



HM Revenue
& Customs

HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (November 2020)

SCHEDULE 7.2 | Payments on Termination



OFFICIAL - SENSITIVE - COMMERCIAL

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Schedule 7.2 | Payments on Termination

1 DEFINITIONS

1.1 In this Schedule, the following definitions shall apply:

“Applicable Supplier Personnel”

any Supplier Personnel who:

- (i) at the Termination Date:
 - a) are employees of the Supplier;
 - b) are Dedicated Supplier Personnel;
 - c) have not transferred (and are not in scope to transfer at a later date) to the Authority or the Replacement Supplier by virtue of the Employment Regulations; and
- (ii) are dismissed or given notice of dismissal by the Supplier within:
 - a) forty (40) Working Days of the Termination Date; or
 - b) such longer period required by Law, their employment contract (as at the Termination Date) or an applicable collective agreement; and
 - c) have not resigned or given notice of resignation prior to the date of their dismissal by the Supplier; and
 - d) the Supplier can demonstrate to the satisfaction of the Authority:
 - i) are surplus to the Supplier's requirements after the Termination Date notwithstanding its obligation to provide services to its other customers;
 - ii) are genuinely being dismissed for reasons of redundancy; and
 - iii) have been selected for redundancy by the Supplier on objective grounds other than the fact that the Supplier is entitled

to reimbursement under this provision in respect of such employees;

“Breakage Costs Payment”

an amount equal to the Redundancy Costs and the Contract Breakage Costs as at the Termination Date as determined in accordance with Paragraph 3;

“Contract Breakage Costs”

the amounts payable by the Supplier to its Key Sub-contractors or other third parties (as applicable) for terminating all relevant Key Sub-contracts or Third-Party Contracts as a direct result of the early termination of this Agreement;

“Dedicated Supplier Personnel”

all Supplier Personnel then assigned to the Services or any part of the Services. If the Supplier is unsure as to whether Supplier Personnel are or should be regarded as so assigned, it shall consult with the Authority whose view shall be determinative provided that the employee has been materially involved in the provision of the Services or any part of the Services;

“Profit Already Paid”

the Supplier Profit paid or payable to the Supplier under this Agreement for the period from the Effective Date up to (and including) the Termination Date;

“Redundancy Costs”

the total sum of any of the following sums paid to Applicable Supplier Personnel, each amount apportioned between the Supplier and the Authority based on the time spent by such employee on the Services as a proportion of the total Service duration:

- (a) any statutory redundancy payment; and
- (b) in respect of an employee who was a Transferring Former Supplier Employee or a Transferring Authority Employee, any contractual redundancy payment (or where such a contractual benefit on redundancy is a benefit payable from a pension scheme, the increase in cost to the Supplier as a net present value compared to the benefit payable on termination of employment without redundancy), provided that such employee was entitled to such contractual redundancy payment immediately prior to his or her transfer to the Supplier under the Employment Regulations;

“Request for Estimate”	a written request sent by the Authority to the Supplier, requiring that the Supplier provide it with an accurate estimate of the Termination Payment that would be payable if the Authority exercised its right under Clause 34.1(a) (<i>Termination by the Authority</i>) to terminate this Agreement for convenience on a specified Termination Date;
“Termination Estimate”	has the meaning given in Paragraph 10.2;
“Third-Party Contract”	a contract with a third party entered into by the Supplier exclusively for the purpose of delivering the Services, as listed in Schedule 4.4 (<i>Third Party Contracts</i>);
“Total Costs Incurred”	the Costs incurred by the Supplier up to the Termination Date in the performance of this Agreement and detailed in the Financial Model (but excluding Contract Breakage Costs, Redundancy Costs and any costs the Supplier would not otherwise be able to recover through the Charges) less any Deductions up to (and including) the Termination Date;
“Unrecovered Costs”	the Costs incurred by the Supplier in the performance of this Agreement (as summarised in the Financial Model) to the extent that the same remain at the Termination Date to be recovered through Charges that but for the termination of this Agreement would have been payable by the Authority after the Termination Date in accordance with Schedule 7.1 (<i>Charges and Invoicing</i>) as such Costs and Charges are forecast in the Financial Model;
“Unrecovered Payment”	an amount equal to the lower of: <ul style="list-style-type: none"> (a) the sum of the Unrecovered Costs and the Unrecovered Profit; and (b) the amount specified in Paragraph 4; and
“Unrecovered Profit”	(Total Costs Incurred x Anticipated Contract Life Profit Margin) - Profit Already Paid + Milestone Retentions remaining unpaid at the Termination Date.

2 TERMINATION PAYMENT OVERVIEW

The Termination Payment payable pursuant to Clause 35.3 (Payments by the Authority) shall be an amount equal to the aggregate of the Breakage Costs Payment and the Unrecovered Payment.

3 BREAKAGE COSTS PAYMENT

3.1 The Supplier may recover through the Breakage Costs Payment only those costs incurred by the Supplier directly as a result of the termination of this Agreement which:

- (a) would not have been incurred had this Agreement continued until expiry of the Initial Term, or in the event that the Term has been extended, the expiry of the Extension Period;
- (b) are unavoidable, proven, reasonable, and not capable of recovery;
- (c) are incurred under arrangements or agreements that are directly associated with this Agreement;
- (d) are not Contract Breakage Costs relating to contracts or Sub-contracts with Affiliates of the Supplier; and
- (e) relate directly to the termination of the Services.

Limitation on Breakage Costs Payment

3.2 The Breakage Costs Payment shall not exceed the lower of:

- (a) the relevant limit set out in Annex 1; and
- (b) one hundred and twenty per cent (120%) of the estimate for the Breakage Costs Payment set out in any relevant Termination Estimate.

Redundancy Costs

3.3 The Authority shall not be liable under this Schedule for any costs associated with Supplier Personnel (whether relating to redundancy, redeployment or otherwise) other than the Redundancy Costs.

- 3.4 Where the Supplier can demonstrate that a member of Supplier Personnel will be made redundant following termination of this Agreement, but redeployment of such person is possible and would offer value for money to the Authority when compared with redundancy, then the Authority shall pay the Supplier the actual direct costs incurred by the Supplier or its Sub-contractor arising out of the redeployment of such person (including retraining and relocation costs) subject to a maximum amount of thirty thousand pounds Sterling £30,000 per relevant member of the Supplier Personnel.

Contract Breakage Costs

- 3.5 The Supplier shall be entitled to Contract Breakage Costs only in respect of Third-Party Contracts or Sub-contracts which:
- (a) are not assigned or novated to a Replacement Supplier at the request of the Authority in accordance with Schedule 8.5 (*Exit Management*); and
 - (b) the Supplier can demonstrate:
 - (i) are surplus to the Supplier's requirements after the Termination Date, whether in relation to use internally within its business or in providing services to any of its other customers; and
 - (ii) have been entered into by it in the ordinary course of business.
- 3.6 The Supplier shall seek to negotiate termination of any Third-Party Contracts or Sub-contracts with the relevant third party or Sub-contractor (as the case may be) using all reasonable endeavours to minimise the cancellation or termination charges.
- 3.7 Except with the prior written agreement of the Authority, the Authority shall not be liable for any costs (including cancellation or termination charges) that the Supplier is obliged to pay in respect of:
- (a) the termination of any contractual arrangements for occupation of, support of and/or services provided for Supplier premises which may arise as a consequence of the termination of this Agreement; and/or
 - (b) Assets not yet installed at the Termination Date.

4 UNRECOVERED PAYMENT

The Unrecovered Payment shall not exceed the lowest of:

- (a) the relevant limit set out in Annex 1;
- (b) one hundred and twenty per cent (120%) of the estimate for the Unrecovered Payment set out in any relevant Termination Estimate; and

- (c) the Charges that but for the termination of this Agreement would have been payable by the Authority after the Termination Date in accordance with Schedule 7.1 (*Charges and Invoicing*) as forecast in the Financial Model.

5 MITIGATION OF CONTRACT BREAKAGE COSTS, REDUNDANCY COSTS AND UNRECOVERED COSTS

5.1 The Supplier agrees to use all reasonable endeavours to minimise and mitigate Contract Breakage Costs, Redundancy Costs and Unrecovered Costs by:

- (a) the appropriation of Assets, employees and resources for other purposes;
- (b) in relation to Supplier Personnel, seeking to redeploy Supplier Personnel within the Supplier organisation;
- (c) at the Authority's request, assigning any Third-Party Contracts and Sub-contracts to the Authority or a third party acting on behalf of the Authority; and
- (d) in relation Third Party Contracts and Sub-contract that are not to be assigned to the Authority or to another third party, terminating those contracts at the earliest possible date without breach or where contractually permitted.

5.2 If Assets, employees and resources can be used by the Supplier for other purposes, then there shall be an equitable reduction in the Contract Breakage Costs, Redundancy Costs and Unrecovered Costs payable by the Authority or a third party to the Supplier. In the event of any Dispute arising over whether the Supplier can use any Assets, employees and/or resources for other purposes and/or over the amount of the relevant equitable reduction, the Dispute shall be referred to an Expert for determination in accordance with the procedure detailed in Schedule 8.4 (*Dispute Resolution Procedure*).

6 FULL AND FINAL SETTLEMENT

Any Termination Payment paid under this Schedule shall be in full and final settlement of any claim, demand and/or proceedings of the Supplier in relation to any termination by the Authority pursuant to Clause 34.1(a) (*Termination by the Authority*) or termination by the Supplier pursuant to Clause 34.6(a) (*Termination by the Supplier*) (as applicable), and the Supplier shall be excluded from all other rights and remedies it would otherwise have been entitled to in respect of any such termination.

7 INVOICING FOR THE PAYMENTS ON TERMINATION

All sums due under this Schedule shall be payable by the Authority to the Supplier in accordance with the payment terms set out in Schedule 7.1 (*Charges and Invoicing*).

8 SET OFF

The Authority shall be entitled to set off any outstanding liabilities of the Supplier against any amounts that are payable by it pursuant to this Schedule.

9 NO DOUBLE RECOVERY

- 9.1 If any amount payable under this Schedule (in whole or in part) relates to or arises from any Transferring Assets then, to the extent that the Authority makes any payments pursuant to Schedule 8.5 (*Exit Management*) in respect of such Transferring Assets, such payments shall be deducted from the amount payable pursuant to this Schedule.
- 9.2 The value of the Termination Payment shall be reduced or extinguished to the extent that the Supplier has already received the Charges or the financial benefit of any other rights or remedy given under this Agreement so that there is no double counting in calculating the relevant payment.
- 9.3 Any payments that are due in respect of the Transferring Assets shall be calculated in accordance with the provisions of the Exit Plan.

10 ESTIMATE OF TERMINATION PAYMENT

- 10.1 The Authority may issue a Request for Estimate at any time during the Term provided that no more than two (2) Requests for Estimate may be issued in any six (6) month period.
- 10.2 The Supplier shall within twenty (20) Working Days of receiving the Request for Estimate (or such other timescale agreed between the Parties), provide an accurate written estimate of the Termination Payment that would be payable by the Authority based on a postulated Termination Date specified in the Request for Estimate (such estimate being the “**Termination Estimate**”). The Termination Estimate shall:
- (a) be based on the relevant amounts set out in the Financial Model;
 - (b) include:
 - (i) details of the mechanism by which the Termination Payment is calculated;
 - (ii) full particulars of the estimated Contract Breakage Costs in respect of each Sub-contract or Third-Party Contract and appropriate supporting documentation; and
 - (iii) such information as the Authority may reasonably require; and
 - (c) state the period for which that Termination Estimate remains valid, which shall be not less than twenty (20) Working Days.

- 10.3 The Supplier acknowledges that issue of a Request for Estimate shall not be construed in any way as to represent an intention by the Authority to terminate this Agreement.
- 10.4 If the Authority issues a Termination Notice to the Supplier within the stated period for which a Termination Estimate remains valid, the Supplier shall use the same mechanism to calculate the Termination Payment
- 10.5 Termination Estimate unless otherwise agreed in writing between the Supplier and the Authority.

ANNEX 1 | MAXIMUM PAYMENTS ON TERMINATION

The table below sets out, by Contract Year, the maximum amount of the Unrecovered Payment and Breakage Costs Payment that the Authority shall be liable to pay to the Supplier pursuant to this Agreement:

Termination Date	Maximum Unrecovered Payment	Maximum Breakage Costs Payment
Anytime in the first Contract Year	REDACTED	REDACTED
Anytime in the second Contract Year	REDACTED	REDACTED
Anytime in Contract Years 3, 4 & 5	REDACTED	REDACTED



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SCHEDULE 7.3 | Value for Money



OFFICIAL – SENSITIVE - COMMERCIAL

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Schedule 7.3 | Value for Money

1 DEFINITIONS

In this Schedule, the following definitions shall apply:

“Benchmarked Service”	a Service that the Authority elects to include in a Benchmark Review under Paragraph 2.4;
“Benchmarker”	the independent third party appointed under Paragraph 3.1;
“Benchmark Report”	the report produced by the Benchmarker following the Benchmark Review as further described in Paragraph 5;
“Benchmark Review”	a review of one or more of the Services carried out in accordance with Paragraph 4 to determine whether those Services represent Good Value;
“Comparable Service”	in relation to a Benchmarked Service, a service that is identical or materially similar to the Benchmarked Service (including in terms of scope, specification, volume and quality of performance) and performed within the UK or Europe;
“Comparison Group”	in relation to a Comparable Service, a sample group of organisations providing the Comparable Service identified by the Benchmarker under Paragraph 4.8 which consists of organisations which are either of similar size to the Supplier or which are similarly structured in terms of their business and their service offering so as to be (in the Benchmarker's professional opinion) fair comparators with the Supplier or which, in the professional opinion of the Benchmarker, are best practice organisations and, where there are a reasonable number of such organisations, referencing only those organisations that are carrying on at least a significant part of their business within the United Kingdom;

“Equivalent Services Data”

in relation to a Comparable Service, data derived from an analysis of the Comparable Service provided by the Comparison Group as adjusted in accordance with Paragraphs 4.8(a) and 4.9 provided that the Benchmarker shall not use any such data that relates to a period which ended more than thirty six (36) months prior to the date of the appointment of the Benchmarker;

“Good Value”

in relation to a Benchmarked Service, that:

- (a) having taken into account the Performance Indicators and Target Performance Levels, the value for money of the Charges attributable to that Benchmarked Service is at least as good as the value for money of the Upper Quartile; and
- (b) any Performance Indicators and Target Performance Levels applicable to that Benchmarked Service are, having taken into account the Charges, equal to or better than the median service levels for the Comparable Service using Equivalent Services Data; and

“Upper Quartile”

the top twenty-five per cent (25%) of instances of provision of a Comparable Service by members of the Comparison Group ranked by best value for money to the recipients of that Comparable Service.

PART A | BENCHMARKING

2 FREQUENCY, PURPOSE AND SCOPE OF BENCHMARK REVIEW

- 2.1 The Authority may, by written notice to the Supplier, require a Benchmark Review of any or all of the Services in order to establish whether a Benchmarked Service is, and/or the Benchmarked Services as a whole are, Good Value.
- 2.2 The Authority shall not be entitled to carry out a Benchmark Review of any Services during the twelve (12) month period from the Effective Date, nor (subject always to Paragraph 2.3) at intervals of less than twelve (12) months after the completion of any previous Benchmark Review relating to the same Services.
- 2.3 The Authority shall be entitled to initiate a Benchmark Review in determining whether to extend the Term of this Agreement in accordance with Clauses 4.2 to 4.5 (inclusive) of this Agreement.
- 2.4 The Services that are to be the Benchmarked Services shall be identified by the Authority in the notice given under Paragraph 2.1.

