

## Deed of Variation – April 2014 – Appendix 3

### Schedule 4

#### Price Payment Mechanism

#### 1 Introduction, background and context

- 1.1 Unless otherwise specified calculations in this Schedule will be carried out to 5 decimal places (or if less than 5 are available then as many decimal places as are available).
- 1.2 Unless otherwise specified in this Schedule references to paragraphs or appendices are to paragraphs or appendices of this Schedule.

#### 2 Definitions

- 2.1 The definitions set out in the main body of the Agreement shall apply to this Schedule.
- 2.2 In addition in this Schedule, unless otherwise stated, the following words and phrases shall have the following meanings:

Expression	Meaning
Accuracy	means the correct calculation of the amount of Housing Benefit entitlement for new claims and changes of circumstance in relation to matters of fact and law but excludes: (i) any matters relating to the interpretation of the relevant regulations or the reasonable exercise of judgment or discretion; and (ii) de minimis differences in the calculation of any amounts attributable to rounding or automatic systems uprating.
<b>Additional Employment Costs</b>	means the £451k (four hundred and fifty one thousand) of additional employment costs over and above those calculated by the Service Provider in the financial Model set out in Schedule 4, Price Performance Mechanism), Appendix 1 using the information set out in Schedule 19 (Workforce Information) and the actual cost of employment based on the updated Schedule 19 (Workforce Information) issued by the Authority fourteen (14) days prior to the Service Transfer Date to be offset against the Initial Authority Redundancy Provision Refund in accordance with paragraphs 49 and 50 of Schedule 4 set out below
<b>Additional Schools Service Operating Costs</b>	means the additional costs incurred by the Service Provider (provided that such costs are directly attributable to the Schools Traded Service run by the Service Provider) in order to exceed the New Agreed Schools Income Target, such costs to be evidenced to the reasonable satisfaction of the Authority
Addressable Spend	means the agreed level of the Authority's predicted annual revenue account expenditure in areas in respect of which the Service Provider's procurement service has management control of the relevant contracts or other arrangements as set out in Appendix 9 to this Schedule and/or the processes and/or procedures under which such expenditure is made including (but not limited to) a) oversight of

Expression	Meaning
	the management of any contracts with third parties under which the relevant expenditure is made (including but not limited to the oversight of the processes under which invoices are approved for payment); and b) responsibility for undertaking any procurement activity related to the re-negotiation, extension and/or retendering of such third party contracts) and in accordance with paragraph 40.16 of this Schedule.
Administrative Delay Overpayments	means an overpayment which has been caused by the Service Provider continuing to pay incorrect benefit, when it is in receipt of sufficient information to enable it to process the change of circumstances and the delay in processing the change of circumstances was not due to a mistake, whether in the form of an act or omission of the Service Provider.
Agreed Procurement Price Recovery	means the sums (subject to indexation) payable by the Authority to the Service Provider in consideration of the Service Provider's procurement transformation activity as set out in paragraph 40.27
Agreed Commercial Property Portfolio Rental Income Baseline.	means the baselined Commercial Property Portfolio Rental Income set out in paragraph 34.1 at the Service Transfer Date and as adjusted annually at the start of each Contract Year in accordance with paragraph 35.8
Agreed LG Pay Award	means the pay award agreed by the Authority for the financial year in question.
Agreed Schools Income Baseline	means the baselined Schools traded service income at the Service Transfer Date as set out in paragraph 12 and the Financial Model tab "Income and Recharges".
Annual Optimised SPD Revenue	means the additional Council Tax revenue created as a result of the Service Provider's review and removal of Single Person Discounts for households within the Authority that are no longer entitled to the discount as described in paragraph 43.2.
Annual Service Charge	means the annual aggregate of the charges for a Contract Year covering the Periodic Service Payments, Periodic Net Gainshare Payments and Miscellaneous Payments as amended via the application of changes to the Authority's requirements via the provisions of Clause 13 (Changes to the Agreement), Schedule 14 (Change Protocol), Schedule 15 (Special Projects Approval Procedure) and the provisions of Paragraph 19 (Indexation).
Annual Service Payments	means the annual aggregate of the payments for a Contract Year covering the Periodic Service Payments, Periodic Net Gainshare Payments and Miscellaneous Payments as amended via the application of changes to the Authority's requirements via the provisions of Clause 13 (Changes to the Agreement), Schedule 14

Expression	Meaning
	(Change Protocol), Schedule 15 (Special Projects Approval Procedure) and the provisions of Paragraph 19 (Indexation).
Annual Service Report	shall have the meaning given to it in Schedule 13 (Monitoring Procedure)
Authority Council Tax Share	the net Authority share of additional Council Tax Income having deducted the Service Provider Council Tax Fee as calculated under the Council Tax Gainshare mechanism as set out in paragraph 41.6, or where the income accrues to the Service Provider in the first instance, the element repayable to the Authority
Authority Procurement Share	means the Authority's share of the net procurement financial guarantee having deducted the Agreed Procurement Price Recovery as calculated under the procurement Gainshare mechanism, or where the benefit accrues to the Service Provider in the first instance, the element repayable to the Authority as set out in paragraph 41.30
Authority Redundancy Provision Refund	Means the difference between the total provision included within the financial model for redundancy costs and that actually incurred by the fifth anniversary of the Service Commencement Date less any Initial Authority Redundancy Provision Refund released during Contract Year 1 using the mechanism set out in Schedule 4, paragraph 49.
Baseline Council Tax Collection Rate or BCTCR	means the Authority's audited overall Council Tax four year collection rate for 2009/10 (measured as at 31 March 2013).
Baselining	means the process of measuring those KPIs identified in Appendix 4 that have no recorded baseline performance at the Service Transfer Date for the period set out in Appendix 4.
Capital Contribution	means the amount payable by the Authority to the Service Provider in line with the provisions of paragraph 11.5 Capital Contribution
Central Cash Rebate	means the saving made on resource expenditure (such as agency staff, external advisors and/or consultants) where the saving is made on the rates at which those resources are employed by the Authority and where the benefit of the reduced rates is held centrally by the Authority's Corporate Finance function whilst the Delivery Units still employ the resources at the rate due before the Service Provider negotiated the reduced rates.
Central Overhead	means the rate set out in the Financial Model, tab ABS cell D13 or as amended by agreement of the parties and applied to the Periodic Service Charges in a tab BC cells I21 to R21.
CFT	means the submission of 25 October 2012 by the Service Provider in response to the Invitation to Submit Final Tenders.
Change Operating Cost Reductions	means the reduction in the Services operating costs as a result of an agreed Change pursuant to the Change Protocol.

Expression	Meaning
Change Operating Cost Increases	means the increase in the Services operating costs as a result of an agreed Change pursuant to the Change Protocol.
Civic Estate	means the following Authority properties for which the Service Provider assumes operational and budget responsibility at the Service Transfer Date which are NLPB 4, NLBP 2, Hendon Town Hall, Mill Hill Depot, Barnet House, Colinhurst and Friary House.
Commercial Property Portfolio	Means the property assets contained within Appendix 11 to this Schedule 4 (this is the list of commercial property assets within the overall asset list and will be subject to baselining)
Commercial Property Income	means the income in relation to the “Commercial Property” as set out in the table at 34.1
Commercial Property Portfolio Rental Income	means the rental income generated by the Commercial Property Portfolio as set out in paragraph 34 and comprises the General Fund, Barnet Homes estates income and the Commercial Property Income as set out in 34.1.
Commercial Property Portfolio Rental Income Guarantee	means the guarantee in relation to Commercial Properties within the Commercial Property Portfolio Rental Income Baseline as set out in paragraph <b>Error! Reference source not found.</b>
Contract Price Index	shall have the meaning given to it paragraph 19.1.
Council Tax	has the meaning ascribed to it in the Local Government Finance Act 1992
Council Tax Benefits	has the meaning ascribed to it in the Local Government Finance Act 1992
Council Tax Gainshare	has the meaning ascribed to it in Paragraph 42.8
Council Tax Guarantee	means the amount of Council Tax that the Service Provider is guaranteeing it shall collect in each Contract Year as set out in paragraph 43
Council Tax Income	means the total income collected by the Service Provider in respect of a Council Tax demand raised by or on behalf of the Council within four years of the date of that demand.
Council Tax Shortfall	shall have the meaning given to it in paragraph 41.5
Council Tax Year	means a year (1 April to 31 March) in which Council Tax debt is raised.
CPI	means the CPI index as defined by the office of national statistics. The calculation date will be set at the period in the September prior to 1 April in each Contract Year.
CT Shortfall	shall have the meaning given to it in paragraph 41.5.

Expression	Meaning
Day Rates	means the rates as set out in Appendix 9 of this Schedule which represent the price per day for specific resources supplied by the Service Provider to the Authority.
Deferred Revenue	means revenue due to the Service Provider for the provision of the Services but recovered after the cost has been incurred by the Service Provider through the Periodic Service Charges.
Disposals Income Target	means the annual income target to be realised by the Service Provider from the agreed asset disposal plan as advised by the Authority from time to time.
District Valuer	means an appointed representative of the Valuation Office Agency with that title
Ecosystem	shall have the meaning given to it in Schedule 3 (Continuous Improvement Plan).
Ecosystem Parties	means a third party organisation in receipt of some or all of the Services provided by the Services Provider.
Estates Provision Refund	Means the difference between the provision of [REDACTED] for dilapidation costs in relation to NLBP4 plus the provision of [REDACTED] included within the financial model and that actually incurred by the Service Provider for the works by 31 <sup>st</sup> October 2015
Estimated Rental Value	means an independent opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting, renewal or rent review of a property
Finance Service	means the relevant component of the Services as specified in Schedule 1
Financial Guarantees	means the obligation of the Service Provider to deliver the savings and/or income set out in Paragraphs 41 to 44 (inclusive) of this Schedule 4 or to make up any shortfall in the Authority's share of the savings and/or income where the obligation is not met
Financial Year	means the financial year being 1 April to 31 March in any given Contract Year.
Future Target Performance Level	means the performance level that the Service Provider shall meet over the Initial Term for each KPI as set out in Appendix 6.
Gainshare	means the agreed division of the financial benefit identified in respect of the activities identified in paragraphs 40 to 43 inclusive or a Special Project.
Guaranteed Authority Share	means the net Authority share of the guaranteed additional income

<b>Expression</b>	<b>Meaning</b>
of SPD Revenue	element of the Annual Optimised SPD Revenue having deducted the Service Provider SDP Costs as set out in paragraph 43.2
Guaranteed Collection Rate	means the guaranteed collection rates as set out in paragraph 41.
Housing Benefit	has the meaning ascribed to it in the Social Security Contributions and Benefits Act 1992
HRA Garage Income	means the income collected from the HRA garage assets as listed in Appendix 11 to this Schedule 4
Income and Recharges	means the income received from Ecosystem Parties, recharges paid by the Authority Delivery Units for Services set out in paragraph 12, or recharges to other third parties added through the Change Protocol or agreed from time to time.
Income and Recharge Shortfall	means any shortfall in an income or recharge where the Service provider is obligated to make up any shortfall against the income or recharge baseline as set out in paragraph 12
<b>Initial Redundancy Refund</b>	<b>Authority Provision</b> Means £1,218k (One Million, Two Hundred and eighteen thousand pounds) of the year 1 redundancy cost provision as set out in the Schedule 4 (Price Performance Mechanism) Appendix 1, Financial Model cell I16, tab BC payable to the Authority in the first available Invoice on or following month 6 following the Service Commencement Date in accordance with Paragraph 49 of Schedule 4 (Price Performance Mechanism)
In-Flight Projects	means the Authority projects that will be in the process of being implemented at the Service Transfer Date as set out in Appendix 8 and associated project staff responsible for delivering them.
Invoice One	means the invoice raised by the Service Provider for payment by the Authority in relation to Periodic Services Payments as set out in paragraph 14.
Invoice Two	means the invoice raised by the Service Provider for payment by the Authority in relation to the Periodic Net Gainshare Payments as set out in Paragraph 14.
Invoice Three	means the invoice raised by the Service Provider for payment by the Authority in relation to all charges not invoiced under Invoice One or Invoice Two as set out in Paragraph 14.
IPD Property Index	means the UK property index as published by the Investment Property Databank.
Key Performance Indicator or KPI	means a performance indicator that demonstrates the required performance of the Services that has been agreed by the parties and is set out in Appendix 5.
KPI Continuous Improvement Plan	means the step change improvement in KPIs up to and beyond (where applicable and agreed) the KPI Performance Target set out in Appendix 6 where the relevant KPI is not being met at Service

Expression	Meaning
	Transfer Date.
KPI Performance Target	means the target performance appertaining at the time as set out in Appendix 6 to this Schedule 4
Legacy Issue	means any Housing Benefits claim error, omission or delay which occurred prior to the Service Transfer Date (irrespective of when the overpayment is created).
Local Authority Error Overpayments	means an overpayment caused by a mistake made whether in the form of an act or omission by the Service Provider where the claimant, a person acting on the claimant's behalf or any other person to whom the payment is made, did not cause or materially contribute to that mistake, act or omission.
Managed Budgets	means the Civic Estate buildings operating costs as set out in paragraph 30 including utilities, rent, rates and facilities management services which are treated as pass-through by the Service Provider and recovered pursuant to Invoice Three.
Managed Budget Increases	means the managed budget operating costs over and above those set out in paragraph 11.4 and recovered by the Service Provider pursuant to Invoice Three
Managed Budget Reductions	means the managed budget operating costs below those set out in paragraph 11.4 and repayable by the Service Provider to the Authority pursuant to Invoice Three
Measurement Period	means for any Key Performance Indicator, the period of time over which it is measured (e.g. monthly, quarterly or annual measurements).
Milestone	means the delivery of a component of service as outlined in Paragraph 15 of this Schedule or as agreed by the parties as part of any Special Project.
Milestone Acceptance Criteria	the activities and products to be provided by the Service Provider in order to satisfy the Authority that a transition or transformation Milestone been completed which are subject to Authority sign off as set out in paragraph 15.2.
Milestone Amount Repayable	means any Milestone Amounts Withheld as listed in the table in paragraph 15.1 and subsequently paid to the Service Provider in the Periodic Service Payments when the Milestone Acceptance Criteria are met
Milestone Amount Withheld	means the amounts listed in the table in paragraph 15.1. which will be withheld from the Periodic Service Payments where the Service Provider fails to meet the Milestone Criteria
Milestone Date	means the date by which the Service Provider is obliged to deliver the Milestone relating to a service component based on achieving the Milestone Acceptance Criteria set out in paragraph 15.2 of this Schedule in relation to transition and service commencement and as

Expression	Meaning
	agreed by the parties in relation to the transformation Milestones set out in paragraph 15 and Schedule 35
Miscellaneous Payments	means the monthly payments made via Invoice 3 in relation to aggregate Managed Budget reconciliations, one off project implementation costs and any other charges not collected through Invoice One and Invoice Two.
MTFS Plan	means the Authority's medium term financial savings as set out in the Authority's three (3) year procurement plan for 2012/13 to 2014/15 (as updated from time to time)
Net Benefits Caseload	means the total number of claimants of Council Tax Reduction and Housing Benefits without double counting the total number of claimants of Council Tax Reduction and Housing Benefits claims, namely: <ul style="list-style-type: none"> <li>(a) claimants claiming both HB and CTR</li> <li>(b) claimants claiming HB only</li> <li>(c) claimants claiming CTR only</li> </ul>
<b>Net Initial Authority Redundancy Provision Refund</b>	Means £1,218k (One Million, Two Hundred and Eighteen thousand pounds) of the year 1 redundancy cost provision as set out in the financial Model cell I16, tab BC less the £451k (four hundred and fifty one thousand) cost of Additional Employment Costs sought under paragraph 50 in Schedule 4 (Price Performance Mechanism) payable to the Authority in the first available Invoice on or following month 6 following the Service Commencement Date
New Agreed Schools Income Baseline	means the baseline for Schools income as set out in Income Table 12.a of Paragraph 12 of this Schedule 4, as updated prior to the at 1 <sup>st</sup> June 2014 following the validation activity set out in Income Table 12.a
New Agreed Property Income Baseline	means the agreed revised income baseline for non-operational property asset rental income as adjusted as a result of the events outlined in paragraph 35.5 and 35.6 below.
No Service No Fee	means in respect of KPIs identified in Appendix 7 as having a stated no service no fee performance level below which the provisions of paragraph 6 will apply.
On-Target Performance	means where the Service Provider meets the required Target Performance Band for a KPI as set out in Appendix 5 for the first Contract Year and Appendix 6 for the subsequent Contract years and neither exceed the targets generating over performance points nor fails the target falling into an Under Performance Band
One Off Project Costs	means Change project implementation costs as set out in Schedule 14 (Change Protocol) and recovered through Invoice Three



<b>Expression</b>	<b>Meaning</b>
Over Performance	means for each applicable KPI the over performance level as set out in Appendix 6 to this schedule.
Over Performance Points	means points accrued in respect of Over Performance for each applicable KPI.
Payment Period	means an invoicing period of one month, three month or twelve month period as determined by the payment profile set out in paragraph 14.
Pensions Adjustments	reconciliation payments due to the Service Provider or the Authority as set out in clause 15.3.16
Performance Deductions	means any deductions payable by the Service Provider to the Authority on receipt of an agreed invoice from the Authority including Service Credits and any reimbursements due to the Authority on the grounds of no service no fee under the provisions of paragraph 6 of this Schedule 4
Performance Indicator or PI	means a performance indicator that demonstrates the performance of the Services as set out in Appendix 5 to this Schedule.
Performance Ratchet	means the increases in the accrual of Service Credits as described in paragraph 4.16 of this Schedule.
Performance Target	means the required level of performance for a KPI or PI as set out in Appendix 6 and as adjusted by the Performance Ratchet provisions contained in paragraph 4.16 of this Schedule.
Periodic Net Gainshare Payment	means the aggregate of the payments made to the Service Provider in relation to the Financial Guarantees as set out in paragraphs 40 to 43 inclusive to this schedule less any amounts owing to the Authority under the provisions of the Financial Guarantees and as set out in paragraphs 40 to 43 inclusive, Commercial Property Portfolio Rental Income Guarantee or Super Profits and is recovered via Invoice Two.
Periodic Service Charges	the standard periodic Service Payments in respect of the Services as set out in paragraph 11.3
Periodic Service Payment	means the annual, quarterly or monthly aggregate of the payments for a Contract Year as calculated in accordance with paragraph 11.2.
Print Services	means the relevant component of the Services as specified in Schedule 1
Procurement Plan	means the plan of agreed projects and activities identified and agreed with the Authority (such plan shall incorporate agreed projects from the Authority's formal procurement plan) within one (1) month following the Agreement Date;
Procurement Project	means an individual procurement project as agreed between the parties which is produced to support the Procurement Plan and Procurement Savings as further detailed paragraph 40.

