

# **Schedule 11**

## **Charges and Invoicing**

## Schedule 11: Charges and Invoicing

### 1. Definitions

In this Schedule, the following definitions shall apply:

<b>"Achieved Profit Margin"</b>	the cumulative Supplier Profit Margin calculated from (and including) the Effective Date (or, if applicable, the date of the last adjustment to the Charges made pursuant to Paragraph 2.2 of Part D) to (and including) the last day of the previous Contract Year;
<b>"Anticipated Contract Life Profit Margin"</b>	the anticipated Supplier Profit Margin over the Term as reflected in the Financial Model;
<b>Authority's Gainshare</b>	Means thirty (30) per cent of the relevant Gain
<b>"Capped ADR"</b>	in relation to a Milestone Payment or Service Charge means a capped average day rate calculated by reference to a Time and Materials pricing mechanism, £[N/A];
<b>"Certificate of Costs"</b>	a certificate of costs signed by the Supplier's Chief Financial Officer or Director of Finance (or equivalent as agreed in writing by the Authority in advance of issue of the relevant certificate) and substantially in the format set out in Annex 3;
<b>"Costs"</b>	<p>the following costs (without double recovery) to the extent that they are reasonably and properly incurred by the Supplier in providing the Services:</p> <p>(a) the cost to the Supplier or the Key Sub-contractor (as the context requires), calculated per Work Day, of engaging the Supplier Personnel, including:</p> <ul style="list-style-type: none"><li>(i) base salary paid to the Supplier Personnel;</li><li>(ii) employer's national insurance contributions;</li><li>(iii) Employer Pension Contributions;</li><li>(iv) car allowances;</li><li>(v) any other contractual employment benefits;</li><li>(vi) staff training;</li><li>(vii) workplace accommodation;</li><li>(viii) workplace IT equipment and tools reasonably necessary to perform the Services (but not including items included within limb (b) below);</li></ul>

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and

- (ix) reasonable recruitment costs, as agreed with the Authority;
- (b) costs incurred in respect of those Assets which are detailed on the Registers and which would be treated as capital costs according to generally accepted accounting principles within the UK, which shall include the cost to be charged in respect of Assets by the Supplier to the Authority or (to the extent that risk and title in any Asset is not held by the Supplier) any cost actually incurred by the Supplier in respect of those Assets;
- (c) operational costs which are not included within (a) or (b) above, to the extent that such costs are necessary and properly incurred by the Supplier in the delivery of the Services;
- (d) Forecast Contingency Costs;
- (e) Reimbursable Expenses to the extent these are incurred in delivering any Services where the Charges for those Services are to be calculated on a Fixed Price or Firm Price pricing mechanism;

but excluding:

- (i) Overhead;
- (ii) financing or similar costs;
- (iii) maintenance and support costs to the extent that these relate to maintenance and/or support services provided beyond the Term, whether in relation to Assets or otherwise;
- (iv) taxation;
- (v) fines and penalties;
- (vi) amounts payable under Schedule 13 (*Benchmarking*); and
- (vii) non-cash items (including depreciation, amortisation, impairments and movements in provisions);

**"Delay Payment Rate"** has the meaning given in Paragraph **Error! Reference source not found.** of Part C;

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- "The Employer Pension Contributions"** (a) in respect of CSPS Eligible Employees those sums set out at clauses 7.1.1 (*annual administration charges covering core services*), 7.1.5 (*employer contributions*), 7.1.7 (*the ASLC*) and 7.1.8 (*flat charges applicable to the Partnership Pension Account*) of the Admission Agreement;
- (b) in respect of NHSPS Eligible Employees, the standard employer contribution rate applicable to NHS Pension Scheme employers during the Term and payable by the Supplier (but no other costs, contributions, charges or surcharges payable by the Supplier to or in respect of the NHS Pension Scheme or in respect of any NHS Premature Retirement Rights, unless otherwise agreed in writing by the Authority);
- (c) in respect of LGPS Eligible Employees the standard employer contribution rate applicable to LGPS Eligible Employees during the Term and payable by the Supplier (but no other costs, contributions, charges or surcharges payable by the Supplier to or in respect of the LGPS or in respect of any Beckmann Liabilities, unless otherwise agreed in writing by the Authority); and
- such other employer pension contributions, charges or costs incurred by the Supplier which have been expressly agreed by the Authority in writing to constitute 'Employer Pension Contributions';
- "Electronic Invoice Standard"** in relation to an electronic invoice means a form that:
- (a) complies with the standard for electronic invoicing approved and issued by the British Standards Institution in the document numbered BS EN 16931-1:2017 (Electronic invoicing - Part 1: Semantic data model of the core elements of an electronic invoice); and
- (b) uses a syntax which is listed as a syntax that complies with that standard in the document numbered PD CEN/TS 16931-2:2017 (Electronic invoicing - Part 2: List of syntaxes that comply with EN 16931-1) approved and issued by the British Standards Institution;
- "Forecast Contingency Costs"** the costs which the Supplier forecasts may be incurred in relation to the risks and contingencies that are identified in the Risk Register, such costs being those set out in the column headed 'Forecast Contingency Costs' in the Risk Register (as such costs are updated from time to time);

