

LONDON BOROUGH OF CAMDEN

ENVIRONMENT SERVICES CONTRACT

SCHEDULE 4: PAYMENT AND PERFORMANCE

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1 INTERPRETATIONS AND DEFINITIONS

- 1.1 Unless otherwise stated in this Schedule 4, Payment and Performance, defined terms used in this Schedule shall have the meanings set out in Schedule 1.

2 PRINCIPLES AND CALCULATION OF THE SERVICE PAYMENT

- 2.1 The Service Payment shall be paid in monthly instalments each month during the Contract Year in accordance with clause 26 of the Conditions of Contract and shall be the full and final consideration payable to the Contractor for all of the Services provided under this Contract.
- 2.2 The Contractor shall in accordance with clause 27 of the Conditions of Contract submit an invoice for the Service Payment each month during the Contract Period to the Authority which shall include itemised amounts for each of the following:
- 2.2.1 the Annual Service Payment payable for the Contract Month (see section 3); and
- 2.2.2 the Variable Items Payment applicable in respect of the preceding Contract Month (see section 4).
- 2.3 The Service Payment shall be subject to:
- 2.3.1 the Performance Deductions applicable in respect of the preceding Contract Month (see section 5), where the Contractor fails to meet the required Key Outcome Targets set out in the Contract;
- 2.3.2 the Other Deductions (see section 6);
- 2.3.3 the Annual Contract Targets Deductions, which shall be calculated for the first month of the Contract Year following the end of the relevant Contract Year (see section 7); and
- 2.3.4 the Annual Incentive Payment which shall apply in respect of the same month as the Annual Contract Targets Deductions are determined (see section 8).
- 2.4 The Service Payment shall be calculated in accordance with this Schedule and shall not be amended or revised except as expressly provided in the Conditions of Contract or as a result of an agreed Change in accordance with clause 42 of the Conditions of Contract.

3 ANNUAL SERVICE PAYMENT

- 3.1 An annual service payment, the “Annual Service Payment”, shall be paid in equal monthly instalments each month as part of the Service Payment during the Contract Year and shall comprise the sum of all items in the “Annual Sums” listed in the Pricing Schedule, with the exception of item 1.21, Guaranteed Business Recycling and Waste Revenue, which shall be subject to the Other Deductions.

3.1.1 Where any Service comprised in the “Annual Sums” listed in the Pricing Schedule commences on a day other than the first day of a month or ends on a day other than the last day of a month, the monthly charge shall be adjusted based on the proportion of the number of days in the month for which the Service is provided bears to the total number of days in that month.

3.2 Calculation of the Annual Service Payment (Annual Sum)

3.2.1 The monthly charge in respect of any Service comprised in the “Annual Sums” listed in the Pricing Schedule which is expressed to be an annual sum item shall be one twelfth ($1/12^{\text{th}}$) of the corresponding Unit Rate in the Pricing Schedule.

3.3 Calculation of the Annual Service Payment (Unit Based)

3.3.1 The monthly charge in respect of any Service comprised in the “Annual Sums” listed in the Pricing Schedule which is expressed to be a unit based item shall be calculated by multiplying the sum of all units for that Service by one twelfth ($1/12^{\text{th}}$) of the corresponding Unit Rate in the Pricing Schedule.

4 VARIABLE ITEMS PAYMENT

4.1 A variable items payment, the “Variable Items Payment”, shall be payable each month as part of the Service Payment for the quantity of “Rate Items” listed in the Pricing Schedule supplied by the Contractor in the relevant month.

4.2 The Variable Items Payment shall be calculated by multiplying the Unit Rate for each item in the “Rate Items” listed in the Pricing Schedule by the quantity supplied by the Contractor in the relevant month or open book accounting to the extent that the relevant rates are not included in the Pricing Schedule, in which instance the payment shall be such that the Contractor is left in a position which is no better or worse.

