

SCHEDULE 4**PAYMENT PERFORMANCE AND INCENTIVISATION MECHANISM****1 DEFINITIONS**

Term	Definition
AAR Guidance	means the guidance with respect to costs incurred by contractors providing services to the Authority, to determine categories of costs that are " <i>appropriate</i> ", " <i>attributable to the contract</i> " and " <i>reasonable in the circumstances</i> ", pursuant to the Single Source Contract Regulations 2014.
Actual Volume	means the actual number of Tasks requested by the Authority in accordance with Schedule 2 (<i>Statement of Requirement</i>) in a given Contract Year.
Annual Adjustment or AA	has the meaning given to it in Paragraph 2.7 (<i>Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7</i>).
Annual Charge or AC	means the amount payable in each Contract Year in consideration for the Contractor's delivery of the Services, as calculated in accordance with Paragraph 2.4 (<i>Calculation of the Annual Charge for each Contract Year</i>).
Annual Charge Pricing Table or AC Pricing Table	means the pricing table for each SDA prepared by the Contractor set out in Appendix 1 (<i>Form of AC Pricing Tables</i>).
Annual Reconciliation Process	means the process set out in Paragraph 2.7 (<i>Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7</i>).
Annual Tasking Volume Report or ATVR	has the meaning given to it in Paragraph 2.7 (<i>Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7</i>).
Baseline	means the baseline volume for a Task in SDA 7, as defined in Schedule 2 (<i>Statement of Requirement</i>).
Core	means the core volume for a Task in SDA 4 as defined in Schedule 2 (<i>Statement of Requirement</i>).
Earn-Back Mechanism	has the meaning given to it in Paragraph 4.2 (<i>Earn Back Mechanism</i>)
Effective Margin	means the actual outturn Profit Margin in any Contract Year prior to the application of the Profit Share Mechanism
Excess Margin	means the amount by which the Effective Margin exceeds the Profit Share Thresholds.
Final Retention	has the meaning given to it in Paragraph 4.4 (<i>Retentions in the Final Two Months of the Contract Term</i>).

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Firm Price Period	means the period from the Base Date until the final day of the first Contract Year.
Fixed Price Period	means the period from the expiry of the Firm Price Period until the end of the Contract Term.
Forecast Volume	has the meaning given to it in Paragraph 2.3(a) (<i>Annual Pricing Process</i>).
Fuel Charge	means the pass-through charge for Services Fuel consumed in the provision of the Services without mark-up or any other costs applied by the Contractor, as further set out in Paragraph 2.8 (<i>Use of Fuel</i>).
Fuel Deduction	means the amount which the Authority may deduct from the MC in any Month pursuant to Paragraph 2.8(c) (<i>Use of Fuel</i>).
Governance Meetings	means the meetings set out in Part 1.3 of Schedule 6 (<i>Governance, Management Information, Reports, Records and Audit</i>).
Maximum	means the maximum volume for a Task in SDA 4 or SDA 7, as defined in Schedule 2 (<i>Statement of Requirement</i>).
Meeting Attendance Criteria	has the meaning given to it in Paragraph 3.6 (<i>Management Information KPI (KPI 2) – Definition and Measurement</i>)
Management Information KPI	means the performance indicators with respect to Management Information described in Paragraph 3.6 (<i>Management Information KPI (KPI 2) – Definition and Measurement</i>)
Minor Non-Performance	<p>means any Non-Performance:</p> <ul style="list-style-type: none"> (a) where the failure relates to the Timing Criteria and the Contractor has agreed in writing with the relevant End User that the training outcomes of the relevant Task were achieved, and has provided such confirmation in the relevant Monthly Performance and Activity Report; and (b) where the failures relates to the Quality Criteria and the Contractor has agreed in writing with the End User that the training outcomes of the relevant Task have been achieved and has provided such confirmation in the relevant Monthly Performance and Activity Report, <p>provided that no Minor Non-Performance may apply in respect of a failure relating to the Quality Criteria and/or the Safety Criteria.</p>

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Mitigated Performance	Non-	has the meaning given to it in Paragraph 3.5(b) (<i>Failure against KPI 1 and NPPs</i>).
Month M		means a month in respect of which the Monthly Payment is to be calculated.
Month M-2		means, with respect to any Month M, the Month falling two (2) Months prior to Month M.
Monthly Charge or MC		means the amount payable by the Authority to the Contractor for its delivery of the Services in a given Month of any Contract Year, to be calculated as set out in Paragraph 2.4 (<i>Calculation of the Annual Charge for each Contract Year</i>).
Monthly Performance and Activity Report		means the Monthly report to be submitted by the Contractor to the Authority setting out the information set out in Schedule 6 (<i>Governance and Management Information, Reports, Records and Audit</i>).
Non-Performance		means the occurrence of the events or circumstances set out in Paragraph 3.5 (<i>Failure Against KPI 1 and NPPs</i>) with respect to KPI 1 or Paragraph 3.7 (<i>Failure Against KPI 2 and NPPs</i>) with respect to KPI 2 and, with respect to KPI 1 only, means either: <div style="margin-left: 40px;"> (a) a Significant Non-Performance; or (b) a Minor Non-Performance. </div>
Non-Performance Points or NPPs		means points accrued for Non-Performances against KPI 1 and / or KPI 2, as set out in Paragraph 3.5 (<i>Failure Against KPI 1 and NPPs</i>) with respect to KPI 1 and Paragraph 3.7 (<i>Failure Against KPI 2 and NPPs</i>).
Non-Performance Point Band or NPP Band		means the band in which performance falls in any Month which shall determine the Service Credit applied against the MC, as set out in the Non-Performance Points Deduction Table.
Non-Performance Points Deduction Table		means the table set out in Paragraph 4.1 (<i>NPPs Accrual</i>).
On Time in Full		has the meaning given to it in Paragraph 3.2(a) (<i>Services Availability KPI 1 (KPI 1) Definition and Measurement</i>).
Pricing Band		means the pricing bands set out in the AC Annual Pricing Table for SDA 7 which will determine the AC payable for SDA 7 for a particular Contract Year.
Potential Triggers	Termination	has the meaning given to it in Paragraph 6.4(a) (<i>Persistent Non-Performance Leading to Termination</i>).
Profit Margin		has the meaning given to it in the Monthly Financial Model provided as part of each Annual Financial Report.

