



Home Office

**AUTHORITY: The Secretary of State for the Home
Department (acting through the Home Office)**

**SCHEDULE 15
CHARGES AND INVOICING**

**Campsfield House Immigration Removal
Centre Contract**

1 DEFINITIONS:

“Actual Profit”	means in relation to any Profit Share Assessment Point undertaken in accordance with Part D, paragraphs 2 to 4 of this Schedule, the total accumulated operating profit calculated as Actual Revenue less actual Costs (including accruals and prepayments but excluding provisions), and less amounts of Shortfall Staff Profit in the corresponding Profit Share Period(s) recovered by the Authority in accordance with Part D, paragraph 1.2)
“Actual Profit Percentage”	means in relation to any Profit Share Assessment Point, the Actual Profit for the Profit Share Assessment Point divided by the Actual Revenue for the Profit Share Assessment Point, expressed as a percentage;
“Actual Revenue”	means the total accumulated turnover of the Supplier, excluding any payments arising from implementation, incentive payments, Pass-Through Costs and any payments or gains arising from the Profit Share Calculation;
“Anticipated Annual Service Profit Margin”	means the anticipated Supplier Profit Margin, excluding profit margin attributable to Implementation Services and excluding profit margin attributable to Major Facilities Asset Works over a contract year as calculated in the Financial Pricing Model;
“Anticipated Annual Service Profit Threshold Margin”	means the anticipated Supplier Service Profit Margin, excluding profit margin attributable to Implementation Services, excluding profit margin attributable to Major Facilities Asset Works and excluding profit margin attributable to general risk (the general risk mark-up included in worksheet ‘1.03 – Mark Up IN’ of the Financial Pricing Model), over a contract year as calculated in the Financial Pricing Model;
“Anticipated Contract Life Service Profit Margin”	means the anticipated Supplier Profit Margin, excluding profit margin attributable to Implementation Services and excluding profit margin attributable to Major Facilities Asset Works, over the Term as calculated in the Financial Pricing Model;
“Anticipated Average Monthly Service Profit Margin”	means the Anticipated Annual Service Profit Margin for any contract year as calculated in the Financial Pricing Model, divided by 12;
“Allowable Costs”	<p>means the following costs elements (without double recovery) to the extent that they are reasonably and properly incurred by the Supplier in delivering services under the Campsfield IRC Contract including:</p> <p>(a) Direct Labour Cost elements to the Supplier or the Key Sub-contractor (as the context requires), calculated per hour (or per Day) where it is appropriate to do so, of engaging the Supplier Personnel, including:</p> <ul style="list-style-type: none">i. base salary paid to the Supplier Personnel;ii. employer’s national insurance contributions;iii. Employer Pension Contributions;

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- iv. car allowances;
 - v. any other contractual employment benefits;
 - vi. staff training;
 - vii. workplace accommodation not already recovered from the Authority;
 - viii. workplace IT equipment and tools reasonably necessary to perform the Services (but not including items included within the limbs (b) – (d) below); and
- (b) reasonable recruitment costs, as agreed with the Authority;
- (c) attributable and appropriate costs incurred in respect of those Assets which are detailed on the Registers and which would be treated as capital costs according to generally accepted accounting principles within the UK, which shall include the cost to be charged in respect of Assets by the Supplier to the Authority or (to the extent that risk and title in any Asset is not held by the Supplier) any cost actually incurred by the Supplier in respect of those Assets;
- (d) Direct Detainee Variable Costs or Direct Other Costs which are not included within the limbs (a) - (c) above, to the extent that such costs are necessary and properly incurred by the Supplier in the delivery of the Services; and
- (e) the direct and verifiable costs incurred in delivering Major Facilities Asset Works;
- (f) Reimbursable Expenses to the extent these are incurred in delivering any Services where the Charges for those Services are to be calculated on a Pass-Through Costs basis
- but excluding:
- i. indirect overheads;
 - ii. financing or similar costs;
 - iii. maintenance and support costs to the extent that these relate to maintenance and/or support services provided beyond the Term, whether in relation to Assets or otherwise;
 - iv. taxation and other statutory compliance related charges not related to the contract;
 - v. fines and penalties;
 - vi. redundancies unless agreed with the Authority under TUPE;
 - vii. amounts payable under Schedule 17 (*Benchmarking*) if applicable; and

non-cash items (including impairments and movements in provisions).

**“Basic Rate
of Pay”**

means salary, car allowances, service allowances, London weighting, acting up allowances and any other directly paid allowances, but excluding bonus payments;

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“Capped Time and Materials”	means the actual, proven and incremental costs incurred by the Supplier in delivering the relevant milestone and agreed by the Authority, the aggregate sum of which is less or equal to the relevant milestone cap;
“Charges”	means amounts paid or payable by the Authority to the Supplier in respect of services provided under the Campsfield IRC contract as set out in this Schedule;
“Certificate of Costs”	means a certificate of costs signed 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 certificate) and substantially in the format set out in Annex 5;
“Direct Detainee Variable Costs”	<p>means those direct variable costs elements that the Authority has verified as being direct, and having a linear relationship with changes in Detainee numbers, and includes:</p> <ul style="list-style-type: none">(a) detainee meals; and(b) detainee hygiene packs, <p>and are subject to Paragraph 5 of Part A of this Schedule;</p>
“Direct Labour Costs”	means those allowable costs defined in limb (a) of the definition of “Allowable Costs”;
“Direct Other Costs”	<p>means those costs:</p> <ul style="list-style-type: none">(a) other than Direct Labour and Direct Detainee Variable Costs;(b) that are attributable to, reasonably and appropriately incurred in the course of providing detention of, or welfare to a detainee at Campsfield IRC; and(c) and for which the cost or activity driver of the cost occurred on the Campsfield IRC;
“Employer Pension Contributions”	means any employer pension contributions, charges or cost incurred by the Supplier in connection with the Campsfield IRC Site which have been expressly agreed by the Authority in writing to constitute 'Employer Pension Contributions';
“European Standard”	in relation to an electronic invoice means the European standard and any of the syntaxes published in Commission Implementing Decision (EU) 2017/1870;
“Externally Provided Detainee Education”	<p>means externally provided education, training and physical education courses that are undertaken:</p> <ul style="list-style-type: none">(a) directly by a Detainee or group of Detainees;(b) delivered by a third party Supplier; and(c) are in accordance with the requirements set out in Schedule 2 (<i>Services Description</i>);

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“Financial Pricing Model”	has the meaning set out in Schedule 19 (<i>Financial Reports and Audit Rights</i>);
“Fixed Price Service Charge”	means the charges set out in Table 3a of this Schedule;
“Guaranteed Maximum Price” or “GMP”	means in relation to a Milestone, 110% of the Target Price for the relevant Milestone;
“Hard Facilities Management” or “Hard FM”	means facilities management activities required to deliver the Services, that support the physical structures within the IRC Premises to ensure the health, safety and welfare of employees and Detainees are adhered to and which ensures statutory compliance including (but not limited to) CCTV systems, access systems, air conditioning, fire safety, structural maintenance, heating & ventilation systems and mechanical & electrical services etc;
“Incremental Costs Incurred”	means those direct, actual and proven costs incurred by Supplier that are additional to either: <ul style="list-style-type: none">(a) any costs already recovered by another pricing mechanism under this Schedule; or(b) any costs recovered elsewhere including recoveries from the Supplier’s Sub-Contractor(s) or statutory bodies including HMRC;
“Incurred Costs”	means a cost that the Supplier, has become liable for either by way of direct outlay of expenditure or enforceable agreement;
“Indexation” and “Index”	means the adjustment of an amount, sum, or rate in accordance with Paragraph 5 of Part C of this Schedule;
“Indexation Review Date”	has the meaning given in Part C, Paragraph 5.3 of this Schedule;
“Initial Furniture, Fixtures & Equipment” or “Initial FF&E”	means the items as detailed in Annex E of Schedule 13 (<i>Implementation Plan</i>) to be provided by the Supplier during the Implementation, Post Implementation and Transition Periods;
“Innovation Fund”	means the fund described in Annex 4 to this Schedule;
“ITT Return Date”	means the 11 th January 2023 being the date of submission of the Campsfield IRC Invitation to Tender.
“Man Day”	means Man Hours worked per individual per day, whether or not such hours are worked consecutively and whether or not they are worked on the same day;

