



Ministry of
JUSTICE

OFFICIAL SENSITIVE

Contract for the Provision of Learning and Skills at HMP Berwyn

SCHEDULE 2 – PAYMENT MECHANISM



Contract for the Provision of Learning and Skills at HMP Berwyn

1. DEFINITIONS AND INTERPRETATIONS

1.1 For the purpose of this Schedule 2 unless the context otherwise requires the following words shall have the following meanings:

“Additional Allocated Prisoner Funding”	means a sum equal to [REDACTED] per additional Allocated Prisoner;
“Major Shortfall”	has the meaning set out in paragraph 7.3;
“Maximum Annual Funding”	the maximum available funding in any Financial Year as set out in the table in paragraph 3.1 of this Schedule 2;
“Maximum Contractor Profit”	means the maximum profit of the Contractor, calculated using the Maximum Contractor Profit Margin;
“Maximum Contractor Profit Margin”	means the tendered profit margin, as identified in the FRT set out in Part A of Appendix 1, plus no more than one percent (1%);
“Medium Shortfall”	has the meaning set out in paragraph 7.3;
“Minor Shortfall”	has the meaning set out in paragraph 7.3;
“Mobilisation Payment” (MP)	the payment for the Mobilisation Phase calculated in accordance with paragraph 8;
“Monthly Contract Price” (MCP)	the price set out in paragraph 5 of this Schedule 2;
“Open Book Data”	<p>means complete and accurate financial and non-financial information which is sufficient to enable the Authority to verify the Price and accuracy of payments, including details and all assumptions relating to:</p> <p>(a) the Contractor’s costs broken down against each Service, including actual capital expenditure (including capital replacement costs);</p>



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- (b) the cost of any consumables used in connection with the Services;
- (c) operating expenditure relating to the provision of the Services including an analysis showing:
 - (i) the unit costs and quantity of consumables and bought-in services;
 - (ii) manpower resources broken down into the number and grade/role of all Contractor Staff (free of any contingency) together with a list of agreed rates against each manpower grade;
 - (iii) the Maximum Contractor Profit;
 - (iv) a list of costs underpinning those rates for each manpower grade, being the agreed rate less the Contractor's profit margin; and
 - (v) any expenses payable;
- (d) overheads;
- (e) all interest, expenses and any other third party financing costs incurred in relation to the provision of the Services;
- (f) the Contractor profit achieved over the Term and on an annual basis;
- (g) confirmation that all methods of cost apportionment and overhead allocation are consistent with and not more onerous than such



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methods applied generally by the Contractor; and

- (h) an explanation of the type and value of risk and contingencies associated with the provision of the Services, including the amount of money attributed to each risk and/or contingency;

“Performance Shortfall”

a failure of the Contractor to provide the Service in accordance with a KPI Target Performance Level;

“Quarterly Performance Payment” (QPP)

has the meaning given to it in paragraph 7.4;

“Reinvestment Pot” (RP)

has the meaning set out in paragraph 13;

“Target Performance Level”

means the target performance level for each KPI for the relevant Quarter as set out in Appendix 1 of Schedule 13 (Key Performance Indicators); and

“Third Party Funded Initiatives”

means as defined in paragraph 2.1.



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CONTRACT PRICE

- 1.2 The Price shall be the only charge payable by the Authority in respect of the Services and the performance by the Contractor of all other obligations under this Contract.

2. THIRD PARTY FUNDING

- 2.1 The Contractor may seek third party funding to finance additional initiatives to benefit the Allocated Prisoners (hereinafter referred to **Third Party Funded Initiatives**).

- 2.2 The Contractor shall comply with the Laws and the terms on which Third Party Funded Initiatives are granted.

- 2.3 The Parties shall work in good faith to agree any Third-Party Funding Initiatives and, where required, shall agree:

- (a) any change to the Specification in accordance with clause 2.4 (Change Control); and
- (b) any change to the Annual Delivery Service Plan in accordance with Schedule 12 (Governance).

