



Defence
Infrastructure
Organisation

Date: 16 August 2016

HESTIA MULTI-ACTIVITY CONTRACT

BOOKLET 2: PRICING INFORMATION

SOUTH REGION

Contract number: DIOCB6/023

PART 1 - GENERAL

1 Price of the Services

- 1.1 The Prices set out in Part 2 (*Prices*) of this Booklet 2 (*Pricing Information*) apply to the *services* as a Firm Price for Contract Years 1 to 5 (inclusive) of the *service period*.
- 1.2 If the *Employer* exercises its right under Clause 30.3 (*Starting and the service period*) of Booklet 1 (*Conditions of Contract*) to extend the *service period*, the Prices applicable during such extension shall be those set out in Part 2 (*Prices*) of this Booklet 2 (*Pricing Information*) in relation to Contract Year 1 as varied in accordance with Part 4 (*Variation of Price*) of this Booklet 2 (*Pricing Information*).
- 1.3 The Prices for full delivery of the *service* are comprised of the following elements:
- 1.3.1 Management Services Provision Payment;
 - 1.3.2 Mobilisation and TUPE Payment;
 - 1.3.3 CRL Payments:
 - (i) Catering Provision Payment;
 - (ii) Retail Needs Provision Payment;
 - (iii) Function Catering Provision Payment; and
 - (iv) STCR Provision Payment;
 - 1.3.4 Mess and Hotel Services Provision Payment;
 - 1.3.5 Cleaning and Associated Services Payments:
 - (i) Cleaning Services Provision Payment;
 - (ii) Domestic Assistance Provision Payment; and
 - (iii) Associated Services Provision Payment;
 - 1.3.6 Waste Management Services Provision Payment; and
 - 1.3.7 FM and Other Services Provision Payment.
- 1.4 The *Contractor* agrees and acknowledges that the Prices include all labour, plant, materials, adjustments for location, inflation, insurance, risk, overheads and profit (including that to be paid to Sub-Contractors) necessary for the *Contractor* to Provide the *Service*, including any cost to the *Contractor* incurred in relation to mobilisation and/or de-mobilisation.

- 1.5 The *Contractor* shall pay to the *Employer* those sums set out in Part 3 (*Rent and Gaming Income*) of this Booklet 2 (*Pricing Information*) (the “**Rent and Gaming Income Payments**”) in accordance with the terms thereof.
- 1.6 The Rent and Gaming Income Payments are comprised of the following elements:
- 1.6.1 Rental Payments:
- (i) Fixed Retail Rent;
 - (ii) Variable Retail Rent;
 - (iii) Leisure Unit Rent; and
 - (iv) Gaming Machine Income Distribution.
- 1.7 Notwithstanding any other provision of this Booklet 2 (*Pricing Information*), the Prices are subject to the provisions of Annex K (*Performance Management Regime*) to Booklet 1 (*Conditions of Contract*).

PART 2 - PRICES

2 Management Services Provision Payment

- 2.1 The Management Services Provision Payment (“**MSPP**”) is a total sum payable for all the Establishments.
- 2.2 The MSPP for each of Contract Years 1 to 5 is set out in worksheet 2 in Part 1 of the Price List.
- 2.3 The MSPP shall be payable as follows:
- 2.3.1 for the first Payment Period the sum payable shall be equal to:
- (number of days in Payment Period / 30) x 1/12th of the MSPP for the relevant Contract Year;
- 2.3.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the MSPP for the relevant Contract Year; and
- 2.3.3 for the final Payment Period the sum payable shall be equal to:
- (number of days in Payment Period / 30) x 1/12th of the MSPP for the relevant Contract Year.

3 Mobilisation and TUPE Payment

- 3.1 The Mobilisation and TUPE Payment is a one off sum in respect of mobilisation and TUPE and is payable by the Employer on the In Service.

3.2 The Mobilisation and TUPE Payment is set out in worksheet 2 in Part 1 of the Price List, broken down into the sums attributable to each of Mobilisation and TUPE.

