

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

Term	Definition								
AAR Guidance	means the guidance issued from time to time by the Single Source Regulation Office (SSRO) pursuant to Section 20 of the Defence Reform Act 2014 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> ".								
Agreed Upon Exchange Rates	<p>means the agreed exchange rates set out in the following table:</p> <table border="1"> <thead> <tr> <th></th><th>Unit of currency per £1 GBP</th></tr> </thead> <tbody> <tr> <td>GBP</td><td>Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests</td></tr> <tr> <td>USD (\$)</td><td>Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests</td></tr> <tr> <td>Euro (€)</td><td>Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests</td></tr> </tbody> </table>		Unit of currency per £1 GBP	GBP	Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests	USD (\$)	Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests	Euro (€)	Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests
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Allowable Costs	<p>means the Contractor's actual costs which meet the requirements to be an allowable cost as set out in Section 20(2) of the Defence Reform Act 2014 which, for the avoidance of doubt:</p> <p>(a) may include wages and salaries, materials, indirect charges or overhead in accordance with the agreed QMAC and Sub-Contractor and supplier costs incurred as a direct result of the MRP; and</p> <p>(b) shall exclude:</p> <ul style="list-style-type: none"> (i) any Remedial Costs; (ii) any costs incurred by the Contractor in relation to an event covered by the Required Insurances and/or any other insurance cover where those costs are subsequently recovered by the Contractor under such other insurance; and/or (iii) any other costs incurred by the Contractor as a result of any Contractor Default. 								

Annual Charge or AC	has the meaning given to it in with paragraph 3.2 (<i>Calculation of the Annual Charge AC for each Contract Year</i>).
Annual Charge Elements	means: (a) the Annual Service Delivery Dollar Charge; (b) the Annual Service Delivery Euro Charge; (c) the Annual Service Delivery Sterling Charge.
Annual Charge Values	refers to the values outlined in the table contained at Annex 1 (<i>Calculation of the Annual Charge AC for each Contract Year</i>).
Annual Service Delivery Dollar Charge	means the annual amount for the Services required to fulfil the Service Delivery Element of the Contract that are required to be paid in pounds sterling (\$USD) as referenced in paragraph 3.2 (<i>Calculation of the Annual Charge AC for each Contract Year</i>) of this Schedule as outlined in Annex 1 (Annual Charge Pricing Table) of this Schedule.
Annual Service Delivery Euro Charge	means the annual amount for the Services required to fulfil the Service Delivery Element of the Contract that are required to be paid in pounds sterling (€EUR) as referenced in paragraph 3.2 (<i>Calculation of the Annual Charge AC for each Contract Year</i>) of this Schedule as outlined in Annex 1 (Annual Charge Pricing Table) of this Schedule.
Annual Service Delivery Sterling Charge	means the annual amount for the Services required to fulfil the Service Delivery Element of the Contract that are required to be paid in pounds sterling (£GBP) as referenced in paragraph 3.2 (<i>Calculation of the Annual Charge AC for each Contract Year</i>) of this Schedule as outlined in Annex 1 (Annual Charge Pricing Table) of this Schedule.
Annual Charge Pricing Table	means the table setting out the Annual Charge as set out in Annex 1 (Annual Charge Pricing Table) of this Schedule.
Baseline Profit Rate	refers to Step 1 of the 'Steps in determining contract profit rate' set out in Regulation 11 of Part 3 of the Single Source Contract Regulations 2014.
Capital Servicing Adjustment	refers to Step 4 of the 'Steps in determining contract profit rate' set out in Regulation 11 of Part 3 of the Single Source Contract Regulations 2014.
Contract Cost Statement	means the contract cost statement as required in accordance with Part 5, Regulation 29 of the Single Source Contract Regulations 2014.
Cost Risk Adjustment	refers to Step 2 of the 'Steps in determining contract profit rate' set out in Regulation 11 of Part 3 of the Single Source Contract Regulations 2014.
Final Adjusted Gain	has the meaning set out in paragraph 4.9(e) (<i>Final Gain or Overrun</i>).

Final Adjusted Overrun	has the meaning set out in paragraph 4.9(d) (<i>Final Gain or Overrun</i>).
Final MRP Payment	has the meaning set out in paragraph 4.11(a) (<i>Final MRP Payment</i>).
Final MRP Price	has the meaning set out in paragraph 4.10 (<i>Final MRP Price</i>).
Firm Price	means the element of the Annual Charge which is subject to the firm pricing method as defined by Regulation 10(4) of the Single Source Contract Regulations.
Firm Price Period	means the period from the Base Date until the final day of the first Contract Year.
Fixed Price	means the element of the Annual Charge which is subject to the fixed pricing method as defined by Regulation 10(5) of the Single Source Contract Regulations 2014.
Fixed Price Period	means the period from the expiry of the Firm Price Period until the end of the Contract Term.
Foreign Currency	means any currency other than GBP.
Fuel Charge	means: <ul style="list-style-type: none"> (a) Free issue fuel from the Authority to the Contractor, and as further set out in paragraph 5 (<i>Use of Fuel</i>); PLUS (b) the charge for fuel that is not procured from the Authority in accordance with Clause 25 (<i>Fuel and Utilities</i>) of the Contract, in which the Contractor may apply the Service Delivery Profit to the Allowable Costs for such fuel, as further set out in paragraph 5 (<i>Use of Fuel</i>).
Fuel Deduction	means the amount which the Authority may deduct from the MC in any Month pursuant to paragraph 5(d) (<i>Use of Fuel</i>).
Governance Meetings	means the meetings set out in paragraph 1.3 of Schedule 6 (<i>Governance, Management Information, Reports, Records and Audit</i>).
Incentive Adjustment	refers to Step 3 of the 'Steps in determining contract profit rate' set out in Part 3, Regulation 11 of the Single Source Contract Regulations 2014.
KPI 1 Quality Criteria	means that, with respect to the Contractor's performance of maintenance in each Month: <ul style="list-style-type: none"> (a) maintenance is completed in accordance with the MOD Mooring Manual; and (b) maintenance is completed in accordance with the Service Delivery Plan.
KPI 1 Safety Criteria	means that, with respect to the Contractor's performance of maintenance in each Month:

	<p>(a) maintenance is completed in accordance with the Health, Safety and Environmental Protection Management Plan;</p> <p>(b) maintenance is completed in accordance with the Safety Policies; and</p> <p>(c) maintenance is completed in accordance with relevant Laws and Standards.</p>
KPI 1 Timing Criteria	means that, in any Month, all maintenance planned for that Month has been completed in accordance with the Mooring Maintenance Programme.
KPI 3 Quality Criteria	<p>means that, with respect to the Contractor's performance of rectification of Moorings or Targets:</p> <p>(a) all repair work is completed in accordance with the MOD Mooring Manual;</p> <p>(b) all repair work is completed with the Vessels deployed in the delivery of such work having been operated in accordance with the Document of Compliance;</p> <p>(c) it is completed in accordance with the Quality Management Plan; and</p> <p>(d) it is completed in accordance with the HSEP.</p>
KPI 3 Safety Criteria	means that, with respect to the Contractor's performance of the Mooring/Target Rectification Period KPI, all maintenance is completed in accordance with paragraph 6.8 (<i>Mooring/Target Rectification Period (KPI 3) – Definition and Measurement</i>).
KPI 3 Timing Criteria	means that, with respect to the Contractor's performance of rectification of Moorings or Targets, they are brought back into service (so that such Mooring and/or Target is determined to be Fit for Purpose by the Authority) by the expiry of the Mooring/Target Rectification Period.
Maintenance Compliance KPI or KPI 1	means the KPI described in paragraph 6.2 (<i>Maintenance Compliance KPI (KPI 1) – Definition and Measurement</i>).
Maintenance Materials Compliance KPI or KPI 2	means the KPI described in paragraph 6.6 (<i>Maintenance Materials Compliance KPI (KPI 2) – Definition and Measurement</i>).
Management Information KPI or KPI 4	means the KPI described in paragraph 6.10 (<i>Management Information KPI (KPI 4) – Definition and Measurement</i>).
Meeting Attendance Criteria	has the meaning given to it in paragraph 6.10(b) (<i>Management Information (KPI 4) – Definition and Measurement</i>).
Month 0	has the meaning given to it in paragraph 6.9(a) (<i>Failure against KPI 3 and NPPs</i>).
Month M	means a month in respect of which the Monthly Payment is to be calculated.

Month M – 1	means, with respect to Month M, the Month one (1) Month prior to Month M.
Month M + 1	has the meaning given to it in paragraph 6.9(a) (<i>Failure against KPI 3 and NPPs</i>).
Month M + 2	has the meaning given to it in paragraph 6.9(a) (<i>Failure against KPI 3 and NPPs</i>).
Month M + 3	means, with respect to Month M, the third (3rd) Month after Month M.
Monthly Service Delivery Dollar Charge	means the materials delivered under the Service Delivery Element of the Contract that are required to be paid in US dollars (\$USD) as referenced in paragraph 3.4(c) (<i>Calculation of the Monthly Charges for each Contract Year</i>) of this Schedule.
Monthly Service Delivery Euro Charge	means the materials required to fulfil the Service Delivery Element of the Contract that are required to be paid in Euros (€EUR) as referenced in paragraph 3.4(b) (<i>Calculation of the Monthly Charges for each Contract Year</i>) of this Schedule.
Monthly Service Delivery Sterling Charge	means the Services required to fulfil the Service Delivery Element of the Contract that are required to be paid in pounds sterling (£GBP) as referenced in paragraph 3.4(a) (<i>Calculation of the Monthly Charges for each Contract Year</i>) of this Schedule.
Monthly Performance and Activity Report	means the Monthly report to be submitted by the Contractor to the Authority setting out the information required by Schedule 6 (<i>Governance, Management Information, Reports, Records and Audit</i>).
Mooring Replacement Programme (MRP)	means the design, procurement, delivery, installation, verification, assurance and storage of the Replacement Moorings.
Mooring X	means the Relevant Mooring where X is the numerical identifier of this mooring.
Mooring/Target Rectification Period	means a period of thirty (30) days in which the Contractor must bring a defective Mooring and/or Target, as applicable, back into service (so that such Mooring and/or Target is determined to be Fit for Purpose by the Authority) after becoming aware or being notified by the Authority that such structure is defective.
Mooring/Target Rectification Period KPI or KPI 3	has the meaning given to it in paragraph 6.8 (<i>Mooring/Target Rectification Period (KPI 3) – Definition and Measurement</i>).
MRP Base Profit Charge	means the MRP Base Profit Fee divided into equal instalments for each Contract Year as out in Annex 2 (Mooring Replacement Programme Payment Breakdown Table) of this Schedule.

MRP Base Profit Fee	means the amount specified in paragraph 4.5(b) (<i>MRP Profit Rate</i>) of this Schedule.
MRP Base Charge Rate	means one twelfth (1/12th) of MRP Base Profit Charge for the relevant Financial Year as set out in Annex 2 (Mooring Replacement Programme Payment Breakdown Table) of this Schedule.
MRP Dollar Charge	means the moorings and markings materials as outlined in Annex 2 (Mooring Replacement Programme Payment Breakdown Table) of this Schedule required to be paid in US Dollars (\$USD) as per the agreed MRP Currency Profile for the relevant Month.
MRP Elements	means: (a) the MRP Base Profit Charge; (b) the MRP Dollar Charge; (c) the MRP Euro Charge; and (d) the MRP Sterling Charge.
MRP Euro Charge	means the moorings and markings materials as outlined in Annex 2 (Mooring Replacement Programme Payment Breakdown Table) of this Schedule required to be paid in Euros (€EUR) as per the agreed MRP Currency Profile for the relevant Month.
MRP Milestones	means the agreed milestones that the Contractor is required to complete in each Month as part of the Mooring Replacement Programme, as outlined in Annex 2 (Mooring Replacement Programme Payment Breakdown Table) of this Schedule.
MRP Milestone Date	means the Month of completion required for each MRP Milestone, as outlined in Annex 2 (Mooring Replacement Programme Payment Breakdown Table) of this Schedule.
MRP Profit Rate	means the profit rate applicable to the MRP after following the four steps set out in Regulation 11 of Part 3 of the Single Source Contract Regulations 2014, as detailed in paragraph 4.5 (<i>MRP Profit Rate</i>).
MRP Sterling Charge	means the Services delivered under Mooring Replacement Programme that are required to be paid in Pounds Sterling (£GBP) as per the agreed MRP Currency Profile for the relevant Month.
Non-Performance	means the occurrence of the events or circumstances set out: (a) in paragraph 6.3 (<i>Failure against KPI 1 and NPPs</i>) with respect to KPI 1; (b) paragraph 6.7 (<i>Failure against KPI 2 and NPPs</i>) with respect to KPI 2; (c) paragraph 6.9 (<i>Failure against KPI 3 and NPPs</i>) with respect to KPI 3; and

