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Department for Work and Pensions

SCHEDULE 15 CHARGES

1 Introduction

1.1 This Schedule sets out the Charges, which the AUTHORITY shall pay to the CONTRACTOR for the provision of the Services.

2 Scope

2.1 The Charges as they relate to the following service elements are set out in more detail in this Schedule:

- Transition Services
- Transformation Services
- Managed Services
- Service Builds
- Development Services
- Hosting Services
- Ad-Hoc Project Services
- Other Services

2.2 These Charges are varied by application of remedies, gainshare or efficiencies from Continuous Improvement Programmes, and a bonus mechanism based on performance against all areas of the Agreement, including but not limited to Service Levels, Key Performance Indicators and Development Services.

2.3 All Charges are subject to the provisions of Open Book and the Benchmarking provisions set out in Schedule 9 (Benchmarking), with the exception that Benchmarking shall not apply to the Transition Charges. All Charges shown are exclusive of VAT, which shall be applied at the prevailing rate at time of invoice.

2.4 There is no automatic right for the CONTRACTOR to unilaterally amend Charges in any circumstance. Adjustment to the Charges in paragraphs 2, 3, 4, 5, 6 and 8 of this Schedule 15 (Charges) will be managed through the Change Control Procedure.

2.5 Payment of all Charges under this Schedule are subject to issue of a Valid Form Invoice.

3 Transition Charges

3.1 The fixed price for the Transition project shall be £3,090,077.14. These Charges are for the delivery of the Transition project as outlined in the Transition Plan in Schedule 3 (Transition).

3.2 The fixed price for the Transition project shall be paid by the AUTHORITY, subject to achievement of Transfer of Responsibility Date milestone as per Table 2.1 below:

Item / Deliverable	Price (excluded VAT)	Payment profile
Total Transition Charges consisting of:	£3,090,077.14	
Acceptance of Transfer of Responsibility Date milestone or where Acceptance would have been achieved but for any Default caused solely by the AUTHORITY	£500,000	Payable 30 days following the receipt of a Valid Form Invoice
Recurring Monthly Charge from TORD to March 2011	£42,797.13	Payable 30 days following the receipt of a Valid Form Invoice
Recurring Monthly Charge for CONTRACTOR Cost of Financing from TORD to March 2011	£ 6,072.25	Payable 30 days following the receipt of a Valid Form Invoice

Table 2.1 – Transition Charges

- 3.3 Responsibility and accountability of the CONTRACTOR, the AUTHORITY and incumbent suppliers and service providers (external dependencies) are clearly defined in the Transition Plan (see Schedule 3 (Transition)).
- 3.4 Transformation Charges
- 3.5 Transformation Charges are payable in respect of the provision of the Transformation projects/services as defined in Schedule 7 (Transformation).
- 3.6 The fixed price for the Transformation project is £528,947.82 and shall be paid by the AUTHORITY on achievement of Transformation milestones, such milestones and the Transformation Plan to be agreed and confirmed during Transition.
- 3.7 In the event of a failure attributable to the CONTRACTOR's Default in the Transformation project the CONTRACTOR shall pay Liquidated Damages, as per paragraph 15 of this Schedule 15 (Charges).
- 3.8 Responsibility and accountability of the CONTRACTOR, the AUTHORITY and incumbent suppliers and service providers (external dependencies) are clearly defined in the Transformation Plan which will be defined prior to TORD as agreed in Schedule 7 (Transformation).

4 **Managed Services**

- 4.1 Managed Services Charges shall be fixed and shall be payable by the AUTHORITY monthly in arrears from the Transfer of Responsibility Date, in accordance with the rates set out in Table 5.1.

Service	Year 1 From Nov 06 to 31st March 2007	Year 2 Ending 31st March 2008	Year 3 Ending 31st March 2009	Year 4 Ending 31st March 2010	Year 5 Ending 31st March 2011
Monthly Managed Services Fixed Charge	£ 471,669.36	£ 455,371.83	£ 450,416.47	£ 406,446.42	£ 411,497.97
Monthly Managed Service Variation	n.a	n.a	n.a	n.a	n.a
of which resources relating to Service Builds	£ 40,018	£ 42,075	£ 42,075	£ 28,050	£ 28,050

Table 5.1 Monthly Managed Services Charges

- 4.2 The first row of Table 5.1 sets out the Monthly Managed Services Fixed Charges subject to the parameters defined in Annex 4 volumetrics of this Schedule and including Charges relating to Service Builds.
- 4.3 The second row of Table 5.1 sets out the Monthly Managed Service Variation Charges. These Services are provided by the Subcontractors set out in Table 5.2 in accordance with the scope of services set out in Schedule 18 (Approved Subcontractors). Where the Subcontractors are delivering the scope in accordance with Schedule 18 (Approved Subcontractors) and where the volumes are different to those assumed in the Managed Services Charge, then there will be a variation. This shall be calculated as follows: actual volumes x tariff, less assumed volumes x tariff in the Managed Services Charge. In the event that the actual values exceed the estimated values, the CONTRACTOR shall charge the AUTHORITY for the difference between the two, plus a 5% mark up.
- 4.4 The figures set out in the third row of Table 5.1 represent the Charge for the resources used for Service Builds as defined in Schedule 2 (Services).
- 4.5 The Managed Services Charges remain fixed within the parameters defined in the Volumetrics as per Annex 4 and paragraph 2.3 of this Schedule 15 (Charges). For the

avoidance of doubt if the costs to the CONTRACTOR falls then this shall be passed through to the AUTHORITY.

4.6 Table 5.2 (Subcontractors Variable Charges - Tariffs) sets out the estimated Tariffs for the Subcontractor exclusive of the CONTRACTOR 5% mark up. This table shall be finalised during Transition and updated through Change Control Procedure.

