges;
 - (c) expenses and capital assets;
 - (d) adjustments to the Charges, including Service Credits, Delay Payments, payments for Delays due to Authority Cause and Allowable Assumptions;
 - (e) changes to the Charges;
 - (f) Charges for the provision of Termination Services; and
 - (g) invoicing and payment terms.

2 APPLICABLE PRICING MECHANISM

- 2.1 Milestone Payments and Service Charges shall be calculated using the pricing mechanism specified in Annex 2 and on the basis of the rates and prices specified in Annex 1 as more particularly set out in this Schedule.
- 2.2 Table 1 of Annex 2 sets out which pricing mechanism shall be used to calculate each Milestone Payment, which shall be one or more of the following:
- (a) “Time and Materials”, in which case the provisions of Paragraph 3 shall apply;
 - (b) “Guaranteed Maximum Price with Target Cost”, in which case the provisions of Paragraph 4 shall apply;
 - (c) “Fixed Price”, in which case the provisions of Paragraph 4.4 shall apply; or
 - (d) “Firm Price”, in which case the provisions of Paragraph 6 shall apply.
- 2.3 Table 2 of Annex 2 sets out which pricing mechanism shall be used to calculate each Service Charge, which shall be one or more of the following:
- (a) “Time and Materials”, in which case the provisions of Paragraph 3 shall apply;
 - (b) “Volume Based” pricing, in which case the provisions of Paragraph 7 shall apply; or
 - (c) “Fixed Price” in which case the provisions of Paragraph 4.4 shall apply.

3 TIME AND MATERIALS MILESTONE PAYMENTS OR SERVICE CHARGES

3.1 Where Table 1 or Table 2 of Annex 2 indicates that a Milestone Payment or Service Charge (as applicable) is to be calculated by reference to a Time and Materials pricing mechanism:

- (a) the day rates set out in Table 3 of Annex 1 shall be used to calculate the relevant Charges, provided that the Supplier (or its Sub-contractor) shall:
 - (i) not be entitled to include any uplift for risks or contingencies within its day rates;
 - (ii) not be paid any Charges to the extent that they would otherwise exceed the cap specified against the relevant Charge in Table 2 of Annex 1 unless the Supplier has obtained the Authority's prior written consent. The Supplier shall monitor the amount of each Charge incurred in relation to the relevant cap and notify the Authority immediately in the event of any risk that the cap may be exceeded and the Authority shall instruct the Supplier on how to proceed;
 - (iii) unless otherwise agreed by the Authority in relation to the relevant Milestone Payment or Service Charge (as the case may be), not be paid any Charges to the extent that they would otherwise exceed the amount calculated by multiplying:
 - (A) the total number of days expended by the Supplier in relation to the relevant Milestone; or
 - (B) the total number of days expended by the Supplier during the relevant Service Period in relation to the relevant Service,by the Capped ADR; and
 - (iv) 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
- (b) 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 with each invoice. If the Authority requests copies of such records, the Supplier shall make them available to the Authority within 10 Working Days of the Authority's request.

3.2 The Supplier shall be entitled to Index the rates set out in Table 1 of Annex 1 and the Capped ADR in accordance with Paragraph 5 of Part C, but any caps set out in Table 2 of Annex 1 shall not be subject to Indexation.

4 GUARANTEED MAXIMUM PRICE WITH TARGET COST INCENTIVE MILESTONE PAYMENTS

4.1 Where Table 1 of Annex 2 indicates that a Milestone Payment is to be calculated by reference to the Guaranteed Maximum Price with Target Cost pricing mechanism, the target Costs (the “Target Cost”) and the Target Price for the relevant Milestone shall be as set out in Table 3 of Annex 1.

4.2 If the Incurred Costs relating to a Milestone are lower than the Target Cost for that Milestone, the difference between the Incurred Costs and the Target Cost shall be shared equally between the Authority and the Supplier (resulting in the Supplier receiving a higher Supplier Profit Margin in relation to that Milestone), and the Milestone Payment shall be calculated as follows:

$$\text{Milestone Payment} = \text{TP} - ((\text{TC} - \text{IC})/2)$$

where:

TP is the Target Price for the relevant Milestone;

TC is the Target Cost for the relevant Milestone; and

IC is the Incurred Costs relating to the relevant Milestone.