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Profit Share	means any amount due to the Authority as a result of the Profit Share Mechanism.
Profit Share Mechanism	means the mechanism pursuant to which Excess Margin is to be shared between the Authority and the Contractor as described in Paragraph 7.1 (<i>Profit Share Mechanism</i>).
Profit Share Percentages	means the profit share percentages which will determine the Profit Share under the Profit Share Mechanism
Profit Share Table	means the table setting out the Profit Share Thresholds and Profit Share Percentages as set out in Paragraph 7.3(a) (<i>Profit Thresholds</i>).
Profit Share Thresholds	means the amounts set out in the table in Paragraph 7.3(a) (<i>Profit Thresholds</i>).
Quality Management Plan	means the plan prepared and implemented by the Contractor as part of Schedule 3 (<i>Service Delivery Plan</i>) for the maintenance of the quality of its delivery of the Services.
Quality Element	has the meaning given to it in Paragraph 3.6(a)(ii) (<i>Management Information KPI (KPI 2) – Definition and Measurement</i>)
Quality Criteria	means that the Contractor: <ul style="list-style-type: none"> (a) completes Tasks in accordance with the Quality Management Plan; (b) completes Tasks in accordance with the Tasking Procedures; and (c) complies with its obligations under Paragraph 3.3 (<i>Feedback from End Users</i>).
Safety Criteria	means, with respect to any Task that: <ul style="list-style-type: none"> (a) it is completed in accordance with the Health, Safety and Environmental Protection Plan; (b) it is completed in accordance with applicable Laws and Standards; and (c) it is completed in accordance with the Safety Management System
SDA 4 AC Due	has the meaning given to it in Paragraph 2.7 (<i>Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7</i>).
SDA 4 AC Paid	has the meaning given to it in Paragraph 2.7 (<i>Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7</i>).

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SDA 7 AC Due	has the meaning given to it in Paragraph 2.7 (<i>Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7</i>).
SDA 7 AC Paid	has the meaning given to it in Paragraph 2.7 (<i>Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7</i>).
Service Credit	means the retention or financial deduction applied to the MC in any Month as a result of Total NPPs.
Service Credit Retention Release	means the amounts due to the Contractor from the Authority following the completion of the Earn Back Mechanism.
Services Availability KPI or KPI 1	has the meaning given to it in Paragraph 3.2 (<i>Services Availability KPI (KPI 1) – Definition and Measurement</i>).
Significant Non-Performance (SNP)	means any Non-Performance arising out of a Task not being completed On Time in Full, unless it qualifies as a Minor Non-Performance.
Task End Time	means the time by which a Task must be completed, as set out in the Tasking Procedures.
Task Start Time	means the time at which a Task must commence, as set out in the Tasking Procedures.
Time Element	has the meaning given to it in Paragraph 3.6(a)(i) (<i>Management Information KPI (KPI 2) – Definition and Measurement</i>)
Timing Criteria	means, with respect to a task which forms part of the Services: the Task is completed on time in accordance with the Statement of Requirement, measured as follows: <ul style="list-style-type: none"> (a) the Task commences at the Task Start Time; and (b) the Task is completed in accordance by the Task End Time.
Total Monthly Payment	has the meaning given to it in Paragraph 2.1 (<i>Payment</i>).
Total Non-Performance Points or Total NPPs	means the sum of all Non-Performance Points in any given Month across all KPIs.

2 PAYMENT FOR SERVICES

2.1 Payment

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- (a) In consideration for its delivery of the Services and in accordance with the remainder of this Schedule 4 and the Contract, the Authority shall pay the Total Monthly Payment to the Contractor.

The "**Total Monthly Payment**" shall be calculated as follows:

- (i) MC for Month M,
- (ii) Service Credit Retention Release for Month M-2,
- (iii) Fuel Charge for Month M-2,
- LESS
- (iv) Service Credits for Month M-2,
- (v) Profit Share for Month M-2,

with the payment for Month M to be made by the Authority following receipt of a valid invoice in accordance with Clause 20 (*Payment and Recovery of Sums Due*) and paragraph 5 (*Payment Process*) of Part A (*Governance*) of Schedule 6 (*Governance, Management Information, Reports, Records and Audit*) of the Contract.

2.2 Annual Charge

- (a) The Authority shall, from the Service Commencement Date, pay the AC to the Contractor for its delivery of the Services on the basis of SDA 4, SDA 5 and SDA 7 and the formulae for the calculation of these set out in Paragraph 2.4 (*Calculation of the Annual Charge*) below.

2.3 Annual Pricing Process

- (a) The Authority shall, no later than the date falling three (3) Months prior to the commencement of each Contract Year, notify the Contractor of the level of Tasks that it anticipates will be instructed in the forthcoming Contract Year (the "**Forecast Volume**"), in accordance with Schedule 2 (*Statement of Requirement*).
- (b) For the avoidance of doubt, Pricing Bands shall not apply with respect to SDA 4 or SDA 5, provided that the volumes for Tasks within these SDAs are within the limits set out in Schedule 2 (*Statement of Requirement*).
- (c) The portion of the AC with respect to SDA 4 shall be determined from the AC Pricing Table for SDA 4 for the relevant Contract Year. If the total number of Tasks carried out in SDA 4 in a given Contract Year exceeds the total number of Core Tasks as stated in Schedule 2 (*Statement of Requirement*) for SDA 4, then the difference in payment shall be calculated on a pro rata basis in accordance with Paragraph 2.6 (Pro-Rata Calculation for SDA 4).

