NTIS

**SCHEDULE 7.1**

**CHARGES AND INVOICING**

**Charges and Invoicing**

1. **Definitions**

In this Schedule, the following definitions shall apply:

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| --- | --- |
| **“Achieved Profit Margin”** | the cumulative Service Provider Profit Margin calculated from (and including) the Effective Date (or, if applicable, the date of the last adjustment to the Charges made pursuant to paragraph ‎2.2 of Part D of Schedule 7.1 (Charges and Invoicing)) to (and including) the last day of the previous Contract Year; |
| **“Anticipated Contract Life Profit Margin”** | the anticipated Service Provider Profit Margin over the Term as reflected in the Financial Model; |
| **“Certificate of Costs”** | a certificate of costs signed by the Service Provider’s Chief Financial Officer or Director of Finance (or equivalent as agreed in writing by the Customer’s Finance Director through the Customer Relationship Manager in advance of issuing of the relevant certificate) and substantially in the format set out in Annex 3 of Schedule 7.1 (Charges and Invoicing)); |
| **“Costs”** | the following costs (without double recovery) to the extent that they are reasonably and properly incurred by the Service Provider in providing the Services:1. People Costs and associated Office Overhead;
2. costs incurred in respect of those Assets which are detailed on the Registers and which would be treated as capital costs according to generally accepted accounting principles within the UK, which shall include the cost to be charged in respect of Assets by the Service Provider to the Customer or (to the extent that risk and title in any Asset is not held by the Service Provider) any cost actually incurred by the Service Provider in respect of those Assets;
3. operational costs which are not included within (a) or (b) above, to the extent that such costs are necessary and properly incurred by the Service Provider in the delivery of the Services;
4. Reimbursable Expenses to the extent these are incurred in delivering any Services where the Charges for those Services are to be calculated on a Fixed Price or Firm Price pricing mechanism
5. financing or similar costs directly associated with the Services;

but excluding:* 1. Overhead;
	2. financing or similar costs not directly associated with the Services
	3. maintenance and support costs to the extent that these relate to maintenance and/or support services provided beyond the Term, whether in relation to Assets or otherwise;
	4. taxation;
	5. fines and penalties;
	6. amounts payable under Schedule 7.3 (Benchmarking);
	7. Support Staff costs;
	8. non-cash items (including depreciation, amortisation, impairments and movements in provisions); and
	9. Forecast Contingency Costs;
 |
| **“Delay Deduction Period”** | the duration stated in Table 1 Annex 2 to Schedule 7.1 (Charging and Invoicing); |
| **“Delay Payment Rate”** | has the meaning given in paragraph ‎1.1.1 of Part C of Schedule 7.1 (Charges and Invoicing); |
| **“European Standard”** | in relation to an electronic invoice means the European standard and any of the syntaxes published in Commission Implementing Decision (EU) 2017/1870; |
| **“Forecast Contingency Costs”** | the costs which the Service Provider forecasts may be incurred in relation to the risks and contingencies that are identified in the Risk Register, such costs being those set out in the column headed “Forecast Contingency Costs” in the Risk Register (as such costs are updated from time to time); |
| **“Forecast Contingency Costs Percentage”** | the total Forecast Contingency Costs divided by the total Costs in the Financial Model at the Effective Date; |
| **“Gain-Share Supplement”** | has the meaning given in paragraph ‎9 of Part C of Schedule 7.1 (Charges and Invoicing); |
| **“Indexation” and “Index”** | the adjustment of an amount or sum in accordance with paragraph ‎5 of Part C of Schedule 7.1 (Charges and Invoicing); |
| **“Innovation Project”** | a new innovation developed and implemented in accordance with paragraph 8 of Part C of Schedule 7.1 (Charges and Invoicing); |
| **“Interim Milestone”** | any Milestone that is neither an ATP Milestone nor a CPP Milestone; |
| **“Man Day”** | 7.5 Man Hours, whether or not such hours are worked consecutively and whether or not they are worked on the same day; |
| **“Man Hours”** | the hours spent by the Service Provider Personnel properly working on the Services including time spent travelling (other than to and from the Service Provider’s offices, or to and from the Sites) but excluding lunch breaks; |
| **“Maximum Permitted Profit Margin”** | the Anticipated Contract Life Profit Margin plus 5% points; |
| **“Milestone Group”** | has the meaning given in paragraph ‎1.1 of Part B of Schedule 7.1 (Charges and Invoicing); |
| **“Milestone Retention”** | the amount to be retained from a Milestone Payment, where indicated, calculated in accordance with either paragraph ‎1.9 or ‎1.10 of Part B of Schedule 7.1 (Charges and Invoicing), as applicable; |
| **“Office Overhead”** | office accommodation overhead calculated in accordance with paragraphs 15 to 18 of Annex 6 to Schedule 7.1 (Charges and Invoicing); |
| **“Overhead”** | those amounts which are intended to recover a proportion of the Service Provider’s or the Key Sub-contractor’s (as the context requires) indirect corporate costs (including financing not directly associated with the Services, marketing, advertising, research and development, training and insurance costs and any fines or penalties) but excluding: 1. Office Overhead; and
2. allowable indirect costs apportioned to facilities and administration in the provision of Service Provider Personnel and accordingly included within limb (a) of the definition of “Costs”;
 |
| **“People Costs”** | the costs of a person calculated using the methodology in Annex 6 to Schedule 7.1 (Charges and Invoicing) but excluding Office Overhead and Service Provider profit as described in paragraphs 19 to 21 of Annex 6 to Schedule 7.1 (Charges and Invoicing); |
| **“Reimbursable Expenses”** | reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of the Services, calculated at the rates and in accordance with the Customer’s expenses policy current from time to time, but not including:1. travel expenses incurred as a result of Service Provider Personnel travelling to and from their usual place of work, or to and from the premises at which the Services are principally to be performed, unless the Customer Relationship Manager otherwise agrees in advance in writing; and
2. subsistence expenses incurred by Service Provider Personnel whilst performing the Services at their usual place of work, or to and from the premises at which the Services are principally to be performed;
 |
| **“Service Provider Profit”** | in relation to a period or a Milestone (as the context requires), the difference between the total Charges (in nominal cash flow terms but excluding any Deductions), and total Costs (in nominal cash flow terms) and for the calculation of the Anticipated Contract Life Profit Margin only, the Forecast Contingency Costs, for the relevant period or in relation to the relevant Milestone; |
| **“Service Provider Profit Margin”** | in relation to a period or a Milestone (as the context requires), the Service Provider Profit for the relevant period or in relation to the relevant Milestone divided by the total Charges over the same period or in relation to the relevant Milestone and expressed as a percentage; |
| **“Staff Rate”** | the daily or hourly staff rate (as the case may be) for Service Provider staff and Key Sub-contractor staff used to provide the Services, calculated in accordance with the methodology in Annex 6 to Schedule 7.1 (Charges and Invoicing); orNon Key Sub-contractor personnel used to provide the Services, in Table 1 of Annex 1 to Schedule 7.1 (Charges and Invoicing) except as provided in paragraph ‎8.3.3.2 of Part C. |
| **“Supporting Documentation”** | sufficient information in writing to enable the Customer reasonably to assess whether the Charges and other sums due from the Customer detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts; |
| **“Support Staff”** | any staff used by the Service Provider or any of his Sub-contractors in connection with this Agreement but not directly providing the Services, including;1. accounting staff
2. general office administration staff
3. typists
4. secretaries
 |

**PART A**

**Pricing**

1. **Applicable Pricing Mechanism**
	1. Milestone Payments and Service Charges shall be calculated using the pricing mechanism specified in Annex 1 and on the basis of the rates and prices specified in Annex 1 as more particularly set out in this Schedule.
	2. Each Milestone Payment shall be one of the following:
		1. “Fixed Price”, in which case the provisions of paragraph ‎3 shall apply; or
		2. “Firm Price”, in which case the provisions of paragraph ‎4 shall apply.
	3. Each Service Charge shall be one of the following:
		1. “Fixed Price” in which case the provisions of paragraph ‎3 shall apply;
		2. “Firm Price”, in which case the provisions of paragraph ‎4 shall apply; or
		3. “Volume Based” pricing, in which case the provisions of paragraph ‎5 shall apply.
2. MILESTONE PAYMENTS - GENERAL
	1. Milestone Payments shall be due in respect of a Milestone following issue of the relevant Milestone Achievement Certificate relating to that Milestone.
	2. For the purposes of this paragraph 2 and Tables 5 and 6 of Annex 1, Milestone Payments shall be classified as either:
		1. Interim Milestones; or
		2. ATP Milestones; or
		3. CPP Milestones.

