



Ministry of
JUSTICE

OFFICIAL SENSITIVE

Contract for the Provision of Learning and Skills at HMP & YOI Parc

SCHEDULE 2 – PAYMENT MECHANISM



Contract for the Provision of Learning and Skills at HMP & YOI Parc

1. DEFINITIONS AND INTERPRETATIONS

1.1 For the purpose of this Schedule 2 unless the context otherwise requires the following words shall have the following meanings:

“Adult Monthly Service Fee” (AMSF)	has the meaning set out in paragraph 3.2(c);
“Adult Quarterly Performance Payment” (AQPP)	has the meaning set out in paragraph 8.4;
“Adult Service Delivery”	the Services provided to Adult Prisoners;
“Children Monthly Service Fee” (AMSF)	has the meaning set out in paragraph 5;
“Children Quarterly Performance Payment” (CPP)	has the meaning set out in paragraph 8.4;
“Children’s Service Delivery”	the Services provided to Children Prisoners;
“Major Shortfall”	has the meaning set out in paragraph 8.3;
“Maximum Annual Funding”	the maximum available funding in any Financial Year as set out in the table in paragraph 3.1 of this Schedule 2;
“Medium Shortfall”	has the meaning set out in paragraph 8.3;
“Minor Shortfall”	has the meaning set out in paragraph 8.3;
“Mobilisation Payment” (MP)	the payment for the Mobilisation Phase calculated in accordance with paragraph 9;
“Monthly Contract Price” (MCP)	the price set out in paragraph 6 of this Schedule 2;
“Open Book Data”	means complete and accurate financial and non-financial information which is sufficient to enable the Authority to verify the Price and accuracy of payments, including details and all assumptions relating to: (a) the Contractor’s costs broken down against each Service, including actual capital expenditure (including capital replacement costs); (b) operating expenditure relating to the provision of the Services including an analysis showing: (i) the unit costs and quantity of



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consumables and bought-in services;

(ii) manpower resources broken down into the number and grade/role of all Contractor Staff (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 Contractor's profit margin; and

(iv) any expenses payable;

(c) overheads;

(d) all interest, expenses and any other third party financing costs incurred in relation to the provision of the Services;

(e) the Contractor 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 Contractor; and

(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;

"Performance Shortfall"

a failure of the Contractor to provide the Service in accordance with a KPI Target Performance Level;

"Quarterly Performance Payment" (QPP)

either the AQPP or CQPP (as appropriate);

"Reinvestment Pot" (RP)

has the meaning set out in paragraph 14; and

"Target Performance Level"

means the target performance level for each KPI for the relevant Quarter as set out in Appendix 1 of Schedule 13 (Key Performance Indicators).



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2. CONTRACT PRICE

- 2.1 The Price shall be the only charge payable by the Authority in respect of the Services and the performance by the Contractor of all other obligations under this Contract.

3. MAXIMUM FUNDING AVAILABLE

- 3.1 Subject to paragraph 3.2 below, the Authority has a "Maximum Annual Funding" available to the Contractor to meet its obligations under this Contract. This Maximum Annual Funding is based on a Mobilisation Payment, an Adult Service Delivery and a Children's Service Delivery at the Prison as provided in the table below:

Financial Year (each year ends 31 March)	Mobilisation Payment	Adult Service Delivery	Children's Service Delivery	Total
2022/23				
2023/24				
2024/25				
2025/26				
2026/27				
2027/28				
2028/29				
2029/30				
Initial Term				26,366,581
Extension				
2029/30				
2030/31				
2031/32				
2032/33				
Total Contract inc Extension				37,580,830

In Financial Year 2022/23 of the Initial Term the Adult Service Delivery and Children's Service Delivery commences on 15th December 2022 and ends on 31st March 2022.

In Financial Year 2029/30 of the Initial Term the Adult Service Delivery and Children's Service Delivery commences on 1st April 2029 and ends on 14th December 2029.

The Adult Service Delivery payment is calculated as [REDACTED] per Adult within the Prison based on capacity of 1639. The Children's Service Delivery payment is based on [REDACTED] per Child within the Prison based on a capacity of 60.