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- (d) The portion of the AC with respect to SDA 5 shall be determined from the AC Pricing Table for SDA 5 for the relevant Contract Year.
- (e) With respect to SDA 7 and based on the Forecast Volume notified to it by the Authority, the Contractor shall:
 - (i) identify which Pricing Band for SDA 7 in the AC Pricing Table that Forecast Volume falls in; and
 - (ii) confirm to the Authority the Pricing Band for SDA 7 that will apply for the relevant Contract Year.
- (f) The AC for SDA 4 and SDA5 for the forthcoming Contract Year shall be taken from the AC Pricing Tables and, with respect to SDA 7, from the agreed Pricing Band set out in the Annual Charge Pricing Table for SDA 7.
- (g) Where the Authority does not inform the Contractor of the Forecast Volume by the date falling three (3) Months prior to any Contract Year, the Contractor shall assume that the Forecast Volume for SDA 7 for the relevant Contract Year falls in Pricing Band 0.
- (h) The Annual Charge for each Contract Year shall be submitted by the Contractor for approval by the Authority no later than one (1) Month prior to the commencement of the relevant Contract Year and, provided it is approved by the Authority, apply from the commencement of the Contract Year. The Annual Charge shall be calculated in accordance with the formula set out in Paragraph 2.4 (*Calculation of the Annual Charge for each Contract Year*) below.
- (i) The Annual Charge for each Contract Year shall be subject to the process set out in Paragraph 2.7 (*Task Volumes and the Annual Reconciliation Process*).

2.4 Calculation of the Annual Charge for each Contract Year

- (a) The "Annual Charge" or "AC" for each Contract Year shall be formulas follows:

$$AC = AC_{SDA4} + AC_{SDA5} + AC_{SDA7}$$

Where:

AC_{SDA4} =	The price in GBP for the relevant Contract Year taken from the AC Pricing Table for SDA 4 for that Contract Year as determined pursuant to Paragraph 2.3 (<i>Annual Pricing Process</i>) above.
AC_{SDA5} =	The price in GBP for the relevant Contract Year taken from the AC Pricing Table for SDA 5 for that Contract Year as determined pursuant to Paragraph 2.3 (<i>Annual Pricing Process</i>) above.

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AC_{SDA7} = The price in GBP for the relevant Contract Year taken from the SDA7 AC Pricing Table based on the applicable Pricing Band for the Forecast Volume for that Contract Year as determined pursuant to Paragraph 2.3 (*Annual Pricing Process*) above.

- (b) The AC for each SDA for each Contract Year shall be calculated on the basis of the following formula:

$$AC_{SDA\ n} = AC_{F,SDA\ n} + AC_{FX,SDA\ n} + \left(AC_{FI,SDA\ n} \times \frac{CPI_X}{CPI_0} \right)$$

Where:

– $AC_{F,SDA\ n}$ = That component in GBP during the Firm Price Period for the relevant Contract Year taken from the Annual Charge Pricing Table for the relevant SDA n that the Annual Charge is being calculated for that is not subject to indexation

– $AC_{FX,SDA\ n}$ = That component in GBP during the Fixed Price Period for the relevant Contract Year taken from the Annual Charge Pricing Table for the relevant SDA n that is not subject to indexation

– $AC_{FI,SDA\ n}$ = That component in GBP during the Fixed Price Period for the relevant Contract Year taken from the Annual Charge Pricing Table for the relevant SDA n that is subject to indexation

CPI_X = the D7BTI Index as published by ONS for the July prior to the commencement of Contract Year X for which the AC is being calculated

CPI_0 = the D7BT Index as published by ONS at the Base Date ($X = 0$)

2.5 Calculation of the Monthly Charge

- (a) For each Month within a Contract Year, the Monthly Charge or MC shall be calculated as follows:

$$MC_X = \frac{AC_X}{m_x}$$

Where m_x is the number of months in Contract Year X.

2.6 Pro-Rata Calculation for SDA 4

- (a) If, following the process set out in Paragraph 2.7 (*Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7*), it is determined that the total number of Tasks carried out in SDA 4 in a Contract Year exceeds the total number of Core Tasks as stated in Schedule 2 (*Statement of Requirement*) for SDA 4, then the difference in payment shall be calculated on a pro rata basis as follows:

$$PRx = \frac{SDA\ 4\ ACx}{SoR\ Total} * Number\ of\ SDA\ 4\ Core\ Tasks\ in\ excess\ of\ the\ SoR\ Total$$

Where "SoR Total" is the sum total of individual SDA 4 Core Tasks required in a Contract Year as set out in Schedule 2 (*Statement of Requirement*).

2.7 Task Volumes and Annual Reconciliation Process with respect to SDA 4 and SDA 7

- (a) The Contractor shall, no later than thirty (30) days after the end of each Contract Year, provide to the Authority, a reconciliation report for SDA 4 and SDA 7 (the "**Annual Tasking Volume Report**" or "**ATVR**") setting out:

- (i) for SDA 4:

- 1) the Actual Volume for SDA 4 for the Contract Year which has just expired;
- 2) the sum total of individual SDA 4 Core Tasks required in a Contract Year as set out in Schedule 2 (*Statement of Requirement*);
- 3) the total of the AC paid for SDA 4 during the previous Contract Year prior to the application of any Service Credits (the "**SDA 4 AC Paid**");
- 4) on the basis of the Actual Volume for SDA 4, any pro rata payment due to the Contractor, calculated in accordance with Paragraph 2.6 (Pro-Rata Calculation for SDA 4) (the "**SDA 4 PR Due**");

- (ii) for SDA 7:

- 1) the Actual Volume for the Contract Year which has just expired;
- 2) the Forecast Volume for SDA 7 for the Contract Year which has just expired;
- 3) the total of the AC paid for SDA 7 during the previous Contract Year prior to the application of any Service Credits (the "**SDA 7 AC Paid**");

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- 4) on the basis of the Actual Volume for SDA 7, the Pricing Band in the Annual Charge Pricing Tables for SDA 7 that would have applied had the Forecast Volume been equal to the Actual Volume for SDA 7 (the "**SDA 7 AC Due**");
 - 5) the difference between SDA 7 AC Paid and the SDA 7 AC Due, such difference being the "**SDA 7 Adjustment**"; and
 - (iii) any supporting information and calculations which the Contractor considers necessary.
- (b) If the ATVR sets out that there is an SDA 4 PR Due, or an SDA 7 Adjustment, the Contractor shall, calculate and submit to the Authority the details of any Service Credits and / or deductions and / or Service Credit Retention Releases that have been applied against the SDA 4 AC Paid and the SDA 7 AC Paid, and the adjustment required on the basis of the SDA 4 PR Due and the SDA 7 AC Due (together the being the "**Annual Adjustment**" or "**AA**"). If any adjustments are required to reflect Service Credit Retentions and / or deductions, these shall form part of the AA.
- (c) The Contractor shall ensure that the ATVR complies with the information requirements set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*).
- (d) The Authority shall, no later than thirty (30) days after its receipt of the ATVR, notify the Contractor whether:
 - (i) it agrees with the Contractor's calculation of the AA, in which case it shall be applied to the MC for the Month falling three (3) Months after the end of the Contract Year in respect of which the ATVR has been submitted; or
 - (ii) it disagrees with the AA, in which case the Dispute Resolution Procedure shall apply.
- (e) The Authority may, at any stage in its review of the ATVR, or request clarifications from the Contractor, and the Contractor shall respond to such clarifications no later than five (5) Business Days thereafter.
- (f) In the event of a dispute between the Parties as to the quantum of the AA in accordance with the Dispute Resolution Procedure, the Authority shall apply the AA that it considers applicable and shall provide its calculations for such to the Contractor.

