

TRADER SUPPORT SERVICE

SCHEDULE 7.1

CHARGES AND INVOICING

Charges and Invoicing

1 DEFINITIONS

In this Schedule, the following definitions shall apply:

- | | |
|-------------------------|---|
| “Charging Model” | has the meaning given to in Paragraph 5.1 of Part B of Schedule 7.1 (<i>Charges and Invoicing</i>); |
| “Costs” | <p>the following costs (without double recovery) to the extent that they are properly incurred by the Supplier in relation to providing the Services including:</p> <ul style="list-style-type: none">(a) amounts payable by the Supplier to Sub-contractors;(b) the cost to the Supplier of engaging directors, officers, agents, consultants, contractors or employees of the Supplier, including:<ul style="list-style-type: none">(i) base salary paid to such personnel;(ii) employer’s national insurance contributions;(iii) pension contributions;(iv) car allowances;(v) any other contractual employment benefits;(vi) staff training;(vii) work place accommodation;(viii) work place IT equipment and tools reasonably necessary to perform the Services (but not including items included within limb (c) below); and(ix) recruitment costs;(i) standby, overtime or commission, if paid to such personnel;(ii) any bonus paid to such personnel which shall be apportioned as between the Supplier and the Authority to reflect any period of time during which the relevant bonus period that the relevant member of personnel was not engaged in connection with the Services;(c) costs incurred in respect of those Assets |

which are detailed on the Registers and which would be treated as capital costs according to UK GAAP, which shall include the cost to be charged in respect of Assets by the Supplier to the Authority or (to the extent that risk and title in any Asset is not held by the Supplier) any cost actually incurred by the Supplier in respect of those Assets. In both cases limited to the charges to the profit and loss account (such as depreciation or amortisation) according to generally accepted accounting principles within the UK;

- (d) costs which are not included within (a) or (b) above, to the extent that such costs are properly incurred by the Supplier in the delivery of the Services including any costs set out in then current version of the Financial Model;
- (e) licensing or costs relating to software and provision of IT equipment including any apportionment of such sums;
- (f) any risk premium or contingency to be added to costs as set out in the Financial Model;
- (g) Reimbursable Expenses to the extent these are properly incurred in delivering the Services in accordance with Paragraph 7 of Part A of Schedule 7.1 (Charges and Invoicing),

but excluding:

- (i) Overhead;
- (ii) financing or similar costs;
- (iii) maintenance and support costs to the extent that these relate to maintenance and/or support services provided beyond the Term, whether in relation to Assets or otherwise;
- (iv) taxation;
- (v) fines and penalties;
- (vi) non-cash items (including depreciation, amortisation, impairments and movements in provisions); and
- (vii) any Pass-Through Expenses;

**“Monthly Fixed Charge
Mobilisation Charges”**

has the meaning given to it in Paragraph 2.1 of Part B of this Schedule 7.1 (*Charges and Invoicing*);

“Overhead”	those amounts which are intended to recover a proportion of the Supplier’s indirect corporate costs (including financing, marketing, advertising, research and development and insurance costs and any fines or penalties) but excluding allowable indirect costs apportioned to facilities and administration in the provision of Supplier Personnel and accordingly included within limb (b) of the definition of “Costs”;
“Pass-Through Expense”	means any third party charges payable by the Authority in accordance with Paragraph 8 of Part A of this Schedule 7.1 (<i>Charges and Invoicing</i>);
“Rate Card”	means the rate card(s) included at Table 1 of Annex 1 to this Schedule 7.1 (<i>Charges and Invoicing</i>); and
“Reimbursable Expenses”	<p>reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of the Services, calculated at the rates and in accordance with the Authority's expenses policy current from time to time, but not including:</p> <ul style="list-style-type: none"> (a) travel expenses incurred as a result of Supplier Personnel travelling to and from their usual place of work, or to and from the premises at which the Services are principally to be performed, unless the Authority otherwise agrees in advance in writing; and (b) subsistence expenses incurred by Supplier Personnel whilst performing the Services at their usual place of work, or to and from the premises at which the Services are principally to be performed;
“Revised Charging Model”	has the meaning given to in Paragraph 9.2 of Part C of Schedule 7.1 (<i>Charges and Invoicing</i>);
“Supporting Documentation”	sufficient information in writing to enable the Authority reasonably to assess whether the Charges, Reimbursable Expenses and other sums due from the Authority detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts;
“Time and Materials Basis”	means an amount calculated in accordance with paragraph 3 of Part A of this Schedule 7.1 (<i>Charges and Invoicing</i>);

“True-Up”

has the meaning given to it in paragraph 4.5 of Part B of this Schedule;

“Work Day”

Means

8 Work Hours, whether or not such hours are worked consecutively and whether or not they are worked on the same day

(a)

(b)

“Work Hour”

the hours spent by the Supplier Personnel properly working on the Services including time spent travelling (other than to and from the Supplier's offices, or to and from the Sites) but excluding lunch breaks.

