



**Highways England Company Limited**

# **Concrete Roads Framework - Design**

## **Schedule of Cost Components**

## CONTENTS AMENDMENT SHEET

<b>Amend. No.</b>	<b>Revision No.</b>	<b>Amendments</b>	<b>Initials</b>	<b>Date</b>
0	0	Tender Issue	SOS	19/06/20
1	1	Added new bullet point under Overview paragraph 1.2.	LX	16/17/20

## **1 Overview**

- 1.1 This schedule applies to people employed by the *Supplier* or an Associated Company or any Subcontractor.
- 1.2 The *staff rate* for each person who is expected to work on this contract is calculated in accordance with this Schedule. The calculation is carried out
- within four weeks of the Framework Contract Date,
  - when the Maximum Staff Rates are changed,
  - when National Insurance costs change – changes to employer's National Insurance contributions due to change in the law,
  - when additional staff are identified to work on a Work Order and,
  - when Staff are re-assigned to a different role,
  - when Staff change their working locations.
- 1.3 Each calculation is to make allowance for the most likely costs for each individual, and is to be substantiated by a combination of current and historic costs. Allowances for newly recruited staff should be based on historic cost calculations for similar staff.
- 1.4 The *Supplier* is to demonstrate, through benchmarking or other methods, that the costs of people and the cost calculated for each person is in line with the market for such a person.
- 1.5 The *Supplier* maintains a record of the *staff rate* calculations and a list of the rates for each person. The *Supplier* also maintains a record of staff hours per annum whether working part time or full time on this contract. The *Supplier* provides a copy of the list to the *Client* within four weeks of the Contract Date, whenever an entry is added or changed and on each anniversary of the Framework Contract Date. The *Supplier* maintains the information used for the calculations of the rates for each person for the *Client's* inspection at any time during the Framework Contract Period.
- 1.6 The *Supplier* identifies the costs incurred under the following component headings
1. Cost of people,
  2. Office Overheads (which does not exceed the *Supplier's* Office Overhead percentage in CRF Design - Quotation Information) and

3. Business Overheads (which does not exceed the Business Overhead percentage value in CRF Design - Quotation Information).

The coverage of the payment under each of these categories, and the method of assessing the payments, is set out below.

a) - Cost of People

Under this component, the *Supplier* identifies

- cost paid to people. Wages or salary but excluding any form of bonus, benefits in kind and expenses and
- costs incurred in relation to people. *Supplier's* regular pension contributions (excluding any additional payment to reduce pension fund deficit) and National Insurance payments (but excluding National Insurance payments on any form of bonus, benefits in kind or expenses) and medical costs and other costs noted in CRF Design - Quotation Information.

For people who are not directly employed by the *Supplier*, the hourly rate for a person is the amount paid by the *Supplier* for the services of that person.

The following Table 1 calculation is carried out to establish the hourly cost of people employed by the *Supplier*

**Table 1 – Cost of People**

<i>Highways England Role</i>					<i>Calculation Method</i>
<i>Name</i>					
<b>Cost of people</b>					
Cost paid to people £					A
Cost incurred in relation to people £					B
Annual cost of people £	-	-	-	-	$C = A + B$
Total available hours per annum (hrs)					D
<b>Hourly cost of people £</b>	-	-	-	-	$F = C / D$

where

- the total available hours per annum is the *Supplier's* staff member total hours per annum (total contracted hours including annual leave entitlements and public holidays) minus any contracted annual leave entitlements, public holidays, and allowances for sickness, training etc.

#### b) – Office Overheads

The cost of the *Supplier's* local office is recovered by adding a percentage uplift to the cost of people working in that office. This overhead percentage covers the cost within the local office of office costs, including rent, service charge, maintenance costs, furniture and fittings, utilities, office equipment, consumables, security, cleaning and non-recoverable administrative staff.

Each office from which staff will be working will have its own overhead percentage with the exception of HE office or on site location, calculated as follows in Table 2

**Table 2 – Office Overheads**

<i>Location</i>		<i>Calculation Method</i>
<b><i>Supplier's Local Office Overhead</i></b>		
Total Cost of local office ( <i>As per 1.6.b above</i> ) £	-	A
Total Cost of people employed in the local office ( <i>As per 1.6.a above</i> ) £	-	B
<i>Supplier's Local Office Overhead</i> (Added to cost of people) %	-	C = A/B

This overhead percentage is applied to the total cost of people working within the *Supplier's* local office, including those making visits away from the office or working on a short-term basis elsewhere not in excess of two weeks.

Where a person works within a *Supplier's* office which is not that person's primary place of work for a continuous period (including any periods of absence from work for any reason) of more than two weeks, the overhead for that office is applied to the cost of people for that person.

