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Schedule 7.7 – ESMCP Mobile Services Agreement

Financial Model

Version 1.0

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CHANGE HISTORY

Version No.	Effective Date of agreement / CAN	Version / Details of Changes included in Update	Author(s)
1.0	01/12/2024	Execution Version	ESMCP

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1 Introduction

- 1.1 This Schedule details the requirements for the Financial Model submitted by the Supplier and updated pursuant to this Schedule to enable the Authority to identify how the Supplier calculates the Charges. The Charges shall be calculated in accordance with the provisions stated in Schedule 7.1 (Charging and Invoicing).
- 1.2 For the purposes of this Agreement, the Financial Model is the financial model included on the password protected external hard drive, or other form of electronic submission as agreed between the Parties, which has been labelled "MS - Financial Model" and which has been signed and dated on the same date as this Agreement by the Parties for the purposes of identification only, as updated and revised from time to time in accordance with the provisions of this Agreement.
- 1.3 The Supplier and the Authority will both retain copies of the Financial Model in soft copy and the Supplier shall provide the Authority with updates to the Financial Model in accordance with the provisions of this Schedule.
- 1.4 The Financial Model shall be used together with the rates set out in Schedule 7.1 (Charges and Invoicing) as a basis for considering any Material Changes to the Charges under Schedule 8.2 (Change Control Procedure) and for such other purposes as are specifically indicated in this Agreement.

2 Content And Construction Of The Financial Model

- 2.1 Each time the Financial Model is submitted to the Authority, the Supplier shall ensure that such Financial Model shall:
 - (a) be accurate, technically complete and free from material error;
 - (b) be constructed according to best practice, and be accompanied at contract award, and at any future Financial Model updates, by independent audit and confirmation of best practice construction;
 - (c) be constructed in Microsoft Excel using "xlsx" or "xlsm" or "xlsb" format;
 - (d) be presented so that the overall flow of information in the Financial Model shall flow from inputs, to calculations, to outputs, with the final output being in tables and/or graphs. Any formulae in the Financial Model shall not contain a mixture of inputs and calculations. Any column labelling in the Financial Model shall be consistent between worksheets;
 - (e) not have a file size greater than 75MB, and smaller Microsoft Excel workbooks are encouraged. For the avoidance of doubt, any workbook taking up more than 75MB of disk space will result in the Financial Model submission being treated as noncompliant unless agreed with the Authority;

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- (f) only use macros in areas where their use adds to the user-friendliness of the Financial Model (e.g. print macro) or aids the achievement of other requirements of the Financial Model (e.g. to avoid circularity or to transfer data between Financial Model). No calculations should be performed by a macro. Where macros are used, their function should be clearly explained;
- (g) in order to aid transparency, not use the INDIRECT and OFFSET functions with the exception of the formulas used to calculate depreciation, unless agreed with the Authority;
- (h) adopt an absolute sign convention, such that all revenues and assets are positive and all costs and liabilities are negative;
- (i) be self-contained within a single Microsoft Excel workbook;
- (j) except for protection by the Authority to prevent any changes being made without approval from the Authority, not have any parts which are hidden, protected, locked or made otherwise inaccessible or obscured to review or alteration;
- (k) be constructed on a monthly basis with summaries for each Financial Year from 1st of April to 31st of March;
- (l) quote all monetary values in pounds Sterling; and
- (m) provide details of incremental costs for each Change Request and (where such Changes relate to ESN Products) group these by reference to ESN Products.

2.2 The Financial Model shall provide sufficient detail for the Authority to have full visibility of all forecast Charges in respect of the provision of the Services and shall:

- (a) quote all prices and charges (including the forecast Charges) as exclusive of any VAT, while clearly indicating where VAT is chargeable and additionally provide a total price inclusive of VAT for information purposes only;
- (b) quote all Prices and forecast Charges based on the pricing and charging mechanism outlined in Schedule 7.1 and other relevant Schedules; and
- (c) clearly show the calculation of the forecast Charges, including charges for the Extension Period, in outturn prices.

2.3 The Financial Model shall provide a reasonably skilled and experienced individual with a full analysis of all forecast Supplier costs in respect of the provision of the Services, including capital, operating, financing and overhead costs. This shall include the following:

- (a) quote all input costs (both in the aggregate and differentiating between input costs of the Group or Related Party Supply on the one hand and all other input costs on the other) based on the assumptions listed within the Financial Model after giving effect to (and providing a detailed explanation of), any adjustments to any of those input

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costs necessary to ensure that the Financial Model provides a consistent and transparent view across all costs and charges;