Expression	Meaning
Procurement Project Acceptance Criteria	means the criteria to be agreed by the parties for individual Procurement Projects which exceed savings of £25,000 forming part of the final and agreed PLD to ensure that a Procurement Project has met agreed standards which shall include those matters described in paragraph 40.8 of this Schedule and also address the issues listed in Part 3 of Schedule 15 (Special Projects Approval Procedure).
Procurement Savings Model	means the agreed model for the calculation of savings targets and the Procurement Savings Guarantee as set out in paragraph 40.
Procurement Savings	means in respect of any given Financial Year the amount by which the Authority's actual revenue account expenditure within the Scope of Addressable Expenditure is less than the agreed Addressable Spend for that Financial Year as adjusted pursuant to paragraph 40.
Procurement Savings Guarantee	means the aggregate level of Procurement Savings which are guaranteed by the Service Provider to be achieved each Financial Year from April 2015, as determined from time to time throughout the Contract Period in accordance with paragraph 40.1 of this Schedule. For the avoidance of doubt such level of Procurement Savings shall not include savings enabled through the delivery of the Procurement Services which have been identified in the Financial Model and included in the Periodic Service Payment.
Procurement Savings Shortfall	shall have the meaning given to it in paragraph 40.34
Procurement Services	Means the relevant component of the Services as specified in Schedule 1
Profit Element	means the rate set out in the Financial Model, tab ABS cell D20 or as amended by agreement of the parties and applied to the Periodic Service Charges tab BC in cells I22 and R22
Project Charges	means fees payable by the Authority to the Service Provider for a Special Project in line with the commercial arrangements agreed under the Schedule 15 (Special Projects Approval Procedure) and payable in the month following approval by the Authority under Invoice Three as set out in paragraph 11.7
Project Launch Document or PLD	shall have the meaning given to it in paragraph 41.4.
Project Mandate Form	shall have the meaning given to it in paragraph 40.2.2
Property Assets Portfolio	means the property assets to be agreed prior to the Service Transfer Date
Property Assets Portfolio Rental Income	means the rental income as set out in paragraph 34 related to the non-operational property assets within the Property Asset Portfolio.
Property Asset Portfolio	the baseline rental income from the Property Asset Portfolio as set

Expression	Meaning
Rental Income Baseline	out in 34.1, totalling £ 4,051,7382
Proxy KPI	means the KPIs agreed in accordance with paragraph 4 and as set out in Appendix 5.
Rectification Plan	means a plan outlining the practical set of actions to be put in place to rectify an incident of Service Failure.
Remaining Portfolio Income	the rental income within the Property Asset Portfolio Income Baseline in relation to Housing Revenue Account (HRA) income
Reported Baseline	means published data confirming that the Authority has been delivering the baseline performance levels as set in Appendix 5.
Reported Baseline Measurement Period	shall have the meaning given to it in paragraph 3.2.2.
Savings Report	shall have the meaning given to it in paragraph 40.19.
Scope of Addressable Expenditure	means the expenditure set out in Appendix 2 to this Schedule
Service Credit	means the cash sum representing the proportion of the Sum at Risk for a Measurement Period that the Authority will invoice the Service Provider for where applicable, calculated by weighting and aggregating the Under Performance Points earned against the Under Performance Points Threshold in a Measurement Period with the Service Credit calculated in accordance with Paragraph 4
Service Failure	means an event leading to a measured level of performance that is categorised as falling within the Under Performance Bands.
Service Providers Commercial Property Portfolio Rental Income Gainshare	means the Service Providers share of any Commercial Property Portfolio Rental Income over and above the Commercial Property Portfolio Rental Income Guarantee as set out in paragraph 0
Service Providers Council Tax Fee	the Service Providers fee deducted from the gross additional Council Tax Income as set out in paragraph 41.6
Service Provider Income and Recharge Income	means the income due to the Service Provider as set out in paragraph 12 where the Service Provider has exceeded the income baseline stated
Service Provider's Procurement Share	means the Service Provider's share of the net procurement financial guarantee having deducted the Agreed Procurement Price Recovery and calculated under the procurement Gainshare mechanism or, where the benefit accrues to the Authority in the first instance, the element repayable to the Service Provider as set out in paragraph 11.6
Service Provider's SPD Costs	means the cost incurred by the Service Provider in order to undertake the SPD Review, process the changes relating to the removal of SPD

Expression	Meaning
	and collection of the additional income generated.
Single Person Discount or SPD	means the Council Tax discount applicable to individuals who are the sole occupant of the residential property they occupy.
Single Person Discount Guarantee	means the net additional income accruing to the Authority as a result of the Service Provider optimising SPD Revenue as set out in paragraph 43
SPD Revenue	means an increase in Council Tax Income derived specifically from the Service Provider's activity to recover monies in respect of single persons discounts granted following ineligible claims or claim periods
SPD Review	means the review of the SPD eligibility within the Authority to be carried out by the Service Provider in accordance with paragraph 43.1.
SPD Shortfall	shall have the meaning given to it in paragraph 43.6.1.
Strategic Asset Management Group	means a body set up by the Council to monitor the delivery of its asset management plan
Subscription Charges	means any payments in relation to telephony call charges for retained Council Services evidenced by the Service Provider through a third party invoice as set out in paragraph 19.
Subsidy Shortfall Guarantee	shall have the meaning given to it in paragraph 42.1
Sum at Risk	has the meaning ascribed to it in paragraph 4.4 of this schedule
Super KPI	means a Key Performance Indicator that demonstrates the Service Provider is delivering agreed commitments that are linked to desired strategic outcomes of the Agreement and has been agreed by the parties to form part of the Payment Mechanism and is set out in paragraph 7 and Appendix 5 of this Schedule
Super Profits	means the total Service Provider profit (in excess of ■■■ taking into account the profit element within the Periodic Service Payments and any service provider gainshares set out in paragraphs 41, 42 and 44) in relation to payments made by the Authority to the Service Provider pursuant to this Agreement as calculated and apportioned in accordance with paragraph 23 and repayable to the Authority via Invoice Two
Target Date	means the date at which the Service Provider shall achieve the performance levels as set out in Appendix 6 and as updated in line with paragraph 5.2
Target Performance Band	means performance equal to or better than the KPI Performance Target but not falling in the Over-Performance Band (where applicable) for the relevant KPI as set out in Appendix 6
Third Party Contract	means the true up of Third Party Contracts costs that takes place by month fourteen (14) following the Service Transfer Date as set out in

<b>Expression</b>	<b>Meaning</b>
Reconciliation	Clause 7.2
Tolerance Parameters	means the volume thresholds above or below which the Service Provider's price will increase or decrease as set out in Appendix [10a].
Under Performance	Performance that is worse than the KPI Performance Target
Under Performance Bands	means the three (3) bands of under-performance under the Target Performance Levels which, if the level of performance of a KPI falls within one of these bands, will incur Under Performance Points as set out in Appendix 6 to this Schedule.
Under Performance Point	means the method of capturing the weighted aggregate of failure against performance in a Measurement Period, expressed in a points basis.
Under Performance Points Threshold	means the amount of Under Performance Points that if earned would lead to the deduction of the Service Provider's maximum Sum at Risk in accordance with paragraph 4.3 of this Schedule.
Utility Charges	means the water, gas and electricity charges in relation to the Civic Estates
Volume Baselines	means the levels of transactional activity occurring in respect of certain processes within the Services, as set out in Appendix 10 to this Schedule 4
Volume Variable Price Reductions	means a reduction in the Periodic Service Payment as a result of a change in the Volume baselines as set out in Appendix 10
Volume Variable Price Increases	means a reduction in the Periodic Service Payment as a result of a change in the Volume Baselines as set out in Appendix 10.

### **3 Monitoring and Measurement**

3.1 In accordance with (and where relevant) in addition to the requirements of Schedule 13 (Monitoring Procedure), the Service Provider shall monitor and measure its performance in respect of the Services on the basis set out in this Schedule from the Service Transfer Date as against the KPI and PI tables set out in Appendix 6 to this Schedule.

#### **3.2 Baselineing**

3.2.1 The Service Provider shall as a minimum maintain the levels of Reported Baseline performance being achieved prior to the Service Transfer Date (set out in Appendix 5) relating to the KPIs and PIs for the Services and shall ensure continuous improvement through achievement of the Future Target Performance Levels as set out in the tables in Appendix 6.

3.2.2 The KPIs identified as requiring Baselineing are set out Appendix 4. For these KPIs the Authority shall provide the Reported Baseline for each KPI

and PI in accordance with paragraph 3.3.5(b) below, prior to the Service Transfer Date on the following basis:

- (a) For KPIs with a monthly Measurement Period - 3 consecutive Measurement Periods
- (b) For KPIs with a quarterly Measurement Period– 2 consecutive Measurement Periods
- (c) For KPIs with a six-monthly Measurement Period – 2 consecutive Measurement Periods
- (d) For KPIs with an annual Measurement Period – the last annual Measurement Period

3.2.3 Where the baselines shown in the tables set out in Appendix 5, are confirmed through the Reported Baseline information provided by the Authority in respect of annual and six-monthly KPIs this information shall be treated as proved. KPIs with monthly and quarterly Measurement Periods as set out in Appendix 4 shall be proved when performance in the first Measurement Period following the Service Transfer Date (the **Reported Baseline Measurement Period**) is confirmed to be the same as the Reported Baseline information provided by the Authority prior to the Service Transfer Date and the improvement in the levels of performance thereafter shall be as set out in tables in Appendix 6 to this schedule.

3.2.4 If the monthly and quarterly KPI baselines as set out in Appendix 4 are not proved the Service Provider shall as a minimum maintain performance at the level attained in the Reported Baseline Measurement Period.

3.2.5 Where the baseline shown in the tables set out in Appendix 5 are not proved during the Reported Baseline Measurement Period in relation to a KPI with a monthly or quarterly Measurement Period one of the following treatments will apply:

- (a) Where no baseline can be confirmed, a period of Baselineing shall be agreed between the parties (which shall be no greater than six (6) months) during which time the Service Credits shall not be applied and Proxy KPIs shall replace the KPIs to be Baselineed in accordance with paragraph 3.2.6 below;
- (b) Where a KPI has been identified as requiring Baselineing prior to the Service Transfer Date this is set out in the tables in Appendix 4 to this Schedule. For each of these KPIs, the Service Provider shall measure its performance against the KPI for the stated period, as set out in the tables in Appendix 4, from the Service Transfer Date in order to establish a baseline for that KPI.

3.2.6 During a period of Baselineing a KPI will generate neither Over Performance Points nor Under Performance Points and a Proxy KPI will be put in place that will generate Performance Points instead for the period of Baselineing. If the Service Provider's reported performance demonstrates at the end of the Baselineing period that it can achieve the relevant Performance Target consistently then the associated KPI shall be deemed to be proved and the

relevant Performance Target shall be operative and subject to the Payment Mechanism for the duration of the Agreement.

- 3.2.7 If the Baselining process shows that the Service Provider is not able to achieve the relevant Performance Target then, within ten (10) days of the completion of the relevant Baselining activity the Service Provider shall prepare an action plan for improving its performance to achieve and maintain the relevant Performance Target. The action plan shall be designed to achieve the desired level as soon as reasonably possible, and in any event no later than the Target Date. The Service Provider shall present the action plan to the Authority for approval including details of any associated costs to borne by the Authority (if any), any timescales for incremental improvements towards the Performance Target or Reprioritisation Change required to meet those levels.
- 3.2.8 Where it has not been possible to baseline a KPI prior to the Service Transfer Date and the Service Provider can demonstrate and evidence that it is not possible to achieve the Performance Target within six (6) months of the Service Transfer Date in relation to KPIs with a monthly or quarterly Measurement Period following Service Transfer Date without significant investment or transformation and where no Workaround Solution can be put in place to facilitate its achievement or where the Authority does not accept the cost associated with achieving the Performance Target within this period, the parties shall agree a KPI continuous improvement plan showing the incremental target performance levels to be achieved from the relevant KPI baseline performance level secured from the Baselining activity to the Performance Target level and the date by which each incremental improvement level shall be achieved.
- 3.2.9 Where incremental target performance levels are agreed pursuant to paragraph 3.2.8 the Payment Mechanism shall apply to the relevant KPI in accordance with these incremental target performance levels.

#### **Proxy KPIs during Baselining**

- 3.2.10 Proxy KPIs and their associated Performance Targets shall apply for the KPIs identified in Appendix 5 of this Schedule 4 during the period of Baselining for KPIs set out in Appendix 4. Whilst the KPIs set out in Appendix 4 are subject to the Baselining exercise, the Proxt KPIs and associated Performance Targets set out in Appendix 5 shall apply.
- 3.2.11 For the purposes of calculating Under Performance Points and Over Performance Points in accordance with paragraph 4 (Application of Service Credits), the Proxy KPIs shall replace the relevant KPI as set out in the tables in Appendix 5 for the Baselining period. For the avoidance of doubt the Sum at Risk remains unchanged where Proxy KPIs are put in place.

### **4 Application of Service Credits**

- 4.1 Service Credits shall be calculated according to a points system whereby Under Performance Points are accumulated where the actual performance level against a particular KPI target falls within an Underperformance Band. For KPIs where the Service Provider can only pass or fail in meeting the Target Performance (they are either achieved or they are not) then failure to meet the relevant target performance

shall lead to an accumulation of all the Under Performance Points available. Performance Indicators shall not attract any Service Credits.

4.2 The total number of Under Performance Points within this Schedule as a whole is one thousand (1000) and these shall be allocated to individual Key Performance Indicators by the Authority at its complete discretion. The agreed initial allocation for the first Contract Year of the Agreement of points to individual KPIs is set out in the table in Appendix 6 to this Schedule. From the first anniversary of the Service Transfer Date the Authority shall be entitled to reallocate such Under Performance Points as it deems appropriate.

4.3 The Under Performance Points Threshold is the total of all the Under Performance Points that the Service Provider places at risk within this Schedule and this shall not exceed the Sum at Risk.

4.4 The Sum at Risk at the Agreement Date will be in each and every Contract Year [REDACTED] of the average Periodic Service Charge (and as adjusted by any Volume Variable Price Reductions or Increases, any change in operating costs as a result of a change, Third Party Contract Reconciliation or Pension Adjustment) payable by the Authority for the Services during the Contract Period as set out in the table below and will be subject to change where the Services are altered in accordance with the terms of this Agreement. In such circumstances the Under Performance Points shall be reallocated by the Authority at its complete discretion and the Sum At Risk shall be amended upwards to reflect the revised Periodic Service Charge. Financial penalties resulting from Under Performance Points are calibrated such that the Sum at Risk is equivalent to the amount payable in the event that all KPIs were failed at the Band 2 Under Performance Band in the table at Appendix 6, excluding the application or any ratchet mechanisms. .

4.5

Year	[REDACTED]	[REDACTED]
Year 1	[REDACTED]	[REDACTED]
Year 2	[REDACTED]	[REDACTED]
Year 3	[REDACTED]	[REDACTED]
Year 4	[REDACTED]	[REDACTED]
Year 5	[REDACTED]	[REDACTED]
Year 6	[REDACTED]	[REDACTED]
Year 7	[REDACTED]	[REDACTED]
Year 8	[REDACTED]	[REDACTED]
Year 9	[REDACTED]	[REDACTED]
Year 10	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

4.6 The total Sum at Risk (as specified in this paragraph 4) shall be divided by the total number of Under Performance Points that are available (as stated in paragraph 4.2) to determine the financial value of each Under Performance Point. The parties may agree during the annual review set out in clause 10.1 (Continuous Improvement) that more or fewer Under Performance Points may be available in total in the Payment Mechanism and the financial value of each Under Performance Point shall be recalculated



accordingly using the method set out in this paragraph 4.6 subject to such recalculation not reducing the Sum At Risk relevant at that time.

- 4.7 The measured performance of the Service Provider against each KPI shall be categorised in one of three bandings as identified below and set out in further detail in Appendix 6 to this Schedule:
- 4.7.1 Over Performance;
  - 4.7.2 On-Target performance;
  - 4.7.3 the Under Performance Bands.
- 4.8 Where for applicable KPIs the measured performance of the Service Provider meets or exceeds the Over Performance target as shown in the Over Performance target column of the table in Appendix 6 to this Schedule, the Service Provider may earn Over Performance Points, equal to 50% (fifty per cent) of the Under Performance Points available for that KPI as set out in the table in Appendix 6 to this Schedule, noting that for some KPIs no Over Performance Points shall be available and no Over Performance target will therefore apply. The Over Performance Points may be offset against Under Performance Points incurred in the same period up to a maximum of 50% of the Under Performance Points suffered in that month.
- 4.9 There shall be no accrual of Over Performance Points beyond the month in which they have accrued.
- 4.10 Over Performance Points shall not be awarded to the extent that any improvement in Service performance arises from additional resources, capacity or services being provided, funded or part funded by the Authority which have had the additional effect of improving Service.
- 4.11 Where the measured performance falls within the On-Target Performance banding, no Over Performance Points or Under Performance Points shall be earned or incurred.
- 4.12 Where the measured performance falls within one of the Under Performance Bands this shall constitute a Service Failure and the Service Provider shall incur Under Performance Points according to which Under Performance Band the actual Under Performance falls within as set out in the respective column of the table in Appendix 6.
- 4.13 The monthly Service Credit equals the total number of Under Performance Points accrued in the month minus any Over Performance Points (subject to paragraph 4.8 above) accrued in the month that may be deductible as set out in paragraph 4.8 of this Schedule, the result of which is multiplied by the value of each Under Performance Point as set out in paragraph 4.6 of this Schedule.

