



Hosting

Schedule 7.5: Financial Model

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1. INTRODUCTION

- 1.1. This schedule 7.5 (Financial Model) details the requirements for the Financial Model that is to be supplied by the Hosting Supplier to enable the Authority to identify how the Hosting Supplier calculates the Charges. The Charges shall be calculated in accordance with the provisions stated in schedule 7.1 (Charging and Invoicing).
- 1.2. The Hosting Supplier and the Authority will both retain copies of the Financial Model in hard and soft copy and the Hosting Supplier shall provide the Authority with updates to the Financial Model in accordance with the provisions of this schedule 7.5 (Financial Model).
- 1.3. The Financial Model shall be used together with the rates set out in schedule 7.1 (Charging and Invoicing) as a basis for considering any changes to the Charges under schedule 8.2 (Change Control Procedure) and for such other purposes as are specifically indicated in this Agreement.
- 1.4. For the avoidance of doubt any dates set out in the Financial Model which relate to Transition and/or the commencement of any of the Hosting Services are indicative only and to the extent that such dates conflict with dates in the Transition Plans and the FITS Programme Plan, the dates in the Transition Plans and the FITS Programme Plan shall prevail and take precedence.

2. CONTENT AND CONSTRUCTION OF THE FINANCIAL MODEL

- 2.1. The Financial Model shall:
 - 2.1.1. provide sufficient detail for the Authority to have visibility of all the costs to be incurred by the Hosting Supplier and of the Charges to be paid in respect of the provision of the Hosting Services;
 - 2.1.2. be constructed:
 - 2.1.2.1. in relation to Milestone Payments;
 - 2.1.2.2. in relation to Service Charges on a monthly basis; and
 - 2.1.3. quote all monetary values in pounds Sterling;
 - 2.1.4. quote all costs as exclusive of any VAT;
 - 2.1.5. provide visibility of the input costs for providing the Hosting Services throughout the Term, excluding mark-up, which shall include without limitation at least the following:
 - 2.1.5.1. labour broken down by each job title (e.g. **Solution Architect**), with the number of days and daily rate shown for each job grade. Labour shall also be broken down and sub-totalled by the major phases of the project;
 - 2.1.5.2. hardware and software costs;

- 2.1.5.3. depreciation policy applicable to Assets (including software and hardware);
- 2.1.5.4. licence costs;
- 2.1.5.5. sub-contractor costs;
- 2.1.5.6. accommodation costs (if applicable);
- 2.1.5.7. overheads / mark-ups separately identified and their calculation explained;
- 2.1.5.8. pricing of risk fully explained and the quantification supported by a risk matrix;
- 2.1.5.9. financing costs (if applicable) showing the interest rate and calculation and the need to apply financing explained; and
- 2.1.5.10. other miscellaneous costs;
- 2.1.6. provide an appropriately skilled and experienced individual with a full analysis of the Hosting Supplier's capital and operating costs and the assumptions used to develop and modify the Charges;
- 2.1.7. describe any assumptions relating to input costs;
- 2.1.8. be constructed in a format and using a software tool as specified by the Authority;
- 2.1.9. not be amended by the Hosting Supplier in any way which results in any part(s) of the Financial Model becoming hidden, protected, locked or made otherwise inaccessible or obscured to review or alteration;
- 2.1.10. be laid out in a clear and logical manner. The overall flow of information in the Financial Model shall flow from inputs, to calculations, to outputs, with the final output being in tables. Any formulae in the Financial Model shall not contain a mixture of inputs and calculations. Any column labelling in the Financial Model shall be consistent between worksheets;
- 2.1.11. include sufficient data to create a cash flow statement that shows the timing and relationship between the planned costs and the revenue which the Hosting Supplier expects to receive;
- 2.1.12. clearly show the calculation of any financing charges associated with outstanding balances (between costs incurred and revenue received); and
- 2.1.13. provide visibility of profit (and the calculation of profit) both as a value and as a percentage.
- 2.2. The Hosting Supplier shall use reasonable endeavours, if so requested by the Authority, to provide (or procure the provision of) the above level of information in

relation to the costs and expenses to be incurred by any of its Key Sub-contractors.

- 2.3. The Hosting Supplier shall include in the Financial Model information on its costs incurred in relation to its compliance with the Master Services Agreement.

3. VISIBILITY THROUGH THE FINANCIAL MODEL

- 3.1. Upon request of the Authority the Hosting Supplier shall promptly provide to the Authority details of the elements used to make up any Charges.