Each Interim Milestone will have an associated ATP Milestone. Each Interim Milestone and ATP Milestone will have an associated CPP Milestone.

* 1. Milestone Payments in respect of Interim Milestones shall contain only forecast Costs and Forecast Contingency Costs of the work required to Achieve the Milestone and shall not include any Service Provider Profit nor any other form of margin.
	2. ATP Milestones other than ATP1 and ATP3, as defined in Schedule 6.2 (Milestones and Deliverables), shall only be permissible where:
		1. the Deliverables for each ATP Milestone result in the delivery of new or improved Services to the Users as defined in Schedule 2.1 (Services Description); and
		2. for each ATP Milestone, there is a contemporaneous reduction in the Service Charge upon Achievement and the value of such a reduction is commensurate with the value of the Milestone Payment linked to that ATP Milestone.
	3. Where a Milestone Payment is due in accordance with this Agreement, the Customer shall pay the relevant Milestone Payment less:
		1. any Milestone Retentions; and/or
		2. if a Conditional Milestone Achievement Certificate is issued by the Customer Relationship Manager for any non-material Test Issues, any Service Provider Profit associated with the Milestone,

in accordance with the provisions of paragraph ‎1 of Part B of this Schedule 7.1 (Charging and Invoicing).

1. **Fixed Price Milestone Payments or Service Charges**
	1. Where a Milestone Payment or Service Charge is to be calculated by reference to a Fixed Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Table 5 of Annex 1.
	2. Charges calculated by reference to a Fixed Price pricing mechanism shall be subject to increase by way of Indexation.
2. **Firm Price Milestone Payments or Service Charges**
	1. Where a Milestone Payment or Service Charge is to be calculated by reference to a Firm Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Table 6 of Annex 1.
	2. Charges calculated by reference to a Firm Price pricing mechanism shall not be subject to increase by way of Indexation.
3. **Volume Based Service Charges**
	1. Where a Service Charge is to be calculated by reference to a Volume Based pricing mechanism, the relevant Charges shall be calculated on the basis of the unit costs set out against that Service Charge in Table 7 of Annex 1.
	2. In the event that the volume of any Services that are to be calculated by reference to a Volume Based pricing mechanism fall outside the relevant volume bands set out against that Service Charge in Table 7 of Annex 1, the relevant Service Charges shall be calculated in accordance with the Change Control Procedure and paragraph ‎4 of Part C.
	3. The Charge per unit set out in Table 7 of Annex 1 shall be subject to annual Indexation.
4. **Reimbursable Expenses**
	1. The Charges shall include all Reimbursable Expenses and any other costs and expenses relating to the Deliverables, the Services and/or the Service Provider’s performance of its obligations under this Agreement. No separate charge may be made for Reimbursable Expenses and no further amounts shall be payable by the Customer to the Service Provider in respect of such performance, including in respect of matters such as:
		1. any incidental expenses that the Service Provider incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop and office equipment costs required by the Service Provider Personnel, including network or data interchange costs or other telecommunications charges; or
		2. any amount for any services provided or costs incurred by the Service Provider prior to the Effective Date.
5. ANTICIPATED MAXIMUM TOTAL CHARGES
	1. The anticipated maximum total Charges payable over the Term, as detailed in the Contract Award Notice, is £[*INSERT*]. ***[Note to Tenderers: to be calculated based on the figures in the Commercial Submission part of the Final Tender]***

**PART B**

**Charging Mechanisms**

1. **Milestone Payments**
	1. Where a Milestone is not stated in Table 5 or 6 of Annex 1 to constitute part of a group of Milestones (a “**Milestone Group**”) paragraphs 1.2 and 1.3 shall apply. Where Milestones are stated in Table 5 or 6 of Annex 1 to constitute part of a Milestone Group, paragraphs 1.4 and 1.5 shall apply.

**Non Grouped Milestones**

* 1. Subject to the provisions of paragraph ‎1.2 of Part C in relation to the deduction of Delay Payments, on:
		1. the Achievement of a Milestone (except where paragraph ‎1.2.2 of this Part B applies) the Service Provider shall be entitled to invoice the Customer for the Milestone Payment associated with that Milestone less the applicable Milestone Retention (if any) in accordance with this Part B; or
		2. the issue of a Conditional Milestone Achievement Certificate where there are no Material Test Issues and no material non-conformities in accordance with Schedule 6.2 (Milestones and Deliverables) and Schedule 6.3 (Testing Procedures) the Service Provider shall be entitled to invoice the Customer for the Milestone Payment associated with that Milestone less:
			1. the Service Provider Profit associated with that Milestone; and
			2. the applicable Milestone Retention (if any) in accordance with this Part B
	2. Where the Customer Relationship Manager has issued a Conditional Milestone Achievement Certificate and the Service Provider has subsequently:
		1. completed the applicable Rectification Plan to remedy the Test Issues and other non-conformities; and
		2. Achieved all the Tests associated with the applicable Milestone;

the Service Provider shall be entitled to invoice the Customer for the Milestone Payment associated with that Milestone less;

* + 1. where applicable, the element of that Milestone Payment previously paid by the Customer pursuant to paragraph ‎1.2.2; and
		2. the applicable Milestone Retention (if any) in accordance with this Part B.

**Grouped Milestones**

* 1. Subject to the provisions of paragraph ‎1.2 of Part C in relation to the deduction of Delay Payments, on:
		1. the Achievement of all the Milestones within the Milestone Group (except where paragraph ‎1.4.2 of this Part B applies) the Service Provider shall be entitled to invoice the Customer for the Milestone Payment associated with all the Milestones within the Milestone Group less any applicable Milestone Retentions in accordance with this Part B; or
		2. the issue of any combination of either Milestone Achievement Certificates or Conditional Milestone Achievement Certificates for all the Milestones within the Milestone Group where there are no Material Test Issues and no non-conformities in accordance with Schedule 6.2 (Milestones and Deliverables) and Schedule 6.3 (Testing Procedures) for all such Milestones shall be entitled to invoice the Customer for the Milestone Payments associated with that Milestone Group less:
			1. the Service Provider Profit; and
			2. the applicable Milestone Retention (if any) in accordance with this Part B

associated with the Milestones within that Milestone Group.