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“Man Hours”	means the hours spent by the Supplier Personnel properly working on the Services including time spent travelling (other than to and from the Supplier's offices, or to and from the Sites) but excluding lunch breaks;
“Milestone Costs Incurred”	means in relation to a Milestone, the sum of: <ul style="list-style-type: none">(a) the fixed day costs set out in Tables 2 of Annex 1 multiplied by the number of Man Days that have been expended by the Supplier Personnel in achieving the relevant Milestone; and(b) any amount that would fall within limbs (b) – (d)) of the definition of “Allowable Costs”, to the extent that such amount has been incurred in achieving the relevant Milestone;
“Milestone Delay Payments”	means payments made by the Supplier to the Authority in accordance with Part C, Paragraph 2 of this Schedule;
“Milestone Group”	means any group of Milestones agreed between the Authority and the Supplier in terms of the delivery of Major Facilities Asset Works;
“Milestone Retention”	has the meaning given in Paragraph 1.3 of Part B of this Schedule;
“Overhead(s)”	<p>means those reasonable and appropriate costs indirectly incurred by the Supplier as a result of the performance of the Contract requirements, and that are wholly or partly attributable to the Contract;</p> <p>Overheads specifically exclude:</p> <ul style="list-style-type: none">(a) Direct Labour Costs;(b) Direct Detainee Variable Costs (detainee meals and hygiene packs);(c) Direct Other Costs;(d) The cost of Major Facilities Asset Works; and(e) non-allowable Costs including any non-contract costs driven by Supplier decisions rather than contract requirements such as<ul style="list-style-type: none">i. financing, marketing and advertising costs;ii. research and development and general insurance costs; andiii. fines, penalties, taxation and other statutory compliance related charges not related to the Contract;
“Pass-Through Costs”	means those costs and expenses in respect of goods and/or services purchased by the Supplier in the provision of the Services and invoiced to the Authority for reimbursement at the purchase price, without any additional Supplier Profit Margin or Charges;
“Profit Share”	<p>means any</p> <ul style="list-style-type: none">(a) any Shortfall Profit or(b) Actual Profit in excess of the Supplier's Anticipated Threshold Margin

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to be shared between the Authority and the Supplier in accordance Part D of this Schedule;

“Profit Share Amount”	means total amount of Profit Share to be apportioned between the Parties in accordance with Part D of this Schedule (<i>Excessive Supplier Profit Margin</i>);
“Profit Share Assessment Point”	has the meaning given in Part D of this Schedule;
“Profit Share Calculation”	has the meaning set out in Part D of this Schedule;
“Profit Share Period”	<p>means</p> <ul style="list-style-type: none">a) for Shortfall Staff Profit at every anniversary following the conclusion of a Contract Year; andb) in respect of other Profit Share the meaning set out in Part D Paragraphs 3.1(h), 3.1(i), 3.1(j), 3.1(k) and 3.1(l);
“Redundancy Costs”	<p>means the direct, unavoidable, and incremental costs of making Campsfield IRC Staff redundant. Where, for the avoidance of doubt:</p> <ul style="list-style-type: none">(a) under the first limb, “direct costs” exclude overheads and other mark-ups;(b) under the second limb, “unavoidable costs” exclude costs that are discretionary or are negotiated on non- commercial terms; and(c) under the third limb, “incremental costs” exclude costs recovered elsewhere in this Schedule or are reimbursed to the Supplier or its Sub-Contractor(s); <p>and only includes Incremental costs:</p> <ul style="list-style-type: none">i. actually incurred; andii. proven by the Supplier;
“Reimbursable Expenses”	<p>means reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of the Services, calculated at the rates and in accordance with the Authority's expenses policy current from time to time, but not including:</p> <ul style="list-style-type: none">(a) travel expenses incurred as a result of Supplier Personnel travelling to and from their usual place of work, or to and from the premises at which the Services are principally to be performed, unless the Authority otherwise agrees in advance in writing; and(b) subsistence expenses incurred by Supplier Personnel whilst performing the Services at their usual place of work, or to and from the premises at which the Services are principally to be performed;

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“Relevant Authority to Proceed”	means either the Authority to Proceed (Post Implementation) or Authority to Proceed (Full Service) with definitions in Schedule 13 (<i>Implementation Plan</i>);
“Shortfall Staff Profit”	means the Supplier Profit attributable to Shortfall Staff calculated in accordance Part D, Paragraph 1.2;
“Shortfall Staff”	means the difference between the number of staff set out in the Contract Inception Report (or Contract Amendment Report equivalent) less the number of staff actually employed and paid in a Reporting Period, exclusive of staff on evidenced and approved bereavement absences;
“Soft Facilities Management” or “Soft FM”	means facilities management activities required to deliver the Services that are not directly related to the physical structures within the IRC premises, but which are required to ensure the requirements within Schedule 2 (<i>Services Description</i>) and Schedule 35 (<i>Maintenance and Cleaning</i>) are met, including (but not limited to) pest control, cleaning services, grounds maintenance, catering & vending, waste management and reception services etc;
“Supplier Profit”	means in relation to a period or a Milestone (as the context requires), the difference between the total Charges (in nominal cash flow terms but excluding any Deductions) and total Costs (in nominal cash flow terms) for the relevant period or in relation to the relevant Milestone;
“Supplier Profit Margin”	means in relation to a period or a Milestone (as the context requires), the Supplier Profit for the relevant period or in relation to the relevant Milestone divided by the total Charges over the same period or in relation to the relevant Milestone and expressed as a percentage;
“Supporting Documentation”	means sufficient information in writing to enable the Authority to reasonably assess whether the Charges, Reimbursable Expenses, and other sums due from the Authority detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificate or receipts;
“Target Cost”	means the total direct and verifiable cost, exclusive of costs recovered through the Fixed Service Charge of delivering a Milestone, relating to Major Facilities Asset Works at the Campsfield IRC; and
“Target Price”	means the “Target Cost” uplifted for mark-ups, agreed between the Supplier and the Authority, but exclusive of general risk, contingency or other Supplier allowances.

PART A: PRICING

2 APPLICABLE PRICING MECHANISM

- 2.1. Milestone Payments and Service Charges shall be calculated using the pricing mechanisms, rates and prices specified in Annex 1 or as more particularly set out in this Schedule.
- 2.2. Table 2 of Annex 1 sets out which pricing mechanism shall be used to calculate each Milestone Payment, which shall be **“Capped Time and Materials”** for all Milestones and in which case, the provisions of Paragraph 3 shall apply.
- 2.3. Table 3 and Table 4 of Annex 1 sets out which pricing mechanism shall be used to calculate each Service Charge, which shall be one or more of the following:
- (a) “Fixed Price” in which case the provisions of Paragraph 4 shall apply;
 - (b) “Variable Cost based” pricing, in which case the provisions of Paragraph 5 shall apply; or
 - (c) “Guaranteed Maximum Price with Target Cost” based pricing in which case the provisions of Paragraph 7 shall apply.