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<b>"Guaranteed Maximum Price"</b>	in relation to a Month, 105% of the Target Price for the relevant Month;
<b>"Incurred Costs"</b>	in relation to a Month, the sum of: <ul style="list-style-type: none"><li>(d) the fixed day costs set out in Table 3 of Annex 1 multiplied by the number of Workdays that have been expended by the Supplier Personnel in Achieving the relevant Milestone; and</li><li>(e) any amount that would fall within limbs (b) or (c) of the definition of "Costs" (but subject to exceptions (i) to (vii) in that definition), to the extent that such amount has been incurred in the relevant Month;</li></ul>
<b>"Indexation" and "Index"</b>	the adjustment of an amount or sum in accordance with Paragraph 5 of Part C;
<b>"Maximum Permitted Profit Margin"</b>	the Anticipated Contract Life Profit Margin plus 5%;
<b>"Milestone Group"</b>	has the meaning given in Paragraph 71.4.3 of Part B;
<b>"Milestone Retention"</b>	has the meaning given in Paragraph 1.3 of Part B;
<b>"Overhead"</b>	those amounts which are intended to recover a proportion of the Supplier's or the Key Sub-contractor's (as the context requires) indirect corporate costs (including financing, marketing, advertising, research and development and insurance costs and any fines or penalties) but excluding allowable indirect costs apportioned to facilities and administration in the provision of Supplier Personnel and accordingly included within limb (a) of the definition of "Costs" or the day cost set out in Table 3 of Annex 1;
<b>"Reimbursable Expenses"</b>	reasonable out of pocket travel and subsistence (for example, hotel and food) expenses, properly and necessarily incurred in the performance of the Services, calculated at the rates and in accordance with the Authority's expenses policy current from time to time, but not including: <ul style="list-style-type: none"><li>(a) travel expenses incurred as a result of Supplier Personnel travelling to and from their usual place of work, or to and from the premises at which the Services are principally to be performed, unless the Authority otherwise agrees in advance in writing; and</li><li>(b) subsistence expenses incurred by Supplier Personnel whilst performing the Services at their usual place of work, or to and from the premises at which the Services</li></ul>

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are principally to be performed;

<b>"Supplier Profit"</b>	in relation to a period or a Milestone (as the context requires), the difference between the total Charges (in nominal cash flow terms but excluding any Deductions) and total Costs (in nominal cash flow terms) for the relevant period or in relation to the relevant Milestone;
<b>"Supplier Profit Margin"</b>	in relation to a period or a Milestone (as the context requires), the Supplier Profit for the relevant period or in relation to the relevant Milestone divided by the total Charges over the same period or in relation to the relevant Milestone and expressed as a percentage;
<b>Supplier's Gainshare</b>	Means seventy (70) per cent of the relevant Gain
<b>"Supporting Documentation"</b>	sufficient information in writing to enable the Authority reasonably to assess whether the Charges, Reimbursable Expenses and other sums due from the Authority detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts;
<b>"Target Cost"</b>	has the meaning given in Paragraph 3.1 of Part A;
<b>"Target Price"</b>	has the meaning given in Paragraph 3.1 of Part A;
<b>"Verification Period"</b>	in relation to an Allowable Assumption, the period from (and including) the Effective Date to (and including) the date at which the relevant Allowable Assumption expires, as set out against the relevant Allowable Assumption in column 11 in the table in Annex 5;
<b>"Work Day"</b>	7.5 Work Hours, whether or not such hours are worked consecutively and whether or not they are worked on the same day; and
<b>"Work Hours"</b>	the hours spent by the Supplier Personnel properly working on the Services including time spent travelling (other than to and from the Supplier's offices, or to and from the Sites) but excluding lunch breaks.

## **Part A: Pricing**

### **1. Applicable Pricing Mechanism**

- 1.1 Monthly Payments shall be calculated using the pricing mechanism specified in Annex 2 and on the basis of the rates and prices specified in Annex 1 as more particularly set out in this Schedule.
- 1.2 Table 1 of Annex 2 sets out which pricing mechanism shall be used to calculate each Monthly Payment, which shall be one or more of the following:
  - 1.2.1 **"Time and Materials"**, in which case the provisions of Paragraph 2 shall apply;
  - 1.2.2 **"Guaranteed Maximum Price with Target Cost"**, in which case the provisions of Paragraph 3 shall apply;
  - 1.2.3 **"Fixed Price"**, in which case the provisions of Paragraph 4 shall apply; or
  - 1.2.4 **"Firm Price"**, in which case the provisions of Paragraph 5 shall apply.
- 1.3 Table 2 of Annex 2 sets out which pricing mechanism shall be used to calculate each Service Charge, which shall be one or more of the following:
  - 1.3.1 **"Time and Materials"**, in which case the provisions of Paragraph 2 shall apply;
  - 1.3.2 **"Volume Based"** pricing, in which case the provisions of Paragraph 6 shall apply; or
  - 1.3.3 **"Fixed Price"** in which case the provisions of Paragraph 4 shall apply.