5 PERFORMANCE DEDUCTIONS

5.1 The Key Outcome Targets which the parties have agreed to use to measure the performance of the Services by the Contractor are provided in Table 1. The monthly Performance Report outlined in Schedule 11, Contract Management shall record and summarise instances of Key Outcome Targets achieved and Key Outcome Targets failures and shall set out the calculation of the Performance Deductions.

5.2 The Performance Deductions set out in the Performance Report shall be included as a deduction against the Service Payment in the monthly invoice generated by the Contractor in accordance with the provisions of clause 27 of the Conditions of Contract.

5.3 Deductions shall be made from the Service Payment in respect of:

5.3.1 Specific Service Default Deductions for Key Outcome Targets; and

5.3.2 Other Service Default Deductions.

5.4 Specific Service Default Deductions shall accrue in respect of each Key Outcome Target failure if the Key Outcome Target failure has not been rectified within the corresponding “Rectification Period” set out in Table 1, and are a reduction of the Service Payment payable in respect of the relevant Services to reflect the loss of Resources to the Authority, expressed as a unit or part of a unit of Administrative Labour Cost. The Administrative Labour Cost for 2016/17 is £21.46 per hour and this shall be Indexed in line with paragraphs 11.6.1 and 11.6.2 of this Schedule.

5.5 Specific Service Default Deductions shall apply for each failure set out in Table 1 below if the Key Outcome Target failure has not been rectified within the corresponding “Rectification Period” set out in Table 1. The “Rectification Period” starts at the point at which the Contractor is first aware that a Key Outcome Target failure has occurred.

Table 1: Specific Service Default Deductions for Key Outcome Targets

Key Outcome Targets (Failure)	Deduction	Rectification Period
General Specification		
GS1: Failure to provide the Annual Service Report, Annual Service Improvement Plan, Performance Report or Service Report within agreed frequencies and timescales	£500 per Working Day	2 weeks
GS2: Failure to offer at least 3 new apprenticeship positions and 20 work based placements per annum	£2,500	3 months
GS3: Failure to offer at least 20% of new employment opportunities to Camden residents	£2,500	3 months
GS4: Failure to provide health and safety records, including RIDDOR accidents/incidents	£1,000 per incident	1 week
GS5: Failure to achieve, maintain or demonstrate sufficient evidence to the Authority of accredited Quality and Environmental Management Systems or Occupational Health and Safety Management System	£1,000 per incident	1 month
GS6: Failure to design, maintain, review and update the Business Continuity and Disaster Recovery Plan	£1,000 per incident	1 week
Waste Collection and Recycling Services		
WC1: Missed Collections from Households shall not exceed 60 Missed Collections per 100,000 Scheduled Collections in any one	a Deduction shall apply equivalent to half an hour of Administrative Labour Cost for each Missed Collection over the defined threshold	n/a

month		
WC2: For each Missed Collection Not Rectified	a Deduction shall apply equivalent to half an hour of Administrative Labour Cost	(a) by the end of the Working Day, where the Contractor was notified of the Missed Collection before 12pm on the scheduled Collection Day; or (b) by 12pm on the following Working Day, where the Contractor was notified of the Missed Collection after 12pm on the scheduled Collection Day
WC3: For each Repeat Missed Collection	a Deduction shall apply equivalent to one and a half hours of Administrative Labour Cost for the first repeat failure at the property in a 3-month cycle and thereafter further failures at the same property within the cycle may occur deductions over one and a half hours of Administrative Labour Cost proportionate with the increasing administrative cost burden that the Authority incurs	4 hours
WC4: For each Repeat Missed Collection Not Rectified	a Deduction shall apply equivalent to two hours of Administrative Labour Cost	(a) by the end of the Working Day, where the Contractor was notified of the Missed Collection before 12pm on the scheduled Collection Day; or (b) by 12pm on the following Working Day, where the Contractor was notified of the Missed Collection after 12pm on the