#### **Illustrative Example**

Service Credit = (Under Performance Points in month N – (Over Performance Points in month N (being no greater than 50% of the Under Performance Points in month N)) x value of the Under Performance Point calculated in accordance with paragraph 4.6

- 4.14 Where the Service Provider has reasonable cause to believe that rectification of a Service Failure will require a period longer than one Measurement Period then the Service Provider may propose, or may be required by the Authority to provide a Rectification Plan. The Authority shall notify the Service Provider whether it approves the Rectification Plan (such approval not to be unreasonably withheld or delayed) provided always that the Authority shall be entitled to withhold approval where
- 4.14.1 Rectification Plan is submitted more than ten (10) Business Days following the end of the previous Measurement Period; or
  - 4.14.2 in the Authority's reasonable opinion the duration, solution and/or any other consequence of the Rectification Plan:
    - (a) may adversely affect the Services;
    - (b) is not likely to rectify the Service Failure; or
    - (c) may result in Direct Losses to the Authority or any Authority Related Party or adversely affect other Authority services (including the Retained Services) or contracts including any Related Contracts).
- 4.15 Where the Service Failure relates to a KPI with a monitoring period that is more frequent than annual (including weekly, monthly, quarterly and six monthly monitored KPIs), if the Rectification Plan is accepted by the Authority then during the period of the Rectification Plan the Under Performance Points shall not be awarded for the same Service Failure, however Under Performance Points shall be awarded for the original Service Failure that led to the need for the Rectification Plan. For Service Failures related to KPIs with a reporting frequency that is annual or less frequent, Under Performance Points shall be applied as they would have been had no Rectification Plan been submitted.
- 4.16 Where the Service Provider fails to rectify the Service Failure within the period agreed within the Rectification Plan, pursuant to paragraph 4.15 of this Schedule then the Service Provider shall propose a further, second Rectification Plan and in this case the Authority shall be awarded all Under Performance Points that would have resulted from failure during the period of the rectification plan provided pursuant to paragraph 4.15 above. If the second Rectification Plan is accepted by the Authority (such acceptance not to be unreasonably withheld or delayed) then, during the further rectification period that is then proposed in the second Rectification Plan, Under Performance Points shall not be awarded for the same Service Failure where it relates to a KPI with a monitoring period that is more frequent than annual (including weekly, monthly, quarterly and six monthly monitored KPIs). Where the Service Provider fails to rectify the Service Failure within the period agreed within the second Rectification Plan, pursuant to paragraph 4.16 of this Schedule, then the **Authority shall be** awarded all Under Performance Points that would have resulted from failure during the initial and second rectification periods.
- 4.17 For Service Failures related to KPIs with a reporting frequency that is annual Under Performance Points shall be applied as they would have been had no Rectification Plan had been submitted.

- 4.18 Where a KPI has been failed and performance is within an Under Performance Band and no Rectification Plan has been agreed then the Under Performance Points incurred in each subsequent period will increase as shown in the table below, provided always that the Sum at Risk shall never be exceeded but without prejudice to the Authority's right to terminate the Agreement.

<b>KPI Monitoring Period</b>	<b>Monthly or more frequent</b>	<b>Quarterly</b>	<b>Six Monthly</b>	<b>Annual or less frequent</b>
1st Service Failure	100% of total available Under Performance Points incurred	100% of total available Under Performance Points incurred	100% of total available Under Performance Points incurred	100% of total available Under Performance Points incurred
2nd Service Failure if successive to 1 <sup>st</sup> Service Failure	100% of total available Under Performance Points incurred	100% of total available Under Performance Points incurred	125% of total available Under Performance Points incurred	150% of total available Under Performance Points incurred
3rd and any subsequent successive Service Failures	100% of total available Under Performance Points incurred + 50% of the preceding monitoring period's Under Performance Points incurred	100% of total available Under Performance Points incurred + 50% of the preceding monitoring period's Under Performance Points incurred	100% of total available Under Performance Points incurred + 50% of the preceding monitoring period's Under Performance Points incurred	100% of total available Under Performance Points incurred + 50% of the preceding monitoring period's Under Performance Points incurred

- 4.19 The Authority shall, at its sole discretion, determine whether the Under Performance Points accumulated in any period will or will not be used to calculate a Service Credit and if so, the extent to which, the Under Performance Points accumulated in any period will or will not be used to calculate a Service Credit. The size of any Service Credit that is enforced will then be the net number of Under Performance Points awarded in the relevant period multiplied by the financial value of an Under Performance Point that is calculated in accordance with paragraph 4.6 of this Schedule. Service Credits and any reimbursements due to the Authority on the grounds of no service no fee under the provisions of paragraph 6 will be invoiced by the Authority to the Service Provider on a monthly basis in the month following the reported and confirmed Service Failure. Where the Service Failure is disputed the provisions of clause 26 apply.
- 4.20 If the Service Provider delivers service that alternates between Service Failure and no Service Failure for four consecutive Measurement Periods, in relation to any given KPI, this shall be deemed to be a second consecutive Service Failure and the ratchet from the table above shall apply. If there is a further Service Failure within the next two consecutive Measurement Periods then this shall be deemed to be a third consecutive Service Failure and the ratchet from the table above shall apply.
- 4.21 The application of the Service Credits through the invoicing process shall be in accordance with this paragraph 4.

- 4.22 No Under Performance Points or Over Performance Points shall be associated with or allocated to PIs and no Service Credits or Over Performance shall be applicable in respect of PIs.
- 4.23 A failure by the Service Provider to report any KPI set out in Appendix 5 to this Schedule without the agreement of the Authority shall constitute a Service Failure for which Under Performance Points will accrue. If the subsequent reporting of this KPI shows it to have been in the On-Target Performance or Over Performance Bands then the Under Performance Points shall be credited back to the Service Provider in the next Periodic Service Payment but no Over Performance shall be awarded.

## **5 Performance Ratchet**

- 5.1 The parties shall review all KPIs and PIs as part of the Annual Service Report and shall agree where any Performance Target shall be increased or where any KPI or PI should be replaced or amended to reflect any changes in priority or strategic outcomes of the Authority.
- 5.2 Where the Service Provider has committed to continuous improvement above the Performance Target these are shown in the tables in Appendix 6 to this Schedule including the timescales from which the improved Performance Target shall apply. Unless agreed otherwise by the parties these improved levels of performance shall apply at the dates shown and shall be subject to the Payment Mechanism from that date.
- 5.3 For the avoidance of doubt there is no automatic annual Performance Target increase for KPIs and PIs unless specified in the tables in Appendix 6 to this Schedule or where the parties agree an improvement as part of the Annual Service Plan.

## **6 No Service No Fee**

- 6.1 Notwithstanding the Authority's rights pursuant to the Agreement, where the Service Provider's performance falls below the specific KPIs to which the No Service No Fee banding applies as set out in Appendix 7 the Authority shall not be required to make that part of the Periodic Service Payment as shown in Appendix 1 (Financial Model), which relates to the element of the Services in respect of which there was no service for the duration of that no service.
- 6.2 For the avoidance of doubt, where the Authority is not required to pay all or any part of the Periodic Service Payment pursuant to paragraph 6.1, there shall be no deductions made or accrued for in respect of the Payment Mechanism set out in this Schedule in relation to that part of the Services for which there was no service.

## **7 Super KPIs**

- 7.1 Certain of the desired outcomes of this Agreement are deemed to be of such significant importance that the Authority and the Service Provider have agreed that they should be deemed Super KPIs. These are set out in Appendix 5. These Super KPIs have been identified as measures that indicate whether the Service Provider is progressing the strategic objectives of the Authority across the medium term.
- 7.2 Where the Super KPI has no baseline as set out in Appendix 4 a one (1) year baselining period shall apply, during which time, the Super KPI will generate neither Over Performance Points nor Under Performance Points, during this time the Authority will allocate the performance points over the KPIs that apply during year one (1) and as set

out in Appendix 5. At the first Annual Service Report following the Service Transfer Date any changes to the Super KPIs for the second Contract Year will be confirmed between the parties and the reallocation on the performance points against the KPIs that apply for the second Contract Year will be set by the Authority.

## **8 Authority Causes and Relief Events**

- 8.1 No deduction or partial deduction may be made and no Under Performance Points shall be accrued or Service Credit applied if and to the extent that, it has been demonstrated to the reasonable satisfaction of the Authority that the relevant Service Failure and breach is a direct result of a Relief Event or an Authority Cause

## **9 Review of KPIs and PIs**

- 9.1 The Authority and the Service Provider shall review the Service Performance Levels and KPIs in accordance with the provisions of Clause 10.1 (Continuous Improvement) and paragraphs 2.7 and 3 of Schedule 13 (Monitoring Procedure).
- 9.2 Notwithstanding the provisions of paragraph 9.1 of this Schedule, the Authority may at its discretion promote a Performance Indicator to be a Key Performance Indicator applying a weighting of its choice up to a maximum of 10% of the Under Performance Points available as identified in paragraph 4.2 of this Schedule (relative to the existing KPIs and in accordance with the provisions of paragraph 4 of this Schedule, and therefore leading to a reallocation of Under Performance Points available to other KPIs) in the event of a Performance Indicator being failed (that is categorised in a band other than Over Performance or On-Target Performance) for two (2) successive Measurement Periods. For the avoidance of doubt a promotion of a Performance Indicator to a Key Performance Indicator shall not change the Sum at Risk.

## **10 Final Year**

- 10.1 During the final Contract Year (be it as a result of termination at the end of the full or extended term, or as a result of an earlier termination) of the Agreement this Payment Mechanism shall continue to apply.
- 10.2 Where the full implementation of a Rectification Plan is not possible before the end of the Agreement then all Under Performance Points shall be applied as though no Rectification Plan were possible. Notwithstanding this, a Rectification Plan shall still be prepared by the Service Provider and the Authority and the Service Provider shall agree, through discussions at the Partnership Operations Board meetings, whether it is appropriate for the Service Provider to commence implementation of some aspects of the Rectification Plan. In such a case the Authority may agree for a reasonable percentage of the Under Performance Points to be waived in recognition of these efforts.
- 10.3 Where the Measurement Period for a KPI continues beyond the end of the Agreement then the Service Provider shall be required to estimate the likely outturn performance against the KPI in question and to provide to the Authority full details of this estimate and the estimate will be subject to agreement by the Authority.
- 10.4 Any agreed outstanding Performance Deductions that are payable by the Service Provider to the Authority at the end of the Agreement shall be settled through the Service Provider's final invoice and to the extent that such sums are unrecovered following any set-off against sums due to the Service Provider, shall be paid by the Service Provider to the Authority within twenty (20) Business Days of the Termination Date or Expiry Date as applicable.

## 11 Service Provider Payments

11.1 The Service Provider will invoice the Authority for the Annual Service Payments for a Contract Year covering the Periodic Service Payments, Periodic Net Gainshare Payments and Miscellaneous Payments as amended via the application of changes to the Authority's requirements via the provisions of Clause 13 (Changes to the Agreement), Schedule 15 (Special Projects Approval Procedure) and the provisions of Paragraph 19 (Indexation).

11.2 The Periodic Service Payments are calculated on the following basis and charged though Invoice One :

$$11.2.1 \quad \text{PSP} = \text{PSC} - (\text{VVR} + \text{COCR} + \text{MAW}) + (\text{VVI} + \text{COCI} + \text{SUB} + \text{MAR}) + \text{PA} + \text{TPCA}$$

11.2.2 Where:

- (a) PSP = Periodic Service Payment
- (b) PSC = Periodic Service Charges
- (c) VVR = Volume Variable Reductions
- (d) COCR = Change Operating Cost Reductions
- (e) MAW = Milestone Amounts Withheld
- (f) VVI = Volume Variable Increases
- (g) COCI = Change Operating Cost Increases
- (h) SUB = Subscription Charges for Retained Services
- (i) MAR = Milestone Amounts Repayable
- (j) PA = Pensions adjustments
- (k) TPCR = Third Party Contract Reconciliation

11.3

[REDACTED]

[REDACTED]

11.4 The projected Periodic Service Charges have been calculated based on the Service Provider pricing assumptions set out in Appendix 2. The sums above exclude the

Capital Contribution as set out in paragraph 11.5 and the projects Managed Budget charges which are treated as pass-through and recharged through Invoice Three. The projected Managed Budget charges to be paid by the Authority are set out below (and within the Financial Model, "Managed Budget" tab, lines 29-43) and shall not be subject to the indexation provisions of this Agreement. The cost incurred for all Managed Budget expenditure shall be recharged to the Authority on the basis it is incurred with no Profit Element or Central Overhead being applied by the Service Provider, with any amounts over those shown above recovered through Managed Budget Increases invoiced or amounts less than those shown above credited back as Managed Budget Reduction through Invoice Three. Managed Budgets shall be kept in a bank account held on trust by the Service Provider on behalf of the Authority.

Retained LBB costs		31/01/01	31/01/02	31/01/03	31/01/04	31/01/05	31/01/06	31/01/07	31/01/08	31/01/09	31/01/10	Total
Legal and Court Fees		143,420	143,420	143,420	143,420	143,420	143,420	143,420	143,420	143,420	143,420	1,434,200
Bank Chgs		40,320	40,320	40,320	40,320	40,320	40,320	40,320	40,320	40,320	40,320	403,200
Water Services (Actually Repairs & Maintenance)												
Gas		335,800	335,800	250,499	236,797	236,797	236,797	227,642	181,868	181,868	181,868	2,405,736
Electricity		1,025,690	1,025,690	487,087	389,624	389,624	389,624	354,920	181,403	181,403	181,403	4,606,465
Rents		3,809,840	3,809,840	1,853,957	1,462,780	1,462,780	1,462,780	1,365,190	877,240	877,240	877,240	17,858,887
Service Charges		1,091,860	1,091,860	282,718	120,890	120,890	120,890	100,742				2,929,850
Rates		1,481,050	1,481,050	910,050	795,850	795,850	795,850	754,345	546,820	546,820	546,820	8,654,505
Water Services		15,910	15,910	15,910	15,910	15,910	15,910	15,910	15,910	15,910	15,910	159,100
Fixtures & Fittings		2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	20,500
Clean & Dom Materials		44,400	44,400	44,400	44,400	44,400	44,400	41,050	24,300	24,300	24,300	380,350
Contract Clean		392,370	392,370	259,878	233,380	233,380	233,380	220,412	155,570	155,570	155,570	2,431,880
Rubbish Collection		11,770	11,770	11,770	11,770	11,770	11,770	11,770	11,770	11,770	11,770	117,700
Grounds Maint		80,520	80,520	80,520	80,520	80,520	80,520	80,520	80,520	80,520	80,520	805,200
Ins Premis		157,760	157,760	123,935	117,170	117,170	117,170	117,170	117,170	117,170	117,170	1,259,645
<b>Total</b>		<b>8,632,760</b>	<b>8,632,760</b>	<b>4,506,515</b>	<b>3,694,881</b>	<b>3,694,881</b>	<b>3,694,881</b>	<b>3,475,461</b>	<b>2,378,361</b>	<b>2,378,361</b>	<b>2,378,361</b>	<b>43,467,218</b>

11.5

The Capital Contribution

is in relation to the following investments made by the Service Provider as shown in the Financial Model set out in Appendix 1 to this Schedule (TT tab lines 7 to 283), and shall be payable by the Authority to the Service Provider on the first Business Day following the Service Transfer Date. All other investment shown on this tab in the Financial Model and not recovered through the Capital Contribution shall be recovered through the Periodic Service Payments as Deferred Revenue.

Capital Contribution table Schedule 4	
Citrix Refresh	
Community Cloud	
Corp Prog SIP	
CRM SIP	
CSO Web Services Delivered	
Data Centre Migration complete	
Data Centre Services	
ES SIP	
Finance New Services SIP	
HR - systems SIP	
HR Contact centre SIP	
HR systems imp (SHaW)	
Infrastructure Support and Maintenance	
Insight Implementation	
Pensions - configuration complete	
Procurement SIP	
Programme SIP	
R&B New Services SIP	
SCO Contact Centre	
SCO New Services SIP	
Transition Complete	

11.6 The Periodic Net Gainshare Payments will be calculated based on the net of the payments for a Contract Year covering the payment made to the Service Provider in relation to the procurement savings as set out in paragraphs 40 to 43 inclusive to as set out below and charged though Invoice Two :

11.6.1 
$$\text{PNGP} = (\text{APPR} + \text{SPPS} + \text{SPCTF} + \text{SPSPDC} + \text{SPCPRRIG}) - (\text{PSS} + \text{ACTS} + \text{CTS} + \text{GASSPDR} + \text{SPDS} + \text{CPPRIG} + \text{SP})$$

11.6.2 Where:

- (a) PNGP = Periodic Net Gainshare Payments
- (b) APPR = Agreed Procurement Price Recovery
- (c) SPPS = Service Providers Procurement Share
- (d) SPCTF = Service Provider Council Tax Fee
- (e) SPSPDC = Service Provider SPD Costs
- (f) SPCPRRIG = Service Providers Commercial Property Portfolio Rental Income Gainshare
- (g) PSS = Procurement Savings Shortfall
- (h) ACTS = Authority Council Tax Share
- (i) CTS = Council Tax Shortfall



- (j) GASSPDR - Guaranteed Authority Share of SPD Revenue
- (k) SPDS = SPD Shortfall
- (l) SSG = Subsidy Shortfall Guarantee
- (m) CPPRIG = Commercial Property Portfolio Rental Income Guarantee
- (n) SP = Super Profits

11.7 Miscellaneous Payments will be made in relation to the Managed Budget reconciliations, One Off Change Costs, Income and Recharges reconciliations as set out paragraph 12 (and any other charges not collected through Invoice 1 and 2) and will be paid via Invoice Three based on the following calculation.

