

Dated

2010

(1) NORTH EAST LINCOLNSHIRE COUNCIL

(2) BALFOUR BEATTY WORKPLACE LIMITED

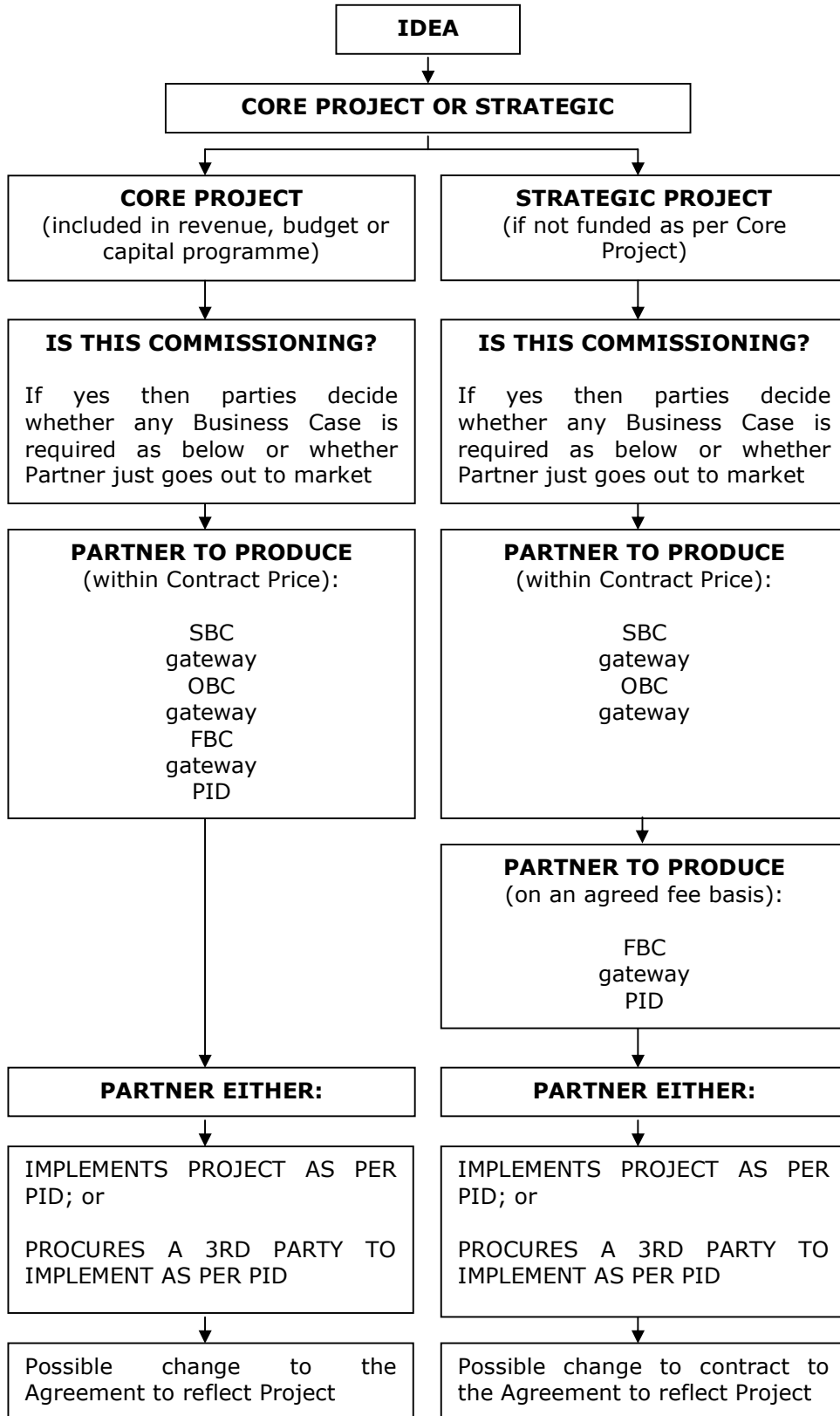
Projects
Schedule 16

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PART 1

Process for Core and Strategic Projects



PART A - CORE PROJECTS

The prescribed content of the SBC, OBC, FBC and PID is set out below in relation to Core Projects. In order to assist with the focus of each Business Case, the parties shall use reasonable endeavours to agree, in advance of the Partner commencing work on the relevant Business Cases, the specific deliverables that are applicable to the Project in question (including any additional content for the Business Case which is necessary but not referenced in this Part A). In respect of any particular Project, the Council may choose to bypass any of these stages or combine it with the following stage, in accordance with **clause 19.1.17** of the Contract.