* 1. Where the Customer Relationship Manager has issued a Conditional Milestone Achievement Certificate and the Service Provider has subsequently:
		1. completed the applicable Rectification Plans to remedy the Test Issues and other non-conformities ; and
		2. Achieved all the Tests associated with the applicable Milestones within the Milestone Group;

the Service Provider shall be entitled to invoice the Customer for the Milestone Payment associated with those Milestones within the Milestone Group less;

* + 1. the element of those Milestone Payments previously paid by the Customer; and
		2. the applicable Milestone Retentions (if any) in accordance with this Part B.

**Material Test Issues or Non-Conformities**

* 1. For the avoidance of doubt, if there are Material Test Issues and/or material non-conformities in accordance with Schedule 6.2 (Milestones and Deliverables) and Schedule 6.3 (Testing Procedures) associated with a Milestone then
		1. Service Provider shall not be entitled to invoice the Customer for any Milestone Payment (or element of any Milestone Payment); and
		2. the Customer shall not be entitled to make any payment in respect to that Milestone.

**Milestone Payment Invoice**

* 1. Each invoice relating in whole or in part to a Milestone Payment shall be supported by a:
		1. the Milestone Achievement Certificate; or
		2. the Conditional Milestone Achievement Certificate

relevant to the applicable Milestone.

**Milestone Retention**

* 1. Milestone Retentions shall apply only to those Milestones indicated in Tables 5 and 6 of Annex 1 to this Schedule.
	2. Where a Milestone Achievement Certificate has been issued, the Milestone Retention for each Milestone (where applicable) shall be calculated as follows:
		1. zero per cent (0%) of the Milestone Payment for that Milestone; and,
		2. in the case of a Key Milestone, prior to deduction from the Milestone Payment of any Delay Payment attributable to that Key Milestone and without taking account of any amount payable by the Service Provider pursuant to paragraph ‎1.2 of Part C.
	3. Where a Conditional Milestone Achievement Certificate has been issued, the Milestone Retention for each Milestone (where applicable) shall be calculated as follows:
		1. zero (0)% of the Milestone Payment after deducting any Service Provider Profit for that Milestone; and
		2. in the case of a Key Milestone, prior to deduction from the Milestone Payment of any Delay Payment attributable to that Key Milestone and without taking account of any amount payable by the Service Provider pursuant to paragraph ‎1.2 of Part C.

**Release of Milestone Retentions**

* 1. On Achievement of a CPP Milestone relating to the Service Provider Solution or one or more Services (as the case may be), the Service Provider shall be entitled to invoice the Customer for an amount equal to all Milestone Retentions that relate to Milestones identified in the “CPP Milestone Number” column of Table 5 or Table 6 of Annex 1 and corresponding CPP Milestone Number identified in Table 2 of Annex 4 of Schedule 6.2 (Milestones and Deliverables) as being payable in respect of that CPP Milestone and have not been paid before such CPP Milestone.
1. **Service Charges**
	1. Each Service Charge shall commence on the occurrence of the “Service Charge Trigger Event” relating to it as defined in column 2 of Table 2 of Annex 2 and shall cease on the occurrence of the “Service Charge Expiration Trigger Event” relating to it as defined in column 3 of Table 2 of Annex 2.
	2. Service Charges shall be invoiced by the Service Provider for each Service Period in arrears in accordance with the requirements of Part E.
	3. If a Service Charge is to be calculated by reference to a Fixed Price pricing mechanism and the relevant Service Charge:
		1. commences on a day other than the first day of a month; and/or
		2. ends on a day other than the last day of a month

the Service Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service Charge applies bears to the total number of days in that month.

* 1. Any Service Credits that accrue during a Service Period shall be deducted from the Service Charges payable for the next following Service Period. An invoice for a Service Charge shall not be payable by the Customer unless all adjustments (including Service Credits) relating to the Service Charges for the immediately preceding Service Period have been agreed.

**PART C**

**Adjustments to the Charges and Risk Register**

1. **DELAY PAYMENTS**
	1. If a Key Milestone has not been Achieved on or before the relevant Milestone Date, the Service Provider shall pay a Delay Payment to the Customer in respect of that Key Milestone. Delay Payments shall accrue:
		1. at the daily rate (the “**Delay Payment Rate**”) determined in accordance with paragraph ‎1.2;
		2. from (but excluding) the relevant Milestone Date to (and including) the later of:
			1. the date on which the Key Milestone is Achieved; and
			2. the expiry of the Delay Deduction Period; and
		3. on a daily basis, with any part day’s Delay counting as a day.
	2. Where a Delay Payment is payable in respect of a Key Milestone, the Delay Payment Rate shall be the amount set out in Table 1 of Annex 2 for the Key Milestone.
	3. The Parties agree that Delay Payments calculated in accordance with the applicable Delay Payment Rates are in each case a genuine pre-estimate of the Losses which the Customer will incur as a result of any failure by the Service Provider to Achieve the relevant Key Milestone by the Milestone Date. Delay Payment Rates are stated exclusive of VAT.
	4. The Delay Payment in respect of a Key Milestone shall be shown as a deduction from the amount due from the Customer to the Service Provider in the next invoice due to be issued by the Service Provider after the date on which the relevant Key Milestone is Achieved or the expiry of the Delay Deduction Period (as the case may be). If the relevant Key Milestone is not Achieved by the expiry of the Delay Deduction Period and no invoice is due to be issued by the Service Provider within ten (10) Working Days of expiry of the Delay Deduction Period, then the Service Provider shall within ten (10) Working Days of expiry of the Delay Deduction Period pay to the Customer as a debt a sum equal to the total amount of the Delay Payment in respect of the Key Milestone together with interest on such amount at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from (and including) the due date up to (but excluding) the date of actual payment, whether before or after judgment.
2. **Payments for Delays due to CUSTOMER Cause**
	1. If the Service Provider is entitled in accordance with clause 39.1.3.3(d) (Customer Cause) to compensation for failure to Achieve a Milestone by its Milestone Date, then, subject always to clause 33 (Limitations on Liability), such compensation shall be determined in accordance with the following principles:
		1. the compensation shall reimburse the Service Provider for additional Costs (and the Service Provider shall use the Annex 6 methodology to calculate any applicable People Costs) incurred by the Service Provider that the Service Provider:
			1. can demonstrate it has incurred solely and directly as a result of the Customer Cause; and
			2. is, has been, or will be unable to mitigate, having complied with its obligations under clause 39.1 and 39.4 (Customer Cause)

together with an amount equal to the Anticipated Contract Life Profit Margin thereon;

* + 1. the compensation shall not operate so as to put the Service Provider in a better position than it would have been in but for the occurrence of the Customer Cause;
		2. where the relevant Milestone Payment is to be calculated based upon a Fixed Price or a Firm Price pricing mechanism, the compensation shall include such amount as is appropriate to maintain the Service Provider Profit Margin set out in respect of the relevant Milestone in Table 5 or Table 6 of Annex 1.
	1. The Service Provider shall provide the Customer Relationship Manager with any information the Customer Relationship Manager may require in order to assess the validity of the Service Provider's claim to compensation.
1. **Service Credits**
	1. Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 2.2 (Performance Levels) in accordance with the provisions of this paragraph ‎3, save that Service Credits shall not apply in respect of KPI Failures occurring in the first four Service Periods following the Operational Service Commencement Date.
	2. For each Service Period:
		1. the Service Points accrued shall be converted to a percentage deduction from the Service Charges for the relevant Service Period on the basis of one point equating to a 0.02% deduction in the Service Charges; and
		2. the total Service Credits applicable for the Service Period shall be the lesser of:
			1. the amount calculated in accordance with the following formula:

SC = TSP x X x AC

where:

* + - * 1. SC is the total Service Credits for the relevant Service Period;
				2. TSP is the total Service Points that have accrued for the relevant Service Period;
				3. X is 0.02%; and
				4. AC is the total Services Charges payable for the relevant Service Period (prior to deduction of applicable Service Credits); and
			1. the Monthly Service Credit Cap.
	1. The liability of the Service Provider in respect of Service Credits shall be subject to clause 33.4.2 (Financial and other limits) provided that, for the avoidance of doubt, the operation of the Monthly Service Credit Cap and Annual Service Credit Cap shall not affect the continued accrual of Service Points in excess of such financial limit in accordance with the provisions of Schedule 2.2 (Performance Levels).
	2. Service Credits are a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received and are stated exclusive of VAT.
	3. Service Credits shall be shown as a deduction from the amount due from the Customer to the Service Provider in the invoice for the Service Period immediately succeeding the Service Period to which they relate.
1. **Changes To Charges**
	1. Any Changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 8.2 (Change Control Procedure) and:
		1. on the basis that the Service Provider Profit Margin on such Charges shall:
			1. be no greater than that applying to Charges using the same pricing mechanism as at the Effective Date (as set out in the Contract Inception Report); and
			2. in no event exceed the Maximum Permitted Profit Margin:
		2. be based on and reflect the principles of the Financial Model and;
			1. where the Milestone Charge or Service Charge is to be increased, any increase to the Forecast Contingency Cost shall not exceed the Forecast Contingency Cost Percentage applied to the change in the Cost for the Milestone or Service Charge; or
			2. where the Milestone Charge or Service Charge is to be decreased, any decrease to the Forecast Contingency Cost shall be the greater of the
				1. Forecast Contingency Cost Percentage applied to the change in the Cost for the Milestone or Service Charge; or
				2. the reduction in the Forecast Contingency Cost as a result of the Change derived from inputs required for the Charges as detailed in the Financial Model;
		3. be based on the methodology contained within Annex 6 of this Schedule 7.1 (Charges and Invoicing);
		4. be derived from inputs required for the Charges as detailed in the Financial Model;
		5. include forecast numbers of each type of resource to be employed and the applicable monthly unit costs contained within the Financial Model;
		6. include full disclosure of any assumptions used in preparing the quotation; and
		7. include evidence of the cost of any assets required as part of the Change.
	2. The Customer Relationship Manager may request that any Impact Assessment presents Charges without Indexation for the purposes of comparison.
2. **Indexation**
	1. Any amounts or sums in this Agreement which are expressed to be “subject to Indexation” shall be adjusted in accordance with the provisions of this paragraph ‎5 to reflect the effects of inflation.
	2. Where Indexation applies, the relevant adjustment shall be:
		1. applied on the first day of the second April following the Effective Date and on the first day of April in each subsequent year (each such date an “adjustment date”); and
		2. determined by multiplying the relevant amount or sum by the percentage increase or changes in the Consumer Price Index published for the twelve (12) months ended on the 31 January immediately preceding the relevant adjustment date.
	3. Except as set out in this paragraph ‎5, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Service Provider or Sub-contractors of the performance of their obligations.
3. **Not used**
4. **Risk Register**
	1. The Parties shall review the Risk Register set out in Annex 4 from time to time and as otherwise required for the purposes of Schedule 8.1 (Governance).
	2. For the avoidance of doubt, if a risk in the Risk Register occurs, the Charges shall not be altered.
5. **INNOVATION PROJECTS**
	1. Innovation Projects shall consist of the following types of project:
		1. Innovation Proposals developed in accordance with Schedule 2.6 (Continuous Improvement) and implemented in accordance with the Change Control Procedure as a Change. Any Innovation Proposal so implemented will be an “Innovation Project” for the purposes of this paragraph ‎8;
		2. Minor Innovation Project: a project which delivers an Innovation Proposal which does not change the Services (e.g. a business case); and
		3. Major Innovation Project: a project which delivers an Innovation Proposal which does change the Services.
	2. Without prejudice to paragraph ‎4 (Changes to the Charges), Milestone Payments linked to Innovation Projects shall be determined using the methodology detailed in paragraph ‎8.3 below. Any change in the Service Charges, following the delivery of an Innovation Project, shall be determined using the methodology detailed in paragraph ‎4 (Changes to the Charges) above.
	3. The quotation for the costs of implementing an Innovation Proposal shall:
		1. be agreed by the Parties in advance of the commencement of the Innovation Project;
		2. be based on and reflect the principles of the Financial Model;
		3. for:
			1. staff employed by the Service Provider or Key Sub-contractors**,** use staff rates based on the methodology contained within Annex 6 of this Schedule 7.1 (Charges and Invoicing);
			2. staff employed by Sub-contractors that are not Key Sub-contractors, use the staff rates in Table 1 of Annex 1 of this Schedule 7.1 (Charges and Invoicing) where the applicable staff grade is already listed within that table. Where the applicable staff grade is not listed in Table 1 of Annex 1 of this Schedule 7.1 (Charges and Invoicing), the staff rate shall be based on the methodology contained within Annex 6 of this Schedule 7.1 (Charges and Invoicing);
		4. be derived from inputs required for the Milestone Payments as detailed in the Financial Model; and
		5. for Forecast Contingency Cost be based on, but shall not exceed, the Forecast Contingency Cost Percentage;
	4. For Minor Innovation Projects the Charges shall be fixed price Milestone Payments agreed for the delivery of pre-defined products payable following the Achievement of the agreed Milestone for that Minor Innovation Project.
	5. For Major Innovation Projects, the Charges may comprise:
		1. fixed price Milestone Payments payable following the Achievement of the agreed Milestones for that Major Innovation Project, with, at the discretion of the Customer Relationship Manager, an associated ATP and CPP to which the provisions of paragraph ‎1 of Part B (Milestone Payments) of this Schedule 7.1 (Charges and Invoicing) shall apply; and
		2. a change to one of the Service Charges.
	6. An Innovation Project shall have no Delay Payment, unless otherwise agreed between the Parties.
	7. Any Forecast Contingency Cost included in any Charge for an Innovation Project shall not exceed the forecast Cost multiplied by the Forecast Contingency Cost Percentage.
	8. The Customer reserves the right to use other service providers to deliver Innovation Projects if the price, product, quality or timescales cannot be agreed with Service Provider or are not acceptable to the Customer relationship Manager.
	9. The Service Provider shall work with Other Service Providers, when necessary to ensure (to the extent within its control) the successful delivery of Innovation Projects.
6. **Gainshare from Innovation Projects**
	1. Subject to paragraph 9.2 of Part C of this Schedule 7.1 (Charging and Invoicing), if the implementation of an Innovation Project generates savings for the Customer through a reduction of the Service Charges (the “**Savings**”), 50% of such Savings will be paid by the Customer to the Service Provider in accordance with paragraph 9.2 (“**Gain-Share Supplement**”).
	2. This Gain-Share Supplement will be:
		1. cumulatively capped at 200% of the amount that the Customer has paid the Service Provider in accordance with this Agreement for the Innovation Project that generates the Savings; and
		2. where applicable, invoiced by the Service Provider for each Service Period in arrears on the next Invoicing Date following completion of each Service Period in accordance with the requirements of Part E.

