Highways England Company Limited

REGIONAL DELIVERY PARTNERSHIP

VOLUME 4

Delivery Integration Partner

Quotation Information

(May 2018)

Lot [●]

Version. No.	Issue Date	Amendments	Initials	Date
1.0	23/04/18	Tender issue		23/04/18
1.1	24/05/18	• Annex C – correction of sentence regarding inflation and the Basket of Goods.	JM	24/05/18
1.2	31/05/18	• Paragraph 4.2 c) – instalment changed from quarterly to monthly • Annex A – replace references to Bravo with "See Volume 4 DIP Index"	CS	31/05/18

Quotation Information - Contents

1 About this document 2

2 Pricing Information 2

Pricing Rules 2

3 Process for agreeing an Early Order lump sum 2

4 Process for agreeing the Cash Flow Forecast 3

5 Process for agreeing the Budget (only for Tranche 1 Schemes transitioning at PCF Stage 5) 4

6 Process for agreeing the Budget (for all other Schemes) 5

7 Process for agreeing the the total of the Prices 6

8 Part 2: Financial Workbook 9

Appendix A: Cost Heads 10

Appendix B: Adjustment of Basket of Good rates for Inflation and regional adjustment 13

Quotation Information

1 About this document

1.1 This document consists of two parts.

1.2 Part 1 (Pricing Information) sets out the processes to be followed in order to agree the components of pricing for Early Orders and Schemes.

1.3 Part 2 (Financial Workbook) is a populated spreadsheet containing all the financial information submitted by the Supplier as part of its tender for the Framework Contract, which will in turn be used to agree the lump sum price for Early Orders and the Cash Flow Forecast, Budget and total of the Prices for Schemes to be delivered by the Supplier.

2 Pricing Information

Pricing Rules

2.1 In this document the pricing rules are that:

a) the Budget for a Scheme must not exceed the Statement of Funds Available notified by the *Client* to the *Supplier*,

b) the resource build-up for a Cash Flow Forecast must be in accordance with the build-up for the sample scheme included in Part 2 of the *quotation information*,

c) the components of pricing included in any submission must not exceed the relevant ceiling rates and percentages stated in Part 2 of the *quotation information* (adjusted if appropriate in accordance with Annex C) and

d) the components of pricing included in any submission must take into account benefits achieved or forecast by the National and Regional Centres of Excellence and the Sustainable Improvement Hub.

3 Process for agreeing an Early Order lump sum

3.1 The Project Manager provides to the Supplier a draft Scope for the Early Order.

3.2 The Supplier assesses the lump sum to be included in the Price List for the Early Order and submits it to the Project Manager for acceptance within the time period specified by the Project Manager.

3.3 The assessment is prepared in accordance with the Pricing Rules based on the financial details contained in Part 2 of the quotation information.

3.4 The Supplier may be required to provide a detailed build-up of the lump sum with its submission, including:

a) a detailed monthly build-up of resources, supported by a fully resourced programme in accordance with section S500 of the Scope,

b) an early warning register informed by a Quantitative Schedule Risk Assessment in accordance with section S205 of the Scope,

c) staff rates and expenses for each functional role and hours per role as per the programme in item a above,

d) a Bill of Quantities in accordance with the *Client's* Work Breakdown Structure and Manual of Contract Documents for Highway Works,

e) substantiated rates used to price the items in (d) above and

f) a full first principle build-up of rate where self-delivered.

3.5 The Project Manager replies within two weeks of the Supplier's submission. If the reply is not acceptance, the Project Manager states the reasons. A reason for not accepting the submission is that

a) the submission does not comply with the Pricing Rules and the other provisions of the contract,

b) the lump sum does not reflect the Scope,

c) the Supplier has not provided the detailed build-up if required by 3.4 above or

d) the Supplier has failed to co-operate with the Project Manager in providing information required to assess the lump sum.

3.6 The Supplier makes a revised submission taking account of the Project Manager's reasons. The Project Manager replies within one week either

a) accepting the revised submission or

b) notifying the Supplier that the revised submission is not accepted for a reason stated in 3.5 above.

3.7 If the Project Manager does not accept the revised submission, the Project Manager assesses the lump sum and notifies the Supplier of the assessment.

4 Process for agreeing the Cash Flow Forecast

4.1 The Supplier prepares a draft Cash Flow Forecast for the Development Phase Activities in relation to a Scheme using the Client's Cash Flow Forecast template and submits it to the Project Manager for acceptance.

