

Call-Off Schedule 3 (Continuous Improvement and Savings)

Savings Gainshare

1 Definitions

1.1 this Schedule unless the context otherwise requires, words and phrases shall have the following meanings:

“Approved Savings Proposals” those Savings Proposals that are accepted in principle by the Buyer in accordance with Paragraph 1.4;

“Gainshare” the 50%:50% share attributed to the Buyer (on the one hand) and the Supplier, including the Buyer Supply Chain Members (on the other hand) and used for the purpose of calculating the amount of any Savings Payment;

“Gainshare Implementation Plan” an implementation plan which shall set out in more detail the way in which the Supplier intends that the Savings Proposal shall be implemented and the timetable for payments or adjustments to any element of the prices paid in accordance with the agreed Gainshare ratio;

“Maximum Savings Payment” ten per cent (10%) of the Charges for the relevant Contract Year;

“Savings” a proposed reduction in the Charges for a Contract Year for the Buyer, either by way of:

a) a cash saving which is a reduction in Charges;

b) an efficiency saving which is where a cost increase in Charges is avoided or reduced,

and may include a cash or efficiency saving reducing the amount that would otherwise be recoverable by the Supplier;

“Savings Payment” the payment made to the Supplier in accordance with this Schedule which may not in any event exceed the Maximum Savings Payment;

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“Savings Proposal” a written proposal by the Supplier under Paragraph 1.2 for Savings taking into account all appropriate technical, operational and commercial considerations.

“Suppliers Savings Account” means the account referred to in Paragraph 2.2;

“Supplier Savings Budget” the budget showing the estimated savings in each relevant Contract Year under existing Approved Savings Proposals

The Supplier will be expected to continually improve the way in which the required Services are to be delivered throughout the Contract duration.

The Supplier should present any new ways of working to the Customer during the Progress Meetings.

Changes to the way in which the Services are to be delivered must be brought to the Buyer's attention and agreed prior to any changes being implemented.

1.2 The Supplier makes proposals to the Buyer's Authorised Representative for a new or different way of providing the Services. A Savings Proposal clearly states that it is submitted for consideration under this Schedule and include as a minimum:

1.2.1 a business case for the new or different way the Supplier. Supplier intends to provide the Services or otherwise the nature of the proposed Savings;

1.2.2 the potential direct and indirect cost savings for the Supplier. and the Buyer;

1.2.3 the potential direct and indirect costs which might be incurred by the Supplier and the Buyer;

1.2.4 the potential benefit(s) (financial or otherwise) to the Supplier and the Buyer;

1.2.5 the amendments to this contract, necessary to give effect to the Savings Proposal and the Supplier's assessment of:

(a) any impact on the delivery of the Services including any changes that the Supplier considered necessary to be made to Call-Off Schedule 20 (Call-Off Specification);

(b) any impact on works and/or services provided by other Buyer Supply Chain Members;

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- (c) the operational, commercial and reputational impact on the Buyer and any risks associated with the Savings Proposal including any risk of not implementing the Savings Proposal;
 - (d) whether an instruction changing the Documentation is required to give effect to the Savings Proposal and the terms of such change;
- 1.2.6 where the proposal is made jointly with other Buyer Supply Chain Members, whether it is proposed to share any Savings Payment and the basis upon which the Savings Payment will be shared.
- 1.3 The Supplier and the Buyer shall meet to discuss the Proposal and attempt to agree the investment (financial or otherwise) to be contributed by the Supplier and the Buyer, the estimated amount of Savings, the timing of any payments or adjustments and the proportion of the costs and losses to be borne by the Supplier and the Buyer should the Savings Proposal be aborted or not meet its financial objectives. The Supplier shall submit a revised Savings Proposal to the Buyer.
- 1.4 The Buyer shall assess the Savings Proposal and, in writing within one (1) Month (or such other time as agreed between the Parties), either accepts it in principle, rejects it or offers recommendations or refinements for the Supplier to submit a revised Savings Proposal. Any Savings Proposal may require consent of the Buyer under the Framework Contract.
- 1.5 Where the Savings Proposal is accepted in principle by the Buyer and such Contract is put in writing, the Supplier shall formulate the Gainshare Implementation Plan.
- 1.6 The Supplier shall implement the Savings Proposal in accordance with the Gainshare Implementation Plan once the Gainshare Implementation Plan is agreed between the Parties. The Supplier and the Buyer shall comply with any obligations they have assumed, including adjustments to the prices paid and obligations to make payments in accordance with the timetable outlined in the Gainshare Implementation Plan.
- 1.7 Following implementation, the Parties shall meet to discuss the implementation as a whole, including a cost and benefit review.
- 1.8 The Supplier shall provide regular updates to the Buyer on:
 - 1.8.1 Savings Proposals that have been submitted for consideration, and
 - 1.8.2 the resultant benefits that have been derived from Savings Proposals which have been implemented.

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Such information shall be collated by the Buyer's Authorised Representative as management information.

