

SCHEDULE 3 PAYMENT MECHANISM

1. There shall be a Target Cost and a set of KPIs for each core service area within the Contract, these areas being:
 - On-street parking enforcement
 - CCTV monitoring and data transfer
 - Clamping and Removals, and Pound and Payment Centre Operations

The Target Cost for each year of the Contract Term will be based on the SOR applicable at the beginning of each year of the Contract Term following the Commencement Date, multiplied by the deployment plan figures applicable (as provided by the Council) at the beginning of each year of the Contract following the Commencement Date.

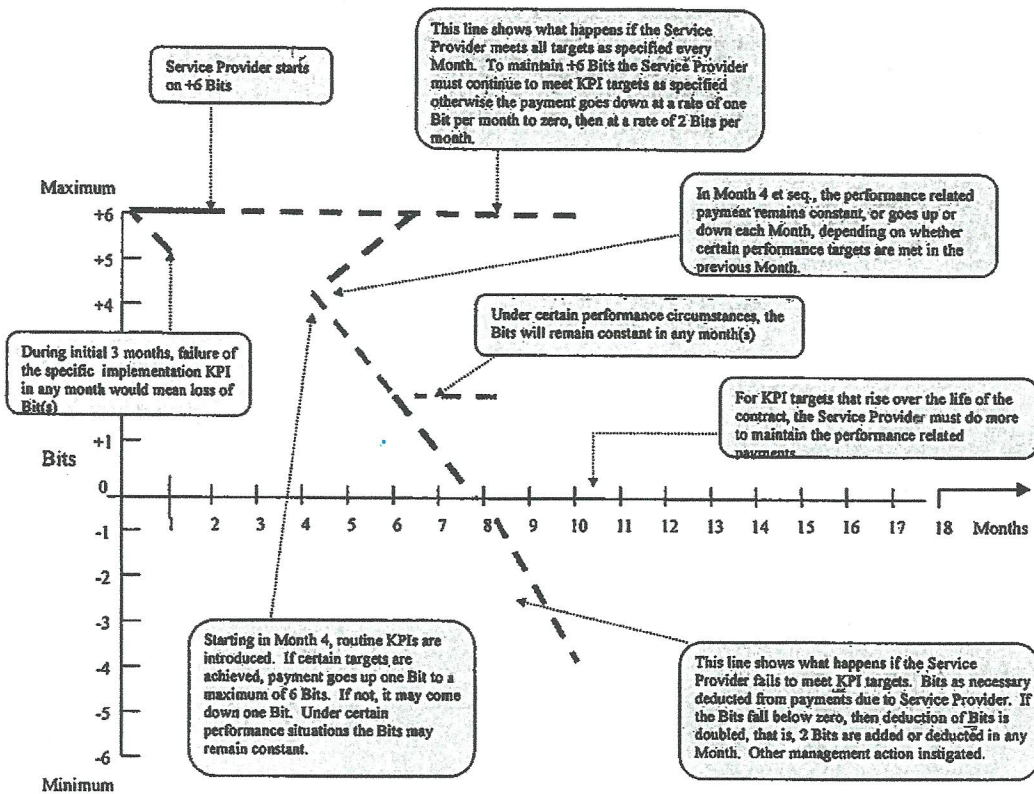
2. An amount of 10% of each of the Target Costs for each core service area will be at risk subject to performance against the applicable KPIs. However, an additional 10%, therefore up to a total of 20% may be at risk if there is a sustained decline in performance (see Point 7 below).

This 10% or part thereof is essentially a performance related payment, with the full amount of 10% being the Maximum Performance Payment (MPP). The remaining 90% of each Base Payment per month per core service area will be referred to as the "The non-MPP Amount". This mechanism is designed to incentivise the Service Provider to deliver a quality service.

