



Building
Digital UK

Call-Off 5

Call-Off Schedule 3 (Financial Schedule)

GIGABIT INFRASTRUCTURE SUBSIDY

OFFICIAL – SENSITIVE

COMMERCIALLY SENSITIVE – NOT FOR WIDER DISTRIBUTION

1 Funding Payments

General

- 1.1 The Authority shall make payments to the Supplier in accordance with the provisions set out in this Paragraph 1 and Paragraph 2 (Claims procedure).
- 1.2 The payments set out in Paragraph 1 and Clause 48 (Changing the Contract Procedure) shall be the only payments made by the Authority in respect of the Supplier's performance of its obligations under the Contract.
- 1.3 Any claims made by the Supplier for any payment must follow the procedure set out in Paragraph 2 (Claims procedure).
- 1.4 Interest shall be payable on the late payment of any undisputed payment properly claimed in accordance with the terms of this Contract at the rate of two per cent (2%) per annum above the base rate for the time being of the Bank of England. Such interest shall accrue on a daily basis from the due date until the date of actual payment of the overdue amount.

Plan and Build Stage Regular Payment

- 1.5 If:
 - (a) the Supplier has submitted the Plan and Build Stage Progress Report to the Authority for the Month in respect of which a claim is being submitted (and for the avoidance of doubt this may be submitted with the claim for payment); and
 - (b) none of the conditions set out in the table in Paragraph 1.12 which would result in the Plan and Build Stage Regular Payments being suspended are met,

then the Supplier shall be entitled to submit a claim for a Plan and Build Stage Regular Payment (adjusted where necessary in accordance with Paragraph 1.9(c)), calculated as the lower of:

$((A - B) \times C) \times 0.9$; and

$D - (B \times C) \times 0.9$

Where:

A = Average Unit Cost

B = Supplier Contribution

C = number of Build Units completed during the Month in respect of which the claim is being submitted;

D = Reported Actual Cost

- 1.6 Claims submitted in accordance with Paragraph 1.5 must be submitted by:
 - (a) the 10th Working Day after the end of the Month to which the Build Stage Regular Payment relates for Months 1 - 5 of a Review Period; or

- (b) the 20th Working Day after the end of the Month to which the Build Stage Regular Payment relates for Month 6 of a Review Period.

1.7 Where the Supplier is not permitted to issue a claim for a Plan and Build Stage Regular Payment in accordance with the table set out in Paragraph 1.12, the Supplier will not be permitted to submit such claims until the corresponding Rectification Plan has been successfully implemented.

Catch Up Payment

1.8 At the end of the first full Review Period after the Call-Off Contract Effective Date and at the end of each Review Period thereafter, the Authority shall carry out a review with twenty (20) Working Days to:

- (a) compare the total amount paid by the Authority to the Supplier in respect of that Review Period in accordance with Paragraph 1.5 plus the Retention applicable to that sum (the "**Review Period Cumulative Payment Total**") with the aggregate of the Reported Actual Costs for the Review Period (the "**Review Period Cumulative Actual Cost**");
- (b) determine whether the Supplier has claimed any ineligible costs during the Review Period; and
- (c) carry out any other relevant financial and contract management assurance activities the Authority deems necessary.

1.9 At the end of each Review Period:

- (a) if the Review Period Cumulative Payment Total is less than the Review Period Cumulative Actual Cost; and
- (b) for that Call-Off Contract, the Supplier has Achieved all Build Milestones in that Call-Off Contract in that Review Period (and for the avoidance of doubt, the aggregation principles described in Paragraph 1.10(a) will apply to any determination in accordance with this Paragraph 1.9(b) of whether the Supplier has Achieved such Build Milestones),

then the Supplier may submit a claim for a Catch-Up Payment calculated as follows:

(A – B) x 0.9 where

A = Review Period Cumulative Actual Cost minus the total Supplier Contribution for the Review Period and relevant Build Units

B = Review Period Cumulative Payment Total

- (c) if the Review Period Cumulative Payment Total is greater than the Review Period Cumulative Actual Cost:

- (i) if the Supplier has not achieved the Build Complete Milestone, subsequent Regular Plan and Build Stage Payments will be reduced by the difference between the Review Period Cumulative Payment Total and the Review Period Cumulative Actual Cost (the "**Difference**") until the sum has been netted off entirely.

- (ii) if the Supplier has achieved the Build Complete Milestone, the Authority may, at its discretion, require that:
 - (A) the Difference is subtracted from any outstanding Retention due to the Supplier;
 - (B) the Difference is netted off any Regular Plan and Build Stage Payments to be made to the Supplier by the Authority under other In-Build Call-Off Contracts;
 - (C) the Supplier shall repay the Difference to the Authority within thirty (30) days of any request.

Aggregation and Retention Payment

1.10 The Parties acknowledge and agree that:

- (a) each Call-Off Contract has individual Milestones dependent on the delivery profile of the individual Call-Off Contract, but that the intent is that the Milestones across Call-Off Contracts are aligned in order to assist with aggregate delivery maintaining on track; and
- (b) in the calculations under Paragraph 1.5, multiplying by 0.9 means that ten percent (10%) of such Plan and Build Stage Regular Payments are retained by the Authority ("**Retention**");
- (c) the Supplier may be eligible for release of the Retention where the circumstances set out in the table at Paragraph 1.12 permit the same;
- (d) if the circumstances contemplated under Clause 8.9 exist such that the number of build Units required to be completed by the relevant Retention Release Review is impacted at the point of the relevant Retention Release Review, the Parties shall conduct the percentage calculation on the number of Build Units completed by deducting any premises impacted pursuant to Clause 8.9 first ("Revised Total build Units Taking into Account Premises Under Relief") and then assess the percentage of Build Units completed against the Revised Total build Units Taking into Account Premises Under Relief.

1.11 At the end of the first Review Period having an end date which is at least eighteen (18) months later than the Framework Effective Date (but where such date is after 31 December 2025, by 31 December 2025), and every twenty four (24) months thereafter, the Supplier may undertake a review to calculate, in respect of that Review Period, the aggregate number of Build Units completed across all In-Build Call-Off Contracts (the "**Retention Release Review**"). The Supplier may, in its discretion, postpone any review undertaken in accordance with this Paragraph 1.11 by a period of up to three (3) months.