	(d) paragraph 6.11 (<i>Failure against KPI 4 and NPPs</i>) with respect to KPI 4.
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 NPP Table and to be applied in accordance with paragraph 7.2 (<i>NPPs Accrual</i>).
Non-Performance Points Deduction Table or NPP Table	means the table set out in paragraph 7.3(a) (<i>Non-Performance Points Deduction Table</i>).
Non-Performance Points or NPPs	means points accrued for Non-Performances, as set out in: <ul style="list-style-type: none"> (a) paragraph 6.3 (<i>Failure against KPI 1 and NPPs</i>) with respect to KPI 1; (b) paragraph 6.7 (<i>Failure against KPI 2 and NPPs</i>) with respect to KPI 2; (c) paragraph 6.9 (<i>Failure against KPI 3 and NPPs</i>) with respect to KPI 3; and (d) paragraph 6.11 (<i>Failure against KPI 4 and NPPs</i>) with respect to KPI 4.
On Time in Full or OTIF	has the meaning given to it in: <ul style="list-style-type: none"> (a) paragraph 6.2(b) (<i>Maintenance Compliant KPI (KPI 1 – Definition and Measurement)</i>) with respect to KPI 1; (b) paragraph 6.6(b) (<i>Maintenance Materials Compliance KPI (KPI 2) – Definition and Measurement</i>) with respect to KPI 2; and (c) paragraph 6.8(c) (<i>Mooring/Target Rectification Period KPI (KPI 3) – Definition and Measurement</i>) with respect to KPI 3.
Potential Termination Triggers	has the meaning given to it in paragraph 9(c) (<i>Persistent Non-Performance and Ratchet Mechanism</i>).
Quality Element	has the meaning given to it in paragraph 6.10(b)(ii) (<i>Management Information KPI (KPI 4) – Definition and Measurement</i>).
Remedial Costs	means any costs relation to any remedial works in relation to a Mooring or Target within the MRP where such works are required as a consequence of the unsatisfactory performance of the Contractor and/or poor workmanship by or on behalf of the Contractor.
Service Credit	means the deduction applied to the MC in any given Month as a result of Total NPPs.
Service Delivery Element	means all other Services under this Contract that do not form part of the Mooring Replacement Programme.
Service Delivery Profit	means the profit rate applicable to the Service Delivery Element after following the four steps set out in Part 3, Regulation 11 of the Single Source Contract Regulations 2014, as detailed in paragraph 3.5 (<i>Service Delivery Profit</i>).

Target Cost	means the Contractor's target cost for the MRP as set out in Annex 2 (Mooring Replacement Programme Payment Breakdown Table) to this Schedule.
TCIF	has the meaning given to it in paragraph 4.2(a) (<i>Calculation of the Mooring Replacement Programme for each Contract Year</i>).
TCIF Risk Register	has the meaning given to it in paragraph 4.8 (<i>Risk Register</i>).
Time Element	has the meaning given to it in paragraph 6.10(b)(i) (<i>Management Information KPI (KPI 4) – Definition and Measurement</i>).
Total Monthly Payment	has the meaning given to it in paragraph 2(a) (<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

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

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

Service Delivery Element

- (A) Monthly Service Delivery Sterling Charge, $MC_{£,X}$, for Month $M - 1$; PLUS
- (B) Monthly Service Delivery Euro Charge, $MC_{€,X}$, for Month $M - 1$; PLUS
- (C) Monthly Service Delivery Dollar Charge, $MC_{\$,X}$, for Month $M - 1$; PLUS
- (D) Service Delivery Profit, SDP , for Month $M - 1$; PLUS
- (E) Fuel Charge for Month $M - 1$; LESS
- (F) Service Credits for Month $M - 1$; LESS
- (G) Fuel Deduction for Month $M - 1$;

PLUS

Mooring Replacement Programme element

- (H) MRP Sterling Charge (which shall be exclusive of MRP Base Profit Charge) for Month $M - 1$; PLUS
- (I) MRP Euro Charge (which shall be exclusive of MRP Base Profit Charge) for Month $M - 1$; PLUS
- (J) MRP Dollar Charge (which shall be exclusive of MRP Base Profit Charge) for Month $M - 1$; PLUS
- (K) MRP Base Profit Fee for the relevant Financial Year; PLUS

- (L) Any relevant MRP Retention Release; LESS
- (M) Any relevant MRP Retention; LESS
- (N) Any relevant MRP Deduction,

with the payment for Month M to be made by the Authority following receipt of a valid invoices in accordance with Clause 20 (*Payment and Recovery of Sums Due*) of the Contract.

3 SERVICE DELIVERY ELEMENT

3.1 Annual Charge

- (a) The Authority shall, from the Service Commencement Date, pay the Annual Charge to the Contractor for the Service Delivery Element of the Contract in accordance with the Annual Charge Price Table.

3.2 Calculation of the Annual Charge AC for each Contract Year

- (a) The Annual Charge shall comprise of three (3) currency values and the Service Delivery Profit, the ("**Annual Charge Values**") which are provided in real terms in Annex 1 (Annual Charge Pricing Table).
- (b) The Annual Charge is priced on a Firm/Fixed price basis.
- (c) The first Contract Year shall be priced on a Firm Price basis and not subject to indexation.
- (d) Each subsequent Contract Year shall be priced on a Fixed Price basis.

Annual Charge Values	Annual Charge Values - Subject to CPI	Annual Charge Values - Firm Price
Annual Service Delivery Dollar Charge	$AC_{\$,Real,CPI,X}$	$AC_{\$,Firm,X}$
Annual Service Delivery Euro Charge	$AC_{€,Real,CPI,X}$	$AC_{€,Firm,X}$
Annual Service Delivery Sterling Charge	$AC_{£,Real,CPI,X}$	$AC_{£,Firm,X}$
Service Delivery Profit	$SDP_{E,Real,X}$	N/A

- (e) The Annual Charge for each subsequent Contract Year shall be calculated as follows:

$$AC_{E,Nom,X} = (AC_{E,Real,CPI,X} + SDP_{E,Real,X} \times Inf_{CPI,X}) + AC_{E,Firm,X}$$

$$AC_{€,Nom,X} = (AC_{€,Real,CPI,X} \times Inf_{CPI,X}) + AC_{€,Firm,X}$$

$$AC_{\$,Nom,X} = (AC_{\$,Real,CPI,X} \times Inf_{CPI,X}) + AC_{\$,Firm,X}$$

where $Inf_{CPI,X}$ is defined below in paragraph 3.3(a).

- (f) The Annual Charge Values referenced in paragraph 3.2 as detailed at Annex 1 (Annual Charge Pricing Table) of this Schedule shall be provided by the Contractor based on the July 2025 economic conditions base dates, as set out in the Bid Financial Model.