- 3.2. The Hosting Supplier shall provide to the Authority the following information in relation to the Charges:

3.2.1. the Hosting Supplier's total fixed price for the Hosting Services and/or Deliverables;

3.2.2. the margin included in that total fixed price;

3.2.3. a list of the agreed prices against each manpower grade in the Financial Model;

3.2.4. a list of the costs underpinning those prices for each manpower grade in the Financial Model, being the price less the margin;

3.2.5. a summary of the costs broken down against each Hosting Service and/or Deliverable;

3.2.6. details of any other manpower costs, not already included in these rates, for all activities to be undertaken;

3.2.7. explanation of any underlying assumptions regarding:

3.2.7.1. overtime rates;

3.2.7.2. standard hours;

3.2.7.3. accommodation charges; and

3.2.7.4. discounts applied;

3.2.8. a resource estimating model to support the Charges/Changes if applicable;

3.2.9. a breakdown of manpower resources by the number and type of Hosting Supplier's staff required for each Hosting Service and/or Deliverable and free of any contingency. The Hosting Supplier, if requested by the Authority, will use reasonable endeavours to provide the same (or similar) information from its Key Sub-contractors;

3.2.10. the total price of Deliverables broken down by volume, unit cost and margin;

3.2.11. an explanation of the type and value of risk associated with the provision of

Hosting Services, including the amount of money attributable to each risk;

- 3.2.12. an explanation and supporting details of any financing costs applicable to this Agreement;
- 3.2.13. a statement of the Hosting Supplier's anticipated cashflow for the Term;
- 3.2.14. the actual Charges profile for each Service Reporting Period; and
- 3.2.15. any additional information as the Authority reasonably requires.

4. CUSTODY OF THE FINANCIAL MODEL

- 4.1. Immediately after execution of this Agreement and following agreement by both parties of the changes to the Financial Model under paragraph 5, the Hosting Supplier shall deliver two (2) soft copies and two (2) hard copies of the Financial Model to the Authority.

5. UPDATES TO THE FINANCIAL MODEL

- 5.1. Unless otherwise agreed in writing between the parties, any updates to the Financial Model shall reflect, be consistent with and be made only in accordance with the provisions of this Agreement, and shall in all cases be subject to the prior written approval of the Authority.
- 5.2. All changes to the Financial Model should be auditable and implemented and documented under formal version control.
- 5.3. The Hosting Supplier shall, inter-alia, revise the Financial Model in order to reflect any inputs, modifications or other amendments to the Financial Model which are effected pursuant to this Agreement, including but not limited to any amendments made to the Financial Model which arise from:
 - 5.3.1. the implementation of a Change which affects the Charges; or
 - 5.3.2. any changes to the Hosting Supplier's accounting practices.
- 5.4. Each Financial Model shall be constructed using the same methodology as that used for the then current Financial Model, and shall be consistent with and made in accordance with the provisions of this Agreement.
- 5.5. The Hosting Supplier shall adhere to and apply the following principles when preparing an Updated Financial Model:
 - 5.5.1. any amendment which is made in order to evaluate the impact of any inputs, modification or other adjustment shall relate only to such inputs, modification or other adjustment; and
 - 5.5.2. no amendment shall affect, in any way whatsoever, the performance of the Hosting Services, save as agreed in accordance with the Change Control Procedure.

- 5.6. On the occurrence of any event which requires the Financial Model to be updated, the Hosting Supplier shall effect the change on the latest version of the Financial Model and deliver the Updated Financial Model to the Authority for approval. The Hosting Supplier shall ensure that each version of the Financial Model delivered to the Authority shall be certified by a suitably empowered nominated financial representative of the Hosting Supplier as being accurate and not misleading and in conformity with all generally accepted accounting principles within the United Kingdom.
- 5.7. Unless the Authority wishes to dispute the Financial Model in accordance with paragraph 6, the Authority shall approve the Updated Financial Model within thirty (30) days of receipt of the same (or such other period as the Authority advises the Hosting Supplier in writing).
- 5.8. If the Authority approves the Updated Financial Model submitted by the Hosting Supplier, it shall advise the Hosting Supplier of its decision in writing and the updated and approved Financial Model shall become, with effect from the date of such approval, the Updated Financial Model in place for the purposes of this Agreement.

6. DISPUTE

- 6.1. If the Authority disputes any Financial Model, it may request such further information from the Hosting Supplier as it reasonably requires prior to delivering a decision on whether it accepts or rejects the relevant Financial Model.
- 6.2. In the event that the Authority and the Hosting Supplier are unable to reach agreement on any Financial Model, the matter shall be referred for determination in accordance with the Dispute Resolution Procedure.

