

**SCHEDULE 6****CHARGING****1. INTRODUCTION**

- 1.1 The purpose of this Schedule is to set out the Charges and other financial arrangements for the Services provided by the Contractor to the Authority.
- 1.2 The Schedule is structured into a number of parts as described in the table below.

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Part Five	Basis for Asset Valuations & Termination Charges	
Part Six	The Charges for the Optional Services	
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Part Eleven	Volumes and Other Assumptions	
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**2. THE CHARGES FOR THE SERVICES**

- 2.1 The following tables set out the Charges payable by the Authority to the Contractor for the Services, performed to the Service Levels set out in Schedule 20.
- 2.2 For the avoidance of doubt, the Charges set out in Part 2 of this Schedule 6 are deemed to be inclusive of all costs (other than Notifiable Costs) and profit amounts relevant to the provision of the Services. Including, but not limited to:
- Staff costs;
  - employment costs;
  - IT investment;
  - transformation costs;
  - indirect overheads;
  - direct overheads;
  - contract management; and
  - corporate management.
- 2.3 For the avoidance of doubt, the Charges can only be varied under this Agreement by;
- 2.3.1 the Annual Review described in Part 12 of Schedule 6; or
- 2.3.2 the Change Control Procedures; or
- 2.3.3 the Volume and Other Assumptions described in Part 11 of Schedule 6
- 2.4 All Charges are expressed in Pounds Sterling and shall be invoiced and paid in accordance with the provisions of Schedule 7.
- 2.5 All Charges in this Part Two are payable monthly in arrears unless otherwise stated elsewhere in the Agreement.
- 2.6 All Charges exclude VAT, which the Contractor shall add to the Charges at the applicable rate when producing an invoice in accordance with Schedule 7.
- 2.7 Subject to the provisions of paragraph 2.8, all Charges include wage increases and any price increases levied by any sub-contractors and the Contractor's other suppliers.

- 2.8 The cost of any statutory wage increases above the rate of indexation set out in paragraph 12.6 of this Schedule 6 shall be paid by the Authority from the Risk Pool, subject to the provisions of paragraph 2.17 of this Schedule 6.
- 2.9 For the avoidance of doubt the Charges for any Optional Services or Additional Services shall be calculated with reference to the provisions of Part 6 and Part 7 of this Schedule 6 respectively.
- 2.10 The Notifiable Costs shall be administered in accordance with Paragraph 2.16 of this Schedule 6 and shall be invoiced in accordance with the provisions of Paragraph 5 of Schedule 7.
- 2.11 In the event of a dispute arising between the Authority and the Contractor over any matter relating to charging under this Schedule 6, such dispute shall be resolved in accordance with the Dispute Resolution Procedure.
- 2.12 The Service Credit regime is defined in Schedule 20 and will be used by the Contractor to calculate any deductions from the Charges in this Schedule 6. .
- 2.13 In consideration for the Contractor's provision of the Services as specified in Schedule 3 to meet the Authority's Core requirements set out in Schedule 2, the Authority shall pay to the Contractor the following Charges:

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**ADDITIONAL INFORMATION****TOTAL CONTRACT PRICE**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Contract Price</b>	58,717,399	47,226,563	46,665,401	45,312,211	43,978,745	42,983,436	42,029,988	41,005,212	41,091,574	41,373,826

**Table 1 – Receiving, Handling, Sorting of Mail and other Items**

Redacted under section 43 of FOI Act

**Table 2 – Collection, Delivery and Distribution of Mail and other items**

Redacted under section 43 of FOI Act

**Table 3 – Post Despatch**

Redacted under section 43 of FOI Act

**Table 4 – Scanning for Debt Management**

Redacted under section 43 of FOI Act

**Table 5 – Scanning for Disability & Carers – Carers Allowance**

Redacted under section 43 of FOI Act

**Table 6 – Scanning for Disability & Carers – Disability Living Allowance**

Redacted under section 43 of FOI Act

**Table 7 – Scanning for Disability & Carers – Attendance Allowance**

Redacted under section 43 of FOI Act

**Table 8 – Shuttle Buses Services**

Redacted under section 43 of FOI Act

**Table 9 – Fleet Administration**

Redacted under section 43 of FOI Act

**Table 10 – Typing Services**

Redacted under section 43 of FOI Act

**Table 11 – Switchboard Services**

Redacted under section 43 of FOI Act

**Table 12 - Secretarial Services**

Redacted under section 43 of FOI Act

## 2.14 Charging Business Units

2.14.1 The Contractor shall further prepare a breakdown of the Charges each month as part of the invoicing procedure set out in Schedule 7. The table below lists the breakdown required at the Cutover Date, but the Contractor acknowledges that this breakdown may change over the term of the Agreement and agrees to amend the % apportionment (derived by head count only) breakdown (at no additional cost) at the reasonable request of the Authority. For the avoidance of doubt the apportionment is a simple exercise derived from head count splits. HBML have not priced for transactional and or a greater provision of cost and or information detail hence 2.14.2 below and the use of the Change Control Procedure.