- 2.4 In the event that there are any losses or damage incurred by the Contractor or the Authority in the use of or any withdrawal of any Third-Party Funding:

- (a) The Authority shall not be liable in any way for such loss or damage; and
- (b) The Contractor shall indemnify the Authority and keep the Authority indemnified against such loss or damage.



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- 2.5 The Authority shall not underwrite or otherwise provide any guarantee in respect of Contractor's application for any Third Party Funded Initiatives.
- 2.6 The Contractor shall comply with confidentiality undertakings in clause D4, when making any application for any Third Party Funded Initiatives.

3. MAXIMUM FUNDING AVAILABLE

- 3.1 The Authority has a "Maximum Annual Funding" available to the Contractor to meet its obligations under this Contract. This Maximum Annual Funding is based on a Mobilisation Payment and Service Delivery at the Prison as provided in the table below:

Financial Year	Mobilisation	Service Delivery	Total
2023/24			
2024/25			
2025/26			
2026/27			
2027/28			
Initial Contract Term			16,099,304
Extension			
2027/28			
2028/29			
2029/30			
2030/31			
Total Contract inc Extension			28,023,782

In Financial Year 2023/24 of the Initial Term the Service Delivery commences on 5th October 2023 and ends on 31st March 2024.

In Financial Year 2027/28 of the Initial Term the Adult Service Delivery commences on 1st April 2027 and ends on 4 October 2027.



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- 3.2 The Authority may at its discretion increase the Maximum Annual Funding available to the Contractor at any time during the Term. Where the Authority wishes to increase the Maximum Annual Funding, the parties shall agree an adjustment to the table at 4.1 above and 12.1 below to reflect such increase in accordance with clause F4 (Change).

4. MONTHLY SERVICE FEE (MSF)

- 4.1 The monthly amount payable to the Contractor in respect of the Price for the Services provided (the “**Monthly Service Fee**”) shall be calculated as follows:

- 4.2 $MSF = \blacksquare \% \times ASD$:

MSF = The Monthly Service Fee;

ASD = the Maximum Annual Funding as identified for Service Delivery in paragraph 3.1 divided by the number of months in the relevant Financial Year.

- 4.3 The first monthly payment shall cover the period from the Services Commencement Date (5th October 2023) to 31st October 2023.

5. MONTHLY CONTRACT PRICE (MCP)

The Monthly Contract Price shall be calculated as follows:

$MCP = MSF + QPP$ – if appropriate where:

MCP = the Monthly Contract Price;

MSF = the Monthly Service Fee;

QPP = the Quarterly Performance Payments (if any for that month) calculated in accordance with paragraph 7.4 of this Schedule 2 (Payment Mechanism).

6. QUARTERLY PERFORMANCE PAYMENTS

- 6.1 The Quarterly Performance Payment (QPP) incentivises the Contractor to deliver effective and efficient Services as detailed in Schedule 1 (Specification) and in line with Schedule 13 (Key Performance Indicators). This QPP aims to provide adequate protection to the Authority where the Contractor fails to deliver the required performance in relation to the Services



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or there is initial and continuing poor performance in the Contractor's delivery of the Services.