PART A: PRICING

1 INTRODUCTION

1.2 This Schedule 7.1 (*Charges and Invoicing*) is to set out the provisions relating to:

- (a) Monthly Fixed Charge Mobilisation Charges;
- (b) Milestone Payments;
- (c) Service Charges (which shall include the Service Charges due in respect of [REDACTED] as described in paragraph 4 of Part B of this Schedule 7.1);
- (d) expenses and capital assets;
- (e) adjustments to the Charges, including Service Credits, Earn-back, True-Up, Delay Payments, payments for Delays due to Authority Cause and Indexation;
- (f) changes to the Charges;
- (g) Charges for the provision of Termination Services; and
- (h) invoicing and payment terms.

1.3 The Charges payable to the Supplier by the Authority for the Services shall comprise the following, which, taking into account any adjustments to be applied in accordance with the terms of this Agreement, shall be invoiced and paid by the Authority in accordance with the terms of this Agreement:


- (a) any Milestone Payments which have accrued;
- (b) any Monthly Fixed Charge Mobilisation Charges which have accrued;
- (c) any Service Charges which have accrued;
- (d) any charges relating to Reimbursable Expenses and capital assets which have accrued;
- (e) any charges which become due in accordance with adjustments to the Charges including as a result of Indexation;
- (f) any charges or amounts which become due to the Supplier as a result of any True-Up including in accordance with Paragraphs 4.5 and/or 4.7 of Part C of this Schedule 7.1 (*Charges and Invoicing*) or any Earn-back in accordance with Schedule 2.2 (*Performance Levels*);
- (g) any charges or changes to the Charges agreed in accordance with the Change Control Procedure;
- (h) payments and/or compensation for Supplier Non-Performance due to Authority Cause which have accrued;
- (i) any Charges for the provision of Termination Services which have accrued;

- (j) any additional charges incurred on a Time and Materials Basis which the Supplier is due in accordance with this Agreement;
- (k) any other costs, charges, compensation, expenses and/or payments as referred to in this Schedule 7.1 (Charges and Invoicing) and/or the Agreement which have accrued pursuant to the terms of this Agreement and any Redundancy Costs, Termination Payment or Compensation Payment payable by the Authority pursuant to Clause 34 (*Payments by the Authority*), Part E of Schedule 9.1 (Staff Transfer) or Schedule 7.2 (Payments on Termination).

2 APPLICABLE PRICING MECHANISM

- 2.1. Milestone Payments and Service Charges shall be calculated using the pricing mechanism specified in Annex 2 and based on the rates and prices specified in Annex 1.
- 2.2. Table 1 of Annex 2 sets out which pricing mechanism shall be used to calculate each Milestone Payment, which shall be “Fixed Price” to which the provisions of Paragraph 5 shall apply.
- 2.3. Table 2 of Annex 2 sets out which pricing mechanism shall be used to calculate each Service Charge, which shall be one or more of the following:
 - (a) “Volume Based” pricing, in which case the provisions of Paragraph 6 shall apply;
 - (b) “Fixed Price” in which case the provisions of Paragraph 5 shall apply; or
 - (c) “OTHER” in which case the provisions of Paragraph 4 of Part B of this Schedule 7.1 shall apply.

3 TIME AND MATERIALS CHARGING

- 3.1. 
where this Agreement indicates that a Charge is to be calculated on a Time and Materials Basis:
 - (a) the Rate Card shall be used to calculate the relevant Charges, provided that the Supplier (or its Sub-contractor) shall:
 - (i) not be entitled to include any uplift for risks or contingencies within its Work Day rates;
 - (ii) only be entitled to be paid Charges that have been properly and reasonably incurred, taking into account the Supplier’s obligations pursuant to clause 5.3(b) with regards to delivery of the Services using efficient business processes; and
 - (b) except for in respect of any Supplier Personnel performing activities which are charged in accordance with Paragraph 3.3 (in respect of which no timesheets or other information shall be provided), the Supplier shall keep records of hours properly worked by Supplier Personnel (in the form of timesheets) and expenses incurred and submit a summary of the relevant

records with each invoice. If the Authority requests copies of such records, the Supplier shall make them available to the Authority within 10 Working Days of the Authority's request.

3.2. As at the date of this Agreement, the Parties envisage that the following Charges will be calculated on a Time and Materials Basis:

- (a) Charges for Termination Services in accordance with paragraph 6 of Part B of this Schedule;
- (b) any other charges identified in this agreement as subject to charging on a "Time and Materials Basis"

[REDACTED]

3.3.

[REDACTED]

[REDACTED]

(i) [REDACTED]

(A) [REDACTED]

(B) [REDACTED]

(C) [REDACTED]

(D) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- (i) [REDACTED]
- (ii) [REDACTED]

[REDACTED]

