

SCHEDULE 9

CONTRACTS CODE - BUILDING AND ENGINEERING WORKS ABERTAWE BRO MORGANNWG UNIVERSITY LHB

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TABLE OF CONTENTS

| CONTRACTS CODE - BUILDING AND ENGINEERING WORKS | Page |
|---|-------------|
| No. | |
| BE1 Introduction | 3 |
| BE2 Tenders | 3 |
| BE3 Contractor Lists | 3 |
| BE4 Estimates | 4 |
| BE5 Control of Building and Engineering Schemes | 4 |
| BE6 Number of Quotations to be Invited | 5 |
| BE7 Number of Tenders to Be Invited | 5 |
| BE8 Authority to Invite Tenders | 6 |
| BE9 Invitations to Tender - Nominated Sub-Contractors & Nominated Suppliers | 6 |
| BE10 Tender Documents | 7 |
| BE11 Time Allowed for Tendering | 8 |
| BE12 Receipt and Safe Custody of Tenders and Records | 8 |
| BE13 Opening and Validity of Tenders | 8 |
| BE14 Admissibility of Tenders | 8 |
| BE15 Examination of Tenders | 8 |
| BE16 Acceptance of Tenders | 9 |
| BE17 Forward Ordering and Letters of Intent | 10 |
| BE18 Notification of Result of Tenders | 10 |
| BE19 Terms and Conditions of Contract | 11 |
| BE20 Alternative Procedures | 12 |
| BE21 Quotations | 13 |
| BE22 Appointment of Nominated Consultants | 13 |
| BE23 Technical Brief | 14 |
| BE24 Preparation of a Business Case | 14 |

BE1 INTRODUCTION

- 1.1 This Contracts Code - Building and Engineering Works - shall apply to all contracts entered into by the LHB.
- 1.2 This Contracts Code - Building and Engineering Works - shall have effect as if incorporated in the Standing Orders of the LHB.
- 1.3 The appointment of Project Managers and Design Consultants shall be in accordance with BE22.
- 1.4 Contracts shall be managed in accordance with the guidance contained in the Capital Investment Manual and Supplementary Guidance about Private Finance Initiatives; the Capital Project Control Manual; Concode; Contracts and Commissions for the NHS Estate, Volumes 1 and 2, and also to the requirements of the EU Procurement Directives relating to Works, Supplies and Services Contracts.
- 1.5 The LHB operates a Local Framework Agreement and the majority of capital works will be procured via this process or the All Wales D4L Frameworks. This Contracts Code sets out the additional requirements for managing capital schemes undertaken outside existing Framework arrangements. However the principles will also apply to Framework contracts where applicable.
- 1.6 This schedule should be read in conjunction with Schedule 11, Capital Control Manual.

BE2 TENDERS

- 2.1 Except as otherwise provided in the Contracts Code companies must be appointed from within the Local Framework Agreement or competitive tenders shall be obtained and Contracts shall be entered into for all building and engineering works.
- 2.2 Tenders shall be obtained only from contractors included in the appropriate lists compiled in accordance with Section BE3 of this Contracts Code or from the relevant Framework Agreement.

BE3 CONTRACTOR LISTS

- 3.1 The Director of Strategy shall ensure that a Register of Contractors shall be maintained of those companies who may be considered to undertake work for the LHB.
- 3.2 The Director of Strategy shall maintain a bound register of contractors and consultants, which shall be available to the Director of Finance if required.
- 3.3 The Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy shall apply for a contractor from the Local Framework Agreement or prepare a suggested tender list from the

register. These companies shall be contacted to ensure that they wish to tender and their response maintained on the scheme file. Those applicants satisfying the LHB's criteria shall then be financially vetted. Professional references shall be sought for any company that has not worked for the LHB in the past 2 years.

- 3.4 Overall monitoring of the contracts shall be the responsibility of the Director of Finance and Chief Executive who shall present a report annually to the LHB showing the number and value of all contracts placed during the year in excess of £25,000 exclusive of VAT, to enable comparisons to be made with previous periods, and the extent to which contracts have been distributed to contractors. A similar schedule should be produced for Consultants appointed under BE22.
- 3.5 The Chief Executive shall submit a detailed report to the LHB Board of instances where consultants and contractors go into Receivership/Liquidation whilst undertaking contracts for the LHB.

