

North West Fire and Rescue Authority PFI Project

Final Due Diligence Report v04

14th March 2011



Distribution Sheet

NWFRA PFI PROJECT

FINAL TECHNICAL DUE DILIGENCE REPORT – Version 04

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1.0 Introduction

1.1 **Appleyards** has been commissioned by Dexia Crédit Local and Norddeutsche Landesbank Girozentrale (collectively known as the Arrangers); under the specific terms of our appointment to prepare a due diligence report on technical issues in relation to the NWFRA PFI Project.

1.2 This report is the Final Report (Version 04) based on the information provided by the Consortium.

1.3 The Project Co is **Balfour Beatty Fire and Rescue NW Limited (BBFR) NW Limited** (also known as the SPV). The equity investors, either directly or indirectly, is **Balfour Beatty Infrastructure Investments Limited (BBIL)**.

1.4 The key objectives are to:

- Review the information provided and identify major issues or concerns from a technical perspective at this stage of the project's development;
- Identify information gaps and areas where further development is required; and
- Identify risks and provide focus on the issues that need to be resolved for Financial Close.

1.5 The conclusions and recommendations in this report are based upon the key information supplied to us, as identified in the body of the report.

1.6 Our report should be read in conjunction with legal and insurance due diligence.

1.7 Areas of potential risk are highlighted in **bold text** in the body of the report and then summarised in Red, Amber, and Green syntax, the meaning of each being is as follows:

Red	A significant issue likely to expose the Senior Lender to risk.
Amber	An issue that represents a medium level of risk.
[Green]	Provisional Green – An issue of insignificant risk or a risk that is mitigated appropriately contractually or commercially (e.g., via pass through) pending confirmation that the current position is acceptable to the Senior Lender and/or the receipt and review of the conformed documents.
Green	An issue of insignificant risk or a risk that is mitigated appropriately contractually or commercially (e.g., via pass through).

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- 1.8** Should further clarification on any aspect of this report, please contact Mark Henning or Robert Marr. Contacts details are as follows:

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Section 2



Executive Summary

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2 Executive Summary

2.1 Report Overview / Conclusion

2.1.1 The overall residual risk in the context of **Financial Close** is:

The NWFRA PFI Project	Green
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2.1.2 The current reporting status of the individual sections of this due diligence report is summarised as follows:

Section	Title	Status
4	Planning	Green
5	Surveys & Investigations	Green
6	Design & Construction	Green
7	Construction Cost	Green
8	Construction Programme	Green
9	Completion & Transfer	Green
10	FM Services	Green
11	Payment Mechanism	Green
12	Life Cycle Review	Green
13	Contract Mechanisms	Green
14	Financial Model Inputs	Green

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2.2 Executive Summary of Report Section 4 - Planning

Planning Section – Overview

Section 4 - Due Diligence Reporting Risk Category	Green
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Planning History – The NWFRA PFI Project

Site Name	Permission Obtained			JR Period	
	Outline	RM	Full	Expires	Status at FC
Cumbria					
Carlisle East	✓	✓	-	30/09/10	Expired
Carlisle West	✓	✓	-	19/11/10	Expired
Patterdale	-	-	✓	10/04/08	Expired
Penrith	✓	✓	-	12/11/10	Expired
Workington	✓	✓	-	09/10/10	Expired
Lancashire					
Blackburn	✓	✓	-	16/10/10	Expired
Burnley	✓	✓	-	19/11/10	Expired
Chorley	✓	✓	-	09/11/10	Expired
Fleetwood	-	-	✓	06/12/10	Expired
Merseyside					
Belle Vale	✓	✓	-	09/11/10	Expired
Birkenhead	✓	✓	-	22/10/10	Expired
- Temp Accomm.	-	-	✓	16/11/10	Expired
Bootle/ Netherton	✓	✓	-	26/10/10	Expired
Formby	✓	✓	-	11/11/10	Expired
Kirkdale	✓	✓	-	04/11/10	Expired
- Temp Accomm.	✓	✓	-	29/09/10	Expired
Newton-le-Willows	-	-	✓	28/09/10	Expired
Southport	✓	✓	-	21/10/10	Expired
- Temp Accomm.	✓	✓	-	09/10/10	Expired

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Planning Approval has been obtained for the works across all sixteen sites that comprise the NWFRA PFI Project. In the majority of cases the approvals consist of Outline and Reserved Matters Approvals that are to be read in conjunction with each other. The Reserved Matters Approvals relate to the “reserved matters” included within the Outline Approvals. Full Planning Approvals have been obtained for the sites at Patterdale, Fleetwood, Birkenhead (Temporary Accommodation) and Newton-le-Willow.

Planning Overview – Pre-commencement Planning Conditions

Site Name	Pre-commencement Planning Conditions		
	Total	Discharged	%
Cumbria			
Carlisle East*	2	2	100%
Carlisle West*	1	1	100%
Patterdale*	4	4	100%
Penrith	9	9	100%
Workington	3	3	100%
Lancashire			
Blackburn*	9	9	100%
Burnley	2	2	100%
Chorley	5	0	0%
Fleetwood*	3	3	100%
Merseyside			
Belle Vale	5	4	80%
Birkenhead	4	4	100%
- Temp Accom.	-	-	-
Bootle/ Netherton	4	3	75%
Formby*	2	2	100%
Kirkdale*	8	8	100%
- Temp Accom.	10	10	100%
Newton-le-Willows*	7	7	100%
Southport	5	3	60%
- Temp Accom.	1	1	100%

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The sites annotated (*) are all programmed to commence works immediately following Financial Close and, as such, it is critical that the pre-commencement planning conditions associated with these sites are discharged prior to Financial Close. We can confirm that all pre-commencement conditions have been discharged to the satisfaction of the Local Planning Authorities.

The conditions at the remaining seven sites will need to be discharged prior to the relevant start on site dates. We shall, as part of the construction monitoring service, monitor and report upon the discharge status of the pre-commencement conditions.

We are satisfied that the conditions are not onerous and that formal discharge is achievable by the due dates.

Planning Overview – Contract Provisions & Risk Transfer

Clause	Risk Transfer / Step Down		Due Diligence
	Construction	Services	Risk Category
18.3 Consents & Planning Approval			
✓	✓	✓	Green
18.3A Authority Necessary Consents & Planning Conditions			
✓	✓	✓	Green
18.3B Judicial Proceedings			
N/a	N/a	N/a	Green

We can confirm successful pass through of the Project Agreement obligations to the Construction and FM subcontracts.

Schedule 22 (Authority Planning Conditions) has been drafted and is confirmed as being acceptable from a technical perspective.

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2.3 Executive Summary of Report Section 5 - Surveys & Investigations

Surveys & Investigations Section – Overview

Section 5 - Due Diligence Reporting Risk Category	Green
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Site Surveys - Cumbria

Survey / Report	CE	CW	PD	PR	WT
Geotechnical	✓	✓	✓	✓	✓
Contamination	✓	✓	✓	✓	✓
Flood Risk Assessment	N/a	N/a	N/a	N/a	N/a
Archaeology	N/a	N/a	N/a	✓	N/a
Asbestos	N/a	N/a	✓	N/a	N/a
Environmental Impact	✓	✓	✓	✓	✓
Traffic	N/a	N/a	N/a	N/a	N/a
Noise	N/a	N/a	N/a	N/a	N/a
Topographical	✓	✓	✓	✓	✓
Condition Survey	N/a	N/a	N/a	N/a	N/a
Discharge Consents	✓	✓	✓	✓	✓

Site Surveys - Lancashire

Survey / Report	BB	BU	CH	FW	-
Geotechnical	✓	✓	✓	✓	
Contamination	✓	✓	✓	✓	
Flood Risk Assessment	✓	N/a	N/a	✓	
Archaeology	N/a	N/a	N/a	N/a	
Asbestos	N/a	✓	N/a	✓	
Environmental Impact	✓	✓	✓	✓	
Traffic	N/a	N/a	N/a	N/a	
Noise	N/a	N/a	N/a	N/a	

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Survey / Report	BB	BU	CH	FW	-
Topographical	✓	✓	✓	✓	
Condition Survey	N/a	N/a	N/a	N/a	
Discharge Consents	✓	✓	✓	✓	

Site Surveys - Merseyside

Survey / Report	BV	BH	B / N	FY	KD
Geotechnical	✓	✓	✓	✓	✓
Contamination	✓	✓	✓	✓	✓
Flood Risk Assessment	N/a	N/a	N/a	N/a	N/a
Archaeology	N/a	N/a	N/a	N/a	N/a
Asbestos	✓	✓	✓	✓	✓
Environmental Impact	✓	✓	✓	✓	✓
Traffic	N/a	N/a	N/a	N/a	N/a
Noise	N/a	N/a	✓	✓	N/a
Topographical	✓	✓	✓	✓	✓
Condition Survey	N/a	N/a	N/a	N/a	N/a
Discharge Consents	✓	✓	✓	✓	✓

Site Surveys – Merseyside, contd.

Survey / Report	NLW	SP	-	-	-
Geotechnical	✓	✓			
Contamination	✓	✓			
Flood Risk Assessment	N/a	N/a			
Archaeology	N/a	N/a			
Asbestos	✓	✓			
Environmental Impact	✓	✓			
Traffic	N/a	N/a			
Noise	N/a	✓			

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Survey / Report	NLW	SP	-	-	-
Topographical	✓	✓			
Condition Survey	N/a	N/a			
Discharge Consents	✓	✓			

Flood Risk: Blackburn = Low (Zone 1); Fleetwood = High (Zone 3). Refer to Section 5 for further details.

Surveys Overview – Contract Provisions & Risk Transfer

Clause	Risk Transfer / Step Down		Due Diligence
Project Agreement	Construction	FM	Risk Category
18.1 Access			
✓	✓	✓	Green
18.2 Site Matters			
✓	✓	✓	Green
18.4 No Warranty			
✓	✓	✓	Green
18.5 Third Party Rights			
✓	✓	✓	Green
Defects			
N/a	N/a	N/a	Green
18.6 Asbestos Liability			
✓	✓	N/a	Green
18.7 Fossils & Antiquities			
✓	✓	✓	Green

We are able to confirm successful pass through of the Project Agreement obligations to the Construction and FM subcontracts.

2.4 Executive Summary of Report Section 6 - Design & Construction

Design & Construction Section – Overview

Section 6 - Due Diligence Reporting Risk Category
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Green

The Authorities Requirements (ARs) and Contractors Proposals (CP's) are well developed, clear and are achievable. All sections have been received and reviewed.

There are no proposed Retained Structures within the PFI Areas, however, at Belle Vale and Southport sites there are a LLAR Building and Drill Tower (respectively) that are marked as excluded from the PFI area. This is acceptable.

We understand that the Authority is proposing to remove the existing fuel tank at Newton le Willow and this is covered by a Site Assumption. (Note - The use of a Site Assumption ensures that any inaccuracies in assumptions made by the Authority are held as their risk. This ensures that if the Site Assumption turns out to be incorrect the Contractor can claim as a Compensation Event). We have been provided with information by ProjCo that these works are in hand. This is acceptable.

We confirm that we have reviewed Tods Murrays' 'Overview Report of Matters' dated 22nd February 2011 and confirm that we are aware of the items which refer to ourselves as TA and can confirm that based on the responses received from BBFR that these are either immaterial or have been suitably mitigated.

All other tanks which the Authority have not filled - and do not affect the buildings - are to be removed by the Contractor as part of the Works as Contractor risk. This is acceptable.

We have undertaken a full review of the information for the Structural Design solution. The design is compliant and well considered.

The Building Services Design solution is acceptable.

The list of Reviewable Design Data has been provided and is acceptable.

Derogations have been agreed which are appropriate and necessary.

The Design Team and Construction Partner are sufficiently experienced to undertake this project.

Please refer to Section 6.0 for full details.

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2.5 Executive Summary of Report Section 7 - Construction Costs

Construction Costs Section – Overview

Section 7 - Due Diligence Reporting Risk Category	Green
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The Total Construction Cost for the project is **£47,885,871** as summarised in the follow table:

Site	Capital Expenditure
Cumbria	
Carlisle East	£3,647,987
Carlisle West	£1,944,556
Patterdale	£733,294
Penrith	£5,923,269
Workington	£3,688,956
Lancashire	
Blackburn	£3,049,863
Burnley	£3,668,179
Chorley	£2,850,856
Fleetwood	£2,592,297
Merseyside	
Belle Vale	£2,708,681
Birkenhead	£2,962,815
Bootle /Netherton	£3,199,256
Formby	£2,071,573
Kirkdale	£3,406,923
Newton-le-Willows	£2,173,986
Southport	£3,263,374
Total Project Cost	£47,885,871

We are satisfied that the construction costs for the NWFRA project are acceptable from a technical perspective and are considered adequate to deliver the requirements of the project.

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2.6 Executive Summary of Section 8 - Construction Programme

Construction Programme Section – Overview

Section 8 - Due Diligence Reporting Risk Category	Green
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2.6.1 The key milestone dates for each site, as obtained from Schedule 4 may be summarised as follows:

Site	Start on Site	PSAD	PCW	Duration
Cumbria				
Carlisle East	28/02/2011	05/03/2012	-	53 weeks
Carlisle West	28/02/2011	16/01/2012	-	46 weeks
Patterdale	28/02/2011	07/11/2011	25/11/2011	38 weeks
Penrith	09/05/2011	11/06/2012	-	57 weeks
Workington	19/03/2012	18/03/2013	-	52 weeks
Lancashire				
Blackburn	28/02/2011	6/02/2012	-	49 weeks
Burnley	13/02/2012	27/05/2013	21/06/2013	70 weeks
Chorley	11/06/2012	29/04/2013	-	46 weeks
Fleetwood	14/03/2011	14/05/2012	1/06/2012	63 weeks
Merseyside				
Belle Vale	7/05/2012	10/06/2013	28/06/2013	59 weeks
Birkenhead	14/05/2012	17/06/2013	05/07/2013	59 weeks
Bootle /Netherton	18/04/2011	23/04/2012	22/06/2012	62 weeks
Formby	14/03/2011	30/04/2012	18/05/2012	62 weeks
Kirkdale	28/02/2011	30/04/2012	-	61 weeks
Kirkdale (temporary site)	28/02/2011	N/A	18/05/2012	63 weeks
Newton-le-Willows	14/03/2011	16/04/2012	04/05/2012	60 weeks
Southport	02/04/2012	10/06/2013	-	62 weeks
Southport (temporary site)	2/04/2012	N/A	28/06/2013	64 weeks

The proposed construction programme is considered to be logical, sensible and achievable.