11.7.1  $MP = (MBI + OOC + SPIRI) - (MMR + IRS + ARPR + SP + EPR)$

11.7.2 Where:

- (a) MP = Miscellaneous Payments
- (b) MBI = Managed Budget Increases
- (c) MBR = Managed Budget Reductions
- (d) OOC = One Off Change Costs
- (e) SPIRI = Service Provider Income and Recharge Income
- (f) IRS = Income and Recharge Shortfall
- (g) ARpR = Authority Redundancy provision refund
- (h) SP = Super Profits due to the authority
- (i) = Estates Provision Refund

## 12 Income and Recharges

12.1 The Service Provider shall invoice the Authority for the total gross cost of the Services via the Periodic Service Payment, with the payment profile as set out in paragraph 11.1.

12.2 The tables below set out:

- 12.2.1 the income and recharges that are expected to accrue to the Authority during the Initial Term,
- 12.2.2 whether the Service Provider or the Authority takes the risk of the income or recharge value being maintained, and
- 12.2.3 how indexation will be applied in each case.

This represents the Income and Recharges as set out in the Financial Model in Appendix 1 to this schedule (shown in the LBR tab) and will be billed through Invoice One.

12.3 The Income and Recharges shall be reviewed as part of the Annual Service Report in order to agree any changes to the amounts set out below or any reduction in costs affecting the Income and Recharges subject to the Change Protocol.

### Income Table 12.a - Schools Income

[illegible]

### Income Table 12.b – Barnet Group Income

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Barnet Group	Income	£14,438,530	Into Authority's bank account		Increase in line with contract price index.
<b>Risk allocation</b>					

- The Authority will agree an appropriate service level agreement charge with Barnet Homes and the Service Provider based on the services to be purchased by Barnet Group
- The Service Provider shall take the risk on the future Barnet Homes income stream agreed between the parties.

#### Income Table 12.c(i) – Estates Income - Commercial Property Rental Income

##### Property Assets Portfolio Rental Income

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Commercial property income	Income	£21,821,510	Into Authority's bank account		Based on the treatment set out in paragraph 39.7.1

[REDACTED]

[REDACTED]

#### Income Table 12.c(ii) – Estates Income – General Fund and Barnet Homes Estates Income

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
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General Fund and Barnet Homes Estates Income	Income	£11,000,000	Into Authority bank account		Based on the treatment set out in paragraph 35.8.1
<b>Risk allocation</b> <ul style="list-style-type: none"> <li>The Authority will take the risk that the Income baseline in relation to the “General fund” and “Barnet Homes estates income will be maintained subject to that baseline being adjusted in line with paragraphs 36.2.3 and <b>Error! Reference source not found.</b></li> </ul>					
<div></div> <div></div>					

**Income Table 12.d – Court Cost Awarded Income**

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Court Costs Awarded	Income	£8,711,900	Into the Authority's bank account		Price set within policy changes subject to agreement the Authority
<b>Risk allocation</b> <ul style="list-style-type: none"> <li>The Court costs shall be raised in line with the charging policy set by the Authority.</li> <li>The Authority shall bear the risk that the stated income will be achieved from the Court costs awarded and collected.</li> </ul> <div></div> <div></div> <div></div>					
<b>Process for addressing shortfall in Court cost income collected</b>					
Any shortfall in Court costs collected shall be mitigated by improved overall Council Tax collection					

income flowing directly to the Authority.

#### Income Table 12.e – NNDR allowance income

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
NNDR allowance income	Income	£4,228,300	Government grant paid direct to Authority account		n/a
<b>Risk allocation</b> <ul style="list-style-type: none"> <li>The Authority shall retain the risk of this grant income being maintained on the basis of the current Legislation and the formula for calculating this grant in relation to the administration costs for NNDR.</li> <li>In the event that the government reduces funding following a change in Legislation this shall be managed under clause 14 (Change in Law).</li> </ul>					

#### Income Table 13.f – Public sector rental income

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Public sector rental income	Income	£860,973	Into Authority bank account		No rent increased assumed up to October 2015
<b>Risk allocation</b> <ul style="list-style-type: none"> <li>Subject to amendment in the event of NLBP4 rent reviews.</li> <li>Income limited to period up to October 2015 when NLBP4 break clause exercised and building closed</li> <li>The Authority will take the risk that the income in relation to the sub-let of NLBP4 and NLBP2 can be maintained until NLBP4 is closed in October 2015 as part of the Service Provider Service Delivery Plans</li> </ul>					

#### Recharge Table 12.g – Pensions Fund Income and Pension Recharge Income

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Pensions Fund recharges	Recharge	£ £12,881,100 (£3,792,500 in relation to the Pensions Recharge Income, and £9,088,600 in relation to the Pensions Fund Income)	Income from Pension Fund and Pension recharges into Authority bank account		Increase in line with contract price index.

<b>Risk allocation</b>					
The Authority shall retain the risk that the recharge will be recovered as the recharge is determined by the Authority.					

#### Recharge Table 12.h – MFD Print recharge

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Print recharge MFD usage	Recharge	£3,117,790	Recharges paid by Authority retained services to Corporate Finance		Increase in line with contract price index.
<b>Risk allocation</b>					
<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"> <li>For the avoidance of doubt In the event that the Authority exceeds these volumes the additional charges will be on the same basis as set out above, i.e. as if these volumes had not been exceeded.</li> <li>The Service Provider will meet its own cost of MFD use</li> </ul>					

#### Recharge Table 12.i – Print document production

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Print Recharges	Recharge	£1,208,200	Recharges paid by Authority retained services to Corporate Finance		Increase in line with contract price index.
<b>Risk allocation</b>					
<p>[REDACTED]</p> <ul style="list-style-type: none"> <li>Service Provider shall meet its own cost for printing.</li> </ul>					
<b>Process for addressing Guarantee shortfall or Over Performance</b>					
[REDACTED]					
[REDACTED]					

**Recharge Table 12.j – Corporate programmes income**

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Corporate programmes recharges	Recharge	£1,055,374	Recharges paid by purchasing entity to Authority corporate finance		Corporate programme day rates increase in line with contract price index.
<b>Risk allocation</b> <ul style="list-style-type: none"><li>The Authority shall retain the risk of this income being maintained as this is dependent on the continuation of capital projects delivered from within the Estates Service. In the event that the transformation projects cease, the Authority shall trigger an Authority Change and shall remove the requirement for the provision of staff to support capital projects from the Output Specification.</li></ul>					

**Recharge Table 12.k– Estates capital and revenue project income**

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Estates capital and revenue projects	Recharge	£3,742,100	Recharges paid by purchasing entity to Authority corporate finance		Corporate programme day rates increase in line with contract price index.
<b>Risk allocation</b> <ul style="list-style-type: none"><li>The Authority shall retain the risk of this income being maintained as this is dependent on continuation of capital projects delivered from within the Estates Service. In the event that the transformation projects cease, the Authority shall trigger an Authority Change and shall remove the requirement for the provision of staff to support capital projects from the Output Specification.</li></ul>					

**Recharges Table 12.l – Support services recharges to SPA and HRA**

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Support services recharges to SPA and HRA	Recharges	£2,415,990	Into Authority's bank account		Service Provider to limit annual recharge increases to contract price index

**Risk allocation**

- The Authority shall retain the risk that the recharge will be recovered as the recharge is determined by the Authority

**Recharges Table 12.m – Finance Service Recharge income**

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Support services recharges to SPA and HRA	Recharges	£3,313,800	Into Authority's bank account		Service Provider to limit annual recharge increases to contract price index

**Risk allocation**

- The Authority shall retain the risk that the recharge will be recovered as the recharge is determined by the Authority and the risk of the Authority not continuing to commission transformation projects from the Service Provider.
- In the event that the transformation projects cease, the Authority shall trigger an Authority Change to consider the removal of the finance services obligation to support Special Projects

**Recharges Table 12.n –Other income and recharges**

Item	Income or Recharge	Value over the Initial Term	Where is the money deposited		Indexation applied
Other	Sundry recharges and income	£1,563,600	Into Authority bank account		Service Provider to limit annual recharge increases to contract price index

- The Authority shall retain the risk that the recharge will be recovered as the recharge is determined by the Authority

12.4 Where the income shown above relates to Third Party Services or Traded Services, the Service Provider shall invoice the third party through the Finance Service, and payments received against these invoices shall be deposited directly into the Authority's bank account.

**13 Financial Model**

13.1 A copy of the Service Provider's Financial Model set out in Appendix 1 of this Schedule.

13.2 The Financial Model is underpinned by key assumptions, which are set out in Appendix 2 to this Schedule. A change in the assumptions stated in Appendix 2 shall result in a



variation to the Periodic Service Payments, in accordance with the provisions of Clause 13 (Change to the Agreement).

## 14 Payment and Invoices

14.1 Payments to the Service Provider shall be made through three invoices on the basis set out below

14.1.1 Invoice One (1) – will be issued in relation to the Periodic Service Payments calculated on the basis set out in 11.2

14.1.2 Invoice Two (2) – will be issued in relation to the Periodic Net Gainshare Payments calculated on the basis set out in 11.6

14.1.3 Invoice Three (3) – will be made in relation to will be issued in relation to Miscellaneous Payments calculated on the basis set out in 11.7

## 15 Milestone Amounts

15.1 The Authority shall be entitled to withhold the following Milestone Amounts “**Milestone Amounts Withheld**” from the Periodic Service Payments following Service Transfer Date where related Milestone Dates are not met by the Service Provider in line with the Milestone Acceptance Criteria. The Authority shall be entitled to withhold the Milestone Amount until the agreed Milestone Acceptance Criteria are met and the Milestone is completed whereupon the Service Provider shall add the relevant Milestone Amount Repayable to Invoice One for the next Periodic Service Payment in accordance with the provisions of Paragraph 12. In the event of termination for Service Provider Default, where the Service Provider cannot evidence that the Milestone Acceptance Criteria have been met and the Milestone has not been delivered prior to termination, the Authority shall be entitled to retain the Milestone Amounts Withheld. But where the Service Provider has evidenced that Milestone Acceptance Criteria have been met and the Milestone has been delivered prior to termination, and this is agreed by the Authority, the Authority will pay the Service Provider the Milestone Amounts Withheld as part of the Service Provider Default Termination Payment.

Milestone	Partial Cost Allocation	Date from Service Transfer Date (Milestone Date)
Transition mobilisation		Service Transfer Date
Successful Service Transfer Date		Service Transfer Date + 6 weeks
Interim IS Service DR arrangements in place		Service Transfer Date + 3 weeks
New CRM in place  Server hardware for the test, development and pre-production environments for Lagan CRM stood up  Lagan CRM Licenses to build and run the		Service Transfer Date + 7 weeks

test, development and pre-production environments purchased		
Insight engine implemented		Service Transfer Date + 7 weeks
Insight hardware in place		
Insight Software tools purchased		
Insight team recruited and in place		
Estates strategic asset management plan agreed		Service Transfer Date + 12 months
Phase 1 – HR self service employee portal		Service Transfer Date + 13 months
Completion of transformation programme		Service Transfer Date + 24 months
Phase 1 - customer services portal		Service Transfer Date + 13 months
Phase 2 – completion of self-service portal for HR and customer services		Service Transfer Date + 24 months

15.2 On each Milestone Date, the Service Provider shall confirm to the Authority whether the Milestone has been met in accordance with the Milestone Acceptance Criteria set out below, and whether any element of the Periodic Services Payment should be withheld in line with paragraph 15.1.

Milestone & Description	Milestone Acceptance Criteria - Transition Mobilisation
Milestone Acceptance Criteria	<ol style="list-style-type: none"> <li>1. Service Provider transition and transformation programme team and partnership management structure successfully established and populated, and engaged with Authority officers</li> <li>2. Communications protocols agreed, stakeholders identified, planned communications agreed</li> <li>3. Transition programme governance established and in operation</li> <li>4. Programme progress reporting in place and delivered through the partnership governance forums</li> <li>5. Programme risks and issues being managed, maintained</li> </ol>

	<p>and reported at the partnership governance forums</p> <p>6. Agreed Transformation Plan baselined and being maintained</p> <p>7. Problem escalation process in place</p>
Deliverables	<p>1. Transition and transformation programme team and partnership management structure established</p> <p>a. Organisation chart</p> <p>b. Notes of joint meetings</p> <p>c. Action Log</p> <p>2. Communications plan signed off</p> <p>3. Joint transition board established and in operation (evidenced by terms of reference, meeting minutes, action logs and jointly-submitted highlight reports) and ready to become the Partnership Transformation Board on the Service Transfer Date</p> <p>4. Transition and transformation programme progress reporting</p> <p>a. Weekly programme highlight report</p> <p>b. Weekly joint workstream progress reports</p> <p>5. Risk, action, issues and dependencies (RAID) log</p> <p>6. Programme plan (in MS Project)</p> <p>7. Governance terms of reference</p>
Milestone Date	Service Transfer Date

Milestone & Description	Milestone Acceptance Criteria - Successful Service Transfer Date
Milestone Acceptance Criteria	<p>1. Transition readiness assessment successfully completed</p> <p>2. Staff and services transferred on Service Transfer Date</p>

	<ol style="list-style-type: none"> <li>3. Assets transferred successfully on Service Transfer Date</li> <li>4. Successful payment of first month's salary to transferred and appointed staff</li> <li>5. Successful delivery of services from Service Transfer Date</li> </ol>
Deliverables	<ol style="list-style-type: none"> <li>1. Joint transition board approval of readiness assessment process, evidenced by its acceptance of the final readiness assessment tracker report and its decision for service commencement to go ahead on the Service Transfer Date.</li> <li>2. Staff and Services <ol style="list-style-type: none"> <li>a. All TUPE verification letters sent to in-scope staff by Service Transfer Date</li> <li>b. All planned consultation meetings completed by Service Transfer Date</li> <li>c. All benefits and pensions arrangements communicated to in-scope staff by Service Transfer Date</li> </ol> </li> <li>3. All third party contracts novations and assignments jointly agreed as required for Service Transfer Date completed</li> <li>4. Correct salary payments made on time and within agreed tolerances</li> <li>5. Month one (1) Services performance report showing actual performance against service level agreements and KPIs accepted by Performance Operations Board</li> </ol>
Milestone Date	Service Transfer Date + 6 weeks

## 16 Payment Terms/Procedure

- 16.1 The process for payment of sums due under the Agreement by the Authority to the Service Provider shall be as set out in this paragraph 16 (Payment Terms/Procedure) and subject to Schedule 13 (Monitoring Procedure) in relation to the calculation of any Service Credits to be offset against the payments. The Service Provider shall:

- 16.1.1 On the first (1st) Business Day of the first calendar month following Service Transfer Date submit to the Authority an invoice for the Capital Contribution as set out in paragraph 11.5;
  - 16.1.2 by the fifteenth (15th) Business Day in each Payment Period submit to the Authority Invoice One for the previous Payment Period as calculated in accordance with paragraph 11.2;
  - 16.1.3 by the fifteenth (15th) Business Day of the Payment Period, following the end of each Contract Year, submit to the Authority Invoice Two for the previous Contract Year as calculated in accordance with paragraph 11.6;
  - 16.1.4 by the fifteenth (15th) Business Day of the each Payment Period, the Service Provider shall submit Invoice Three for the previous Payment Period as calculated in accordance with paragraph 11.7.
- 16.2 Pursuant to paragraph 2 of Schedule 13 (Monitoring Procedure), on the fifteenth (15th) Business Day of each Payment Period and along with the submission of Invoice One, Invoice Two and Invoice Three, the Service Provider shall submit to the Authority, in support of those invoices submitted in accordance with paragraph 16.1, Performance Review information and documentation that is sufficient to enable the Authority to verify the invoices, including such required information as may be agreed in writing by the parties within five (5) Business Days of a request being made.
- 17 Not used**
- 18 Telephony charges**
- 18.1 Telephony call charges relating to the Retained Services and staff shall be met by the Service Provider where they are included within a Third Party Contract's line rental costs.
- 18.2 Where call charges arise relating to the Retained Services and Authority staff over and above the line rental costs these shall be recharged to the Authority subject to the Service Provider providing the relevant invoice and sufficient information to demonstrate that the call charges relate to the retained Authority Delivery Units.
- 18.3 The Service Provider shall be responsible for line rentals and charges for the telephony calls it makes in the provision of the Services.
- 18.4 The Service Provider shall be responsible for:
  - 18.4.1 the management of the Blackberry and mobile devices as set out in Schedule 10 (Authority Assets);
  - 18.4.2 the Blackberry Enterprise Server (BES) system and associated infrastructure; and
  - 18.4.3 managing the transferring Third Party Contracts in relation to telephony.
- 18.5 The costs relating to the following shall be met by the Authority:
  - 18.5.1 mobile and Blackberry call charges and tariffs; and

18.5.2 the refresh of mobile or Blackberry handsets as set out in Schedule 29 (Asset Maintenance and Refresh).

18.6 The Authority shall be responsible for the subscription and usage charges for all transferring Blackberry or mobile devices and any future such devices purchased by, or provided to, the Authority. If the Service Provider receives invoices for the user subscriptions or usage charges in respect of Authority Blackberry or mobile devices in the Authority's name it shall promptly forward such invoices to the Authority for payment. If the Service Provider receives invoices for the user subscriptions or usage charges in respect of Authority Blackberry or mobile devices in its own name, it shall pay such invoices (on the Authority's behalf) and pass through the call charge costs (set out in the invoice) to the Authority via the monthly invoice process. The Service Provider shall not apply any Central Overhead or Profit Element to such costs. The Service Provider shall also provide relevant supporting information to the Authority to enable the Authority to apportion such costs to Authority departments.

## 19 Indexation

19.1 On 1 April in each Financial Year from 2014 onwards the indexation shall be calculated:

19.1.1 In relation to staff costs of employment (Financial Model tab BC, lines 12 and 13) on the Agreed LG Pay Award for the current year or as backdated at the time when the LG Pay Award is agreed and the Authority confirms it should be applied multiplied by 56%; and

19.1.2 In relation to non labour operating costs (Financial Model tab BC, line 14) on the CPI increase multiplied by 44% in relation to the Service Provider's goods, services and new posts created to deliver the Services where the CPI Increase is the increase in the value of CPI between September two years previously and September in the previous year,

(the **Contract Price Index**)

19.2 Subject to 19.4, no indexation shall be applied to any other element in the Financial Model as set out in Appendix 1 to this Schedule.