BE4 ESTIMATES

- 4.1 Before any Building and Engineering works in excess of £25,000 exclusive of VAT are undertaken the Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy shall ensure that a pre-tender estimate is prepared and this must be within the approved budget cost for the scheme. In the event of the pre-tender estimate being in excess of the approved budget cost, the approval of the Director of Strategy must be obtained before tenders are invited, and ratified by the Strategy, Planning and Commissioning Committee.
- 4.2 Prior to invitations to tender being made a Certificate of Readiness to Proceed to Tender shall be completed in accordance with the Capital Projects Control Manual (Schedule 11).

BE5 CONTROL OF BUILDING AND ENGINEERING SCHEMES

- 5.1 The LHB shall be entirely responsible for the control of all building and engineering schemes under the direction of the Director of Strategy.
- 5.2 All Building and Engineering schemes, irrespective of cost, shall be properly planned and cost controlled in accordance with the procedures laid down in CONCODE, Estatecode, the Capital Project Control Manual and the Capital Investment Manual except in the preparation of Business Cases which shall be undertaken in accordance with BE24 and in the compilation of contractor lists which shall be undertaken in accordance with BE3.
- 5.3 The Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy shall be responsible for ensuring all schemes are planned and controlled in accordance with the Welsh Government Capital Infrastructure and Investment Manual and compliant with the current Construction (Design and Management) Regulations 2015.

- 5.4 The Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy and the Director of Finance shall be responsible for the calculation and application of liquidated and ascertained damages where deemed appropriate.

BE6 NUMBER OF QUOTATIONS TO BE INVITED

6.1 This section should be read in conjunction with Schedule 1 of Standing Financial Instructions – Procurement of Works, Goods and Services.. The number of quotations to be sought is as follows: -

- 6.1.1 For goods or services estimated to cost less than £5,000 exclusive of VAT – minimum competition is at the discretion of the Director of Finance./Director of Strategy
- 6.1.2 For goods or services between £5,000 and £25,000 exclusive of VAT a minimum of three written quotations must be sought in accordance with the LHB's Quotation Procedure other than where the goods or services are being procured via the Local Framework Agreement
- 6.1.3 Where the required number of quotations are not available the Chief Executive or designated deputy in absence, or the Director of Strategy or designated deputy in absence, shall be authorised to accept a lower number subject to the principles of fair competition.
- 6.1.4 Where a staged payment system is intended to be used on a scheme, those companies invited to submit a quotation must be financially vetted.
- 6.1.5 Single quotation action shall be the exception and shall only be used when a single firm or contractor or a proprietary item or service of a special character is required and shall be obtained in accordance with the LHB's Quotation Procedure. Single quotation action shall only be employed with the express authority of the Chief Executive or designated deputy in absence and shall be reported to the board.

BE7 NUMBER OF TENDERS TO BE INVITED

7.1 This section should be read in conjunction with Schedule 1 of Standing Financial Instructions – Procurement of Works, Goods and Services. The number of tenders to be invited shall be as follows, depending on the estimated value of the works:

- 7.1.1 Main Contract or Sub-Contract over OJEU threshold exclusive of VAT - five tenders or one selected from the Local Contractor or Consultant Framework Agreement.
- 7.1.2 Main Contractor or Sub-Contractor between £25,000 - OJEU threshold exclusive of VAT - four tenders or one selected from the Local Contractor or Consultant Framework Agreement.

- 7.2 Should the above number of tenderers required not be available due to professional or financial constraints, then the Chief Executive (or designated deputy in absence shall be authorised to accept a lower number of tenderers, subject to a minimum of three, on the receipt of a full report detailing the reasons the full tenderers cannot be represented.
- 7.3 Single tender action shall only be permitted when a single form or contractor or a proprietary item or service of a special character is required. Single tender action shall only be employed with the express authority of the Chief Executive (or designated deputy in absence) and a detailed record shall be maintained by the Chief Executive. All single tender action procedures and extension of contracts must be reported to the Audit Committee. Single tender action shall not apply when calling off goods from NHS Contracts.
- 7.4 Tenders shall not knowingly be invited from companies who are subsidiary companies of the same Parent Group. Should this limit the eligible companies to such an extent that the competitive exercise would be rendered uncompetitive, the Chief Executive shall be authorised to approve the issue of invitations on receipt of a full report detailing the reasons why the full tenders cannot be represented.
- 7.5 The selection from the Local Framework Agreement or approved lists of contractors to be invited to tender shall be carried out in such a way that over a period of time all firms are given a reasonable opportunity of tendering for work.