We have received the Conformed version of Schedule 4, the Constructions Programmes and the Level 2 programmes for the Wave 1 sites. All documents appear to correlate from our review.

The security package and controlling process in the event of delay are satisfactory from a technical perspective.

2.7 Executive Summary of Section 9 - Completion and Transfer

Completion and Transfer Section – Overview

Section 9 - Due Diligence Reporting Risk Category	Green
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The Certification process, the Availability Requirements, Decant Protocol, and the arrangements for the Independent Certifier all technically acceptable.

Schedule 4, Stations has been updated.

Please refer to Section 9.0 for full details.

2.8 Executive Summary of Section 10 - Facilities Services

Facilities Services Section – Overview

Section 10 - Due Diligence Reporting Risk Category	Green
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Balfour Beatty Workplace Limited are the FM Provider on this project. They have demonstrated a good measure of PFI experience, are of sufficient standing and have adequate financial strength to undertake the requirements of this project.

The total Year 1 fee for the project is £749,363 which, based on a GIFA of 20,279m², equates to a unit rate of £36.95/m². The combined allowance for Management Service, Building and Asset Maintenance, Caretaking and Cleaning is £33.58/m² and is just below the expected range of £34.32 – £43.58, although this shortfall is not considered to be material in the context of the robust allowance for lifecycle works which are to be undertaken by the FM Provider.

A wage escalator has been included to account for possible above RPI inflation relating to Hard Services labour and Hard Services sub-contractors contained within the FM charge. BBW have priced 1.50% above RPI on Hard Services labour and 1% above RPI on Hard Services sub-contractors. This allowance is in line with what we have observed on previous projects and is considered to be appropriate.

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We have reviewed the Initial Service FM cost breakdown sheets to assess this item. These are acceptable.

The Full FM Services to be provided are described as:

- Cleaning and waste management;
- Security and Health & Safety;
- Buildings maintenance;
- Grounds Maintenance;
- ICT infrastructure;
- Fixtures and fittings;
- Helpdesk; and
- Utilities supply and management.

The Service Delivery Proposals that have been provided respond appropriately to the Services Specification in the Authority Requirements.

The FM staffing levels are comparatively low, however BBW have demonstrated that they will be able to attend to most faults within the required timeframes. Ben Cummins of Balfour Beatty Workplace has commented on 7 December 2010 as follows;

“We are comfortable with the current position on the timescales and value of deductions currently proposed under the contract. We have also priced on the basis of the current proposals.”

Due to the competitive nature of the hard FM Fee, the FM caps on liability have been set at an appropriate level.

Please refer to Section 10.0 for full details.

2.9 Executive Summary of Section 11 - Payment Mechanism

Payment Mechanism Section – Overview

Section 11 - Due Diligence Reporting Risk Category	Green
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The Payment Mechanism has been finalised and we can confirm that it is acceptable.

The NWFRA Payment Mechanism largely follows the 4Ps Standard Form Payment Mechanism. Some Parts have however been removed from the Payment Mechanism and are now contained within the Output Specification document.

The pass through of risks and obligations to the FM Payment Mechanism is satisfactory.

Please refer to Section 11.0 for full details

2.10 Executive Summary of Section 12 - Life Cycle Costs

Life Cycle Costs Section – Overview

Section 12 - Due Diligence Reporting Risk Category

Green

The Lifecycle Fund total of £9,907,245 is considered to be adequate to deliver the scheme, and the expenditure profiles are appropriate. The Lifecycle Risk will be held by the FM Provider. The FM Provider will be responsible for any shortfall in the Lifecycle Fund. The Lifecycle arrangements are acceptable.

The benchmark data for comparable projects ranges from 24% up to 32%. The Mean of the benchmark range is 28.5%. The returned ratio of 27.96% represents a Mean ratio. The ratio is considered to be adequate.

When the cost per m² per annum rate is benchmarked against other PFI schemes the result is found to be located towards the upper quartile end of the range. The benchmark data provides a range of rates between £17.90 and £21.60. The Mean of the benchmark range is £18.63. Therefore, the rate of £19.54 is considered to be adequate.

We believe that there is sufficient Life Cycle Cost monies available to ensure that the Handback requirements are met.

The process for the drawdown of funds from the Lifecycle to the FM Contractor has been agreed and is fully incorporated into the FM Agreement and Special Conditions.

Please refer to Section 12.0 for full details.

2.11 Executive Summary of Section 13 - Contractual Mechanisms

Contract Mechanisms Section – Overview

Section 13 - Due Diligence Reporting Risk Category	Green
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A table of clauses has been provided for the Project Agreement, the Building Subcontract and the FM Agreement.

- Consultants Appointments, Warranties and PI evidence acceptable
- There are no residual risks in the context of Financial Close:
- All documentation is agreed and “Conformed” copies are acceptable in the context of Financial Close; and

Please refer to Section 13.0 for full details.

2.12 Executive Summary of Section 14 – Financial Model Inputs

Financial Model Inputs Section – Overview

Section 14 - Due Diligence Reporting Risk Category	Green
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We are satisfied with the Financial Model Inputs.

The Change in Law fund in the Financial Model is equal to £1,436,576. (3% of total construction cost).

Financial Model Construction Costs are equal to £47,885,871.

Financial Model Lifecycle Costs are equal to £9,907,245.

Financial Model FM Costs are variable inputs but we can confirm that the Annual Allowances are appropriate.

Please refer to Section 14.0 for full details.

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2.13 Residual Risk Summary

Ref	Issue	Risk	Category	Action
Section 4.0 – Planning				
There are no residual risks in the context of Financial Close				
Section 5.0 – Surveys				
There are no residual risks in the context of Financial Close				
Section 6.0 – Design & Construction				
There are no residual risks in the context of Financial Close				
Section 7.0 – Construction Costs				
There are no residual risks in the context of Financial Close				
Section 8.0 – Construction Programme				
There are no residual risks in the context of Financial Close				
Section 9.0 – Completion and Transfer				
There are no residual risks in the context of Financial Close				
Section 10.0 – Facilities Management				
There are no residual risks in the context of Financial Close				
Section 11.0 – Payment Mechanism				
There are no residual risks in the context of Financial Close				
Section 12.0 – Lifecycle				
There are no residual risks in the context of Financial Close				
Section 13.0 – Contract Mechanism				
There are no residual risks in the context of Financial Close				
Section 14.0 – Financial Model Inputs				
There are no residual risks in the context of Financial Close				

Section 3



Project Description

3 Project Description

3.1 Project Overview

The Fire and Rescue Services of Cumbria, Lancashire and Merseyside have worked in collaboration to create a Private Finance Initiative project to construct sixteen new Community Fire Stations in the North West of England. Approval has been granted for the project from each of the three Authorities, the Department of Communities and Local Government (CLG) and H.M. Treasury's Project Review Group.

The main objectives of this project are:

- To improve fire station design and location in relation to current and future risk response;
- To widen the community access to fire stations;
- To create well designed facilities to a high architectural standard; and
- To provide a safe and healthy environment and improved facilities and other personnel

The scope of this project also includes an Operational Resource Centre (ORC – garaging centre for containerised specialist fire fighting and rescue equipment) and a joint fire and ambulance station. Some of the sites will include training facilities and additional office space and will range in size from single appliance to multi-appliance stations with additional garaging for special equipment. The fire stations will be constructed on a mixture of new and existing sites with demolition taking place in some cases and phased working around operational units or emergency service facilities.

The Project has been awarded £66.403m of PFI Credits.

The stations and their requirements are summarised in the table below:

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Station	Abv.	Authority	No of Appliance Bays	Drill Tower	Additional Requirements	Retained Structures	Temp Accom.	Works Phase	Post Completion Works
Carlisle East	CE	Cumbria	4	Yes*				1	
Carlisle West	CW	Cumbria	1					1	
Patterdale	PA	Cumbria	1				Storage Only	1	Yes
Penrith	PE	Cumbria	4	Yes*	4 Bay Garage			1	
Workington	WO	Cumbria	4	Yes*				2	
Blackburn	BL	Lancashire	3	Yes*				1	
Burnley	BU	Lancashire	5	Yes*	Ancillary Garage		Yes	2	Yes
Chorley	CH	Lancashire	3					2	
Fleetwood	FL	Lancashire	2	Yes	DCP Building		Yes	1	Yes
Belle Vale	BV	Merseyside	2	Yes		None. LLAR Building excluded from PFI Area.	Yes	2	Yes
Birkenhead	BI	Merseyside	3	Yes			Yes	2	Yes
Bootle/Netherton	BN	Merseyside	2	Yes			Using existing station adjacent to site	1	Yes – To demolish and clear existing station.
Formby	FO	Merseyside	2	Yes			Yes	1	Yes
Kirkdale	KI	Merseyside	2	Yes	4 Bay garage & 11 Bay ORC		Yes Decant Site	1	Yes

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Station	Abv.	Authority	No of Appliance Bays	Drill Tower	Additional Requirements	Retained Structures	Temp Accom.	Works Phase	Post Completion Works
Newton-le-Willows	NW	Merseyside	2	Yes			Yes	1	Yes
Southport	SO	Merseyside	6	Existing	Shared Ambulance use with	None. Drill Tower excluded from PFI Area	Yes Decant Site	2	Yes

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3.2 The Authority

The Authority for the project is made up of the following three (3) Fire and Rescue Authorities:

- Cumbria County Council;
- Lancashire Combined Fire Authority; and
- Merseyside Fire and Rescue Authority

The 3 authorities are collectively known as the North West Fire and Rescue Authorities (NWFRA).

All structures and associated areas are to be designed to a high standard in order to maintain and enhance the image of the Authorities.

The new community fire stations and associated facilities must:

- Be fit for purpose, a pleasure to use, visit and look at;
- Be easy and cost-effective to build, maintain, adapt and manage;
- Meet all statutory requirements including the relevant sections of the Town and Country Planning Act(s) and the current Building Regulations;
- Be designed for sustainability and avoid damage to the environment; and
- Contribute positively to their surroundings: the site, the streetscape and local communities.

There is no requirement for Third Party Income.

3.3 Project Timeline

Site	Start on Site	PSAD	PCW	Duration
Cumbria				
Carlisle East	28/02/2011	05/03/2012	-	53 weeks
Carlisle West	28/02/2011	16/01/2012	-	46 weeks
Patterdale	28/02/2011	07/11/2011	25/11/2011	38 weeks
Penrith	09/05/2011	11/06/2012	-	57 weeks
Workington	19/03/2012	18/03/2013	-	52 weeks
Lancashire				
Blackburn	28/02/2011	6/02/2012	-	49 weeks
Burnley	13/02/2012	27/05/2013	21/06/2013	70 weeks
Chorley	11/06/2012	29/04/2013	-	46 weeks
Fleetwood	14/03/2011	14/05/2012	1/06/2012	63 weeks

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Site	Start on Site	PSAD	PCW	Duration
Merseyside				
Belle Vale	7/05/2012	10/06/2013	28/06/2013	59 weeks
Birkenhead	14/05/2012	17/06/2013	05/07/2013	59 weeks
Bootle /Netherton	18/04/2011	23/04/2012	22/06/2012	62 weeks
Formby	14/03/2011	30/04/2012	18/05/2012	62 weeks
Kirkdale	28/02/2011	30/04/2012	-	61 weeks
Kirkdale (temporary site)	28/02/2011	N/A	18/05/2012	63 weeks
Newton-le-Willows	14/03/2011	16/04/2012	04/05/2012	60 weeks
Southport	02/04/2012	10/06/2013	-	62 weeks
Southport (temporary site)	02/04/2012	N/A	28/06/2013	64 weeks

3.4 Local Area Information

3.4.1 Cumbria

Cumbria is made up of six districts: Allerdale, Barrow, Carlisle, Copeland, Eden and South Lakeland. It is a predominately rural county and home to some of the most beautiful areas in England.

Cumbria's population has the second lowest population density among English counties with a total of just under 500,000. Only five towns have a population of over 20,000. The two districts of South Lakeland and Carlisle have the largest populations; 104,400 and 103,700 respectively with Eden being the smallest populated; 51,900.

3.4.2 Lancashire

The county of Lancashire is made up of 12 districts: Burnley, Chorley, Flyde, Hyndeburn, Lancaster, Pendle, Preston, Ribble, Rossendale, South Ribble, West Lancashire and Wyre. There are two unitary councils in Lancashire and they are Blackpool and Blackburn with Darwen. With 124 miles of coastline, comprising towns, extensive rural areas (with 80 per cent of the county classed as rural), cities, universities and popular tourist destinations Lancashire is a diverse county. The county covers an area of 3,075 sq km - making it one of the largest shire counties.

Lancashire has a population of approximately 1.5 million and home to a wide range of settled communities from differing ethnic, religious and racial backgrounds.

3.4.3 Merseyside

Merseyside is divided into five metropolitan boroughs: St Helens, Wirral, Knowlsey, Sefton and the city of Liverpool. It came into existence as a metropolitan county in 1974. Before this it was part of the administrative counties of Cheshire and Lancashire and although now it has no county council it is a legal ceremonial county. In 1986 the county lost its administrative authority and became a geographic and metropolitan area.

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3.5 Site Locations Plan



Cumbria



Lancashire



Merseyside



3.6 Building Layout

From the beginning of the design process, Carlisle East fire station was chosen as the base functional design. This incorporated operational areas, kitchen and dining and community areas. The key elements or design drivers of this process were then replicated on the other stations, taking into account particular factors specific to each individual fire station.