3 CAPPED TIME AND MATERIALS MILESTONE CHARGES

- 3.1 Table 2a and 2b of Annex 1 indicate that Implementation and Transition Milestones must be calculated by reference to a Capped Time and Materials pricing mechanism:
- (a) the day rates set out in Table 1 of Annex 1 shall be used to calculate the relevant Charges, provided that the Supplier or Sub-contractor shall:
 - (i) not be entitled to include any uplift for risks or contingencies within its day rates;
 - (ii) not be paid any Charges to the extent that they would otherwise exceed the cap specified against the relevant Charge in Table 2 of Annex 1 unless the Supplier has obtained the Authority’s prior written consent. The Supplier shall monitor the amount of each Charge incurred in relation to the relevant cap and notify the Authority immediately in the event of any risk that the cap may be exceeded and the Authority shall instruct the Supplier on how to proceed; and
 - (iii) only be entitled to be paid Charges that have been properly and reasonably incurred, considering the Supplier’s obligation to deliver the Services in a proportionate and efficient manner; and
 - (b) the Supplier shall keep records of hours properly worked by Supplier Personnel (in the form of timesheets) and expenses and costs incurred and submit a summary of the relevant records with each invoice. If the Authority requests copies of such records, the Supplier shall make them available to the Authority within 10 Working Days of the Authority’s request.
- 3.2 Milestones shall be arranged as follows:

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- (a) Supplier labour Costs (wages and salaries) – monthly Milestone; and/or
 - (b) Supplier non-labour Costs – monthly Milestones (if required).
- 3.3 The Milestones shall comply with the provisions of Schedule 13 (*Implementation Plan*).
- 3.4 The Supplier shall be entitled to Index the rates and caps for Milestones in accordance with the provisions of Part C of Paragraph 5 of this Schedule.
- 4 FIXED PRICE SERVICE CHARGES**
- 4.1 The Fixed Price Service Charge is chargeable in accordance with the Pricing Schedules set out in Tables 3a – 3d (inclusive of 3d.1.1 and 3d.1.2) of Annex 1 and any amendments set out in this Paragraph 4.
- 4.2 Annex 1 indicates that a Service Charge must be calculated by reference to a Fixed Price pricing mechanism and the relevant Charges applicable shall be those amounts set out in Tables 3a – 3d (inclusive of 3d.1.1 and 3d.1.2) of Annex 1.
- 4.3 Fixed Price Service Charges shall be subject to increase by way of Indexation in accordance with Part C of Paragraph 5 of this Schedule.
- 4.4 If Transition does not happen during the Contract Term, or is delayed, then the Authority shall only pay the Supplier the sum of the Fixed Service charge set out in Annex 1 Table 3b.1, Table 3d.1.1 and Table 3.c until Authority to Proceed (Full Service) has been achieved.
- 4.5 The Supplier is required to price Soft FM within its Service Charge. However, the scope and cost of Soft FM services will be reviewed at the end of the first Full Service year. Any adjustment to the scope of such Services shall be agreed between the Supplier and the Authority. The Ongoing Service Charges shall also be adjusted to reflect the directly attributable impact of such adjustment in accordance with Schedule 22 (*Change Control Procedure*).
- 4.6 Hard FM (including Major Facilities Asset Works) is excluded from the Service charge contracted for at the Contract Effective Date. The pricing of Hard FM will be agreed between the Authority and the Supplier during the period following the Contract Effective Date and preceding the relevant Authority to Proceed. The approval of Hard FM (including items of Major Facilities Works) will be managed via the Change Control Procedure set out in Schedule 22 (*Change Control Procedure*).
- 4.7 For the avoidance of doubt, Hard FM (excluding Major Assets Facilities Works) will be Fixed Price, Major Facilities Asset Works will be GMPTC Priced.
- 4.8 Following the issue of the Relevant Authority to Proceed, redundancy or redeployment costs shall only be payable by the Authority to the Supplier as a consequence of an Authority directed action to reduce the Campsfield IRC staffing, and be subject to the following:
 - (a) The Supplier agrees to use all reasonable endeavours to minimise and mitigate the cost of such redundancies including redeployment and provide evidence to the Authority of all such costs and endeavours.

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- (b) In the event of redeployment, the Authority and the Supplier shall agree any costs payable by the Authority to an amount not greater than the cost of otherwise making the staff redundant.
- (c) In the event of redundancy:
 - i) the redundancy costs arising shall only be in respect employees who have been selected for redundancy by the Supplier on objective grounds, and
 - ii) the Supplier shall be entitled to reimbursement under this provision in respect of all such selected employees to a maximum amount of £30,000 per relevant Supplier Personnel, inclusive of any statutory charges such as VAT.
- (d) 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 as calculated.
- (e) The redundancy costs shall be the total sum of any of the following sums paid to the employee, each amount apportioned between the Supplier and the Authority based on the time spent by any such employee on the Services as a proportion of the total Service duration:
 - i) any statutory redundancy payment; and
 - ii) in respect of an employee who was a Transferring Former Supplier Employee or a Transferring Authority Employee, or an employee who has been employed by the Supplier for the sole purpose of delivering the Services; 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.

5 VARIABLE COST BASED SERVICE CHARGES

- 5.1 Table 4 of Annex 1 indicates that a Variable Cost Based Service Charge must be calculated by reference to a volume based Fixed Price pricing mechanism and the relevant Charges shall be calculated based on the unit costs set out against that Service Charge in Table 4 of Annex 1.
- 5.2 Variable Cost Based Service Charges shall be subject to increase by way of Indexation.
- 5.3 Variable Cost Based Service Charges comprise:
 - (a) Detainee meals; and
 - (b) Detainee hygiene packs.

6 PASS-THROUGH COSTS

- 6.1 The Supplier shall procure the elements of the Service listed in Paragraph 6.4 below on a Pass-Through Costs, all-inclusive basis.
- 6.2 In addition, the Authority may seek to agree with the Supplier that other elements of the Services shall be classified as being on a Pass-Through Costs, all-inclusive basis.
- 6.3 For the avoidance of doubt, the Authority shall reimburse Pass-Through Costs based on the verified purchase price as incurred and exclusive of management or other labour resource costs, additional charges, overheads, or mark-ups.
- 6.4 The following elements of the Service have been classified as Pass-Through Costs, on an all-inclusive basis and, as such, these costs are recoverable as Pass-Through cost payments:
- (a) Detainee subsistence payments;
 - (b) Detainee Paid Activity;
 - (c) Detainee discharge pack;
 - (d) Detainee re-integration pack;
 - (e) Detainee travel & subsistence payments (including travel warrants);
 - (f) Detainee call charges;
 - (g) Detainee stationery and postage;
 - (h) Security clearance costs, certifications and other similar external charges;
 - (i) Proven and necessary costs of Detainee clothing and footwear;
 - (j) Direct, unavoidable and incremental TUPE redundancy costs;
 - (k) Authority Requested Condition Surveys undertaken in accordance with Schedule 35 (*Maintenance and Cleaning*) Paragraph 6;
 - (l) Authority Requested works undertaken in accordance with Schedule 35 (*Maintenance and Cleaning*) Paragraph 18 (1-5) (Minor Works) and (6-12) (Major Works);
 - (m) The direct labour cost to the Supplier (or for Sub-Contracted interpreter labour, the Sub-Contractor's price exclusive of Supplier adjustment) of providing Interpreter Services, but exclusive of non-labour Interpreter costs such as interpreter technology;
 - (o) The actual, proven and reasonable costs of providing Detainee mobile phone handsets, exclusive of supporting infrastructure; and
 - (p) Purchase of Initial Furniture, Fixtures & Equipment in accordance with Schedule 13 (*Implementation Plan*) (Annex E).
- 6.5 With reference to the purchase of the Initial Furniture, Fixtures & Equipment, the Financial Pricing Model includes an indicative list of items in Sheet 2.03 2.03 - FFE Rates IN against which the Bidder is required to provide a Firm price. Any changes to the Initial Purchase of Furniture, Fixtures & Equipment will be managed in accordance with Schedule 22 (*Change Control Procedure*). The Parties will agree any ongoing maintenance and repair costs of Furniture, Fixtures & Equipment in accordance with Schedule 22 (*Change Control Procedure*).