2.8 Use of Fuel

- (a) Fuel consumed by the Contractor in the delivery of the Services will be recovered by the Contractor as a pass through cost.

- (b) The Contractor shall submit the Fuel Usage Report to the Authority in accordance with the timelines set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*).
- (c) The Authority shall apply the AAR Guidance to its review of the Fuel Usage Report, and shall be entitled to apply the Fuel Deduction from the relevant Total Monthly Payment for Month M if it determines that the Contractor's use of Fuel during Month M-2 was not in compliance with the AAR Guidance. The Parties shall resolve any dispute with respect to the AAR Guidance and / or the Authority's application of the same in accordance with the Dispute Resolution Procedure.

3 PERFORMANCE

3.1 KPIs

- (a) The Contractor's delivery of the Services shall be measured and adjusted against the KPIs.
- (b) The Authority may, at any time during the Contract Term, amend the KPIs or recalibrate the basis on which they are measured in accordance with the Change Control Procedure.

3.2 Services Availability KPI (KPI 1) - Definition and Measurement

- (a) The "**Services Availability KPI**" or "**KPI 1**" shall be assessed on the basis of the completion of the Task as set out in the Tasking Procedures on an On Time In Full basis, where "**On Time In Full**" means completed in accordance with:
 - (i) the Timing Criteria;
 - (ii) the Quality Criteria; and
 - (iii) the Safety Criteria.

3.3 Feedback from End Users

- (a) In relation to the application of the Quality Criteria for KPI 1, the Contractor shall, for all Services delivered and Tasks completed under this Contract:
 - (i) collect feedback from:
 - (A) with respect to SDA 4, fifty per cent (50%) of End Users;
 - (B) with respect to SDA 5, fifty per cent (50%) of End Users; and
 - (C) with respect to SDA 7, fifty per cent (50%) of End Users,

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by means of the End User Questionnaire in the form set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*):

- (ii) collect feedback from End Users on an ad-hoc basis; and
 - (iii) include, in the Monthly Performance and Activity Report, the results of any responses to End User Questionnaires and any ad-hoc feedback for the relevant Month.
- (b) The Contractor shall, within five (5) days of the completion of each Task, issue the End User Questionnaire to the relevant End User.
- (c) If an End User does not respond to an End User Questionnaire from the Contractor within thirty (30) days of the date on which it was issued by the Contractor in accordance with Paragraph 3.3(b) above, the Contractor shall, within a period of a further ten (10) days, issue a further request for feedback to the relevant End User. If, within a further ten (10) days after the further request for feedback, no feedback has been provided, the Contractor shall be entitled to assume that no issues have arisen in respect of the relevant Task.

3.4 Audit Rights and Feedback from End Users for KPI 1

- (a) The Contractor's performance against KPI 1 shall be subject to Part E (*Audit*) of Schedule 6 (*Governance, Management Information, Reports, Records and Audit*) and feedback from End Users. The Contractor shall provide data in respect of such audits, End User feedback and its performance against KPI 1, as well as the results of any audits performed pursuant Schedule 6 (*Governance, Management Information, Reports, Records and Audit*), as part of the Monthly Performance and Activity Report.
- (b) Where any audit process performed pursuant to Part E (*Audit*) of Schedule 6 (*Governance, Management Information, Reports, Records and Audit*), or the results of any such audit process, is recorded in the Monthly Performance and Activity Report and identifies an issue with respect to the Contractor's performance against KPI 1, the Contractor shall, within ten (10) Business Days of being notified of such an issue, provide to the Authority:
 - (i) details of the issue(s) identified; and
 - (ii) a Quality Rectification Plan for rectification of the relevant issue(s) in accordance with Schedule 6 (*Governance, Management Information, Reports, Records and Audit*).
- (c) The QRP shall set out the methods by which the Contractor intends to rectify the issue(s) and the timescales in which the Contractor will perform such rectification.
- (d) The Authority will review the QRP and shall, within ten (10) Business Days of its receipt thereof, notify the Contractor whether:

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- (i) it approves the QRP; or
 - (ii) it requires the QRP to be amended.
- (e) Where the Authority does not agree the QRP, the Contractor shall submit a revised QRP within five (5) Business Days (where an amended QRP is not agreed by the Authority, the Contractor shall repeat this step until such time as the QRP is agreed)
- (f) The Contractor shall implement the agreed QRP in accordance with the outcomes and timescales set out in the QRP.
- (g) If the Contractor does not comply with the QRP, then the Contractor shall submit an amended QRP within five (5) Business Days of such non-compliance for review by with the Authority (where an amended QRP is not agreed by the Authority, the Contractor shall repeat this step until such time as the QRP is agreed).
- (h) A failure against Quality Criteria for KPI 1 shall occur where the Contractor:
 - (i) fails to issue (or re-issue, as applicable) an End User Questionnaire to any End User as required by Paragraph 3.3 (*Feedback from End Users*) above; and / or
 - (ii) fails to submit a QRP to the Authority within ten (10) Business Days of the issue first being identified, with a failure occurring on the 11th day and each day thereafter until the QRP is submitted; and / or
 - (iii) fails to submit a revised QRP (or amended QRP) to the Authority within five (5) Business Days of the revised QRP (or amended QRP) being required by the Authority, with a failure occurring on the sixth day and each day thereafter until the revised (or amended) QRP is submitted; and / or
 - (iv) fails to comply with the agreed QRP or amended QRP, with a failure occurring on each day that the Contractor fails to comply.
- (i) Each failure shall count as one (1) failure and apply in the month the failure arises, and NPPs shall apply for each failure at a rate of 26 NPPs per single failure.
- (j) Where the Contractor does not deliver a Task as a result of its failure to comply with KPI 1, that failure shall be captured by, and lead to the accrual of NPPs with respect to KPI 1, as well as its failure and accrual of NPPs for failure to comply with or submit a QRP.