1.12 Following the Retention Release Review, Supplier shall be entitled to submit a claim for payment by the Authority to the Supplier of any previously unpaid Retention ("Retention Claim") not more than seven (7) days before or thirty (30) days after the relevant Period end date in accordance with Paragraph 1.13 if permitted by the circumstances described in the table below.

Percentage of Build Units required to have been completed by the relevant Retention Release Review for that Call-Off Contract	Percentage of Build Units required to have been completed across all In-Build Call-Off Contracts entered into under the Framework at the relevant Retention Release Review	Retention Claim Permitted?	Plan and Build Stage Regular Payment Permitted?	Rectification Plan Trigger Event?
100%	N/A	Claim permitted for this Call-Off Contract in accordance with the timings set out in Paragraph 1.11. Claim permitted for all other Call-Off Contract for which the percentage of Build Units completed at the Retention Release is 100%.	Permitted for this Call-Off Contract	No
95-99%	Greater than or equal to 100%	Claim permitted for this Call-Off Contract in accordance with the timings set out in Paragraph 1.11. Claim permitted for all other Call-Off Contracts.	Permitted for this Call-Off Contract	No
95-99%	Greater than or equal to 95% but less than 100%	Claim not permitted for this Call-Off Contract. Claim permitted for all other Call-Off Contract for which the percentage of Build Units completed at the Retention Release is 100%.	Permitted for this Call-Off Contract.	No

Percentage of Build Units required to have been completed by the relevant Retention Release Review for that Call-Off Contract	Percentage of Build Units required to have been completed across all In-Build Call-Off Contracts entered into under the Framework at the relevant Retention Release Review	Retention Claim Permitted?	Plan and Build Stage Regular Payment Permitted?	Rectification Plan Trigger Event?
95-99%	Less than 95%	Retention Claim not permitted for any Call-Off Contracts.	Permitted for this Call-Off Contract.	No
90-94%	Greater than or equal to 95%	Claim not permitted for this Call-Off Contract. Claim permitted for all other Call-Off Contract for which the percentage of Build Units completed at the Retention Release is 100%.	Permitted for this Call-Off Contract	No
90-94%	Less than 95%	Retention Claim not permitted for any Call-Off Contracts.	Permitted for this Call-Off Contract	No
80-89%	Greater than or equal to 95%	Claim not permitted for this Call-Off Contract. Claim permitted for all other Call-Off Contract for which the percentage of Build Units completed at the Retention Release is 100%.	Permitted for this Call-Off Contract	No
80-89%	Less than 95%	Retention Claim not permitted for any Call-Off Contracts.	Permitted for this Call-Off Contract	No
0-79%	Greater than or equal to 95%	Retention Claim not permitted for that Call-Off Contract.	Not permitted for that Call-Off Contract until Rectification Plan complete	Yes

Percentage of Build Units required to have been completed by the relevant Retention Release Review for that Call-Off Contract	Percentage of Build Units required to have been completed across all In-Build Call-Off Contracts entered into under the Framework at the relevant Retention Release Review	Retention Claim Permitted?	Plan and Build Stage Regular Payment Permitted?	Rectification Plan Trigger Event?
		Claim permitted for all other Call-Off Contract for which the percentage of Build Units completed at the Retention Release is 100%.		
0-79%	Greater than or equal to 80% and less than 95%	Retention Claim not permitted for any Call-Off Contracts.	Not permitted for that Call-Off Contract until Rectification Plan complete	Yes
0-79%	Less than 80%	Retention claim not permitted for any Call-Off Contracts.	Not permitted for any Call-Off Contract until all Rectification Plans are complete.	Yes

- 1.13 The Authority shall upon receipt of the Retention Claim have twenty (20) Working Days from the date of the receipt of the Retention Claim to verify its accuracy and either:
- (a) pay the requested amount at the same time as the next Catch Up Payment and in accordance with Paragraph 2 (Claims Procedure); or
 - (b) where the Authority has a bona fide dispute on the accuracy of the Retention Claim refer the Dispute to be resolved using Clause 61 (Governing Law and resolving Disputes).
- 1.14 Where the release of Retention is not permitted for a Call-Off Contract in accordance with the table in Paragraph 1.12, the Supplier shall be eligible to submit a claim for the release of the Retention at the end of the next Review Period, provided that the Supplier has completed the relevant percentage of Build Units (as set out in the table under paragraph 1.12 above) required to have been completed up to and including the date of the relevant Review Period.

See below for worked examples:

Worked examples

Table 1 - Type C Regular payments

Payment and Retention worked example

The worked example assumes two call offs, of 60,000 premises and 40,000 premises respectively. Per the Financial schedule payments are calculated as being lower of $((A - B) \times C) \times 0.9$; and $D - (B \times C) \times 0.9$

Where:

A = Average Unit Cost

B = Supplier Contribution

C = number of Build Units completed during the Month in respect of which the claim is being submitted;

D = Reported Actual Cost

For the purpose of illustration the actual cost less supplier contribution is equal to the average unit cost less supplier contribution and so an average subsidy per prem value is used. NB: this is a simplistic view to demonstrate the payment eligibility and retention claim eligibility - monthly payments on terms of the contract are more complex and have varying payment options and will follow the terms set out in sections 1.5 to 1.7 of the financial schedule. All scenarios marked as Green and eligible for payment are similarly assumed to have satisfied the criteria set out in sections 1.5 to 1.7 and the table in section 1.12 whilst all red items are assumed for periods where the criteria is not met as set out in the same sections of the financial schedule.

Schedule 3 allows for catch up payments once eligible costs have been reviewed and this enables the supplier to recover the increased cost of early stage delivery. This has not been included in this example to maintain simplicity but is shown separately in a different table.

