

IUS CONSOLIDATED CONTRACT SCHEDULE

CONSOLIDATED SCHEDULE 11

VALUE FOR MONEY

for Contract Number DCNS/119

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CONSOLIDATED SCHEDULE 11

VALUE FOR MONEY

This Consolidated Schedule provides a consolidated version of the requirements of Schedule 5.3 (*Benchmarking*) of the Call-Off Terms and the Customer Authority's special terms relating to value for money.

Capitalised terms used but not defined in this Consolidated Schedule are defined in Consolidated Schedule 1 (*Definitions*).

1 GENERAL PRINCIPLES AND OBLIGATIONS

1.1 This Consolidated Schedule sets out provisions designed to facilitate the delivery of continuous or increasing value for money for the Customer Authority throughout the Term, including provisions relating to:

- 1.1.1 Benchmark Reviews, as further described in Paragraph 3 below;
- 1.1.2 Price Reviews, as further described in Paragraph 4 below;
- 1.1.3 the implementation of Service Charges changes resulting from the application of Value for Money Mechanisms, as further described in Paragraph 5 below;
- 1.1.4 governance arrangements for the oversight of Value for Money Mechanisms, as further described in Paragraph 6 below; and
- 1.1.5 the measurement of the success of Value for Money Mechanisms, as further described in Paragraph 7 below.

1.2 In this Consolidated Schedule the Benchmark Reviews mechanisms in Paragraph 3 below and the Price Review in Paragraph 4 below are each known as a **"Value for Money Mechanism"** and are collectively known as the **"Value for Money Mechanisms"**.

1.3 The Customer Authority may require, by notice in writing (including by email), one or more of the Value for Money Mechanisms to be applied during the Term in accordance with this Consolidated Schedule where it believes, in its sole discretion, that the use of the relevant Value for Money Mechanism(s) may result in a benefit to the Customer Authority.

1.4 The Contractor shall ensure that it and its Sub-contractors provide the Customer Authority and its third party nominees and advisors, if any, with all information and assistance requested by the Customer Authority in connection with the application of any of the Value for Money Mechanisms (including in order to assess correctly the actual or potential impact of any Value for Money Mechanism). The Contractor shall ensure that it and its Sub-contractors shall share all relevant information for the purpose of applying the Value for Money Mechanisms, including the Commercially Sensitive Information to the extent that the same is needed to enable the application of the Value for Money Mechanisms.

1.5 Without prejudice to Clause 1.7 of this Consolidated Contract, the Contractor acknowledges that the Customer Authority may appoint third party nominees or advisors to support or assist in understanding the application of Value for Money Mechanisms.

2 NO PRICE INCREASES, NO REDUCTION IN SERVICE LEVELS

2.1 No price for, or other fee associated with, any Service Element may increase as a result of a Benchmark Review.

- 2.2** No Service Level may be reduced as a result of the application of a Value for Money Mechanism.

3 BENCHMARKING

Frequency of Benchmark Review

- 3.1** The Customer Authority may, by written notice to the Contractor (with a copy being simultaneously sent to the Framework Authority), and subject to Paragraph 3.2 below, require a Benchmark Review of any or all of the Services (including any sub-set of the Services) to occur on or around the anniversary of the Effective Date. Such written notice must be submitted to the Contractor at least one (1) month prior to the anniversary of the Effective Date.
- 3.2** The Customer Authority shall not be entitled to carry out a Benchmark Review of any Service (including any subset of the Services):
- 3.2.1** during the first twelve (12) month period from the Effective Date; or
 - 3.2.2** at intervals of less than twelve (12) months after the date upon which any previous notice of Benchmark Review was provided by the Customer Authority in accordance with Paragraph 3.1 above.
- 3.3** The Benchmark Review may be undertaken by or on behalf of the Customer Authority. If the Customer Authority wishes the Framework Authority to carry out a Benchmark Review on its behalf, the Customer Authority shall approach the Framework Authority but the Framework Authority shall not be obliged to carry out such Benchmark Review. The costs and expenses of the Framework Authority shall be borne by the Parties in accordance with Paragraph 3.11 below. The Framework Authority shall have no liability for any costs or expenses of the Benchmarking and the Benchmark Review if it agrees to undertake the Benchmark Review on behalf of the Customer Authority.