3.5 Failure against KPI 1 and NPPs

- (a) A failure to perform a Task On Time In Full against KPI 1 shall constitute a Significant Non-Performance, unless it qualifies as a Minor Non-Performance.

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- (b) If the Authority determines that a Task was not completed On Time In Full because of a Relief Event and / or Compensation Event, this shall constitute "**Mitigated Non-Performance**", and this shall be recorded in the relevant Monthly Performance and Activity Report as a non-performance but no NPPs shall apply to such Mitigated Non-Performance.
- (c) Where a Task is not completed On Time In Full for the purposes of KPI 1, the Authority shall be entitled to apply Non-Performance Points on the following basis:

SDA	Task	Significant Non-Performance	Minor Non-Performance	Relevant timeframe
4	Line Item 2.4.1 (Heavyweight Weapon Recovery)	350	70	For each 24-hour period (such period beginning at 00.00 hours) that the Task is not completed On Time In Full
	All other Tasks other than Line item 2.4.1	120	20	
5	All Tasks	120	20	
7	All Tasks	50	20	Per event (as defined in Schedule 2 (<i>Statement of Requirement</i>)) on which the Task is not completed On Time in Full

3.6 Management Information KPI (KPI 2) -Definition and Measurement

- (a) The "**Management Information KPI**" or "**KPI 2**" shall be assessed on the basis of the provision of information which is identified as Management Information in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*) in accordance with the following elements:
- (i) the Contractor provides all Management Information to the Authority on time as set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*) (the "**Time Element**");
 - (ii) the Contractor provides all Management Information in accordance with the quality standards set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*), with such

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compliance (or lack thereof) to be confirmed in writing by the Authority within five (5) days of their delivery (the "**Quality Element**");

- (iii) the personnel identified in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*) (or personnel with delegated authority attending in place of any such personnel) attend Governance Meetings; and
- (iv) the Contractor provides minutes of the Governance Meetings within five (5) days of their occurrence,

limbs (iii) and (iv) above the "**Meeting Attendance Criteria**".

3.7 Failure against KPI 2 and NPPs

- (a) A failure against KPI 2 shall occur where the Contractor:
 - (i) with respect to the Timing Element, fails to submit any Management Information by the date set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*);
 - (ii) with respect to the Quality Element, fails to submit any Management Information compliant with the quality requirements set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*);
 - (iii) with respect to the Meeting Attendance Criteria, fails to:
 - (A) attend any Governance Meeting with the personnel of required seniority (or personnel with delegated authority) who are empowered to make decisions as set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*); and
 - (B) provide any minutes of Governance Meetings in accordance with the timelines set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*).
- (b) Each failure referred to in Paragraph (a) above shall count as a single failure and NPPs shall accrue from the relevant dates as set out below;
 - (i) with respect to the Timing Element;
 - (A) 50 NPPs if the relevant Management Information is one (1) or two (2) days late as against the date set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*);
 - (B) 80 NPPs if the relevant Management Information is three (3) or four (4) days late as against the date set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*); and

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- (C) 120 NPPs if the relevant Management Information is five (5) or more days late as against the date set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*), with 24 NPPs accruing on each day after day five (5) on which the Management Information is late;
- (ii) with respect to the Quality Element:
 - (A) 50 NPPs if the relevant Management Information is not of satisfactory quality for one (1) or two (2) days after the required date for submission of the Management Information set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*), until it complies with the requirements of the Quality Element;
 - (B) 80 NPPs if the relevant Management Information is not of satisfactory quality for three (3) or four (4) days after the required date for submission of the Management Information set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*) until it complies with the requirements of the Quality Element; and
 - (C) 120 NPPs if the relevant Management Information is not of satisfactory quality for five (5) or more days after the required date for submission of the Management Information set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*), with NPPs accruing for each day until it complies with the requirements of the Quality Element; and
- (iii) with respect to the Meeting Attendance Criteria:
 - (A) 120 NPPs if Contractor personnel of the required seniority and expertise who are appropriately empowered to make decisions do not attend any governance meeting;
 - (B) If the Contractor fails to provide minutes of governance meetings within five (5) of the meeting:
 - 1) 50 NPPs if the meeting minutes are or one (1) or two (2) days late as against the date set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*);
 - 2) 80 NPPs if the meeting minutes are three (3) or four (4) days late as against the date set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*); and
 - 3) 120 NPPs if the meeting minutes are five (5) or more days late as against the date set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*), with

24 NPPs accruing on each day after day five (5) on which the meeting minutes are late.

3.8 Failure to respond to Change Notices and Deductions

- (a) If the Contractor fails to respond to any Change Notice in accordance with the timescales set out in Clause 28 (*Change*) and Schedule 19 (*Change Control Procedure*) of the Contract, this shall constitute a failure against the Timing Element of KPI 2 and NPPs shall accrue for such failure in the same manner.

4 NON-PERFORMANCE POINTS AND SERVICE CREDITS – KPI 1 AND KPI 2

4.1 NPPs Accrual

- (a) At the end of Month M, the Total NPPs accrued across KPI 1 and KPI 2, NPP_M shall be calculated as follows:

$$NPP_M = NPP_{KPI1,M} + NPP_{KPI2,M}$$

Where, $NPP_{KPI1,M}$ and $NPP_{KPI2,M}$ are the number of non-performance points accrued, after adjustments outlined in Section 5, on KPIs 1 and 2 respective in month M.

- (b) The Total NPPs accrued during that Month shall, following the calculation set out in Paragraph 4.1(a) above, be recorded in the Performance and Activity Report following the decision of the Monthly Performance Review Board as set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*).

Non-Performance Points Deduction Table

- (c) The Service Credit for the Contractor's performance in Month M-2 shall be applied as a deduction against the Total Monthly Payment in Month M, following calculation in accordance with the Non-Performance Points Deduction Table.