BE8 AUTHORITY TO INVITE TENDERS

- 8.1 Tenders for all capital schemes shall be invited in the name of the Director of Strategy and returned to the Board Secretary.
- 8.2 Tenders for all schemes designed by nominated consultants shall be invited from contractor tender lists satisfactorily professionally and financially vetted by the LHB.

BE9 INVITATIONS TO TENDER - NOMINATED SUB-CONTRACTORS AND NOMINATED SUPPLIERS

- 9.1 The practice of naming Domestic or Sub-Contractors and Nominated Suppliers can be used if required in contracts which require specialist contractors or suppliers of specific quality of materials or equipment under a Sub-Contract and Supplies basis. Tenders shall be invited on the basis of prices current at the time of tendering. When this results in the final Design Cost being exceeded, a reduction exercise shall be carried out, taking into account any reserve sums which may be available and any savings which can be achieved in the event of an adequate reduction not being possible as a result of this exercise, this shall be reported to the Chief Executive.

- 9.2 When it is considered necessary or desirable to establish the name of Nominated Sub-Contractor or Supplier and enter into a Contractual relationship with him at a date in advance of letting the Main Contract, in order that shop drawings for fabrication and production can begin in good time, the Director of Strategy may authorise the invitation of early tenders provided the procedures in Sections BE3 and BE4 are followed.

BE10 TENDER DOCUMENTS

- 10.1 Tenders for Main Contracts estimated to exceed the OJEU threshold exclusive of VAT shall be submitted on the Standard Form of Tender and tenders for Contractors and Suppliers shall be submitted on the appropriate Standard Form of Tender for use in connection with the NEC Form of Contract or Joint Contractors Tribunal Form of Agreement. Tenders for all Contracts shall be accompanied by the Standard Form of Agreement between the Employer and the Contractor amended as required and tenders for all Suppliers of materials and Equipment shall be accompanied by a Standard Form of Warranty amended as required. Tenders for Main Contracts estimated to cost less than OJEU threshold exclusive of VAT may at the discretion of the Director of Strategy be submitted on a tender form based on a simplified form of Agreement prepared by the Director of Strategy for small works.

10.1.1 This form of tender shall not be used when Contract work is required.

- 10.2 Every tender for Works where Bills of Quantities or an Activity Schedule do not form part of the Contract Document shall include a Day Work Schedule and a Schedule of Rates. Every tender for an Engineering Main Contract or Sub-Contract shall include the Specification and Priced Activity Schedule or Schedule of Quantities.

- 10.3 A Declaration of Non-Collusion shall be submitted with every tender.

- 10.4 Every tender, other than those sourced from the Local Framework Agreement, shall be strictly in accordance with the invitation documents and a statement to this effect shall be included in the letter of invitation which shall also specify that a qualified or incomplete tender shall be liable to rejection and that, if in view of this, a Contractor has any doubts about how to proceed, he should clarify the matter with the Director of Strategy, Technical Officers or Health Board appointed Consultants as appropriate before submitting his tender.

- 10.5 Contractors shall be required to take out performance bonds for Works Contracts as and when required by the Director of Strategy. The Director of Strategy shall ensure that all consultants and contractors

are informed that performance bonds may be required in the tender documentation.

10.6 All tenders shall be enclosed and sealed in the standard envelope provided which shall be endorsed with the description of the subject of the tender and the date and time for the receipt of such tender and addressed to the Board Secretary in all cases.

10.7 The tender envelope should not bear any names or marks indicating the tenderer.

10.8 The Director of Finance shall be responsible for requesting and verifying any parent company guarantees required.

BE11 TIME ALLOWED FOR TENDERING

11.1 The time allowed for the submission of tenders shall be determined in relation to the scope of the Works Information by the Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy. Should a period in excess of four weeks be recommended the approval of the Director of Strategy will be required before tenders are invited. The Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy shall ensure that all companies invited to tender are informed.

