

Area 4 Interim

Design Services Contract (DSC)

Asset Delivery (AD)

Schedule of Cost Components

1 Overview

- 1.1 This schedule applies to people employed by the *Consultant* and Sub consultants.
- 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 Contract Date,
 - on each anniversary of the Contract Date,
 - 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 Task and
 - staff are re-assigned to a different role.
- 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 *Consultant* 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. The *staff rate* does not exceed the *maximum staff rate* (Highways England Office or *Consultant’s* office as applicable) of staff in Appendix A of the Task Schedule.
- 1.5 The *Consultant* maintains a record of the *staff rate* calculations and a list of the rates for each person. The *Consultant* also maintains a record of staff hours per annum whether working part time or full time on this contract. The *Consultant* 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 Contract Date.
- 1.6 The *Consultant* identifies the costs incurred under the following headings:
1. Cost of people
 2. Office Overheads (which does not exceed the *Consultant’s* Office Overhead percentage value and Highways England Office Overhead percentage value in Appendix A of the Task Schedule)
 3. Business Overheads (which does not exceed the Business Overhead percentage value in Appendix A of the Task Schedule)

4. Subcontract Overheads (which does not exceed the Subcontract Overhead value in Appendix A of the Task Schedule)
5. Profit (which does not exceed the percentage value in Appendix A of the Task Schedule)
6. Sub-Contract Profit (which does not exceed the percentage value in Appendix A of the Task Schedule)

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 *Consultant* identifies:

- costs paid to people. Wages or salary but excluding any form of bonus, benefits in kind and expenses.
- costs incurred in relation to people. *Client'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 Appendix A of the Task Schedule.

For contract staff (Agency Staff) and self-employed people, the hourly rate for a person is the amount paid by the *Consultant* for the services of that person.

The following calculation is carried out to establish the cost of people employed by the *Consultant*:

Post						Calculation Method
Name						
Cost of people						
Cost paid to people	£					A
Cost incurred in relation to people	£					B
Annual cost of people	£	-	-	-	-	$C = A + B$
Total annual hours per annum (hrs)						D
Total annual hours available (hrs)						E
Hourly cost of people	£	-	-	-	-	$F = C / E$

where

- the total hours per annum is the number of hours the *Consultant's* staff member is contracted to work (including contracted annual leave entitlements and public holidays) and

- the annual hours available is the *Consultant's* staff member total hours per annum minus any contracted annual leave entitlements, public holidays, sickness, training etc.

b) – Office Overheads

The cost of the 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 on the task will have its own overhead percentage, calculated as follows:

<i>Location</i>		<i>Calculation Method</i>
Consultant's office overhead		
Cost of office (<i>As per 1.6.b above</i>)	£	- a
Cost of people employed in the office (<i>As per 1.6.a above</i>)	£	- b
Consultant's office overhead (Added to cost of people)	%	- c = a/b

This overhead percentage is applied to people working within the office, including those making visits away from the office or working on a short-term basis elsewhere.

Where staff are working within an office provided by Highways England (Highways England Office) for a continuous period (including any periods of staff absence from work for any reason) in excess of two weeks, Highways England Office Overhead is applied to the cost of people working in that office (Highways England Office) which covers the cost within the local office of the *Consultant's* own IT/telephone equipment, corresponding connections and car parking. *Consultant's* office overhead can be claimed once the *Consultant's* staff returns to working from Highways England Office.

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

The calculation of this percentage is agreed at the date this contract came into existence and is fixed for the duration of the contract.

c) - Business Overheads

A percentage is added to the hourly cost of people to include allowances for all expenses not recovered through the contract, together with other overheads.

The calculation of this percentage is agreed at the date this contract came into existence and is fixed for the duration of the contract.

The *Consultant* demonstrates the build-up and calculations behind the Business Overhead percentages are substantiated by a combination of current and historic costs. The Business Overheads percentage value is fixed for the duration of the contract.

The table 1 below identifies the various elements that are included in the Business Overheads.

