

OFFICIAL
ATTACHMENT 16-6 OF THE SPECIAL TERMS

PSN SERVICES

CALL-OFF TERMS

SCHEDULE 5.4

FINANCIAL MODEL

1. INTRODUCTION

- 1.1 This Schedule details the requirements for the Financial Model that is to be supplied by the Contractor to enable the Customer Authority to identify how the Contractor calculates the Charges. The Charges shall be calculated in accordance with the provisions stated in Part A of Schedule 5.1 (Charges and Invoicing), Appendix 10 of the Call-Off Form and this Agreement. Furthermore and where applicable, the Charges shall be calculated such that all payments made prior to ATP shall be exclusive of any applied margins or overheads.
- 1.2 The Parties shall each retain copies of the Financial Model and the Contractor shall provide the Customer Authority with updates to the Financial Model in accordance with the provisions of this Schedule.
- 1.3 The Financial Model shall be used together with the principles set out in Part A of Schedule 5.1 (Charges and Invoicing) and Appendix 10 of the Call-Off Form as a basis for considering any Changes to the Charges under the Change Control Procedure and for such other purposes as are specifically indicated in this Agreement.
- 1.4 Where a Contractor's Service Catalogue is required by the Customer Authority, the Contractor's Service Catalogue ~~shall~~may be used ~~instead of a~~in addition to ~~the~~the Financial Model, unless otherwise required by the Customer Authority.

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2. CONTENT AND CONSTRUCTION OF THE FINANCIAL MODEL

2.1 The Financial Model shall:

- 2.1.1 provide sufficient detail for the Customer Authority to have visibility of the construction of the Charges to be paid in respect of the provision of the Services;
- 2.1.2 be constructed in relation to Milestone Payments and Service Charges on a monthly basis (or such other basis as the Customer Authority requires);
- 2.1.3 quote all monetary values in pounds sterling;
- 2.1.4 quote all costs as exclusive of any VAT;
- 2.1.5 provide visibility of the construction of the cost of the Services throughout the Term, excluding mark-up if applied, which shall include (where applicable or as the Customer Authority requires from, but not limited to) the following:
 - 2.1.5.1 labour charges for delivering the Service Requirements and Contractor Service Descriptions ~~broken down by each job title (e.g. project manager) with the number of days and daily rate shown for each job title.~~ Labour shall also be broken down and sub-totalled by the Milestones and Tests;
 - 2.1.5.2 where required by the Customer Authority, breakdown at a unit level of hardware and software costs (including underlying telecommunications costs and rental charges), Sub-contractor costs and any other underlying identifiable costs making up the pricing;
 - 2.1.5.3 recurring and non-recurring pricing and service terms ~~and volume discounts applicable,~~ cross-referenced to the Service Requirements, and Contractor Service Descriptions ~~and Service Level Targets;~~

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- 2.1.5.4 ~~depreciation policy applicable to Assets (including software and hardware) (which also applies to calculating the Net Book Value);~~Not used;
- 2.1.5.5 licence costs;
- 2.1.5.6 Sub-contractor costs;
- 2.1.5.7 accommodation costs;
- 2.1.5.8 overheads/mark-ups separately identified and their calculation explained;
- 2.1.5.9 ~~pricing of risk/contingency fully explained and the quantification supported by a priced risk matrix;~~
- 2.1.5.10 financing costs (if applicable) showing the interest rate and calculation and the need to apply financing explained;
- 2.1.5.11 other miscellaneous costs; and
- 2.1.5.12 Charges associated with PSN Changes.
- 2.1.6 provide a reasonably skilled and experienced individual with a full analysis of the Contractor's capital and operating costs and the assumptions used to develop and modify the Charges set out in Appendix 10 of the Call-Off Form;
- 2.1.7 quote all costs, prices and revenues based on current prices;
- 2.1.8 be constructed in a format and using a software tool as specified by the Customer Authority;
- 2.1.9 not have any parts which are hidden, protected, locked or made otherwise inaccessible or obscured to review or alteration;
- 2.1.10 be laid out in a clear and logical manner. The overall flow of information in the Financial Model shall flow from inputs, to calculations, to outputs, with the final output being in tables. ~~Any formulae in the Financial Model shall not contain a mixture of inputs and calculations.~~

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Any column labelling in the Financial Model shall be consistent between worksheets;

~~2.1.11 include a cash flow statement that shows the timing and relationship between the planned cash outflows and the revenue which the Contractor expects to receive;~~Not used:

~~2.1.12 include an explanation of any underlying assumptions regarding:~~

~~2.1.12.1 overtime rates;~~

~~2.1.12.2 standard hours;~~

~~2.1.12.3 accommodation charges; and~~

~~2.1.12 2.1.12.4 discounts applied;~~Not used:

2.1.13 clearly show the calculation of any financing charges associated with outstanding balances (between costs incurred and revenue received);

~~2.1.14 provide visibility of profit (and the calculation of profit) both as a value and as a percentage and show the Project Internal Rate of Return; and~~Not used:

2.1.15 include a version control sheet that provides visibility of changes from the previous approved version of the Financial Model together with a summary reconciliation of those changes.

2.2 The Contractor shall, if requested by the Customer Authority, provide (or procure the provision of) the above level of information in relation to the costs and expenses to be incurred by any of its Sub-contractors or third party suppliers.

3. VISIBILITY THROUGH THE FINANCIAL MODEL

3.1 Upon request of the Customer Authority, the Contractor shall promptly provide to the Customer Authority details of the elements used to make up any Charges.