4.3 If the Incurred Costs relating to a Milestone are greater than the Target Cost for that Milestone, the difference between the Incurred Costs and the Target Cost shall be borne equally between the Authority and the Supplier (resulting in the Supplier receiving a lower Supplier Profit Margin in relation to that Milestone), provided that the maximum Milestone Payment payable by the Authority for the relevant Milestone shall not exceed an amount equal to the guaranteed maximum price for that Milestone as set out in Table 3 of Annex 1 (the “Guaranteed Maximum Price”) Represented numerically:

(a) if:

(i) $\text{IC} > \text{TC}$; and

(ii) $\text{TP} + ((\text{IC} - \text{TC})/2) < \text{GMP}$,

then Milestone Payment = $\text{TP} + ((\text{IC} - \text{TC})/2)$; or

(b) if:

(i) $\text{IC} > \text{TC}$; and

(ii) $\text{TP} + ((\text{IC} - \text{TC})/2) \geq \text{GMP}$,

then Milestone Payment = GMP

where:

IC	is the Incurred Costs relating to the relevant Milestone;
TC	is the Target Cost for the relevant Milestone;
TP	is the Target Price for the relevant Milestone; and
GMP	is $TP * 1.1$, being the Guaranteed Maximum Price for the relevant Milestone.

4.4 Target Price and Guaranteed Maximum Price shall not be subject to Indexation.

5 FIXED PRICE MILESTONE PAYMENTS OR SERVICE CHARGES

5.1 Where Table 1 or Table 2 of Annex 2 indicates that a Milestone Payment or Service Charge is to be calculated by reference to a Fixed Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Table 4 of Annex 1.

5.2 Charges calculated by reference to a Fixed Price pricing mechanism shall be subject to increase by way of Indexation.

6 FIRM PRICE MILESTONE PAYMENTS

6.1 Where Table 1 of Annex 2 indicates that a Milestone Payment is to be calculated by reference to a Firm Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Table 1 of Annex 1.

6.2 NOT USED

7 VOLUME BASED SERVICE CHARGES

7.1 Where Table 2 of Annex 2 indicates that a Service Charge is to be calculated by reference to a Volume Based pricing mechanism, the relevant Charges shall be calculated on the basis of the unit costs set out against that Service Charge in Table 2 of Annex 1.

7.2 In the event that the volume of any Services that are to be calculated by reference to a Volume Based pricing mechanism fall outside the relevant volume bands set out against that Service Charge in Table 2 of Annex 1, the relevant Service Charges shall be calculated in accordance with the Change Control Procedure and Paragraph 4 of Part C.

7.3 NOT USED

8 EXPENSES

8.1 Where:

- (a) Services are to be charged using the Time and Materials or Guaranteed Maximum Price with Target Cost pricing mechanism; and

(b) the Authority so agrees in writing,

the Supplier shall be entitled to be reimbursed by the Authority for Reimbursable Expenses (in addition to being paid the relevant Charges), provided that such Reimbursable Expenses are supported by Supporting Documentation.

8.2 The Authority shall provide a copy of its current expenses policy to the Supplier upon request.

8.3 Except as expressly set out in Paragraph 8.1, the Charges shall include all costs and expenses relating to the Deliverables, the Services and/or the Supplier's performance of its obligations under this Agreement and no further amounts shall be payable by the Authority to the Supplier in respect of such performance, including in respect of matters such as:

(a) any incidental expenses that the Supplier incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop and office equipment costs required by the Supplier Personnel, including network or data interchange costs or other telecommunications charges; or

(b) any amount for any services provided or costs incurred by the Supplier prior to the Effective Date.

9 CAPITAL ASSETS

9.1 If the Supplier procures on behalf of the Authority any capital assets from third parties on a pass-through basis, the Supplier shall not be entitled to apply any margin to the costs charged by such third parties to the Supplier in its pass-through charge to the Authority.

PART B | CHARGING MECHANISMS

1 MILESTONE PAYMENTS

1.1 Subject to the provisions of Paragraph 1.3 of Part C in relation to the deduction of Delay Payments, on the Achievement of a Milestone the Supplier shall be entitled to invoice the Authority for the Milestone Payment associated with that Milestone less the applicable Milestone Retention in accordance with this Part B.

1.2 Each invoice relating to a Milestone Payment shall be supported by:

- (a) Written approval from the Authority that the milestone completion has been approved and
- (b) where the Milestone Payment is to be calculated by reference to a Guaranteed Maximum Price with Target Cost or Time and Materials pricing mechanism, a Certificate of Costs with Supporting Documentation.

1.3 The “**Milestone Retention**” for each Milestone shall be calculated as follows:

- (a) where the Milestone Payment for the relevant Milestone is determined by reference to a Guaranteed Maximum Price with Target Cost pricing mechanism, 10% of the Target Price for the Milestone;
- (b) where the Milestone Payment for the relevant Milestone is determined by reference to a Time and Materials, Fixed Price or Firm Price pricing mechanism, 10% of the Charges for that Milestone,

and, in the case of a Key Milestone, prior to deduction from the Milestone Payment of any Delay Payment attributable to that Key Milestone and without taking account of any amount payable by the Supplier pursuant to Paragraph 1.3 of Part C.