**PART D**

**Excessive Service Provider Profit Margin**

1. **Limit on Service Provider Profit Margin**
	1. The Service Provider acknowledges that the Achieved Profit Margin applicable over the Term shall not exceed the Maximum Permitted Profit Margin.
	2. The Service Provider shall include in each Annual Contract Report the Achieved Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up and the provisions of paragraph 2 of Part B of Schedule 7.5 (Financial Reports and Audit Rights) shall apply to the approval of the Annual Contract Report.
2. **Adjustment to the charges in the event of excess Service Provider profit**
	1. If an Annual Contract Report demonstrates (or it is otherwise determined pursuant to paragraph 2 of Part B of Schedule 7.5 (Financial Reports and Audit Rights)) that the Achieved Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up exceeds the Maximum Permitted Profit Margin:
		1. the Service Provider shall, within five (5) Working Days of delivery to the Customer of the Annual Contract Report, propose such adjustments to the Charges as will ensure that the Achieved Profit Margin both over the Contract Year to which the next Annual Contract Report will relate and over the Term will not exceed the Maximum Permitted Profit Margin;
		2. the Customer (acting reasonably) may agree or reject the proposed adjustments;
		3. if the Customer rejects the proposed adjustments it shall give reasons and the Service Provider shall propose revised adjustments within ten (10) Working Days of receiving those reasons; and
		4. if the Parties cannot agree such revised adjustments and the Customer terminates this Agreement by issuing a Termination Notice to the Service Provider pursuant to clause 41.1.1 (Termination by the Customer), then for the purpose of calculating any Compensation Payment due to the Service Provider, the Termination Notice shall be deemed to have been served as at the date of receipt by the Customer of the relevant Annual Contract Report.
	2. Pending agreement of a proposed adjustment to the Charges pursuant to this Part D, the Charges then in force shall continue to apply. Once the adjustments to the Charges are agreed in accordance with paragraph ‎2.1, the Parties shall document the adjustment in a Change Authorisation Note and the adjusted Charges shall apply with effect from the first day of the Service Period that immediately follows the Service Period in which the Change Authorisation Note is executed or such other date as is specified in the Change Authorisation Note.

**PART E**

**Invoicing and Payment Terms**

1. **Service Provider Invoices**
	1. The Service Provider shall establish the Project Bank Account and shall submit to the Customer Relationship Manager the Customer’s standard vendor request documentation as notified to the Service Provider by the Customer Relationship Manager. No payment shall be made by the Customer until the Service Provider has submitted the such vender request documentation and the consequent vender profile has been established on the Customer’s payment systems.
	2. The Customer shall accept for processing any electronic invoice that complies with the European Standard, provided that it is valid and undisputed.
	3. If the Service Provider proposes to submit for payment an invoice that does not comply with the European Standard the Service Provider shall comply with the requirements of the Customer’s e-invoicing system. In the alternative the Service Provider shall:
		1. prepare and provide to the Customer for approval of the format a template invoice within ten (10) Working Days of the Effective Date which shall include, as a minimum, the details set out in paragraph ‎1.4 together with such other information as the Customer may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and
		2. make such amendments as may be reasonably required by the Customer if the template invoice outlined in paragraph ‎1.3.1 is not approved by the Customer.
	4. The Service Provider shall ensure that each invoice contains the following information:
		1. the date of the invoice;
		2. a unique invoice number;
		3. the Service Period or other period(s) to which the relevant Charge(s) relate;
		4. the correct reference for this Agreement;
		5. the reference number of the purchase order (blanket purchase number (BPA)) to which it relates (if any);
		6. the dates between which the Services subject of each of the Charges detailed on the invoice were performed;
		7. a description of the Services;
		8. the pricing mechanism used to calculate the Charges;
		9. any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
		10. the total Charges gross and net of any applicable deductions and, separately, any VAT or other sales tax payable in respect of each of the same;
		11. details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;
		12. reference to any reports required by the Customer in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Service Provider for validation by the Customer, then to any such reports as are validated by the Customer in respect of the Services);
		13. a contact name and telephone number of a responsible person in the Service Provider's finance department in the event of administrative queries;
		14. the Project Bank Account details for payment to the Service Provider via electronic transfer of funds; and
		15. where the Services have been structured into separate Service lines, the information at paragraphs ‎1.4.1 to ‎1.4.14 shall be broken down in each invoice per Service line.
	5. The Service Provider shall invoice the Customer in respect of Services in accordance with the requirements of Part B. The Service Provider shall first submit to the Customer a draft invoice setting out the Charges payable. The Parties shall endeavour to agree the draft invoice within five (5) Working Days of its receipt by the Customer, following which the Service Provider shall be entitled to submit its invoice.
	6. Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment by the Customer Relationship Manager as to what constitutes Supporting Documentation shall not be conclusive and the Service Provider undertakes to provide to the Customer Relationship Manager any other documentation reasonably required by the Customer Relationship Manager from time to time to substantiate an invoice.
	7. The Service Provider shall submit all invoices and Supporting Documentation to:

[***Insert address***]

with a copy (again including any Supporting Documentation) to the Customer Relationship Manager.

* 1. All Service Provider invoices shall be expressed in sterling and rounded downwards to the nearest penny.
	2. The Customer shall regard an invoice as valid only if it complies with the provisions of this Part E. Where any invoice does not conform to the Customer 's requirements set out in this Part E, the Customer Relationship Manager shall return the disputed invoice to the Service Provider and the Service Provider shall promptly issue a replacement invoice which shall comply with such requirements.
	3. If the Customer fails to consider and verify an invoice in accordance with paragraphs ‎1.5 and ‎1.9, the invoice shall be regarded as valid and undisputed for the purpose of paragraph ‎2.1 after a reasonable time has passed.
1. **Payment Terms**
	1. Subject to the relevant provisions of this Schedule, the Customer shall make payment to the Service Provider within thirty (30) days of verifying that the invoice is valid and undisputed via the Project Bank Account.
	2. Unless the Parties agree otherwise in writing, all Service Provider invoices shall be paid in sterling by electronic transfer of funds to the Project Bank Account..

**PART F**

**Project Bank Account**

**“Authorisation”** is a document authorising the Project Bank to make payments to the Service Provider and Named Sub-contractors;

**“Named Sub-contractor”** is each Key Sub-contractor and Category Service Provider and any other Sub-contractor instructed by the Customer Relationship Manager to be a Named Sub-contractor from time to time pursuant to clause 21.7 (Appointment of Sub-contractors);

**“Project Bank”** is the bank nominated by the Service Provider which holds the Project Bank Account;

**“Project Bank Account”** is the account with the Project Bank used to receive payments from the Customer and make payments to the Service Provider and Named Sub-contractors;

**“Trust Deed”** is an deed in the form set out in Appendix 1 to this Schedule made between the Customer, the Service Provider and Named Sub-contractors which contains provisions for administering the Project Bank Account.

1. PURPOSE OF THIS PART F OF this SCHEDULE 7.1 (Charging and invoicing)

This Part F of Schedule 7.1 (Charging and Invoicing) is to set out the provisions relating to the establishment of a Project Bank Account by the Service Provider.