3 APPOINTMENT OF BENCHMARKER

- 3.1 The Authority shall appoint as the Benchmarkers to carry out the Benchmark Review such organisation as the Authority, acting reasonably, deems appropriate. The Authority shall confirm the identity of the Benchmarkers by written notice to the Supplier. If the Supplier, acting reasonably, disagrees with the identity of the Benchmarkers that the Authority has selected, it shall notify the Authority in writing no later than five (5) days following the date of the Authority's written notification of the identity of the Benchmarkers, giving reasons for its objection and proposing one or more alternatives. The Authority shall consider the Supplier's objection (and shall act reasonably in doing so) and shall seek to reach an agreement with the Supplier as to an alternative Benchmarkers, however the final decision as to the Benchmarkers to be appointed shall rest with the Authority.
- 3.2 The Authority shall, at the written request of the Supplier, require the Benchmarkers to enter into a confidentiality agreement with the Supplier in, or substantially in, the form set out in the Annex to this Schedule.
- 3.3 The costs and expenses of the Benchmarkers and the Benchmark Review shall be shared equally between both Parties provided that each Party shall bear its own internal costs of the Benchmark Review. The Benchmarkers shall not be compensated on a contingency fee or incentive basis.
- 3.4 The Authority shall be entitled to pay the Benchmarkers' costs and expenses in full and to recover the Supplier's share from the Supplier.

4 BENCHMARK REVIEW

- 4.1 The Authority shall require the Benchmarker to produce, and to send to each Party for approval, a draft plan for the Benchmark Review within ten (10) Working Days after the date of the appointment of the Benchmarker, or such longer period as the Benchmarker shall reasonably request in all the circumstances. The plan must include:
- (a) a proposed timetable for the Benchmark Review;
 - (b) a description of the information that the Benchmarker requires each Party to provide;
 - (c) a description of the benchmarking methodology to be used;
 - (d) a description that clearly illustrates that the benchmarking methodology to be used is capable of fulfilling the benchmarking objectives under Paragraph 2.1;
 - (e) an estimate of the resources required from each Party to underpin the delivery of the plan;
 - (f) a description of how the Benchmarker will scope and identify the Comparison Group;
 - (g) details of any entities which the Benchmarker proposes to include within the Comparison Group; and
 - (h) if in the Benchmarker's professional opinion there are no Comparable Services or the number of entities carrying out Comparable Services is insufficient to create a Comparison Group, a detailed approach for meeting the relevant benchmarking objective(s) under Paragraph 2.1 using a proxy for the Comparison Services and/or Comparison Group as applicable.
- 4.2 The Parties acknowledge and agree that the selection and or use of proxies for the Comparison Group (both in terms of number and identity of entities) and Comparable Services shall be a matter for the Benchmarker's professional judgment, but will be requested to consider the following:
- (a) Information from other service providers to the Authority;
 - (b) Survey information;
 - (c) Market intelligence;
 - (d) The Benchmarker's own data and experience;
 - (e) Relevant published information;
 - (f) Information from consultancies and/or other vendors or purchasers of Comparable Services; and

- (g) Information from "in-house" providers to the Authority to the extent that the Benchmarker considers that they are valid comparators.
- 4.3 Each Party shall give notice in writing to the Benchmarker and to the other Party within ten (10) Working Days after receiving the draft plan either approving the draft plan or suggesting amendments to that plan which must be reasonable. Where a Party suggests amendments to the draft plan pursuant to this Paragraph 4.3, the Benchmarker shall, if it believes the amendments are reasonable, produce an amended draft plan. Paragraph 4.1 and this Paragraph 4.3 shall apply to any amended draft plan.
- 4.4 Failure by a Party to give notice under Paragraph 4.3 shall be treated as approval of the draft plan by that Party. If the Parties fail to approve the draft plan within thirty (30) Working Days of its first being sent to them pursuant to Paragraph 4.1 then the Benchmarker shall prescribe the plan.
- 4.5 Once the plan is approved by both Parties or prescribed by the Benchmarker, the Benchmarker shall carry out the Benchmark Review in accordance with the plan. Each Party shall procure that all the information described in the plan, together with any additional information reasonably required by the Benchmarker is provided to the Benchmarker without undue delay. If the Supplier causes any delay or fails to provide any information requested from it by the Benchmarker whether described in the plan or reasonably requested by the Benchmarker, such failure or delay shall constitute a material Default for the purposes of Clause 27.2(c) (*Rectification Plan Process*).
- 4.6 Each Party shall co-operate fully with the Benchmarker, including by providing access to records, technical documentation, premises, equipment, systems and personnel at times reasonably requested by the Benchmarker, provided that the Benchmarker shall be instructed to minimise any disruption to the Services.
- 4.7 Either Party may provide additional material to the Benchmarker to assist the Benchmarker in conducting the Benchmark Review.
- 4.8 Once it has received the information it requires, the Benchmarker shall:
- (a) finalise the sample of entities constituting the Comparison Group and collect data relating to Comparable Services. The final selection of the Comparison Group (both in terms of number and identity of entities) and of the Comparable Services shall be a matter for the Benchmarker's professional judgment;
 - (b) derive the Equivalent Services Data by applying the adjustment factors listed in Paragraph 4.9 and from an analysis of the Comparable Services;
 - (c) derive the relative value for money of the charges payable for the Comparable Services using the Equivalent Services Data and from that derive the Upper Quartile;

- (d) derive the median service levels relating to the Comparable Services using the Equivalent Services Data;
- (e) compare the value for money of the Charges attributable to the Benchmarked Services (having regard in particular to the applicable Performance Indicators and Target Performance Levels) to the value for money of the Upper Quartile;
- (f) compare the Performance Indicators and Target Performance Levels attributable to the Benchmarked Services (having regard to the Charges and Service Credits) with the median service levels using the Equivalent Services Data; and
- (g) determine whether or not each Benchmarked Service is and/or the Benchmarked Services as a whole are, Good Value.

4.9 The Benchmarker shall have regard to the following matters when performing a comparative assessment of a Benchmarked Service and a Comparable Service in order to derive Equivalent Services Data:

- (a) the contractual and business environment under which the Services are being provided (including the scope, scale, complexity and geographical spread of the Services);
- (b) any front-end investment and development costs of the Supplier;
- (c) the Supplier's risk profile including the financial, performance or liability risks associated with the provision of the Services as a whole;
- (d) the extent of the Supplier's management and contract governance responsibilities;
- (e) any other reasonable factors demonstrated by the Supplier, which, if not taken into consideration, could unfairly cause the Supplier's pricing to appear non-competitive (such as erroneous costing, non-sustainable behaviour including excessive consumption of energy or over-aggressive pricing).

5 BENCHMARK REPORT

5.1 The Benchmarker shall be required to prepare a Benchmark Report and deliver it simultaneously to both Parties, at the time specified in the plan approved under Paragraph 4, setting out its findings. The Benchmark Report shall:

- (a) include a finding as to whether or not each Benchmarked Service is and/or whether the Benchmarked Services as a whole are, Good Value;
- (b) include other findings (if any) regarding the quality and competitiveness or otherwise of those Services;

- (c) if any Benchmarked Service is not Good Value, or the Benchmarked Services as a whole are not Good Value, specify the changes that would be required to the Charges, Performance Indicators and/or Target Performance Levels, that would be required to make that Benchmarked Service or those Benchmarked Services as a whole Good Value; and
- (d) illustrate the method used for any normalisation of the Equivalent Services Data

5.2 The Benchmarker shall act as an expert and not as an arbitrator.

5.3 If the Benchmark Report states that any Benchmarked Service is not Good Value or that the Benchmarked Services as a whole are not Good Value, then the Supplier shall (subject to Paragraph 5.5) implement the changes set out in the Benchmark Report as soon as reasonably practicable within timescales agreed with the Authority but in any event within no more than three (3) months. Any associated changes to the Charges shall take effect only from the same date and shall not be retrospective.

5.4 The Supplier acknowledges and agrees that Benchmark Reviews shall not result in any increase to the Charges, disapplication of the Performance Indicators or any reduction in the Target Performance Levels.

5.5 The Supplier shall only be entitled to reject any Benchmark Report if the Supplier reasonably considers that the Benchmarker has not followed the procedure for the related Benchmark Review as set out in this Schedule in any material respect.

5.6 In the event of any Dispute arising over whether the Benchmarker has followed the procedure for the related Benchmark Review under Paragraph 5.5, the Dispute shall be referred to Expert Determination. For the avoidance of doubt in the event of a Dispute between the Parties, the Authority shall continue to pay the Charges to the Supplier in accordance with the terms of this Agreement and the Performance Indicators and Target Performance Levels shall remain unchanged pending the conclusion of the Expert Determination.

5.7 On conclusion of the Expert Determination:

- (a) if the Expert determines that all or any part of the Benchmark Report recommendations regarding any reduction in the Charges shall be implemented by the Supplier, the Supplier shall immediately repay to the Authority the difference between the Charges paid by the Authority up to and including the date of the Expert's determination and the date upon which the recommended reduction in Charges should have originally taken effect pursuant to Paragraph 5.3 together with interest thereon at the applicable rate under the Late Payment Of Commercial Debts (Interest) Act 1998; and
- (b) if the Expert determines that all or any part of the Benchmark Report recommendations regarding any changes to the Performance Indicators and/or Target Performance Levels shall be implemented by the Supplier:

- (i) the Supplier shall immediately implement the relevant changes;
- (ii) the Supplier shall immediately pay an amount equal to any Service Credits which would have accrued up to and including the date of the Expert's determination if the relevant changes had taken effect on the date determined pursuant to Paragraph 5.3 together with interest thereon at the applicable rate under the Late Payment Of Commercial Debts (Interest) Act 1998; and
- (iii) the relevant changes shall thereafter be subject to the Change Control Procedure for the purposes only of formalising and documenting the relevant change or amendment for the purposes of this Agreement (it being acknowledged and agreed that the decision as to whether and what changes are to be made has already been finalised by the Expert).

5.8 Any failure by the Supplier to implement the changes as set out in the Benchmark Report in accordance with the relevant timescales determined in accordance with Paragraph 5.3 (unless the provisions of Paragraph 5.6 apply) or in accordance with Paragraph 5.7 shall, without prejudice to any other rights or remedies of the Authority, constitute a Supplier Termination Event.

PART B | SAVINGS INITIATIVES

1 SAVINGS INITIATIVES

- 1.1 The Parties agree that it is their intention to operate a gainshare mechanism under this Agreement ("**Gainshare Mechanism**").
- 1.2 The Supplier shall no less than three times in each twelve-month period, provide a detailed proposal to identify and report to the Authority ("**Gainshare Report**") all efficiency gain proposals that might be applied to the Services to reduce the Charges payable under this Agreement and/or achieve savings to the Authority elsewhere. The report shall be in the form of a template agreed with the Authority and the Supplier shall collaborate with the Authority in its creation. For a piece of work to be eligible for Gainshare, the overall savings forecasted must be above fifty thousand pounds sterling (£50,000) in a 6-month period.
- 1.3 The Supplier shall include within the Gainshare Report:
- (a) details of how the savings are calculated and the time period to which it relates. All savings set out in the Gainshare Report must be based in fact (and net of any costs incurred by the Authority (this may include but is not limited to the Authority's resource costs and postal costs) and incorporate a baseline measure, the costs necessary for each Party to achieve the savings (if any), budget forecast and measures to actualise the savings. The savings identified in the Gainshare Report shall be proven and auditable savings and not based on estimated or deemed savings; and
 - (b) an equitable and reasonable proposal as to how the savings to be achieved should be shared between the Authority and the Supplier as well as how this will be implemented over time. This must be jointly agreed between the Authority and Supplier. The amount of gainshare payable to the supplier is subject to a cap of 30% of the savings above the initial £50,000 threshold.
- 1.4 Within four (4) weeks of receipt of the Gainshare Report, the Authority shall be entitled to accept or reject proposals contained within a Gainshare Report by giving written notice to the Supplier.
- 1.5 The proposals contained within a Gainshare Report shall be implemented through the Change Control Procedure.
- 1.6 Unless otherwise agreed between the Parties, the savings achieved through the proposals contained within a Gainshare Report and implemented through the Change Control Procedure shall:
- (a) NOT USED
 - (b) NOT USED

- (c) be apportioned between the Parties in accordance with the jointly agreed proposal in line with paragraph 1.3(b) above.

ANNEX | CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made on **[date]**

BETWEEN:

- (1) **[insert name]** of **[insert address]** (the “**Supplier**”); and
- (2) **[insert name]** of **[insert address]** (the “**Benchmarker**” 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 Benchmarker is to receive Confidential Information from the Supplier for the purpose of carrying out a benchmarking review for the Authority of one or more of such services pursuant to the terms of the Contract (the “**Permitted Purpose**”).

IT IS AGREED as follows:

1 Interpretation

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

“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 Supplier to the Benchmarker pursuant to this Agreement 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) other Information provided by the Supplier pursuant to this Agreement to the Benchmarker that is clearly designated as being confidential or equivalent or that ought reasonably to be considered to be confidential which comes (or has come) to the Benchmarker’s attention or into the

Benchmarker's possession in connection with the Permitted Purpose;

- c) discussions, negotiations, and correspondence between the Supplier or any of its directors, officers, employees, consultants or professional advisers and the Benchmarker or any of its directors, officers, employees, consultants and professional advisers in connection with the Permitted Purpose and all matters arising therefrom; and

- d) Information derived from any of the above,

but not including any Information that:

- e) was in the possession of the Benchmarker without obligation of confidentiality prior to its disclosure by the Supplier;
- f) the Benchmarker obtained on a non-confidential basis from a third party who is not, to the Benchmarker's knowledge or belief, bound by a confidentiality agreement with the Supplier or otherwise prohibited from disclosing the information to the Benchmarker;
- g) 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
- h) 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

"Permitted Purpose" 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 Supplier providing Confidential Information to the Benchmark, the Benchmark 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, if relevant, other owner 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 the Permitted Purpose;
- (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) once the Permitted Purpose has been fulfilled:
 - (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 Benchmark) 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 Benchmarker 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 Permitted Purpose; and
 - (b) have been informed by the Benchmarker of the confidential nature of the Confidential Information; and
 - (c) have agreed to terms similar to those in this agreement.
- 3.2 The Benchmarker shall be entitled to disclose Confidential Information to the Authority for the Permitted Purpose and to any Expert appointed in relation to a Dispute as referred to in paragraph 5.6 of Schedule **Error! Reference source not found.** (*Value for Money*) to the Contract.
- 3.3 The Benchmarker 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 Benchmarker.
- 3.4 Before making a disclosure pursuant to Clause 3.3, the Benchmarker 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 Benchmarker 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 Benchmarker any licence or rights other than as may be expressly stated in this agreement;
 - (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 this agreement.
- 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 Benchmarkers acknowledges and agrees that damages alone may not be an adequate remedy for any breach by the Benchmarkers of any of the provisions of this agreement. Accordingly, the Benchmarkers 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 Benchmarkers to the Supplier for any breach of this agreement shall be limited to ten million pounds sterling (£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 5.2.
- 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”]**

(b) if to be given to the Benchmarker 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 Benchmarker]

Signature:

Date:

Name:

Position:



HM Revenue
& Customs

HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (November 2020)

SCHEDULE 7.4 | Financial Distress



OFFICIAL – SENSITIVE - COMMERCIAL

OFFICIAL-SENSITIVE

Schedule 7.4 | Financial Distress

1 DEFINITIONS

In this Schedule, the following definitions shall apply:

"Applicable Financial Indicators"	means the financial indicators from Paragraph 5.1 of this Schedule which are to apply to the Monitored Suppliers as set out in Paragraph 5.2 of this Schedule;
"Board"	means the Supplier's board of directors;
"Board Confirmation"	means written confirmation from the Board in accordance with Paragraph 8 of this Schedule;
"Credit Rating Level"	a credit rating level as specified in Annex 1 of this Schedule;
"Credit Rating Threshold"	the minimum Credit Rating Level for each entity in the FDE Group as set out in Annex 3 of this Schedule;
"FDE Group"	means the Supplier, Key Sub-contractors, the Guarantor and the Monitored Suppliers;
"Financial Indicators"	in respect of the Supplier, Key Sub-contractors and the Guarantor, means each of the financial indicators set out at paragraph 5.1 of this Schedule; and in respect of each Monitored Supplier, means those Applicable Financial Indicators;
"Financial Target Thresholds"	means the target thresholds for each of the Financial Indicators set out at paragraph 5.1 of this Schedule;
"Monitored Suppliers"	means those entities specified at paragraph 5.2 of this Schedule;
"Rating Agencies"	the rating agencies listed in Annex 1 of this Schedule.

