

TCN SCHEDULE 7.1

CHARGES AND INVOICING

Charges and Invoicing

1. DEFINITIONS

In this Schedule, the following definitions shall apply:

“Achieved Profit Margin”	the cumulative Supplier Profit Margin calculated from (and including) the Effective Date (or, if applicable, the date of the last adjustment to the Charges made pursuant to Paragraph 2.2 of Part D) to (and including) the last day of the previous Contract Year;
“Anticipated Contract Life Profit Margin”	the anticipated Supplier Profit Margin over the Term as reflected in the Financial Model;
“Costs”	<p>the following costs (without double recovery) to the extent that they are reasonably and properly incurred by the Supplier in providing the Services:</p> <ul style="list-style-type: none">(a) the cost to the Supplier or the Key Sub-contractor (as the context requires), calculated per Man Day, of engaging the Supplier Personnel, including:<ul style="list-style-type: none">(i) base salary paid to the Supplier Personnel;(ii) employer’s national insurance contributions;(iii) Employer Pension Contributions;(iv) car allowances;(v) any other contractual employment benefits;(vi) staff training;(vii) work place accommodation;(viii) work place IT equipment and tools reasonably necessary to perform the Services (but not including items included within limb (b) below); and(ix) reasonable recruitment costs, as agreed with the Authority;(b) 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;

- (c) operational costs which are not included within (a) or (b) above, to the extent that such costs are necessary and properly incurred by the Supplier in the delivery of the Services;

but excluding:

- (i) Overhead;
- (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;
- (v) fines and penalties; and
- (vi) amounts payable under Schedule 7.3 (*Benchmarking*);

“Deemed Throughput”

the number of Theory Tests not conducted but which would have been conducted but for an Authority Cause;

“Employer Pension Contributions”

means:

- (a) in respect of CSPA Eligible Employees those sums set out at Clauses 7.1.1 (*annual administration charges covering core services*), 7.1.5 (*employer contributions*), 7.1.7 (*the ASLC*) and 7.1.8 (*flat charges applicable to the Partnership Pension Account*) of the Admission Agreement;
- (b) in respect of NHSPA Eligible Employees, the standard employer contribution rate

applicable to NHS Pension Scheme employers during the Term and payable by the Supplier (but no other costs, contributions, charges or surcharges payable by the Supplier to or in respect of the NHS Pension Scheme or in respect of any NHS Premature Retirement Rights, unless otherwise agreed in writing by the Authority);

- (c) in respect of LGPS Eligible Employees the standard employer contribution rate applicable to LGPS Eligible Employees during the Term and payable by the Supplier (but no other costs, contributions, charges or surcharges payable by the Supplier to or in respect of the LGPS or in respect of any Beckmann Liabilities, unless otherwise agreed in writing by the Authority); and
- (d) such other employer pension contributions, charges or costs incurred by the Supplier 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;
“Financial Representative”	has the meaning give in schedule 7.5 (<i>Financial Reports and Audit Rights</i>);
“Indexation” and “Index”	the adjustment of an amount or sum in accordance with Paragraph 6 of Part C;
“Lower Volume Limit”	for each Operational Service Year, the volumes specified as such in Table 7 of Annex 1 of this schedule or as otherwise agreed in accordance with Paragraph 5 of Part B;
“Man Day”	7.5 Man Hours, whether or not such hours are worked consecutively and whether or not they are worked on the same day;
“Man Hours”	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;