4 **CRL Payments**

Catering Provision Payment

4.1 The Catering Provision Payment (“**CPP**”) for each of Contract Years 1 to 5 is set out in worksheet 1 in Part 1 of the Price List and is broken down into the amount attributable to each Establishment in table 1 of each of the Establishment worksheets in Part 2.

4.2 The CPP shall be payable as follows:

4.2.1 for the first Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the CPP for the relevant Contract Year;

4.2.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the CPP for the relevant Contract Year; and

4.2.3 for the final Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the CPP for the relevant Contract Year.

4.3 Within 10 Working Days of the end of each Contract Year, the *Contractor* shall provide the *Employer* with the actual number of Catered Mess Meals consumed by Catering Entitled Personnel at each Establishment in such Contract Year, which shall be recorded by the *Contractor* using point of sale and associated data and be subject to verification by the *Employer* on an open book accounting basis.

4.4 If the actual number of Catered Mess Meals consumed by Catering Entitled Personnel at an Establishment in a Contract Year differs from the number set out in the worksheet relating to such Establishment in Part 2 of the Price List for such Contract Year by less than 5% (five percent) the CPP attributable to that Establishment shall not be adjusted.

4.5 If the actual number of Catered Mess Meals consumed by Catering Entitled Personnel at an Establishment in a Contract Year is less than the number set out in the worksheet relating to such Establishment in Part 2 of the Price List for such Contract Year by 5% (five percent) or more, the CPP attributable to that Establishment for such Contract Year shall be reduced and the relevant amount credited to the *Employer*. The reduction shall be calculated as follows:

$$A = \left(\frac{B \times C}{D} \right) \times (E - F)$$

where:

A = the reduction

B = the CPP attributable to that Establishment

C = the fixed overhead percentage adjustment for that Establishment set out in Part 2 of the Price List

D = the daily average number of Catered Mess Meals provided at that Establishment set out in Part 2 of the Price List multiplied by 365

E = 95% (ninety-five percent) of D

F = the actual number of Catered Mess Meals consumed by Catering Entitled Personnel at that Establishment in the relevant Contract Year, as calculated in accordance with Clause 4.3

- 4.6 If the actual number of Catered Mess Meals consumed by Catering Entitled Personnel at an Establishment in a Contract Year exceeds the number set out in the worksheet relating to such Establishment in Part 2 of the Price List for such Contract Year by 5% (five percent) or more, the CPP attributable to that Establishment for such Contract Year shall be increased and the relevant amount credited to the *Contractor*. The increase shall be calculated as follows:

$$A = \left(\frac{B \times C}{D} \right) \times (F - E)$$

where:

A = the increase

B = the CPP attributable to that Establishment

C = the fixed overhead percentage adjustment for that Establishment set out in Part 2 of the Price List

D = the daily average number of Catered Mess Meals provided at that Establishment as set out in Part 2 of the Price List multiplied by 365

E = 105% (one hundred and five percent) of D

F = the actual number of Catered Mess Meals consumed by Catering Entitled Personnel at that Establishment in the relevant Contract Year, as calculated in accordance with Clause 4.3

- 4.7 If the number of Catering Entitled Personnel at an Establishment in any Contract Year differs by more than 5% (five per cent) from the number of Catering Entitled Personnel shown in the Price List:

- 4.7.1 the CPP attributable to that Establishment shall not be adjusted solely by reason thereof but Clause 4.5 or 4.5 may apply;
- 4.7.2 the *Employer* shall forecast the amount by which it expects (acting reasonably) the CPP for that Establishment to decrease or increase by operation of Clause 4.5 or 4.5 as a result of fewer or more Catering Entitled Personnel taking Catered Mess Meals;
- 4.7.3 if the *Employer* forecasts a decrease in the CPP attributable to that Establishment pursuant to Clause 4.5, the *Contractor* shall pay or allow to the *Employer* on account each month a sum calculated as the forecast decrease for that Contract Year divided by the number of months remaining in the Contract Year. Such payments or allowances shall be taken into account when an assessment is made pursuant to Clause 50.4 (*Assessing the amount due*) of Booklet 1 (*Conditions of Contract*); and
- 4.7.4 if the *Employer* forecasts an increase in the CPP attributable to that Establishment pursuant to Clause 4.5, the *Employer* shall pay or allow to the *Contractor* on account each month a sum calculated as the forecast increase for that Contract Year divided by the number of months remaining in the Contract Year. Such payments or allowances shall be taken into account when an assessment is made pursuant to Clause 50.4 (*Assessing the amount due*) of Booklet 1 (*Conditions of Contract*).