4.2 The draft Cash Flow Forecast

a) is prepared in accordance with the Pricing Rules based on the financial details contained in Part 2 of the quotation information,

b) includes separate prices for each of PCF Stages 3, 4 and 5,

c) is broken down into monthly instalments during each PCF Stage and

d) is informed by a detailed resourced programme, setting out the activities to be performed by each identified role or function aligned with the products required to be delivered under the Project Control Framework during each month of each PCF Stage.

4.3 The Project Manager replies within two weeks of the Supplier's submission. If the reply is not acceptance, the Project Manager states the reasons. A reason for not accepting the submission is that

a) the submission does not comply with the Pricing Rules and the other provisions of the contract,

b) the Cash Flow Forecast does not reflect the scope of the Development Phase Activities or

c) the Supplier has failed to co-operate with the Project Manager in providing information required to assess the submission.

4.4 The Supplier makes a revised submission taking account of the Project Manager's reasons. The Project Manager replies within two weeks either

a) accepting the revised submission or

b) notifying the Supplier that the revised submission is not accepted for a reason stated in 4.3 above.

4.5 If the Project Manager does not accept the revised submission, the Project Manager assesses the Cash Flow Forecast and notifies the Supplier of the assessment.

4.6 The Cash Flow Forecast accepted or assessed by the Project Manager is the Cash Flow Forecast.

5 Process for agreeing the Budget (only for Tranche 1 Schemes transitioning at PCF Stage 5)

5.1 The Project Manager provides to the Supplier a draft Budget following agreement of the Cash Flow Forecast for the Scheme.

5.2 If the Supplier considers that the Scheme cannot be completed within the draft Budget provided by the Project Manager, the Supplier notifies the Project Manager of proposed changes to the Budget. If the Supplier does not notify the Project Manager of proposed changes within six weeks, the Supplier is treated as having accepted the draft Budget.

5.3 The Project Manager replies within six weeks of the Supplier's notification. If the reply is not acceptance, the Project Manager states the reasons. A reason for not accepting the notification is that

a) it does not comply with the Pricing Rules and the other provisions of the contract,

b) the revised Budget does not reflect the Scope or

c) the Supplier has failed to co-operate with the Project Manager in providing information required to assess the revised Budget.

5.4 If the Project Manager does not accept the Supplier's notification, the draft Budget provided by the Project Manager becomes the Budget.

6 Process for agreeing the Budget (for all other Schemes)

6.1 The Project Manager provides both historic and forecast costs for the Scheme, incurred directly by the Client in relation to the items of cost listed in the table of Cost Heads at Annex B.

6.2 Following assurance of the Scheme design by the Technical Adviser, the Supplier produces a draft Budget and submits it to the Project Manager for acceptance not later than

a) 12 weeks before the completion of PCF Stage 3 or

b) a later date if the Supplier and the Project Manager agree, but in any event not later than 12 weeks before the start of PCF Stage 5.

6.3 If the draft Budget has not been submitted for acceptance 12 weeks before the completion of PCF Stage 3, the Supplier issues a report to the Project Manager explaining the reasons for the non-submission.

6.4 The Supplier utilises *Client* templates/forms to produce and submit the draft Budget (Annex A):

a) Budget Template

b) Direct Works Price Build template

c) Indirect Works Price Build Template

d) Supply Chain Enquiry Tracker

e) Subcontract Comparison Sheet

f) Contractor Inflation Allowance

g) First Principles Rate Build Template

h) Programme Matrix

i) Schedule of Other Costs

6.5 The draft Budget is prepared in accordance with the Pricing Rules based on the financial details contained in Part 2 of the quotation information. It includes the Supplier's forecast of the costs to be incurred in relation specifically to the Scheme against each of the items listed in the table of Cost Heads at Annex B.

6.6 The draft Budget includes:

a) a full detailed monthly build-up of resources, supported by an assured programme in accordance with section S500 of the Scope,

b) an assured Quantitative Schedule Risk Assessment in accordance with section S205 of the Scope,

c) staff rates and expenses for each functional role and hours per role as per the programme in item a above,

d) a Bill of Quantities (BoQ) for the designed Scope in accordance with the Client's Work Breakdown Structure and Manual of Contract Documents for Highway Works,

e) substantiated rates used to price the items in d above

f) a full first principle build-up of rates where self-delivered and

g) detailed inflation calculations as per the programme in item a above.

6.7 The Project Manager replies within 12 weeks of the Supplier's submission. If the reply is not acceptance, the Project Manager states the reasons. A reason for not accepting the submission is that

a) the submission does not comply with the Pricing Rules and the other provisions of the contract,

b) the draft Budget does not reflect the Scope or

c) the Supplier has failed to co-operate with the Project Manager in providing information required in order to assess the draft Budget.