		scheduled Collection Day
WC5: For each Missed Assisted Collection	a Deduction shall apply equivalent to one hour of Administrative Labour Cost	4 hours
WC6: For each Repeat Missed Assisted Collection	a Deduction shall apply equivalent to two hours of Administrative Labour Cost	4 hours
Cleansing Services		
CIS1: For each transect reported, failure to restore the relevant land use type to the required standard within the rectification period	a Deduction shall apply equivalent to one hour of Administrative Labour Cost	High Intensity: • 4 hours Medium Intensity: • 8 hours Low Intensity: • 12 hours
CIS2: For the same transect reported and not rectified, failure to restore the relevant land use type to the required standard within the rectification period	a Deduction shall apply equivalent to two and a half hours of Administrative Labour Cost for each occurrence	High Intensity: • 2 hours Medium Intensity: • 4 hours Low Intensity: • 6 hours
CIS3: Failure to empty each litter/dog bin or on-street dry recycling container which is unavailable to Service Users to deposit Contract Waste because the bin/container is at least 85% full or overflowing	a Deduction shall apply equivalent to one and a half hours of Administrative Labour Cost for each occurrence	2 hours
CIS4: Failure to clear up any spillage of materials dropped and/or left after a waste or recycling collection at the time of occurrence and/or within two hours of notification	a Deduction shall apply equivalent to one and a half hours of Administrative Labour Cost for each occurrence	2 hours
CIS5: Failure to manage flytipped or abandoned materials and remove within 1 Working Day of notification	a Deduction shall apply equivalent to one and a half hours of Administrative Labour Cost for each occurrence	1 Working Day
CIS6: Failure to manage offensive graffiti/flyposting and drug paraphernalia within 24 hours or non-offensive graffiti/flyposting within 5 Working Days of notification	a Deduction shall apply equivalent to one and a half hours of Administrative Labour Cost for each occurrence	1 Working Day
CIS7: Failure to provide an out of hours emergency response service	£1,000 per incident	2 hours
Winter Service		
WS1: Failure to deploy gritting services to main highways and priority routes	£1,000 per incident	1 Working Day
Customer Services		
CS1: Ensure 95% of all calls are answered, of which 95% within 5 rings	a Deduction shall apply equivalent to half an hour of Administrative Labour Cost	n/a

(defined as equivalent to 15 seconds)		
CS2: For each failure to respond to Stage 1 complaints within 15 Working Days	a Deduction shall apply equivalent to one hour of Administrative Labour Cost	n/a
CS3: For each complaint escalated to Stage 2 which is upheld by the Authority	a Deduction shall apply equivalent to two hours of Administrative Labour Cost	n/a
Container Management		
CM1: For each failure to deliver or retrieve Containers within 3 Working Days (including for new properties), complete reactive repairs and maintenance to Containers within 5 Working Days, or complete off-site Container refurbishments within 7 Working Days	a Deduction shall apply equivalent to one hour of Administrative Labour Cost	3 Working Days

- 5.6 In addition to any Specific Service Default Deductions, and without double-counting, where the Contractor fails to meet any requirement of this Contract and fails to rectify any failure within a reasonable period of time and this involves the Authority incurring any cost or expense, then all such costs and reasonable expense (limited to Administrative Labour Cost, mileage/travel costs and any direct costs of rectifying the failure) may be deducted by the Authority from the Service Payment, in each case an “Other Service Default Deduction”. The Authority would be expected to mitigate any cost or expense.
- 5.7 For the avoidance of doubt, Other Service Default Deductions shall not apply to any defaults which incur Specific Service Default Deductions.
- 5.8 Where there is a Service Failure and the Authority levies any Other Service Default Deduction(s) in accordance with section 5.6 of this Schedule, this shall not constitute a Step-In Event and where there is a Step-In Event, the provisions of clause 47 of the Conditions of Contract shall apply.
- 5.9 Specific Service Default Deductions and Other Service Default Deductions shall be deducted from the Service Payment for the month immediately following the month in which the relevant Service Failure occurred.
- 5.10 Specific Service Default Deductions and Other Service Default Deductions shall not apply to relevant Services affected during Force Majeure Events.
- 5.11 Nothing in section 5 of this Schedule shall prejudice the right of the Authority to terminate this Contract in accordance with clause 38 of the Conditions of Contract.