11.2 Tenderers shall be instructed to submit their tenders in accordance with Schedule 1 of Standing Financial Instructions.

BE12 RECEIPT AND SAFE CUSTODY OF TENDERS AND RECORDS

12.1 Arrangements for the Receipt and Safe custody of Tenders shall be as those detailed in Schedule 1 of Standing Financial Instructions.

BE13 OPENING AND VALIDITY OF TENDERS

13.1 Arrangements for the opening of tenders shall be as those detailed in Schedule 1 of Standing Financial Instructions.

13.2 After tenders have been opened in accordance with Schedule 1 of Standing Financial Instructions all documents shall be passed to the Assistant Director of Strategy (Capital), acting on behalf of the Director of Strategy as appropriate for report and recommendation.

BE14 ADMISSIBILITY OF TENDERS

14.1 Admissibility of tenders shall be in accordance with Schedule 1 of Standing Financial Instructions.

14.2 If the number of tenders received is insufficient to provide adequate competition, they shall, where necessary or appropriate, be dealt with in accordance with current Welsh Government Guidance.

BE15 EXAMINATION OF TENDERS

- 15.1 The lowest Tenderer shall submit his priced Bill(s) of Quantities / Contract Sum Analysis or Activity Schedule, when appropriate as soon as possible after being asked to do so and in any case by not later than four working days after being asked. (Saturday and Sundays are not to be counted as working days for the purpose of this Clause).
- 15.2 The lowest Tenderer's priced Bills of Quantities / Contract Sum Analysis or Activity Schedules, or priced Schedules of Rates shall be checked by Quantity Surveyor, Assistant Director of Strategy (Capital), Project Officer or Estates Officer as appropriate.
- 15.3 All errors discovered or qualifications or alterations to tenders received shall be referred immediately to the Director of Strategy or Assistant Director of Strategy (Capital) and fully itemised in the tender report, as shall incomplete tenders, that is, those which information necessary for the evaluation of the tender is missing. The procedure for dealing with alterations and/or qualifications shall be as set out in the Code of Procedure for single stage selective tendering.
- 15.4 Following each tender exercise a report on the results shall be submitted to the Chief Executive by the Director of Strategy, together with recommendations for further action.

BE16 ACCEPTANCE OF TENDERS

- 16.1 When a lowest tender or only tender is within the LHB's pre-tender estimate it may be accepted immediately and the award of the contract be reported to the LHB Board. In this connection the word "Tender" shall mean the sum total of the Main Contract Tender plus the Sub-Contract Tenders and this shall be regarded as the Approved Contract Sum, which must not be exceeded.
- 16.1.1 Any additional work considered necessary must be approved by the Chief Executive.
- 16.2 Where the lowest acceptable tender sum, adjusted for main sub-tenders, exceeds the pre-tender estimate by not more than 5%, savings should be sought and agreed with the successful tenderer before award of the contract to maintain the integrity of the pre-tender estimate. If the excess is more than 5% a detailed report together with proposals for achieving savings necessary and a note of the effects of such savings must be submitted to the Director of Strategy for a decision on whether to proceed and on what basis. If in his opinion it is not practicable to reduce a tender to the approved amount, the Director of Strategy shall make a report and recommendation on the matter to the Chief Executive for submission to the appropriate Committee.

- 16.3 There is no legal requirement for the LHB to accept any tender or award any contract or part of a contract, and the LHB may, if it so adjudges, not proceed further at this stage.
- 16.4 Tenders shall remain open for acceptance for a period of three calendar months from the date when tenders are due to be returned.
- 16.5 Prior to accepting the successful tender, the company shall be subject to a further financial vet.
- 16.6 Immediately prior to acceptance of a tender, a check must be undertaken by the Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy to ensure that the period between acceptance of the tender and start on the site as stated in the tender documents is still valid.

