Performance Assessment and Performance PAYMENTS (Optional)

Note to drafters: This annex allows a Performance Based Contracting (PBC) methodology to be applied to any resultant Contract. The PBC element operates by adjusting the payments for Recurring Services Fees in response to Contractor performance, as measured by KPIs. If any resultant Contract will not be a PBC, this annex and related clauses (eg, clause 6.3 of the COC) are to be deleted or replaced with ‘Not used’, as appropriate.

For further information on the use of PBC clauses, refer to the ASDEFCON (Support Short) PBC Guide. For advice on preparing a PBC and assistance drafting KPIs, contact the PBC CoE.

1. Objectives
   1. The Contractor acknowledges that the objective of performance assessment and the Performance Payments is to maximise the useable benefits of the Services for the Defence organisations that are the end customers of the Services.
   2. This annex defines:
      1. the performance assessment process, which measures and assesses the Contractor’s performance using Key Performance Indicators (KPIs); and
      2. the method for calculating the Performance Payments.
2. Key Performance Indicators
   1. The KPIs applicable to the Contract are:

Note to drafters: Replace the following KPI examples and amend the following subclauses to appropriately describe the Contract-specific KPIs.

* + 1. KPI-1: **[...INSERT KPI NAME...]**; and
    2. KPI-2: **[...INSERT KPI NAME...]**.

Note to drafters: The KPI definitions below need to be drafted to suit the individual Contract. Selected KPIs need to be suitable measures of the Services, particularly in respect of the Contractor having sufficient control and responsibility for the required outcomes. KPI definitions need to identify the methods, timing (eg, daily or per event), and the data collection systems required to measure the Service outcomes measured by those KPIs.

Note that if a KPI for Non-RIs does not apply to all Non-RIs, then the applicable Stock Items need to be identified, usually by a specific column within the table in SOW Annex A, section 2.

* 1. **KPI-1: [...INSERT KPI NAME...]** is defined as **[...INSERT DESCRIPTION...]**. For KPI-1:
     1. the parameters and measurement data used to determine the Contractor’s Achieved Performance shall be measured **[...INSERT REQUIREMENT, EG AS THE AVERAGE RI REPAIR TIME FROM THE (TIME SUBMITTED FOR REPAIR) UNTIL (FINISH). PERFORMANCE IS MEASURED FOR TWO DEMAND PRIORITIES...]**;
     2. the Contractor’s Achieved Performance, for the Review Period, shall be calculated as **[...INSERT CALCULATION FOR FULL REVIEW PERIOD, EG, "the (mean) average result for all events that were completed during the Review Period (including for any demands placed before the start of the Review Period)" ...]**;
     3. the Required Performance Level is **[...INSERT REQUIRED PERFORMANCE LEVEL AND UNIT OF MEASURE...]** and;
     4. the Contractor’s Adjusted Performance Score for the Review Period shall be calculated in accordance with clause 4.
  2. **KPI-2: [...INSERT KPI NAME...]** is defined as **[...INSERT DESCRIPTION...]**.For KPI-2:
     1. the parameters and measurement data used to determine the Contractor’s Achieved Performance shall be measured **[...INSERT REQUIREMENT, EG THE AVERAGE FOR ALL DEMANDS PLACED FOR NON-RIS FROM (START) TO (FINISH)...]**;
     2. the Contractor’s Achieved Performance, for the Review Period, shall be calculated as **[...INSERT CALCULATION FOR FULL REVIEW PERIOD ...]**;
     3. the Required Performance Level is **[...INSERT REQUIRED PERFORMANCE LEVEL AND UNIT OF MEASURE...]**; and
     4. the Contractor’s Adjusted Performance Score for the Review Period shall be calculated in accordance with clause 4.

1. Performance Measurement and Reporting
   1. The Review Periods, over which time the KPI(s) are measured and assessed, shall be the reporting periods for the Services Summary Report, as required by clause 3.2 of the SOW.
   2. The first Review Period shall be concurrent with reporting period for the second Services Summary Report or as otherwise notified, in writing, by the Commonwealth Representative.
   3. The performance results achieved against the KPI(s), including the Achieved Performance and the Adjusted Performance Score for each KPI, shall be reported in the Performance Measurement Report (within the Services Summary Report) and delivered in accordance with clause 3.2 of the SOW.
   4. The Contractor shall, upon request, provide the Commonwealth Representative with all supporting information required to verify the performance results reported against the KPI(s).
2. Adjusted Performance Scores
   1. The Adjusted Performance Score(APS) for each KPI shall be determined from the Achieved Performance for the KPI (as reported and verified in accordance with clause 2) for the Review Period, in accordance with the following look-up tables:

Note to drafters: Replace the following examples with look-up tables appropriate to the Contract’s KPIs. Refer to the PBC CoE for assistance in developing the look-up tables.