Table 1 – Business Overhead Components

Item No	Business Overhead Components
1	Franchises, Royalties, Licences
2	Accounting, Auditing and Payroll, Business Development, Procurement and other support services(ex., general and head office management and administration)
3	Research and Development
4	Publicity, Marketing, Sales, Exhibitions
5	Entertainment
6	Rents, Rates, Leases, Services and Servicing of Premises, Stationery, Telephones, Telex, FAX, Postage charges
7	IT / Computing
8	Asset Depreciation
9	Insurance Premiums
10	The amount of any excess borne by the Contractor in respect of any claims under Employer's Liability and Professional Indemnity Insurances
11	Finance and Interest Charges
12	Severance
13	Bonuses & Incentives
14	Personnel / HR Services
15	Quality Assurance
16	Health and Safety
17	Training
18	Supply Chain
19	Legal Costs
20	Environmental and Sustainability
21	Management and non-chargeable Directors
22	Adjustment for non-recoverable hours - (An adjustment for non-recoverable hours provides for the Consultant to make adjustment for staff who are forecast to bill less than that total working hours per annum specified in the Staff Rates Table.)
23	Other non-recoverable costs - (Other non-recoverable costs - these should include any costs that the Consultant will incur that are not included in the Overheads Build Up)
24	Other Overheads - Total (please use rows below to specify others(if any) that are not covered above)

d) – Subconsultant Overhead

A percentage is added to the hourly cost of Subconsultant to include allowances for all expenses not recovered through the contract, together with other overheads.

This percentage is added in lieu of Business Overhead and Office Overhead (*Consultant's Office* or Highways England Office Overhead). The calculation of this percentage is agreed at the date this contract came into existence and is fixed for the duration of the contract.

e) – Profit (*Consultant's Staff*)

A percentage for profit is applied to the hourly Cost of People. The percentage is fixed at the Contract Date and is fixed for the duration of the contract.

The percentage addition for profit is to be the same for each member of staff; the allowance therefore is required to provide a profit contribution for the *Consultant's staff*. The calculation of this percentage is agreed at the date this contract came into existence and is fixed for the duration of the contract.

f) Profit (Subconsultant staff)

A percentage for Subcontract profit is applied to the hourly Cost of People. The percentage is fixed at the Contract Date and is fixed for the duration of the contract.

The percentage addition for Subcontract profit is to be the same for each Subconsultant; the allowance therefore is required to provide a profit contribution for the *Consultant*. The calculation of this percentage is agreed at the date this contract came into existence and is fixed for the duration of the contract.

2 Calculating *staff rates*

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

	<i>Location</i>		<i>Calculation Method</i>
People working in <i>Consultant's</i> office			
Hourly cost of People	£		A
<i>Consultant's</i> Office overhead	%		B1
Business overhead	%		C
Profit	%		D
Total rate - <i>Consultant's</i> Office	£		$E = A + B1 + C + D$
Or for			
People working in <i>Highways England</i> offices			
Hourly cost of people	£		A
Highways England Office overhead	%		B2
Business overhead	%		C
Profit	%		D
Total rate – <i>Highways England</i> offices	£		$F = A + B2 + C + D$
Or for			
Subcontractors working in <i>Consultant's</i> offices or <i>Highways England</i> offices			
Hourly cost of people	£		A
Subcontract overhead %			B3
Subcontract Profit %			C
Total rate – <i>Consultant's</i> offices or <i>Highways England</i> offices	£		$G = A + B3 + C$

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

- If the *staff rate* nominated in each Task Order is less than the Maximum Staff Rate for the Highways England Role (Highways England Office or *Consultant's* Office as applicable) in Appendix A of the Task Schedule then the rate payable is the *staff rate* in the Task Order, if approved by the *Client*, or
- If the *staff rate* nominated in each Task Order exceeds the Maximum Staff Rate (Highways England Office or *Consultant's* Office as applicable) for the Highways England Role in Appendix A of the Task Schedule then the rate payable is the Maximum Staff Rate (Highways England Office or *Consultant's* Office as applicable), if approved by the *Client*.

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

a) if any of the *Consultant's* or Subconsultant's staff are working (whether for the *Client* or any other client) in excess of their equivalent weekly contracted hours (minus any hours they are engaged on or undertake non-chargeable / billable activities to clients) then the *staff rate* for that staff member for those hours worked (whether for the *Client* or other client) in excess of their equivalent weekly contracted hours (minus any hours they are engaged on or undertake non-chargeable / billable activities to clients) is:

- where a member of staff is contracted to work additional hours at no additional recompense the *staff rate* shall be £0.00
- where the member of staff is recompensed then the *staff rate* is calculated as hourly cost of people + profit percentage only

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

b) the *staff rate* exceeds the Maximum Staff Rate (Highways England Office or *Consultant'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 Appendix A of the Task Schedule.

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.