Subcontractor	Units/Volume description	Tariff
UK Mail	Number of letters sent	Average estimate of 17p per letter
Alerts Online	Number of AUTHORITY Customers Number of alerts	Service fee: £5,000 per AUTHORITY Customer per month Minimum message fee: £5,000 per AUTHORITY Customer per month SMS: 4.5p/sms and will reduce to 3.6p when the entire volume of SMS sent in the alerts engine exceeds 1,000,000 per month. Emails free. Fax will be call time at national rate Voice will be call time at national rate Other charges to be determined
Halcyon	Number of PINs printed	Average estimate of 17p per PIN printed
Datacash	Number of AUTHORITY Customers Number of transactions	Datacash annual licence: £480 per AUTHORITY Customer per annum 9p per transaction

Table 5.2 Subcontractors Variable Charges - Tariffs

4.7 In the event that replacing these Subcontractors is considered part of the CIP then it will be dealt with by the Strategy and Planning Board. If it is considered part of the CIP the net

savings will be shared in accordance with paragraph 16 (CIP) of this Schedule 15 (Charges).

5 Development Services Charges

5.1 Development Services Charges comprises the Development Service Fixed Charge and the Development Services Variable Charge as set out in Table 6.1.

Service	Year 1 From Nov 06 to 31 st March 2007	Year 2 Ending 31 st March 2008	Year 3 Ending 31 st March 2009	Year 4 Ending 31 st March 2010	Year 5 Ending 31 st March 2011
Development Services Monthly Fixed Charge	£273,018.22	£355,305.34	£345,321.03	£164,698.74	£161,503.87
Development Services Monthly Variable Charge	See paragraph 6.3	See paragraph 6.3	See paragraph 6.3	See paragraph 6.3	See paragraph 6.3

Table 6.1: Development Services Charges

5.2 The first row describes the Development Service Fixed Charge which is for the Core Committed Team and the incremental team as described in paragraph 12 of Schedule 2 (Services), in accordance with Table 6.1 above.

5.3 The Development Services Variable Charge, which is the adjustment to reflect the Charges for additional resources, shall be agreed by the Parties through the process set out in Schedule 22 (Development Services).

5.4 Additional resources to the Core Committed Team and incremental team will be charged in accordance with paragraph 8 of this Schedule 15 (Charges).

5.5 Gainshare

5.6 No more than three (3) months following Acceptance of each Development Services project, Ad-Hoc Services project and CIP project, the CONTRACTOR shall undertake a budget review in respect of each such project and compare the forecasted spend against the actual spend for that project (including any costs incurred after such Acceptance).

5.7 Where the actual spend is less than the budgeted spend the CONTRACTOR shall prepare the net figure and divide the amount equally. The budgeted spend shall be adjusted to take account of any contingency or risk premium added by the CONTRACTOR.

5.8 If the AUTHORITY is entitled to a gainshare then, the CONTRACTOR shall deduct the AUTHORITY's share of gainshare from the future Development Services Monthly Charges or issue a credit note for the amount of the AUTHORITY's gainshare.

6 Hosting Services Charges

6.1 Hosting Services Charges shall be on a Fixed Price basis and payable in accordance with the rates set out in Table 7.1 below.

Item/Deliverable	Price (excluding VAT)	Payment Profile
Hosting Services	£84,922 in November 2006 and £120,560 per Invoice Period from December 2006	100% payable per Invoice Period in arrears due 30 days following the receipt of a Valid Form Invoice.
<i>of which</i>		
A) Data Centre Space Rental Services Charge inclusive of Hosting Set-Up Charge	£54,371.6 in November 2006 and £77,189 per Invoice Period from December 2006	
<i>of which</i>		
<i>A1) Data Centre Space Rental Services Charge</i>	<i>£36,794.8 in November 2006 and £52,236 per Invoice Period from December 2006</i>	
<i>A2) Hosting Set-Up Charge</i>	<i>£17,576.8 in November 2006 and £24,953 per Invoice Period from December 2006</i>	
B) Data Centre Operations Services Charge	£30,550.4 in November 2006 and £43,371 per Invoice Period from December 2006	

Table 7.1 –Hosting Services Charges

6.2 Disaster Recovery Services

6.2.1 The Disaster Recovery Services shall be on a Fixed Price determined by applying Category A charges as per paragraph 8 of this Schedule 15 (Charges) and capped at the CONTRACTOR's gross margin of 21%.

6.2.2 The Charges for the Disaster Recovery Services shall be payable in accordance with the rates set out in the Table 7.2 below which will be finalised during Transition/Transformation and updated through the Change Control Procedure:

Item/Deliverable	Price (excluding VAT)	Payment Profile
Disaster Recovery Services	£[] per Invoice Period from []	100% payable per Invoice Period in arrears due 30 days following the receipt of a Valid Form Invoice.
<i>of which</i>		
a) Disaster Recovery Project	£[]	
b) Second Data Centre Space Rental Services Charge	£[] per Invoice Period	[]
c) Second Data Centre Operations Services Charge	£[] per Invoice Period	

Table 7.2 Disaster Recovery Service Charges

7 **Ad-Hoc Project Services**

- 7.1 To the extent that the AUTHORITY requires any services falling outside the scope of the Services, the AUTHORITY may request the CONTRACTOR to provide additional Ad-Hoc Project Services subject to the Change Control Procedure.
- 7.2 The Ad-Hoc Project Services Charges shall be calculated based on the rates set out in the daily rate card presented in Table 8.1 below ("Daily Rate Card") multiplied by the relevant discount rate set out in Table 8.2, according to notice period and project duration and subject to the Change Control Procedure.