1. STRATEGIC BUSINESS CASE (SBC)

1.1 The Partner shall ensure that each SBC includes the following information to the extent relevant:

- 1.1.1 an explanation of how the proposed idea for development fits with the Council's policies and strategic objectives (set out in clause 6) building on the factors set out in **clause 19.1.12** of the Contract;
- 1.1.2 the feasibility of the idea for development into a Project taking account of how the Council operates and any technical or organisational issues which would need to be addressed (to the extent the Partner has been made aware of such information by the Council during the Term);
- 1.1.3 a high level description of the broad scope of the Project;
- 1.1.4 a high level risk assessment on the development and deliverability of the Project;
- 1.1.5 a high level description of the following:
 - 1.1.5.1 the likely outcomes of the Project in terms of measurable improvements to meeting the Council's strategic aims as set out in **clause 6.1** of the Contract, achieving measurable improvements to services, cost reductions and/or otherwise;
 - 1.1.5.2 the likely costs to be incurred and resources required from the Council, the Partner and Third Parties;
 - 1.1.5.3 a sensitivity analysis in respect of the variables affecting the costs and resources to enable the Council to understand how the variables may impact upon costs and resources;
 - 1.1.5.4 by whom the Project would be funded including possible funding and pricing options;

- 1.1.5.5 the likely impact on the Services (including Service Levels and Dependencies) and/or the likely impact on the Retained Function (to the extent the Partner is aware of the same);
- 1.1.5.6 the likely key social, economic, environmental and any other relevant implications for the community of the Area;
- 1.1.5.7 the view of the Council's Retained Function as to whether a competitive procurement may be required or may be desirable in relation to the Project; and
- 1.1.5.8 the deliverables to be provided by way of a completed OBC;
- 1.1.6 identification of the broad role for the Council and any other stakeholders or third parties; and
- 1.1.7 any environmental impact / sustainability issues (including an assessment of adherence to the Council's published environmental policy).

2. **OUTLINE BUSINESS CASE**

- 2.1 The Partner shall ensure that each OBC includes the following information to the extent relevant:
 - 2.1.1 enhanced detail of the matters set out in **paragraph 1.1.5** (which were developed at a high level at SBC stage and which remain relevant to the Project);
 - 2.1.2 where appropriate, outline ground condition, environmental, infrastructure and transport surveys and assessments and details of further surveys and/or assessments that would be required as part of an FBC and/or PID but the parties agree that the Partner would commission these from either the Council's capital programme or other external funding secured by the Partner. The Partner will not fund these at its own cost;
 - 2.1.3 a Project overview with objectives of the Project demonstrating (where appropriate) alignment with the Council's corporate and strategic objectives as set out in clause 6;
 - 2.1.4 the broad scope of the Project, key assumptions and exclusions and key critical success factors;
 - 2.1.5 the broad deliverables, indicative time scales, indicative success criteria and likely outcomes in terms of improvements to services, cost reductions or otherwise;

- 2.1.6 the Partner's outline approach to the implementation and delivery of the Project including details of organisation of the Project and roles and responsibilities;
- 2.1.7 the pricing options for the Project as described in **clause 19.7** of the Contract;
- 2.1.8 the funding options for the Project, including options of:
 - 2.1.8.1 opportunities for securing external public funding where relevant; and
 - 2.1.8.2 the use of prudential borrowing;
- 2.1.9 the Partner's proposed charges for producing a FBC, in accordance with **clause 19.6** of the Contract including on a fixed price basis where possible;
- 2.1.10 a consideration of dependencies, risks and assumptions (including a sensitivity analysis on the areas within the Partner's cost base which are subject to a caveat);
- 2.1.11 any significant implications for the Council, the Partner and identifiable Third Parties and their respective personnel (to the extent known by the Partner or which ought reasonably to be known by the Partner); and
- 2.1.12 the view of the Council's Retained Function as to whether a competitive procurement is required or desirable in relation to the Project, a statement as to whether the Partner wishes to and should be entitled to bid in such procurement process and an outline of the potential impact on the Partner's delivery of the Services if the Council were to implement the Project through a Third Party.