19.3 In the event that any percentage change in the CPI component of the Contract Price Index is negative it shall be deemed to be zero for Third Party Contracts outlined in Schedule 24 (Third Party Contracts) where negative indexation provisions are not already provided for in those contracts.

19.4 Managed Budgets shall not be included when calculating the percentage set out in paragraph 19.1.2 in relation to Periodic Service Charges. The projected Managed Budget charges to be paid by the Authority are set out below (and within the Financial Model, "Managed Budgets" tab, lines 29 -43) and have no indexation applied. The cost incurred for all Managed Budget expenditure shall be recharged to the Authority on the basis incurred with no Profit Element or Central Overhead being applied by the Service Provider but with the indexation applied by the third party providers of the service in accordance with the agreed uplifts in those third party contracts. Managed Budgets shall be kept in a bank account held on trust by the Service Provider on behalf of the Authority.

19.5 In the event that the Contract Price Index would have been negative but for the provisions of paragraph 19.3, the amount of any subsequent adjustment in relation to the Agreed LG Pay Award shall take account of such negative change on a cumulative

basis (which means that although the Authority shall not benefit immediately from negative inflation, in subsequent years where there is positive inflation, the amounts payable by the Authority shall be discounted to reflect the decrease in the Periodic Services Payment that would have arisen had negative inflation been applied in the year it occurred);

- 19.6 The Service Provider shall provide the Authority with its estimate of the Contract Price Index for the following Contract Year as soon as practicably possible following the release of the relevant indices. Where the indices are not published openly then the Service Provider shall arrange for the Authority to access an auditable record of the index.

## **20 Expenses / Disbursements**

- 20.1 Expenses and disbursements shall only apply where agreed in advance by the Authority in writing.

## **21 Day Rates**

- 21.1 The Day Rates shown in Appendix 9 to this Schedule shall apply (subject to indexation in accordance with paragraph 19 of this Schedule) for the provision of ad hoc staff resources provided by the Service Provider during the Contract Period, for the provision of exit assistance (over and above the activities set out in Schedule 18 (Exit Arrangements) and agreed in advance by the Authority) and for any further purpose as agreed between the Service Provider and the Authority, including, as appropriate, Special Projects.

- 22 The parties shall agree, on an Open Book basis, the Day Rates to be paid for the provision of roles that are required, which are not defined within Appendix 9.

## **23 Super Profits**

- 23.1 The Authority shall be entitled to a share of Service Provider profits that exceed ■■■ of the Annual Service Payments made to the Service Provider by the Authority under the Agreement. Profits which exceed these thresholds are defined as Super Profits.

- 23.2 Where the profits arising from the provision of the Services, including any profit arising from undertaking Special Projects, exceeds ■■■, then unless otherwise agreed between the parties, the Authority shall receive 50% of all profits in excess of ■■■.

- 23.3 Super Profit shall be calculated annually on a cumulative basis throughout the Contract Period and recorded by the Service Provider and written records of the relevant data shall be provided by the Service Provider to the Authority at the end of each Financial Year. Super Profit is the net profit element after all Operating Costs and Central Overheads. For the avoidance of doubt, when calculating whether paragraph 23.2 applied the Periodic Service Payment will be treated as the average annual projected Periodic Service Payment as set out at the date of this Agreement and not the invoiced amount which are profiled to benefit the Authority by avoiding a Service Provider having to add a cost of money provision.

- 23.4 Where the Authority is entitled to a share of Super Profits, the Service Provider shall reimburse the Authority as part of an Invoice Three submission in the next Payment Period following the end of the relevant Contract Year or termination of the Agreement, whichever is earlier.

23.5 If in successive years the Service Provider fails to make further profits the Service Provider shall not be entitled to a rebate of any Super Profits that have been paid to the Authority in preceding years.

23.6 Notwithstanding paragraph 23.1, the Authority may, at any time and in its sole discretion, decide that any or all of its share of Super Profits should be treated in the following manner which will be managed through the Change Protocol:

23.6.1 reinvested into the Services; or

23.6.2 invested into Special Projects; or

23.6.3 used to re-profile the payment terms to the Service Provider by reducing the Deferred Revenue.

## **24 Management Service Charge**

24.1 As set out in the Financial Model in Appendix 1 to this Schedule, a management service charge has been applied to fund the Service Provider's management support for the contract to include at a minimum:

24.1.1 Two (2) days per month of executive director time to support the contract averaged over a Contract Year;

24.1.2 Operational, market sector or divisional directors attending thought leadership workshops subject to their availability;

24.1.3 Business development directors bringing market innovations, technology or business showcases to the Authority;

24.1.4 Attendance by the Service Provider COO at Strategic Partnership Boards; and

24.1.5 Attendance of the Service Provider's CEO at a meeting with the Council's CEO to take place at least annually.

## **25 Volume Based Payments**

25.1 Appendix 10 to this Schedule sets out the volume of activity baselines on which the Periodic Service Payment is based along with the agreed Tolerance Parameters within which the Service Provider shall be expected to manage its workload

25.2 The Service Provider shall use all reasonable endeavours to protect the Authority from an automatic increase the Periodic Service Payments due to volume adjustments exceeding the maximum Tolerance Parameter. In order to provide commercial flexibility and deliver the Authority's strategic objective of driving demand down, the Service Provider has set the first Tolerance Parameter at 10% above or below the Reported Baseline. This will also minimise the risk to the Authority of a volume based increase in the Periodic Service Payment occurring as a result of one off events and minimise any perverse incentives that might otherwise lead to volume increases.

25.3 Subject to paragraph 25.4.4 below, where volumes detailed in Appendix 10 are varied in excess of the Tolerance Parameters indicated then the Service Provider shall use all reasonable endeavours to protect the Authority from an automatic increase in the



Periodic Service Payments due to volume adjustments exceeding the maximum Tolerance Parameter. To this end, the Service Provider shall:

- 25.3.1 Seek to absorb some or all of the volume increase in a way that minimises any increase in the Service Providers costs; and/or
- 25.3.2 Prepare options for a Reprioritisation Change that would avoid or reduce cost increases as a result of volume increases above the maximum Tolerance Parameter.

25.4 If a Reprioritisation Change cannot be agreed between the parties then:

- 25.4.1 The volume changes shall be applied to the Periodic Service Payment in line with the volume bandings set out in Appendix 10 to this Schedule.
- 25.4.2 Any adjustment to the Periodic Service Payments shall be effective from the Payment Period following the date in which the Tolerance Parameter is first exceeded.
- 25.4.3 The Tolerance Parameters shall, following an adjustment to the Periodic Service Payments pursuant to paragraph 25.4.2, be reset to reflect the new confirmed baseline which shall be applied from that point,

provided always that the Authority shall not be required to pay for any additional volume nor entitled to any rebate for a reduction in volume until the relevant Tolerance Parameter has actually been breached where an increase applies or fallen below such Tolerance Parameter where a reduction applies.

- 25.4.4 Where an increase in volume is a result of actions taken by the Service Provider (which were not taken following a request from the Authority) the Service Provider shall not be entitled to seek an increase in the Periodic Service Payment.

25.5 Volumes associated with potential adjustments in cost, as listed in Appendix 10 shall be reported by the Service Provider at each monthly Partnership Operations Board.

25.6 All Service Volume Baselines set out in Appendix 10a and 10b to this Schedule will be reviewed at each contract year anniversary at a minimum as part of the Annual Service Plan to establish whether there has been any change to the Service Volume Baselines for Customer Services and the terms of paragraph 25 will apply where the Tolerance Parameters have been breached.

## 26 Volume based Charges – Universal Credit

26.1 The Service Provider has reduced its Periodic Service Charges as set out in the Financial Model to reflect a potential reduction in the Net Benefits Caseload as a result of the planned migration from Housing Benefit claims to Universal Credit. [REDACTED]

[REDACTED]		
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]



customers to self-service. During the first Contract Year of the Initial Term it is anticipated that a number of Deferred Services will be transferred into Customer Services and any impacts on the baseline volumes shall be assessed at the time through the Change Protocol.

- 27.2 As part of the first Annual Service Report the parties shall review the customer services volume based charges mechanism. The parties shall act in good faith to agree as part of that review to develop an alternative process to incentivise the reduction of telephone and face to face contacts contact volumes by paying the Service Provider additional payments for reductions in excess of the baseline target or penalising the Service Provider where telephone and face to face contacts are in excess of that target baseline.
- 27.3 The Service Provider has accepted the transfer of the first three Deferred Services in relation to Libraries, Children's Services Duty Rota and Fostering as set out in Schedule 1, Output Specification (Customer Service) and these now form part of the revised contracted Service Volume Baselines for Customer Services as set out in Appendix 10a and 10b to this schedule. These revised volumes are now subject to the terms set out in paragraph 26 to this Schedule 4 (Price Performance Mechanism)
- 27.4 On the second anniversary following the Service Commencement Date the parties will review the actual contact volumes at that time against the stated volumes set out in the contracted Service Volume Baselines for Customer Services as set out in Appendix 10a and 10b to this schedule. If as a result of this review the contracted Service Volume Baselines for Customer Services have changed the following process will apply
- 27.4.1 A review will be undertaken as set out at paragraph 25 to establish whether there should be any further amendment to the Periodic Service Payments as a result of the confirmed contract volumes against any of the Service Volume Baselines for Customer Services excluding Libraries Calls.
- 27.4.2 For Libraries calls specifically:
- (a) The Libraries call volumes will be reviewed against the stated Service Volume Baselines set out in Appendix 10a and 10b to this schedule from year three of the Contract Term and any changes to the baselines will be agreed between the parties.
  - (b) Subject to first seeking to reduce the impact on the ongoing costs in relation to Libraries calls through the mechanisms set out at paragraph 25.3 of this schedule the parties will agree in good faith the level of staff required to support those calls for the remaining contract term within the Contract Standards,
  - (c) The Service Provider will calculate the cost for accommodating the Libraries calls from year three of the Contract Term applying the same pricing principles set out in the Financial Model in Appendix 1 to this schedule
  - (d) The agreed volume changes will be applied to the Periodic Service Payment to reflect the cost of the calls for the remaining term based on the revised Service Volume Baselines for Libraries Calls

## **28 Future move to Utility Pricing**

- 28.1 The Service Provider shall, by the end of the second Contract Year, propose a charging method based on a utility pricing model for the Authority's approval. This shall support future charging for IS services based upon user role types and the allocation of end-user devices to be agreed by the Authority.
- 28.2 For the avoidance of doubt such charging method shall not lead to an increase in the Periodic Service Payments in relation to IS Services as set out in the Financial Model within Appendix 1 to this Schedule unless there is an increase in the IS user baseline that exceeds Tolerance Parameters as set out in Appendix 10. This change to the charging approach for the IS service elements shall be subject to Schedule 14 (Change Protocol).

## **29 Print Recharges**

The Service Provider shall provide Print Services to the Authority. The print recharges shall be set at the same level that existed at the Service Transfer Date for a period of twelve (12) months following the Service Transfer Date and shall then be maintained at these levels but subject to CPI increases. Subject to paragraph 12 and table 12.h Print recharges shall be billed through Invoice Three and will be supported by information as agreed with the Authority providing adequate detail to allow the Authority to recharge the delivery units within the Authority for their print usage.

## **Property Operating Costs**

- 29.1 The Authority has procured a set of independent statutory compliance condition surveys to deliver a comprehensive account of the condition of the Authority's estate and achieve compliance with statutory regulations. These shall be made available to the Service Provider prior to the Service Transfer Date
- 29.2 In relation to statutory compliance for the Civic Estates buildings named in the Estates Output Specification the following shall apply:
- 29.2.1 The Service Provider and the Authority shall use the outputs of the independent statutory compliance condition surveys to determine the works required to achieve statutory compliance for the Civic Estate buildings and the Service Provider shall develop a specification (to be agreed by the Authority) for these works.
- 29.2.2 Subject to approving the condition surveys and specifications, the Authority shall commission the necessary works in accordance with Schedule 15 (Special Projects) to bring the Civic Estate into compliance in accordance with the compliance provisions within Schedule 29 (Asset Maintenance and Refresh).
- 29.2.3 If at the Service Transfer Date any building within the Civic Estate is not fully compliant with all statutory compliance legislation as the works outlined in paragraph 29.3.1 have not been completed, the Service Provider shall not assume or discharge its contractual obligations in respect of such relevant outstanding elements of statutory compliance for that building until the Authority is able to verify that that building fully meets such obligation(s).
- 29.3 In relation to statutory compliance for other Authority premises/buildings named in the Estates Output Specification the following shall apply:

- 29.3.1 The Service Provider and the Authority shall use the outputs of the independent statutory compliance condition surveys to determine the works required to achieve compliance for the other Authority premises/buildings and the Service Provider shall provide a specification for these works (subject to Authority approval).
- 29.3.2 Subject to approving the condition surveys and specifications, the Authority shall commission the necessary works in accordance with Schedule 15 (Special Project Approval Procedure) to bring the other Authority premises/buildings into compliance in accordance with the compliance provisions within Schedule 29 (Asset Maintenance and Refresh).
- 29.3.3 The Service Provider shall discharge its contractual commitments in respect of statutory compliance for the Contract Period for the other Authority premises/buildings in accordance with Schedule 29 (Asset Maintenance and Refresh).

29.4 The Service Provider shall also, as part of its capital programme proposals for managing the Authority's buildings:

- 29.4.1 identify separately within the life cycle replacement programme any requirement for an investment in statutory compliance works within the Civic Estates buildings; and
- 29.4.2 identify separately within any life cycle replacement proposals any requirement for an investment in statutory compliance works within the Authority's other premises and buildings under the governance of the Strategic Asset Management Group.

29.5

[REDACTED]

29.6 Six (6) months prior to the expiry or early termination of this Agreement the Service Provider shall provide a complete set of final condition surveys in respect of the Civic Estate (which shall be subject to the Authority's approval or independent validation by an Authority selected independent provider) which shall identify any outstanding compliance work in relation to the Civic Estate. Where the parties cannot agree that final list of outstanding work to achieve compliance it shall be resolved through the Dispute Resolution Procedure.

Where the parties, acting in accordance with paragraph 29.6, identify any outstanding work required to achieve compliance in relation to the Civic Estate upon transfer back to the Authority, the Authority shall withhold from the Service Provider the estimated costs of rectifying such backlog in compliance works.

29.7 The Authority shall commission any backlog of works identified within paragraph 0 in a cost effective manner and complete the works within three (3) months of either the expiry or early termination of this Agreement.

29.8 The Authority shall set off the costs of the works commissioned under paragraph 29.7 against the retention withheld from the Service Provider as set out in Schedule 27

Compensation on termination and would be withheld by the Authority from the final element of the Periodic Service Payments payable under Invoice One

**30 Property Condition – Repairs and Maintenance**

- 30.1 The Service Provider acknowledges that the Authority has transferred to it the management of the Civic Estate's repairs and maintenance budgets.
- 30.2 The Service Provider has reduced the transferring operational budget relating to repairs and maintenance for the Civic Estates by ten per cent (10%) as set out in the Financial Model.
- 30.3 Following the Service Transfer Date the Service Provider shall carry out detailed building condition surveys across the Civic Estate and shall complete these no later than three (3) months following the Service Transfer Date. The surveys shall identify the repairs and maintenance condition of the Civic Estate at the Service Transfer Date and the findings shall be provided to the Authority for verification by the Authority or an Authority appointed advisor. These surveys shall conform to recognised RICS industry standards and include an elemental analysis by space/area (including an inventory of key fixtures/fittings) of each building asset, that describes each asset's function, current service delivery capability and its cosmetic standard.
- 30.4 The Service Provider shall repair and maintain the Civic Estate to at least the current functional, service delivery and cosmetic standards documented in the building condition surveys as set out in paragraph 30.3.
- 30.5 The Service Provider shall develop, agree and implement an annual planned maintenance programme for all properties managed on behalf of the Authority, as set out in Schedule 2 (The Service Delivery Plan) that identifies the Service Provider's estimate of the backlog maintenance required, proposes how the backlog maintenance within the Civic Estates buildings can be reduced and requests from the Authority the funding for the Service Provider, through the transferred repairs and maintenance budgets, to deliver this programme.
- 30.6 Subject to the Authority approving each annual planned maintenance programme, the Service Provider shall procure and manage the delivery of the programme
- 30.7 The Service Provider shall subsequently include in each annual planned maintenance programme a statement as to the amount of backlog maintenance still outstanding as at that date; including any new items that may have arisen and confirmation of those items that have been completed, this information to be produced by an annual five (5) year rolling plan survey undertaken by the Service Provider.
- 30.8 Three (3) months prior to the expiry of the Initial Term, the Service Provider shall present a final annual planned maintenance programme indicating the amount of backlog maintenance still outstanding as at that date subject to verification by the Authority or an Authority appointed advisor.
- 30.9 The Service Provider shall also carry out detailed building condition surveys across the Civic Estate adopting the same methodology and conformity to recognised industry standards as were used to conduct the detailed building condition surveys undertaken three (3) months after the Service Transfer Date. The Service Provider shall undertake the final set of condition surveys six (6) months from the Expiry Date.

- 30.10 The Service Provider shall transfer the Civic Estate buildings back to the Authority on the expiry of the Initial Term and the condition of each building shall be measured against the findings of the detailed building condition surveys submitted by the Service Provider in accordance with paragraph 30.9.
- 30.11 The buildings within the Civic Estate shall be handed back to the Authority by the Service Provider in no worse condition than that documented within the final annual planned maintenance programme, with this to be validated against the condition survey undertaken in accordance with paragraph 30.9.
- 30.12 Where the estimated cost of the maintenance backlog at the Termination Date is of a higher aggregate value than that reported in the final annual planned maintenance programme updated in accordance with paragraph 30.7, then the Authority shall be entitled to withhold the cost from the final element of the Periodic Service Payments payable under Invoice One.
- 30.13 Any dispute between the Authority and Service Provider as to the outcome of any condition survey will be resolved using the provisions of clause 49 (Dispute Resolution).

