**DYNAMIC FRAMEWORK**

**SCHEDULE 7.1**

**CHARGES AND INVOICING**

|  |  |  |
| --- | --- | --- |
| **VERSION** | **DATE** | **COMMENT** |
| 1.0 | 10 June 2020 | Initial Release |
|  |  |  |
|  |  |  |

**SCHEDULE 7.1**

**CHARGES AND INVOICING**

1. Definitions

In this Schedule 7.1 (Charges and Invoicing), the definitions set out in Schedule 1 (Definitions) shall apply.

1. Applicable Pricing MechanismS
	1. For each Call-Off Competition run in accordance with the Call-Off Procedure, the Customer shall select a Pricing Methodology.
	2. The following Pricing Methodology options shall be available for the Charges in respect of Operational Services under Call-Off Contracts:

"**Fixed Price by Volume Band**", in which case the provisions of Paragraph 3 shall apply;

"**Unit Price**", in which case the provisions of Paragraph 4 shall apply; and

"**Fixed Price**", in which case the provisions of Paragraph 5 shall apply.

* 1. If the Customer wishes to utilise any alternative pricing methodology other than those set out in Paragraph 2.2 above then such Pricing Methodology shall be clearly set out in the relevant Call-Off Invitation to Tender and resulting Call-Off Contract. A specific example of such pricing would be guaranteed maximum price with target cost Pricing Methodology. If guaranteed maximum price with target cost Pricing Methodology is adopted, the Customer shall reflect any necessary drafting changes to other Schedules in addition to Schedule 7.1 (Call-Off Charges and Invoicing) within the Call-Off Invitation to Tender and Call-Off Contract.
1. Fixed price by volume band
	1. Where the Call-Off Contract indicates that the Charges are to be calculated by reference to a Fixed Price by Volume Band Pricing Methodology:
		1. the Call-Off Competition shall determine the Fixed Charges (to be set out in the Call-Off Contract) for specific Volume Bands;
		2. the Charges payable under the Call-Off Contract shall be the Fixed Charges for the relevant Volume Band for each month;
		3. the Call-Off Contract shall, where relevant, detail the relevant Complexity Level Profile and Weightings to be applied to the volumes to determine the relevant Volume Bands.
	2. Subject to Indexation, the Fixed Charges shall be fixed for the duration of the Call-Off Contract.
	3. No less than three (3) months before the Call-Off Commencement Date and before each Quarter during the Call-Off Term thereafter, the Customer shall notify the Supplier of the applicable Volume Bands. Such Volume Band shall incorporate any applicable Complexity Level Profile and Weighting and shall be based on a forward looking annualised average volume for the forthcoming Quarter ("**Forecasted Volume**").
	4. At the end of each month, the Supplier shall invoice the Customer for the Fixed Charges for the relevant Forecasted Volume in line with the relevant Volume Band.
	5. If the Call-Off Contract stipulates that the Customer shall provide a report on volume, then at the end of each applicable period, the Customer shall report to the Supplier setting out the volume of Services provided by the Supplier to the Customer during such period together with the associated Volume Band for that month ("**Volume Report**").
	6. Where specified in Schedule 7.1 (Call-Off Charges and Invoicing) an annual reconciliation shall be undertaken by the Parties of actual volumes against the Forecast Volumes and the Charges adjusted in accordance with the provisions set out in Schedule 7.1 (Call-Off Charges and Invoicing).
	7. The Customer reserves the right to audit the Supplier at any time in accordance with the provisions of Schedule 7.5 (Reports, Records and Audit Rights) in order to verify the Volume Report and/or Fixed Charges payable for any period.
	8. If during the Call-Off Term it is established that the Forecast Volume of any Services under such Call-Off Contract fall outside and exceed the group of Volume Bands established for such Call-Off Contract, additional Volume Bands, together with the applicable Fixed Charges shall be amended pursuant to the Change Control Procedure and such amended Fixed Charges shall be calculated on the same principles as set out in the Financial Model for such Service.
2. unit price
	1. Where the Call-Off Contract indicates that the Charges are to be calculated by reference to a Unit Price Pricing Methodology:
3. the Call-Off Competition shall determine a Unit Price (to be set out in the Call-Off Contract) for specific Service Element Units as defined in the Call-Off Competition and resulting Call-Off Contract which may include session, intervention, hour, day, or FTE and each such Service Element Units may be further determined by reference to Complexity Level;
4. the Charges payable under the Call-Off Contract shall be calculated as the Unit Price multiplied by the number of Service Element Units actually provided by the Supplier to the Customer for each applicable Service Period;
5. the Customer shall be under no obligation to take any Service Element Units and they shall be called off as and when required by the Customer from time to time.
	1. Subject to Indexation, the Unit Prices shall be fixed for the duration of the relevant Call-Off Contract.
	2. At the end of each month, a unit price report shall be prepared setting out the number of Service Element Units provided by the Supplier to the Customer for that month and therefore the Charges due for that month ("**Unit Price Report**"). The Call-Off Contract shall establish whether the Unit Price Report shall be prepared by the Supplier or the Customer, and shall be dependent on the Service Element Units used.
	3. The Supplier shall invoice the Customer for the Charges for the number of Service Element Units provided that month as set out in the Unit Price Report.
	4. If the Customer or Supplier (as appropriate) disagrees with the contents of the Unit Price Report (or the Charges stated) it shall promptly notify the other Party setting out the number of Service Element Units the Customer or Supplier (as appropriate) considers is correct for the relevant month. The Parties shall discuss and agree the relevant number of Service Element Units (and, therefore the associated Charges) and where agreement cannot be reached the matter shall be referred to the Dispute Resolution Procedure for determination.
	5. If:
6. the Parties agree an alternative number of Service Element Units in accordance with Paragraph 4.5;
7. an alternative number of Service Element Units is determined under the Dispute Resolution Procedure; and/or
8. following submission of the invoice in accordance with Paragraph 4.4 the Customer or the Supplier become aware that the number of Service Element Units was incorrect (either through error or as a result of additional or less volume being identified as actually having been delivered for the relevant month),

then the Supplier shall adjust the invoice for a subsequent month either by way of credit or additional charge (as appropriate) in order to reflect such adjustment (provided that where no further invoices are due under the Call-Off Contract the Supplier shall reflect the adjustment through an additional invoice or by making a payment to the Customer to reflect the relevant adjustment).