3. **FULL BUSINESS CASE**

- 3.1 The Partner shall ensure that the FBC sets out a more comprehensive and detailed analysis of the matters required for the OBC (as stated in **paragraph 2.1**) and the following information to the extent relevant:
 - 3.1.1 the objectives of the Project including the target timetable for achieving those objectives;
 - 3.1.2 a detailed options appraisal, including consequences of not proceeding with the Project and consequences of following other options for achieving the objectives and financial consequences of the various options;
 - 3.1.3 an assessment and proposed allocation of the risks associated with the Project and ways in which the risks will be managed and minimised;

- 3.1.4 the quantum and type of resources which the Council will need to make available (including staff time in implementing business process changes) and any material impact on the Council Supplied Services and Interface Services;
- 3.1.5 a detailed benefits methodology which shall include an identification of improvements, cost savings (including an analysis of the savings that shows the likelihood of them being realised), the actions the Council will need to take to realise them and which proposes who should be accountable for their realisation and other benefits which the Council should enjoy following implementation of the Project and specific, measurable targets for such improvements, cashable cost savings and other benefits;
- 3.1.6 details of any dependencies, risks and assumptions (including a sensitivity analysis on the areas within the Partner's cost base which are subject to a caveat);
- 3.1.7 any potential adverse impact or disruption to the Council and any consequent adverse impact on the ability of the Council to own, access and/or use the Partner Assets on expiry or termination of the Agreement or on the proper operation of the business continuity and exit transition arrangements under the Agreement (in each case to the extent known or which ought reasonably to be known by the Partner);
- 3.1.8 a description of the scope and nature of any business process re-engineering which would need to be undertaken at the Council in connection with the Project;
- 3.1.9 the Project timetable, milestones and success criteria (including the date for commencement of the designated activity in respect of the Project);
- 3.1.10 any ICT or other assets which would need to be procured or deployed and such information in relation to these assets as is reasonably required by the Council in order to enable the Council to obtain independent advice on these if necessary;
- 3.1.11 the training which would be required to Council employees as part of the Project;
- 3.1.12 evidence to demonstrate that the Partner (or where it is proposed that a Third Party, as the Partner's sub-contractor, will implement the Project, the Third Party) has the required skills, expertise, experience and resources to implement the Project. This evidence may include client references, case studies, professional and/or industrial awards and accreditation (as appropriate) and such other evidence as the Council may reasonably require;

- 3.1.13 (without prejudice to **clause 19.4.6** of the Contract), an assessment of proposed Changes to the Services and/or this Agreement as a consequence of the Project including any proposed adjustment to the cap on liability under **clause 48** (Indemnities and Limitation of Liability) of the Agreement;
- 3.1.14 the financial consequences of implementing the Project, in accordance with the principles set out in **clause 19.7** of the Contract, and demonstration that the Project represents value for money for the Council including by:
 - 3.1.14.1 providing comprehensive pricing details on an Open Book basis;
 - 3.1.14.2 providing reasonable assistance to the Council should it wish to undertake any benchmarking or market testing of the prices against those payable in comparable situations;
 - 3.1.14.3 providing any assumptions upon which the price is based and any tolerances which will be validated at PID stage which are not otherwise explicitly stated; and
 - 3.1.14.4 identification of any elements of the Project which are already within the scope of the Services and within the existing Contract Price;
- 3.1.15 the Partner's proposal as to the ownership of Intellectual Property Rights and Know-how likely to be generated by the development and implementation of the Project (expanding upon the information set out in the OBC), if different from the arrangements envisaged by this Agreement including a reasoned justification for the proposed departure from such arrangements;
- 3.1.16 where appropriate given the nature of the implementation of the proposed Project, service level agreements for the services under the proposed Project and such service level agreements (where relevant) are to follow broadly the format in content of the Service Levels in relation to the Services and to contain full outcome and output based service descriptions response times and minimum availability for those Services as appropriate, together with key performance standards which show Best Industry Practice standards, and where relevant link to improvements in KPIs within the existing Services;
- 3.1.17 any employees of the Council who would be affected by the Project and the employment of whom the Partner considers may transfer to the Partner or be seconded to the Partner if the Partner were to carry out the implementation of the Project;

