



**Highways England Company Limited**

**Smart Motorways Alliance**

**VOLUME 4**

**COMMERCIAL DOCUMENTS**

## **Volume 4 Contents:**

1. Quotation Information
2. Commercial Workbook
3. Fee Setting Template
4. Schedule of Client Cost
5. Schedule of Cost Components

# **Highways England Company Limited**

## **Smart Motorways Alliance**

### **VOLUME 4**

#### **1 - Quotation Information**

## Quotation Information - Contents

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## 1 About this document

- 1.1 This document consists of six sections in addition to this introduction.
- 1.2 Section 2 (Budget Setting) sets out the process and information to be used to establish a Scheme Budget and assess changes to a Scheme Budget. The Budget for the Alliance comprises the sum of all Scheme Budgets.
- 1.3 Section 3 (Adjustments for Inflation) sets out the processes to be followed to adjust Scheme Budgets and elements of pricing for inflation.
- 1.4 Section 4 (Fee Setting) sets out processes to be used to establish Partner Fees and assess changes to the Partner Fees including potential redistribution of Fee associated with post allocation optimisation.
- 1.5 Section 5 (Assessment of Compensation Events) sets out the process for establishing adjustments to the Scheme Budget and Partner Fees resulting from the implementation of a Compensation Event.
- 1.6 Section 6 (Fee and Staff Rates Schedule) sets out the Partner's pricing information utilised in the establishment of Partner Fees and for aspects of Defined Cost for the Partners.
- 1.7 Section 2 of Volume 4 contains a Partner's *commercial workbook* which includes a Partner's rates and percentages for Fee setting and assessing elements of Defined Cost.

## Smart Motorway Solutions

- 1.8 The Smart Motorways programme is made up of a portfolio of Schemes for delivery. Schemes may incorporate Defined and/or Non-Defined Solutions.
  - a) Defined Solutions are those with design principles intended for repetition or those similar to an existing Defined Solution.
  - b) Non-Defined Solutions include minor works / activities beyond the design principles/scope of Defined Solutions.
- 1.9 Defined Solutions have the following pre-determined characteristics:
  - a) Quantification Rules;
  - b) Methods of Measurement;
  - c) Pricing/Rates.

Construction works elements are specific to the Defined Solution.
- 1.10 Defined Solutions are included in Annexes to this document, and include the following:
  - a) An All Lane Running (ALR) Solution
  - b) A Controlled Motorway (CM) Solution
  - c) A Retrofit Solution
  - d) A Through Junction Running (TJR) Solution
- 1.11 When allocated schemes include an additional Defined Solution, a new Defined Solution will be created in accordance with the principles laid out in this document. The new Defined Solution will be incorporated, as an Annex to this document.

## 2 Budget Setting

### Introduction

- 2.1 A budget for each solution will be established and will be combined, as necessary, to determine the Scheme Budget.
- 2.2 The Scheme Budget notified to the Alliance by the *Client* as part of process for allocation will not be adjusted as a result of any optimisation or post-allocation flexibility detailed within this document.

### Defined Solutions - Approach

- 2.3 Budgets for Defined Solutions are set in accordance with the following pre-determined;
  - a) Methods of measurement;
  - b) Item Rates and percentages;
  - c) Quantification Rules;
  - d) Expenditure Profiles; and
  - e) Inflation indices.
- 2.4 The pre-determined elements described in 2.3 are combined to create an Alliance Budget Pricing Model (ABPM). The ABPM is held at Section 3 of Volume 4 – Fee Setting Template.

### Method of Measurement

- 2.5 The Alliance Budget Pricing Model consists of a schedule of items of works to be carried out under the contract.
- 2.6 The schedule of items of works included in the ABPM includes some items which are in accordance with the Method of Measurement for Highway Works (MMHW), published by The Stationery Office as Section 1 of Volume 4 of the Manual of Contract Documents for Highway Works. The relevant publication date of each page of the Method of Measurement for Highway Works is given in the Schedule of Pages and Relevant Publication Dates current at the date of tender return.
- 2.7 There are other items within the ABPM, which are not in accordance with the MMHW, for which item coverage and unit of measurement is included in Annex C under the heading Item Coverage and Unit of Measurement. If any item coverage includes reference to work which is the subject of item coverages elsewhere in the MMHW, then the combined item coverages shall apply.
- 2.8 The item descriptions in the ABPM identify the works covered by the respective items, but such descriptions or identifications may not be exhaustive in relation to the Defined solution.
- 2.9 The rates within the ABPM against each item is the price for the item or unit of quantity described, and is fully inclusive of the value of the works, covering any circumstances or activity associated with the completion of such items of work in accordance with the contract. As such, the outputs of the ABPM cover for the delivery of the works, at any time, in any place, using any method, and

any scheduling or phasing of the works.