Purpose and Scope of Benchmark Review

- 3.4** The purpose of a Benchmark Review shall be to establish whether a Benchmarked Service is, and/or the Benchmarked Services as a whole are, Good Value.
- 3.5** The Services that are to be the Benchmarked Services shall be identified by the Customer Authority in the written notice given under Paragraph 3.1 above.

Appointment of Benchmarking

- 3.6** Subject to Paragraph 3.7 below, the Customer Authority shall appoint the Benchmarking by means of any procurement framework(s) available to the Customer Authority.
- 3.7** If the Customer Authority concludes that its own procurement framework(s) do not make available a candidate suitable for the role of Benchmarking, then the Customer Authority shall give the Contractor notice of the same and the Parties shall as soon as reasonably practical, and in any case within one (1) calendar month of such notice, agree upon a Benchmarking to carry out the Benchmark Review.
- 3.8** To the extent that the Parties are unable to reach an agreement in accordance with Paragraph 3.7 above, then the Customer Authority shall authorise the PSNA to, at the PSNA's sole discretion, either:
- 3.8.1** act as the Benchmarking; or

3.8.2 choose a Benchmarker.

3.9 The terms under which the Benchmarker is engaged shall be:

3.9.1 consistent with the relevant provisions in this Consolidated Schedule; and

3.9.2 determined and agreed solely by the Customer Authority (unless otherwise advised by the Customer Authority). The Customer Authority may consult with the Contractor on the terms under which the Benchmarker is engaged but the Contractor agrees that such terms shall be determined and agreed solely by the Customer Authority.

3.10 The Customer Authority shall, at the written request of the Contractor (such form of written request to refer to this Paragraph 3.10) require the Benchmarker to enter into an appropriate confidentiality undertaking with the Customer Authority to protect the Contractor's Confidential Information, provided that nothing shall prevent the Benchmarker from using anonymised data about the Services in future benchmarks for its other clients.

3.11 The costs and expenses of the Benchmarker and the Benchmark Review (including any costs and expenses incurred by the Framework Authority pursuant to Paragraph 3.3 above) shall be borne by the Customer Authority provided that each Party shall bear its own internal costs of the Benchmark Review. In order to enable the Benchmarker to be in a position to effectively and efficiently conduct Benchmark Reviews, the Parties acknowledge that a newly appointed Benchmarker will need to be given a sufficient opportunity, prior to its initial Benchmark Review, to become familiar with the relevant requirements of this Consolidated Schedule and the information that will be required from the Parties to facilitate any Benchmark Review.

3.12 Where the Framework Authority carries out a Benchmark Review on behalf of the Customer Authority, the Framework Authority shall require the Benchmarker to enter into an appropriate confidentiality undertaking to protect the Contractor's Confidential Information, provided that nothing shall prevent the Benchmarker from using anonymised data about the Services in future benchmarks for its other clients.

Benchmarker Requirements

3.13 The Customer Authority shall require the Benchmarker to produce and to send to each Party, a draft plan for the Benchmark Review (a "**Draft Benchmarking Plan**") (a copy of the plan shall be provided to the Framework Authority upon request from the Framework Authority) within eight (8) Working Days (or such other period as the Parties agree in writing, such form of writing to refer to this Paragraph 3.13) after the date of the appointment of the Benchmarker, or such longer period as the Benchmarker shall reasonably request of the Customer Authority in all the circumstances. The Draft Benchmarking Plan must include:

3.13.1 the scope, proposed timetable and description of Services for the Benchmark Review;