- 3.1.18 any employees of the Partner, which the Partner considers would transfer to the Council or Third Party if the Partner were to implement the Project together with full employee details and terms and conditions, baseline costs and the proposed date of such transfer and where applicable **clauses 22** (TUPE and Staffing), **23** (Pensions) and **56.8 to 56.10** (Termination and Expiry Consequences) of the Agreement shall apply to the proposed transfer);
- 3.1.19 any ICT or other assets of the Council and any contracts or licences which the Council may have with Third Parties which the Partner would wish to have available to it in order to carry out the Project;
- 3.1.20 any assets of the Partner and any contracts or licences which the Partner may have with Third Parties which the Partner considers would transfer back to the Council as part of the implementation of the Project (and **Part J** (Termination and Expiry Consequences) shall apply to the proposed transfer);
- 3.1.21 the financial model information as more particularly specified in the Pricing Schedule;
- 3.1.22 any other information as is relevant in the circumstances, including the information which would be provided as part of an Impact Assessment pursuant to the Change Control Schedule and any information reasonably requested by the Council;
- 3.1.23 the Partner shall produce a draft business continuity plan where appropriate; and
- 3.1.24 proposal as to any liquidated damages which the Partner would be liable to pay to the Council for each day by which the Partner fails to achieve the Milestones by the relevant Milestone Dates.

4. **Project Initiation Document (PID)**

4.1 The PID shall include:

- 4.1.1 the agreed plan for implementing/delivering the Project using the information approved at OBC or FBC (as appropriate) (including the date for commencement of the designated activity in respect of the Project);
- 4.1.2 the agreed final costs of implementing the Project (on an Open Book Basis); and
- 4.1.3 the agreed final pricing details in respect of the Project.

PART B - STRATEGIC PROJECTS

The prescribed content of the SBC, OBC, FBC and PID is set out below in relation to Strategic Projects. In order to assist with the focus of each Business Case, the parties shall use reasonable endeavours to agree, in advance of the Partner commencing work on the relevant Business Cases, the specific deliverables that are applicable to the Project in question (including any additional content for the Business Case which is necessary but not referenced in this Part B. In respect of any particular Project, the Council may choose to bypass any of these stages or combine it with the following stage, in accordance with **clause 19.1.17** of the Contract.

1. STRATEGIC BUSINESS CASE (SBC)

1.1 The Partner shall ensure that each SBC includes the following information to the extent relevant :

- 1.1.1 an explanation of how the proposed idea for development fits with the Council's policies and strategic objectives set out in clause 6 building on the factors set out in **clause 19.1.12** of the Contract;
- 1.1.2 outline of the scheme and an initial assessment of viability of the scheme;
- 1.1.3 identification of the broad role for the Council and any other stakeholders or Third Parties.
- 1.1.4 options for the delivery vehicle and involvement of third parties;
- 1.1.5 where relevant, a high level assessment of the regeneration priority
- 1.1.6 the feasibility of the idea for development into a Project taking account of how the Council operates and any technical or organisational issues which would need to be addressed (to the extent the Partner has been made aware of such information by the Council during the Term);
- 1.1.7 a high level description of the broad scope of the Project;
- 1.1.8 a high level risk assessment on the development and deliverability of the Project;
- 1.1.9 a high level description of the following:
 - 1.1.9.1 the likely outcomes of the Project in terms of measurable improvements to meeting the Council's strategic aims as set out in **clause 6.1** of the Contract, achieving measurable improvements to services, cost reductions and/or otherwise;
 - 1.1.9.2 the likely costs to be incurred and resources required from the Council, the Partner and Third Parties;

- 1.1.9.3 a sensitivity analysis in respect of the variables affecting the costs and resources to enable the Council to understand how the variables may impact upon costs and resources;
- 1.1.9.4 by whom the Project would be funded including any possible funding and pricing options;
- 1.1.9.5 the likely impact on the Services (including Service Levels and Dependencies) and/or the likely impact on the Retained Function (to the extent the Partner is aware of the same);
- 1.1.9.6 the likely key social, economic, environmental and any other relevant implications for the community of the Area;
- 1.1.9.7 the view of the Council's Retained Function as to whether a competitive procurement may be required or may be desirable in relation to the Project; and
- 1.1.9.8 any environmental impact / sustainability issues (including an assessment of adherence to the Council's published environmental policy).