2 WARRANTIES AND DUTY TO NOTIFY

- 2.1 The Supplier warrants and represents to the Authority for the benefit of the Authority that as at the Effective Date:

- (a) the long-term credit ratings issued for each entity in the FDE Group by each of the Rating Agencies are as set out in Annex 3 of this Schedule; and
 - (b) the financial position or, as appropriate, the financial performance of each of the Supplier, Guarantor and Key Sub-contractors satisfies the Financial Target Thresholds.
- 2.2 The Supplier shall promptly notify (or shall procure that its auditors promptly notify) the Authority in writing if there is any downgrade in the credit rating issued by any Rating Agency for any entity in the FDE Group (and in any event within 5 Working Days of the occurrence of the downgrade).
- 2.3 The Supplier shall:
 - (a) regularly monitor the credit ratings of each entity in the FDE Group with the Rating Agencies;
 - (b) monitor and report on the Financial Indicators for each entity in the FDE Group against the Financial Target Thresholds at least at the frequency set out for each at Paragraph 5.1 (where specified) and in any event, on a regular basis and no less than once a year within 120 days after the Accounting Reference Date; and
 - (c) promptly notify (or shall procure that its auditors promptly notify) the Authority in writing following the occurrence of a Financial Distress Event or any fact, circumstance or matter which could cause a Financial Distress Event (and in any event, ensure that such notification is made within 10 Working Days of the date on which the Supplier first becomes aware of the Financial Distress Event or the fact, circumstance or matter which could cause a Financial Distress Event).
- 2.4 For the purposes of determining whether a Financial Distress Event has occurred pursuant to the provisions of Paragraphs 3.1(a), and for the purposes of determining relief under Paragraph 7.1, the credit rating of an FDE Group entity shall be deemed to have dropped below the applicable Credit Rating Threshold if:
 - (a) any of the Rating Agencies have given a Credit Rating Level for that entity which is below the applicable Credit Rating Threshold; or
 - (b) a Rating Agency that is specified as holding a Credit Rating for an entity as set out at Annex 3 of this Schedule ceases to hold a Credit Rating for that entity.
- 2.5 Each report submitted by the Supplier pursuant to paragraph 2.3(b) shall:
 - (a) be a single report with separate sections for each of the FDE Group entities;
 - (b) contain a sufficient level of information to enable the Authority to verify the calculations that have been made in respect of the Financial Indicators;

- (c) include key financial and other supporting information (including any accounts data that has been relied on) as separate annexes;
- (d) be based on the audited accounts for the date or period on which the Financial Indicator is based or, where the Financial Indicator is not linked to an accounting period or an accounting reference date, on unaudited management accounts prepared in accordance with their normal timetable; and
- (e) include a history of the Financial Indicators reported by the Supplier in graph form to enable the Authority to easily analyse and assess the trends in financial performance.

3 FINANCIAL DISTRESS EVENTS

3.1 The following shall be Financial Distress Events:

- (a) the credit rating of an FDE Group entity dropping below the applicable Credit Rating Threshold;
- (b) an FDE Group entity issuing a profits warning to a stock exchange or making any other public announcement, in each case about a material deterioration in its financial position or prospects;
- (c) there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of an FDE Group entity;
- (d) an FDE Group entity committing a material breach of covenant to its lenders;
- (e) a Key Sub-contractor notifying the Authority that the Supplier has not satisfied any material sums properly due under a specified invoice and not subject to a genuine dispute;
- (f) any FDE Group entity extends the filing period for filing its accounts with the Registrar of Companies so that the filing period ends more than 9 months after its accounting reference date without an explanation to the Authority which the Authority (acting reasonably) considers to be adequate;
- (g) any FDE Group entity is late to file its annual accounts without a public notification or an explanation to the Authority which the Authority, acting reasonably, considers to be adequate;
- (h) the directors and/or external auditors of any FDE Group entity conclude that a material uncertainty exists in relation to that FDE Group entity's going concern in the annual report including in a reasonable but plausible downside scenario. This includes, but is not limited to, commentary about liquidity and trading prospects in the reports from directors or external auditors;
- (i) any of the following:

- (i) any FDE Group entity makes a public announcement which contains adverse commentary with regards to that FDE Group entity's liquidity and trading and trading prospects, such as but not limited to, a profit warning or ability to trade as a going concern;
- (ii) commencement of any litigation against an FDE Group entity with respect to financial indebtedness greater than £5m or obligations under a service contract with a total contract value greater than £5m;
- (iii) non-payment by an FDE Group entity of any financial indebtedness;
- (iv) any financial indebtedness of an FDE Group entity becoming due as a result of an event of default;
- (v) the cancellation or suspension of any financial indebtedness in respect of an FDE Group entity; or
- (vi) the external auditor of an FDE Group entity expressing a qualified opinion on, or including an emphasis of matter in, its opinion on the statutory accounts of that FDE entity;
- (j) in each case which the Authority reasonably believes (or would be likely reasonably to believe) could directly impact on the continued performance and delivery of the Services in accordance with this Contract; and
- (k) any one of the Financial Indicators set out at Paragraph **Error! Reference source not found.** for any of the FDE Group entities failing to meet the required Financial Target Threshold.

4 CONSEQUENCES OF FINANCIAL DISTRESS EVENTS

- 4.1 Immediately upon notification by the Supplier of a Financial Distress Event (or if the Authority becomes aware of a Financial Distress Event without notification and brings the event to the attention of the Supplier), the Supplier shall have the obligations and the Authority shall have the rights and remedies as set out in Paragraphs 4.3 to 4.6.
- 4.2 In the event of a late or non-payment of a Key Sub-contractor pursuant to Paragraph 3.1(e), the Authority shall not exercise any of its rights or remedies under Paragraph 4.3 without first giving the Supplier 10 Working Days to:
 - (a) rectify such late or non-payment; or
 - (b) demonstrate to the Authority's reasonable satisfaction that there is a valid reason for late or non-payment.
- 4.3 The Supplier shall (and shall procure that any Monitored Supplier, the Guarantor and/or any relevant Key Sub-contractor shall):

- (a) at the request of the Authority, meet the Authority as soon as reasonably practicable (and in any event within 3 Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Authority may permit and notify to the Supplier in writing) to review the effect of the Financial Distress Event on the continued performance and delivery of the Services in accordance with this Agreement; and
- (b) where the Authority reasonably believes (taking into account the discussions and any representations made under Paragraph 4.3(a)) that the Financial Distress Event could impact on the continued performance and delivery of the Services in accordance with this Agreement:
 - (i) submit to the Authority for its approval, a draft Financial Distress Remediation Plan as soon as reasonably practicable (and in any event, within 10 Working Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Authority may permit and notify to the Supplier in writing); and
 - (ii) to the extent that it is legally permitted to do so and subject to Paragraph 4.8, provide such information relating to the Supplier, any Monitored Supplier, Key Sub-contractors and/or the Guarantor as the Authority may reasonably require in order to understand the risk to the Services, which may include forecasts in relation to cash flow, orders and profits and details of financial measures being considered to mitigate the impact of the Financial Distress Event.

4.4 The Authority shall not withhold its approval of a draft Financial Distress Remediation Plan unreasonably. If the Authority does not approve the draft Financial Distress Remediation Plan, it shall inform the Supplier of its reasons and the Supplier shall take those reasons into account in the preparation of a further draft Financial Distress Remediation Plan, which shall be resubmitted to the Authority within 5 Working Days of the rejection of the first draft. This process shall be repeated until the Financial Distress Remediation Plan is either:

- (a) approved by the Authority;
- (b) referred, by notice sent by either Party to the other Party explaining why it thinks the Financial Distress Remediation Plan has not been approved, to commercial negotiation led by senior representatives who have authority to agree the Financial Distress Remediation Plan to be held within 28 days of the date of the notice; or
- (c) finally rejected by the Authority.

4.5 NOT USED

4.6 Following approval of the Financial Distress Remediation Plan by the Authority, the Supplier shall:

- (a) on a regular basis (which shall not be less than fortnightly):
 - (i) review and make any updates to the Financial Distress Remediation Plan as the Supplier may deem reasonably necessary and/or as may be reasonably requested by the Authority, so that the plan remains adequate, up to date and ensures the continued performance and delivery of the Services in accordance with this Agreement; and
 - (ii) provide a written report to the Authority setting out its progress against the Financial Distress Remediation Plan, the reasons for any changes made to the Financial Distress Remediation Plan by the Supplier and/or the reasons why the Supplier may have decided not to make any changes;
 - (b) where updates are made to the Financial Distress Remediation Plan in accordance with Paragraph 4.6(a), submit an updated Financial Distress Remediation Plan to the Authority for its approval, and the provisions of Paragraph 4.4 shall apply to the review and approval process for the updated Financial Distress Remediation Plan; and
 - (c) comply with the Financial Distress Remediation Plan (including any updated Financial Distress Remediation Plan) and ensure that it achieves the financial and performance requirements set out in the Financial Distress Remediation Plan.
- 4.7 Where the Supplier reasonably believes that the relevant Financial Distress Event under Paragraph 4.1 (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the Authority and the Parties may agree that the Supplier shall be relieved of its obligations under Paragraph 4.6.
- 4.8 The Supplier shall use reasonable endeavours to put in place the necessary measures to ensure that the information specified at paragraph 4.3(b)(ii) is available when required and on request from the Authority and within reasonable timescales. Such measures may include:
- (a) obtaining in advance written authority from Key Sub-contractors, the Guarantor and/or Monitored Suppliers authorising the disclosure of the information to the Authority and/or entering into confidentiality agreements which permit disclosure;
 - (b) agreeing in advance with the Authority, Key Sub-contractors, the Guarantor and/or Monitored Suppliers a form of confidentiality agreement to be entered by the relevant parties to enable the disclosure of the information to the Authority;
 - (c) putting in place any other reasonable arrangements to enable the information to be lawfully disclosed to the Authority (which may include making price sensitive information available to Authority nominated personnel through confidential arrangements, subject to their consent); and

- (d) disclosing the information to the fullest extent that it is lawfully entitled to do so, including through the use of redaction, anonymization and any other techniques to permit disclosure of the information without breaching a duty of confidentiality.

5 FINANCIAL INDICATORS

- 5.1 Subject to the calculation methodology set out at Annex 4 of this Schedule, the Financial Indicators and the corresponding calculations and thresholds used to determine whether a Financial Distress Event has occurred in respect of those Financial Indicators, shall be as follows:

Financial Indicator	Calculation ¹	Financial Target Threshold:	Monitoring and Reporting Frequency [if different from the default position set out in Paragraph 2.3(b)]
1 REDACTED	REDACTED	REDACTED	REDACTED
2 REDACTED	REDACTED	REDACTED	REDACTED

Key: ¹ – See Annex 4 of this Schedule which sets out the calculation methodology to be used in the calculation of each Financial Indicator.

5.2 Monitored Suppliers

Monitored Supplier	Applicable Financial Indicators (these are the Financial Indicators from the table in Paragraph 5.1 which are to apply to the Monitored Suppliers)
N/A	N/A

6 TERMINATION RIGHTS

The Authority shall be entitled to terminate this Agreement under Clause 34.1(b) (*Termination by the Authority*) if:

- (a) the Supplier fails to notify the Authority of a Financial Distress Event in accordance with Paragraph 2.3(c);
- (b) *the Supplier fails to comply with any part of Paragraph **Error! Reference source not found.**;*
- (c) *the Authority finally rejects a Financial Distress Remediation Plan (or any updated Financial Distress Remediation Plan) in accordance with Paragraphs **Error! Reference source not found.** and/or*
- (d) *the Supplier fails to comply with the terms of the Financial Distress Remediation Plan (or any updated Financial Distress Remediation Plan) in accordance with Paragraph **Error! Reference source not found.***
- (e) PRIMACY OF CREDIT RATINGS

6.1 Without prejudice to the Supplier's obligations and the Authority's rights and remedies under Paragraph 2, if, following the occurrence of a Financial Distress Event pursuant to any of Paragraphs 3.1(b) to 3.1(g), the Rating Agencies review and report subsequently that the credit ratings for the FDE Group entities do not drop below the relevant Credit Rating Thresholds specified for those entities in Annex 3 of this Schedule, then:

- (a) the Supplier shall be relieved automatically of its obligations under Paragraphs 4.3 to 4.6; and
- (b) the Authority shall not be entitled to require the Supplier to provide financial information in accordance with Paragraph 4.3(b)(ii).

7 BOARD CONFIRMATION

7.1 If this Agreement has been specified as a Critical Service Contract under Paragraph 10.1 of Part 2 to Schedule 8.6 (Service Continuity Plan and Corporate Resolution Planning) then, subject to Paragraph 8.4 of this Schedule, the Supplier shall within 120 days after each Accounting Reference Date or within 15 months of the previous Board Confirmation (whichever is the earlier) provide a Board Confirmation to the Authority in the form set out at Annex 5 of this Schedule, confirming that to the best of the Board's knowledge and belief, it is not aware of and has no knowledge of:

- 1. that a Financial Distress Event has occurred since the later of the Effective Date or the previous Board Confirmation or is subsisting; or
 - 2. of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event.
- ii. The Supplier shall ensure that in its preparation of the Board Confirmation it exercises due care and diligence and has made reasonable enquiry of all relevant Supplier Personnel and other persons as is reasonably necessary to understand and confirm the position.
 - iii. In respect of the first Board Confirmation to be provided under this Agreement, the Supplier shall provide the Board Confirmation within 15 months of the Effective Date if earlier than the timescale for submission set out in Paragraph 8.1 of this Schedule.

- iv. Where the Supplier is unable to provide a Board Confirmation in accordance with Paragraphs 8.1 to 8.3 of this Schedule due to the occurrence of a Financial Distress Event or knowledge of subsisting matters which could reasonably be expected to cause a Financial Distress Event, it will be sufficient for the Supplier to submit in place of the Board Confirmation, a statement from the Board of Directors to the Authority (and where the Supplier is a Strategic Supplier, the Supplier shall send a copy of the statement to the Cabinet Office Markets and Suppliers Team) setting out full details of any Financial Distress Events that have occurred and/or the matters which could reasonably be expected to cause a Financial Distress Event.

8 ANNEX 1: RATING AGENCIES AND THEIR STANDARD RATING SYSTEM

Financial Strength Indicator	Tangible Net Worth in £		Composite Credit Appraisal			
	From	To	High	Good	Fair	Limited
5A	35,000,000	And above	1	2	3	4
4A	15,000,000	34,999,999	1	2	3	4
3A	7,000,000	14,999,999	1	2	3	4
2A	1,500,000	6,999,999	1	2	3	4
1A	700,000	1,499,999	1	2	3	4
A	350,000	699,999	1	2	3	4
B	200,000	349,999	1	2	3	4
C	100,000	199,999	1	2	3	4
D	70,000	99,999	1	2	3	4
E	35,000	69,999	1	2	3	4
F	20,000	34,999	1	2	3	4
G	8,000	19,999	1	2	3	4
H	-	7,999	1	2	3	4
N	Negative net worth					
O	Net worth undetermined (accounts unavailable or older than 2 years)					

Risk Indicator	Probability of Failure	Guide to Interpretation
1	Minimum Risk	Proceed with transaction – offer extended terms if required
2	Lower than average risk	Proceed with transaction
3	Higher than average risk	Proceed with transaction but monitor closely
4	High risk	Take suitable assurances before extending credit
5	Undetermined	Insufficient Information to assign a risk indicator

ANNEX 2: Not Used

9 ANNEX 3: CREDIT RATINGS AND CREDIT RATING THRESHOLDS

Entity	Credit Rating (long term) <i>(insert credit rating issued for the entity at the Effective Date)</i>	Credit Rating Threshold <i>(insert the actual rating (e.g., AA-) or the Credit Rating Level (e.g., Credit Rating Level 3))</i>
REDACTED	REDACTED	REDACTED
REDACTED	REDACTED	REDACTED

ANNEX 4: Calculation Methodology for Financial Indicators

The Supplier shall ensure that it uses the following general and specific methodologies for calculating the Financial Indicators against the Financial Target Thresholds:

General methodology

1. **Terminology:** The terms referred to in this Annex are those used by UK companies in their financial statements. Where the entity is not a UK company, the corresponding items should be used even if the terminology is slightly different (for example a charity would refer to a surplus or deficit rather than a profit or loss).
2. **Groups:** Where the entity is the holding company of a group and prepares consolidated financial statements, the consolidated figures should be used.
3. **Foreign currency conversion:** Figures denominated in foreign currencies should be converted at the exchange rate in force at the relevant date for which the Financial Indicator is being calculated.
4. **Treatment of non-underlying items:** Financial Indicators should be based on the figures in the financial statements before adjusting for non-underlying items.

