

PPP CAR PARKING PROJECT AT GLASGOW
ROYAL INFIRMARY

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1. EXECUTIVE SUMMARY

1.1 Background and Objectives

The procurement of a multi storey car park at Glasgow Royal Infirmary (GRI) has been underway for some considerable time. As part of the development of the GRI site to include the replacement for the Glasgow Royal Maternity, the move of plastic surgery from Canniesburn and the replacement of the Accident and Emergency Department it was a condition of planning permission that additional parking facilities be provided. An Outline Business Case for car parking was prepared, submitted and approved by the Scottish Executive Capital Investment Group in 1996. The business case moved forward to full PFI procurement but delay occurred in the process when the original preferred partner withdrew from the scheme. After some time matters have now progressed to concluding the deal with a new preferred provider, Impregilo, with work on the legal contract now nearing completion.

The objectives of the project are:

- As a minimum, replace staff parking places lost as a result of the GRI development programme.
- Substantially increase the number of patient and visitor spaces on the GRI site.
- Comply with planning consent requirements for recent developments on the GRI site.
- Remove a barrier to planning consent for the additional new build as part of the Acute Services Review development on the GRI site.
- Fulfil the requirements of the Glasgow City Planning Department in providing off-street parking for visitors and public.
- Help the Trust comply with the local authority green car parking policy .
- Continue to effectively manage traffic and security on the GRI site in accordance with Trust policies.
- Improve security in all car parking areas.
- Provide an agreed number of disabled and free car park spaces throughout the GRI site.
- Prevent illegal parking on the GRI site.

1.2 Preferred Option

The preferred option is a franchise/concession deal under a Design ,Build, Fund and Operate Scheme to provide a Multi-storey Car Park and manage all the GRI car parks for a period of 30 years at no cost to the Trust. This solution will be provided by Impregilo Parking (Glasgow) Limited who's ultimate holding company is Impregilo SpA.

The Business Case includes the following key points:

- Construction lead time – 12 months.
- Length of operating contract – 30 years.
- Additional 1040 spaces in the new build multi storey car park.
- 60% of the multi storey spaces will be allocated to visitors (32 will be free disabled spaces) and 40% to staff.*
- 400 existing ground level car parking spaces will be handed to the preferred provider, Impregilo, to manage.*
- Total car parking spaces on site will be 1440.*

- Multiple use of spaces means actual usage will be higher than 1440 as the ratio of cars to spaces is in the region of 1.25 making the total vehicle capacity 1,800 per day.*
- Visitors using spaces in the multi storey car park will pay on an hourly basis, similar to the pay and display car parks surrounding the Royal Infirmary.
- Staff will access car parking spaces on the Royal Infirmary campus by making direct application. Payments will be made directly to Impregilo as opposed to any deduction from their pay.
- Parking rates will be similar to other car parks in the area with a discounted rate for Royal Infirmary staff who will pay on a monthly basis. Access routes – multi storey through main junction off of Alexandra Parade, all others as currently situated.

* Indicative figures only – the contract specifies ranges.

1.3 Economic and Financial Appraisal

As the scheme is a franchise/concession rather than a PFI both the financial and the economic appraisal are less relevant than in a normal PFI.

In essence, there is no financial outlay by the Trust and the risk retained by the Trust is minimal due to the project being less complicated than most PFIs and due to Impregilo taking all of the demand risk. The latter results from all revenues for the project being obtained from charges to the general public and GRI staff.

Key financial information regarding the operation is:

Capital spend	£8m
Revenue (NPV)	£25m
Expenditure (NPV)	£20m
Net (NPV)	£5m
IRR	19%

The key figures above are based on the Impregilo business model and the assumptions therein. Sensitivity analysis shows that if the model were adjusted to incorporate the maximum number of staff spaces allowed in the contract (938) the NPV of the project would reduce to £3m.

1.4 Key Milestones

Summer 1996	- OBC approved.
Spring 1998	- ITN issued
Summer 1998	- TFM / Barr selected as preferred bidder
Autumn 1998	- GGHB approval to proceed to FBC
Spring 2000	- TMF / Barr withdraw because Trust would not give a volume guarantee
Autumn 2000	- Trust Executives grant approval to negotiate with Impregilo
Spring 2002	- Planning permission received for building from Glasgow City Council
26 June 2003	- FBC approved by Trust Management Team
15 July 2003	- Planned approval by Unified Board

19 August 2003 - Planned approval by the SEHB Capital Investment Group
 September 2003 - Planned financial close
 Spring 2004 - Planned commencement of development
 Summer 2004 - Planned completion of Alexandra Parade access junction – Capital Program project
 Spring 2005 - Planned completion of development
 Spring 2005 - Planned opening on multi-storey car park
 Spring 2035 - Planned hand back of car parks to Health Board

1.5 PPP Deal

The project is essentially a franchise/concession scheme with no financial implications to the North Glasgow University Hospitals NHS Trust. The main departure from a standard PFI is that, as Impregilo pay for the project through direct charging to the public and staff and not through a tariff from the Trust, there is no volume risk falling to the Trust and therefore no direct financial consequences to the Trust.

It is not strictly necessary to obtain SEHD CIG approval but due to the scale and nature of the development and its relationship to the Pan-Glasgow Acute Services Review as a precedent for future car parking arrangements it is considered good practice to appraise this body of the project, obtain approval and procure it under the standard PFI guidelines.

There are also implications for staff at the GRI who, in the absence of any Pan-Glasgow parking agreement, will be required to pay circa £600 per annum representing an increase of circa £400 over present levels. It is planned to present a paper on a proposed Pan Glasgow Car Park Charging Policy designed to mitigate this through a single system to the Greater Glasgow Unified NHS Board in Autumn 2003.

The Business Case includes the following key points relating to its finance:

- At end of contract building reverts to the NHS at nil cost.
- All risk regarding utilisation of the car park, including demand risk, will be borne by Impregilo. The trust pays no tariff to Impregilo.
- Due to the nature of the development there will be no value in the Trust's balance sheet for this contract i.e. it will not be a Trust asset.
- The financial implications of default by Impregilo Parking (Glasgow) Limited are covered by a parent company guarantee from Impregilo SpA.
- In the event of the project being refinanced any gain will be split 50/50 between Impregilo and the Trust. This is in line with OCG guidance.

2. STRATEGIC CONTEXT

2.1 North Glasgow University Hospitals NHS Trust

The establishment of the North Glasgow Trust was announced in 1998 and became operational on the 1st April 1999 following the amalgamation of Stobhill NHS Trust, West Glasgow Hospitals University NHS Trust, Glasgow Royal Infirmary University NHS Trust and the Glasgow Dental Hospital and School NHS Trust. The Trust employs 13,000 staff across its eleven sites and has an income of £480m.

Glasgow Royal Infirmary provides a range of inpatient, day case, day patient and outpatient services to the people living in the East of Glasgow and adjoining areas. The hospital also provides services to patients from surrounding Health Board areas for a range of specialties. In addition, patients who require the hospital's services come from further a field.

2.2 Strategic Context

As part of the development of the GRI site to include the replacement for the Glasgow Royal Maternity, the move of plastic surgery from Canniesburn and the replacement of the Accident and Emergency Department it was a condition of planning permission that additional parking facilities be provided. An Outline Business Case was prepared, submitted and approved and progressed at that time, November 1996, but delays due to the original preferred partner withdrawing mean that work on a legal contract with a new preferred provider is only now nearing completion.

Car parking facilities at the Royal Infirmary have also become key in two other pan-Glasgow initiatives, the Greater Glasgow NHS Board Parking Policy and the Pan-Glasgow Acute Services Review (ASR). The former relates to a plan, under current development, to ensure the effective management of parking and traffic management systems at all Greater Glasgow sites, while the latter relates, in part, to further developments on the GRI site which will only receive planning permission if the car park development is completed and operational.

2.2.1 Local Strategic Context

The main Glasgow Royal Infirmary (GRI) site at Castle Street has 75,000 inpatient attendances per annum, 520,000 outpatient attendances and has around 4,700 staff on site. It is expected that these figures will increase when the new 400 bed building outlined in the ASR is completed.

The Trust believes that additional car parking is essential, not only to provide a better service to existing patients and staff, but to accommodate future developments which are critical to the Trust and Greater Glasgow Health Board.

Within the site, 420 car parking spaces are currently available for staff and disabled visitors, this has fallen by 330 from the Outline Business Case due to the footprint of the New Maternity Hospital which was completed in October 2001. A recent census has shown that demand still far outstrips supply for these places. Visitors use on-street or local authority car parking in the area, which is severely limited, and gives rise to considerable complaints to the Trust.

A situation that was already difficult some years ago has become worse and will continue to get worse in the future if additional car parking is not made available on site for the following reasons:

- Planning consent for the Princess Royal Maternity and the Jubilee Building was conditional upon the Trust 'finding a car park solution.'
- There has been an increased number of staff and visitors to the hospital with the transfer of plastic surgery services to GRI as well as due to the recent new buildings on the GRI site..
- The City Council plan to prevent parking on several of the nearby streets currently used by staff and visitors by designating them as double yellow line areas.
- The proposed additional 400 bed new build in the ASR will add to the staff and visitors at the hospital.
- Planning consent for the ASR new build will be conditional on the car park project being complete and operational.

The Trust is seeking additional car parking for the GRI site to alleviate present difficulties for visitors and staff, to ensure that the Trusts own strategic developments and those of it's host Health Board, are not blocked and to ensure a more effective use of the available space for parking on the GRI site.

2.2.2 GGNhsB and National Strategic Context

The scheme was previously included within the PFI package presented to the Management Executive in June 1997. Two key elements of this package - the New Maternity Hospital and the new Plastics/ERC Centre were subsequently granted public funding and the Trust was then encouraged to pursue the remaining two schemes under PFI i.e. car parking and catering.

In relation to our host Health Board, GGNhsB, the OBC was also presented at their Board Meeting (February 1996) and then consolidated as part of the original PFI package in June 1997. The car parking project was approved at this meeting.

While this scheme is essentially a franchise scheme with no financial implications to the Trust and therefore not strictly requiring Health Board or SEHD CIG approval, due to the scale and nature of the development and its relationship to the Pan-Glasgow Acute Services Review it is considered good practice to appraise these bodies of the project and obtain their approval.

2.3 Key Assumptions

It is important to note that this project remains cost neutral to the Trust in that the private sector is expected to recover all costs through charges on the 'private' users of the facility namely the public and staff. Consequently, there is no volume risk attaching to the Trust and therefore most of the key assumptions relating to the project pose no risk to the Trust.

Key assumptions to this project are:

- The GRI remains an acute training hospital for the next 32 years.
- Laws and regulations relating to the Health Service do not change to the detriment of the Trust's position over the next 32 years.
- There are no unforeseen major delaying factors to the work to be carried out to the main access road to the multi-storey car park and hospital off of Alexandra Parade.

- A continued requirement for medical services at current levels or above in the East of Glasgow and the adjoining areas.
- The Trust will still require car parking facilities at the end of the 30 year operating contract.

While the above assumptions have been made the value of any potential adverse effect of a failure in these assumptions has been calculated in the risk matrix valuation (Appendix F).

2.4 Catchment Population and level of service activity

The local catchment area for Glasgow Royal Infirmary is the north and east of the city of Glasgow.

Users of the car park will be a mixture of staff and patients from the GRI and the general public. The ground level car parks (ie not the multi-storey) will be reserved only for staff.

Currently there are 720 staff permits issued. A recent census supports the staff/public split of the proposed spaces in the car parks.

Other private operators provide car parking facilities in the North East of Glasgow City Centre, as well as Glasgow City Council. Demand for these is high as well as utilisation of street parking which will be limited by the City Council once this development is in place. At the time of writing this document existing council parking charges are approximately £72 per month.

2.5 Size and Scope of Project

The multi-storey car park will add circa 1,040 new car parking spaces increasing the spaces available on the GRI site to circa 1,440. Approximately 60% of the spaces in the multi-storey car park will be allocated to visitors and there will be 32 free disabled spaces made available.

The multi-storey will cost Impregilo circa £8m to build. Revenues from users (general public) will equate to a NPV of £25m with expenditure projected at £20m (NPV) over the 30 year operating period of the contract.

2.6 Justification of Assessment

Since the OBC, further planned developments of the GRI site (eg the transfer of Gynaecology from Stobhill) have increased the demand for car parking and future planned bed increases through ASR developments will increase this further.

As previously stated the project will make an important contribution to the GRI's compliance with the local authority green car parking policy. There is a requirement for all organisations to achieve compliance with National and Local Government policy and regulations on transport and environmental issues.

An increase in parking facilities was a condition of planning consent for the recent developments at the GRI and one of the conditions of granting planning consent for the ASR developments will be that the car park development is completed and operational. The Council have held back planned parking restrictions on the roads surrounding the Royal Infirmary site pending completion of this facility.

All of these factors make it very unlikely that demand for car parking spaces will diminish due to Health Service related activity (see Appendix E – Risk Matrix).

Other factors that might influence demand, such as congestion charges, are all at the risk of Impregilo through the tariff from the general public (see Appendix E – Risk Matrix).

3. OUTLINE BUSINESS CASE

In 1996 the Trust was given approval to pursue a non-Exchequer funded, no cost (to the Trust) option with the private sector, to provide additional car parking facilities at the GRI. These facilities were to provide at least 1,000 spaces with assurances that a certain number of spaces should be reserved for Trust staff. The Trust was to identify a footprint and the private sector were at liberty to propose any variant bid so long as it at least met the spaces criteria and was financially viable.

Due to the original preferred bidder withdrawing from negotiations (see Section 6.5) this FBC is being submitted some time after the original OBC (February 1996). The OBC, itself, was not overprescriptive in stipulating the scheme except to describe it as a privately funded, no cost (to the Trust) project to provide a minimum of 1,000 parking spaces with a "to be agreed" number reserved for staff.

Consequently, there is no reason to compare the proposed scheme with any of the options detailed in the OBC.

The proposed development meets all the requirements specified in the 1996 OBC.

For completeness the four options from which the private franchise/concession option was chosen from were:

- Option 1: A "Do Minimum" option which consisted of accepting the reduction in car parking places, but attempting to manage the available resources more effectively to minimise any disruption to services.
- Option 2: A Private Finance Initiative (PFI) deal under a Design ,Build, Fund and Operate scheme to provide a Multi-storey Car Park (MCP), with connecting roadways to public roads.
- Option 3: As with option 2, but with a Trust subsidy to the service provider, through a volume guarantee or buyback method.
- Option 4: A Treasury funded scheme to provide a Multi-storey Car Park (MCP).

All the factors leading to the acceptance of Option 2 in 1996 still prevail or are even more in acquiescence at this date.

4. THE PREFERRED SOLUTION

4.1 Description of Consortium.

The preferred partner for the PPP solution is Impregilo Parking (Glasgow) Ltd, a member of the Impregilo Group.

The SPV for the concession scheme Impregilo Parking (Glasgow) Ltd will be a wholly owned subsidiary of Impregilo International Infrastructures N.V. based in Amsterdam, Holland. Under the recently completed Group re-organisation this company now holds the shares in all Group Concession businesses worldwide. In turn Impregilo International Infrastructures N.V. is a wholly owned subsidiary of Impregilo SpA a company based in Italy.

The lead member for this scheme is Impregilo International Infrastructures N.V.