2 Savings Payment

- 2.1 At each Operational Board meeting the Supplier shall report on progress of Approved Savings Proposals including actual savings and overspend against the Supplier Saving Budget.
- 2.2 The Supplier shall record all actual savings and any overspend in the Supplier Savings Account, allocating the amount of actual savings or overspend (as the case may be) to the relevant Approved Savings Proposal.
- 2.3 Subject to compliance with Paragraph 2.6, the Supplier shall be entitled to a Savings Payment where at the end of each relevant Contract Year there is credit balance of actual savings recorded in the Supplier Savings Account.
- 2.4 The amount of Savings Payment is calculated with reference to the applicable Gainshare as applied to the credit balance of actual savings recorded in the Supplier Savings Account at the end of the relevant Contract Year. In any relevant Contract Year the Savings Payment cannot exceed the Maximum Savings Payment.
- 2.5 At the end of each relevant Contract Year, after any Savings Payment has been paid to the Supplier, the balance of the Supplier Savings Account shall return to zero (0) provided that:
 - 2.5.1 where the Supplier Savings Account is in deficit at the end of the relevant Contract Year, the net overspend will be carried over to the next relevant Contract Year; and
 - 2.5.2 any surplus in the Supplier Savings Account after payment of the Maximum Savings Payment may be used as credit against any overspend in the subsequent relevant Contract Year but shall not entitle otherwise be carried over to subsequent years.
- 2.6 The Supplier shall be only entitled to a Savings Payment for the relevant Contract Year where:
 - 2.6.1 any reduction in the Supplier Savings Account under Annex A of Call-Off Schedule 14 (Service Levels) has been fully accounted for; and
 - 2.6.2 the actual Savings:
 - (a) are properly attributable to the performance of the Supplier (including any relevant Buyer Supply Chain Members) under any Approved Savings Proposals; and

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- (b) does not arise, or are not materially contributed to, through a reduction in the standard of performance of the Services; and
 - (c) the Saving has effects which was contemplated in Paragraph 2.2; and
 - (d) no Supplier Termination Event is outstanding or has occurred during the relevant Contract Year (which event not been satisfactorily remedied in accordance with this Contract) or where no equivalent termination events under any relevant contracts between the Buyer and any Buyer Supply Chain Members are outstanding or have occurred during the relevant Contract Year (and not been satisfactorily remedied in accordance with their respective contracts).
- 2.7 Within thirty (30) Working Days of the end of a relevant Contract Year the Supplier shall submit to the Buyer a statement (Supplier Savings Statement) of:
 - 2.7.1 total expenditure;
 - 2.7.2 a summary of what, if any actual savings have been achieved;
 - 2.7.3 a summary of any overspend and a detailed explanation of why the Supplier believes that Savings Proposals failed to generate any actual Savings;
 - 2.7.4 whether the Supplier considers itself entitled to a Savings Payment or whether it considers a repayment to the Buyer is required of any Savings Payments made in previous relevant Contract Years; and
 - 2.7.5 the basis of calculation of any Savings Payment to which the Supplier considers itself entitled.
- 2.8 Within twenty (20) Working Days of receipt of the Supplier's Statement under Paragraph 2.7, the Buyer shall provide the Supplier with its assessment (Buyer Savings Statement) of the amount, if any, that the Buyer considers the Supplier is entitled to by way of a Savings Payment or any repayment to the Buyer (as the case may be).
- 2.9 Following receipt by the Supplier of the Buyer Savings Statement, the Supplier shall provide any Supporting Documentation requested by the Buyer and shall respond to any requests for further information requested by the Buyer.
- 2.10 The Parties shall convene such further meetings and make such other discussions, communication and exchanges with a view to reaching Contract

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in relation to whether the Supplier is entitled to any Savings Payment and if so the amount of such payment.

- 2.11 Where the Supplier has issued a Supplier Savings Statement under Paragraph 2.7, the Buyer shall, no later than twelve (12) weeks from the end of the relevant Contract Year, issue a final statement (a "**Final Buyer Savings Statement**") of the amount, if any, that it considers to be due to the Supplier by way of a Savings Payment for the preceding relevant Contract Year.
- 2.12 Where at the end of the relevant Contract Year, the aggregate actual Savings over the Term are less than the aggregate overspend, the Supplier shall repay any Savings Payment made in respect of previous relevant Contract Years to the extent that by so doing the balance of the Supplier Savings Account shall be "zero". Any deficit after such repayment shall be carried forward to the next relevant Contract Year.
- 2.13 The Supplier may make application for a Savings Payment following issue of the Final Buyer Savings Statement save in relation to the end of the Term when it shall include its application in the Final Statement. The amount due shall be the amount stated in the Buyer Savings Statement or in the absence of such statement, the amount stated in the Supplier's application provided that the same does not exceed the amount stated in the Supplier Savings Statement.
- 2.14 The due date for payment of the amount stated as due to the Supplier or the Buyer (as the case may be) in relation to a payment under the date of the Final Buyer Savings Statement. The final date for payment in respect of such payment shall be thirty (30) days after the due date.
- 2.15 If the Buyer (or the Supplier) intends to pay less than the amount stated in the Final Buyer Savings Payment, it may issue a notice no later than the date which is one day before the final date for payment for such payment stating the amount which it considers to be due on the date of such notice and the basis upon which it is calculated.
- 2.16 If the amount stated in the Buyer Savings Statement is disputed such dispute may be referred for resolution.
- 2.17 The Approval by the Buyer of a Savings Proposal shall not in any way limit or excuse the performance of the Supplier of its obligations under this Contract. The provisions of this Schedule are without prejudice to the Buyer's other rights against the Supplier in respect of any overspend or otherwise.