3.13.2 a description of the information that the Benchmarker requires each Party to provide;

3.13.3 a description of the benchmarking methodology to be used and the means by which Good Value will be established;

- 3.13.4 a description that demonstrates objectively and transparently that the benchmarking methodology to be used is capable of fulfilling the benchmarking objectives;
 - 3.13.5 an estimate of the resources required from each Party to underpin the delivery of the Benchmark Review;
 - 3.13.6 a description of how the Benchmarker will scope and identify the Comparison Group(s) and the minimum number of samples required to establish each Comparison Group; and
 - 3.13.7 details of any entities which the Benchmarker proposes to include within the Comparison Group(s) including a description of the methodology which the Benchmarker may use to normalise or otherwise adjust the results from the Comparison Group(s).
- 3.14 Each Party must give notice in writing to the Benchmarker and to the other Party within eight (8) Working Days (or such other period as the Parties agree in writing such form of writing to refer to this Paragraph 3.14) after receiving the Draft Benchmarking Plan, advising whether it approves draft plan or, if it does not approve the draft plan, suggesting amendments to that plan. Failure by a Party to give notice under this Paragraph 3.14 shall be treated as approval of the Draft Benchmarking Plan by that Party.
- 3.15 Where a Party suggests amendments to the Draft Benchmarking Plan in accordance with Paragraph 3.14 above the Benchmarker must, if it believes the amendments are reasonable, incorporate those amendments into the Draft Benchmarking Plan. In making a determination as to whether or not to accept amendments put forward by either Party, the Benchmarker must act reasonably and in accordance with the terms under which it has been engaged by the Customer Authority. Once the Benchmarker has produced the amended Draft Benchmarking Plan, the Draft Benchmarking Plan shall be treated as approved by both Parties (the “**Benchmarking Plan**”).
- 3.16 The Benchmarking Plan shall be provided to the Framework Authority upon request from the Framework Authority.
- 3.17 The Benchmarker shall carry out the Benchmark Review in accordance with the Benchmarking Plan. Each Party shall procure that all the information described in the Benchmarking Plan, together with any additional information reasonably required by the Benchmarker, is provided to the Benchmarker without undue delay and within any timeframes specified in the Benchmarking Plan.
- 3.18 If the Contractor fails to provide any of the information required under Paragraph 3.17 above within sixteen (16) Working Days, and does not remedy such failure within eight (8) Working Days of being notified of the same by the Customer Authority, then:
- 3.18.1 such failure shall constitute a material Default for the purposes of Clause 47.4 of this Consolidated Contract; and
 - 3.18.2 the Contractor shall pay to the Customer Authority a sum of five thousand pounds sterling (£5,000) for each Working Day from such failure and up until such information is provided to the Benchmarker. Such payment(s) are in addition, and shall be without prejudice, to any other right or remedy of the Customer Authority under this Consolidated Contract or otherwise. The Parties agree that such payment(s) are not a penalty and are a genuine pre-estimate of the sums required

to offset the additional cost to the Customer Authority of the Contractors delay as a result of the Contractor's failure to comply with Paragraph 3.17 above.

