



Ministry
of Defence



Command Support Air Support (CSAT) Phase 2

Draft Contract Schedule 4 (Pricing and Payment)

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PRICING & PAYMENT

1. This Schedule 4 sets out the Contract Prices agreed for supplying the Contractor Deliverables and Services, including the conditions governing the payment of such Contract Prices to the Contractor.
2. **Part 1** (Pricing) of this Schedule defines the Contract Prices agreed for each of the Contractor Deliverables and Services.
3. **Part 2** (Payment) of this Schedule defines the conditions that govern the payment of such Contract Prices to the Contractor.
4. **Annex 1** (Pricing Tables) to this Schedule lists the Contract Prices for the Contractor Deliverables and Services.

PART 1 – PRICING

1. Introduction

- 1.1. This Part 1 of Schedule 4 (Pricing & Payment) sets out the Contract Prices agreed for delivering each of the Contractor Deliverables and Services and specifies the basis of the prices for each, whether 'Firm Price' or 'Fixed Price' and therefore whether subject to adjustment (Variation) against a defined index.

2. Set up of Operations at RAF Northolt (SOR Item No. 1)

- 2.1. The Contract Price for the Contractor Deliverables detailed within Schedule of Requirements Item 1 is as specified within Table 1 of Appendix 2, to this Schedule 4 and is a Firm Price, not subject to any variation.
- 2.2. The Firm Prices recorded pursuant to Paragraph 2.1 are assigned to individual Milestones, as detailed within Appendix 2 (Payment Plan) to this Schedule 4.

3. Delivery of Aircraft In-Service Support (SOR Item Nos. 2 and 3)

- 3.1. The Contract Prices for the provision of In-Services Support detailed within Schedule of Requirements Items 2 and Item 3 are as specified within Table 2 of Appendix 2, within this Schedule and shall be as follows:
- 3.1.1. For Contract Year 1 to Contract Year 3, the Contract Prices shall be Firm Price in GBP and not subject to variation.
- 3.1.2. For Contract Year 4 and each subsequent Contract Year, the Contract Prices shall be Fixed Price in GBP and subject to adjustment in accordance with Appendix 1 (Variation of Price) of this Schedule 4.

4. Spiral 1 Core Military Modifications (SOR Item Nos 4 and 5)

- 4.1. The Contract Prices for the Design & Embodiment of Military Modifications (Spiral 1) Item 4 and Item 5 in accordance with the Contractor Deliverables, detailed within Schedule of Requirements, are as specified within Table 3 of Appendix 2 of this Schedule 4 and are Firm Prices not subject to variation.
- 4.2. The Firm Prices recorded pursuant to Paragraph 4.1 are assigned to individual Milestones, as detailed within Appendix 2 (Payment Plan) of this Schedule 4.

5. Contract Extension Options – (SOR Item Nos 6 and 7)

- 5.1. The Contract Prices for the contract extension options in accordance with Schedule of Requirement Item Nos. 6 and/or 7 are as specified within Table 1 of Appendix 2 within this Schedule 4 and shall be Fixed Price;
- 5.1.1. In the event that the Authority exercises such Options pursuant to Paragraph 5 (contract extension options) of the Contract, the Contract Prices for Schedule of Requirement Item Nos. 6 and/or 7 shall be subject to adjustment in accordance with Appendix 1 (Variation of Price) of this Schedule 4.

6. Spiral 2 Military Modification Options (SOR Item Nos 8, 9 and 10)

- 6.1. The Contract Prices for the Design & Embodiment of Military Modification Options (Spiral 2), Item 8, 9 and 10 in accordance with the Contractor Deliverables detailed within Schedule of Requirements are as detailed within Table 4 of Appendix 2 of this Schedule 4 and shall be as follows:
- 6.2. For options exercised in Contract Year 1 to Contract Year 3, the Contract Prices shall be Firm Price in GBP and not subject to variation;
- 6.2.1. For options exercised in Contract Year 4 and each subsequent Contract Year, the Contract Prices shall be a Fixed Price in GBP and subject to adjustment in accordance with Appendix 1 (Variation of Price) of this Schedule 4.
- 6.3. The Contract Prices recorded pursuant to Paragraph 6.1, are assigned to individual Milestones, as detailed within Appendix 2 (Payment Plan) of this Schedule 4.

7. Provision of Training (SOR Item No. 11)

- 7.1. The Contract Price for the provision of Training, Item 11 of the Schedule of Requirements are as specified within Table 5 of Appendix 2 within this Schedule 4 and shall be as follows:
- 7.1.1. For Contract Year 1 to Contract Year 3, the Contract Prices shall be Firm Price in GBP and not subject to variation;
- 7.1.2. For Contract Year 4 and each subsequent Contract Year, the Contract Prices shall be a Fixed Price in GBP and subject to adjustment in accordance with Appendix 1 (Variation of Price) of this Schedule 4.