Specific Methodology

Financial Indicator	Specific Methodology
1 <u>Operating Margin</u>	<p>The elements used to calculate the Operating Margin should be shown on the face of the Income Statement in a standard set of financial statements.</p> <p>Figures for Operating Profit and Revenue should exclude the entity's share of the results of any joint ventures or Associates.</p> <p>Where an entity has an operating loss (i.e., where the operating profit is negative), Operating Profit should be taken to be zero.</p>
2 <u>Net Debt to EBITDA Ratio</u>	<p><i>"Net Debt" = Bank overdrafts + Loans and borrowings + Finance leases + Deferred consideration payable – Cash and cash equivalents</i></p> <p><i>"EBITDA" = Operating profit + Depreciation charge + Amortisation charge</i></p> <p>The majority of the elements used to calculate the Net Debt to EBITDA Ratio should be shown on the face of the Balance sheet, Income statement and Statement of Cash Flows in a standard set of financial statements but will otherwise be found in the notes to the financial statements.</p>

	<ul style="list-style-type: none"> • <u>Net Debt</u>: The elements of Net Debt may be described slightly differently and should be found either on the face of the Balance Sheet or in the relevant note to the financial statements. All interest-bearing liabilities (other than retirement benefit obligations) should be included as borrowings as should, where disclosed, any liabilities (less any assets) in respect of any hedges designated as linked to borrowings (but not non-designated hedges). Borrowings should also include balances owed to other group members. Deferred consideration payable should be included in Net Debt despite typically being non-interest bearing. Cash and cash equivalents should include short-term financial investments shown in current assets. Where Net debt is negative (i.e., an entity has net cash), the relevant Financial Target Threshold should be treated as having been met. • <u>EBITDA</u>: Operating profit should be shown on the face of the Income Statement and, for the purposes of calculating this Financial Indicator, should include the entity's share of the results of any joint ventures or Associates. <i>The depreciation and amortisation charges for the period may be found on the face of the Statement of Cash Flows or in a Note to the Accounts. Where EBITDA is negative, the relevant Financial Target Threshold should be treated as not having been met (unless Net Debt is also negative, in which case the relevant Financial Target Threshold should be treated as having been met).</i>
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ANNEX 5: Board Confirmation**Supplier Name:****Contract Reference Number:**

The Board of Directors acknowledge the requirements set out at paragraph 8 of Schedule 7.4 (Financial Distress) and confirm that the Supplier has exercised due care and diligence and made reasonable enquiry of all relevant Supplier Personnel and other persons as is reasonably necessary to enable the Board to prepare this statement.

The Board of Directors confirms, to the best of its knowledge and belief, that as at the date of this Board Confirmation it is not aware of and has no knowledge:

1. that a Financial Distress Event has occurred since the later of the previous Board Confirmation and the Effective Date or is subsisting; or
2. of any matters which have occurred or are subsisting that could reasonably be expected to cause a Financial Distress Event

On behalf of the Board of Directors:

Chair

Signed

Date

Director

Signed

Date



HM Revenue
& Customs

HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (December 2020)

SCHEDULE 7.5 | Financial Reports and Audit Rights



OFFICIAL – SENSITIVE - COMMERCIAL

OFFICIAL-SENSITIVE

Schedule 7.5 | Financial Reports and Audit Rights

1 DEFINITIONS

In this Schedule, the following definitions shall apply:

“Annual Contract Report”	the annual contract report to be provided by the Supplier to the Authority pursuant to Paragraph 4 of Part B;
“Audit Agents”	<ul style="list-style-type: none"> (a) the Authority’s internal and external auditors; (b) the Authority’s statutory or regulatory auditors; (c) the Comptroller and Auditor General, their staff and/or any appointed representatives of the National Audit Office; (d) HM Treasury or the Cabinet Office; (e) any party formally appointed by the Authority to carry out audit or similar review functions; and (f) successors or assigns of any of the above;
“Contract Amendment Report”	the contract amendment report to be provided by the Supplier to the Authority pursuant to Paragraph 4 of Part B;
“Final Reconciliation Report”;	the final reconciliation report to be provided by the Supplier to the Authority pursuant to Paragraph 4 of Part B;
“Financial Model”	the Contract Inception Report, the latest Annual Contract Report or the latest Contract Amendment Report, whichever has been most recently approved by the Authority in accordance with Paragraph 5 of Part B;
“Financial Reports”	the Contract Inception Report and the reports listed in the table in Paragraph 4.1 of Part B;
“Financial Representative”	a reasonably skilled and experienced member of the Supplier’s staff who has specific responsibility for preparing, maintaining, facilitating access to, discussing and explaining the Open Book Data and Financial Reports;
“Financial Transparency Objectives”	has the meaning given in Paragraph 1 of Part A;
“Material Change”	<p>a Change which:</p> <ul style="list-style-type: none"> (a) materially changes the profile of the Charges; or

- (b) varies the total Charges payable during the Term (as forecast in the latest Financial Model) by:
 - (i) five per cent (5%) or more; or
 - (ii) one million pounds Sterling (£1,000,000) or more;

“Onerous Contract”

a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, as defined under International Accounting Standard 37;

“Onerous Contract Report”

means a report provided by the Supplier pursuant to Paragraph 3 of Part A to this Schedule;

“Open Book Data”

complete and accurate financial and non-financial information which is sufficient to enable the Authority to verify the Charges already paid or payable and Charges forecast to be paid during the remainder of the Term, including details and all assumptions relating to:

- (a) the Supplier’s Costs broken down against each Service and/or Deliverable, including actual capital expenditure (including capital replacement costs) and the unit cost and total actual costs of all hardware and software;
- (b) operating expenditure relating to the provision of the Services including an analysis showing:
 - (i) the unit costs and quantity of consumables and bought-in services;
 - (ii) manpower resources broken down into the number and grade/role of all Supplier Personnel (free of any contingency) together with a list of agreed rates against each manpower grade;
 - (iii) a list of Costs underpinning those rates for each manpower grade, being the agreed rate less the Supplier’s Profit Margin; and
 - (iv) Reimbursable Expenses;
- (c) Overheads;
- (d) all interest, expenses and any other third-party financing costs incurred in relation to the provision of the Services;
- (e) the Supplier Profit achieved over the Term and on an annual basis;

- (f) confirmation that all methods of Cost apportionment and Overhead allocation are consistent with and not more onerous than such methods applied generally by the Supplier;
- (g) an explanation of the type and value of risk and contingencies associated with the provision of the Services, including the amount of money attributed to each risk and/or contingency; and
- (h) the actual Costs profile for each Service Period.

PART A | FINANCIAL TRANSPARENCY OBJECTIVES AND OPEN BOOK DATA**1 FINANCIAL TRANSPARENCY OBJECTIVES**

The Supplier acknowledges that the provisions of this Schedule are designed (inter alia) to facilitate, and the Supplier shall co-operate with the Authority in order to achieve, the following objectives:

Understanding the Charges

- (a) for the Authority to understand any payment sought from it by the Supplier including an analysis of the Costs, Overhead recoveries (where relevant), time spent by Supplier Personnel in providing the Services and the Supplier Profit Margin;
- (b) for both Parties to be able to understand the Financial Model and Cost forecasts and to have confidence that these are based on justifiable numbers and appropriate forecasting techniques;
- (c) to facilitate the use of Guaranteed Maximum Price with Target Cost pricing mechanisms (where relevant as referred to in Schedule 7.1 (*Charges and Invoicing*));

Agreeing the impact of Change

- (d) for both Parties to agree the quantitative impact of any Changes that affect ongoing costs and to identify how these could be mitigated and/or reflected in the Supplier's Charges;
- (e) for both Parties to be able to review, address issues with and re-forecast progress in relation to the provision of the Services;

Continuous improvement

- (f) for the Parties to challenge each other with ideas for efficiency and improvements; and
 - (g) to enable the Authority to demonstrate that it is achieving value for money for the taxpayer relative to current market prices,
- (together the "**Financial Transparency Objectives**").

2 OPEN BOOK DATA

- 2.1 The Supplier acknowledges the importance to the Authority of the Financial Transparency Objectives and the Authority's need for complete transparency in the way in which the Charges are calculated.
- 2.2 During the Term, and for a period of seven (7) years following the end of the Term, the Supplier shall:

- (a) maintain and retain the Open Book Data; and
- (b) disclose and allow the Authority and/or the Audit Agents access to the Open Book Data.

3 ONEROUS CONTRACTS

- 3.1 If the Supplier publicly designates the Agreement as an Onerous Contract (including where the Supplier has identified the Agreement as such in any published accounts or public reports and announcements), the Supplier shall promptly notify the Authority of the designation and shall prepare and deliver to the Authority within the timescales agreed by the Parties (an in any event, no later than 2 months following the publication of the designation) a draft Onerous Contract Report which includes the following:
- (a) An initial root cause analysis of the issues and circumstances which may have contributed to the Agreement being designated as an Onerous Contract;
 - (b) An initial risk analysis and impact assessment on the provision of the Services as a result of the Supplier's designation of the Agreement as an Onerous Contract;
 - (c) the measures which the Supplier intends to put in place to minimise and mitigate any adverse impact on the provision on the Services;
 - (d) details of any other options which could be put in place to remove the designation of the Agreement as an Onerous Contract and/or which could minimise and mitigate any adverse impact on the provision of the Services.
- 3.2 Following receipt of the Onerous Contract Report, the Authority shall review and comment on the report as soon as reasonably practicable and the Parties shall cooperate in good faith to agree the final form of the report, which shall be submitted to the Programme Board, such final form report to be agreed no later than 1 month following the Authority's receipt of the draft Onerous Contract Report.
- 3.3 The Programme Board shall meet within 14 Working Days of the final Onerous Contract Report being agreed by the Parties to discuss the contents of the report; and the Parties shall procure the attendance at the meeting of any key participants where reasonably required (including the Cabinet Office Markets and Suppliers Team where the Supplier is a Strategic Supplier; representatives from any Key Sub-Contractors/ Monitored Suppliers; and the project's senior responsible officers (or equivalent) for each Party).
- 3.4 The Supplier acknowledges and agrees that the report is submitted to the Authority and Programme Board on an information only basis and the Authority and Programme Board's receipt of and comments in relation to the report shall not be deemed to be an acceptance or rejection of the report nor shall it relieve the Supplier of any liability under this Agreement. Any Changes to be agreed by the Parties pursuant to the report shall be subject to the Change Control Procedure.

PART B | FINANCIAL REPORTS AND FINANCIAL MODEL

4 FINANCIAL REPORTS

4.1 The Supplier shall provide

- (a) the Contract Inception Report on or before the Effective Date; and
- (b) during the Term the following financial reports to the Authority, in the frequency specified below:

Financial Report	When to be provided
Contract Amendment Report	Within one (1) month of a Material Change being agreed between the Supplier and the Authority
Quarterly Contract Report	Within one (1) month of the end of each Quarter
Annual Contract Report	Within one (1) month of the end of the Contract Year to which that report relates
Final Reconciliation Report	Within six (6) months after the end of the Term

4.2 The Supplier shall provide to the Authority the Financial Reports in the same software package, layout and format as the blank templates which have been issued by the Authority to the Supplier on or before the Effective Date for the purposes of this Agreement. The Authority shall be entitled to modify the template for any Financial Report by giving written notice to the Supplier, including a copy of the updated template.

4.3 A copy of each Financial Report shall be held by both the Authority and the Supplier. If there is a Dispute regarding a Financial Report, the Authority's copy of the relevant Financial Report shall be authoritative.

4.4 Each Financial Report shall:

- (a) be completed by the Supplier using reasonable skill and care;
- (b) incorporate and use the same defined terms as are used in this Agreement;
- (c) quote all monetary values in pounds sterling;
- (d) quote all Costs as exclusive of any VAT; and

- (e) quote all Costs and Charges based on current prices.
 - (f) Quote all rebates and commissions received separately.
- 4.5 Each Annual Contract Report and the Final Reconciliation Report shall be certified 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 Financial Report), acting with express authority, as:
- (a) being accurate and not misleading;
 - (b) having been prepared in conformity with generally accepted accounting principles within the United Kingdom;
 - (c) being a true and fair reflection of the information included within the Supplier's management and statutory accounts; and
 - (d) compliant with the requirements of Paragraph 4.6.
- 4.6 The Supplier shall:
- (a) prepare each Financial Report using the same methodology as that used for the Contract Inception Report;
 - (b) ensure that each Annual Contract Report and each Contract Amendment Report (if any) is a true and fair reflection of the Costs and Supplier Profit Margin forecast by the Supplier;
 - (c) the Final Reconciliation Report is a true and fair reflection of the Costs; and
 - (d) not have any other internal financial model in relation to the Services inconsistent with the Financial Model.
- 4.7 If the Supplier becomes aware of the occurrence, or the likelihood of the future occurrence, of an event which will or may have a material effect on the following:
- (a) the Costs incurred (or those forecast to be incurred) by the Supplier; and/or
 - (b) the forecast Charges for the remainder of the Term,
- the Supplier shall, as soon as practicable, notify the Authority in writing of the event in question detailing the actual or anticipated effect. For the avoidance of doubt, notifications provided in accordance with this Paragraph 4.7 shall not have the effect of amending any provisions of this Agreement.
- 4.8 During the Term, and for a period of eighteen (18) months following the end of the Term, the Supplier shall make available the Financial Representative at reasonable times and on reasonable notice to answer any queries that the Authority may have on any of the Financial Reports and/or Open Book Data.

4.9 Notwithstanding Paragraph 4.8, following the delivery by the Supplier of each Annual Contract Report and any Contract Amendment Report:

- (a) the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting;
- (b) the Supplier shall make appropriate Supplier Personnel and advisers available to discuss any variations between the relevant Financial Report and the Contract Inception Report or immediately preceding Annual Contract Report or Contract Amendment Report (as the case may be) and to explain such variations (with reference to supporting evidence) to the satisfaction of the Authority; and
- (c) the Authority shall either within ten (10) Working Days of the meeting referred to in Paragraph 4.9(a) notify the Supplier that:
 - (i) the relevant Financial Report contains errors or omissions or that further explanations or supporting information is required, in which event the Supplier shall make any necessary modifications to the Financial Report and/or supply the Authority with such supporting evidence as is required to address the Authority's concerns within 10 Working Days of such notification and the Authority shall following receipt of such amended Financial Report and/or supporting information, approve or reject such Financial Report; or
 - (ii) the Authority has approved the relevant Financial Report.

4.10 Following approval by the Authority of the relevant Financial Report in accordance with Paragraph 4.9(c), that version shall become, with effect from the date of such approval, the current approved version of the Financial Report for the purposes of this Agreement, a version of which shall be held by both the Authority and the Supplier. If there is a Dispute regarding a Financial Report, the Authority's copy of the relevant Financial Report shall be authoritative.

4.11 If the Parties are unable to reach agreement on any Financial Report within 30 Working Days of its receipt by the Authority, the matter shall be referred for determination in accordance with Schedule 8.4 (*Dispute Resolution Procedure*).