- 2.10 Other than the exception detailed below in paragraph 2.11, any work/works items which is/are required by the design principles and Scope in the delivery of a Defined Solution, which is not specifically covered by the Method of Measurement and/or Quantification Rules, is deemed included in the Scheme Budget determined using the ABPM.
- 2.11 New /additional items will only be incorporated for the Defined Solutions identified in paragraph 1.10, where activities are specifically excluded from item coverage or further essential improvement, beyond those currently identified and included in the ABPM, is necessary. New items will only be required for PCF Stages 0-3, 4-5 if a Development Consent Order (DCO) is required or for the replacement of existing overbridges.
- 2.12 The Specification for the MMHW and non-MMHW items shall be the 'Specification for Highway Works', published by HMSO as Volume 1 of the Manual of Contract Documents for Highway Works, Project Control Framework, single option matrix, IAN 161, list of documents contained within TSS Plans Registry available at <https://www.gov.uk/guidance/traffic-systems-and-signing-plans-registry-how-to-access-documents> and other documents referenced in this contract with relevant publication date current at the date of tender return.
- 2.13 The item coverage related to this Method of Measurement for Defined Solutions is held in Annex C.

#### Item Rates

- 2.14 When setting Budgets for Defined Solutions, the rates and percentages to be utilised are contained within the Alliance Budget Pricing Model. A Schedule of rates is included in Annex B
- 2.15 The rates have base date of Q3 2019.

#### Quantification Rules

- 2.16 Quantities for Defined Solutions are determined in accordance with the Quantification Rules.
- 2.17 The Quantification Rules are included in Annex D, E, F and G to this document.

#### Expenditure Profiles

- 2.18 A fixed expenditure profile is utilised to calculate inflation in accordance with Section 3 of this document.
- 2.19 The expenditure profile for PCF Stages 0 to 5 is based on a straight line profile (forecast distributed evenly over PCF Stages 0 to 5 duration).
- 2.20 The expenditure for PCF Stages 6 & 7 is profiled specifically for the different elements as detailed in the ABPM.

### **New items for Defined Solutions**

- 2.21 Any works or activities specifically excluded from Method of Measurement may require a new item to be established.
- 2.22 Where new rates and percentages are required and are not available or able to be established from the information in the allocated Partner's *commercial workbook*, then new rates and percentages will be established on the basis of verifiable forecast Defined Cost.
- 2.23 Where a new item is related to a revised Item Coverage for PCF Stages, 4-5, the additional priced forecast resource costs will be utilised to determine a revision to the percentages for that item.
- 2.24 In order to utilise the new rates for future delivery, the following will be established:
- Method of Measurement;
  - Quantification Rules

### **Defined Solutions - Process**

- 2.25 The *Client* calculates the Scheme Budget when a Scheme is allocated to the Alliance.
- 2.26 The *Client* collaborates with the Partners as appropriate to establish information required for scheme budget setting.
- 2.27 The Alliance Manager notifies the *Client*, with reasons, if the Alliance considers the budget has not been set in accordance with the Contract. The *Client* will consider the reasons provided by the Alliance Manager and confirm the Scheme Budget within 2 weeks from the date of notification.

### **Non-Defined Solutions - Approach**

- 2.28 Non-Defined Solutions comprise the following:
- a) Works which have direct/indirect costs associated with delivery
  - b) Activities which relate to a requirement or initiative not associated to delivery of works.
- 2.29 The budgets for Non-Defined Solutions are set in accordance with the following:
- a) Methods of Measurement;
  - b) Item Rates and percentages;
  - c) Quantification Rules;
  - d) Expenditure Profiles; and
  - e) Inflation indices.

### **Method of Measurement**



- 2.30 The Method of Measurement for Highways Works (MMHW) will be utilised where the Method of Measurement for a Defined Solution is not applicable.