Where a person works within an office provided by Highways England (Highways England Office) or works on a Site for a continuous period (including any periods of absence from work for any reason) of more than two weeks, no Supplier Local Office Overhead is applied to the cost of people working in that office.

*Supplier's* office overhead can be claimed once the *Supplier's* people are no longer located in a Highways England Office or a Site.

Where people are co-located in a *Supplier* or a Subconsultant's office, the overhead percentage for that office is applied to the cost of people.

Where the *Supplier* engages a Subcontractor to provide the services, it is deemed that the Subcontractor's personnel works in the Subcontractor's own office. As such, the Subcontractor's Office overhead is included within the Subcontractor's hourly rate, or within the Indirect – Subcontractor Business Overhead percentage.

The calculation of each local office overhead percentage is agreed at the Framework Contract Date and is fixed for the duration of the Framework Contract.

For calculation of the *maximum staff rate*, the highest Office Overhead percentage from the list of each of the office categories (Supplier's Office UK, Supplier's Office Non-UK and Highways England Offices or On Sites) is applied to the hourly cost of people. For calculation of the actual *staff rate*, the relevant Office Overhead percentage for that staff working within is applied to the hourly cost of that staff.

#### c) - Business Overheads

A percentage is added to the hourly cost of people to include allowances for all expenses not otherwise recovered through the contract, together with other overheads. The calculation of this Business Overhead percentage is agreed at the Framework Contract Date and is fixed for the duration of the Framework Contract.

The *Supplier* demonstrates that the build-up and calculations behind the Business Overhead percentage is substantiated by a combination of current and historic costs. The Business Overheads percentage value is fixed for the duration of the Framework for each of the Business Overhead categories listed below.

The relevant Business Overhead percentage is applied to the cost of people working within the *Supplier's* office, including those making visits away from the office or working on a short-term basis elsewhere not in excess of two weeks.

Where people are working within an office which is not that person's normal place of work for a continuous period (including any periods of people absence from work for any reason) in excess of two weeks, the associated Business Overhead percentage for that office is applied to the cost of people. The

associated Business Overhead percentage for a person's normal work place can be claimed once the *Supplier's* people return to their normal work place.

Different Business Overhead percentage can be applied to people (Direct or Indirect dependent) for working within the UK or outside the UK as noted in CRF Design - Quotation Information.

These are the following Business Overhead categories

- Business Overhead UK Direct: is applied to the *Supplier's* directly employed people working in the UK,
- Business Overhead UK Indirect – Agency: is applied to people employed through an Agency working in the UK,
- Business Overhead UK indirect – Subcontractor: is applied to the *Supplier's* Subcontractor people working in the UK,
- Business Overhead Non-UK Direct: is applied to the *Supplier's* directly employed people working outside the UK,
- Business Overhead Non-UK Indirect – Agency: is applied to people employed through an Agency working outside the UK and
- Business Overhead Non-UK Indirect – Subcontractor: is applied to the *Supplier's* Subcontractor people working outside the UK.

Table 3 below identifies the various elements that are included in the Business Overheads.

**Table 3 – Business Overhead Components**

	<b>Business Overhead Components</b>
	franchises, royalties, licences
	accounting, auditing and payroll, business development, procurement and other support services (excluding general and head office management and administration)
	research and development
	publicity, marketing, sales, exhibitions
	entertainment
	rents, rates, leases, services and servicing of premises, stationery, telecommunications, postage charges
	IT/computing (NOTE: IT costs include for the provision and running of laptops / desktops / servers and any software / programmes required to Provide the Works / Provide the Services / undertake the required role/s)
	asset depreciation
	insurance premiums
	the amount of any excess borne by the <i>Supplier</i> in respect of any claims under <i>Client's</i> Liability and Professional Indemnity Insurances
	finance and interest charges
	severance

	bonuses and incentives
	personnel / HR services
	quality assurance
	health and safety
	training
	supply chain
	legal costs
	environmental and sustainability
	management and non-chargeable directors
	adjustment for non-recoverable hours
	other non-recoverable costs (specified by the <i>Supplier</i> in CRF Design - Quotation Information at time of tender)

*Supplier's Fee (Supplier's profit)*

A Fee percentage is applied to the cost of People. The Fee percentage is not included in the calculation of *staff rate*. The percentage is fixed at the Framework Contract Date and is fixed for the duration of the Framework.