- (b) provide visibility of the input costs (both in the aggregate and differentiating between input costs of the Group or Related Party Supply on the one hand and all other input costs on the other) for providing the Services throughout the Term, excluding mark-up, which shall include without limitation at least the following (in each case to the extent relevant, and where indicated the information shall not be relevant to Key Sub-contractor input costs for the purposes of the provision of Open Book Data):
 - (i) hardware (not relevant to Key Sub-contractor input costs);
 - (ii) capitalised labour (not relevant to Key Sub-contractor input costs);
 - (iii) labour broken down by each Staff Grade (e.g. project manager), with the number of days and daily rate shown for each Staff Grade. Labour shall also be broken down and sub-totalled by the major phases of the project;
 - (iv) expenses, travel and subsistence;
 - (v) interconnection and termination costs including the costs for points of interconnect where applicable (not relevant to Key Sub-contractor input costs);
 - (vi) network cost (core and backhaul networks) (not relevant to Key Sub-contractor input costs);
 - (vii) estate and accommodation costs including site rental and business rates (if applicable) (not relevant to Key Sub-contractor input costs);
 - (viii) cost for power supply (not relevant to Key Sub-contractor input costs);
 - (ix) equipment, and equipment maintenance;
 - (x) software including software licences (not relevant to Key Sub-contractor input costs);
 - (xi) other licence costs (including Ofcom microwave licences) (not relevant to Key Sub-contractor input costs);
 - (xii) other miscellaneous costs including printing and stationary (not relevant to Key Sub-contractor input costs);
 - (xiii) Sub-contractor costs with supporting details naming each Sub-contractor (in the case of Key Sub-contractor input costs, naming each direct Sub-contractor); and
 - (xiv) costs for providing Termination Services;

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- (c) show the unit volume assumptions for calculating costs, including Staff Days, usage volumes for voice and data and others etc;
- (d) details of all forecast overheads / mark-ups, risk and financing costs and accounting treatments, which shall include at least the following (save where indicated the information shall not be relevant to Key Sub-contractor input costs for the purposes of the provision of Open Book Data):
 - (i) forecast overheads / mark-ups separately identified with their calculation and the items of cost that they represent explained (not relevant to Key Sub-contractor input costs);
 - (ii) full explanations of all pricing of risk and the quantification supported by the Risk Register attached to Schedule 7.1;
 - (iii) full explanations of all financing costs (including fixed and working capital) showing the interest rate and calculation and the need to apply financing (not relevant to Key Sub-contractor input costs). A separate calculation(s) should be provided to show any financing provided from BT Group or related-party sources; and
 - (iv) details of the depreciation policy applicable to Assets fully explained;
- (e) a project forecast profit and loss statement consistent with UK GAAP, with visibility of profit (and the calculation of profit) both as a value and as a percentage;
- (f) a project forecast balance sheet statement consistent with UK GAAP, including the net book value of exclusive Assets (as identified pursuant to Schedule 8.5 (Exit Management)) at the end of each Service Period;
- (g) a forecast cash flow statement consistent with UK GAAP, that shows the forecast timing and relationship between the planned costs and the revenue which the Supplier expects to receive in connection with the project;
- (h) a statement showing the forecast for the Anticipated Contract Life Supplier Cash Margin Percentage, reconciled to and integrated with the cash flow statement in (g) above; and
- (i) a calculation of the forecast contract/project Internal Rate of Return (IRR) (pre and post tax).

2.4 Unless stated otherwise in relation to Key Sub-contractors, the Supplier shall, if requested by the Authority, provide (or procure the provision of) the above level of information in relation to the costs and expenses to be incurred by any of its Sub-contractors. If requested by a Key Sub-contractor, the Authority agrees that the Key Sub-contractor may provide the relevant

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information directly to the Authority so that the relevant information is not disclosed to the Supplier.

3 Visibility Through The Financial Model

- 3.1 Upon request of the Authority the Supplier shall promptly provide to the Authority further details of the elements used to make up the forecast Charges, above and beyond the information provided as part of the Financial Model. This shall include any Allowable Assumptions used to modify Charges.
- 3.2 Each time a Financial Model is submitted, the Supplier shall provide to the Authority at least the following information in relation to the Charges:
- (a) the Supplier's total firm or fixed Price for the Services and/or Deliverables;
 - (b) the margin included in that total firm or fixed Price;
 - (c) a list of the agreed Day Rates against each Staff Grade in the Financial Model;
 - (d) a list of the costs underpinning those prices for each Staff Grade in the Financial Model, being the price less the margin;
 - (e) a summary of the costs broken down against each Service and/or Deliverable showing at least the same level of information as detailed in Paragraph 2 above;
 - (f) details of any other staff costs, not already included in these rates, for all activities to be undertaken;
 - (g) details of origination, termination and transit cost for voice and data traffic types per minute or per Gigabyte;
 - (h) explanation of any underlying assumptions regarding:
 - (i) overtime rates;
 - (ii) standard hours;
 - (iii) accommodation charges;
 - (iv) amount of building activities required for establishing the infrastructure for delivering the contracted Services; and
 - (v) discounts applied;