Note: In Table B-E1, the APS is located at the intersection of the column and row for the Achieved Performance results from high and routine priority demands, respectively.

Table B-E1: KPI-1 [...INSERT KPI NAME...] Adjusted Performance Scores

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Average turn-around time for high priority demands (days) | | | | | | | | | | |
|  |  | 1. >12 | 1. ≤12 | 1. ≤11 | 1. ≤10 | 1. ≤9 | 1. ≤8 | 1. ≤7 | 1. ≤6 | 1. ≤5 | 1. ≤4 | 1. ≤3 |
| Average turn-around time for routine priority demands (days) | 1. >15 | 1. 0% | 1. 11% | 1. 22% | 1. 34% | 1. 45% | 1. 56% | 1. 59% | 1. 62% | 1. 64% | 1. 67% | 1. 70% |
| 1. ≤15 | 1. 5% | 1. 16% | 1. 27% | 1. 38% | 1. 50% | 1. 61% | 1. 64% | 1. 66% | 1. 69% | 1. 72% | 1. 75% |
| 1. ≤14 | 1. 10% | 1. 21% | 1. 32% | 1. 43% | 1. 54% | 1. 66% | 1. 68% | 1. 71% | 1. 74% | 1. 77% | 1. 80% |
| 1. ≤13 | 1. 14% | 1. 26% | 1. 37% | 1. 48% | 1. 59% | 1. 70% | 1. 73% | 1. 76% | 1. 79% | 1. 82% | 1. 84% |
| 1. ≤12 | 1. 19% | 1. 30% | 1. 42% | 1. 53% | 1. 64% | 1. 75% | 1. 78% | 1. 81% | 1. 84% | 1. 86% | 1. 89% |
| 1. ≤11 | 1. 24% | 1. 35% | 1. 46% | 1. 58% | 1. 69% | 1. 80% | 1. 83% | 1. 86% | 1. 88% | 1. 91% | 1. 94% |
| 1. ≤10 | 1. 25% | 1. 36% | 1. 48% | 1. 59% | 1. 70% | 1. 81% | 1. 84% | 1. 87% | 1. 90% | 1. 92% | 1. 95% |
| 1. ≤9 | 1. 26% | 1. 38% | 1. 49% | 1. 60% | 1. 71% | 1. 82% | 1. 85% | 1. 88% | 1. 91% | 1. 94% | 1. 96% |
| 1. ≤8 | 1. 28% | 1. 39% | 1. 50% | 1. 61% | 1. 72% | 1. 84% | 1. 86% | 1. 89% | 1. 92% | 1. 95% | 1. 98% |
| 1. ≤7 | 1. 29% | 1. 40% | 1. 51% | 1. 62% | 1. 74% | 1. 85% | 1. 88% | 1. 90% | 1. 93% | 1. 96% | 1. 99% |
| 1. ≤6 | 1. 30% | 1. 41% | 1. 52% | 1. 64% | 1. 75% | 1. 86% | 1. 89% | 1. 92% | 1. 94% | 1. 97% | 1. 100% |

Note: In Table B-E2, the APS appears in the cell directly below the Achieved Performance result.

Table B-E2: KPI-2 [...INSERT KPI NAME...] Adjusted Performance Scores

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| KPI-2 Achieved Performance (days): | 1. ≥10 | 1. <10 | 1. <8 | 1. <6 | 1. <4 | 1. <3.5 | 1. <3 | 1. <2.5 | 1. ≤2 |
| Adjusted Performance Score: | 1. 0 | 1. 20 | 1. 40 | 1. 60 | 1. 80 | 1. 85 | 1. 90 | 1. 95 | 1. 100 |

Note to drafters: Amend the following note to use values from the tailored tables above.

Note: As an example, an Achieved Performance (average order response time) of more than 2.5 days but less than 3 days, for KPI-2 for a Review Period, results in an APS of 90%.

1. Performance Payments

Note to drafters: The Performance Payment is a portion of the Recurring Services Fee that may be fully earned, partially earned, or forfeit, in response to Contractor performance. Refer to the ASDEFCON (Support Short) PBC Guide for guidance when tailoring the following clauses.