3.3 Indexation of Annual Charge Elements

- (a) The Annual Charge Elements shall be subject to the following inflation indices after the first Contract Year and each subsequent Contract Year:

Indices	Applicable Inflation Indices Calculation
CPI	$Inf_{CPI,X} = \frac{CPI_X}{CPI_1}$
Firm Price	$Inf_{Firm} = 1$

Where, CPI_X is the D7BT Consumer Price Index as published by ONS for the July prior to the commencement of Contract Year X .

3.4 Calculation of the Monthly Charges for each Contract Year

- (a) The Monthly Service Delivery Sterling Charge for the Months contained in the relevant Contract Year ("**Year X**") shall be calculated as follows:

$$MC_{£,X} = \frac{AC_{£,Nom,X}}{m_x},$$

- (b) The Monthly Service Delivery Euro Charge for the Months contained in the relevant Contract Year ("**Year X**") shall be calculated follows:

$$MC_{€,X} = \frac{AC_{€,Nom,X}}{m_x},$$

- (c) The Monthly Service Delivery Dollar Charge for the Months contained in the relevant Contract Year ("**Year X**") shall be calculated as follows:

$$MC_{\$,X} = \frac{AC_{\$,Nom,X}}{m_x},$$

3.5 Service Delivery Profit

- (a) The Service Delivery Profit has been agreed as % comprising of:

- (i) Baseline Profit Rate of **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** %;
- (ii) Cost Risk Adjustment of **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** % of the Baseline Profit Rate;
- (iii) Incentive Adjustment of **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** ; and
- (iv) Capital Servicing Adjustment of **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** %.

- (b) The Service Delivery Profit, in real terms, shall be calculated based on the Annual Charge Values converted to sterling at the Agreed Upon Exchange Rates.

4 MOORING REPLACEMENT PROGRAMME

- 4.1 The Contractor shall deliver the Services required to achieve the Mooring Replacement Programme.

4.2 Calculation of the Mooring Replacement Programme for each Contract Year

- (a) The Mooring Replacement Programme is priced using a Target Cost Incentive Fee ("TCIF") determined in accordance with Section 16 of the Defence Reform Act 2014 and Regulation 15 of the Single Source Contract Regulations 2014.
- (b) This TCIF mechanism shall apply to the delivery of the Services completed under the Contract as part of the Mooring Replacement Programme only.
- (c) For the avoidance of doubt, this TCIF mechanism shall not apply to the Service Delivery Element of the Contract.

4.3 Target Cost and MRP Profit Rate

- (a) The Contractor has calculated the Target Cost and the MRP Profit Rate.
- (b) The "Target Cost" has been agreed between the Parties as comprising the:
 - (i) MRP Sterling Charge of [Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests]
 - (ii) MRP Sterling Charge of [Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests] and
 - (iii) MRP Dollar Charge of [Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests] .
- (c) The Target Cost listed in paragraph 4.3(b) shall be prior to application of indexation and VAT.
- (d) The Target Cost shall be adjusted in accordance with paragraph 4.7 (*MRP Reset*) of this Schedule.

4.4 Profiling of MRP Currency Charges

- (a) No later than two (2) months prior to the commencement of each Contract Year, the Contractor shall submit to the Authority profiles for the upcoming Contract Year for the:
 - (i) MRP Sterling Charge subject to CPI;
 - (ii) MRP Sterling Charge Firm Price; and
 - (iii) MRP Dollar Charge Firm Price.
- the ("**MRP Currency Profiles**"), as outlined in Annex 2 (Mooring Replacement Programme Payment Breakdown Table) of this Schedule.
- (b) For each of the MRP Currency Profiles outlined in paragraph 4.4(a), the Contractor shall be required to allocate the amounts to each Month of the upcoming Contract Year.
 - (c) The Authority shall review the Contractor's MRP Currency Profiles proposal and, if necessary, provide feedback to the Contractor within ten (10) Business Days following the proposal submission.
 - (d) The Authority and the Contractor are required to agree the MRP Currency Profiles for the upcoming Contract Year one (1) month prior to the commencement of the Contract Year.
 - (e) Upon agreement of the MRP Currency Profiles by the Parties, such MRP Currency Profiles shall form the respective MRP Sterling Charge, MRP Dollar Charge and MRP Euro Charge for the Mooring Replacement Programme element of the Total Monthly Payment for each

Month in the relevant Contract Year, as outlined under paragraph 2(a)(H), 2(a)(I) and 2(a)(J) (*Payment*).

- (f) Where the Authority and the Contractor fail to agree the MRP Currency Profiles for the upcoming Contract Year, said MRP Currency Profiles shall be pro-rated.

4.5 MRP Profit Rate

- (a) The MRP Profit Rate has been agreed as comprising of:
- (i) Baseline Profit Rate of **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** ;
 - (ii) Cost Risk Adjustment of **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** the Baseline Profit Rate;
 - (iii) Incentive Adjustment of **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** ;
 - (iv) Capital Servicing Adjustment of **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** .
- (b) The MRP Base Profit Fee is calculated on the basis of the MRP Profit Rate as in **Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests** (exclusive of VAT).
- (c) The MRP Base Profit Fee, in real terms, shall be calculated based on the MRP Sterling Charge, MRP Dollar Charge and MRP Euro Charge converted to sterling at the Agreed Upon Exchange Rates.

4.6 Indexation of Mooring Replacement Programme

- (a) The Mooring Replacement Programme is priced on a TCIF basis and is subject to indexation.
- (b) The first Contract Year shall be priced on a TCIF basis with an inflation index multiplier of 1.
- (c) Each subsequent Contract Year shall be priced on a TCIF basis and is subject to indexation.
- (d) The MRP Elements shall be subject to the following inflation indices after the first Contract Year and each subsequent Contract Year:

MRP Element Type	Fixed Price Elements	Firm Price Elements
MRP Base Profit Charge	$Inf_{CPI,E,X} = \frac{CPI_X}{CPI_1}$	$Inf_{Firm} = 1$
MRP Dollar Charge	$Inf_{CPI,E,X} = \frac{CPI_X}{CPI_1}$	$Inf_{Firm} = 1$
MRP Euro Charge	$Inf_{CPI,E,X} = \frac{CPI_X}{CPI_1}$	$Inf_{Firm} = 1$
MRP Sterling Charge	$Inf_{CPI,E,X} = \frac{CPI_X}{CPI_1}$	$Inf_{Firm} = 1$

Where, CPI_X is the D7BT Consumer Price Index as published by ONS for the July prior to the commencement of Contract Year X