2 GUARANTEED MAXIMUM PRICE WITH TARGET COST PRICING MECHANISM

2.1 Where a Milestone Payment relating to a single Milestone is to be calculated by reference to a Guaranteed Maximum Price with Target Cost pricing mechanism, then the following payment process shall apply:

- (a) upon the issue of receiving approval in writing from the Authority that a Milestone has been achieved, for the Milestone, the Supplier may invoice the Authority for the Target Price for the relevant Milestone, less the Milestone Retention calculated using such Target Price; and
- (b) no later than 60 Working Days after the invoice referred to in Paragraph 2.1(a) 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;
 - (ii) issue to the Authority an invoice or credit note for the difference between the actual Milestone Payment payable and the Target Price

invoiced for the Milestone (in each case, after deducting the applicable Milestone Retention);

- (iii) where a credit note is to be issued to the Authority pursuant to Paragraph 2.1(b)(ii), repay to the Authority a sum equal to such difference as a debt within 10 Working Days of issue of the credit note; and
- (iv) issue a Certificate of Costs with Supporting Documentation, which shall exclude any accruals, prepayments and provisions.

2.2 Where Milestones are stated in Table 3 of Annex 1 to constitute a group of Milestones (a “**Milestone Group**”) and the Milestone Payments relating to the Milestones in that Milestone Group are each to be calculated by reference to a Guaranteed Maximum Price with Target Cost pricing mechanism, then the following payment process shall apply:

- (a) in respect of each Milestone within the Milestone Group, the Supplier may invoice the Authority for the Target Price for the relevant Milestone, less the Milestone Retention calculated using such Target Price; and
- (b) no later than 60 Working Days after the issue of the invoice for the final Milestone Payment relating to the Milestone Group, the Supplier shall:
 - (i) submit to the Authority a report setting out the Incurred Costs and actual Milestone Payments for the Milestone Group;
 - (ii) issue to the Authority an invoice or credit note for the difference between the aggregate of the actual Milestone Payments payable and Target Prices invoiced for Milestones in the Milestone Group (in each case, after deducting all Milestone Retentions relating to that Milestone Group);
 - (iii) where a credit note is to be issued to the Authority pursuant to Paragraph 2.2(b)(ii), repay to the Authority a sum equal to such difference as a debt within 10 Working Days of issue of the credit note; and
 - (iv) issue a Certificate of Costs with Supporting Documentation, which shall exclude any accruals, prepayments and provisions.

2.3 If the Supplier does not repay any such sum as is referred to in Paragraph 2.1(b)(ii) or 2.2(b)(ii) within 10 Working Days of issue of the relevant credit note, it shall repay such sum together with interest on such sum at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from (and including) the due date up to (but excluding) the date of actual payment, whether before or after judgment.

2.4 Following the issue of a Certificate of Costs in accordance with Paragraph 1.2, 2.1(b)(ii) or 2.2(b)(ii), the Supplier shall not be entitled to invoice the Authority for any additional Charges relating to the Milestone or Milestone Group (as applicable) save as provided in Paragraph 3.1.

3 RELEASE OF MILESTONE RETENTIONS

- 3.1 On Achievement of a CPP Milestone relating to the Supplier Solution or one or more Services (as the case may be), the Supplier shall be entitled to invoice the Authority for an amount equal to all Milestone Retentions that relate to Milestones identified in the “*CPP Milestone Charge Number*” column of Table 1 (or, in relation to Milestone Retentions in respect of Optional Services, Table 4) of Annex 2 and corresponding CPP Milestone Charge Number as being payable in respect of that CPP Milestone and have not been paid before such CPP Milestone.

4 SERVICE CHARGES

- 4.1 Each Service to which a Service Charge relates shall commence on the Achievement of the Milestone set out against that Service in the “*Service Charge Trigger Event*” column of Table 2 of Annex 2.

- 4.2 Service Charges shall be invoiced by the Supplier for each Service Period in arrear in accordance with the requirements of Part E.

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

- (a) commences on a day other than the first day of a month; and/or
- (b) ends on a day other than the last day of a month,

the Service Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.

- 4.4 Any Service Credits that accrue during a Service Period shall be calculated in the next following Service Period and shall be deducted from the Services Charges in such next Service Period. For the avoidance of doubt, by way of a worked example, in respect of the Services performed in Service Period 1, the total number of Service Points accumulated in Service Period 1 shall be calculated during Service Period 2 and the resulting Service Credits shall be deducted from the invoice relating to Service Period 2. Where any Service Credits would have otherwise been due in the final Service Period, the Supplier shall issue a credit note to the Authority in the month following the final Service Period and make payment to the Authority to the value of such credit note within 10 Working Days of issue of the credit note. An invoice for a Service Charge shall not be payable by the Authority unless all adjustments (including Service Credits) relating to the Service Charges for the immediately preceding Service Period have been agreed.

5 CHARGES FOR TRANSITION

- 5.1 The Transition Charges are set out in Table 8 of Annex 1. The Authority notes that the key milestones may be subject to change following the completion the Discovery Period.