Business Unit	% Apportionment
DWP Corporate Centre - Group Finance	3.0
DWP Corporate Centre - HR	0.6
DWP Corporate Centre - PSD	0.4
DWP Corporate Centre - Pensions Client Group	0.4
DWP Corporate Centre - Work and Welfare Equality Group	1.0
DWP Corporate Centre - Other	1.2
DWP Debt Management	2.7
Jobcentre Plus	62.1
The Pension Service	11.9
Disability & Carers	5.7
The Child Support Agency	10.0
Veterans Agency	0.5
HMCR	0.5

2.14.2 The Contractor acknowledges that the Authority may require Charges to be further broken down to transaction costs at cost centre level. The parties shall agree, subject to the Change Control Procedure, the changes required to provide such breakdown.

**2.15 Transition**

2.15.1 In consideration for the Contractor's provision of the Transition Services as specified in Schedule 4 and the Transition Agreements, the Authority shall pay to the Contractor the following Milestone Charges following acceptance of deliverables by the Authority. Schedule 4 defines the Key Milestones against which payments shall be invoiced subject always to the Contractor's performance of all applicable obligations under the Transition Agreements and this Agreement.

**Table 13 – Milestone Charges**

Redacted under Section 43 of FOI Act

**2.16 Notifiable Costs**

Redacted under Section 43 of FOI Act

**2.17 Risk Pool**

Redacted under Section 43 of FOI Act

**3. Pensions & Bulk Transfer**

Redacted under Section 43 of FOI Act

**4. FINANCIAL MODEL**

Redacted under Section 43 of FOI Act



**5. BASIS FOR ASSET VALUATIONS AND TERMINATION CHARGE**

Redacted under Section 43 of FOI Act

**6. OPTIONAL SERVICE**

[DN: Contractor lists Optional Services here. Pre-priced and specified]

We have included no Optional Services in our proposal

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**7. ADDITIONAL SERVICES**

- 7.1 For any proposed non-recurring Additional Services the Contractor shall provide full details of its proposed solution and shall satisfy the Authority that the following principles have been considered before the Authority will agree to authorise any such Additional Services pursuant to the Change Control Procedures. These principles shall be applied in ascending order (from 1 to 3).

	<b>Principle</b>	<b>Cost Impact</b>
1	There is sufficient Contractor or relevant Subcontractor staff capacity available in the Staff resource providing the Services and paid for through the Charges.	The existing under-utilised Staff resources are made available by the Contractor (or relevant Subcontractor) to the Authority at no additional charge.
2	There is sufficient Contractor or relevant Subcontractor Staff capacity available within its remaining internal resource base.	The available Staff resource of this type shall be charged to the Authority at the Internal Staff Day Rates specified for Contractor and/or Subcontractor Staff in Annex C of this Schedule 6. Where there is sufficient Staff capacity in both the Contractor and any Subcontractor internal resource base, the Authority shall have the option to elect from which pool staff are sourced.
3	There is no Contractor or relevant Subcontractor Staff capacity available.	The Contractor shall use external Staff resource at the External Staff Day Rates specified in Annex C for each of the categories identified for Staff required for the Additional Service.

- 7.2 Each proposal for Additional Services shall contain an accurate assessment of the Staff and other resources required by the Contractor to deliver the proposed solution including the number of additional Staff Days required and the appropriate category of Staff (as specified in Annex C of this Schedule 6).

- 7.3 Where there is not sufficient Contractor or relevant Subcontractor Staff capacity available in accordance with Principle 1 above, the proposal will specify the labour costs based on the number of hours incurred by the additional Staff at the appropriate Staff Day Rate specified pursuant to Principle 2 or 3 above.
- 7.4 The Staff Day Rates detailed in Annex C of this Schedule 6 shall apply to any non-recurring Additional Services. These rates are maxima and shall be subject to renegotiation downwards pursuant to the Change Control Procedures where the Authority can show that they do not reflect the Contractor's actual costs, volumes of work, and all other relevant value for money factors. For the avoidance of doubt, it is acknowledged that these rates shall be subject to the value for money provisions as set out in Clauses 25 to 27 (inclusive).
- 7.5 The Staff Day Rates shall (to the extent such items are not separately identified in the Financial Model) include any of the following:
- 7.6.1 cost of Employment (e.g. salary, pensions, training, profit);
  - 7.6.2 expenses (e.g. travel and subsistence); and
  - 7.6.3 company overheads (e.g. accommodation, finance, insurance, legal, personnel and business management, management of staff).
- 7.6 For the avoidance of doubt, in relation to the costs of any recurring Additional Services the principles in Paragraph 7.1 shall not apply and the charges shall be dealt with as a change to the Charges and Notifiable Costs of the Core Services as appropriate and as agreed by the parties pursuant to the Change Control Procedure.
- 7.7 The following tables outline indicative costings for certain Additional Services that the Contractor has provided as part of its BAFO. If the Authority requests that the Contractor provides any of the Additional Services listed, the parties will agree the actual costings pursuant to the Change Control Procedure.