Retail Needs Provision Payment

- 4.8 The *Employer* has agreed to subsidise certain of the retail facilities at the Establishments, as set out in Retail Business Plan 2 (the “**Supported Retail Facilities**”).
- 4.9 The amount of the subsidy for the Supported Retail Facilities in each Contract Year (the “**Retail Needs Provision Payment**”) is set out in worksheet 11 in Part 1 of the Price List.
- 4.10 The Retail Needs Provision Payment shall be payable as follows:
 - 4.10.1 for the first Payment Period the sum payable shall be equal to:
 $(\text{number of days in Payment Period} / 30) \times 1/12^{\text{th}}$ of the Retail Needs Provision Payment for the relevant Contract Year;
 - 4.10.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the Retail Needs Provision Payment for the relevant Contract Year; and
 - 4.10.3 for the final Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the Retail Needs Provision Payment for the relevant Contract Year.

Function Catering Provision Payment

- 4.11 Any Official Functions which the *Employer* instructs the *Contractor* to provide, and which are provided, in accordance with Module P of Booklet 3 (*Service Information*) shall be priced per head in accordance with the prices for the relevant Contract Year set out in table 2 of the relevant Establishment worksheet in Part 2 of the Price List and paid for by the *Employer* on the basis of actual attendance numbers.
- 4.12 For Unofficial Functions and Private Functions the *Contractor* shall recover its costs from the instructing Mess committee or individual (as appropriate) in accordance with Annex D (*Functions*) to Module P of Booklet 3 (*Service Information*) and such costs shall not form part of the Prices nor be recoverable from the *Employer*.

STCR Provision Payment

- 4.13 Any Short Term Catering Requirements which the *Employer* instructs the *Contractor* to provide, and which are provided, in accordance with Module P of Booklet 3 (*Service Information*) shall be priced per head in accordance with the prices for the relevant Contract Year set out in worksheet 13 in Part 1 of the Price List.

5 Mess and Hotel Services Provision Payment

- 5.1 The Mess and Hotel Services Provision Payment (“**MHSPP**”) for each of Contract Years 1 to 5 is set out in worksheet 1 in Part 1 of the Price List and is broken down into the amount attributable to each Establishment in table 1 of each of the Establishment worksheets in Part 2 of the Price List.

- 5.2 The MHSPP shall be payable as follows:

- 5.2.1 for the first Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the MHSPP for the relevant Contract Year;

- 5.2.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the MHSPP for the relevant Contract Year; and

- 5.2.3 for the final Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the MHSPP for the relevant Contract Year.

- 5.3 If the square meterage of the mess and hotel facilities at any Establishment (for the purposes of this Clause 5, the “**Relevant Facilities**”) increases or decreases from the square meterage of such Relevant Facilities as at the Contract Date as set out in Booklet 4 (*Employer Supplied Information*), the *Service Manager* and the *Contractor*

shall agree a fair and reasonable adjustment to the Price List in respect of the MHSPP attributable to the relevant Establishment. Such fair and reasonable adjustment shall be calculated to take account of any costs or expenditure to be incurred or saved by the *Contractor*, using where possible the prices set out in the Price List so that the Parties are in no better and no worse position than if the square meterage had not so increased or decreased.

- 5.4 If the *Service Manager* and the *Contractor* cannot agree on the adjustment to be made pursuant to Clause 5.3, the Parties shall resolve the matter in accordance with the Dispute Resolution Procedure.