## **31 Rent and Rates**

- 31.1 The Service Provider shall manage the budgets relating to the rent and rates for the Civic Estate through a bank account held on trust and shall pay any invoices received in relation to these on behalf of the Authority. The Service Provider shall treat these Managed Budgets as pass through costs and shall add no Central Overhead and Profit Element.
- 31.2 The Service Provider has reduced the Periodic Service Payments in relation to rent and rates as a result of the Authority's planned closure of NLBP4 in 2015 and NLBP2 in 2020 and this has been reflected in the reduced Periodic Service Payments as set out in the Financial Model. This assumes that the Authority will exercise its lease break clause for NLBP4 and NLBP2 respectively and in the event that the Authority does not exercise this option the operating costs after November 2015 for NLBP4 and 2020 for NLBP2 shall be borne by the Authority.
- 31.3 In the event that the rent review of Barnet House in 2018 results in an increase or decrease in rent agreed by the District Valuer the transferring baseline budgets shall be amended through the Change Protocol.

## **32 Utilities**

- 32.1 The Service Provider shall manage the budgets relating to the Utility Charges for the Civic Estate through a bank account held on Trust for the benefit of the Authority and shall pay any invoices received in relation to these on behalf of the Authority. The Service Provider shall treat these Managed Budgets as pass through costs and shall add no Central Overhead and Profit Element.
- 32.2 The Service Provider shall effectively manage consumption and energy efficiencies through the identification of both technical and managerial consumption opportunities, for example through the deployment of more energy efficient equipment and processes, cultural change programmes, implementing robust monitoring and, control processes and where there is a business case to do so, through the implementation of new or replacement technologies.

32.3



32.4 During the first Contract Year of the Initial Term, the Service Provider will work with the Authority to identify projects and initiatives that will further reduce the Authority's consumption and improve energy efficiency. These projects and initiatives will be developed through Schedule 15 Special Projects and the Gainshare arrangements will be agreed on a case by case basis taking into account any required investment to deliver the savings and which party makes that investment.

### **33 Disposals**

33.1 The Service Provider shall not be entitled to any Gainshare or additional fee from capital receipts in relation to standard asset disposals as set out in the Schedule 1 Output Specification for Estates.

33.2 Where the Service Provider undertakes additional work over and above standard asset disposals as set out in the Schedule 1 Output Specification for Estates which results in a disposal and development providing an enhanced value to the asset then the Service Provider shall be entitled to a Service Provider Share as agreed within the Full Business Case developed in line with Schedule 15 (Special Projects Approval Procedure).

33.3 The three (3) year Disposals Income Target shall be agreed with the Authority three (3) months prior to the start of each Contract Year. The Service Provider and the Authority shall review the 2013/2014 target and agree the target to be met prior to the Service Transfer Date.

33.4 For future Contract Years the Service Provider shall commit to achieving ninety eight per cent (98%) of the Disposals Income Target subject to it being amended where there is a change to the Disposals Income Target outside of the Service Provider's control due to one (or more) of the following (and to the extent that the failure has directly impacted upon the ability of the Service Provider to execute its obligations):

33.4.1 Up to the date where such legal services are no longer provided by the Authority's legal advisers, failure by the Authority's legal advisors to execute their responsibilities in relation to disposal transactions within the timeframes set by the Authority;

33.4.2 A decision by the Authority to retain an asset previously identified and agreed to be part of the Disposals Income Target; and/or

33.4.3 A decision by a buyer to withdraw from a purchase where this could not reasonably have been known or mitigated by the Service Provider.

33.5 Where the Disposals Income Target has not been met due to a decision by a buyer to withdraw from a purchase and this could not reasonably have been known or mitigated by the Service Provider or there is a decision by the Authority to retain an asset previously identified and agreed to be part of the Disposals Income Target the following Contract Year's Disposals Income Target shall be increased by the income lost as a result of these actions.



## 34 Property Assets Portfolio rental income

- 34.1 The Authority has a 'non-operational' Property Assets Portfolio that is made up of the three elements within the table below. This table represents the Property Assets Portfolio Rental Income Baseline and totals £4,051,738. Each element of this transferring baseline will be validated as part of a discovery exercise prior to the Service Transfer Date and the resultant Commercial Property Income element will become the Agreed Commercial Property Portfolio Rental Income Baseline and the associated guarantees set out below will be adjusted to reflect the baseline. The validation process will update the baseline as applicable to take account of any inaccuracies and/or subsequent changes to the baseline arising from the circumstances set out in paragraph 35.5 and 35.6 below.

Asset Portfolio	Rental Income
Commercial Property	£2,182,151
General Fund	£958,994 <sup>1</sup>
HRA income	£910,593
Total	£ 4,051,738 <sup>2</sup>

Includes £277,486 for rental and services payable by Barnet Group for the occupation of Barnet House

2 Excludes £714,000 for HRA Garage Income that is solely managed by the Barnet Group

## 35 Commercial Property Portfolio rental income

- 35.1 The Service Provider will manage a rental income baseline of £3.485 million per annum on behalf of the Authority which represents the Commercial Property Portfolio Rental Income elements of the total Property Assets Portfolio as set out in 34.1 and comprises

35.1.1 "Commercial Property"

35.1.2 "General Fund"; and

35.1.3 "HRA income"

- 35.2 This baseline will be validated [REDACTED] and will become the Agreed Commercial Property Portfolio Rental Income Baseline [REDACTED]. The validation process will update the baseline as applicable to take account of any inaccuracies and/or subsequent changes to the baseline arising from the circumstances set out in paragraph 35.5 and 35.6 below.

- 35.3 The composition of the Commercial Property Portfolio Rental Income including passing rental income, planned rent reviews and lease renewal dates for the Commercial Property Portfolio shall be agreed prior to Service Transfer Date.

35.4 The Agreed Commercial Property Portfolio Rental Income Baseline will set out those individual property assets where a transaction has been concluded prior to the Service Transfer Date and is awaiting legal sign off. Any known increase / decrease in future rental income as a result of such a transaction will be included within the Agreed Commercial Property Portfolio Rental Income Baseline once the transaction has legally come into effect.

35.5 The Agreed Commercial Property Portfolio Rental Income Baseline will be reduced on a pound for pound basis to reflect any rental income arrears existing at the Service Commencement Date and will also be reduced on a pound for pound basis during the Initial Term when:

35.5.1 There is a disposal of a Commercial Property Portfolio asset.

35.5.2 Commercial Property Portfolio Rental Income is withheld or reduced as a result of the actions of the Authority acting either as a corporate body or as a landlord. The Agreed Commercial Property Portfolio Rental Income Baseline will only be adjusted in respect of such actions for the length of time that the rental income was withheld or reduced as evidenced by the Service Provider and agreed with the Authority.

35.5.3 A Commercial Property Portfolio asset becomes vacant and is then unable to be re-let as a result of circumstances outside the reasonable control of the Service Provider. The Agreed Commercial Property Portfolio Rental Income Baseline shall only be adjusted in respect of such circumstances for the length of time that a re-let is not possible as evidenced by the Service Provider and agreed with the Authority.

35.5.4 At a subsequent renewal a premium payment and reduced rental agreement is entered into in order to secure the renewal.

35.5.5 The Estimated Rental Value cannot be achieved without capital investment by the Authority agreed as a Special Project in accordance with the provisions of Schedule 15 and that investment is not available or provided.

35.5.6 A rent review, lease renewal or letting is concluded at a figure less than the Estimated Rental Value on the instructions of the Authority.

35.6 The Agreed Commercial Property Portfolio Rental Income Baseline will be increased on a pound for pound basis when:

35.6.1 Outstanding rental income arrears at the Service Transfer Date pursuant to paragraph 35.5.2 is recovered.

35.6.2 The Authority acquires a new asset with an associated rental income stream this shall be asset included within the Agreed Commercial Property Portfolio.

35.6.3 The Authority has invested in an existing asset within the Commercial Property Portfolio to achieve or increase the Estimated Rental Value.

35.7

[REDACTED]

35.8 The Agreed Commercial Property Portfolio Rental Income Baseline and the Commercial Property Rental Income Guarantee will be adjusted annually on the following basis:

35.8.1 In each Contract Year the total sum of the current Commercial Property Portfolio Rental Income for those assets identified within that year as being subject to a rent review or lease renewal will be subject to indexation using the IPD Property Index less 1 percentage point to reflect the composition of the Commercial Property Portfolio.

35.8.2 The rental income adjustments as set out in 35.5 and 35.6 will then be applied to the Agreed Commercial Property Portfolio Rental Income Baseline to generate the new agreed baseline [REDACTED].

35.9 Additional rental income in excess of the Agreed Commercial Property Portfolio Rental Income Baseline [REDACTED], including those resulting from specific proposals initiated by the Service Provider to enhance the Commercial Property Portfolio Rental Income, will be calculated annually [REDACTED].

35.9.1 [REDACTED]

(a) [REDACTED]

(b) [REDACTED]

35.9.2 Where the remaining £1,869,587 (in relation to General Fund and HRA Income) of the Commercial Property Portfolio Rental Income Baseline as set out in the table at paragraph 34.1 , and as adjusted in accordance with the provisions of this Schedule, [REDACTED]

(c) [REDACTED]

(d) [REDACTED]

35.10 Where agreed by the parties, certain proposals to enhance the Commercial Property Portfolio Rental Income require Authority investment, these will be treated as a Special Project under the terms of Schedule 15 and be subject to separate Gainshare arrangements.

**36 Not used**

**37 NLBP Dilapidations and Barnet House refurbishment costs**

37.1 The Service Provider [REDACTED] in the event that the Authority exercises its break clause for NLBP4 in accordance with paragraph **Error! Reference source not found.**

37.2 [REDACTED]

[REDACTED]

The cost of the dilapidations shall be subject to validation by the Authority or an Authority appointed advisor and in the event that the costs cannot be agreed the matter shall be referred to the Dispute Resolution Procedure as set out in clause 49 (Dispute Resolution).

37.3 The Service Provider recognises that it has a responsibility to ensure that the final cost in relation to the dilapidations for NLBP4 are mitigated as far as reasonably possible so [REDACTED] and to help minimise the Authority's exposure to dilapidation costs across the Civic Estate. Accordingly the Service Provider shall undertake a number of activities to mitigate the risks including:

37.3.1 The Service Provider shall use its expert commercial dilapidation surveyors to survey the buildings, assess the final dilapidation costs, negotiate the terms of the dilapidations with the relevant landlord and undertake any arbitration activities in order to minimise the dilapidation liabilities. Such dilapidations survey services shall be provided at no charge to the Authority;

37.3.2 The Service Provider shall scrutinise all leases in order to fully understand and minimise the Authority's dilapidation liabilities. The Service Provider shall undertake detailed inspections of premises to ensure all property maintenance risks are understood and maintenance activities are planned accordingly; and

37.3.3 The Service Provider shall make recommendations on the best approach for the Authority to minimise its property maintenance liabilities, including assessing what works and what could be better undertaken by the Service Provider rather than the Landlord in advance of a building vacation. The Service Provider shall seek to incorporate the benefits of any case law and lease provisions in managing the Authority's property maintenance obligations.

37.4 As part of the Service Provider's overall accommodation strategy, where the Authority acts in accordance with paragraph **Error! Reference source not found.** the Service Provider shall also upgrade Barnet House so that it is suitable to accommodate additional capacity as part of the Service Provider's accommodation.

37.5 Upon instruction from the Authority, the Service Provider has made a provision of [REDACTED] based on the assumption that in fulfilling the requirements of paragraph **Error! Reference source not found.** the remaining floors are suitable for occupation within the new accommodation strategy and will meet stakeholder's requirements. The provision of [REDACTED] per floor to undertake the following refurbishment activities:

37.5.1 Lighting adjustments (not to include the replacement of fittings);

37.5.2 Repainting of all wall areas;

37.5.3 Flooring covering repairs;

37.5.4 Alterations to existing electrical points on each floor;

37.5.5 A new / refurbished meeting area for each floor;

37.5.6 New flexible working desk area on each floor, similar to a breakfast bar arrangement;

37.5.7 New signage;

37.5.8 A service of all fixtures;

37.6 The Service Provider has not been able to undertake a full survey to confirm that these works will be sufficient to meet the required standards but has used its professional expertise and knowledge of the buildings in this area in providing this estimate.

37.7 The Service Provider shall use best endeavours and professional expertise to manage the above works outlined in 37.5 within [REDACTED] cost provisions. The Authority shall meet the costs of all Authority commissioned additional work. The Service Provider in providing its cost estimate has assumed that the building and all floors will have suitable mechanical and electrical systems, meets all current statutory compliance conditions including, health, safety, fire and equalities requirements and has suitable facilities for the number of occupiers proposed in the accommodation strategy (such as lifts, bathrooms and staff welfare requirements).

37.8 The Service Provider has included a cost of [REDACTED]  
[REDACTED]  
for staff that are relocated from NLBP4 to Barnet House in October 2015. A breakdown of this sum is shown below. This sum does not include the cost of any rent or lease payments as agreed. In the event that alternative plans are made for Barnet House prior to November 2015 and the property is no longer available for use, the parties shall agree an alternative approach at the time with any alternative building to accommodate the Service Provider and Authority staff relocated from NLBP4 being provided to the Service Provider by the Authority on the same cost basis unless otherwise agreed by the parties.

[REDACTED]

[REDACTED]

37.9 [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

## **38 Backlogs**

- 38.1 The Service Provider and the Authority accept that there may be a proportion of outstanding Revenues and Benefits transactions and work items as at the Service Transfer Date. It is anticipated any back log shall not be significant in size and will require prompt resolution. Where such a backlog exists, then the following shall apply:
- 38.1.1 Where the amount of outstanding unactioned work items as at the Service Transfer Date is less than or equal to the average number of work items received over a period of ten (10) Business Days as measured on the Authority's workflow system based on the quarter immediately prior to the Service Transfer Date, this shall be accommodated by the Service Provider within the Annual Service Payments
  - 38.1.2 Where the amount of outstanding unactioned work items as at the Service Transfer Date is greater than the average number of work items received over a period of ten (10) Business Days as measured on the Authority's workflow system based on the quarter immediately prior to the Service Transfer Date, the Service Provider and Authority shall agree a reduction plan that reflects the volume and types of transactions outstanding and the charge for the clearing of such backlog shall be agreed prior to the Service Transfer Date if the need arises.
- 38.2 Unless otherwise agreed between the parties, the Service Provider shall maintain the Service Performance Levels whilst undertaking such backlog work.

## **39 Pensions**

- 39.1 Where a Transferring Employee is a member of the Local Government Pension Scheme they have been costed at the contribution rate assessed by the scheme to apply as at the Service Transfer Date being 24.8% of basic salary, and which the Service Provider assumes is the rate at which the Service Provider shall contribute to the Local Government Pension Scheme, through the Admission Agreement unless amended through clause 15.3 (Pensions) of the Agreement.

## **40 Procurement Financial Guarantees & Commitments**

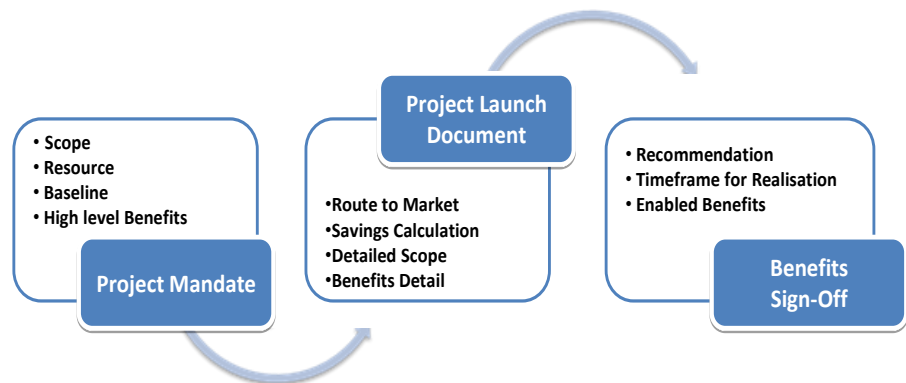
- 40.1 The Service Provider shall deliver guaranteed savings to the Authority as a result of its procurement expertise and planned activities to reduce the Authority's expenditure with third parties. The parties agree that the following are areas in which the Service Provider can achieve savings which count towards the Procurement Savings Guarantee but the Service Provider shall not be limited to these areas below in finding savings:
- 40.1.1 contract renegotiation - leading to a lower price for the same or improved level of service or product;
  - 40.1.2 management of supplier performance – for example greater compliance by ensuring suppliers adhere to terms and conditions;
  - 40.1.3 management of demand – for example monitoring adherence to existing procurement policies or introducing additional policies and/or monitoring the impact of variations in volume driven expenditure where, unless as the result of a direct action by the Authority, the Service Provider can demonstrate the incremental value of its involvement by reducing demand volumes;

- 40.1.4 collaboration - collaborative approach to procurement between contracting authorities or Authority departments in order to achieve savings from greater buying power and negotiating better contract terms;
- 40.1.5 new product / service price reduction - reduction in price for a new product or service not previously bought (either from budget or market price);
- 40.1.6 indexation / RPI removal - leading to a contractual change that reduces or amends a budget increase forecast in the Authority's MTFS Plan due to indexation being applied or reduces the demand by Retained Services for an additional budget allocation from the indexation provision within the Authority's MTFS Plan managed by the Authority's corporate finance team. Indexation savings shall be reviewed on an annual basis and confirmed at the point of new contract placement or via contract management indexation removal;
- 40.1.7 compliance management - reduction in cost by driving compliance by Authority employees and third parties and/or lower cost solution through forced compliance (i.e. product substitution at source);
- 40.1.8 revenue streams - via direct Service Provider involvement with supply base to improve commercial terms or create Service Provider increased revenue streams;
- 40.1.9 recovered money - savings related to returned monies due from compliance audits;
- 40.1.10 process and specification optimisation - savings related to efficiencies through the Service Provider contribution to delivering the outputs to the specification and/or procurement process;
- 40.1.11 vendor rationalisation and leverage – determining better pricing per item based on increased volume and leverage through supplier rationalisation;
- 40.1.12 process efficiency – where direct procurement impact has led to a clearly identified cost reduction via a re-engineered process;
- 40.1.13 rebates – where no allocated budget exists and expenditure is made for items such as agency and consulting resources from existing vacancies the Service Provider shall agree a Central Cash Rebate process with the Authority's corporate finance function. The Service Provider shall work with suppliers to bill the Delivery Units at the existing price levels but recover the cost saving as a rebate to the Authority's corporate finance function;

40.2 The Service Provider's changes to the activities listed in paragraph 40.1 above shall not lead to the degradation of the quality of the goods and/or services required under the Authority's Output Specification and/or the Services.