- 3.19** Each Party shall cooperate fully with the Benchmarker, including by providing access to records, technical documentation, premises, equipment, systems and personnel at times reasonably requested by the Benchmarker, provided that the Benchmarker shall be instructed to minimise any disruption to the Benchmarked Services.
- 3.20** Either Party may provide material additional to that set out in the Benchmarking Plan or requested by the Benchmarker, to the Benchmarker to assist the Benchmarker in conducting the Benchmark Review.
- 3.21** Once it has received the information it requires, the Benchmarker shall finalise a sample of entities constituting the Comparison Group(s) and collect data relating to Comparable Services. The selection of the Comparison Group(s) (both in terms of number and identity of entities) and Comparable Services shall be a matter for the Benchmarker's professional judgment.
- 3.22** The Benchmarker shall apply the adjustments set out in Paragraph 3.23 below to the data collected under Paragraph 3.21 above, the resulting data being the **"Equivalent Services Data"** and shall, using the Equivalent Services Data:
- 3.22.1** calculate the Twenty-fifth Percentile;
 - 3.22.2** compare the Charges attributable to the Benchmarked Services with the Twenty-fifth Percentile; and
 - 3.22.3** determine whether or not each Benchmarked Service is and/or the Benchmarked Services as a whole are, Good Value.
- 3.23** Subject to Paragraph 3.24 below, members of the Comparison Group(s) with unusually high or low prices, due, for example, to loss-leading prices or cross-subsidised prices, shall be identified by the Benchmarker and removed from the Comparison Group(s) with the agreement of the Parties (not to be unreasonably withheld or delayed). The Benchmarker shall ensure that both Parties have visibility of such Comparison Group(s) before and after the elimination of the identified members. No other organisations shall be removed from the Comparison Group(s).
- 3.24** The Benchmarker may include in the Comparison Group(s) organisations that provide the Comparable Services for their own benefit as part of their in-house functions or from entities within their Group.
- 3.25** The Benchmarker shall have regard to the following matters when performing a comparative assessment of the Benchmarked Services and the Comparable Services in order to derive the Equivalent Services Data:
- 3.25.1** the contractual and business environment under which the Benchmarked Services are being provided (including the scope, scale, complexity and geographical spread of the Benchmarked Services);
 - 3.25.2** any front-end investment and development costs of the Contractor;
 - 3.25.3** the Contractor's risk profile including the financial, performance or liability risks associated with the provision of the Benchmarked Services as a whole;

3.25.4 the extent of the Contractor's management and contract governance responsibilities; and

3.25.5 any other factors reasonably identified by the Benchmarker which, if not taken into consideration, could unfairly cause the Contractor's pricing to appear non-competitive (such as erroneous costing or over-aggressive pricing).

Benchmarking Report

3.26 The Benchmarker shall be required to prepare a Benchmarking Report and deliver it simultaneously to both Parties (a copy of the Benchmarking Report shall be provided to the Framework Authority upon request from the Framework Authority), at the time specified in the Benchmarking Plan, setting out its findings. The Benchmarking Report shall:

3.26.1 identify whether or not each Benchmarked Service is and/or whether the Benchmarked Services as a whole are, Good Value;

3.26.2 address the competitiveness or otherwise of those Benchmarked Services; and

3.26.3 if any Benchmarked Service is not Good Value, or the Benchmarked Services as a whole are not Good Value, specify the changes that would be required to be made to the Charges, in order to make that Benchmarked Service or those Benchmarked Services as a whole Good Value.

3.27 The Benchmarking Report shall be final and binding upon the Parties, subject to the Benchmarker complying with the Benchmarking Plan.

4 PRICE REVIEWS

Frequency of a Price Review

4.1 The Customer Authority may, by written notice to the Contractor and subject to Paragraph 4.2 below, initiate a Price Review (a "**Price Review Notice**"), at any time during the Term.

4.2 The Customer Authority shall not be entitled to carry out a Price Review of any Service (including any subset of a Service):

4.2.1 during the twelve (12) month period following the Effective Date;

4.2.2 at intervals of less than twelve (12) months after any previous Price Review of that same Service (including any subset of that Service) initiated by the Customer Authority in accordance with this Consolidated Contract; or

4.2.3 at intervals of less than three (3) months after any previous Price Review of any Service (including any subset of a Service) initiated by the Customer Authority in accordance with this Consolidated Contract.