- 6.2 The key requirements in delivering the Services are: (1) the need to allocate appropriate risk and (2) to maximise value for money (VFM). QPP payments will reflect the quality of the Services delivered against the Key Performance Indicators outlined in Schedule 13.
- 6.3 Quarterly Performance Payments will be payable based on the performance of the Contractor for the relevant Quarter against the Key Performance Indicators in Schedule 13.
- 6.4 At the end of each Quarter the Contractor shall provide the Authority with a report setting out:
- (a) its performance for the Quarter against each KPI (the actual performance over the Quarter);
 - (b) for each KPI whether it has met the Target Performance Level or whether there is a Performance Shortfall (and if so whether it is a Minor Shortfall; Medium Shortfall or Major Shortfall); and
 - (c) any Exemptions or other justification for the relevant Performance Shortfall the Contractor wishes to claim in accordance with paragraph 7.6 below in respect of that Quarter and, if so, the Contractor shall include the reasons for seeking each Exemption or other justification claimed.
- 6.5 The QPP shall be calculated in accordance with paragraph 7 below. Where the quarterly report provided in accordance with paragraph 6.4 identifies a Performance Shortfall, this shall be reviewed by the Parties at the next quarterly Contract Review Group (as more particularly described in Schedule 12 (Governance)) and the Contractor may make representations regarding such shortfall in accordance with paragraph 6.6 below.
- 6.6 The Contractor may present to the Operational Management Group (as more particularly described in Schedule 12 (Governance)) and the quarterly Contract Review Group meeting, its justifications for a Performance Shortfall and may request that the Authority provides a discretionary relief from any reduction that the Authority intends to be applied to the QPP in accordance with paragraph 7 below. In presenting such justifications, the Contractor shall have regard to the following factors:
- (a) any impact that an Authority Default has had in not enabling the Contractor to perform the Services;



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- (b) actual improvement of the relevant Performance Shortfall;
- (c) robustness of any KPI recovery plan;
- (d) actual implementation of any KPI recovery plan;
- (e) overall performance of all KPIs; and
- (f) the timing of the failure prior to the review.

and the Contract Review Group may agree to grant a discretionary relief from any reduction to be applied the Quarterly Performance Payment in accordance with paragraph 7.

6.7 If the amount of the QPP cannot be agreed at such relevant Contract Review Group, the Authority shall, acting reasonably, make a final determination at its discretion on the QPP payable for the relevant Quarter (using the calculation in paragraph 7 below).

6.8 Once the QPP is agreed (or determined by the Authority as appropriate) and provided that it is not of nil value, the Contractor shall be entitled to issue an invoice to the Authority for the same.

7. CALCULATION OF QUARTERLY PERFORMANCE PAYMENTS

7.1 The maximum Quarterly Performance Payment in aggregate in any Quarter shall be:

- (a) for the QPP – ■■■% of MCP for the months in the relevant Quarter; and

7.2 If the level of performance of the Contractor during a Quarter is equal to or above the Target Performance Level in respect of all Key Performance Indicators in a Quarter, then it shall be entitled to the maximum Quarterly Performance Payment. If the Contractor's performance is below one or more Key Performance Indicators the maximum QPP shall be reduced for each Key Performance Indicator that has a Performance Shortfall by the amount calculated in accordance with this paragraph 7.

7.3 The reduction in Quarterly Performance Payment shall be calculated depending on the level of Performance Shortfall for each Key Performance Indicator:

Level of Performance	Measure of Performance Shortfall	Percentage proportion of QPP payable
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Shortfall		(P%)
Minor Shortfall	The Contractor's performance is below the Target Performance Level by the number of percentage points as set out in the column headed "Minor" for that KPI as set out in Appendix 1 to Schedule 13. For example, if the Target is 100% and the figure in Minor column is -1% then the Performance Shortfall would be a Minor Shortfall if it was between 99% and 99.99%	66% (a 33% reduction)
Medium Shortfall	The Contractor's performance is below the Target Performance Level by the number of percentage points as set out in the column headed "Medium" for that KPI as set out in Appendix 1 to Schedule 13. For example, if the Target is 100% and the figure in Medium column is -2% then the Performance Shortfall would be a Medium Shortfall if it was between 98% and 98.99%	33% (a 66% reduction)
Major Shortfall	The Contractor's performance is below the Target Performance Level by the number of percentage points as set out in the column headed "Major" for that KPI as set out in Appendix 1 to Schedule 13. For example, if the Target is 100% and the figure in Major column is -3% then the Performance Shortfall would be a Major Shortfall if the performance was below 97.99%	0% (a 100% reduction)

- 7.4 The reduction in QPP for a particular level of Performance Shortfall for each Key Performance Indicator shall be calculated by reference to the following formula:

$$QPP = (MQPP \times KPI\% \times P\%)$$

where:




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QPP	=	Quarterly Performance Payment;
MQPP	=	Maximum Quarterly Performance Payment (calculated in accordance with paragraph 7.1)
KPI%	=	percentage weighting for the KPI (as set out in the column headed KPI Weighting in Appendix 1 of Schedule 13 for the relevant Financial Year);
P%	=	the performance percentage that represents the level of Performance Shortfall for the KPI for the relevant Quarter calculated in accordance with paragraph 7.3 (so this shall be either 66%, 33% or 0% depending on the level of Performance Shortfall)

7.5 Worked Example of Quarterly Performance Payments

Please note that the percentages are illustrative and that the actual targets will vary according to the KPI and the targets set.

Figure 1: Illustration of QPP reduction

Available but Performance Shortfall			Fully performing	Over achieving
Major 95.99% or below	Medium (-2%) (96–96.99%)	Minor (-1%) (97 – 97.99%)	Target Performance Level (98%)	98.1% and above
% performance 				
Reduced Quarterly Performance Payment			Full Payment	
100% reduction	66% reduction	33% reduction	100%	

Please note that the percentages are illustrative and that the actual targets will vary according to the KPI and the weightings and targets set out in Appendix 1 of Schedule 13.

For the purposes of this worked example, it is assumed to be a Key Performance Indicator, the Maximum Quarterly Performance Payment



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(MQPP) is assumed to be £100 and the KPI% weighting is assumed to be 25%.

The diagram shows that the QPP shall be calculated as follows:

- Target Performance Level met - MQPP (£100) x KPI% (25%) x P% (which shall be, if the Contractor's performance was 98% or above) 100%. Therefore, QPP for this KPI = £25
- Minor Shortfall - MQPP (£100) x KPI% (25%) x P% (which shall be, if the Contractor's performance was between 97 and 97.99% a Minor Shortfall) 66%. Therefore, QPP for this KPI = £16.50
- Medium Shortfall - MQPP (£100) x KPI% (25%) x P% (which shall be, if the Contractor's performance was between 96 and 96.99% a Medium Shortfall) 33%. Therefore, QPP for this KPI = £8.25
- Major Shortfall - MQPP (£100) x KPI% (25%) x P% (which shall be, if the Contractor's performance was 95.99% or below a Major Shortfall) 0%. Therefore, QPP for this KPI = £0

First Financial Year

- 7.6 Notwithstanding this paragraph 7, for the first Financial Year of the Initial Term where the Contract starts on 5th October 2023 the first periods calculation of the QPP will cover the period from 5th October 2023 until 31st December 2023.

8. MOBILISATION PAYMENT

- 8.1 The Mobilisation Payment (MP) shall cover the Contractor's costs during the Mobilisation Phase as detailed in the Finance Response Template within Appendix 1.
- 8.2 The Mobilisation Payment shall be calculated on the basis of the approval of each Milestone (in accordance with the provisions of Schedule 20 (Mobilisation)). The Mobilisation Payments and associated Milestones are detailed in Mobilisation Costs tab within the Financial Response Template in Appendix 1.
- 8.3 The Mobilisation Payment shall in no circumstances exceed [REDACTED] (excluding VAT).
- 8.4 The Contractor shall submit valid invoices for the Mobilisation Payment in accordance with paragraph 8 of this Schedule 2 (Payment Mechanism).



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8.5 The Mobilisation Payment shall not be subject to indexation.

9. INDEXATION

The pricing elements set out in this Schedule 2 (Payment Mechanism) or any payment from the Maximum Annual Funding shall not be subject under any circumstances to indexation.

10. INVOICING AND PAYMENT

10.1 The Contractor shall submit to the Authority a set of itemised and accurate monthly invoices that are supported by back up information, setting out individually the following items (a) – (d) below, as follows:

- (a) the Monthly Service Fee (MSF);
- (b) the Quarterly Performance Payment (QPP) (if applicable)
- (c) the Reinvestment Pot (RP) and
- (d) the Mobilisation Payment (MP) in respect of the relevant Mobilisation months.