- 40.2.1 The Service Provider will engage with the Authority's stakeholder(s) including both budget holders and the Authority corporate finance function. The purpose of this is to jointly understand and define specifications, volumes and underlying requirements. This knowledge is usually based on a combination of historic information, budget information, future demand and strategies to ensure optimum output. At this stage, the key deliverables will be documenting, developing and signing off the scope, baseline and

specification in the form of a Project Mandate Form (“PMF”) for Authority approval followed by a Project Launch Document (“PLD”) if the PMF is approved. The diagram below sets out the high level sign off process:



40.2.2 The Project Mandate Form will be a high level scoping document of one to two pages prepared by the Service Provider and submitted to the Authority to provide an initial indication of the following in order that the Authority can decide whether it should progress to the PLD stage:

- (a) an initial estimate of the potential savings that could be generated
- (b) a high level view of the consequences of proceeding with the Procurement Project in respect of existing contracts that the Authority might reasonably need to be aware such as
  - i the need for a re-procurement of existing contracts
  - ii TUPE implications
  - iii The use of off-shore companies or services for future supplies
  - iv The exclusion of existing or local suppliers
- (c) an initial estimate of resource and effort required to deliver the project
- (d) a consideration of, risks associated with the approach and/or procurement route;

40.2.3 A Project Mandate Form may be rejected by the Authority at its sole discretion.

40.3 The process set out in paragraph above (and more fully described in Schedule 2 (Service Delivery Plans)) shall be completed by the Service Provider for complex projects or projects with a savings value of twenty-five thousand pounds (£25,000) or more. All projects with a Savings value below twenty-five thousand pounds (£25,000) shall be managed through the fast track process as outlined in Schedule 15, Part 4 (Fast Track Projects Procedure).

40.4 Where the Project Launch Document is being completed will include at a minimum:-

- 40.4.1 the Authority directorate who made the work request and key stakeholders;



- 40.4.2 the date of the request;
- 40.4.3 the commencement date and forecast end date (to assess cycle time);
- 40.4.4 the current status;
- 40.4.5 An initial estimate of savings
- 40.4.6 the key objectives;
- 40.4.7 any political sensitivity;
- 40.4.8 acceptance criteria and sign off process;
- 40.4.9 escalation process;
- 40.5 The Service Provider will give due regard throughout the project process to the level of risk, political sensitivity and the Authorities objectives (as set out within the Service Delivery Plan in Schedule 2) when developing the Project Mandate and Project Launch Document. Such assessments will be taken into account when proposing projects and throughout the process and Project Mandates will be presented in good faith on the basis of those most likely to receive political and officer sign off and deliver the benefits stated.
- 40.6 The Project Launch Document shall also include baseline data, unit costs, price fluctuations, volumes, payment terms, service level agreements, income streams and agreed acceptance criteria. The baseline data shall be gathered by the Service Provider from a variety of sources in addition to that provided by the key stakeholders. As part of the Project Launch Document the Service Provider shall determine and agree with the Authority the appropriate methods of calculating savings and the acceptance criteria in line with the agreed saving definitions.
- 40.7 Projects that require a Project Launch Document shall be approved by both parties before commencement of the project. The project's signatories must include:
  - 40.7.1 Service Provider head of procurement or procurement business partner;
  - 40.7.2 Service Provider procurement lead;
- 40.8 The Authority Key stakeholders who will include, at a minimum, the Head of Finance and the Director of the relevant delivery unit. In order to proceed to project commencement and to be counted as part of the Procurement Plan each Procurement Project shall be measured against the following Procurement Project Acceptance Criteria within the Project Launch Document in order to assess the likelihood of success in implementing the project. Such considerations shall include (but shall not be limited to):
  - 40.8.1 Complexity to deliver;
  - 40.8.2 Affordability against the target cost (if provided);
  - 40.8.3 The evidence that the potential (net) benefits will meet or exceed the targets set out in the Project Mandate Form

- 40.8.4 The Level of risk being in line with the parameters set out within the Project Mandate Form
  - 40.8.5 Issues of political sensitivity / acceptability being within the set identified within the Project Mandate Form;
  - 40.8.6 Fit with the Authority's corporate objectives;
  - 40.8.7 Alignment to service area; and
  - 40.8.8 Evidence that at least one similar project has been completed in other authorities.
- 40.9 The Procurement Project Acceptance Criteria set out above will be applied to Procurement Projects with benefits over £25K with each criteria having a score between 1 (one) and 5 (five), five being the most adverse outcome and one being the most positive in each case. The Authority and the Service Provider will agree prior to the development of the Project Launch Document for each Procurement Project which of these Procurement Project Acceptance Criteria will be applied based on the specifics for the Procurement Project and the necessary parameters within which the Project must be assessed in each area for it to be approved to proceed to implementation
- 40.10 The Procurement Project Acceptance Criteria will be presented as part of the PLD at the Partnership Operations Board or any relevant sub-group created for the purposes of agreeing and monitoring procurement activity] or where not presented to board its content including the Project Acceptance Criteria should be agreed by the Authority within 10 Business Days following presentation by the Service Provider.
- 40.11 Where the Procurement Project Acceptance Criteria are not assessed as being met by the Authority then it may reject the Project Launch Document.
- 40.12 Where the Procurement Project Acceptance Criteria fall below those stated in the PMF, on a case by case basis the parties will discuss and agree in good faith whether the Procurement Project Acceptance Criteria can be amended to the new levels and the Project Launch Document can still be agreed where the Service Provider can evidence that the variation is due to an agreed change of scope or specification.
- 40.13 The Service Provider recognises that the Procurement Project Acceptance Criteria is a key tool for the Authority in ensuring that the Procurement Projects proposed by the Service Provider have a reasonable likelihood of success and of being signed off by key Authority stakeholders. It is important for both parties to avoid unnecessary work being undertaken or disputes occurring later as to whether benefits can be counted towards the Procurement Savings Guarantee.
- 40.14 The Authority recognises that the Procurement Project Acceptance Criteria may vary according to the service that each Procurement Project relates to and the priorities, sensitivities, objectives and outcomes being sought for that service and that accordingly they may not be the same for all Procurement Projects. The Authority shall act in good faith to agree the Procurement Project Acceptance Criteria with the Service Provider in a timely manner and in any case within not more than five (5) Business Days as set out above.
- 40.15 As part of the contract award and implementation stage, the Service Provider shall confirm the expected benefits against the agreed acceptance criteria and phasing via a

benefit sign-off form which will be cross referenced back to the Project Launch Document.

### **Project Approval**

- 40.16 The benefits sign off form shall include a qualitative overview of benefits, the departments affected, stakeholders engaged in the project, total savings broken down in line with the savings definitions and benefits start date including phasing and incremental impact to the organisation's business plan. The benefits sign off form shall be signed off where agreed acceptance criteria met, by:
- 40.16.1 Service Provider head of procurement or procurement business partner;
  - 40.16.2 Service Provider procurement lead;
  - 40.16.3 Head of service in which the savings will be made;
  - 40.16.4 Authority key stakeholders; and
  - 40.16.5 Authority Head of Finance.
- 40.17 The procurement governance process shall also include Authority senior leadership and Member approval for project mandates and Project Launch Documents for any projects that are deemed politically sensitive.
- 40.18 PLD's delayed by over thirty (30) days from the date of submission by the Service Provider can be referred to the escalation procedure and if so determined, the associated savings can be recalibrated based on lost opportunity potential (calculated as month of delay versus forecast benefit).

### **Procurement Savings and Saving Guarantee Assessment**

- 40.19 On a monthly basis during the Contract Period as part of the Performance Review the Service Provider shall submit a report to the Authority of the progress against the Procurement Plan and the savings achieved in the course of the previous month (the **Savings Report**), with such supporting information as the Authority may reasonably require verifying the accuracy and integrity of such savings.
- 40.20 Procurement Savings shall be deemed to have been made, will be eligible for inclusion in the Savings Report and shall be treated as if they had been made for the purposes of calculating the Service Provider's entitlement to Gainshare payments set out in paragraph 41.30 below and against the Service Provider's liability under the Procurement Savings Guarantee set out in paragraph 41.28 below where the Procurement Savings have been achieved as a result of a Procurement Project or activity undertaken by the Service Provider in accordance with the Procurement Plan (including additional projects or activities that have been agreed separately by the parties from the Procurement Plan). For the avoidance of doubt achieved means that the savings have been passed the benefits sign off stage, the project implemented and contracts secured so savings are being or can be realised by the Authority
- 40.21 If at the Project Launch Stage the Authority decides at its own discretion not to consent to the implementation of the Procurement Project by the Service Provider notwithstanding that the Procurement Project Acceptance Criteria had been accepted and satisfied then:

- 40.21.1 the Service Provider shall be fully reimbursed by the Authority in respect of all reasonable costs incurred in developing such Procurement Project up to that stage and as set out and agreed in the Project Launch Document;
- 40.21.2 the Service Provider shall seek to identify further savings opportunities to offset the impact of the Procurement Project being rejected by the Authority; and if this is not possible
- 40.21.3 the Procurement Savings Guarantee and the Service Provider share of the Agreed Procurement Price Recovery shall be recalibrated to take into account those Procurement Savings which would otherwise have been achieved.

40.22 If at the benefits sign-off stage, the Authority decides at its own discretion:

- 40.22.1 not to consent to the implementation of the Procurement Project by the Service Provider notwithstanding that the Procurement Project Acceptance Criteria have been achieved and satisfied; or
- 40.22.2 where Procurement Savings that are evidenced as enabled by the Service Provider by the satisfaction of the agreed Procurement Project Acceptance Criteria in accordance with the Project Launch Document but which the Authority subsequently decides not to realise,

then those savings shall be deemed to have been made and will be eligible for inclusion in the Procurement Savings Report and shall be treated as if they had been made for the purposes of calculating the Service Provider's entitlement to Gainshare payments set out in paragraph 41.30 below and the Service Provider's liability under the Procurement Savings Guarantee set out in paragraph 40.34.

40.23 If the Authority does not agree or accept the findings of the Service Provider's Savings Report then the parties shall discuss in good faith any amendments and/or adjustments to the Savings Report so that there is an agreement (such agreement to be recorded in writing) as to the level of savings having been achieved in the previous calendar month.

40.24 If the parties are not able to agree the level of savings having been achieved in any calendar month the matter shall be referred to the Service Provider's Head of Procurement Service and the Authority's Head of Finance for resolution. If those parties are unable to reach agreement within twenty (20) Business Days of them having the matter referred to them for resolution then either party may refer the matter to the Dispute Resolution Procedure for resolution and determination of a level of savings to be recorded in respect of the calendar month in question.

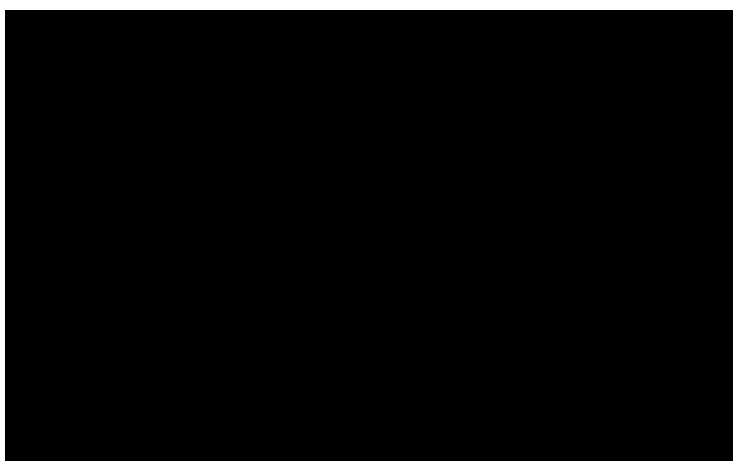
40.25 The parties recognise that the mechanisms in paragraphs 40.16 to 40.18 (inclusive) are intended to give the Authority the flexibility to reject proposed Procurement Projects recommended by the Service Provider in accordance with the terms set out in this paragraph 40. The parties further recognise that by giving the Authority such flexibility there should be a mechanism to review the Addressable Spend, agree an alternative Procurement Projects pipeline and/or propose alternative ways of achieving Procurement Savings in the future. Notwithstanding any provision in the Agreement, the parties agree that if the Procurement Savings Guarantee is reduced in aggregate by [REDACTED] or more in any Contract Year as a result of the operation of paragraphs 40.32 and 40.33, the parties shall undertake a fundamental review of the

Procurement Projects Plan and/or propose alternative ways of achieving the Service Provider's share of savings in the future.

- 40.26 In the event that the Parties are unable to agree on the proper rejection of any Procurement Project business case, any Procurement Projects to offset the shortfall or the outcome of any fundamental review then the matter shall be referred to the Dispute Resolution Procedure and if agreed, be considered by a procurement expert.

#### **Gainshare Payments from the Authority to the Service Provider**

- 40.27 The Agreed Procurement Price Recovery shall be payable by the Authority to the Service Provider on the basis of the table set out below in each Financial Year. These charges shall be deducted from the gross Procurement Savings generated by the Service Provider prior to any Gainshare calculations being applied.



- 40.28 In the event that the Procurement Savings in any such Contract Year are not sufficient to fully accommodate the Agreed Procurement Price Recovery in that Year, any unrecovered amount of Agreed Procurement Price Recovery for that Year shall be carried over to the following Contract Year and added to any Agreed Procurement Price Recovery (if any) payable in that following Contract Year for recovery in that following Contract Year.
- 40.29 In any Contract Year in which an amount of Agreed Procurement Price Recovery (or element thereof carried over pursuant to paragraph 40.28 above) is payable by the Authority pursuant to paragraph 40.28 above and the amount of Procurement Savings in that same Contract Year exceed that required to fully accommodate the Agreed Procurement Price Recovery (or element thereof carried over) payable in that Contract Year or where no Agreed Procurement Price Recovery is payable in the relevant year the Authority shall make an additional payment to the Service Provider as set out in 40.30 the Column "Service Providers Share of Net Guaranteed savings" in the table at below.
- 40.30 The Agreed Procurement Price Recovery shall be payable by the Authority to the Service Provider prior to allocation of Gainshare and on the basis of the table set out in paragraph 40.27. [REDACTED]

Contract Year	[REDACTED]	Authority Share of Net Guaranteed Savings	[REDACTED]
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2013/14		£ 624,031	
2014/15		£ 5,916,047	
2015/16		£ 2,633,546	
2016/17		£ 3,393,225	
2017/18		£ 4,233,875	
2018/19		£ 4,763,109	
2020/21		£ 5,317,156	
2021/22		£ 6,186,295	
2022/23		£ 6,693,772	
2023/24		£ 7,213,491	
<b>TOTAL</b>		<b>£ 46,974,547</b>	

- 40.31 Any payments due from the Authority to the Service Provider pursuant to this paragraph 40 shall be invoiced by the Service Provider to the Authority as part of Invoice Two.

**Recalibration in the Level of Savings Guarantee During the Term of the Agreement**

- 40.32 In March 2014 and in each subsequent March thereafter, throughout the Contract Period (other than any March month which immediately precedes the expiry of this Agreement), the parties shall discuss and agree in good faith the following revised inputs to be made to the Procurement Savings Model (where such items remain as is and have not altered this guarantee):

- 40.32.1 the level of Addressable Spend for the following Contract Year (apportioned by category of spend as reflected in the model);
- 40.32.2 the inflation factor using CPI to be applied in respect of the previous Contract Year;
- 40.32.3 the Scope of Addressable Expenditure changes such that the Authority takes actions or decisions which inhibit the Service Provider's ability to achieve the Savings set out and agreed by the parties in the Procurement Plan for example where the Authority rejects proposals for Procurement Projects which are reasonable and capable of implementation or outsourcing services to a third party; and
- 40.32.4 If there is a change to the agreed Procurement Plan provided by the Service Provider to the Authority prior to the Agreement Date and the Procurement Plan provided one (1) month following the Service Transfer Date, a recalibration of the Procurement Savings Guarantee shall occur.

- 40.33 Having agreed the inputs to be applied to the Procurement Savings Model pursuant to paragraph 40.32 above, a revised figure for any future Savings Guarantee(s) shall be determined using the Procurement Savings Model, recorded in writing by the parties and the table at Appendix 3 below be amended by the parties accordingly.