4 NOT USED

5 FIXED PRICE MILESTONE PAYMENTS OR SERVICE CHARGES

- 5.1. Except for the Monthly Fixed Charge Mobilisation Charges which shall be calculated in accordance with Paragraph 2 of Part B of this Schedule 7.1 (Charges and Payments), where Table 1 or Table 2 of Annex 2 indicates that a Milestone Payment or Service Charge is to be calculated by reference to a Fixed Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Table 5 of Annex 1 (Charging) and Table 8 of Annex 1 (Charging) respectively.
- 5.2. Table 9 (Boundaries) of Annex 1 (Charging) sets out certain volumes and associated minimum and maximum boundaries which if exceeded may have an impact on the Monthly Management Charges as set out at Table 8 (*Monthly Management Charges*) of Annex 1 (Charging) (the “**Boundaries**”). The Parties shall agree the Boundaries at the same time as the Charging Model or Revised Charging Model (as applicable) is agreed pursuant to paragraph 5 of Part B of this Schedule or paragraph 9 of Part C of this Schedule 7.1 (Charges and Invoicing). [REDACTED] where the actual volume of these factors falls outside of a Boundary, the Parties shall in good faith review if and how best to adjust the Monthly Management Charge and any adjustment shall be implemented through the Change Control Procedure. The adjusted Monthly Management Charge shall apply retrospectively via an invoicing adjustment to reflect the increase or decrease in the Monthly Management Charge that would have occurred had the revised Monthly Management Charge been in effect from the date the Supplier notified the Authority that the relevant Boundary(s) were breached. The Supplier must notify the Authority of the Boundary breach within three (3) months of the event for the retrospective adjustment to apply.

6 VOLUME BASED SERVICE CHARGES

- 6.1. Subject always to agreement of the Charging Model by the Parties in accordance with paragraph 5 of Part B of this Schedule 7.1, where Table 2 of Annex 2 indicates that a Service Charge is to be calculated by reference to a Volume Based pricing mechanism, the relevant Charges shall be calculated on the basis of the unit price set out against that Service Charge in Table 6 of Annex 1 (Charging), in accordance with the following formula:

$$SC = P \times Q$$

Where

"SC" is the Service Charge;

"P" is the unit price (P) referred to against that Service Charge in the appropriate volume band in Table 6 of Annex 1 (Charging); and

"Q" is the number of units (Q) (as further described in the column titled "Further Description of Q" in Table 6 of Annex 1 (Charging)) consumed in any such Service Period.

For the avoidance of doubt, all units (Q) in any Service Period shall be multiplied by the same unit price (P).

- 6.2. In the event that the volume of any Services that are to be calculated by reference to a Volume Based pricing mechanism fall outside the relevant volume bands set out against that Service Charge in Table 6 of Annex 1 (Charging):
- (a) any volume variance mechanism agreed between the Parties to apply and documented in the Charging Model shall apply; and/or
 - (b) the relevant Service Charges shall be calculated in accordance with the Change Control Procedure.

7 EXPENSES

- 7.1. Subject always to Paragraph 3.3(c) of this Part A, where:

- (a) Services are to be charged using the Time and Materials Basis; and
- (b) the Authority so agrees in writing,

the Supplier shall be entitled to be reimbursed by the Authority for Reimbursable Expenses (in addition to being paid the relevant Charges), provided that such Reimbursable Expenses are supported by Supporting Documentation, subject always to Paragraph 1.13 of Part E.

- 7.2. The Authority shall provide a copy of its current expenses policy to the Supplier upon request.
- 7.3. Except as expressly set out in Paragraph 7.1 of this Part A, the Charges calculated on a Time and Material basis shall include all expenses relating to the Deliverables, the Services and/or the Supplier's performance of its obligations under this

Agreement and no further amounts in respect of expenses shall be payable by the Authority to the Supplier in respect of such performance unless otherwise agreed between the Parties, including in respect of matters such as:

- (a) any incidental expenses that the Supplier incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop and office equipment costs required by the Supplier Personnel including:
 - (i) network or data interchange costs; or
 - (ii) other telecommunications charges.

8 PASS-THROUGH EXPENSES

8.1. The Authority shall pay to the Supplier an amount equal to any amount payable by the Supplier in connection with the provision of the AWS toll-free number in connection with the Services, which shall be invoiced by the Supplier in accordance with Part E of this Schedule 7.1 (*Charges and Invoicing*). For the avoidance of doubt, such amounts:

- (a) will be passed through to the Authority without any mark-up or overhead charges and are not Service Charges; and
- (b) will not form part of the Target Costs or Actual Incurred Costs.

PART B: CHARGING MECHANISMS

1 DEFINITIONS

In this Part B, the following definitions shall apply:

“Actual Incurred Costs”	means in respect of any period during the Term, the Costs actually incurred by the Supplier during that period but excluding any Costs relating to the Implementation Services;
“Charging Model Report”	has the meaning given to it in Paragraph 5.4 of this Part B;
“Declared Margin Position”	has the meaning given to it in Paragraph 4.3 of this Part B;
“Lower Margin Position”	has the meaning given to it in Paragraph 4.5(a) of this Part B;
“Maximum Margin Position”	has the meaning given to it in Paragraph 4.5(b) of this Part B;
“Supplier Gross Margin”	<p>in respect of any period during the Term, the % value as calculated by:</p> <ul style="list-style-type: none">(i) subtracting the Actual Incurred Costs from the Service Charges in that period and dividing the result by the Service Charges for that period; or(ii) subtracting the forecast Costs from the forecast Service Charges in that period and dividing the result by the forecast Service Charges for that period, <p>(as applicable);</p>
“Interim Milestone”	means any Milestone in respect of which the Milestone Date falls within the Interim Period;
“Interim Period”	means the period from the Effective Date up to but excluding the date of this Agreement;
“Target Costs”	has the meaning given to it in paragraph 4.1 of this Part B;
“Target Charges”	has the meaning given to it in paragraph 4 of this Part B;

“Tier 1 Customs Agent”	means the Tier 1 Customs Agents (as defined in Annex 9 of Schedule 2.1) [REDACTED] [REDACTED]
“Tier 2 Customs Agent”	means the Tier 2 Customs Agents (as defined in Annex 9 of Schedule 2.1) [REDACTED] [REDACTED]
“[REDACTED] Charge Report”	has the meaning given to it in paragraph 4 of this Part B.

