

**ANNEX AI – PAYMENT AND PRICING MECHANISM****Part 1 - Pricing & Payments****Monthly Firm Price Management**

1. A **Monthly** Firm Price Management Fee Payment for the Overall Management of Equipment shall be extracted from the sum of the Annual Firm Price Management Fee Payment as completed at Annex A. For Management Firm Price and Fixed Price **Monthly** Fee Payments see the tables below (for full breakdown of Management Elements refer to Annexes A & C):

Bounded Option	Number of Equipments to Manage	Firm Price for Overall Management of Equipment Contract Years			Fixed Price for Overall Management of Equipment Contract Years	
		Contract Year 1 <b>Monthly</b> Price	Contract Year 2 <b>Monthly</b> Price	Contract Year 3 <b>Monthly</b> Price	Contract Year 4 <b>Monthly</b> Price	Contract Year 5 <b>Monthly</b> Price
A	9 to 11					
B	12 to 14					
C	15 to 17					
D	18 to 21					
E	22 to 25					

Bounded Option	Number of Equipments to Manage	Fixed Price for Overall Management of Equipment Option Years				
		Option Year 6 <b>Monthly</b> Price	Option Year 7 <b>Monthly</b> Price	Option Year 8 <b>Monthly</b> Price	Option Year 9 <b>Monthly</b> Price	Option Year 10 <b>Monthly</b> Price
A	9 to 11					
B	12 to 14					
C	15 to 17					
D	18 to 21					
E	22 to 25					

2. The **Monthly** Management Fee Payment for the Overall Management of Equipment will be calculated using the Annual Price Management Fee Payments at Annex A, as per paragraph 1, reduced by the amount of any applicable Service Credits in that month in accordance with Annex E.

**Variable Tasks**

3. Variable Tasks will be placed on the Contractor using the process in Annex L to Contract (See also Clause 9.2 – Contractor Tasking Process). The Authority will pay for Variable Tasks on delivery and these tasks shall be invoiced separately. **Where any element of a Variable Task includes any task listed in Annex B, the prices at Annex B shall be utilised for that element of the Variable Task.**

**Maintenance Tasks**

4. The Authority will pay for Maintenance Tasks (see Call Off Form at Annex O) on delivery, these tasks shall be invoiced on a **Monthly basis**. For prices refer to Annex B of the Contract and Schedule of Requirements.

**Publications – AESPs**

5. The Authority will pay for AESPs on delivery; these tasks shall be invoiced separately. For prices refer to Annex B of the Contract and Schedule of Requirements.

**Spares**

6. The Authority will pay for Spares, on delivery and these tasks shall be invoiced separately. For prices refer to Annex F of the Contract.

**Training**

7. The Authority will pay for Training, on an ad hoc basis and these tasks shall be invoiced separately, with payment being made on completion of each course. For prices refer to Annex B of the Contract for pricing:

**Labour and Overhead & Profit Rates**

8. Firm Annual Labour and Overhead & Profit Rates are listed at Annex M and are to be used in quotations from the Contractor.

**GFA**

9. Refer to Annex I & J. Annex I to Contract lists GFA.

**Disposal**

10. Equipment will be disposed of through the Defence Disposals Agency and will not form part of this Contract.

**Travel & Subsistence**

11. For Travel and Subsistence rates refer to Clause 4.2 of this Contract.

**Storage**

12. For further information on how payment will be made by the Authority refer in Clause 8.1 of the Contract.

**Part 2 - Service Credits**

13. The Contractor shall monitor KPIs and submit to the Authority a performance report at the QRM. The Authority will monitor KPIs on a monthly basis to assess the Contractor's performance against the KPIs.

14. If the Contractor has failed to meet any of the KPIs that form part of the Monthly Management Charge, Annex E to Contract refers, it shall calculate the Service Credits to be applied to the Monthly Management Charge. For Monthly charges the calculation shall be carried out as follows:

14.1 The relevant Service Credit percentage rate, refer to Annex E, specified to apply to the relevant KPI will be multiplied by that element of the Monthly Charge to provide a monetary value (£) which is then deducted from Total Monthly Management Payment.

15. If the Contractor has failed to meet any of the KPIs that form part of a Variable Task, Annex E to Contract refers, it shall calculate the Service Credits to be applied to the Variable Task payment. For Variable Task Payments the calculation shall be carried out as follows:

15.1 The relevant Service Credit percentage rate, refer to Annex E, specified to apply to the relevant KPI will be multiplied by that element of the Variable Task Payment to provide a monetary value (£) which is then deducted from the Variable Task Payment.

16. Service Credits will not be invoked before Full Operating Capability is declared.

### **Part 3 - Gainshare**

17. The Authority and the Contractor shall during the period of Contract identify all possible areas for Gainshare. The Contractor shall provide the Authority with Monthly efficiency reports which will detail where efficiencies may be implemented. Gainshare will form part of the standard agenda of the Monthly Review Meeting (QRM), and findings will be recorded in the RODs of that QRM, along with the QRM's decision as to whether to implement the proposed change.
18. Any Gainshare proposal shall be raised using the Contract Change Control Procedure at Clause 2.25 of the T&Cs.
19. All savings achieved as a result of a Gainshare agreement will be shared on a 70:30 basis between the Authority and the Contractor for up to 12 months of the Net financial efficiencies obtained by the Authority in the period after implementation of the recommendation. Implementation of these efficiencies will be agreed on a case by case basis. Following this initial 12 month period the Authority will retain 100% of the efficiency.
20. Any Gainshare not claimed by the final payment period of the Contract shall be forfeited by the Contractor.
21. Where the Authority does not implement any efficiency recommendation, it will provide an explanation to the Contractor to confirm why the efficiency has not been adopted or deferred and confirm the expected duration or deferral.
22. The Authority may, at its discretion, request the Contractor to use revenue due to be distributed to the Authority to be offset against future payments.
23. For the avoidance of doubt any Gainshare shall be over and above the annual efficiency targets outlined in Annex AL – Efficiencies.