### **2. Time and Materials Milestone Payments or Service Charges**

- 2.1 Where Table 1 or Table 2 of Annex 2 indicates that a Milestone Payment or Service Charge (as applicable) is to be calculated by reference to a Time and Materials pricing mechanism:
  - 2.1.1 the day rates set out in Table 1 of Annex 1 shall be used to calculate the relevant Charges, provided that the Supplier (or its Sub-contractor) shall:
    - (a) not be entitled to include any uplift for risks or contingencies within its day rates;
    - (b) not be paid any Charges to the extent that they would otherwise exceed the cap specified against the relevant Charge in Table 2 of Annex 1 unless the Supplier has obtained the Authority's prior written consent. The Supplier shall monitor the amount of each Charge incurred in relation to the relevant cap and notify the Authority immediately in the event of any risk that the cap may be exceeded and the Authority shall instruct the Supplier on how to proceed;
    - (c) unless otherwise agreed by the Authority in relation to the relevant Milestone Payment or Service Charge (as the case may be), not be paid any Charges to the extent that they would otherwise exceed the amount calculated by multiplying:
      - (i) the total number of days expended by the Supplier in relation to the relevant Milestone; or

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(ii) the total number of days expended by the Supplier during the relevant Service Period in relation to the relevant Service,

by the Capped ADR; and

(d) only be entitled to be paid Charges that have been properly and reasonably incurred, taking into account the Supplier's obligation to deliver the Services in a proportionate and efficient manner; and

2.1.2 the Supplier shall keep records of hours properly worked by Supplier Personnel (in the form of timesheets) and expenses incurred and submit a summary of the relevant records with each invoice. If the Authority requests copies of such records, the Supplier shall make them available to the Authority within 10 Working Days of the Authority's request.

2.2 The Supplier shall be entitled to Index the rates set out in Table 1 of Annex 1 and the Capped ADR in accordance with Paragraph 5 of Part C, but any caps set out in Table 2 of Annex 1 shall not be subject to Indexation.

### 3. **Guaranteed Maximum Price with Target Cost Incentive Monthly Payments**

3.1 Where Table 1 of Annex 2 indicates that a Monthly Payment is to be calculated by reference to the Guaranteed Maximum Price with Target Cost pricing mechanism, the target Costs (the "**Target Cost**") and the target Charge (the "**Target Price**") for the relevant Month shall be as set out in Table 4 of Annex 1.

3.2 If the Incurred Costs relating to a Month are lower than the Target Cost for that Month, the difference between the Incurred Costs and the Target Cost shall be shared 30:70 between the Authority and the Supplier (resulting in the Supplier receiving a higher Supplier Profit Margin in relation to that Month), and the Monthly Payment shall be calculated as follows:

$$\text{Monthly Payment} = \text{TP} + ((\text{TC} - \text{IC}) * (7/10))$$

where:

TP is the Target Price for the relevant Month;

TC is the Target Cost for the relevant Month; and

IC is the Incurred Costs relating to the relevant Milestone Month.

3.3 If the Incurred Costs relating to a Month are greater than the Target Cost for that Month, the difference between the Incurred Costs and the Target Cost shall be borne in the ratio 30:70 between the Authority and the Supplier (resulting in the Supplier receiving a lower Supplier Profit Margin in relation to that Milestone), provided that the maximum Monthly Payment payable by the Authority for the relevant Month shall not exceed an amount equal to the guaranteed maximum price for that Month as set out in Table 4 of Annex 1 (the "**Guaranteed Maximum Price**") Represented numerically:

3.3.1 if:

(a)  $\text{IC} > \text{TC}$ ; and

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(b)  $TP + ((IC - TC) * (3/10)) < GMP$ ,

then Monthly Payment =  $TP + ((IC - TC) * (3/10))$ ; or

3.3.2 if:

(a)  $IC > TC$ ; and

(b)  $TP + ((IC - TC) * (3/10)) \geq GMP$ ,

then Monthly Payment = GMP

where:

IC is the Incurred Costs relating to the relevant monthly payment;

TC is the Target Cost for the relevant Month;

TP is the Target Price for the relevant Month; and

GMP is  $TP * 1.05$ , being the Guaranteed Maximum Price for the relevant Month.

3.4 The Target Cost, Target Price and Guaranteed Maximum Price shall not be subject to Indexation.

### 4. Fixed Price Milestone Payments or Service Charges

4.1 Where Table 1 or Table 2 of Annex 2 indicates that a Milestone Payment or Service Charge is to be calculated by reference to a Fixed Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Table 5 of Annex 1.