Item Rates and percentages

- 2.31 Item rates and percentages will be informed as appropriate by the rates and percentages and the component build up to those rates and percentages in the allocated Partner's *commercial workbook*.
- 2.32 Where new rates and percentages are required and are not available or able to be established from the information in the allocated Partner's *commercial workbook*, then new rates and percentages will be established on the basis of verifiable forecast Defined Cost.
- 2.33 For non-construction works activities, including indirect costs such as Construction Management/PCF Stage costs the information held within the Partner's *commercial workbook* will be utilised.

Quantification Rules

- 2.34 Quantification Rules in accordance with the Method of Measurement for Highways Works (MMHW) will be utilised where the Quantification Rules for a Defined Solution is not applicable.

Expenditure Profiles

- 2.35 An Expenditure Profile is created by allocating forecast cost to the intended delivery schedule.
- 2.36 Expenditure Profiles for Works will be combined to inform the calculation of inflation.
- 2.37 Inflation is calculated in accordance with Section 3 of this document.

**Non-Defined Solutions - Process**

- 2.38 The budget for Non-Defined Solutions comprises the following elements:
- a) the forecast cost of the works;
  - b) the calculated Partner Fees;
  - c) the forecast *Client's* Costs;
- 2.39 The Partner Fees for Non-Defined Solutions are calculated by applying the *fee percentage* contained within the Partner's *commercial workbook* to the forecast cost of the work within the Budget allocated to the Partner.
- 2.40 The *Client* calculates the Scheme Budget and associated Partner Fees when a Scheme is allocated to the Alliance.
- 2.41 The *Client* collaborates with the Partners as appropriate to establish information required for scheme budget setting.

- 2.42 The Alliance Manager notifies the *Client*, with reasons, if the Alliance considers the budget has not been set in accordance with the Contract. The *Client* will consider the reasons provided by the Alliance Manager and confirm the Scheme Budget within 2 weeks from the date of notification.

### **RIS 3 Budget Setting Adjustment**

- 2.43 Highways England is responsible for the agreement of efficiency targets for the Roads Programme for Regional Investment Strategy (RIS) with the Department for Transport for future RIS periods.
- 2.44 The Alliance Board submits proposals for efficiency targets, informed by completed Schemes, for RIS 3.
- 2.45 The efficiency targets should consider:
- a) Emerging cost and quantification intelligence;
  - b) Supply chain decisions made by the Alliance;
  - c) Efficiency opportunities identified for future RIS periods.
- 2.46 Agreed efficiency targets for RIS 3 with DfT are populated into the ABPM for the respective budget agreements.

### 3 Inflation

#### Inflation Indices

- 3.1 Where inflation forecast or adjustment is required, the BCIS Road Cost Index (Series 2031) is utilised.
- 3.2 The index values will be used to adjust for inflation, when required, from the base date of Q3 2019.
- 3.3 When creating the quarterly index from the published monthly Index, an average of the monthly indices will be utilised.
- 3.4 Where an inflation forecast is required beyond that provided by the published BCIS Road Cost Index, the trend associated with the last four quarters derived from the Index will be continued.

#### Inflation in the Budget

- 3.5 Expenditure Profiles established for Defined and Non-Defined Solutions will have the inflation indices applied to them in order to calculate inflation. An example is detailed below.

Example Inflation Index	100.00	105.00	110.00	118.00	120.00	126.00	130.00	132.00
Quarter	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Forecast at Base Date (£)	100	100	100	100	100	100	100	100
Inflation Factor	0.00	0.05	0.10	0.18	0.20	0.26	0.30	0.32
Inflation	0	5	10	18	20	26	30	32
Adjusted Forecast (£)	100	105	110	118	120	126	130	132

- 3.6 Expenditure Profiles are incorporated within the Contract Data as a record.

#### Biennial adjustment of Scheme Budgets for Inflation

- 3.7 During all non-completed Schemes, the Alliance Manager adjusts the Scheme Budget two years from the most recent of the following:
  - a) the Scheme award to the Alliance;
  - b) the previous Scheme Budget adjustment for inflation.
- 3.8 For the remainder of the Scheme's Expenditure Profile from the date of assessment, the Alliance Manager calculates the budget adjustment by applying the most recently published BCIS Road Cost Index to
  - a) the current Expenditure Profile detailed within the Contract Data; or
  - b) the subsequently adjusted Expenditure Profile through the result of any compensation events.

- 3.9 Partner Fees are not updated as part of the biennial adjustment for inflation.