- 3.2 If the Authority exercises its right under clause F4.7 of the Contract, then (save to the extent agreed otherwise by the parties) with effect from the Change Date:

- (a) the Maximum Annual Funding for each Financial Year for Adult Service Delivery shall be [REDACTED] (being the original [REDACTED] plus an additional 60 x [REDACTED])



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per Adult () and the AMSF shall be calculated by reference to this figure. This Maximum Annual Funding shall be pro-rated for any part year.

- (b) there shall be no further CMSF payments payable under the Contract;
- (c) therefore, the total Maximum Annual Funding shall be equal to the Adult Service Delivery Maximum Annual Funding only.

4. ADULT MONTHLY SERVICE FEE (AMSF)

4.1 The monthly amount payable to the Contractor in respect of the Price for the Services provided to Adults (the “**Adult Monthly Service Fee**”) shall be calculated as follows:

4.2 AMSF = 85% x ASD:

AMSF = The Adult Monthly Service Fee;

ASD = the Maximum Annual Funding as identified for Adult Service Delivery in paragraph 3.1 divided by the number of months in the relevant Financial Year.

4.3 The first monthly payment shall cover the period from the Services Commencement Date (15th December 2022) to 31st December 2022.

5. CHILDREN MONTHLY SERVICE FEE (CMSF)

5.1 The monthly amount payable to the Contractor in respect of the Price for the Services provided to Children (the “**Children Monthly Service Fee**”) shall be calculated as follows:

5.2 CMSF = 85% x CSD:

CMSF = the Children Monthly Service Fee;

CSD = the Maximum Annual Funding as identified for Children's Service Delivery in paragraph 3.1 divided by the number of months in the relevant Financial Year.

5.3 The first monthly payment shall cover the period from the Services Commencement Date (15th December 2022) to 31st December 2022.

6. MONTHLY CONTRACT PRICE (MCP)

The Monthly Contract Price shall be calculated as follows:

MCP = AMSF + CMSF + AQPP + CAPP – if appropriate where:

MCP = the Monthly Contract Price;

AMSF = the Adult Monthly Service Fee;



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CMSF	=	the Children's Monthly Service Fee
AQPP	=	the Adult Quarterly Performance Payments (if any for that month) calculated in accordance with paragraph 8.4 of this Schedule 2 (Payment Mechanism).
CQPP	=	the Children's Quarterly Performance Payments (if any for that month) calculated in accordance with paragraph 8.4 of this Schedule 2 (Payment Mechanism).

7. QUARTERLY PERFORMANCE PAYMENTS

- 7.1 The Quarterly Performance Payment (QPP) incentivises the Contractor to deliver effective and efficient Services as detailed in Schedule 1 (Specification) and in line with Schedule 13 (Key Performance Indicators). This QPP aims to provide adequate protection to the Authority where the Contractor fails to deliver the required performance in relation to Services or there is initial and continuing poor performance in the Contractor's delivery of the Services.
- 7.2 One of the key requirements is the need to allocate appropriate risk and to maximise value for money (VFM). QPP payments will reflect the quality of Services delivered against the Key Performance Indicators outlined in Schedule 13.
- 7.3 Quarterly Performance Payments will be payable based on the performance of the Contractor for the relevant Quarter against the Key Performance Indicators in Schedule 13.
- 7.4 At the end of each Quarter the Contractor shall provide the Authority with a report setting out:-
- (a) its performance for the Quarter against each KPI (the actual performance over the Quarter);
 - (b) for each KPI whether it has met the Target Performance Level or whether there is a Performance Shortfall (and if so whether it is a Minor Shortfall; Medium Shortfall or Major Shortfall); and
 - (c) any exemptions the Contractor wishes to claim in respect of that Quarter and, if so, the Contractor shall include the reasons for seeking each exemption claimed.
- 7.5 The quarterly report provided in accordance with paragraph 7.4 shall be reviewed by the parties at the next quarterly Contract Review Group. To reflect the spirit of partnership, reductions in the Quarterly Performance Payment will not necessarily be made automatically in the month(s) following a Performance Shortfall.
- 7.6 Any reduction in the Quarterly Performance Payment as a result of a Performance Shortfall will be considered by the Operational Management Group and the quarterly Contract Review Group meeting and will have reasonable regard to:
- (a) any impact that the Authority has had in not enabling the Contractor to perform the Services,