6.8 The Supplier makes a revised submission taking account of the Project Manager's reasons. The Project Manager replies within two weeks either

a) accepting the revised submission or

b) notifying the Supplier that the revised submission is not accepted for a reason stated in 6.7 above.

6.9 If the Project Manager does not accept the revised submission, the Project Manager assesses the Budget and notifies the Supplier of the assessment.

7 Process for agreeing the the total of the Prices

7.1 The Supplier notifies the Project Manager when the Supplier considers that the Scheme has been developed to a stage where it is feasible to produce the draft total of the Prices for Stage Two.

7.2 If the Project Manager agrees, the Supplier convenes a "Fit to Price" workshop and requests the Technical Adviser, the Client and others nominated by the Client to attend. The Supplier presents details of the Scheme, including the design, programme and early warning register, in the "Fit to Price" workshop.

7.3 If those attending the "Fit to Price" workshop agree that the Scheme has been sufficiently developed and the associated products have been assured, the Project Manager instructs the Supplier to produce the draft total of the Prices for Stage Two.

7.4 The Supplier assesses the draft total of the Prices and submits two copies of the assessment (on a secure electronic device) to the Project Manager for acceptance within 12 weeks of the Project Manager's instruction. The assessment is the forecast Defined Cost of activities, including risk allowances for matters which have a significant chance of occurring and are at the Supplier's risk under this contract, plus the Fee. The assessment is prepared

in accordance with the Pricing Rules based on the financial details contained in the quotation information.

7.5 The Supplier utilises the *Client* templates/forms (detailed in Annex A) to produce the draft total of the Prices (Annex A):

a) Total of the Prices Template

b) Direct Works Price Build template

c) Indirect Works Price Build Template

d) Supply Chain Enquiry Tracker

e) Subcontract Comparison Sheet

f) Contractor Inflation Allowance

g) First Principles Rate Build Template

h) Programme Matrix

7.6 The submission includes

a) a full detailed monthly build-up of resources, supported by an assured programme in accordance with section S500 of the Scope,

b) an assured Quantitative Schedule Risk Assessment in accordance with section S205 of the Scope,

c) staff rates and expenses for each functional role and hours per role as per the programme in item a above,

d) a Bill of Quantities (BoQ) for the designed Scope in accordance with the Client's Work Breakdown Structure and Manual of Contract Documents for Highway Works,

e) substantiated rates used to price the items in d above

f) a full first principle build-up of rates where self-delivered and

g) detailed inflation calculations as per the programme in item a above.

7.7 The Project Manager replies within 12 weeks of the Supplier's submission. If the reply is not acceptance, the Project Manager states the reasons. A reason for not accepting the submission is that

a) the submission does not comply with the Pricing Rules and the other provisions of the contract,

b) the total of the Prices does not reflect the Scope or

c) the Supplier has failed to co-operate with the Project Manager in providing information required in order to assess the draft total of the Prices.

7.8 The Supplier makes a revised submission taking account of the Project Manager's reasons. The Project Manager replies within two weeks either

a) accepting the revised submission or

b) notifying the Supplier that the revised submission is not accepted for a reason stated in 7.7 above.

7.9 If the Project Manager does not accept the revised submission, the Project Manager assesses the total of the Prices and notifies the Supplier of the assessment.

8 Part 2: Financial Workbook

[***Insert at Contract Award***]

Annex A Link to referenced documents

Document Name	Link
Budget Template	See Volume_4_DIP_Index
Total of the Prices Template	See Volume_4_DIP_Index
Direct Works Price Build template	See Volume_4_DIP_Index
Indirect Works Price Build Template	See Volume_4_DIP_Index
Supply Chain Enquiry Tracker	See Volume_4_DIP_Index
Subcontract Comparison Sheet	See Volume_4_DIP_Index
Contractor Inflation Allowance	See Volume_4_DIP_Index
First Principles Rate Build Template	See Volume_4_DIP_Index
Programme Matrix	See Volume_4_DIP_Index