* 1. For the avoidance of doubt, notwithstanding the provisions of Paragraph 4.5, the Customer reserves the right to audit the Supplier at any time in accordance with the provisions of Schedule 7.5 (Reports, Records and Audit Rights) in order to verify the number of Service Element Units and/or the resulting Charges payable for any period.
1. Fixed Price
	1. Where the Call-Off Contract indicates that the Charges are to be calculated by reference to a Fixed Price Pricing Methodology:
		1. the Call-Off Competition shall determine the Fixed Price (to be set out in the Call-Off Contract); and
		2. the Charges payable under the Call-Off Contract shall be the Fixed Price and payable as a fixed amount each month.
	2. The Supplier shall invoice the Customer for the Fixed Price each month.
	3. Subject to Indexation, the Fixed Price shall be fixed for the duration of the Call-Off Contract.
2. performance payments
	1. Where in respect of any Call-Off Contract a Retained Amount accrues (in accordance with the provisions of Schedule 2.2 (Performance Levels) of the Framework Agreement and Schedule 2.2 (Call-Off Performance Levels) of the relevant Call-Off Contract) then it shall operate as follows:
3. the Customer shall be entitled to deduct the Retained Amount from any invoice payable under the relevant Call-Off Contract;
4. the Retained Amount shall operate as a reduction of the Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received and are stated exclusive of VAT;
5. the Retained Amount shall be shown as a deduction from the amount due from the Customer to the Supplier in the invoice for the service period immediately succeeding the Measurement Period to which they relate.
	1. The Retained Amount shall be calculated as set out in Schedule 2.2 (Call-Off Performance Levels), provided that the Supplier's liability in respect of all Retained Amounts across a Call-Off Contract Year for all Call-Off Contract Performance Indicators shall in no event exceed the Maximum Retained Amount.
6. Implementation services charges
	1. The Supplier shall only be entitled to charge costs relating to the provision of the Implementation Services (if any) to the extent provided for in a Call-Off Competition and resulting Call-Off Contract. If applicable such costs shall be payable in accordance with the Call-Off Contract.
	2. The following Pricing Methodologies shall be available for Call-Off Contracts in relation to Implementation Services and which shall be selected and set out in Schedule 7.1 (Call-Off Chagres and Invoicing):-
7. Payment on Achievement of a Milestone – in which case the provisions of Paragraph 7.3 of this Schedule 7.1 (Charges and Invoicing) shall apply;
8. Payment monthly, in which case the provisions of Paragraph 7.4 of this Schedule 7.1 (Charges and Invoicing) shall apply;
9. Payment monthly, holding back a percentage which is to be paid once the Milestone is Achieved in which case the provisions of Paragraph 7.5 will apply.
	1. Where Schedule 7.1 (Call-Off Charges and Invoicing) indicates that the Charges are to be calculated and paid on Achievement of a Milestone:
10. the relevant Charges shall be set out in the Call-Off Contract having been determined through the Call-Off Competition; and
11. the relevant Charges shall be invoiced by the Supplier to the Customer upon Achievement of each Milestone as the same shall be determined in accordance with Schedule 6.1 (Implementation) and Schedule 6.1 (Call-Off Implementation Plan).
	1. Where Schedule 7.1 (Call-Off Charges and Invoicing) indicates that the Charges for the provision of the Implementation Services are to be calculated and paid on a monthly basis the relevant Charges shall be set out in the Call-Off Contract having been determined through the Call-Off Competition and such Charges shall be invoiced by the Supplier to the Customer monthly in arrears.
	2. Where Schedule 7.1 (Call-Off Charges and Invoicing) indicates that the Charges for the provision of the Implementation Services are to be calculated and paid monthly subject to the Milestone Achievement Retention Percentage which shall be held back and paid once the Milestone is Achieved:
12. the relevant Charges shall be set out in the Call-Off Contract having been determined through the Call-Off Competition and such Charges shall be invoiced by the Supplier to the Customer monthly in arrears;
13. such monthly amount of the Charges as set out in the invoice shall recognise the Milestone Achievement Retention Percentage that shall be withheld by the Customer until Achievement of the Milestone in determined in accordance with Schedule 6.1 (Implementation) and Schedule 6.1 (Call-Off Implementation);
14. once Achievement of the Milestone has occurred in accordance with Schedule 6.1 (Implementation) and Schedule 6.1 (Call-Off Implementation), the amounts equal to the aggregate of the Milestone Achievement Retention Percentage shall be paid to the Supplier by the Customer in the month following the Customer issuing the Milestone Achievement Certificate.
	1. The Supplier shall, where relevant for the selected Pricing Methodology, 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. Notwithstanding the Customer's rights in Schedule 7.5 (Reports, Records and Audit Rights), if the Customer requests copies of such records, the Supplier shall make them available to the Customer within ten (10) Working Days of the Customer's request.
	2. The Customer reserves the right to audit the Supplier at any time in accordance with the provisions of Schedule 7.5 (Reports, Records and Audit Rights) in order to verify the Charges applicable for the Implementation Services.
15. Charges adjustments
	1. The Customer may, if required, include a Delay Payment mechanism in a Call-Off Contract and such mechanism shall only apply to the extent set out in the relevant Call-Off Contract.
16. Delay Payments
	1. The Customer may set a specific amount (a "**Delay Payment**") that shall be payable by the Supplier to the Customer if the Supplier fails to Achieve a Milestone on or before the relevant Milestone Date. Any Delay Payment shall accrue from (but excluding) the relevant Milestone Date to (and including) the date on which the Milestone is Achieved.
	2. The Parties agree that Delay Payments are a genuine pre‑estimate of the Losses which the Customer will incur as a result of any failure by the Supplier to Achieve the relevant Milestone by the Milestone Date. The Delay Payment is stated exclusive of VAT.
	3. The Delay Payment in respect of a Milestone shall be shown as a deduction from the amount due from the Customer to the Supplier in the next invoice due to be issued by the Supplier after the date on which the relevant Milestone is Achieved. If no invoice is due to be issued by the Supplier within ten (10) Working Days of such date, then the Supplier shall:
17. issue a credit note to the Customer in respect of the total amount of the Delay Payment in respect of the Milestone; and
18. pay to the Customer as a debt a sum equal to the total amount of the Delay Payment in respect of the Milestone.
19. Changes To Charges
	1. Any Changes to the Charges shall be developed and agreed by the Parties in accordance with Schedule 8.2 (Change Control Procedure).
	2. The Customer may request that any Impact Assessment presents Charges without Indexation for the purposes of comparison.
20. Indexation
	1. Any amounts or sum which are expressed to be "subject to Indexation" shall be adjusted in accordance with the provisions of this Paragraph 11 to reflect the effects of inflation.
	2. Subject to Paragraph 11.3, where Indexation applies, the relevant adjustment shall be:
21. applied on the first day of the second April following the Call-Off Contract Commencement Date and on the first day of April in each subsequent year (each such date an "**adjustment date**"); and
22. determined by multiplying the relevant amount or sum by the percentage increase or changes in the Consumer Price Index published for the twelve (12) months ended on the 31 January immediately preceding the relevant adjustment date only.
	1. Where a Call-Off Term is less than twelve (12) months, Indexation shall not apply to any Charges under such Call-Off Contract.
	2. Except as set out in this Paragraph 11, 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.
23. Invoicing
	1. Subject to the remaining provisions of this Schedule 7.1 (Charges and Invoicing), the Supplier shall be entitled to invoice the Customer for the Charges in accordance with the provisions of this Schedule 7.1 (Charges and Invoicing) and the relevant Call-Off Contract.
	2. Where such invoice relates to the Achievement of a Milestone the invoice shall be supported by a Milestone Achievement Certificate.
	3. All other Charges shall be payable monthly in arrears unless otherwise set out in this Schedule 7.1 (Charges and Invoicing) or the relevant Call-Off Contract.
	4. If Charges are to be calculated by reference to a Pricing Methodology that is Fixed Price or has a fixed price element and the relevant Service:
24. commences on a day other than the first day of a month; and/or
25. ends on a day other than the last day of a month,