Inflation Adjustment associated with Partner rates

- 3.10 The only elements of the *commercial workbook* which will be subject to adjustment for inflation, are as follows:
- a) Local Office Overhead
  - b) Cost in relation to people for each of the salary bands
  - c) On-cost charge for contract/agency staff
- 3.11 The items listed in 3.10 are adjusted for inflation on an annual basis from the Contract Date in accordance with the index stated in Section 3.1.
- 3.12 The formula for the Inflation Adjustment associated with Partner rates is:

$$\text{rate adjustment factor} = \frac{\text{updated inflation index}}{\text{base date inflation index}}$$

where:

- a) the updated inflation index is the contractual index stated in Section 3.1 at the time of the inflation adjustment
  - b) the base date inflation index is the contractual index stated in Section 3.1 at the date stated in Section 3.2.
- 3.13 Following the annual adjustment for inflation, a new rate for each salary band is established as a result of the revised cost in relation to people.

## 4 Fee Setting

### Fee Setting

- 4.1 This section sets out the principles and approach for determining Partner Fees.
- 4.2 Work is allocated by default to the Production Management Partner, an On-site Assembly Partner and a Digitally Enabled Design Partner in accordance with the Implementation Plan.
- 4.3 The Alliance may choose to optimise allocation in accordance with the Implementation Plan.
- 4.4 With specific reference to the Construction Works Total, this is defined as the total of Direct Works (including Essential Improvement Works) plus the Prelims Non-Staff Costs within the ABPM.

*[Construction Works Total = 4.4.1 Preliminaries Non Staff + 4.5 Direct Works + 4.6 Essential Improvement Items]*

### Production Management Partner (Lot 1) Fee (Default Allocation)

- 4.5 The basis for Partner Fee agreement for the Lot 1 Partner is a priced resource profile based on the allocated Scheme scope.
- 4.6 The priced resource profile produced by the Alliance Manager in consultation with the Production Management Partner includes the following information:
- a) Role;
  - b) Salary Band for each Role;
  - c) Working location for each Role;
  - d) Named Resource where known;
  - e) Resource forecast/utilisation;
- 4.7 For the purpose of fee setting, the BCIS Road Cost Index is applied to the costed resource profile to derive the inflation allowance, as described in Section 3.
- 4.8 To calculate the Partner Fee, the *fee percentage* contained in the Partner's *commercial workbook* is applied to the priced resource profile adjusted for inflation.

### Digitally Enabled Designer Partner (Lot 2) Fee (Default Allocation)

- 4.9 The *Client* calculates the Partner Fee on the following basis :
- a) The Construction Works Total within the Scheme Budget, net of inflation, will be utilised for the purpose of Partner Fee setting.
  - b) The applicable Partner's specific pricing information (PCF stage percentages) is applied to the Construction Works Total to derive a forecast cost for the Partner
  - c) The forecast cost of each Partner's work is adjusted for inflation using the same expenditure profile and inflation indices used during Scheme Budget

setting and the process in Section 3.

- d) The Partner specific *fee percentage* is then applied to the inflation adjusted forecast cost of each Partner's work.

4.10 The *Client* will utilise the Fee setting template held at Section 3 of Volume 4 – Fee Setting Template to calculate the Partner Fee.

4.11 The Alliance Manager notifies the *Client*, with reasons, if the Alliance considers the Fee has not been set in accordance with the contract. The *Client* will consider the reasons provided by the Alliance Manager and confirm the Partner Fee within 2 weeks from the date of notification.

## **Lot 2 Transition Schemes**

4.12 Transition Schemes are Defined Solutions awarded to the Alliance which contain Works completed by others outside the Alliance.

4.13 Where construction works are not undertaken by a Partner, the forecast Construction Total costs are removed from the calculation of the Construction Total for the purpose of Partner Fee calculation.

4.14 The *Client* will utilise the Fee setting template held at Section 3 of Volume 4 – Fee Setting Template to calculate the Partner Fee.