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- (b) actual improvement of the relevant Performance Shortfall,
 - (c) robustness of any KPI recovery plan,
 - (d) actual implementation of any KPI recovery plan,
 - (e) overall performance of all KPIs
 - (f) the timing of the failure prior to the review.
- 7.7 If the amount of the AQPP and CQPP cannot be agreed at such relevant Contract Review Group, the Authority shall, acting reasonably, make a determination in its discretion on the AQPP and CQPP payable for the relevant Quarter.
- 7.8 Any dispute between the parties as to the contents of the quarterly report or any calculations made in relation to it (or to the Authority's determination made in accordance with paragraph 7.7) shall be referred to the Dispute Resolution Procedure.
- 7.9 Once the AQPP and the CQPP are agreed (or determined by the Authority as appropriate), the Contractor shall be entitled to issue an invoice to the Authority for the same.
8. **CALCULATION OF QUARTERLY PERFORMANCE PAYMENTS**
- 8.1 The maximum Quarterly Performance Payment in aggregate in any Quarter shall be:
- (a) for the AQPP – 15% of AMSF for the months in the relevant Quarter; and
 - (b) for the CQPP – 15% of CMSF for the months in the relevant Quarter,
- 8.2 If the level of performance of the Contractor during a Quarter is equal to or above the Target Performance Level in respect of all Key Performance Indicators in a Quarter then it shall be entitled to the maximum Quarterly Performance Payment. If the Contractor's performance is below one or more Key Performance Indicators the maximum QPP shall be reduced for each Key Performance Indicator that has a Performance Shortfall by the amount calculated in accordance with this paragraph 8.
- 8.3 The reduction in Quarterly Performance Payment shall be calculated depending on the level of Performance Shortfall for each Key Performance Indicator:

Level of Performance Shortfall	Measure of Performance Shortfall	Percentage proportion of QPP payable (P%)
Minor Shortfall	The Contractor's performance is below the Target Performance Level by the number of percentage points as set out in the column headed "Minor" for that KPI as set out in Appendix 1 to Schedule 13. For example, if the Target is 100% and the figure in Minor column is -1% then the Performance Shortfall would be a Minor Shortfall if it was between 99% and 99.99%	66% (a 33% reduction)
Medium Shortfall	The Contractor's performance is below the Target Performance Level by the number of percentage	33% (a 66% reduction)



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	points as set out in the column headed "Medium" for that KPI as set out in Appendix 1 to Schedule 13. For example, if the Target is 100% and the figure in Medium column is -2% then the Performance Shortfall would be a Medium Shortfall if it was between 98% and 98.99%	reduction)
Major Shortfall	The Contractor's performance is below the Target Performance Level by the number of percentage points as set out in the column headed "Major" for that KPI as set out in Appendix 1 to Schedule 13. For example, if the Target is 100% and the figure in Major column is -3% then the Performance Shortfall would be a Major Shortfall if the performance was below 97.99%	0% (a 100% reduction)

- 8.4 The reduction in QPP for a particular level of Performance Shortfall for each Key Performance Indicator shall be calculated by reference to the following formula:

For Adults

$$AQPP = (MAQPP \times KPI\% \times P\%)$$

where:

AQPP	=	Adult Quarterly Performance Payment;
MAQPP	=	Maximum Adult Quarterly Performance Payment (calculated in accordance with paragraph 8.1)
KPI%	=	percentage weighting for the KPI (as set out in the column headed KPI Weighting in Appendix 1 of Schedule 13 for the relevant Financial Year);
P%	=	the performance percentage that represents the level of Performance Shortfall for the KPI for the relevant Quarter calculated in accordance with paragraph 8.3 (so this shall be either 66%, 33% or 0% depending on the level of Performance Shortfall)