4.2 Charges calculated by reference to a Fixed Price pricing mechanism shall be subject to adjustment by way of Indexation.

### 5. Firm Price Milestone Payments

5.1 Where Table 1 of Annex 2 indicates that a Milestone Payment is to be calculated by reference to a Firm Price pricing mechanism, the relevant Charge shall be the amount set out against that Charge in Table 6 of Annex 1.

5.2 Charges calculated by reference to a Firm Price pricing mechanism shall not be subject to adjustment by way of Indexation.

### 6. Volume Based Service Charges

6.1 Where Table 2 of Annex 2 indicates that a Service Charge is to be calculated by reference to a Volume Based pricing mechanism, the relevant Charges shall be calculated on the basis of the unit costs set out against that Service Charge in Table 7 of Annex 1.

6.2 In the event that the volume of any Services that are to be calculated by reference to a Volume Based pricing mechanism fall outside the relevant volume bands set out against that Service Charge in Table 7 of Annex 1, the relevant Service Charges shall be calculated in accordance with the Change Control Procedure and Paragraph 4 of Part C.

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6.3 The Charge per unit set out in Table 7 of Annex 1 shall be subject to annual Indexation.

### **7. Reimbursable Expenses**

7.1 Where:

7.1.1 Services are to be charged using the Time and Materials or Guaranteed Maximum Price with Target Cost pricing mechanism; and

7.1.2 the Authority so agrees in writing,

the Supplier shall be entitled to be reimbursed by the Authority for Reimbursable Expenses (in addition to being paid the relevant Charges), provided that such Reimbursable Expenses are supported by Supporting Documentation.

7.2 The Authority shall provide a copy of its current expenses policy to the Supplier upon request.

7.3 Except as expressly set out in Paragraph 7.1, the Charges shall include all costs and expenses relating to the Deliverables, the Services and/or the Supplier's performance of its obligations under this Contract and no further amounts shall be payable by the Authority to the Supplier in respect of such performance, including in respect of matters such as:

7.3.1 any incidental expenses that the Supplier incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop and office equipment costs required by the Supplier Personnel, including network or data interchange costs or other telecommunications charges; or

7.3.2 any amount for any services provided or costs incurred by the Supplier prior to the Effective Date.

## **Part B: Charging Mechanisms**

### **1. Milestone Payments (Paragraphs 1.1 to 1.3 not used)**

1.1 Not Used.

1.2 Not Used.

1.3 Not Used.

### **Guaranteed Maximum Price with Target Cost pricing mechanism**

1.4 Where a Monthly Payment is to be calculated by reference to a Guaranteed Maximum Price with Target Cost pricing mechanism, then the following payment process shall apply:

1.4.1 The Supplier may invoice the Authority for the Target Price within ten (10) Working Days of the end of the Month; and

1.4.2 no later than 60 Working Days after the invoice referred to in Paragraph **Error! Reference source not found.** has been issued, the Supplier shall:

- (a) submit to the Authority a report setting out the Incurred Costs and actual Monthly Payment;
- (b) issue to the Authority an invoice or credit note for the difference between the actual Milestone Payment payable and the Target Price invoiced for the Month;
- (c) where a credit note is to be issued to the Authority pursuant to Paragraph 1.4.2(b), repay to the Authority a sum equal to such difference as a debt within 10 Working Days of issue of the credit note; and
- (d) issue a Certificate of Costs with Supporting Documentation, which shall exclude any accruals, prepayments and provisions.

1.4.3 Not Used.

1.4.4 Not Used.

1.4.5 Not Used.

1.5 If the Supplier does not repay any such sum as is referred to in Paragraph 1.4.21.4.2(c) within 10 Working Days of issue of the relevant credit note, it shall repay such sum together with interest on such sum at the applicable rate under the Late Payment of Commercial Debts (Interest) Act 1998, accruing on a daily basis from (and including) the due date up to (but excluding) the date of actual payment, whether before or after judgment.

1.6 Following the issue of a Certificate of Costs in accordance with Paragraph 1.4.2(d), the Supplier shall not be entitled to invoice the Authority for any additional Charges relating to the Month.

### **Release of Milestone Retentions**

1.7 Not Used

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### 2. Not Used

### 3. Optional Services

3.1 If the Authority gives notice pursuant to Clause 5.10 (*Optional Services*) that it requires the Supplier to provide any or all of the Optional Services:

3.1.1 the Payments (if any) for the relevant Optional Services shall be calculated by reference to the pricing mechanism for those Optional Services set out in Table 3 of Annex 2.

3.1.2 Not Used

## **Part C: Adjustments To The Charges And Risk Register**

1. **Not Used**

2. **Not Used**

3. **Service Credits**

3.1 Service Credits shall be calculated by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 3 (*Performance Levels*).