6 OTHER DEDUCTIONS

6.1 Guaranteed Business Recycling and Waste Revenue

- 6.1.1 The Contractor shall guarantee an annual revenue to the Authority from the provision of the Business Recycling and Waste Service as outlined in item 1.21 of the Pricing Schedule. One twelfth (1/12th) of the Guaranteed Business Recycling and Waste Revenue shall be deducted in equal instalments each month from the Service Payment in the relevant Contract Year.
- 6.1.2 In respect of each Contract Year, where the Contractor generates an Excess Profit on the Guaranteed Business Recycling and Waste Revenue, this excess shall be shared between the Authority and the Contractor on a ratio of 25%/25% and 50% shall be included in the Annual Service Improvement Fund.
- 6.1.3 For the avoidance of doubt, the provisions of this Excess Profit on the Guaranteed Business Recycling and Waste Revenue are excluded from the Excess Profit Share Deduction, in accordance with section 6.3 of this Schedule.
- 6.1.4 One twelfth (1/12th) of the relevant share of the Excess Profit on the Guaranteed Business Recycling and Waste Revenue shall be deducted from the Service Payment for the first month of the Contract Year following the end of the relevant Contract Year upon which the calculation of the Excess Profit on the Guaranteed Business Recycling and Waste Revenue was based. The Excess Profit on the Guaranteed Business Recycling and Waste Revenue shall be recorded using open book accounting. In the final Contract Year, the Excess Profit on the Guaranteed Business Recycling and Waste Revenue shall form part of a final reconciliation payment.

6.2 Tipping Location Change Deduction and Payment

- 6.2.1 The Authority may instruct the Contractor to direct Contract Waste from any of the Delivery Sites as specified in section 18 of Schedule 2, Service Specification, to another Delivery Site. The arrangements shall address both the circumstances where the change in Delivery Site results in additional travelling distances and/or times and where these are reduced. The Payment or Deduction for the Tipping Location Change shall be based on open book accounting.

6.3 Excess Profit Share Deduction

- 6.3.1 The Authority acknowledges that in providing the Services to the standards set out in the Contract, the Contractor is entitled to make a fair profit. The parties acknowledge that the Contractor is entitled to make up to 12 per cent Net Profit Margin in any Contract Year.
- 6.3.2 The Contractor shall bear all risk of any shortfall in Net Profit Margin. In respect of each Contract Year, where the Contractor generates a profit associated with the delivery of the Services which is in excess of the agreed Net Profit Margin, this Excess Profit shall be shared between the Authority and the Contractor on a ratio of 25%/25% and 50% shall be included in the Annual Service Improvement Fund.
- 6.3.3 For the avoidance of doubt, the provisions of this Excess Profit Share Deduction are excluded from the Excess Profit on the Guaranteed Business Recycling and Waste Revenue, in accordance with section 6.1 of this Schedule.

6.3.4 Within twenty (20) Working Days of the end of a Contract Year, the Contractor shall provide a written statement to the Authority identifying the Net Profit Margin attained in that Contract Year.

6.3.5 One twelfth (1/12th) of the relevant share of the Excess Profit Share Deduction shall be made from the Service Payment for the first month of the Contract Year following the end of the Contract Year upon which the calculation of the Excess Profit Share was based. In the final Contract Year, the Excess Profit Share shall form part of a final reconciliation payment.

6.4 Non Service Provision Deductions

6.4.1 The Authority shall be relieved of any obligation to pay the relevant component of the Service Payment when there is non-provision of that element of the Services in its entirety and the withholding of such an element of the Service Payment shall constitute a Non Service Provision Deduction.

6.4.2 For the avoidance of doubt, Non Service Provision Deductions shall not apply for a partial failure in Service Performance (e.g. Missed Collection) which shall be dealt with through the Performance Deductions (see section 5) and shall not apply to Services affected during Force Majeure Events or on occasions such as extreme weather where the Service may be partially suspended.