For Children's

$$CQPP = (MCQPP \times KPI\% \times P\%)$$

where:

CQPP	=	Children's Quarterly Performance Payment;
MCQPP	=	Maximum Children's Quarterly Performance Payment (calculated in accordance with paragraph 8.1)
KPI%	=	Percentage weighting for the KPI (as set out in the column headed KPI Weighting in Appendix 1 of Schedule 13 for the relevant Financial Year);




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P% = the performance percentage that represents the level of Performance Shortfall for the KPI for the relevant Quarter calculated in accordance with paragraph 8.3 (so this shall be either 66%, 33% or 0% depending on the level of Performance Shortfall)

8.5 Worked Example of Quarterly Performance Payments

Please note that the percentages are illustrative and that the actual targets will vary according to the KPI and the targets set.

Figure 1: Illustration of QPP reduction

Available but Performance Shortfall			Fully performing	Over achieving
Major 95.99% or below	Medium (-2%) (96 – 96.99%)	Minor (-1%) (97 – 97.99%)	Target Performance Level (98%)	98.1% and above
% performance 				
Reduced Quarterly Performance Payment			Full Payment	
100% reduction	66% reduction	33% reduction	100%	

Please note that the percentages are illustrative and that the actual targets will vary according to the KPI and the weightings and targets set out in Appendix 1 of Schedule 13.

For the purposes of this worked example, it is assumed to be an Adult Key Performance Indicator, the Maximum Adult Quarterly Performance Payment (MAQPP) is assumed to be £100 and the KPI% weighting is assumed to be 25%.

The diagram shows that the AQPP shall be calculated as follows:

- Target Performance Level met - MAQPP (£100) x KPI% (25%) x P% (which shall be, if the Contractor's performance was 98% or above) 100%. Therefore AQPP for this KPI = £25
- Minor Shortfall - MAQPP (£100) x KPI% (25%) x P% (which shall be, if the Contractor's performance was between 97 and 97.99% a Minor Shortfall) 66%. Therefore AQPP for this KPI = £16.50
- Medium Shortfall - MAQPP (£100) x KPI% (25%) x P% (which shall be, if the Contractor's performance was between 96 and 96.99% a Medium Shortfall) 33%. Therefore AQPP for this KPI = £8.25



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- Major Shortfall - MAQPP (£100) x KPI% (25%) x P% (which shall be, if the Contractor's performance was 95.99% or below a Major Shortfall) 0%. Therefore AQPP for this KPI = £0

First Financial Year

- 8.6 Notwithstanding this paragraph 8, for the first Financial Year of the Initial Term where the Contract starts on 15th December 2022 the first periods calculation of both AQPP and CQPP will cover the period from 15th December 2022 until 31st March 2023.

9. MOBILISATION PAYMENT

- 9.1 The Mobilisation Payment (MP) shall cover the Contractor's costs during the Mobilisation Phase as detailed in the Finance Response Template within Appendix 1.
- 9.2 The Mobilisation Payment shall be calculated on the basis of the approval of each Milestone (in accordance with the provisions of Schedule 20 (Mobilisation)). The Mobilisation Payments and associated Milestones are detailed in Mobilisation Costs tab within the Financial Response Template in Appendix 1.
- 9.3 The Mobilisation Payment shall in no circumstances exceed £200,000 (excluding VAT).
- 9.4 The Contractor shall submit valid invoices for the Mobilisation Payment in accordance with paragraph 9 of this Schedule 2 (Payment Mechanism).
- 9.5 The Mobilisation Payment shall not be subject to indexation.

10. INDEXATION

The pricing elements set out in this Schedule 2 (Payment Mechanism) or any payment from the Maximum Annual Funding shall not be subject under any circumstances to indexation.