Role	Daily Rates (Top end Category C)
Consulting Director /Technical consultant	£1,666
Delivery Director / Programme Manager	£1,666
Technical Architect / Specialist	£1,428
IT Security	£1,402
Infrastructure Specialist / Networking Specialist	£1,402
Service Management	£1,200
Principal Consultant	£1,190
Business Analyst	£1,190
Project Manager	£1,190
Team Leader	£1,071
Senior Business Engineer	£1,071
Media Operator	£965
Senior Developer	£893
System Analyst	£893
System Engineer	£741
Analyst	£655
Junior Analyst	£536
Admin Assist/Account Support	£357
Microsoft - Development Manager	£1,778
Microsoft - Design, Test and Dev Lead	£1,687
Microsoft - AR Developer / Tester	£1,499
Microsoft - PSO	£625

Table 8.1: Daily Rate Card at Top End Category C

Duration/Notice	< 1 month	1 - 6 months	6+ months
< 60 days	0%	-4%	-10%
> 60 days, < 120	-1%	-5%	-11%
> 120 days, < 220	-3%	-7%	-13%
> 220	-6%	-10%	-16%

Table 8.2: Discount rates

7.3 The above Daily Rate Card states the maximum rates, which the CONTRACTOR shall charge on a time and materials basis for any Ad-Hoc Project Services not covered by the fixed Charges for the Services.

7.4 Discount rates applied to the Daily Rate Card in Table 8.1 above determine three charging categories: Category A, B and C:

- Category A represents rates derived by applying a discount rate of 16% to the Top End Category C. It represents the minimum, which the CONTRACTOR shall charge for Ad-Hoc Project Services (further explained in Annex 3)
- Category B is a range of rates derived by applying discount rates between 7% and 13% to the Top End Category C rates according to Duration and Notice (further explained in Annex 3)

- Category C is a range of rates derived by applying discount rates between 0% and 6% to the Top End Category C rates according to Duration and Notice (further explained in Annex 3)
- 7.5 When the CONTRACTOR receives an Ad-Hoc Project Service Request from the AUTHORITY and after the CONTRACTOR has scoped the project, the Parties will agree the Notice and Duration and refer to the discount table presented in Table 8.2 of this Schedule to determine the discount rate to be applied to the Daily Rate Card and the relevant charging category.
- 7.6 Category C shall apply on a time and materials basis and charged on a monthly basis unless otherwise agreed by the Parties.
- 7.7 Category A and B shall apply on a fixed price basis and be paid by milestone achievement unless the relevant project is not suitable to be performed on a fixed price basis.
- 7.8 The daily rates set out in Table 8.1 above are based upon a 7.5 hour working day between 9am and 5.30pm and exclude expenses, unless otherwise agreed.
- 7.9 Any requirements that do not fall under the roles and activities set out in Table 8.1 above will be priced on request and subject to the Change Control Procedure.
- 7.10 The rates in Table 8.1 above shall be reviewed annually each July and shall expire at the next annual review or after a period of 12 months. Where the rates have expired and a review has not been concluded any projects initiated during expiry but not completed before the review shall be charged at the new rate that is in place. Otherwise they shall be charged at the pre-existing rate. The review shall update:
- the rates contained in the above Daily Rate Card (Table 8.1) by adjusting them in accordance with the CONTRACTOR review of the Rate Card in line with movement of labour changes to preserve the CONTRACTOR's margins taking into account any outcomes of Benchmarking that have not been reflected; and
 - the Daily Rate Card by adding roles required during the contract term that do not fall under the roles and activities set out in Table 8.1.
- 7.11 For Testing Services the CONTRACTOR shall charge the AUTHORITY for out of hours Ad-Hoc Project Testing Services by applying the following multipliers to the relevant rates set out in the Daily Rate Card in Table 8.2:
- 1.5 of the daily rate for testing carried out on Saturdays; and
 - 2 of the daily rate for testing carried out on Sundays and Bank Holidays.
- 7.12 The CONTRACTOR will provide the appropriate resource to carry out the Ad-hoc Testing provided it receives Notice of at least ten (10) Working Days. At all other times the CONTRACTOR shall take reasonable endeavours to provide the appropriate resources within the Notice given.

8 Fixed Price Projects

- 8.1 Where projects are charged on a fixed price basis, with payments linked to milestones, the CONTRACTOR may include an appropriate level of contingency and risk premium within the agreed Charges. To ensure the AUTHORITY has transparency over the contingencies

added, and that risks are not double counted, the following principles for costing contingency and risk shall be followed:

- 8.1.1 the fixed price calculated shall be presented by the CONTRACTOR excluding any contingency or risk premiums along with a project plan and a risk register;
- 8.1.2 contingency shall be calculated by assessing the overall project risk in accordance with the project risk register. The risk register should include any expected changes to Daily Rate Card during the project lifecycle; and
- 8.1.3 The CONTRACTOR expects to place a minimum contingency of 7.5%. However, the CONTRACTOR can opt not to include a contingency.

9 Other Services charges

9.1 Expenses

9.2 Expenses are excluded from the Charges stated in this Schedule.

9.3 The CONTRACTOR shall be entitled to claim for expenses (travel and subsistence):

- from the CONTRACTOR Premises to the AUTHORITY Premises for meetings (including presentations and training sessions) called or prior agreed by the AUTHORITY or AUTHORITY's Customers;
- for attending AUTHORITY Premises, in relation to the 5 days per month pre-sales activity for Service Builds referred to in Schedule 2 paragraphs 8.2(c)(iv) and 8.3(c)(i);
- project work in relation to Application Releases and other project services. Such expenses shall be agreed with the AUTHORITY as part of the fixed charges prior to the work taking place.

For the avoidance of doubt, the CONTRACTOR shall not be entitled to claim expenses, in relation to attendance at the governance boards set out in Schedule 13 (Governance & Reporting).