6 Cleaning and Associated Services Payments

Cleaning Service Provision Payment

- 6.1 The Cleaning Service Provision Payment (“**CSPP**”) for each of Contract Years 1 to 5 is set out in worksheet 1 in Part 1 of the Price List and is broken down into the amount attributable to each Establishment in table 1 of each of the Establishment worksheets in Part 2 of the Price List.

- 6.2 The CSPP shall be payable as follows:

- 6.2.1 for the first Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the CSPP for the relevant Contract Year;

- 6.2.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the CSPP for the relevant Contract Year; and

- 6.2.3 for the final Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the CSPP for the relevant Contract Year.

- 6.3 If the square meterage of the facilities which the *Contractor* is required to clean at any Establishment (for the purposes of this Clause 6, the “**Relevant Facilities**”) increases or decreases by less than 5% (five percent) of such Relevant Facilities as at the Contract Date as set out in Booklet 4 (*Employer Supplied Information*), the CSPP attributable to that Establishment shall not be adjusted.

- 6.4 If the square meterage of the Relevant Facilities:

- 6.4.1 decreases by 5% (five percent) or more; or

- 6.4.2 increases by 5% (five percent) or more,

of such Relevant Facilities as at the Contract Date as set out in Booklet 4 (*Employer Supplied Information*), the *Service Manager* and the *Contractor* shall agree a fair and

reasonable adjustment to the Price List in respect of the CSPP attributable to the relevant Establishment. Such fair and reasonable adjustment shall be calculated to take account of any costs or expenditure to be incurred or saved by the *Contractor*, using where possible the prices set out in the Price List so that the Parties are in no better and no worse position than if the square meterage had not so increased or decreased.

- 6.5 If the *Service Manager* and the *Contractor* cannot agree on the adjustment to be made pursuant to Clause 6.4, the Parties shall resolve the matter in accordance with the Dispute Resolution Procedure.
- 6.6 Where the *Employer* instructs the *Contractor* to carry out a full clean of the windows at an Establishment in addition to the biannual cleaning service included within the CSPP, the price payable by the *Employer* for each such additional clean carried out by the *Contractor* is set out in table 3 of the relevant Establishment worksheet in Part 2 of the Price List.

Domestic Assistance Provision Payment

- 6.7 The Domestic Assistance Provision Payment (“**DAPP**”) for each of Contract Years 1 to 5 is set out in worksheet 7 in Part 1 of the Price List, broken down into the amount attributable to each Domestic Assistance Location.
- 6.8 The DAPP shall be payable as follows:
- 6.8.1 for the first Payment Period the sum payable shall be equal to:
- (number of days in Payment Period / 30) x 1/12th of the DAPP for the relevant Contract Year;
- 6.8.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the DAPP for the relevant Contract Year; and
- 6.8.3 for the final Payment Period the sum payable shall be equal to:
- (number of days in Payment Period / 30) x 1/12th of the DAPP for the relevant Contract Year.

Associated Services Provision Payment

- 6.9 Subject to Clause 6.10, any Associated Services which the *Employer* instructs the *Contractor* to provide, and which are provided, in accordance with Module R of Booklet 3 (*Service Information*) shall be priced in accordance with the prices in worksheets 3, 4, 5, 6, 8 and 9 in Part 1 of the Price List.
- 6.10 The *Employer’s* liability to pay for each of the laundry service, the dry cleaning service, the tailoring service and the transit accommodation cleaning service (the “**Capped Associated Services**”) shall be subject to a cap for each Contract Year as

set out in worksheet 1 in Part 1 of the Price List (each an “**AS Liability Cap**”). The *Contractor* shall:

- 6.10.1 monitor the aggregate cost of each Capped Associated Service provided by the *Contractor* in each Contract Year;
- 6.10.2 notify the *Employer* promptly where the relevant AS Liability Cap is likely to be exceeded, giving an estimate (based on then current levels of expenditure) of the cost over and above the relevant AS Liability Cap which would be incurred should the *Employer* instruct the *Contractor* to continue to provide the relevant Capped Associated Service for the remainder of that Contract Year; and
- 6.10.3 not provide the relevant Capped Associated Service where the cost of such Capped Associated Service would cause the relevant AS Liability Cap to be exceeded without obtaining prior written consent from the *Employer* permitting an extension to that AS Liability Cap for the relevant Contract Year.

