

**500-WORD LETTER OF INTENT
FRAMEWORK**

[Employer Letterhead]

Date: *date*

To *[name, company number and registered office of Contractor company]* (Contractor)

The Project: *[insert name of project and location]*

This letter records the partners agreeing to co-operate on providing *[briefly describe the initial works eg preparatory works, design services, ordering materials]* to meet the Project timetable.

1. **The Contractor** must:
 - 1.1. start the Initial Works: *[describe fully]* on the Start Date: *[insert]*,
 - 1.2. complete the Initial Works by the Target Date: *[insert]*,
 - 1.3. use reasonable skill and care to construct and complete the Initial Works so they comply with the relevant standards set out in sections *[list sections or parts which apply to the Initial Works]* of the Project documents *[list]* and are to the satisfaction of regulatory authorities, and
 - 1.4. not carry out any works, services or provide any goods or materials beyond the Initial Works.
2. **The Employer** must:
 - 2.1. pay the Initial Price *[insert]*, against correct Contractor invoices, following the Payment Schedule *[describe fully]*, and
 - 2.2. issue payment and pay-less notices.
3. Payments made under this Letter must not exceed the Initial Price. If the Contractor continues to carry out work after the Target Date, or beyond the Initial Works, it does so entirely at its own risk and cost.
4. Neither partner can assign this letter.
5. Where there is a serious breach of this Letter, or when an unconditional contract for the Project is signed by both partners, either partner may end this Letter, by giving 14 days' written notice to the other.
6. In the event of a dispute, the laws of [England & Wales] apply and the [English or Welsh] courts have jurisdiction and enforcement powers.

Signed as a contract

Name and position

As authorised signatory for the Contractor

[name of Contractor company]

Name and position

As authorised signatory for the Employer

[name of Employer company]

The Video Guide to accompany this outline letter of intent is available [here](#). If you needed to rebuild or revise following the STAR Checklist, use this guide to create STAR content.

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| Scope | <p>Parties: <i>The identity of your partner should be clear from the letter of intent</i></p> | <p>Tip: The framework indicates that it should be sent from the company who is paying for the works, to the company who is carrying out the initial works. Be accurate as their identity matters.</p> |
| | <p>Works: <i>A succinct but sophisticated scope of initial works should be included</i></p> | <p>Tip: The framework requires you to describe the initial works fully. You should include enough detail so a ‘nosey parker’ reading your letter of intent would know exactly which works are included. The initial works should be simple in nature, easy to value, clearly distinguishable from the rest of the project, and self-contained.</p> <p>The initial works must be capable of being ended (through termination or otherwise) without adversely affecting the remainder of the project.</p> |
| | <p>Documents: <i>Any documents should relate to the initial works not the whole project</i></p> | <p>Tip: The framework requires you to clearly identify the sections of the works documents which relate to the initial works. Without this, there is a danger the initial works are not easily distinguishable and could be extended.</p> |
| Terms | <p>Exclusions and limits: <i>The letter of intent is intended to be a temporary contract</i></p> | <p>Tip: The framework limits on the price payable (linked to the initial works). This limit will be ineffective if the employer is not prepared to exercise her right to terminate. There are subtler limits on duration and works (see paragraph 3).</p> |
| | <p>Remedies: <i>Another ‘incentive’ for the contractor to sign the project contract is the employer’s right to terminate</i></p> | <p>Tip: The framework includes a right to terminate for serious breach or when the project contract is signed. The letter should simply expire when the initial works are complete, although a right to terminate after the target date could be added.</p> |
| Aims | <p>Timescales: <i>Any dates should relate to the initial works not the project</i></p> | <p>Tip: The framework requires you to specify a start date and a completion (target) date. There is no right to extend time for breaches or variations, and there is no right to recover LADs for delay as the letter is meant to be a temporary contract.</p> |
| | <p>Quality: <i>The standards for goods and materials should be clearly set out</i></p> | <p>Tip: the framework requires you to identify the sections of the works documents setting out the relevant standards for the initial works. Quality is one of the three key aims of construction projects and should be specified before the works start.</p> |
| | <p>Price: <i>Any price should relate to the initial works not the project</i></p> | <p>Tip: the framework sets a price for the initial works as they should be easy to value. Payment should not be reasonable costs’ as this is unclear and likely to lead to disputes. You need to describe a payment schedule and follow your obligations under the Construction Acts on issuing notices of payment.</p> |
| Risks | <p>Risk events: <i>Before you start any project, you should carry out risk identification and analysis</i></p> | <p>Tip: the framework does not attempt to identify, analyse or respond to risks for the initial works. If you are aware of significant risks associated with the initial works then do not use a letter of intent.</p> |
| | <p>Major risk: <i>It should be clear what will happen if any limits are reached and the project contract has not been signed</i></p> | <p>Tip: the framework limits the price payable. It also confirms that any work beyond the initial works or the target date is at the contractor’s cost. However, your conduct after the letter is sent is critical and you should ensure the project contract is signed <i>before</i> the initial works are complete.</p> |