4.7 MRP Reset

- (a) Subject to paragraph 4.7(b), if at any time during the term of the Contract, either Party becomes aware that one of the following events has occurred or is about to occur and which impacts or will impact on the Target Cost:
 - (i) any Compensation Event;
 - (ii) Force Majeure; or
 - (iii) any other Changes to the Contract agreed in accordance with Clause 28 (Change),it will provide Notice to the other Party of the nature of the event, the grounds on which it believes there should be a reset of the Maximum Price or Target Cost (a "**MRP Reset**") and propose a timetable for such reset (a "**Reset Proposal**").
- (b) For the avoidance of doubt:
 - (i) there shall be no MRP Reset as a result of, or in relation to, any Remedial Costs; and
 - (ii) any Remedial Costs shall be borne in full by the Contractor.
- (c) Any revised Target Cost determined following a MRP Reset shall:
 - (i) be based on the amounts used in setting the Target Cost, adjusted to take account of the impact of the Change causing the MRP Reset; and
 - (ii) reflect only the impact of the event giving rise to MRP Reset; and,
 - (iii) draw on the Financial Model as required in accordance with Clause 28 (Change) and Schedule 31 (Transparency and Financial Models).
- (d) Following receipt by either Party of a Reset Proposal:
 - (i) the Parties shall seek to agree and comply with the proposed timetable for the proposed MRP Reset;
 - (ii) the Parties shall work together sharing all information and assumptions necessary to assess the likely impact of the event on the Target Cost for the remainder of the Mooring Replacement Programme;
 - (iii) the Party in receipt of a Reset Proposal shall review the information received, and carry out such verification and validation work as it requires on the amounts, inputs or assumptions proposed in order to reach agreement; and,
 - (iv) within sixty (60) Business Days of receipt of a Reset Proposal, the receiving Party will provide Notice of its agreement or disagreement to the need for, and the amount of, the Reset Proposal.
- (e) If a Reset Proposal is agreed it shall only become effective when an amendment to the Contract has been executed in accordance with Clause 28 (Change).
- (f) If a Reset Proposal is not agreed between the Parties within sixty (60) Business Days of receipt of a Reset Proposal by either Party, the matter shall be subjected to the processes set out in Schedule 6 (Governance, Management Information, Reports, Records and Audit) and then, if necessary, to the Dispute Resolution Procedure.
- (g) Following agreement or determination of a MRP Reset, the Contractor shall submit an updated Interim Contract Report and shall update the Risk Register in accordance with paragraph 6 (*Performance*).

- (h) In the event of a MRP Reset, both Parties will jointly agree to revise the MRP Elements of the Total Monthly Payment for such year as at Annex 2 (Mooring Replacement Programme Payment Breakdown Table) to this Schedule and it shall only become effective when an amendment to the Contract has been executed in accordance with Clause 28 (Change).

4.8 Risk Register

- (a) The Contractor shall maintain a register of the risks included in the Target Cost for each Contract Year (the "**TCIF Risk Register**"), which shall:
 - (i) record the items covered by the risk provision in the Target Cost; and,
 - (ii) be updated as part of any MRP Reset in accordance with paragraph 4.7 (*MRP Reset*) of this Schedule.

4.9 Final Gain or Overrun

- (a) The Contractor shall submit the Contract Cost Statement within twelve (12) months of the expiry or earlier termination of the Contract or completion of the Mooring Replacement Programme to the satisfaction of the Authority. The Contractor's Contract Cost Statement shall be subject to investigation by the Authority.
- (b) Following investigation by the Authority of the Contract Cost Statement, the Authority and the Contractor will agree the Contractor's Allowable Costs. Where the Authority and the Contractor are unable to agree the Contractor's Allowable Costs, this shall be subject to Clause 70 (Disputes).
- (c) Following agreement between the Authority and the Contractor of the Contractor's Cost Statement and the agreement of the Contractor's Allowable Costs, a final reconciliation shall be undertaken by the Authority to determine the final gain or overrun. This shall be calculated by;
 - (i) the Target Cost; less,
 - (ii) the Contractor's Allowable Cost as agreed by the Authority,
- (d) Where Allowable Costs exceed Target Cost, the Authority shall be liable for 50% of such Allowable Costs ("**Final Adjusted Overrun**").
- (e) Where Allowable Costs fall below the Target Cost, the Authority shall be entitled to recover sums for 50% of any underrun against the Target Cost ("**Final Adjusted Gain**").

4.10 Final MRP Price

- (a) The Final MRP Price shall be subject to comprise the sum of:
 - (i) the Contractor's Allowable Costs;
 - (ii) the MRP Base Profit Fee;
 - (iii) any Final Adjusted Gain; or
 - (iv) any Final Adjusted Overrun.

4.11 Final MRP Payment

- (a) A final reconciliation shall be undertaken by the Authority to determine the Final MRP Payment, comprising of:
 - (i) the Final MRP Price; PLUS

- (ii) any Final Adjusted Overrun; LESS
 - (iii) any Final Adjusted Gain; LESS
 - (iv) the total payments made by the Authority to the Contractor for the MRP in accordance with Annex 2 of this Schedule.
- (b) As a consequence of this final reconciliation, any Final MRP Payment or recovery due shall be made in accordance with Schedule 6 (*Governance, Management Information, Reports, Records and Audit*) and Clause 20 (*Payment and Recovery of Sums Due*).

5 USE OF FUEL

- (a) Fuel is free issue to the Contractor from the Authority. Where there is a requirement for the Contractor to procure fuel, the Contractor shall procure fuel from the best alternative source as contemplated by Clause 25 (*Fuel and Utilities*) and the cost of such fuel shall form part of the Total Monthly Payment for Month M. The Contractor may apply the Service Delivery Profit Rate to the Allowable Costs associated with any such fuel, provided that such fuel was procured in accordance with Clause 25 (*Fuel and Utilities*) and subject to paragraph 5(d) of this Schedule.
- (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) If the Contractor, in its delivery of the Services, purchases Fuel in a Foreign Currency, it shall provide to the Authority:
- (i) an invoice for the Fuel paid for in Foreign Currency; and
 - (ii) evidence of the date on which the invoice for such Fuel was paid.
- (d) 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 – 1 was not in compliance with the AAR Guidance, and such Fuel Deduction shall be the difference between the amount included in the invoice from the Contractor and the amount determined by the Authority in accordance with the AAR Guidance. The Parties shall resolve any dispute with respect to the AAR Guidance and / or the Authority's interpretation of the same in accordance with the Dispute Resolution Procedure.

6 PERFORMANCE

6.1 KPIs

- (a) The Contractor's delivery of the Services shall be measured 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.

6.2 Maintenance Compliance KPI (KPI 1) – Definition and Measurement

- (a) The "**Maintenance Compliance KPI**" or "**KPI 1**" shall be assessed on the basis of the Contractor's completion of maintenance on an On Time in Full basis and its compliance with the Mooring Maintenance Programme.
- (b) The Contractor shall be considered to be compliant with KPI 1 if maintenance is completed "**On Time In Full**" in compliance with:
- (i) the KPI 1 Timing Criteria

- (ii) the KPI 1 Quality Criteria; and
- (iii) the KPI 1 Safety Criteria.