## 2 Calculating *staff rates*

- 2.1 For staff working within their contracted hours, the *staff rate* for each person is calculated as follows

**Table 4 – Staff rate**

<i>Location</i>		<i>Calculation Method</i>
<b>People (UK employed) working in <i>Supplier's</i> Offices (UK)</b>		
Hourly cost of People (UK employed) £		A1
<i>Supplier's</i> Local Office Overhead (UK) %		B1
Business Overhead (UK - Direct and Indirect dependent) %		C1
<b>Total rate - <i>Supplier's</i> Offices (UK) £</b>		$R1 = A1 + B1 + C1$
Or for		
<b>People (UK employed) working in <i>Supplier's</i> Office (Outside the UK)</b>		
Hourly cost of People (UK employed) £		A1
<i>Supplier's</i> Non-UK Office Overhead %		B2
Business Overhead (Non-UK – Direct and Indirect dependent) %		C2
<b>Total rate – <i>Supplier's</i> Offices (Non-UK) £</b>		$R2 = A1 + B2 + C2$
Or for		
<b>People (UK employed) working in <i>Highways England</i> Offices or On Sites</b>		
Hourly cost of people (UK employed) £		A1
Business overhead (UK – Direct and Indirect dependent) %		C1
<b>Total rate – <i>Highways England</i> offices or On Site £</b>		$R3 = A1 + C1$
Or for		
<b>People (Non-UK employed) working in <i>Supplier's</i> Office (UK)</b>		
Hourly cost of People (Non-UK employed) £		A2
<i>Supplier's</i> Local Office Overhead (UK) %		B1
Business Overhead (UK – Direct and Indirect dependent) %		C1
<b>Total rate - <i>Supplier's</i> Offices (UK) £</b>		$R4 = A2 + B1 + C1$

Or for		
<b>People (Non-UK employed) working in <i>Supplier's</i> Offices (Outside the UK)</b>		
Hourly cost of People (Non-UK employed) £		A2
<i>Supplier's</i> Non-UK Office Overhead %		B2
Business Overhead (Non-UK – Direct and Indirect dependent) %		C2
<b>Total rate - <i>Supplier's</i> Offices (Non-UK) £</b>		$R5 = A2 + B2 + C2$
Or for		
<b>People (Non-UK employed) working in <i>Highways England</i> Offices or On Site</b>		
Hourly cost of people (Non-UK employed) £		A2
Business Overhead (UK – Direct and Indirect dependent) %		C1
<b>Total rate – <i>Highways England</i> Offices or On Site £</b>		$R6 = A2 + C1$

2.2 The method of payment for time charge items is as follows

- if the *staff rate* nominated in each Work Order is less than the Maximum Staff Rate for the Highways England Role (Highways England Office / on Sites or *Supplier's* Office as applicable) in the CRF Design - Quotation Information then the rate payable is the *staff rate* in the Work Order, if approved by the *Client*, or
- if the *staff rate* nominated in each Work Order exceeds the Maximum Staff Rate (Highways England Office / on Sites or *Supplier's* Office as applicable) for the Highways England Role in the CRF Design - Quotation Information then the rate payable is the Maximum Staff Rate (Highways England Office or *Supplier's* Office as applicable), if approved by the *Client*.

2.3 For staff working outside their contracted hours, the *staff rate* for each person is calculated as follows

- a) if any of the *Supplier's* or Subcontractor's staff are working (whether for the *Client* or any other client) in excess of their equivalent weekly contracted hours (less any hours that they are engaged in non-chargeable activities or activities that are chargeable to other clients) then the *staff rate* for that staff member for those hours worked (in excess of their equivalent weekly contracted is
  - where a member of staff is contracted to work additional hours at no additional recompense the *staff rate* shall be £0.00,

- where a member of staff is recompensed at their normal hourly rate, then the *staff rate* is calculated as the hourly cost of people for that person and
- where a member of staff is recompensed with a different (enhanced or increased) level of wages or salary for working outside their contracted hours, a multiplier for overtime can be applied to adjust the hourly cost of people.

The multiplier in the CRF Design – Quotation Information is to make allowance for the most likely adjustment to be applied for each individual to work in excess of their contracted hours in order to derive the *maximum staff rate* for overtime. This multiplier is fixed for the duration of the Framework Contract.

The actual *staff rate* for overtime is calculated as the hourly cost of people multiplied by the actual multiplier that they receive for working that overtime.

Where the equivalent weekly contracted hours are calculated as the total hours per annum divided by the number of weeks per year the *Supplier's* staff is contracted to work including annual leave entitlements and public holidays; unless

- b) where the *staff rate* exceeds the Maximum Staff Rate (Highways England Office or *Supplier's* Office as applicable) for the Highways England Role then the *staff rate* is the equivalent *staff rate* for the Highways England Role stated in the CRF Design - Quotation Information,
- c) the overtime *staff rate* is only applicable on the basis that a member of staff has exhausted their full contracted hours on this Contract and, in any case, only with the prior approval of the *Service Manager* prior commencement of any overtime work.

The *staff rate* is only revised on each anniversary of the Contract Date unless there is a change in the law related to employer's National Insurance contributions and then only that cost element (National Insurance) will be changed.