What is a PPBC? ASDEFCON (Support) V4.0 is a Productivity and Performance Based Contract (PPBC) template as it combines elements for both managing performance outcomes and improving productivity. The performance management framework links the outcomes required by Defence, through a measurement process, to contractor rewards and remedies. This framework is embedded within the template, with elements in the tender requirements, conditions of contract, statement of work (SOW) and other attachments. The following diagram outlines the main components of the ASDEFCON (Support) performance management framework.

How does it work?
Defence’s required capability-level outcomes, the contract’s contribution to those outcomes, related Key Performance Indicators (KPIs), and Review Periods are all identified in Attachment P. Most KPIs have three-month Review Periods but in some instances different Review Periods are appropriate. Performance measurement is a Verification and Validation (V&V) activity performed in accordance with the Approved V&V Plan. The Support Services Verification Matrix (SSVM) reports progressive results for each reporting period (usually monthly).

The Achieved Performance represents the result for a KPI for the whole Review Period. It is used to identify a Performance Band and to calculate an Adjusted Performance Score (APS).

The At-Risk Amount is a percentage of the Core Services Fee detailed in Attachment B, which also identifies how much of the At-Risk Amount is applied to each KPI (ie, a weighting). A Performance Incentive may also be offered for some KPIs.

The Performance Payment for a single KPI includes the At-Risk Amount earned plus, if applicable, a Performance Incentive. The At-Risk Amount portion for a KPI is calculated by multiplying: the APS (up to 100%), the KPI’s weighting, the At-Risk Amount(%) and the Core Services Fee for the Review Period.

If included in the contract, and the APS for a KPI exceeds 100%, a Performance Incentive is calculated as an additional percentage of the At-Risk Amount portion for the KPI.

A Performance Measurement Report is delivered after each Review Period to summarise Achieved Performance results, the APS and the Performance Payments. This report may also include claims for performance relief.

A Performance Assessment Review is held to discuss the Performance Measurement Report and to confirm the Performance Payments. (Note: Provisional Payments are paid monthly; the review determines a final adjustment to these payments). KPIs and OPMs (defined in Attachment Q) may be linked to other rewards and remedies, such as Award Terms.

Are the KPIs SMART?
KPIs are performance measures that link performance to payments. KPIs may not cover the full scope of a contract but should reflect the major contributions to capability outcomes that are made by the contract. Like all performance measures, KPIs should be SMART:

Specific. Performance Measures and what is actually being measured are clearly defined and understandable by all those involved. The measures are not ambiguous or open to interpretation (ie, not open to misinterpretation).

Measurable. Performance Measures are easily measured in terms of the time, effort, and the cost of collecting and validating quality data.

Attainable. Performance Measures are achievable, reasonable representations of performance under the conditions expected and for the level of control given too the party responsible for the results.

Relevant. Performance Measures must be derived from, and act as suitable indicators of, the outcomes required. This includes a notion of adequate scope but does not mean everything in a contract must be measured.

Timely. Performance Measures must be indicators of current requirements and performance. If required, measures should automatically scale or adapt to forecast variations in systems or Services without changing the contract.

What are Performance Bands?
Performance Bands represent ranges of performance results for a KPI. The assigned or ‘relative value’ and possible impact of performance results in each band are summarised below. The APS for a KPI is calculated by a formula using Achieved Performance for the Review Period, where the formula changes in each Performance Band.

Performance Band A. Results in this band are desirable as the Achieved Performance equals or exceeds the Required Performance Level and the services provided enable the required outcomes to be met. A Performance Incentive may be offered if performance results that are above the Required Performance Level provide tangible benefits to Defence.

Performance Band B. Results in this band are below the Required Performance Level; they have a small but tangible effect on outcomes and reduce the value of the Services. In this band the APS reduces gradually in order to reduce the Performance Payment, thereby acting as a disincentive.

Performance Band C. Results in this band may be tolerable in the short term (ie, one Review Period) but not over a longer period as they are likely to have a significant impact on the outcomes needed by Defence. To strongly discourage performance results in this band the APS and Performance Payments reduce more rapidly, until reaching zero. Results in this band may indicate a systemic failure.

Performance Band D. This band represents levels of performance that are negligible in terms of relative value. The APS is zero, so no Performance Payment will be payable for a KPI with results in this band. Other contract remedies will apply. Such a result may represent a systemic failure that is irrecoverable, and could lead to termination of the contract for default.

Formulae in Attachment P are used to calculate the APS for each Performance Band. These are ‘straight-line’ formula as shown graphically below.