3. At the Commencement Date, the annual MPPs for each core service area will be divided into twelve equal parts to produce a maximum amount payable each calendar month. This amount shall be divided by six to provide a Bit. A Bit is therefore a financial value, and represents a 'unit' of Performance Related Payment (PRP). Each month, the number of Bits applied will either remain the same or be increased or decreased by one Bit (or in some circumstances as set out below, two Bits), depending on the Service Provider's performance against KPIs.
4. The operation of the payment mechanism is illustrated below:

Operation of the Performance Related Payment Mechanism

Per Service Area



5. Each of the three Target Costs (and hence the MPP as 10% of the Target Cost) will be reviewed in certain circumstances with the objective of carrying out any necessary revisions based on planned deployment requirements. This review will take place on the following occasions:
 - a Annually, to come into effect for each year starting in April.
 - b At a special review meeting held as a result of the Council requiring a significant change to the volumes within any core service area, where that change will be required for a minimum period of three months and it would require a variation to Base Payments representing a minimum of a 20% increase or a minimum of a 20% decrease to those Base Payments. In these circumstances this would be an interim revision until the annual revision as in (a) above.

The basis for the review shall be the prices contained within the latest Schedule of Rates.

6. The award or deduction of Bits will be based on the category and proportion of KPIs deemed by the Council to be met by the Service Provider for each core service area each month. Some KPIs have been given a critical status. A Critical KPI is defined as a KPI that must be met if the Service Provider is to avoid a Bit reduction. KPIs may change from being Critical to Non-Critical and vice versa

throughout the Contract Term, at the Council's sole discretion. The number of KPIs to be measured each month will vary as some KPIs will be measured on frequencies other than monthly. They will also vary in terms of specific targets, and in particular, over the Contract Term, KPIs will gradually require improved levels of service to meet the principles of "best value". A maximum deduction of 6 bits would represent 20% of the Base Payment. A full list of the KPIs and specific requirements to achieve each KPI is set out in Schedule 4.

7. The following methodology will be used by the Council when assessing Bit award or deduction for each core service area:
 - i. If all of the Critical KPIs and a more than half of the non-critical KPIs are achieved then there shall be an increase of one Bit
 - ii. If all of the Critical KPIs and half or less of the non-critical KPIs are achieved then there would be no change to the Bit(s) from the preceding month
 - iii. If one or more Critical KPI is failed then the performance related payment shall be reduced by one Bit. If performance continues to decline, once below the zero point the deduction of Bits will be doubled, so that a maximum deduction of six Bits could be reached in only three months of continual decline resulting in remuneration below the Non-MPP Amount(s) (see means of adjustment to the remuneration in the section below entitled 'Application for Payment').

During the Contract Term, Critical KPIs will not represent more than 50% of all KPIs being used in that period, in connection with any of the enforcement services.

8. For the first three months of the Contract Term, due to the unavailability of performance data, the initial performance payment will be set at six Bits per core service area which is the maximum Bit 'level' that may be achieved. The 'Contract Implementation KPI' will apply to those initial three months of the Contract Term for each core service area. Achievement of that KPI in each successive month will result in the full MPP being paid for each of the three months. Non-achievement of the KPI in any one of these three months will result in a deduction of one Bit for each and any one of the three months for each core service area in which the KPI is not achieved.
9. From the commencement of month 4 from the Commencement Date, the routine KPIs outlined in Schedule 4 will be applied and, depending on the performance in month 3, Bits will be potentially added or deducted in subsequent months, depending on performance.
10. This process is intended to allow the Service Provider to show its Staff how performance directly affects contract payments. As the targets increase over time, the Service Provider will be required to manage the Staff more effectively to achieve or retain the performance payment.
11. If KPI performance falls for three consecutive months, the Authorised Officer will require appropriate intervention from the Service Provider. This will be discussed at a special review meeting as specified in Condition 18.3.
12. If agreement has been reached on the revision to each Target Cost as a result of innovation or efficiency as detailed in Conditions then the application may be amended to recompense the Service Provider for identifying such savings.