the Charges for the relevant invoice period shall be pro‑rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that invoice period.

1. Supplier Invoices
	1. The Customer shall accept for processing any electronic invoice that complies with the European Standard, provided that it is valid and undisputed.
	2. If the Supplier proposes to submit for payment an invoice that does not comply with the European Standard the Supplier shall comply with the requirements of the Customer's e‑invoicing system. In the alternative the Supplier shall:
2. prepare and provide to the Customer for approval of the format a template invoice within ten (10) Working Days of the Call-Off Effective Date which shall include, as a minimum, the details set out in Paragraph 14 together with such other information as the Customer may reasonably require to assess whether the Charges that will be detailed therein are properly payable; and
3. make such amendments as may be reasonably required by the Customer if the template invoice outlined in Paragraph 13.2(b) is not approved by the Customer.
	1. The Supplier shall ensure that each invoice is submitted in the correct format for the Customer's e-invoicing system or that it contains the following information:
4. the date of the invoice;
5. a unique invoice number;
6. the service period or other period(s) to which the relevant Charge(s) relate;
7. the correct reference for the Framework Agreement and the relevant Call-Off Contract;
8. the reference number of the purchase order to which it relates (if any);
9. the dates between which the Services subject of each of the Charges detailed on the invoice were performed;
10. a description of the Services;
11. the Pricing Methodology used to calculate the Charges;
12. any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
13. any Milestone Achievement Retention Percentage amounts to be retained;
14. the total Charges gross and net of any applicable deductions, and, separately, any VAT or other sales tax payable in respect of each of the same;
15. details of any Retained Amounts or Delay Payments or similar deductions that shall apply to the Charges detailed on the invoice;
16. reference to any reports required by the Customer in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Customer, then to any such reports as are validated by the Customer in respect of the Services);
17. a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries;
18. 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
19. where the Services have been structured into separate Service lines, the information at Paragraph 13.3(a) to 13.3(o) shall be broken down in each invoice per Service line.
	1. The Supplier shall invoice the Customer in accordance with the requirements of this Schedule 7.1 (Charges and Invoicing) and relevant Call-Off Contract. The Supplier shall first submit to the Customer a draft invoice setting out the Charges payable. The Parties shall endeavour to agree the draft invoice within five (5) Working Days of its receipt by the Customer, following which the Supplier shall be entitled to submit its invoice, provided that the Supplier does not submit such final invoice prior to the end of the month.
	2. Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment by the Customer as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Customer any other documentation reasonably required by the Customer from time to time to substantiate an invoice.
	3. The Supplier shall submit all invoices and Supporting Documentation through the Customer's electronic system as notified to it from time to time or if that is not possible to the address, email address and contact as the Customer shall notify to the Supplier in writing with a copy (again including any Supporting Documentation) to such other person and at such place as the Customer may notify to the Supplier from time to time.
	4. All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Customer in writing.
	5. The Customer shall regard an invoice as valid only if it complies with the provisions of this Schedule 7.1 (Charges and Invoicing). Where any invoice does not conform to the Customer's requirements set out herein, the Customer shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.
20. Customer INVOICES
	1. Any invoices that the Customer may be required to provide to the Supplier shall be set up and submitted via the Supplier's e-invoicing system as notified from time to time and shall contain the following information:
		1. the date of the invoice;
		2. a unique invoice number;
		3. the period(s) to which the relevant amounts relate;
		4. purchase order that the Supplier shall have provided to the Customer to which it relates (if any);
		5. a contact name and telephone number of a responsible person in the Customer's finance department in the event of administrative queries.
21. Payment Terms
	1. Subject to the relevant provisions of this Schedule, the Customer shall make payment to the Supplier within 30 days of verifying that the invoice is valid and undisputed.
	2. Unless the Parties agree otherwise in writing, all invoices shall be paid in sterling by electronic transfer of funds to the bank account that the relevant Party has specified on its invoice.
22. investment in REDUCING re-offending
	1. As at the Call-Off Effective Date the anticipated Supplier Profit/Surplus for the Call-Off Contract shall be as set out in the Financial Model ("**Anticipated Supplier Profit/Surplus**").
	2. Within the report on Charges to be provided in accordance with Appendix 2 of Schedule 7.5 (Call-Off Reports, Records and Audit Rights), the Supplier shall report to the Customer the actual Supplier Profit/Surplus for the Call-Off Contract.
	3. The Parties acknowledge that the Customer, as a public body, is subject to value for money and transparency obligations and, therefore, requires certain protections in relation to a Supplier generating excessive profits in respect of a Call-Off Contract. Therefore, where the actual Supplier Profit/Surplus reported in accordance with Paragraph 16.2 is in excess of the Anticipated Supplier Profit/Surplus the Customer and the Supplier shall discuss taking into account the aims in Clause 8.5 of the Framework Agreement and the principles set out in Schedule 11 (Collaboration) and acting at all times in good faith and acting reasonably:
		1. whether any adjustment of the Charges is appropriate to ensure value for money (for example, where the volumes are less than was anticipated and/or the Supplier's costs have significantly reduced in respect of the Call-Off Contract);
		2. whether there is an opportunity for the Supplier to re-invest some or all of the excess into:-
			1. initiatives, services, works or resources intended to contribute to achievement of the aims as set out in Clause 8.5 of the Framework Agreement; and/or
			2. the Services in order to fulfil the objectives of the Customer as advised to the Supplier from time to time and/ to ensure continuous improvement in accordance with Clauses 11.15 to 11.18 of the Framework Agreement**.**
	4. Where relevant, any Change as a result of the discussions under Paragraph 16.3 shall be agreed by the Parties in accordance with the Change Control Procedure before taking effect.
	5. The Parties acknowledge that a Customer may set out in a Call-Off Contract specific provisions detailing a maximum Supplier Profit/Surplus to be earned in respect of such Call-Off Contract.
23. Exceptional Items
	1. Where applicable, if the Supplier (acting reasonably and in good faith) considers that it has incurred any exceptional items relating to Pensions Related Discretionary Actions due to circumstances and through no act or omission of the Supplier or any Notified Sub-contractor, it may notify the Customer in writing setting out:
		1. details of exceptional items relating to Pensions Related Discretionary Actions incurred;
		2. a summary of the circumstances giving rise to the exceptional items; and
		3. an estimate of the likely liability for such exceptional items,