NPP Band	Total Non-Performance Points for the Month	Service Credit	
		Retention or Deduction	% MC Retained or Deducted
0	0	None	None
1	from 1 to 210	None	None
2	211 to 350	Retention	1% of the MC
3	351 to 410	Retention	2% of the MC
4	411 to 560	Retention	3% of the MC
5	561 to 660	Permanent deduction	3.5% of the MC
6	661 to 810	Permanent deduction	4.5% of the MC

7	811 to 950	Permanent deduction	6% of the MC
8	951 to 1350	Permanent deduction	8% of the MC
9	1351 and above	Permanent deduction	10% of the MC

4.2 Earn-Back Mechanism

- (a) If, in any Month (month M), the Contractor's accrued combined total of KPI 1 and KPI 2 NPPs falls within NPP Bands 2, 3 or 4, the Authority shall, subject to Paragraph 4.2 (b) to (d) below, be entitled to retain the portion of the MC corresponding to the relevant NPP Band as set out in the Non-Performance Points Deduction Table against the Monthly Charge in month M+2.
- (b) If, in any Month (month M), the Contractor's accrued combined total of KPI 1 and KPI 2 NPPs fall within NPP Band 5 or higher, the Authority shall be entitled to apply a permanent deduction against the MC corresponding to the relevant NPP Band as set out in the Non-Performance Points Deduction Table against the Monthly Charge in M+2. The Contractor shall have no ability to earn such deduction back.
- (c) If, in any Month (month M), the Contractor's accrued combined total of KPI 1 and KPI 2 NPPs falls within Bands 0 or 1, the retentions shall be earned back and the Authority shall return the sums previously retained in the three preceding months, M-1, M-2 and M-3 to the Contractor with the Monthly Charge in month M+2.
- (d) If the Contractor fails to earn back a retention in accordance with (c) above then such retention shall become a permanent deduction and will no longer be capable of being earned back.
- (e) The process set out in Paragraph 4.2(c) above shall be known as the "**Earn-Back Mechanism**".

4.3 NPPs on Expiry or Termination

- (a) On termination or expiry of the Contract, all retentions that have been levied as a result of NPPs that have not been released to the Contractor as a result of the Earn-Back Mechanism shall be:
 - (i) released to the Contractor in the event of termination of this Contract pursuant to Clause 57 (*Termination for Authority Default*) or Clause 59 (*Authority Voluntary Termination Right*) and Schedule 20 (*Compensation on Termination*);
 - (ii) retained by the Authority in the event of termination of this Contract pursuant to Clause 56 (*Termination for Contractor Default*) or Clause 58 (*Termination for Prohibited Acts*) and Schedule 20 (*Compensation on Termination*); or

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- (iii) retained in an amount equal to fifty per cent (50%) by the Authority with the remaining fifty per cent (50%) released to the Contractor in the event of termination of this Contract pursuant to Clause 54.7 (*Force Majeure*), at the Expiry Date.

The provisions of this Paragraph 4.3 shall not apply to any deductions made by the Authority against the MC in accordance with the Non-Performance Points Deduction Table, and such deductions shall be permanent.

4.4 Retentions in the final two Months of the Contract Term

- (a) For the penultimate and final Months of the Contract Term, the Authority shall retain an amount equal to ten per cent (10%) of the MC (the "**Final Retention**") and, once the Contractor's delivery of the Services in those Months and any corresponding NPPs have been measured in accordance with Paragraph 4.1 (*NPPs Accrual*), the Authority shall:
 - (i) with respect to the penultimate Month of the Contract Term:
 - (A) if the Contractor incurs fewer than 411 NPPs, shall return to the Contractor an amount equal to the difference between the Final Retention and the amount due to be retained as a result of the Contractor's actual accrual of NPPs in the penultimate Month, on the final Business Day of the month immediately after the expiry of the Contract Term;
 - (B) if the Contractor incurs between 411 and 660 NPPs, retain the Final Retention permanently; and
 - (ii) with respect to the final Month of the Contract Term:
 - (C) if the Contractor incurs fewer than 411 NPPs, shall return to the Contractor an amount equal to the difference between the Final Retention and the amount due to be retained as a result of the Contractor's actual accrual of NPPs in the final Month, on the final Business Day of the second month immediately after the expiry of the Contract Term; and
 - (D) if the Contractor incurs between 411 and 660 NPPs, retain the Final Retention permanently.

5 MONTHLY PERFORMANCE AND ACTIVITY REPORT

5.1 Reporting of Non-Performance – all KPIs

- (a) The Contractor shall report its delivery of the Services against each KPI by way of the Monthly Performance and Activity Report and in accordance with the process set out in Schedule 6 (*Governance and Management Information, Reports, Records and Audit*).

- (b) The Contractor shall apply the decision of the Monthly Performance Review Board (including whether any reported Minor Non-Performances are confirmed as such by the Monthly Performance Review Board and the impact of Non-Performances in the relevant Month against the Contractor's compliance with the KPIs) with respect to its impact on the Total Monthly Payment for the Month falling two (2) Months after the Month in which the relevant Tasks were performed.
- (c) If the Contractor and the Authority do not agree any Monthly Performance and Activity Report, they shall follow the Dispute Resolution Procedure to resolve the disagreement. Any deductions and / or retentions made against any Total Monthly Payment relating to disputed Non-Performances shall remain unless and until such dispute is concluded.

6 PERSISTENT NON-PERFORMANCE AND RATCHET MECHANISM

6.1 Persistent Non-Performance against KPI 1 in the same Month

- (a) If 3 – 4 Non-Performances against KPI 1 occur in the same Month against the same Task, the NPPs accrued for failures against KPI 1 in that Month shall be multiplied by 1.1.
- (b) If 5 – 6 Non-Performances against KPI 1 occur in the same Month against the same Task, the NPPs accrued for failures against KPI 1 in that Month shall be multiplied by 1.15.
- (c) If 7 – 8 Non-Performances against KPI 1 occur in the same Month against the same Task, the NPPs accrued for failures against the KPI 1 in that Month shall be multiplied by 1.2.
- (d) If 9 or more Non-Performances with respect to KPI 1 occur in the same Month against the same Task, the NPPs accrued for failures against KPI 1 in that Month shall be multiplied by 1.25.