BE17 FORWARD ORDERING AND LETTERS OF INTENT

- 17.1 The Letters of Intent will be restricted and only be issued in exceptional circumstances. Forward Order with a Contractor or a Supplier of materials or Equipment may be entered into by the Director of Strategy as appropriate if considered necessary, following the procedure under Paragraph BE7 subject to the prior approval of the LHB Board. The contractual relationship resulting from this Forward Ordering procedure shall be assigned to the Main Contractor at the time of his Appointment and the Contract with the Nominated Sub-Contractor or Nominated Supplier shall be subject to this condition.
- 17.2 The Director of Strategy as appropriate may use his discretion in issuing letters of intent to Contractors or Suppliers of materials or Equipment for the sole purpose of reserving capacities and materials, provided he ensures that any such letter does not give rise to any legal relationship or liability.

BE18 NOTIFICATION OF RESULT OF TENDERS

- 18.1 All Tenderers shall be notified of the result of the competition as soon as possible. The Director of Strategy as appropriate shall as soon as possible after the opening of tenders:
- 18.1.1 Inform the lowest Tenderer that his offer is under consideration and request submission of his priced Bills of Quantities, Activity Schedules or Schedules of Rates.
- 18.1.2 Examine the priced Bills of Quantities, Activity Schedules or Schedule of Rates and, if satisfactory, proceed to 18.1.3. In the event of these documents proving unsatisfactory an approach should be made to the second lowest Tenderer where appropriate.

18.1.3 Inform successful tenderers by letter.

18.1.4 Inform all the other Tenderers that they have not been successful.

18.2 As soon as the Contract has been let, the Assistant Director of Strategy (Capital), acting on behalf of the Director of Strategy, shall supply each Tenderer, including the successful one, with a list of the tender bids received.

18.3 Where an EU Procurement is involved the notice of the award of the contract shall be published in next available edition of the Official Journal of the European Union.

BE19 TERMS AND CONDITIONS OF CONTRACT

19.1 Every contract for building and engineering works, estimated to exceed the OJEU threshold exclusive of VAT in cost, except measured term contracts where Concode guidance would apply, shall conform to these Standing Orders. This formal contract document should reflect any change in the terms and conditions of contract agreed following receipt of tenders.

19.2 The form of Contract used for such Works shall be the one selected from the current suite of NEC Standard Form of Contracts or Joint Contracts Tribunal contract as appropriate and applied in accordance with the LHB's Standard Requirements. Contracts are to be completed under Seal, where practicable, and this point to be stated on all tender forms.

19.3 The form of contract for works estimated to cost less than the OJEU threshold exclusive of VAT shall be at the discretion of the Director of Strategy or Assistant Director of Strategy (Capital) in his absence, who may use a simplified form of contract or even an exchange of letters in case of small urgent works. This shall not preclude the use of an appropriate form of NEC or JCT Contract if the Director of Strategy or Assistant Director of Strategy (Capital) decides that this form of Contract is more appropriate for any particular scheme.

19.4 All formal Contracts, where a standard issue by the British Standards Institution is current at the date of the tender and is appropriate, shall require that goods and materials used in their execution shall be in accordance with that Standard.

19.5 In every Formal Contract a clause shall be included to secure that the LHB shall be entitled to cancel the contract and to recover from the Contractor the amount of any loss, resulting from such cancellation, if the Contractor shall have prepared his tender in collusion with others or shall have offered or given or agreed to give to any person any gift or consideration of any kind as an inducement or reward for doing or

forbearing to do or having done or forborne to do any action in relation to the obtaining or execution of the Contract or any other Contract with the LHB, or if the like acts shall have been done by any person employed by him or acting on his behalf (whether with or without the knowledge of the contractor) or if in relation to any Contract with the LHB the Contractor or any person employed by him or acting on his behalf shall have committed an offence under the Bribery Act 2010.

19.6 Every tender for building and engineering works, except any tender for maintenance work only, including Measured Term contracts where Estatecode guidance should be followed, shall embody or be in the terms of the current NEC or JCT suite of Contracts, as appropriate, or (when the content of the works is primarily engineering) the General Conditions of Contract recommended by the Institution of Mechanical and Electrical Engineers and the Association of Consulting and Engineers (Form A) or (in the case of civil engineering work) the General Conditions of Contract recommended by the Institution of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors. These base documents should be modified and amplified to accord with current Welsh Government guidance and in minor respects to cover special features of individual projects. Tendering based on other forms of contract may be used after prior consultation with the Welsh Government.