5 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 The initial Financial Model submitted by the Supplier and approved by the Authority as at the Effective Date is attached to the Annex of this Schedule **Error! Reference source not found..** Each iteration of the Financial Model shall be in the same layout and format as the Financial Model subject to the Authority's final approval.
- 5.3 All changes to the Financial Model should be auditable and implemented and documented under formal version control.
- 5.4 A copy of the Financial Model shall be held by both the Authority and the Supplier. If there is a Dispute regarding a Financial Model, the Authority's copy of the relevant Financial Model shall be authoritative.
- 5.5 Each iteration of the Financial Model shall:
- (a) be completed by the Supplier using reasonable skill and care;
 - (b) incorporate and use the same defined terms as are used in this Agreement;
 - (c) quote all monetary values in pounds sterling; and
 - (d) quote all Costs as exclusive of any VAT.
- 5.6 The Supplier shall adhere to and apply the following principles when preparing an updated Financial Model:
- (a) any amendment which is made in order to evaluate the impact of a Material Change shall relate only to such inputs, modification or other adjustment; and
 - (b) no amendment shall affect, in any way whatsoever, the performance of the Services, save as agreed in accordance with the Change Control Procedure.
- 5.7 Each Material Change iteration of the Financial Model and the prevailing version of the Financial Model in existence as at each anniversary of the Effective Date shall be certified 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 iteration of the Financial Model or certification), acting with express Authority, as:
- (a) being accurate and not misleading;
 - (b) having been prepared in conformity with generally accepted accounting principles within the United Kingdom;
 - (c) being a true and fair reflection of the information included within the Supplier's management and statutory accounts; and
 - (d) compliant with the requirements of Paragraph 5.8.
- 5.8 The Supplier shall:

- (a) prepare each iteration of the Financial Model using the same methodology as that used for the initial financial model agreed by the Supplier and the Authority in writing on or before the Effective Date;
- (b) ensure that each iteration to the Financial Model (if any) is a true and fair reflection of the Costs and Supplier Profit Margin forecast by the Supplier; and
- (c) not have any other internal financial model in relation to the Services inconsistent with the Financial Model.

5.9 The Financial Model shall:

- (a) provide sufficient detail for the Authority to have visibility of all the costs to be incurred by the Supplier and of the Charges to be paid in respect of the provision of the Services;
- (b) be constructed in relation to Milestone Payments and the Service Charges on a monthly basis;
- (c) provide visibility of the input costs for providing the Services throughout the Term, excluding mark-up, which shall include without limitation at least the following:
 - (i) labour costs broken down by each job title (for example project manager), with the number of days and daily rate shown for each job title. For work undertaken on a Project basis, labour shall also be broken down and sub-totalled by the major phases of the Project;
 - (ii) hardware and software costs;
 - (iii) depreciation policy applicable to Assets (including software and hardware);
 - (iv) licence costs;
 - (v) Sub-contractor costs;
 - (vi) accommodation costs (if applicable);
 - (vii) Overheads separately identified and their calculation explained;
 - (viii) pricing of risk, including a detailed explanation and quantification supported by a risk matrix;
 - (ix) financing costs (if applicable), showing the interest rate and calculation and including an explanation (supported by evidence) of the need to apply financing costs; and
 - (x) any other miscellaneous costs;

- (d) provide a reasonably skilled and experienced individual with a full analysis of the Supplier's capital and operating costs and the assumptions used to develop and modify the Charges set out in Schedule 7.1 (*Charges and Invoicing*);
- (e) be constructed in a format and using a software tool as specified by the Authority;
- (f) not have any parts which are hidden, protected, locked or made otherwise inaccessible or obscured to review or alteration;
- (g) be laid out in a clear and logical manner. The overall flow of information in the Financial Model shall flow from inputs, to calculations, to outputs, with the final output being in tables. 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;
- (h) include a cash flow statement that shows the timing and relationship between the planned costs and the revenue which the Supplier expects to receive;
- (i) clearly show the calculation of any financing charges associated with outstanding balances (between costs incurred and revenue received); and
- (j) provide visibility of profit (and the calculation of profit) both as a value and as a percentage.

5.10 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 or third-party suppliers.

Visibility through the Financial Reports and Financial Model

5.11 The Supplier shall, if requested by the Authority, promptly provide to the Authority details of the elements used to make up any Charges, including:

- (a) the Supplier's total fixed price for the Services and/or Deliverables;
- (b) the margin included in that total fixed price;
- (c) a list of the agreed prices against each manpower grade in the Financial Model;
- (d) a list of the costs underpinning those prices for each manpower 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;
- (f) details of any other manpower costs, not already included in these rates, for all activities to be undertaken;
- (g) explanation of any underlying assumptions regarding:

- (i) overtime rates;
- (ii) standard hours;
- (iii) accommodation charges; and
- (iv) discounts applied;
- (h) a resource estimating model to support the Charges and any Changes (if applicable);
- (i) a breakdown of manpower resources by the number and type of Supplier Personnel (including any Sub-contractors) required for each Deliverable and/or Service and free of any contingency. This should also apply to third party costs;
- (j) the total price of Deliverables broken down by volume, unit cost and margin;
- (k) any additional activities, costs and, risks that may impact the Authority and which are not already covered by the Charges;
- (l) an explanation of the type and value of risk associated with the provision of Services, including the amount of money attributable to each risk;
- (m) an explanation and supporting details of any financing costs applicable to the Agreement;
- (n) a statement of the Supplier's anticipated cashflow for the Term;
- (o) the actual Charges profile for each Service Period; and
- (p) any additional information as the Authority reasonably requires.

Implementation of a Change to the Financial Model due to a Material Change

5.12 The Supplier shall, within one (1) month of a Material Change being agreed between the Supplier and the Authority, revise the Financial Model and deliver the revised Financial Model to the Authority for approval.

5.13 Following the delivery by the Supplier of each revised Financial Model:

- (a) the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting;
- (b) the Supplier shall make appropriate Supplier Personnel and advisers available to discuss any variations between the updated Financial Model and the version immediately preceding and to explain such variations (with reference to supporting evidence) to the satisfaction of the Authority; and

(c) the Authority shall either within ten (10) Working Days of the meeting referred to in Paragraph 5.13(a) notify the Supplier that:

(i) the Financial Model contains errors or omissions or that further explanations or supporting information is required, in which event the Supplier shall make any necessary modifications to the Financial Model and/or supply the Authority with such supporting evidence as is required to address the Authority's concerns within ten (10) Working Days of such notification and the Authority shall following receipt of such amended Financial Model and/or supporting information, approve or reject such Financial Model; or

(ii) the Authority has approved the relevant Financial Model.

5.14 Following approval by the Authority of the relevant Financial Model in accordance with Paragraph 5.13(c)(ii), that version shall become, with effect from the date of such approval, the current approved version of the Financial Model for the purposes of this Agreement, a version of which shall be held by both the Authority and the Supplier. If there is a Dispute regarding the correct version of the Financial Model, the Authority's copy of the relevant Financial Model shall be authoritative.

5.15 If the Parties are unable to reach agreement on any revisions to the Financial Model within thirty (30) Working Days of its receipt by the Authority, the matter shall be referred for determination in accordance with the Dispute Resolution Procedure.

6 DISCUSSION OF QUARTERLY CONTRACT REPORTS AND FINAL RECONCILIATION REPORT

6.1 Following the delivery by the Supplier of each Quarterly Contract Report, the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting.

6.2 Following the delivery by the Supplier of the Final Reconciliation Report, the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting.

7 KEY SUB-CONTRACTORS

7.1 The Supplier shall, if requested by the Authority, provide (or procure the provision of) a report or reports including the level of information set out in the Financial Reports in relation to the costs and expenses to be incurred by any of its Key Sub-contractors.

7.2 Without prejudice to Paragraph 1.1 of Part C, the Supplier shall:

(a) be responsible for auditing the financial models/reports of its Key Sub-contractors and for any associated costs and expenses incurred or forecast to be incurred; and

- (b) on written request by the Authority, provide the Authority or procure that the Authority is provided with:
 - (i) full copies of audit reports for the Key Sub-contractors. The Authority shall be entitled to rely on such audit reports; and
 - (ii) further explanation of, and supporting information in relation to, any audit reports provided.

PART C | AUDIT RIGHTS**1 AUDIT RIGHTS**

- 1.1 The Authority, acting by itself or through its Audit Agents, shall have the right during the Term and for a period of eighteen (18) months thereafter, to assess compliance by the Supplier and/or its Key Sub-contractors of the Supplier's obligations under this Agreement, including for the following purposes:
- (a) to verify the integrity and content of any Financial Report;
 - (b) to verify the accuracy of the Charges and any other amounts payable by the Authority under this Agreement (and proposed or actual variations to such Charges and payments);
 - (c) to verify the Costs (including the amounts paid to all Sub-contractors and any third party suppliers);
 - (d) to verify the Certificate of Costs and/or the Open Book Data;
 - (e) to verify the Supplier's and each Key Sub-contractor's compliance with this Agreement and applicable Law;
 - (f) to identify or investigate actual or suspected fraud, impropriety or accounting mistakes or any breach or threatened breach of security and in these circumstances the Authority shall have no obligation to inform the Supplier of the purpose or objective of its investigations;
 - (g) to identify or investigate any circumstances which may impact upon the financial stability of the Supplier, the Guarantor and/or any Key Sub-contractors or their ability to perform the Services;
 - (h) to obtain such information as is necessary to fulfil the Authority's obligations to supply information for parliamentary, ministerial, judicial or administrative purposes including the supply of information to the Comptroller and Auditor General;
 - (i) to review any books of account and the internal contract management accounts kept by the Supplier in connection with this Agreement;
 - (j) to carry out the Authority's internal and statutory audits and to prepare, examine and/or certify the Authority's annual and interim reports and accounts;
 - (k) to enable the National Audit Office to carry out an examination pursuant to Section 6(1) of the National Audit Act 1983 of the economy, efficiency and effectiveness with which the Authority has used its resources;
 - (l) to verify the accuracy and completeness of any Management Information delivered or required by this Agreement;

- (m) to review any Performance Monitoring Reports and/or other records relating to the Supplier's performance of the Services and to verify that these reflect the Supplier's own internal reports and records;
- (n) to inspect the IT Environment (or any part of it) and the wider service delivery environment (or any part of it);
- (o) to review the accuracy and completeness of the Registers;
- (p) to review any records created during the design and development of the Supplier System and pre-operational environment such as information relating to Testing;
- (q) to review the Supplier's quality management systems (including all relevant Quality Plans and any quality manuals and procedures);
- (r) to review the Supplier's compliance with the Standards;
- (s) to inspect the Authority Assets, including the Supplier Background IPRs, equipment and facilities, for the purposes of ensuring that the Authority Assets are secure and that any register of assets is up to date; and/or
- (t) to review the integrity, confidentiality and security of the Authority Data.

1.2 Except where:

- (a) an audit is imposed on the Authority by a regulatory body;
- (b) where the Authority has reasonable grounds for believing that the Supplier has not complied with its obligations under this Agreement; or
- (c) an audit is required to identify or investigate actual or suspected fraud, impropriety or accounting mistakes or any breach or threatened breach of security

the Authority may not conduct an audit of the Supplier or of the same Key Sub-contractor more than twice in any Contract Year.

1.3 Nothing in Paragraph 1.2 shall prevent or restrict the Authority's right to require that the Supplier provide financial Management Information at such frequency as determined by the Authority and on a free of charge basis.

1.4 Nothing in this Agreement shall prevent or restrict the rights of the Comptroller and/or Auditor General and/or their representatives from carrying out an audit, examination or investigation of the Supplier and/or any of the Key Sub-contractors for the purposes of and pursuant to applicable Law.

2 CONDUCT OF AUDITS

- 2.1 The Authority shall during each audit comply with those security, sites, systems and facilities operating procedures of the Supplier that the Authority deems reasonable and use its reasonable endeavours to ensure that the conduct of each audit does not unreasonably disrupt the Supplier or delay the provision of the Services.
- 2.2 Subject to the Authority's obligations of confidentiality, the Supplier shall on demand provide the Authority and the Audit Agents with all reasonable co-operation and assistance (and shall procure such co-operation and assistance from its Sub-contractors) in relation to each audit, including:
- (a) all information requested by the Authority within the scope of the audit;
 - (b) reasonable access to any Sites and to any equipment used (whether exclusively or non-exclusively) in the performance of the Services;
 - (c) access to the Supplier System; and
 - (d) access to Supplier Personnel.
- 2.3 The Supplier shall implement all measurement and monitoring tools and procedures necessary to measure and report on the Supplier's performance of the Services against the applicable Performance Indicators at a level of detail sufficient to verify compliance with the Performance Indicators.
- 2.4 The Authority shall endeavour to (but is not obliged to) provide at least fifteen (15) Working Days' notice of its intention to conduct an audit.
- 2.5 The Parties agree that they shall bear their own respective costs and expenses incurred in respect of compliance with their obligations under this Paragraph 2, unless the audit identifies a material Default by the Supplier in which case the Supplier shall reimburse the Authority for all the Authority's reasonable costs incurred in connection with the audit.

3 USE OF SUPPLIER'S INTERNAL AUDIT TEAM

- 3.1 As an alternative to the Authority's right pursuant to Paragraph 1.1 to exercise an audit either itself or through its Audit Agents, the Authority may require in writing that an audit is undertaken by the Supplier's own internal audit function for any of the purposes set out in Paragraph 1.1.
- 3.2 Following the receipt of a request from the Authority under Paragraph 3.1 above, the Supplier shall procure that the relevant audit is undertaken as soon as reasonably practicable, and that the Authority has unfettered access to:
- (a) the resultant audit reports; and
 - (b) all relevant members of the Supplier's internal audit team for the purpose of understanding such audit reports.

4 RESPONSE TO AUDITS

4.1 If an audit undertaken pursuant to Paragraphs 1 or 3 identifies that:

- (a) the Supplier has committed a Default, the Authority may (without prejudice to any rights and remedies the Authority may have) require the Supplier to correct such Default as soon as reasonably practicable and, if such Default constitutes a Notifiable Default, to comply with the Rectification Plan Process;
- (b) there is an error in a Financial Report, the Supplier shall promptly rectify the error;
- (c) the Authority has overpaid any Charges, the Supplier shall pay to the Authority:
 - (i) the amount overpaid;
 - (ii) interest on the amount overpaid at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from the date of overpayment by the Authority up to the date of repayment by the Supplier; and
 - (iii) the reasonable costs incurred by the Authority in undertaking the audit, the Authority may exercise its right to deduct such amount from the Charges if it prefers; and
- (d) the Authority has underpaid any Charges, the Supplier shall not be entitled to increase the Charges paid or payable by the Authority.

ANNEX | INITIAL FINANCIAL MODEL

TBC



HM Revenue
& Customs

HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (November 2020)

SCHEDULE 7.6 | Anticipated Savings



OFFICIAL – SENSITIVE - COMMERCIAL

OFFICIAL

Schedule 7.6 | Anticipated Savings

1.1 This Schedule defines the key benefit categories in which savings are anticipated.

1.2 Whilst there are no anticipated savings specifically defined under the Agreement, the Parties shall work together to continually identify, impact and deliver opportunities for savings and efficiencies throughout the life of the Agreement.

Ref.	Benefit Category	Indicative amount (£k)	Timescale
1	<p><i>[E.g. - Reduction in Service Charges as Service delivery becomes more efficient and effective.</i></p> <p><i>Benefit realisation is measured against [a 2012/13 baseline.]</i></p>	£[amount] per annum	Contract Years [x] to [y]
2	<p><i>[E.g. - Improvements in Authority staff productivity from using more flexible and agile services that match the needs of the business.</i></p> <p><i>Benefits realisation is measured against a baseline of 4,000 directly employed staff in 2013/14.]</i></p>	£[amount] year on year improvement ([x]% productivity increase)	Contract Years [x] to [y]
3	<p><i>[E.g. - Reduced electrical power consumption arising from adoption of new low energy technology.</i></p> <p><i>Benefit realisation is measured against a 2012/13 baseline.]</i></p>	£[amount] per annum	Contract Years [x] to [y]



HM Revenue
& Customs

HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (November 2020)

SCHEDULE 8.1 | Governance



OFFICIAL – SENSITIVE - COMMERCIAL

OFFICIAL

Schedule 8.1 | Governance

1 DEFINITIONS

In this Schedule, the following definitions shall apply:

“Board Member”	the initial persons appointed by the Authority and Supplier to the Boards as set out in Annex 1 and any replacements from time to time agreed by the Parties in accordance with Paragraph 3.3;
“Boards”	Operational Board, Strategic Board, Executive Board and “Board” shall mean any of them;
“Executive Board”	the body described in Paragraph
“Operational Board”	the body described in Paragraph 5;
“Project Managers”	the individuals appointed as such by the Authority and the Supplier in accordance with Paragraph 2. For the Authority, this role will be carried out by the Operational Services Manager and CDIO Supplier Manager
“Strategic Board”	the body described in Paragraph 7.