The senior debt (90%) is supplied by the Royal Bank of Scotland.

4.2 Description of the PPP/PFI solution

The procurement of a multi storey car park at Glasgow Royal Infirmary has been underway for some considerable time. As part of the development of the GRI site to include the replacement for the Glasgow Royal Maternity, the move of plastic surgery from Canniesburn and the replacement of the Accident and Emergency Department it was a condition of planning permission that additional parking facilities be provided.

An Outline Business Case for car parking was prepared, submitted and approved by the Capital Investment Group at that time, November 1996. The business case moved forward to full PFI procurement but delay occurred in the process when the original preferred partner withdrew from the scheme (see Section 6.5). After some time matters have now progressed to concluding the deal with a new preferred provider, Impregilo, with work on the legal contract now nearing completion.

The scheme is essentially a franchise/concession scheme with no financial implications to the Trust. Consequently, it is not strictly necessary to obtain SEHD CIG approval but due to the scale and nature of the development and its relationship to the Pan-Glasgow Acute Services Review it is considered good practice to appraise them of the project and obtain their approval.

Although not strictly a PFI as defined, the contract is being procured under the standard PFI guidelines. The main departure from a standard PFI is that, as Impregilo pay for the project through charging the public and not through a tariff from the Trust, there is no volume risk falling to the Trust and therefore no direct financial consequences to the Trust.

The main facets of the project are:

- The project will allow the Trust to meet its requirements for planning consent relating to recent and future (ASR) developments on the site – see Section 4.3.
- The project is a required part of the Acute Services Review and the Greater Glasgow NHS Board Parking Policy – see Section 16.2.
- Construction lead time – 12 months.
- Length of operating contract – 30 years.

- At end of contract building reverts to the Trust at nil value.
- Additional 1040 spaces in the new build multi storey car park.*
- 60% of the multi storey spaces will be allocated to visitors (32 will be free disabled spaces) and 40% to staff.*
- 400 existing ground level car parking spaces will be handed to the preferred provider, Impregilo, to manage.*
- Total car parking spaces on site will be 1440.*
- Access routes – multi storey through main junction off of Alexandra Parade, all others as currently situated.
- Multiple use of spaces means actual usage will be higher than 1440 as the ratio of cars to spaces is in the region of 1.25 making the total vehicle capacity 1,800 per day.*
- All risk regarding utilisation of the car park, including demand risk, will be borne by Impregilo. The trust pays no tariff to Impregilo.
- Visitors using spaces in the multi storey car park will pay on an hourly basis, similar to the pay and display car parks surrounding the Royal Infirmary.
- Staff will access car parking spaces on the Royal Infirmary campus by making direct application. Payments will be made directly to Impregilo as opposed to any deduction from their pay.
- Parking rates will be similar to other car parks in the area with a discounted rate for Royal Infirmary staff who will pay on a monthly basis.
- Due to the nature of the development there will be no value in the Trust's balance sheet for this contract.

* Figures quoted in this section and in the rest of this paper for number of spaces and allocation of these spaces are indicative only. Due to layout planning the number of spaces may fluctuate by small amounts up to the completion of the build phase of the project and space allocations are usually stated within ranges in the contract and are therefore liable to fluctuate throughout the full period of the operation. This will not change the remaining comments nor have a material effect on any other figures quoted within this paper.

A plan of the proposed development and all existing ground car parks is in Appendix A.

More detailed financial information is provided in Section 7 but the scheme is projected to incur a capital spend of circa £8m and earn revenues of £25m (NPV) with expenditure of £20m (NPV). All costs and revenues are third party and do not relate to the Trust.

4.3 Outstanding planning permission

There are no outstanding planning permissions for this contract. However, final planning consent still remains outstanding for improvements to the main hospital site access road off of Alexandra Parade, a project funded from the capital program. As this junction will also provide the access to the multi-storey car park a prolonged delay in its completion could delay the opening of the car park and hence affect Impregilo revenues. As the junction work is only scheduled to take six months against a full year for the construction of the car park and as the junction will still be kept open during the improvements – it is the Accident and Emergency access route – it is very unlikely that this would happen. Nevertheless, final financial close will only be agreed to by the Trust when this planning consent is obtained. This will avoid any potential Trust initiated delay between the build and the operation of the car park and, hence, any possibility of financial penalties for the Trust (see Section 12).

Further planning consent implications, noted below, also relate to the recent and future construction on the GRI site.

A condition of planning consent for the construction of the Princess Royal maternity and the Jubilee Building was that increased car parking capacity be provided. The District Council have been constantly appraised of progress in addressing this condition and the delays due to the change in preferred partner and other factors which have delayed the development until this time. However, this condition of planning consent still remains and the Council have held back planned parking restrictions on the roads surrounding the Royal Infirmary site pending completion of this development.

The Pan-Glasgow Acute Services Review calls for a further development on the Royal Infirmary site for a new building containing in the region of 400 beds. One of the conditions of planning consent for this development will be that the car park development is completed and operational.

4.4 Timetable from FBC to financial close

As detailed in section 2.2.2, due to the type of scheme, there is not a strict requirement to obtain SEHD CIG approval, but due to its nature and its relationship to the ASR the following approvals are being sought before moving to financial close:

1. Approval by the Trust Management Team – obtained 26 June 03.
2. Approval by the Unified Board – planned 15 July 03.
3. Approval by the Capital Investment Group (CIG) – planned 19 August 03.

The development is targeted to reach financial close by September 2003 with a start on site in early 2004.

4.5 Details of when price PPP/PFI bid price is firm until

There is no close date on the contract but Impregilo's continued interest will be dependent on the commercial environment. Of particular concern in this project is price inflation in the construction market and the underlying, long term rate of interest, both of which could be expected to rise rather than fall.

4.6 Assumed interest rate

The base interest rate used in Impregilo's financial model is 5%.

4.7 Sensitivity of change of interest rates

As demand risk resides with Impregilo there is no impact to the Trust from changes of interest rate.

5. PUBLIC SECTOR COMPARATOR

5.1 Derivation of PSC

The PSC has been derived by the Trust and a detailed breakdown is included at Appendix B. The following sets out the basis for the figures.

5.1.1 Income

In order to ensure a like for like comparison with the bid, the income projections used in the PSC have been derived on the same basis as those projected by Impregilo. This is based on the agreed opening tariffs as follows:

Time	Charge - £
0 - 1 hours	0.90
1 - 2 hours	1.80
2 - 3 hours	2.70
3 - 4 hours	3.60
4 - 5 hours	4.50
5 - 6 hours	5.40
6 - 7 hours	6.30
7 - 8 hours	7.20
8 - 9 hours	8.10
9 - 10 hours	9.00
6pm - 8am (1 st hour)	0.80
6pm - 8am (more than 2 hours)	0.80

These tariffs have been set to be in line with tariffs currently payable at nearby public car parks. Impregilo have estimated the average visitor tariff per day (5.5 hours - £5.40), and projected the anticipated income per space per day. In their model disabled spaces in the multi-storey car park will be charged at the same rate as other spaces, but disabled spaces (32) in the surface car parks will be provided without charge.

Staff permits will be charged at £20.02 per month for the first year until the multi-storey car park is complete and open, at which point they will rise to £55 per month. Based on 8 hours per day, 5 days per week, 4 weeks per month, this represents only 34% of the visitor tariff in the multi-storey car park. Tariffs will remain at this percentage of visitor rates for the first 5 years of operation. 1.4 permits will be issued per staff space available.

Visitor tariffs will increase each year by RPI and will be rounded up to the nearest 10p for ease of coinage. In certain circumstances Impregilo will be entitled to recover additionally incurred costs by increasing the tariff (see contract structure), but these need to be agreed in advance and they will bear the risk of reduced income as a result of the increased charge.

Staff tariffs will increase by 3% annually in the initial 5 years, after which time they will increase annually by 6% until such time (year 20) as they represent 54% of the visitor tariff (again, based on 8 hours per day, 5 days per week, 4 weeks per month), at which point the annual inflation reverts back to 3%.

5.1.2 Expenditure

Capital Expenditure and Life Cycle costs

The capital expenditure costs were prepared by WS Atkins, based on the specification provided by the Trust. The relevant detailed capital forms are included in Appendix C. VAT has been excluded for the purpose of this PSC. Life-cycle costs have been estimated to cover major elements such as lift replacement.

Running Costs

These have been based on current salary estimates and the current costs of services provided to the Trust by Sureway, adjusted for anticipated increases in security staff and management costs. Planned maintenance costs have been estimated by the Trust, along with a general estimate for overall running costs.

Rates

Rates for the surface car parks have been calculated based on an allocation of the current Trust rates bill relating to the whole site, apportioned on square meterage and following discussions with the District Valuer. The rates for the MSCP are based on information provided to the Trust by Gerard Eve.

Insurance

The Trust (in line with the rest of the NHS) self-insures. However, in this scheme, Impregilo are required to maintain insurance to cover a range of situations, particularly with regards to public liability. To enable a like-for-like comparison, the Trust have obtained an independent assessment of the Impregilo quote, which is considered reasonable, and have therefore included the same cost in the PSC.

5.1.3 Net Present Value

The PSC has been calculated over a thirty year concession term and the overall Net Present Value has been calculated using an overall discount factor of 8.65% (6% discount rate adjusted for an average inflation rate of 2.5%).

The net NPV of the PSC is £2,0704k and is broken down as follows;

	NPV £'000	NPV £'000
Income		23,824
Expenditure		
- costs	(19,211)	
- risk adjustment	(1,939)	
Sub-total		(21,150)
Net NPV		2,704

5.2 Updates to Public Sector Comparator for PPP

As previously stated, given the time since the OBC (February 1996), given that the OBC was not overprescriptive in stipulating the scheme and given that the scheme is, in fact, a franchise/concession rather than a true PFI there is no value in trying to update any figures in the OBC to the current PSC.

6. PPP PROCUREMENT PROCESS

6.1 Procurement Methodology

The then Glasgow Royal Infirmary University NHS Trust embarked on a project to provide a Multi -Storey Car Park on the GRI site in 1996.

This would ease the congestion of staff and visitor parking which was to be made worse by the construction of a new ERPB building on part of the current ground level staff car park also this development was vital in terms of future development of the site and became a condition of planning consent for the construction of the Princess Royal Maternity and the Jubilee Building.

The project was to be procured using the Private Finance Initiative.

6.2 Advisors

Technical

W S Atkins

Legal and Financial

Central Legal Office NHS Scotland (legal and contractual)

Coopers and Lybrand (OBC)

Delloite & Touche (PSC and FBC)

VAT Liason NHS Scotland (tax)

Willis Limited (insurances)

Gerard Eve (rates)

6.3 Pre-Qualification Process

An OJEC notice was placed on 10 October 1997 inviting expressions of interest from the private sector. Expressions of interest were received from ten organisations, of these seven were shortlisted and interviewed in January 1998 as they could demonstrate suitable experience and a proven track record.

6.4 Description of ITN Document

The ITN, issued in March 1998 invited bidders to submit bid proposals for the financing, design, build and operation of a multi-storey car park on the footprint designated at the GRI site and, at their option, to submit any number of variant bids which might provide added value to the Trust. The selected bidder would be required, once contracts were concluded, to assume full responsibility for the operation, management and security of all existing car parking areas on the GRI site.

The key objectives of the procurement were:

- As a minimum, replace staff parking places lost as a result of the GRI development programme.
- Substantially increase the number of patient and visitor spaces on the GRI site.
- Fulfil the requirements of the Glasgow City Planning Department in providing off-street parking for visitors and public.

North Glasgow University Hospitals NHS Trust

- Continue to effectively manage traffic and security on the GRI site in accordance with Trust policies.
- Improve security in all car parking areas.
- Permit for flexibility in future development of the GRI site.
- Provide an agreed number of disabled and free car park spaces throughout the GRI site.
- Prevent illegal parking on the GRI site.
- Implement a user friendly parking regime.

The ITN stipulated staff tariffs to be set at an amount agreed with the Trust and anticipated to be around £200 to £250 per annum. Initial tariffs for visitors, patients, etc were to be no greater than those applied by Glasgow City Council for public parking in their car park in the area.

The ITN anticipated that the multi-storey car park would have capacity for at least 1,000 parking spaces increasing the overall site capacity to at least 1,400 spaces.

6.5 Choice of Preferred Private Sector Partner

After an evaluation process three firms were selected to provide full tenders, these were Jarvis Construction / Universal Parking, TFM Parking / Barr Construction and Impregilo Parking.

Tenders were issued in March 1998, presentations made in April 1998 and tenders returned on 30 June 1998. The tendering firms made a further presentation in July 1998 and bids were assessed on 31 July 1998 by the Trust's Project Team using a weighted scoring matrix.

TFM / Barr were selected as preferred bidder.

Support was received from GGHB to proceed to full business case and confirmed in a letter to the ME on 23 September 1998.

TFM / Barr then sought a volume guarantee and also a commitment from the Trust that healthcare would remain on the GRI site for the foreseeable future. Following consultation with the Trust's legal advisors it was decided that, as no guarantee could be given, the Trust should withdraw from negotiations.

The Trust opened negotiations with Impregilo who had been second placed bidder. Impregilo confirmed that they were willing to come on board and that they did not require a volume guarantee. A position paper was submitted to the Trust's Executives in September 2000 requesting approval to continue negotiations with Impregilo. Approval was granted.

Impregilo prepared detailed design drawings and submitted a Planning Application. Planning Permission was received from Glasgow City Council on 5th March 2002. Discussions with the Trust and the Trust's advisors continued through 2001 and 2002.

6.6 Copy of Original OJEC Advert

See Appendix D

7. APPRAISAL PROCESS

7a Financial Appraisal (Affordability Analysis)

As this scheme is a concession, rather than a PFI, the financial appraisal is of less relevance. The Trust itself will incur no charge throughout the normal course of the thirty-year contract, and it will take over ownership of all the assets at nil value at the end of the contract term. Therefore there is no concern over affordability on the assumption that the contract is delivered as anticipated. (Risks associated with the contract should issues arise, and the potential financial consequences are covered elsewhere.)

The residual value of the MSCP that will be transferred at the end of the contract will be built up in the Trust balance sheet over the course of the thirty years. However, as no charge is being paid, it is proposed that the asset will be treated as a donated asset. As such, it will therefore not attract capital charges, and therefore no further impact on the Trust's operating cost statement is anticipated.

7b Economic Appraisal (Value for Money Analysis)

The overall analysis of the NPV of Impregilo's financial model versus the PSC is as follows:

	Impregilo £'000	PSC £'000
Income	24,846	23,824
Expenditure inc. risk	(20,219)	(21,150)
Net NPV	4,627	2,704

Impregilo have controlled the capital spend by utilising an Impregilo group company (Impregilo (New Cross) Limited) within the build project. This company will take some of the build risk from the project and thus they can command a better price from contractors than the Trust would be able to contracting direct. The difference in expenditure NPV mainly relates to this. The difference in the revenue NPV relates solely to the effect of timing differences in expected revenue streams.

Both sets of figures are based on Impregilo's business model and the assumptions therein. Sensitivity analysis shows that had they assumed the maximum number of staff spaces (938) the NPV in both Impregilo's model and the PSC falls by £2m.