6.2 Persistent Non-Performance of the Services against KPI 1 in consecutive Months

- (a) If 7 – 8 Non-Performances with respect to against KPI 1 occur with respect to the same Task instructed in accordance with the SOR in consecutive Months the NPPs accrued for failures against KPI 1 for the second Month shall be multiplied by 1.2 and a further 0.2 shall be added to this multiplier for each Month after the second Month in which 7 – 8 Non-Performances with respect to KPI 1 continue to occur against the same Task.
- (b) If 9 or more Non-Performances against KPI 1 occur with respect to the same Task instructed in accordance with the SOR in consecutive Months, the NPPs accrued for failures against KPI 1 for the second Month shall be multiplied by 1.25 and a further 0.2 shall be added to such multiplier for each Month after the second Month in which 9 or more Non-Performances with respect to KPI 1 continue to occur against the same Task.

6.3 Persistent Non-Performance against KPI 2 in consecutive Months

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- (a) With respect to KPI 2 if, in consecutive Months, the Contractor accrues NPPs in relation to the same failure under:
 - (i) the Timing Element;
 - (ii) the Quality Element; and / or
 - (iii) the Meeting Attendance Criteria:
 - (A) in the first Month, the NPPs set out in Paragraph 3.5 (*Failure Against KPI 1 and NPPs*) and the consequent deductions shall apply; and
 - (B) in each subsequent Month, the NPPs set out in Paragraph 3.5 (*Failure Against KPI 1 and NPPs*) and the consequent deductions shall apply and be multiplied by 1.5.

6.4 Persistent Non-Performance leading to Termination

KPI 1 and KPI 2 Potential Termination Triggers

- (a) The following scenarios shall, with respect to either or both of KPI 1 and KPI 2, constitute "**Potential Termination Triggers**".
 - (i) the Contractor's accrual of NPPs is in NPP Band 5 or greater for nine (9) Months, whether consecutive or not, out of twelve (12) Months;
 - (ii) the Contractor's accrual of NPPs is in NPP Band 7 or greater for eight (8) Months, whether consecutive or not, out of twelve (12) Months; and / or
 - (iii) the Contractor's accrual of NPPs is in NPP Band 9 for six (6) Months, whether consecutive or not, out of twelve (12) Months.
- (b) The occurrence of any Potential Termination Trigger under this Schedule 4 shall constitute a Default and the provisions of Clause 49 (*Rectification Plan*) of the Contract shall apply.
- (c) NPPs, Service Credits and the multiplier mechanisms set out in this Paragraph 6 shall continue to apply during the period for which the process set out in Clause 49 (*Contractor Default and Rectification Plan*) continues.

7 PROFIT SHARE

7.1 Profit Share Mechanism

- (a) If and to the extent that the Contractor is able to increase its Effective Margin under the Contract for the delivery of the Services (as calculated in accordance with the Monthly Financial Model provided as part of the Annual Financial Report), the Authority shall,

subject to the provisions of this Paragraph 7.1, be entitled to share in any Excess Margin enjoyed by the Contractor by way of the Profit Share Mechanism.

7.2 Annual Financial Report

- (a) The Annual Financial Report shall be prepared and submitted in the form set out in, and contain the information required by, Schedule 6 (*Governance and Management Information, Reports, Records and Audit*) and Schedule 31 (*Transparency and Financial Models*), and shall be subject to Part E (*Audit*) thereof.
- (b) Where the Effective Margin exceeds the agreed Profit Share Thresholds, any Excess Margin shall be shared between the Contractor and Authority in accordance with the agreed Profit Share Percentages set out in Paragraph 7.3 (*Profit Share Thresholds*) below.
- (c) Any resultant Profit Share shall be reported in the Annual Financial Report.
- (d) Where the Contractor's actual costs of performing the Services exceed those forecast in the latest Updated Baseline Financial Model (or, the Baseline Financial Model, if such model has not been updated in accordance with the provisions of this Schedule 31 (*Transparency and Financial Models*)) and the Contractor's Effective Margin is less than the forecast Profit Margin, no adjustment shall be made and the Authority shall continue to pay the AC to the Contractor.
- (e) The Contractor shall, within three (3) Months after its submission to the Authority of the required information in accordance with Schedule 6 (*Governance, Management Information, Reports, Records and Audit*) and having applied the mechanism set out in this Paragraph 7, notify the Authority of any Effective Margin in excess of the Profit Share Thresholds in Paragraph 7.3 (*Profit Share Thresholds*) below and the percentage of Excess Margin which the Contractor considers the Authority is entitled to. The Authority shall, within five (5) days of the Contractor's notification, inform the Contractor whether:
 - (i) it agrees with the Contractor's findings (in which case the Authority shall be entitled to deduct the Profit Share against the Monthly Payment for the following Month in accordance with Paragraph 2.1(b) (*Payment*)); or
 - (ii) it disagrees with the Contractor's findings (in which case the Authority and the Parties shall follow the Dispute Resolution Procedure to resolve the matter.
- (f) The Authority shall be entitled to deduct any undisputed portion of the Profit Share against the Monthly Payment for the following Month in accordance with Paragraph 2.1(b) (*Payment*).

7.3 Profit Share Thresholds

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- (a) Where the Effective Margin exceeds the agreed Profit Share Thresholds, any Excess Margin shall be shared between the Contractor and Authority in accordance with the agreed Profit Share Percentages, as set out in the table below:

Band	Profit Share Threshold	Profit Share
1	Above 5% and up to or equal to 10%	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests
2	Above 10.01% and up to or equal to 15%	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests
3	Above 15.01%	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests

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APPENDIX 1

PRICING TABLES

SDA 4 COMPONENT AC PRICING TABLE

Table 1 – Pricing Table for SDA 4

Pricing Band	Contract Year (X)				
	1 – 1 April 2025 – 31 March 2026	2 – 1 April 2026 – 31 March 2027	3 – 1 April 2027 – 31 March 2028	4 – 1 April 2028 – 31 March 2029	5 – 1 April 2029 – 31 March 2030
AC_F SDA 4– Component in GBP for Contract Year for the Firm Price Period not subject to Indexation	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests				
AC_{Fx} SDA 4 – Component in GBP for Contract Year x for Fixed Price Period not subject to Indexation					
AC_{Fi} SDA 4 – Fixed Price Component subject to Indexation		Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests

SDA 5 COMPONENT AC PRICING TABLE

Table 2 – Pricing Table for SDA 5

Pricing Band	Contract Year (X)				
	1 – 1 April 2025 – 31 March 2026	2 – 1 April 2026 – 31 March 2027	3 – 1 April 2027 – 31 March 2028	4 – 1 April 2028 – 31 March 2029	5 – 1 April 2029 – 31 March 2030
AC_F SDA 5 – Component in GBP for Contract Year for the Firm Price Period not subject to Indexation	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests				
AC_{Fx} SDA 5 – Component in GBP for Contract Year x for Fixed Price Period not subject to Indexation					
AC_{Fi} SDA 5 – Fixed Price Component subject to Indexation		Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests

SDA7 COMPONENT AC PRICING TABLES

Table 3 - Pricing Table for AC_F SDA7 – Firm Price Component not subject to Indexation

Pricing Band	Service component	Contract Year (X)				
		1 – 1 April 2025 – 31 March 2026	2 – 1 April 2026 – 31 March 2027	3 – 1 April 2027 – 31 March 2028	4 – 1 April 2028 – 31 March 2029	5 – 1 April 2029 – 31 March 2030

AC_F SDA 7 – Pricing Band 1	If Forecast / Actual Volume is greater than the Baseline volume plus 5% but less than or equal to the Maximum volume	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests				
AC_F SDA 7 – Pricing Band 0	If Forecast / Actual Volume = Baseline volume plus or minus 5% ¹	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests				
AC_F SDA 7 – Pricing Band -1	If Forecast / Actual Volume is less than the Baseline volume less 5% and greater than or equal to the Baseline volume less 15%	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests				

Table 4 - Pricing Table for AC_{Fx} SDA7 – Fixed Price Component not subject to Indexation

Pricing Band	Service component	Contract Year (X)				
		1 – 1 April 2025 – 31 March 2026	2 – 1 April 2026 – 31 March 2027	3 – 1 April 2027 – 31 March 2028	4 – 1 April 2028 – 31 March 2029	5 – 1 April 2029 – 31 March 2030
AC_{Fx} SDA 7 – Pricing Band 1	If Forecast / Actual Volume is greater than the Baseline volume plus 5% but less than or					

¹ The Baseline volume is as set out in Schedule 2 (Statement of Requirement) and is equal to 85% of the Maximum volume.

	equal to the Maximum volume					
AC_{Fx} SDA 7 – Pricing Band 0	If Forecast / Actual Volume = Baseline volume plus or minus 5% ²					
AC_{Fx} SDA 7 – Pricing Band -1	If Forecast / Actual Volume is less than the Baseline volume less 5% and greater than or equal to the Baseline volume less 15%					

Table 5 - Pricing Table for AC_{Fi} SDA7 – Fixed Price Component subject to Indexation

Pricing Band	Service component	Contract Year (X)				
		1 – 1 April 2025 – 31 March 2026	2 – 1 April 2026 – 31 March 2027	3 – 1 April 2027 – 31 March 2028	4 – 1 April 2028 – 31 March 2029	5 – 1 April 2029 – 31 March 2030
AC_{Fi} SDA 7 – Pricing Band 1	If Forecast / Actual Volume is greater than the Baseline volume plus 5% but less than or equal to the Maximum volume		Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests
AC_{Fi} SDA 7 – Pricing Band 0	If Forecast / Actual Volume = Baseline		Redacted: Under FOIA Exemption 43 – Trade Secrets	Redacted: Under FOIA Exemption 43 – Trade Secrets	Redacted: Under FOIA Exemption 43 – Trade Secrets	Redacted: Under FOIA Exemption 43 – Trade Secrets

² The Baseline volume is as set out in Schedule 2 (Statement of Requirement) and is equal to 85% of the Maximum volume.

	volume plus or minus 5% ³		and Prejudice to Commercial Interests	Trade Secrets and Prejudice to Commercial Interests	Trade Secrets and Prejudice to Commercial Interests	and Prejudice to Commercial Interests
<i>AC_{Fi} SDA 7 – Pricing Band -1</i>	If Forecast / Actual Volume is less than the Baseline volume less 5% and greater than or equal to the Baseline volume less 15%		Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests	Redacted: Under FOIA Exemption 43 – Trade Secrets and Prejudice to Commercial Interests

³ The Baseline volume is as set out in Schedule 2 (Statement of Requirement) and is equal to 85% of the Maximum volume.

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APPENDIX 2

EARN BACK MECHANISM EXAMPLE

Month	M-2	M-1	M	M+1	M+2
NPP Band	Band 3	Band 6	Band 5	Band 1	Band 0
Retention Accrued	2% of MC	N/A	N/A	N/A	N/A
Deduction Accrued	N/A	4.5% of MC	3.5% of MC	N/A	N/A
Retention Release	N/A	N/A	N/A	2% of MC	N/A
Deduction Applied	N/A	N/A	N/A	4.5% of MC	3.5% of MC

In the example presented above, the Contractor's performance in Month M-2 incurs sufficient Non-Performance Points (NPPs) to be in NPP Band 3, which incurs a retention of 2% of the MC (highlighted in yellow).

In Month M-1, the Contractor's performance results in NPP Band 6, which incurs a Service Credit deduction of 4.5% of the MC (highlighted in red) and similarly for Month M in Band 5, with a Service Credit deduction of 3.5% of the MC.

In Month M+1, the Contractor's performance results in NPP Band 1 (highlighted in green), which does not incur any retention or deduction.

As the Contractor has fallen within Band 1 in a Month falling three months after Month M-2, in accordance with para. 4.2(b), the retention of 2% of the MC that was accrued in Month M-2 is then released in Month M+1 (highlighted in yellow). If the Contractor's performance in Month M+1 had been in NPP Band 2 or above, the retention accrued in Month M-2 would remain and the Contractor would not be able to recover this retention.

The Service Credit deduction of 4.5% of the MC that was incurred in Month M-1 will be applied as a deduction to the MC payment in Month M+1, in accordance with paragraph 4.1(c), and the same applies in Month M+2 for the Service Credit deduction of 3.5% of the MC that was incurred in Month M.