

PFI Value for Money Quantitative Assessment

Input and Assumptions Sheet

Note: As laid out in "Value for Money Assessment Guidance" p. 28, procuring authorities should provide a table listing the assumptions behind each of the inputs. This table can be used as a template

Input	Values		Assumptions & Rationale	Source	
Timings					
Contract period (years)		30	20010/11 - 2040/41	Project Transform STM v9.xls	
Initial CapEx period (years)		4		Project Transform STM v9.xls	
Year when OpEx is first incurred (years)		5		Project Transform STM v9.xls	
Escalators	Rates	Base Year			
CapEx escalator	5.25%	0		Project Transform STM v9.xls	
OpEx (non employment) escalator	2.5%	0			
OpEx (employment) escalator	3.5%	0			
Unitary charge escalator	49.00%	0		Project Transform STM v9.xls	
COSTS AND REVENUES					
Whole Life Costs					
PSC					
Initial CapEx (£'000)		163,719	The capex cost taken from the shadow pricing model (PFI Costing) and deflated for 10%	Project Transform STM v9.xls	
Lifecycle costs at each LC date (£'000)		15,811	This is based on the lifecycle costs in the cost model converted to annuity payments	Project Transform STM v9.xls	
Lifecycle intervals (yrs)		5	Lifecycle is assumed to be incurred every 5 years in the PSC	Project Transform STM v9.xls	
OpEx (non employment)(p.a.) (£'000)		8,104	Calculated as 65% of total opex (annuity payments derived from opex in cost model) - this is then deflated by 5%	Project Transform STM v9.xls	
OpEx (employment per person) (p.a.) (£'000)		28	Based on Entec information		
OpEx (employee number)		69	Based on Entec information		
PFI					
Initial CapEx (£'000)		180,091	This is the total capex in real terms taken from the cost model	Project Transform STM v9.xls	
Lifecycle costs at each LC date (£'000)		2,610	This is based on the lifecycle costs in the cost model converted to annuity payments	Project Transform STM v9.xls	
OpEx (non employment)(p.a.) (£'000)		8,509	Calculated as 82% of total opex		
OpEx (employee number)		69	Derived by the employment opex element divided by £29k		
Transaction Costs					
PSC		4,912	3% of capital costs	Project Transform STM v9.xls	
PFI		6,250	Set Up Costs	Project Transform STM v9.xls	
Third Party Income					
PSC		6,877	Each year		
PFI		6,877	Each year		
OPTIMISM BIAS					
	Optimism bias pre-FBC	Optimism bias post-FBC			
Whole Life Costs					
Initial CapEx	20.45%	40.9%	Derived from Optimism Bias workbook. The supplementary green book for capex optimism bias was utilised to derive these figures. OBC Optimism Bias Workbook Vs2. (post fbc is 3 x pre fbc).		
Lifecycle costs at each LC date	10.0%	30.0%		Percentages agreed with the Councils' Project Team	
OpEx	5.0%	20.0%		Percentages agreed with the Councils' Project Team	
Transaction Costs (PSC option)	10.0%	20.0%		Percentages agreed with the Councils' Project Team	
Third Party Income (PSC option)	10.0%	10.0%	Percentages agreed with the Councils' Project Team		
Flexibility					
Scope change year		14	Partnership UK guidance		
Probability factor (%)		70%	Partnership UK guidance		
Level of scope change (%)		50%	Partnership UK guidance		
Premium Flexibility Factor (PFI option)		10%	Partnership UK guidance		
Indirect VFM Factors					
PSC Amount NPV (£000s)		0	As per Treasury new guidelines		
PFI Amount NPV (£000s)		0	As per Treasury new guidelines		
Tax					
PSC adjustment factor (%)		5%	From Treasury Tax matrix		
PFI Funding					
Gearing (%)		85%		Project Transform STM v9.xls	
Sterling swap rate (%)		5.50%		Project Transform STM v9.xls	
Credit spread (bps)		12		Project Transform STM v9.xls	
Bank margin (bps)		115		Project Transform STM v9.xls	
Unitary Charge					
Initial CapEx period payment		0.00%	Average UC in CapEx period as percentage of UC in first period following completion of CapEx period (Treasury new guidelines)		