The new stations will have modern, functional layouts with features that include:

- Modern, free of charge community facilities;
- Media wall;
- Innovative storage solutions;
- External seating areas;
- Community gardens;
- Energy saving technology;
- Sustainable 'green' stations;
- TV/resting/recreation rooms and quiet rooms;
- Individual toilets/washrooms;
- Staff and visitor parking;
- Secure cycle storage; and
- Gyms for all staff and potential community use.

The designs for the individual stations at Carlisle East, Carlisle West, Patterdale, Penrith, Workington, Blackburn, Burnley, Chorley, Fleetwood, Belle Vale, Birkenhead, Bootle/Netherton, Formby, Kirkdale, Newton-le-Willows and Southport are outlined below:

Cumbria

3.6.4 Carlisle East



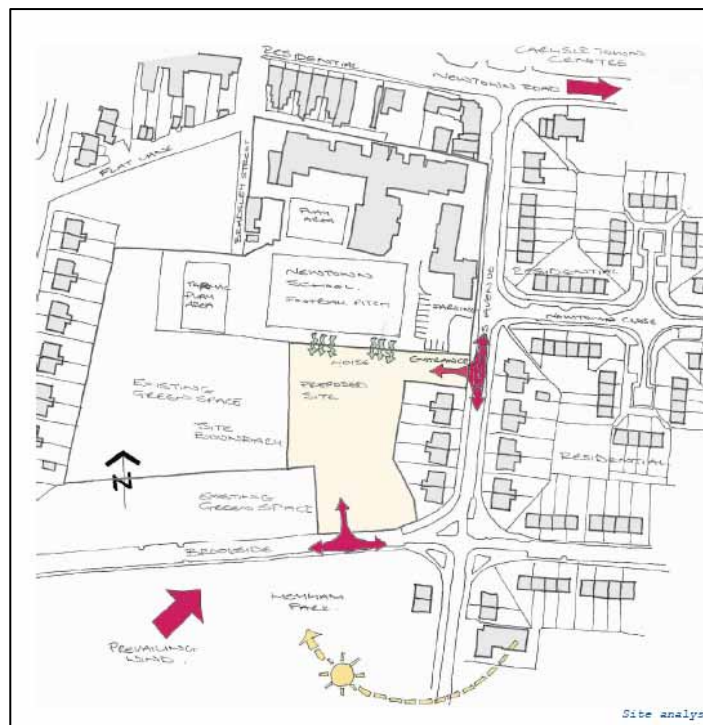
Carlisle East will be the larger of two stations in this area, to the east of Carlisle in the Harrayby area at Durranshill. Since sustaining flood damage during the Carlisle floods in January 2005, the current station (separate site) is unsuitable for use as a community fire station. The new facilities on another site at Carlisle East will be used to house three bay fire fighting appliances and their crews and one bay reserve fire fighting appliance.

The new community fire station will also be used as a base for promoting fire safety. A community room in the building will accommodate groups of around 40 people. The room will be used to continue and enhance the promotion of fire safety messages as well as being available for use by community groups for meetings, seminars and training programmes.

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The current fire station will be vacated once the two new satellite community stations are completed, but remain in the Authorities control and outside of this PFI project.

3.6.5 Carlisle West



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Carlisle West, the smaller of the two stations, is located to the west of Carlisle in the Newtown area. The new facilities at Carlisle West will be used to house one bay fire appliance and its crew. The new community fire station will also be used as a base for promoting fire safety. A community room in the building will accommodate groups of around 20 people. The room will be used primarily to continue and enhance the delivery of community safety initiatives and for the promotion of fire safety messages. This room could also be used by community groups for public safety related events.

The current fire station in the centre of Carlisle will be vacated once the two new satellite community stations are completed but remain in the Authorities control and outside of this PFI project.

3.6.6 Patterdale

The current fire station was built in 1974 and designed to house a single Land Rover. The site is poorly planned and the limited space does not meet the basic welfare requirements for female staff. The station is to be demolished and rebuilt on the existing site. The new station will comprise of a single appliance bay fire station with lecture facilities. The schedule of accommodation will include a staff office, muster area, stores, toilet and shower room, plant room and rest room.

Proposed South Elevation

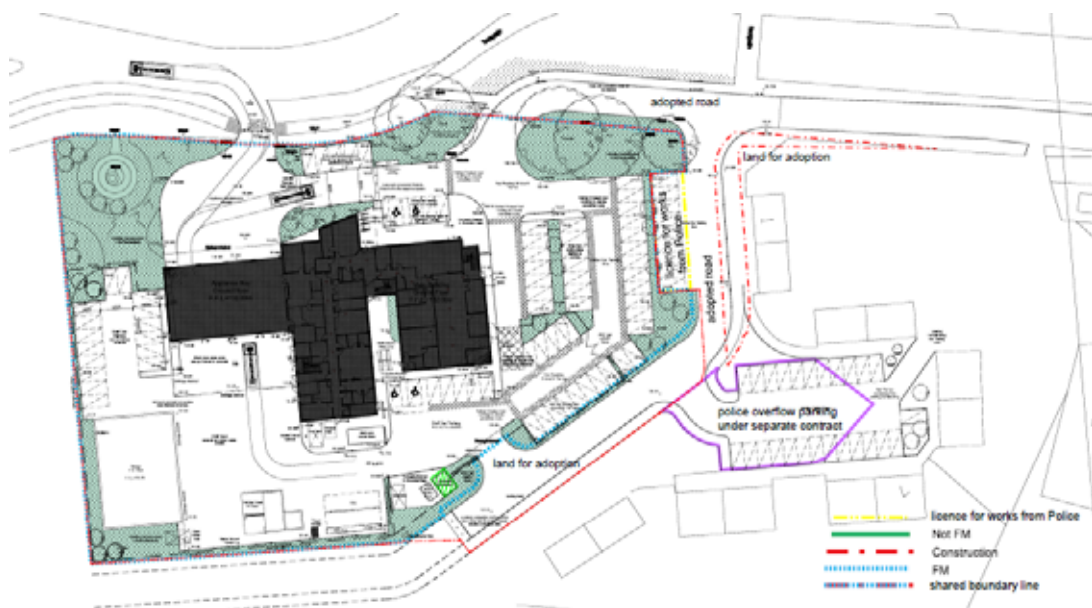


Proposed East Elevation



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3.6.7 Penrith



The new station will be built at the Kemplay Bank roundabout and will be slightly smaller than the existing station. It will have four bay fire appliances. The building will incorporate training facilities for Cumbria Fire and Rescue, Emergency Planning Centre and Control Room for Cumbria County Council. Being located in the building this will enable the county council emergency planners help coordinate multi-agency responses to major incidents and the fire and rescue service learning and development centre.

3.6.8 Workington



This station will be built at Moorclose which is situated on the outskirts of Workington. The new facilities will be used to house three bay fire appliances and their crews and one bay reserve fire appliance. The new community fire station will be used as a base for promoting fire safety as a need for a higher level of fire cover has been identified in this area. A community room in the building will accommodate groups of 40 people. As well as being used to enhance the promotion of fire safety messages it is also being made available for community groups for meetings, seminars and training programmes.

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The current fire station will be vacated once the new Workington Community Fire Station is completed. The exiting station will not be demolished and will remain in the Authorities ownership once the new station becomes operational.

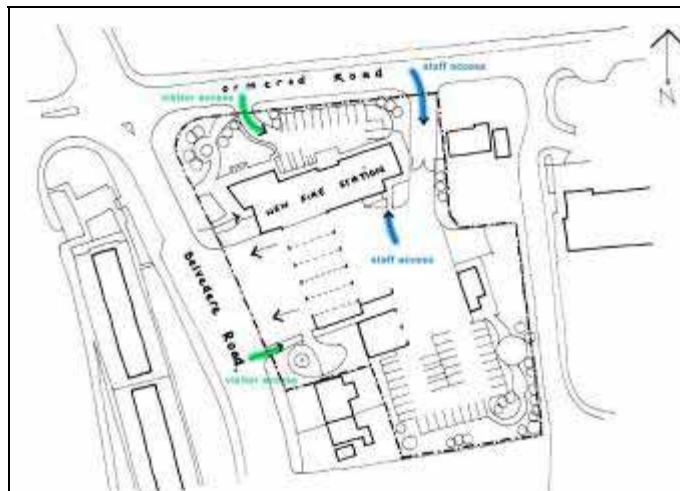
Lancashire

3.6.9 Blackburn



The new station, which has been given planning permission, will be built on vacant land opposite the current Byrom Street building. Artists' impressions of the building show a 'living roof' covered in low-growing plants which the architects said would improve insulation. Blackburn with Darwen Council wants the current fire station to be preserved under its masterplan for the Freckleton Street area, and it is expected to become a 'business and enterprise facility'. Meanwhile the new centre, which will house 3 bay fire appliances, would also have a meeting room and be used to promote fire safety.

3.6.10 Burnley



This fire station will be built on the existing site in Belvedere Road in order to benefit from the existing good access and egress points of the site.

The new community hub will include housing for 5 bay fire appliances and their crews with an additional 2 garages, a meeting room for around 40 people for use by local groups, as well as a gym, kitchen and dining areas. There are also plans for a community garden to be developed. The garden will include bespoke art panels and mosaics which will be developed by local mural artists to encourage people to respect and feel ownership of their new community fire station.

The site also accommodates a large drill yard which houses a drill tower, fire house and secure operational parking, which may also be used for training purposes and testing equipment. The parking provision has been driven by the Fire Authorities' operational needs. It provides 32 spaces with room to provide a staff amenity area.

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The existing fire station facility resides on the proposed site with the main fire appliance access off Ormerod Road and egress onto Belvedere Road.

3.6.11 Chorley



It is proposed to redevelop the site to provide a new community fire station to replace the existing fire station on Weldbank Lane, which will become vacant to be disposed of separately by the Authority outside this PFI Project. The new fire station will house three bay fire appliances and their crews.

The community fire station will also be used as a base for promoting fire safety. A community room in the building will accommodate groups of around 40 people. The room will be used to continue and enhance the promotion of fire safety messages, as well as being available for use by community groups for meetings, seminars and training programmes. There will also be a community garden at the front of the facility that will be transformed into an inclusive and inviting oasis, which will create continued seasonal interest.

3.6.12 Fleetwood



It is proposed to redevelop the site to provide a new community fire station to replace the existing fire station on Radcliffe Road. Along with the two bay fire appliances the site will accommodate a large drill yard housing a training tower and secure operational parking. The parking area and yard may also be used for routine testing and maintenance of firefighting equipment.

The community fire station will also be used as a base for promoting fire safety. A community meeting room in the building will accommodate groups of around 50 people. This room will be used primarily to continue and enhance the delivery of community fire safety initiatives and the promotion of fire safety messages. Subject to the wishes of the Fire and Rescue Authority, this room could potentially be available for use by community groups for public safety related events.

Merseyside

3.6.13 Belle Vale



The site will be used to house two bay firefighting appliances and their crews. Restrooms will be provided on the site in a separate adjacent Low Level of Activity and Risk (LLAR) building. The community fire station will also be used as a base for promoting fire safety. A community room and a lecture room located in the building will accommodate groups of around 40 and 20 people respectively. The rooms will be separated by a sliding, folding wall which will allow the spaces to be combined for larger groups. A breakout space has been created to provide a flexible working environment. By locating this breakout outside the community and lecture rooms and incorporating a vending area, a highly versatile space has been created.

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The rooms will be used to continue and enhance the promotion of fire safety messages as well as being available for use by community groups for meetings, seminars and training programmes.

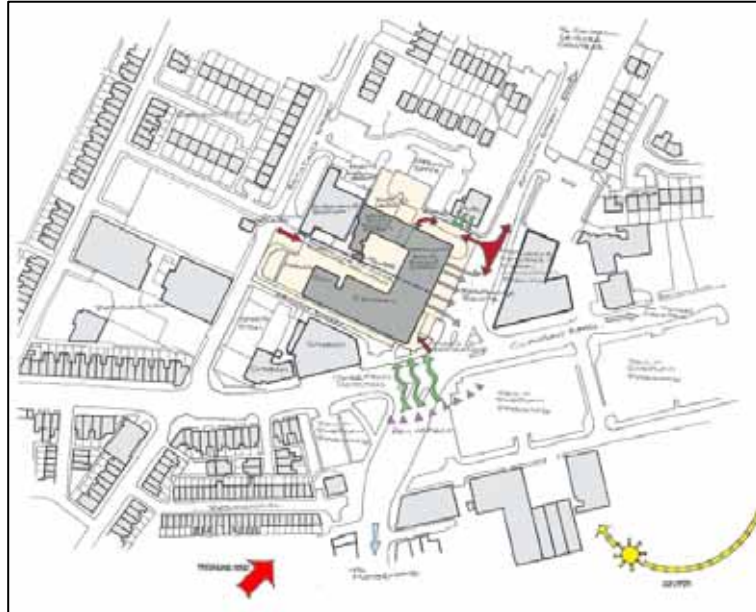
A traditional brick building constructed in 1965, the station is approaching the end of its economic lifespan. The current site will be redeveloped to provide a new community fire station to replace the existing fire station. The building comprises of a large three-bay station with additional accommodation that served as a Divisional HQ. The Fire Safety HQ for Liverpool is currently housed in this building. At present only one appliance is based here, which is crewed on a full time basis.

3.6.14 Birkenhead



The site will be used to house three bay community fire appliances and their crews and one reserve firefighting appliance. The community fire station will also be used as a base for promoting fire safety. Two dedicated rooms have been provided with the benefit of movable walls that open the space to allow larger gatherings. The community room will accommodate groups of around 40 people and the lecture/multi functional room will accommodate around 20 people. The rooms will be used to continue and enhance the promotion of fire safety messages as well as being available for use by community groups from meetings, seminars and training programmes.

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A traditional brick building constructed in 1974, the station is approaching the end of its economic lifespan. The current site will be redeveloped to provide a new community fire station to replace the existing fire station.

3.6.15 Bootle/Netherton



The site will be used to house two bay firefighting appliances and their crews. The community fire station will also be used as a base for promoting fire safety. A community room in the building will accommodate groups of around 40 people.

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The room will be used to continue and enhance the promotion of fire safety messages as well as being available for use by community groups for meetings, seminars and training programmes.