10.2 The Contractor shall issue invoices to the Authority monthly in arrears. The Contractor shall submit its invoice to the Authority no earlier than 5 Working Days after the end of the Month.

10.3 For the Mobilisation Payment, the Contractor shall submit valid invoices at monthly intervals in arrears following approval of the relevant Milestone identified in the Mobilisation Plan (in accordance with the provisions of Schedule 20 (Mobilisation)) and the relevant cost being incurred, such invoices to be submitted no earlier than 5 Working Days after the end of the first Month following the Commencement Date.

11. PAYMENTS

11.1 The projected Monthly Service Fee for each Month is as set out below:

Service Delivery Payments	Start	End	Monthly Service Fee (MSF) (£)
Month 1	05-Oct-23	31-Oct-23	
Month 2	01-Nov-23	30-Nov-23	
Month 3	01-Dec-23	31-Dec-23	
Month 4	01-Jan-24	31-Jan-24	



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Month 5	01-Feb-24	29-Feb-24	
Month 6	01-Mar-24	31-Mar-24	
Month 7	01-Apr-24	30-Apr-24	
Month 8	01-May-24	31-May-24	
Month 9	01-Jun-24	30-Jun-24	
Month 10	01-Jul-24	31-Jul-24	
Month 11	01-Aug-24	31-Aug-24	
Month 12	01-Sep-24	30-Sep-24	
Month 13	01-Oct-24	31-Oct-24	
Month 14	01-Nov-24	30-Nov-24	
Month 15	01-Dec-24	31-Dec-24	
Month 16	01-Jan-25	31-Jan-25	
Month 17	01-Feb-25	28-Feb-25	
Month 18	01-Mar-25	31-Mar-25	
Month 19	01-Apr-25	30-Apr-25	
Month 20	01-May-25	31-May-25	
Month 21	01-Jun-25	30-Jun-25	
Month 22	01-Jul-25	31-Jul-25	
Month 23	01-Aug-25	31-Aug-25	
Month 24	01-Sep-25	30-Sep-25	
Month 25	01-Oct-25	31-Oct-25	
Month 26	01-Nov-25	30-Nov-25	
Month 27	01-Dec-25	31-Dec-25	
Month 28	01-Jan-26	31-Jan-26	
Month 29	01-Feb-26	28-Feb-26	
Month 30	01-Mar-26	31-Mar-26	
Month 31	01-Apr-26	30-Apr-26	
Month 32	01-May-26	31-May-26	
Month 33	01-Jun-26	30-Jun-26	
Month 34	01-Jul-26	31-Jul-26	
Month 35	01-Aug-26	31-Aug-26	
Month 36	01-Sep-26	30-Sep-26	
Month 37	01-Oct-26	31-Oct-26	
Month 38	01-Nov-26	30-Nov-26	
Month 39	01-Dec-26	31-Dec-26	
Month 40	01-Jan-27	31-Jan-27	
Month 41	01-Feb-27	28-Feb-27	
Month 42	01-Mar-27	31-Mar-27	