“Maximum Permitted Profit Margin”	the Anticipated Contract Life Profit Margin plus 5%;
“Milestone Retention”	has the meaning given in Paragraph 1.3 of Part B;
“Operational Service Year”	<p>(a) each period of twelve months starting on the final Operational Service Commencement Date and each anniversary thereof; or</p> <p>(b) in the case of the final Operational Service Year, the period from the later of the final Operational Service Commencement Date, or the latest anniversary thereof, to the date of termination of this Agreement;</p>
“Overhead”	those amounts which are intended to recover a proportion of the Supplier’s or the Key Sub-contractor’s (as the context requires) indirect corporate costs (including financing, marketing, advertising, research and development and insurance costs) but excluding allowable indirect costs apportioned to facilities and administration in the provision of Supplier Personnel and accordingly included within limb (a) of the definition of “Costs”;
“Service Review Report”	the contract report to be provided by the Supplier to the Authority in accordance with Paragraph 5.6 of Part C, where required pursuant to Paragraph 5.3 of Part C;
“Supplier Profit”	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”	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”	sufficient information in writing to enable the Authority reasonably to assess whether the Charges and other sums due from the Authority detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts;

“Theory Test Demand Forecast”	the Authority’s forecast of the number of Theory Tests that will be required by Candidates during the next twelve month period, which is divided into Theory Test Type Groupings and updated at the end of each Quarter;
“Theory Test Type Grouping”	the Theory Test type groupings set out in Table 7 of Annex 1 of this schedule;
“Throughput”	the number of Theory Tests conducted, including the number forfeited by candidates (where they failed to attend for test or cancelled their appointment with less than three days’ notice); and
“Upper Volume Limit”	for each Operational Service Year, the volumes specified as such in Table 7 of Annex 1 of this schedule or as otherwise agreed in accordance with Paragraph 5 of Part B.

PART A: PRICING

1. APPLICABLE PRICING MECHANISM

- 1.1 Milestone Payments and Service Charges shall be calculated using the pricing mechanism specified in Annex 1 and on the basis of the rates and prices specified in Annex 1 as more particularly set out in this Schedule.
- 1.2 A “Firm Price” pricing mechanism shall be used to calculate each Milestone Payment. The relevant Charge shall be the amount set out against each Milestone in Table 5 of Annex 1. The Milestone Payments are not subject to Indexation.
- 1.3 A “Volume Based” pricing mechanism shall be used to calculate each Service Charge. The relevant Service Charges shall be calculated on the basis of the charge per Theory Test (Throughput and (subject to paragraph 2.3 of Part B) Deemed Throughput) as set out against the Theory Test Type Grouping in Table 7 of Annex 1. If the actual Throughput volume in any Operational Service Year falls outside the relevant volume bands, paragraph 5 of Part C of this schedule will apply.
- 1.4 The charge per Theory Test Service Charges set out in Table 7 of Annex 1 against each Theory Test Type Grouping will be subject to Indexation.

PART B: CHARGING MECHANISMS

1. MILESTONE PAYMENTS

- 1.1 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 Milestone Achievement Certificate and such invoice shall be issued by the Supplier in accordance with the time period specified under paragraph 1.4(a) of Part E in relation to Milestone Payments.
- 1.3 The “Milestone Retention” for each Milestone shall be 10% of the Charges for that Milestone.

Release of Milestone Retentions

- 1.4 On Achievement of the CPP Milestone, the Supplier shall be entitled to invoice the Authority for an amount equal to all Milestone Retentions that have not been paid before such CPP Milestone.

2. SERVICE CHARGES

- 2.1 Service Charges shall commence on the final Operational Service Commencement Date.
- 2.2 Service Charges will be payable on an actual Throughput and (subject to paragraph 2.3) Deemed Throughput volume basis. Volumes are not guaranteed. The Authority has set annual Upper Volume Limit and Lower Volume Limits per Theory Test Type Grouping for the Supplier’s region, based on reasonable deviation from the Theory Test Demand Forecast within which the Service Charges must remain valid. The tables below provide:
- (a) the Upper Volume Limits and Lower Volume Limits per Theory Test Type Grouping; and
 - (b) the total Upper Volume Limit and Lower Volume Limit for all Theory Test Type Groupings together,

in each Operational Service Year as at the Effective Date.