## **On Site Assembly Partners (Lot 3) Fee (Default Allocation)**

4.15 The *Client* calculates the Partner Fee on the following basis:

- a) The construction work quantities used will be those used for setting the Scheme Budget. The applicable Partner's specific pricing information (rates and percentages) is applied to the construction quantities in order to determine a Construction Works Total for Fee setting.
- b) The PCF Stage 6 & 7 forecast cost is calculated as follows
  - (i) The Partner's PCF Stage 6 & 7 percentages are applied to the Construction Works Total from a) above to determine the Partner's Construction Management Total.
  - (ii) Construction Works Total and Construction Management forecast costs are combined to determine the Partner's Construction Total.
  - (iii) The Partner's Construction Total is adjusted for inflation using the same expenditure profile and inflation indices used during Scheme Budget setting and the process in Section 3 to derive a forecast cost of the Partner's work.
- c) Stage 0-3, 4-5 forecast cost is calculated as follows
  - (i) The Partner's pricing information (PCF stage 0-3, 4-5 percentages) is applied to the Construction Works Total to determine Partner's forecast cost to Provide the Scheme.
  - (ii) The forecast cost of the Partner's work is adjusted for inflation using the same expenditure profile and inflation indices used during

Scheme Budget setting and the process in Section 3.

- d) Partner's specific *fee percentage* is applied to its forecast cost calculated in accordance within b) and c) above.
- 4.16 The *Client* will utilise the Fee setting template held at Section 3 of Volume 4 – Fee Setting Template to calculate the Partner Fee.
- 4.17 The Alliance Manager will notify the *Client* of any issues associated with the Partner Fee calculation and set out any necessary correction. The *Client* will consider the Alliance Manager's notification and confirm the Partner Fee for the Scheme within 2 weeks.

**Lot 3 Transition Schemes**

- 4.18 Transition Schemes are Defined Solutions awarded to the Alliance which contain work completed by others outside the Alliance.
- 4.19 Where construction works are not undertaken by a Partner, the forecast Construction Total costs for the incumbent are removed from the calculation of the Construction Works Total for the purpose of Partner Fee calculation (but not removed from the calculation of the Scheme Budget).
- 4.20 Where design work is carried out by others but all construction works are to be carried out by the Alliance, the *Client* shall calculate the Partner Fee by following the process for Defined Solutions (See Section 4.14 to 4.16).
- 4.21 Where any construction works are not to be undertaken by a Partner, the *Client* shall submit the following calculation to the Alliance Manager when the Scheme is allocated to the Alliance:
  - a) The construction work quantities used will be as those when setting the Scheme Budget with the construction work undertaken by others removed. The applicable Partner's specific pricing information (item rates) is applied to the construction quantities in order to derive the Construction Works Total.
  - b) The PCF Stage 6 & 7 forecast cost is calculated as follows
    - (i) The Partner's Construction Management Stage 6 & 7 percentages are applied to the Construction Works Total to derive the Partner's Construction Management total.
    - (ii) Construction Works Total and Construction Management Stage 6 & 7 costs are combined to derive the Partner's Construction Total.
    - (iii) The Partner's Construction Total is inflated using the same expenditure profile and inflation indices used during Scheme Budget setting and the process in Section 3 to derive a forecast cost of the Partner's work.
  - c) Stage 0-3, 4-5 forecast cost is calculated as follows
    - (i) The Partner's pricing information (PCF stage 0-3, 4-5 percentages) is applied to the Construction Works Total to derive a forecast cost of the Partner's work.
    - (ii) The forecast cost of the Partner's work is inflated using the same expenditure profile and inflation indices used during Scheme Budget setting and the process in Section 3.

- d) Partner's specific *fee percentage* is applied to its forecast cost calculated in accordance within b) and c) above.

4.22 The *Client* will utilise the Fee setting template held at Section 3 of Volume 4 – Fee Setting Template to calculate the Partner Fee.

### **Pre-award Optimisation Fee Adjustment – Within Lots**

4.23 When optimising work within Lot 2:

- i. The Construction Works Total (net of inflation utilised within the Scheme Budget) is divided between the Lot 2 Partners, but the total will remain the same
- ii. Each Partner's specific pricing information (PCF stage percentages) is applied to its share of the Construction Works Total to determine a forecast cost for each Partner
- iii. The forecast cost of each Partner's work is adjusted for inflation using the same expenditure profile and inflation indices used during Scheme Budget setting and the process in Section 3.
- iv. The Partner specific *fee percentage* is then applied to the inflated forecast cost of each Partner's work.