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- 6.6 Pass-Through Costs exclude Externally Provided Detainee Education, training and physical education courses.

7 GUARANTEED MAXIMUM PRICE WITH TARGET COST PRICING MECHANISM

- 7.1 Major Facilities Asset Works agreed between the Authority and the Supplier shall be recovered under the Guaranteed Maximum Price with Target Cost Pricing Mechanism.

- 7.2 Not used.

- 7.3 If the Incurred Costs relating to a Milestone are lower than the Target Cost for that Milestone, the difference between the Incurred Costs and the Target Cost the Milestone Payment shall be calculated as follows:

$$\text{Milestone Payment} = \text{TP} - (\text{TC} \times 10\%) / 2 - ((\text{TC} \times 90\%) - \text{IC}) \times 70\%,$$

where:

TP is the Target Price for the relevant Milestone;

TC is the Target Cost for the relevant Milestone; and

IC is the actually Incurred Costs relating to the relevant Milestone.

- 7.4 If the Incurred Costs relating to a Milestone are greater than the Target Cost for that Milestone, the difference between the Incurred Costs and the Target Cost shall be borne equally between the Authority and the Supplier (resulting in the Supplier receiving a lower Supplier Profit Margin in relation to that Milestone), provided that the maximum Milestone Payment payable by the Authority for the relevant Milestone shall not exceed an amount equal to the Guaranteed Maximum Price for that Milestone as set out in Table 3e of Annex 1 (the "Guaranteed Maximum Price") represented numerically:

(a) if:

i) $\text{IC} > \text{TC}$; and

ii) $\text{TP} + ((\text{IC} - \text{TC}) / 2) < \text{GMP}$,

then Milestone Payment = $\text{TP} + ((\text{IC} - \text{TC}) / 2)$; or

(b) if:

i) $\text{IC} > \text{TC}$; and

ii) $\text{TP} + ((\text{IC} - \text{TC}) / 2) \geq \text{GMP}$,

then Milestone Payment = GMP

where:

IC is the actually Incurred Costs relating to the relevant Milestone;

TC is the Target Cost for the relevant Milestone;

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TP is the Target Price for the relevant Milestone; and

GMP is $TP * 1.1$, being the Guaranteed Maximum Price for the relevant Milestone.

- 7.5 The Supplier and the Authority shall agree where applicable any “Major Facilities Assets Works”. If, subsequent to that agreement, the Authority directs the Supplier to defer or cancel those Major Facilities Asset Works, the Supplier shall notify the Authority of its right to reimbursement of the direct and unavoidable costs in accordance with Part A Paragraph 8.

8 REIMBURSEABLE EXPENSES

- 8.1 Where:

- (a) Services are to be charged using Time and Materials; and
- (b) the Authority so agrees in writing,

the Supplier shall be entitled to be reimbursed by the Authority for Reimbursable Expenses (in addition to being paid the relevant Charges), provided that such Reimbursable Expenses are supported by Supporting Documentation.

- 8.2 The Authority shall provide a copy of its current expenses policy to the Supplier upon request.

- 8.3 Except as expressly set out in Paragraph 8.1, the Charges shall include all costs and expenses relating to the Deliverables, the Services and/or the Supplier’s performance of its obligations under this Contract and no further amounts shall be payable by the Authority to the Supplier in respect of such performance, including in respect of matters such as:

- (a) any incidental expenses that the Supplier incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop, and office equipment costs required by the Supplier Personnel, including network or data interchange costs or other telecommunications charges; or
- (b) any amount for any services provided or costs incurred by the Supplier prior to the Effective Date.

PART B: CHARGING MECHANISMS

1 MILESTONE PAYMENTS

- 1.1. Subject to the provisions of Paragraph 1.3 of Part B in relation to deductions to Milestone Payments on the Achievement of a Milestone the Supplier shall be entitled to invoice the Authority for the Milestone Payment associated with that Milestone less the applicable Milestone Retention in accordance with this Part B.
- 1.2. Each invoice relating to a Milestone Payment shall be supported by:
- (a) a Milestone Achievement Certificate; and
 - (b) a Certificate of Costs with Supporting Documentation.
- 1.3. The “Milestone Retention” for each Milestone shall be calculated and payable as follows:
- (a) where the Milestone Payment for the relevant Milestone is determined by reference to Time and Materials the ‘Milestone Retention’ shall be 10% of the Charges for that Milestone, and
 - (b) the ‘Milestone Retention’ shall be payable in accordance with the following arrangements:
 - i) a Milestone Retention deducted in respect of an Implementation Milestone shall be payable when the Supplier achieves the Relevant “Authority to Proceed” Milestone preceding the Operational Service Commencement Date; or
 - ii) a Milestone Retention deducted in respect of a Transition Milestone shall be payable when the Supplier achieves the Relevant “Authority to Proceed” Milestone preceding the commencement of Full Service; or
 - iii) not used.
 - (c) where the Milestone Payment for the relevant Milestone is determined by reference to a Guaranteed Maximum Price with Target Cost Pricing Mechanism, the Milestone Retention shall be 10% of the Target Price for the Milestone.
- 1.4. For the avoidance of doubt, Milestone Retention shall not be deducted from Implementation or Transition Milestones in respect of “Supplier Staff costs (wages and salaries)”. All other Milestones shall be subject to Milestone Retention, including Major Facilities Asset Works.

2 GUARANTEED MAXIMUM PRICE WITH TARGET COST PRICING MECHANISM

- 2.1 Where a Milestone Payment relating to a single Milestone is to be calculated by reference to a Guaranteed Maximum Price with Target Cost Pricing Mechanism, then the following payment process shall apply:
- (a) upon the issue of a Milestone Achievement Certificate for the Milestone, the Supplier may invoice the Authority for the Target Price for the relevant Milestone, less the Milestone Retention calculated using such Target Price; and

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(b) no later than 60 Working Days after the invoice for the relevant Milestone, less the Milestone Retention referred to in Paragraph 1.3 has been issued, the Supplier shall:

- i) submit to the Authority a report setting out the Incurred Costs and actual Milestone Payment for the Milestone;
- ii) issue to the Authority an invoice or credit note for the difference between the actual Milestone Payment payable and the Target Price invoiced for the Milestone (in each case, after deducting the applicable Milestone Retention);
- iii) where a credit note is to be issued to the Authority pursuant to Paragraph 2.1.b.iii, repay to the Authority a sum equal to such difference as a debt within 10 Working Days of issue of the credit note; and
- iv) issue a Certificate of Costs with Supporting Documentation, which shall exclude any accruals, prepayments and provisions.

