

Volume of Normal Rules Clearances above target - Rolling 3 months

Definition: Clearances – the volume of all Normal Rules Clearances within a Volume Assessment Period.

Definition: Normal Rules Clearance – a Normal Rules assessment Referral which is Cleared and would otherwise be regarded as a Chargeable Output under the Contract, but for the application of the Temporary Cost Model and the Temporary Performance Incentive Scheme during Stage 3 in accordance with this T Variation.

Definition: Volume Assessment Period – Rolling 3 months

1.1 In the Volume Assessment Period, the Incentive Amount in respect of Clearances shall be calculated using the following formula. The Provider shall provide any further information as the Authority may reasonably require in relation to the calculation:

Formula:

$$\text{Incentive Amount} = \text{VIT} * \text{VIB}$$

Where:

VIT = Volume Incentive Total (as defined in paragraph 1.2 below)

VIB = Volume Incentive Banding (as set out in the third column of the table in paragraph 1.5 below)

1.2 The Volume Incentive Total will be a (R) margin on the Total Monthly Invoice for the Volume Assessment Period and is the total potential value of the Incentive Amount linked to Clearances in respect of the applicable Volume Assessment Period prior to any adjustment in accordance with paragraph 1.5 below. The incentive is payable on a monthly basis based on the preceding rolling 3 month clearances. The end of January 2021 establishes first three month rolling period and achievement is applicable to November 2020 to January 2021 invoices. Thereafter the three month measure is only applicable to the most recent month

1.3 The Clearance Target for each Volume Assessment Period is given in the table below.

Volume Assessment Period	Clearance Target ("CRAT")	105%
January 2021 (Nov20 – Jan 21)	150,386	157,905
February 2021 (Dec 20 – Feb 21)	152,980	160,629
March 2021 (Jan 21 – Mar 21)	171,728	180,314
April 2021 (Feb 21 – Apr 21)	176,879	185,723
May 2021 (Mar 21 – May 21)	178,894	187,839
June 2021	181,495	190,570

(Apr 21- June 21)		
July 2021 (May 21 – July 21)	192,268	201,881

1.4 In each Volume Assessment Period, the Clearance Ratio achieved by the Provider in that Volume Assessment Period shall be calculated in accordance with the following formula:

$$\text{Clearance Ratio} = \text{Clearances} / \text{Clearance Target}$$

1.5 In order to calculate the Volume Incentive Banding, the Clearance Ratio achieved by the Provider in respect of the relevant Volume Assessment Period shall be categorised into one of three (3) tranches using the following table:

Clearance Ratio	Volume Incentive Banding
Tranche 1: >100%	0%
Tranche 2: 100%≤CRAT<105%	Linear calculation of Achievement
Tranche 3: CRAT≤105%	100%

Linear calculation

Target=105%= (R) Floor=100%=0%, spread between these calculated as

((ACTUAL-FLOOR)/(TARGET-FLOOR))*volume incentive total

1.6 Paragraphs 1.1 to 1.5 shall be interpreted and applied in accordance with the following worked example.

Worked Example.:

(1) _____ Worked example for illustrative purposes only

	<u>Volume Assessment Period</u>
	<u>Month (Mar 21)</u>
<u>Clearances</u>	<u>176,018</u>
<u>Clearance Target</u>	<u>From table</u>
<u>Clearance Ratio</u>	<u>Clearances/Clearance Target</u>
<u>Total Monthly Invoice (£)</u>	<u>£10,000,000</u>

<u>Volume Incentive Total</u>	(REDACTED)	
<u>Volume Incentive Banding</u>	<u>Tranche 2 as 100%<=CRAT<105%</u>	<u>See below</u>
<u>Incentive Calculation</u>	<p style="text-align: center;">Target = (REDACTED)</p> <p style="text-align: center;">Floor = (REDACTED)</p> <p style="text-align: center;">((ACTUAL-FLOOR)/(TARGET-FLOOR))*volume incentive total</p> <p style="text-align: center;">(REDACTED)</p>	
	<u>TOTAL Incentive Amount</u> (REDACTED)	