4.24 When optimising work within Lot 3:

- v. The construction quantities are divided between the Lot 3 Partners, but the total will remain the same
- vi. Each Partner's specific pricing information (item rates) is applied to its construction quantities in order to determine each Partner's specific portion of the Construction Works Total.
- vii. The PCF Stage 6 & 7 forecast cost is calculated as follows
  - i. The Partner's specific PCF Stage 6 & 7 percentages are applied to each Partner's specific portion of the Construction Works Total to determine each Partner's specific Construction Management total.
  - ii. Construction Works Total and Construction Management Stage 6 & 7 costs are combined to derive each Partner's Construction Total.
  - iii. Each Partner's Construction Total is adjusted for inflation using the same expenditure profile and inflation indices used during Scheme Budget setting and the process in Section 3 to derive a forecast cost of each Partner's work.
- viii. Stage 0-3, 4-5 forecast cost is calculated as follows
  - i. Each Partner's specific pricing information (PCF stage 0-3, 4-5 percentages) is applied to its specific portion of the Construction Works Total to determine a forecast cost of each Partner's work.
  - ii. The forecast cost of each Partner's work is adjusted for inflation using the same expenditure profile and inflation indices used during Scheme Budget setting and the process in Section 3.
  - iii. Each Partner's specific *fee percentage* is applied to its forecast cost



calculated in accordance with this clause (4.24).

- 4.25 The *Client* will utilise the Fee setting template held at Section 3 of Volume 4 – Fee Setting Template to calculate the Partner Fee for each Partner.

#### **Pre-award Optimisation Fee Adjustment – Between Lots**

- 4.26 When optimising work between Lots, Partners will comply with the following
- a) Optimisation Fee adjustment between Lots must not be undertaken until either Fee setting on default allocation or Optimisation Fee Adjustment – Within Lots has taken place
  - b) The overall Scheme scope must remain consistent with that initially notified to the Partners
  - c) The total of the forecast costs of each Partner's Works on the Scheme, for the purpose of Partner Fee setting, remains unchanged (the forecast costs detailed within any business case may differ from those utilised for the purpose of Fee setting).
  - d) Each Partner's specific *fee percentage* is applied to the forecast cost of its work.
- 4.27 The Alliance Manager submits to the *Client* proposals for the following:
- a) Updated Contract Data with revised Partner Fees
  - b) Updated Scheme Scope document to reflect revised responsibilities.
- 4.28 Reasons for the *Client* not accepting the submission include that
- a) the required business case has not been accepted in accordance with the Implementation Plan; or
  - b) the submission is not in accordance with the rules stated in 4.26 above.

#### **Post Allocation Optimisation Fee Adjustment**

- 4.29 Post allocation, Partners may wish to re-distribute a portion of the total Partner Fees for a Scheme commensurate to the reallocation of Scope from one Partner to another.
- 4.30 The total of the Partner Fees for each Scheme remains unchanged.
- 4.31 The Alliance Manager submits proposals for the following
- a) Updated Contract Data with revised Partner Fees
  - b) Updated Scheme Scope document reflecting Responsible Partners scope.
- 4.32 Reasons for not accepting the submission include that
- a) the required business case has not been accepted in accordance with the Implementation Plan; or
  - b) the redistribution of Partner Fee has resulted in a change to the overall total of the Partner Fees.
  - c) The redistribution of Partner Fee is not consistent with the reallocation of

scope.

## 5 Assessment of Compensation Events

### Adjustment to the Budget

- 5.1 If a Compensation Event is implemented the Scheme Budget is adjusted in accordance with the rules below:

#### Defined Solutions

- 5.2 The Defined Solution's ABPM including Quantification Rules, Method of Measurement/Item Coverage and Rates will form the basis of assessing the impact of Compensation Events.
- 5.3 The impact of a Compensation Event on a Scheme Budget is assessed as follows:
- a) The ABPM is populated, and the delta between the original ABPM output and the adjusted ABPM output is used to evaluate the change.
  - b) If the Compensation Event impacts on the Scheme Notification PCF dates, the PCF dates upon which the Expenditure Profile was based are adjusted. The remaining budget is redistributed across the revised Expenditure Profile and inflation indices, as determined at the last inflation adjustment, are applied to the remaining budget.

#### Non Defined Solutions

- 5.4 In the event that a Compensation Event is implemented for a Non Defined Solution, the adjustment to the Budget is assessed as the effect of the compensation event upon
- a) the actual Defined Cost of the work done by the dividing date,
  - b) the forecast Defined Cost of the work not done by the dividing date and
  - c) the Client's Costs.
- 5.5 The dividing date is the date of the notification of the compensation event.
- 5.6 The *Client* may use rates or lump sums to assess the change to the Budget.