Average subsidy per prem 2000

CALL-OFF LEVEL VIEW

SCENARIO 1		Review Window 1								Review Window 2								Review Window 3							
Call-off Aggregation		2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1	2028 Q2	2028 Q3	2028 Q4	2029 Q1	2029 Q2	2029 Q3	2029 Q4
Call off 1	% completion								97%								100%								100%
	Call-off 1 Target								20,000								20,000								
	Call-off 1 Cumulative Delivery	800	1,600	3,600	5,600	8,100	10,600	13,600	19,350	23,950	25,950	27,950	29,950	31,950	33,950	36,950	40,000	43,000	46,000	49,000	52,000	55,000	58,000	60,000	60,000
	Eligible subsidy @ £2000pp (£)	1,600,000	1,600,000	4,000,000	4,000,000	5,000,000	5,000,000	6,000,000	11,500,000	9,200,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	6,000,000	6,100,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	4,000,000	0
	Payment amount @ 90% (£)	1,440,000	1,440,000	3,600,000	3,600,000	4,500,000	4,500,000	5,400,000	10,350,000	8,280,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	5,400,000	5,490,000	5,400,000	5,400,000	5,400,000	5,400,000	5,400,000	5,400,000	3,600,000	0
	Cumulative Retention Value (£)	160,000	320,000	720,000	1,120,000	1,620,000	2,120,000	2,720,000	3,870,000	920,000	1,320,000	1,720,000	2,120,000	2,520,000	2,920,000	3,520,000	4,130,000	600,000	1,200,000	1,800,000	2,400,000	3,000,000	3,600,000	4,000,000	4,000,000
Call off 2	Eligible for regular build payment?	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
	% completion								72%								92%								100%
	Call-off 2 Target								16,000								15,000								9,000
	Call-off 2 Cumulative Delivery	1,000	2,500	4,000	5,500	7,000	8,500	10,000	11,500	13,500	15,500	17,500	19,500	21,500	23,500	25,500	28,500	29,750	31,000	32,500	34,000	35,500	37,000	38,500	40,000
	Eligible subsidy @ £2000pp (£)	2,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	6,000,000	2,500,000	2,500,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
	Payment amount @ 90% (£)	1,800,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	5,400,000	2,250,000	2,250,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Aggregate view	Cumulative Retention Value (£)	200,000	500,000	800,000	1,100,000	1,400,000	1,700,000	2,000,000	2,300,000	400,000	800,000	1,200,000	1,600,000	2,000,000	2,400,000	2,800,000	3,400,000	250,000	500,000	800,000	1,100,000	1,400,000	1,700,000	2,000,000	2,300,000
	Eligible for regular build payment?	YES	YES	YES	YES	YES	YES	YES	NO	NO	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
	Retention Schedule								86%								96%								100%
	Delivery Milestone (Cumulative)								36,000								71,000								100,000
Aggregate view	Cumulative Delivery	1,800	4,100	7,600	11,100	15,100	19,100	23,600	30,850	37,450	41,450	45,450	49,450	53,450	57,450	62,450	68,500	72,750	77,000	81,500	86,000	90,500	95,000	98,500	100,000
	Retention eligible for release?								WITHHELD								PART PAID								PAID

Retention Release Review 1

- The retention release claim is not permitted for any call off contracts, as aggregate at framework level is below the 95% minimum required completion to be eligible for a retention release claim (per table in section 1.12 of Financial Schedule).

- The regular Plan & Build payment for Call off 2 is also not permitted due to being below 79% (for illustration assumed lower threshold in Q4); Also this level of threshold will trigger a rectification plan as per table in section 1.12 of the financial schedule

- The retention held is valued at £6,170,000 (£3,870,000 pertaining to call off 1, £2,300,000 pertaining to call off 2)

Retention Release Review 2

- The retention release claim permitted for call off contract 1 which is fully on track (cumulative release of £8m at the end of Retention Release Review 2).

- Retention for call off contract 2 continues to be ineligible for a release claim as it is below the required volume, cumulatively there is £5.7m of retention held back in respect of call off 2.

- Plan & Build payment for call off 2 resumes once milestones are back on track, in this example in Q3 2026, having been suspended since for all regular monthly payment periods from point where milestones were missed.

- Note Part Paid refers to retention release for Call Off 1 which has hit 100%

Retention Release Review 3

- The retention release claim is permitted for all call off contracts at the end of the review period 3, as all call offs are on track.

- Per Schedule 3, if the supplier had anticipated reaching cumulative delivery requirement by Q1 2028, the RRR could have been delayed by 3 months. However, in this example this volume is not achieved until Q2 2028 and is therefore not eligible for a delayed claim.

- At Q4 2029 the full cumulative retention held in respect of call off 2 (£8m) can be claimed by the supplier along with retention of £4m held in respect of call off 1

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Table 2 - Type C Retention

Assumptions:
The worked example assumes two call offs, of 60,000 premises and 40,000 premises respectively.
This example is informed using the Table 1 - Regular Payments
It is designed to show at a call off and aggregation level the outcomes at each retention review period
For illustration first Retention Release Review period is assumed at the end of 24 months and subsequent review periods 24 months thereafter (section 1.11 of Financial Schedule)

CALL-OFF LEVEL VIEW																											
SCENARIO 1 Call-off Aggregation		Review Window 1								Review Window 2								Review Window 3									
		2024	2024	2024	2024	2025	2025	2025	2025	2026	2026	2026	2026	2027	2027	2027	2027	2028	2028	2028	2028	2029	2029	2029	2029		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Call off 1	% completion								97%								100%								100%		
	Call-off 1 Target								20,000								20,000								20,000		
	Call-off 1 Cumulative Delivery	800	1,600	3,600	5,600	8,100	10,600	13,600	19,350	23,950	25,950	27,950	29,950	31,950	33,950	36,950	40,000	43,000	46,000	49,000	52,000	55,000	58,000	60,000	60,000		
Call off 2	% completion								72%								92%								100%		
	Call-off 2 Target								16,000								15,000								9,000		
	Call-off 2 Cumulative Delivery	1,000	2,500	4,000	5,500	7,000	8,500	10,000	11,500	13,500	15,500	17,500	19,500	21,500	23,500	25,500	28,500	29,750	31,000	32,500	34,000	35,500	37,000	38,500	40,000		
Aggregate view	Retention Schedule								86%								96%								100%		
	Delivery Milestone (Cumulative)								36,000								71,000								100,000		
	Cumulative Delivery	1,800	4,100	7,600	11,100	15,100	19,100	23,600	30,850	68,300	41,450	45,450	49,450	53,450	57,450	62,450	68,500	72,750	77,000	81,500	86,000	90,500	95,000	98,500	100,000		
Retention Schedule								WITHELD								PART PAID								PAID			
								Claim not permitted for any call off contracts Plan & Build payment for Call off 2 is not permitted (assumed milestone missed in Q4 2025)								Claim permitted for call off contract 1.								Claim permitted for all call off contracts			
																Retention withheld for call off contract 2 Plan & Build payment for all call offs only permitted post completion of rectification plan (assumed in Q3 2026)											