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**Table 17 – Scanning for The Pension Service**Retirement Pension

Redacted under section 43 of FOI act

**Table 18– Scanning for the Pension Service**Pension Credit

Redacted under section 43 of FOI act

**Table 19 – Scanning for Jobcentre Plus**Income Support

Redacted under section 43 of FOI act

**Table 20 – Scanning for Jobcentre Plus**Jobseekers Allowance

Redacted under section 43 of FOI act

**Table 21 – Scanning for Jobcentre Plus**Incapacity Benefit

Redacted under section 43 of FOI act

**8. PROFIT SHARING ARRANGEMENTS**

Redacted under section 43 of FOI act

**9. FINANCIAL BENEFITS**

Redacted under section 43 of FOI act

**10. REDUNDANCY COSTS**

Redacted under section 43 of FOI act

**11. VOLUME AND OTHER ASSUMPTIONS**

11.1 Annex D to this Schedule 6 identifies Volume and other Financial assumptions against which the Contractor shall deliver the Services over the term of this Agreement.

11.2 Each party shall inform the other party of any changes or potential changes to these assumptions when it becomes aware over the term of this Agreement in accordance with Schedule 2 and Schedule 3.

11.3 Where a change or potential change has been identified, the Contractor shall notify the Authority of the estimated impact on the Services and its ability to continue meeting the Service Levels defined in Schedule 20. The parties will agree what action to take but within the following boundaries:

11.3.1 a change in volumes or other assumptions does not automatically require a change in Charges or Service Levels;

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- 11.3.2 where the Contractor can demonstrate to the Authority's reasonable satisfaction that such a change has caused them to fail a Service Level, then the Authority will hold the Contractor harmless from this failure;
- 11.3.3 where such a change leads to increased workload, the Contractor shall use best endeavours to utilise existing capacity to support such a change.
- 11.4 After exhausting all other remedies, either party may request, pursuant to Paragraph 11.3, a change to the Charges and /or a change to the Service Levels.
- 11.5 For the avoidance of doubt, any changes to the Charges, Service Levels or Service Credits in accordance with Paragraphs 11.4 shall be subject to agreement in accordance with the Change Control Procedures and such changes shall be calculated in the first instance utilising the Financial Model.

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**12. ANNUAL REVIEW**

- 12.1 The parties shall undertake an Annual Review of the Services and Charges in each year. The first Annual Review shall take place no earlier than the first anniversary of the Cutover Date. Subsequent Annual Reviews shall take place on the anniversaries of the first Annual Review or such other dates as the Authority and the Contractor may agree (“Review Date”).
- 12.2 No later than one (1) month after each Annual Review the Contractor shall prepare proposed profit share calculations, duly supported by accounts and reconciliations to the Financial Model.
- 12.3 Redacted under section 43 of FOI act

**Part Thirteen – Annexes**

ANNEX A THE CONTRACTORS FINANCIAL MODEL - REDACTED UNDER SECTION 43

ANNEX B NOTIFIABLE COSTS - REDACTED UNDER SECTION 43

ANNEX C TABLE OF ADDITIONAL RESOURCE PRICES - REDACTED UNDER SECTION 43

ANNEX D VOLUMES AND OTHER ASSUMPTIONS

ANNEX E ACTUARIAL ASSUMPTIONS - Redacted under section 43



## Charging

**Annex D – Volume and Other Assumptions****1) Volume Related Assumptions**

The following table shows the base volumes that have been assumed in reaching our BAFO price and resources, together with the “trigger points” above and below which we would expect discussions to begin as described in clause 11.3. These are based on 5% changes in either direction to the volumes.

Volumes will be measured and recorded as described in schedule 8. Should the volumes measured for any service in any rolling three month period be outside the range shown in the table below pro rata, then clause 11.3 will apply.

<b>Service</b>	<b>Measure</b>	<b>Base Volume</b>	<b>Minimum below which 11.3 takes effect</b>	<b>Maximum above which 11.3 takes effect</b>
Post receipt and handling	Total number of packages / envelopes delivered through Royal Mail per year  (see breakdown below)	38,480,766	36,556,727	40,404,804
Post receipt and handling	Total number of packages, delivered through the Authority's courier services per year  (see breakdown below)	25,220,000	23,959,000	26,481,000
Valuables Handling	Total number of valuables handled per year  (see breakdown below)	2,217,534	2,106,657	2,328,411
Switchboard	Total number of calls received directly by the switchboard per year	41,948,613	39,851,182	44,046,043
Typing	Number of minutes of audio tape submitted for typing (not including re-working due to Typist error)	1,985,412	1,886,414	2,084,682
Scanning for debt management	Total number of scanned images per year	1,166,400	1,108,080	1,224,720
Scanning for DCS	Total number of scanned images per year	57918528	55022602	60814454

The typing volumes shown above differ from those provided in the BAFO letter, and BAFO amendment letter. This is due to differences in the units being measured, between TTUs and minutes of audio tape. We have chosen the units above as we believe that these provide the best measure for the future of the amount of work that we are being asked to do in the typing service.