However, as with the financial appraisal, the economic appraisal for this scheme will differ from a standard "PFI" scheme as the Trust is not paying any charge and therefore the "Value for Money" judgement needs to be based on a range of different factors:

Are the tariffs being imposed for visitors and staff reasonable compared to other car parking facilities in the vicinity and elsewhere?

Visitor tariffs have been set in conjunction with the council and are on a par with the local council run car parks in the area. Staff permit rates do not at any time during the contract term rise to more than the equivalent of 54% of visitor rates (based on 8 hours per day, 5 days per week).

Will the Trust incur any additional costs as a result of this concession?

The Trust will incur no additional costs as a result of this concession (notwithstanding the exceptional occurrence of Trust default). The only circumstance in which the trust will incur cost is if it wishes to reduce the number of parking spaces available to Impregilo (for example is they wish to use the land for development), in which case they will be required to reimburse Impregilo for any subsequent reduction in income.

What alternatives could the Trust have used the land for and is its proposed use justified and value for money?

The strategic requirements for the car park are clearly set out in earlier sections of the business case. It is imperative that the Trust increases the parking provision for patients, visitors and staff. Suitable alternative sections of land are not available within the site, taking in to account the future strategy for the hospital, nor are suitable sites available within the surrounding area.

What risks are the Trust required to take on in the contract and are these reasonable?

The risks that the Trust is taking on with the contract are set out elsewhere in this business case. These are in line with the NHS standard PFI contract and are therefore within market norms. However, unlike a standard PFI, the most significant risk (that of levels of demand and therefore income) is being born by Impregilo.

What further potential benefits will the Trust retain from the contract?

Impregilo have agreed to follow the OGC Guidance with regards to refinancing and will therefore share any future refinancing gain with the Trust on a 50:50 basis. The Trust will have the option of how they wish to receive this gain, for example, whether as a lump sum, in increased services provided, reduced staff tariffs, or other alternatives.

Is Impregilo achieving returns in line with market norms?

The returns that Impregilo are making are towards the higher end of market norms. (Shareholders IRR 19.26% (real)). They are absorbing risk on demand and income levels over the contract term, and they state that this risk requires a higher return. (This particularly applies to concerns such as the potential introduction of congestion charging, reducing the volume of demand for the car park).

Whilst the returns may be considered high, as the Trust will be bearing no cost, and they are comfortable that the charges (staff and visitor) are reasonable, the level of return required by Impregilo is less relevant, and reflects the market for such schemes.

7c Risk Analysis

The risk matrix showing which party is responsible for which risk is attached at Appendix E. This is based on the standard NHS PFI risk matrix, adjusted where appropriate to take account of the specific nature of this concession.

The calculation of the valuation of the risks transferred to Impregilo is attached at Appendix F.

As the facility is considerably less complex than a “normal” PFI the total risk of the project is less and the risks transferred to Impregilo in relation to costs would be considered less. However, Impregilo are bearing considerable risk with regards to income, a risk not normally born by the private sector within a standard PFI, and this results in a proportionally high transfer of risk to Impregilo with only a small level of risk left with the Trust.

8. SUMMARY OF CONTRACT STRUCTURE

8.1 Description of Contractual Framework

See Appendix G – Contract Structure

8.2 Diagram of Legal Relationship

The IPV, Impregilo Parking (Glasgow) Limited, is a 100% subsidiary of Impregilo Infrastructures NV, itself a 100% subsidiary of Impregilo SpA.

The building company, Impregilo (New Cross) Limited, is a 100% subsidiary of Impregilo SpA.

Impregilo Parking (Glasgow) Limited is 90.0% funded by senior debt from the Royal Bank of Scotland and 9.8% junior debt and 0.2% equity from Impregilo Infrastructures NV.

8.3 Summary of Main Provisions

A detailed analysis of the main provisions is included in Appendix G, however, the following are the key terms:

- Construction lead time – 12 months.
- Length of operating contract – 30 years.
- At end of contract building reverts to the Trust at nil cost.
- Circa 1,040 additional spaces in the new build multi storey car park.
- The existing ground level car parking spaces will be handed to the preferred provider, Impregilo, to manage.
- Total car parking spaces on site will be circa 1,440.
- Between 670 and 938 of the car park spaces will be allocated to GRI staff.
- 32 free disabled spaces will be provided.
- Drop off zones will be provided at key points.
- Access routes – multi storey through main junction off of Alexandra Parade, all others as currently situated.
- All risk regarding utilisation of the car park, including demand risk, will be borne by Impregilo. The trust pays no tariff to Impregilo.
- Visitors using spaces in the multi storey car park will pay on an hourly basis. similar to the pay and display car parks surrounding the Royal Infirmary.
- Staff will access car parking spaces on the Royal Infirmary campus by making direct application. Payments will be made directly to Impregilo as opposed to any deduction from their pay.
- Parking rates will be similar to other car parks in the area with a discounted rate for Royal Infirmary staff who will pay on a monthly basis.
- On Impregilo default the Trust will initially fund compensation will obtain complete redress from Impregilo SpA (ultimate parent company) through a guarantee from that company.
- In the event of the project being refinanced any gain will be split 50/50 between Impregilo and the Trust. This is in line with OCG guidance.

9. ACCOUNTING TREATMENT

There are a number of factors associated with the scheme, which clearly indicate that the property remains an asset of Impregilo during the contract term and is therefore "off-balance sheet" with regards to the Trust. These are set out in the following table:

Factor	Explanation
Payment	The Trust will make no payment to Impregilo for the use of the facility during the normal course of the contract.
Demand Risk	Impregilo take all of the demand risk on the property, with no guarantee from the Trust as to any level of usage, from either staff permits or the public.
Third Party Revenues	Covered within demand risk, Impregilo take the risk of third party revenues. The levels at which the tariffs are set are determined in conjunction with the Trust and Council.
Who determines the nature of the property	Subject to having to obtain planning permission, Impregilo have the ability to decide on the design and build of the property that affects the operational efficiency during the life of the contract.
Potential changes in relevant costs	Impregilo is allowed to take into account some changes to costs in establishing increases to tariffs, such as in relation to electricity prices, rates, water rates, changes to VAT rates, costs resulting from ground conditions, exceptional costs and costs resulting from changes in law. However, Impregilo take the risk that increases to tariffs will reduce demand and revenue. Impregilo bears the risk on all other relevant costs during the normal course of the contract.
Residual Value Risk	Impregilo have assumed no residual value risk at the end of the contract as the assets revert to the Trust. This risk is not considered significant when determining the balance sheet treatment.

As the qualitative analysis of the balance sheet treatment for this scheme is clear cut, no further quantitative analysis has been carried out.

A letter of agreement to this balance sheet treatment from the Trust auditors (PWC) is attached at Appendix H.

10. PROJECT MANAGEMENT ARRANGEMENTS

During procurement, the scheme will be projected managed by the Capital Planning Division of the North Glasgow Trust. The Capital Planning Department has been actively involved in the procurement of the multi storey car park from its initial inception and will, in relation to the Royal Infirmary site, ensure that access is maintained and that the build operation carried out by the contractor will comply with all health & safety arrangements required. The Capital Planning Department will also oversee related improvements to public roads giving access to the multi storey car park.

Once the multi storey car park is complete, the day-to-day liaison with the PFI provider will be through the hospital management structure i.e. the Hospital Manager responsible for the Royal Infirmary site - as the multi storey car park will integrate all car parking arrangements on the Royal Infirmary campus.

As Impregilo take all the demand risk it is in their interests to maintain the car parks to a high level. However, to ensure that this happens maintenance of the car parks will be monitored against the Car Park Maintenance Agreement and there is a requirement for Impregilo to submit all complaints received to the Trust. In the last five years of the project, Impregilo are required to put aside £100,000 each year as surety against poor maintenance that would result in a diminished asset value at handover at the end of the contract.

11. BENEFITS ASSESSMENT AND BENEFITS REALISATION PLAN

The North Glasgow Trust believes that the non financial benefits which will be obtained from this scheme are as follows:

- Will provide additional car parking spaces for the Royal Infirmary site in a state of the art multi-storey car park.
- State of the art car park design.
- Increased spaces provided will be allocated not only to staff but will be used by patients and visitors to the hospital, thus providing better access to the main acute hospital in the north of the city.
- With the inclusion on the Royal Infirmary campus of the new Maternity Hospital, Plastic Surgery moving from Canniesburn and a large A&E Department, the necessity of providing good access to the Royal Infirmary site is paramount and this will address problems of access and of the availability of parking in surrounding areas.
- The acute services review in Glasgow plans for 400 additional beds on the Royal Infirmary campus, it is unlikely that planning consent would be obtained to further developments on the Royal Infirmary site unless the problem of car parking is addressed. The solution of the multi storey car park meets with the Planning Department's approval and planning consent granted on 5 March 2002.
- As staff in the Royal Infirmary travel to other parts of the North Glasgow Trust, the multi storey car park will allow staff to leave the hospital and return to a guaranteed place potentially reducing non-productive journey times. Currently this does not normally happen.
- The provision of high security, well lit parking with 24 hour a day staffing and CCTV.
- Benefits will be monitored by an evidenced reduction in patient and visitor complaints regarding access to the site and the non availability of parking.
- There should also be an improvement in the recruitment position with Royal Infirmary as recruitment is deterred by the lack of parking facilities in the surrounding areas
- The provision of increased car parking capacity condition of planning consent for the construction of the Princess Royal Maternity and the Jubilee Building will be met.
- A barrier to planning consent for the Acute Services Review build on the GRI site will be overcome.

12. RISK MANAGEMENT STRATEGY

List of risks associated with the scheme:

- There are no volume guarantees attached to this scheme. All risks regarding the uptake in the car parks are borne by Impregilo.
- The access road off of Alexandra Parade requires redevelopment to cater for the Accident and Emergency Unit and the opening of the multi-storey car park. Once work starts this is programmed to take 6 months which is 6 months less than the build period for the multi-storey car park. Planning consent for the improvements is pending but to minimise the risk of compensation having to be paid by the Trust for a delay in opening the car park the Trust will not sign up to financial and legal close until planning consent has been provided. In addition any compensation for delay in excess of what the Trust receives through contractor insurances will be provided by extending the period of the concession in excess of a normal 30 year period. The Trust will only face immediate financial compensation claims if the delay period is over one year.
- Whilst the multi storey car park will provide a better service for patients and visitors, there will be an increase in charges. As patients and visitors will pay the same charges as in the public car parks surrounding the area, there is little risk of strong reaction from the public or visitors. However, as car parking charges for the multi storey scheme will be considerably higher than the current charges paid by staff, there is a risk of adverse publicity and of possible non use of the car park. However as volume risk is borne by the contractor, this would become the contractor's risk.
- The project is considered reasonably low risk for the SPV but should there be default in any way regarding debt repayment to the senior debt providers then the Trust is required to satisfy that debt. If the default is as a fault of the operators, Impregilo, then the Trust has recourse for full compensation through a parent company guarantee from Impregilo SpA.
- The Trust has covered the risk relating to the state of the assets at handback by implementing into the contract certain maintenance requirements and monitoring procedures throughout the life of the project. On commencement of the 25th year of the operating period and on the commencement of each year subsequent Impregilo are required to deposit £100,000 into a joint interest bearing account. This account will be used to fund any repair and maintenance work required to maintain the car park in properly maintained working order through to its handover to the Trust.

13. POST PROJECT EVALUATION

As this project is primarily a franchise/concession scheme, with no financial outlay by the Trust, there is less of a requirement for post project evaluation.

However, attention is drawn to the ongoing review that will take place regarding project maintenance (Section 10.) and specifically the financial provisions that will be set up to ensure the handover of a properly maintained asset at the end of the operating period (Sections 10. and 11.).

In addition, the Capital Planning Department will perform a post project evaluation at the end of the build stage (1 year from project commencement) and will also evaluate the project at various times during the operating period and especially during the last five years.

14. INFORMATION MANAGEMENT AND TECHNOLOGY STRATEGY

Due to the nature of this project there are no issues of this kind that relate to the Trust.

15. EQUIPMENT

Due to the nature of the project equipment will be minimal and reasonably non-technical (eg most sophisticated is a lift in the multistory).

All existing car park equipment (eg barriers etc) will transfer to Impregilo for the a total sum of £1. These assets are currently not valued in the Trust's balance sheet. At the end of the operating contract all car park equipment (including that in the multi-storey car park) will be transferred to the trust for nil consideration.

16. PERSONNEL ISSUES

16.1 Transfer of Personnel

There are only 11 personnel who will transfer from Sureway, a company currently operating for the Trust's parking facility, to Impregilo under the STUC/Scottish Executive Protocol and Guidance Concerning Employment Issues. This is not expected to raise any major issues.

16.2 Glasgow Working Group On Car Parking

16.2.1 Partnership Working And Staff Consultation

Within the North Glasgow Trust regular communication has taken place through the Trust Partnership Forum with Staff Representatives on the proposed car parking new build, its management and use, and the application of charges for parking. To ensure transparency this has included formal commitments to a partnership approach in allocation, against agreed criteria, of any secured staff parking spaces. Information and updates have also been given on the development of a common Greater Glasgow NHS Board approach to car parking.

16.2.2 Greater Glasgow NHS Board Parking Policy

The Greater Glasgow NHS Board and its component organisations are currently developing plans to ensure the effective management of parking and traffic management system at all sites. This is in line with requirements for all organisations to achieve compliance with National and Local Government policy and regulations on transport and environmental issues. A group led by the Director of Human Resources for the South Glasgow Trust, formed on partnership principles and including the Employee Director and Director of Human Resources for the North Glasgow Trust, is taking forward work on a common parking policy.

Underpinning the Board parking strategy is the availability and management of motor vehicle parking, so that:

- Patients, visitors and staff are afforded a safe and clean environment when using NHS parking facilities.
- Provision is made to offer parking facilities for the frail and disabled as close to the hospital entrances as possible.
- Parking is restricted to authorised spaces, ensuring that essential routes are kept clear and that critical entrances are not obstructed.

It will be necessary to apply charges on a single Pan Glasgow system basis to avoid levels of car parking charge being applied to staff at the Royal Infirmary site that will be seen as punitive and will be a major disincentive in terms of recruiting and retaining staff at our single largest site. This would be consistent with the Staff Governance Standard. Standard 4 requires NHS economies to treat staff fairly and consistently. There is a question of equality here. We should not be creating employment conditions where staff at Health Board Headquarters or at other major hospital sites are treated in a manner demonstrably more favourably than those at GRI.

Failure to apply a consistent approach across the City will inevitably lead to significant unrest amongst staff at the Royal Infirmary. There exists a real likelihood of migration of key staff from the Royal Infirmary to other Glasgow and Lanarkshire Hospitals and a very real risk of significant industrial action. The Board's acceptance of the principle of applying a uniform charge to staff for car-parking at our major hospital and City centre sites is important in giving senior management in North Glasgow University Hospitals NHS Trust the confidence to conclude arrangements with Impregilo. Failure to proceed with the GRI car park will see planning permission for further building at GRI being delayed/withheld.

To support the introduction of parking charges and provision of limited designated staff parking spaces, provision will be made to offer transport alternatives to staff to discourage the regular use of individual motor vehicles. This includes promoting greater use of public transport, cycling, walking, car sharing, increasing inter-site bus transport, and other schemes in line with wider Government environmental and health policy on reducing air pollution, congestion, and other areas of environmental damage.