Annex B: Cost Heads

List of Cost Heads		
Reference	**Cost Heads**	**Client / DIP**
	PCF Stage 0	
1	Pre Stage 1 Costs / SOBC	Client
	Mobilisation	
2	Early Order - Mobilisation	DIP / Client
	Options Phase - PCF Stages 1 & 2	
3	Stage 1 Options Identification	Client
4	Stage 2 Options Selection	Client
5	Early Order - Other (Buildability / Surveys / Investigations, Price Agreement, etc)	DIP / Client
	Development Phase - PCF Stages 3 to 5	
6	Advanced Preliminary Design	DIP / Client
7	Preliminary Design	DIP / Client
8	DCO Legal Advice	Client
9	Stage 3 Technical Assurance	Client
10	Stage 3 Commercial Assurance / Management	Client
11	Advance Construction Preparation	DIP / Client
12	Statutory Powers and Procedures	DIP / Client
13	Stage 4 Technical Assurance	Client
14	Stage 4 Commercial Assurance / Management	Client
15	Stage 5 / Construction Preparation	DIP
16	Stage 5 Technical Assurance	Client
17	Stage 5 Commercial Assurance / Management	Client
18	Advanced Stage 6 / Construction	DIP
	Construction & Closeout Phase - PCF Stages 6 & 7	
19	Stage 6 Technical Assurance / Supervision	Client
20	Stage 6 Commercial Assurance / Management	Client
21	Stage 6 Design & Supervision	DIP
22	Construction Costs	DIP
23	Construction Fee	DIP
24	Stage 7 Technical Assurance / Supervision - Closeout	Client
25	Stage 7 Commercial Assurance / Management - Closeout	Client
26	D&B Design & Supervision Handover	DIP
27	Construction Handover	DIP
28	Construction Aftercare	DIP
29	Contractors Share (total of the Prices, Pain / Gain)	DIP
	Other Costs	
	Land	
30	Lands Blight	Client
31	Lands Acquisition	Client
32	Lands Part 1 Claims	Client

List of Cost Heads		
Reference	**Cost Heads**	**Client / DIP**
	Statutory Undertakers	
33	Power - Underground	Client
34	Power - Overhead	Client
35	Telecommunications	Client
36	Water	Client
37	Gas	Client
38	Other SU Costs	Client
	Third Party Costs	
39	Rail Authority costs	Client
40	Environment Agency costs	Client
41	Local Authority costs	Client
42	Other Authorities	Client
43	Community Fund	Client
	Technology Costs	
44	NRTS Costs	Client
45	Bulk Purchase Items	Client
46	RCC Costs	Client
47	DNO Connections	Client
48	Safety Camera Partnership	Client
49	Area Mac / TechMac	Client
50	HADECS communications links annual maintenance costs	Client
51	Evidential Trail Costs	Client
52	Site Data Costs	Client
53	ASC/MAC/AD supplier Costs	Client
54	Advertising & Consultation Costs	Client
55	Licenses / Royalties	Client
	Non Recoverable VAT	
56	Non Recoverable VAT	Client

Annex C: Adjustment of Basket of Good rates for Inflation and regional adjustment

Basket of Goods (BoG)

The rates in the BoG are *Ceiling Rates* for the respective items in the BoG. These are adjusted for inflation on 1st April 2019 and annually thereafter.

Adjustment for Inflation

The BoG *Ceiling Rates* are adjusted on each adjustment date in accordance with the Implied Output Price Indicator for New Construction: Infrastructure.

On each adjustment date, the *Supplier* calculates a price adjustment factor (PAF) equal to (L – B)/B, where L is the latest firm published value of the *index* and B is the last firm value of the *index* published before the previous adjustment date.

Sample Calculation
Rate submitted for item within BoG = £40.00 /m2
Base index value (B) is 100
Latest firm value of index at adjustment date (L) is 103
Then the PAF = (103 – 100)/100 = 0.030
Therefore new *Ceiling Rate* for item within BoG is £40+ (£40 x 0.030) = £41.20 / m2

Regional Adjustment
In the event that the *Supplier* is required to undertake *works* in a region other than that upon which its tender award was based, the rates in the BoG are adjusted in accordance with the Regional index table 3 and Regional Adjustment Factor (RAF).

Regional index table 3

Region	Lot 1	Lot 2	Lot 3	Lot 4	Lot 5	Lot 6	Lot 7	Lot 8
South West	94			94				
Midlands	103				103			
South East		110				110		
East		100					100	
Yorkshire NE			96					96
North West			101					101
Average Index	**99**	**105**	**99**	**94**	**103**	**110**	**100**	**99**

Upon the award date of the Scheme within an Alternative Region, the *Supplier* calculates a regional adjustment factor (RAF) equal to (L – B)/B, where L is the value within table 3 relevant to the Alternative Region and B is the value within table 3 applicable to the Lot/Region upon which the initial tender award was based.

Sample Calculations

Rate submitted for item within basket = £40.00 /m2
Base regional index value (B) is 94 based on a Lot 4 tender submission
Value from within the regional index table for South East (Alternative Region) (L) is 110
Then the RAF = (110 – 94)/94) = 0.1702
New rate for item within basket £40+ (£40 x 0.1702) = £40+6.80 = £46.80 / m2