3.2 For each Service Period:

3.2.1 the Service Points accrued shall be converted to a percentage deduction from the Service Charges for the relevant Service Period on the basis of one point equating to a 0.7% deduction in the Service Charges; and

3.2.2 the total Service Credits applicable for the Service Period shall be calculated in accordance with the following formula:

$$SC = TSP \times x \times AC$$

where:

SC is the total Service Credits for the relevant Service Period;

TSP is the total Service Points that have accrued for the relevant Service Period;

X is 0.7% and

AC is the total Services Charges payable for the relevant Service Period (prior to deduction of applicable Service Credits).

3.3 The liability of the Supplier in respect of Service Credits shall be subject to Clause 23.4.3 (*Financial and other Limits*) provided that, for the avoidance of doubt, the operation of the Service Credit Cap shall not affect the continued accrual of Service Points in excess of such financial limit in accordance with the provisions of Schedule 3 (*Performance Levels*).

3.4 Service Credits are a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received and are stated exclusive of VAT.

3.5 Service Credits shall be shown as a deduction from the amount due from the Authority to the Supplier in the invoice for the Service Period immediately succeeding the Service Period to which they relate.

4. **Changes to Charges**

4.1 Any Changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 18 (*Change Control Procedure*) and on the basis that the Supplier Profit Margin on such Charges shall:

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4.1.1 be no greater than that applying to Charges using the same pricing mechanism as at the Effective Date (as set out in the Contract Inception Report); and

4.1.2 in no event exceed the Maximum Permitted Profit Margin.

4.2 The Authority may request that any Impact Assessment presents Charges without Indexation for the purposes of comparison.

### 5. Indexation

5.1 Any amounts or sums in this Contract which are expressed to be "subject to Indexation" shall be adjusted in accordance with the provisions of this Paragraph 5 to reflect the effects of inflation.

5.2 The following costs, expenses, fees or charges included in the Charges shall not be subject to adjustment under this Paragraph 5 and shall not be included in the relevant amount or sum for the purposes of Paragraph 5.3:

5.2.1 Any costs charged by the Supplier to the Authority in respect of Assets or Authority Assets (including capital costs and installation, maintenance and support costs) which are incurred by the Supplier prior to the relevant adjustment date but which remain to be recovered through the Charges.

5.3 Notwithstanding any other provisions of this Schedule, amounts or sums in this Contract shall not be subject to Indexation during the first [2] years following the Operational Service Commencement Date (the "**Non-Indexation Period**").

5.4 Where any amount or sum in this Contract is stated to be "subject to Indexation" then it will be indexed on the date which is one year after the end of the Non-Indexation Period to reflect the average change in the [CPI ANNUAL RATE 00: ALL ITEMS 2015=100 - Office for National Statistics](#) published by the Office of National Statistics during that one year period immediately following the end of the Non-Indexation Period. Subsequent adjustments shall take place on each following yearly anniversary to reflect the percentage change in the price index since the previous change.

5.5 Except as set out in this Paragraph 5, neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Supplier or Sub-contractors of the performance of their obligations.

5.6 Where the price index referred to in Paragraph 5.3:

5.6.1 used to carry out an indexation calculation is updated (for example due to it being provisional) then the indexation calculation shall also be updated unless the Buyer and the Supplier agree otherwise; or

5.6.2 is no longer published, the Buyer and the Supplier shall agree an appropriate replacement index which shall cover to the maximum extent possible the same economic activities as the original index.

### 6. Allowable Assumptions

6.1 The Supplier shall determine whether each Allowable Assumption is accurate within its Verification Period.

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- 6.2 During each Verification Period, the Authority shall provide the Supplier with reasonable assistance and access to information within its possession or reasonable control and which the Authority deems is relevant to the Allowable Assumption being verified.
- 6.3 Within 10 Working Days of the end of each Verification Period, the Supplier shall provide the Authority with a written report setting out the results of the Supplier's verification activity for the relevant Allowable Assumption, including whether the Allowable Assumption is accurate or whether the Implementation Plan and/or the Contract Inception Report require adjustment.
- 6.4 Each Allowable Assumption shall be deemed accurate unless adjusting for the relevant Allowable Assumption has an impact:
- 6.4.1 on the Financial Model greater than the associated trigger for invocation, as set out in column 9 of the table in Annex 5; or
  - 6.4.2 on the Implementation Plan which would require adjustment under the Change Control Procedure, as identified in column 3 of the table in Annex 5, in which case Paragraph 6.5 shall apply.
- 6.5 Where the Parties agree that an Allowable Assumption is not accurate and the Financial Model and/or Implementation Plan require adjusting:
- 6.5.1 the Supplier shall take all reasonable steps to mitigate the impact of the Allowable Assumption on the Financial Model and/or the Implementation Plan;
  - 6.5.2 the Supplier may (subject to Paragraph 6.5.3) propose a Change to take account of the impact of the adjustment of the Allowable Assumption and such Change Request shall be considered in accordance with the Change Control Procedure; and
  - 6.5.3 where the Supplier proposes a Change to the Charges under Paragraph 6.5.2, the Change Request shall reflect the requirements of the table in Annex 5, including the requirement that any proposed adjustment to the Charges shall not exceed the maximum impact on the relevant Charges as specified in column 7 of the table in Annex 5.