7. PAYMENTS SCHEDULE

- 7.1. Except for Charges for which paragraph 8 of this schedule applies, the Hosting Supplier shall provide and maintain a Payments Schedule in the format set out in Appendix B to this schedule 7.5 (Financial Model), detailing all anticipated Charges.
- 7.2. The Hosting Supplier shall ensure that the Payments Schedule is consistent with the Financial Model and is kept up to date on at least a monthly basis.
- 7.3. The Hosting Supplier shall submit a draft Payment Schedule to the Authority no less than seven (7) Working Days before the end of each month.
- 7.4. The draft Payment Schedule shall at all times be accompanied by sufficient information to enable the Authority to reasonably assess whether the Charges detailed thereon are properly payable. Any such assessment by the Authority shall not be conclusive. The Hosting Supplier undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice.
- 7.5. The Payment Schedule shall be based on Hosting Services consumption information

which has been verified in accordance with schedule 2.1 (Service Requirements).

- 7.6. For the avoidance of doubt, the Charges appearing in the Payment Schedule are Charges which are scheduled for payment in the month to which the Payment Schedule relates, not the month in which the Hosting Services to which the Charges relate are performed. For example, if a Milestone Achievement Certificate has not been issued by the Authority by the time the draft Payment Schedule is submitted, then such amounts should not be included under the current month's charges in the Payment Schedule. They should instead be deferred until the Milestone Achievement Certificate has been issued, but should still be included in the Financial Model (under a future month), so that the Authority retains visibility of when such payments are scheduled to be paid.
- 7.7. After submitting the draft Payment Schedule in accordance with paragraphs 7.3 and 7.4, the Hosting Supplier will then attend a Payment Schedule review meeting with the Authority no less than four (4) Working Days before the end of that month, where the Payment Schedule will be reviewed, discussed, agreed or disputed by the Authority. The Payment Schedule review meeting shall be governed by the provisions of schedule 8.1 (Governance) as an Operational Management board between the Authority and the Hosting Supplier only. Any disputed items which require clarification or where additional information is being sought or cannot be cleared by the time the final Payment Schedule is submitted are to be deferred to the next payment month, for consideration in the next Payment Schedule review meeting. This allows for the un-disputed items to be paid.
- 7.8. Following the Payment Schedule review meeting the Hosting Supplier is to submit a final version of the Payment Schedule and key actions log of the Payment Schedule Meeting, no less than three (3) Working Days before the end of that month. The Authority will use the final Payment Schedule to sanction the release of funds. The Hosting Supplier will be informed when this occurs to enable them to invoice as described in schedule 7.1 (Charging and Invoicing).
- 7.9. Invoices should only be submitted to the Authority once the Authority has agreed the final Payment Schedule. The invoiced amounts should exactly match the values and purchase order numbers contained in the Payment Schedule to facilitate their prompt payment. Delays in the timely submission of the Payment Schedule or invoicing errors will result in delayed payments by the Authority, and in the event of invoicing errors will require correct invoices to be reissued by the Hosting Supplier before payment shall be made.

8. LODGE CARD

- 8.1. Where agreed with the Authority, the Hosting Supplier shall be paid for Service Catalogue items through a lodge card process as described in this paragraph 8.
- 8.2. The Authority shall hold a lodge card on the Hosting Supplier's behalf, against which items confirmed as delivered which are purchased through the Service Catalogue will be charged in accordance with this paragraph 8, (the "Lodge Card").

- 8.3. In order to receive payment through the Lodge Card, the Hosting Supplier shall be required to comply with the Authority's minimum requirements (as such may be amended or replaced from time to time).
- 8.4. The Hosting Supplier shall submit to the SIAM Supplier a detailed file containing the details of all the amounts which the Hosting Supplier considers as due and chargeable to the Lodge Card. The Hosting Supplier will ensure that such file includes, as a minimum, the following information;
- 8.4.1. date of transaction;
 - 8.4.2. transaction type;
 - 8.4.3. operating unit code;
 - 8.4.4. business entity code;
 - 8.4.5. full name of purchaser;
 - 8.4.6. item product code;
 - 8.4.7. item description;
 - 8.4.8. net amount;
 - 8.4.9. VAT;
 - 8.4.10. gross amount; and
 - 8.4.11. delivery location of item ordered.
- 8.5. The Hosting Supplier may only charge the Lodge Card with single amounts for Charges verified by and agreed with the SIAM Supplier. Such Charges will be settled by the Authority's Lodge Card supplier (as appointed by the Authority from time to time). If the Hosting Supplier charges an amount to the Lodge Card which has not been approved by the SIAM Supplier or which is disputed by the Authority, then the Hosting Supplier shall immediately credit such amount to the Lodge Card pending approval by the SIAM Supplier or resolution of the dispute (as applicable).

APPENDIX A

Financial Model

REDACTED

APPENDIX B

Payment Schedule

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End of schedule