9.4 The expenses will be calculated at the AUTHORITY expense rates as notified to the CONTRACTOR from time to time.

9.5 Expenses will be charged monthly in arrears or as otherwise agreed between the Parties.

9.6 Miscellaneous Charges

9.7 Other incidental charges may be incurred from time to time by the CONTRACTOR. With the agreement of both the AUTHORITY and the CONTRACTOR these shall be recharged to the AUTHORITY on terms agreed on a case by case basis.

10 Indexation

10.1 Indexation is excluded and shall not be applied to the Charges within the fixed price of this Agreement.

11 Financial Model

11.1 The financial model at Annex 5, Appendix 1 to this Schedule ("Financial Model") sets out the structure of Charges relating to this Agreement.

12 Termination

12.1 Any payments to be made under termination will be made once the AUTHORITY has finally determined its position (which may include, for example, agreeing with the CONTRACTOR appropriate levels of compensation through mediation or structured negotiations) in relation to:

12.1.1 the CONTRACTORS liability for costs, damages or other losses;

12.1.2 any amounts that may be due to be paid by the CONTRACTOR to the AUTHORITY as Service Credits, gainshare, bonus, advance payments and liquidated damages, Continuous Improvement Programme Charges); and

12.1.3 any other liabilities arising out of this Agreement or the events related to the exercise of the termination notice.

12.2 In the event of termination by the AUTHORITY for convenience the AUTHORITY shall give the CONTRACTOR six (6) months' notice or pay six (6) months' (less any period of notice given) charges. In addition it will pay:

12.2.1 the Charges associated with the Exit Plan determined by Schedule 12 (Exit and Service Transfer Arrangements). The CONTRACTOR shall endeavour to mitigate such costs;

12.2.2 any Transition, Transformation or Service Charges including Hosting Service Charges and Hosting Set-Up Charge up to the termination date and any deferred Charges not yet paid by the AUTHORITY;

12.2.3 an amount for Assets that have been purchased by the CONTRACTOR for the exclusive provision of the Services and listed in the Asset Register issued prior to notice of termination. This will be calculated at purchase value less the recovered portion of the purchase price;

12.2.4 expected Income from Operation (IFO) at the Commencement Date of the Agreement. This is the calculated margin for the Services, excluding Hosting Services, due for the Initial Term from the termination date excluding the Subcontractors;

12.2.5 any stranded costs that are reasonable and directly related to termination of the Services, excluding Hosting Services. Stranded costs shall in no event exceed £500,000. The CONTRACTOR shall endeavour to mitigate such costs.

12.3 In the event of termination of the whole Agreement by the AUTHORITY for CONTRACTOR Default or Change of Control of the CONTRACTOR, a payment shall be made for:

12.3.1 the Charges associated with the Exit Plan as determined by Schedule 12 (Exit and Service Transfer Arrangements). The CONTRACTOR shall endeavour to mitigate such costs;

12.3.2 any Transition, Transformation or Service Charges including Hosting Service

Charges and Hosting Set-Up Charge up to the termination date and any deferred Charges not yet paid by the AUTHORITY;

- 12.3.3 if the AUTHORITY requires Assets to be transferred, an amount for Assets that have been purchased by the CONTRACTOR for the provision of the Services, excluding Hosting Service, and listed in the Asset Register issued prior to notice of termination. This will be calculated at purchase value less the recovered portion of the purchase price.
- 12.4 Any adjustment to the Services and associated Charges that survive partial termination for CONTRACTOR Default and convenience shall be agreed through the Change Control Procedure.
- 12.5 In the event of termination of part of the Agreement (provided that that part is identified as on or more of the categories of Services set out in paragraph 2.1 in this Schedule) by the AUTHORITY for CONTRACTOR's Default, a payment shall be made for:
- 12.5.1 the Charges associated with the Exit Plan as determined by Schedule 12 (Exit and Service Transfer Arrangements). The CONTRACTOR shall endeavour to mitigate such costs;
- 12.5.2 any Charges including Hosting Service Charges and Hosting Set-Up Charge relating to the part of the Agreement terminated up to the termination date and any deferred Charges relating to the part of the Agreement terminated not yet paid by the AUTHORITY; and
- 12.5.3 if the AUTHORITY requires Assets to be transferred, an amount for Assets that have been purchased by the CONTRACTOR for the provision of the Services, excluding Hosting Services, and listed in the Asset Register issued prior to the notice of termination. This will be calculated at purchase value less the recovered portion of the purchase price.
- 12.6 In the event of a partial termination by the AUTHORITY for convenience subject to the condition that the Services to be discontinued can be separately identified, payment shall be made for:
- 12.6.1 the Charges associated with the Exit Plan in relation to the partial termination as determined by Schedule 12 (Exit and Service Transfer Arrangements). The CONTRACTOR shall endeavour to mitigate such costs;
- 12.6.2 any Charges including Hosting Service Charges and Hosting Set-Up Charge relating to the part of the Agreement terminated up to the termination date and any deferred Charges relating to the part of the Agreement terminated not yet paid by the AUTHORITY;
- 12.6.3 an amount for Assets that have been purchased by the CONTRACTOR for the exclusive provision of the Services and listed in the Asset Register issued prior to the notice of termination. This will be calculated at purchase value less the recovered portion of the purchase price; and
- 12.6.4 expected Income from Operation (IFO) at the Commencement Date of the Agreement. This is the calculated margin for the Services that are subject to partial termination, excluding Hosting Services, due for the Initial Term from the termination date, excluding the Subcontractors.