7 Waste Management Services Provision Payment

- 7.1 The Waste Management Services Provision Payment (“**WPP**”) for each of Contract Years 1 to 5 is set out in worksheet 1 in Part 1 of the Price List and is broken down into the amount attributable to each Establishment in table 1 of each of the Establishment worksheets in Part 2 of the Price List.
- 7.2 The WPP shall be payable as follows:
 - 7.2.1 for the first Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the WPP for the relevant Contract Year;
 - 7.2.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the WPP for the relevant Contract Year; and
 - 7.2.3 for the final Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the WPP for the relevant Contract Year.
- 7.3 If the Establishment Population at any Establishment increases or decreases from that at the Contract Date as set out in Booklet 4 (*Employer Supplied Information*), the *Service Manager* and the *Contractor* shall agree a fair and reasonable adjustment to the Price List in respect of the WPP attributable to the relevant Establishment. Such fair and reasonable adjustment shall be calculated to take account of any costs or expenditure to be incurred or saved by the *Contractor*, using where possible the

prices set out in the Price List so that the Parties are in no better and no worse position than if the Establishment Population had not so increased or decreased.

- 7.4 If the *Service Manager* and the *Contractor* cannot agree on the adjustment to be made pursuant to Clause 7.3, the Parties shall resolve the matter in accordance with the Dispute Resolution Procedure.

8 FM and Other Services Provision Payment

- 8.1 The FM and Other Services Payment (“**FMSPP**”) for each of Contract Years 1 to 5 is set out in worksheet 1 in Part 1 of the Price List and is broken down into the amount attributable to each Establishment in table 1 of each of the Establishment worksheets in Part 2 of the Price List.

- 8.2 The FMSPP shall be payable as follows:

- 8.2.1 for the first Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the FMSPP for the relevant Contract Year;

- 8.2.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the FMSPP for the relevant Contract Year; and

- 8.2.3 for the final Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the FMSPP for the relevant Contract Year.

9 Not used

PART 3 - RENT AND GAMING INCOME

10 Rental Payments

Fixed Retail Rent

- 10.1 The *Contractor* shall pay a fixed rent (the “**Fixed Retail Rent**”) for the retail units identified in Retail Business Plan 1 (the “**Commercial Retail Facilities**”) in the amount set out in worksheet 12 in Part 1 of the Price List for the relevant Contract Year.

- 10.2 The Fixed Retail Rent shall be payable as follows:

- 10.2.1 for the first Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the Fixed Retail Rent for the relevant Contract Year;

10.2.2 for each subsequent Payment Period, the sum payable shall be one twelfth of the Fixed Retail Rent for the relevant Contract Year; and

10.2.3 for the final Payment Period the sum payable shall be equal to:

(number of days in Payment Period / 30) x 1/12th of the Fixed Retail Rent for the relevant Contract Year.

Variable Retail Rent

10.3 In addition to the Fixed Retail Rent, the *Contractor* shall, in each Payment Period and for each Commercial Retail Facility, pay a variable rent (the “**Variable Retail Rent**”) calculated as a percentage of all sales at such Commercial Retail Facility in such Payment Period. The percentages applicable to each Contract Year are set out in worksheet 12 in Part 1 of the Price List.

10.4 The *Contractor* shall report the sales at each Commercial Retail Facility and the Variable Retail Rent due for the relevant Payment Period to the *Employer* at the relevant Establishment Service Delivery Meeting.

10.5 The Variable Retail Rent payable to the *Employer* shall be included in the *Service Manager’s* assessment in respect of such Payment Period pursuant to Clause 50.4 of Booklet 1 (*Conditions of Contract*).