19.7 Any Contract for Works estimated to cost under £25,000 exclusive of VAT may be let by exchange of letters at the discretion of the Director of Strategy as appropriate, provided that the following are specified:

19.7.1 The work, materials, matters or things to be furnished or done;

19.7.2 The price to be paid with a statement of discount or other deductions if any;

19.7.3 If practicable, the time or times within which the contract is to be performed.

19.8 Every Nominated Sub-Contract shall be let subject to the same conditions as the Main Contract to which it relates.

19.9 The official Contract Document shall be signed by the Chief Executive or another officer duly authorised by him, and where completed under Seal shall be undertaken in accordance with Standing Orders..

BE20 ALTERNATIVE PROCEDURES

20.1 In accordance with WHC(2006)033, where a contract for construction, engineering works or for professional services relating to such works is being considered, the procedures set out in this Schedule within the Standing Orders need not be followed, where the proposed contract is

to be let under a special arrangement negotiated by Welsh Health Estates or the National Assembly for Wales (which terms include any successor bodies exercising its or their functions) in accordance with the terms of such special arrangement.

20.1.1 There shall be no other departure from the procedures specified in this Contracts Code except:-

- (a) by direction of the LHB Board;
- (b) in an emergency;
- (c) as provided for in the LHB's Standing Orders;
- (d) when in accordance with a procedure specified in the Department of Health Concode; or
- (e) with any other Building or Engineering Works procedure specified by the Department of Health or the Welsh Assembly Government.

BE21 QUOTATIONS

21.1 This Contracts Code shall not apply to quotations obtained by the Director of Strategy, Technical Officers or Nominated Consultants for exploring the market and/or to decide on the Manufacturer to specify in technical specifications that shall themselves be subject to competitive tendering. Such quotations may be invited by the Technical Officers designing the Project and returned to the Director of Strategy, Technical Officers or Nominated Consultants as the case may be.

BE22 APPOINTMENT OF CONSULTANTS

22.1 The Director of Strategy shall be the LHB's designated officer for managing the appointment of consultants applying to work for the LHB.

22.2 Performance and professional indemnity monitoring of all practices on any shortlist shall be undertaken by the Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy when the appointment of Consultants is being considered. The method of monitoring shall be in accordance with Concode Part II. Financial vetting of such Consultants being considered shall be carried out whenever possible when accounts have been published. The absence of accounts shall not preclude the consideration of any company. The Assistant Director of Strategy (Capital) acting on behalf of the Director of Strategy shall ensure that all Consultants being appointed shall hold appropriate insurances and professional indemnities. The Director of Finance shall present a report annually to the LHB Board, via the Financial Audit Committee, showing the number and value of all commissions placed during the year to enable comparisons to be made

with previous periods and the extent of which commissions have been distributed.

22.3 Appointment of Consultants not on the LHB's Local Framework Agreement must be approved by the Director of Strategy and reported to the LHB Board.

22.4 When the appointment of Consultants is being considered, the Assistant Director of Strategy (Capital), acting on behalf of the Director of Strategy, shall obtain fee bids from the Local Framework Agreement or three practices that have successfully passed the vetting procedures and hold appropriate cover in accordance with the quotation and tendering procedures detailed in Standing Orders. These shall be presented to the LHB Board by the Chief Executive with a recommendation.

22.5 Competitive fee bids shall not be required where fees are estimated to be below £5,000 for a single commission and where the appointment of the Consultant does not form part of the overall appointment of a design team.

22.6 Any appointment of Design Consultants shall be selected from the Local Framework Agreement or in accordance with the Capital Investment Manual, Concode Guidance, the Capital Project Control Manual and the requirements of EU Directives.

BE23 DESIGN BRIEF

23.1 When a scheme is designed by Consultants the Design Brief shall be provided by the Director of Strategy. In such cases the Tender documents shall bear the name and style of the Director of Strategy as being in collaboration with the Designer.

BE24 PREPARATION OF A BUSINESS CASE

24.1 When a scheme is being considered which has a budget cost of £4,000,000 or more exclusive of VAT, a business case shall be prepared. The scope and format of each individual case shall be determined by Welsh Government.