SCHEDULE 3.3

FINANCIAL MODEL

1. Introduction

1.1 This schedule details the requirements for the Financial Model that is to be supplied by the Supplier to enable the Council to identify how the Supplier calculates the Charges. The Charges shall be calculated in accordance with the provisions stated in schedule 3.1 (Charging and Invoicing) and shall be calculated such that all payments made prior to ATP will be exclusive of profit.

1.2 The Supplier and the Council will both retain copies of the Financial Model in hard and soft copy and the Supplier shall provide the Council with updates to the Financial Model in accordance with the provisions of this schedule.

1.3 The Financial Model shall be used together with the rates set out in **schedule 3.1** (Charges and Invoicing) as a basis for considering any changes to the Charges under **schedule 4.1** (Change Control Procedure) and for such other purposes as are specifically indicated in this Agreement.

2. Content and Construction of the Financial Model

2.1 The Financial Model shall:

2.1.1 provide sufficient detail for the Council to have visibility of all the costs to be incurred by the Supplier and o the Charges to be paid in respect of the provision of the Services;

2.1.2 be constructed:

2.1.2.1 in relation to Milestone Payments on a quarterly basis;

2.1.2.2 in relation to Service Charges on an annual basis;

2.1.3 quote all monetary values in pounds Sterling;

2.1.4 quote all costs as exclusive of any VAT;

2.1.5 provide visibility of the input costs for providing the Services throughout the Term, excluding mark-up, which shall include without limitation at least the following:

2.1.5.1 Labour broken down by each job title (e.g. project manager), with the number of days and daily rate shown for each job title. Labour shall also be broken down and sub-totalled by the major phases of the project;

2.1.5.2 Hardware and software costs;

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2.1.5.3 Depreciation policy applicable to Assets (including software and hardware);

2.1.5.4 Licence costs;

2.1.5.5 Sub-contractor costs;

2.1.5.6 Accommodation costs (if applicable);

2.1.5.7 Overheads / mark-ups separately identified and their calculation explained;

2.1.5.8 Pricing of risk fully explained and the quantification supported by a risk matrix;

2.1.5.9 Financing costs (if applicable) showing the interest rate and calculation and the need to apply financing explained; and

2.1.5.10 Other miscellaneous costs;

2.1.6 provide a reasonably skilled and experienced individual with a full analysis of the Supplier's capital and operating costs and the assumptions used to develop and modify the Charges set out in **schedule 3.1** (Charges and Invoicing);

2.1.7 quote all costs, prices and revenues based on current prices;

2.1.8 describe any indexation assumptions relating to input costs;

2.1.9 be constructed in a format and using a software tool as specified by the Council;

2.1.10 not have any parts which are hidden, protected, locked or made otherwise inaccessible or obscured to review or alteration;

2.1.11 be laid out in a clear and logical manner. The overall flow of information in the Financial Model shall flow from inputs, to calculations, to outputs, with the final output being in tables. Any formulae in the Financial Model shall not contain a mixture of inputs and calculations. Any column labelling in the Financial Model shall be consistent between worksheets;

2.1.12 shall include a cash flow statement that shows the timing and relationship between the planned costs and the revenue which the Supplier expects to receive;

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2.1.13 clearly show the calculation of any financing charges associated with outstanding balances (between costs incurred and revenue received); and

2.1.14 provide visibility of profit (and the calculation of profit) both as a value and as a percentage and show the Project Internal Rate of Return.

2.2 The Supplier shall, if requested by the Council, provide (or procure the provision of) the above level of information in relation to the costs and expenses to be incurred by any of its Sub-contractors or third party suppliers.

3. Visibility through the Financial Model

3.1 Upon request of the Council the Supplier shall promptly provide to the Council details of the elements used to make up any Charges.