Upper Volume Limit and Lower Volume Limits per Theory Test Type Grouping in Region A

Theory Test Type Grouping	Upper Volume Limit (25% more than Theory Test Demand Forecast)	Lower Volume Limit (25% less than Theory Test Demand Forecast)
1: Car and Motorcycle	1,004,509 (200,902 more than the Theory Test Demand Forecast)	602,705 (200,902 less than the Theory Test Demand Forecast)

2: LGV and PCV multiple choice	40,333 (8,067 more than the Theory Test Demand Forecast)	24,200 (8,066 less than the Theory Test Demand Forecast)
3: LGV, PCV and ADI Hazard Perception Test	32,916 (6,583 more than the Theory Test Demand Forecast)	19,750 (6,583 less than the Theory Test Demand Forecast)
4: LGV and PCV CPC and CPC Conversion	26,750 (5,350 more than the Theory Test Demand Forecast)	16,050 (5,350 less than the Theory Test Demand Forecast)
5: ADI Part 1, Enhanced Rider Scheme, Approved Motorcycle Instructor and Taxi	6,733 (1,347 more than the Theory Test Demand Forecast)	4,040 (1,346 less than the Theory Test Demand Forecast)
Total	1,111,241	666,745

- 2.3 The provisions of clause 31.4 (*Authority Cause*) shall apply in respect of Deemed Throughput. The Service Charges in respect of Deemed Throughput shall be reduced (or not apply) to the extent that the Supplier is able to mitigate or eliminate its Losses pursuant to clause 31.4. Whenever the Supplier is invoicing Service Charges in respect of Deemed Throughput, this shall be specifically identified in the invoice and the Supporting Documentation shall include an explanation of the mitigating steps taken by the Supplier and the extent to which its Losses have been mitigated, and the Service Charges reduced, as a consequence.
- 2.4 Service Charges shall be invoiced by the Supplier for each Service Period in arrears in accordance with the requirements of Part E.
- 2.5 Any Reimbursement Payments that accrue during a Service Period shall be:
- (a) deducted from the Service Charges payable for the next following Service Period by being shown as a deduction from the Service Charges due from the Authority to the Supplier in the invoice for Service Charges for the Service Period immediately succeeding the Service Period to which the Reimbursement Payments relate; or
 - (b) the Authority may elect to have the Reimbursement Payments paid separately to it by the Supplier and the Supplier shall if the Authority so elects pay the Reimbursement Payments as directed by the Authority.
- 2.6 Any Service Credits that accrue during a Service Period shall be issued as a separate draft credit note by the Supplier to the Authority no later than five (5) Working Days from the last day of the Service Period to which the Service Credits relate (the “**Draft SC Credit Note**”). The Parties shall (acting reasonably and in good faith) endeavour to agree the Draft SC Credit Note within five (5) Working Days of its receipt by the Authority, following which the Supplier shall promptly submit its final credit note for the relevant Service Period (the “**SC Credit Note**”). Amounts specified in the SC Credit Note shall be separately payable by the Supplier to the Authority electronically in full and clear funds into the bank account specified by the Authority within such time period as specified under paragraph 2.3 of Part E.

- 2.7 An invoice for a Service Charge shall not be payable by the Authority unless all adjustments (including Service Credits and Reimbursement Payments) relating to the Service Charges for the immediately preceding Service Period have been agreed.

PART C: ADJUSTMENTS TO THE CHARGES AND RISK REGISTER

1. NOT USED

2. PAYMENTS FOR DELAYS DUE TO AUTHORITY CAUSE

2.1 If the Supplier is entitled in accordance with Clause 31.1.3.3(d) (*Authority Cause*) to compensation for failure to Achieve a Milestone by its Milestone Date, then, subject always to Clause 25 (*Limitations on Liability*), such compensation shall be determined in accordance with the following principles:

(a) the compensation shall reimburse the Supplier for additional Costs incurred by the Supplier that the Supplier:

(i) can demonstrate it has incurred solely and directly as a result of the Authority Cause; and