- 12.7 The AUTHORITY may, without liability or payment of compensation of any kind (save for payment of any Charges for provision of Services in respect of existing Development projects in accordance with its terms), terminate at its convenience the Development Service and Services Build that would be effective from 1 April 2009 in order to reduce the Charges, provided that the AUTHORITY gives Notice to the CONTRACTOR of such termination on or before 1 January 2009.
- 12.8 In the event that the AUTHORITY terminates the Development Service and Services Build in accordance with paragraph 13.7, the CONTRACTOR shall carry out an impact analysis under the Change Control Procedures and agree with the AUTHORITY any further Changes to the Services under Schedule 2 (Services) and the Charges under Schedule 15 (Charges).
- 12.9 If the AUTHORITY terminates the Development Service and Services Build in accordance with paragraph 13.7 and then requires further core committed team resources or Service Builds the Parties shall agree the activities under Schedule 24 (Change Control) and the Charges under paragraph 6.2 of this Schedule 15 (Charges).
- 12.10 In the event of termination by the AUTHORITY for convenience as a result of the AUTHORITY's termination for CONTRACTOR default of the transition element of CCN 8 Transition Work Package before Final Acceptance thereof (as defined in CCN 8 Transition Work Package) a payment shall be made for:
- 12.10.1 the Charges associated with the Exit Plan as determined by Schedule 12 (Exit and Service Transfer Arrangements). The CONTRACTOR shall endeavour to mitigate such costs;
 - 12.10.2 any Transition Charges including up to the termination date and any deferred Charges not yet paid by the AUTHORITY;
 - 12.10.3 if the AUTHORITY requires Assets to be transferred, an amount for Assets that have been purchased by the CONTRACTOR for the provision of the Services, excluding the Hosting Service, and listed in the Asset Register issued prior to the notice of termination. This will be calculated at purchase value less the recovered portion of the purchase price.
- 12.11 Following the determination of the AUTHORITY's position in accordance with paragraph 13.1, any payment to be made under paragraph 13.10 shall be off-set against any losses, damages, costs or expenses in respect of which the CONTRACTOR is liable by reason of claims made by the AUTHORITY under the Assignment Contract and claims for negligence in respect of Contract Change Note 8 for the CONTRACTOR's default occasioning termination thereunder.
- 12.12 In the event of termination of the whole or part of the Agreement by the AUTHORITY for Force Majeure a payment shall be made for:
- 12.12.1 the Charges associated with the Exit Plan determined by the Schedule 12 (Exit and Service Transfer Arrangements). The CONTRACTOR shall endeavour to mitigate such costs;
 - 12.12.2 any Transition, Transformation or Service Charges including Hosting Service Charges and Hosting Set-Up Charge up to the termination date and any deferred Charges not yet paid by the AUTHORITY;
 - 12.12.3 if the AUTHORITY requires Assets to be transferred, then an amount for Assets

that have been purchased by the CONTRACTOR for the provision of the Services, excluding the Hosting Service, and listed in the Asset Register issued prior to the notice of termination. This will be calculated at purchase value less the recovered portion of the purchase price as determined by Schedule 12 (Exit and Service Transfer Arrangements).

13 Service Credits

- 13.1 Service Credits shall be payable on all Services with the exception of the Transition, Transformation, Ad-Hoc Project Service Charges and any other Charges as agreed by the Parties. Development Service Charges will attract Service Credits but this will be reduced proportionally by the Development Service Charges that relate to Fixed Priced project activity agreed with the AUTHORITY.
- 13.2 This Service Credit regime shall be governed by the matrix Service Level points and credit bandings set out in Schedule 4, Annex A.
- 13.3 Notwithstanding paragraph 14.2 above, the Service Credit regime for the Hosting Services shall continue to follow the regime set out in Schedule 4, Annex B and the Hosting Service Level matrix set out in Schedule 4, Annex C. For the avoidance of doubt, the Service Credits relating to Hosting Services are mutually exclusive to those referred to in paragraph 14.1 of this Schedule 15 (Charges). The Service Credit regime referred to in paragraph 14.1 of this Schedule 15 (Charges) as set out in Schedule 4 shall be governed by the matrix Service Levels points and Service Credit bandings out in Schedule 4, Annex A.
- 13.4 Service Credits shall apply from TORD save that in the event the Service is reviewed according to Band C of Service Credits Regime for the month following TORD, Service Credits shall not apply.

14 Liquidated Damages

- 14.1 Liquidated Damages (“LDs”) are payable as compensation for failure to achieve milestones within Transition, Transformation, Application Development, and Ad-Hoc Projects as follows:
- 14.1.1 Shared Milestones- a milestone under the CONTRACTOR’s management that may affect the AUTHORITY. Milestone changes are presented by the CONTRACTOR to the AUTHORITY and are subject to the AUTHORITY’s prior approval; approval of a Shared Milestone change is not to be unreasonably withheld. If a Shared Milestone is missed as a result of a Default of the CONTRACTOR then an LD of 5% of the monthly profile of charge relating to the project shall be raised. Notification of the LD will be assigned by the CONTRACTOR to a central registry as part of the governance of the project and tracked according to Schedule 13 (Governance & Reporting). A notional LD budget shall be established by the CONTRACTOR.
- 14.1.2 External Milestone - a milestone under the CONTRACTOR’s management that may affect the AUTHORITY or AUTHORITY’s Customers. Milestone changes are presented by the CONTRACTOR to the AUTHORITY and are subject to the AUTHORITY’s prior approval; approval of an External Milestone change is not to be unreasonably withheld. If an External Milestone is missed as a result of a Default of the CONTRACTOR then an LD of 10% of the monthly profile charge relating to the project shall be raised. Notification of the LD shall be assigned by the CONTRACTOR to a central registry as part of the governance and tracked according to Schedule 13 (Governance & Reporting). A notional LD budget shall be established by the CONTRACTOR.

14.2 Payment of LDs. If the project completion is achieved to the original date and scope or if it is achieved to the revised plan agreed between the Parties then the LD budget shall be credited back to the CONTRACTOR net of any reasonable and direct additional costs the delay has caused to the AUTHORITY or the AUTHORITY's Customers. If the project completion date is missed due to the Default of the CONTRACTOR then the CONTRACTOR shall pay the LD budget relevant to that project. The CONTRACTOR shall then pay LDs equal to 2.5% of the total project budget for each week or part of the week that the project completion is delayed, up to a maximum of 10% of the total CONTRACTOR charge to the AUTHORITY relating the project. When the project is completed the CONTRACTOR shall receive back 50% of the LDs related to the delay net of any reasonable and direct additional costs the delay has caused to the AUTHORITY or the AUTHORITY's Customers.