17. CONCLUSION

Approval is being sought for the preferred option of appointing Impregilo to construct and operate a concessionary car parking scheme within the grounds of the GRI. This will address one of the key public concerns – access to the Royal Infirmary site – identified during the Acute Services Review.

NOTES

ZONES	NAME	SPACES		Total
		S	V&P D	
1.	QUADRANGLE	52	06	58
2.	CATHEDRAL GROUND	34	34	68
3.	MORTUARY LANE	28	28	56
4.	ST MUNGO (TEMPORARY)	26	26	52
5.	WALTON BUILDING	06	06	12
6.	MATERNITY	49	49	98
7.	AMBULANCE ENTRANCE	15	15	30
8.	WISHART STREET	38	38	76
9.	BANK	40	40	80
10.	STOREY YARD	28	28	56
11.	OLD A&E	10	10	20
12.	EMERGENCY	14	02	16
13.	MATERNITY (LOW LEVEL)	03	03	06
PREMISES				
14.	MULTI-STOREY	352	704	1057
TOTAL		672	704	1408

KEY
 S - STAFF
 V&P - VISITORS & PATIENTS
 D - FREE DISABLED VISITORS & PATIENTS
 --- DROP OFF AREAS
 --- AMBULANCE PARKING BAYS

NOTE
 Car park 4 used as site area during construction.

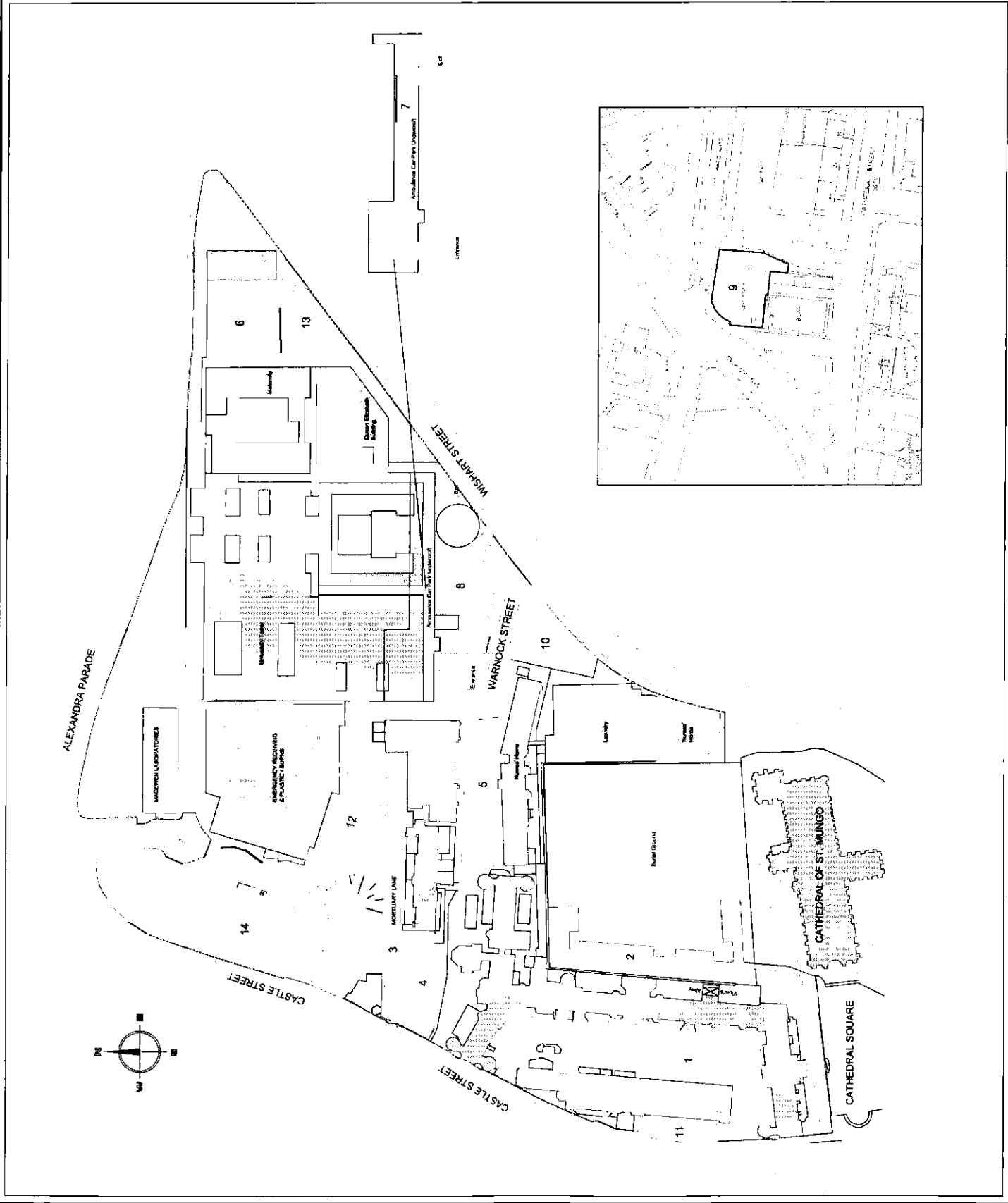
B General reviews 1/07/03 wjh
 A General reviews 27/11/02 jh
 Date By

Client: IMPREGILO PARKING (GLASGOW) LTD
 Project: GLASGOW ROYAL INFIRMARY
 Drawing: CAR PARK MANAGEMENT PLAN

ENGINEERSE INCORPORATED
 Civil and Structural Engineering Consultants, The Cathedral
 Planning Services, Site Supervision, Topographical Surveys
 GLENHURST WOODS, 1115 WELLS, GARDIFF, CF15 7YF
 TEL: 033 2331 327 FAX: 033 2331 331

Drawn: J.L. Date: 14.05.02 Scale: 1:1250
 Checked: P.H. No. 1408 Problem: Check: Final

Job No: IMP.02 Drawing No: 4 Rev: B



APPENDIX B

Public Sector Comparitor

North Glasgow University Hospitals NHS Trust

PSC

Assumptions

- {a} Year-end is 31st March, Year 0 being 1st April 2003 to 31st March 2004. Building work begins Oct 03 for 12 months and the projects ends on 30th Sept 2034 (classified as year 31).

- {b} Multi storey car park opens for trading on 1 October 2004, which falls in year 1 where income will be generated for 6 months, and then 12 months for each year thereafter (until year 31 which includes only 6 months).

- {c} Average transaction £1.938 for year 04/05, divided by 1.175 to exclude VAT and inflated each year by tariff inflation of 3%

- {d} Calculated as: 699 visitor spaces x probability of 2.71 cars per day x average transaction value. This is the income per day, year 2 is multiplied by 182 days (for Oct until March) and year 3 onwards by 365 days in order to obtain income per annum. The project ends on 30th Sept 2034, and therefore year 31 includes only 183 days.

- {e} Monthly fee is £55, divided by 1.175 to exclude VAT and inflated year 2 - 5 by tariff inflation of 3%, year 6 - 20 by 6% then 3% thereafter.

- {f} Calculated as: 686 -16 staff spaces (reduced by a further 26 post year 7) x probability of 1.4 cars per day x monthly staff tariff.

- {g} 6 new barriers at MSCP, @ £6k each. 4 new barriers at surface car park, @ £6k each

- {h} Assume labour costs are not incurred until the car park is operating for trading. Incurred for 6 months in year 2 and 12 months thereafter, until year 31 when they are incurred for only 6 months

- {i} Year 1 is 6 mths at the reduced rate, year 2 includes 6 mths at £20.02 and 6 months at £55 due to the timing of the opening of the MSCP. The number of spaces decreases in year 7 by 26 (to 284) due to building work. Due to end date of project, year 31 includes only 6 months. Utilisation of 1.4 is also used for the surface car parks.

- {j} Running costs - assume that these begin once the car park starts trading (exceptions are noted by further tickmarks). Year 1 includes 6mths of costs and year 31 includes 6 months (all others 12 mths).

- {k} Construction costs as per FBC, inflation has been included in these amounts, and VAT has been excluded.

- {l} Assumed that maintenance does not need to be done until the construction has ceased (£20k inflated for 3 years by 2.5%).

- {m} 46% of salary costs (salary costs have been adjusted for inflation)

- {n} Assume rates are paid when occupancy starts

- {o} Assume professional fees and insurance costs are charged from date of trading

- {p} Surface car parks will be charged from the beginning of the project (Oct 03) at £20.02, until the opening of the MSCP opens when the price will then increase to the MSCP price (£55 a month plus 3% inflation). All prices are adjusted for VAT by dividing by 1.175.

APPENDIX C

Relevant Detailed Capital Forms

FULL BUSINESS CASE FOR PREFERRED OPTION

COST FORM FB1

TRUST/PROVIDER UNIT* North Glasgow University Hospitals NHS Trust
 SCHEME: Strategic Site Development Programme
 PHASE: Multi-Storey Car Park
 PROJECT DIRECTOR: Dr W Anderson

CAPITAL COSTS SUMMARY

	Cost Exc. VAT £	VAT £	Cost Inc. VAT £
1. Department Costs (from Form FB2)	9,094,167	1,591,479	10,685,646
2. On-Costs (a) (from Form FB3) (% of Department Cost)	0	-	0
3. Works Cost Total (1+2) at 183 BCIS "All In" TPI	9,094,167	1,591,479	10,685,646
4. Provisional location adjustment (if applicable) (5 % of £) (b)	454,708	79,574	534,282
5. Sub Total (3+4)	9,548,875	1,671,053	11,219,928
6. Fees (c) (10 % of sub-total 5)	954,888	(d) 0	954,888
7. Non-Works Costs (from Form FB4) (e)			
LAND	0	0	0
OTHER	28,500	Incl.	28,500
8. Equipment Cost (from Form FB2) (% of Department Cost)	Incl.	Incl.	Incl.
9. Contingencies	Incl.	Incl.	Incl.
10. TOTAL (for approval purposes)	10,532,263	1,671,053	12,203,316
11. Inflation adjustments (f)	882,012	139,940	1,021,953
12. FORECAST OUTTURN TAKEOVER			
BUSINESS CASE TOTAL	11,414,275	1,810,994	13,225,268

Cash Flow: Year:	SOURCE			£
	EFL	OTHER GOVERNMENT	PRIVATE	
2003/04				10,934,477
2004/05				2,090,648
2005/06				200,155
			Total Cost (as 12 above)	13,225,280

This form completed by: WS ATKINS Date: 15-Apr-03

Address: CLIFTON HOUSE, CLIFTON PLACE
GLASGOW, G3 7YY Telephone No.: 0141 332 7030

Authorised by: _____ Project Director

PROGRAMME		COST FORM FB1 (CONT.)	
STAGE:		DATE ENTERED IN FULL BUSINESS CASE:	
FULL BUSINESS CASE APPROVAL			
FINAL CERTIFICATE OF READINESS TO PROCEED TO TENDER ISSUED:			
SECOND STAGE APPROVAL:			
FIRST CONTRACT START ON SITE:		Jul-03	
DATE OF LAST CONTRACT "PRACTICAL COMPLETION" ISSUED:			
SCHEME COMPLETION DATE:		Jul-04	
<p>Notes:</p> <ul style="list-style-type: none"> * Delete as appropriate (a) On-Costs should be supported by a breakdown as cost form FB3 together with a brief description of their scope. (b) Adjustment of national average D.C.G. price levels and on-costs for local market conditions. (c) Fees include all resources costs associated with the scheme e.g. project sponsorship, clerk of works etc. (d) Not applicable to professional fees - VAT reclaimable. (e) Non-works costs should be supported by a breakdown and include such items as contributions to statutory and local authorities, building regulations and planning fees; land costs and associated legal fees. Form EF2 to be attached to this summary. (f) Estimate of tender price inflation up to proposed tender date (plus contract fluctuations for VOP contractors only) 			

FULL BUSINESS CASE FOR PREFERRED OPTION

COST FORM FB2

TRUST/PROVIDER UNIT* North Glasgow University Hospitals NHS Trust
 SCHEME: Strategic Site Development Programme
 PHASE: Multi-Storey Car Park
 PROJECT DIRECTOR: Dr W Anderson
 CAPITAL COSTS: DEPARTMENT COSTS AND EQUIPMENT COSTS

Functional Content	Function Units/ Space Requirement (1)	N/A/C/ (2)	DCG Schedule £	Equipment Cost £
	From Elemental Cost Analysis (Updated from 4Q01 to 2Q02 TPI203)	N	9,094,167	
Less abatement for transferred equipment if applicable (_____%) (3)				
Department Costs and Equipment Costs to Summary (Form FB1)			£9,094,167	£0
				See Notes Overleaf.

COST FORM FB2 (CONT.)

This form completed by: WS ATKINS

Date: 15-Apr-03

Telephone No: 0141 332 7030

Notes:

Costs should be based on Departmental Cost Guides where appropriate and include for essential complimentary accommodation and optional accommodation and services where details are not available.

Identify separately any proposed adjustment (over or under cost guidances) justifiable in value for money terms (details to be provided).

* Delete as appropriate

1. State area and rate if departmental cost guidance not available

2. Insert:

N for new build,

A for adaption for alternative use or

C for upgrading existing building retaining current use

3. Provide details where appropriate

FULL BUSINESS CASE FOR PREFERRED OPTION

COST FORM FB3

TRUST/PROVIDER UNIT* North Glasgow University Hospitals NHS Trust
 SCHEME: Strategic Site Development Programme
 PHASE: Multi-Storey Car park
 CAPITAL COSTS: ON-COSTS

	Estimated Cost (exc. VAT)	Percentage of Departmental Cost %
1. Communications	£	
a. Space)	
b. Lifts) £	
	I	
2. External Building Works (1)		
a. Drainage)	
b. Roads, paths, parking) N	
c. Site layout, walls, fencing, gates)	
d. Builders work for engineering services outside buildings) C	
	£	
3. "External" Engineering Works (1)		
a. Steam, condensate, heating, hot water and gas supply mains) L	
b. Cold water mains and storage)	
c. Electricity mains, sub-stations, stand-by generation plant) U	
d. Calorifiers and associated plant)	
e. Miscellaneous services) D	
	£	
4. Auxillary Buildings) £	
	E	
5. Other on-costs and abnormals (2)		
a. Building)	
b. Engineering) D	
	£	
Total On-Costs to Summary FB1	£0	

Notes: Must be based on scheme specific assessments/measurements; attach details to define scope of works as appropriate.
 Identify separately any proposed additional capital expenditure justifiable in value for money terms (details to be provided).

* Delete as appropriate

1) "External" to Departments

2) Identify any enabling or preliminary works to prepare the site in advance e.g. demolitions; service diversions; decanting costs; site investigation and other exploratory works.