2 MILESTONE PAYMENTS

- 1.1 Without prejudice to the provisions of paragraph 2 of Part C in relation to the payment of Delay Payments, on the Achievement of any Milestone the Supplier shall be entitled to invoice the Authority for the Milestone Payment associated with that Milestone.
- 1.2 Except for in respect of any Interim Milestones, to which this paragraph 1.2 shall not apply, each invoice relating to a Milestone Payment shall be supported by a Milestone Achievement Certificate.
- 1.3 For the purposes of this Agreement, each and every Interim Milestone shall be deemed to have been Achieved.

2 MONTHLY FIXED CHARGE MOBILISATION CHARGES

- 2.1 The amounts set out in the “Monthly Fixed Charge Mobilisation Charge (Fixed Charge (£))” column of Table 7 of Annex 1 (the “**Monthly Fixed Charge Mobilisation Charges**”) are monthly fixed payments which shall be payable by the Authority and shall be paid by the Authority in accordance with this Schedule 7.1 (*Charges and Invoicing*). For the avoidance of doubt, Monthly Fixed Charge Mobilisation Charges relate to the Implementation Services and are not Service Charges.
- 2.2 The Supplier shall be entitled to invoice the Authority for the Monthly Fixed Charge Mobilisation Charges in accordance with paragraph 10.4(b) of Part E of this Schedule 7.1 (*Charges and Invoicing*).
- 2.3 The Supplier acknowledges that the Monthly Fixed Charge Mobilisation Charges relating to September, October and November have already been paid by the Authority and no further payment is due to the Supplier in respect of those months.

3 SERVICE CHARGES

- 3.1 Each Service Charge shall start to accrue and become payable from the “*Service Charge Trigger Event*” as described in column 4 of Table 2 of Annex 2 and shall continue to accrue up to and including the date of the “*Service Charge Expiration Trigger Event*” as described in column 5 of Table 2 of Annex 2.

3.2 Service Charges shall be invoiced by the Supplier for each Service Period in accordance with this Schedule 7.1 (Charges and Invoicing) including the requirements of Part E.

3.3 If a Service Charge is to be calculated by reference to a Fixed Price pricing mechanism and the relevant Service:

(a) commences on a day other than the first day of a month; and/or

(b) ends on a day other than the last day of a month,

the Service Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.

3.4 If a Service Charge is to be calculated by reference to Actual Incurred Costs the Supplier shall ensure that it's Actual Incurred Costs are reasonable in all of the circumstances provided always that any Costs set out in the Contract Inception Report and any Financial Report which are proportionate to those set out in the Contract Inception Report or any previous agreed version of the Financial Model shall be deemed to be reasonable.

3.5 In the event of a Critical Service Failure or, [REDACTED] a Major Service Incident, the Supplier shall use reasonable endeavours to re-deploy Supplier Personnel to the extent that these are underutilised as a direct result of the Critical Service Failure provided always that this obligation to re-deploy shall only apply to the extent that it is practical for such personnel to be re-deployed in all of the circumstances, taking into account the duration of the Critical Service Failure and the skillset, training and expertise of any under-utilised resources.

4 SERVICE CHARGES [REDACTED]

4.1

[REDACTED]

4.2 Not used.

4.3

[REDACTED]

4.4

[REDACTED]

4.5

[REDACTED]

(a) [REDACTED]

(b) [REDACTED]

Worked example 1:

[REDACTED]

Worked example 2:

[REDACTED]

4.6 [REDACTED]

4.7 [REDACTED]

5 ESTABLISHMENT OF [REDACTED] SERVICE CHARGES MODEL

5.1 [REDACTED]

(a) [REDACTED]

(b) [REDACTED]

(c) [REDACTED]

5.2 [REDACTED]

(a) [REDACTED]

(b) [REDACTED]

5.3 [REDACTED]

5.4 [REDACTED]

(a) [REDACTED];

(b) [REDACTED];

(c) [REDACTED].

5.5 [REDACTED]

(a) [REDACTED]

(b) [REDACTED]

(c) [REDACTED]

(d) [REDACTED]

(e) [REDACTED]

5.6 [REDACTED]

5.7 [REDACTED]

(a) [REDACTED]

(b) [REDACTED]

(c) [REDACTED]

(d) [REDACTED]

(e) [REDACTED]

5.8

[REDACTED]

5.9

[REDACTED]

(i)

[REDACTED]

(ii)

[REDACTED]

6 CHARGES FOR TERMINATION SERVICES

6.1 Unless agreed otherwise by the Parties in the Exit Plan, charges in respect of any Termination Services shall be calculated on Time and Materials Basis and payable by the Authority to the Supplier.

