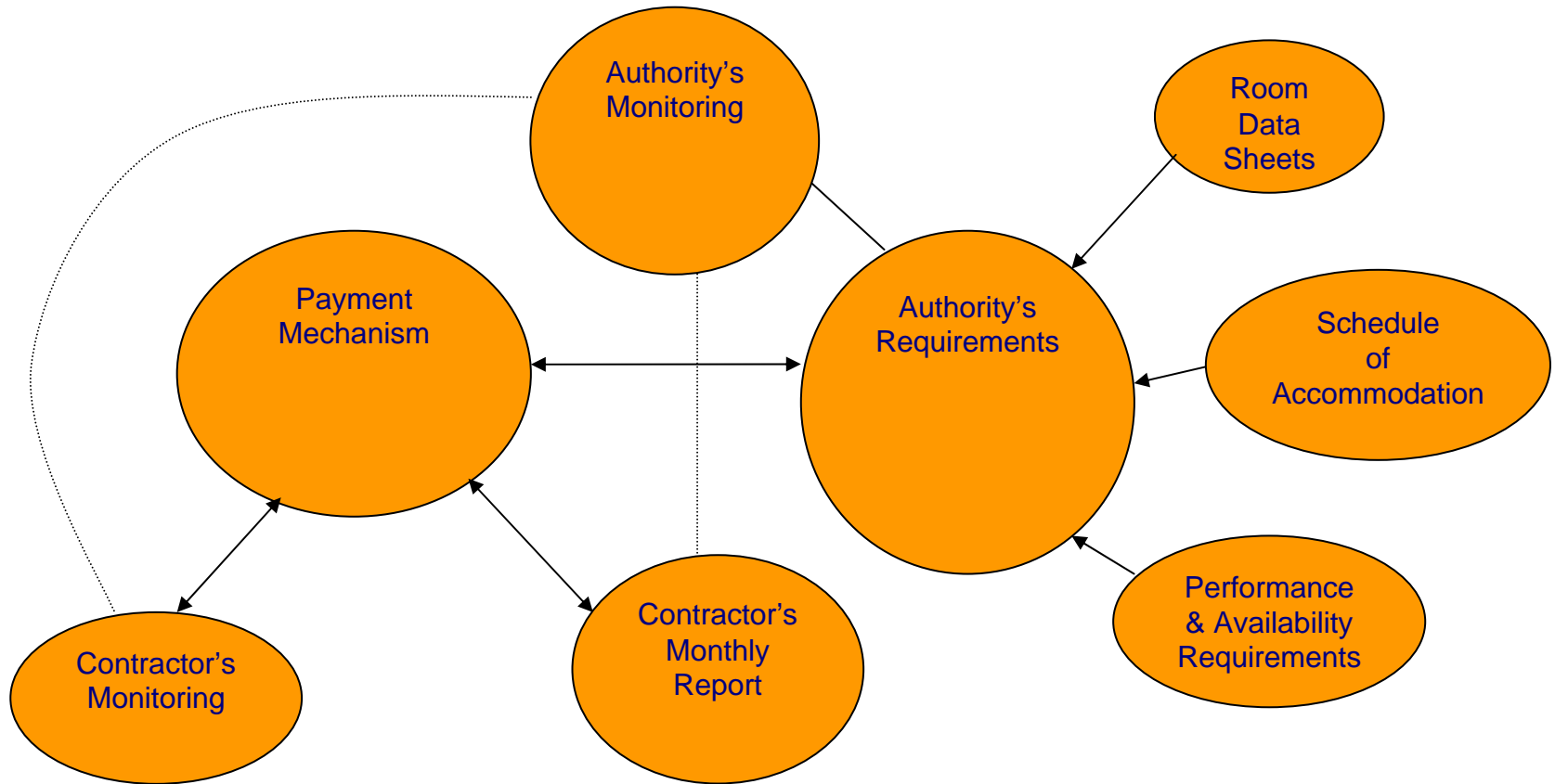


Payment Mechanisms

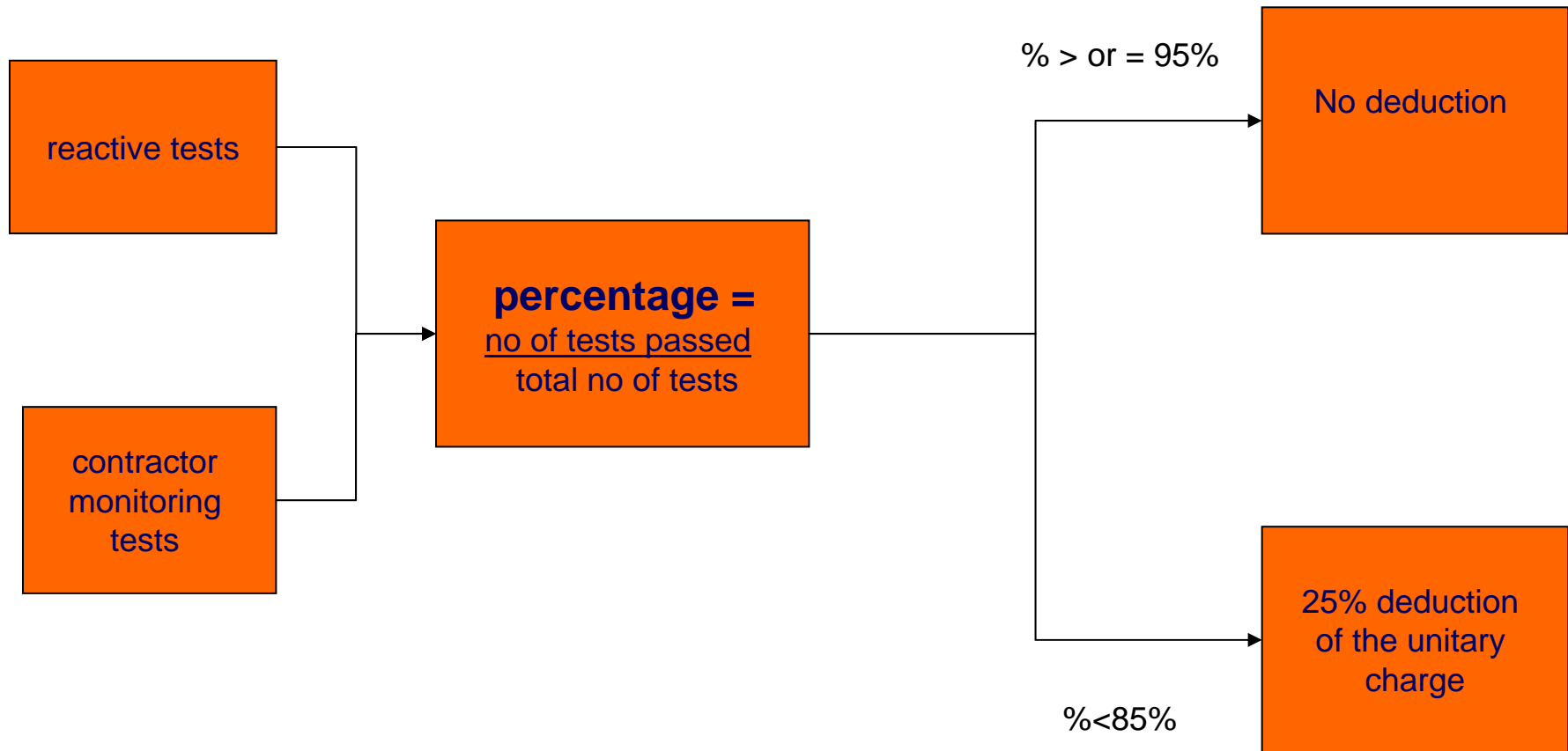
Living with your Payment Mechanism

- Payment Mechanism – General Overview
- ‘Top Tips’ to get the project that you want
- Calibrating the Payment Mechanism – key items
- Monitoring of Contracts
- Headline Issues