10.6 If the *Employer* reasonably believes that the *Contractor’s* calculation of the Variable Retail Rent may be inaccurate, the *Employer* may request, and the *Contractor* shall promptly provide, such additional evidence in relation to the sales at the Commercial Retail Facilities as the *Employer* may reasonably require and if the *Employer* is not satisfied with such evidence it may refer the matter for dispute resolution in accordance with Clause 95 (*Dispute Resolution*) of Booklet 1 (*Conditions of Contract*).

Leisure Unit Rent

10.7 For each of the leisure units set out in Booklet 4 (*Employer Supplied Information*), the *Contractor* shall pay a variable rent (the “**Leisure Unit Rent**”) calculated as a percentage of all sales at such leisure unit. The percentages applicable to each Contract Year are set out in worksheet 12 in Part 1 of the Price List.

10.8 The *Contractor* shall report the sales at each leisure unit and the Leisure Unit Rent due for the relevant Payment Period to the *Employer* at the relevant Establishment Service Delivery Meeting.

10.9 The Leisure Unit Rent payable to the *Employer* shall be included in the *Service Manager’s* assessment in respect of such Payment Period pursuant to Clause 50.4 of Booklet 1 (*Conditions of Contract*).

10.10 If the *Employer* reasonably believes that the Contractor's calculation of the Leisure Unit Rent may be inaccurate, the *Employer* may request, and the *Contractor* shall promptly provide, such additional evidence in relation to the sales at the leisure units as the *Employer* may reasonably require and if the *Employer* is not satisfied with such evidence it may refer the matter for dispute resolution in accordance with Clause 95 (*Dispute Resolution*) of Booklet 1 (*Conditions of Contract*).

Gaming Machine Income Distribution

10.11 The *Contractor* shall pay the *Employer* a share of any profit made from gaming machines and entertainment or amusement machines (including music boxes and skills based machines) on the Establishments the management of which it is responsible for (the "**Contractor Managed Gaming Machines**") in accordance with Clause 10.13 of this Booklet 2 (*Pricing Information*).

10.12 At each Establishment Service Delivery Meeting, the *Contractor* shall provide to the *Employer* a report detailing, in relation to each Contractor Managed Gaming Machine at the relevant Establishment, the turnover, operating costs and any profit during the relevant Payment Period (the "**Gaming Machine Income Distribution Report**").

10.13 The profit share due to the *Employer* in each Payment Period shall be a sum equal to 75% (seventy-five percent) of the profit set out in the Gaming Machine Income Distribution Report for each Establishment in respect of such Payment Period (the "**Gaming Machine Income Distribution**").

10.14 The Gaming Machine Income Distribution due to the payable to the *Employer* shall be included in the *Service Manager's* assessment in respect of such Payment Period pursuant to Clause 50.4 of Booklet 1 (*Conditions of Contract*).

10.15 If the *Employer* reasonably believes that the Gaming Machine Income Distribution Report may be inaccurate, the *Employer* may request, and the *Contractor* shall promptly provide, such additional evidence in relation to the Contractor Managed Gaming Machines as the *Employer* may reasonably require and if the *Employer* is not satisfied with such evidence it may refer the matter for dispute resolution in accordance with Clause 95 (*Dispute Resolution*) of Booklet 1 (*Conditions of Contract*).

PART 4 - VARIATION OF PRICE

11 Variation of Price

11.1 Where the *service period* is extended beyond the end of Contract Year 5 pursuant to Clause 30.3 of Booklet 1 (*Conditions of Contract*):

11.1.1 the provisions of Clauses 11.2 to 11.8 shall apply to:

(i) the MSPP;

- (ii) the CPP;
- (iii) the Function Catering Provision Payment;
- (iv) the STCR Provision Payment;
- (v) the MHSPP;
- (vi) the CSPP;
- (vii) the DAPP;
- (viii) the Associated Services Provision Payment;
- (ix) the WPP; and
- (x) the FMSPP;

11.1.2 the provisions of Clauses 11.9 to 11.10 shall apply to the Retail Needs Provision Payment and the Fixed Retail Rent; and

11.1.3 the provisions of Clause 11.11 shall apply to the Variable Retail Rent, the Leisure Unit Rent and the Gaming Machine Income Distribution.

