

**0841A alternative proposal**

**Business Plan Information Rules**

**Purpose**

The purpose of this document is to specify the relevant information categories that the CDSP shall ensure are satisfied in the draft and final versions of the CDSP Budget and that the Contract Management Committee shall use to assess whether the draft and final versions of the CDSP Budget have met the requirements.

For the avoidance of doubt, meeting the requirements of the Business Plan Information Rules in relation to the specified information categories is not relevant to the Statement of Planning Principles. The CDSP may of course make use of the Business Plan Information Rules to support preparation of any material throughout the business planning cycle if it finds it helpful to do so.

**Transparency**

The CDSP shall use its reasonable endeavours to demonstrate transparency with respect to the development and content of the CDSP Budget. The CDSP shall ensure the minimum level of transparency that DSC Parties and other interested stakeholders require in order to meaningfully scrutinise the draft and final versions of the CDSP Budget.

The CDSP shall discuss with the Contract Management Committee at the start of the Annual Process the lowest level of granularity for each information category the CDSP shall present in the draft and final versions of the CDSP Budget to satisfy the Business Plan Information Rules.

The CDSP shall publish the following on a dedicated, and unrestricted section of its website:

- draft Statement of Planning Principles and supporting material;
- non-confidential feedback on the draft Statement of Planning Principles;
- Final Statement of Planning Principles and supporting material;
- draft CDSP Budget and supporting material;
- non-confidential feedback on the draft CDSP Budget;
- further draft(s) of the CDSP Budget and supporting material;
- non-confidential feedback on further draft(s) of the CDSP Budget; and
- final CDSP Budget and supporting material.

The CDSP may exclude information considered confidential from the draft or final CDSP Budget, but only by exception. Information that has been excluded from the draft or the final CDSP Budget must be clearly and comprehensively described in a 'Redaction Statement' in the CDSP Budget. The 'Redaction Statement' must include:

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- descriptions of the information that has been excluded;
- the reasons and justification for the exclusions;
- the interest, commercial or otherwise, that the CDSP considers would be prejudiced by disclosure;
- the CDSP's opinion of the extent to which the exclusions will curtail assessment of the CDSP Budget; and
- descriptions of the alternative ways in which the CDSP has sought to enable scrutiny of the CDSP Budget in lieu of the exclusions.

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For the avoidance of doubt, the CDSP **may** share the full and unredacted versions of the above items, excluding feedback received in confidence, with the Committee.

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### Stakeholder engagement

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The CDSP shall conduct robust and high-quality engagement with stakeholders to inform the content of the Statement of Planning Principles and the CDSP Budget.

In the draft and final versions of the CDSP Budget, the CDSP shall explain:

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- how it actively sought views from stakeholders;
- how the content reflects and is informed by feedback from stakeholders;
- how the selected expenditure plans and investment options reflect stakeholders' priorities; and
- the reasons why any stakeholder feedback was not incorporated into the content.

In the CDSP Budget, the CDSP shall also explain how it will carry out robust and high-quality engagement with stakeholders during Year Y relating to:

- finalising activities and Costs that were uncertain and could not have been confirmed when the CDSP Budget was set;
- agreeing activities and Costs for which the need may arise during Year Y; and
- tracking progress of the delivery of the CDSP Budget, including transparent metrics which will enable stakeholders to assess progress and performance.

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### Current performance

In the draft and final versions of the CDSP Budget, the CDSP shall describe performance during Year Y-1 and explain how that performance has informed the CDSP Budget for Year Y. The values of the Forecast Over/Under Amount for Year Y-1 and the Outturn Over/Under Amount for Year Y-2 must be stated in the CDSP Budget.