A traditional brick building constructed in 1979, the station is approaching the end of its economic lifespan. The current site will be redeveloped to provide a new community fire station to replace the existing fire station.

The existing site comprises of a large two bay station with additional accommodation which served as Divisional HQ. The current station is unsuitable for use as a community fire station with accessibility poor and the appliance bays inefficient, there is not enough space for community-related activities including training.



3.6.16 Formby



The site will be used to house one bay firefighting appliance and crew together with a spare bay for additional equipment. The community fire station will also be used as a base for promoting fire safety. A community room in the building will accommodate groups of around 40 people. The room will be used to continue and enhance the promotion of fire safety messages as well as being available for use by community groups for meetings, seminars and training programmes. In addition the fire station will contain facilities for young firefighters.

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At nearly 50 years old, the building is nearing the end of its economic life. The current station is unsuitable for use as a community fire station with accessibility poor and the appliance bays inefficient, there is not enough space for community-related activities including training and youth development activities, such as the young firefighters initiative (an initiative aimed at 14 to 18 year olds).

3.6.17 Kirkdale



This site will be redeveloped, rebuilding the demolished facilities to provide a new enhanced community fire station. The site will have two bay firefighting appliances and crew together with the Authority's two operational resource centres, which currently house a variety of specialist vehicles.

The community fire station will also be used as a base for promoting fire safety. A community room in the building will accommodate groups of around 40 people. The room will be used to continue and enhance the promotion of fire safety messages as well as being available for use by community groups for meetings, seminars and training programmes.

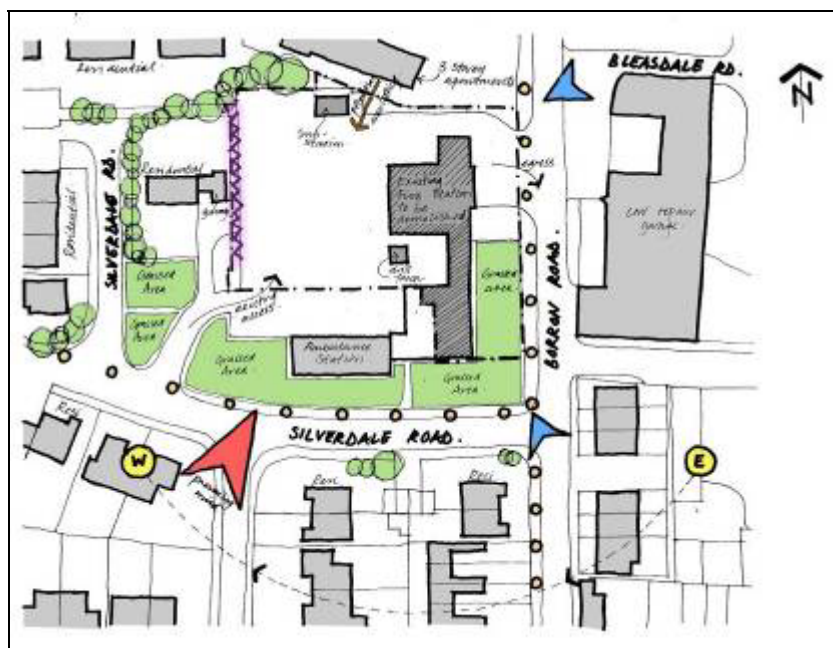
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3.6.18 Newton-le-Willows



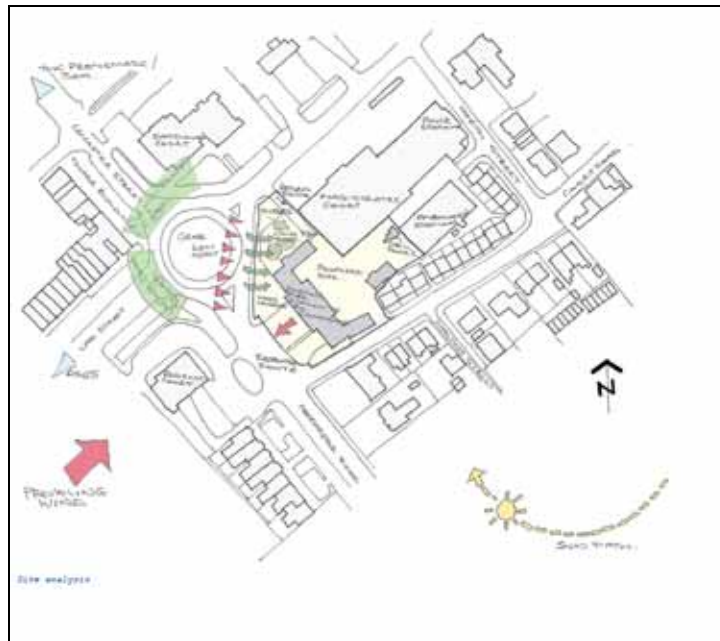
It is proposed to redevelop the site to provide a new community fire station to replace the existing fire station. This site will be used to house two bay firefighting appliances and their crew.

The community fire station will also be used as a base for promoting fire safety. A community room in the building will accommodate groups of around 40 people. The room will be used to continue and enhance the promotion of fire safety messages as well as being available for use by community groups for meetings, seminars and training programmes.



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3.6.19 Southport



The new facilities at Southport will be used to house three bay firefighting appliances, one special appliance and their crews. Following a review of services, it was decided that the North West Ambulance Service (NWAS) would relocate from its existing premises to occupy part of the new Southport Community Fire Station in which they will accommodate a further two bays and additional facilities for its crews.

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3.7 Principle Project Participants

Role	Organisation
SPV/Project Co	Balfour Beatty Capital
Senior Funder	Nord LB/ Dexia
Building Contractor	Mansell
Building Sub-Contractor	Border Construction Ltd
FM Contractor	Balfour Beatty Workplace
Architects	Seymour Harris
	Blue Sky
Senior Funders Technical Advisor	Appleyards
Authorities Technical Advisor	Capita Symonds
Authorities Financial Advisor	PriceWaterhouseCooper
Authorities Legal Advisor	Dickinson Dees
SPV Fire and Rescue Service Advisor	Independent Fire and Rescue Service Advisor
SPV Financial Advisor	Ernst and Young
SPV Insurance Advisor	JLT (Jardine Lloyd Thompson Limited)
SPV Legal Advisor	Ashfords
Civil/Structural/Services Engineer	Ove Arup
Landscape Architect	Groundwork
CDM Co-ordinator	HCD Management

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3.8 Timetable

The indicative timetable for the procurement process was as follows:

Stage	Date
Interim Report	12 October 2010
Final Report V01	12 November 2010
Final Report V02	4 February 2011
Final Report V03	10 February 2011
Financial Close (Report V04)	23 February 2011

Section 4



Planning

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4 Planning

4.1 Section Overview

4.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 4 - Due Diligence Reporting Risk Category	Green
--	--------------

4.2 Project Overview

4.2.1 The planning history for the project may be summarised as follows:

Site Name	Permission Obtained			JR Period	
	Outline	RM	Full	Expires	Status at FC
Cumbria					
Carlisle East	✓	✓	-	30/09/10	Expired
Carlisle West	✓	✓	-	19/11/10	Expired
Patterdale	-	-	✓	10/04/08	Expired
Penrith	✓	✓	-	12/11/10	Expired
Workington	✓	✓	-	09/10/10	Expired
Lancashire					
Blackburn	✓	✓	-	16/10/10	Expired
Burnley	✓	✓	-	19/11/10	Expired
Chorley	✓	✓	-	09/11/10	Expired
Fleetwood	-	-	✓	06/12/10	Expired
Merseyside					
Belle Vale	✓	✓	-	09/11/10	Expired
Birkenhead	✓	✓	-	22/10/10	Expired
- Temp Accom.	-	-	✓	16/11/10	Expired
Bootle/ Netherton	✓	✓	-	26/10/10	Expired
Formby	✓	✓	-	11/11/10	Expired
Kirkdale	✓	✓	-	04/11/10	Expired
- Temp Accom.	✓	✓	-	29/09/10	Expired
Newton-le-Willows	-	-	✓	28/09/10	Expired
Southport	✓	✓	-	21/10/10	Expired
- Temp Accom.	✓	✓	-	09/10/10	Expired

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4.2.2 Planning Approval has been obtained for the works across all sixteen sites that comprise the NWFRA PFI Project. In the majority of cases the approvals consist of Outline and Reserved Matters Approvals that are to be read in conjunction with each other. The Reserved Matters Approvals relate to the “reserved matters” included within the Outline Approvals. Full Planning Approvals have been obtained for the sites at Patterdale, Fleetwood, Birkenhead (Temporary Accommodation) and Newton-le-Willow.

4.2.3 The discharge status of the Pre-commencement Planning Conditions, across the sixteen sites, may be summarised as follows:

Site Name	Pre-commencement Planning Conditions		
	Total	Discharged	%
Cumbria			
Carlisle East*	2	2	100%
Carlisle West*	1	1	100%
Patterdale*	4	4	100%
Penrith	9	9	100%
Workington	3	3	100%
Lancashire			
Blackburn*	9	9	100%
Burnley	2	2	100%
Chorley	5	0	0%
Fleetwood*	3	3	100%
Merseyside			
Belle Vale	5	4	80%
Birkenhead	4	4	100%
- Temp Accom.	-	-	-
Bootle/ Netherton	4	3	75%
Formby*	2	2	100%
Kirkdale*	8	8	100%
- Temp Accom.	10	10	100%
Newton-le-Willows*	7	7	100%
Southport	5	3	60%
- Temp Accom.	1	1	100%

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The sites annotated (*) are all programmed to commence works immediately following Financial Close and, as such, it is critical that the pre-commencement planning conditions associated with these sites are discharged prior to Financial Close. We can confirm that all pre-commencement conditions have been discharged to the satisfaction of the Local Planning Authorities.

The conditions at the remaining seven sites will need to be discharged prior to the relevant **Start on Site** dates. We shall, as part of the construction monitoring service, monitor and report upon the discharge status of the pre-commencement conditions.

This report is primarily focused upon the pre-commencement conditions at the first nine sites.

4.2.4 The following table summarises the current status of the relevant clauses within the Project Agreement together with the pass-through, as appropriate, to the Construction and Services subcontracts:

Clause	Risk Transfer / Step Down		Due Diligence
	Construction	Services	Risk Category
18.3 Consents & Planning Approval			
✓	✓	✓	Green
18.3A Authority Necessary Consents & Planning Conditions			
✓	✓	✓	Green
18.3B Judicial Proceedings			
N/a	N/a	N/a	Green

We can confirm successful pass through of the Project Agreement obligations to the Construction and FM subcontracts. Schedule 22 (Authority Planning Conditions) is confirmed as being acceptable from a technical perspective.

With the exception of the Authority Planning Conditions, the responsibility for discharging and/or complying with the Planning Conditions has been stepped down to the subcontractors.

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Cumbria

4.3 Carlisle East

4.3.1 The relevant planning history of the Carlisle East site is as follows:

Stage	Date	Notes
Outline Planning granted	17 December 2009	4 Nr. conditions
Reserved Matters granted	30 June 2010	1 Nr. condition
Expiry of Judicial Review period	30 September 2010	Expired

4.3.2 The Outline Planning Approval contained **4 Nr.** conditions.

4.3.3 The Reserved Matters Planning Approval contained **1 Nr.** condition.

4.3.4 The status of the **2 Nr.** conditions requiring discharge prior to the commencement of the development (BDC) is detailed in Table A.

Table A: Pre-commencement Planning Conditions – Carlisle East

Planning Condition	When	Who	Note
OP_03 Submission & Approval of a Land Risk Assessment	BDC	PCo	Discharged by LPA on 30/11/10.
OP_04 Submission & Approval of a scheme detailing the installation of Renewable Energy Generation	BDC	PCo	Discharged by LPA on 30/11/10.

4.3.5 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

OP_03 & OP_04

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

N/A

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- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

N/A

- Applications have not been made with regard to the following conditions:

N/A

4.3.6 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There are none that constitute Authority Planning Conditions.

4.3.7 The Judicial Review period expired on 30 September 2010.

4.4 Carlisle West

4.4.1 The relevant planning history of the Carlisle West site is as follows:

Stage	Date	Notes
Outline Planning granted	17 December 2009	8 Nr. conditions
Reserved Matters granted	19 August 2010	1 Nr. condition
Expiry of Judicial Review period	19 November 2010	Expired

4.4.2 The Outline Planning Approval contained **8 Nr.** conditions.

4.4.3 The Reserved Matters Planning Approval contained **1 Nr.** condition.

4.4.4 The status of the **1 Nr.** condition requiring discharge prior to the commencement of the development (BDC) is detailed in Table B.

Table B: Status of Pre-commencement Planning Conditions – Carlisle West

Planning Condition	When	Who	Note
OP_08 Submission & Approval of a Tree Protection Scheme	BDC	PCo	Discharge confirmed by LPA on 29/09/10.

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4.4.5 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

OP_08

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

N/A

- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

N/A

- Applications have not been made with regard to the following conditions:

N/A

4.4.6 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There is one condition that constitutes an Authority Planning Condition. Outline Planning Condition Nr. 04 is included as part of Schedule 22.

4.4.7 The Judicial Review period expired on 19 November 2010.

4.5 Patterdale

4.5.1 The relevant planning history of the Patterdale site is as follows:

Stage	Date	Notes
Full Planning granted	10 January 2008	16 Nr. conditions
Expiry of Judicial Review period	10 April 2008	Expired

4.5.2 The Full Planning Approval contained **16 Nr.** conditions.

4.5.3 The current discharge status of the **4 Nr.** conditions requiring discharge prior to the commencement of the development (BDC) is detailed in Table C.

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Table C: Status of Pre-commencement Planning Conditions – Patterdale

	Planning Condition	When	Who	Note
09	Submission & Approval of the measures to protect the existing Oak Tree at the entrance	BDC	PCo	Discharged on 10/01/11
10	Undertake a Bat Emergence Survey and submission & approval of a mitigation strategy	BDC	PCo	Discharged on 05/01/11
12	Submission & Approval of chemical storage facilities	BDC	PCo	Discharged on 05/01/11
15	Submission & Approval of a detailed Remediation Scheme	BDC	PCo	Discharged on 10/01/11

4.5.4 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

9, 10, 12 & 15

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

N/A

- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

N/A

- Applications have not been made with regard to the following conditions:

N/A

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4.5.5 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There are none that constitute Authority Planning Conditions.