- 5.2 Any required amendments to the Transition Charges, as anticipated within clause 5.1, shall be calculated using the rates and prices contained within Table 1 of Annex 1. Where an amendment to the Transition Charges is requested, the Supplier shall utilise the pricing mechanisms contained within Table 8 of Annex 1 as a benchmark and provide the Authority with a detailed, clear and accurate breakdown of the pricing factors justifying their request for change. Any agreed change will be subject to the Change Control Procedure set out in Schedule 8.3 (Change Control Procedure).

6 CHARGES FOR PROJECTS

- 6.1 NOT USED

7 OPTIONAL SERVICES

- 7.1 If the Authority gives notice pursuant to Clause 5.9 (*Optional Services*) that it requires the Supplier to provide any or all of the Optional Services:

- (a) the Milestone Payments (if any) for the relevant Optional Services shall be calculated by reference to the pricing mechanism for those Optional Services set out in Table 3 of Annex 2; and
- (b) the Service Charges for the relevant Optional Services shall be calculated by reference to the pricing mechanism for those Optional Services set out in Table 4 of Annex 2,

in both cases using the relevant rates and prices specified in Annex 1.

PART C | ADJUSTMENTS TO THE CHARGES AND RISK REGISTER

1 DELAY PAYMENTS

- 1.1 If a Key Milestone has not been Achieved on or before the relevant Milestone Date, the Supplier shall pay a Delay Payment to the Authority in respect of that Key Milestone. Delay Payments shall accrue:
- (a) at the daily rate (the “**Delay Payment Rate**”) determined in accordance with Paragraph 1.2;
 - (b) from (but excluding) the relevant Milestone Date to (and including) the earlier of:
 - (c) the date on which the Key Milestone is Achieved; and
 - (d) the expiry of the Delay Deduction Period; and
 - (e) on a daily basis, with any part day’s Delay counting as a day.
- 1.2 Where a Delay Payment is payable in respect of a Key Milestone, the Delay Payment Rate shall be:
- (a) NOT USED;
 - (b) in respect to Transition, 1.5 times the average day rate for every day of delay; or
 - (c) in respect of each Project, the amount set out in the relevant Project Work Order in respect of Milestone applicable to a Project.
- 1.3 Where the Supplier serves a notice pursuant to Paragraph 1.2(b) or 1.2(c), the Supplier shall, within five (5) Working Days of the date the notice is served:
- (a) pay to the Authority in cleared funds on account of the relevant Delay Payment (but subject always to Paragraph 1.4) an amount equal to:
 - (i) in the case of a notice served pursuant to Paragraph 1.2(b), 5 days of Delay Payments; or
 - (ii) in the case of a notice served pursuant to Paragraph 1.2(c), 10 days of Delay Payments in accordance with paragraph 1.4,
- in each case calculated at the applicable Delay Payment Rate; and
- (b) issue a credit note to the Authority in respect of the relevant amount.
- Failure to make payment within ten (10) Working Days of the Supplier’s notice shall invalidate the notice.
- 1.4 Any amounts paid to the Authority pursuant to Paragraph 1.3 shall not be refundable to the Supplier in any circumstances, including where a Delay as referred to in the Supplier's notice:
- (a) does not occur; or

- (b) does occur but continues for fewer days during the relevant Delay Deduction Period than the number of days referred to in Paragraph 1.3(a) or 1.3(b) as the case may be.
- 1.5 The Parties agree that Delay Payments calculated in accordance with the applicable Delay Payment Rates:
 - (a) in each case a genuine pre-estimate of the Losses which the Authority will incur as a result of any failure by the Supplier to Achieve the relevant Key Milestone by the Milestone Date; and
 - (b) do not impose a detriment on the Supplier out of all proportion to the legitimate interests of the Authority.
- 1.6 Delay Payment Rates are stated exclusive of VAT.
- 1.7 The Delay Payment in respect of a Key Milestone (net of any payment made in respect of that Key Milestone pursuant to Paragraph 1.3) shall be shown as a deduction from the amount due from the Authority to the Supplier in the next invoice due to be issued by the Supplier after the date on which the relevant Key Milestone is Achieved or the expiry of the Delay Deduction Period (as the case may be). If the relevant Key Milestone is not Achieved by the expiry of the Delay Deduction Period and no invoice is due to be issued by the Supplier within ten (10) Working Days of expiry of the Delay Deduction Period, then the Supplier shall within ten (10) Working Days of expiry of the Delay Deduction Period:
 - (a) issue a credit note to the Authority in respect of the total amount of the Delay Payment in respect of the Key Milestone (net of any payment made in respect of the Key Milestone pursuant to Paragraph 1.3); and
 - (b) pay to the Authority as a debt a sum equal to the total amount of the Delay Payment in respect of the Key Milestone together with interest on such amount at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from (and including) the due date up to (but excluding) the date of actual payment, whether before or after judgment.