8. Emergent Work (SOR Item No. 12)

- 8.1. Contract Prices for Emergent Work Requests authorised under Schedule of Requirement Item No. 12 shall be agreed by the Parties on an ad-hoc basis in accordance with the procedure set out in Clause 10 of the Contract (Emergent Work Tasking Process) and shall be recorded and evidenced by the execution of Parts A, B, C and D to the Task Authorisation Form, in accordance with Schedule 6 (Task Authorisation Form).
- 8.2. All Emergent Work Requests shall be Firm Price in GBP.
- 8.3. For the purposes of agreeing the price of any Emergent Work Requests, the labour and travel & subsistence rates as set out in Table 6 of Appendix 2 to this Schedule 4 shall be utilised to calculate the Contractor's proposed costs for the relevant Emergent Work Request for consideration by the Authority. These Rates shall be:
- 8.3.1. For Contract Year 1 to Contract Year 3, the Contract Prices shall be Firm Price in GBP and not subject to variation;

**FOR CONTRACT YEAR 4 AND EACH SUBSEQUENT CONTRACT YEAR, THE
CONTRACT PRICES SHALL BE A FIXED PRICE IN GBP AND SUBJECT TO
ADJUSTMENT IN ACCORDANCE WITH APPENDIX 1 (VARIATION OF PRICE) OF THIS
SCHEDULE 4.PART 2 – PAYMENT**

9. PAYMENT

- 9.1. All payments to be made by the Authority to the Contractor under the Contract shall be subject to the provisions of this Schedule 4 and Schedule 5 (Performance Management) to the Contract.
- 9.2. The Contractor shall submit all claims for payment in accordance with the provisions of this Part 2 (Payment) of Schedule 4, Schedule 5 (Performance Management), DEFCON 522 (Payment and Recovery of Sums Due), and the Payment Plan as set out in Appendix 2 (Payment Plan) of this Schedule 4.
- 9.3. The Contractor shall ensure that all claims for payment reflect the Contract Prices as detailed in Appendix 2 (Payment Plan) to this Schedule 4. Any claim for payment that does not accord with such shall not be regarded as a valid claim for payment.
- 9.4. If the Authority considers (acting reasonably) that the Contractor has failed to perform any of their [material] obligations under the Contract, the Authority may withhold a proportionate amount due under the Contract and/or recover from the Contractor any payment already made until the Contractor's performance of its [material] obligations is rectified to the reasonable satisfaction of the Authority, at which point the Authority shall pay the amount withheld. The making of any payment to the Contractor by the Authority shall in no way reduce the liability of the Contractor to carry out their obligations under the Contract. For the avoidance of doubt, the Authority is under no obligation to repay any Permanent Withholds even where the Contractor's performance has been rectified.
- 9.5. Payment to the Contractor shall not be construed as acceptance by the Authority of the performance of the Contractor's obligations nor as a waiver of its rights and remedies under the Contract. The acceptance arrangements that shall apply to the Services and Contractor Deliverables to be provided by the Contractor under the Contract shall be as detailed in Schedule 11 (Acceptance Process) of this Contract.

10. Services Payment (Table 2 Payment Plan)

- 10.1. Payment for Provision of Services provided under Schedule of Requirements Item No. 2 and 3, shall be made monthly in arrears (the "Monthly Service Payment") in accordance with Table 2 of Appendix 2. The first monthly invoice shall be in respect of the period which commences on the first day of the Operational Services Commencement Date, continuing for the remaining days in that calendar month.
- 10.2. The Monthly Service Payment (MSP) payable by the Authority for Services provided under Schedule of Requirement Item No. 2 and 3 of the Contract, subject to Paragraph 12 below, shall be calculated as follows:

- 10.2.1. By multiplying the Aircraft Task Line (ATL) Price in Table 2 of Annex 1, within this Schedule 4 by the total Actual Task Lines required to be Available in the month.
- 10.3. For any claims for payment submitted pursuant to Paragraph 10.1, the Contractor shall submit an invoice reflecting the payment value for the relevant month being claimed. Such payment value shall be adjusted to reflect any Service Adjustment Charge and any other deductions determined in accordance with Schedule 5 (Performance Management) of this Contract.
- 10.4. Within a period ending forty (40) Business Days, commencing on the date the last MSP is due under the Contract, the Parties shall conduct a final MSP reconciliation. Such reconciliation shall take account of any Service Adjustment Charge and any other adjustments permitted in accordance with this Contract, to determine the final MSP to be claimed by the Contractor.
- 10.5. The final MSP agreed by the Parties pursuant to Paragraph 10.4 shall be implemented by amending the relevant final MSP within Table 2 of Appendix 2 of this Schedule via a Change to the Contract to reflect the agreed final MSP.
- 10.6. For the avoidance of doubt, the relevant final MSP shall not be claimable by the Contractor until such time as the Change to Contract has been agreed in accordance with Paragraph 10.5.
- 10.7. In the event that final MSP is an amount less than the value of the relevant final MSP resulting in over payment to the Contractor, the Contractor shall reimburse the Authority an amount equal to the over payment value. Such reimbursement shall be paid by the Contractor to the Authority within twenty (20) Business Days of receipt of a valid Authority invoice.

11. Milestone Payments (Table 7 Payment Plan)

- 11.1. The Contract Prices for Schedule of Requirement Item Nos 1, 4, 5, 8, 9, 10 and 11 shall be paid against Milestone Payments in accordance with the provisions of this Paragraph 10.
- 11.2. Milestone Payments may be claimed by the Contractor on or after the date the Milestone has been formally Accepted by the Authority's Project Manager in accordance with the provisions of Schedule 11 (Acceptance Plan).
- 11.3. The Contractor shall be entitled to submit a claim for payment in respect of the relevant Milestone Payment pursuant to this Condition 10 provided that:
- 11.3.1. The Authority is satisfied that the Contractor has fully completed all work required in respect of the relevant Milestone in accordance with this Contract (including Schedule 11 (Acceptance Plan)) and the Contractor has provided full evidence to the Authority that they have met the relevant Acceptance Criteria, as set out in Schedule 11 (Acceptance Plan); and
- 11.3.2. The Contractor shall deliver to the Authority required and appropriate evidence to demonstrate achievement of each Milestone, on the relevant dates for delivery of the relevant Milestone, as set out and detailed in the Milestone Payment Plan; and

- 11.3.3. Following the Authority's formal acceptance of a completed Milestone (evidenced by written notice from the Authority to the Contractor), the Contractor shall be entitled to deliver an invoice to the Authority in respect of the Milestone Payment; and
- 11.3.4. Each Milestone is unique, and payment of a Milestone Payment by the Authority shall be without prejudice to any and all of the Authority's rights under the Contract. No payment by the Authority following acceptance by the Authority of any Acceptance Criteria shall constitute, or be deemed to constitute, acceptance by the Authority that any Item or Milestone complies with the requirements of the Contract.

12. Service Adjustment Charge

- 12.1. The following KPIs will be subject to a service adjustment charge, which the Contractor shall deduct from the Monthly Service Payment (MSP), for failure to deliver to the required performance threshold:
 - 12.1.1. KPI 1 Aircraft Availability - failure to achieve Delivery of Service (ATL availability) in accordance with paragraph 3 of Schedule 5 (Performance Management) shall result in a 50% per ATL service adjustment charge, that the Contractor shall deduct from the MSP.
 - 12.1.2. KPI 2 Social Value (To be updated following introduction of Social Value KPI).
 - 12.1.3. KPI 3 Technical Query - for each area of reporting (AOG, Urgent and Other/Routine) in accordance with paragraph 5 of Schedule 5 (Performance Management), failure to achieve a minimum 90% score on a monthly basis will result in a £2500.00 service adjustment charge, that the Contractor shall deduct MSP.
 - 12.1.4. KPI 4 Satisfaction of Unsatisfactory Feature Reports (UFRS) - F765s - Failure to achieve any of the KPI's (4.1, 4.2, 4.3, 4.4, 4.5 and 4.6) in accordance with paragraph 6 of Schedule 5 (Performance Management) on a monthly basis, shall result in a £2500.00 service adjustment charge, that the Contractor shall deduct from the MSP.
 - 12.1.5. KPI 5 Satisfaction of Narrative Fault Reports (UNRS) - F760s - Failure to achieve any of the KPI's (5.1 and 5.2) in accordance with paragraph 7 of Schedule 5 (Performance Management) on a monthly basis, shall result in a £2500.00 service adjustment charge, that the Contractor shall deduct from the MSP.

Appendix 1 – Variation of Price (VOP)

1. The Contract prices stated within the Schedule of Requirements as being Firm Price shall not be subject to Variation of Price.