4.5.6 The Judicial Review period expired on 10 April 2008.

Lancashire

4.6 Blackburn

4.6.1 The relevant planning history of the Blackburn site is as follows:

Stage	Date	Notes
Outline Planning granted	18 September 2007	12 Nr. conditions
Reserved Matters granted	16 July 2010	4 Nr. conditions
Expiry of Judicial Review period	16 October 2010	Expired

4.6.2 The Outline Planning Approval contained **12 Nr.** conditions.

4.6.3 The Reserved Matters Planning Approval contained **4 Nr.** conditions.

4.6.4 The current discharge status of the **9 Nr.** conditions requiring discharge prior to the commencement of the development (BDC) is detailed in Table D below:

Table D: Status of Pre-commencement Planning Conditions – Blackburn

Planning Condition	When	Who	Note
OP_03 Submission & Approval of a Site Investigation and Remediation Scheme	BDC	PCo	Discharged on 03/02/11.
OP_05 Submission & Approval of a Landscaping scheme	BDC	PCo	Discharged on 03/12/10.
OP_07 Submission & Approval of a scheme to realign the existing footway	BDC	PCo	Discharged on 03/02/11.

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	Planning Condition	When	Who	Note
OP_08	Submission & Approval a scheme to demonstrate that large vehicles can access the site without interfering with emergency vehicles on call-out	BDC	PCo	Discharged on 03/12/10.
OP_09	Submission & Approval for a scheme of offsite Highway Works	BDC	PCo	Discharged on 03/02/11.
OP_10	Submission & Approval of the propose wheel washing facilities	BDC	PCo	Discharged on 03/02/11.
RM_01	Submission & Approval of measures to ensure nesting areas are protected	BDC	PCo	Discharged on 02/02/11.
RM_02	Submission & Approval of a scheme of the construction of site access and offsite Highway Works	BDC	PCo	Discharged on 02/02/11.
RM_03	Submission & Approval of a Construction Method Statement	BDC	PCo	Discharged on 02/02/11.

4.6.5 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

OP_03, OP_05, OP_07, OP_08, OP_09, OP_10, RM_01, RM_02 & RM_03

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

N/A

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- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

N/A

- Applications have not been made with regard to the following conditions:

N/A

4.6.6 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There are none that constitute Authority Planning Conditions.

4.6.7 The Judicial Review period expired on 16 October 2010.

4.7 Fleetwood

4.7.1 The relevant planning history of the Fleetwood site is as follows:

Stage	Date	Notes
Full Planning granted	06 September 2010	9 Nr. conditions
Expiry of Judicial Review period	06 December 2010	Expired

4.7.2 The Full Planning Approval contained **09 Nr.** conditions.

4.7.3 The current discharge status of the **3 Nr.** conditions requiring discharge prior to the commencement of the development (BDC) is detailed in Table E below:

Table E: Status of Pre-commencement Planning Conditions – Fleetwood

	Planning Condition	When	Who	Note
02	Site access is to be suitably paved in tarmacadam a distance of 5m into the site prior to the use of vehicles	BDC	PCo	To be fully discharged at the commencement of the works on site.

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	Planning Condition	When	Who	Note
05	Submission & Approval of material samples	BDC	PCo	BDC element discharged on 22/11/10
09	Submission & Approval of a Gas Risk Assessment and Ground Investigation Report	BDC	PCo	Discharged on 13/12/10

4.7.4 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

2 (Relaxation agreed), **5 & 9**

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

N/A

- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

N/A

- Applications have not been made with regard to the following conditions:

N/A

4.7.5 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There is one condition that constitutes an Authority Planning Condition. Planning Condition Nr. 06 is included as part of Schedule 22.

4.7.6 The Judicial Review period expired on 6 December 2010.

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Merseyside

4.8 Bootle / Netherton

4.8.1 The relevant planning history of the Bootle /Netherton site is as follows:

Stage	Date	Notes
Outline Planning granted	18 October 2007	15 Nr. conditions
Reserved Matters granted	26 July 2010	6 Nr. conditions
Expiry of Judicial Review period	28 October 2010	Expired

4.8.2 The Outline Planning Approval contained **15 Nr.** conditions.

4.8.3 The Reserved Matters Planning Approval contained **6 Nr.** conditions.

4.8.4 The current discharge status of the **4 Nr.** conditions requiring discharge prior to the commencement of the development (BDC) is detailed in Table F below:

Table F: Status of Pre-commencement Planning Conditions – Bootle /Netherton

Planning Condition	When	Who	Note
OP_02 Submission & Approval of a Site Investigation and a Remediation Scheme	BDC	PCo	Submitted on 09/11/10.
RM_01 Submission & Approval of material samples	BDC	PCo	Discharged on 22/11/10
RM_04 Submission & Approval of a Construction and Landscaping Phasing Plan	BDC	PCo	Discharged on 01/12/10
RM_06 Submission & Approval of scheme for Noise Control	BDC	PCo	Discharged on 01/12/10

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4.8.5 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

RM_01, RM_04 & RM_06

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

None

- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

OP_02

- Applications have not been made with regard to the following conditions:

N/A

4.8.6 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There are none that constitute Authority Planning Conditions.

4.8.7 The Judicial Review period expired on 26 October 2010.

4.9 Formby

4.9.1 The relevant planning history of the Formby site is as follows:

Stage	Date	Notes
Outline Planning granted	22 June 2007	9 Nr. conditions
Reserved Matters granted	11 August 2010	3 Nr. conditions
Expiry of Judicial Review period	11 November 2010	Expired

4.9.2 The Outline Planning Approval contained **9 Nr.** conditions.

4.9.3 The Reserved Matters Planning Approval contained **3 Nr.** conditions.

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4.9.4 The current discharge status of the **2 Nr.** conditions requiring discharge prior to the commencement of the development (BDC) is detailed in Table G below:

Table G: Status of Pre-commencement Planning Conditions – Formby

Planning Condition	When	Who	Note
OP_08 Submission & Approval of a Section 106 planning obligation	BDC	PCo	Discharged on 11/02/11.
RM_01 Submission & Approval of a scheme for Noise Control	BDC	PCo	Discharged on 04/01/11.

4.9.5 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

None

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

RM_01 & OP_08

- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

N/A

- Applications have not been made with regard to the following conditions:

N/A

4.9.6 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There are three conditions that constitute Authority Planning Conditions. Planning Conditions Nr. OP_05, OP_06 & OP_07 is included as part of Schedule 22.

4.9.7 The Judicial Review period expired on 11 November 2010.

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4.10 Kirkdale

4.10.1 The relevant planning history of the Kirkdale site is as follows:

Stage	Date	Notes
Outline Planning granted	11 April 2007	17 Nr. conditions
Reserved Matters granted	04 August 2010	1 Nr. condition
Expiry of Judicial Review period	04 November 2010	Expired

4.10.2 The Outline Planning Approval contained **17 Nr.** conditions.

4.10.3 The Reserved Matters Planning Approval contained **1 Nr.** condition.

4.10.4 The current discharge status of the **8 Nr.** conditions requiring discharge prior to the commencement of the development (BDC) is detailed in Table H below:

Table H: Status of Pre-commencement Planning Conditions – Kirkdale

Planning Condition	When	Who	Note
OP_03 Submission & Approval of details of external doors and windows, bin storage, etc.	BDC	PCo	Discharged on 10/12/10
OP_04 Submission & Approval of samples of facing and roofing materials	BDC	PCo	Discharged on 10/12/10
OP_05 Submission & Approval of the location, size, number and species of trees and shrubs	BDC	PCo	Discharged on 10/12/10
OP_08 Submission & Approval of the proposed access to the car park	BDC	PCo	Discharged on 11/02/11
OP_11 Submission & Approval of the location, design, height, etc. of the CCTV installation	BDC	PCo	Relaxed on 10/12/10

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	Planning Condition	When	Who	Note
OP_12	Submission & Approval of the location, design, etc. of the External Luminaires	BDC	PCo	Discharged on 10/12/10
OP_16	Submission & Approval of a Construction Management Plan	BDC	PCo	Discharged
OP_17	Submission & Approval of a Site Investigation and a Remediation Scheme	BDC	PCo	Discharged

4.10.5 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

OP_03, OP_04, OP_05, OP_11 (relaxed) & OP_12

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

OP_08, OP_16 & OP_17

- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

N/A

- Applications have not been made with regard to the following conditions:

N/A

4.10.6 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There are three conditions that constitute Authority Planning Conditions. Planning Conditions Nr. OP_07, OP_14 & OP_15 is included as part of Schedule 22.

4.10.7 The Judicial Review period expired on 4 November 2010.

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4.10.8 Separate approvals have been obtained for this site for the provision of a temporary fire station whilst the new station is being constructed. The conditions as relate to these approvals replicate those for the main works.

4.11 Newton-le-Willows

4.11.1 The relevant planning history of the Newton-le-Willows site is as follows:

Stage	Date	Notes
Full Planning granted	28 June 2010	20 Nr. conditions
Expiry of Judicial Review period	28 September 2010	Expired

4.11.2 The Full Planning Approval contained **20 Nr.** conditions.

4.11.3 The current discharge status of the **7 Nr.** conditions requiring discharge prior to the commencement of the development (BDC) is detailed in Table J below:

Table J: Status of Pre-commencement Planning Conditions – Newton-le-Willows

	Planning Condition	When	Who	Note
02	Submission & Approval of external facing materials	BDC	PCo	Discharged on 28/01/11.
03	Submission & Approval of a Site Investigation and a Remediation Scheme	BDC	PCo	Discharged on 19/01/11.
10	Submission & Approval of details of the refuse / recycling store	BDC	PCo	Discharged on 28/01/11.
11	Submission & Approval of details of the fuel tank, water tank and generator	BDC	PCo	Discharged on 06/01/11.
12	Undertake a Bat Emergence Survey and submission & approval of a mitigation strategy	BDC	PCo	

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	Planning Condition	When	Who	Note
14	Provide temporary tree protection measures	BDC	PCo	
18	Submission & Approval of a Construction Traffic Management Plan	BDC	PCo	Discharged on 06/01/11.

4.11.4 In summary, the position regarding the **Pre-commencement conditions** is as follows:

- The following conditions have been discharged, with written confirmation from the Planning Authority having been received and reviewed by the TA:

2, 3 & 10

- We have been informed that the following conditions have been discharged, but that written confirmation has not as yet been received from the Planning Authority:

11, 12, 14 & 18

- Applications to discharge the following conditions have been made, but a final decision has not been given by the Planning Authority:

N/A

- Applications have not been made with regard to the following conditions:

N/A

4.11.5 Of the other conditions attached to the Planning Approvals we offer the following additional comments:

- There are two conditions that constitute Authority Planning Conditions. Planning Conditions Nr. 5 & 17 is included as part of Schedule 22.

4.11.6 The Judicial Review period expired on 28 September 2010.

4.12 Treatment of Risk under the Project Agreement and the Pass Through of Obligations to the Construction Contract & FM Agreement

4.12.1 The following specific risks and treatment thereof have been identified from the Planning data. The contract documentation reviewed and commented upon is as follows:

Contract Documents Reviewed		
Project Agreement	Construction Contract	FM Services Agreement
Conformed Versions		

4.12.2 Clause 18.3 Consents and Planning Approval

We can confirm that the provisions of Clause 18.3 of the Project Agreement are standard form and are acceptable from a technical perspective.

We can confirm that the provisions of Clause 18.3 have been successfully and appropriately stepped down to the Construction and FM subcontracts.

4.12.3 Clause 18.3A Authority Planning Conditions

We can confirm that the proposed provisions of Clause 18.3A of the Project Agreement are considered to be acceptable. Schedule 22 is confirmed as being acceptable from a technical perspective.

We can confirm that the provisions of Clause 18.3A and Schedule 22 have been successfully and appropriately stepped down to the Construction subcontract.

We can confirm that the provisions of Clause 18.3A and Schedule 22 have been successfully and appropriately stepped down to the FM subcontract.

4.12.4 Clause 18.3B Judicial Proceedings

The Project Agreement does not include for a Clause 18.3B. This is in recognition of the fact that the Judicial Review Periods for all of the sites have expired.

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4.13 Summary of Risks

4.13.1 In conclusion, the residual risks and outstanding actions are considered to be as follows:

Ref	Issue	Risk	Category	Action
4.3.5	Carlisle East	Pre-commencement Planning conditions not discharged prior to FC	Green	None – discharge has been confirmed.
4.4.5	Carlisle West	Pre-commencement Planning conditions not discharged prior to FC	Green	None – discharge has been confirmed.
4.5.5	Patterdale	Pre-commencement Planning conditions not discharged prior to FC	Green	None – discharge has been confirmed.
4.6.5	Blackburn	Pre-commencement Planning conditions not discharged prior to FC	Green	None – discharge has been confirmed.
4.7.5	Fleetwood	Pre-commencement Planning conditions not discharged prior to FC	Green	None – discharge has been confirmed.
4.7.6	Fleetwood	Judicial Review Period does not expire until after FC	Green	None – the Judicial Review Period now expires prior to Financial Close
4.8.5	Bootle / Netherton	Pre-commencement Planning conditions not discharged prior to FC	Green	Project Co to ensure that the conditions are discharged prior to 18/04/11.
4.9.5	Formby	Pre-commencement Planning conditions not discharged prior to FC	Green	None – discharge has been confirmed.

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Ref	Issue	Risk	Category	Action
4.10.5	Kirkdale	Pre-commencement Planning conditions not discharged prior to FC	Green	None – discharge has been confirmed.
4.11.5	Newton-le-Willows	Pre-commencement Planning conditions not discharged prior to FC	Green	None – discharge has been confirmed.
4.12.2	Clause 18.3	None	Green	The step down to the two subcontracts is confirmed.
4.12.3	Clause 18.3A	None	Green	The step down to the two subcontracts is confirmed.
4.12.3	Schedule 22	None	Green	The step down to the two subcontracts is confirmed.
4.12.4	Clause 18.3B	Judicial Proceedings risk does not reside with the Authority	Green	None – all Judicial Review Periods will have expired prior to Financial Close.