(ii) is, has been, or will be unable to mitigate, having complied with its obligations under Clause 31 (*Authority Cause*)

together with an amount equal to the Anticipated Contract Life Profit Margin thereon;

(b) the compensation shall not operate so as to put the Supplier in a better position than it would have been in but for the occurrence of the Authority Cause;

(c) where the relevant Milestone Payment is to be calculated based upon a Firm Price pricing mechanism, the compensation shall include such amount as is appropriate to maintain the Supplier Profit Margin set out in the Financial Model; and

2.2 The Supplier shall provide the Authority with any information the Authority may require in order to assess the validity of the Supplier's claim to compensation.

3. SERVICE CREDITS

3.1 Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 2.2 (*Performance Levels*).

3.2 For each Service Period following the Grace Period:

(a) the Service Points accrued shall be converted to a percentage deduction from the Service Charges for the relevant Service Period on the basis of one point equating to a 0.15% deduction in the Service Charges; and

(b) the total Service Credits applicable for the Service Period shall be calculated in accordance with the following formula:

$$SC = TSP \times X \times AC$$

where:

SC	is the total Service Credits for the relevant Service Period;
TSP	is the total Service Points that have accrued for the relevant Service Period;
X	is 0.15%; and
AC	is the total Services Charges payable for the relevant Service Period (prior to deduction of applicable Service Credits).

3.3 The liability of the Supplier in respect of Service Credits shall be subject to Clause 25.4.3 (*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 Points in excess of such financial limit in accordance with the provisions of Schedule 2.2 (*Performance Levels*).

3.4 Service Credits are a reduction of the Service Charges payable in respect of the relevant Services (by way of separate credit note and payment by the Supplier to the Authority, rather than a deduction from the Service Charge prior to issue of the invoice by the Supplier to the Authority pursuant to Part E of this Schedule) to reflect the reduced value of the Services actually received, are stated exclusive of VAT and shall be separately payable by the Supplier to the Authority in accordance with paragraph 2.6 of Part B.

4. **CHANGES TO CHARGES**

4.1 Any Changes to the Charges shall be developed and agreed by the Parties 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 or the most recent Annual Contract Report); and

(b) in no event exceed the Maximum Permitted Profit Margin; and

save where Paragraph 5 applies, in accordance with Schedule 8.2 (*Change Control Procedure*).

4.2 Any Change Requests which require consulting services days will be charged at the consulting rates ("**Rate Card**") as set out in Table 4 Annex 1 based on the rates provided in the Supplier's bid. The Rate Card will be subject to Indexation.

5. **CHANGES TO CHARGES PER THEORY TEST**

5.1 On each anniversary of the final Operational Service Commencement Date ("**Review Date**"):

(a) the Authority will provide to the Supplier the updated Theory Test Demand Forecast (if not already provided); and

(b) the Parties shall review whether the Throughput volume during the previous Operational Service Year falls between or equals the Upper Volume Limit and the Lower Volume Limit.

5.2 If upon any review pursuant to Paragraph 5.1(b):

- (a) for the Operational Service Year just ended, the actual Throughput volume is greater than the Upper Volume Limit or lower than the Lower Volume Limit for any Theory Test Type Grouping; and
- (b) for the Operational Service Year just ended, the actual total Throughput volume is greater than the total Upper Volume Limit or lower than the total Lower Volume Limit for all Theory Test Type Groupings together; and
- (c) for the Operational Service Year just commenced, the Theory Test Demand Forecast is greater than the Upper Volume Limit or lower than the Lower Volume Limit for any Theory Test Type Grouping; and
- (d) for the Operational Service Year just commenced, the Theory Test Demand Forecast is greater than the Upper Volume Limit or lower than the Lower Volume Limit for all Theory Test Type Groupings together,

either Party may require a review of the Service Charge by giving notice in writing to the other Party within ten (10) Working Days following the Review Date, in which case the remainder of this Paragraph 5 will apply.