Index Linked Variation of Price

11.2 Where Clause 11.1.1 applies, the Price in each subsequent Contract Year shall be varied in accordance with the following formula:

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

Where:

V = the variation of the price

P = the Firm Price in Contract Year 1

a = 10% of P

b = 90% of P

SPPI = the Services Producer Price Index Gross Sector Output (Ref K8ZU)

O_o = the average output SPPI figure for the last quarter of Contract Year 1

O_i = the average output SPPI figure for the last quarter of the Contract Year immediately prior to the Contract Year in respect of which the variation is to be calculated

- 11.3 Indices published with a B or F marker, or a suppressed value, in the last 3 years are not valid for use in the calculation at Clause 11.2 and shall not be used for the calculation of Fixed Prices for Contract Years six onwards. Where the price index has a 'B' or 'F' marker or suppression applied to it during the Contract Period, the *Employer* 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.
- 11.4 In the event that any material changes are made to the indices (e.g. a revised statistical base date) during the Contract Period and before final adjustment of the Prices, then the re-basing methodology outlined by the Office for National Statistics ("**ONS**") to match the original index to the new series shall be applied.
- 11.5 In the event the agreed index or indices cease to be published (e.g. because of a change in the Standard Industrial Classification) the *Employer* 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 ONS used for rebasing indices (as in Clause 11.3 above) shall then be applied.
- 11.6 Notwithstanding the above, any extant index agreed in this Contract shall continue to be used as long as it is available and subject to ONS revisions policy. Payments calculated using the extant index during its currency shall not be amended retrospectively as a result of any change to the index.
- 11.7 The *Contractor* shall notify the *Employer* of any significant changes on the basis of which this Clause 11 (*Variation of Prices*) was drawn up and agreed, or of any other factor having a material bearing on the operation of this Clause 11 (*Variation of Prices*) such as to cause a significant divergence from its intended purpose, in order that the Parties may consider whether any change in this Clause 11 (*Variation of Prices*) would be appropriate.
- 11.8 Prices shall be adjusted taking into account the effect of the above formula as soon as possible after publication of the relevant indices or at a later date if so agreed between the *Employer* and the *Contractor*.

Non Index Linked Variation of Price

- 11.9 Where Clause 11.1.2 applies, the *Contractor* and the *Employer* shall, as soon as reasonably practicable following notification to the *Contractor* by the *Employer* that it wishes to extend the *service period* pursuant to Clause 30.3 of Booklet 1 (*Conditions of Contract*), meet to discuss whether the Retail Needs Provision Payment and the Fixed Retail Rent applied in the most recent Contract Year are appropriate for application to subsequent Contract Years, taking into consideration all relevant factors, including:
- 11.9.1 the level of turnover and profit of the Commercial Retail Facilities during the *service period*;

11.9.2 any changes in the *Employer's* requirements,

and shall, subject to Clause 11.10, agree the Retail Needs Provision Payment and the Fixed Retail Rent which shall apply during the extension to the *service period*.

11.10 Where the *Contractor* and the *Employer* have not reached an agreement pursuant to Clause 11.9 by the date falling one month immediately prior to the extent expiry of the then *service period*, the Retail Needs Provision Payment and the Fixed Retail Rent which applied to the most recent Contract Year shall apply during the extension to the *service period*.

No Variation to Prices

11.11 The Prices in Part 3 of this Booklet 2 (*Pricing Information*) relating to the Variable Retail Rent, the Leisure Unit Rent and the Gaming Machine Income Distribution shall continue to apply during any extension to the *service period*.

Annex A

Price List

Part 1 – Regional Pricing Worksheets

Part 2

Establishment Pricing Worksheets