## 7. Risk Register

- 7.1 The Parties shall review the Risk Register set out in Annex 4 from time to time and as otherwise required for the purposes of Schedule 17 (*Governance*).

## **Part D: Excessive Supplier Profit Margin**

### **1. Limit on Supplier Profit Margin**

- 1.1 The Supplier acknowledges that the Achieved Profit Margin applicable over the Term shall not exceed the Maximum Permitted Profit Margin.
- 1.2 The Supplier shall include in each Annual Contract Report the Achieved Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up and the provisions of Paragraph 2 of Part B of Schedule 19 (*Financial Reports and Audit Rights*) shall apply to the approval of the Annual Contract Report.

### **2. Adjustment to the Charges in the Event of Excess Supplier Profit**

- 2.1 If an Annual Contract Report demonstrates (or it is otherwise determined pursuant to Paragraph 2 of Part B of Schedule 15 (*Financial Reports and Audit Rights*)) that the Achieved Profit Margin as at the end of the Contract Year to which the Annual Contract Report is made up exceeds the Maximum Permitted Profit Margin at the Authority's election:
  - 2.1.1 the Supplier shall, within 5 Working Days of delivery to the Authority of the Annual Contract Report, propose such adjustments to the Charges as will ensure that the Achieved Profit Margin both over the Contract Year to which the next Annual Contract Report will relate and over the Term will not exceed the Maximum Permitted Profit Margin; or
  - 2.1.2 the Supplier shall reinvest the Authority's Excess Profit Share (Authority's Gainshare) in the Services as directed by the Authority; or  
  
the Supplier shall pay the Authority's Excess Profit Share to the Authority (Authority's Gainshare), within 20 Working days of the Authority notifying the Supplier that it has elected to choose this option.
  - 2.1.3 the Authority (acting reasonably) may agree or reject the proposed adjustments in 2.1.1;
  - 2.1.4 if the Authority rejects the proposed adjustments in 2.1.1 it shall give reasons and the Supplier shall propose revised adjustments within 10 Working Days of receiving those reasons; and
  - 2.1.5 if the Parties cannot agree such revised adjustments in 2.1.1 and the Authority terminates this Contract by issuing a Termination Notice to the Supplier pursuant to Clause 31.1.1 (*Termination by the Authority*), then for the purpose of calculating any Compensation Payment due to the Supplier, the Termination Notice shall be deemed to have been served as at the date of receipt by the Authority of the relevant Annual Contract Report.
- 2.2 Pending agreement of a proposed adjustment to the Charges pursuant to this Part D, the Charges then in force shall continue to apply. Once the adjustments to the Charges are agreed in accordance with Paragraph 2.1, the Parties shall document the adjustment in a Change Authorisation Note and the adjusted Charges shall apply with effect from the first day of the Service Period that immediately follows the Service Period in which the Change

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Authorisation Note is executed on such other date as is specified in the Change Authorisation Note.

## **Part E: Invoicing and Payment Terms**

### **1. Supplier Invoices**

- 1.1 The Authority shall accept for processing any electronic invoice that complies with the Electronic Invoice Standard, provided that it is valid and undisputed.
- 1.2 If the Supplier proposes to submit for payment an invoice that does not comply with the Electronic Invoice Standard the Supplier shall:
  - 1.2.1 comply with the requirements of the Authority's e-invoicing system;
  - 1.2.2 prepare and provide to the Authority for approval of the format a template invoice within 10 Working Days of the Effective Date which shall include, as a minimum the details set out in Paragraph 1.3 together with such other information as the Authority may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and
  - 1.2.3 make such amendments as may be reasonably required by the Authority if the template invoice outlined in 1.2.2 is not approved by the Authority.
- 1.3 The Supplier shall ensure that each invoice is submitted in the correct format for the Authority's e-invoicing system, or that it contains the following information:
  - 1.3.1 the date of the invoice;
  - 1.3.2 the name of the invoicing party;
  - 1.3.3 a unique invoice number;
  - 1.3.4 the Service Period or other period(s) to which the relevant Charge(s) relate;
  - 1.3.5 the correct reference for this Contract;
  - 1.3.6 the reference number of the purchase order to which it relates (if any);
  - 1.3.7 the dates between which the Services subject of each of the Charges detailed on the invoice were performed;
  - 1.3.8 a description of the Services and/or any other Deliverables;
  - 1.3.9 the pricing mechanism used to calculate the Charges (such as Guaranteed Maximum Price with Target Cost, Fixed Price, Time and Materials);
  - 1.3.10 any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
  - 1.3.11 the total Charges gross and net of any applicable deductions and, separately, the amount of any Reimbursable Expenses properly chargeable to the Authority under the terms of this Contract, and, separately, any VAT or other sales tax payable in respect of each of the same;
  - 1.3.12 details of any Service Credits or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;