### Adjustment to Partner Fees

- 5.7 If one of the following Compensation Events occur: 60.1(1), 60.1(3), 60.1(4), the Partner Fees are adjusted in accordance with the rules below:
- 5.8 The Partner Fees are recalculated in accordance with rules contained within Section 4 of this document as a result of any Budget adjustment resulting from 5.1 to 5.6 above.

## 6 Fee and Staff Rates Schedules

- 6.1 The following Schedules are contained within the Partner's *commercial workbook*:
- Fee schedule
  - Local office overhead schedule
  - Staff Rate Schedule
  - Agency and Overseas Staff On-Cost Schedule
- 6.2 The rates, prices and percentages contained in the Schedules listed above are fixed for the duration of the contract other than when adjusted for inflation in accordance with the contract.

### Fee Schedule

- 6.3 The Fee Schedule includes detail of the coverage and components included in the Partner's *fee percentage*.

### Staff Rate Schedule

#### All-in salary band rates

- 6.4 The Staff Rate Schedule includes agreed all-in salary band hour/day rates for the Partners staff.
- 6.5 All rates in the Staff Rate Schedule are deemed to cover all costs paid to people and payments made in relation to people with the exception of payments made in relation to people for travel, subsistence and lodging in accordance with item 13 of the Schedule of Cost Components.
- 6.6 When Partner Staff (those people referred to in item 11 of the People (Staff) section of the Schedule of Cost Components) are mobilised to the contract the Partner advises the Alliance Manager of the relevant salary band and salary band rate for that person based on their current base salary and their proposed working location.
- 6.7 Partner Staff for which the all-in salary band rates in the *staff rate schedule* apply, include any Partner Staff directly employed by the Partner, or Partner Staff directly employed by an Associated Company. Partner Staff are those staff fulfilling management or other professional discipline roles for whom payments are made on the basis of the *staff rate schedule* as identified in the Schedule of Cost Components.
- 6.8 The Staff Rate Schedule is updated with the names of mobilised staff against each of the salary bands and issued to the Alliance Manager on a monthly basis.
- 6.9 Partner Staff can only be mobilised to Provide the Scheme with the prior written approval of the Alliance Manager. This approval may be provided via a mobilisation request form per individual or in the format of an Alliance Partner staff resource schedule containing proposed mobilisation and demobilisation dates for each person.

- 6.10 Total cost paid to people shall relate to the base salary only and shall not include any intercompany charges, overheads or profit paid with respect to people employed or seconded from group companies or overseas group companies or overseas agencies.
- 6.11 The cost of Staff whose normal place of working is not within the Working Areas that are engaged in corporate functions included in the Fee, shall not be considered as Defined Cost.
- 6.12 All rates in the *staff rate schedule* are stated exclusive of fee and any component of cost that is reflected in the Fee.

#### Salary Reviews

- 6.13 If and when the salary for any mobilised Partner Staff is increased as a consequence of a contract of employment salary review, the all-in salary band rates will be updated for any staff whose base salary now falls within a different salary band. This updated all-in salary band rate is submitted to the Alliance Manager for approval. The new rate will be chargeable as Defined Cost in the assessment period after the month in which the salary review becomes effective.

#### Chargeable Hours

- 6.14 Staff hours are only chargeable when staff are engaged in carrying out the works. Time spent travelling to and from, or between the working areas or activities not directly related to carrying out the works are not chargeable.
- 6.15 Allowances for any time spent and payments made to people for sickness, holidays, parental leave, attending internal company briefings, personnel meetings, appraisals, staff meetings, personal development training, business development and personal professional training or the like are included in the hourly rate within the *staff rate schedule*.
- 6.16 Only time spent and payments made to people for providing or attending training as a direct requirement of this contract will be considered chargeable as Defined Cost.

#### Overtime working

- 6.17 Allowance for standard overtime working is deemed included in the utilisation adjustment in the staff rate schedule.
- 6.18 Any exceptional periods of overtime working will only be considered as Defined Cost if the overtime working hours and overtime rates are pre-agreed with the Alliance Manager.
- 6.19 Overtime payment for staff will only be considered as Defined Cost if it can be demonstrated that the relevant member of staff is entitled to be paid overtime under their conditions of employment.
- 6.20 Overtime rates shall not include any allowance for local office overhead or components of cost that are fully recovered through the all-in salary band rates applied to non-overtime chargeable hours.