6.2 The Parties shall, as part of an Exit Plan, agree where any Milestones are applicable in respect of the Termination Services (each an “**Exit Milestone**”) and in circumstances where Exit Milestone(s) are agreed, the Parties shall agree the milestone achievement criteria against which any Charges relating to Exit Milestones shall be payable.

Exit Milestone Payments

6.3 On Achievement of any Exit Milestone, the Supplier shall be entitled to invoice the Authority for the payment associated with that Exit Milestone.

PART C: ADJUSTMENTS TO THE CHARGES

1 DEFINITIONS

In this Part C, the following definitions shall apply:

“Annual Charging Model Report”	has the meaning given to in Paragraph 9.1 of this Part C;
“Delay Payment Rate”	means the daily rate for Delay Payments determined in accordance with Paragraph 2.1 of this Part C; and
“Re-baselining Reference Date”	1 January 2022 and each annual anniversary thereof.

2 DELAY PAYMENTS

2.1 Subject to Clause 31 (Authority Cause), if a Key Milestone has not been Achieved on or before the relevant Milestone Date, the Supplier shall pay a Delay Payment to the Authority in respect of that Key Milestone. Delay Payments shall accrue:

- (a) at the daily rate (the **“Delay Payment Rate”**) determined in accordance with Paragraph 2.2 of this Part C;
- (b) from (but excluding) the relevant Milestone Date to (and including) the earlier of:
 - (i) the date on which the Key Milestone is Achieved; and
 - (ii) the expiry of the Delay Deduction Period (which for the avoidance of doubt shall be 30 (thirty) calendar days from the relevant Milestone Date); and
- (c) on a daily basis, with any part day’s Delay counting as a day,
except that the Authority shall not be entitled to receive Delay Payments to the extent that the Achievement of any Milestone is affected by a Force Majeure Event.

2.2 Where a Delay Payment is payable in respect of a Key Milestone, the Delay Payment Rate shall be:

- (a) where the Supplier has given the Authority less than three (3) months’ prior notice of the Delay, the amount set out in column 5 of Table 1 of Annex 2 for the Key Milestone;

- (b) where the Supplier has given the Authority between three (3) months' and 6 months' prior notice of the Delay, the amount set out in column 6 of Table 1 of Annex 2 for the Key Milestone; or
 - (c) where the Supplier has given the Authority more than six (6) months' prior notice of the Delay, the amount set out in column 7 of Table 1 of Annex 2 for the Key Milestone.
- 2.3 The Parties agree that Delay Payments calculated in accordance with the applicable Delay Payment Rates:
 - (a) in each case a genuine pre-estimate of the Losses which the Authority will incur as a result of any failure by the Supplier to Achieve the relevant Key Milestone by the Milestone Date; and
 - (b) do not impose a detriment on the Supplier out of all proportion to the legitimate interests of the Authority.
- 2.4 Delay Payment Rates are stated exclusive of VAT.
- 2.5 The Delay Payment in respect of a Key Milestone shall be shown as a deduction from the amount due from the Authority to the Supplier in the next invoice due to be issued by the Supplier after the date on which the relevant Key Milestone is Achieved or the expiry of the Delay Deduction Period (as the case may be). If the relevant Key Milestone is not Achieved by the expiry of the Delay Deduction Period and no invoice is due to be issued by the Supplier within ten (10) Working Days of expiry of the Delay Deduction Period, then the Supplier shall within ten (10) Working Days of expiry of the Delay Deduction Period:
 - (a) issue a credit note to the Authority in respect of the total amount of the Delay Payment in respect of the Key Milestone; and
 - (b) pay to the Authority as a debt a sum equal to the total amount of the Delay Payment in respect of the Key Milestone together with interest on such amount at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from (and including) the due date up to (but excluding) the date of actual payment, whether before or after judgment.
- 2.6 Delay Payments shall be the Authority's exclusive financial remedy for the Supplier's failure to Achieve a Key Milestone by its Milestone Date except where:
 - (a) the Authority is entitled to or does terminate this Agreement pursuant to Clause 33.1(b) (Termination by the Authority); or
 - (b) the Delay exceeds the Delay Deduction Period.

3 PAYMENTS FOR DELAYS DUE TO AUTHORITY CAUSE

- 3.1 If the Supplier is entitled in accordance with Clause 31 (*Authority Cause*) to compensation for failure to Achieve a Milestone by its Milestone Date, then, subject always to Clause 25 (*Limitations on Liability*), such compensation shall be determined in accordance with the following principles:

- (a) the compensation shall reimburse the Supplier for additional Costs incurred by the Supplier that the Supplier:
 - (i) can demonstrate it has incurred solely and directly as a result of the Authority Cause; and
 - (ii) is, has been, or will be unable to mitigate, having complied with its obligations under Clause 31 (*Authority Cause*);
 together with an amount equal to the Declared Profit Margin thereon;
 - (b) the compensation shall not operate so as to put the Supplier in a better position than it would have been in but for the occurrence of the Authority Cause.
- 3.2 The Supplier shall provide the Authority with any information the Authority may reasonably require in order to assess the validity of the Supplier's claim to compensation.