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Month 43	01-Apr-27	30-Apr-27	
Month 44	01-May-27	31-May-27	
Month 45	01-Jun-27	30-Jun-27	
Month 46	01-Jul-27	31-Jul-27	
Month 47	01-Aug-27	31-Aug-27	
Month 48	01-Sep-27	30-Sep-27	
Month 49	01-Oct-27	04-Oct-27	
Extension Period	Start	End	Monthly Service Fee (MSF) (£)
Month 49	05-Oct-27	31-Oct-27	
Month 50	01-Nov-27	30-Nov-27	
Month 51	01-Dec-27	31-Dec-27	
Month 52	01-Jan-28	31-Jan-28	
Month 53	01-Feb-28	29-Feb-28	
Month 54	01-Mar-28	31-Mar-28	
Month 55	01-Apr-28	30-Apr-28	
Month 56	01-May-28	31-May-28	
Month 57	01-Jun-28	30-Jun-28	
Month 58	01-Jul-28	31-Jul-28	
Month 59	01-Aug-28	31-Aug-28	
Month 60	01-Sep-28	30-Sep-28	
Month 61	01-Oct-28	31-Oct-28	
Month 62	01-Nov-28	30-Nov-28	
Month 63	01-Dec-28	31-Dec-28	
Month 64	01-Jan-29	31-Jan-29	
Month 65	01-Feb-29	28-Feb-29	
Month 66	01-Mar-29	31-Mar-29	
Month 67	01-Apr-29	30-Apr-29	
Month 68	01-May-29	31-May-29	
Month 69	01-Jun-29	30-Jun-29	
Month 70	01-Jul-29	31-Jul-29	
Month 71	01-Aug-29	31-Aug-29	
Month 72	01-Sep-29	30-Sep-29	
Month 73	01-Oct-29	04-Oct-29	
Month 73	04-Oct-29	31-Oct-29	
Month 74	01-Nov-29	30-Nov-29	
Month 75	01-Dec-29	31-Dec-29	
Month 76	01-Jan-30	31-Jan-30	
Month 77	01-Feb-30	28-Feb-30	



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Month 78	01-Mar-30	31-Mar-30	
Month 79	01-Apr-30	30-Apr-30	
Month 80	01-May-30	31-May-30	
Month 81	01-Jun-30	30-Jun-30	
Month 82	01-Jul-30	31-Jul-30	
Month 83	01-Aug-30	31-Aug-30	
Month 84	01-Sep-30	30-Sep-30	
Month 85	01-Oct-30	04-Oct-30	

11.2 Mobilisation Payment (MP)

The payment for the individual cost items that make up the Mobilisation Payment (MP) shall be as set out in the tables below:

Milestone Date	Mobilisation Payment (MobP)	Fixed Payment (£)
31/07/2023	Staff costs	
31/08/2023	Staff costs	
30/09/2023	Staff costs	
30/09/2023	IT costs	
31/10/2023	Staff costs	
31/10/2023	IT costs	
31/10/2023	Staff travel expenses	
31/10/2023	General office expenses	
31/10/2023	Facilities upgrade	
TOTAL		

12. FINANCIAL INDICATORS REPORT

12.1 In order to demonstrate value for money, the Contractor shall provide the Authority at each quarterly Contract Review Meeting (or more frequently as the Authority may request from time to time) with a written financial indicators report (in the format reasonably required by the Authority) which shall provide details of:

- (a) Profit and loss account which provides the same level as detail as that contained within the Finance Response Template. Such profit and loss should include the budgeted and actual comparators for the quarter and the financial year to date



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- (b) A narrative report which details the key areas of focus for the Contractor for the forthcoming periods to mitigate cost impacts and maximise the activity places
- (c) Details of any third party income secured during the period and how this will be utilised to support delivery of the services
- (d) operating margin;
- (e) free cash flow to net debt ratio;
- (f) net debt + net pension deficit to EBITDA ratio;
- (g) net interest paid cover;
- (h) acid ratio;
- (i) net asset value;
- (j) group exposure ratio, and
- (k) utilisation of the Contractor's Staff, showing the level of productivity in the workforce and update on utilisation of Annual funding, to provide (inter alia) a basis for assessing the funding, impact of Quarterly Performance payment and the Reinvestment Pot. The method for calculation shall be developed by the Contractor and agreed with the Authority prior to the Services Commencement Date.

13. REINVESTMENT POT (RP)

- 13.1 The Authority is keen to spend the Maximum Annual Funding on offender learning. Any reduction in the Quarterly Performance Payment made to the Contractor will provide a "Reinvestment Pot" which the Authority and Contractor will agree, in consultation with Welsh Government how such Reinvestment Pot should be invested in the Services for the benefit of Offenders on initiatives which the Parties' may agree from time to time (and the Parties shall agree a plan for the delivery and implementation of such initiatives, and where applicable agree changes to the Specification in accordance with clause F4). Any reinvestment will be on the basis of the costs to the Contractor solely and will not include any element of profit. The Reinvestment Pot will not be utilised to correct the Contractor's underperformance.
- 13.2 The Contractor shall provide management information on the Reinvestment Pot in accordance with paragraph 13.