(the "**Exceptional Items Notification**").

* 1. Having considered the Exceptional Items Notification and any additional information provided by the Supplier in accordance with Paragraph 17.1, the Customer may, using its reasonable judgment, notify the Supplier that it accepts it will make a payment to the Supplier in respect of some or all of the exceptional items incurred and the amount it will pay (the "**Sum**").
	2. Following notification under Paragraph 17.2 the Supplier shall be entitled to invoice the Customer for the Sum and the Customer shall pay the invoice within 30 days.
	3. Where the Supplier requests payment in respect of Exceptional Items under this Paragraph 17 on behalf of a Notified Sub-contractor, the Supplier shall be entitled to request such payment in accordance with this Paragraph 17, but must pass such payment or adjustment to the Charges on to the Notified Sub-contractor within five (5) Working Days of receipt from the Customer.
1. Payroll SET UP costs for unexpected LGPS employees
	1. If the Transferring Former Supplier Employees either i) includes an LGPS Eligible Employee that was not identified as such; or ii) does not include an LGPS Eligible Employee who was identified as such, in either case in the information provided by the Customer then:
		1. the Supplier shall notify the Customer no later than three (3) months following the Call-Off Commencement Date providing details of the number of LGPS Eligible Employees who actually transferred;
		2. where LGPS Eligible Employees unexpectedly transferred and where applicable, provide the Customer, as soon as practicable and once known, with an estimate, together with supporting evidence as may reasonably be required by the Customer, of the additional LGPS payroll costs and/or the costs of establishing a Broadly Comparable pension scheme in accordance with Paragraph 11 of Part D (Pensions) of the Relevant Transfer Schedule (as applicable) that the Supplier (or Notified Sub-contractor) will incur that are directly and reasonably attributable to the unexpected transfer to the LGPS Eligible Employees ("**Additional Costs**");
		3. where LGPS Eligible Employees unexpectedly did not transfer and where applicable, provide the Customer, as soon as practicable and once known, with an estimate, together with supporting evidence as may reasonably be required by the Customer, of any cost savings as a result of the expected LGPS Eligible Employees that did not transfer ("**Reduced Costs**") or
		4. provide the Customer with notice that it will not incur any Additional Costs or Reduced Costs.
	2. Where the Supplier notifies of Additional Costs the Customer shall consider this and either:
		1. work with the Supplier to identify a LGPS payroll compliant provider or a Broadly Comparable Pension Scheme in accordance with Paragraph 11 of Part D (Pensions) of the Relevant Staff Transfer Schedule and the Additional Costs shall be adjusted accordingly; or
		2. notify the Supplier in writing of acceptance of the Additional Costs;
		3. request further information/evidence; and/or
		4. request a meeting to discuss/clarify the evidence provided.
	3. Where the Customer accepts the Additional Costs (as submitted by the Supplier or as adjusted following the process in Paragraph 18.2), the Customer shall notify the Supplier and the Supplier shall invoice the Customer for such Additional Costs and the Customer shall pay such invoice within 30 days.
	4. Where the Supplier either notifies of Reduced Costs or notifies that it will incur neither Additional Costs or Reduced Costs the Customer shall consider this and either:
		1. notify the Supplier in writing of acceptance of either the Reduced Costs or notice that the Supplier will incur neither Additional Costs or Reduced Costs; or
		2. request further information/evidence; and/or
		3. request a meeting to discuss/clarify the evidence provided.
	5. Where the Customer accepts such Reduced Costs the Parties shall agree a corresponding reduction in the Charges as appropriate to reflect the Reduced Costs. Where the Customer accepts notice that the Supplier will not incur either Additional Costs or Reduced Costs no further action is required.
	6. If the Supplier disputes the notification provided by the Customer in accordance with Paragraph 18.3 and/or the Customer disputes the notification provided by the Supplier in accordance with Paragraph 18.1.4, or the information/evidence submitted under Paragraph 18.2 or 18.4 above the matter shall be referred to the Dispute Resolution Procedure for determination by an Expert.
	7. Where the Supplier requests payment or any adjustment of the Charges in respect of Additional Costs or Reduced costs for unexpected LGPS Employees on behalf of a Notified Sub-contractor the Supplier shall be entitled to request such payment or adjustment of the Charges in accordance with this Paragraph 18 but must pass such payment or adjustment to the Charges on to the Notified Sub-contractor within five (5) Working Days of receipt from the Customer.
2. **EMPLOYMENT COSTS ADJUSTMENT AND REDUNDANCY SURCHARGE**
	1. The Parties shall comply with the provisions of Appendix 1 so far as relevant to the Call-Off Contract.

**APPENDIX 1 TO SCHEDULE 7.1**

**EMPLOYMENT COSTS ADJUSTMENT AND REDUNDANCY SURCHARGE**

1. overview
	1. The provisions of this Appendix 1 to Schedule 7.1 (Charges and Invoicing) shall apply to the extent set out in the Call-Off Order Form for the relevant Call-Off Contract.
	2. This Appendix is split into two sections:
		1. Part A – Employment Costs Adjustment
		2. Part B – Redundancy Surcharge
	3. Annex A to this Appendix 1 includes worked examples of the mechanism for illustrative purposes only.