14.3 The CONTRACTOR may propose a delay to a milestone and advise the AUTHORITY accordingly. If the CONTRACTOR requests to delay a milestone, the following formula (showing the number of Working Days notice to be given by the CONTRACTOR of a milestone change), shall apply to LD's related to that delay as follows:

<u>Change of Milestone Notice</u>	<u>% of LD budget to apply</u>
Over 15 Working Days	0%
Between 11 and 15 Working Days	30%
Between 5 and 10 Working Days	50%
Between 1 and 5 Working Days	75%
Between 0 and 1 Working Day	100%

14.4 For the avoidance of doubt LDs are not payable for Internal Milestones. An Internal Milestone is a milestone under the CONTRACTOR's management, changes to which are notified to the AUTHORITY but do not require the AUTHORITY's consent.

15 Continuous Improvement Programme (CIP)

15.1 The Charges in paragraphs 5 and 6 shall be adjusted to reflect savings that are related to any CIP initiatives in Schedule 6 (Continuous Improvement Programme). The AUTHORITY and the CONTRACTOR agree to consider four types of CIP initiatives:

15.1.1 nil costs to either Parties;

15.1.2 shared costs between Parties;

15.1.3 cost to the CONTRACTOR; and

15.1.4 cost to the AUTHORITY

15.2 The AUTHORITY and CONTRACTOR shall share the net savings where they fall under the following types of CIP initiatives:

15.2.1 shared costs between Parties; and

15.2.2 cost to the CONTRACTOR.

15.3 For each CIP there is a business case agreed by Strategy and Planning Board. The business case shall include the net benefits and net savings. They shall be calculated net of the cost to achieve them and over the Term of the Agreement.

15.4 The Strategy and Planning Board shall also assess the level of benefit realisation and the percentage sharing shall be applied to the actual recorded net savings and net benefits. This shall be payable on an annual basis on the anniversary of the TORD.

15.5 The Strategy and Planning Board shall assess the impact of the output of the CIP projects on the Agreement and any change implications shall be carried out through Schedule 24 (Change Control).

16 CONTRACTOR Bonus Incentive

16.1 Model for bonus

16.1.1 The AUTHORITY will, based on exemplar performance for all Service Levels (including for Hosting Services), KPIs, OLAs, Development Services, Ad-Hoc Projects and in the first year Transition and Transformation, award the CONTRACTOR a bonus. This will be paid annually on the anniversary of the Transfer of Responsibility Date.

16.1.2 The bonus shall be governed by the AUTHORITY and the AUTHORITY's Customers. The annual amount available for bonuses shall be calculated in accordance with paragraph 17.2. The bonus shall be calculated on an annual basis and shall not carry over to following years.

16.1.3 The amount of the bonus shall be calculated by the combination of the AUTHORITY's gainshare and the AUTHORITY's net benefit realised for continuous improvements and any other efficiency gains to which the AUTHORITY may be entitled. The AUTHORITY agrees to donate all of its gainshare and costs savings arising as a result of CIPs or other cost efficiencies into the bonus pot.

16.2 Bonus Calculation

16.2.1 Total pot = 100% of available bonus, then:

- **Performance metrics** = 50% (inclusive of all Service Levels, KPIs and successful Application Development projects, Transition and Transformation for the first year).
- **AUTHORITY vote** = 20% (if Service Level performance and KPI for enGage is above par for exemplary performance then 15% (of 20%) automatically awarded, and otherwise discretionary); and
- **AUTHORITY's Customer's vote** = 30% (if KPIs relating to customer service is above par for exemplary performance then 25% (of 30%) automatically awarded, and otherwise discretionary).

17 Open Book and Financial Reporting

- 17.1 The CONTRACTOR shall provide the AUTHORITY with the Financial Model as presented in Appendix 1 of Annex 5 to this Schedule updated once a year.
- 17.2 The AUTHORITY has the right to conduct an Open Book audit on the information provided under paragraph 18.1 and in accordance with the Open Book requirements stated in Annex 5 of this Schedule.
- 17.3 The CONTRACTOR shall participate fully with Open Book and provide reasonable assistance and cooperation.

Annex 1 – Summary of Charging Mechanism and Payment Terms

Item/ Service	Service Component	Pricing Mechanism	Charging Mechanism	Risk and Reward model	Invoicing
Transition		Fixed Price Project based on milestone	One-off payment of minimum £500k on TORD. The remainder equally spread over the Term of the Agreement	Gainshare, Bonus, LDs	Monthly in arrears upon receipt of Valid Form Invoice
Transformation		Fixed Price Project based on Milestones	Milestone achievement	Gainshare Bonus LDs	Monthly in arrears upon receipt of Valid Form Invoice
Managed Services		Fixed Price	Fixed Charge: Standardised Monthly Charge Variation Charge: depending on actual Subcontractor s volumes	Service Credits Bonus	Monthly in arrears upon receipt of Valid Form Invoice
Service Build		Fixed Price	Standardised Monthly Charge	Service Credits Bonus	Monthly in arrears upon receipt of Valid Form Invoice
Development Services		Fixed Price for the core committed team and incremental team. Variable Charges priced at the Daily Rate Card and dealt with through	Standardised Monthly Charge	Gainshare, Bonus, LDs, Service Credits	Monthly in arrears upon receipt of Valid Form Invoice