6.4.3 Where the Contractor fails to provide one or more of the Services listed in the Pricing Schedule in their entirety for one or more Working Days without approval from the Authorised Officer, Non Service Provision Deductions shall apply to the Service Payment on a pro-rated basis and the reduction in value shall be calculated by reference to the frequency of that Service.

6.4.4 Without prejudice to any express right and remedies set out in the Contract, the Authority shall not be entitled to levy more than one type of Deduction arising out of the same event.

7 ANNUAL CONTRACT TARGETS DEDUCTIONS

7.1 Annual Contract Targets Deductions shall be calculated and deducted from the Service Payment for the first month of the Contract Year following the end of the relevant Contract Year where the Contractor fails to achieve the relevant Annual Contract Targets outlined in Table 2. If the Annual Contract Target Deduction cannot be applied during the first month of the relevant Contract Year due to the late reporting of data, then the Annual Contract Target Deduction for the relevant Contract Target shall be deducted from the Service Payment in the Contract Month in which the data is reported (and a Performance Deduction may apply in respect of the late reporting of the relevant data by the Contractor).

Table 2: Annual Contract Targets

Annual Contract Target	Definition	Measure	Year 1 Target	Year 4 Target	Year 8 Target
1. Household Recycling Target	increase collected household recycling tonnages	by reference to Veolia's Waste Flow Model	33%	38%	40%

2. Cleansing Standards Target	% of areas falling below Grade B standard	Keep Britain Tidy Survey	Litter: 6% Detritus: 5% Graffiti: 3% Flyposting: 1%	Litter: 6% Detritus: 5% Graffiti: 3% Flyposting: 1%	Litter: 6% Detritus: 5% Graffiti: 3% Flyposting: 1%
3. Customer Satisfaction Target	maintain a high level of customer satisfaction year-on-year	Independent Survey of Camden's Residents	Refuse Collection: 72% Recycling Services: 68% Street Cleansing: 72% Customer Services: 90%	Refuse Collection: 72% Recycling Services: 68% Street Cleansing: 72% Customer Services: 90%	Refuse Collection: 76% Recycling Services: 72% Street Cleansing: 76% Customer Services: 90%
4. Environmental Management Target	a. reduce CO ₂ emissions	2,942,470kg (baseline)	-10% from baseline	-12% from baseline	-12% from baseline
	b. reduce NOx emissions	7,850,996g (baseline)	-10% from baseline	-12% from baseline	-12% from baseline
	c. reduce PM10 emissions	111,556g (baseline)	-10% from baseline	-12% from baseline	-12% from baseline
5. Business Recycling and Waste Services Target	increase the number of business customers in the recycling portfolio	by reference to Veolia's Business Plan	+5%	+7%	+10%
6. Social Return on Investment (SORI) Target	improve the Social Value associated with the Contract	by reference to Veolia's SORI Model	£2.51 (baseline)	+5% from baseline	+10% from baseline

7.2 Where the Contractor fails to meet the Household Recycling Contract Target, the following Annual Contract Target Deduction shall apply:

7.2.1 Household Recycling Contract Target Deduction = £the Indexed cost differential between disposal and recycling and composting/t x for the equivalent amount of tonnes making up each 1% shortfall of the Household Recycling Contract Target

7.3 Where the Contractor fails to meet any of the components of the Cleansing Standards Contract Target, the following Annual Contract Target Deduction shall apply:

7.3.1 Cleansing Standards Contract Target Deduction = £20,000 x for each 1% shortfall of Litter Target + £10,000 x for each 1% shortfall of Detritus Target + £5,000 x for each 1% shortfall of Graffiti Target + £2,500 x for each 1% shortfall of Flyposting Target

7.4 Without double-counting, the Deductions for each component of the Cleansing Standards Contract Target shall be applied individually and then aggregated.