2. **OUTLINE BUSINESS CASE**

- 2.1 The Partner shall ensure that each OBC includes the following information to the extent relevant:
 - 2.1.1 enhanced detail of the matters set out in **paragraph 1.1.9** (which were developed at a high level at SBC stage) and which remain relevant to the Project;
 - 2.1.2 viability of the Project;
 - 2.1.3 preferred delivery vehicle and role of any stakeholders in the vehicle;
 - 2.1.4 where relevant a land and/or infrastructure strategy and details of land use mix;
 - 2.1.5 design guidance;
 - 2.1.6 where appropriate, outline ground condition, environmental, infrastructure and transport surveys and assessments and details of further surveys and/or assessments that would be required as part of an FBC and/or PID but the parties agree that the Partner would commission these from either the Council's capital programme or other external funding secured by the Partner. The Partner will not fund these at its own cost;

- 2.1.7 sufficient information regarding the proposed Project to enable the Council to approve or reject the Project in principle and to enable it to decide whether to proceed to FBC;
- 2.1.8 a Project overview with objectives of the Project demonstrating (where appropriate) alignment with the Council's corporate and strategic objectives set out in clause 6;
- 2.1.9 the broad scope of the Project, key assumptions and exclusions and key critical success factors;
- 2.1.10 the broad deliverables, indicative time scales, indicative success criteria and likely outcomes in terms of improvements to services, cost reductions or otherwise;
- 2.1.11 the Partner's outline approach to the implementation and delivery of the Project including details of organisation of the Project and roles and responsibilities;
- 2.1.12 the pricing options for the Project as described in **clause 19.7** of the Contract.
- 2.1.13 the funding options for the Project, including options of:
 - 2.1.13.1 opportunities for securing external public funding where relevant;and
 - 2.1.13.2 the use of prudential borrowing;
- 2.1.14 the Partner's proposed charges for producing an FBC, in accordance with **clause 19.6** of the Contract including on a fixed price basis where possible;
- 2.1.15 a consideration of dependencies, risks and assumptions (including a sensitivity analysis on the areas within the Partner's cost base which are subject to a caveat);
- 2.1.16 any significant implications for the Council, the Partner and identifiable Third Parties and their respective personnel (to the extent known by the Partner or which ought reasonably to be known by the Partner); and
- 2.1.17 the view of the Council's Retained Function as to whether a competitive procurement is required or desirable in relation to the Project, a statement as to whether the Partner wishes to and should be entitled to bid in such procurement process and an outline of the potential impact on the Partner's delivery of the Services if the Council were to implement the Project through a Third Party.

3. **FULL BUSINESS CASE**

3.1 The Partner shall ensure that the FBC sets out a more comprehensive and detailed analysis of the matters required for the OBC (as stated in **paragraph 2.1**) and the following information:

- 3.1.1 details of the delivery vehicle;
- 3.1.2 detailed funding proposals and plan;
- 3.1.3 plan for obtaining commitments from stakeholders and other Third Parties;
- 3.1.4 proposed governance arrangements for the delivery vehicle and for relationships with funders and stakeholders;
- 3.1.5 detailed design and infrastructure proposals;
- 3.1.6 where appropriate, tender specification and design;
- 3.1.7 plan for any relevant land acquisitions;
- 3.1.8 plan for obtaining planning approval
- 3.1.9 the objectives of the Project including the target timetable for achieving those objectives;
- 3.1.10 a detailed options and development appraisal, including consequences of not proceeding with the Project and consequences of following other options for achieving the objectives and financial consequences of the various options;
- 3.1.11 an assessment and proposed allocation of the risks associated with the Project and ways in which the risks will be managed and minimised;
- 3.1.12 the quantum and type of resources which the Council will need to make available (including staff time in implementing business process changes) and any impact on the Council Supplied Services and Interface Services;
- 3.1.13 where appropriate, a detailed benefits methodology which shall include an identification of improvements, cost savings (including an analysis of the savings that shows the likelihood of them being realised, the actions the Council will need to take to realise them and which proposes who should be accountable for their realisation and other benefits which the Council should enjoy following implementation of the Project and specific, measurable targets for such improvements, cashable cost savings and other benefits;