2.2 Where Milestones are stated in Table 3e of Annex 1 to constitute a group of Milestones (a “**Milestone Group**”) and the Milestone Payments relating to the Milestones in that Milestone Group are each to be calculated by reference to a Guaranteed Maximum Price with Target Cost pricing mechanism, then the following payment process shall apply:

- (a) in respect of each Milestone (or Milestone Group as applicable), the Supplier may invoice the Authority for the Target Price for the relevant Milestone, less the Milestone Retention calculated using such Target Price, upon the issue of the associated Milestone Achievement Certificate; and
- (b) no later than 60 Working Days after the issue of the invoice for the final Milestone Payment relating to the Milestone Group, the Supplier shall:
 - i) submit to the Authority a report setting out the Incurred Costs and actual Milestone Payments for the Milestone Group;
 - ii) issue a Certificate of Costs with Supporting Documentation, which shall exclude any accruals, prepayments and provisions;
 - iii) issue to the Authority an invoice or credit note (the “Settlement”) for the difference between the aggregate of the actual Milestone Payments payable and Target Prices invoiced for Milestones in the Milestone Group (in each case, after deducting all Milestone Retentions relating to that Milestone Group); and
 - iv) where a credit note is to be issued to the Authority pursuant to Paragraph 2.2.b.iii repay to the Authority a sum equal to such difference as a debt within 10 Working Days of issue of the credit note.
 - v) For the avoidance of doubt, the Settlement should account for the repayment of Milestone Retentions retained by the Authority.

2.3 Following the issue of a Certificate of Costs in accordance with Paragraph 1.2, the Supplier shall not be entitled to invoice the Authority for any additional Charges relating to a Milestone or a Milestone Group (as applicable), save as provided by Paragraph 2.

3 RELEASE OF MILESTONE RETENTIONS

- 3.1 On Achievement of the relevant ATP Milestone the Supplier shall be entitled to invoice the Authority for an amount equal to all Milestone Retentions deducted in accordance with Paragraph 1.3 above and that have not been paid before such Milestone.
- 3.2 For the avoidance of doubt, paragraph 3.1 of Part B shall be operated in accordance with the requirements of Schedule 13 (*Implementation Plan*).

4 SERVICE CHARGES

- 4.1 Each Service to which a Service Charge relates shall commence on the Achievement of the event set out against that Service in the “*Commencement Trigger Event*” column of Tables 3b – 3d (inclusive of Tables 3d.1.1 and 3d.1.2) inclusive of Annex 1.
- 4.2 Each Service to which a Service Charge relates shall terminate on the Achievement of the event set out against that Service in the “*Expiry Trigger Event*” column of Table 3b – 3d (inclusive of Table 3d.1.1 and Table 3d.1.2) of Annex 1.
- 4.3 Service Charges shall be invoiced by the Supplier for each Service Period in arrears in accordance with the requirements of Part E (Invoicing and Payment Terms).
- 4.4 If a Service Charge is to be calculated by reference to a Fixed Price pricing mechanism and the relevant Service:
- (a) commences on a day other than the first day of a month; and/or
 - (b) ends on a day other than the last day of a month,
- the Service Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.
- 4.5 Any Service Credits that accrue during a Service Period shall be deducted from the Service Charges payable for the following Service Period. An invoice for a Service Charge shall not be payable by the Authority unless all adjustments (including Service Credits) relating to the Service Charges for the immediately preceding Service Period have been agreed.

PART C: ADJUSTMENTS TO THE CHARGES AND RISK REGISTER

1 GUIDANCE NOTE ON DELAY PAYMENTS

Any payments to recover the cost to the Authority of delays by the Supplier are set out in Paragraph 2.1 of Part C.

2 DEDUCTIONS TO IMPLEMENTATION AND TRANSITION RELATED MILESTONE PAYMENTS

- 2.1 The Implementation plan and other changes to operational staffing or Major Facilities Asset Works will be agreed between the Authority and the Supplier in accordance with Schedule 13 (*Implementation Plan*) and Schedule 35 (*Maintenance and Cleaning*), including the arrangements for Transition.

If, either:

- a) at the conclusion of the Implementation Period or the Transition Period the Supplier has not met its obligations under Schedule 13 (*Implementation Plan*); or
- b) another requirement to deliver Major Facilities Asset Works in accordance with Schedule 35 (*Maintenance and Cleaning*) has not been met;

and

- a) the Authority, having verified that the delay was caused by the Supplier or its Sub-Contractor(s), and,
- b) that the Authority has directly incurred additional, or incremental operational or other staffing costs, and
- c) that such that additional direct operational staffing is directly attributable to the failure of the Supplier to meet its obligations in accordance with Schedule 13 (*Implementation Plan*),

then, the Authority may deduct such additional costs where applicable from the appropriate Milestone, or Service Charge.

- 2.2 Such additional operational or other staffing costs may comprise, without limitation, the following:

- a) additional operational staffing and transport costs for the movement of Detainees between the IRCs and alternative secure locations; and/or
- b) the costs of additional facilities management staffing costs incurred either directly by the Authority, the Supplier, or the Supplier's Sub-Contractor(s).

- 2.3 Not used.

- 2.4 The Authority shall exercise reasonable endeavours to minimise such additional costs.

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- 2.5 The Authority shall provide the Supplier with a detailed calculation and supporting Information evidencing the value of the additional costs claimed, including details of the number of staff employed, the hours of employment, transport costs and any other payments made in respect of the additional operational staffing costs. The Authority shall ensure that such analysis is consistent with any such analyses previously provided to the Supplier in any other regard, including any Management Information.
- 2.6 The Supplier shall, within 20 Working Days, confirm in writing to the Authority that it either agrees with or disputes the Authority's calculation. If the Supplier disputes the Authority's calculation, then it shall provide the Authority with all necessary information to evidence its dispute.
- 2.7 Both Parties shall exercise best endeavours to agree a resolution, subject to the provisions of Schedule 21 (*Governance*). If such resolution is not achieved, then the Dispute shall be referred to the Dispute Resolution procedure as set out in Schedule 23 (*Dispute Resolution Procedure*).
- 2.8 Pending resolution of the Dispute, both Parties shall continue to use best endeavours to resolve the causes of, and mitigate the effects of, any additional costs incurred by the Authority.
- 2.9 If the Supplier agrees with the Authority's calculation, then the Supplier shall, within 10 Working Days, provide the Authority with a credit note to the value of the additional operational staffing costs paid.

3 SERVICE CREDITS

- 3.1 Service Credits in any one Service Period shall be calculated by reference to the number of Service failures and the category of each Service failure pursuant to the provisions of Schedule 3 (*Performance Levels*).

- 3.2 For each Service Period:

- (a) the Credit Value percentage applicable to each service failure shall be summed to calculate a total percentage deduction from the average monthly profit margin for the relevant contract year; and
- (b) the total Service Credits applicable for the Service Period shall be calculated in accordance with the following formula:

where:

$$SC = \sum CVP \times AAMSPM$$

SC is the total Service Credits for the relevant Service Period;

CVP is the Credit Value percentage applicable to each service failure; and

AAMSPM is the Anticipated Average Monthly Service Profit Margin for the applicable contract year.

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- 3.3 The liability of the Supplier in respect of Service Credits shall be subject to Clause 23.4 (*Financial and other Limits*) provided that, for the avoidance of doubt, the operation of the Service Credit Cap shall not affect the continued accrual of Service Credits in excess of such financial limit in accordance with the provisions of Schedule 3 (*Performance Levels*).
- 3.4 Service Credits are a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services received and are stated exclusive of VAT.
- 3.5 Service Credits shall be shown as a deduction from the amount due from the Authority to the Supplier in the invoice for the Service Period immediately succeeding the Service Period to which they relate.