3.2 The Contractor shall provide to the Customer Authority the following (where applicable or as required by the Customer Authority) information in relation to the Charges:

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- 3.2.1 the Contractor's total prices for the Services and/or Deliverables;
- 3.2.2 any margin (if applicable) included in that total price;
- 3.2.3 a summary of the construction of each Service Charge and/or Milestone Payment;
- 3.2.4 details of any manpower costs included in the Milestone Payments, for all project activities to be undertaken;
- 3.2.5 a resource estimating model to support the Milestone Payments/Deliverables;
- 3.2.6 a breakdown of manpower resources by the number and type of Contractor Personnel required for each Milestone, Test, Deliverable and/or Service and free of any contingency. This shall also apply to third party costs;
- 3.2.7 the total price of Services, Milestone Payments and Deliverables broken down by volume, and unit cost ~~and margin~~;
- 3.2.8 any additional activities, costs and risks that may impact the Customer Authority and which are not already covered by the Charges;
- 3.2.9 an explanation of the type ~~and value~~ of risk associated with the provision of the Services, ~~including the amount of money attributable to each risk~~;
- 3.2.10 an explanation and supporting details of any financing costs applicable to this Agreement;
- ~~3.2.11 a statement of the Contractor's anticipated cashflow for the Term;~~
- 3.2.11 ~~3.2.12~~ the actual Charges profile for each month; and
- 3.2.12 ~~3.2.13~~ any additional information as the Customer Authority reasonably requires.

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4. CUSTODY OF THE FINANCIAL MODEL

- 4.1 Immediately after the Effective Date and following agreement by both Parties of the changes to the Financial Model under Paragraph 5 below, the Contractor shall deliver a soft copy of the Financial Model to the Customer Authority and where requested by the Customer Authority up to two (2) hard copies.
- 4.2 The Contractor shall also provide a soft and/or hard copy of the Financial Model (together with any Updated Financial Models) to the Framework Authority if requested by the Framework Authority.

5. UPDATES TO THE FINANCIAL MODEL

- 5.1 Unless otherwise agreed in writing between the Parties, any updates to the Financial Model shall reflect, be consistent with and be made only in accordance with the provisions of this Agreement and shall in all cases be subject to the Approval of the Customer Authority (not to be unreasonably withheld or delayed).
- 5.2 All changes to the Financial Model shall be auditable, implemented and documented under formal version control.
- 5.3 The Contractor shall revise the Financial Model in order to reflect any inputs, modifications or other amendments to the Financial Model which are effected pursuant to this Agreement, including any amendments made to the Financial Model which arise from:
- 5.3.1 the implementation of a Change which affects the Charges (including a PSN Change);
 - 5.3.2 any changes to the Contractor's accounting practices; and
 - 5.3.3 any changes to the Contractor's costs referred to in paragraph 6.3 of Schedule 7.1 (Staff Transfer) .
- 5.4 Each Financial Model shall be constructed using the same methodology as that used for the then current Financial Model and shall be consistent with and made in accordance with the provisions of this Agreement.

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5.5 The Contractor shall adhere to and apply the following principles when preparing an Updated Financial Model:

5.5.1 any amendment which is made in order to evaluate the impact of any inputs, modification or other adjustment shall relate only to such inputs, modification or other adjustment; and

5.5.2 no amendment shall affect, in any way whatsoever, the performance of the Services, save as agreed in accordance with the Change Control Procedure.

5.6 On the occurrence of any event which requires the Financial Model to be updated, the Contractor shall effect the change on the latest version of the Financial Model and deliver the Updated Financial Model, to the Customer Authority for Approval. The Contractor shall ensure that each version of the Financial Model delivered to the Customer Authority shall be certified by a director (or other senior officer) of the Contractor as being accurate and not misleading and in conformity with all generally accepted accounting principles within the UK.

5.7 Unless the Customer Authority wishes to dispute the Financial Model in accordance with Paragraph 6 below, the Customer Authority shall Approve the Updated Financial Model within twenty (20) Working Days (or such other period as the Customer Authority advises the Contractor in writing) of receipt of the same.

5.8 If the Customer Authority Approves the Updated Financial Model submitted by the Contractor, it shall advise the Contractor of its decision in writing and the updated and approved Financial Model shall become, with effect from the date of such approval, the Updated Financial Model in place for the purposes of this Agreement.

6. DISPUTE

6.1 If the Customer Authority disputes any Financial Model, it may request such further information from the Contractor as it requires prior to delivering a decision on whether it accepts or rejects the relevant Financial Model.

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- 6.2 In the event that the Customer Authority and the Contractor are unable to reach agreement on any Financial Model, the matter shall be referred for determination in accordance with the Expedited Dispute Timetable.

7. CERTIFICATION OF COSTS

- 7.1 The Contractor shall, on each anniversary of the Effective Date and also at the request of the Customer Authority (such additional requests not to exceed five (5) occasions over the Term), provide to the Customer Authority a certificate of any of the costs incurred under Paragraph 5 above within fifteen (15) Working Days (or such other period as required by the Customer Authority) of such request. The certificate of costs must be signed by an appropriate senior financial officer of the Contractor.
- 7.2 Following receipt of the certificate of costs, the Contractor shall provide to the Customer Authority any reasonable additional information to enable the Customer Authority to verify the accuracy of the certificate of costs.
- 7.3 The Contractor shall meet with the Customer Authority at monthly intervals during the Term to monitor the key elements of the Financial Model and the Contractor shall highlight directly to the Customer Authority any variances from the Financial Model.
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