Section 5



Surveys & Investigations

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5 Surveys & Investigations

5.1 Section Overview

5.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 5 - Due Diligence Reporting Risk Category	Green
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5.2 Project Overview

5.2.1 The following is a summary of the status of the surveys and investigations using a standard checklist.

Site Surveys - Cumbria

Survey / Report	CE	CW	PD	PR	WT
Geotechnical	✓	✓	✓	✓	✓
Contamination	✓	✓	✓	✓	✓
Flood Risk Assessment	N/a	N/a	N/a	N/a	N/a
Archaeology	N/a	N/a	N/a	✓	N/a
Asbestos	N/a	N/a	✓	N/a	N/a
Environmental Impact	✓	✓	✓	✓	✓
Traffic	N/a	N/a	N/a	N/a	N/a
Noise	N/a	N/a	N/a	N/a	N/a
Topographical	✓	✓	✓	✓	✓
Condition Survey	N/a	N/a	N/a	N/a	N/a
Discharge Consents	✓	✓	✓	✓	✓

Site Surveys - Lancashire

Survey / Report	BB	BU	CH	FW	-
Geotechnical	✓	✓	✓	✓	
Contamination	✓	✓	✓	✓	
Flood Risk Assessment	✓	N/a	N/a	✓	

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Survey / Report	BB	BU	CH	FW	-
Archaeology	N/a	N/a	N/a	N/a	
Asbestos	N/a	✓	N/a	✓	
Environmental Impact	✓	✓	✓	✓	
Traffic	N/a	N/a	N/a	N/a	
Noise	N/a	N/a	N/a	N/a	
Topographical	✓	✓	✓	✓	
Condition Survey	N/a	N/a	N/a	N/a	
Discharge Consents	✓	✓	✓	✓	

Site Surveys - Merseyside

Survey / Report	BV	BH	BN	FY	KD
Geotechnical	✓	✓	✓	✓	✓
Contamination	✓	✓	✓	✓	✓
Flood Risk Assessment	N/a	N/a	N/a	N/a	N/a
Archaeology	N/a	N/a	N/a	N/a	N/a
Asbestos	✓	✓	✓	✓	✓
Environmental Impact	✓	✓	✓	✓	✓
Traffic	N/a	N/a	N/a	N/a	N/a
Noise	N/a	N/a	✓	✓	N/a
Topographical	✓	✓	✓	✓	✓
Condition Survey	N/a	N/a	N/a	N/a	N/a
Discharge Consents	✓	✓	✓	✓	✓

Site Surveys – Merseyside, contd.

Survey / Report	NLW	SP	-	-	-
Geotechnical	✓	✓			
Contamination	✓	✓			
Flood Risk Assessment	N/a	N/a			

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Survey / Report	NLW	SP	-	-	-
Archaeology	N/a	N/a			
Asbestos	✓	✓			
Environmental Impact	✓	✓			
Traffic	N/a	N/a			
Noise	N/a	✓			
Topographical	✓	✓			
Condition Survey	N/a	N/a			
Discharge Consents	✓	✓			

5.2.2 The following table summarises the current status of the relevant sub-clauses within Clause 18 (The Sites) of the Project Agreement together with the pass-through provisions, as appropriate, to the Construction and FM subcontracts:

Clause	Risk Transfer / Step Down		Due Diligence
Project Agreement	Construction	FM	Risk Category
18.1 Access			
✓	✓	✓	Green
18.2 Site Matters			
✓	✓	✓	Green
18.4 No Warranty			
✓	✓	✓	Green
18.5 Third Party Rights			
✓	✓	✓	Green
Defects			
N/a	N/a	N/a	Green
18.6 Asbestos Liability			
✓	✓	N/a	Green
18.7 Fossils & Antiquities			
✓	✓	✓	Green

We are able to confirm successful pass through of the Project Agreement obligations to the Construction and FM subcontracts.

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Cumbria

5.3 Carlisle East

5.3.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	Localised contamination may be present in the form of fly-tipping, earthworks and a former tank. Ground Gas regime conforms to Characteristic 2, i.e. basic protection measures are required.
Off-site Contaminants (within 250m of site centre)	Medium	The site is bordered on three sides by industrial and commercial buildings within the Durranhill Industrial Estate. The fourth boundary is with a road, Eastern Way.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	N/a	No demolition works are required at this site.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

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5.3.2 The Outline Planning Approval includes a condition requiring the submission and approval of a Contaminated Land Risk Assessment together with proposals for any necessary remediation. In response to this a Geo-environmental Report (November 2010) has been prepared and issued to the Local Planning Authority. Refer to Section 4 of this report for details on the discharge status of this condition.

5.3.3 Confirmation of the discharge consent was issued by United Utilities on 5 November 2010.

5.4 Carlisle West

5.4.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	The site bordered on three sides by either playing fields or grassed areas. The fourth border is with residential buildings and Raffles Avenue.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	N/a	No demolition works are required at this site.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Unexploded Ordnance	Low	A risk of ordnance exists in the ground as a result of proximity (50m) to a shooting range.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.

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Key Issue	Physical Risk	Notes
Ecological Constraints	Low	There is no significant ecological interest on the site.

5.4.2 A Ground Gas Risk Assessment issued by ARUP on 16 December 2010 concluded that no gas protection measures are necessary for this development.

5.4.3 The risk posed from unexploded ordnance is to be mitigated by appropriately informing site staff of the potential risk and the obtainment of specialist advice during excavation works if required. We can confirm that this risk resides with the Building Contractor.

5.4.4 It is our understanding that United Utilities will not permit connection to the combined public sewerage system. As a result of this the Building Contractor now proposes to construct a surface water outfall into Parham Beck. Parham Beck is designated as a 'main river'. Therefore, under the terms of the Water Resources Act 1991 and Flood Defence Byelaws, the prior written consent of the Environment Agency is required. It should be noted that the EA have a period of two months to determine a valid application for Flood Defence Consent. The advice provided by the EA on 25 November 2010 stated "the question of whether the proposal to construct a further outfall is acceptable would be the subject of our consultation of the details of the Flood Defence Consent application. In principal, providing the detail and positioning of the outfall are not objectionable, then the Agency is unlikely to have reasonable grounds for refusal". The intent is to obtain this consent in advance of the programmed commencement date for the construction of the outfall. We shall monitor and report upon the progress of the application as part of our construction phase monitoring reports. We can confirm that this is a Building Contractor risk item.

5.5 Patterdale

5.5.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	The risk of contamination from off-site sources is considered to be low.

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Key Issue	Physical Risk	Notes
Flood Risk	Medium	The site lies within Flood Zone 2. As a result the Planning Approval requires the FFL is to be 148.99 AOD.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	With the exception of bats there is no significant ecological interest on the site.

- 5.5.2** The Planning Approval includes a condition requiring the submission and approval of, prior to the commencement of development, a detailed remediation scheme. This will include ground gas monitoring. The submission requesting discharge of this condition was made on 15 October 2010.
- 5.5.3** We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). The Asbestos Surveys, for this site, found asbestos to be present within the existing fire station. The Asbestos Surveys have been used by the Building Contractor in the preparation of the construction costs for the project. Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.
- 5.5.4** The Environment Agency has confirmed that the site lies within Flood Zone 2, i.e. the site has a Medium Probability (between 1 in 1000 and 1 in 1,000 annual probability in any year) of river flooding. In recognition of this the Planning Approval includes a condition that requires the Finished Floor Level of the appliance bay to be 148.99 AOD (Above Ordnance Datum level).

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5.5.5 The planning approval for this site includes a condition requiring the submission and approval of a Bat Emergence Survey. The submission requesting discharge of this condition was made on 15 October 2010.

5.5.6 The obtainment of discharge consents for this site will be addressed by the successful discharge of Planning Condition 14, which is required to be discharged prior to the development being brought into use.

5.6 Penrith

5.6.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. Ground gas protection measures not required.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	N/a	No demolition works are required at this site.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	Outline Planning Condition Nr. 21 requires a scheme of archaeological to be undertaken at this site.
Ecological Constraints	Medium	Ecological constraints are posed by five mature trees that are subject to TPO's and also have the potential to host bat roosts.

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5.6.2 There is a planning obligation relating to the implementation of a programme of archaeological work. We have been informed that a letter has been issued to the Planning Authority submitting a report and requesting discharge of this condition on 5 July 2010. Written confirmation that this condition has been satisfactorily discharged was issued by the Planning Authority on 11 October 2010.

5.6.3 The planning approval for this site includes a number of conditions relating to the following:

- Details for the replacement of two of the five protected trees;
- Submission & Approval of an Arboricultural Method Statement;
- Submission & Approval of a Tree Protection Plan; and
- A programme of survey works for Protected Species.

Written confirmation that these conditions have been satisfactorily discharged was issued by the Planning Authority on 11 October 2010.

5.6.4 Confirmation of the discharge consent was issued by United Utilities on 18 October 2010.

5.7 Workington

5.7.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. Gas monitoring is still ongoing.
Off-site Contaminants (within 250m of site centre)	Medium	The site is located near to the Salterbeck Trading Estate.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	N/a	No demolition works are required at this site.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not in the likely zone of influence from past or present underground or surface coal workings.

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Key Issue	Physical Risk	Notes
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

5.7.2 Ground gas monitoring is still ongoing. This is acceptable as work is not due to commence until January 2012, which allows sufficient time for the results to be obtained and used to inform the Building Contractors final design solution.

5.7.3 Confirmation of the discharge consent was issued by United Utilities on 19th October 2010.

Lancashire

5.8 Blackburn

5.8.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site lies within Flood Zone 1. FFL designed to be 106.3 AOD.
Asbestos	N/a	No demolition works are required at this site.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.

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Key Issue	Physical Risk	Notes
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

5.8.2 The Planning Approval includes a condition requiring the submission and approval of a Site Investigation Report together with proposals for any necessary remediation. In response to this a Geo-environmental Report (November 2010) has been prepared and issued to the Local Planning Authority. Refer to Section 4 of this report for details on the discharge status of this condition.

5.8.3 The Environment Agency has confirmed that the site lies within Flood Zone 1, i.e. the site has a Low Probability (less than 1 in 1,000 annual probability in any year) of river flooding. The northern part of the site lies within Flood Zone 2 but the development has been designed to sit outside of this zone. At the recommendation of the EA the finished floor level has been designed as 106.30 AOB (Above Ordnance Datum level).

5.8.4 Confirmation of the discharge consent was issued by United Utilities on 8 July 2010.

5.9 Burnley

5.9.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.

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Key Issue	Physical Risk	Notes
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Medium	The site is located within the likely zone of influence from recorded workings (last worked in 1955).
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	With the exception of bats there is no significant ecological interest on the site.

5.9.2 We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.

5.9.3 The planning approval for this site includes a condition that requires the submission and approval of replacement bat roosting opportunities in advance of any demolition works.

5.9.4 The structural engineering design has been developed giving due cognisance to the site investigations for this site, including the Coal Authority Mining Report. Refer to Section 6 and Appendix A of this report for further details.

5.9.5 Confirmation of the discharge consent was issued by United Utilities on 25 October 2010.

5.10 Chorley

5.10.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. The site does not require ground gas protection measures.

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Key Issue	Physical Risk	Notes
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	N/a	No demolition works are required at this site.
Mining Hazards	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	With the exception of bats there is no significant ecological interest on the site.

- 5.10.2** The Planning Approval includes a condition requiring the submission and approval of, prior to the commencement of development, a site investigation report together with a detailed remediation scheme. Development is programmed to commence on 2nd April 2012, which allows sufficient time for the condition to be discharged.
- 5.10.3** The planning approval for this site includes a condition that requires the development to be carried out in accordance with bat mitigation measures as set out in the Bat Survey report. The survey report is listed in Schedule 24.
- 5.10.4** The obtainment of discharge consents from the relevant Water Authority is not applicable as the connections are to be made into the existing Lancashire Fire Service private drainage system.

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5.11 Fleetwood

5.11.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Medium	Remediation measures are required at this site to remove a localised area of asbestos discovered in the ground.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	High	The site lies within Flood Zone 3.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

5.11.2 The Planning Approval includes a condition requiring the submission and approval of, prior to the commencement of development, a site investigation report together with a detailed remediation scheme. We have requested an update on the discharge status of this condition from Project Co. This condition was discharged on 13 December 2010.

5.11.3 We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.

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5.11.4 The Environment Agency has confirmed that the site lies within Flood Zone 3, i.e. the site has a High Probability (1 in 100 or greater annual probability in any year) of river flooding. In recognition of this the Planning Approval includes a condition that requires the development to be designed in accordance with the recommendations of the Flood risk Assessment and that the Finished Floor Levels are to be set no lower than 5.1m AOD (Above Ordnance Datum level).

5.11.5 Confirmation of the discharge consent was issued by United Utilities on 2 September 2010.

Merseyside

5.12 Belle Vale

5.12.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low / Medium	Localised contamination may be present in the form of an underground diesel storage tank. The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.

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Key Issue	Physical Risk	Notes
Ecological Constraints	Low	There is no significant ecological interest on the site.

5.12.2 The Planning Approval includes a condition requiring the submission and approval of, prior to the commencement of development, a site investigation report together with a detailed remediation scheme. Development is programmed to commence on 27 February 2012, which allows sufficient time for the condition to be discharged.

5.12.3 We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.

5.12.4 Confirmation of the discharge consent was issued by United Utilities on 2 September 2010.

5.13 Birkenhead

5.13.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low / Medium	Localised contamination may be present in the form of buried fuel tanks. The tanks are to be removed as part of the construction works. The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.