## Schedule 11 (Charges and Invoicing)

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- 1.3.13 reference to any reports required by the Authority in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);
- 1.3.14 a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;
- 1.3.15 the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number); and
- 1.3.16 where the Services have been structured into separate Service lines, the information at 1.3.1 to 1.3.15 of this Paragraph 1.3 shall be broken down in each invoice per Service line.
- 1.4 The Supplier shall invoice the Authority in respect of Services in accordance with the requirements of Part B. The Supplier shall first submit to the Authority a draft invoice setting out the Charges payable. The Parties shall endeavour to agree the draft invoice within 5 Working Days of its receipt by the Authority, following which the Supplier shall be entitled to submit its invoice.
- 1.5 Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment by the Authority as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice.
- 1.6 The Supplier shall submit all invoices and Supporting Documentation to:
- BUYER'S INVOICE ADDRESS:**
- 2 Marsham Street**
- London**
- SW1P 4DF**
- The electronic PDF invoice shall be emailed to: [HOSupplierinvoices@homeoffice.gov.uk](mailto:HOSupplierinvoices@homeoffice.gov.uk) with a copy (again including any Supporting Documentation) to such other person and at such place as the Authority may notify to the Supplier from time to time.
- 1.7 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.
- 1.8 The Authority shall regard an invoice as valid only if it complies with the provisions of this Part E. Where any invoice does not conform to the Authority's requirements set out in this Part E, or the Authority disputes the invoice, the Authority shall notify the Supplier without undue delay and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.
- 1.9 If the Authority fails to consider and verify an invoice in accordance with Paragraphs 1.4 and 1.8, the invoice shall be regarded as valid and undisputed for the purpose of Paragraph 2.1 after a reasonable time has passed.

## Schedule 11 (Charges and Invoicing)

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### 2. Payment Terms

- 2.1 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier:
- 2.1.1 before the end of the period of thirty (30) days beginning with the day on which an invoice is received by the Authority in respect of the sum; or
- 2.1.2 if later, by the date on which the payment falls due in accordance with the invoice, subject to the invoice being verified by the Authority as valid and undisputed.
- 2.2 Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Supplier has specified on its invoice.

## Annex 1: Pricing Mechanism

**Table 1: Supplier Personnel Rate Card for Calculation of Time and Materials Charges Not Used**

Staff Grade	Day Rate (£)

**Table 2: Maximum Time and Materials Charges Not Used**

Charge Number	Maximum Time and Materials Charges (the cap) (£)
<b>[Service Line 1]</b>	
[e.g. S1M1]	
[e.g. S2M2]	
<b>[Service Line 2]</b>	
[e.g. S2M1]	
[e.g. S2M2]	
<b>[Service Line [X] - insert further rows as necessary]</b>	

## Schedule 11 (Charges and Invoicing)

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Charge Number	Maximum Time and Materials Charges (the cap) (£)
[etc.]	

**Table 3: Day Cost for Calculation of Guaranteed Maximum Price with Target Cost Charges**

Supplier Personnel Grade	Day Cost (£)

**Table 4: Guaranteed Maximum Price with Target Costs Charges**

Insert Supplier Pricing Template

**Table 5: Fixed Prices – Not Used**

Charge	Fixed Charge (£)
	[ ]
<b>[Service Line 1]</b>	
[e.g. SL1M3]	
[e.g. SL1SC1]	
[e.g. SL1SC3]	
<b>[Service Line 2]</b>	
[e.g. SL2M3]	
[e.g. SL2SC1]	
[e.g. SL2SC3]	
<b>[Service Line [X] – insert further rows as necessary]</b>	

## Schedule 11 (Charges and Invoicing)

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Charge	Fixed Charge (£)
[ ]	[ ]
[etc.]	

**Table 6: Firm Prices Not Used**

Charge	Firm Charge (£)
<b>[Service Line 1]</b>	
[e.g. SL1M4]	
[e.g. SL1MS3]	
<b>[Service Line 2]</b>	
[e.g. SL2M4]	
[e.g. SL2MS3]	
<b>[Service Line [X] – insert further rows as necessary]</b>	
[etc.]	...

**Table 7: Volume Charges – Not Used**

Charge Number	Unit	Number of units per Service Period	Charge per unit (£)
<b>[Service Line 1]</b>			
[e.g. SL1VC1]		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]

**Schedule 11 (Charges and Invoicing)**  
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Charge Number	Unit	Number of units per Service Period	Charge per unit (£)
[e.g. SL1VC2]		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]
[e.g. SL1VC3]		[ ] - [ ]	[ ] - [ ]
		[ ] - [ ]	[ ] - [ ]
		[ ] - [ ]	[ ] - [ ]
<b>[Service Line 2]</b>			
[e.g. SL2VC1]		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]
[e.g. SL2VC2]		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]
[e.g. SL2VC3]		[ ] - [ ]	[ ] - [ ]
		[ ] - [ ]	[ ] - [ ]
		[ ] - [ ]	[ ] - [ ]
<b>[Service Line [X] – insert further rows as necessary]</b>			
[etc.]	....	[ ] - [ ]	[ ]