7.5 Where the Contractor fails to meet any of the components of the Customer Satisfaction Contract Target, the following Annual Contract Target Deduction shall apply:

7.5.1 Customer Satisfaction Contract Target Deduction = £5,000 x for each 1% shortfall of Refuse Collection Target + £5,000 x for each 1% shortfall of Recycling Services Target + £5,000 x for each 1% shortfall of Street Cleansing Target + £5,000 x for each 1% shortfall of Customer Services Target

- 7.6 Without double-counting, the Deductions for each component of the Customer Satisfaction Contract Target shall be applied individually and then aggregated.
- 7.7 Where the Contractor fails to meet any of the components of the Environmental Management Contract Target, the following Annual Contract Target Deduction shall apply:
- 7.7.1 Environmental Management Contract Target Deduction = £15/t x the amount of emissions (kg) by which the Contractor fails to achieve the CO₂ emissions target + £15/t x the amount of emissions (g) by which the Contractor fails to achieve the NO_x emissions target + £15/t x the amount of emissions (g) by which the Contractor fails to achieve the PM₁₀ emissions target
- 7.8 Without double-counting, the Deductions for each component of the Environmental Management Contract Target shall be applied individually and then aggregated.
- 7.9 Business Recycling and Waste Services Contract Target Deduction = £1,000 for each 1% shortfall of the Business Recycling and Waste Services Target.
- 7.10 The Contractor shall not be entitled to an increase in the Service Payment by exceeding the Annual Contract Targets with the exception of the Household Recycling Contract Target, which shall be calculated in accordance with the provisions of section 8 of this Schedule.

8 ANNUAL INCENTIVE PAYMENT

- 8.1 The Authority calculates that it shall save at least £30/t for waste recovered for recycling and composting and not disposed of as residual waste. This saving value shall be dependent on the charge per tonne from the North London Waste Authority (NLWA) and shall be adjusted as the charge changes and Indexed.
- 8.2 Subject to the Contractor exceeding the Household Recycling Contract Target, the Authority shall share with the Contractor the saving compared with the cost it would have incurred in any Contract Year in relation to the treatment of residual waste had the Contractor's performance equalled the Household Recycling Contract Target. In this respect, the Authority shall pay to the Contractor the following share of the saving, as set out in Table 3.

Table 3: Contractor's share of the Household Recycling Contract Target

NLWA saving in the relevant Contract Year of between	Contractor's Share of the NLWA saving	Authority's Share of the NLWA saving	Annual Service Improvement Fund
£0 to £25,000	25% ¹	25%	50%
Over £25,001	40%	20%	40%

¹ The Contractor's share of the NLWA saving shall be the aggregate of the saving falling within each band. For example, a NLWA saving of £200,000 would result in a Contractor's share of [(25% x £25k) + (40%) x (£200k - £25k)]

9 LONDON LIVING WAGE (LLW)

9.1 The Contractor shall be required to ensure that this is a LLW compliant contract (unless otherwise directed by the Authority) in accordance with clause 59 of the Conditions of Contract. There shall be provisions for annual adjustments to take into account movements in the LLW as part of the Annual Price Review and Indexation.

10 PERIODS OF GRACE

10.1 The value of the Specific Service Default Deductions for Key Outcome Targets and Other Service Default Deductions shall be reduced for the Services affected during the:

10.1.1 Three (3) months from Service Commencement (the Services); and

10.1.2 Three (3) months from Service Change completion.

10.2 During these 3 month periods:

10.2.1 0% of the value of the Specific Service Default Deductions and Other Service Default Deductions related to the Services subject to the grace period shall apply in the first month;

10.2.2 25% of the value of the Specific Service Default Deductions and Other Service Default Deductions related to the Services subject to the grace period shall apply in the second month; and

10.2.3 50% of the value of the Specific Service Default Deductions and Other Service Default Deductions related to the Services subject to the grace period shall apply in the third month.

11 ANNUAL PRICE REVIEW

11.1 Adjustments to the Service Payment shall take place annually and shall be effective from the first day in each Contract Year. The Service Payment shall be reviewed in accordance with the following procedures.

11.2 The Contract Partnership Board shall arrange a Joint Efficiency Review no later than 1st July in each Contract Year and the Joint Efficiency Review shall report back to a meeting of the Contract Partnership Board no later than 1st September in each Contract Year, making recommendations as to the changes in Contract Resources and Client Resources to be deployed in the following Contract Year.