6.3 Failure against KPI 1 and NPPs

- (a) Where in any given Month the maintenance of any Moorings or Targets is not completed On Time In Full, the Contractor shall incur NPPs on the following basis:
 - (i) for each Mooring or Target that is not a Critical Mooring, within three (3) Months (M + 3) of the applicable month in the Mooring Maintenance Programme: 0 NPPs;
 - (ii) for each Mooring or Target that is not a Critical Mooring which is more than three (3) Months but less than (or equal to) six (6) Months beyond the date in the Mooring Maintenance Programme: 50 x (no. of months out of date less 3) NPPs; and
 - (iii) for each Mooring or Target that is not a Critical Mooring which is more than six (6) Months beyond the date in the Mooring Maintenance Programme: 200 x (no. of Month out of date less 6) plus 150 NPPs.
- (b) Where, in any given Month, the maintenance of any Critical Mooring is not completed On Time in Full, the relevant number of NPPs applicable in accordance with sub-paragraphs 6.3(a)(i), 6.3(a)(ii), 6.3(a)(iii) above shall be multiplied by 1.5.

6.4 Categories of Non-Performance

- (a) Any maintenance in respect of any Mooring or Target set out in the Mooring Maintenance Programme for any Month that is not completed On Time in Full shall be recorded by the Contractor as a Non-Performance, but, if the failure to comply with the On Time In Full standard occurred as a result a Relief Event or Compensation Event, it shall be recorded as a Non-Performance and no corresponding NPPs shall accrue.

6.5 Monitoring of Performance

- (a) The Contractor shall notify the Authority whether it has completed maintenance in accordance with the Mooring Maintenance Programme on an On Time In Full basis in accordance with Schedule 6 (*Governance, Management Information, Reports, Records and Audit*).

6.6 Maintenance Materials Compliance KPI (KPI 2) – Definition and Measurement

- (a) The "**Maintenance Materials Compliance KPI**" or "**KPI 2**" shall be assessed on the basis of the Contractor's compliance with the Authority's requirement that Mooring Materials (parts and components) are provided at the Designated Port on an "**On Time In Full**" basis.
- (b) All Mooring Materials (parts and components) requested by the Authority shall be considered as having been provided On Time In Full if:
 - (i) they are delivered to the Designated Port by the relevant due date; and
 - (ii) they are provided by the Contractor in accordance with Schedule 2 (Statement of Requirement), the MOD Mooring Manual and the Service Delivery Plan.
- (c) The Authority shall have the final decision as to whether Mooring Materials have been provided On Time In Full.

6.7 Failure against KPI 2 and NPPs

- (a) Where a failure is reported against KPI 2, the Contractor shall incur 600 NPPs.

6.8 Mooring/Target Rectification Period KPI (KPI 3) – Definition and Measurement

- (a) The "**Mooring/Target Rectification Period KPI**" or "**KPI 3**" shall measure the Contractor's compliance with the Authority's requirement that Moorings or Targets remain Fit for Purpose at all times. Any Moorings or Targets which go out of service (become not Fit for Purpose for any reason) are brought back into service (so that such Mooring and/or Target is determined to be Fit for Purpose by the Authority), within thirty (30) days (or such other period as may be agreed by the Authority, with subsequent rectification periods being extended by the additional period granted by the Authority) of the relevant Mooring or Target being declared defective, whichever Party first makes such a declaration to the other.
- (b) KPI 3 shall be assessed on the basis of the Contractor bringing back into service defective Moorings or Targets on an On Time In Full basis.
- (c) Defective Moorings or Targets are brought back into service "**On Time In Full**" if they comply with:
 - (i) the KPI 3 Timing Criteria;
 - (ii) the KPI 3 Quality Criteria; and
 - (iii) the KPI 3 Safety Criteria.

6.9 Failure against KPI 3 and NPPs

- (a) In each Month, where a failure is reported against KPI 3, the Contractor shall incur NPPs on the following basis:
 - (i) Where rectification activity is not completed On Time In Full within thirty (30) days of the failure being reported against KPI 3 (this 30-day period being "**Month 0**") such that a Mooring or Target that is not a Critical Mooring remains out of service (or is deemed out of service in accordance with paragraph 6.9(c) below):

100 NPPs x the number of months for which the rectification has not been completed, for each Mooring or Target that is not a Critical Mooring, to the Authority's satisfaction after Month 0;
 - (ii) Where rectification activity is not completed On Time In Full within thirty (30) days such that a Critical Mooring remains out of service (or is deemed out of service):

the number of NPPs calculated in accordance with (i) above x 1.5,

in respect of (i) and (ii) above, with "**Month M + 1**" being the month immediately following Month 0, "**Month M + 2**" being the month immediately following month M + 1).
- (b) NPPs will accrue from Month M + 1 until such time as the Mooring/Target is brought back into service (so that such Mooring and/or Target is determined to be Fit for Purpose by the Authority) so as to comply with the components of the On Time In Full definition for KPI 3.
- (c) If any Mooring/Target is purported to be brought back into service but the KPI 3 Quality Criteria are not met, the relevant Mooring or Target, as applicable, shall be deemed to be not Fit for Purpose until such time as the KPI 3 Quality Criteria are met and the Contractor shall accrue NPPs on the basis set out in this paragraph 6.9.

6.10 Management Information KPI (KPI 4) – Definition and Measurement

- (a) The "Management Information KPI" or "KPI 4" shall measure the Contractor's delivery of Management Information and attendance at relevant Governance Meetings in accordance with Schedule 6 (*Governance, Management Information, Reports, Records and Audit*).

- (b) All Management Information shall be considered as having been provided in compliance with KPI 4 if:
- (i) the Contractor provides all Management Information to the Authority on time and with the required frequency as set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*), with the date of submission being that of the email by which the relevant Management Information is sent (the "**Time Element**");
 - (ii) the Contractor provides all Management Information in accordance with the format, the quality standards and the level of detail set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*), with such compliance to be confirmed in writing by the Authority within five (5) days of their delivery (the "**Quality Element**");
 - (iii) personnel of appropriate seniority who are appropriately empowered to make decisions on behalf of the Contractor attend Governance Meetings as required by Schedule 6 (*Governance, Management Information, Reports, Records and Audit*); and
 - (iv) the Contractor provides minutes of such Governance Meetings within five (5) days of such meeting,
- limbs (iii) – (iv) above the "**Meeting Attendance Criteria**".