Purpose and Scope of Price Review

4.3 The scope of the Price Review shall be determined by the Customer Authority and set out in the Price Review Notice.

Price Review Requirements

4.4 The Price Review Notice shall contain the following information:

4.4.1 a statement that the Customer Authority is initiating a Price Review and an explanation of the grounds on which the Price Review is being initiated;

- 4.4.2 notification of the Service in respect of which the Price Review shall be conducted (the “**Relevant Services**”);
 - 4.4.3 a summary of the objectives to be achieved by the Price Review; and
 - 4.4.4 the timetable for the conduct of the Price Review and the areas in which the Customer Authority requires the Contractor to co-operate.
- 4.5 In relation to each Price Review:
- 4.5.1 the Contractor shall, promptly and in good faith, provide the Customer Authority with all such supporting documentation and materials that the Customer Authority requests as part of the Price Review;
 - 4.5.2 following the conclusion of a Price Review, the Contractor shall provide a detailed summary of the Price Review (a “**Price Review Report**”) to the Service Operations Board for its consideration in accordance with Paragraph 5.1.2 (*Role*) of Consolidated Schedule 15 (*Governance*), and such Price Review Report shall:
 - (i) provide a summary of the findings of the Price Review including:
 - (a) a comparison of the Charges for the Relevant Services, with any prices charged by the Contractor to its other customers for services that are identical or materially similar to the Relevant Services (including in terms of scope, specification, volume and quality of performance);
 - (b) based on market testing carried out by the Contractor, prices in the market for services that are identical or materially similar to the Relevant Services (including in terms of scope, specification, volume and quality of performance); and
 - (c) any other relevant information;
 - (ii) set out and explain any adjustments to the Charges proposed as a result of the Price Review; and
 - (iii) where any Charges which were subject to the Price Review are not proposed to be adjusted following the Price Review, set out and explain the reasons for not proposing an adjustment to such Charges; and
 - 4.5.3 each Party shall bear its own costs.
- 4.6 Following the Contractor’s publication (in accordance with Paragraph 5.1.4 (*Outputs*) of Consolidated Schedule 15 (*Governance*)) of the minutes to any meeting in which the Service Operations Board concludes its review of a Price Review Report (in accordance with Paragraph 5.1.2 (*Role*) of Consolidated Schedule 15 (*Governance*)), the Contractor shall promptly submit that Price Review Report to the Customer Authority for consideration by the Customer Authority.
- 4.7 Following receipt of a Price Review Report from the Contractor, the Customer Authority shall be provided with the opportunity to consider the contents of such Price Review Report and discuss and challenge any of its findings. The Contractor shall respond promptly in writing to any request for further information from the Customer Authority or its advisors where so requested. The Customer Authority may, in its absolute discretion, Approve or reject the Price Review Report.

- 4.8 If the Customer Authority does not Approve the Price Review Report, then the Customer Authority in its sole discretion may require that the steps referred to above are repeated.

5 IMPLEMENTING PRICE CHANGES RESULTING FROM A VALUE FOR MONEY MECHANISM

- 5.1 If the Benchmarking Report states that any Benchmarked Service is not Good Value, or that the Benchmarked Services as a whole are not Good Value, then the Contractor shall:

5.1.1 within eight (8) Working Days of the issuance of the Benchmarking Report, implement the changes to the Charges set out in the Benchmarking Report; and

5.1.2 at the Customer Authority's request:

- (i) deduct from the next invoice(s) due under this Consolidated Contract;
- (ii) pay directly to the Customer Authority as a debt within ten (10) Working Days of receiving the Customer Authority's request for such payment; or
- (iii) provide to the Customer Authority as a credit note for use by the Customer Authority against future invoices at its discretion, within ten (10) Working Days of receiving the Customer Authority's request for such credit note,

the amount (if any) by which the Charges paid or payable by the Customer Authority for the relevant Service(s) during the Benchmarking Period exceeded the Charges that the Customer Authority would have paid had the adjustments to the Charges proposed in the Benchmarking Report applied during that Benchmarking Period; and

5.1.3 update the Contractor's Call-Off Service Catalogue as appropriate.

- 5.2 For the purposes of Paragraph 5.1.1 above, "**Benchmarking Period**" means, in respect of each Benchmark Review, the period beginning on the date that the Benchmark was appointed and ending on the date on which all of the recommended changes to the Charges have been implemented.