**INTRODUCTION**

* 1. It is recognised that it may not be possible to provide fully accurate and complete information in relation to the number, identity and/or costs of those employees who are potentially in scope to transfer to the Supplier or a Notified Sub-contractor as part of a Call-Off Competition. This is due to the nature of the Call-Off Contract structure and the information available in respect of Former Supplier personnel carrying out the same or similar services to the Services to be provided under Call-Off Contracts. A summary of the adjustment and surcharge mechanisms therefore follows and worked examples for illustrative purposes only are included in Annex A.
	2. **Employment Costs Uplift/Reduction**: Where the actual costs of employing Transferring Former Supplier Employees differs from those anticipated then the Supplier may be able to recover the difference in costs (or conversely may have to reimburse the difference in costs) in accordance with paragraphs 1 to 4 below.
	3. **Headcount Cost Uplift/Reduction:** Where the number/identity of Transferring Former Supplier Employees differs from those anticipated then the Supplier may be able to recover the difference in costs associated with such difference (or conversely may have to reimburse the Customer for the difference in costs) in accordance with paragraphs 5 to 8 below.
	4. Where the cost *and* number/identity of Transferring Former Supplier Employees differs from those anticipated, then the Supplier may be able to rely on each of the respective provisions where applicable (Employment Costs Uplift/Reduction and Headcount Cost Uplift/Reduction).
	5. **Redundancy Surcharge:** Where any Transferring Former Supplier Employees are surplus to the Supplier's requirement (as identified in its Anticipated Total Headcount) then the Supplier may be able to request payment of certain redundancy costs in accordance with Part B.

**PART A EMPLOYMENT COSTS ADJUSTMENT**

1. Employment costs VERIFICATION
	1. The Supplier will include as separate line items its Anticipated TFSE Employment Costs per employee in the price it submits as part of its Tender Response for a Call-Off Competition prepared and submitted pursuant to the Call-Off Procedure.
	2. Where a Relevant Transfer takes place, or will take place, no later than three (3) months following the Call-Off Commencement Date:
		1. the Supplier (or Notified Sub-Contractor) shall compare its Anticipated TFSE Employment Costs against its Actual TFSE Employment Costs and provide the Customer with reasonable detail on each of its Anticipated TFSE Employment Costs and its Actual TFSE Employment Costs; and
		2. the Supplier shall submit to the Customer:
			1. notice that no Employment Costs Uplift or Employment Costs Reduction is required;
			2. notice that an Employment Costs Reduction is required together with a breakdown and supporting evidence as may be reasonably required for the Customer to corroborate and assess the calculation of the Employment Costs Reduction (and any such Employment Costs Reduction shall be dealt with in accordance with Paragraph 4); or
			3. notice that an Employment Costs Uplift is required together with a breakdown and supporting evidence as may be reasonably required for the Customer to corroborate and assess the calculation of the Employment Costs Uplift (and any such Employment Costs Uplift shall be dealt with in accordance with Paragraph 2 and 3).
	3. Where the Supplier requests payment or any adjustment of the Charges in respect of any Employment Cost Uplift of a Notified Sub-contractor the Supplier shall be entitled to request such payment or adjustment of the Charges in accordance with this Part A but must pass such payment or adjustment to the Charges on to the Notified Sub-contractor within five (5) Working Days of receipt from the Customer.
2. Employment Costs uplift
	1. The Supplier may request an Employment Costs Uplift and the Customer may grant the request, if the Supplier can evidence any inaccuracies or omissions in the Workforce Information provided by the Customer as part of a Call-Off Competition in relation to any costs arising directly from the contract of employment of a Transferring Former Supplier Employee assigned to the Services or any part of the Services and identified by the Supplier as being in scope to transfer to the Supplier (or a Notified Sub-contractor (as applicable)) in its Tender Response, and where a full breakdown and supporting evidence is submitted in support of a request for an Employment Costs Uplift.
	2. For the avoidance of doubt, the calculation of the Employment Costs Uplift shall not include the costs of those Transferring Former Supplier Employees who are, or who will be, the subject of the Redundancy Surcharge process as set out in Part B of this Schedule.
	3. For the avoidance of doubt, the Supplier may not request an Employment Cost Uplift in relation to any Transferring Former Supplier Employees which were employees of the Supplier or any Sub-Contractor of the Supplier when it was the incumbent Former Supplier and who therefore remain employees of the Supplier or a Sub-Contractor under this Call-Off Contract.
	4. The Supplier may not request an Employment Cost Uplift where it has failed to correctly identify and include in its Tender Response the Anticipated Transferring Employees Headcount based on the information provided by the Customer.
	5. On receipt of the Supplier's notification of the Employment Costs Uplift and supporting evidence in accordance with Paragraph 2.1, the Customer shall either:
		1. notify the Supplier in writing of acceptance of the Employment Costs Uplift and the impact on the Charges in accordance with Paragraph 2.7;
		2. request further information/evidence; and/or
		3. request a meeting to discuss/clarify the evidence provided.
	6. Where the Employment Costs Uplift is agreed following the receipt of further information/evidence or following a meeting, the Customer shall notify the Supplier in writing and confirm the Employment Costs Uplift to apply and the impact on the Charges in accordance with paragraph 2.7.
	7. Where the Customer accepts the Employment Costs Uplift in accordance with Paragraph 2.5.1 or Paragraph 2.6 the Customer shall notify the Supplier of the impact of the Employment Costs Uplift on the Charges payable under the Call-Off Contract as follows:
		1. where the Call-Off Contract is based on the Fixed Price by Volume Band or Fixed Price the Charges payable each month shall be adjusted to reflect the Employment Costs Uplift monthly increase; and
		2. where the Call-Off Contract is based on Unit Price the Unit Price shall be adjusted:
			1. where such Unit Price is based on FTE the relevant Unit Price shall be adjusted; and
			2. where such Unit Price is based on any other unit the Unit Price shall be adjusted as agreed between the Parties to reflect the Employment Costs Uplift,

and in each case, the Customer shall, in its notice, set out the impact for each individual Transferring Former Supplier Employee.

