

**Key Performance Indicators**

ACCOMM4/7132

**Introduction**

1. The Contractor's performance shall be monitored against Key Performance Indicator (KPI) in this Annex. The Contractor's achieved level of performance against the KPI will determine the profit percentage payable against Line Items 2 (Main Equipment Provisioning) and 3 (Spares Provisioning). A detailed breakdown of how the profit percentage will be calculated for the KPI is detailed below.

**KPI Reporting & Performance Review**

2. In accordance with the requirements outlined in the Statement of Work at Annex A and Clause 9.2 of the Contract, the Contractor is required to submit monthly and quarterly reports. The Monthly report shall be used to determine the Profit level made to the Contractor.

3. The information supplied shall be used to support the Authority's decision as to the level of performance the Contractor has achieved for the Contract period. In the event of a disagreement the Contractor and Authority shall follow the Resolution of Dispute procedure at Clause 2.5 to the Contract. Once agreed, the Contractor will submit an invoice on the Contracting, Purchasing and Finance (CP&F\_electoninc procurement tool to claim the correct payment for the Contract Month. Upon receiving the invoice, the Authority will receipt the invoice on CP&F.

4. Any claim for alleviation against KPI performance and any associated available information shall be submitted to the Authority prior to Monthly Progress Review at the end of the Month for which it relates. The Contractor shall not be permitted to retrospectively submit information for KPI alleviations after the Contract progress review. The Authority shall then either authorise alleviation against KPI performance and exclude the incident in the KPI calculation or not authorise the alleviation and include the incident in the KPI calculation.

5. Depending on the Contractor's level of performance against each KPI, the Contractor can achieve a Green, Amber or Red Performance Indicator (after Authority agreement) as defined in the Performance Table for the KPI. In the event that the Contractor achieves a Green Performance Indicator for a KPI in a Contract Month, then the Authority shall classify the Contractor as performing against the KPI and the Authority's Commercial Branch shall, via a Purchase Order, authorise payment in accordance with the Performance Table sliding scale for the KPI.

6. In the event that the Contractor achieves either a Red or Amber Performance Indicator for the KPI in a Contract Month, then the Authority shall classify the Contractor as underperforming against the KPI for that Contract Month and the authority shall retain a percentage of the profit payment in accordance with the Performance Table sliding scale for the KPI.

7. In accordance with Clause 6 above, if the Contractor achieves an Amber Performance Indicator for the KPI in a Contract Month, the Authority shall temporarily withhold an element of

the Profit. To be held in abeyance and can be claimed back if the Contractor achieves a Green performance indicator in the next Contract Month. However, if the Contractor does not achieve a Green performance indicator in the next Contract Month then the retained profit shall be permanently withheld.

8. In accordance with Clause 6 above, if the Contractor receives a Red performance indicator, the Authority shall permanently retain % of the Profit percentage. The remaining % is held in abeyance and can be claimed back if the Contractor achieves a Green performance indicator in the next Contract Month for the KPI.

9. Performance against each of the KPIs shall cover a rolling 12 month period; therefore the KPI mechanism shown above will flow into the first month of the next Contract year.

### **Alleviations**

10. For the purposes of calculating the KPI both parties recognise that changes to the SOW Annex A will, in certain scenarios, require alleviations against KPI Performance for a defined period of time. All requests for alleviations shall be reviewed by the Authority. The Contractor shall follow the process as defined in paragraph 4. Each alleviation request will be assessed on its own merits. The decision to grant or reject Alleviation lies entirely with the Authority. Examples of alleviation requests are;

10.1 The Contractor fails to meet a lead time, due to a part being obsolete. However, the contractor has provided evidence that they have proactively identified an alternative spare part (for an obsolete spare) from the Main Equipment or Spares List. The Contractor is waiting on approval from the Authority to confirm that the alternative is acceptable. In this particular instance the Contractor shall be granted alleviation as the contractor has been proactive with identifying an alternative and are waiting on approval from the Authority.