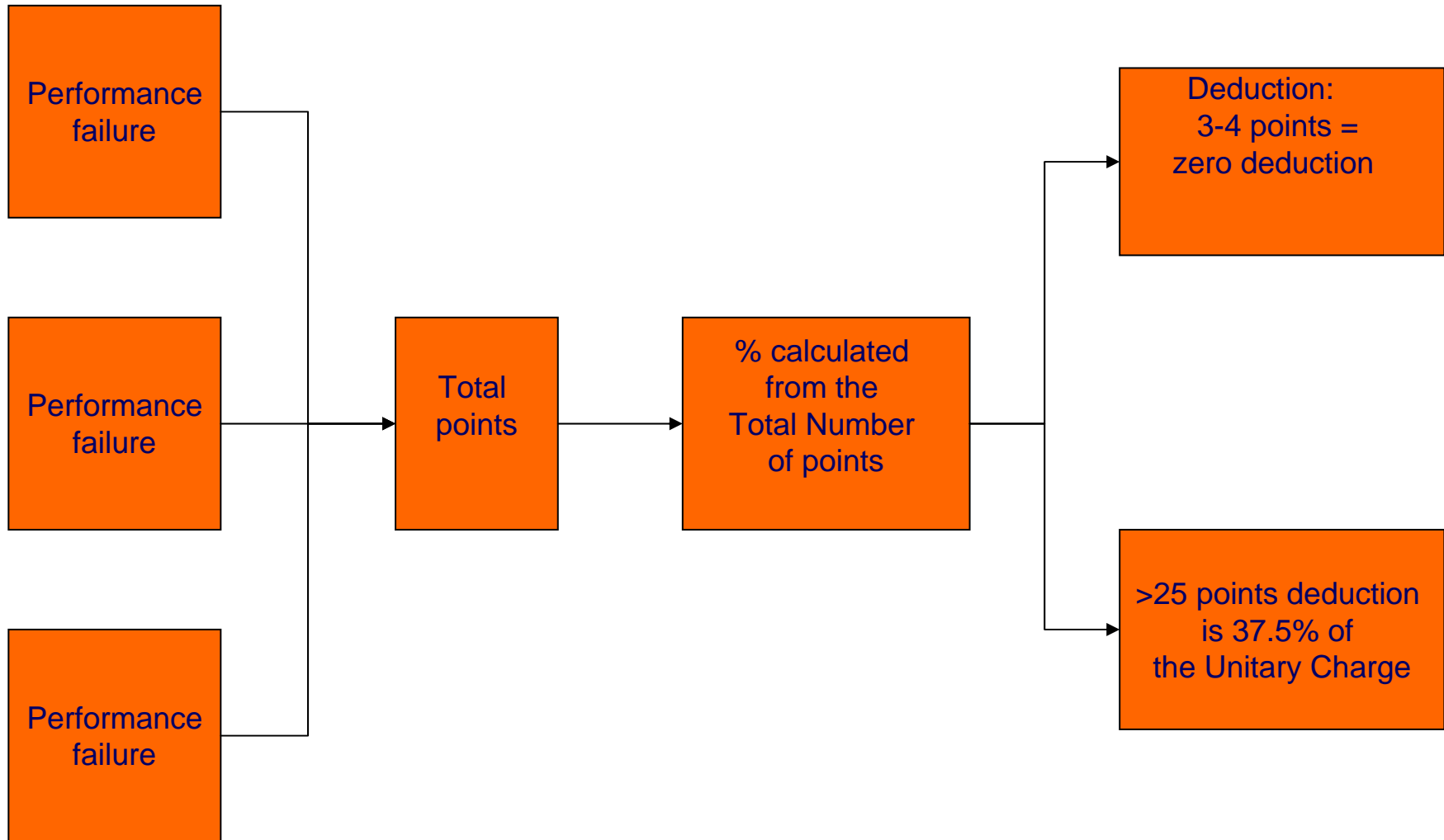
Performance Deductions Type 1

g



Performance Deductions Type 2

g



- Monitor and input into development of the Helpdesk:-
 - Ensure that the set up allows calculation of deductions
 - Check that it does replicate the Authority's Requirements
 - Agree report formats
- Monitor and input into the development of the Contractor's self monitoring system
- Check the development of site specific Method Statements
- Train Stakeholders and key staff
- Develop and implement Authority Monitoring system

- Formal Monthly Meetings are the place to raise 'major' items
- Recommend Interim - 2 weekly meetings to resolve day to day issues
- Helpdesk Reports and electronic real time access are crucial for identifying issues before they escalate
- Monitor the Helpdesk and negotiate 'pragmatic' solutions to any conflicts/ grey areas:-
 - Minute all meetings and get these minutes agreed and signed off by both the Authority and Contractor Representatives
 - Monitor implementation of such solutions
 - Escalate conflicts using the Mediation Scheme/Contract Methods

- Define deductions in order of importance – what really needs to be Availability?
- Ensure that ‘most critical’ items have highest deductions
- Calibrate Deductions so that Deduction is higher than cost of service performance
- Calculate the amount of Performance Deductions arising from different scenarios

But – risk cost will be proportional to severity of deduction regime

- The Contractor should 'self monitor' - results of which will be open to Authority checks;
- The Contractor will produce monthly reports indicating failures, rectification times etc;
- The Authority can set up their own monitoring – approximately 5% of the Contractors – but this should not replicate the Contractors;
- Helpdesk records should be available for checking against reports;
- Authority has right of Step in and Survey;
- For Court Mechanism results of monitoring is part of the Payment Mechanism (calibration).

- Overlying principle is that Contractor Self Monitors – Authority should not be duplicating as poor vfm:-
 - Joint inspections with the Contractor
 - Spot inspections
 - Random check on Helpdesk events
 - Check of records (statutory, QA, calibration, PPM, etc)
 - Check of Complaints Log
 - Check on BMS
 - Condition Surveys
- Faults found by the Authority and not reported by the Contractor may incur an additional penalty

- Calibrate the Payment Mechanism
- Monitoring of Contract Performance is essential – but the Authority is paying for the Contractor to self monitor
- The set up and operation of the Helpdesk is the key to a well run project