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		Change Control Procedure			
Hosting services		Fixed price	Standardised Monthly Charge	Service Credits Bonus	Monthly in arrears upon receipt of Valid Form Invoice
Ad-Hoc Project Services		Depending on Notice and Duration; fixed price project at category A and B; T&M at category C.	If Fixed Price projects on achievement of milestone If T&M monthly as incurred	Fixed Price Projects: Gainshare and Bonus T&M work: no risk and reward model applicable	Monthly in arrears upon receipt of Valid Form Invoice
Other Services					
	Expenses	As incurred in accordance with paragraph 10	As incurred in accordance with paragraph 10	Not applicable	Monthly in arrears upon receipt of Valid Form Invoice,
	Miscellaneous Charges	Terms agreed on a case by case basis	Terms agreed on a case by case basis	Not applicable	Monthly in arrears upon receipt of Valid Form Invoice

Annex 2 - Roles descriptions

<u>Role</u>	<u>Function</u>	<u>Rate</u>
Consulting Director	At a strategic level, responsible for the provision of advice, assistance, and leadership in any area associated with the procurement, provision, delivery, maintenance or effective use of information systems and their environments.	£1666
Delivery Director	The overall management and control of resources required to provide an efficient and cost-effective information systems delivery service to defined service levels and budgets.	£1666
Programme Manager	The selection, planning, and implementation of a programme of projects and related activities to achieve a set of business objectives.	£1666
Technical Architect/Specialist	The provision of direction and guidance on all technical aspects of the development of, and modifications to, information systems to ensure that they take account of relevant IS technical strategies, policies, standards and practices and that they are compatible with existing and planned information systems and IS infrastructure.	£1428
IT Security	The management of, and provision of expert advice on, the selection, design, justification, implementation and operation of technology and information security controls and security management techniques relating to any aspect of information systems.	£1402
Infrastructure Specialist	The maintenance of an in-depth knowledge of a specific technical specialism in information systems or information and communications technology, the provision of expert advice regarding aspects of its application, the execution or supervision of specialised tasks directly involved in its application, and the performance of related quality assurance activities.	£1402
Networking Specialist	Management of network performance, capacity, service quality and the provision of resources to enhance, maintain, or repair operational systems.	£1402
Service Management	The overall management and control of resources required to provide an efficient and cost-effective information systems delivery service to users/customers/clients, which is continuously responsive to changing business and user requirements.	£1200
Principal Consultant	The provision of advice, assistance, and leadership in any area associated with the procurement, provision, delivery, maintenance or effective use of information systems and their environments.	£1190
Business Analyst	The methodical investigation, analysis and documentation of all or part of a business in terms of business functions and processes, and the information they use. The definition of requirements for improving any aspect of the processes and systems. The creation of viable specifications in preparation for the construction of information systems.	£1190
Project Manager	The management of projects to meet identified business needs, acquiring and utilising the necessary resources and skills, within agreed parameters of cost, timescales, and quality.	£1190

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Team Leader	The management and direction of a group of technical staff, providing leadership and senior expertise as necessary to achieve the group's business objectives.	£1071
Senior Business Engineer	The analysis, definition, design, construction, testing, installation and modification of properly engineered information systems, containing software as the major component, to meet agreed business needs.	£1071
Media Operator	The administration, management, development, or operation of media in support of the delivery of an agreed IT service.	£965
Senior Developer	The design, creation, testing and documentation of new and amended programs from supplied specifications in accordance with agreed standards.	£893
System Analyst	The function of providing specialist expertise and practical assistance in the investigation, evaluation and interpretation of data in order to ensure its coherence, availability, accuracy and security to meet information systems requirements.	£893
System Engineer	The specification and design of IS solutions to meet defined business needs.	£741
Analyst	The design, creation, testing and documentation of new and amended programs from supplied specifications in accordance with agreed standards. The planning, design, preparation and production of documentary items in paper or electronic form to support the promotion, use and maintenance of information systems.	£655
Junior Analyst	The function of providing specialist expertise and practical assistance in the investigation, evaluation and interpretation of data in order to ensure its coherence, availability, accuracy and security to meet information systems requirements.	£536
Admin Assistant/Account Support	Secretarial and administrative support, the maintenance of programme and/or project files, the servicing of project control boards, project assurance teams and quality review meetings, the development, production and maintenance of plans (including time, resource, cost and exception plans).	£357

Annex 3 – Rate Table and Discount Rate Table

- Category C is a range of rates derived by applying discount rates between 0% and 6% to the Top End Category C rates according to Duration and Notice:
 - Scenario 1: less than 1 month Notice for a project with a Duration of less than or equal to 60 Working Days. Discount rate shall be 0%
 - Scenario 2: less than 1 month Notice for a project with a Duration of more than 61 Working Days but less than or equal to 120 days. Discount rate shall be 1%
 - Scenario 3: less than 1 month Notice for a project with a Duration of more than 121 Working Days but less than or equal to 220 days. Discount rate shall be 3%
 - Scenario 4: less than 1 month Notice for a project with a Duration of more than 220 Working Days. Discount rate shall be 6%
 - Scenario 5: more than 1 month but less than 6 months Notice for a project with a Duration of less than or equal to 60 Working Days. Discount rate shall be 4%.
 - Scenario 6: more than 1 month but less than 6 months Notice for a project with a Duration of more than 61 Working Days and less than or equal to 120 Working Days. Discount rate shall be 5%
- Category B is a range of rates derived by applying discount rates between 7% and 13% to the Top End Category C rates according to Duration and Notice:
 - Scenario 7: more than 1 month but less than 6 months Notice for a project with a Duration of more than 121 Working Days and less than or equal to 220 Working Days. Discount rate shall be 7%
 - Scenario 8: more than 1 month but less than 6 months Notice for a project with a Duration of more than 220 Working Days. Discount rate shall be 10%
 - Scenario 9: more than 6 months Notice for a project with a Duration of less than or equal to 60 Working Days. Discount rate shall be 10%
 - Scenario 10: more than 6 months Notice for a project with a Duration of more than 60 Working Days but less than or equal to 120 Working Days. Discount rate shall be 11%
 - Scenario 11: more than 6 months Notice for a project with a Duration of more than 120 Working Days but less than or equal to 220 Working Days. Discount rate shall be 13%
- Category A represents rates derived by applying discount rate of 16% to the Top End Category C rates according to Duration and Notice:
 - Scenario 12: more than 6 months Notice for a project with a Duration of more than 220 Working Days. Discount rate shall be 16%

Annex 4 – Volumetrics

Alerts Online fixed charges per annum are based on the following:

A monthly service fee at £5,000 x 12 months

A monthly minimum message fee at £5,000 X 12 months

Total estimated fixed costs per annum £120,000

Charges are derived by adding a 5% mark-up to the above number.