4 CHANGES TO CHARGES

- 4.1 Any Changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 22 (*Change Control Procedure*) and on the basis that the Supplier Profit Margin on such Charges shall:
- (a) be no greater than that applying to Charges using the same pricing mechanism as at the Effective Date (as set out in the Contract Inception Report); and
 - (b) in no event exceed the Anticipated Contract Life Service Profit Margin.
- 4.2 The Authority may request that any Impact Assessment presents Charges without Indexation for the purposes of comparison.

5 INDEXATION

- 5.1 Any amounts or sums in this Contract which are expressed to be “subject to Indexation” shall be adjusted in accordance with the provisions of this Paragraph 5 to reflect the effects of inflation.
- 5.2 The Financial Pricing Model indicates the Index to be applied to each cost type. In general, Indexation shall be applied as follows:
- (a) Fixed Priced Service Charges:

Salaries and Wages	AWE
All other Charges	CPIH
 - (b) Variable Priced Service Charges

All Charges	CPIH
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 - (c) Major Facilities Asset Works CPIH

Note:

AWE is the Average Weekly Earnings index. (ONS Series K54O)

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CPIH is the Consumer Prices Index including owner occupiers' housing costs (UK) (ONS Series L522)

- 5.3 Subject to Paragraphs 5.5 and 5.7 where Indexation applies, the relevant adjustment(s) shall be calculated as follows:

Indexation review dates:

- a) In respect of the Implementation Period and the associated Milestones, the indexation review date shall be the first day of the month in which the start of the Implementation period falls (this date being the "**Implementation Adjustment Date**").
- b) In respect of monthly Service Charges commencing upon the completion of the Implementation Period, the first indexation review date shall be the first day of the month in which full Service starts. Notwithstanding the provisions of paragraph 5.3d) below, subsequent review dates shall be each anniversary of this date thereafter (each such date being an "**Adjustment Date**").
- c) In respect of the Transition Period and the associated Milestones, the indexation review date shall be the first day of the month in which the start of the Transition period falls (this date being the "**Transition Adjustment Date**").
- d) In respect of the monthly Service Charges commencing upon the completion of the Implementation Period, such payments shall also be indexed as at the Transition Adjustment Date and the provisions of paragraph 5.3b) shall no longer apply.
- e) In respect of all monthly Full Service Charges, these shall be indexed upon completion of the Transition period, the Indexation Review Date being the first day of the month in which Full Service starts. Subsequent review dates shall be each anniversary of this date thereafter (each such date being an "**Full Service Adjustment Date**").

- 5.4 For each of the charges noted in Paragraph 5.3(a) above, the applicable Indexation adjustment shall be measured by changes in the relevant published index for that contract period or year. The amount, sum, or rate at a point in time will then be adjusted by application of the following formula:

$$AM_I = (AM_U \times \text{Index}_N / \text{Index}_{(N-1)})$$

Where:

AM_I is the indexed amount, sum, or rate for the relevant contract period or year;

AM_U is the unindexed amount, sum or rate for the relevant contract period or year. This shall be the amount, sum or rate at the commencement of the relevant contract period or year (which shall be inclusive of all Indexation uplifts up to and including the period or year (N-1));

Index_N is the value of the Index published for the month three months prior to the date at which indexation is being applied; and

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- Index_(N-1) in respect of Index_(N-1) the following shall apply:
- i) for the Implementation Adjustment Date, shall be the published index for the month three months prior to the month in which the ITT Return Date falls;
 - ii) in respect of Service payments commencing upon the completion of the Implementation period, the first Adjustment Date shall be the published index for the month three months prior to the month in which the ITT Return Date falls;
 - iii) in respect of Service payments commencing upon the completion of the Implementation period and indexed on the Transition Adjustment Date, shall be the published index for the month three months prior to the previous Adjustment Date
 - iv) for the Transition Adjustment Date, shall be the published index for the month three months prior to the month in which the ITT Return Date falls;
 - v) for the first Adjustment Date in respect of Full Service payments commencing upon the completion of the Transition period, shall be the published index for the month three months prior to the month in which the ITT Return Date falls; and
 - vi) for all Indexation Review Dates other than the above, is the value of the index published for the month three months prior to the date of the commencement of the year (N-1).

[GUIDANCE NOTE: This would mean that for the current ITT Return Date of 11TH January 2023 the Index used would be that for October 2022]

- 5.5 Implementation and Transition Milestones shall be indexed once only on the Implementation and Transition Adjustment Dates respectively.
- 5.6 With regards to Major Facilities Asset Works, the Target Costs, Target Prices and Guaranteed Maximum Prices each shall be subject to Indexation. The Indexation Review Date in respect of any such adjustment shall be the month in which the Authority is provided with a written quotation from the Supplier of the relevant item of Major Facilities Asset Works.

[GUIDANCE NOTE: For example, this would mean that for a quote received in Month_(N-1), with works commencing in Month_(N) and completed in Month_(N+1), the Target Cost, Target Price and Guaranteed Maximum Target Price of that item will be subject to an Indexation Review Date of Month_(N-1).]

- 5.6 Pass-Through Costs are not subject to Indexation.
- 5.7 Not used.

- 5.8 Except as set out in this Paragraph 5, neither the Charges nor any other Costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Supplier or Sub-contractors of the performance of their obligations.

6 UTILITY CONSUMPTION

- 6.1 The following provisions shall apply in relation to the charging and recovery of utility costs incurred by the Supplier:

- a) the utility supply agreement is contracted directly by the Supplier; the Authority will reimburse the Supplier on a Pass-Through basis in accordance with Paragraph 6 of Part A of this Schedule.

or

- b) the utility supply agreement is contracted through the UK Crown Commercial Services Framework and no charges shall be payable by the Authority to the Supplier for the relevant utility consumption.

- 6.2 Under either method of utility supply set out in Paragraph 6.1 of Part C, the:

- (a) Supplier and the Authority shall agree targets for energy savings within 18 months of the issue of the Relevant ATP, using the data from the first 12 months after issue of the Relevant ATP as the baseline. and
- (b) Supplier shall provide the Authority with details of actual utility consumption to evidence the performance against energy savings targets.

- 6.3 In the event that a utility supply agreement is:

- (a) undertaken in accordance with Paragraph 6.1 (a) of Part C: and
- (b) the Supplier fails to meet energy savings targets set out in Paragraph 6.2(a) of Part C;

the following provisions will apply:

- a) The Authority shall provide the Supplier with a detailed calculation and supporting Information evidencing the value of the additional costs paid and claimed, including the period of time under consideration, unit charges, payments made in respect of the utility consumed, performance against targets and the excessive value, (if any) that arose. The Authority shall ensure that such analysis is consistent with any such analyses previously provided to the Supplier, either in respect of excessive utility consumption or in any other regard, including any Management Information.
- b) The Supplier shall, within 20 Working Days, confirm to the Authority that it either agrees with or disputes the Authority's calculation. If the Supplier disputes the Authority's calculation, then it shall provide the Authority with all necessary information to evidence its Dispute.
- c) Both Parties shall use best endeavours to agree a resolution, subject to the provisions of Schedule 21 (*Governance*). If such resolution is not achieved,

then the Dispute shall be subject to the provisions of Schedule 23 (*Dispute Resolution Procedure*).