Table 3 - Type C Catch Up Payment (Part A)

Catch up payment worked example - NB: A supplier is only eligible to claim for a catch up payment if they have met their build milestones

If the Review Period Cumulative Payment Total is less than the Review Period Cumulative Actual Cost; and for that Call-Off Contract, the Supplier has Achieved all Build Milestones in that Call-Off Contract in that Review Period (and for the avoidance of doubt, the aggregation principles described in Paragraph 1.10(a) will apply to any determination in accordance with this Paragraph 1.9(b) of whether the Supplier has Achieved such Build Milestones), then the Supplier may submit a claim for a Catch-Up Payment calculated as follows:

(A - B) x 0.9 where

A = Review Period Cumulative Actual Cost minus the total Supplier Contribution for the Review Period and relevant Build Units

B = Review Period Cumulative Payment Total

If the Review Period Cumulative Payment Total is greater than the Review Period Cumulative Actual Cost:

If the Supplier has not achieved the Build Complete Milestone, subsequent Regular Plan and Build Stage Payments will be reduced by the difference between the Review Period Cumulative Payment Total and the Review Period Cumulative Actual Cost (the "Difference") until the sum has been netted off entirely.

If the Supplier has achieved the Build Complete Milestone, the Authority may, at its discretion, require that:

- the Difference is subtracted from any outstanding Retention due to the Supplier;

- the Difference is netted off any Regular Plan and Build Stage Payments to be made to the Supplier by the Authority under other In-Build Call-Off Contracts; the Supplier shall repay the Difference to the Authority within thirty (30) days of any request.

Average unit cost	£2,700
Average supplier contribution	£700
Average subsidy per prem	£2,000

Scenario 1 Eligible for catch up payment

Call off 1	% completion									100%
	Call-off 1 Target	2024				2025				20,000
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
	Call-off 1 Cumulative Delivery	800	1,600	3,600	5,600	8,100	10,600	13,600	20,000	
		£	£	£	£	£	£	£	£	
	Forecast Subsidy per prem (#prems x average subsidy per prem)	1,600,000	1,600,000	4,000,000	4,000,000	5,000,000	5,000,000	6,000,000	12,800,000	
	Actual cost of build	2,320,000	2,320,000	5,800,000	5,800,000	5,500,000	5,500,000	7,200,000	15,360,000	
	Actual cost eligible for subsidy (actual cost- supplier contribution)									
		1,760,000	1,760,000	4,400,000	4,400,000	3,750,000	3,750,000	5,100,000	10,880,000	
	Eligible payment value (Lower of actual cost eligible for subsidy and forecast subsidy per prem)									
		1,600,000	1,600,000	4,000,000	4,000,000	3,750,000	3,750,000	5,100,000	10,880,000	
	Retention Value based on monthly payments (10%)									
		160,000	160,000	400,000	400,000	375,000	375,000	510,000	1,088,000	
	Payment amount (eligible payment value - retention; paid monthly)									
		1,440,000	1,440,000	3,600,000	3,600,000	3,375,000	3,375,000	4,590,000	9,792,000	
	Cumulative Payment @ 6 months									
			2,880,000		7,200,000		6,750,000		14,382,000	
	Catch up Payment (if applicable - see table below)		288,000		720,000		0		0	
	Cumulative Retention at 6 mthly intervals		320,000		800,000		750,000		1,598,000	
	Amended Cumulative Retention at 6 mthly True ups		352,000		880,000		750,000		1,598,000	

NB: As retention is reviewed every 2 years, the cumulative retention at the date of RRR is £3,580,000

	Review Period 1 (Q2)	Review Period 2 (Q4)	Review Period 3 (Q2)	Review Period 4 (Q4)		Description
Catch up calculation	£	£	£	£		
Actual cost of build	4,640,000	11,600,000	11,000,000	22,560,000	£49,800,000	The full cost incurred by the supplier if supplier contribution is assumed as straightline, this should be the cap
Actual cost eligible for subsidy (cost-supplier contribution)	3,520,000	8,800,000	7,500,000	15,980,000	£35,800,000	
Retention on actual cost eligible for subsidy	(352,000)	(800,000)	(750,000)	(1,598,000)		
Actual cost eligible for subsidy net of retention	3,168,000	7,920,000	6,750,000	14,382,000		
Eligible payment value inc. retained amount (lower of forecast v actual)	3,200,000	8,000,000	7,500,000	15,980,000	£34,680,000	The lower of the unit cost and actual cost incurred, less the supplier contribution
Retention on Eligible payment	(320,000)	(800,000)	(750,000)	(1,598,000)	£3,468,000	The 10% retention of the eligible payment value
Eligible Subsidy Paid (net of retention)	2,880,000	7,200,000	6,750,000	14,382,000	£31,212,000	The eligible payment value LESS the retention (10%)
						Being the delta of the capped eligible subsidy value less the eligible payment cost. Note; retention is still applied
Catch Up Payment to be claimed (net of retention)	320,000	800,000	0	0	£1,120,000	
	288,000	720,000	0	0	£1,008,000	As with all payments, 10% retention is held

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Table 3 - Type C Catch Up Payment (Part B)
Scenario Not eligible for catch up payment
2