#### Procurement Savings Guarantee

- 40.34 In the event of the aggregate level of Procurement Savings achieved in any of the periods identified in the table below being less than the Authority Procurement Share, creating a “**Procurement Savings Shortfall**” [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] the Service Provider shall make a payment for the Procurement Savings Shortfall , [REDACTED]  
[REDACTED]:

Procurement savings	Authority Procurement Share Savings Guarantee
Year 1 - 2013/14	£ 624,031
Year 2 - 2014/15	£5,916,047
Year 3 - 2015/16	£ 2,633,546
Year 4 - 2016/17	£ 3,393,225
Year 5 – 2017/18	£ 4,233,875
Year 6 – 2018/19	£ 4,763,109
Year 7 – 2019/20	£ 5,317,156
Year 8 – 2020/21	£ 6,186,295
Year 9 – 2021/22	£ 6,693,772
Year 10 – 2022/23	£ 7,213,491
<b>Total</b>	<b>£ 46,974,547</b>

#### 41 Revenue and Benefits Financial Guarantees & Commitments

- 41.1 The Service Provider shall, subject to the provisions of paragraphs 42.2 to 41.4 inclusive, achieve the overall four (4) year Council Tax collection rates set out as follows:

Council Tax Year	Measurement Date (31st March)	Guaranteed Collection Rate (subject to 98.5% cap)
2010/11	2014	BCTCR + [REDACTED]

2011/12	2015	BCTCR + [REDACTED]
2012/13	2016	BCTCR + [REDACTED]
013/14 through to 2019/2020	2017 through to 2023	BCTCR + [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

41.2 [REDACTED]

41.3 The Council Tax collection rates for the purposes of paragraph 41.1 above shall be assessed using the same method of calculating collection rates as was used by the Authority prior to the date of this Agreement. The Guaranteed Collection Rates shall be assessed on the basis of the amount of net collectable debt as it applies to the Authority's liable Council Tax debtors as at the date of this Agreement and therefore shall not take into account new debt created as a result of any new or increased liabilities attributable to the Authority's Council Tax Support scheme due to be implemented from April 2013 and for which separate collection targets shall be baselined and agreed between the parties.

41.4 The debt raised as a result of the Council Tax Single Person Discount (SPD) review exercise as set out in paragraph 43 below shall be excluded when calculating the Service Provider's Council Tax collection performance. Any SPD debt raised as a result of the SPD Review that remains unpaid shall also be excluded. This is to avoid the Service Provider having to make good any shortfall under the terms of both guarantees for the same debt.

#### **Service Provider Council Tax Collection Rate Guarantee**

41.5 For each Council Tax Year from 2010/11 through to 2019/20 inclusive (and for years 2020/21 to 2022/2023 also subject to appropriate levels of three (3), two (2) and in-year Guaranteed Collection Rate having been agreed by the parties for those Council Tax Years pursuant to paragraph 41.7 below), in the event that the overall 4-year Council Tax collection rate is less than the Guaranteed Collection Rate for that year, the Service Provider shall make a payment to the [REDACTED]  
[REDACTED]  
[REDACTED]. The CT Shortfall shall be calculated on the basis of the net reduction in income that would have accrued to the Authority had the Guaranteed Collection Rate been achieved (i.e. less any amounts that would have been paid to precepting authorities).



41.6 The Council Tax Guarantee as set out in the Financial Model is as follows:

R&B Council Tax Overall Collection as at 31 <sup>st</sup> March in the given year-			Authority Council tax Share
2014			
2015			80,685
2016			376,530
2017			484,110
2018			484,110
2019			484,110
2020			484,110
2021			484,110
2012			484,110
2023			484,110
Total			3,845,986

41.7 A three (3) year Guaranteed Collection Rate shall be agreed between the parties for Council Tax debt raised in 2020/21, a two (2) year Guaranteed Collection Rate shall be agreed between the parties for Council Tax debt raised in 2021/22 and an in-year Guaranteed Collection Rate shall be agreed between the parties for Council Tax debt raised in 2022/23. The Guaranteed Collection Rates for 2020/21 to 2022/23 shall reflect the appropriate levels of recovery for each year of the relevant period, [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

#### Council Tax Gainshare

41.8 Where the overall actual Council Tax collection rate in respect of any Council Tax Year from 2010/11 through to 2019/20 inclusive exceeds the Guaranteed Collection Rates specified in the table in paragraph 41.1 or in any Council Tax Year from 2020/21 through to 2022/23 inclusive exceeds the Guaranteed Collection Rates subsequently agreed between the parties pursuant to paragraph 41.7 above then the Authority shall pay the Service Provider an amount equal to [REDACTED] of the additional revenue collected within thirty (30) days of its amount having been assessed.

## 42 Local Authority Error and Administrative Delay Overpayments,

- 42.1 Subject always to Clauses 44.1 to 44.3 below, if the lower DWP threshold is exceeded in respect of Local Authority Error Overpayments and Administrative Delay Overpayments in any Council Tax Year, the Service Provider shall pay the Authority a sum equal to [REDACTED] the “**Subsidy Shortfall Guarantee**”.
- 42.2 For the purposes of determining Local Authority Error Overpayments an award of HB shall be deemed to be correct unless the Service Provider has made an error in relation to the Accuracy of that award.
- 42.3 The Service Provider shall not be liable to reimburse the Authority for lost subsidy under the Subsidy Shortfall Guarantee pursuant to paragraph 42.1 above to the extent that Local Authority Error Overpayments or Administrative Delay Overpayments have arisen as a result of a Legacy Issue.
- 42.4 The commitment given by the Service Provider in paragraph 42.1 above is predicated on an assumption that the Authority’s performance prior to the date of this Agreement has been maintained consistently below the DWP minimum threshold. In the event that this assumption does not prove to be correct then the parties shall discuss and agree in good faith a revised incentivisation arrangement for the minimisation of subsidy which is reasonable in the circumstances.

## 43 Single Person Discount

- 43.1 The Service Provider shall undertake an audit and review of SPD during the first Contract Year of the Initial Term; and shall undertake on-going pro-active management of SPD throughout the Initial Term.
- 43.2 The Service Provider undertakes, subject to the provisions of paragraphs 43.3 and 43.4 below, to achieve an increase in the amount of Council Tax collected in each Council Tax Year during the Initial Term, net of the Greater London Authority precept, as a result of the pro-active management and review of SPD entitlements by the Service Provider, as set out in the table below (the **Annual Optimised SPD Revenue**).

Council Tax Year	[REDACTED]	Guaranteed Authority Share of SPD Revenue	[REDACTED]
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2013/14	[REDACTED]	£ 190,800	[REDACTED]
2014/15	[REDACTED]	£ 381,600	[REDACTED]
2015/16	[REDACTED]	£ 508,800	[REDACTED]
2016/17	[REDACTED]	£ 508,800	[REDACTED]
2017/18	[REDACTED]	£ 508,800	[REDACTED]

2018/19		£ 508,800	
2019/20		£ 508,800	
2020/21		£ 508,800	
2021/22		£ 508,800	
2022/23		£ 508,800	

TOTAL		£ 4,642,800	
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43.3 The Service Provider's SPD costs for optimising the revenue shown in the table in paragraph 43.2 above shall only be chargeable once the Annual Optimised SPD Revenue exceeds that cost in any given year (i.e. the additional income to the Authority is net of the cost of the activity required to achieve that income). The commitments to increased levels of the Annual Optimised SPD Revenue given by the Service Provider in paragraph 43.2 above are predicated on the following assumptions and/or basis of calculation:

- 43.3.1 The Authority's SPD caseload is in the range of 44,000 – 46,000 based on volumes reported in "CTAX\_and\_NNDR\_Volumetrics\_updated\_1.3.12" (which provided a baseline of 43,500 at March 2012) placed in the Data Room during due diligence. In the event that new data provided by the Authority prior to the Service Transfer Date or information obtained by the Service Provider (to the Authorities reasonable satisfaction) subsequently shows that the actual caseload exceeds this tolerance the parties shall agree the pro rata effects of any impact on the said Guarantee.
- 43.3.2 The Annual Optimised SPD Revenue has been calculated by reference to the Council's CTB1 return for 2011/12 on the assumption that the SPD caseload split by band will remain broadly similar for 2013/14 as stated in the Authority's baseline volumes in "CTAX\_and\_NNDR\_Volumetrics\_updated\_1.3.12".
- 43.3.3 No SPD review has been (or will be) undertaken prior to the Service Transfer Date and that the last SPD review undertaken by the Authority was not completed through cross-referencing SPD data with data obtained from credit reference agencies prior to the Service Transfer Date.
- 43.3.4 The calculation of the Annual Optimised SPD Revenue shall exclude the effect of any newly awarded SPD's through the normal day to day administration.
- 43.3.5 The legislation governing SPD and the discount percentage awarded as well as the case load volume will remain consistent as at October 2012 throughout the Initial Term and the impact of any changes being shall be deemed a Qualifying Change in Law.

[REDACTED]

The basis of calculating the Annual Optimised SPD Revenue:

- 43.5.1 The Annual Optimised SPD Revenue levels for each Council Tax Year from 2014/15 onwards shall incorporate the additional income that will be realised as a result of SPD removals in all previous years of the contract term.
- 43.5.2 The Annual Optimised SPD Revenue shall be calculated on the basis that it includes cash collected plus any subsequent reduction applied to the account (for example, a reassessment of benefit entitlement or the award of an alternative discount or exemption).
- 43.5.3 Where there is evidence that an SPD entitlement is no longer valid or the tax payer fails to respond to the review and an award is removed, the discount shall be removed from 1 April in the year of the review, unless the taxpayer confirms an alternative date from which the SPD should no longer apply.
- 43.5.4 In the event that any of the above assumptions do not prove to be correct then the parties shall discuss and agree in good faith revised levels of guaranteed Annual Optimised SPD Revenue and/or incentivisation arrangements for optimisation and pro-active management of SPD entitlements which are reasonable in the circumstances. In the event that the assumptions are confirmed as correct then the guarantee as set out is confirmed and the Service Providers obligations as set out are applied in full.

## Service Provider SPD Gainshare

- 43.6.1 For each Council Tax Year from 2013/14 through to 2022/23 inclusive, in the event that the Guaranteed Authority Share of SPD Revenue in any given Council Tax Year is less than shown in the table in paragraph 43.2 above, the Service Provider shall make a payment to the Authority
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]. For the avoidance of doubt, the SPD Shortfall shall be calculated on the basis of the net reduction in additional income

that would have accrued to the Authority (i.e. less any amounts that would have been paid to precepting authorities).

- 43.6.2 In the event that a payment is made to the Authority under paragraph 43.6.1 above because of a SPD Shortfall in any given year and that collection of the Annual Optimised SPD Revenue for that year is subsequently achieved through collection in a subsequent year, any SPD shortfall Guarantee paid by the Service Provider shall be refunded by the Authority.

#### **43.7 SPD Gainshare**

- 43.7.1 Where the Annual Optimised SPD Revenue in respect of any Council Tax Year from 2013/14 through to 2022/23 inclusive exceeds the level of Annual Optimisation SPD Revenue for that Council Tax Year less the cost of associated activity specified in the table contained in paragraph 43.2 then the Authority shall pay the Service Provider a sum equal [REDACTED] of such additional Annual Optimised SPD Revenue within thirty (30) days of its amount having been assessed (the **SPD Gainshare**).

- 43.7.2 The calculations and assessments of Annual Optimised SPD Revenue provided for in this paragraph 43 (Single Person Discount) shall operate independently and mutually exclusively of the overall Council Tax collection calculations set out in paragraphs 41 and 42 inclusive above (so that Annual Optimised SPD Revenue shall not contribute towards the overall Council Tax collection rate assessments made pursuant to paragraphs 41 and 42) and such calculations of guarantee or the SPD Gainshare applied to overall Council Tax collection rates in any given Council Tax Year are to be made independently of the any calculations of guarantee or the SPD Gainshare applied to the Annual Optimised SPD Revenue in that same Council Tax Year. [REDACTED]

#### **44 One Barnet Transferring Staff**

- 44.1 The Service Provider recognises that the Authority wishes to have a level of certainty over the level of One Barnet project management staff that will be available to support projects and the rates that they will be charged at post Service Transfer Date.
- 44.2 The Service Provider accepts that the project management staff transferring from the Authority as part of the One Barnet team have been funded by projects prior to the Service Transfer Date and that this principle should continue over the Initial Term.
- 44.3 In order to ensure value for money the Service Provider will provide 4 project liaison officers wherever possible from the transferring employees within the Corporate Programmes baseline to support the Estates Capital Projects. These staff are included within the Service Providers Periodic Service Charges.
- 44.4 In addition, the Service Provider will make available a further 4 project liaison officers for the Change Projects at the legacy day rates (subject to indexation) as set out in Appendix 9 to this Schedule 4 . These staff will be funded from projects.

- 44.5 Where project liaison officers are requested by the Authority the Service Provider provide them at the legacy day rates unless it can demonstrate that four FTEs at these day rates are already fully utilised in projects commissioned by the Authority. Where this has been demonstrated the Service Provider will provide any additional resource required at the Service Provider day rates as set out in Appendix 9.
- 44.6 In line with this approach the costs at the legacy rates for the One Barnet project managers engaged on estates capital projects have been included in the estates element of the Periodic Service Charges as set out in Appendix 1 of this Schedule and the corresponding recharges for their time have also been included as set out in paragraph 12 (Income and Recharges) table 12.k. Both the costs and recharges in relation to the estates capital projects staff have been profiled to be coterminous with the planned completion date for the estates in-flight capital projects. For all other in-flight projects the terms set out in 45 will apply

#### **45 One Barnet - In flight Projects**

- 45.1 The In-flight Projects that will be in the process of being defined, progressed or implemented at the Service Transfer Date are set out in Appendix 8 to this Schedule. This list states the status of each project at Service Transfer Date, and the planned next steps at Service Transfer Date using the processes set out in Schedule 15 (Special Projects Approval Procedure).
- 45.2 At the Service Transfer Date the Service Provider shall take on management of these In-flight Projects and the related staff who shall transfer to the Service Provider. Each project shall be managed using the processes as set out in Schedule 15 (Special Projects Approval Procedure) and the commercial basis for them to move toward completion with any related milestones, benefit plans or risk and reward mechanisms agreed through Schedule 15 (Special Projects Approval Procedure).
- 45.3 The Authority has also set out the project funding that is in place and approved for the In-Flight projects. This funding is intended to fund the transferring staff employment costs. It is anticipated that new projects will be commissioned through the Schedule 15 (Special Projects Approval Procedure) process during the Initial Term and that where possible any shortfall in funding between the employment costs for the transferring One Barnet staff and the In-flight Projects funding will be met as a result of these new projects.
- 45.4 In the event that there is a shortfall between the project funding and the staff costs the Service Provider shall seek to redeploy the transferring staff on to other projects that the Service Provider may be delivering to the Authority. Where the Service Provider is not able to redeploy transferring staff it shall begin the process of consultation for potential redundancies and for a period of eighteen (18) months following the Service Transfer Date the Authority shall be liable to meet the costs of this redundancy calculated in line with statutory regulations and transferring terms and conditions for staff.
- 45.5 From the nineteenth month following the Service Transfer Date the Service Provider shall be liable for any redundancy costs arising from the inability to redeploy transferring One Barnet staff into new Special Projects being delivered for the Authority or alternative roles.

## **46 IS - In flight Projects**

- 46.1 The In-flight Projects that will be in the process of being defined, progressed or delivered are set out in Appendix 8 to this Schedule. This list states the anticipated status of each project at Service Transfer Date, and the planned next steps at Service Transfer Date using the processes set out in Schedule 15 (Special Projects Approval Procedure). Where projects will be in delivery and will be accommodated within the Periodic Service Charges this is also indicated.
- 46.2 In the event that a project is being delivered at the date of this agreement, and is shown being completed by the Authority prior to the Service Transfer Date, is not completed before the Service Transfer Date the parties shall discuss in good faith whether they can be accommodated within the Periodic Service Charges through reprioritisation and in the event that they cannot, any outstanding work will be reviewed and chargeback but subject to agreement through Schedule 15.

## **47 Traded Services**

- 47.1 The Service Provider shall be responsible for agreeing fees with third parties who buy Traded Services
- 47.2 The agreed Incomes and Recharges relating to services provided to Traded Services shall be included within the Miscellaneous Payments under Invoice Three.
- 47.3 The Service Provider shall invoice the Traded Services Third Parties for their respective charges on a monthly basis on behalf of the Authority through its finance service function.
- 47.4 The Service Provider shall indemnify the Council against non-payment by any Traded Services third party in so far as any Income and Recharges from or to the Traded Services third party is guaranteed as set out in paragraph 12 (Income and Recharges) and as updated from time to time.

47.5

[REDACTED]

## **48 Employment Cost and Redudancy**

- 48.1 In accordance with clause 15.4.1, on or following month 6 following the Service Commencement Date the Service provider will calculate the Additional Employment Costs to be incurred during years one to five of the contract Term for the Transferring Employees
- 48.2 The Service Provider will provide the Authority with sufficient detail of the additional employment costs for the Authority to be able to reasonably validate that the costs are accurate and take into account:
- 48.2.1 the leaving date for any Transferring Employees that have or are to be made redundant following the consultation process completed between October 2013 and January 2014, for which any additional employment costs

will be applied on a pro-rata basis for the period from the Service Commencement Date to their confirmed leaving date only, and

- 48.2.2 the remaining transferring employees to remain employed by the Service Provider for whom the Additional Employment Costs will apply for the contract years one to five following the Service Commencement Date
- 48.3 Within Ten (10) business days after the Service Provider has submitted the calculated Additional Employment Costs the Authority will seek any clarifications or further evidence reasonably required in order to validate the additional costs.
- 48.4 Following the issue of any additional required information to the Authority, the parties will then meet to agree the calculations, such agreement not to be unreasonably withheld by the Authority.
- 48.5 Within ten (10) business days following agreement on the final Additional Employment Costs the Service Provider shall
  - 48.5.1 Issue the next scheduled Invoice One (as per paragraph 11.3 Schedule 4) including the Additional Employment Costs of £451,000 (four hundred and Fifty One Thousand) but offsetting the same with £451,000 of the initial Redundancy Provision Refund.
  - 48.5.2 refund the Authority or reduce the Periodic Service Charges (as agreed between the parties), the Net Initial Authority Redundancy Provision Refund being the balance of the Initial Authority Redundancy Provision Refund less the Additional Employment Costs
- 48.6 The Service Provider shall take the risk that any additional employment costs for any Transferring Employees from contract years six onwards be managed by the Service Provider and shall not seek any increase in the Annual Service Charge
- 48.7 The Service Provider shall take the risk that the remaining redundancy provision set out in Schedule 4 (Price Performance Mechanism) Appendix 1, Financial Model cells I16 to M16, tab BC less the Initial Authority Redundancy Provision Refund is adequate to cover the cost of any redundancies incurred by the Service Provider by the fifth anniversary of the Service Commencement Date, subject to such redundancies not being related to paragraph 26.7 (universal Credit impacts) or 46.4 One Barnet – In-flight projects).