- d) If the Supplier confirms its agreement with the Authority's calculation, then the Supplier shall, within 10 Working Days, provide the Authority with a credit note to the value of the additional energy costs paid.

7 ALLOWABLE ASSUMPTIONS

For the purposes of submitting a Compliant Tender response at this ITT stage, there will be no Allowable Assumptions.

8 RISK REGISTER

The Parties shall review the Risk Register as set out in Schedule 21 (*Governance*) from time to time and as otherwise required for the purposes of Schedule 21 (*Governance*).

PART D: EXCESSIVE SUPPLIER PROFIT MARGIN

1 LIMIT ON SUPPLIER PROFIT MARGIN

1.1. This paragraph details the method by which the Authority shall share in any cumulative profit.

1.2 If at the end of any Reporting Period in a Contract Year (Contract Year_N) the Supplier has Shortfall Staff, then, at the completion of Contract Year_N, the Supplier shall pay to the Authority an amount calculated as follows:

80% x Shortfall Staff Profit

Where “Shortfall Staff Profit” in Contract Year_N is calculated according to the formulae

$$((A \times (B/C)) - D))$$

Where:

A is the number of whole Reporting Periods in Contract Year_N x (Sum of the Total Monthly Standard Labour Cost and Total Monthly Standard Overtime Cost attributable to the Relevant Authority to Proceed for which the Shortfall Staff has occurred) set out in the Contract Inception Report (or Contract Amendment Report equivalent) Sheet 4.4 – Schedule 15 Annex 1 OUT Tables 3b.1 or 3b.2 (as applicable to the Relevant Authority to Proceed) and Table 3c.

B is the Average Weekly Earnings Index attributable to the final Reporting Period in the first Contract Year and thereafter the Average Weekly Earnings Index of the 6th Reporting Period of future Contract Years in which a Shortfall Staff assessment is made.

C is the Average Weekly Earnings Index attributable to ITT return month (December 2022).

D is the Supplier’s Actual Monthly Total Payroll Cost in Reporting Period_N, inclusive of basic pay, life insurance, employer pension contributions and employer’s national insurance, but exclusive of Supplier Mark-ups.

1.3 The Shortfall Staff Profit assessment shall be calculated at the conclusion of every Contract Year following the conclusion of the Implementation Period.

1.4 The profit attributable to Shortfall Staff shall not accrue for the first six months following the Implementation Period.

1.5 Amounts payable in respect of Shortfall Staff under this provision shall be:

(a) payable to the Innovation Fund in accordance with the provisions of Schedule 15 Annex 4 (*Innovation Fund*) to this Schedule; or

(b) if agreed by the Authority at its absolute discretion be deducted from the monthly Service Charge payable to the Supplier or payable to the Authority

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in respect of Shortfall Staff shall be remitted 60 calendar days following the completion of a given Contract Year.

- 1.6 For profit other than Shortfall Profit where the Actual Profit Percentage exceeds the Anticipated Annual Service Threshold Profit Margin, the Profit Share Amount shall be shared between the Supplier and the Authority in accordance with Part D Paragraphs 2, 3 and 4 and the provisions of Annex 4 (*Innovation Fund*) to this Schedule.

2 Underage

- 2.1 If the Actual Profit Percentage is less than the Anticipated Annual Service Threshold Profit Margin, then:
- (a) the underage (i.e. the sum by which Actual Profit is under the Anticipated Annual Service Threshold Profit Margin converted into pounds sterling) shall be carried forward to the next Profit Share Assessment Point; or
 - (b) the cumulative underage shall be carried forward until the next Profit Share Assessment Point at which the overage (i.e. the sum by which Actual Profit is above the Anticipated Annual Service Threshold Profit Margin converted into pounds sterling) for the relating Profit Share Period(s) exceeds the underage carried forward.
- 2.2 If, during the remainder of the Term, there is no Profit Share Assessment Point where the overage for the relating Profit Share Period(s) exceeds the underage carried forward then there shall be no further Profit Share. Any cumulative underage shall lapse at the end of the Contract, even if Profit Share has been paid out during the Term.

3 Profit Share Principles

- 3.1 The following Profit Share Principles shall apply:
- (a) Profit Share shall only apply to Actual Profit;
 - (b) Profit Share shall be calculated at each Profit Share Assessment Point in respect of the relevant Profit Share Period. The Financial Pricing Model will calculate an Anticipated Annual Service Threshold Profit Margin for each Contract Year of the Contract, as set out in Table 5c of Annex 1;
 - (c) For each Profit Share Period, the amount of Actual Profit will be calculated as Actual Revenue minus the actual costs;
 - (d) For the avoidance of doubt and in respect of the Profit Share Calculation, the calculation of:
 - i) Actual Revenue shall exclude deductions arising from transactions in respect of Service Credits under Paragraph 3 of Part C of this Schedule.
 - ii) actual costs shall exclude Payments made by the Supplier under Paragraph 2 of Part C of this Schedule.
 - e) The Profit Share Amount excludes the Actual Revenue and actual costs of Major Facilities Asset Work calculated in accordance with the Guaranteed Maximum Price with Target Cost.

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- f) The Profit Share shall be calculated on basis of the Supplier and the Authority sharing the excess (hereafter referred to as “**Excess Profit**”) of Actual Profit above the Anticipated Threshold Service Margin as follows:
 - i) For the first ■%, Excess Profit above Anticipated Threshold Service Margin, the Supplier shall retain 60% of the excess, and remit to the Authority the remaining 40%;
 - ii) For any Excess Profit greater than ■% above the Anticipated Threshold Service Margin, the Supplier shall retain 20% of that excess and remit the remaining 80% of that excess to the Authority.
- g) For the avoidance of doubt, the rates of Profit Share set out in this paragraph are applied on a tiered and not a straight-line basis.
- h) The first Profit Share Assessment Point shall occur on the third anniversary of the last day of the month in which the Implementation Services Commencement Date falls. The Profit Share Period for such Profit Share Assessment Point shall be from the Implementation Services Commencement Date up to the third anniversary of the last day of the month in which the Implementation Services Commencement Date falls;
- i) For the avoidance of doubt, the provisions of this Part D (*Excessive Supplier Profit*) shall apply to the period in which the Operational Services are being provided, including:
 - i) the period of the Initial Term.
 - ii) any optional Extension Period; and
 - iii) any Termination Assistance Period.
- j) Subsequent Profit Share Assessment Points shall occur on each anniversary of the first Profit Share Assessment Point referred to in Paragraph 3.1(g). The Profit Share Period for such Profit Share Assessment Points shall be the period since the previous Profit Share Assessment Point up to and including the latest Profit Share Assessment Point;
- k) If this Contract is terminated on a day other than a Profit Share Assessment Point, a Profit Share Assessment Point will fall on the Termination Date and the Profit Share Period will be from the day following the previous Profit Share Assessment Point to the Termination Date;
- l) The Profit Share at each Profit Share Assessment Point shall be calculated by the Supplier in accordance with Part D of this Schedule immediately upon the issue of a Certificate of Costs. This will be used to determine any payments in accordance with this Paragraph 3;