For the levels of performance and service the CDSP has achieved and/or expects to achieve during Year Y-1, the CDSP Budget must include an explanation of:

- the differences between what the CDSP expected when the CDSP Budget for Year Y-1 was set and what the CDSP has achieved and/or expects to achieve during Year Y-1;
- the factors that have caused the differences;
- the impact of each factor;
- the steps that the CDSP has taken and will take during Year Y-1 to ensure levels of performance and service levels to be achieved during Year Y-1 do not fall below what was expected when the CDSP Budget for Year Y-1 was set; and
- how the differences between what the CDSP expected when the CDSP Budget for Year Y-1 was set and what the CDSP has achieved and/or expects to achieve during Year Y-1 have been considered when preparing the CDSP Budget for Year Y.

For the Forecast Over/Under Amount for Year Y-1, the CDSP Budget must include:

- details of the Forecast Over/Under Amount for Year Y-1;
- descriptions of the factors that have caused and will cause the Forecast Over/Under Amount for Year Y-1;
- quantification of impact of each factor on the Forecast Over/Under Amount for Year Y-1; and
- an explanation of how the Forecast Over/Under Amount for Year Y-1 has been considered when preparing the CDSP Budget for Year Y.

For the Outturn Over/Under Amount for Year Y-2, the CDSP Budget must include:

- details of the Outturn Over/Under Amount for Year Y-2;
- descriptions of the factors that have caused and will cause the Outturn Over/Under Amount for Year Y-2;
- quantification of impact of each factor on the Outturn Over/Under Amount for Year Y-2; and
- an explanation of how the Outturn Over/Under Amount for Year Y-2 has been considered when preparing the CDSP Budget for Year Y.

## Outputs

In the draft and final versions of the CDSP Budget, the CDSP shall describe the outcomes it proposes to achieve for Customers and consumers by the end of Year Y. The CDSP shall also describe the outputs its proposes to deliver in order to achieve those outcomes. The proposed commitments (outcomes and outputs) must be appropriate, well-evidenced and reflect **maintenance of existing Key Performance Metrics or** improvement.

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In the draft and final versions of the CDSP Budget, the CDSP shall explain:

- the measures of the existing levels of service that Customers and consumers receive and how the proposed levels of service for Year Y represent either **maintenance of existing Key Performance Metrics or** an improvement;
- how the CDSP will measure and report on progress against the proposed commitments;
- how the CDSP will seek feedback on its performance and progress against the commitments;
- the potential consequences to Customers, consumers and the CDSP of the non-delivery of each commitment; and
- where relevant, the levels of service that are provided by comparator organisations.

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The CDSP shall propose commitments that:

- reflect the services that Customers and consumers require;
- are as complete as possible in capturing the activities and Costs of the CDSP;
- represent long-term value for Customers and consumers; and
- where relevant, allow comparison to outputs and outcomes delivered by comparator organisations.

#### **Investment proposals**

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In the draft and final versions of the CDSP Budget, the CDSP shall clearly justify the need for each proposed Investment.

For each proposed Investment, the CDSP shall:

- explain why the Investment is needed;
- describe the drivers for the level of Investment and describe the drivers;
- describe the options considered for meeting Customers' and consumers' needs over the medium- to long-term and the outputs that are associated with each option;
- describe the approach for comparing investment options;
- state any underlying assumptions and describe inputs;
- explain why the preferred option was selected and why other options were discounted, including the reasoning and the assessment against selection criteria;
- describe in detail any impacts on service and performance during delivery, the risks associated with delivery and the proposed approaches to mitigating those risks;
- demonstrate that the proposed Investment represents value for money for Customers and consumers;
- present the expenditure profile;
- explain how the Costs to be recovered will be allocated to Customer Classes and justify the

- proposed allocation; and
- explain the reason(s) if any of the associated Costs will not be categorised as Investment Costs.

Each Investment proposal must be accompanied by a cost-benefit analysis (CBA). The CDSP shall use the CBA as a robust decision support tool in conjunction with other appropriate means of justifying the proposed Investment and the selection of the preferred option. Each CBA must include, where known at the time of publication:

- the detailed methodology;
- evidence of a structured approach to identifying and developing options;
- the “Do Nothing” option and, where relevant, the “Deferral” option;
- the value of each option across a range of plausible scenarios and sensitivities;
- the outputs that would be delivered by each option;
- an explanation and the supporting analysis of how the preferred option was selected and why the other options were considered less beneficial;
- the risks, costs and benefits that have not been considered or monetised as part of the analysis; and
- assumptions, inputs, calculations and results.