11.3 Both parties shall use all reasonable endeavours to agree a review of the Service Payment payable for the following Contract Year based on the report of the Joint Efficiency Review by no later than 1st October in each Contract Year.

11.4 For the purposes of carrying out this review and in accordance with clause 55 of the Conditions of Contract, the Contractor shall provide on an 'open book' basis and in utmost good faith all information relating to how the Net Service Costs are

calculated and how these may increase in the following Contract Year to reflect any changes in the underlying costs of providing the Services in accordance with Good Industry Practice.

11.5 Where any change to the Service Payment is agreed between the parties as a result of a review carried out by the Joint Efficiency Review, this Schedule and the Pricing Schedule shall be amended to reflect the agreement.

11.6 Where both parties are unable to agree a review of the Service Payment in accordance with the recommendation of the Joint Efficiency Review, in any Contract Year, the following paragraphs, 11.6.1 to 11.6.8 (inclusive) shall apply to review the Service Payment:

11.6.1 The Unit Rates in the Pricing Schedule shall be Indexed to reflect changes in a basket of indices which is aligned to the Contractor’s cost base for the following Contract Year according to the following formula:

$$\frac{A}{B}$$

where:

A = the value of the basket of indices published on the last day or the day closest to the last day of the previous Contract Year; and

B = the value of the basket of indices published on the last day or the day closest to the last day of the Contract Year prior to the previous Contract Year,

where Indexation is being calculated for the second Contract Year, ‘B’ shall be the value of the basket of indices published on the Service Commencement Date or the day closest to the Service Commencement Date.

11.6.2 The composition of the basket of indices is outlined below and these cost ratios shall be reviewed on an annual basis:

- 70% Labour = Average Weekly Earnings (AWE) Index
- 10% Fuel = Diesel Engine Road Vehicle (DERV) Index
- 20% Other = Consumer Price Index (CPI)

11.6.3 The following Quantity Counts shall apply to the Contract:

Table 4:

Quantity Count	Measurement Method
Street Level Properties	LLPG Dataset
Communal Bin Properties	LLPG Dataset
Flats Above Shops	LLPG Dataset
Housing Estates	LLPG Dataset
Special Collections	Management Information System
Garchey Chambers	Management Information System
Clinical Waste Collection Properties	Management Information System

On-Street Dry Recycling Sites	Management Information System
Christmas Tree Recycling Locations	Management Information System
White Goods Collections	Management Information System
Other Non-Domestic Buildings	Property List
Streets - Centre Line (Liner Metres)	GIS Data
Estates - Square Metres	GIS Data
Parks and Open Spaces - Square Metres	GIS Data
Litter, Dog and Cigarette Bin Locations	Management Information System
Street Markets	Property List

11.6.4 For each item in the Pricing Schedule, the Authority shall calculate a new Quantity Count by 1st September in each Contract Year and supply these to the Contractor.

11.6.5 Each year, the new Quantity Count and the Quantity Applied for the proceeding Contract Year shall be compared and if the difference between the new Quantity Count and the Quantity Applied in the previous year varies from the threshold values detailed in Table 5 below, then the Contractor may apply for an increase in payment.

Table 5:

Quantity	Threshold
Street Level Properties	500
Communal Bin Properties	500
Flats Above Shops	100
Housing Estates	1
Special Collections	50
Garchey Chambers	5
Clinical Waste Collection Properties	0
On-Street Dry Recycling Sites	20
Christmas Tree Recycling Locations	0
White Goods Collections	50
Other Non-Domestic Buildings	0
Streets - Centre Line (Liner Metres)	500
Estates - Square Metres	5,000
Parks and Open Spaces - Square Metres	5,000
Litter, Dog and Cigarette Bin Locations	20
Street Markets	0

11.6.6 Where a threshold has been exceeded under the provisions of 11.6.4 and where the Contractor can demonstrate that the movement in the Quantity Count shall be required in the next Contract Year or has required alternative Resources to be deployed in the Current Contract Year, the Contractor shall submit by no later

than 1st December in the Current Contract Year a request in writing to the Authority for an increase in Service Payment through the provisions of this clause.