* 1. If the Supplier disputes the notification provided by the Customer in accordance with Paragraph 2.6 the matter shall be referred to the Dispute Resolution Procedure for determination by an Expert.
1. Review of Employment Costs Uplift
	1. The Customer shall cease to be liable to pay the Employment Costs Uplift in respect of a particular Transferring Former Supplier Employee assigned to the Services or any part of the Services from the date upon which they cease to be employed by the Supplier or a Notified Sub-contractor or assigned to the Services or any part of the Services (whichever occurs the earliest). Accordingly, the Supplier shall notify the Customer within twenty (20) Working Days of the date on which any such Transferring Former Supplier Employee ceases to be employed by the Supplier (or a Notified Sub-contractor) or assigned to the Services or any part of the Services as the case may be.
	2. If a relevant Transferring Former Supplier Employee ceases to be employed or assigned to the Services or any part of the Services, the Charges shall revert to the Charges prior to the application of the Employment Costs Uplift in accordance with Paragraph 2.6 above.
	3. Notwithstanding the above, the Customer reserves the right to review the Employment Costs Uplift at any time during the Call-Off Term to ascertain any amendments that may be required as a result of any changes to the relevant Transferring Former Supplier Employee(s).
2. Employment Costs Reduction
	1. On receipt of the Supplier's notification of the Employment Costs Reduction in accordance with Paragraph 1.2, the Customer shall either:
		1. notify the Supplier in writing of acceptance of the Employment Costs Reduction and the impact on the Charges in accordance with Paragraph 4.3;
		2. request further information/evidence; and/or
		3. request a meeting to discuss/clarify the evidence provided.
	2. Where the Employment Costs Reduction is agreed following the receipt of further information/evidence or following a meeting, the Customer shall notify the Supplier in writing and confirm the Employment Costs Reduction to apply and the impact on the Charges in accordance with Paragraph 4.3.
	3. Where the Customer accepts the Employment Costs Reduction in accordance with Paragraph 4.1.1 or Paragraph 4.2 the Customer shall notify the Supplier of the impact of the Employment Costs Reduction on the Charges payable under the Call-Off Contract for the remainder of the Call-Off Term as follows:-
		1. where the Call-Off Contract is based on the Fixed Price by Volume Band, or Fixed Price, the Charges payable each month shall be adjusted to reflect the Employment Costs Reduction monthly decrease;
		2. where the Call-Off Contract is based on Unit Price the Unit Price shall be adjusted:
			1. where such Unit Price is based on FTE the relevant Unit Price shall be adjusted; and
			2. where such Unit Price is based on any other unit the Unit Price shall be adjusted as agreed between the Parties to reflect the Employment Costs Reduction,
	4. If the Supplier disputes the notification provided by the Customer in accordance with Paragraph 4.3 or if the Customer disputes the notification provided by the Supplier in accordance with Paragraph 1.2.2(a), the matter shall be referred to the Dispute Resolution Procedure for determination by an Expert.
3. headcount cost uplift
	1. The Supplier will include in its Tender Response its Anticipated Transferring Employees Headcount and its Anticipated Total Headcount.
	2. Where a Relevant Transfer takes place, or will take place, no later than three (3) months following the Call-Off Commencement Date the Supplier (or Notified Sub-Contractor) shall compare the number and identity of the Transferring Former Supplier Employees in the Actual Transferred Headcount against the number and identity of the Transferring Former Supplier Employees in its Anticipated Transferring Employees Headcount and, provided that the Actual Transferred Headcount is less than the Anticipated Total Headcount, the Supplier shall submit to the Customer:
		1. notice that no Headcount Cost Uplift or Headcount Cost Reduction is required;
		2. notice that a Headcount Cost Uplift is required together with a breakdown and supporting evidence as may be reasonably required for the Customer to corroborate and assess the calculation of the Headcount Cost Uplift (and any such Headcount Cost Uplift shall be dealt with in accordance with Paragraph 6); and
		3. notice that a Headcount Cost Reduction is required together with a breakdown and supporting evidence as may be reasonably required for the Customer to corroborate and assess the calculation of the Headcount Cost Reduction (and any such Headcount Cost Reduction shall be dealt with in accordance with Paragraph 7).
	3. Where the Supplier requests payment or any adjustment of the Charges in respect of any Headcount Cost Uplift of a Notified Sub-contractor the Supplier shall be entitled to request such payment or adjustment of the Charges in accordance with this Part A but must pass such payment or adjustment to the Charges on to the Notified Sub-contractor within five (5) Working Days of receipt from the Customer.
	4. The Supplier may not request a Headcount Cost Uplift where it has failed to correctly identify and include in its Tender Response the Anticipated Transferring Employees Headcount based on the information provided by the Customer.
	5. For the avoidance of doubt, the calculation of the Headcount Cost Uplift shall not include the costs of those Transferring Former Supplier Employees who are, or who will be, the subject of the Redundancy Surcharge process as set out in Part B of this Appendix.
	6. On receipt of the Supplier's notification of the Headcount Cost Uplift and supporting evidence in accordance with Paragraph 5.2.2, the Customer shall either:
		1. notify the Supplier in writing of acceptance of the Headcount Cost Uplift and the impact on the Charges in accordance with Paragraph 5.8;
		2. request further information/evidence; and/or
		3. request a meeting to discuss/clarify the evidence provided.
	7. Where the Headcount Cost Uplift is agreed following the receipt of further information/evidence or following a meeting, the Customer shall notify the Supplier in writing and confirm the Headcount Cost Uplift to apply and the impact on the Charges in accordance with Paragraph 5.8.
	8. Where the Customer accepts the Headcount Cost Uplift in accordance with Paragraph 5.6.1 or Paragraph 5.7 the Customer shall notify the Supplier of the impact of the Headcount Cost Uplift on the Charges payable under the Call-Off Contract as follows:
		1. where the Call-Off Contract is based on the Fixed Price by Volume Band or Fixed Price the Charges payable each month shall be adjusted to reflect the Headcount Cost Uplift monthly increase; and
		2. where the Call-Off Contract is based on Unit Price the Unit Price shall be adjusted:
			1. where such Unit Price is based on FTE the relevant Unit Price shall be adjusted; and
			2. where such Unit Price is based on any other unit the Unit Price shall be adjusted as agreed between the Parties to reflect the Headcount Cost Uplift,

and in each case, the Customer shall, in its notice, set out the impact for each individual Transferring Former Supplier Employee.