1. PROJECT BANK ACCOUNT
	1. The Service Provider shall establish the Project Bank Account with the Project Bank within four (4) weeks of the Effective Date. The Service Provider shall ensure that the arrangements for the Project Bank Account so established permit payments to be made in accordance with the provisions of this Agreement and, without prejudice to the foregoing, shall as a minimum:
		1. prohibit the Project Bank from making any payment to the Service Provider and/or any Named Sub-contractor until it has received an Authorisation signed by the Service Provider and the Customer in accordance with paragraph ‎3.3; and
		2. require the Project Bank to make the payments set out in the Authorisation as soon as reasonably practicable following receipt of the same and in any event no later than close of business on the Working Day immediately following the date of its receipt of the Authorisation.
	2. The Service Provider shall maintain and administer the Project Bank Account throughout the Term and shall be responsible for paying any charges made by the Project Bank and is paid any interest accrued on funds in the Project Bank Account.
	3. The Service Provider shall submit:
		1. within one (1) Working Day of the Effective Date, details of the banking arrangements for the Project Bank Account for approval by the Customer Relationship Manager; and
		2. within one (1) Working Day of the same being sent, or received, by the Service Provider (as applicable), copies of all communications with the Project Bank in connection with the Project Bank Account to the Customer Relationship Manager,

without prejudice to the other provisions of this Part F of Schedule 7.1 (Charges and Invoicing), if the Customer Relationship Manager objects to the banking arrangements for the Project Bank Account it shall give notice to the Service Provider within seven (7) Working Days of its receipt of the information listed above, and the Service Provider shall terminate those arrangements at no cost to the Customer and establish alternative arrangements. The provisions of this paragraph ‎2.3 shall apply to any such arrangements established.

* 1. The Service Provider shall ensure that each Sub-contract for a Named Sub-contractor includes provisions requiring the Named Sub-contractor to participate in the banking arrangements for the Project Bank Account as contemplated by this Agreement and, following establishment of the Project Bank Account, shall notify all Named Sub-contractors of the details of the Project Bank Account and the arrangements for payment of amounts due under their Sub-contracts.
1. PAYMENTS TO THE PROJECT BANK ACCOUNT
	1. No later than one (1) week before the expiry of the period within which payment is to be made in accordance with the provisions of Part E of this Schedule, the Customer shall make payment to the Project Bank Account of the amount which is due to be paid to the Service Provider.
	2. No later than one (1) week before the expiry of the period within which payment is to be made to each Named Sub-contractor pursuant to the relevant Sub-contract, the Service Provider shall make payment to the Project Bank Account of any amount not paid by the Customer that is required to make payment in full to the relevant Named Sub-contractors pursuant to the provisions of the relevant Sub-contracts.
	3. No later than one (1) week before the expiry of the period within which payment is to be made in accordance with the provisions of Part E of this Schedule and pursuant to each Named Sub-contractor Sub-contract, the Service Provider shall prepare and sign the Authorisation and submit the Authorisation to the Customer Relationship Manager for approval (subject to the same complying with the requirements of this Agreement).  The Service Provider shall following such approval submit the same to the Project Bank before the expiry of the period within which payment is to be made in accordance with the provisions of Part E of this Schedule and pursuant to each Named Sub-contractor Sub-contract. The amounts set out in the Authorisation shall:
		1. in respect of the amount the Project Bank is authorised to pay to the Service Provider, shall be the amount properly due and payable by the Customer to the Service Provider in accordance with the provisions of this Agreement; and
		2. in respect of any amount the Project Bank is authorised to pay to a Named Sub-contractor, shall be the amount properly due and payable by the Service Provider to that Named Sub-contractor in accordance with the provisions of the relevant Sub-contract.
	4. The Parties intend that the Service Provider and Named Sub-contractors shall receive payment from the Project Bank Account of the sums set out in the Authorisation as soon as practicable after the Project Bank Account receives payment.

* 1. For the avoidance of doubt any payment which is due from the Service Provider to the Customer shall not be made through the Project Bank Account.
1. EFFECT OF PAYMENT FROM THE PROJECT BANK ACCOUNT
	1. Payments made from the Project Bank Account shall be treated as payments from the Customer to the Service Provider in accordance with this Agreement or from the Service Provider to Named Sub-contractors in accordance with the relevant Sub-contracts, as applicable.
2. TRUST DEED
	1. The Customer, the Service Provider and each Named Sub-contractor shall sign the Trust Deed before the first date for payment to each relevant Named Sub-contractor.
3. TERMINATION
	1. Following termination of this Agreement, no further payment shall be made into the Project Bank Account.
4. CESSATION
	1. At any time during the Term, the Customer Relationship Manager may notify the Service Provider in writing that payments under this Agreement will no longer be made using the Project Bank Account, and the Parties shall agree an alternative arrangement for payment of the Charges in accordance with the Change Control Procedure.
	2. Within one (1) week of any notice issued by the Customer Relationship Manager pursuant to paragraph ‎7.1, the Service Provider shall notify the Named Sub-contractors that the Project Bank Account shall no longer be used and shall establish an alternative arrangement for payment so that the Named Sub-contractors receive the payments set out in the relevant Sub-contract by the relevant payment dates.

**APPENDIX 1**

**Pro-forma Trust Deed**

Trust Deed - This deed is made between the Customer*,* the Service Provider and the Named Sub-contractors.

Terms in this deed have the meanings given to them in the contract between the Customer and the Service Provider for the provision of [*INSERT*] dated [*INSERT*] (the Service).

1. **BACKGROUND**
	1. The Customer and the Service Provider have entered into a contract for the Service*.*
	2. The Named Sub-contractorshave entered into contracts with the Service Provider in connection with the Service.
	3. The Service Provider has established a Project Bank Account to make provision for payment to the Service Provider and the Named Sub-contractors.
2. **AGREEMENT**
	1. The parties to this deed agree that:
		1. sums properly paid into the Project Bank Account in accordance with the provisions of the contract for the Services are held in trust in the Project Bank Account for distribution to the Service Provider and/or Named Sub-contractors in accordance with the banking arrangements applicable to the Project Bank Account;
		2. further Named Sub-contractors may be added as parties to this deed with the agreement of the Customer and Named Sub-contractor. The agreement of the Customerand the Service Provider is treated as agreement by the Named Sub-contractors;
		3. this deed is subject to the law of the contract for the Services; and
		4. the benefits under this deed may not be assigned.

**Executed as a deed on ……………………..**

**by**

…………………………………. (*Customer*)

…………………………………. (*Service Provider*)

…………………………………..

…………………………………..

…………………………………..

…………………………………..

(Named Sub-contractors)

**Joining Deed**

This deed is made between the Customer, the Service Provider and [*INSERT*] (the Additional Supplier).

Terms in this deed have the meanings given to them in the contract between the Customer and the Service Provider for the provision of [*INSERT*] dated [*INSERT*] (the Service).

1. **BACKGROUND**
	1. The Customer and the Service Provider have entered into a contract for the Service*.*
	2. The Named Sub-contractorshave entered into contracts with the Service Provider in connection with the Service.
	3. The Customer and the Service Provider have established a Project Bank Account to make provision for payment to the Service Provider and the Named Sub-contractors.
	4. The Customer*,* the Service Provider and the Named Sub-contractors have entered into a deed as set out in Annex 1 (the Trust Deed), and have agreed that the Additional Supplier may join that deed.
2. **AGREEMENT**
	1. The Parties to this deed agree that:
		1. the Additional Supplier becomes a party to the Trust Deed from the date set out below;
		2. this deed is subject to the law of the contract for the Service; and
		3. the benefits under this deed may not be assigned.