This form completed by: WS ATKINS

Telephone No. 0141 332 7030

Date: 15-Apr-03

FULL BUSINESS CASE FOR PREFERRED OPTION**COST FORM FB4**

TRUST/PROVIDER UNIT*

North Glasgow University Hospitals NHS Trust

SCHEME:

Strategic Site Development Programme

PHASE:

Multi-Storey Car Park

CAPITAL COSTS: FEES AND NON-WORKS COSTS

	£	Percentage of Works Cost
1. Fees (including "in-house" resource costs)		
a. Architects		
b. Structural Engineers		
c. Mechanical Engineers		
d. Electrical Engineers	954,888	10
e. Quantity Surveyors		
f. Site Supervision		
g. Planning Supervisor		
Total Fees to Summary (FB1)	954,888	10%

2. Non-Works Costs	£
a. Land Purchase costs and associated legal fees	nil
b. Building Warrant Fees	19,000
c. Planning Fees	9,500
Non-Works Costs to Summary (FB1)	28,500

Notes:

* Delete as appropriate

This form completed by: WS ATKINS

Telephone No: 0141 332 7030

Date: 15 April 2003

From: "Carter, Julie" <Julie.Carter@NorthGlasgow.Scot.NHS.UK>
To: Robert Anderson
Date: 07/12/2006 13:30:55
Subject: FW: Car Park FBC

-----Original Message-----

From: Carter, Julie
Sent: 14 July 2003 16:04
To: Bowie, Alan
Cc: Miller, Gillian; 'sfairweather@deloitte.co.uk'
Subject: Car Park FBC

Alan,

here is the business case and all the appendices.

<<CarParkFBC.doc>> <<AppAPlanHeader.doc>> <<AppACarPkPlan.pdf>>
<<AppBPSC.xls>> <<AppCReIDetCapFms.xls>> <<AppDOJEC.doc>>
<<AppERiskMatrix.doc>> <<AppFRiskCalc.xls>> <<AppGContStruct.doc>>
<<AppHAudLet.doc>>

Note that AppAPlanHeader.doc is just a header sheet for the plan which is in PDF format. I didn't want to import it into word as I didn't think the quality would be good enough.

I have sent an electronic copy to John Hamilton at the board.

I'll bring a copy for you to tomorrow's meeting. I'll also bring two copies to Tim tomorrow morning (one for himself and one extra if needed). Better bring one for myself as well!

Let me know if you have any problems with it.

Duncan

PS You know the meeting is at the Chairman's office, 14 Sandyford Place in Glasgow now?

The information contained within this e-mail and in any attachments is confidential and may be privileged. If you are not the intended recipient, please destroy this message, delete any copies held on your systems and notify the sender immediately. You should not retain, copy or use this e-mail for any purpose, nor disclose all or any part of its content to any other person. All messages passing through this gateway are checked for viruses but we strongly recommend that you check for viruses using your own virus scanner as NHS Greater Glasgow will not take responsibility for any damage caused as a result of virus infection.

Attachments: CarParkFBC.doc, AppAPlanHeader.doc, AppACarPkPlan.pdf, AppBPSC.xls, AppCRelDetCapFms.xls, AppDOJEC.doc, AppERiskMatrix.doc, AppFRiskCalc.xls, AppGContStruct.doc, AppHAudLet.doc

Appendix D

OJEC

UK-Glasgow: car-parking facilities and management

(Open to US bidders)

(97/S 203-130521/EN)

1. **Awarding authority:** Glasgow Royal Infirmary University NHS Trust, Walton Building, Third Floor, 34 Castle Street, UK-Glasgow G4 0SF.
Tel. (01 41) 211 46 81. Facsimile (01 41) 211 46 82.
(Materials Manager.)
2. **Category of service and description, CPC reference number:**
CPV: 45211572, 45231199, 74142300, 74841630.
Category 27.
Provision of car-parking facilities with ongoing operation and management.
3. **Delivery to:** Glasgow Royal Infirmary.
4. (a), (b), (c)
5. **Division into lots:** The contract will not be sub-divisible, but the contractor may appoint approved subcontractors to operate under his control and responsibility.
6. **Number of service providers which will be invited to tender:**
Maximum of 4.
7. **Variants:** Variants may be considered.
8. **Duration of contract or time limit for completion of the service:**
Commencing summer 1998 for a 10-year period. The contract term will be part of the negotiations.
9. **Legal form in case of group bidders:** Limited company.
10. (a)
(b) **Deadline for receipt of applications:** 18. 11. 1997 (12.00).
(c) **Address:** As in 1.
(d) **Language(s):** English.
11. **Deposits and guarantees:** Responses to the notice must be accompanied by a refundable deposit of 100 GBP, drawn on a UK based bank and in favour of Glasgow Royal Infirmary University NHS Trust. Parent-company guarantees may be required at a later date.
12. **Qualifications:** The following documentation must accompany responses to this notice:
presentation of the undertaking's balance sheets or extracts from balance sheets;
statement of the firm's overall turnover and the turnover in respect of the services to which the contract relates for the previous 3 financial years;
list of the principal projects effected in the past 3 years, with the sums, dates and recipients, public and private, involved. Reference sites must be quoted and contact name and telephone number supplied.
13. **Providers already selected:** There are no pre-selected potential service providers.
14. **Other information:** The Trust will reserve the option to integrate car-parking services into a facilities management contract.
Respondents complying with 11 and 12 above, and providing appropriate references, will be sent a briefing pack that describes the overall objectives of the service required. The briefing pack will give details of opportunities for site visits, etc.
A response to the briefing pack will be required by 28. 11. 1997 (12.00). This response must outline in reasonable detail the proposal the tenderer would wish the Trust to take forward for consideration.
The most apparently appropriate proposals will be shortlisted to make a formal response to an operational requirement.
The contract will be extendable at the Trust's option, without a call for further competition.
The Trust will have the option to include additional service elements in the contract package during the life of the contract without a call for further competition.
The operational requirement documentation will include a range of desired output specifications. The potential service providers will be expected to determine the most innovative optimum solution but will be required to negotiate the service levels and contract.
15. **Notice postmarked:** 10. 10. 1997.
16. **Notice received on:** 10. 10. 1997

Appendix E

Risk Matrix

RISK MATRIX

Design Risks

No.	Risk Heading	Definition	Allocation	
			Trust	Shared
1.1	Failure to design to brief	Failure to translate the requirements of North Glasgow Trust into the design.		✓
1.2	Continuing development of design	The detail of the design should be developed within an agreed framework and timetable. A failure to do so may lead to additional design and construction costs.		✓
1.3	Change in requirements of North Glasgow Trust	North Glasgow Trust may require changes to the design, leading to additional design and construction costs.	✓	
1.4	Change in the design by Private Sector	This is the risk that the operator will require changes to the design, leading to additional design costs		✓
1.5	Change in design required due to external influences specific to the NHS	There is a risk that the designs will need to change due to legislative or regulatory changes specific to the NHS.	✓	
1.6	Failure to build to design	Misinterpretation of design or failure to build to specification during construction may lead to additional design and construction costs.		✓

Construction and Development Risks

No.	Risk Heading	Definition	Allocation	
			Trust	Shared
2.1	Incorrect time estimate	The time taken to complete the construction phase may be different from the estimated time		✓
2.2	Unforeseen ground/site conditions	Unforeseen ground/site conditions may lead to variations in the estimated cost.		✓
2.4a	Delay in gaining access to the site	A delay in gaining access to the site may put back the entire project	✓	
2.4b	Delay in completion of the highways works	Delay in completion of the highways works post contract signature could cause financial implications for the Trust or Impregilo, depending on the cause and extent of the delay.		✓
2.5	Responsibility for maintaining on-site security	Theft and/or damage to equipment and materials may lead to unforeseen costs in terms of replacing damaged items, and delay.		✓
2.6	Responsibility for maintaining site safety	The Construction, Design and Management (CDM) regulations must be complied with.		✓

2.7	Third Party Claims	The risk refers to the costs associated with third party claims due to loss of amenity and ground subsidence on adjacent property	✓	
2.8	Compensation events	An event of this kind may delay or impede the performance of the contract and cause additional expense.	✓	
2.9	Delay events	An event of this kind may delay or impede the performance of the contract and cause additional expense.		✓
2.10	Force Majeure	In the event of Force Majeure additional costs will be incurred. Facilities may also be unavailable.		✓
2.11	Termination due to force majeure	There is a risk that an event of force majeure will mean the parties are no longer able to perform the contract.		✓
2.12	Legislative/regulatory change: NHS specific	A change in NHS specific legislation/regulations, leading to a change in the requirements and variations in costs.	✓	
2.13	Legislative/regulatory change: non-NHS specific	A change in non-NHS specific legislation/regulations taking effect during the construction phase, leading to a change in the requirements and variations in costs.	✓	
2.14	Changes in taxation	Changes in taxation may affect the cost of the project		✓
2.15	Changes in the rate of VAT	Changes in the rate of VAT may increase the costs of the project.	✓	
2.16	Other changes in VAT	Changes in VAT legislation other than changes in the rate of VAT payable.		✓
2.17	Contractor default	In the case of contractor default, additional costs may be incurred in appointing a replacement, and may cause delay.	✓	
2.18	Poor project management	There is a risk that poor project management will lead to additional costs. E.g. if sub-contractors are not well co-ordinated, one sub-contractor could be delayed because the work of another is incomplete.	✓	
2.19	Contractor/sub-contractor industrial action	Industrial action may cause the construction to be delayed, as well as incurring additional management costs.	✓	
2.20	Protester action	Protester action may incur additional costs, such as security. Ownership of risk depends on the cause of the action.		✓
2.22	Incorrect time and cost estimates for commissioning the new building	The estimated cost of commissioning new buildings may be incorrect, there may also be delays leading to further costs, or loss of income.	✓	

Risks 2.3 and 2.21 on the standard form have been deleted as not appropriate for this development.

Performance Risks

No.	Risk Heading	Definition	Allocation	
			Trust	Impregilo Shared
3.1	Latent defects in the new build	Latent defects in the structure of the building(s), which require repair, may become patent.		✓
3.3	Performance of sub-contractors	Poor management of sub-contractors can lead to poor co-ordination and under-performance by the contractors. This may create additional costs in the provision of services.		✓
3.4	Default by contractor or sub-contractor	In the case of default by a contractor or sub-contractor, there may be a need to manage emergency provision. There may also be additional costs involved in finding a replacement.		✓
3.5	Industrial action	Industrial action by the staff involved in providing facilities services would lead to higher costs and/or performance failures.		✓
3.6	Failure to meet performance standards	There is a risk that the operators will not provide the required standard of maintenance. After due process the Trust may pay for this maintenance to be carried out correctly, and the operator would be charged with this cost.		✓
3.7	Availability of facilities	There is a risk that some or all of the facility will not be available for the use to which it is intended. There may be costs involved in making the facility available, or a loss of income.		✓
3.8	Relief events	An event of this kind may delay or impede the performance of the contract and cause additional expense.		✓
3.9	Force Majeure	In the event of Force Majeure additional costs will be incurred. Facilities may also be unavailable, with subsequent loss of income.		✓
3.10	Termination due to force majeure	There is a risk that an event of force majeure will mean the parties are no longer able to perform the contract.		✓

Risk 3.2 on the standard form has been deleted as not appropriate for this development.

Operating Cost Risk

No.	Risk Heading	Definition	Allocation		
			Trust	Impregilo	Shared
4.1	Incorrect estimated cost of providing specific services under the contract.	Certain cost variations can be recovered in the tariff. As this tariff is paid by the general public, patients and some staff there is no financial cost to the Trust. Impregilo take the risk that increasing the tariffs to recover increased costs could result in reduced income.		✓	
4.3	Legislative/regulatory change having capital cost consequences: NHS specific	NHS specific changes to legislation/regulations may lead to additional construction costs, and higher building, maintenance, equipment and labour costs.	✓		
4.4	Legislative/regulatory change: non-NHS specific	Non-NHS specific changes to legislation/regulations may lead to additional construction costs, and higher building, maintenance, equipment and labour costs.		✓	
4.5	Changes in taxation	The scope and level of taxation will effect the cost of providing services.		✓	
4.6	Changes in VAT	This may increase the cost of the provision of services or tariffs charged. However Impregilo will bear the risk via the increased tariffs.		✓	
4.7	Incorrect estimated cost of maintenance	The cost of building and engineering maintenance may be different to the expected costs.		✓	
4.8	Incorrect estimated cost of energy used	Impregilo will meet costs of failure to meet energy efficiency targets or to control energy usage. Price changes will be recovered through increased tariffs.		✓	
4.9	Estimated cost of transferring the employment of staff to new employer is incorrect	The estimated cost of the transfer of the employment of staff, under TUPE, may be incorrect. This includes the cost of any legal appeals. The NHS Trust may be asked to warrant information.			✓
4.10	Estimated cost of restructuring the workforce providing services under the contract is incorrect	The estimated cost of restructuring the workforce at any time during the operating phase, such as recruitment costs and redundancy payments, may be incorrect.		✓	

Risks 4.2, 4.11, 4.12 and 4.13 on the standard form have been deleted as not appropriate for this development.

Variability of Revenue Risk

No.	Risk Heading	Definition	Allocation	
			Trust	Impregilo Shared
5.4	Changes in the volume of demand for car parking places.	There is a risk that the volume of demand for car parking spaces will vary from that projected. Significant changes may also be, for example, an unexpected increase in the cost of fuel or the imposition of congestion charging in Glasgow, both leading to a reduction in demand.		✓
5.6	Major unexpected changes in the infrastructure of the GRJ relating to the car park.	An unexpected reconfiguration or re-scaling of the provision of services at the GRJ may lead to a reduced demand for car parking facilities. The Trust are required to reimburse Impregilo for lost income in such circumstances.	✓	

Risks 5.1, 5.2, 5.3, 5.5, 5.7 and 5.8 on the standard form have been deleted as not appropriate for this development.

Termination Risks

No.	Risk Heading	Definition	Allocation	
			Trust	Impregilo Shared
6.1	Default by the Trust	The risk that the Trust defaults on the contract, requiring it to compensate Impregilo for senior debt and lost profits.	✓	
6.2	Default by the operator leading to step-in by financiers	The risk that the operator or individual service providers default, and financiers step-in leading to higher costs than agreed in the contract.		✓
6.3	Termination due to default by the operator	The risk that the operator defaults and step-in rights are exercised by financiers, but they are unsuccessful leading to termination of contract.		✓

Technology and Obsolescence Risks

No.	Risk Heading	Definition	Allocation	
			Trust	Impregilo Shared
7.1	Technological change/asset obsolescence	Buildings, plant and equipment may become obsolete during the contract.		✓

Risk 7.2 on the standard form has been deleted as not appropriate for this development.

Control Risks

No.	Risk Heading	Definition	Allocation	
			Trust	Impregilo Shared
8.1	Control of services provided under the contract	The operator should retain control of these.	✓	

Residual Risks

No.	Risk Heading	Definition	Allocation	
			Trust	Impregilo Shared
9.1	Trust no longer requires assets at the end of the contract.	As the assets revert to the Trust at the end of the contract, if the Trust do not then require them, they will bear the cost of demolition.	✓	

Other Project Risks

No.	Risk Heading	Definition	Allocation	
			Trust	Impregilo Shared
10.2	Delayed highway project planning approval.	A delay in receiving planning permission may have broader cost implications for the project, and the Acute Services Review, as well as the loss of potential income.		✓

Risks 10.1 and 10.3 on the standard form have been deleted as not appropriate for this development.