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- (i) a resource estimating model to support the Charges/Changes if applicable with details including:
 - (i) Staff Days;
 - (ii) usage volumes; and
 - (iii) breakdown of building activities;
 - (j) power consumption per each site;
 - (k) number of hardware units per type;
 - (l) number of licences;
 - (m) a breakdown of manpower resources by the number and type of Supplier's staff (including any Sub-contractors) required for each Deliverable and/or Service and free of any contingency. This should also apply to third party costs;
 - (n) the total price of Deliverables broken down by volume, unit cost and margin;
 - (o) detailed breakdown of Sub-contractor costs according to Paragraph 2.4 above;
 - (p) any additional activities, costs and, risks that may impact the Authority and which are not already covered by the Charges;
 - (q) an explanation of the type and value of risk associated with the provision of Services, including the amount of money attributable to each risk;
 - (r) an explanation and supporting details of any financing costs applicable to the Agreement, including from the BT Group and related party sources;
 - (s) a statement of the Supplier's anticipated cashflow for the Term;
 - (t) the actual Charges profile for each Service Period which has then finished (if any) and a forecast for each Service Period which remains; and
 - (u) any additional information as the Authority reasonably requires.
- 3.3 Upon request the Supplier shall provide to the Authority the detailed calculation of depreciation of Assets (including software and hardware).

4 Custody Of The Financial Model

- 4.1 The Supplier shall deliver a soft copy of the Financial Model to the Authority:
- (a) within three (3) Working Days of any agreement by both Parties of the changes to the Financial Model under Paragraph 5; and

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(b) on each anniversary of the Effective Date.

- 4.2 The entire Financial Model will be subject to encryption to a level and in a manner as specified by the Authority, and, transmission of the Financial Model to the Authority shall be in a form and by a methodology agreed with the Authority.

5 Updates To The Financial Model

- 5.1 Unless otherwise agreed in writing between the Parties, any updates to the Financial Model shall reflect, be consistent with and be made only in accordance with the provisions of this Agreement, and shall in all cases be subject to the prior written approval of the Authority (such approval not to be unreasonably withheld or delayed).
- 5.2 All changes to the Financial Model should be auditable and implemented and documented under formal version control.
- 5.3 The Supplier shall revise the Financial Model and prepare a draft Financial Model in order to reflect any inputs, modifications or other amendments to the Financial Model which are effected pursuant to the Agreement, including but not limited to any amendments made to the Financial Model which arise from:
- (a) the implementation of a Material Change; and
 - (b) any changes to the Supplier's accounting practices.
- 5.4 Each draft Financial Model shall be constructed using the same methodology as that used for the then current Financial Model, and shall be consistent with and made in accordance with the provisions of this Agreement.
- 5.5 The Supplier shall adhere to and apply the following principles when preparing a draft Financial Model:
- (a) any amendment which is made in order to evaluate the impact of any inputs, modification or other adjustment shall relate only to such inputs, modification or other adjustment;
 - (b) no revised price changes shall come into effect, or be payable by the Authority, until the draft Financial Model has been submitted and approved by the Authority in accordance with the arrangements described in this Schedule; and
 - (c) no amendment shall affect, in any way whatsoever, the performance of the Services, save as agreed in accordance with the Change Control Procedure.
- 5.6 On the occurrence of any event which requires the Financial Model to be updated, the Supplier shall, within [REDACTED] Working Days, effect the change on the latest version of the Financial Model and deliver the draft Financial Model, to the Authority for approval. The Supplier shall ensure that each version of the draft Financial Model delivered to the Authority

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shall be certified by a director of the Supplier as being accurate and not misleading and in conformity with UK GAAP.

- 5.7 After receipt of the draft Financial Model, the Authority reserves the right to approve or dispute the draft Financial Model, in accordance with Paragraph 6 below, within thirty (30) days of receipt of the same (or such other period as the Authority advises the Supplier in writing).
- 5.8 If the Authority approves the draft Financial Model submitted by the Supplier, it shall advise the Supplier of its decision in writing and the updated and approved draft Financial Model shall become, with effect from the date of such approval, the updated Financial Model in place for the purposes of the Agreement.

6 Dispute

- 6.1 If the Authority disputes any draft Financial Model, it may request such further information from the Supplier as it requires prior to delivering a decision on whether it accepts or rejects the relevant draft Financial Model.
- 6.2 In the event that the Authority and the Supplier are unable to reach agreement on any draft Financial Model, the matter shall be referred for determination in accordance with the Expedited Dispute Timetable.

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Annex 1: Financial Model

The applicable Financial Model is dated 25th September 2024 and was confirmed by the Authority by email to the Supplier on 19th November 2024 at 13:03, and, as at the Effective Date, is located:



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