10.2 The Contractor fails to meet a lead time, due to the Authority sending in an urgent demand with a high priority status (the Authority requested urgent demand takes precedence over other orders). In this particular instance the Contractor shall be granted alleviation as the contractor has instructed to work on the urgent order first. The Contractor shall inform the Authority of the effect an Urgent order.

10.3 The Contractor fails to meet a lead time, due to the Authority ordering above the max monthly order value as detailed in Appendix 3 to Annex. In this particular instance the Contractor shall be granted alleviation only for the spare quantities above the set max monthly order value. The Contractor shall provide the Authority a delivery date for all the spares above the max monthly quantity order.

### **Authority Termination Rights**

11. The provisions of Clause 7.9 of the Draft Contract apply to this KPI mechanism

<b>Key Performance Indicator</b>	
<i>KPI Number</i>	<b>1</b>
<b>Service Area</b>	<b>Line Items 2 (Main Equipment Delivery) and 3 (Ad hoc Supply of Spares)</b>
<b>KPI Descriptor</b>	Achievement of % or higher Schedule Adherence
<b>Incidence Measure</b>	<p>To be measured in two parts:</p> <p>a. Achievement of % or higher Schedule Adherence for Main Equipment Deliveries</p> <p>b. Achievement of a % or higher Schedule Adherence for Spares Deliveries</p>
	<p>The Contractor shall satisfy demand and deliver before the agreed Delivery Lead Times specified in the Contract. This KPI shall measure the Contractor's performance for satisfying demands for Supply on or within the agreed delivery lead times against the number of demands placed in month/quarter.</p> <p>The Contractor shall achieve a Demand Satisfaction Rate of % or higher.</p> <p>The achieved Demand Satisfaction Rate shall be calculated using the following formula:</p> $\text{Demand Satisfaction Rate} = \frac{\text{Number of Satisfied Demands* for Supply within the Contract Month (Delivery was met or exceeded against agreed delivery Lead Time)}}{\text{Total number of Demands for Supply of Main Equipment Provisioning placed within the Contract Month}} \times 100$ <p><i>*One Demand equals MOP of the NSN. For example an order for 100 screws with a MOP of 50 equals two demands. A order for 9 Helmets with a MOP of 1 equals 9 demands.</i></p> <p>In each Contract Month the Demand Satisfaction Rate will be measured by the Authority using data taken from Monthly Reports requested within Annex A. The performance will be calculated using the bandings set out in the performance table below. The actual Profit rate payable by the Authority shall be calculated on a sliding scale rounded to the nearest whole percent using the Demand Satisfaction Rate percentage actually achieved. For example</p> <ul style="list-style-type: none"> <li>• Where the Contractor achieves % Demand Satisfaction Rate, the Contractor shall have achieved a Demand Satisfaction Rate of % and the amount payable shall be % of the maximum sum payable, in accordance with the performance table below.</li> <li>• Where the Contractor achieves % Demand Satisfaction Rate, the Contractor shall have achieved a Demand Satisfaction Rate of % and the amount payable shall be % of the maximum sum payable, in accordance with the performance table below.</li> </ul>

<b>Payment Retention Scope</b>	<p>% of the Profit associated with the Total Cumulative Cost of Main Equipment and Spares due to be delivered within that Contract Month</p> <p>Payment Retention (Temporary and Permanent) is against Line Items 2 and 3 Monthly payment as per the Performance Table Below and in accordance with the process outlined at clauses 6 to 9 of this Annex.</p>
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Performance Table for KPI 1 and 2				Breakdown of retained profit rate	
Band	Demand Satisfaction Rate %	% Profit Rate Payable per Month	% Total Profit Rate Retained (a +b)	(a) Temp Retention* %	(b) Permanent Retention %
Green					
Amber					
Red					
Red					
Red					

\*Temporary retention may become permanent if the contractor fails to achieve % > the following month

**Example**

Based on the Profit rate of %

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
KPI Line Item 3 & 4	Amber (%)	Green (%)	Amber (%)	Amber (%)	Red (%)	Green (%)
Profit Payment						
Total Retained Profit Fee						
Breakdown of retained profit						
Temporary Retention (a)						
Permanent Retention (b)						
Fee claimed back - Contractor						