5.3 Where either Party has given notice pursuant to Paragraph 5.2, the Supplier will, within twenty (20) Working Days of the date of the notice, provide to the Authority the Service Review Report identifying the Costs incurred, the Service Charges that accrued and the Supplier Profit Margin generated during the previous Operational Service Year and the Costs, Service Charges and Supplier Profit Margin forecast for the subsequent Operational Service Year. The Service Review Report will use the same software package (Microsoft Excel or Microsoft Word), layout and format as the blank template issued by the Authority to the Supplier on or before the Effective Date for the purposes of this Agreement. The Authority shall be entitled to modify the template for the Service Review Report by giving written notice to the Supplier, including a copy of the updated template.

5.4 The Service Review Report will:

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

5.5 Each Service Review Report will be certified by the Supplier's Chief Financial Officer or Director of Finance (or equivalent as agreed in writing by the Authority in advance of issue of the report) acting with express authority, as:

- (a) being accurate and not misleading;

- (b) having been prepared in conformity with generally accepted accounting principles within the United Kingdom;
- (c) being a true and fair reflection of the information included within the Supplier's management and statutory accounts; and
- (d) compliant with the requirements of Paragraph 5.6.

5.6 The Supplier will:

- (a) prepare each Service Review Report using the same methodology as that used for the Contract Inception Report; and
- (b) ensure that each Service Review Report is a true and fair reflection of the Costs and Supplier Profit Margin forecast by the Supplier.

5.7 Following the delivery by the Supplier of each Service Review Report:

- (a) the Parties shall meet to discuss its contents within ten (10) Working Days of receipt (or such other period as the Parties shall agree). The Financial Representative shall attend the meeting;
- (b) the Supplier shall make appropriate Supplier Personnel and advisers available to discuss any variations between the Service Review Report and the Contract Inception Report or immediately preceding Annual Contract Report (as the case may be) and to explain such variations (with reference to supporting evidence) to the satisfaction of the Authority; and
- (c) the Authority shall, within ten (10) Working Days of the meeting referred to in Paragraph 5.7(a), notify the Supplier that:
 - (i) the Service Review Report contains errors or omissions or that further explanations or supporting information is required, in which event the Supplier shall make any necessary modifications to the Service Review Report and/or supply the Authority with such supporting evidence as is required to address the Authority's concerns within ten (10) Working Days of such notification and the Authority shall following receipt of such amended Service Review Report and/or supporting information, approve or reject such Service Review Report; or
 - (ii) the Authority has approved the Service Review Report.

5.8 Following the approval of the Service Review Report, if there are variations between the Service Review Report and the Contract Inception Report or the immediately preceding Annual Contract Report or Contract Amendment Report (as the case may be) which the Parties agree have been caused by an actual Throughput volume for any Theory Test Type Grouping and/or the total Throughput volumes for all Theory Test Type Groupings together being greater than the applicable Upper Volume Limit or lower than the applicable Lower Volume Limit during the previous Operational Service Year:

- (a) within ten (10) Working Days of the agreement of the Service Review Report the Supplier will submit to the authority its proposals for

amending, based on the Theory Test Demand Forecast provided by the Authority on the Review Date:

- (i) the relevant Upper Volume Limits and Lower Volume Limits, in order to retain a 25% volume tolerance between the Theory Test Demand Forecast for each Theory Test Grouping and the Upper Volume Limit and Lower Volume Limit for each Theory Test Grouping; and
 - (ii) the charge(s) per Theory Test Grouping in order to ensure that, the Supplier Profit Margin in each Service Period during the period to which the Theory Test Demand Forecast relates is no greater than and no worse than that applying to Charges using the same pricing mechanism as at the Effective Date (as set out in the Contract Inception Report or the most recent Annual Contract Report); and
 - (b) within ten (10) Working Days of the Authority's receipt of the Supplier's proposals pursuant to (a), the Parties will meet to discuss and agree whether or not a Change to the charge(s) per Theory Test Grouping and the Upper Volume Limit and Lower Volume Limit is required.
- 5.9 In discussing and agreeing whether or not a Change to the charge(s) per Theory Test is required and, if so, what such Change will be, the Parties will act reasonably and in good faith.
- 5.10 If no agreement is reached pursuant to Paragraph 5.8 by the end of the first Quarter in the relevant Operational Service Year, the charge(s) per Theory Test shall remain as per the previous Operational Service Year.
- 5.11 If pursuant to Paragraph 5.8 the Parties agree that a Change is required:
- (a) the Supplier will update the Service Review Report to reflect the agreed Change and submit the updated Service Review Report to the Authority for approval in accordance with Paragraph 5.7(c). The agreed version of the updated Service Review Report will become, with effect from the date of such approval, the current approved version of the Financial Model for the purposes of this Agreement, a version of which shall be held by both the Authority and the Supplier. If there is a Dispute regarding the Service Review Report, the Authority's copy of the Service Review Report shall be authoritative;
 - (b) subject to Paragraph (d) below:
 - (i) the new charge(s) per Theory Test and the new Upper Volume Limits and Lower Volume Limits will take effect on the first day of the second Quarter in the then current Operational Service Year; and
 - (ii) the Parties will document the Change in accordance with the Change Control Procedure; and
 - (c) if, during the first Quarter of the relevant Operational Service Year, the actual demand indicates that the Theory Test Demand Forecast for that Operational Service Year is inaccurate the actual Throughput volume is

within the previous Upper Volume Limits and the Lower Volume Limits, the agreed amendments will not take effect and the charge(s) per Theory Test, Upper Volume Limits and Lower Volume Limits will remain as per the previous Operational Service Year.

5.12 Notwithstanding the remainder of this Paragraph 5, the Supplier will use reasonable endeavours to minimise any increase in its Costs as a consequence of any Throughput volume being greater than the Upper Volume Limit or lower than the Lower Volume Limit.

5.13 If the Parties are unable to reach agreement on any of the matters in this Paragraph 5 within thirty (30) Working Days, either Party may refer the matter for determination in accordance with Schedule 8.3 (*Dispute Resolution Procedure*).

6. INDEXATION

6.1 Any amounts or sums in this Agreement which are expressed to be “subject to Indexation” will, where requested by either Party by notice in writing (“**Review Notice**”), be adjusted in accordance with the provisions of this Paragraph 6 to reflect the effects of inflation.

6.2 Indexation will not apply:

- (a) until after the expiry of the first Operational Service Year; and
- (b) until the expiry of a period of 12 months following any previous Indexation adjustment; and
- (c) unless or until either party gives a Review Notice of at least twenty (20) Working Days’ to the other requiring the provisions of this Paragraph 6 to be applied.

6.3 Where Indexation applies, the relevant adjustment shall be:

- (a) applied on the first day of the next Service Period following the date of receipt of the Review Notice and expiry of the period of twenty (20) Working Days (each such date an “**adjustment date**”); and
- (b) determined by multiplying the relevant amount or sum by the percentage change in the annual Consumer Price Index last published prior to the relevant adjustment date.

6.4 Except as set out in this Paragraph 6, 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.

6.5 The Supplier may propose price reductions at any time.

PART D: EXCESSIVE SUPPLIER PROFIT MARGIN

1. LIMIT ON SUPPLIER PROFIT MARGIN

- 1.1 The Supplier acknowledges that the Achieved Profit Margin applicable over the Term shall not exceed the Maximum Permitted Profit Margin.
- 1.2 The Supplier shall include in each Annual Contract Report the Achieved Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up and the provisions of Paragraph 2 of Part B of Schedule 7.5 (*Financial Reports and Audit Rights*) shall apply to the approval of the Annual Contract Report.