**Executed as a deed on …………………….…….**

**by**

…………………………………. (Customer)

…………………………………. (Service Provider)

………………………………….. (Additional Supplier)

**[*TRUST DEED TO BE ANNEXED*]**

**ANNEX 1**

**Pricing Mechanism**

1. **Table 1: NON KEY SUB-CONTRACTOR Personnel Rate Card** [[1]](#footnote-2)

|  |  |  |  |
| --- | --- | --- | --- |
| **Non Key Sub-contractor** | **Staff grade** | **Staff Rate (DAY) (Inclusive of Reimbursable** **Expenses)****(£)** | **Contracted daily hours** |
|  |  |  |  |
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If needed hourly Staff Rates shall be calculated by the Staff Rate (Day)/ contracted daily hours

1. **Table 2: NOT USED**
2. **Table 3: NOT USED**
3. **Table 4: NOT USED**
4. **Table 5: Fixed Prices**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Service** **Charge** | **Service Charge Period** | **Service Charge (£)** | **Cost****(£)** | **Forecast Contingency Costs (£)** | **Service Provider****Profit (£)****(D=A-B-C)** | **Monthly Service Charge (£)****(A/M)** | **Months in Fixed Period** |
| **A** | **B** | **C** | **D** | **E** | **M** |
| SC1 | Fixed Service Charge 1 per Service Period[[2]](#footnote-3) | [TBD] | [TBD] | [TBD] | [TBD] | [TBD] | 7 |
| SC1 | Fixed Service Charge 2 per Service Period | [TBD] | [TBD] | [TBD] | [TBD] | [TBD] | 12 |
| SC1 | Fixed Service Charge 3 per Service Period (January 2023 -May 2023 (inclusive)) | [TBD] | [TBD] | [TBD] | [TBD] | [TBD] | 5 |
| SC2 | Fixed Service Charge 3 per Service Period (June 2023-December 2023 (inclusive)) | [TBD] | [TBD] | [TBD] | [TBD] | [TBD] | 7 |
| SC2 | Fixed Service Charge 4 per Service Period | [TBD] | [TBD] | [TBD] | [TBD] | [TBD] | 12 |
| SC2 | Fixed Service Charge 5 per Service Period | [TBD] | [TBD] | [TBD] | [TBD] | [TBD] | 13 |
| SC3 | Fixed Service Charge 6 per Service Period (EXTENSION 1) | [TBD] | [TBD] | [TBD] | [TBD] | [TBD] | 12 |
| SC4 | Fixed Service Charge 7 per Service Period (EXTENSION 2) | [TBD] | [TBD] | [TBD] | [TBD] | [TBD] | 12 |

1. **Table 6: Firm Prices**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Milestone** | **Milestone****Type** | **Milestone Group** **(if applicable)** | **ATP Milestone Number**  | **CPP Milestone Number** | **Charge (£)** | **Milestone Retentions Apply****[Yes/No]** | **Key Milestone (Attracts Delay) Payment****[Yes/No]** |
| **Cost****(£)** | **Forecast Contingency Costs (£)** | **Service Provider****Profit (£)** |
| **Transition** |
| 1.1 | Interim | N/A | 1 | 1 | Not applicable – not a payment Milestone |
| 1.2 | ATP | N/A | 1 | 1 | [TBD] | [TBD] | [TBD] | No | Yes |
| 1.3 | CPP | N/A | 1 | 1 | [TBD] | [TBD] | [TBD] | No | No |
| **Transformation** |
| 2.1 | Interim | N/A | [TBD] | 2 | Not applicable – not a payment Milestone |
| 2.2 | Interim | N/A | [TBD] | 2 | [TBD] | [TBD] | Not applicable | No | No |
| 2.3a | [TBD] | N/A | [TBD] | 2 | [TBD] | [TBD] | [TBD] | No | No |
| 2.3b | [TBD] | N/A | [TBD] | 2 | [TBD] | [TBD] | [TBD] | No | No |
| 2.3c | [TBD] | N/A | [TBD] | 2 | [TBD] | [TBD] | [TBD] | No | No |
| 2.3d | [TBD] | N/A | [TBD] | 2 | [TBD] | [TBD] | [TBD] | No | No |
| 2.3e | [TBD] | N/A | [TBD] | 2 | [TBD] | [TBD] | [TBD] | No | No |
| 2.3f | [TBD] | N/A | [TBD] | 2 | [TBD] | [TBD] | [TBD] | No | No |
| 2.3g | [TBD] | N/A | [TBD] | 2 | [TBD] | [TBD] | [TBD] | No | No |
| 2.3h | ATP | N/A | 3 | 2 | [TBD] | [TBD] | [TBD] | No | No |
| 2.4 | CPP | N/A | 2 | 2 | [TBD] | [TBD] | [TBD] | No | No |

1. **Table 7: NOT USED**

**ANNEX 2**

**Charging adjustments and Trigger Events**

1. **Table 1: milestone delay payments**

|  |  |  |
| --- | --- | --- |
| **Milestone** | **Delay Payments (if Key Milestone)** **(£ per day)** | **Delay Deduction Period** |
| 1.2 ATP1 | £4,000 | 90 days |

1. **Table 2: Service Charges TRIGGER EVENTS**

|  |  |  |
| --- | --- | --- |
| **Service Charge**  | **Service Charge Trigger Event** | **Service Charge Expiration Trigger Event** |
| SC1 | Achievement of Milestone 1.2 (ATP1) and commencement of the Operational Services | Milestone Date for Milestone 2.3h (ATP3) |
| SC2 | Milestone Date for Milestone 2.3h (ATP3) | End of the Initial Term |
| SC3 | End of the Initial Term, if the Customer elects to extend the Initial Term  | 12 months after the end of the Initial Term |
| SC4 | 12 months after the end of the Initial Term, if the Customer elects to extend the first Extension Period | 24 months after the end of the Initial Term |

1. **Table 3: NOT USED**
2. **Table 4: NOT USED**

**5 Table 5: NOT USED**

**ANNEX 3**

**Pro-forma Certificate of Costs**

I [***name of CFO or Director of Finance or equivalent as agreed in advance in writing with the Customer***] of [***insert name of Service Provider***], certify that the financial information provided as part of this Certificate of Costs, incurred in relation to the [***insert name/reference for the Agreement***] (the “Agreement”) in relation to the following [Milestone/Milestone Group]:

**[Insert details of Milestone/Milestone Group]**

1. has been reasonably and properly incurred in accordance with [name of Service Provider]’s books, accounts, other documents and records;
2. is accurate and not misleading in any respects; and
3. is in conformity with the Agreement and with all generally accepted accounting principles within the United Kingdom.

Signed **[*Director of Finance or equivalent*]**

**[*Name of Service Provider*]**

**ANNEX 4**

**Risk Register**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Column 1** | **Column 2** | **Column 3** | **Column 4** | **Column 5** | **Column6** | **Column 7** | **Column 8** | **Column 9** | **Column 10** | **Column 11** | **Column 12** |
| **Risk Number** | **Risk Name** | **Description of risk** | **Timing** | **Likelihood** | **Impact (£)** | **Impact (description)** | **Mitigation (description)** | **Cost of mitigation** | **Post-mitigation impact (£)** | **Forecast Contingency Costs** | **Owner** |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**ANNEX 5**

**Not Used**

**ANNEX 6 STAFF RATES CALCULATION USING COST COMPONENT METHODOLOGY**

This Annex applies to activities, staff and equipment, employed by the Service Provider or Key Sub-contractors.

1. The Staff Rates used to determine any change to the Charges to this Agreement shall be calculated in accordance with this Annex to Schedule 7.1.
2. The calculation shall be undertaken at the appropriate time when a Staff Rates is calculated. If the Service Provider cannot substantiate an element of cost then the Customer will not pay that unsubstantiated element of cost.
3. Each calculation shall be substantiated by a combination of historic costs and records of time expended. The historic cost should be updated by any known changes in costs – for example rent reviews, or time expended, – for example changing from full-time to part-time employment. Allowances for newly recruited staff should be based on calculations for similar staff.
4. The Service Provider must demonstrate, through benchmarking or other methods, that the cost calculated for each person is in line with the market for such a person.
5. The Service Provider must maintain a record of the calculations and a list of the Staff Rates for each person whose costs are relevant to the Charge. The Service Provider must provide a copy of the list when requested by the Customer Relationship Manager.
6. The Service Provider must identify the costs incurred under the following headings.