3.2 The Supplier shall provide to the Council the following information in relation to the Charges:

3.2.1 The Supplier's total fixed price for the Services and/or Deliverables;

3.2.2 The margin included in that total fixed price;

3.2.3 A list of the agreed prices against each manpower grade in the Financial Model;

3.2.4 A list of the costs underpinning those prices for each manpower grade in the Financial Model, being the price less the margin;

3.2.5 A summary of the costs broken down against each Service and/or Deliverable;

3.2.6 Details of any other manpower costs, not already included in these rates, for all activities to be undertaken;

3.2.7 Explanation of any underlying assumptions regarding:

3.2.7.1 overtime rates;

3.2.7.2 standard hours;

3.2.7.3 accommodation charges; and

3.2.7.4 discounts applied;

3.2.8 A resource estimating model to support the Charges/Changes if applicable;

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3.2.9 A breakdown of manpower resources by the number and type of Supplier's staff (including any Sub-contractors) required for each Deliverable and/or Service and free of any contingency. This should also apply to third party costs;

3.2.10 The total price of Deliverables broken down by volume, unit cost and margin;

3.2.11 Any additional activities, costs and, risks that may impact the Council and which are not already covered by the Charges;

3.2.12 An explanation of the type and value of risk associated with the provision of Services, including the amount of money attributable to each risk;

3.2.13 An explanation and supporting details of any financing costs applicable to the Agreement;

3.2.14 A statement of the Supplier's anticipated cashflow for the Term;

3.2.15 The actual Charges profile for each Service Period; and

3.2.16 Any additional information as the Council reasonably requires.

4. Custody of the financial model

Immediately after execution of this Agreement and following agreement by both parties of the changes to the Financial Model under **paragraph 5** of this schedule, the Supplier shall deliver two (2) soft copies and two (2) hard copies of the Financial Model to the Council.

5. Updates to the Financial Model

5.1 Unless otherwise agreed in writing between the parties, any updates to the Financial Model shall reflect, be consistent with and be made only in accordance with the provisions of this Agreement, and shall in all cases be subject to the prior written approval of the Council (such approval not to be unreasonably withheld or delayed).

5.2 All changes to the Financial Model should be auditable and implemented and documented under formal version control.

5.3 The Supplier shall, inter-alia, revise the Financial Model in order to reflect any inputs, modifications or other amendments to the Financial Model which are effected pursuant to the Agreement, including but not limited to any amendments made to the Financial Model which arise from:

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5.3.1 the implementation of a Change which affects the Charges; and

5.3.2 any changes to the Supplier's accounting practices.

5.4 Each Financial Model shall be constructed using the same methodology as that used for the then current Financial Model, and shall be consistent with and made in accordance with the provisions of this Agreement.

5.5 The Supplier shall adhere to and apply the following principles when preparing an updated Financial Model:

5.5.1 any amendment which is made in order to evaluate the impact of any inputs, modification or other adjustment shall relate only to such inputs, modification or other adjustment; and

5.5.2 no amendment shall affect, in any way whatsoever, the performance of the Services, save as agreed in accordance with the Change Control Procedure.

5.6 On the occurrence of any event which requires the Financial Model to be updated, the Supplier shall effect the change on the latest version of the Financial Model and deliver the updated Financial Model, to the Council for approval. The Supplier shall ensure that each version of the Financial Model delivered to the Council shall be certified by a director of the Supplier as being accurate and not misleading and in conformity with all generally accepted accounting principles within the United Kingdom.

5.7 Unless the Council wishes to dispute the Financial Model in accordance with **paragraph 6**, the Council shall approve the updated Financial Model within thirty (30) days of receipt of the same (or such other period as the Council advises the Supplier in writing).

5.8 If the Council approves the updated Financial Model submitted by the Supplier, it shall advise the Supplier of its decision in writing and the updated and approved Financial Model shall become, with effect from the date of such approval, the updated Financial Model in place for the purposes of the Agreement.

6. Dispute

6.1 If the Council disputes any Financial Model, it may request such further information from the Supplier as it requires prior to delivering a decision on whether it accepts or rejects the relevant Financial Model.

6.2 In the event that the Council and the Supplier are unable to reach agreement on any Financial Model, the matter shall be referred for determination in accordance with the Expedited Dispute Timetable.

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7. Certification of costs

7.1 The Supplier shall, on each anniversary of the Contract Commencement Date and/or Service Commencement Date as relevant, provide to the Council, a certificate of any of the costs incurred under **paragraph 4**. The Certificate should be signed by a Company Director.

7.2 Following receipt of the certificate of costs, the Supplier shall provide to the Council any reasonable additional information to enable the Council to verify the accuracy of the certificate of costs.

7.3 The Supplier shall meet with the Council upon request during the Term to monitor the key elements of the Financial Model and the Supplier shall highlight directly to the Council any variances from the Financial Model.

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