6.11 Failure against KPI 4 and NPPs

- (a) A failure against KPI 4 shall occur where the Contractor:
- (i) with respect to the Time Element, fails to submit any Management Information by the date set out in Schedule 6 (*Governance, 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, Management Information, Reports, Records and Audit*);
 - (iii) with respect to the Meeting Attendance Criteria, fails to:
 - (A) ensure that personnel of sufficient seniority who are appropriately empowered to make decisions on behalf of the Contractor attend any Governance Meeting with the personnel of required seniority in Schedule 6 (*Governance, 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 6.11(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 Time Element:
 - (A) 50 NPPs if any Management Information is one (1) or two (2) days late as against the date set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*);
 - (B) 80 NPPs if any Management Information is three (3) or four (4) days late as against the date set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*); and

- (C) 120 NPPs if any Management Information is more than five (5) days late as against the date set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*), with the NPPs accruing on each day after day five (5) on which the relevant 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 set out in Schedule 6 (*Governance, 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 set out in Schedule 6 (*Governance, 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 set out in Schedule 6 (*Governance, 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 who are appropriately empowered to make decisions on behalf of the Contractor do not attend any governance meeting;
 - (B) 120 NPPs if the Contractor does not address the actions identified in the agreed minutes of any governance meeting within the relevant timelines;
 - (C) If the Contractor fails to provide minutes of governance meetings within five (5) days of the meeting:
 - 1) 50 NPPs if the meeting minutes are one (1) or two (2) days late as against the date set out in Schedule 6 (*Governance, 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, 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, Management Information, Reports, Records and Audit*), with the NPPs accruing on each day after day five (5) on which the meeting minutes are late.

6.12 Failure to respond to Change Notices and NPPs

- (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 Time Element of KPI 4 and NPPs shall accrue for such failure in the same manner.

6.13 Mooring Replacement Programme KPI (KPI 5) – Definition and Measurement

- (a) The "**Mooring Replacement Programme KPI**" or "**KPI 5**" shall measure the Contractor's achievement of the MRP Milestones.

- (b) Where the Contractor fails to deliver an MRP Milestones on or by the MRP Milestone Dates as set out in Annex 2, the Authority shall be entitled to retain the MRP Base Charge Rate for that Month, the ("**MRP Retention**").
- (c) Where the Contractor fails to deliver an MRP Milestone as outlined in paragraph (b) but completes the delivery of the MRP Milestone within three Months (M+3) of the Month for completion of the MRP Milestone, the MRP Base Charge Rate retention amounts shall be released the Month following completion of the MRP Milestone (M+4), the ("**MRP Retention Release**").
- (d) If the Contractor fails to deliver an MRP Milestone within three Months (M+3) of the Month for completion in accordance with paragraph 6.13(c) above, then such retention shall become a permanent deduction and will no longer be capable of being earned back, the ("**MRP Deduction**").

6.14 Mooring Replacement Programme KPI (KPI 5) – Relief and Adjustment

- (a) Where:
 - (i) a Force Majeure Event has occurred, and the Affected Party is the Contractor; or
 - (ii) a Compensation Event has occurred; or
 - (iii) a Relief Event has occurred, and the Contractor has complied with the requirements of Clause 52.2 (*Relief Events*) of the Contract; or
 - (iv) the Authority has requested a Change to the Mooring Replacement Programme and such Change is agreed in accordance with Clause 28 (*Change*) of the Contract,

the Authority's Representative and the Contractor's Representative shall convene no later than ten 10 Business Days following any event outlined in paragraph 6.14(a) to discuss the impact of such event on a MRP Milestone date(s).

6.15 Any update to an MRP Milestone date shall be agreed in accordance with Clause 28 (*Change*) of the Contract. The Parties acknowledge and agree that any revision to an MRP Milestone Date that is not the result of a Force Majeure Event, Compensation Event, Relief Event or Change requested by the Authority shall not trigger: (i) an MRP Reset; or (ii) relief in accordance with paragraphs 6.14 and 6.15.

7 NON-PERFORMANCE POINTS AND SERVICE CREDITS - KPI 1, KPI 2, KPI 3 AND KPI 4

7.1 Recording of Non-Performances

- (a) All Non-Performances shall be recorded by the Contractor in the relevant Monthly Performance and Activity Report.

7.2 NPPs Accrual

- (a) At the end of Month M, the Total NPPs accrued across KPI 1, KPI 2, KPI 3 and KPI 4, NPP_M shall be calculated as follows:

$$NPP_M = NPP_{KPI1,M} + NPP_{KPI2,M} + NPP_{KPI3,M} + NPP_{KPI4,M}$$

Where, $NPP_{KPI1,M}$, $NPP_{KPI2,M}$, $NPP_{KPI3,M}$ and $NPP_{KPI4,M}$ are the number of non-performance points accrued, after adjustments outlined in paragraph 6.14, on KPI 1, KPI 2, KPI 3 and KPI 4 respective in month M.

- (b) The Total NPPs accrued during each Month shall, following the calculation set out in paragraph 7.2(a) above, be recorded in the Monthly Performance and Activity Report following the decision of the Monthly Performance Review Board as set out in Schedule 6 (*Governance, Management Information, Reports, Records and Audit*).

7.3 Non-Performance Points Deduction Table

- (a) The Service Credit for the Contractor's performance in Month M-2 shall be calculated based on the Monthly Charge for Month M-2 and 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	Range of Total Non-Performance Points for the Month	Service Credit	
		Deduction	% MC Deducted
0	0	None	None
1	from 1 to 210	None	None
2	211 to 350	Deduction	1% of the Monthly Charge
3	351 to 410	Deduction	2% of the Monthly Charge
4	411 to 560	Deduction	3% of the Monthly Charge
5	561 to 660	Deduction	3.5% of the Monthly Charge
6	661 to 810	Deduction	4.5% of the Monthly Charge
7	811 to 950	Deduction	6% of the Monthly Charge
8	951 to 1350	Deduction	8% of the Monthly Charge
9	1351 and above	Deduction	10% of the Monthly Charge

8 MONTHLY PERFORMANCE AND ACTIVITY REPORT

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, Management Information, Reports, Records and Audit*).
- (b) The Contractor shall apply the decision of the Monthly Performance Review Board (including 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 Authority determines that any Monthly Performance and Activity Report does not reflect the delivery of the Services and Tasks completed during the relevant Month, it shall notify the Contractor, and the Parties shall follow the Dispute Resolution Procedure to resolve the disagreement. Any deductions made against any Total Monthly Payment relating to disputed Non-Performances shall remain unless and until such dispute is concluded.