2 MANAGEMENT OF THE SERVICES

- 2.1 The Supplier and the Authority shall each appoint a Project Manager for the purposes of this Agreement through whom the Services shall be managed at a day-to-day level.
- 2.2 Both Parties shall ensure that appropriate resource is made available on a regular basis such that the aims, objectives and specific provisions of this Agreement can be fully realised.
- 2.3 The Project Manager must be provided to facilitate business as usual activities general queries, incident management, change activities and regular service reviews, including performance review.

3 BOARDS

Establishment and structure of the Boards

- 3.1 The Authority and Supplier can discuss and agree how Boards shall be established for the purposes of this Agreement on which both the Supplier and the Authority shall be represented.
- 3.2 In relation to each Board, the:
- (a) Authority Board Members;
 - (b) Supplier Board Members;
 - (c) frequency that the Board shall meet (unless otherwise agreed between the Parties);
 - (d) location of the Board's meetings; and
 - (e) planned start date by which the Board shall be established,
- shall be as set out in Annex 1.
- 3.3 In the event that either Party wishes to replace any of its appointed Board Members, that Party shall notify the other in writing of the proposed change for agreement by the other Party (such agreement not to be unreasonably withheld or delayed). Notwithstanding the foregoing it is intended that each Authority Board Member has at all times a counterpart Supplier Board Member of equivalent seniority and expertise.

Board meetings

- 3.4 Each Party shall ensure that its Board Members shall make all reasonable efforts to attend Board meetings at which that Board Member's attendance is required. If any Board Member is not able to attend a Board meeting, that person shall use all reasonable endeavours to ensure that:
- (a) a delegate attends the relevant Board meeting in his/her place who (wherever possible) is properly briefed and prepared; and
 - (b) that they are debriefed by such delegate after the Board Meeting.
- 3.5 A chairperson shall be appointed by the Authority for each Board as identified in Annex 1. The chairperson shall be responsible for:
- (a) scheduling Board meetings;
 - (b) setting the agenda for Board meetings and circulating to all attendees in advance of such meeting;

- (c) chairing the Board meetings;
 - (d) monitoring the progress of any follow up tasks and activities agreed to be carried out following Board meetings;
 - (e) ensuring that minutes for Board meetings are recorded and disseminated electronically to the appropriate persons and to all Board meeting participants within seven Working Days after the Board meeting; and
 - (f) facilitating the process or procedure by which any decision agreed at any Board meeting is given effect in the appropriate manner.
- 3.6 Board meetings shall be quorate as long as at least two representatives from each Party are present.
- 3.7 The Parties shall ensure, as far as reasonably practicable, that all Boards shall as soon as reasonably practicable resolve the issues and achieve the objectives placed before them. Each Party shall endeavour to ensure that Board Members are empowered to make relevant decisions or have access to empowered individuals for decisions to be made to achieve this.
- 3.8 The provisions of this Schedule are without prejudice to other provisions of this Agreement which require regular meetings to take place between the Parties in connection with the delivery of the Services (including Performance Review Meetings). For the avoidance of doubt, such meetings shall also form part of the governance of this Agreement.
- 3.9 In addition to those meetings specified in this Schedule 8.1 (*Governance*) and in the remaining provisions of this Agreement, the Supplier shall ensure that an appropriate representative attends, on the Supplier's behalf, such other meetings which may be held with Other Suppliers and/or other third parties that the Authority may request from time to time.
- 4 NOT USED**
- 5 NOT USED**
- 6 ROLE OF THE OPERATIONAL BOARD**
- 6.1 The Operational Board shall be responsible for the executive management of the Services and shall:
- (a) be accountable to the Strategic Board for comprehensive oversight of the Services and for the senior management of the operational relationship between the Parties;
 - (b) receive reports from the Project Managers on matters such as issues relating to delivery of existing Services and performance against Performance

Indicators, progress against the Transition Plan or a Project Plan and possible future developments;

- (c) review and report to the Strategic Board on service management, co-ordination of individual projects and any integration issues;
- (d) deal with the prioritisation of resources and the appointment of Project Managers on behalf of the Parties;
- (e) in accordance with the provisions of Paragraph 4 (*Commercial Negotiation*) of Schedule 8.4 (*Dispute Resolution Procedure*), consider and resolve Disputes (including Disputes as to the cause of a Delay or the performance of the Services) in the first instance and if necessary, escalate the Dispute to the Strategic Board; and
- (f) develop operational/supplier relationship and develop and propose the relationship development strategy and ensure the implementation of the same.

Change management

6.2 If the Parties are unable to agree a Change in accordance with Schedule 8.3 (*Change Control Procedure*), the Operational Board shall assess the impact and approve or reject all Change Requests. Changes which will have a significant impact on the Services shall be escalated to the Strategic Board.

6.3 Where required in accordance with paragraph 6.2, the Operational Board shall:

- (a) analyse and record the impact of all Changes, specifically whether the proposed Change:
 - (i) has an impact on other areas or aspects of this Agreement and/or other documentation relating to the Services;
 - (ii) has an impact on the ability of the Authority to meet its agreed business needs within agreed time-scales;
 - (iii) will raise any risks or issues relating to the proposed Change; and
 - (iv) will provide value for money in consideration of any changes to the Financial Model, future Charges and/or Performance Indicators and Target Performance Levels;
- (b) consider all contract management activities and version control of the Agreement;
- (c) provide recommendations, seek guidance and authorisation from the Strategic Board as required; and

- (d) approve or reject (close) all proposed Changes.

Risk management

- 6.4 The Operational Board shall identify and manage risks relating to the performance of the Services.
- 6.5 The Operational Board shall:
 - (a) provide assurance to the Strategic Board that risks are being effectively managed across the Services, including reporting the 'top 5' risks to the Strategic Board on a monthly basis;
 - (b) identify the risks to be reported to the Strategic Board via the regular risk reports;
 - (c) subject to the Change Control Procedure, accept or reject new risks proposed for inclusion in the Risk Register;
 - (d) ratify or refuse requests to close risks on the Risk Register; and
 - (e) identify risks relating to or arising out of the performance of the Services and provisional owners of these risks.

Technical oversight

- 6.6 The Operational Board shall be accountable to the Strategic Board for oversight of the technology used in the Supplier Solution and ensuring that technological choices are made to maximise the long-term value of the Supplier Solution as a business asset of the Authority.
- 6.7 The Operational Board shall:
 - (a) ensure compliance with the Standards;
 - (b) grant dispensations for variations from such compliance where appropriate;
 - (c) assure the coherence and consistency of the systems architecture for the Supplier Solution;
 - (d) monitor developments in new technology and reporting on their potential benefit to the Services;
 - (e) provide advice, guidance and information on technical issues; and
 - (f) assure that the technical architecture of the Supplier Solution is aligned to the Service Requirements and has sufficient flexibility to cope with future requirements of the Authority.

7 ROLE OF THE STRATEGIC BOARD

7.1 The Strategic Board shall:

- (a) provide senior level guidance, leadership and strategy for the overall delivery of the Services;
- (b) be the point of escalation from the Operational Board and Entry Transition Board, and
- (c) carry out the specific obligations attributed to it in Paragraph 7.2.

7.2 The Strategic Board shall:

- (a) ensure that this Agreement is operated throughout the Term in a manner which optimises the value for money and operational benefit derived by the Authority and the commercial benefit derived by the Supplier;
- (b) receive and review reports from the Operational Board and review reports on technology, service and other developments that offer potential for improving the benefit that either Party is receiving, in particular value for money;
- (c) determine business strategy and provide guidance on policy matters which may impact on the implementation of the Services or on any Optional Services;
- (d) authorise the commissioning and initiation of, and assess opportunities for, Optional Services;
- (e) provide guidance and authorisation to the Operational Board on relevant Changes; and
- (f) consider and resolve Disputes referred to it by the Operational Board and, where necessary, escalate Disputes to the Executive Board.

8 ROLE OF THE EXECUTIVE BOARD

8.1 The Executive Board shall consider and resolve Disputes escalated to it by the Strategic Board.

9 CONTRACT MANAGEMENT MECHANISMS

9.1 Both Parties shall pro-actively manage risks attributed to them under the terms of this Agreement.

9.2 The Supplier shall develop, operate, maintain and amend, as agreed with the Authority, processes for:

- (a) the identification and management of risks;

- (b) the identification and management of issues; and
- (c) monitoring and controlling project plans.

9.3 The Risk Register shall be updated by the Supplier and submitted for review by the Operational Board.

10 ANNUAL REVIEW

10.1 An annual review meeting shall be held throughout the Term on a date to be agreed between the Parties.

10.2 The meetings shall be attended by the **[insert role]** of the Supplier and a member of the Authority's OE and/or CDIO Senior Leadership Team of the Authority and any other persons considered by the Authority necessary for the review.

11 Strategic Supplier Relationship Management (SSRM)

- (a) The Authority and Supplier shall employ Strategic Supplier Relationship Management (SSRM) methodology throughout the lifetime of this Agreement if the Supplier is identified as Strategic. Strategic Supplier Relationship Management (SSRM) is defined as: "The practices and behaviours adopted to engage more collaboratively with strategic suppliers to improve delivery of Government objectives and increase mutual value beyond that originally contracted."

Purpose of SSRM

By developing and implementing a joint business plan collaboratively the parties will aim to strengthen the partnership between both the Authority and the Supplier, promote mutual understanding of business imperatives of each, jointly work to achieve business outcomes aligned to both the Authority and the Supplier's strategic objectives, unlock innovation and improvement, effectively manage risk and identify mutual value add opportunities.

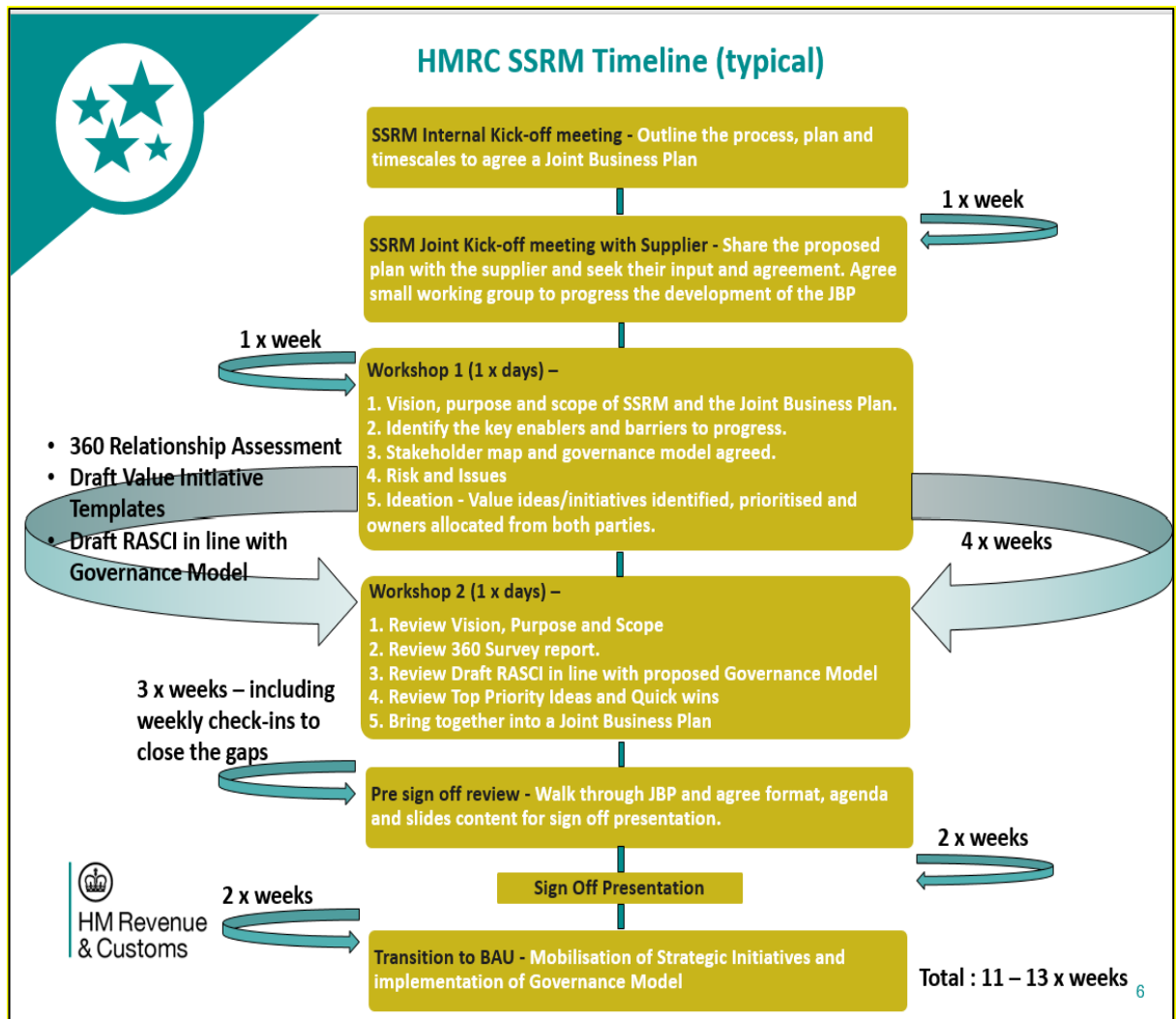
Vision of SSRM

The vision for the relationship is of one that is based on trust and mutual respect. At all times the parties shall operate to the highest professional and ethical standards. Any issues that arise shall be resolved through open and transparent dialogue and recognise the legitimate interests of the Authority and the Supplier.

- 11.2 The Authority and the Supplier shall play a full and active role in the SSRM programme to develop and sign off a joint business plan to deliver mutual strategic goals.
- 11.3 The Supplier shall play a full and active role in Boards to drive innovation and value creation within scope of the contracted services, within the Authority's and the Supplier's organisations.

11.4 The Authority and the Supplier shall have named Account Executives, whose roles shall be to collaboratively lead the strategic relationship, engage the strategic stakeholders within their organisations to mutually adopt and agree.

11.5 Typical SSRM activities and timeline can be found at Table 1 below



Establishment and structure of the Boards

11.6 The Boards shall be established by the Authority for the purposes of this Agreement on which both the Supplier and the Authority shall be represented.

11.7 In relation to each Board, the:

- (a) Authority Board Members;
- (b) Supplier Board Members;

- (c) frequency that the Board shall meet (unless otherwise agreed between the Parties);
- (d) location of the Board's meetings; and
- (e) planned start date by which the Board shall be established,

shall be as set out in Annex 1.

- 11.8 In the event that either Party wishes to replace any of its appointed Board Members, that Party shall notify the other in writing of the proposed change for agreement by the other Party (such agreement not to be unreasonably withheld or delayed). Notwithstanding the foregoing it is intended that each Authority Board Member has at all times a counterpart Supplier Board Member of equivalent seniority and expertise.

Board meetings

- 11.9 Each Party shall ensure that its Board Members shall make all reasonable efforts to attend Board meetings at which that Board Member's attendance is required. If any Board Member is not able to attend a Board meeting, that person shall use all reasonable endeavours to ensure that:

- (a) a delegate attends the relevant Board meeting in his/her place who (wherever possible) is properly briefed and prepared; and
- (b) that he/she is debriefed by such delegate after the Board Meeting.

- 11.10 A chairperson shall be appointed by the Authority for each Board as identified in Annex 1. The chairperson shall be responsible for:

- (a) scheduling Board meetings;
- (b) setting the agenda for Board meetings and circulating to all attendees in advance of such meeting;
- (c) facilitating the Board meetings on behalf of the ARO;
- (d) monitoring the progress of any follow up tasks and activities agreed to be carried out following Board meetings;
- (e) ensuring that minutes for Board meetings are recorded and disseminated electronically to the appropriate persons and to all Board meeting participants within seven Working Days after the Board meeting; and
- (f) facilitating the process or procedure by which any decision agreed at any Board meeting is given effect in the appropriate manner.