APPENDIX F

Risk Calculator

RISK CALCULATION(FOR THE FULL BUSINESS CASE)

NPV

RISK PSC (30 YEARS) 2607

RISK PFI (30 YEARS) 709

RISK TRANSFERRED 1898

BASES USED FOR RISK CALCULATION

<u>DESCRIPTION</u>		<u>£000s</u>
A	CAPITAL BUILDING COSTS(excl V.A.T.)	11414
B	CAPITAL EQUIPMENT BUDGET	0
C	ESTIMATED ANNUAL INCOME	1623
D	ESTIMATED ANNUAL EXPENDITURE exc dep'n and interest	685
E	PAY COSTS FOR FM	0
F	ENERGY BUDGET	0
G	PLANNING COSTS	11
H	MAXIMUM LEGAL CLAIM (ESTIMATED)	500
I	CAPITAL BUILDING COSTS(incl V.A.T.)	0
J	DECANTING COSTS	0
K	VALUE OF CONTRACT (NPV of INCOME)	25000
L	LIFECYCLE COSTS (EAC)	0

Risk by Functional Area	NHS Guidance	PSC		PFI		Difference	
		NPV of Risk at 6% £000		NPV of Risk at 6% £000		NPV of Risk at 6% £000	
		V (Strat)	W (Sum V)	V (Strat)	W (Sum V)	V (Strat)	W (Sum V)
Design Risks	B						
Failure to design to brief	1.1	14		0		14	
Continuing development of design	1.2	0		0		0	
Change in requirements of the NHS Trust	1.3	86		86		0	
Change in design required by operator	1.4	14		0		14	
Change in design due to external influences specific to the NHS	1.5	35		35		0	
Failure to build to design	1.6	14	162	0	121	14	41
Construction and Development Risks							
Incorrect time estimate	2.1	84		0		84	
Unforeseen ground/site conditions	2.2	0		0		0	
Delay in gaining access to the site	2.4a	0		0		0	
Delay in completion of the highways works	2.4b	80		40		40	
Responsibility for maintaining on site security	2.5	0		0		0	
Responsibility for maintaining on site safety	2.6	0		0		0	
Third party claims	2.7	0		0		0	
Compensation Events	2.8	0		0		0	
Delay Events	2.9	0		0		0	
Force Majeure	2.10	63		31		31	
Termination due to force majeure	2.11	0		0		0	
Legislative/regulatory change: NHS specific	2.12	32		32		0	
Legislative/regulatory change: non-NHS specific	2.13	32		0		32	
Changes in taxation	2.14	57		0		57	
Changes in the rate of VAT	2.15	0		0		0	
Other changes in VAT	2.16	11		6		6	
Contractor default	2.17	86		0		86	
Poor project management	2.18	0		0		0	
Contractor/sub-contractor availability / failure / industrial action	2.19	11		0		11	
Protester action	2.20	2		1		1	
Incorrect time and cost estimates for commissioning new building	2.22	0	458	0	110	0	348
Performance Risks							
Latent defects in the new build	3.1	187		0		187	
Performance of sub-contractors	3.3	153		0		153	
Default by contractor or sub-contractor	3.4	0		0		0	
Industrial action	3.5	26		0		26	
Failure to meet performance standards	3.6	40		0		40	
Availability of facilities	3.7	313		0		313	
Relief events	3.8	0		0		0	
Force Majeure	3.9	50		25		25	
Termination due to force majeure	3.10	0	769	0	25	0	744

Risk by Functional Area	NHSE Guidance	PSC		PFI		Difference	
		NPV of Risk at 6% £000	Total £000	NPV of Risk at 6% £000	Total £000	NPV of Risk at 6% £000	Total £000
		V (SxTxU)	W (Sum V)	V (SxTxU)	W (Sum V)	V (SxTxU)	W (Sum V)
Operating Cost Risks							
Incorrect estimated cost of providing services	4.1	170		0		170	
Legislative/regulatory change having capital cost consequences: NHS specific	4.3	94		94		0	
Legislative/regulatory change non-NHS specific	4.4	34		0		34	
Changes in taxation	4.5	59		0		59	
Changes in VAT	4.6	0		0		0	
Incorrect estimated costs of maintenance	4.7	0		0		0	
Incorrect estimated cost of energy used	4.8	0		0		0	
Incorrect cost estimate of transferring staff	4.9	0		0		0	
Incorrect estimate of cost of restructuring staff	4.10	23	380	0	94	23	286
Variability of Revenue Risks							
Changes in the volume of demand for car park spaces	5.4	346		0		346	
Unexpected changes in the infrastructure of GRI impacting use of car park	5.6	30	376	30	30	0	346
Termination risks							
Termination due to default by the trust	6.1	316		316		0	
Default by the operator leading to step-in by financiers	6.2	117		0		117	
Termination due to default by the operator	6.3	0	433	0	316	0	117
Technology and Obsolescence Risks							
Technological change/asset obsolescence	7.1	16	16	0	0	16	16
Control risks							
Control of services provided under the PFI contract	8.1	0	0	0	0	0	0
Residual Value Risks							
Trust no longer requires assets at the end of the contract	9.1	13	13	13	13	0	0
NPV OF RISK RETAINED			2,607		709		1,898

Risk by Functional Area	NHS Guidance	Base Cost £000	Value Weights			Value			Probabilities			Expected Value £000	Time		Risk Retained by PSC %	Discount Factor %	NPV of Risk					
			Min Impact %	Medium Impact %	Max Impact %	G (X+D)	H (C+E)	I (C+F)	J	K	L		From Year	To Year			No. of years (inc)	P (O-N)	T	U	V (Sched)	W (Sum V)
Design Risks																						
Failure to design to brief	1.1	11,414	0.050%	0.300%	0.700%	5.71	34.24	79.90	80.00	15.00	5.00	14	0	0	1	100	1.0000	14				
Continuing development of design	1.2	11,414	0.000%	0.000%	0.000%	0.00	0.00	0.00	80.00	15.00	5.00	0	0	1	100	1.0000	0					
Change in requirements of the NHS Trust	1.3	11,414	0.500%	1.000%	2.000%	57.07	114.14	228.28	70.00	20.00	10.00	86	0	1	100	1.0000	86					
Change in design required by operator	1.4	11,414	0.050%	0.300%	0.700%	5.71	34.24	79.90	80.00	15.00	5.00	14	0	1	100	1.0000	14					
Change in design due to external influences specific to the NHS	1.5	11,414	0.100%	0.500%	1.000%	11.41	57.07	114.14	60.00	30.00	10.00	35	0	1	100	1.0000	35					
Failure to build to design	1.6	11,414	0.050%	0.300%	0.700%	5.71	34.24	79.90	80.00	15.00	5.00	14	0	1	100	1.0000	14		162			
Construction and Development Risks																						
Incorrect time and cost estimates	2.1	11,414	0.500%	0.750%	1.000%	57.07	85.61	114.14	35.00	35.00	30.00	84	0	1	100	1.0000	84					
Unforeseen ground/site conditions	2.2	11,414	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	0	1	100	1.0000	0					
Delay in gaining access to the site	2.4a	11,414	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	0	1	100	1.0000	0					
Delay in completion of the highways works	2.4b	1,623	0.000%	12.000%	25.000%	0.00	194.76	405.75	70.00	20.00	10.00	80	0	1	100	1.0000	80					
Responsibility for maintaining on site security	2.5	11,414	0.001%	0.005%	0.010%	0.11	0.57	1.14	85.00	10.00	5.00	0	0	1	100	1.0000	0					
Responsibility for maintaining on site safety	2.6	11,414	0.001%	0.005%	0.010%	0.11	0.57	1.14	85.00	10.00	5.00	0	0	1	100	1.0000	0					
Third party claims	2.7	11,414	0.001%	0.005%	0.010%	0.11	0.57	1.14	85.00	10.00	5.00	0	0	1	100	1.0000	0					
Compensation Events	2.8	11,414	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	0	1	100	1.0000	0					
Delay Events	2.9	11,414	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	0	1	100	1.0000	0					
Force Majeure	2.10	11,414	0.000%	50.000%	100.000%	0.00	5707.00	11414.00	99.00	0.90	0.10	63	0	1	100	1.0000	63					
Termination due to force majeure	2.11	11,414	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	0	1	100	1.0000	0					
Legislative/regulatory change: NHS specific	2.12	11,414	0.100%	0.300%	0.500%	11.41	34.24	57.07	40.00	30.00	30.00	32	0	1	100	1.0000	32					
Legislative/regulatory change: non-NHS specific	2.13	11,414	0.100%	0.300%	0.500%	11.41	34.24	57.07	40.00	30.00	30.00	32	0	1	100	1.0000	32					
Changes in taxation	2.14	11,414	0.500%	1.000%	2.000%	57.07	114.14	228.28	99.50	0.04	0.01	57	0	1	100	1.0000	57					
Changes in the rate of VAT	2.15	11,414	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	0	1	100	1.0000	0					
Other changes in VAT	2.16	11,414	0.075%	0.100%	0.250%	8.56	11.41	28.54	70.00	20.00	10.00	11	0	1	100	1.0000	11					
Contractor default	2.17	11,414	0.500%	1.000%	2.000%	57.07	114.14	228.28	70.00	20.00	10.00	86	0	1	100	1.0000	86					
Poor project management	2.18	11,414	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	0	1	100	1.0000	0					
Contractor/sub-contractor industrial action	2.19	11,414	0.075%	0.100%	0.250%	8.56	11.41	28.54	70.00	20.00	10.00	11	0	1	100	1.0000	11					
Protester action	2.20	11,414	0.010%	0.025%	0.075%	1.14	2.85	8.56	70.00	20.00	10.00	2	0	1	100	1.0000	2					
Incorrect time and cost estimates for commissioning new building	2.22	11,414	0.100%	0.250%	0.500%	11.41	28.54	57.07	-	-	-	0	0	1	100	1.0000	0		458			
Performance Risks																						
Latent defects in the new build	3.1	11,414	0.050%	1.000%	2.000%	5.71	114.14	228.28	85.00	12.00	3.00	25	1	10	100	7.3601	187					
Performance of sub-contractors	3.3	685	0.600%	3.000%	6.000%	4.11	20.55	41.10	70.00	20.00	10.00	11	1	30	100	13.7648	153					
Default by contractor or sub-contractor	3.4	685	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	1	30	100	13.7648	0					
Industrial action	3.5	685	0.250%	0.500%	1.000%	1.71	3.43	6.85	90.00	9.00	1.00	2	1	30	100	13.7648	26					
Failure to meet performance standards	3.6	685	0.250%	0.500%	1.000%	1.71	3.43	6.85	60.00	25.00	15.00	3	1	30	100	13.7648	40					
Availability of facilities	3.7	1,623	1.000%	3.000%	5.000%	16.23	48.69	81.15	85.00	10.00	5.00	23	1	30	100	13.7648	313					
Relief events	3.8	0	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	1	30	100	13.7648	0					
Force Majeure	3.9	11,414	1.000%	50.000%	100.000%	114.14	5707.00	11414.00	99.90	0.09	0.01	120	15	15	100	0.4173	50					
Termination due to force majeure	3.10	0	0.000%	0.000%	0.000%	0.00	0.00	0.00	-	-	-	0	15	15	100	0.4173	0		769			

Risk by Functional Area	NHSE Guidance	Base Cost £000	Value Weights			Value			Probabilities			Time		Risk Retained by PSC %	Discount Factor %	NPV of Risk		
			Min Impact %	Medium Impact %	Max Impact %	Min Impact £000	Medium Impact £000	Max Impact £000	Min Impact %	Medium Impact %	Max Impact %	From Year	To Year			at 6% £000	Total £000	
			D	E	F	G (CxD)	H (CxE)	I (CxF)	J	K	L	N	O			P (O-N)	W (Sum V)	
Operating Cost Risks	B	C	D	E	F	G (CxD)	H (CxE)	I (CxF)	J	K	L	N	O <td>P (O-N)</td> <td>U</td> <td>V (Sum U)</td> <td>W (Sum V)</td>	P (O-N)	U	V (Sum U)	W (Sum V)	
Incorrect estimated cost of providing specific services	4.1	685	1.00%	3.00%	5.00%	6.85	20.55	34.25	70.00	20.00	10.00	1	30	30	13.7648	170		
Legislative/regulatory change having capital cost consequences: NHS specific	4.3	11,414	0.00%	1.00%	2.00%	0.00	114.14	228.28	95.00	4.00	1.00	1	30	30	13.7648	94		
Legislative/regulatory change non-NHS specific	4.4	685	0.00%	3.00%	5.00%	0.00	20.55	34.25	90.00	7.00	3.00	1	30	30	13.7648	34		
Changes in taxation	4.5	685	0.50%	1.00%	2.00%	3.43	6.85	13.70	85.00	10.00	5.00	4	30	30	13.7648	59		
Changes in VAT	4.6	685	0.50%	1.00%	2.00%	3.43	6.85	13.70	-	-	-	1	30	30	13.7648	0		
Incorrect estimated cost of maintenance	4.7	685	0.00%	0.00%	0.00%	0.00	0.00	0.00	-	-	-	1	30	30	13.7648	0		
Incorrect estimated cost of energy used	4.8	0	0.00%	0.00%	0.00%	0.00	0.00	0.00	-	-	-	1	30	30	13.7648	0		
Incorrect cost estimate for transferring staff	4.9	0	0.00%	0.00%	0.00%	0.00	0.00	0.00	-	-	-	1	30	30	13.7648	0		
Incorrect estimate of cost of restructuring staff	4.10	685	0.10%	1.00%	10.00%	0.69	6.85	68.50	94.00	5.00	1.00	2	30	30	13.7648	23	380	
Variability of Revenue Risks																		
Changes in the volume of demand for car park spaces	5.4	1,623	1.00%	5.00%	10.00%	16.23	81.15	162.30	90.00	7.00	3.00	1	30	30	13.7648	346		
Unexpected changes in the infrastructure of GRI impacting use of car park	5.6	1,623	0.00%	30.00%	75.00%	0.00	486.90	1217.25	99.70	0.20	0.10	1	30	30	13.7648	30	376	
Termination risks																		
Termination due to default by the Trust	6.1	25,000	3.00%	50.00%	100.00%	750.00	12500.00	25000.00	99.95	0.04	0.01	15	15	1	0.4173	316		
Default by the operator leading to step-in by financiers	6.2	25,000	1.00%	3.00%	5.00%	250.00	750.00	1250.00	95.00	4.00	1.00	15	15	1	0.4173	117		
Termination due to default by the operator	6.3	25,000	0.00%	0.00%	0.00%	0.00	0.00	0.00	-	-	-	15	15	1	0.4173	0	433	
Technology and Obsolescence Risks																		
Technological change / asset obsolescence	7.1	11,414	0.01%	0.05%	1.00%	1.14	5.71	114.14	99.95	0.04	0.01	1	30	30	13.7648	16	16	
Control Risks																		
Control of services provided under contract	8.1	0	0.00%	0.00%	0.00%	0.00	0.00	0.00	-	-	-	1	30	30	13.7648	0	0	
Residual Risks																		
Trust no longer requires assets at the end of the contract	9.1	11,414	0.00%	5.00%	10.00%	0.00	570.70	1141.40	90.00	7.00	3.00	30	30	1	0.1741	13	13	
NPV OF RISK RETAINED																		2,607

