

AUTHORITY: The Secretary of State for the Home Department

Schedule F – Operating Fee

Yarl's Wood IRC

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INTERPRETATIONS

The following is a list of the key definitions and abbreviations used throughout this document.

Term	Definition
Contract Award	Means the date that the Contract for Yarl's Wood Immigration Removal is awarded by the Secretary of State for the Home Department to the Service Provider.
Contract Month	Means any calendar month in a Contract Year (commencing on the 1 st day of each month) provided that: a) The first Contract Month shall commence on the date upon which the Full Operation Date falls and end on the last day of the month in which the Full Operation Date occurs; and b) The last Contract Month shall begin on the first day of the month in which the last day of the Contract Term occurs and end on the last day of the Contract Term.
Contract Year	Means a period of 12 calendar months commencing on 26 th April 2015.
CPI	Means the Consumer Price Index as published from time to time by the Office for National Statistics or such index in such other journal as shall replace such table (and, for the avoidance of doubt, if CPI is rebased during the Contract Term, it shall nevertheless be determined for the purposes hereof as if no such rebasing had occurred).
Detainee Allowance	Payment of an allowance of £<Redacted> each week to every Detainee payable 24 hours after their arrival at the Removal Centre and daily thereafter.
Detainee Occupancy	The total number of Detainees occupying the available Detainee Places in any 24 hour period as measured from 00.01 hours to midnight, adjusted in order to get a figure for the Performance Month.
Detainee Paid Work	The opportunity for Detainees to participate voluntarily in paid activity.
First Indexation Review Date	Means 26 April 2016
Indexation Review Date	Shall be the First Indexation Review Date and each anniversary thereafter upon which day the Fixed Fee and the Variable Fee are subject to indexation in accordance with section 8 below.
Mobilisation Period	Means the period between the Date of Contract and the Full Operation Date;
Non Indexable costs	Means costs that are not included within the Fixed and Variable Fees and do not attract indexation increases under section 7 below. These costs shall include (but are not limited to) the Detainee Allowance, and Detainee Paid work. For the avoidance of doubt, these costs will be deducted before any indexation calculation is carried out. These costs are set out as a line item headed "Total non-Indexable Costs" in Schedule F Appendix 1B (<i>Financial Model</i>).

OFFICIAL – SENSITIVE

Term	Definition
Performance Month	Means in respect of the first Performance Month, the period commencing on the Full Operation Date and ending on the last day of the month in which the Full Operation Date falls, and thereafter shall be each period of one (1) month commencing on the day following the last day of the previous Performance Month and in respect of the last Performance Month means the period commencing on the day following the last day of the previous Performance Month and ending on the Termination Date;
Profit Margin	Means the difference in percentage terms between the price and the cost of a good or service. $\text{Profit Margin \%} = ((\text{Price}/\text{Cost}) - 1) \times 100$
Start Up Costs	Means the costs relating to the preparation and setting up of the Services by the Service Provider prior to receipt of the Permit to Operate.

Table 1- Definitions & Abbreviations

1 MONTHLY PAYMENT

- 1.1 The Authority shall pay to the Service Provider during the Full Operation Period the Operating Fee in accordance with Clause 39 (Price) and the provisions of this Schedule F, subject to variations in accordance with Clause 13 (Changes).
- 1.2 The Operating Fee shall be the total amount payable to the Service Provider for the provision by the Service Provider of the Services, as set out in Appendix 1 as defined for each year of the contract in the financial model provided at Appendix 1(FM).
- 1.3 The Operating Fee payable in respect of each Performance Month in the period commencing on the Commencement Date and ending on the First Indexation Review Date shall, subject to any variations agreed in accordance with Clause 13 (Changes), be calculated in accordance with paragraph 2 below.
- 1.4 The Operating Fee payable shall be adjusted on each Review Date in accordance with paragraph 7 below.
- 1.5 The amount of the Operating Fee payable in respect of each of the first and last Performance Months shall be adjusted pro rata to reflect the actual number of days on which the Services were delivered in the relevant month.