- 5.3 If the Benchmarking Report determines that any or all of the Benchmarked Services are not Good Value then, any failure by the Contractor to reduce the Charges in accordance the applicable timescales set out in Paragraph 5.1 above shall, without prejudice to any other rights or remedies of the Customer Authority, constitute a material Default for the purposes of Clause 47.4 of this Consolidated Contract.

- 5.4 The following provisions shall apply in relation to Price Reviews:

5.4.1 in the event that a Price Review Report recommends an adjustment to Service Charge(s) (together, the "**Price Review Adjustments**"), the Contractor shall ensure that, within eight (8) Working Days from the date of the Customer Authority's Approval of such Price Review Report in accordance with Paragraph 4.7 above, it:

- (i) implements the Price Review Adjustments;
- (ii) at the Customer Authority's request:
 - (a) deducts from, or adds to, as appropriate, the next invoice(s) due under this Consolidated Contract;

- (b) pays directly to the Customer Authority as a debt within ten (10) Working Days of receiving the Customer Authority's request for such payment; or
- (c) provides to the Customer Authority as a credit note for use by the Customer Authority against future invoices at its discretion, within ten (10) Working Days of receiving the Customer Authority's request for such credit note,

the amount (if any) by which the Service Charges paid or payable by the Customer Authority for the relevant Service(s) during the Price Review Period exceeded the Charges that the Customer Authority would have paid had the Price Review Adjustments applied during the Price Review Period; and

- (iii) update the Contractor's Call-Off Service Catalogue with the adjusted Charges; and

5.4.2 for the purposes of Paragraph 5.4.1 above, "**Price Review Period**" means in respect of each Price Review, the period beginning on the date that the Price Review was requested and ending on the date on which all of the Price Review Adjustments have been implemented.

5.5 Any failure by the Contractor to reduce the Charges in accordance with the applicable timescales set out in Paragraph 5.4.1 above shall, without prejudice to any other rights or remedies of the Customer Authority, constitute a material Default for the purposes of Clause 47.4 of this Consolidated Contract.

6 VALUE FOR MONEY GOVERNANCE ARRANGEMENTS

The Service Operations Board shall act as the governing body for the Value for Money Mechanisms, as further described in Consolidated Schedule 15 (*Governance*).

7 MEASURING SUCCESS OF THE VALUE FOR MONEY MECHANISMS

7.1 Within seven (7) weeks of the start of each Financial Year, the Contractor shall prepare and submit to the Service Operations Board for its consideration in accordance with Paragraph 5.1.2 (*Role*) of Consolidated Schedule 15 (*Governance*) a report known as a "**Value for Money Report**" which describes accurately and in a reasonable amount of detail:

- 7.1.1** the Value for Money Mechanisms that have been initiated in the last Financial Year;
- 7.1.2** the Value for Money Mechanisms that have been completed in the last Financial Year;
- 7.1.3** a summary of the results of the Value for Money Mechanisms that have been completed in the last year, including any resulting reduction in any price(s) or Charge(s);
- 7.1.4** the change in the Customer Authority's actual spend (including both amounts accrued and invoiced) in the preceding two (2) Financial Years on such Service Element or Services that have been the subject of a price or Charge(s) adjustment as a result of the application of a Value for Money Mechanism;

- 7.1.5 a comparison with the estimated Charges that would have been accrued had the Value for Money Mechanisms not been undertaken (hence demonstrating the success of the Value for Money Mechanisms);
 - 7.1.6 the current status of any Value for Money Mechanisms that are currently in progress;
 - 7.1.7 the Value for Money Mechanisms that are planned to be undertaken in the following year; and
 - 7.1.8 the opportunities to implement any Value for Money Mechanisms in the next Financial Year.
- 7.2** The Value for Money Report shall be submitted to the Service Operations Board for review.