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Key Issue	Physical Risk	Notes
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Unexploded Ordnance	Low	Birkenhead was bombed during WW2 however Project Co has obtained advice that has confirmed that the site has been subject development during the 1970's and that the risk is considered to be low.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

5.13.2 We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.

5.13.3 The new station is being constructed on the site of the existing station, which was developed during the 1070's, and as such the risk posed by the potential presence of Unexploded Ordnance has been assessed as Low. We can confirm that this risk resides with the Building Contractor.

5.13.4 Confirmation of the discharge consent was issued by United Utilities on 25 October 2010.

5.14 Bootle / Netherton

5.14.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. The site does not require ground gas protection measures.

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Key Issue	Physical Risk	Notes
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

- 5.14.2** The Planning Approval includes a condition requiring the submission and approval of a Site Investigation Report together with proposals for any necessary remediation. In response to this a Geo-environmental Report (November 2010) has been prepared and issued to the Local Planning Authority. Refer to Section 4 of this report for details on the discharge status of this condition.
- 5.14.3** We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.
- 5.14.4** Confirmation of the discharge consent was issued by United Utilities on 25 October 2010.

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5.15 Formby

5.15.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

5.15.2 We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.

5.15.3 Confirmation of the discharge consent was issued by United Utilities on 25 October 2010.

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5.16 Kirkdale

5.16.1 The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Medium	Localised contamination may be present in the form of buried fuel tanks. The site does require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Medium	There is a Calor Gas plant located within 100m for the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Unexploded Ordnance	Low	Liverpool docklands are known to have been targeted by the German bombing raids carried out during World War II. A desk study has been recommended for this site.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

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- 5.16.2** The Planning Approval includes a condition requiring the submission and approval of, prior to the commencement of development, a site investigation report together with a detailed remediation scheme. In response to this a Geo-environmental Report (December 2010) has been prepared and issued to the Local Planning Authority. Refer to Section 4 of this report for details on the discharge status of this condition.
- 5.16.3** We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.
- 5.16.4** Project Co is considering obtaining specialist advice in assessing and mitigating the risk posed by the potential presence of Unexploded Ordnance. We can confirm that this risk resides with the Building Contractor.
- 5.16.5** Confirmation of the discharge consent was issued by United Utilities on 25 October 2010.

5.17 Newton-le-Willows

- 5.17.1** The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low	The risk of soil contamination is considered to be low. The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Medium	The site is located within the likely zone of influence from recorded workings (last worked in 1965).

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Key Issue	Physical Risk	Notes
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	With the exception of bats there is no significant ecological interest on the site.

- 5.17.2** The Planning Approval includes a condition requiring the submission and approval of a Site Investigation Report together with proposals for any necessary remediation. In response to this a Geo-environmental Report (November 2010) has been prepared and issued to the Local Planning Authority. Refer to Section 4 of this report for details on the discharge status of this condition.
- 5.17.3** We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.
- 5.17.4** The structural engineering design has been developed giving due cognisance to the site investigations for this site, including the Coal Authority Mining Report. Refer to Section 6 and Appendix A of this report for further details.
- 5.17.5** The planning approval for this site includes a condition that requires a Bat Survey to be undertaken prior to the commencement of any development. There is also a requirement to provide bat roosting opportunities.
- 5.17.6** Confirmation of the discharge consent was issued by United Utilities on 25 October 2010.

5.18 Southport

- 5.18.1** The key issues addressed within the surveys may be summarised as follows:

Key Issue	Physical Risk	Notes
On-site Contaminants; including soil gases	Low / Medium	Localised contamination may be present in the form of an underground diesel storage tank. The tank is programmed to be removed.

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Key Issue	Physical Risk	Notes
		The site does not require ground gas protection measures.
Off-site Contaminants (within 250m of site centre)	Low	There are no known potentially contaminative land uses in the vicinity of the site.
Flood Risk	Low	The site for the development falls outside the zones of any flooding.
Asbestos	High	A Type 2 Survey has been carried out at this site on behalf of the Authority.
Mining Hazards (as per the Coal Authority Mining Report)	Low	The site is not reported as being in an area of former mining.
Archaeological Value	Low	The planning approvals for this site do not include any requirements for an archaeological evaluation.
Ecological Constraints	Low	There is no significant ecological interest on the site.

- 5.18.2** The Planning Approval includes a condition requiring the submission and approval of, prior to the commencement of development, a site investigation report together with a detailed remediation scheme. Development is programmed to commence on 27 February 2012, which allows sufficient time for the condition to be discharged.
- 5.18.3** We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24). Refer to paragraph 5.19.6 for a review of the contract provisions in respect of Asbestos Liability.
- 5.18.4** Confirmation of the discharge consent was issued by United Utilities on 25 October 2010.
- 5.18.5** The Phase 1 Habitat Survey for the Temporary Site reports that four areas of Japanese Knotweed exist on the site. Responsibility for the removal of the infestation resides with Sefton Borough Council. We can confirm that this instance of Japanese Knotweed does not impact upon the Main Site.

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5.19 Treatment of Risks under the Project Agreement and the Pass-Through of Obligations to the Construction and Services Subcontracts

5.19.1 The following specific risks and treatment thereof have been identified from the Survey data. The contract documentation reviewed and commented upon is as follows:

Contract Documents Reviewed		
Project Agreement	Construction Contract	FM Services Agreement
Conformed Versions		

5.19.2 Clause 18.1 Access

The provisions of Clause 18.1 of the Project Agreement are standard form and acceptable from a technical perspective.

Clause 18.1 has been stepped down in full to the Construction Contract.

Clause 18.1 has been stepped down in full to the Services Contract.

5.19.3 Clause 18.2 Site Matters

Under the provisions of Clause 18.2 of the Project Agreement the risks and obligations may be summarised as follows:

PA Clause 18.2	Risk / Obligation	
Item	Project Co	Authority
Investigations & Surveys	✓	✗
Rights of Access	✓	✗
Interference	✓	✗
Third Parties	✓	✗
Site Matters / Contamination	✓	✗
Unforeseen Contamination	✗	✓
Off-site Contamination	✓	✗

We can confirm that the provisions of Clause 18.2 of the Project Agreement are standard form and acceptable from a technical perspective.

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The **step down** of the provisions of Clause 18.2 may be summarised as follows:

PA Clause 18.2	Step Down Achieved	
	Construction	Services
Investigations & Surveys	✓	N/a
Rights of Access	✓	✓
Interference	✓	✓
Third Parties	✓	✓
Site Matters / Contamination	✓	✓
Unforeseen Contamination	✓	✓
Off-site Contamination	✓	✓

We can confirm that the provisions of Clause 18.2 have been successfully and appropriately stepped down to Construction and FM subcontracts.

Clause 18.2.4 of the Project Agreement has been suitably amended in respect of the Post Completion Works Acceptance Date. The amendment has been flowed down to the Construction Contract. Under the provisions of Clause 18.2.5 of the Construction Contract the risk associated with Off Site Contamination resides with the Building Contractor until the Service Availability Date for each site thereafter the risk transfers to the FM Provider. This includes the Post Completion Works sites.

5.19.4 Clause 18.4 No Warranty

We can confirm that the provisions of Clause 18.4 of the Project Agreement are standard form and acceptable from a technical perspective.

We can confirm that the provisions of Clause 18.4 have been successfully stepped down in full to the Construction Contract.

We can confirm that the provisions of Clause 18.4 have been successfully stepped down in full to the FM Agreement.

5.19.5 Clause 18.5 Third Party Rights

We can confirm that the provisions of Clause 18.5 of the Project Agreement are standard form and acceptable from a technical perspective.

We can confirm that the provisions of Clause 18.5 have been successfully stepped down in full to the Construction Contract.

We can confirm that the provisions of Clause 18.5 have been successfully and appropriately stepped down, in as much as they relate to the Services, to the FM Agreement.

5.19.6 Clause 18.6 Asbestos Liability

We can confirm that the provisions of Clauses 18.6.1, 18.6.2 & 18.6.7 of the Project Agreement are standard and acceptable from a technical perspective.

We can confirm that the Authority takes the risk associated with any additional asbestos (i.e. any asbestos not identified in the Asbestos Surveys listed in Schedule 24).

Should additional asbestos be discovered the following provisions will apply:

- Prior to Service Availability – Compensation Event;
- Prior to Post Completion Works Acceptance – Compensation Event; and
- Following Service Availability – Relief Event and Authorities Change.

We can confirm that the provisions of Clause 18.6 have been successfully and appropriately stepped down to Construction subcontracts. Clause 18.6 is not applicable to the FM Agreement.

5.19.7 Clause 18.7 Fossils & Antiquities

We can confirm that the provisions of Clause 18.7 of the Project Agreement are standard form and acceptable from a technical perspective. The discovery of Fossils & Antiquities is also defined as a Relief Event (limb (g) of the PA definition).

We can confirm that the provisions of Clause 18.6 have been successfully and appropriately stepped down to Construction and FM subcontracts.

The Archaeological Value of each site is addressed in the site specific paragraphs of this section of the report.

5.19.8 Schedule of Surveys

The surveys that are applicable to the Project Agreement and subcontracts are listed in Schedule 24.

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5.20 Summary of Risks

5.20.1 In conclusion, the residual risks and outstanding actions are considered to be as follows:

Ref	Issue	Risk	Category	Action
5.3	Carlisle East	None	Green	None
5.4	Carlisle West	None	Green	None
5.5	Patterdale	None	Green	None
5.6	Penrith	None	Green	None
5.7	Workington	None	Green	None
5.8	Blackburn	None	Green	None
5.9	Burnley	None	Green	None
5.10	Chorley	None	Green	None
5.11	Fleetwood	None	Green	None
5.12	Belle Vale	None	Green	None
5.13	Birkenhead	None	Green	None
5.14	Bootle / Netherton	None	Green	None
5.15	Formby	None	Green	None
5.16	Kirkdale	None	Green	None
5.17	Newton-le-Willow	None	Green	None
5.18	Southport	None	Green	None
5.18	Southport - Temporary	Japanese Knotweed	Green	None – responsibility for removal sits outside of the PFI.

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Ref	Issue	Risk	Category	Action
5.19	Contract Review	None	Green	The step down to the two subcontracts is confirmed.
5.19.3	Clause 18.2.5	No reference to Post Completion Works in the Construction Contract	Green	An amendment is not necessary as the risk resides with the FM Provider.
5.19.6	Clause 18.6.2	No reference to Post Completion Works in the Construction Contract	Green	A reference to the Post Completion Works has been inserted into the Project Agreement and Construction Contract.

Section 6



Design & Construction

6 Design and Construction

6.1 Overview

6.1.1 Based on our review of the documentation for all 16 new Fire Stations, the current reporting status of this section of the due diligence report is:

Section 6 - Due Diligence Reporting Risk Category
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Green

6.1.2 The Authorities Requirements (ARs) are well developed, clear and are achievable. All sections have been received and reviewed.

6.1.3 The Contractors Proposals have been developed in sufficient detail for Financial Close. Where the CP's are in conflict with the AR's, adequate derogations are proposed.

6.1.4 There are proposed no Retained Structures on the PFI Sites.

6.1.5 We confirm that we have reviewed Tods Murrays' 'Overview Report of Matters" dated 22nd February 2011 and confirm that we are aware of the items which refer to ourselves as TA and can confirm that based on the responses received from BBFR that these are either immaterial or have been suitably mitigated.

6.1.6 We have undertaken a full review of the information provided for the Structural Design solution. Based on this review, the design takes into account the site specific requirements from the Site Investigation, is compliant and well considered.

6.1.7 The Building Services Design solution is acceptable.

6.1.8 The list of Reviewable Design Data has been provided. This is acceptable.

6.1.9 The Design Team and Construction Partner are sufficiently experienced to undertake this project.

6.2 Authorities Requirements (AR)

- 6.2.1** We have reviewed the Authorities Requirements (AR's) Part 1 V17. We have also reviewed the Appendices.
- 6.2.2** Retained Structures – From our review of the AR's and the CP's we believe that there are no retained structures proposed on the PFI sites. However, it is noted that the following facilities are located on the sites but are marked as outside of the PFI area;
- Belle Vale – Low Level of Activity and Risk (LLAR) building.
 - Southport – There is a retained Drill Tower.
- 6.2.3** During our Due Diligence process we have been requested by Tods Murray, the Funders Lawyers, to review specific queries generated from their review of the Certificates of Title. Based on responses to these queries from BBFR we have been able to make the confirmations contained in Tods Murrays "Overview Report on Title Matters" dated 22nd February.
- 6.2.4** From our review of the Statutory Services Suppliers plans it appears that there are some sites which have mains services running through them. These are;
- Patterdale – We understand an overhead power line needs to be relocated. We understand that the Authority has arranged with the Statutory Service Supplier to protect these.
 - Penrith – Electrical Mains runs across site which we understand that Authority is to arrange to be diverted. BBFR have advised that the orders to ENW have been placed and the works planned to start the work w/c 28 Feb 2011 and should have the works completed by end Mar/beginning of April. This is in advance of the proposed start on site date of May 2011.
 - Penrith - The Funders lawyers queried if a drain runs across the site. Based on the drain search provided by the lawyers it is clear that no drain crosses the site.
 - Bootle/Netherton – Gas Main runs across part of the front of the site, the building is located to preserve the existing wayleave.
 - Newton le Willows – A mobile telecoms mast has been removed by others. There are also electrical mains which cross the site to the existing substation. These are protected by existing wayleaves and the building footprint avoids the areas.
- 6.2.5** The AR's have been agreed with the Authority.
- 6.2.6** The Authority has a target BREEAM of "Excellent" with a minimum rating of "Very Good". This is achievable. As agreed with the Authority, the CP's for Southport, Burnley and Carlisle East show achievement of "Excellent", whilst the other stations show "Very Good". Not achieving the Stations proposed BREEAM rating will prevent Services Availability being certified. This is acceptable.