2. ADJUSTMENT TO THE CHARGES IN THE EVENT OF EXCESS SUPPLIER PROFIT

- 2.1 If an Annual Contract Report demonstrates (or it is otherwise determined pursuant to Paragraph 2 of Part B of Schedule 7.5 (*Financial Reports and Audit Rights*)) that the Achieved Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up exceeds the Maximum Permitted Profit Margin:
 - (a) the Supplier shall, within 5 Working Days of delivery to the Authority of the Annual Contract Report, propose such adjustments to the Charges as will ensure that the Achieved Profit Margin both over the Contract Year to which the next Annual Contract Report will relate and over the Term will not exceed the Maximum Permitted Profit Margin;
 - (b) the Authority (acting reasonably) may agree or reject the proposed adjustments;
 - (c) if the Authority rejects the proposed adjustments it shall give reasons and the Supplier shall propose revised adjustments within 10 Working Days of receiving those reasons; and
 - (d) if the Parties cannot agree such revised adjustments and the Authority terminates this Agreement by issuing a Termination Notice to the Supplier pursuant to Clause 33.1.1 (*Termination by the Authority*), then for the purpose of calculating any Compensation Payment due to the Supplier, the Termination Notice shall be deemed to have been served as at the date of receipt by the Authority of the relevant Annual Contract Report.
- 2.2 Pending agreement of a proposed adjustment to the Charges pursuant to this Part D, the Charges then in force shall continue to apply. Once the adjustments to the Charges are agreed in accordance with Paragraph 2.1, the Parties shall document the adjustment in a Change Authorisation Note and the adjusted Charges shall apply with effect from the first day of the Service Period that immediately follows the Service Period in which the Change Authorisation Note is executed or such other date as is specified in the Change Authorisation Note.

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 10 Working Days of the Effective Date which shall include, as a minimum, the details set out in Paragraph 1.3 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 Agreement;
 - (e) the reference number of the purchase order to which it relates;
 - (f) the dates between which the Services subject of each of the Charges detailed on the invoice were performed;
 - (g) a description of the Services (including, after the Operational Services Commencement Date, details of the Throughput and Deemed Throughput per Test Type Grouping during the relevant Service Period);
 - (h) the pricing mechanism used to calculate the Charges;
 - (i) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
 - (j) the total Charges gross and net of any applicable deductions and, separately and, separately, any VAT or other sales tax payable in respect of each of the same;
 - (k) details of any Service Credits, Reimbursement Payments or similar deductions that shall apply to the Charges detailed on the invoice;
 - (l) reference to any reports required by the Authority in respect of the Services to 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);

- (m) a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;
- (n) 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
- (o) 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 and this paragraph. The Supplier shall first submit to the Authority a draft invoice setting out the Charges payable no later than five (5) Working Days from the:

- (a) date of issue of the Milestone Acceptance Certificate by the Authority in accordance with Schedule 6.2 (Testing Procedures), in respect of the relevant Milestone Payment; and/or
- (b) the last day of the Service Period to which the Service Charges relate, in respect of the Service Charges for that Service Period, and

the Parties shall endeavour to agree the draft invoice within 5 Working Days of its receipt by the Authority, following which the Supplier shall be entitled to submit its final 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 Suppliers shall submit all invoices and Supporting Documentation as PDF via email to SSa.invoice@sharedservicesarvato.co.uk, or such other e-mail address as the Authority shall notify to the Supplier.

1.7 If the Supplier is unable to email, then invoices can be posted to:

Shared Services Arvato,
5 Sandringham Park,
Swansea Vale,
Swansea.
SA7 0EA

or such other postal address as the Authority shall notify to the Supplier, 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.