	% completion								100%
	2024				2025				20,000
Call-off 1 Target	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Call-off 1 Cumulative Delivery	800	1,600	3,600	5,600	8,100	10,600	13,600	20,000	
	£	£	£	£	£	£	£	£	
Forecast Subsidy per prem (Rprens x average subsidy per prem)	1,600,000	1,600,000	4,000,000	4,000,000	5,000,000	5,000,000	6,000,000	12,000,000	
Actual cost of build	2,000,000	2,000,000	5,000,000	5,000,000	6,250,000	6,250,000	7,500,000	16,000,000	
Actual cost eligible for subsidy (actual cost - supplier contribution)	1,440,000	1,440,000	3,600,000	3,600,000	4,500,000	4,500,000	5,400,000	11,520,000	
Eligible payment value (Lower of actual cost eligible for subsidy and forecast subsidy per prem)	1,440,000	1,440,000	3,600,000	3,600,000	4,500,000	4,500,000	5,400,000	11,520,000	
Retention Value (10%)	144,000	144,000	360,000	360,000	450,000	450,000	540,000	1,152,000	
Payment amount (eligible payment value - retention; unit monthly)	1,296,000	1,296,000	3,240,000	3,240,000	4,050,000	4,050,000	4,860,000	10,368,000	
Cumulative Payment @ 6 months		2,592,000		6,480,000		8,100,000		15,228,000	
Catch up Payment (if applicable - see table below)									
Cumulative Retention at 6 mthly intervals		288,000		720,000		900,000		1,692,000	
Amended Cumulative Retention at 6 mthly True ups		288,000		720,000		900,000		1,692,000	

Catch up calculation	Period 1 (Q2)	Period 2 (Q4)	Period 3 (Q2)	Review Period 4 (Q4)		Description
	£	£	£	£		
Actual cost of build	4,000,000	10,000,000	12,500,000	23,500,000	£50,000,000	The full cost incurred by the supplier
Actual cost eligible for subsidy (cost-supplier contribution)	2,880,000	7,200,000	9,000,000	16,920,000	£36,000,000	If supplier contribution is assumed as straightline, this should be the cap
Retention on actual cost eligible for subsidy	(288,000)	(720,000)	(900,000)	(1,692,000)		
Actual cost eligible for subsidy net of retention	2,592,000	6,480,000	8,100,000	15,228,000		
Eligible payment value inc. retained amount (lower of forecast v actual)	2,880,000	7,200,000	9,000,000	16,920,000	£36,000,000	The lower of the unit cost and actual cost incurred, less the supplier contribution
Retention on Eligible payment	(288,000)	(720,000)	(900,000)	(1,692,000)	£3,600,000	The 10% retention of the eligible payment value
Eligible Subsidy Paid (net of retention)	2,592,000	6,480,000	8,100,000	15,228,000	£32,400,000	The eligible payment value LESS the retention (10%)
Catch Up Payment to be claimed (net of retention)	0	0	0	0	£0	Being the delta of the capped eligible subsidy value
	0	0	0	0	£0	As with all payments, 10% retention is held

Build Complete Key Milestone Payment

1.15 When the Supplier Achieves the Build Complete Milestone of a Call-Off Contract, the Supplier shall be entitled to submit a claim for:

- (a) a Regular Plan and Build Stage Payment in accordance with the provisions of Paragraph 1.5 save that the calculation will include all Build Units completed up to when the Build Complete Milestone was Achieved that were not claimed previously;
- (b) where applicable, a Catch-Up Payment in accordance with the provisions of Paragraph 1.8 and 1.9; and
- (c) any outstanding Retention (in respect of that Call-Off Contract only) which has not been otherwise paid to the Supplier in accordance with this Contract,

(the "Build Complete Sum").

1.16 The Authority may deduct any overpayment determined in accordance with Paragraph 1.9(c) and any liquidated damages owing to the Authority in accordance with Clause 12 (Liquidated Damages) from the Build Complete Sum.

Underspend

1.17 On the date that is the later of the completion by the Supplier of 40% (forty per cent) of the Build Units or the date on which the first review is carried out in accordance with Paragraph 1.11, every two years after the date of the first such review and on the Achievement of the Build Complete Milestone, the Parties will undertake a review to determine whether there has been an Underspend which for the purposes of this Paragraph 1.16, means where the Actual Reported Cost is less than the Planned Cost at that Milestone Date and the Supplier has completed the required number of Build Units as at the date of the review.

1.18 Where a review carried out in accordance with Paragraph 1.16 shows that there has been an unforeseen Underspend of Eligible Expenditure and there are still subsequent incomplete

Call-Off Contracts in respect of which the Supplier can evidence an unforeseen overspend ("**Overspend Call-Off**"), the Supplier may, without undue delay, issue a Change Request to move Underspend to such Overspend Call-Off. The Authority shall not unreasonably withhold agreement to such Change Request subject to the Supplier demonstrating to the Authority's satisfaction:

- (a) it has Achieved the Build Milestones for the Call-Off Contract in respect of which an Underspend is evidenced;
- (b) such underspend and overspend could not have been foreseen by a reasonably competent supplier of good standing carrying out similar works; and
- (c) it has used all reasonable endeavours to mitigate any underspend or overspend occurring,

provided always that if at any point that the total Underspend across all Call-Off Contracts at the relevant Review Period is greater than or equal to fifteen percent (15%) of the Total Framework Funding then the Authority may require that:

- (d) fifty (50%) of the Underspend ("**Surplus Funding**") shall not be payable to the Supplier;
- (e) the Total Framework Funding shall be reduced by the amount of the Surplus Funding and the Reference Financial Model updated accordingly;
- (f) the Authority shall be able to use such Surplus Funding in accordance with its governance procedures to find and fund alternative intervention opportunities; and
- (g) for the avoidance of doubt the remaining fifty percent (50%) of underspend that is not Surplus Funding will be left as spend to enable the Supplier to offset this with overspend elsewhere in the Contract or return to the Authority in accordance with Paragraph 1.17.

2 Claims procedure

2.1 The Supplier shall ensure that any claim for payment under Paragraph 1 (Funding Payments) contains the following information:

- (a) date of the claim;
- (b) period and activity to which the claim relates;
- (c) banking details for payment to the Supplier via electronic transfer of funds;
- (d) contact details for an individual in the Supplier's finance department to deal with administrative queries; and
- (e) where not already provided, the supporting evidence of delivery required by the Authority in accordance with Clause 15 (Reports).