4 SERVICE CREDITS

- 4.1 [REDACTED], Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 2.2 (*Performance Levels*) and in accordance with this Paragraph 4.
- 4.2 The Parties acknowledge and agree that the Service Credit Cap (as defined in Schedule 2.2 (*Performance Levels*)) will apply.
- 4.3 [REDACTED], for each Service Period:
- (a) the Service Points accrued shall be converted to a percentage deduction from the Service Charges for the relevant Service Period on the basis of one point equating to the percentage deduction in the Service Charges per Service Point agreed by the Parties pursuant to paragraph 1.10(f) of Part A of Schedule 2.2 (*Performance Levels*); and
 - (b) the total Service Credits applicable for the Service Period shall be calculated in accordance with the following formula (provided that the percentage figure of $(TSP \times X)$ in the calculation below shall be capped at [REDACTED]%, in accordance with Paragraph 4.2 of this Part C above):

$$ESC = TSP \times X \times AC$$

where:

SC is the total Service Credits (in £) for the relevant Service Period;

TSP is the total Service Points that have accrued for the relevant Service Period (which shall not be more than the amount of total Service Points agreed in accordance with paragraph 1.13(a) of Part A of Schedule 2.2 (*Performance Levels*));

X is the percentage (%) deduction in the Service Charges per Service Point agreed by the Parties pursuant to paragraph 1.10(f) of Part A of Schedule 2.2 (Performance Levels); and

AC is the total Services Charges payable for the relevant Service Period (prior to deduction of applicable Service Credits).

4.4 Without prejudice to clause 7.3 (*Performance Failure*), Service Credits are a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received and are stated exclusive of VAT.

4.5 Any Service Credits that accrue during a Service Period shall be:

- (a) calculated in the Service Period immediately following the Service Period in which they accrue; and
- (b) subject to Paragraph 4.8 of this Part C, shown as a deduction from the amount due from the Authority to the Supplier in the invoice for the Service Period immediately following the Service Period to which the Service Credits relate.

4.6 For the avoidance of doubt, by way of a worked example, in respect of the Services performed in Service Period 1, the total number of Service Points accumulated in Service Period 1 shall be calculated during Service Period 2 and the resulting Service Credits shall be deducted from the invoice relating to Service Period 2.

4.7 The Supplier shall be entitled to payment in respect of any Earn-back (which for the purposes of this Paragraph 4 shall have the meaning given to it in Schedule 2.2 (*Performance Levels*)) which has accrued in accordance with Paragraph 6 of Part A (*Earn-Back Mechanism*) of Schedule 2.2 (*Performance Levels*). Any Earn-back shall be calculated following expiry of the Earn-back Period and determined in accordance with Paragraph 6 of Part A (*Earn-Back Mechanism*) of Schedule 2.2 (*Performance Levels*) and any such amounts which have accrued may be invoiced by the Supplier in the Service Period immediately following the Service Period in which the Earn-back Period expires, in accordance with Part E of this Schedule 7.1 (*Charges and Invoicing*).

4.8 Where any Service Credits accrue but no further invoice is due, within 30 Working Days of the date on which the Service Credits are calculated the Supplier shall issue a credit note to the Authority equal to the value of the outstanding Service Credit and make a payment to the Authority equal to the value of such credit note within 10 Working Days of issue of the credit note.

5 CHANGES TO CHARGES

5.1 Any changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 8.2 (*Change Control Procedure*). Unless otherwise described in this Schedule 7.1 (*Charges and Invoicing*) or agreed in accordance with Schedule 8.2 (*Change Control Procedure*), the Supplier shall be entitled to apply any adjustment to the Charges (including additional charges in relation to any Change) from the date on which any Change is agreed in accordance with Schedule 8.2 (*Change Control Procedure*).

6 NOT USED

7 INDEXATION

7.1 [REDACTED]

7.2 [REDACTED]

7.3 [REDACTED]

[REDACTED]

- (a) [REDACTED] :
- [REDACTED]
- [REDACTED]
- [REDACTED]

- (b) [REDACTED] :
- [REDACTED]
- [REDACTED]

- (c) [REDACTED] :
- [REDACTED]
- [REDACTED]
- [REDACTED]

- (d) [REDACTED] :
- [REDACTED]
- [REDACTED]

7.4 [REDACTED]

(b) [REDACTED]

(c) [REDACTED]

(i) [REDACTED]

(ii) [REDACTED]

(iii) [REDACTED]

(iv) [REDACTED]

9.2 [REDACTED]

(a) [REDACTED]

(b) [REDACTED]

(c) [REDACTED]

(d) [REDACTED]

9.3

[REDACTED]

9.4

[REDACTED]

(a)

[REDACTED]

(b)

[REDACTED]

9.5

[REDACTED]

(a)

[REDACTED]

(b)

[REDACTED]

(i)

[REDACTED]

(ii)

[REDACTED]

10 AMENDMENTS TO CONTACT CENTRE AGENTS

10.1

[REDACTED]

(a)

[REDACTED]

(b)

[REDACTED]

(c)

[REDACTED]

10.2

[REDACTED]

[REDACTED]

(a)

[REDACTED]

10.3

[REDACTED]

(a)

[REDACTED]

(b)

[REDACTED]