- 11.11 Board meetings shall be quorate as long as at least [two] representatives from each Party are present.
- 11.12 The Parties shall ensure, as far as reasonably practicable, that all Boards shall as soon as reasonably practicable resolve the issues and achieve the objectives placed before them. Each Party shall endeavour to ensure that Board Members are empowered to make relevant decisions or have access to empowered individuals for decisions to be made to achieve this.
- 11.13 The provisions of this Schedule are without prejudice to other provisions of this Agreement which require regular meetings to take place between the Parties in connection with the delivery of the Services (including Performance Review Meetings). For the avoidance of doubt, such meetings shall also form part of the governance of this Agreement.
- 11.14 In addition to those meetings specified in this Schedule 8.1 (*Governance*) and in the remaining provisions of this Agreement, the Supplier shall ensure that an appropriate representative attends, on the Supplier's behalf, such other meetings which may be held with Other Suppliers and/or other third parties that the Authority may request from time to time.

12 GOVERNANCE MODEL

1. Strategic Leadership (Strategy Development Board– Level 3)
2. Relationship Management (Quarterly Partnership Review Board– Level 2)
3. Operational Management (Operational and Commercial Performance Boards – Level 1)

STRATEGY DEVELOPMENT BOARD (LEVEL 3)

PURPOSE

Members will discuss direction and progress against HMRC and supplier mutual strategic objectives, relationships, performance and a future view.

OBJECTIVE

- Strategic overview and planning
- Joint statement of intent
- Review of Joint Business Plan
- Resolution of matters escalated from JSSG

QUARTERLEY PARTNERSHIP REVIEW BOARD (LEVEL 2)

PURPOSE

MEMBERS SHALL DISCUSS DIRECTION AND PROGRESS AGAINST THE AUTHORITY'S AND THE SUPPLIER'S MUTUAL STRATEGIC GOALS, RELATIONSHIPS, PERFORMANCE AND A FUTURE VIEW.

OBJECTIVE

- Agree and review a joint business plan and progress contract performance against strategic goals whilst ensuring the correct governance and assurance is in place.
- Ensure relationship aspects focus on a partnership approach to bring innovation and opportunities for alignment, leading HMRC's Estate to become more efficient in its day to day business.
- Consider how the commercial model is successful in bringing mutual value to all parties

COMMERCIAL MANAGEMENT MONTHLY (LEVEL 1)

PURPOSE

Members to discuss commercial elements of the contract to ensure operational service delivery is unaffected.

Provide commercial advice and an escalation route for operational issues requiring long term resolution.

OBJECTIVES

- To administer the contract in an effective and efficient manner collaborating with the business and the supply chain to mitigate risk to all parties.
- Ensure the contract delivers to agreed cost and brings value creation through efficiency and innovation.
- Ensuring contract management plans, contract changes, risk registers, exit and contingency plans, Service Delivery Plans and Project Plans are in place and jointly agreed and recorded on HMRC systems.
- Resolution of escalated risks and issues via negotiation with both Parties actively engaged

OPERATIONAL PERFORMANCE BOARD MANAGEMENT MONTHLY (LEVEL 1)

PURPOSE

Members to discuss operational performance against agreed service standards and KPI's based on the available Management Information.

OBJECTIVES

- Timely assessment and validation of payments ensuring performance deductions are correct and accounted for before payment is released.
- Monitoring, collecting and collating day to day performance information to challenge under performance; agreeing targeted action plans to drive improvements in service delivery where required.
- Assurance that the service and performance meets the agreed service standards and cost model.
- Realise the potential benefits of new, innovative solutions proposed by the supplier to release additional value into the contract to improve the customer experience.

ANNEX 1 | BOARD REPRESENTATION AND STRUCTURE

Operational Board Representation and Structure

Authority Members of Operational Board	<ul style="list-style-type: none"> • Service Owner(s) – Chairperson • Service Managers (Input Services, Output Services, Email & Mobile Messaging) • Commercial Representative • Service Operations (Input Services, Output Services, Email & Mobile Messaging)
Supplier Members of Operational Board	TBA
Start Date for Operational Board meetings	TBA
Frequency of Operational Board meetings	Weekly/Monthly, or at any other frequency as required by the Authority acting in its sole discretion
Location of Operational Board meetings	Variable - as agreed between the parties

Strategic Board Representation and Structure

Authority members of Strategic Board	<ul style="list-style-type: none"> • Senior Responsible Officer(s) - Chairperson • Service Owners (Input Services, Output Services, Email & Mobile Messaging) • Service Managers (Input Services, Output Services, Email & Mobile Messaging) • Commercial Representative • Service Operations (Input Services, Output Services, Email & Mobile Messaging)
Supplier members of Strategic Board	TBA
Start date for Strategic Board meetings	TBA

Frequency of Strategic Board meetings	Monthly/Quarterly, or at any other frequency as required by the Authority acting in its sole discretion
Location of Strategic Board meetings	Variable - as agreed between the parties

Executive Board Representation and Structure

Authority Members of Executive Board	HMRC Director
Supplier Members of Executive Board	Supplier Executive Member
Start Date for Executive Board meetings	N/A
Frequency of Executive Board meetings	As required and agreed by Authority and Supplier (see Para 8.1)
Location of Executive Board meetings	N/A



HM Revenue
& Customs

HMRC Tier 1 and 2 Model ICT Contract

Version 2.3 (November 2020)

SCHEDULE 8.2 | Reports and Records



OFFICIAL – SENSITIVE - COMMERCIAL

OFFICIAL

Schedule 8.2 | Reports and Records

1 TRANSPARENCY REPORTS

- 1.1 Within three (3) months of the Effective Date the Supplier shall provide to the Authority for its approval (such approval not to be unreasonably withheld or delayed) draft transparency reports in accordance with Annex 1 ("**Transparency Reports**").
- 1.2 If the Authority rejects any proposed Transparency Report, the Supplier shall submit a revised version of the relevant report for further approval by the Authority within five (5) days of receipt of any notice of rejection, taking account of any recommendations for revision and improvement to the report provided by the Authority. If the Parties fail to agree on a draft Transparency Report the Authority shall determine what should be included.
- 1.3 The Supplier shall provide accurate and up-to-date versions of each Transparency Report to the Authority at the frequency referred to in Annex 1.
- 1.4 Any disagreement in connection with the preparation and/or approval of Transparency Reports, other than under Paragraph 1.2 above in relation to the contents of a Transparency Report, shall be treated as a Dispute.
- 1.5 The requirements for Transparency Reports are in addition to any other reporting requirements in this Agreement.

2 OTHER REPORTS

- 2.1 The Supplier shall provide to the Authority:
 - (a) the reports listed in Annex **Error! Reference source not found.** to this Schedule 8.2 (*Reports and Records*) at the frequencies set out in Annex **Error! Reference source not found.**; and
 - (b) any or all of the following reports at the Authority's request:
 - (i) delay reports;
 - (ii) reports relating to Testing and tests carried out under Schedule 2.4 (*Security Management*) and Schedule 8.6 (Service Continuity Plan and Corporate Resolution Planning);
 - (iii) Performance Monitoring Reports;
 - (iv) reports which the Supplier is required to supply as part of the Management Information;
 - (v) annual reports on the Insurances;

- (vi) security reports;
 - (vii) an SME report, which contains information in relation to Sub-contractors including (without limitation): the name, postal address and registration number of the relevant Sub-contractor; the commencement and expiry dates of the relevant Sub-contract; the relevant Sub-contract value and spend in the relevant quarter; and the number of apprentices employed in relation to that Sub-contract; and
 - (viii) Force Majeure Event reports.
- 2.2 Notwithstanding the provisions of paragraph 3.2, in relation to the transition reports to be produced pursuant to paragraph 6.5 of Schedule 6.1 (*Transition*), the Supplier shall maintain a shared document repository that can be accessed by both Parties for the deposit of documentation related to and produced as part of the Detailed Transition Plan and as agreed with the Authority. A document naming convention will be used to ensure version control is used for all documents.
- 2.3 In addition to any other Transparency Reports requirements set out in this Agreement, the Supplier agrees and acknowledges that it shall, at no charge, provide timely, full, accurate and complete SME Management Information (“MI Reports”) to the Authority which incorporate the data described in the MI Reporting template which is:
 - (a) the total contract revenue received directly on a specific contract;
 - (b) the total value of sub-contracted revenues under the contract (including revenues for non-SMEs/non-VCSEs); and
 - (c) the total value of sub-contracted revenues to SMEs and VCSEs.
- 2.4 The SME MI Reports shall be provided in the correct format as required by the MI Reporting Template and any guidance issued by the Authority from time to time. The Supplier shall use the initial MI Reporting Template which is set out in the Annex to this Schedule, and which may be changed from time to time (including the data required and/or format) by the Authority by issuing a replacement version. The Authority shall give at least thirty (30) days’ notice in writing of any such change and shall specify the date from which it must be used.
- 2.5 The Supplier further agrees and acknowledges that it may not make any amendment to the current MI Reporting Template without the prior written approval of the Authority.

3 RECORDS

3.1 The Supplier shall retain and maintain all the records (including superseded records) referred to in this Agreement including those referred to in Paragraph 1 and Annex **Error! Reference source not found.** (together "**Records**");

- (a) in accordance with the requirements of the Records Management Code issued under Section 46 of the FOIA and Good Industry Practice;
- (b) in chronological order;
- (c) in a form that is capable of audit; and
- (d) at its own expense.

3.2 The Supplier agrees that it shall:

- (a) store all records and reports that it is obliged to maintain and provide pursuant to this Agreement in such document repository or system that the Authority may have or put in place for the storing, sharing and management of records and reports as it may notify to the Supplier from time to time ("**Document Repository**"); and
- (b) comply with such guidance as the Authority may issue or provide in relation to the Document Repository from time to time.

It is acknowledged and agreed that the Authority may also use the Document Repository as a means of uploading and storing its documents that the Supplier may need to access from time to time.

3.3 Notwithstanding the provisions of paragraph 3.2, the Supplier shall on demand, at no cost to the Authority and without imposing any restrictions, make the Records available for inspection to and/or copying by the Authority and/or its nominee in a format reasonably accessible to the Authority, subject to the Authority giving reasonable notice.

3.4 The Supplier shall hold Records in electronic format (and, if required by the Authority, paper format) and must be made available and/or be accessible to the Authority and its Audit Agents for audit purposes.

3.5 Where Records are retained in electronic form, the original metadata shall be preserved together with all subsequent metadata in a format reasonably accessible to the Authority.

3.6 The Supplier shall, during the Term and a period of at least seven years following the expiry or termination of this Agreement, maintain or cause to be maintained complete and accurate documents and records in relation to the provision of the Services including but not limited to all Records.

- 3.7 Records that contain financial information shall be retained and maintained in safe storage by the Supplier for a period of at least seven years after the expiry or termination of this Agreement.
- 3.8 Subject to Paragraph 3.9, following the expiry of seven years after the expiry or termination of this Agreement, the Supplier shall:
- (a) securely dispose of or provide to the Authority all Records without keeping any copies; and
 - (b) ensure, so far as reasonably practicable, that all Records held in electronic, digital or other machine-readable form ceases to be readily accessible (other than by the information technology staff of the Supplier) from any computer, word processor, voicemail system or any other device containing such Records,
- and if required to do so by the Authority, the Supplier shall provide written confirmation of compliance with this Paragraph 3.8.
- 3.9 The provisions of Paragraph 3.8 shall not apply to the extent that the Supplier is required to retain the Records by any applicable Law or for the purposes of any audit.
- 3.10 Without prejudice to the foregoing, the Supplier shall provide the Authority:
- (a) as soon as they are available, and in any event within sixty (60) Working Days after the end of the first six (6) months of each financial year of the Supplier during the Term, a copy, certified as a true copy by an authorised representative of the Supplier, of its un-audited interim accounts and, if applicable, of consolidated un-audited interim accounts of the Supplier and its Affiliates which would (if the Supplier were listed on the London Stock Exchange (whether or not it is)) be required to be sent to shareholders as at the end of and for each such six (6) month period; and
 - (b) as soon as they shall have been sent to its shareholders in order to be laid before an annual general meeting of the Supplier, but not later than one hundred and thirty (130) Working Days after the end of each accounting reference period of the Supplier part or all of which falls during the Term, the Supplier's audited accounts and if applicable, of the consolidated audited accounts of the Supplier and its Affiliates in respect of that period together with copies of all related directors' and auditors' reports and all other notices/circulars to shareholders.

4 Virtual Library

- 4.1 The Supplier shall, no later than eight (8) weeks prior to the Operational Services Commencement Date and without charge to the Authority, create a Virtual Library on which the Supplier shall (subject to any applicable legislation governing the use or processing of personal data) make information about this Agreement available in accordance with the requirements outlined in this Schedule.

4.2 The Supplier shall ensure that the Virtual Library is:

- (a) capable of holding and allowing access to the information described in Annex 4 of this Schedule and includes full and accurate file details of all uploaded items including date and time of upload, version number and the name of the uploader;
- (b) structured so that each document uploaded has a unique identifier which is automatically assigned;
- (c) readily accessible by the Authority at all times in full via a user-friendly, password protected interface to such nominated users as are notified to the Supplier by the Authority from time to time,
- (d) structured so as to allow nominated users to download either specific documents or the complete Virtual Library (to the extent it has Access Permission) in bulk and store and view the content offline (on a regular and automated basis);
- (e) structured and maintained in accordance with the security requirements as set out in this Agreement including those set out in Schedule 2.4 (Security Management);
- (f) created and based on open standards in Schedule 2.3 (Standards); and
- (g) backed up on a secure off-site system.

4.3 For the avoidance of doubt, the Virtual Library (excluding any Software used to host it) shall form a database which constitute Project Specific IPR which shall be assigned to the Authority pursuant to Clause 16.6 (Project Specific IPR) of this Agreement.

4.4 The Supplier shall upload complete and accurate information specified in Annex 4 by the Initial Upload Date (except where prior to the launch of the Virtual Library in which case by the date at which the Virtual Library is made available in accordance with Paragraph 4.1) onto Virtual Library in the format specified.

4.5 Upon any document being uploaded to the Virtual Library, and where the Authority has been granted Access Permission to that document, the Supplier shall email on the same date as the upload, a copy of the document to the nominated Authority email address at:

Email address will be agreed at Transition period

- 4.6 Except for notices under Clause 45.4 or items covered under Clause 45.6, where the Supplier is under an obligation to provide information to the Authority in a provision under this Agreement, then the Supplier's upload of that information onto the Virtual Library shall satisfy the Supplier's obligation to provide the Authority with that information provided that the Authority has access in accordance with this Paragraph 4 and the uploaded information meets the requirements more particularly specified in the relevant provision.
- 4.7 Except to the extent that the requirements provide for earlier and more regular Authority access to up-to-date information, Annex 4 shall not take precedence over any other obligation to provide information in this Agreement and the Supplier shall refer to the applicable clause for further details as to the requirement.
- 4.8 The Supplier shall provide each specified person (as set out in column 6 of the table at Annex 4) access to view and download the specified information in the Virtual Library in Annex 4 subject upon the occurrence of the event specified in the column marked Access Permission in Annex 4 to this Schedule.
- 4.9 Where Access Permission is not listed (in column 6 of the table at Annex 4) as being subject to the occurrence of a certain event the Supplier shall grant access to the person and information specified (in column 6 of the table at Annex 4) from the Initial Upload Date.
- 4.10 Where Access Permission is specified as being granted to the Authority's Third-Party Auditor (prior to the Authority being granted access), the Third-Party Auditor shall:
- (a) be entitled to access, view and download information specified in Annex 4 subject to it entering into a confidentiality agreement with the Supplier to keep the contents confidential (except to the extent disclosure of the confidential information is required under Paragraph 4.10(b) of this Schedule); and
 - (b) report to the Authority (at its request) as to the completeness and accuracy of the information but not the substance of the information.
- 4.11 The Supplier shall ensure that the Virtual Library retains in an accessible form all historic or superseded records of the information specified Annex 4. In order to maintain the integrity of the historic archive of the information and documentation and for the purposes of maintaining a clear audit trail, the Supplier shall not delete or overwrite any information that has been stored in the Virtual Library, except for the purposes of maintenance (provided no information is lost during maintenance) or to enable the Supplier to comply with Data Protection Legislation.
- 4.12 The Supplier warrants that the information uploaded to the Virtual Library is accurate, complete, up-to-date and in accordance with this Agreement at the date of upload.