Halcyon

The fixed charges per annum are based on 1.5m PINs at 18p each

Total estimated fixed costs per annum £269,000

Charges are derived by adding a 5% mark-up

Annex 5 - Open Book Concept

Open Book

The CONTRACTOR shall provide financial information commensurate with the following Open Book paragraphs for any Change envisaged to the Charges, including impact on termination stranded costs.

As part of the agreed Open Book procedures the CONTRACTOR shall provide financial information on the Charges and cost of service delivery on a periodic basis to the AUTHORITY. The CONTRACTOR shall allow independent audit and verification that the information provided is accurate.

The CONTRACTOR shall provide the same level of financial information in the same format as defined in Appendix 1 to this Annex to support the agreed Charges. In addition the CONTRACTOR shall demonstrate:

- how input costs charged to the AUTHORITY account are arrived at;
- the methodology used to convert those input costs to the charges;
- how the CONTRACTOR will monitor and report on expenditure against the specific categories of Managed Service, and the roles within each category of Service, set out in Schedule 2 (Services)

The CONTRACTOR will provide the rules for keeping and maintaining all assets that are charged to the AUTHORITY including a list of assets on a periodic basis.

In addition, assets owned by the AUTHORITY or assets dedicated to the Services are safeguarded from those used on other CONTRACTOR contracts. The CONTRACTOR shall provide on a periodic basis:

- documents detailing the procedures for identifying and protecting specific AUTHORITY assets;
- details of audit procedures to check the accuracy of asset lists; and
- details of procedures for handover of assets in the event of termination, including the novation of title to the assets and or warranties and support contracts for those assets to the AUTHORITY where applicable.

Audit Access on Termination

In order to assess the appropriateness of payment for termination and stranded costs, the CONTRACTOR shall be required to demonstrate that the costs allocated to the account have been incurred and charged at the correct rates, including detail of investigation and follow-up procedures should any variances be identified. The AUTHORITY may independently audit this information to verify accuracy.

On termination for convenience, the AUTHORITY shall pay to CONTRACTOR the unrecovered capital value of all the assets owned by CONTRACTOR that are used to deliver the contract.

General comments

On termination the CONTRACTOR shall agree an audit to verify asset transfers and stranded costs.

The CONTRACTOR undertakes independent audit of the effectiveness of its internal controls to ensure that they are 'fit for purpose'.

The level of profitability, expenditure and cash-flow will be dependant upon CONTRACTOR's ability to deliver and will reflect its success or otherwise.

Appendix 1 – Financial Model – **Information redacted**

Annex 6 - Stranded Costs

The stranded cost cap of £500,000 provided in the termination payments of paragraph 13 of this Schedule 15 (Charges) represents the maximum in relation to stranded costs that can be recharged to the AUTHORITY by the CONTRACTOR if termination occurs. The CONTRACTOR has a duty of care to mitigate these costs and to demonstrate that the costs are reasonable and direct. The exact amount will be determined at the time of termination. They will comprise a mixture of redundancy costs and committed costs related to third party contracts (software support, network connectivity links, hardware support, and third party maintenance and service support contracts).

With respect to the third party contracts, the following table represents an indicative list of potential stranded costs based on a notice period of 6 months. The cost items and exact amounts will be determined at the time of termination.

Activity	Cost Item	Estimated stranded monthly charge £	No of months up to Oct 07	No of months from Nov 07 to March 09	No of months from April 09	Total charge (£) up to Oct 07	Total charge (£) from Nov 07 to April 09	Total charge (£) from April 09
ACD Software	Ongoing costs	75	6	6	6	452	452	452
Athene Software	Ongoing costs	1,958	6	6	6	11,750	11,750	11,750
Site Confidence	Ongoing costs	1,254	3	3	3	3,761	3,761	3,761
USD	Ongoing costs	2,695	6	6	6	16,173	16,173	16,173
USD Connectivity	Ongoing costs	2,722	6	6	6	16,335	16,335	16,335
Connectivity for LFR and TVP to ACP encrypted links	Ongoing costs	4,127	6	-	-	24,762	-	-
Fibre LAN for service desk staff	Ongoing costs	228	6	-	-	1,365	-	-
LFR-ACP reporting link	Ongoing costs	833	6	6	6	5,000	5,000	5,000
Datacash Leased Line	Ongoing costs	1,825	6	-	-	10,951	-	-
LFR - TVP source shared code link	Ongoing costs	583	6	-	-	3,500	-	-
AMW Server	Ongoing costs	400	6	6	6	2,400	2,400	2,400
Internet Connection via Daemon	Ongoing costs	17	3	3	3	50	50	50
Microsoft Premier Services + DSE	Microsoft Premier Services + DSE	29,640	6	6	6	177,838	177,838	177,838
Microsoft Infrastructure	Ongoing costs	8,500	6	6	-	51,000	51,000	-
JST	Ongoing costs	738	6	6	-	4,428	4,428	-
Alerts Online	Sub Contractors fixed costs	10,225	6	6	6	61,350	61,350	61,350