**Schedule 11 (Charges and Invoicing)**  
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Charge Number	Unit	Number of units per Service Period	Charge per unit (£)
		[ ] - [ ]	[ ]
		[ ] - [ ]	[ ]

## Annex 2: Charging Mechanism and Adjustments – Not Used

Table 1: Milestone Payments and Delay Payments

Charge Number	Pricing Mechanism (FIX / FIRM / GMPTC / T&M)	CPP Milestone Charge Number	Delay Payments (if Key Milestone) (£ per day)		
			<3 months' notice	3-6 months' notice	>6 months' notice
<b>[Service Line 1]</b>					
[e.g. SL1M1]	[FIRM]	[e.g. S2M2]			
[e.g. SL1M2]	[FIRM]	[e.g. S2M2]			
<b>[Service Line 2]</b>					
[e.g. SL2M1]	[FIRM]	[e.g. S2M2]			
[e.g. SL2M2]	[FIRM]	[e.g. S2M2]			
<b>[Service Line [X] – insert further rows as necessary]</b>					
[etc.]					

Table 2: Service Charges Not Used

Charge Number	Pricing Mechanism (VOL / FIX / T&M)	Service Charge Trigger Event	Service Charge Expiration Trigger Event
<b>[Service Line 1]</b>			
[e.g. SL1C1]	[VOL]	[e.g. Achievement of Milestone 4]	

## Schedule 11 (Charges and Invoicing)

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Charge Number	Pricing Mechanism (VOL / FIX / T&M)	Service Charge Trigger Event	Service Charge Expiration Trigger Event
[e.g. SL1C2]	[FIX]		
<b>[Service Line 2]</b>			
[e.g. SL2C1]	[VOL]	[e.g. Achievement of Milestone 4]	
[e.g. SL2C2]	[FIX]		
<b>[Service Line [X] - insert further rows as necessary]</b>			
[e.g. SLXC1]	[VOL]	[e.g. Achievement of Milestone 4]	
[e.g. SLXC2]	[FIX]		

**Table 3: Optional Services Milestone Payments Not Used**

Charge Number	Pricing Mechanism (FIX / FIRM / GMPTC / T&M)	CPP Milestone Charge Number	Delay Payments (if Key Milestone) (£ per day)
[e.g. OMS1]	[FIRM]	[e.g. OMS2]	
[e.g. OMS2]	[FIRM]	[e.g. OMS2]	

**Table 4: Optional Services Service Charges Not Used**

Charge Number	Pricing Mechanism (VOL / FIX / T&M)	Service Charge Trigger Event	Service Charge Expiration Trigger Event
[e.g. OSC1]	[VOL]	[e.g. Achievement of Milestone 6]	
[e.g. OSC2]	[FIX]		

## **Annex 3: Pro-forma Certificate of Costs**

I [name of CFO or Director of Finance or equivalent as agreed in advance in writing with the Authority] of [insert name of Supplier], certify that the financial information provided as part of this Certificate of Costs, incurred in relation to the [insert name/reference for the Contract] (the "Contract") in relation to the following [Milestone/Milestone Group]:

[Insert details of Milestone/Milestone Group]

- 1 has been reasonably and properly incurred in accordance with [name of Supplier]'s books, accounts, other documents and records;
- 1 is accurate and not misleading in all key respects; and
- 2 is in conformity with the Contract and with all generally accepted accounting principles within the United Kingdom.

Signed [Director of Finance or equivalent]

[Name of Supplier]

## Schedule 11: Charges and Invoicing

[Subject to Contract]

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### Annex 4: Risk Register

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Risk Number	Risk Name	Description of risk	Timing	Likelihood	Impact (£)	Impact (description)	Mitigation (description)	Cost of mitigation	Post-mitigation impact (£)	Forecast Contingency Costs	Owner

**Schedule 11: Charges and Invoicing**

[Subject to Contract]

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**Annex 5: Allowable Assumptions**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11
<b>Ref</b>	<b>Description of proposed Allowable Assumption</b>	<b>Impact on the Implementation Plan if the Allowable Assumption is not accurate</b>	<b>Cost Impact (maximum, minimum and most likely values if the Allowable Assumption is not accurate)</b>	<b>Basis of Calculation of Cost Impact</b>	<b>Applicable Profit Margin</b>	<b>Charge Impact (maximum, minimum and most likely values if the Allowable Assumption is not accurate)</b>	<b>Verification Method (how the Supplier will verify the Allowable Assumption)</b>	<b>Trigger for Invocation (what will determine that the Implementation Plan and/or Financial Model may require adjustment for the Allowable Assumption)</b>	<b>Period of Impact (period that the updated assumption will have an impact)</b>	<b>Expiry Date (Date at which the Allowable Assumption expires)</b>