2 FORMULA FOR MONTHLY PAYMENT

- 2.1 The Operating Fee payable to the Service Provider in respect of a Performance Month shall be calculated according to the following formula:

$$(A + B) - C_n$$

where:

- A** is the "**Fixed Fee**" (being the total of the amounts set out in Appendix 1B, for the relevant month in each Contract Year) against "Total Excluding VAT" in each Performance Month of each Contract Year, following the commencement of Full Operation Period until the First Indexation Review Date, and thereafter as adjusted in accordance with paragraph 7 below).
- B** is the "**Variable Fee**" being the total of the amounts set out in Appendix 1 for the relevant month ("Total Excluding Vat) in each Contract Year multiplied by the total **Detainee Occupancy** in the corresponding Performance Month following the Commencement Date until the Review Date and thereafter as adjusted in accordance with paragraph 7 below;
- C_n** is the Aggregate Monthly Performance Credit (as defined in paragraph 4 below) for such Performance Month;

3 START UP COSTS

- 3.1 Start up costs shall be payable when the Permit to Operate is issued.
- 3.2 Start up costs incurred by the Service Provider and subsequently verified by the Authority in accordance with Appendix 1 of this Schedule F shall, subject to the other provisions of this Paragraph 3, become payable upon the Full Operation Date. The Start up costs payment shall be balance of any payments made in accordance with paragraphs 3.3 to 3.5 below.

- 3.3 During the Mobilisation Period, the Service Provider will be permitted to submit up to two intermediate invoices. The first of the intermediate invoices may be submitted no earlier than two (2) months after the Date of Contract; whilst the second intermediate invoice may be submitted no earlier than two (2) months after the first intermediate invoice. Any invoice submitted under this paragraph will only be reimbursed on the basis of actual costs incurred and with full supporting documentary evidence provided by the Service Provider.
- 3.4 The sum of the intermediate mobilisation invoices referred to above shall be no greater than the individual line values detailed in the start-up costs breakdown in Appendix 1B to this Schedule F and shall be no more than 50% of the total Start up costs. A third and final payment shall become payable to the Service Provider in respect of all outstanding Start up costs upon the Full Operation Date.
- 3.5 All Start up costs shall be clearly identified in supporting information to the invoice and the sum of all costs for each cost line shall be no greater than those detailed in Appendix 1B to this Schedule F.

4 CALCULATION OF THE AGGREGATE MONTHLY PERFORMANCE CREDIT

- 4.1 The Aggregate Monthly Performance Credit for each Performance Month is calculated in accordance with the following formula:

$$C_n = \sum PC_1 + \sum PC_2 + \sum PC_3$$

where:

C_n is the Aggregate Monthly Performance Credits (if any) accrued for a Performance Month ("n") in relation to Performance Failures;

$\sum PC_1$ is the sum of Performance Credits (if any) accrued for a Performance Month ("n") in relation to Performance Failures, as defined in Section 2 of Schedule G, Available Services;

$\sum PC_2$ is the sum of Performance Credits (if any) accrued for a Performance Month ("n") in relation to Performance Failures, as defined in Section 2.1 of Schedule G, Failure to Provide Required Staffing Level;

$\sum PC_3$ is the sum of Performance Credits (if any) accrued for a Performance Month ("n") in relation to Performance Failures, as defined in Section 3 of Schedule G, Significant Performance Failure;

- 4.2 For the avoidance of doubt the Credit value, as detailed in Section 4 of Schedule G, shall be used to determine Performance Credits.

5 MAXIMUM MONTHLY PERFORMANCE DEDUCTIONS

- 5.1 Throughout the Full Operation Period, the maximum value of aggregated Monthly Performance Credits redeemable shall be limited to 15% of the monthly operating fee for the service.

6 ACCRUAL OF PERFORMANCE CREDITS DURING FIRST THREE PERFORMANCE MONTHS

- 6.1 With respect to the first three Performance Months immediately following the Full Operation Date, the first £<Redacted> of Performance Credits incurred in such

Performance Months shall not be taken into account when calculating the Aggregate Monthly Performance Credit Sum for that Performance Month. The value of all Performance Credits incurred in each Performance Month in excess of the first £<Redacted> shall (subject to 5.1 above) be taken into account.

7 APPLICATION OF INDEXATION TO THE MONTHLY OPERATING FEE

- 7.1 At each Indexation Review Date, the relevant Fixed Fee and the Variable Fee for the period from (and including) that Indexation Review Date until (but excluding) the next Indexation Review Date (the "**Indexed Fixed Fee**" or the "**Indexed Variable Fee**", as the case may be) shall be determined in accordance with the following formulae:

$$A_{mr} = A_{m-1} \times (CPI_n \div CPI_{n-1})$$

$$B_{mr} = B_{m-1} \times (CPI_n \div CPI_{n-1})$$

Where:

A_{mr} is the Indexed Fixed Fee, excluding any Non Indexable costs

A_{m-1} is the Fixed Fee (as defined in Section 2 above) applicable immediately before the relevant Indexation Review Date, excluding any Non Indexable costs.