2 PAYMENTS FOR DELAYS DUE TO AUTHORITY CAUSE AND COLLABORATION FAILURE

- 2.1 If the Supplier is entitled in accordance with Clause 32.1(iii)(D) (*Authority Cause and Ecosystem Failure*) to compensation for failure to Achieve a Milestone by its Milestone Date, then, subject always to Clause 25 (*Limitations on Liability*), such compensation shall be determined in accordance with the following principles:
 - (a) the compensation shall reimburse the Supplier for additional Costs incurred by the Supplier that the Supplier:
 - (i) can demonstrate it has incurred solely and directly as a result of the Authority Cause; and
 - (ii) is, has been, or will be unable to mitigate, having complied with its obligations under Clause 32.1 (*Authority Cause*)

together with an amount equal to the Anticipated Contract Life Profit Margin thereon;

- (b) the compensation shall not operate so as to put the Supplier in a better position than it would have been in but for the occurrence of the Authority Cause;
- (c) where the Milestone Payment for the relevant Milestone is to be calculated by reference to the Guaranteed Maximum Price with Target Cost pricing mechanism, then:
 - (i) the Target Price for the Milestone shall be increased in accordance with the following formula:

$$NTP = TP + (AC \times 1.x)$$

where:

NTP	is the revised Target Price for the relevant Milestone;
TP	is the original Target Price for the relevant Milestone;
AC	is an amount equal to any additional Costs incurred by the Supplier in Achieving the Milestone to the extent that the Supplier can demonstrate that such additional Costs were caused by the Authority Cause; and
x	is the Supplier Profit Margin that the Supplier would have received in respect of the relevant Milestone on the basis of the unadjusted Target Cost and unadjusted Target Price for that Milestone, as set out in Table 4 of Annex 1, expressed as a decimal; and

- (ii) the Guaranteed Maximum Price shall be increased to an amount equal to 110% of the Target Price as adjusted pursuant to Paragraph 2.1(c)(i);
- (d) where the relevant Milestone Payment is to be calculated based upon a Fixed Price or a Firm Price pricing mechanism, the compensation shall include such amount as is appropriate to maintain the Supplier Profit Margin set out in respect of the relevant Milestone in Table 5 or Table 6 of Annex 1; and
- (e) where the Milestone Payment includes any Charges which are capped, then to the extent that the compensation agreed pursuant to this Paragraph 2 results in the Authority paying additional Time and Materials Charges for resources or effort which the Supplier demonstrates are required as a result of the Authority Cause, such additional Time and Materials Charges shall be disregarded for the purposes of calculating the relevant cap.

2.2 If the Supplier is due compensation for failure to Achieve a Milestone by its Milestone Date where the Supplier Non-Performance would not have occurred but for an Ecosystem Failure, then, subject always to Clause 25 (Limitations on Liability), such compensation shall not exceed the amount recovered by the Authority from the relevant other Ecosystem Supplier as a result of the Ecosystem Failure.

- 2.3 The Supplier shall provide the Authority with any information the Authority may require in order to assess the validity of the Supplier's claim to compensation.

3 SERVICE CREDITS

- 3.1 Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 2.2 (*Performance Levels*).

- 3.2 For each Service Period:

- (a) the Service Points accrued shall be converted to a percentage deduction from the Service Charges for the relevant Service Period on the basis of one point equating to a 1% deduction in the Service Charges; and
- (b) the total Service Credits applicable for the Service Period shall be calculated in accordance with the following formula:

$$SC = TSP \times X \times AC$$

where:

SC	is the total Service Credits for the relevant Service Period;
TSP	is the total Service Points that have accrued for the relevant Service Period;
X	is 1%; and
AC	is the total Services Charges payable for the relevant Service Period (prior to deduction of applicable Service Credits).

- 3.3 The liability of the Supplier in respect of Service Credits shall be subject to Clause 25.2(b) (*Financial and other Limits*) provided that, for the avoidance of doubt, the operation of the Service Credit Cap shall not affect the continued accrual of Service Points in excess of such financial limit in accordance with the provisions of Schedule 2.2 (*Performance Levels*).

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

- 3.5 Service Credits shall be shown as a deduction from the amount due from the Authority to the Supplier in the invoice for the Service Period immediately succeeding the Service Period to which they relate in accordance with Paragraph 4.4 of Part B of this Schedule 7.1 (Charges and Invoicing).

4 CHANGES TO CHARGES

- 4.1 Any Changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 8.3 (Change Control Procedure) and on the basis that the Supplier Profit Margin on such Charges shall:

- (a) be no greater than that applying to Charges using the same pricing mechanism as at the Effective Date (as set out in the Contract Inception Report); and
 - (b) in no event exceed the Maximum Permitted Profit Margin.
- 4.2 The Authority may request that any Impact Assessment presents Charges without Indexation for the purposes of comparison.

