

OFFICIAL - COMMERCIAL

AGREEMENT RELATING TO THE SERVICE AND MAINTENANCE OF FIXED AND MOBILE RN DETECTION
EQUIPMENT

Agreement

**relating to the service and maintenance of fixed and mobile RN detection
equipment**

Schedule 7.4 (Financial Model)

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Schedule 7.4

FINANCIAL MODEL

1 Introduction

1.1 This Schedule sets out:

- (a) requirements for the AET Baseline Financial Model to be supplied by the Supplier to the Authority; and
- (b) requirements for the Outturn Financial Model to be supplied by the Supplier to the Authority.

2 Overview

2.1 All references to the AET Baseline Financial Model shall include the Authority approved Financial Model current as at the Effective Date. The Supplier shall provide the following financial models and reconciliations in relation to this Agreement:

Model / Reconciliation	When to be provided	Purpose
AET Baseline Financial Model	At the date of signature of this Agreement and upon every Variation which gives rise to a variation of the Contract Charges.	This will show how the Contract Charges are built up from the Costs and the variation of the Contract Charges of any Variation Forms agreed. It may also be used as a basis for the design of the Outturn Financial Model.
Outturn Financial Model	<p>A version (reflecting actual costs for the first Profit Share Period) will be delivered to the Authority within 15 days of the first Profit Share Assessment Point and thereafter models for subsequent profit share periods will be delivered within 15 days of each subsequent Profit Share Assessment Point.</p> <p>The Authority may request delivery of an up-to date Outturn Financial Model at any point during the Term to support the management of the Agreement, Variation Procedure and operation of</p>	This will be used as a performance management tool during the life of this Agreement.

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	Continuous Improvement and VFM mechanisms. A up-to date Outturn Financial Model will be provided within 15 days of the request.	
Final reconciliation	At expiry or termination of this Agreement.	This will show actual Costs and Contract Charges for the duration of this Agreement.

2.2 A copy of the latest version of the AET Baseline Financial Model and the Outturn Financial Model will be held by both the Authority and the Supplier. A copy of the AET Baseline Financial Model as at the date of this Agreement is contained in Annex 1 to this Schedule 7.4 (Financial Model). If there is a dispute, the Authority's copy of the Baseline Financial Model and/or Outturn Financial Model shall be authoritative. In this Schedule 7.4 (Financial Model), all subsequent references to the Financial Model shall apply equally to the AET Baseline Financial Model and/or the Outturn Financial Model unless explicitly stated otherwise.

3 Content of each Model

3.1 Each Financial Model (unless otherwise specified by the Authority in writing) shall be constructed so as to include (without limitation) worksheets showing the calculation of costs and/or any changes together with a summary, including any relevant workings, of the Supplier Profit Margin and Costs;

4 Format of Models

4.1 All Financial Models are to be designed in Microsoft Excel.

4.2 Financial Models shall be constructed so as to provide an individual at the Authority reasonably skilled and experienced in financial and accounting matters with a full analysis of the Supplier's actual (in the case of the Outturn Financial Model) and forecast revenue, costs, receipts and payments.

4.3 All calculations within the Financial Models shall be transparent to an individual reasonably skilled and experienced in financial and accounting matters, but who is not necessarily a dedicated financial modeller.

5 The Outturn Financial Model

5.1 The Outturn Financial Model shall be based on the AET Baseline Financial Model and will be used throughout the Term of this Agreement as a performance management tool, for purposes including (but without limitation to):

- (a) review and reconciliation of Implementation Service Charges;
- (b) review and reconciliation of payments related to Optional Services and Goods/Spares;

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- (c) profit retention;
 - (d) Profit Share;
 - (e) Service changes;
 - (f) Service Charges;
 - (g) Service Credits;
 - (h) Delay Deductions and/or Delay Payments.
- 5.2 The Outturn Financial Model will be required to be updated with actual costs and revenues during the Term. The Outturn Financial Model may also be used during a Benchmark Review and to assist in calculating a Termination Payment.
- 5.3 The Outturn Financial Model will be required to contain a Profit and Loss Statement in the format of the AET Baseline Financial Model, that can be readily reconciled back to the Supplier's financial accounts for the relevant Service.
- 5.4 The Outturn Financial Model shall (unless otherwise agreed in writing by the Authority) be delivered by the Supplier in accordance with the table contained in paragraph 2 of this Schedule. Both the Authority and the Supplier will hold a copy of the latest version of the Outturn Financial Model.
- 5.5 The AET Baseline Financial Model together with the principles set out in Schedule 7.1 (Contract Charges) shall be used as the basis for considering any changes to the Contract Charges as a result of the implementation of a Variation in accordance with the Variation Procedure. The Supplier may, at the discretion of the Authority, provide a reduced version of the AET Baseline Financial Model to reflect variations in the Contract Charges, before a Variation is agreed.
- 5.6 When a Variation is agreed, the AET Baseline Financial Model shall (unless otherwise agreed in writing by the Authority) be updated by the Supplier with revised inputs, modifications or other amendments within 20 Working Days of a Variation being agreed pursuant to the Variation Procedure whereupon it shall become the updated AET Baseline Financial Model. The Supplier may, at the discretion of the Authority, be permitted to aggregate several Variations into a single update of the AET Baseline Financial Model within such timescales as determined by the Authority.
- 5.7 After the AET Baseline Financial Model has been updated and agreed, the Supplier shall update the Outturn Financial Model and deliver the updated Outturn Financial Model to the Authority as part of the next submission of the Outturn Financial Model as required by paragraph 5.4 The Authority may agree to an extension of the time allowed for submission of the Outturn Financial Model, where it is not reasonably practicable for