6.1 Cost of people;

6.2 Cost of equipment

6.3 Office overheads;

6.4 Service Provider profit.

1. The coverage of the payment under each of these categories, and the method of assessing the payments, is set out below. At the Effective Date, where appropriate, the costs, overheads and profits should be consistent with those in the Financial Model.

**Utilization factor for changes to the Monthly Service Charges**

1. For all changes to the Monthly Service Charges, the % of time that an employer plans a person to be working on projects or service delivery over the year (the **“Utilization Factor”)** shall be 1.0 for each person.

**Utilization factor for Innovation Project Staff**

1. For determining the Charges for Innovation Projects, the Service Provider shall use the following staff grades, as detailed within the Financial Model.
2. In identifying the Utilization Factors of the Innovation Project staff, the annual leave entitlement of the staff shall be deemed to be working time. The Service Provider’s lower limit of Utilization Factors for the staff grades associated with Innovation Projects are as follows:

Table 13: Utilization Factors

|  |  |  |
| --- | --- | --- |
| **Number** | **Grade** | **Utilization factor** |
| 1 | Senior Analyst Team Leader | 1 |
| 2 | Senior Business Analyst | 1 |
| 3 | Business Analyst | 1 |
| 4 | Junior Business Analyst | 1 |

|  |  |  |
| --- | --- | --- |
| **Number** | **Grade** | **Utilization factor** |
| 1 | Senior Developer Team Leader | 1 |
| 2 | Senior Developer | 1 |
| 3 | Application / System Developer | 1 |
| 4 | Junior Developer | 1 |
| 5 | Test Manager | 1 |
| 6 | Test Analyst | 1 |
| 7 | Tester | 1 |

|  |  |  |
| --- | --- | --- |
| **Number** | **Grade** | **Utilization factor** |
| 1 | Project Manager | 1 |
| 2 | Junior Project Manager | 1 |
| 3 | Project Support Officer | 1 |

For the changes to the Service Charges, the Utilization Factor shall be 1.0

**Cost of people**

1. Under this component, the Service Provider must identify:
	1. costs paid to people: Wages or salary including overtime, project bonus or incentive payments, allowances and benefits in kind relevant to work on the project;
	2. costs incurred in relation to people: Employer’s pension (excluding pensions fund deficit costs) and national insurance payments, personal insurance, medical costs;
2. For contract staff and self-employed people, the hourly rate for a person is the amount paid by the Service Provider for the services of that person.
3. The following calculation is carried out to establish the cost of people employed by the Service Provider.

|  |  |  |  |
| --- | --- | --- | --- |
| Staff: |  |  |  |
| **Employment Costs** |  |  |  |
| Costs paid to people (£) |  |  |  |
| Cost incurred in relation to people (£) |  |  |  |
| Annual Cost of people | - | - | - |
| Total annual hours of employment (Hrs) |  |  |  |
| Annual Leave (Hrs) |  |  |  |
| Overtime worked (Hrs) |  |  |  |
| Annual hours available (Hrs) | - | - | - |
| Utilization Factor |  |  |  |
| Hourly cost of people (£) | - | - | - |

Where:

Annual hours available = Total annual hours of employment + Overtime worked – Annual Leave

Hourly cost of people =

**Equipment**

1. Under this component, the Service Provider must identify:
	1. cost of equipment used: IT peripherals, hardware, consumables, cable, cabling accessories or other equipment necessary in order to deliver the defined services;
	2. costs incurred in relation to equipment: delivery charges;

 (but not including items included within limb (b) of Cost)

**Office overheads**

1. The cost of the local office facility is recovered by adding a percentage uplift to the cost of people working in that office. This overhead percentage covers the cost within the local office of office costs – rent, service charge or maintenance costs, furniture and fittings, utilities, office equipment, consumables, security, cleaning. The calculation of this percentage shall be agreed at the Effective Date, based on evidence agreed in the Financial Model, and is fixed for the duration of the contract.
2. Each office from which staff will be working on the task will have its own overhead percentage, calculated as follows.

|  |  |  |  |
| --- | --- | --- | --- |
| Location: |  |  |  |
| **Office Overhead** |  |  |  |
| Costs of office (£) |  |  |  |
| Cost of people in the office (£) |  |  |  |
| Office overhead (%) | - | - | - |

Where:

Office Overhead =

1. This overhead percentage is applied to people working within the office, including those making visits away from the office or working on a short-term basis elsewhere.
2. Where staff are working within a facility provided by the Customer for a period in excess of two (2) weeks, no office overhead is added to the cost of those people. Where people are co-located in a Service Provider or a Key Sub-contractor’s office, the overhead for that office is applied to the cost of people.

**Service Provider profit**

1. A percentage is added to these costs of people and office overheads to include allowances for all expenses not recovered through this Agreement, together with other overheads and a percentage for profit. The calculation of this percentage is agreed at the Effective Date, based on evidence agreed in the Financial Model, and is fixed for the duration of the Agreement.
2. The percentage addition for profit is to be the same for each member of staff; the allowance, therefore, is required to provide a profit contribution for the Service Provider and Key Subcontractors. This must be same as the overall Service Provider Profit included in the Financial Model.
3. Costs are identified under the following elements.

|  |  |
| --- | --- |
| **Service Provider profit**  |  |
| Non-recoverable project cost (%) |  |
| Accounting, HR & other support service (%) |  |
| R&D, training and marketing (%) |  |
| Insurance (%) |  |
| Parent company contribution (%) |  |
| Legal & other professional costs (%) |  |
| Other costs (%) |  |
| profit (%) |  |
| % Addition |  |

Where:

% Addition = Non-recoverable projects cost

 + Accounting, HR & other support service

 + R&D, training & marketing

 + Insurance

 + Parent company contribution

 + Legal & other professional costs

 + Other costs

 + “profit”

Staff Rates

The Staff Rates for each person is calculated as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Staff: |  |  |  |
| **People working in Service Provider’s Office** |  |  |
| Hourly cost of people (£) |  |  |  |
| Office Overhead (%) |  |  |  |
| Service Provider profit (%) |  |  |  |
| Total Rate (£) | - | - | - |
| **People working in Highway England Office** |  |  |
| Hourly cost of people (£) |  |  |  |
|  |  |  |  |
|  Service Provider profit (%) |  |  |  |
| Total Rate (£) | - | - | - |

Where:

Total Rate = Hourly cost of people x (1 + Office Overhead + Service Provider Profit)

1. Note: The staff grades and Staff Rates shall align with the details included in the Financial Model submitted with the Tender. No additional staff grades shall be added over those used in the Financial Model. [↑](#footnote-ref-2)
2. Note: The total Fixed Service Charge for this fixed period will be reduced pro-rata in the event that the Achievement of Milestone 1.2 (ATP1) (the Service Charge Trigger Event) is delayed beyond the Milestone Date for Milestone 1.2 (ATP1). The monthly Service Charge will not be reduced but will only be payable for the remaining months (and part months) in the fixed period following the Service Charge Trigger Event and pro-rata in the month in which the Service Charge commences as set out in paragraph 2.3 of Part B of this Schedule. In the event that the Service Charge Trigger Event does not occur until a subsequent period no Service Charge is payable for this period and the same principle shall apply to the subsequent periods, as applicable. [↑](#footnote-ref-3)