11.6.6.1 Each request submitted shall include the following information:

- (a) the justification for the need for additional Resources based on operational data;
- (b) confirmation that the performance measures set out in the Contractor's Method Statements are being matched or exceeded; and
- (c) the justification for the cost of the additional collection rounds based on the tender submitted by the Contractor, the Pricing Schedule and the impact of the increase in Quantities.

11.6.6.2 In response to a request for additional payment for additional Resources made by the Contractor, the Authority may:

- (a) confirm in writing that it agrees with the request;
- (b) suggest reasonable amendments to the request (which the Contractor shall agree to and incorporate); or
- (c) where the Authority considers that the request is not reasonable or proportionate, the Authority shall refer the request to the Dispute Resolution Procedure.

11.6.7 In the event that the Authority confirms in writing that it agrees to the additional Resources proposed by the Contractor, then the Quantity Count shall become the Quantity Applied for the proceeding Contract Year. The Quantity Applied shall be multiplied by the Indexed Unit Rates in the Pricing Schedule to determine the new Annual Service Payment for the proceeding Contract Year.

11.6.8 In the event that either the Contractor does not request any additional Resources or that a request is declined, then the Quantity Applied for the proceeding Contract Year shall be the Current Contract Year's Quantity Applied.

11.6.9 If the Authority confirms in writing that it agrees with the request, or the request is determined in accordance with the Dispute Resolution Procedure, the Service Payment shall be adjusted for the following Contract Year.

11.6.10 If the Services and the Pricing Schedule are altered following the use of the Contract Change procedure under clause 42 of the Conditions of Contract, the altered Services and Pricing Schedule shall be subject to review in accordance with section 8 of this Schedule.

12 TOTAL DEDUCTIONS

12.1 The parties agree that the annual Total Deductions shall be capped at a value of 5% of the Annual Service Payment.

13 PERFORMANCE MANAGEMENT

- 13.1 The parties shall approach performance management issues under this Contract in good faith.
- 13.2 The Contractor shall ensure through the requirements set out in clause 11 of the Condition of Contract and section 4 of Schedule 2, Service Specification relating to performance monitoring and communication are followed, especially with regard to any Service Failure.
- 13.3 Within 10 Working Days of the end of each month, the Contractor shall provide a Performance Report in such a format as agreed between the parties and outlined in Schedule 11, Contract Management. The Performance Report shall contain the summary of all the Service Failures in accordance with section 5 of this Schedule.
- 13.4 The parties agree that the monthly Performance Report shall provide a key source of evidence for the calculation of the Performance Deductions and shall support the production of the Contractor's monthly invoice in accordance with section 2 of this Schedule. The parties agree that the Performance Report shall also provide a key source of evidence for the identification of a Service Breakdown.

14 CHANGES TO INDICES AFFECTING ANY INDEXATION FACTOR

- 14.1 If there is a material change in the nature or basis of the basket of indices, or if the basket of indices is discontinued, the parties shall seek to agree upon an alternative to the basket of indices which replicates the basket of indices as closely as is possible, and such consequential changes shall be made to the calculations provided for in accordance with this agreement as are necessary to ensure that all payments to be made pursuant to this agreement shall be the same as if such change had not occurred. Any dispute regarding changes to the basket of indices and/or calculations may be referred by either party to the Dispute Resolution Procedure.
- 14.2 If any error occurs in the publication of the figures for the basket of indices which have been used at any time in any calculation pursuant to this Schedule and which is subsequently duly acknowledged and corrected by the Office for National Statistics or any relevant successor body with responsibility for the publication of the basket of indices, the calculations in which the incorrect figures were used shall be recalculated using the correct figures and an invoice or credit note shall be issued by the Contractor to the Authority. Any dispute regarding any recalculations may be referred at the request of either party to the Dispute Resolution Procedure.