For the avoidance of doubt, the CBAs form a part of the CDSP Budget and must be published in the draft and final versions of the CDSP Budget.

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### Costs and expenditure

In the draft and final versions of the CDSP Budget, the CDSP shall include the details of the resources needed to deliver all proposed activities and commitments by the end of Year Y. The CDSP shall:

- state the value of the total expenditure required to deliver CDSP Services regardless of the extent to which the expenditure is treated as Costs;
- clearly set out the key drivers of Costs;
- explain its **Costs and** workload forecasts, particularly where these diverge from historical trends;
- present the **Costs and** workload forecasts at a detailed level, including differentiating between ‘internal’ and ‘external’ **Costs and** compare the forecasts to historical data;
- justify the proposed combination of ‘internal’ and ‘external’ resources;
- explain in detail the activities it has undertaken to satisfy itself that the ‘external’ Costs are efficient and represent value for money;
- explain how efficiency and innovation will be used to reduce Costs;
- present expenditure profiles.

**Commented [TS9]:** 0841 has added in 'Resources'. This is not proposed to be added to 0841A as the definition of Costs (in BCM ... see earlier comment about defined terms), is '*means any cost, debt, expense, liability or other outgoing of the CDSP, however arising or incurred, but not including amortisation or depreciation*', and as such would appear to cover resources.

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In the draft and final versions of the CDSP Budget, the CDSP shall demonstrate that the level of resources its proposes are required to all proposed activities and commitments are efficient. The CDSP Budget must include:

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- a comparison of efficiency forecasts against efficiency gains realised in previous periods;
- a description of how the CDSP sought to identify efficiencies;
- evidence of the efficiency of the proposed expenditure, for example as compared to historical benchmarks and/or benchmarking with relevant comparators including other monopoly service providers;
- justification for the relevant comparators selected;
- details of the assumptions and the justification for projected changes in the efficient levels of unit costs over time (i.e. ongoing efficiencies) caused by improvements in delivery, innovation, procurement, etc.;
- an explanation of how any historical data has been used to derive efficiency forecasts, including a justification for the time period selected;
- an explanation of how the enduring effects from efficiencies generated from Investments have been included;
- an explanation of the interactions between ongoing efficiency forecasts and the quality of outputs.

In the draft and final versions of the CDSP Budget, the CDSP shall robustly justify the proposed application of inflation to the categories of Costs. The CDSP shall also explain why the way in which it proposes to apply inflation to the categories of Costs best represents Customers' and consumers interests.

#### Allocation of Costs to Customer Classes

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In the draft and final versions of the CDSP Budget, the CDSP shall present and justify the allocation of Costs to Customer Classes for each item (e.g. CDSP Service or Investment). For each item, the CDSP Budget must include:

- the methodology used to derive the allocation;
- the details of any assumptions; and
- descriptions of the data relied on to derive the allocation.

#### Assurance activities

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At the request of DSC CoMC, in the draft and final versions of the CDSP Budget, the CDSP shall include details of assurance activities conducted by, the DSC Internal Audit Process, the DSC CoMC or sufficiently independent third-party with the intention to demonstrate that the CDSP Budget is robust in content and in relation to meeting the BPIR requirements. The CDSP Budget must include:

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- descriptions of the assurance activities undertaken and the findings of those assurance activities;
- descriptions of any remedial actions that were required as a result of the assurance activities and confirmation that the remedial actions were satisfactorily completed;
- descriptions of the CDSP's (or the CDSP's Board's) conclusions in the statement and the evidence that supports the conclusions.

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The scope of the assurance activities may include:

- an assessment of the extent to which the Business Plan Information Rules have been satisfied in the draft and final versions of the CDSP Budget and the supporting material; and
- proportionate checks (for example through a sampling approach or other standard practice) to validate the accuracy and consistency of the numbers presented in the CDSP Budget and the supporting material.

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