B_{mr} is the Indexed Variable Fee, excluding any Non Indexable costs

B_{m-1} is the Variable Fee (as defined in Section 2 above) applicable immediately before the relevant Indexation Review Date, excluding any Non Indexable costs.

CPI_n the level of CPI published for the month of January preceding the relevant Indexation Review Date

CPI_{n-1} the level of CPI published for the month of January preceding the previous Contract Year's Indexation Review Date.

CPI_{Base} is the level of CPI published for January 2015. For the First Indexation Review Date only, CPI_{Base} shall be used in place of CPI_{n-1} .

- 7.2 For the avoidance of doubt, the published CPI figures for three months before the commencement month and Indexation Review Dates shall be used to allow for publication of the index in time to agree Indexation for the Indexation Review date.
- 7.3 The Non Indexable costs shall be added back to the Indexed Fixed and Variable Fees in order to calculate to the revised Fixed and Variable Fees which shall apply as from the relevant Indexation Review Date.
- 7.4 Any increase in the relevant Fixed and Variable Fee in accordance with this paragraph shall be limited to 7%.

8 MECHANISM FOR CHECKING/RECTIFYING DAILY REPORT

- 8.1 If any of the information contained in any Daily Report is found to be incorrect and, consequently, the Service Provider receives an overpayment:
- (i) the Authority shall be entitled to a payment equal to the amount by which the Service Provider was overpaid by the Authority as a result of such error in

respect of such day or days in respect of which the error was made; and

- (ii) the Daily Reports relating to days in respect of which no payment has yet been made by the Authority (the next invoice due following identification of the overpayment) will be altered to the extent required to correct all errors and where any invoice has already been issued, relating to them, and not yet paid by the Authority will be deemed amended to reflect such alteration.

8.2 If any of the information contained in any Daily Report is found to be incorrect and, consequently, the Service Provider makes an overpayment:

- (i) the Service Provider shall be entitled to a payment equal to the amount by which the overpayment was made to the Authority, as a result of such error in respect of such day or days in respect of which the error was made; and
- (ii) the Daily Reports relating to days in respect of which no invoice has been submitted to the Authority (the next invoice due following identification of the overpayment) will be altered to the extent required to correct all errors.

9 SUBCONTRACTOR AND MANAGEMENT COSTS OF IMPLEMENTATION OF NOTICE OF CHANGES

9.1 Where the Service Provider intends to enter into any Sub-contract for the implementation of a Notice of Change or intend to deliver the requirements of a Notice of Change without use of a Sub-Contract; it shall not charge any increase in and/or additional one-off Management Fee for management of the relevant services (unless exceptionally agreed with the Authority who shall have the final say on whether to grant agreement to any additional management costs).

9.2 In addition to direct costs in respect of the relevant service change, the Service Provider may take into account the Profit Contribution (%) declared at Appendix 1A. The Service Provider shall not charge for staff or resources working on implementing Notices of Changes where these costs have already been covered by the Operating Fee.

9.3 For the avoidance of doubt, if the change in direct cost of the proposed service change under a Notice of Change is £<Redacted> (with no change in management costs) and the declared profit, at Appendix 1B, is 5%, then the Operational Fee will be adjusted by no more than £<Redacted> in total.

9.4 When calculating direct costs for a Notice of Change the Service Provider shall provide a detailed break-down of the impact on costs to support the charge proposed and in addition shall provide an additional version of the financial model (Schedule F – Appendix 1B) covering the change in Operating Fee.

9.5 In respect of any increase in costs associated with a Notice of Change, the indexation of additional costs in accordance with paragraph 7 above, will only apply from the end of first full Contract Year following the year in which the change in Operating Fee was introduced. For example: if there is an increase in fee effective from December 2015 indexation of the change in costs will only apply from 26 April 2017.

APPENDIX 1

Operating Fee Analysis for Yarl's Wood IRC for an 8 Year contract with extensions allowing a maximum 11 years contract duration.

The excel spreadsheet submitted as part of the Service Providers bid and detailing the fixed, variable (indexed and non-indexed costs) to embedded in the electronic copy of the contract.

<Redacted>

FORM OF INVOICE

From:

[]

Registered Office: [] England.

Registered Number []. VAT Registration Number []

To:

Home Office Shared Service Centre
HO Box 5015
Newport
Gwent
NP20 9BB

£

Period of Service at [] (from 1/ / to 31/ /)
See summary attached:

Deductions: (a) Aggregate Monthly Performance Credits Sum, including Significant
Performance Failures (*please specify*)

VAT 20% (or current applicable rate)

Total Amount Due:

This invoice is subject to Clause 47 (Amount Due and Set-Off) of the Contract.