1.8 Invoices received directly by the Authority will be returned to the Supplier.

- 1.9 All Supplier invoices shall be expressed in sterling.
- 1.10 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 or Shared Services Arvato on its behalf shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.
- 1.11 If the Authority or Shared Services Arvato on its behalf fails to consider and verify an invoice in accordance with paragraphs 1.4 and 1.10, the invoice shall be regarded as valid and undisputed for the purpose of paragraph 2.1 after a reasonable time has passed.
- 2. PAYMENT TERMS**
- 2.1 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier within 30 days of verifying that the invoice is valid and undisputed.
- 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.
- 2.3 The Supplier shall make payment to the Authority within 30 days of issue of the SC Credit Note in accordance with paragraph 2.6 of Part B.

ANNEX 1: CHARGES AND PRICING MECHANISM

1. **TABLE 4: RATE CARD**

Role	Description	Day Rate where Day = 7.5 hours
Test Centre Associate	Redacted	Redacted
Senior Test Centre Associate	Redacted	Redacted
Test Centre Manager	Redacted	Redacted
TCN Director	Redacted	Redacted
TCN Head of IT & Security	Redacted	Redacted
Security & Incident Management Executive	Redacted	Redacted
Security Support Assistant	Redacted	Redacted
Head of Programme Support	Redacted	Redacted
Scheduling Manager	Redacted	Redacted

Programme Support Executive	Redacted	Redacted
Internal Audit Executive	Redacted	Redacted
HR Business Partner	Redacted	Redacted
Project Manager	Redacted	Redacted
IT Project Manager	Redacted	Redacted
Property Project Executive	Redacted	Redacted
Property Solicitor	Redacted	Redacted
E-testing expert	Redacted	Redacted

2. **TABLE 5: MILESTONE PAYMENT (FIRM PRICES)**

MILESTONE	Milestone Date	Milestone Payment (£)
1. Mobilisation and Planning	Thu 21 Jan 21	None
2. TCN Model Office Technology Test Ready	Thu 04 Mar 21	Redacted
3. TCN Model Office Technology Test Completed	Thu 01 Apr 21	Redacted
4. Suitable locations approved	Tue 20 Apr 21	Redacted
5. TCN Pilot Office Physical and Technology Test Complete	Tue 18 May 21	Redacted
6. TCN Pilot Office Procedure Test Complete	Wed 16 Jun 21	Redacted
7. Evidence of Legal Title to Sites	Wed 30 Jun 21	Redacted
8. Booking Service Operational This is the first Operational Service Commencement Date	Thu 08 Jul 21	Redacted
9. Readiness for Service	Tue 31 Aug 21	Redacted
10. Commencement of Full Operations This is the final Operational Service Commencement Date	Sat 04 Sep 21	Redacted
11. CPP Milestone -Commencement of Full Operations	Thu 04 Nov 21	Milestone Retentions only

3. **TABLE 7: SERVICE CHARGES (VOLUME BASED) REGION A**

Test Type Grouping	Upper Volume Limit	Lower Volume Limit	Charge per test (£) DY1*	Charge per test (£) DY2	Charge per test (£) DY3	Charge per test (£) DY4	Charge per test (£) DY5	Charge per test (£) DY6**	Charge per test (£) DY7***
1: Car and Motorcycle	1,004,509	602,705	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
2: LGV and PCV multiple choice	40,333	24,200	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
3: LGV and PCV Hazard Perception Test	32,916	19,750	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
4: LGV and PCV CPC and CPC Conversion	26,750	16,050	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
5: ADI Part 1, AMI Enhanced Rider Scheme and Taxi	6,733	4,040	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
Total	1,111,241	666,745							

Notes:

* DY1 covers the period from the final Operational Service Commencement Date until 12 months thereafter. DY2, DY3, DY4 and DY5 relate to each subsequent 12 month period.

** Only applicable if the Authority elects to extend the Initial Term pursuant to clause 4.1.2.2 (*Term*).

*** Only applicable if the Authority elects to extend any Extension Period pursuant to clause 4.1.2.3 (*Term*).

ANNEX 2: NOT USED

ANNEX 3: NOT USED

ANNEX 4: NOT USED