2.2 If the Authority requires any further information following receipt of a claim, it shall notify the Supplier within ten (10) Working Days of receipt of the claim and the Supplier shall provide such information and/or clarification without delay.

- 2.3 The Authority shall pay each valid and undisputed claim submitted in accordance with Paragraph 2.1 above within twenty (20) Working Days (provided that where Paragraph 2.2 applies the twenty (20) Working Day period shall commence when the further information has been provided in each case to the Authority's satisfaction).

3 Active services clawback

- 3.1 The Supplier shall comply with this Paragraph 3 from the Build Stage Commencement Date. For the avoidance of doubt, nothing in this Paragraph 3, shall result in the Authority providing any additional Funding Payments to the Supplier.

Annual clawback payments

- 3.2 The Supplier shall ensure that the Build Stage Progress Report and the Monitoring and Clawback Stage Report, provided under Clause 15.1 (Reports), include the actual total Active Services Take-up per Quarter. The actual Active Services Take-up shall be compared to the forecast Active Services Take-up as shown in the i.Take-up – Connections and i.Take-up Disconnections tables of the Financial Model for the relevant Call-Off Contract, from the Build Stage Commencement Date to the last day of the relevant Quarter. The difference between the cumulative actual Active Services Take-up per Quarter (being the sum in 'Actual Take-up (Cumulative)' row in the table in the example below), and the sum of the cumulative forecast Active Services Take-up (being the sum in the Forecast Take-up (Cumulative) row in the table below), represents a Net Additional Active Services Take-up.

See Table 1 below for an example:

Table 1 - Active Services Take-up

Quarter	1	2	3	4	5	6	7	8
Forecast Take-up (Incremental)	150	200	250	250	200	150	50	0
Forecast Take-up (Cumulative)	150	350	600	850	1050	1200	1250	1250
Actual Take-up (Incremental)	50	150	250	350	200	150	150	0
Actual Take-up (Cumulative)	50	200	450	800	1000	1150	1300	1300
Net Additional Active Services Take-up	-100	-150	-150	-50	-50	-50	50	50

Note: In this example, actual Active Services Take-up is being measured at the end of Q4 and Q8. This is a worked example only and figures have no other application or relevance.

- 3.3 The exposure to clawback at the end of each Quarter shall be calculated as follows:

$$\text{Active Services Exposure to Clawback} = (A * B) * 50\%$$

Where:

A = Net Additional Active Services Take Up; and

B = Active Services Incremental Customer Margin as set out in section of the Outputs section 6 of the Financial Model.

- 3.4 At the end of each Financial Year, an Annual Active Services Take-up Clawback Amount shall be calculated as follows:

Annual Active Services Take-up Clawback Amount = A - B

Where:

A = the total of all Active Services Exposure to Clawback for all Quarters to date; and

B = The total of any Annual Active Services Take-up Clawback Amounts previously paid back to the Authority.

- 3.5 The Supplier shall repay:

- (a) any positive Annual Active Services Take-up Clawback Amounts calculated during the Build Stage to the Authority within twenty (20) Working Days of the Monitor and Clawback Stage Commencement Date; and
- (b) any positive Annual Active Services Take-up Clawback Amounts calculated from and including the Monitor and Clawback Stage Commencement Date to the Authority within twenty (20) Working Days of the last day of the relevant Financial Year.

Final Active Services Take-up Clawback Amount

- 3.6 In Paragraphs 3.7 to 3.10 and 4.7 to 4.10 (Final passive services clawback amount):

"**AS2BC+7**" means the date which is seven (7) years from the Achievement of the Build Complete Milestone;

"**Calculation Quarter**" means the Quarter in which AS2BC+7 occurs;

"**Calculation Period**" means the Calculation Quarter and immediately preceding three (3) Quarters prior to the Calculation Quarter; and

"**Take-up Percentage Change**" means the percentage change in the cumulative Net Additional Active Services Take Up from a respective Quarter and the Quarter immediately preceding it.

- 3.7 At the end of the Calculation Quarter, the Authority shall calculate the Take-up Percentage Change for each Quarter within the Calculation Period.

- 3.8 If the Take-up Percentage Change in all Quarters within the Calculation Period is less than zero point five per cent (0.5%) then:

- (a) the Authority shall calculate the Final Active Services Take-up Clawback Amount in accordance with Paragraph 3.11;

- (b) the Supplier shall repay to the Authority within twenty (20) Working Days of notification by the Authority any positive Final Active Service Take-up Clawback Amount; and
 - (c) the Supplier's obligation to report on Take-up in accordance with Paragraph 3.2 shall cease.
- 3.9 If the Take-up Percentage Change in any Quarter within the Calculation Period is greater than or equal to zero point five per cent (0.5%) then the end of the Quarter immediately following the Calculation Quarter shall be deemed the Calculation Quarter and the provisions of Paragraphs 3.7 and 3.8 shall be applied accordingly.
- 3.10 Notwithstanding anything in Paragraphs 3.7 to 3.9, if the Authority has not calculated the Final Active Services Take-up Clawback Amount by the date which is the date of Achievement of the Build Complete Milestone plus a period equal to the Average Connection Life then the Take-up Percentage Change for all Quarters in the relevant Calculation Quarter shall be deemed to be less than zero point five per cent (0.5%) and the provisions of Paragraphs 3.8(a) to 3.8(c) (inclusive) shall apply.
- 3.11 The Final Active Services Take-up Clawback Amount shall be calculated as follows:

Final Active Services Take-up Clawback Amount = the greater of zero (0) or $(A * (B - C)) - D$

Where:

- A = NPV of additional customer connection (as specified in section 6 of the Outputs section of the Financial Model for the relevant Call-Off Contract);
- B = Total actual Active Services Take-up;
- C = Total Forecast Active Services Take-up (as specified in the i.Take-up – Connections and i.Take-up Disconnections tables of the Financial Model for the relevant Call-Off Contract; and
- D = The total of any Annual Active Services Take-up Clawback Amounts previously paid back to the Authority for the Call-Off Contract.

- 3.12 Where any calculation in Paragraph 3.11 demonstrates a prior overpayment to the Authority by the Supplier under these provisions, the Authority shall refund the overpayment to the Supplier within twenty (20) Working Days.