PART D: FINANCIAL MODEL

Part D to Schedule 7.1 has been withdrawn for Freedom of Information Act purposes

PART E: INVOICING AND PAYMENT TERMS

DEFINITIONS

In this Part E, the following definitions shall apply:

“Disputed Amount” has the meaning given to in Paragraph 3.1 of this Part E of Schedule 7.1 (*Charges and Invoicing*);

1 SUPPLIER INVOICES

- 1.1. The Authority shall provide the Supplier with purchase order numbers which the Supplier can use to invoice:
- (a) no more than 10 days following signature of this Agreement, in respect of all of Charges known as at the signature date of this Agreement; and
 - (b) thereafter, as required, in a timely manner which allows the Supplier to invoice for the Charges in accordance with this Schedule 7.1 (*Charges and Invoicing*),
- 1.2. Provided always that this Paragraph 1.2 shall not apply where the Authority has failed to comply with Paragraph 1.1 of this Part E, the Supplier agrees and acknowledges that it shall not raise an invoice without having received the relevant purchase order numbers pursuant to Paragraph 1.1 of this Part E and that discrete purchase order numbers shall be used in respect of each Service and each Order.
- 1.3. Other than in respect of any amounts already paid by the Authority in connection with this Agreement prior to the signature of this Agreement, the Supplier shall ensure that each invoice contains the following information:
- (a) the date of the invoice;
 - (b) a unique invoice number;
 - (c) the Service Period or other period(s) to which the relevant Charge(s) relate;
 - (d) the correct reference for this Agreement;
 - (e) the reference number of the purchase order to which it relates;
 - (f) the dates between which the Services that are the subject of each of the Charges detailed on the invoice were performed;
 - (g) a description of the Services;
 - (h) the pricing mechanism used to calculate the Charges (such as Fixed Price, Time and Materials Basis etc.);

- (i) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone (if applicable);
 - (j) the total Charges gross and net of any applicable deductions and, separately, the amount of any Reimbursable Expenses properly chargeable to the Authority under the terms of this Agreement, and, separately, any VAT or other sales tax payable in respect of each of the same;
 - (k) details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;
 - (l) reference to any reports required by the Authority in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);
 - (m) a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;
 - (n) the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number);
 - (o) for Service Charges charged on a Fixed Price Mechanism, the invoice shall contain the "top line" detail of the relevant Service; and
 - (p) for Service Charges charged on the basis of volumetric consumption, the Supplier shall use a calendar month as the measurement period.
- 1.4. The Supplier shall invoice the Authority in respect of Services in accordance with the requirements of this Part E. Each draft schedule of Charges, invoice and any Supporting Documentation required to be submitted in accordance with this Part E shall be submitted, as directed by the Authority from time to time via the Authority's electronic transaction system.
- 1.5. The Supplier shall:
- (a) prepare and provide to the Authority for approval (not to be unreasonably withheld or delayed) of the format a template invoice within 10 Working Days of the signature date; and
 - (b) make such amendments as may be reasonably required by the Authority if the template invoice outlined in Paragraph 1.5(a) of this Part E is not approved by the Authority.
- 1.6. Along with each invoice, the Supplier shall submit to the Authority a supporting schedule which shall be based on the Financial Model and which shall set out each of the charging elements recorded on the invoice to the Authority. The schedule will

detail each individual Charge and will also provide a summary of those Charges, where appropriate.

- 1.7. Following receipt of each invoice, the Authority shall notify the Supplier whether the Charges set out in that invoice are disputed by the Authority (and, if they are disputed, the reasons why amounts are disputed).
- 1.8. All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.
- 1.9. The Authority shall regard an invoice as valid if it complies with the provisions of this Part E. Where any invoice does not conform to the requirements set out in this Part E, the Authority shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.
- 1.10. If the Authority does not dispute any Charges reflected in an invoice or dispute the validity of an invoice in accordance with Paragraphs 1.7 and 1.9 of this Part E, the invoice shall be regarded as valid and undisputed for the purpose of this Part E after 5 days have passed.
- 1.11. The Supplier shall be entitled to raise invoices (which shall be adjusted to reflect any additional payments or credits to be applied to such in accordance with this Agreement, including as a result of any True-Up) as follows:
 - (a) in respect of any Milestone, upon Achievement of the relevant Milestone;
 - (b) in respect of the Monthly Fixed Charge Mobilisation Charges, at any time during the month identified in respect of the relevant amount of the Mobilisation Charge as set out in the column headed "Invoice Period" in Table 7 of Annex 1. For the avoidance of doubt, the Mobilisation Charges are not associated with the Achievement or otherwise of any Milestone;
 - (c) in respect of the Service Charges which have accrued [REDACTED] in accordance with the provisions set out in paragraph 4 of Part B of this Schedule 7.1 (*Charges and Invoicing*);
 - (d) in respect of any amounts due to the Supplier in respect of any Earn-back in accordance with Paragraph 4.7 of Part C of this Schedule 7.1 (*Charges and Invoicing*);
 - (e) in respect of any Pass-Through Expenses, upon the Supplier incurring any such amounts;
 - (f) for any other Service Charges and other Charges which accrue in accordance with this Agreement and which are not covered by the other paragraphs of this Paragraph 1.11, on the second Working Day of the Service Period following the Service Period to which the Charge relates; and
 - (g) upon expiry and/or termination of this Agreement, for all amounts or Charges which have accrued or are due or payable by the Authority and which not otherwise been invoiced by the Supplier.

