



**model form
accommodation change protocol
for PFI projects:
authority amendments**

December 2008

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4ps Accommodation Change Protocol: Authority Amendments

NB: All amendments should be made before the Project Contract (and therefore the relevant schedule) is issued to bidders.

	Paragraph Reference/Issue	Commentary
1	Agreed Abatement (Definitions)	<p>The Agreed Abatement is the amount which the Authority can claim from the Contractor in the event it breaches the Change Protocol or fails to complete the change in the agreed time period. PUK recommends a daily rate of £20 for an LVC, £50 for an MVC and £80 for HVC. The Authority should discuss with its financial advisers whether these amounts are appropriate for the particular scheme.</p> <p>For the avoidance of doubt, the Agreed Abatements should qualify as Deductions for the purposes of increased monitoring, termination etc. This means the Change Protocol would not be part of the Persistent Breach regime. The Authority should discuss this further with their financial and technical advisers and ensure that the payment mechanism is amended accordingly.</p>
2	Capital Expenditure (Definitions)	<p>The definition refers to UK accounting principles. The Authority should seek advice from its financial advisers as to what the project specific accounting standard should be.</p>
3	Level of High Value Changes, Medium Value Changes and Low-Value Changes (Definitions)	<p>PUK recommend:</p> <p>High Value Changes – more than £200,000 or requires an adjustment to the Unity Charge which is greater than 2% of the annual UC.</p> <p>Medium Value Changes – between £10,000 and £200,000 or requires an adjustment to the Unitary Charge which is less than 2% of the annual UC or is</p>

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		<p>below these levels but does not satisfy the criteria set out in the definition of Low Value Change.</p> <p>Low Value Change – cost below £10,000 and does not affect the Unitary Charge or any completion date.</p> <p>The Authority should consider, with its legal and financial advisers, appropriate bands and the Change Protocol should be amended accordingly.</p>
4	Low Value Change Threshold and Medium Value Change Threshold (Definitions)	<p>This specifies the number of LVCs and MCVs in respect of which, the cost of management and administration will be included in the Unitary Charge; that is an additional project management fee or third party costs will not be charged to the Authority. The Authority should specify the minimum number and the core cost for administering additional LVCs and MVCs for the purposes of bidding. However, bidders should be invited to better this and it is important during evaluation the Authority gives full credit to the bidders who include higher level of management fees in the Unitary Charge. Care must be taken to ensure that the bidder is not penalised if the Unitary Charge is increased as a direct result of this – provided the evaluation shows this represents better value for money for the Authority that paying additional one-off project management fees and third party costs. Note that the bidders may be prepared to offer discounts if changes are batched and/or processed at regular intervals, eg monthly or annually. This should be made clear to bidders in the bid documents.</p>
5	Review of Catalogue (paragraph 6.2 of Part 2)	<p>The Authority should consider with its financial and legal advisers whether the review period is suitable for its project and/or decide whether the items set out in paragraph 6.2 (c),(d),(e) should be reviewed and adjusted at regular intervals</p>

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		or simply be indexed. The suggestion in the model contract is that it is updated every three years. The time period of review and/or whether certain items should be indexed could be a bid-back item. However, to assist in the evaluation of the bid the Authority should always specify its base requirement and invite variant bids which offer better value for money.
6	Adjustment of Financial Model (paragraph 8 of Part 1)	The Authority may wish to specify that the financial model should not be adjusted until de minimis amount is reached or, alternatively, only adjust the financial model once a year. The provisions should be compatible with the drafting dealing with adjustment of the Financial Model and the Authority should insert the threshold required.
7	Consultation with Relevant End Users (paragraph 3.4 of Part 4)	The Authority should consider whether, given the sector and the particular project there are end users who should be consulted when the [Contractor] [Service Provider] is developing a Stage 1 Response to a HVC. If so, the groups to be consulted should be specified.
8	Benchmarking Process (paragraph 9 of Part 4)	On requesting a High Value Change, the Authority has the ability to require that the HVC is either competitively tendered or a benchmarking process is used. The benchmarking can be done by comparison from a reputable independent source and/or the Comparable Market. The Authority should consider whether this is appropriate for the relevant sector or the particular project. The Authority can retain the benchmarking process in the drafting and state at the time it puts in the Change Notice whether it requires benchmarking by reference to a reputable independent source or the Comparable Market – as matters will change over 30 years. However, the Authority may (after consultation with appropriate persons) delete all reference to benchmarking if it does not want it to apply to a HVC. Authorities should note PUK and OGC

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		Guidance on the dangers of using benchmarking to fix prices.
9	Independent Technical Adviser (paragraph 10 of Part 4)	The Authority can opt to have a High Value Change costed with the assistance of an independent technical adviser (an ITA). The model contract assumes that the ITA will develop a Reference Price and comment on the Contractor's costs. The Authority should consider this clause with its financial and legal advisers and amend if it wishes (for example) the ITA to simply carry out a technical and cost audit of the Contractor's estimate.
10	Pricing Information (Appendix 2)	Appendix 2 sets out schedules of rates for construction, maintenance, sub-contract fees and profit margins, Contractor management costs and project management fees. These will be a bid-back item and the Authority needs to ensure that the items it wishes to be priced are appropriate for the Project. The Authority should also consider whether such prices should be indexed for the entire Contract Period or whether a re-pricing/re-bracing exercise will be permitted. These prices are used only for medium value changes. The Authority should also note the provisions of paragraph 2.2(c) (Part 3) which assumes that professional fees, contingencies, overheads and/or profit margins charged by any consultant, sub-contractor or supplier will be set out in Appendix 2 and that such rate shall be adjusted from time to time by agreement to reflect current market rates. The Authority should consider with its financial and legal advisers whether this can or should be amended so that the rates can only be inflated by set indices.