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- m) To allow the Authority to calculate its entitlement to Profit Share, the Supplier shall provide the Authority with the number of staff paid by the Supplier split by Reporting Period and evidence to the Authority all labour and non labour costs for both the majority and entirety of the Reporting Period and a calculation (the Profit Share Calculation) in both paper and electronic copy of its Actual Revenue, actual Costs and the Actual Profit (expressed as a percentage) for the relevant Profit Share Period based upon the Supplier's actual operating costs and revenues in relation to the provision of the Services. This calculation (the Profit Share Calculation) shall:
 - i) be certified by the Chief Financial Officer or a Director of the Supplier as being accurate and not misleading and in conformity with all the terms of this Schedule, the Annual Contract Report and with generally accepted accounting principles within the UK;
 - ii) at the Authority's discretion, be verified by the Supplier's external financial auditors;
 - iii) include any Profit Share from arrangements with Sub-contractors as revenue in the Profit Share Calculation in this Schedule; and
 - iv) show separately the Profit Share Amount and the share to both the Authority and the Supplier.
- n) Subject to this Paragraph 3, Profit Share shall be payable to the Authority only when the Actual Profit for the relevant Profit Share Assessment Point exceeds the Anticipated Annual Service Threshold Profit Margin for the same Profit Share Assessment Point;
- o) The Supplier shall deliver a Profit Share Calculation together with the supporting information, in the same format as the Financial Pricing Model, or as otherwise agreed by the Authority, within 20 Working Days of the delivery of the Certificate of Costs produced for the Profit Share Assessment Point;
- p) Following receipt by the Authority of a Profit Share Calculation, the Supplier shall, at its own expense, promptly provide to the Authority any such additional information as it may reasonably request so that the Authority can verify the accuracy of the Profit Share Calculation. This shall include the detailed working papers and spreadsheets in both paper and electronic copy used, directly or indirectly, to make the Profit Share Calculation in accordance with this Part D of this Schedule;
- q) Within 20 Working Days of receipt by the Authority of the Profit Share Calculation and all additional information, the Authority shall Notify the Supplier in writing if it agrees with or disputes the Profit Share Calculation. Where the Authority disputes the Profit Share Calculation it shall be a Dispute; and
- r) If the Authority notifies the Supplier that it agrees with the Profit Share Calculation, the Supplier shall pay the relevant Profit Share to the Authority in accordance with Paragraph 4.

4 Profit Share Payment

- 4.1 Profit Share paid to the Authority cannot be clawed back by the Supplier to offset any losses in subsequent Profit Share Periods. The Supplier shall pay any Profit Share Amount due to the Authority into the Innovation Fund within 10 Working Days of receiving Notice from the Authority that it agrees with the Profit Share Calculation in accordance with Part D Paragraph 3.1(q)).
- 4.2 Any Profit Share Amount that is payable by the Supplier in accordance with this Schedule but remains unpaid, shall accrue interest on a daily basis at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998 for each day that any such Profit Share Amount remains unpaid following the due date specified in Part D Paragraph 4.1.

5. Disputes

- 5.1 If the Authority disputes any item contained in the Profit Share Calculation in accordance with Part D of this Schedule, the Supplier shall Notify the Authority in writing within ten (10) Working Days of receipt of the Authority's Notice whether it agrees with the position that the Authority takes. If the Supplier does not agree then it shall, within fifteen (15) Working Days of receipt of the Authority's Notice, deliver to the Authority such further financial information certified by the chief finance officer, the director of finance or equivalent of the Supplier as it believes will prove its case. If the Authority and the Supplier are still unable to agree, then the matter shall then be subject to the provisions of Schedule 23 (*Dispute Resolution Procedure*).

PART E: INVOICING AND PAYMENT TERMS

1 SUPPLIER INVOICES

- 1.1 The Authority shall accept for processing any electronic invoice that complies with the European Standard, provided that it is valid and undisputed.
- 1.2 If the Supplier proposes to submit for payment an invoice that does not comply with the European Standard the Supplier shall comply with the requirements of the Authority's e-invoicing system. In the alternative the Supplier shall:
- (a) prepare and provide to the Authority for approval of the format a template invoice within ten (10) Working Days of the Effective Date which shall include, as a minimum, the details set out in Paragraph 1.3 of Part E together with such other information as the Authority may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and
 - (b) make such amendments as may be reasonably required by the Authority if the template invoice outlined in (b) is not approved by the Authority.
- 1.3 The Supplier shall ensure that each invoice contains the following information:
- a) the date of the invoice;
 - b) a unique invoice number;
 - c) the Service Period or other period(s) to which the relevant Charge(s) relate;
 - d) the correct reference for this Contract;
 - e) the reference number of the purchase order to which it relates (if any);
 - f) the Supplier's UK Valued Added Tax (VAT) number and any other relevant sales tax number.;
 - g) the dates between which the Services subject of each of the Charges detailed on the invoice were performed;
 - h) a description of the Services;
 - i) the pricing mechanism used to calculate the Charges (such as Fixed Price, Time and Materials etc);
 - j) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
 - k) the total Charges gross and net of any applicable deductions and, separately, the amount of any Reimbursable Expenses properly chargeable to the Authority under the terms of this Contract, and, separately, any VAT or other sales tax payable in respect of each of the same;
 - l) details of any Service Credits or Milestone Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;
 - m) reference to any reports required by the Authority in respect of the Services to

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which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);

- n) a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;
- o) the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number); and
- p) where the Services have been structured into separate Service lines, the information at (a) to (n) of this Paragraph 1.3 shall be broken down in each invoice per Service line.

1.4 The Supplier shall invoice the Authority in respect of Services in accordance with the requirements of Part B. The Supplier shall first submit to the Authority a draft invoice setting out the Charges payable. The Parties shall endeavour to agree the draft invoice within 10 Working Days of its receipt by the Authority, following which the Supplier shall be entitled to submit its invoice.

1.5 Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment by the Authority as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice.

1.6 The Supplier shall submit all invoices and Supporting Documentation through the Authority's electronic system [name] or if that is not possible to:

[REDACTED]

with a copy (again including any Supporting Documentation) to such other person and at such place as the Authority may notify to the Supplier from time to time.

1.7 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.

1.8 The Authority shall regard an invoice as valid only if it complies with the provisions of this Part E. Where any invoice does not conform to the Authority's requirements set out in this Part E, the Authority shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.

1.9 If the Authority fails to consider and verify an invoice in accordance with Paragraphs 1.3 and 1.8 of Part E, the invoice shall be regarded as valid and undisputed for the purpose of Paragraph 2.1 of Part E after twenty (20) Working Days have elapsed.

2 PAYMENT TERMS

2.1 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier within twenty (20) Working Days of verifying that the invoice is valid and undisputed.

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- 2.2 Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Supplier has specified on its invoice.

REDACTED

REDACTED

REDACTED

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OFFICIAL – SENSITIVE

ANNEX 2: NOT USED

ANNEX 3: FPM AND NARRATIVE

[REDACTED]

[REDACTED]

[REDACTED]

OFFICIAL – SENSITIVE

ANNEX 4: INNOVATION FUND

Please see separate document for Innovation Fund

Please refer to 'Campsfield IRC Contract - Schedule 15 - Annex 4 Innovation Fund (Issued) V1'

ANNEX 5: PRO-FORMA CERTIFICATE OF COSTS

I ***[name of CFO or Director of Finance or equivalent as agreed in advance in writing with the Authority]*** of ***[insert name of Supplier]***, certify that the financial information provided as part of this Certificate of Costs, incurred in relation to the ***[insert name/reference for the Agreement]*** (the “Agreement”) in relation to the following [Milestone]:

[Insert details of Milestone]

has been reasonably and properly incurred in accordance with *[name of Supplier]*’s books, accounts, other documents and records;

is accurate and not misleading in all key respects; and

is in conformity with the Agreement and with all generally accepted accounting principles within the United Kingdom.

Signed ***[Director of Finance or equivalent]***