5 INDEXATION

- 5.1 Any amounts or sums in this Agreement which are expressed to be “subject to Indexation” shall be adjusted in accordance with the provisions of this Paragraph 5 to reflect the effects of inflation.
- 5.2 The following costs, expenses, fees or charges included in the Charges shall not be subject to adjustment under this Paragraph 5 and shall not be included in the relevant amount or sum for the purposes of Paragraph:
- (a) Any costs charged by the Supplier to the Authority in respect of Assets or Authority Assets (including capital costs and installation, maintenance and support costs) which are incurred by the Supplier prior to the relevant adjustment date but which remain to be recovered through the Charges.
- 5.3 NOT USED
- (a) NOT USED
 - (b) NOT USED
- 5.4 Except as set out in this Paragraph 5, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Supplier or Sub-contractors of the performance of their obligations.
- (a) On a quarterly basis, the Supplier and / or the Authority will undertake a review of the aspects of the prices included within Schedule 7.1 (Charges and Invoicing):
 - (i) For paper and envelopes, the Supplier must provide analysis of the movement in the indices to be agreed in Transition for FSC paper and for manilla envelopes since the last review. Any movement greater than or equal to 3% in the agreed indices since the last price change shall instigate a price increase or a price decrease to all of the relevant Contract prices. That is if the paper index has moved by 3% or more, all of the paper prices shall be adjusted by that movement and/or if the manilla envelope index has moved by 3% or more, all of the envelope prices shall be adjusted by that movement:
 - (b) The Parties agree that any agreed changes required to this Contract identified in the price review will be implemented at the direction of the Authority in accordance with Schedule 8.3 (Change Control Procedure).

The Supplier’s first opportunity to submit a price review in line with the above will be on commencement of Contract delivery (post transition

6 ALLOWABLE ASSUMPTIONS

6.1 The Supplier shall only be able to rely on the Allowable Assumptions to the extent that each of them are:

- (a) specific;
- (b) measurable; and
- (c) time constrained,

and have a clear description of the impact on any aspect of this Agreement in the event that the Allowable Assumption is not accurate to include the impact on:

- (d) the Services (including any impact on the Transition Plan and/or Project Plan (as appropriate)); and
- (e) the Charges (including the basis of calculation of any cost impact).

6.2 The Supplier shall determine whether each Allowable Assumption is accurate within its Verification Period.

6.3 During each Verification Period, the Authority shall provide the Supplier with reasonable assistance and access to information within its possession or reasonable control and which the Authority deems is relevant to the Allowable Assumption being verified.

6.4 Within ten (10) Working Days of the end of each Verification Period, the Supplier shall provide the Authority with a written report setting out the results of the Supplier's verification activity for the relevant Allowable Assumption, including whether the Allowable Assumption is accurate or whether the Transition Plan or Project Plan (as appropriate) and/or the Contract Inception Report require adjustment.

6.5 Each Allowable Assumption shall be deemed accurate unless adjusting for the relevant Allowable Assumption has an impact:

- (a) on the Financial Model greater than the associated trigger for invocation, as set out in column 9 of the table in Annex 5; or
- (b) on the Transition Plan or any Project Plan which would require adjustment under the Change Control Procedure, as identified in column 3 of the table in Annex 5,

in which case Paragraph 6.6 shall apply.

6.6 Where the Parties agree that an Allowable Assumption is not accurate and the Financial Model and/or Transition Plan and/or Project Plan require adjusting:

- (a) the Supplier shall take all reasonable steps to mitigate the impact of the Allowable Assumption on the Financial Model and/or the Transition Plan or any Project Plan;
- (b) the Supplier may (subject to Paragraph 6.6(c)) propose a Change to take account of the impact of the adjustment of the Allowable Assumption and such Change Request shall be considered in accordance with the Change Control Procedure; and

- (c) where the Supplier proposes a Change to the Charges under Paragraph 6.6(b), the Change Request shall reflect the requirements of the table in Annex **Error! Reference source not found.**, including the requirement that any proposed adjustment to the Charges shall not exceed the maximum impact on the relevant Charges as specified in column 7 of the table in Annex **Error! Reference source not found.**.

7 RISK REGISTER

- 7.1 The Parties shall review the Risk Register set out in Annex 4 from time to time and as otherwise required for the purposes of Schedule 8.1 (*Governance*).

8 CHARGING MODEL

- 8.1 The Supplier shall comply with its obligations with respect to Financial Management set out in Schedule 7.5 (Financial Reports and Audit Rights).
- 8.2 The Supplier shall on written demand indemnify the Authority, and keep the Authority indemnified, against all Losses incurred by, awarded against or agreed to be paid by the Authority arising from a breach by the Supplier of its Financial Management obligations set out in Schedule 7.5 (Financial Reports and Audit Rights) including without limitation any Losses which may arise as a consequence of any erroneous payments made by the Authority following instructions received by the Supplier.