Risk by Functional Area	NHSE Guidance	Base Cost £000	Value Weights			Value			Probabilities			Expected			Time		Risk Retained by PSC %	Discount Factor %	NPV of Risk		
			Min Impact %	Medium Impact %	Max Impact %	Min Impact £000	Medium Impact £000	Max Impact £000	Min Impact %	Medium Impact %	Max Impact %	Min Value £000	Medium Value £000	Max Value £000	From Year	To Year			No. of years	at 6% £000	Total £000
			D	E	F	G (CxD)	H (CxE)	I (CxF)	J	K	L	M (GxJ)	N (HxK)	O (IxL)	P (OxN)	U			V (Sum V)	W (Sum W)	
Design Risks	B	C																			
Failure to design to brief	1.1	11,414	0.05%	0.30%	0.70%	6	34	80	80	15	5	14	0	0	1	0	1.0000	0	0		
Continuing development of design	1.2	11,414	0.00%	0.00%	0.00%	0	0	0	80	15	5	0	0	1	0	1.0000	0	0	0		
Change in requirements of the NHS Trust	1.3	11,414	0.50%	1.00%	2.00%	57	114	228	70	20	10	86	0	1	100	1.0000	86	86	0		
Change in design required by operator	1.4	11,414	0.05%	0.30%	0.70%	6	34	80	80	15	5	14	0	1	0	1.0000	0	0	0		
Change in design due to external influences specific to the NHS	1.5	11,414	0.10%	0.50%	1.00%	11	57	114	60	30	10	35	0	1	100	1.0000	35	35	0		
Failure to build to design	1.6	11,414	0.05%	0.30%	0.70%	6	34	80	80	15	5	14	0	1	0	1.0000	0	0	121		
Construction and Development Risks																					
Incorrect time and cost estimates	2.1	11,414	0.50%	0.75%	1.00%	57	86	114	35	35	30	84	0	1	0	1.0000	0	0	0		
Unforeseen ground/site conditions	2.2	11,414	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	1	0	1.0000	0	0	0		
Delay in gaining access to the site	2.4a	11,414	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	1	100	1.0000	0	0	0		
Delay in completion of the highways works	2.4b	1,623	0.00%	12.00%	25.00%	0	195	406	70	20	10	80	0	1	50	1.0000	40	40	0		
Responsibility for maintaining on site security	2.5	11,414	0.00%	0.01%	0.01%	0	1	1	85	10	5	0	0	1	0	1.0000	0	0	0		
Responsibility for maintaining on site safety	2.6	11,414	0.00%	0.01%	0.01%	0	1	1	85	10	5	0	0	1	0	1.0000	0	0	0		
Third party claims	2.7	11,414	0.00%	0.01%	0.01%	0	1	1	85	10	5	0	0	1	0	1.0000	0	0	0		
Compensation Events	2.8	11,414	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	1	100	1.0000	0	0	0		
Delay Events	2.9	11,414	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	1	50	1.0000	0	0	0		
Force Majeure	2.10	11,414	0.00%	50.00%	100.00%	0	5,707	11,414	99	1	0	63	0	1	50	1.0000	31	31	0		
Termination due to force majeure	2.11	11,414	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	1	50	1.0000	0	0	0		
Legislative/regulatory change: NHS specific	2.12	11,414	0.10%	0.30%	0.50%	11	34	57	40	30	30	32	0	1	100	1.0000	32	32	0		
Legislative/regulatory change: non-NHS specific	2.13	11,414	0.10%	0.30%	0.50%	11	34	57	40	30	30	32	0	1	100	1.0000	0	0	0		
Changes in taxation	2.14	11,414	0.50%	1.00%	2.00%	57	114	228	100	0	0	57	0	1	0	1.0000	0	0	0		
Changes in the rate of VAT	2.15	11,414	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	1	0	1.0000	0	0	0		
Other changes in VAT	2.16	11,414	0.08%	0.10%	0.25%	9	11	29	70	20	10	11	0	1	50	1.0000	6	6	0		
Contractor default	2.17	11,414	0.50%	1.00%	2.00%	57	114	228	70	20	10	86	0	1	0	1.0000	0	0	0		
Poor project management	2.18	11,414	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	0	1	0	1.0000	0	0	0		
Contractor/sub-contractor industrial action	2.19	11,414	0.08%	0.10%	0.25%	9	11	29	70	20	10	11	0	1	0	1.0000	0	0	0		
Protester action	2.20	11,414	0.01%	0.03%	0.08%	1	3	9	70	20	10	2	0	1	50	1.0000	1	1	0		
Incorrect time and cost estimates for commissioning new building	2.22	11,414	0.10%	0.25%	0.50%	11	29	57	0	0	0	0	0	1	0	1.0000	0	0	110		
Performance Risks																					
Latent defects in the new build	3.1	11,414	0.05%	1.00%	2.00%	6	114	228	85	12	3	25	1	10	0	7.3601	0	0	0		
Performance of sub-contractors	3.3	685	0.60%	3.00%	6.00%	4	21	41	70	20	10	11	1	30	0	13.7648	0	0	0		
Default by contractor or sub-contractor	3.4	685	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	1	30	0	13.7648	0	0	0		
Industrial action	3.5	685	0.25%	0.50%	1.00%	2	3	7	90	9	2	2	1	30	0	13.7648	0	0	0		
Failure to meet performance standards	3.6	685	0.25%	0.50%	1.00%	2	3	7	60	25	15	3	1	30	0	13.7648	0	0	0		
Availability of facilities	3.7	1,623	1.00%	3.00%	5.00%	16	49	81	85	10	5	23	1	30	0	13.7648	0	0	0		
Relief events	3.8	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	1	30	50	13.7648	0	0	0		
Force Majeure	3.9	11,414	1.00%	50.00%	100.00%	114	5,707	11,414	100	0	0	120	15	15	50	0.4173	25	25	0		
Termination due to force majeure	3.10	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	0	15	15	50	0.4173	0	0	25		

Risk by Functional Area	NHSE Guidance	Base Cost £000	Value Weights			Value			Probabilities			Time			Risk Retained by PSC %	Discount Factor %	NPV of Risk	
			Min Impact %	Medium Impact %	Max Impact %	G (CxD)	H (CxE)	I (CxF)	J	K	L	From Year	To Year	P (O-N)			V (RsTus)	W (SumV)
Operating Cost Risks																		
Incorrect estimated cost of providing specific services	4.1	685	1.00%	3.00%	5.00%	7	21	34	70	20	10	1	30	30	13.7648	0	0	
Legislative/regulatory change having capital cost consequences:																		
NHS specific	4.3	11,414	0.00%	1.00%	2.00%	0	114	228	95	4	1	1	30	30	13.7648	94	0	
Legislative/regulatory change non-NHS specific	4.4	685	0.00%	3.00%	5.00%	0	21	34	90	7	3	1	30	30	13.7648	0	0	
Changes in taxation	4.5	685	0.50%	1.00%	2.00%	3	7	14	85	10	5	1	30	30	13.7648	0	0	
Changes in VAT	4.6	685	0.50%	1.00%	2.00%	3	7	14	0	0	0	1	30	30	13.7648	0	0	
Incorrect estimated cost of maintenance	4.7	685	0.00%	0.00%	0.00%	0	0	0	0	0	0	1	30	30	13.7648	0	0	
Incorrect estimated cost of energy used	4.8	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	1	30	30	13.7648	0	0	
Incorrect cost estimate for transferring staff	4.9	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	1	30	30	13.7648	0	0	
Incorrect estimate of cost of restructuring staff	4.10	685	0.10%	1.00%	10.00%	1	7	69	94	5	1	1	30	30	13.7648	0	94	
Variability of Revenue Risks																		
Changes in the volume of demand for car park spaces	5.4	1,623	1.00%	5.00%	10.00%	16	81	162	90	7	3	1	30	30	13.7648	0	0	
Unexpected changes in the infrastructure of GRI impacting use of car park	5.6	1,623	0.00%	30.00%	75.00%	0	487	1,217	100	0	0	1	30	30	13.7648	30	30	
Termination risks																		
Termination due to default by the Trust	6.1	25,000	3.00%	50.00%	100.00%	750	12,500	25,000	100	0	0	15	15	1	0.4173	316	0	
Default by the operator leading to step-in by financiers	6.2	25,000	1.00%	3.00%	5.00%	250	750	1,250	95	4	1	15	15	1	0.4173	0	0	
Termination due to default by the operator	6.3	25,000	0.00%	0.00%	0.00%	0	0	0	0	0	0	15	15	1	0.4173	0	316	
Technology and Obsolescence Risks																		
Technological change/asset obsolescence	7.1	11,414	0.01%	0.05%	1.00%	1	6	114	100	0	0	1	30	30	13.7648	0	0	
Control risks																		
Control of services provided under the PFI contract	8.1	0	0.00%	0.00%	0.00%	0	0	0	0	0	0	1	30	30	13.7648	0	0	
Residual Value Risks																		
Trust no longer requires assets at the end of the contract	9.1	11,414	0.00%	5.00%	10.00%	0	571	1,141	90	7	3	30	30	1	0.1741	13	13	
NPV OF RISK RETAINED																		709

NPV EAC Tables

Year	NPV Years 0-0 1 Year	NPV Years 1-1 1 Year	NPV Years 1-2 2 Years	NPV Years 1-4 4 Years	NPV Years 2-3 1 Year	NPV Years 3-4 1 Year	NPV Years 3-14 12 Years	NPV Years 3-30 25 Years	NPV Years 15-30 16 Years	NPV Years 0-30 31 Years	NPV Years 1-31 31 Years	NPV Years 2-31 30 Years	NPV Years 1-30 30 Years	NPV Years 31-60 30 Years	NPV Years 0-60 61 Years
0	1.0000									1.0000					1.0000
1		0.9434								0.9434					0.9434
2			0.8900							0.8900					0.8900
3				0.8396						0.8396					0.8396
4					0.8396					0.7921					0.7921
5						0.8396				0.7473					0.7473
6							0.7050			0.7050					0.7050
7								0.6651		0.6651					0.6651
8									0.6274	0.6274					0.6274
9										0.5919					0.5919
10											0.5584				0.5584
11								0.5268		0.5268					0.5268
12									0.4970	0.4970					0.4970
13										0.4688					0.4688
14											0.4423				0.4423
15												0.4173			0.4173
16									0.3936	0.3936					0.3936
17										0.3714					0.3714
18											0.3503				0.3503
19												0.3305			0.3305
20													0.3118		0.3118
21									0.2942	0.2942					0.2942
22										0.2775					0.2775
23											0.2618				0.2618
24												0.2470			0.2470
25													0.2330		0.2330
26									0.2198	0.2198					0.2198
27										0.2074					0.2074
28											0.1956				0.1956
29												0.1846			0.1846
30													0.1741		0.1741
31											0.1643			0.1643	0.1643
32												0.1550		0.1550	0.1550
33													0.1462		0.1462
34														0.1379	0.1379
35															0.1301
36															0.1227
37															0.1158
38															0.1092
39															0.1031
40															0.0972
41															0.0917
42															0.0865
43															0.0816
44															0.0770
45															0.0727
46															0.0686
47															0.0647
48															0.0610
49															0.0575
50															0.0543
51															0.0512
52															0.0483
53															0.0456
54															0.0430
55															0.0406
56															0.0383
57															0.0361
58															0.0341
59															0.0321
60															0.0303
Yrs	1	1	2	4	1	1	12	28	16	31	31	30	30	30	61
	1.0000	0.9434	0.9167	0.8663	0.8900	0.8396	0.6216	0.4261	0.2794	0.4763	0.4493	0.4329	0.4588	0.0799	0.2813

Example of EAC per Glossary

5%	Payment	NPV
1.0000	13.59	13.5900
0.9434	13.59	12.8208
0.8900	13.59	12.0951
0.8396	13.59	11.4104
0.7921	13.59	10.7646
0.7473	13.59	10.1552
0.7050	13.59	9.5804
0.6651	13.59	9.0381
0.6274	13.59	8.5265
0.5919	13.59	8.0439
0.5584	13.59	7.5886
0.5268	13.59	7.1590
0.4970	13.59	6.7538
0.4688	13.59	6.3715
0.4423	13.59	6.0109
0.4173	13.59	5.6706
0.3936	13.59	5.3497
0.3714	13.59	5.0468
0.3503	13.59	4.7612
0.3305	13.59	4.4917
0.3118	13.59	4.2374
0.2942	13.59	3.9976
0.2775	13.59	3.7713
0.2618	13.59	3.5578
0.2470	13.59	3.3564
0.2330	13.59	3.1665
0.2198	13.59	2.9872
0.2074	13.59	2.8181
0.1956	13.59	2.6586
0.1846	13.59	2.5081
0.1741	13.59	2.3662
0.1643	13.59	2.2322
0.1550	13.59	2.1059
0.1462	13.59	1.9867
0.1379	13.59	1.8742
0.1301	13.59	1.7681
0.1227	13.59	1.6680
0.1158	13.59	1.5736
0.1092	13.59	1.4846
0.1031	13.59	1.4005
0.0972	13.59	1.3212
0.0917	13.59	1.2465
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0.0816	13.59	1.1093
0.0770	13.59	1.0466
0.0727	13.59	0.9873
0.0686	13.59	0.9314
0.0647	13.59	0.8787
0.0610	13.59	0.8290
0.0575	13.59	0.7820
0.0543	13.59	0.7378
0.0512	13.59	0.6960
0.0483	13.59	0.6566
0.0456	13.59	0.6195
0.0430	13.59	0.5844
0.0406	13.59	0.5513
0.0383	13.59	0.5201
0.0361	13.59	0.4907
0.0341	13.59	0.4629
0.0321	13.59	0.4367
0.0303	13.59	0.4120
17.1814		

Appendix G

Contract Structure

Car Park Management Agreement

Transfer of Trust Equipment – commencement of contract	Ownership of all existing car parking management equipment will transfer to Impregilo for £1 at the commencement of the contract.
Transfer of IPL Equipment – completion of contract	Ownership of all existing car parking management equipment will transfer the Trust for nil value at the completion of the contract.
Handback procedure	IPL are required to hand the facilities back to the Trust in good condition (standard set out in handback requirements) for nil value. From five years prior to the completion of the contract IPL are required to set aside £100k per annum in to a joint bank account to cover costs required to ensure the standards are met. Two years prior to handback IPL and the Trust will conduct a joint inspection of the facilities to determine the works required. If IPL do not carry out agreed works within the required timescales the Trust are entitled to recover the estimated cost from the joint account so that they can complete the necessary handback works.
Car Parking Management Policy	Policy for operation of car parks agreed between the Trust and IPL.
	IPL have the right to regulate vehicular entry to and from the surface car parks, non-parking zones and multi-storey car park (MSCP)
	IPL will be entitled to operate a system of penalties as set out in the policy.
	IPL will indemnify the Trust against any loss, cost, expense or claim incurred by the Trust arising from any claim made against the Trust arising from the Parking Regulations.
IPL's Obligations	To maintain and repair the surface and MSCP in accordance with the provisions and standards set out in the specification.
	Maintain in good order and where necessary renew equipment (including CCTV).
	Supply, install and maintain proper signage.
	Provide 32 free disabled spaces.
	Provide staff spaces in locations agreed with the Trust.
	Work with the Trust to prevent unauthorised usage of spaces.
	Operate the car parks to ensure usage is available 24 hours a day, 365 days a year.
	Ensure qualifying persons (staff and others nominated by the Trust) are able to purchase tickets, access cards and permits over at least monthly periods.
	Notify the Trust of any accidents in the Car Parks to allow the Trust to investigate or take action if it wishes.
	Maintain a register of complaints and report them to the Trust at regular intervals.
	Maintain a register of damage to vehicles.
	Attend regular liaison meetings with the Trust.
	Provide the Trust with regular information on the usage of spaces, including relating to peak periods of demand.
	Observe general Trust rules and regulations.
	Not obstruct or allow obstruction that prevents free movement of pedestrians or vehicles through the surface car parks or access roads or the Trust's estate.
	Allow free drop off facilities outside A&E and Maternity with 30min maximum free parking time.