* 1. The *maximum performance payment amount* is **[...INSERT PERCENTAGE, EG ten percent (10%)...]** of the Recurring Services Fee (refer Annex A to Attachment B) for the applicable Review Period, representing the portion that is placed at-risk and either fully earned or reduced relative to the Contractor’s performance in providing Services that are measured by KPIs over the Review Period.
  2. The *maximum performance payment amount* (in dollars) as determined under clause 5.1, for the applicable Review Period, is allocated against each KPI as follows (*KPI maximum payments*):

Note to drafters: Allocation of percentages to KPIs in the following clauses provides a method for weighting the value of performance against each KPI. If all KPIs are of equal importance, the percentage amounts should be the same. Delete or add KPIs as applicable to the draft Contract. The percentages in the following subclauses must sum to 100%.

* + 1. *KPI-1* *maximum payment* = **[...INSERT PERCENTAGE, EG sixty percent (60%)...]** of the *maximum performance payment amount; and*
    2. *KPI-2 maximum payment* = **[...INSERT PERCENTAGE, EG forty percent (40%)...]** of the *maximum performance payment amount.*
  1. A Performance Payment in respect of each KPI, for a Review Period, is to be calculated in accordance with the following formula:

P = A x B

where:

P is the Performance Payment for the KPI for the Review Period;

A is the *APS* for the KPI for the Review Period, from clause 4; and

B is the applicable *KPI maximum payment*, from clause 5.2.

* 1. For a Review Period, the Contractor shall be entitled to all of, or a portion of, the *maximum performance payment amount*, being the sum of the Performance Payments in respect of each KPI for that Review Period and as calculated in accordance with this annex.
  2. Within 10 Working Days after receipt of the Services Summary Report, and any supporting information provided in accordance with clause 3, the Commonwealth shall determine the amount of Performance Payments for the Review Period.
  3. To avoid doubt, Performance Payments are not calculated for any period of the Contract prior to the first Review Period and, subject to the other provisions of the Contract, the Contractor will be entitled to the full Recurring Services Fee applicable prior to the first Review Period.

1. Provisional Payments

Note to drafters: If each Review Period is two months or more, then provisional payments are to be paid to the Contractor. If not required (ie, Review Periods are one month only), the following clauses may be replaced by a single ‘Not used’. Refer to the ASDEFCON (Support Short) PBC Guide for further information.

* 1. Unless a payment is adjusted in accordance with clause 6.3 or otherwise under the Contract, the Contractor shall be entitled to make a claim for payment each month for a provisional payment of a pro rata portion of the *maximum performance payment amount* for the Review Period (as specified in clause 5.1), on account of the Contractor’s potential entitlement to a Performance Payment for that Review Period.
  2. Following each Review Period, and review by the Commonwealth of the Services Summary Report, and any supporting information required, the Commonwealth shall calculate and notify the Contractor of the Contractor's entitlement to a Performance Payment for the Review Period in accordance with clause 5.3, and if the Performance Payments for all KPIs is:
     1. more than the sum of the provisional payments made under clause 6.1, then the Contractor is entitled to submit a claim for the amount of the difference; or
     2. less than the sum of the provisional payments made under clause 6.1, then the amount of the difference shall be a debt owed by the Contractor to the Commonwealth, which the Commonwealth may elect to recover in accordance with clause 13.6 of the COC.
  3. When the Performance Payment is to reduce, as determined in accordance with clause 6.2, the Commonwealth Representative may notify the Contractor that:
     1. the invoice for the last month of the Review Period is to be adjusted to account for any reduction to the Performance Payment; or
     2. to facilitate prompt payment, the Commonwealth will pay a provisional payment for the last month of a Review Period and that that the Performance Payment reduction is to be deducted from a subsequent claim.
  4. No amount shall be owing to the Commonwealth under clause 6.2 until the Commonwealth elects to recover the amount under clause 6.3 above or clause 13.6 of the COC.

1. Suspension of the Performance Assessment of a KPI
   1. The Commonwealth Representative may notify the Contractor that the assessment of the Contractor’s performance, against one or more KPIs, will be suspended for a Review Period or part of a Review Period.
   2. Unless otherwise notified by the Commonwealth Representative, the Contractor shall be entitled to claim the *KPI* *maximum payment* amount (as specified in clause 5.2) attributable to a KPI for the duration of the suspension of assessment of that KPI in accordance with clause 7.1.
   3. If the Commonwealth Representative suspends a requirement to assess a KPI for a given period, the Contractor shall continue to measure and report against any KPI that is time-based (eg, measures a response, delivery or turn-around time) during that period, unless otherwise notified by the Commonwealth Representative.