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1. INTRODUCTION

- 1.1 Infrastructure UK (IUK) is a part of HM Treasury (the Authority) and is responsible for managing the Government's Operational Public Private Partnership Efficiency Programme. It will undertake an operational savings review of the Private Finance Initiative (PFI) contracts for Government Offices Great George Street, comprising 1 Horse Guards Road and 100 Parliament Street, which are delivered by Exchequer Partnerships.

2. PURPOSE

- 2.1 To provide insurance advice on the insurance provisions in the project documentation, the insurance contract management and compliance and on the opportunities to achieve cost efficiencies and savings in the current price of the insurance to the departments.

3. BACKGROUND TO THE AUTHORITY

- 3.1 The Authority is the United Kingdom's economics and finance ministry. It is responsible for formulating and implementing the government's financial and economic policy.
- 3.2 The Enterprise and Growth Unit works to promote sustainable economic growth – by ensuring that Government policy encourages private sector investment, enterprise, innovation and the transition to a low-carbon economy – and to ensure the spending programmes associated with this deliver value for money, make an appropriate contribution to deficit reduction and that the departments they are responsible for live within their SR settlements.
- 3.3 IUK is part of the Authority's Enterprise and Growth Unit with specific responsibilities for the planning, enabling and delivery of infrastructure in the UK. It provides commercial expertise to help deliver major projects and programmes, and works to facilitate significant private sector investment in infrastructure. The Public Private Partnership (PPP) policy team leads on developing and implementing PF2 policy in England and driving out savings and efficiencies from the existing portfolio of PFI/ PPP projects.

4. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 4.1 The Authority started its savings programme in 2011 and is committed to achieving £3bn to £4bn savings from PFI contracts in England. Departments have been required to conduct reviews into projects in their portfolio, working with contractors to identify and realise savings, often by re-scoping.
- 4.2 There are two PFI contracts covering the building known as Government Offices Great George Street. The main occupants are the Authority at the Horse Guards Road end and HM Revenue & Customs at the Parliament Street end who each own a contract with the private sector that procured the refurbishment, on-going maintenance and associated services of the building.
- 4.3 To date, significant savings have been made by subletting office space to other government departments and the completion of a market test exercise for soft services, but a full savings review has not yet taken place.
- 4.4 This requirement is for insurance advice and support with respect to the identification stage of a possible multi-stage savings process (to comprise identification, preparation, negotiation and conclusion).

5. SCOPE OF REQUIREMENT

5.1 The proposed approach to delivering this savings review is to provide a mixed disciplinary team (legal, financial and technical) to perform specialist operational PFI savings reviews to identify savings and efficiencies.

5.2 The insurance advisor will be required to deliver against the following requirements:

Review of the Project Documentation

5.3 Review of the contractual project documentation, paying particular attention to the following areas:

- Review insurance provisions contained in the contract and determine if the department has any contractual rights it could exercise within the existing contract;
- Review the profile and liability of the parties in connection with required insurance deductibles;
- Recommend any improved allocation of risks between the parties including any existing and proposed insurance premium cost sharing mechanism;
- Review the required insurance scope to see if any amendments / new approaches can be taken (e.g. in line with PF2 options), if these are viable, would they provide any real savings to the department and how commercially realistic and acceptable they might be to the contractor and its funders; and
- Review the insurance circumstances relative to the primary physical loss, damage or destruction risk and provide the department with comment outlining the potential benefits and risks associated with the department taking back the first party physical loss, damage or destruction risk.

Contract Management and Compliance

5.4 Review current insurance contract management and compliance procedures to ensure that Department's separate interests remain adequately protected.

5.5 Investigate any non-compliance from the contract insurance requirements commenting on availability of insurance in prevailing insurance market conditions. Comment on impact of the non-compliance in terms of materiality and risk to the department.

Insurance Costs

5.6 Analyse the operational required insurances cost profile (e.g. what is in the financial model relative to insurance and how does this operate?)

5.7 Review the actual premium costs and cost profile for the required insurances and advise whether any cost sharing should apply relative to any insurance premium cost sharing mechanism in the contract.

5.8 Investigate the options for achieving savings on the current cost of insurance to the department.

Insurance Review Output

- 5.9 Complete insurance elements of the project summary to pull together the key facts and issues that are likely to be relevant to the operational savings review and highlight any relevant missing information. The project summary will be included in the report & action plan at the end of the identification stage.
- 5.10 Complete the insurance element of the thirty Central Issues (see Annex A) as set out in HMT's Central Issues Guidance of the Operational Savings Review documentation. The Central Issues assessment will be included in the report & action plan at the end of the identification stage.
- 5.11 Provide insurance contributions to the completion of the initial opportunities register produced at the end of this identification stage and which will be used to inform subsequent stages.
- 5.12 Provide insurance contributions to the body of the report and action plan which appraises all the saving opportunities considered. The report will consolidate the outputs of all the identification stage activities, sets out the scope for potential savings, provides a saving quantification and sets out the next steps required to implement the savings opportunities.
- 5.13 The identification phase should be completed by 14th May 2015, after which an assessment will be made on whether to continue to preparation, negotiation and conclusion.

6. SERVICE LEVELS AND PERFORMANCE

- 6.1 The Authority will measure the quality of the Supplier's delivery by:
 - 6.1.1 Insurance assessment of the relevant Central Issues (see Annex A)
 - 6.1.2 Providing insurance contributions to the opportunities register
 - 6.1.3 Providing insurance contributions to the body of the report and action plan
 - 6.1.4 Attendance at meetings to discuss progress
 - 6.1.5 Delivering the insurance review output in a timely manner

7. ADDITIONAL REQUIREMENTS

- 7.1 Payment will be made on the production of an invoice at the end of the identification stage of the review.

8. LOCATION

- 8.1 The Services will be carried out at Government Offices Great George Street, 1 Horse Guards Road, London SW1A 2HQ.

9. SECURITY REQUIREMENTS

- 9.1 Advisor will require CTC clearance prior to project commencement. This must be obtained before access to the project documentation can be provided.

RM4622 L0750 – Insurance Advisor for PFI Arrangements
Appendix B – Service Description

10. DURATION

- 10.1 The identification stage should be completed by 14th May 2015 after which the departments will assess whether they wish to proceed with any of the cost efficiency and savings opportunities.
- 10.2 Subsequent stages would be expected to take 4 – 5 months, but will be re-tendered as required. For the avoidance of doubt, the present tender relates to the identification stage only.