IPL's Obligations cont'd	Allocate the agreed number of staff spaces for the exclusive use of Trust staff.
	Allow specific agreed areas to be used as ambulance parking areas.
	Keep areas free from litter.
	Maintain the lighting.
	In agreement with the Trust create extra car park spaces if the demand for staff spaces warrants it.
Trust Obligations	Neither provide nor procure or assist in providing or procuring spaces within the Trust estate which can be used as car park spaces and ensure staff and visitors do not use other areas of the Trust estate or the immediate vicinity for car parking in order to avoid car parking charges.
	If the Trust disposes of any of its estate, it cannot allow the donee to operate a commercial car park in competition.
	Grit and clear ice and snow from the surface areas.
	Erect and maintain signage in certain areas.
Staffing	IPL must ensure there are adequate and competent staff available at all times, to handle any matters, and to act in a manner which projects a good public image of the Trust. They must be easily identifiable at all times by wearing a distinctive uniform.
Confidentiality	IPL must comply with the Data Protection Act and respect the confidentiality of any information which they have access to.
Trust Facilities	IPL staff may use Trust communal facilities at the discretion of the Trust.
Ownership of Equipment	All equipment and signage will pass to the Trust at the end of the contract term.
Prohibitions	IPL are not allowed to do anything that would constitute a nuisance to the trust or it's neighbours.
	IPL cannot display notices or advertisements not relating to the Trust or car park unless approved by the Trust.
	IPL cannot change the charges except in accordance with the contract.
IPL Events of Default	Insolvency.
	Failing to complete the construction and commissioning of the MSCP within 12 months of the original estimated completion date.
	Default – committing a material breach of the contract that has a material and adverse effect on the delivery of clinical services or any other services.
	Default – abandoning the works (other than as a result of Trust default).
	Default – ceasing or to provide a substantial part of the services or materially failing in the provision of services.
	Assignment – failing to comply with the assignment clauses.
	Payment – failing to pay sums greater than £50k due to the Trust within 60 days of a notice of non-payment.
	Health and Safety – committing a breach that results in a conviction under H&S law, unless the parties responsible are replaced within 90 days of the conviction.
	Change in control – changes in control prohibited by the contract.
Trust options on IPL Default	Depending on the reason for default, the Trust can either terminate the contract immediately or require IPL to remedy the default within a set timescale. Any reasonable costs incurred by the Trust in exercising its rights will be met by IPL.

Trust Events of Default	Payment – failing to pay sums greater than £50k due IPL within 60 days of a notice of non-payment.
	Adverse Law – any which affects the Trust’s legal capacity to undertake it’s obligations, (unless those obligations are passed to another entity which has legal capacity).
	Highway Works – failure to complete the works within 18 months after the completion date.
	Material change to the use of the GRI such that it can be demonstrated within twelve months there has been a material reduction in income as a result of the change.
	Loss of right to use the Access Road.
IPL options on Trust Default	Depending on the reason for default, IPL can either terminate the contract or require Trust to remedy the default within a set timescale.
Non-default Termination	Force Majeure
	Voluntary Termination by the Trust with 12 months written notice.
Compensation	Force Majeure
	IPL Default
	Trust Default
	Voluntary Termination
Relief Events	Fire, explosion, lightning, storm, tempest, flood, bursting or overflowing water tanks, apparatus or pipes, ionising radiation, earthquake, riot or civil commotion.
	Failure by a statutory undertaker, utility company, local authority or other like body to carry out works or provide services.
	Accidental loss or damage to the works or facilities or roads servicing them.
	Failure or shortage of power, fuel or transport.
	Blockade or embargo falling short of Force Majeure
	Discovery of fossils, antiquities and human remains requiring action.
	Official or unofficial strike, lockout, go slow or other dispute generally affecting the construction, building maintenance or facilities management industry.
	As long as none arise as a result of a wilful act or default by either party.
Relief Event Mitigation	No rights to terminate will arise.
	Relief Events do not entitle IPL to any compensation.
Force Majeure	War, civil war, armed conflict or terrorism
	Nuclear contamination unless IPL is the source or cause.
	Chemical or biological contamination from any of the above events.
	Pressure waves caused by devices travelling at supersonic speed.
	Any of above must directly cause either party to be unable to comply with all or a material part of their obligations.
	Compensation will be payable to IPL.

Trust Remedial Rights	If the Trust is concerned that IPL may be in breach or there is a threat to H&S, or a threat to the Trust in their ability to provide clinical services to a material degree, or circumstances constitute an emergency, the Trust (if time) can step in to operate the facilities until such time as the problem is resolved.
Renting Car Parking Space	The Trust (on 7 days notice) can take exclusive possession of a Staff space on payment of the equivalent staff space income.
Dispute Resolution	Per standard contract – appointment of an expert (if necessary by the President of the Law Society of Scotland)
TUPE	Any employees transferring will do so under TUPE
Loss of Spaces in the Burial Ground	If the Trust loses its right to occupy the Burial Ground it will compensate IPL so that IPL is left in no better or worse position than if the car parking spaces remained.
IPL Indemnities to Trust	IPL will indemnify the Trust against losses in consequence of any claim for death or injury of IPL staff, third party, loss or damage to Trust property, or damage or loss to third party property, unless as a result of a deliberate act or omission by the Trust or Trust party.
Trust Indemnities to IPL	Trust will indemnify IPL against losses in consequence of any claim for death or injury of Trust staff, third party, loss or damage to Trust property, or damage or loss to third party property, where caused by a Trust party.
IPL Insurance	IPL is required to take out and maintain insurance, with the Trust named as co-insurer. Where risks are uninsurable, the trust becomes the insurer of last resort.
Tariffs	Tariff rates for staff and visitors are set out in the contract and reviewed annually where they may be increased in line with the provisions set out – RPI, and pass through costs where these have risen greater than RPI (electricity prices, business and water rates, insurance costs, abnormal costs and changes in law). After 6 years staff tariffs will also increase by an additional 3% but never to more than 80% of the average visitor tariff (based on 5.5 hours per day). Visitor tariffs will be rounded up to the nearest 10p
Change in Law	Where a change in law results in capital expenditure and IPL are unable to secure funding, the Trust will fund the expenditure and recover the costs through increased tariffs in subsequent periods.
Discriminatory and NHS Specific Change in Law	IPL will be reimbursed as necessary by the Trust so that they are put in no better or worse position should a change in discriminatory or NHS law result in increased cost or reduced income.
Exceptional Costs	Every five years the tariffs shall be reviewed to allow IPL to recover exceptional costs.
Specification for Car Parking Operator Services	Sets out the standards for maintenance of the surface car parks and the MSCP. Trust has right to regularly inspect the car parks in conjunction with IPL and require agreed remedial work to be carried out within a certain period. If the work is not carried out within the required period and to the required standard, the Trust can carry out the work and require IPL to reimburse the costs.
Compensation Payments:	
Trust Default or Termination	Trust will pay compensation effectively equal to the sum of the senior debt, redundancy payments and sub-contractor losses and the real rate of return on junior debt and equity still outstanding on the contract, less any credit balances on bank accounts or insurance proceeds applicable.

IPL Default	The Trust will tender the project operations (IPL) may do this for the Trust if the Trust wishes) in accordance with procedures set out in the contract. If the operations are not tendered the Trust will pay IPL the estimated fair value of the agreement, as set out in the contract, adjusted for any additional costs incurred by the Trust as a result of the default.
Force Majeure	Trust will pay compensation effectively equal to the sum of the senior debt, redundancy payments and sub-contractor losses, junior debt (less interest paid) and equity (less dividends paid), less any credit balances on bank accounts or insurance proceeds applicable. This can be paid in four equal instalments over two years.
Payments and Interest	The contract sets out the terms for payment and interest applicable to late payment.

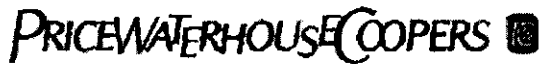
Project Agreement

Changes to Funding Agreements and Refinancing	IPL are free to change their funding agreements as long as it does not adversely affect their ability to perform their obligations and that if it constitutes a refinancing, the Trust receive their fair share of any gain (50%)
Highways works	<p>The Trust shall use all reasonable endeavours to complete the Highways Works contract as soon as possible, and no later than the estimated completion date (12 months from IPL commencement date).</p> <p>The Trust shall keep IPL informed of any delays to the works.</p> <p>If the works are not completed by the estimated completion date and result in IPL being unable to make car parking spaces available;</p> <ul style="list-style-type: none"> ● If as a result of a relevant event (an event set out in the works contract which allows for an extension of time e.g. standard construction events such as bad weather) then it shall be treated as a relief event and the Trust shall pay IPL such damages it can claim from the Highways contract and the IPL contract concession term will be extended to allow IPL to be placed in a position no better or worse than it would have been had the relief event not occurred. ● If as a result of any other event, then it shall be treated as a delay event. <p>The trust shall grant a lease to IPL for the area of ground. This lease will automatically terminate should the project Agreement or Car Parking Management Agreement terminate.</p> <p>The condition of the area leased to IPL is the sole responsibility of IPL and they are deemed to have carried out all necessary site investigations etc.</p>
Lease	
The Site	
Consents and Planning Approval	IPL are responsible for obtaining all consents required for the performance of its operations, with the Trust providing all reasonable assistance where necessary e.g. with regards to fire certificates etc.
Programme of Works	<p>To be agreed with the Trust and conducted accordingly in line with good industry practice. IPL will be entitled to occupy an agreed area of land on a temporary basis for their site huts and to have access to the site in accordance with an access protocol agreed with the Trust.</p> <p>IPL shall not allow any action on the site that might be a danger or nuisance to adjoining owners, members of the public or visitors to the Trust's estate or cause any damage to property or apparatus.</p> <p>IPL will indemnify the Trust against any actions, claims etc as a result of their failure to comply with their obligations.</p> <p>The Trust is entitled to attend site meetings and monitor the progress of the works and serve notice of defects.</p>

Time for Completion	<p>If the works will not be completed by the estimated completion date as a result of a delay event, the Trust will allow IPL an extension of time for completion, but there will be no extension of time for the lease or Car Parking Management Agreement. A delay event must be caused by one of the following;</p> <ol style="list-style-type: none"> 1. A variation of works required by the Trust 2. Any breach by the Trust of its obligations 3. Execution of works on the Trust's estate or any contractors of the Trust. 4. Force Majeure 5. Relief Event 6. Relevant Change in Law <p>If it is agreed that a compensation event has occurred then IPL will be paid compensation to ensure it is put in no better or worse situation than if the event had not taken place.</p>
Practical Completion	<p>The Trust shall be issued with a certificate of practical completion. And a set of "as built" plans.</p>
Assignment, Sub-contracting and Changes in Control	<p>IPL cannot assign, transfer, sub-contract or otherwise dispose of any interest in the agreements, leases and contracts without the Trust's written consent.</p> <p>The Trust cannot assign or dispose of the benefit of the whole or part of the agreement except to a body covered by the NHS (Residual Liabilities) Act 1996, or with the prior consent of IPL.</p> <p>IPL shall not terminate their agreements with the builder or car park operator without the prior written consent of the Trust.</p> <p>No changes in control of any of the shares in IPL within 12 months of the completion date are allowed without Trust permission.</p>
Dispute Resolution	<p>Standard form via an Expert.</p>
Compensation to Providers of Finance	<p>Initial compensation on default, for whatever reason, will be funded by the Trust. If the default has been on the side of Impregilo the trust has recourse to recover these funds from Impogilo SpA through a guarantee from that company.</p>
Indemnity	<p>As per Car Parking Management Agreement, with conduct of claims set out.</p>
Persistent Damage by Trust staff or contractor	<p>Trust will take disciplinary action in accordance with the terms of employment, or terminate a contractor's contract and shall not re-employ such contractor within the Trust's estate.</p>
Refinancing	<p>In line with OGC guidance, IPL will share any refinancing gain (excluding the costs incurred by IPL and the Trust in doing so) 50:50.</p>

Appendix H

Auditor's Letter



PricewaterhouseCoopers LLP
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Private and Confidential
 Brian Steven
 Director of Finance
 North Glasgow University Hospitals NHS Trust
 Trust Headquarters
 300 Balgrayhill Road
 Glasgow
 G21 3UR

8 July 2003

Dear Brian

Accounting opinion on Glasgow Royal Infirmary Multi-story Car Park PFI Project

You have requested that in our capacity as your external auditors we provide you with a short letter setting out our views on your assessment of the accounting treatment relating to the Glasgow Royal Infirmary Multi-story Car Park PFI Project.

Our audit responsibilities are set out in the Code of Audit Practice and additional Guidance Notes issued by Audit Scotland. Part of our responsibilities is to give an independent assessment of whether the financial statements give a true and fair view of the financial position of the Trust and its income and expenditure for the year and have been prepared in accordance with relevant accounting standards. With this responsibility in mind, we have monitored the development of the proposals for the Trust's PFI scheme and its associated accounting treatment. We have achieved this by reviewing documentation at key stages, attending meetings to obtain clarification and monitoring the status of general PFI accounting guidance as it develops.

It should be noted that the primary responsibility for the preparation of the Trust's accounts lies with its management and it is therefore for you to determine your views on proper accounting in the context of NHS accounting arrangements.

It is not our duty to provide financial advice and therefore this letter, whilst intended to be part of a constructive debate, should not be regarded as advice. In addition, this letter is provided solely for the benefit of the Trust and we accept no responsibility to any third party who might seek to place reliance on its contents.

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North Glasgow University Hospitals NHS Trust
8 July 2003

It needs to be appreciated that the consideration of accounting for PFI schemes is ongoing and the Trust will therefore need to regard future changes in recommended accounting practice as an inherent risk. In particular, recent joint research pronouncements by the accounting standards setting bodies in major countries points towards the possible treatment of all lease transactions including operational leases, as being "on balance sheet" from the perspective of the lessee.

The views set out in this letter are based solely upon the information presented to us in the report from Deloitte and Touche, your financial advisors, the extract of which is included in the Business Case version dated 3 July 2003. It should be noted that we have not verified the information provided in these reports against independent sources, nor have we re-performed or audited the calculations made to support risk values. Our review has been limited to considering whether the Trust has followed the Treasury Taskforce Technical Note No 1 (Revised) 'How to account for PFI transactions' ("the Technical Note") which provides guidance on the application of FRS 5. It should also be noted that if the facts set out in these letters change or further relevant information becomes available, then our views may have to be reconsidered. It should further be noted that our view is based on the understanding that the Project Agreement and Car Parking Management Agreement will be merged into one contract document.

On the basis of the information provided to us to date and subject to the comments made in this letter, we are presently not minded to challenge the Trusts' conclusion that an off balance sheet treatment is appropriate.

If you have any queries please do not hesitate to contact Paul Thomson on 0191 269 3307

Yours sincerely

Cameron Revie
Appointed Auditor

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