2. The Contract prices identified as being fixed Price in Part 1 of this Schedule, are fixed at **2025** price levels. The prices do not include provision beyond this date for increases or decreases in the market price of the Articles being purchased. Any such variation shall be calculated in accordance with the following formula:

$$V = P (a+b (O_i/O_0)) - P$$

Where:

V represents the variation of price;

P represents the FIXED price as stated in the Schedule of Requirements;

O represents the index. Table A (Indices Tables) below details the indices to be used in the variation of price calculation for the relevant Item of the Schedule of Requirements or item of cost.

Activity	Description	Proposed Index
In-service support	Repair and maintenance of aircraft (not overhaul)	G777 - Repair and Installation Services of Machinery and Equipment
Procurement of COTS/MOTS equipment	Procurement of electronic comms (IFF Mode 5, Secure UHF)	D7BT – Procurement of Equipment.
Procurement of Flight Deck Armour	Comprising High Performance Polyethylene (HPPE) Fiber and ballistic steel.	EWLQ – Procurement of Equipment.
Design	Service activities to design the installation of equipment on to the aircraft.	HSGG - Professional, scientific, and technical services.
Embodiment	Service activities to physically install the equipment on to the aircraft.	G777 - Repair and Installation Services of Machinery and Equipment.
Training	Service activities for pilot training, currency (simulator) training, Familiarisation.	HSGG - Professional, scientific, and technical services.

O0 represents the average OUTPUT Price Index figure for the base period (the base period being the 12-month average of the Output Price Index prior to the Effective Date);

O_i represents the 12-month average OUTPUT Price Index figure for the 12-month period prior to the payment date;

a represents the Non-Variable Element (NVE);

b represents the Variable Element;

$a+b=1$.

3. The Indices referred to in Paragraph 2 of this Appendix 1 above shall be taken from the following OUTPUT Price Index Tables below:

G777

<https://onsdigital.github.io/dp-classification-tools/standard-industrial-classification/data/SICmetadata.html?sic=C3030x&from=C303xx>

D7BT

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23>

EWLQ

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/ewlq/mm22>

HSGG

<https://onsdigital.github.io/dp-classification-tools/standard-industrial-classification/data/SICmetadata.html?sic=Mxxxxx>

4. Indices published with a 'B' or 'F' marker, or a suppressed value, in the last 3 years are not valid for Variation of Price clauses and shall not be used. Where the price index has an 'F' marker or suppression applied to it during the term of the Contract, the Authority and the Contractor shall agree an appropriate replacement index or indices. The replacement index or indices shall cover, to the maximum extent possible, the same economic activities as the original index or indices.

5. In the event that any material changes are made to the indices (e.g. a revised statistical base date) during the period of the Contract and before final adjustment of the final contract price, then the re-basing methodology outlined by the Office for National Statistics (ONS, the series providers) to match the original index to the new series shall be applied.

6. In the event the agreed index or indices cease to be published (e.g. because of a change in the Standard Industrial Classification) the Authority and the Contractor shall agree an appropriate replacement index or indices, which shall cover to the maximum extent possible the same economic activities as the original index or indices. The methodology outlined by the Office for National Statistics used for rebasing indices (as in Paragraph 4 of this Appendix 1 above) shall then be applied.

7. Notwithstanding the above, any extant index / indices agreed in the Contract shall continue to be used as long as it is / they are available and subject to ONS revisions policy. Payments calculated using the extant index / indices during its / their currency shall not be amended retrospectively as a result of any change to the index or indices.

8. The Contractor shall notify the Authority of any significant changes in the purchasing / manufacturing plan on the basis of which these provisions were drawn up and agreed, or of any other factor having a material bearing on the operation of these provisions such as to cause a significant divergence from their intended purpose, in order that both parties may consider whether any change in this provision would be appropriate.

9. Contract Prices shall be adjusted taking into account the effect of the above formulae as soon as possible after publication of the relevant indices, or at a later date if so agreed between the Authority and the Contractor. Where an index value is subsequently amended, the Authority and the Contractor shall agree a fair and reasonable adjustment to the Contract Price, as necessary.

10. Any claims for payment under this Schedule 4 shall be submitted to the Bill Paying Branch, certified to the effect that the "requirements of this Paragraph 1 of this Appendix 1 to Schedule 4 (Pricing and Payment)" have been met.

Appendix 2 – Payment Tables

1. Where indicated within Part 2 of this Schedule 4, the Contract Prices shall be paid to the Contractor in accordance with the following Tables:

Contractor Deliverable	Table Number
Set up of Operations at RAF Northolt	Table 1
Provision of Aircraft In-Service Support	Table 2
Contract Term Extension Options	
Spiral 1 Modifications	Table 3
Spiral 2 Modification Options	Table 4
Provision of Training	Table 5
Emergent Work Rates	Table 6
Milestones Payment	Table 7