11. INVOICING AND PAYMENT

- 11.1 The Contractor shall submit to the Authority a set of itemised and accurate monthly invoices that are supported by back up information, setting out individually the following items (a) – (d) below, as follows:
- (a) the Adult Monthly Service Fee (AMSF);
 - (b) the Children's Monthly Service Fee (CMSF)
 - (c) the Adult Quarterly Performance Payment (AQPP) (if applicable)
 - (d) the Children Quarterly Performance Payment (CQPP) (if applicable)
 - (e) the Reinvestment Pot (RP) and
 - (f) the Mobilisation Payment (MP) in respect of the relevant Mobilisation months.
- 11.2 The Contractor shall issue invoices to the Authority monthly in arrears. The Contractor shall submit its invoice to the Authority no earlier than 5 Working Days after the end of the Month.



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- 11.3 For the Mobilisation Payment, the Contractor shall submit valid invoices at monthly intervals in arrears following approval of the relevant Milestone identified in the Mobilisation Plan (in accordance with the provisions of Schedule 20 (Mobilisation)) and the relevant cost being incurred, such invoices to be submitted no earlier than 5 Working Days after the end of the first Month following the Commencement Date.

12. PAYMENTS

- 12.1 Adult Monthly Service Fee (AMSF) and Children's Monthly Service Fee (CMSF)

The projected Adult Monthly Service Fee and Children's Monthly Service Fee for each Month is as set out below:

Service Delivery Payments (All figures in £'s)	Start	End	Adult Monthly Service Fee (AMSF)	Children's Monthly Service Fee (CMSF)
Month 1	15-Dec-22	31-Dec-22		
Month 2	01-Jan-23	31-Jan-23		
Month 3	01-Feb-23	28-Feb-23		
Month 4	01-Mar-23	31-Mar-23		
Month 5	01-Apr-23	30-Apr-23		
Month 6	01-May-23	31-May-23		
Month 7	01-Jun-23	30-Jun-23		
Month 8	01-Jul-23	31-Jul-23		
Month 9	01-Aug-23	31-Aug-23		
Month 10	01-Sep-23	30-Sep-23		
Month 11	01-Oct-23	31-Oct-23		
Month 12	01-Nov-23	30-Nov-23		
Month 13	01-Dec-23	31-Dec-23		
Month 14	01-Jan-24	31-Jan-24		
Month 15	01-Feb-24	29-Feb-24		
Month 16	01-Mar-24	31-Mar-24		
Month 17	01-Apr-24	30-Apr-24		
Month 18	01-May-24	31-May-24		
Month 19	01-Jun-24	30-Jun-24		
Month 20	01-Jul-24	31-Jul-24		
Month 21	01-Aug-24	31-Aug-24		
Month 22	01-Sep-24	30-Sep-24		
Month 23	01-Oct-24	31-Oct-24		
Month 24	01-Nov-24	30-Nov-24		
Month 25	01-Dec-24	31-Dec-24		
Month 26	01-Jan-25	31-Jan-25		
Month 27	01-Feb-25	28-Feb-25		



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Month 28	01-Mar-25	31-Mar-25
Month 29	01-Apr-25	30-Apr-25
Month 30	01-May-25	31-May-25
Month 31	01-Jun-25	30-Jun-25
Month 32	01-Jul-25	31-Jul-25
Month 33	01-Aug-25	31-Aug-25
Month 34	01-Sep-25	30-Sep-25
Month 35	01-Oct-25	31-Oct-25
Month 36	01-Nov-25	30-Nov-25
Month 37	01-Dec-25	31-Dec-25
Month 38	01-Jan-26	31-Jan-26
Month 39	01-Feb-26	28-Feb-26
Month 40	01-Mar-26	31-Mar-26
Month 41	01-Apr-26	30-Apr-26
Month 42	01-May-26	31-May-26
Month 43	01-Jun-26	30-Jun-26
Month 44	01-Jul-26	31-Jul-26
Month 45	01-Aug-26	31-Aug-26
Month 46	01-Sep-26	30-Sep-26
Month 47	01-Oct-26	31-Oct-26
Month 48	01-Nov-26	30-Nov-26
Month 49	01-Dec-26	31-Dec-26
Month 50	01-Jan-27	31-Jan-27
Month 51	01-Feb-27	28-Feb-27
Month 52	01-Mar-27	31-Mar-27
Month 53	01-Apr-27	30-Apr-27
Month 54	01-May-27	31-May-27
Month 55	01-Jun-27	30-Jun-27
Month 56	01-Jul-27	31-Jul-27
Month 57	01-Aug-27	31-Aug-27
Month 58	01-Sep-27	30-Sep-27
Month 59	01-Oct-27	31-Oct-27
Month 60	01-Nov-27	30-Nov-27
Month 61	01-Dec-27	31-Dec-27
Month 62	01-Jan-28	31-Jan-28
Month 63	01-Feb-28	29-Feb-28
Month 64	01-Mar-28	31-Mar-28
Month 65	01-Apr-28	30-Apr-28
Month 66	01-May-28	31-May-28
Month 67	01-Jun-28	30-Jun-28
Month 68	01-Jul-28	31-Jul-28
Month 69	01-Aug-28	31-Aug-28
Month 70	01-Sep-28	30-Sep-28