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the Supplier to update the Outturn Financial before the next submission of the Outturn Financial Model due to be delivered in accordance with paragraph 5.4.

- 5.8 Each updated version of the AET Baseline Financial Model and the Outturn Financial Model shall be constructed using the same methodology as that used for the then current Outturn Financial Model, and shall be consistent with and made in accordance with the provisions of this Agreement.
- 5.9 Within 20 Working Days of the Effective Date the Parties shall meet to agree:
- (a) a standard process for estimating the cost impact of Variations using the AET Baseline Financial Model, or a reduced version if agreed by the Authority; and
 - (b) a proforma notice to standardise the presentation of the outputs from the estimating process which will accompany each Variation Form.
- 5.10 The Supplier shall deliver each version of the Outturn Financial Model to the Authority within the prescribed periods for acceptance by the Authority. The Authority will then review the Outturn Financial Model and discuss its contents with the Supplier within 15 Working Days of receipt. The Supplier will make appropriate Supplier Personnel and advisers available for a monthly review meeting during which any variation between the Outturn Financial Model and the AET Baseline Financial Model must be explained with reference to supporting evidence to the satisfaction of the Authority.
- 5.11 Actual costs included within the Outturn Financial Model shall reflect the principles adopted within the AET Baseline Financial Model and only costs accepted within the AET Baseline Financial Model are to be included.
- 5.12 The Supplier shall ensure that the Outturn Financial Model delivered to the Authority shall be certified on by a director of the Supplier as being accurate and not misleading, in conformity with this Agreement and with all International Financial Reporting Standards within the United Kingdom.
- 5.13 The Authority will accept the Outturn Financial Model within 15 Working Days of receipt, subject to receiving satisfactory explanations of the variations to the AET Baseline Financial Model, such acceptance, or otherwise, shall be minuted in a finance review meeting.
- 5.14 If the Authority accepts the updated Outturn Financial Model then that version shall become, with effect from the date of such acceptance, the current accepted version of the Outturn Financial Model in place for the purposes of the Agreement, a version of which shall be held by both the Authority and the Supplier.

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5.15 The Supplier shall make available a member of staff at reasonable times and on reasonable notice during the Term to explain the structure and operation of the AET Baseline Financial Model and the Outturn Financial Model.

6 Reconciliations

6.1 The Supplier shall produce a Final Reconciliation upon termination or expiry of this Agreement within 20 Working Days of the termination or expiry of this Agreement.

6.2 The Supplier shall update its Outturn Financial Model annually with reconciliation to its audited financial position, such update to be included in the next Outturn Financial Model submission following the date of the publication of their year-end accounts.

6.3 Any Variation agreed as part of any Authority Audit or Open Book Accounting exercise shall necessitate the Supplier to update the Outturn Financial Model within 20 Working Days of the date that the Change was agreed.

7 Dispute

7.1 If the Authority accepts any Financial Model submitted by the Supplier, it shall advise the Supplier of its decision via the minutes and actions of the monthly finance review meeting.

7.2 If the Authority disputes any Financial Model, it may request such further information from the Supplier as it requires prior to delivering a decision on whether it accepts or rejects the relevant Financial Model and the Supplier shall provide such information.

7.3 If the Authority and the Supplier are unable to reach agreement on any Financial Model, the matter shall be referred for determination in accordance with the Dispute Resolution Procedure.

8 Assurance of the Financial Model and the Outturn Financial Model

8.1 The Authority shall be entitled to exercise its rights under Clause 44 (Records, Audit Access and Open Book Accounting) to verify both the integrity and content of any Model or any other computations used by the Supplier in the preparation of a Financial Model.

8.2 If any Audit, review or other examination of the Financial Model during the Term identifies any errors in the Financial Model, the Supplier shall promptly rectify the errors. The rectification of such errors shall not entitle the Supplier to increase the Contract Charges paid or payable by the Authority. If the rectification of the errors results in a reduction in the Contract Charges paid or payable by the Authority, the Supplier shall promptly reimburse the Authority for any excess Contract Charges paid by the Authority arising out of such errors.

8.3 If any Audit, review or other examination during the Term shows that the Supplier has either fraudulently or deliberately misrepresented any cost by any amount the Authority

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reserves the right to terminate this Agreement pursuant to Clause 38.1 (Authority Termination Rights).

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Annex 1

AET Baseline Financial Model at Effective Date

[Redacted]