### **Local Office Overhead Schedule**

- 6.21 Local Office Overhead is a charge per desk / workstation, calculated per hour in accordance with and subject to the criteria set out in 6.23.
- 6.22 The Local Office Overhead charge includes provision and use of people, accommodation, equipment, supplies and service required (excluding people identified in the Partner Fee (Section 2 of Volume 4 (*commercial workbook*) Table 1.3) and *staff rate schedule* (Section 2 of Volume 4 (*commercial workbook*) Table 3.1) and Agency and Overseas On-cost Schedule (Section 2 of Volume 4 (*commercial workbook*) Table 4.1)) to provide a desk / workstation in a local office to support Partner Staff (in accordance with People (Staff) item 11 of the Schedule of Cost Components) or Contract & Agency Staff (in accordance with People (Staff) item 15 of the Schedule of Cost Components) Providing the Scheme in accordance with the contract.
- 6.23 Local office overhead will be payable in addition to the Partner Staff Rates in the *staff rate schedule* as set out in this document.
- (i) The local office overhead is applicable to chargeable Partner staff, Associated Company Staff, Material Subcontractor staff or contractor/agency staff, if located in a Partner's, Associated Company's or Material Subcontractor's local office in carrying out the works, subject to the rules below related to working in Alliance offices.
  - (ii) The local office overhead is not chargeable for people spending 3 or more days per week in Highways England office location, site or Alliance office provided by Highways England or another Partner. The local office overhead is never chargeable for overseas staff.

### **Agency and overseas staff rate schedule**

- 6.24 Agency and Overseas Staff Rates will be established on the following basis;
- i. Any Agency Staff Rates shall be actual cost charged to the Partner from the respective agency.
  - ii. Any Overseas Staff Rates shall be the actual charge out rate to the Partner from the respective overseas business.
  - iii. Associated Company UK Staff shall be calculated using the All-in salary band rates within 6.4 to 6.20.
  - iv. Associated Company Overseas Staff shall be calculated using the Overseas Staff Rate Schedule.
- 6.25 The Agency and Overseas Staff On-Cost Schedule provides a rate per hour on-cost that is applied to agreed rates per hour for any agency or Partner's overseas staff that are engaged to Provide the Scheme. This On-Cost is a charge for overhead costs that is not included in the Partner Fee, Partner and Agency and Overseas Staff Rate and Local Office Overhead that is required to recover costs for Providing the Scheme.
- 6.26 The Partner is to follow the procurement procedures set out in the conditions and the scope related to the selected and appointment of any contract or agency staff.

- 6.27 If the Partner proposes to engage staff from an overseas office or overseas subsidiary or group company, this shall be procured in accordance with the requirements set out in the conditions and scope related to the engagement of Associated Companies.
- 6.28 The use of Agency and Overseas Staff is to be agreed in advance with the Alliance Manager. The Partner shall submit a mobilisation request providing details of the person, role and hour/day rate to the Alliance Manager for approval.
- 6.29 All hourly rates for agency and overseas staff are deemed to cover all costs paid to people and payments made in relation to people with the exception of payments made in relation to people for travel, subsistence and lodging in accordance with items 14 and 15 of the Schedule of Cost Components.
- 6.30 The rates to be used as Defined Cost for agency and overseas staff are determined from the agreed all-in rate per hour for the relevant person with the addition of the on-cost rate per hour from the Agency and Overseas Staff On-Cost Schedule.
- 6.31 Contract and agency and overseas people (Staff) can only be mobilised To Provide the Scheme with the prior written approval of the Alliance Manager. This approval may be provided via a mobilisation request form per individual or in the format of an Alliance Partner staff resource schedule containing proposed mobilisation and demobilisation dates for each person.
- 6.32 The Partner is to maintain a schedule with full details of any agency or overseas people mobilised to the contract with details of the person, role, agreed defined cost rate, mobilisation and planned demobilisation dates. This schedule shall be updated and issued to the Alliance Manager on a monthly basis.
- 6.33 Overseas staff that engage in corporate functions included in the Partner Fee, shall not be considered as Defined Cost.
- 6.34 The agreed rates for agency or overseas people are fixed for a minimum 12-month period. Any proposed changes to the agreed rates are to be submitted to the Alliance Manager for approval with appropriate commercial justification of any proposed increase. No changes in rates are to be charged until agreed with the Alliance Manager.
- 6.35 Agreed defined cost rates for contract and agency or overseas are exclusive of fee and any component of cost that is reflected in the Partner Fee.