- 3.1.14 details of any dependencies, risks and assumptions (including a sensitivity analysis on the areas within the Partner's cost base which are subject to a caveat);
- 3.1.15 any potential adverse impact or disruption to the Council and any consequent adverse impact on the ability of the Council to own, access and/or use the Partner Assets on expiry or termination of the Agreement or on the proper operation of the business continuity and exit transition arrangements under the Agreement (in each case to the extent known or which ought reasonably to be known by the Partner);
- 3.1.16 the Project timetable, milestones and success criteria (including the date for commencement of the designated activity in respect of the Project);
- 3.1.17 where appropriate, any ICT or other assets which would need to be procured or deployed and such information in relation to these assets as is reasonably required by the Council in order to enable the Council to obtain independent advice on these if necessary;
- 3.1.18 the training which would be required to Council employees as part of the Project;
- 3.1.19 evidence to demonstrate that the Partner (or where it is proposed that a Third Party, as the Partner's sub-contractor, will implement the Project, the Third Party) has the required skills, expertise, experience and resources to implement the Project. This evidence may include client references, case studies, professional and/or industrial awards and accreditation (as appropriate) and such other evidence as the Council may reasonably require;
- 3.1.20 (without prejudice to **clause 19.4.6** of the Contract), an assessment of proposed changes to the Services and/or the Agreement as a consequence of the Project including any proposed adjustment to the cap on liability under **clause 48** (Indemnities and Limitation of Liability) of the Agreement;
- 3.1.21 the financial consequences of implementing the Project, in accordance with the principles set out in **clause 19.7** of the Contract, and demonstration that the Project represents value for money for the Council including by:
 - 3.1.21.1 providing comprehensive pricing details on an Open Book, basis;
 - 3.1.21.2 providing reasonable assistance to the Council should it wish to undertake any benchmarking or market testing of the prices against those payable in comparable situations;

- 3.1.21.3 providing any assumptions upon which the price is based and any tolerances which will be validated at PID stage which are not otherwise explicitly stated; and
- 3.1.21.4 identification of any elements of the Project which are already within the scope of the Services and within the existing Contract Price;
- 3.1.22 the Partner's proposal as to the ownership of Intellectual Property Rights and Know-how likely to be generated by the development and implementation of the Project (expanding upon the information set out in the OBC), if different from the arrangements envisaged by this Agreement including a reasoned justification for the proposed departure from such arrangements;
- 3.1.23 where appropriate given the nature of the implementation of the proposed Project, service level agreements for the services under the proposed Project and such service level agreements to follow broadly the format in content of the Service Levels in relation to the Services and to contain full outcome and output based service descriptions response times and minimum availability for those Services as appropriate, together with key performance standards which show Best Industry Practice standards, and where relevant link to improvements in KPIs within the existing Schedules and Services;
- 3.1.24 any employees of the Council who would be affected by the Project and the employment of whom the Partner considers may transfer to the Partner or be seconded to the Partner if the Partner were to carry out the implementation of the Project;
- 3.1.25 any employees of the Partner, which the Partner considers would transfer to the Council or Third Party if the Partner were to implement the Project together with full employee details and terms and conditions, baseline costs and the proposed date of such transfer and where applicable **clauses 22** (TUPE and Staffing), **23** (Pensions) and **56.8 to 56.10** (Termination and Expiry Consequences) of the Agreement shall apply to the proposed transfer);
- 3.1.26 where appropriate, any ICT or other assets of the Council and any contracts or licences which the Council may have with Third Parties which the Partner would wish to have available to it in order to carry out the Project;
- 3.1.27 any assets of the Partner and any contracts or licences which the Partner may have with Third Parties which the Partner considers would transfer back to the Council as part of the implementation of the Project (and **Part**

J (Termination and Expiry Consequences) shall apply to the proposed transfer);

- 3.1.28 where appropriate, the financial model information as more particularly specified in the Pricing Schedule;
- 3.1.29 any other information as is relevant in the circumstances, including the information which would be provided as part of an Impact Assessment pursuant to the Change Control Schedule and any information reasonably requested by the Council;
- 3.1.30 the Partner shall produce a draft business continuity plan where appropriate; and
- 3.1.31 proposal as to any liquidated damages which the Partner would be liable to pay to the Council for each day by which the Partner fails to achieve the Milestones by the relevant Milestone Dates.

4. Project Initiation Document (PID)

4.1 The PID shall include:

- 4.1.1 the agreed plan for implementing/delivering the Project using the information approved at OBC or FBC (as appropriate) (including the date for commencement of the designated activity in respect of the Project);
- 4.1.2 the agreed final costs of implementing the Project (on an Open Book Basis); and
- 4.1.3 the agreed final pricing details in respect of the Project.

APPENDIX 1 - OJEU NOTICE

OJEU



OJEU Supplement