1.12. Notwithstanding any other provision of this Agreement including:

(a) any obligation of the Supplier to provide any information, documentation (including Supporting Documentation), Open Book Data or other material to the Authority; or

(b) any obligation of the Supplier to provide the Authority with transparency,

with regards to any Charges, Costs (including Actual Incurred Costs or costs of its Sub-contractors) financial inputs, profit margin (including the Declared Margin Position, Lower Margin Position, Maximum Margin Position) or billing or associated information (the “**Charging Information**”), the Contract Inception Report and the way in which it presents the Charging Information or any forecast version of the Charging Information is illustrative of the level of detail that the Supplier may and will provide (meaning, for the avoidance of doubt, that any Actual Incurred Costs, actual profit margin and Charges which are included in any later version of the Financial Model, once known, shall be reflected in a similar way and in no greater level of detail). Unless otherwise agreed between the Parties, neither Part D of this Schedule 7.1 nor any other provision of this Agreement or the Authority shall require (nor shall the Supplier be obliged to provide) any further breakdown, detail or, subject to any Change agreed between the Parties, other information or documentation in respect of the Charging Information including in relation to its Sub-contractors and including that the Supplier shall not be required by any provision of this Agreement to provide any information relating to its Sub-contractors margins.

1.13. In advance of the delivery of any invoice in accordance with this Part E, appropriate representatives of the Parties shall, unless otherwise agreed between the Parties, meet to discuss that invoice.

2 PAYMENT TERMS

2.1. Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier within thirty (30) days of verifying that the invoice is valid and undisputed in accordance with this Part E. The Parties may agree to accelerate such payment terms (either for individual invoices or for particular groups of invoices). Any invoice in respect of which there is such an agreed acceleration shall include a discount equal to the amount of interest on the sum payable under such invoice at a rate equal to HM Treasury’s “National Loan Fund Rate” plus ■% per annum (such

amount of interest being calculated on a daily basis for the number of days by which payment is agreed to be accelerated).

- 2.2. Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Supplier has specified on its invoice.

3 DISPUTES OVER INVOICES

- 3.1. The Authority may withhold or deduct payment of any amount it believes the Supplier is not entitled to pursuant to this Agreement ("**Disputed Amount**") pending agreement or determination of the Supplier's entitlement in relation to the Disputed Amount, subject to notifying the Supplier of such belief (and the reasons for it) in accordance with Paragraph 1.10 of this Part E. The Authority shall make payment on any amounts reflected on an invoice which are not Disputed Amounts.
- 3.2. Within four (4) Working Days following receipt by the Supplier of any notice served by the Authority pursuant to Paragraph 3.1 of this Part E above, the Supplier shall respond by notifying the Authority as to whether or not it agrees with the statements made in that notice and the grounds for such agreement or disagreement.
- 3.3. If the Supplier responds pursuant to Paragraph 3.2 of this Part E above that it does not agree with all or any of the statements made in any notice served by the Authority pursuant to Paragraph 3.1 of this Part E above and the Parties cannot agree that an overpayment or underpayment has been made or cannot agree the amount of the overpayment or underpayment, they shall be determined in accordance with the Dispute Resolution Procedure.
- 3.4. If the resolution in respect of any Disputed Amount above:
- (a) shows that any amount is payable to the Supplier, such amount will be paid by the Authority within 15 days, together with interest thereon (which shall be payable for the period from when such amount was originally due had such amount not been withheld until payment) at the rate set out Clause 10.3 (*Charges and Invoicing*) of this Agreement; and
 - (b) shows that there was a mistake with the invoice (or part thereof) caused by the Supplier and that:
 - (i) an adjustment is required to the amount payable by the Authority; or
 - (ii) the invoice (or part thereof) should not have been raised,

then:

- (aa) the Authority shall not be liable to pay any interest on the part of the invoice that required such adjustment or that should not have been raised; and

(bb) if an overcharge has been made the Supplier shall within 15 days, repay any overpaid amount to the Authority with interest thereon (which shall be payable for the period from when such amount was originally paid by the Authority) at the rate set out clause 10.3 (*Charges and Invoicing*) of this Agreement.

4 PRESERVATION OF AUTHORITY'S RIGHTS

- 4.1. No payment made by or on behalf of the Authority will constitute acceptance or approval by the Authority of the Services or any other matter or thing or otherwise prejudice any rights or remedies which the Authority may have against the Supplier including the right to recover any amount overpaid or wrongfully paid to the Supplier provided always that nothing in this Paragraph 4.1 shall allow the Authority to be compensated twice for the same loss.

ANNEX 1

Annex 1 to Schedule 7.1 has been withdrawn for Freedom of Information Act purposes

ANNEX 2

Annex 2 to Schedule 7.1 has been withdrawn for Freedom of Information Act purposes

ANNEX 3: NOT USED

ANNEX 4:

Annex 4 to Schedule 7.1 has been withdrawn for Freedom of Information Act purposes