PART D | EXCESSIVE SUPPLIER PROFIT MARGIN

1 LIMIT ON SUPPLIER PROFIT MARGIN

- 1.1 The Supplier acknowledges that the Achieved Profit Margin applicable over the Term shall not exceed the Maximum Permitted Profit Margin.
- 1.2 The Supplier shall include in each Annual Contract Report the Achieved Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up and the provisions of Paragraph 1 of Part B of Schedule 7.5 (Financial Reports and Audit Rights) shall apply to the approval of the Annual Contract Report.

2 SHARE CALCULATION IN THE EVENT OF EXCESS SUPPLIER PROFIT

- 2.1 No earlier than 45 days after the last day of each Service Year, the Supplier shall deliver to the Buyer (on the Buyer's reasonable request) a gain share calculation as at the date of the last day of each Service Year.
- 2.2 The gain share calculation shall be prepared in accordance with this schedule and the gain sharing rates set out in paragraph 4 of this Part D shall apply.
- 2.3 Each gain share calculation shall:
- (a) be supplied in electronic format;
 - (b) be certified as correct and accurate by a director of the Supplier;
 - (c) calculate, in accordance with the methodology used for the calculation of the Financial Model, the Supplier Profit and the Anticipated Annual Profit Margin;
 - (d) calculate, in accordance with the methodology used in the Financial Model the Supplier Profit Margin during each Service Year;
 - (e) show separately the amounts of Supplier Profit Margin (falling into Band 1, Band 2, and Band 3 as defined in paragraph 3 of this Part D of this schedule); and
 - (f) show separately the Supplier Profit Margin, the Supplier's Gain Share Amount and the Buyer's Gain Share Amount.
- 2.4 Following receipt by the Buyer of a gain share calculation, the Supplier shall at its own expense provide to the Buyer any such additional information as it may reasonably request so that the Buyer can verify the accuracy of the gain share calculation.
- 2.5 Within 30 days of receipt of the gain share calculation and all additional information required pursuant to paragraph 2 of this part D of this schedule, the Buyer shall notify the Supplier whether it agrees with or disputes the gain share calculation.

3 PAYMENT OF GAIN SHARE

- 3.1 Following agreement or determination of the gain share calculation, the Supplier shall pay to the Buyer the Buyer's Gain Share Amount calculated in accordance with paragraph 4 below.

4 GAIN SHARING RATIOS

- 4.1 The following table details the manner in which Supplier Profit Margin achieved by the Supplier over each Service Year above the level of the Anticipated Annual Profit Margin shall be shared between the Buyer and the Supplier:

Band	Where the Supplier Profit Margin is	Supplier % share of Gain Share Amount	Buyer % share of Gain Share Amount
Band 1	Less than or equal to Anticipated Annual Profit Margin	N/A	N/A
Band 2	More than the Anticipated Annual Profit Margin by no greater than 1%	N/A	N/A
Band 3	Greater than 1% but less than 3% more than the Anticipated Annual Profit	50%	50%
Band 4	More than 3% greater than the Anticipated Profit Margin	0%	100%

Error! Reference source not found.

REDACTED

PART E | INVOICING AND PAYMENT TERMS

1 SUPPLIER INVOICES

- 1.1 The Authority shall accept for processing any electronic invoice that complies with the European Standard, provided that it is valid and undisputed.
- 1.2 If the Supplier proposes to submit for payment an invoice that does not comply with the European standard the Supplier shall:
- (a) comply with the requirements of the Authority's e-invoicing system
 - (b) prepare and provide to the Authority for approval of the format a template invoice within 10 Working Days of the Effective Date which shall include, as a minimum, the details set out in Paragraph 1.3 together with such other information as the Authority may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and
 - (c) make such amendments as may be reasonably required by the Authority if the template invoice outlined in (a) is not approved by the Authority.
- 1.3 The Supplier shall ensure that each invoice is submitted in the correct format for the Authority's chosen electronic transaction system and/or that it contains the following information:
- (a) the date of the invoice;
 - (b) a unique invoice number;
 - (c) the Service Period or other period(s) to which the relevant Charge(s) relate;
 - (d) the correct reference for this Agreement;
 - (e) the reference number of the purchase order to which it relates;
 - (f) the dates between which the Services that are the subject of each of the Charges detailed on the invoice were performed;
 - (g) a description of the Services;
 - (h) the pricing mechanism used to calculate the Charges (such as Guaranteed Maximum Price with Target Cost, Fixed Price, Time and Materials etc);
 - (i) any payments due in respect of Achievement of a Milestone
 - (j) the total Charges gross and net of any applicable deductions and, separately, the amount of any Reimbursable Expenses properly chargeable to the Authority under the terms of this Agreement, and, separately, any VAT or other sales tax payable in respect of each of the same;
 - (k) details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;