9 PERSISTENT NON-PERFORMANCE AND RATCHET MECHANISM

Persistent Non-Performance across KPIs 1 to 4 in the same Month

- (a) With respect to the KPIs, a "**Persistent Non-Performance**" shall occur:
 - (i) for KPI 1, where the same Mooring or Target is not maintained in accordance with the MMP in consecutive Months;
 - (ii) for KPI 2, where there are two or more consecutive Non-Performances;
 - (iii) for KPI 3, where a Non-Performance occurs in any Month after the Month in which the first Non-Performance occurs; and
 - (iv) for KPI 4, where Non-Performance Points are accrued in consecutive Months with respect to the same Management Information and / or Governance Meeting.
- (b) If Persistent Non-Performance occurs:
 - (i) with respect to KPI 1, there shall be no further impact beyond that set out in paragraph 6.3 (*Failure Against KPI 1 and NPPs*);
 - (ii) with respect to KPI 2:
 - (A) for the first occurrence, the NPPs in paragraph 6.15 (*Non-Performance Points and Service Credits*) shall apply; and
 - (B) for the second and subsequent occurrences, NPPs shall accrue and be multiplied by 2;
 - (iii) with respect to KPI 3, there shall be no further impact beyond that set out in paragraph 6.9 (*Failure against KPI 3 and NPPs*);
 - (iv) With respect to KPI 4:
 - (A) in the first Month, the NPPs in paragraph 6.15 (*Non-Performance Points and Service Credits*) shall apply for the first Month; and
 - (B) for each subsequent Month in which the same Management Information or Governance Meeting failure occurs, NPPs shall continue to accrue and be multiplied by 1.5.
- (c) The following scenarios shall, with respect to any one or a combination of all KPIs, constitute "**Potential Termination Triggers**":
 - (i) the Contractor's accrual of NPPs is in NPP Band 5 or higher for eight (8) or more months, whether consecutive or not, out of twelve (12) months;
 - (ii) the Contractor's accrual of NPPs is in NPP Band 7 or higher for five (5) or more 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 three (3) or more months, whether consecutive or not, out of twelve (12) months.

The occurrence of any Potential Termination Trigger under this Schedule shall constitute a Default and the provisions of Clause 49 (*Rectification Plan*) of the Contract shall apply.

- (d) NPPs Service Credits and the multiplier mechanisms set out in this paragraph 9 shall continue to apply during the period for which the process set out in Clause 49 (*Contractor Default and Rectification Plan*) of the Contract continues.

10.1 Final Price Adjustment

- (a) The Parties acknowledge that the provisions of Section 21 of the Defence Reform Act 2014 and Regulations 16 and 17 of the Single Source Contract Regulations 2014 will apply to the Service Delivery Element.

10.2 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, Management Information, Reports, Records and Audit*), and shall be subject to Part E (*Audit*) thereof.
- (b) The cost and profit calculations set out in the Annual Financial Report shall, following the performance of any audit process set out in Part E (*Audit*) of Schedule 6 (*Governance, Management Information, Reports, Records and Audit*), be adjusted to reflect the impact of agreed Change (which shall be priced in a manner consistent with the pricing of the original Financial Model).

ANNEX 1

ANNUAL CHARGE PRICING TABLE

DMS C3 SDA8 Annual Charge Pricing Table Sched 4 PPIM (Real & Fee) Currency		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	8 Year Pricing Proposal
		12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	
		1st Oct 2025 to 30th Sept 2026	1st Oct 2026 to 30th Sept 2027	1st Oct 2027 to 30th Sept 2028	1st Oct 2028 to 30th Sept 2029	1st Oct 2029 to 30th Sept 2030	1st Oct 2030 to 30th Sept 2031	1st Oct 2031 to 30th Sept 2032	1st Oct 2032 to 30th Sept 2033	

Core Service Charge Including MRP Management £ Sterling	Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests									
Core Service Charge Including MRP Management £ Sterling										
Core Service Charge Including MRP Management € Euro										
Core Service Charge Including MRP Management \$ Dollar										
Core Service Charge Including MRP Management € Euro										
Core Service Charge Including MRP Management \$Dollar	Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests									
Core Service Charge Fee (Mark- up) £Sterling	Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests									
Disposal Proceeds from Vessel & 3rd Party Income (does not incur mark up) only Index										

DMS C3 SDA8 MRP Payment Break Down Table Sched 4 PPIM (Real & Fee) Currency		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	8 Year Pricing Proposal
		12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	
		1st Oct 2025 to 30th Sept 2026	1st Oct 2026 to 30th Sept 2027	1st Oct 2027 to 30th Sept 2028	1st Oct 2028 to 30th Sept 2029	1st Oct 2029 to 30th Sept 2030	1st Oct 2030 to 30th Sept 2031	1st Oct 2031 to 30th Sept 2032	1st Oct 2032 to 30th Sept 2033	

Moorings replacement (MRP) \$Dollars (Materials)	Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests									
Moorings replacement (MRP) £Sterling (Materials)										
Moorings replacement (MRP) + MRP Risk £Sterling (Other)										
Markers replacement (MRP) £Sterling (tele buoys)	Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests									
Moorings Replacement (MRP) Fee (Mark- up) £Sterling										

ANNEX 2

MOORING REPLACEMENT PROGRAMME PAYMENT BREAKDOWN TABLE

Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests

As stored and shared in the Shared Data Environment and summarised in the table below.

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	8 Year Pricing Proposal
		12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	
		1st Oct 2025 to 30th Sept 2026	1st Oct 2026 to 30th Sept 2027	1st Oct 2027 to 30th Sept 2028	1st Oct 2028 to 30th Sept 2029	1st Oct 2029 to 30th Sept 2030	1st Oct 2030 to 30th Sept 2031	1st Oct 2031 to 30th Sept 2032	1st Oct 2032 to 30th Sept 2033	
DMS C3 SDA8										
MRP Payment Break Down Table										
Sched 4 PPIM (Real & Fee) Currency										
Moorings replacement (MRP) \$Dollars (Materials)		Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests								
Moorings replacement (MRP) £Sterling (Materials)		Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests								
Moorings replacement (MRP) + MRP Risk £Sterling (Other)		Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests								
Markers replacement (MRP) £Sterling (tele buoys)		Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests								
Moorings Replacement (MRP) Fee (Mark- up) £Sterling		Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests								

TABLE 1:

Data Source : Operations Model - Maintenance Program			
MRP Milestone Completion Date : Assurance / Verification			
ID Ref	Month	Year	ID Name
Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests			
Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests			
Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests			
Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests			
Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests			
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Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests			
Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests			
Redacted under FOIA Section 43, Trade secrets and prejudice to commercial interests			

Table 1 above lists the anticipated completion dates of each of the Moorings under the Moorings Replacement Programme.