* 1. If the Supplier disputes the notification provided by the Customer in accordance with Paragraph 2.6 the matter shall be referred to the Dispute Resolution Procedure for determination by an Expert.
1. Review of HEADCOUNT Cost Uplift
	1. The Customer shall cease to be liable to pay the Headcount Cost Uplift in respect of a particular Transferring Former Supplier Employee assigned to the Services or any part of the Services from the date upon which they cease to be employed by the Supplier or a Notified Sub-contractor or assigned to the Services or any part of the Services (whichever occurs the earliest). Accordingly, the Supplier shall notify the Customer within twenty (20) Working Days of the date on which a Transferring Former Supplier Employee ceases to be employed by the Supplier (or a Notified Sub-contractor) or assigned to the Services or any part of the Services.
	2. If a relevant Transferring Former Supplier Employee ceases to be employed or assigned to the Services or any part of the Services the Charges shall be revert to the Charges prior to the application of the Headcount Uplift in accordance with Paragraph 5.8 above.
	3. Notwithstanding the above, the Customer reserves the right to review the Headcount Cost Uplift at any time during the Call-Off Term to ascertain any amendments that may be required as a result of any changes to the Transferring Former Supplier Employees.
2. HEADCOUNT Cost Reduction
	1. On receipt of the Supplier's notification of the Headcount Cost Reduction in accordance with Paragraph 5.2, the Customer shall either:
		1. notify the Supplier in writing of acceptance of the Headcount Cost Reduction and the impact on the Charges in accordance with Paragraph 7.3;
		2. request further information/evidence; and/or
		3. request a meeting to discuss/clarify the evidence provided.
	2. Where the Headcount Cost Reduction is agreed following the receipt of further information/evidence or following a meeting, the Customer shall notify the Supplier in writing and confirm the Employment Costs Reduction to apply and the impact on the Charges in accordance with Paragraph 7.3.
	3. Where the Customer accepts the Headcount Cost Reduction in accordance with Paragraph 7.1.1 or Paragraph 7.2 the Customer shall notify the Supplier of the impact of the Headcount Cost Reduction on the Charges payable under the Call-Off Contract for the remainder of the Call-Off Term as follows:-
		1. where the Call-Off Contract is based on the Fixed Price by Volume Band or Fixed Price the Charges payable each month shall be adjusted to reflect the Headcount Reduction monthly decrease;
		2. where the Call-Off Contract is based on Unit Price the Unit Price shall be adjusted:
			1. where such Unit Price is based on FTE the relevant Unit Price shall be adjusted; and
			2. where such Unit Price is based on any other unit the Unit Price shall be adjusted as agreed between the Parties to reflect the Headcount Cost Reduction,
	4. If the Supplier disputes the notification provided by the Customer in accordance with Paragraph 7.3 the matter shall be referred to the Dispute Resolution Procedure for determination by an Expert.
3. Right of Audit
	1. The Customer reserves the right to review and audit the application of or calculation of the Employment Costs Uplift, Employment Costs Reduction, Headcount Cost Uplift, Headcount Cost Reduction and/or any Redundancy Payment at any time in accordance with the provisions of Schedule 7.5 (Records, Reports and Audit Rights).
	2. Where an overpayment of the Employment Costs Uplift, Headcount Costs Uplift, Redundancy Payment or underpayment of the Employment Costs Reduction or Headcount Cost Reduction is identified following a review and/or audit carried out or by any other means, the Supplier shall repay to the Customer any over payment of the Employment Costs Uplift, Headcount Cost Uplift or Redundancy Payment (as applicable) or make a payment to the Customer in respect of the Employment Costs Reduction or Headcount Cost Reduction within ten (10) Working Days of being notified by the Customer.
4. PART B – REDUNDANCY SURCHARGE
5. introduction
	1. The Supplier shall provide the Anticipated Total Headcount information in the price it submits as part of its Tender Response for a Call-Off Competition prepared and submitted pursuant to the Call-Off Procedure.
	2. Where the Anticipated Transferring Employees Headcount is greater than the Anticipated Total Headcount the Supplier will include within the price it submits as part of its Tender Response for a Call-Off Competition the estimated Redundancy Payments for such surplus employees and the estimated amount shall also be shown separately in the Financial Model as a separate line item (the "**Priced Redundancy Cost**").
	3. Where a Relevant Transfer takes place, or will take place, the Supplier shall, where possible, during the Implementation Period and, in any event, by no later than twenty (20) Working Days following the Call-Off Commencement Date compare its Anticipated Total Headcount against the Actual Transferred Headcount and:
		1. submit to the Customer:
			1. the number of Surplus Supplier Personnel (if any);
			2. notice that no Redundancy Surcharge is required and/or it is a negative amount; or
			3. notice that a Redundancy Surcharge is required, together with a breakdown and supporting evidence as detailed in Paragraph 2.1 below (and any such Redundancy Surcharge and Redundancy Payment shall be dealt with in accordance with Paragraph 2).
6. REDUNDANCY SURCHARGE
	1. The Supplier may request payment of the Redundancy Surcharge and the Customer may grant the request, only if the Supplier (a) can provide a full breakdown and supporting evidence in relation to Surplus Supplier Personnel and relevant Redundancy Payments; and (b) complies with the remaining provisions of this Paragraph 2.
	2. Where the Supplier requests payment of the Redundancy Surcharge in respect of any Surplus Supplier Personnel that have transferred to a Notified Sub-contractor, the Supplier shall be entitled to request payment of the Redundancy Surcharge in accordance with this Part B, but must pass the Redundancy Surcharge payment on to the Notified Sub-contractor within five (5) Working Days of receipt from the Customer.
	3. The Supplier shall not be entitled to a Redundancy Surcharge under paragraph 2.1 of this Part B (Redundancy Surcharge) unless:
		1. before any relevant termination for reason of redundancy is made:
			1. the Supplier has consulted the Customer about the proposal to make any Surplus Supplier Personnel (whether of the Supplier or a Notified Sub-contractor) redundant, together with the timings in relation to such proposed redundancy;
			2. the Supplier has provided the Customer with written estimates of any relevant Redundancy Payment and confirmed to whom any such payment relates, together with a breakdown of such estimates and such supporting evidence as the Customer may reasonably request to corroborate and assess the calculations; and
			3. the Supplier has provided the Customer with details of the steps the Supplier, or the Notified Sub-Contractor (as applicable), has taken (or proposes to take) to mitigate such costs in accordance with paragraphs 2.3.3 and 2.3.4 of this Part B (Redundancy Surcharge); and
			4. received the Customer's approval that a Redundancy Surcharge is payable in the circumstances;
		2. the effective date of termination of employment of the relevant Surplus Supplier Personnel to whom the Redundancy Payment relates is no later than four (4) month(s) after the Call-Off Commencement Date;
		3. the Supplier has (or, where relevant, the Supplier has procured that the Notified Sub-Contractor has) in respect of each termination for redundancy to which the Redundancy Surcharge relates, complied with all:
			1. relevant statutory obligations which are imposed on an employer in relation to redundancy (including, but not limited to, any collective obligations under section 188 of the Trade Union & Labour Relations (Consolidation) Act 1992 and requirements of fairness and reasonableness under the Employment Rights Act 1996); and
			2. relevant contractual requirements (save for a breach of notice entitlement where payment is made on termination in satisfaction of the employee's claim for damages);
		4. the Supplier has used reasonable endeavours to (or, where relevant, shall use reasonable endeavours to procure that the Notified Sub-Contractor shall):
			1. redeploy any Surplus Supplier Personnel; and
			2. mitigate the amount of Redundancy Payments, including, but not limited to, requiring employees to work their notice period where this is practicable and, where possible, carrying out any pre-transfer consultation; and
		5. the Supplier can demonstrate to the reasonable satisfaction of the Customer that its Priced Redundancy Cost was a reasonable estimate based on the information provided to the Supplier and that the Supplier had correctly identified the number and cost of Anticipated Transferring Employees Headcount (and, by extension, expected redundancy costs) for the purpose of its Tender Response.
	4. On receipt of the Supplier's calculation of the Redundancy Payments in accordance with Paragraph 2.3.1(b) of this Part B (Redundancy Surcharge) the Customer shall on a timely basis either:
		1. notify the Supplier in writing of approval of the Redundancy Surcharge subject to the Supplier's compliance with the remaining provisions of Paragraph 2.3; and/or
		2. request further information/evidence; and/or
		3. request a meeting to discuss/clarify the evidence provided.
	5. Where the Redundancy Surcharge is approved following the receipt of further information/evidence or following a meeting, the Customer shall notify the Supplier in writing.
	6. Where the Redundancy Surcharge is approved in accordance with Paragraph 2.4 or Paragraph 2.5 of this Part B (Redundancy Surcharge) then, subject to the Supplier providing such evidence as the Customer may reasonably request and the Customer being satisfied that the Supplier has complied with the other provisions contained in Paragraph 2.3, the Supplier shall invoice the Customer on or after the effective date of termination of employment of the relevant Surplus Supplier Personnel for the Redundancy Surcharge and the Customer shall pay such invoice in accordance with the payment terms in Schedule 7.1 (Charges and Invoicing).
	7. In the event that the Supplier and the Customer are unable to agree the Redundancy Surcharge or whether the Supplier has complied with Paragraph 2.3, they shall follow the Dispute Resolution Procedure.
	8. If the Redundancy Surcharge is negative, the Customer shall discuss and agree with the Supplier either:
		1. potential re-investment of such amount in accordance with the provisions of Paragraph 16 of Schedule 7.1 (Charges and Invoicing); or
		2. a corresponding reduction in the Charges as appropriate to reflect the negative Redundancy Surcharge.
7. NON-APPLICATION OF THIS PART
	1. For the avoidance of doubt this Part B (Redundancy Surcharge) shall not apply on the expiry or termination of the Framework Agreement or any Call-Off Contract (including partial termination) or in respect of Schedule 7.2 (Payments on Termination).