- (l) reference to any reports required by the Authority in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);
 - (m) a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;
 - (n) the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number); and
 - (o) where the Services have been structured into separate Service lines, the information at (a) to (n) of this paragraph 1.3 shall be broken down in each invoice per Service line.
- 1.4 The Supplier shall invoice the Authority in respect of Services in accordance with the requirements of Part B. The Supplier shall first submit to the Authority a draft invoice setting out the Charges payable. The Parties shall endeavour to agree the draft invoice within five (5) Working Days of its receipt by the Authority, following which the Supplier shall be entitled to submit its invoice.
- 1.5 Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment by the Authority as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice.
- 1.6 The Supplier shall submit all invoices and Supporting Documentation through the Authority's chosen electronic transaction system.
- 1.7 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.
- 1.8 The Authority shall regard an invoice as valid only if it complies with the provisions of this Part E. Where any invoice does not conform to the Authority's requirements set out in this Part E, the Authority shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.
- 1.9 If the Authority fails to consider and verify an invoice in accordance with Paragraphs 1.4 and 1.8, the invoice shall be regarded as valid and undisputed for the purpose of Paragraph 2.1 (*Payment in 30 days*) after a reasonable time has passed.

2 PAYMENT TERMS

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

ANNEX 1 | PRICING MECHANISM

3 TABLE 1: SUPPLIER PERSONNEL RATE CARD FOR CALCULATION OF TIME AND MATERIALS CHARGES

REDACTED

REDACTED

1 TABLE 2: MAXIMUM TIME AND MATERIALS CHARGES

NOT USED

2 TABLE 3: DAY COST FOR CALCULATION OF GUARANTEED MAXIMUM PRICE WITH TARGET COST CHARGES

NOT USED

3 Table 4: GUARANTEED MAXIMUM PRICE WITH Target COSTS CHARGES

NOT USED

4 TABLE 5: FIXED PRICES

EMAIL & MOBILE MESSAGING MONTHLY/ANNUAL CHARGES

REDACTED

1 **TABLE 6: FIRM PRICES**

NOT USED

2 **TABLE 7: VOLUME CHARGES**

INPUT TRANSACTIONAL

REDACTED

OUTPUT TRANSACTIONAL

REDACTED

OUTPUT FORMS FULFILMENT

REDACTED

OUTPUT INSERTS

REDACTED

EMAIL & MOBILE MESSAGING TRANSACTIONAL

REDACTED

1 TABLE 8: TRANSITION CHARGES

REDACTED

ANNEX 2 | CHARGING MECHANISM AND ADJUSTMENTS

1 **TABLE 1: MILESTONE PAYMENTS AND DELAY PAYMENTS**

This table will be completed following the completion of the Discovery period.

Charge Number	Pricing Mechanism (FIX / FIRM / GMPTC / T&M)	CPP Milestone Charge Number	Delay Payments (if Key Milestone) (£ per day)		
			<3 months' notice	3-6 months' notice	>6 months' notice
[Service Line 1]					
[e.g. M1]	[FIRM]	[e.g. M1]			
[e.g. M2]	[FIRM]	[e.g. M2]			
[Service Line 2]					
[e.g. S1]	[FIRM]	[e.g. S1]			
[e.g. S2]	[FIRM]	[e.g. S2]			
[Service Line X]					
[etc.]	[FIRM]				

2 TABLE 2: SERVICE CHARGES

Charge Number	Pricing Mechanism (VOL / FIX / T&M)	Service Charge Trigger Event	Service Charge Expiration Trigger Event
Service Line 1 – INPUT SERVICES			
SC1 - Transactional	VOL	Go live of first service	Contract expiry or early termination
Service Line 2 – OUTPUT SERVICES			
SC3 - Transactional	VOL	Go live of first service	Contract expiry or early termination
SC4 – Forms Fulfilment	VOL	Go live of first service	Contract expiry or early termination
SC5 - Inserts	VOL	Go live of first service	Contract expiry or early termination
Service Line 3 – EMAIL & MOBILE MESSAGING SERVICES			
SC1 - Transactional	VOL	Go live of first service	Contract expiry or early termination
SC1 – Monthly charges	FIX	Go live of first service	Contract expiry or early termination

3 TABLE 3: OPTIONAL SERVICES MILESTONE PAYMENTS

NOT USED

4 TABLE 4: OPTIONAL SERVICES SERVICE CHARGES

NOT USED

ANNEX 3 | PRO-FORMA CERTIFICATE OF COSTS

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

[Insert details of Milestone/Milestone Group]

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

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

[Name of Supplier]

ANNEX 4 | RISK REGISTER

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Risk Number	Risk Name	Description of risk	Timing	Likelihood	Impact (£)	Impact (description)	Mitigation (description)	Cost of mitigation	Post-mitigation impact (£)	Forecast Contingency Costs	Owner

ANNEX 5 | ALLOWABLE ASSUMPTIONS

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 Transition Plan or Project 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	Maximum 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 Transition Plan and/or Project Plan and/or Financial Model 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)