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Month 71	01-Oct-28	31-Oct-28		
Month 72	01-Nov-28	30-Nov-28		
Month 73	01-Dec-28	31-Dec-28		
Month 74	01-Jan-29	31-Jan-29		
Month 75	01-Feb-29	28-Feb-29		
Month 76	01-Mar-29	31-Mar-29		
Month 77	01-Apr-29	30-Apr-29		
Month 78	01-May-29	31-May-29		
Month 79	01-Jun-29	30-Jun-29		
Month 80	01-Jul-29	31-Jul-29		
Month 81	01-Aug-29	31-Aug-29		
Month 82	01-Sep-29	30-Sep-29		
Month 83	01-Oct-29	31-Oct-29		
Month 84	01-Nov-29	30-Nov-29		
Month 85	01-Dec-29	14-Dec-29		
Extension Period	Start	End	Adult Monthly Service Fee (AMSF)	Children's Monthly Service Fee (CMSF)
Month 86	15-Dec-29	31-Dec-29		
Month 87	01-Jan-30	31-Jan-30		
Month 88	01-Feb-30	28-Feb-30		
Month 89	01-Mar-30	31-Mar-30		
Month 90	01-Apr-30	30-Apr-30		
Month 91	01-May-30	31-May-30		
Month 92	01-Jun-30	30-Jun-30		
Month 93	01-Jul-30	31-Jul-30		
Month 94	01-Aug-30	31-Aug-30		
Month 95	01-Sep-30	30-Sep-30		
Month 96	01-Oct-30	31-Oct-30		
Month 97	01-Nov-30	30-Nov-30		
Month 98	01-Dec-30	31-Dec-30		
Month 99	01-Jan-31	31-Jan-31		
Month 100	01-Feb-31	28-Feb-31		
Month 101	01-Mar-31	31-Mar-31		
Month 102	01-Apr-31	30-Apr-31		
Month 103	01-May-31	31-May-31		
Month 104	01-Jun-31	30-Jun-31		
Month 105	01-Jul-31	31-Jul-31		
Month 106	01-Aug-31	31-Aug-31		
Month 107	01-Sep-31	30-Sep-31		
Month 108	01-Oct-31	31-Oct-31		



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Month 109	01-Nov-31	30-Nov-31	
Month 110	01-Dec-31	31-Dec-31	
Month 111	01-Jan-32	31-Jan-32	
Month 112	01-Feb-32	29-Feb-32	
Month 113	01-Mar-32	31-Mar-32	
Month 114	01-Apr-32	30-Apr-32	
Month 115	01-May-32	31-May-32	
Month 116	01-Jun-32	30-Jun-32	
Month 117	01-Jul-32	31-Jul-32	
Month 118	01-Aug-32	31-Aug-32	
Month 119	01-Sep-32	30-Sep-32	
Month 120	01-Oct-32	31-Oct-32	
Month 121	01-Nov-32	30-Nov-32	
Month 122	01-Dec-32	14-Dec-32	

12.2 Mobilisation Payment (MP)

The payment for the individual cost items that make up the Mobilisation Payment (MP) shall be as set out in the tables below:

Mobilisation Payment (MobP)	Fixed Payment
Staff costs	
Staff costs	
Staff costs	
Staff costs	
Recruitment costs - recruitment of remaining positions	
Staff costs	
Staff costs	
Staff costs	
Website / intranet	
General office costs	
Travel / sustenance	
TUPE (consultation, legal system updates etc)	
Environmental refresh / launch event	
CPD	
TOTAL	



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13. FINANCIAL INDICATORS REPORT

13.1 In order to demonstrate value for money, the Contractor shall provide the Authority at each quarterly Contract Review Meeting (or more frequently as the Authority may request from time to time) with a written financial indicators report (in the format reasonably required by the Authority) which shall provide details of:

- (a) operating margin;
- (b) free cash flow to net debt ratio;
- (c) net debt + net pension deficit to EBITDA ratio;
- (d) net interest paid cover;
- (e) acid ratio;
- (f) net asset value;
- (g) group exposure ratio, and
- (h) utilisation of the Contractor's Staff, showing the level of productivity in the workforce and update on utilisation of Annual funding, to provide (inter alia) a basis for assessing the funding, impact of Quarterly Performance payment and the Reinvestment Pot. The method for calculation shall be developed by the Contractor and agreed with the Authority prior to the Services Commencement Date.

14. REINVESTMENT POT (RP)

14.1 The Authority is keen to spend the Maximum Annual Funding on offender learning. Any reduction in the Adult Quarterly Performance Payment and/or the Children's Quarterly Performance Payment made to the Contractor will provide a "Reinvestment Pot" which the Authority and Contractor will agree, linking in with Welsh Government how such Reinvestment Pot should be invested in the services for the benefit of Offenders. Any reinvestment will be on the basis of the costs to the Contractor solely, and will not include any element of profit. The Reinvestment Pot will not be utilised to correct the Contractor's underperformance.

14.2 The Contractor shall provide management information on the Reinvestment Pot in accordance with paragraph 13.

15. OPEN BOOK PRINCIPLES

15.1 The Contractor acknowledges the importance to the Authority of achieving complete transparency in the way in which the Price is calculated.

15.2 During the Term, and for a period of 7 years following the end of the Term, the Contractor shall:

- (a) maintain and retain the Open Book Data; and
- (b) disclose and allow the Authority and/or its auditors or representatives from time to time access to the Open Book Data.



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16. AUDIT RIGHTS

- 16.1 The provisions of clause F5 of the Contract shall apply and the Authority, acting by itself or through its auditors or representatives from time to time, shall be permitted to exercise such audit rights in order, amongst other things:
- (a) to verify the integrity and content of any report;
 - (b) to verify the accuracy of the Price and any other amounts payable by the Authority under this Contract (and proposed or actual variations to such Prices and payments);
 - (c) to verify the Contractor's costs (including the amounts paid to all Sub-contractors and any third party suppliers);
 - (d) to verify the Open Book Data;
 - (e) to verify the Contractor's and each Sub-contractor's compliance with this Agreement and applicable laws;
 - (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 Contractor of the purpose or objective of its investigations;
 - (g) to review any books of account and the internal contract management accounts kept by the Supplier in connection with this Agreement;
 - (h) 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;
 - (i) 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;
 - (j) to review the integrity, confidentiality and security of the Authority Data; and
 - (k) any other reasonable purpose reasonably determined by the Authority in connection with this Contract;
- 16.2 Except where an audit is imposed on the Authority by a regulatory body or where the Authority has reasonable grounds for believing that the Contractor has not complied with its obligations under this Contract, the Authority may not conduct an audit of the Contractor or of the same Sub-contractor more than twice in any Financial Year.
- 16.3 The Contractor shall provide the Authority will all reasonable co-operation and assistance (and shall procure such co-operation and assistance from its Sub-contractors) in relation to each audit including access to sites, records, systems and personnel.



Appendix 1: Financial Model

Part A – FRT response

The FRT response has been redacted under the exemptions set out by the Freedom of Information Act

Part B – Contractor's own financial model

Novus Gower's financial model has been redacted under the exemptions set out by the Freedom of Information Act