**ANNEX A**

**WORKED EXAMPLES**

These worked examples are provided for illustrative purposes only and shall not affect the interpretation of this Appendix A to Schedule 7.1 (Charges and Invoicing) which shall apply in the event of any conflict or inconsistency.

1. employment costs uplift/reduction

|  |  |  |
| --- | --- | --- |
| **Scenario at bid** | **What happens** | **Effect** |
| Identify and price for Employee A based on Workforce Information provided | Employee A transfers but the costs of employing Employee A are greater or less than anticipated and priced for | Charges are adjusted accordingly (upwards or downwards as required) |

1. Headcount cost uplift/reduction (Scenario 1)

|  |  |  |
| --- | --- | --- |
| **Scenario at bid** | **What happens** | **Effect** |
| Identify and price for Employees A and B based on Workforce Information providedAlso, include nominal costs for different grades of own employees that will be needed to deliver the services e.g. X, Y and Z  | Employees A, B **and C** transfer (thus one of X, Y or Z are not needed) | Charges are adjusted (most likely upwards) to reflect the difference in cost between employing Employee C (who has unexpectedly transferred) and the nominal employee costs of X, Y or Z. |
|  | Only Employee A transfers (not B) | Charges are adjusted (most likely downwards) to reflect the difference in cost between Employee B (who hasn't transferred) and the cost of one of the Supplier's employees who will now be utilised in place of Employee B (e.g. X, Y and Z) |

1. headcount cost uplift/reduction (Scenario 2)

|  |  |  |
| --- | --- | --- |
| **Scenario at bid** | **What happens** | **Effect** |
| Identify and price for Employees A and B based on Workforce Information providedAlso, include nominal costs for different grades of own employees that will be needed to deliver the services e.g. X, Y and Z  | Employees B and C transfer (not A) | Charges are adjusted (upwards or downwards) to reflect the difference in cost between Employee A/or nominal cost for Supplier's own employee (whichever is higher) and Employee C. |

1. redundancy surcharge

|  |  |  |
| --- | --- | --- |
| **Scenario at bid** | **What happens** | **Effect** |
| Identify and price for Employees A, B and CNeed 5 Employees to deliver the services, so also include nominal employment costs for additional two employees, X and Y. | Employees, A, B, C, D, E and F all transfer. | Charges are adjusted under the **Employment Adjustment** (most likely upwards) to reflect the difference in cost between employing Employees D and E (who have unexpectedly transferred but are needed) and the nominal employee costs of X and Y.If Employee F is made redundant, Redundancy Payments under the **Redundancy Surcharge** can be claimed. |
| Identify Employees A, B and CNeed 2 Employees to deliver the services, so price for A and B and include estimated redundancy payment for C | Employees A, B and C all transferFollowing a redundancy process C is made redundant | If the estimated redundancy payment is based on reasonable assumptions but is still less than the actual Redundancy Payment made then the Redundancy Surcharge can be claimed of the actual payment less the estimate included in the price. Where this is a negative figure investment in reducing re-offending or a reduction in Charges will be considered |