4 Passive services clawback

- 4.1 For each Call-Off Contract, the Supplier shall comply with this Paragraph 4 from the Final (Build) Commencement Date for that Call-Off Contract. For the avoidance of doubt, nothing in this Paragraph 4 shall result in the Authority providing any additional Funding Payments to the Supplier.

Annual passive services clawback amounts

- 4.2 The Supplier shall ensure that the Build Stage Progress Report and the Monitor and Clawback Stage Report provided under Clause 15.1 (Reports) includes the actual total Passive Services Take-up per Quarter for each Wholesale Passive Product. The actual

Passive Services Take-up shall be compared to the forecast Passive Services Take-up as shown in the i.Take-up table of the Financial Model for the relevant Call-Off Contract, from the Build Stage Commencement Date to the last day of the relevant Quarter. The difference between the cumulative actual Passive Services Take-up per Quarter (being the sum in 'Actual Passive Services Take-up (Cumulative)' row in the table in the example below), and the sum of the cumulative forecast Passive Services Take-up (being the sum in 'Forecast Passive Services Take-up (Cumulative)' row in the table below), represents a Net Additional Passive Services Take-up.

Table 2 - Wholesale Passive Products where take-up is measured in customer units

Quarter	1	2	3	4	Cumulative sum across Q1 – Q4 (customer units)
Forecast Passive Services Take-up (customer units)	100	150	250	300	800
Actual Passive Services Take-up (customer units)	125	200	300	300	925

Note: In Table 2, actual Passive Services Take-up for Wholesale Passive Products measured in customer units is being measured at the end of Q4. The Net Additional Passive Services Take-up measured at the end of Q4 would be one hundred and twenty five (125) customer units i.e. 925-800. This is a worked example only and figures have no other application or relevance.

Table 3 - Wholesale Passive Products where take up is measured in km

Quarter	1	2	3	4	Cumulative sum across Q1 – Q4 (km)
Forecast Passive Services Take-up (km)	10	20	20	35	85
Actual Passive Services Take-up (km)	20	25	20	40	105

Note: In Table 2, actual Passive Services Take-up for Wholesale Passive Products measured in kilometres is being measured at the end of Q4. The Net Additional Passive Services Take-up measured at the end of Q4 would be 20km i.e., 105-85. This is a worked example only and figures have no other application or relevance.

- 4.3 For each Wholesale Passive Product, the exposure to clawback at the end of each Quarter shall be calculated as follows:

$$\text{Passive Services Exposure to Clawback} = (A * B) * 50\%$$

Where:

- A = Net Additional Passive Services Take Up for the relevant Wholesale Passive Product; and
- B = Incremental Product Margin per customer unit or kilometre (as appropriate for the relevant Wholesale Passive Product) as set out in section 6 of the Outputs section of the Financial Model for the relevant Call-Off Contract.

- 4.4 At the end of each Financial Year, an Annual Passive Services Take-up Clawback Amount shall be calculated for each Wholesale Passive Product as follows:

$$\text{Annual Passive Services Take-up Clawback Amount} = A - B$$

Where:

- A = The total of all Passive Services Exposure to Clawback for the relevant Wholesale Passive Product for all Quarters to date; and
- B = The total of any Annual Passive Services Take-up Clawback Amounts previously paid back to the Authority in respect of the relevant Wholesale Passive Product.

- 4.5 The Supplier shall repay:

- (a) the total of any positive Annual Passive Services Take-up Clawback Amounts calculated for all Wholesale Passive Products during Final (the Build Stage) to the Authority within twenty (20) Working Days of the Monitor and Clawback Stage Commencement Date; and
- (b) the total of any positive Annual Passive Services Take-up Clawback Amounts calculated for all Wholesale Passive Products from and including the Monitor and Clawback Stage Commencement Date to the Authority within twenty (20) Working Days of the last day of the relevant Financial Year.

Final passive services clawback amount

- 4.6 Paragraphs 4.7 to 4.12 shall apply for each Wholesale Passive Product.
- 4.7 At the end of the Calculation Quarter, the Authority shall for each Quarter within the Calculation Period calculate the Take-up Percentage Change.
- 4.8 If the Take-up Percentage Change in all Quarters within the Calculation Period is less than zero point five per cent (0.5%) then:

- (a) the Authority shall calculate the Final Passive Services Take-up Clawback Amount in accordance with Paragraph 4.11;
 - (b) the Supplier shall repay to the Authority within twenty (20) Working Days of notification by the Authority any positive Final Active Service Take-up Clawback Amount; and
 - (c) the Supplier's obligation to report on Take-up in accordance with Paragraph 4.2 shall cease.
- 4.9 If the Take-up Percentage Change is greater than or equal to zero point five per cent (0.5%) in any Quarter within the Calculation Period then the end of the Quarter immediately following the Calculation Quarter shall be deemed the Calculation Quarter and the provisions of Paragraphs 3.7 and 3.8 (Final Active Services Take-up Clawback Amount) shall be applied accordingly.
- 4.10 Notwithstanding anything in Paragraphs 4.7 to 4.9, if the Authority has not calculated the Final Passive Services Take-up Clawback Amount by the date which is the date of Achievement of the Build Complete Milestone plus a period equal to the Average Connection Life then the Take-up Percentage Change for all Quarters in the relevant Calculation Quarter shall be deemed to be less than zero point five per cent (0.5%) and the provisions of Paragraphs 4.8(a) to 4.8(c) (inclusive) shall apply.
- 4.11 For each Wholesale Passive Product, the Final Passive Services Take-up Clawback Amount shall be calculated as follows:

Final Passive Services Take-up Clawback Amount = the greater of zero (0) or $(A * (B - C)) - D$

Where:

- A = NPV of additional customer unit or kilometre (as appropriate for the relevant Wholesale Passive Product) (as specified in section 5 of the Outputs section of the Financial Model for the relevant Call-Off Contract);
 - B = total actual Passive Services Take-up for the relevant Wholesale Passive Product;
 - C = total Forecast Passive Services Take-up for the relevant Wholesale Passive Product (as specified in the i.Take-up – Connections and i.Take-up Disconnections tables of the Financial Model for the relevant Call-Off Contract; and
 - D = the total of any Annual Passive Services Take-up Clawback Amounts previously paid back to the Authority in respect of the relevant Wholesale Passive Product.
- 4.12 Where any calculation in Paragraph 4.11 demonstrates a prior overpayment to the Authority by the Supplier under these provisions, the Authority shall refund the overpayment to the Supplier within twenty (20) Working Days.
- 4.13 In the second year following the Build Complete Milestone Date of the final Drawdown, the Parties may meet to review the actual Active Services Take-Up and Passive Services Take-Up volumes and margins in relation to the volumes and margins assumed in the Financial Model. If the Supplier can provide appropriate evidence that a material shift has occurred in

the Supplier's revenue stream from Active Services Take-Up to Passive Services Take-Up, or from Passive Services Take-Up to Active Services Take-Up, either Party may submit a Change Request to amend the take-up and margin assumptions in the Financial Model to reflect the shift in revenue streams. No other change to the Financial Model is permitted and any change to Take-up or margins must maintain the original internal rate of return (IRR) and Funding Payments.

5 Wholesale Access Pricing

Wholesale Access Prices Benchmarking

- 5.1 From the Effective Date, the Supplier shall make available the Wholesale Access Products and Services and the Wholesale Passive Products at the Wholesale Access Prices in accordance with this Contract.
- 5.2 From the Effective Date, the Supplier shall, at least annually, carry out a benchmarking exercise to compare the Wholesale Access Prices with the Benchmark Data to determine whether the Wholesale Access Prices need to be revised ("**Wholesale Access Prices Benchmarking**").
- 5.3 The Supplier shall ensure that the Benchmark Data provides a reasonable basis for determining how the Wholesale Access Prices compare with:
 - (a) the average published (regulated) wholesale prices that prevail in other comparable (including more competitive) areas of the country or the European Union; or
 - (b) in the absence of such published prices, prices already set or approved by the Regulator for the markets and services concerned.
- 5.4 If the Benchmarking Data no longer meets the description in Paragraph 5.3 (in the opinion of the Authority) then the Supplier shall follow the principle of cost orientation and, where possible, look at existing pricing in relation to wholesale access products and adjust the price to take into account any overlap to identify and agree with the Authority the alternative data to be used in the Wholesale Access Prices Benchmarking. The Parties shall ensure that any change to Benchmarking Data in accordance with this Paragraph 5.4 is evidenced in a Change Authorisation Note.

Frequency of Wholesale access benchmarking

- 5.5 Subject to Paragraph 5.6, the Parties shall agree (such agreement not to be unreasonably withheld or delayed) the specific timings of each Wholesale Access Prices Benchmarking, however the Supplier shall not be required to carry out Wholesale Access Prices Benchmarking within six (6) Months of any previous Wholesale Access Prices Benchmarking.
- 5.6 In spite of Paragraph 5.5, the Authority may require the Supplier to carry out an ad hoc Wholesale Access Prices Benchmarking at any time during the Contract Period where there is reasonable evidence that any of the following may have occurred:
 - (a) higher or lower wholesale pricing relative to recent Benchmark Data; and/or
 - (b) a change in the market having a significant impact on potential applicable Benchmark Data.

Wholesale Access Prices Benchmarking Report

- 5.7 Within twenty (20) Working Days of carrying out a Wholesale Access Prices Benchmarking (or such other period as the Parties may agree), the Supplier shall provide a Wholesale Access Prices Benchmarking Report to the Authority.
- 5.8 The Wholesale Access Prices Benchmarking Report shall:
- (a) set out a comparison of the Wholesale Access Prices against the Benchmark Data;
 - (b) justify and provide evidence in detail for any deviation of the Wholesale Access Prices from the Benchmark Data (including the expected timescale over which the deviations will remain in place, and the circumstances under which such deviations will be re-evaluated); and
 - (c) set out proposals for changes to the Wholesale Access Prices, so that they align to the Benchmark Data taking into account any justifiable basis for deviation (see Paragraphs 5.9 to 5.11 for the process for implementation of changes).

Changes to the Wholesale Access Prices

- 5.9 Where the Wholesale Access Prices Benchmarking Report identifies Wholesale Access Prices that are higher or lower than the Benchmark Data and there is no applicable reasonable justification for the deviation (in the opinion of the Authority), the Authority may:
- (a) request the Supplier to provide further evidence or justification for the deviation between the Wholesale Access Prices and the Benchmark Data; and
 - (b) require the Supplier to review and adjust the Wholesale Access Prices in the r.Products and Services table in the Build Stage Progress Report and Monitoring and Clawback Stage Report to align with the Benchmark Data, taking into account any justifiable basis for deviation.
- 5.10 Any adjustment to the Wholesale Access Prices in the r.Products and Services table in the Build Stage Progress Report and Monitoring and Clawback Stage Report shall be implemented as soon as reasonably practicable and, in any event, within ten (10) Working Days of the Authority's request pursuant to Paragraph 5.9(b) (unless otherwise agreed in writing). Neither Party shall unreasonably withhold or delay agreement to such changes.
- 5.11 If the Supplier refuses to adjust the Wholesale Access Prices in the r.Products and Services table in the Build Stage Progress Report and Monitoring and Clawback Stage Report following the Authority's request pursuant to Paragraph 5.9(b), the Authority may:
- (a) notify the Regulator and/or the Regulatory Body under the Subsidy Control Regime of the Supplier's refusal; and/or
 - (b) refer the matter to be determined in accordance with the Dispute Resolution Procedure.
- 5.12 If any prices for the Supplier's Wholesale Access Products and Services and the Wholesale Passive Products are subject to regulation, then operational changes to those prices shall not require prior consent from the Authority as contemplated under Paragraph 5.10 above. The Supplier shall submit adjustments to the Wholesale Access Prices in the r.Products and Services table in the Reports for formal record of such change as soon as reasonably practicable following such price change(s). For the avoidance of doubt, such operational

changes will not permit any amendment to the calculation of Funding Payments payable under a Call-Off Contract.

Annex 1 – Financial Model

REDACTED UNDER FOIA SECTION 43: COMMERCIALLY SENSITIVE