- 4.13 Where the Supplier becomes aware that any of the information provided on the Virtual Library is materially inaccurate, incomplete or out of date (other than in respect of historic versions of documents) the Supplier shall provide an update to the information within 14 days unless already due to be updated beforehand due to an Update Requirement specified in Annex 4.
- 4.14 In the event of a conflict between any requirement in this Agreement (excluding Annex 4) for the Supplier to provide information to the Authority and the requirements set out in Annex 4 of this Schedule, the requirement elsewhere in this Agreement shall prevail.
- 4.15 The Supplier shall ensure that all approved users of the Virtual Library are alerted by email each time that information in the Virtual Library is uploaded or updated as it occurs.
- 4.16 No later than one (1) Month prior to the Operational Services Commencement Date, the Supplier shall provide training manuals to the Authority relating to the use of the Virtual Library.
- 4.17 On request by the Authority the Supplier shall provide the Authority's nominated users with a reasonable level of training and ongoing support to enable them to make use of the Virtual Library.
- 4.18 For the avoidance of doubt, the cost of any redactions, access restrictions or compliance with the Data Protection Legislation in respect of the information hosted on the Virtual Library shall be at the Supplier's own cost and expense.

ANNEX 1 | TRANSPARENCY REPORTS

TITLE	CONTENT	FORMAT	FREQUENCY
<i>(Performance)</i>	KPI and SLAs for all 3-service line	TBC	Monthly
<i>(Charges)</i>	TBC	TBC	Monthly
<i>(Major sub-contractors)</i>	TBC	TBC	Annually
<i>(Supply Chain visibility)</i> <i>Schedule 8.2(2.2-2.5)</i>	SME MI Reports	MI Reporting Template	Quarterly
Social Values	Social Value KPIs agreed as to be published in Schedule 2.2 (Performance Levels)	As required by Cabinet Office	Quarterly

ANNEX 2 | REPORTS TO BE PROVIDED BY THE SUPPLIER

Reference	Report Title	Report Frequency	Report Content
Schedule 6.1 (<i>Transition</i>), paragraph 6.5	REDACTED	REDACTED	REDACTED
Schedule 2.2 – all service lines	REDACTED	REDACTED	REDACTED
Schedule 7.1 – all service lines	REDACTED	REDACTED	REDACTED
Schedule 2.1 – Input Services	REDACTED	REDACTED	REDACTED
Schedule 2.1 Input Services	REDACTED	REDACTED	REDACTED
Schedule 2.1 – Input Services	REDACTED	REDACTED	REDACTED
Annex 1.08 - HMRC – Security print – Output Services	REDACTED	REDACTED	REDACTED
Schedule 2.1 – Output Services	REDACTED	REDACTED	REDACTED
Schedule 2.1 – Email & Mobile Messaging Services	REDACTED	REDACTED	REDACTED

ANNEX 3 | RECORDS TO BE KEPT BY THE SUPPLIER

The records to be kept by the Supplier are:

1. This Agreement, its Schedules and all amendments to such documents.
2. All other documents which this Agreement expressly requires to be prepared.
3. Records relating to the appointment and succession of the Supplier Representative and each member of the Key Personnel.
4. Notices, reports and other documentation submitted by any Expert.
5. All operation and maintenance manuals prepared by the Supplier for the purpose of maintaining the provision of the Services and the underlying IT Environment and Supplier Equipment.
6. Documents prepared by the Supplier or received by the Supplier from a third party relating to a Force Majeure Event.
7. All formal notices, reports or submissions made by the Supplier to the Authority Representative in connection with the provision of the Services.
8. All certificates, licences, registrations or warranties in each case obtained by the Supplier in relation to the provision of the Services.
9. Documents prepared by the Supplier in support of claims for the Charges.
10. Documents submitted by the Supplier pursuant to the Change Control Procedure.
11. Documents submitted by the Supplier pursuant to invocation by it or the Authority of the Dispute Resolution Procedure.
12. Documents evidencing any change in ownership or any interest in any or all of the shares in the Supplier and/or the Guarantor, where such change may cause a change of Control; and including documents detailing the identity of the persons changing such ownership or interest.
13. Invoices and records related to VAT sought to be recovered by the Supplier.
14. Financial records, including audited and un-audited accounts of the Guarantor and the Supplier.
15. Records required to be retained by the Supplier by Law, including in relation to health and safety matters and health and safety files and all consents.
16. All documents relating to the insurances to be maintained under this Agreement and any claims made in respect of them.

17. All journals and audit trail data referred to in Schedule 2.4 (*Security Management*).
18. A complete set of records to trace the supply chain of all Goods and Services provided to the Authority in connection with this Agreement, in order to monitor any actual or suspected slavery or human trafficking in those supply chains in compliance with the Suppliers' obligation in Clause 36.5.
19. All other records, notices or certificates required to be produced and/or maintained by the Supplier pursuant to this Agreement.

ANNEX 4: RECORDS TO UPLOAD TO VIRTUAL LIBRARY

This Annex is an example template only and will be updated once a Supplier has been awarded with information already required under the Agreement which is required to be maintained in the Virtual Library by the Supplier.

Applicable Clause/ Paragraph	Required Data	Format of Data	Initial Upload Date	Update Requirement	Access Permission and Access Event (where applicable)
Cl.5.4 (e), (f) 16.6(a), 16.7(a)(ii)	Documentation	As appropriate and agreed by the Authority	Within seven days of the issue of a Milestone Achievement Certificate in respect of the relevant Deliverable.	-	Authority
Cl 14.3	Key Personnel	Sch 9.2	Effective Date	On replacement of Key Personnel	Authority
Sch 2.2, Part B Para 1	Performance Monitoring Report and the Balanced Scorecard Report	Sch 2.2, Part B	Service Commencement	Within 10 Working Days of the end of each Service Period	Authority
Sch 2.4, Para 4	Security Management Plan	As appropriate and agreed by the Authority	Within twenty (20) Working Days after the Effective Date	Within 10 Working Days of any Breach of Security and further at least annually.	Authority
Sch 2.5, Para 4	Evidence of Insurances	Sch 2.5	Effective Date	Within 15 days after policy renewal or replacement	Authority
Cl 22	Commercially Sensitive Information	Sch 4.2	Effective Date	Upon Agreement by the Authority to vary the information	Authority and Auditor

Applicable Clause/ Paragraph	Required Data	Format of Data	Initial Upload Date	Update Requirement	Access Permission and Access Event (where applicable)
CI 15.7	Notified Key Subcontractors	Sch 4.3	Effective Date	On replacement of key subcontractor	Authority
CI 15.5	Third-Party Contracts	Sch 4.4	Effective Date	On appointment of subcontract	Authority
CI 15.6	Notified Key Sub-Contractors	Sch 4.3	Effective Date	With each approved appointment or variation	Authority
CI 15.30	Supply Chain Transparency Information Reports	Sch 8.2, Annex 4	thirty days prior to the of the end of each financial year	Every 12 months	Authority
CI 16 and 17	Software	Sch 5	Operational Services Commencement Date	Upon Agreement by the Authority to vary the information	Authority
CI 6.5	Detailed Transition Plan	Sch 6.1	Within 20 working days of Effective Date	Every 3 months from Effective Date	Authority
Sch 6.2, Para 7	Test Strategy	As appropriate and agreed by the Authority	Within 20 working days of Effective Date	Upon update to the test strategy	Authority
Sch 6.2, Para 8	Test Plan	As appropriate and agreed by the Authority	20 prior working days of relevant test	Upon update to the test plan	Authority
Sch 6.2, Para 9	Test Design	As appropriate and agreed by the Authority	10 prior working days of relevant test	Upon update to the test specification	Authority

Applicable Clause/ Paragraph	Required Data	Format of Data	Initial Upload Date	Update Requirement	Access Permission and Access Event (where applicable)
Sch 7.1, Annex 4	Risk Register	Sch 7.1, Annex 4	Effective Date	Upon Agreement by the Authority to vary the by the Risk Management Board	Authority
Sch 7.3, Para 5	Benchmarking Plan	Sch 7.3	Upon receipt from Benchmark	Approval of Plan	Authority and Auditor
Sch 7.3, Para 5	Benchmark Report	Sch 7.3	Upon receipt from Benchmark	Any update	Authority and Auditor
Sch 7.4 Para 2.3(b)	Financial Indicator Reports	Sch 7.4 para 2.5	As specified in para 2.3(b) of Sch 7.4	As specified in para 2.3(b) of Sch 7.4	Authority
Sch 7.4 Para 4.3(b)	Financial Distress Remediation Plan	As appropriate and agreed by the Authority	As soon as reasonably practicable and in any event within 10 Working Days of initial notification or awareness of a Financial Distress Event	On a regular basis (not less than fortnightly)	Authority
Sch 7.5, Part B, para 1.2	Contract Amendment Report	Sch 7.5, Part B, para 1.2	Within 1 month of a material change being agreed		Authority
Sch 7.5, Part B, para 1.1	Quarterly Contract Report	Sch 7.5, Part B, para 1.2	Within 1 month of the end of each Quarter		Authority

Applicable Clause/ Paragraph	Required Data	Format of Data	Initial Upload Date	Update Requirement	Access Permission and Access Event (where applicable)
Sch 7.5, Part B, para 1.1	Annual Contract Report	Sch 7.5, Part B, para 1.2	Within 1 month of the end of the Contract Year to which that report relates		Authority
Sch 7.5 Part B, para 1.1	Final Reconciliation Reports	Sch 7.5, Part B, para 1.2	Within 6 months after the end of the Term		Authority
Sch 8.1, Para 3.3	Representation and Structure of boards	Sch 8.1 Annex 1	Within 7 days of receipt of intention, or in the case of a non-Authority board member agreement by the Authority		Authority
Sch 8.1, Para 3.5(e)	Minutes of governance meetings (all boards)	As appropriate and agreed by the Authority	Within 7 days of receipt from chairperson		Authority
Sch 8.3 Para 4.3	Impact Assessment Estimate	As appropriate and agreed by the Authority	Within 10 working days of date of receiving change request.		Authority
Sch 8.3 Para 5	Impact Assessment	As appropriate and agreed by the Authority	Within the period agreed by the Impact Assessment Estimate	Within 10 Working Days of request by the Authority to update under Schedule 8.3 Para 5.4	Authority
Sch 8.3, Para 2.6	Update full copy of the Agreement and copy of	PDF and MS Word (editable)	Signature of Variation Date	Any variation	Authority

Applicable Clause/ Paragraph	Required Data	Format of Data	Initial Upload Date	Update Requirement	Access Permission and Access Event (where applicable)
	annotated version illustrating changes				
Sch 8.3, Para 4	Change Request	Sch 8.3, Annex 1	Within 10 working days of Authority issuing the Change Request		Authority
Sch 8.4, Para 2.1	Dispute Notice	Sch 8.3 Para 2.2	No longer than 20 working days from an unresolved dispute arising	Any variation	Authority
Sch 8.4, Para 2.4	Mediation Notice	As appropriate	When first served	Any variation	Authority
Sch 8.2, Para 1 and 2	Reports and Records Provisions	Sch 8.2, Annex 1 and 2	Within 3 months of the Effective Date	Frequency specified in Sch 8.4, Annex 1 and 2	Authority
Sch 8.5, Para 3.1 (a)	Register of All Assets, Sub-contracts and Other Relevant Agreements	As appropriate and agreed by the Authority	Within 3 months of the Effective Date	Any variation	Authority
Sch 8.5, Para 3.1 (b)	Configuration Database of Technical Infrastructure and Operating Procedures	As appropriate and agreed by the Authority	Within 3 months of the Effective Date	Any variation	Authority
Sch 8.5, Para 4.1	Exit Information	As appropriate and agreed by the Authority	On reasonable notice given by the Authority at any point during the Term	Within 10 working days of Authority's written request	Authority and its potential Replacement Suppliers

Applicable Clause/ Paragraph	Required Data	Format of Data	Initial Upload Date	Update Requirement	Access Permission and Access Event (where applicable)
Sch 8.5, Para 5.1	Exit Plan	Sch 8.5, Para 5.3	Within 3 months of the Effective Date	In the first month of each contract year; and Within 14 days if requested by the Authority following a Financial Distress Event Within 20 days after service of Termination Notice or 6 months prior to expiry of the Agreement.	Authority
Sch 8.5, Para 6.7	Authority Data (handback)	Sch 8.5, Para 6.7(b) and/or as appropriate and agreed by the Authority	At the end of the Termination Assistance Period	-	Authority
Sch 8.5, Annex 1, Para 1, Para 1.3 & Para 1.4	Termination Services supporting documentation and knowledge transfer material	As appropriate and agreed by the Authority	As specified in the Termination Assistance Notice and in any event prior to the end of the Termination Assistance Period	As specified in the Termination Assistance Notice or otherwise requested by the Authority	
Sch 8.6 Service Continuity	Service Continuity Plan	Sch 8.6, Para 2.2	Within 40 days from the Effective Date	Sch 8.6, Para 7.1	Authority

Applicable Clause/ Paragraph	Required Data	Format of Data	Initial Upload Date	Update Requirement	Access Permission and Access Event (where applicable)
Sch 8.6, Para 6.2	Insolvency Continuity Plan	Sch 8.6, Para 6.2	Within 20 Working Days of the conclusion of each review of the Service Continuity Plan.		
Sch 8.6	Corporate Resolution Planning Information	Sch 8.6, Para 11.3	Schedule 8.6 Part 2 Para 11.2	Sch 8.6, Para 11.8	Authority
Sch 7.4 Para 8	Board Confirmation	As set out at Annex 5 of Sch 7.4	Within 120 days of the first Accounting Reference Date to occur	Within 15 months of the previous Board Confirmation provided or within 120 days after each Accounting Reference Date (whichever is the earlier)	Authority
Sch 9.1, Part D, Para 1.1	Supplier's Provisional Supplier Personnel List and, Staffing Information	As appropriate and agreed by the Authority	Sch 9.1, Part D, Para 1.1 A-D	At such intervals as are reasonably requested by the Authority	Authority
Sch 9.1, Part D, Para 1.2	Supplier's Final Supplier Personnel List	As appropriate and agreed by the Authority	At least 20 Working Days prior to the Service Transfer Date	Upon any material change to the list of employees	Authority and, at the discretion of the Authority, the Replacement Supplier and/or any

Applicable Clause/ Paragraph	Required Data	Format of Data	Initial Upload Date	Update Requirement	Access Permission and Access Event (where applicable)
					Replacement Subcontractor
Sch 9.1, Part D, Para 1.6	Information relating to the manner in which the services are organised	As appropriate and agreed by the Authority	Effective Date		Authority
Sch 9.1, Part D, Para 1.7	Payroll and benefits information	As appropriate and agreed by the Authority	Within 5 Working Days following the Service Transfer Date	-	Authority, any Replacement Supplier and/or Replacement Sub-contractor
Sch 9.1, Annex	List of Notified Sub-contractors	As appropriate and agreed by the Authority	Effective Date	Upon any change	Authority
Sch 9.2	Key Personnel	Sch 9.2	Effective Date	As amended from time to time	Authority

ANNEX 5: SUPPLY CHAIN TRANSPARENCY INFORMATION REPORT TEMPLATE

	Financial Year 20[]			
	Under this Agreement		Supplier as a whole	
	£	%	£	%
Estimated total contract revenue (£) to be received in this Financial Year				
Total value of Sub-contracted revenues (3) in this Financial Year				
Total value of Sub-contracted revenues to SMEs (3) in this Financial Year				
Total value of Sub-contracted revenues to VCSEs (3) in this Financial Year				