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14. OPEN BOOK PRINCIPLES

- 14.1 The Contractor acknowledges the importance to the Authority of achieving complete transparency in the way in which the Price is calculated.
- 14.2 During the Term, and for a period of 7 years following the end of the Term, the Contractor shall:
- (a) maintain and retain the Open Book Data; and
 - (b) disclose and allow the Authority and/or its auditors or representatives from time-to-time access to the Open Book Data.

15. AUDIT RIGHTS

- 15.1 The provisions of clause F5 of the Contract shall apply and the Authority, acting by itself or through its auditors or representatives from time to time, shall be permitted to exercise such audit rights in order, amongst other things:
- (a) to verify the integrity and content of any report;
 - (b) to verify the accuracy of the Price and any other amounts payable by the Authority under this Contract (and proposed or actual variations to such Prices and payments);
 - (c) to verify the Contractor's costs (including the amounts paid to all Sub-contractors and any third-party suppliers);
 - (d) to verify the Open Book Data;
 - (e) to verify the Contractor's and each Sub-contractor's compliance with this Agreement and applicable laws;
 - (f) to identify or investigate actual or suspected fraud, impropriety or accounting mistakes or any breach or threatened breach of security and in these circumstances the Authority shall have no obligation to inform the Contractor of the purpose or objective of its investigations;
 - (g) to review any books of account and the internal contract management accounts kept by the Supplier in connection with this Agreement;
 - (h) to carry out the Authority's internal and statutory audits and to prepare, examine and/or certify the Authority's annual and interim reports and accounts;



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- (i) to enable the National Audit Office to carry out an examination pursuant to Section 6(1) of the National Audit Act 1983 of the economy, efficiency and effectiveness with which the Authority has used its resources;
 - (j) to review the integrity, confidentiality and security of the Authority Data; and
 - (k) any other reasonable purpose reasonably determined by the Authority in connection with this Contract;
- 15.2 Except where an audit is imposed on the Authority by a regulatory body or where the Authority has reasonable grounds for believing that the Contractor has not complied with its obligations under this Contract, the Authority may not conduct an audit of the Contractor or of the same Sub-contractor more than twice in any Financial Year.
- 15.3 The Contractor shall provide the Authority will all reasonable co-operation and assistance (and shall procure such co-operation and assistance from its Sub-contractors) in relation to each audit including access to sites, records, systems and personnel.



Appendix 1: Financial Model

This information has been redacted under the exemptions set out by the Freedom of Information Act.



Appendix 2: Updated FRT Principles

In preparing any update to the FRT in connection with any Contract Year (for inclusion within an Annual Service Delivery Plan), the Contractor shall comply with the following principles:

- (a) The total Price included in the Updated FRT for that Contract Year shall never exceed the Maximum Annual Funding;
- (b) Any Updated FRT shall:
- (c) be based on and reflect the FRT included at Appendix 1, and to the extent that such Updated FRT deviates from the FRT at Appendix 1 shall include detailed justifications for such deviations;
- (d) always seek to maximise value for money for the Authority;
- (e) not include any costs which exceed what would have been incurred by the Contractor on an arms' length commercial basis;
- (f) not include any risk pricing or other allocation of funds for the remediation of Contractor Defaults;
- (g) be supported by a financial statement which includes the budgeted profit and loss statement for the year broken down by month, such financial statement supports the delivery proposed by the Contractor; and
- (h) not include any Contractor profit element which exceeds the Maximum Contractor Profit; and
- (i) any costs included in the FRT shall (upon request of the Authority) be supported by appropriate evidence.