- 6.2.7** The AR's require that certain stations are - during the construction works - provided with temporary accommodation for staff and limited appliances within the station site. This has been addressed in the CP's, but has meant restrictions to the site working area and works sequencing.
- 6.2.8** Southport and Kirkdale sites require Decant sites to be arranged. The sites have been provided by the Authority. The AR's for this have been produced as Temporary Accommodation and require decants and reinstatement of the area to the satisfaction of the Authority and the Planners. The Project Co has stated that these areas will be returned to their original condition and that these will be evidenced by reference to a Schedule of Condition.
- 6.2.9** In addition to the Fire Stations the following additional accommodation has been identified to be provided through the proposed works.
- Penrith – Larger office accommodation and a 4 bay Garage;
 - Burnley – An ancillary garage;
 - Fleetwood – A Day Crewing Plus (DCP) building;
 - Kirkdale – a 4 bay Garage and 11 bay Pod garage (for storing containerized specialist kit);
and
 - Southport – 2 bay Ambulance facility and ancillary accommodation.
- 6.2.10** Existing Fuel Tanks – The Project Co has stated that fuel tanks at Newton-le-Willows will be removed by the Authority prior to FC and we confirm this is captured in the Site Assumptions (Schedule 28) as an Authority Obligation. (Note - The use of a Site Assumption ensures that any inaccuracies in assumptions made by the Authority are held as their risk. This ensures that if the Site Assumption turns out to be incorrect the Contractor can claim as a Compensation Event).
- 6.2.11** Ambulance Station Use (Southport) – The AR's require that this Station is also used by the Ambulance Station and will provide 2 bays for ambulance garaging, specific office and storage areas and shared common areas. The CP's have taken this into account and are compliant.
- 6.2.12** Community Use – The AR's require the use of specific areas of the stations by the Community. This has required the separation of these areas for security. The CP's have taken this requirement into account.

6.3 Contractors Proposals (CP's)

Generally

6.3.1 The CP's are split into;

- Volume 1 – Non-site Specific Proposals – Rev 6a reviewed; and
- Volume 2 - Site Specific Proposals;
 - BH Volume 2 Rev 6b
 - Kirkdale Volume 2 rev 6b
 - Burnley Volume 2 Rev 6a
 - Penrith Volume 2 Rev 6c
 - Patterdale Volume 2 Rev 6c
 - Carlisle East Volume 2 Rev 6b
 - BL Volume 2 Rev 7a
 - Belle Vale Volume 2 Rev 6b
 - Southport Volume 2 Rev 6b
 - Fleetwood Volume 2 Rev 6a
 - Bootle Volume 2 Rev 6b
 - Chorley Volume 2 Rev 6a
 - Formby Volume 2 Rev 6b
 - Newton Volume 2 Rev 6b
 - Carlisle West Volume 2 Rev 6c
 - Workington Volume 2 Rev 6b

6.4 Architectural

6.4.1 We are of the opinion that the proposals have been well developed with the Authority and the other interested parties (Planners, Building Control and Secured by Design). They contain the detail required to include in the PA. The proposals include; Site Plans, Floor Plans, Typical Room Layouts, Sections, Elevations, and Specifications.

- 6.4.2** We have reviewed the proposed materials (both internally and externally) against the AR's and against industry norms and we are satisfied that the materials are suitable for their intended use, being available, aesthetically pleasing, robust and able to achieve the life expectancies required by the AR's.
- 6.4.3** We have reviewed the Project Co's Method Statement, Quality Plan, Health and Safety Plan and Environmental Plan. We confirm they are satisfactorily developed for Financial Close.
- 6.4.4** We provide below our specific comments from our review. These queries have been satisfactorily responded to by BBFR:
- Patterdale has a shared access road. We understand that this is Authority owned land and that this issue is covered by a Site Assumption (Schedule 28).
 - Penrith has some Police Parking adjacent to the PFI area and an area outside of the PFI area identified for Additional Parking. The land is owned by the Council and the works will be built under licence and separate contract respectively. This is captured on the Site Plans. We are satisfied with these proposals.
 - Workington – An existing cycleway is to be being diverted and is covered by Conditions 5 and 6 of the Planning Permission.
 - Chorley – the Site Plan shows an access being retained to an Urban Search and Rescue (USAR) facility. This access has been incorporated in the CP's but is not requested in the AR's, however, we believe that this is not technically material.
 - Birkenhead – It is noted that a Party Wall Award is required for works adjacent to the neighbouring ambulance station. We also note that a Party Wall Award is already in place from the Dataroom.
 - Bootle – The CP's show a larger area being cleared than the final station area. This is addressed in the Site Plans.
 - Kirkdale – The AR's require that the roof is accessible for training purposes. The Project Co has confirmed that 50% of the roof will be accessible, and this is confirmed in the CP's.
 - Newton – le – Willows – It is noted that a Party Wall Award is required for works adjacent to the neighbouring ambulance station. We also note that a Party Wall Award is already in place from the Dataroom.
 - Southport Decant Site – The CP's state that the existing fence (low post and rail) will be retained. ProjCo state that these premises are occupied 24 hours a day by Fire/Ambulance services and their proposals have been developed in conjunction with the Authorities. We are satisfied with this response.
- 6.4.5** Subsequent to queries raised by ourselves, the ProjCo has issued a schedule of required Party Wall Awards. These concur with our understanding and are well progressed for the early phase stations.

6.5 Structural Engineering

For detailed comments please refer to Appendix A

- 6.5.1** The information provided by the Project Co for the structural design has been reviewed and, is well developed for the early phase Stations, with sufficient time post FC to allow for the remaining design development to be undertaken. The solution carefully considers the various site requirements identified in the Site Investigation Reports.

6.6 Building Services Design

For detailed comments please refer to Appendix B

- 6.6.1** We have reviewed the AR's and CP's for the Building Services design. The proposals have been reviewed and are acceptable and compliant with the AR's.

6.7 Accommodation Schedules (AS) and Area Data Sheets (ADS)

- 6.7.1** These are to be contained in Appendix 1 and 2 of the AR's. We understand that the Accommodation Schedules and Area Data Sheets agreed with the Authority will be used in the AR's. The CP's cross reference to the ADS identifying areas of any agreed derogations.

- 6.7.2** We have reviewed those received 13 February 2011 (noted as Final and dated 28 July 2010). These are well developed and sufficient for all facilities. They are clear and generally provide the required information. The Unavailability Criteria (Zone Rating) is identified in section 6 of the Authority's Requirements Service Specifications.

6.8 Reviewable Design Data (RDD)

- 6.8.1** We have reviewed the list of RDD items (Sch 8) contained in the Conformed Building Contract. This lists all information usually contained in the CP's rather than items which still need to be developed with Authority approval. We confirm that we are satisfied that the items listed sufficiently cover the further development and the dates provided against each item allows sufficient time for them to be developed and agreed in accordance with the progress of the construction works.

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6.9 Derogations

6.9.1 Derogations have been identified in the CP's and we have reviewed them for all facilities. The proposed Derogations are required, sensible and are acceptable. The Authority have agreed the CP's.

6.10 CDM

6.10.1 The CDM Co-coordinator is HCD Management. They are known to us and well experienced in provision of these services. We confirm that they are satisfactory.

6.11 Design Team

Discipline	Practice
Architects for; <ol style="list-style-type: none"> 1. Blackburn, 2. Burnley, 3. Chorley, 4. Fleetwood, 5. Belle Vale, 6. Formby, 7. Kirkdale, 8. Newton le Willows 	Seymour Harris
Architects for; <ol style="list-style-type: none"> 1. Carlisle East, 2. Carlisle West, 3. Patterdale, 4. Penrith, 5. Workington, 6. Birkenhead, 7. Bootle & Netherton, 8. Southport 	Blue Sky Architects (part of Equity Solutions Group)
Structural, Civil and Services Engineering	Ove Arup

6.11.1 The design team is known to us, they have experience of similar projects and are satisfactory.

6.12 Construction Partner

- 6.12.1** Mansell Construction Services Limited are the proposed Design and Build Contractor.
- 6.12.2** Mansells are a subsidiary of the Balfour Beatty group. They are a national building contractor with contracts throughout England, Scotland and Wales operating from a number of regional bases. They operate in all construction sectors, including community facilities (blue light projects), hotel & leisure; commercial, retail, residential, health, education and rail infrastructure. Balfour Beatty Group Turnover for the year ending December 2009 was £10.4bn of which Mansells contributed £860m.
- 6.12.3** Mansells work to an ISO9001 Quality Assurance System and will ensure their supply chain adhere to this. In addition they are registered to the Environment Management System ISO 14001. Mansells propose to manage these works from their Cheadle Hulme office.
- 6.12.4** We have reviewed Mansells proposed Management Structure and confirm that it is well balanced and will create a strong management team to procure these buildings. It addresses the need to manage the design, services sub-contractor and Borders Construction.
- 6.12.5** They have selected Border Construction as their sub-contractor to build the Cumbrian sites. Border are a regional building company and will manage the contract from their Carlisle office. In addition, Mansells have identified a Project Manager to specifically oversee the involvement of Border, both to assist them and to ensure continuity of quality between all the 16 sites.
- 6.12.6** We consider the proposed contractor of sufficient standing and experience to undertaking the unique demands of this project.

6.13 Conclusion

- 6.13.1** From our review of the AR's and the proposed CP's it is clear that Project Co has taken into consideration the AR's and their proposals are achievable and clear. They have undertaken consultation with the various parties including the Authority, the Planners, Building Control, statutory undertakers and the other specialist consultants.

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6.14 Summary of Risks

6.14.1 In conclusion, based on our review to date, the residual risks and outstanding actions are as follows:

Ref	Issue	Risk	Category	Action
There are no residual risks in the context of Financial Close				

Section 7



Construction Costs

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7 Construction Costs

7.1 Section Overview

7.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 7 - Due Diligence Reporting Risk Category	Green
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7.1.2 The Total Construction Cost for the project is **£47,885,871** as summarised in the follow table:

Site	Capital Expenditure
Cumbria	
Carlisle East	£3,647,987
Carlisle West	£1,944,556
Patterdale	£733,294
Penrith	£5,923,269
Workington	£3,688,956
Lancashire	
Blackburn	£3,049,863
Burnley	£3,668,179
Chorley	£2,850,856
Fleetwood	£2,592,297
Merseyside	
Belle Vale	£2,708,681
Birkenhead	£2,962,815
Bootle /Netherton	£3,199,256
Formby	£2,071,573
Kirkdale	£3,406,923
Newton-le-Willows	£2,173,986
Southport	£3,263,374
Total Project Cost	£47,885,871

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7.1.3 The costs per m² Gross Internal Floor Area for each site and the total project are as follows:

Site	£	GIFA (m2)	£ per m²
Cumbria			
Carlisle East	£3,647,987	1,379	£2,645
Carlisle West	£1,944,556	575	£3,382
Patterdale	£733,294	167	£4,391
Penrith	£5,923,269	2,739	£2,163
Workington	£3,688,956	1,379	£2,675
Lancashire			
Blackburn	£3,049,863	1,334	£2,286
Burnley	£3,668,179	1,662	£2,207
Chorley	£2,850,856	1,355	£2,104
Fleetwood	£2,592,297	969	£2,675
Merseyside			
Belle Vale	£2,708,681	1,080	£2,508
Birkenhead	£2,962,815	1,128	£2,627
Bootle /Netherton	£3,199,256	1,411	£2,267
Formby	£2,071,573	782	£2,649
Kirkdale	£3,406,923	2,016	£1,690
Newton-le-Willows	£2,173,986	791	£2,748
Southport	£3,263,374	1,512	£2,158
Total	£47,885,871	20,279	£2,361

7.1.4 The cost information assessed in this report has been taken from the spreadsheet titled *110131 NWFR Capex update.xls*, which comprises the latest CAPEX Inputs from the financial model. We have also received the last Level 2 programmes for the Wave 1 sites.

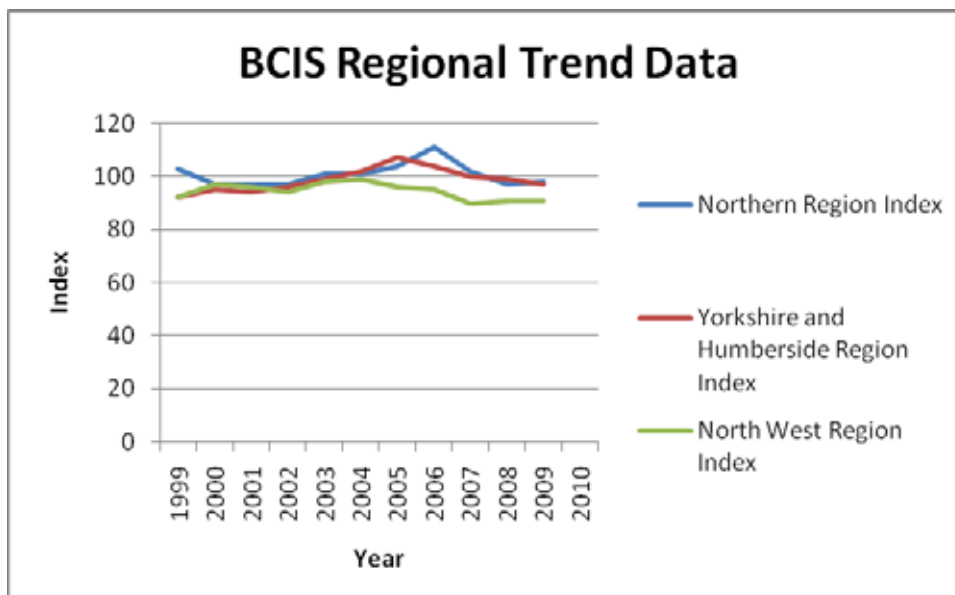
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7.1.5 All cost data discussed in sections 7.2 – 7.6 of this report is taken from the CFT submission (19/11/09); however updated information has been submitted to Appleyards in the form of Level 2 programmes, CAPEX inputs and clarifications with Project Co. The project sums have only shown minor alteration since the last issue of our report.

7.2 Cost Heads

7.2.1 As the latest issue of cost data does not provide itemised allocations for cost heads, the assessment of cost heads is based on the initial cost plans clarifications from Project Co. As the overall construction costs have not altered considerably, in our opinion the allowances are acceptable.

7.3 Regional Trends



As the chart above shows, the regional trend data as provided by BCIS indicates a trend downwards in tender prices since the middle of the last decade. It is therefore anticipated that tender prices submitted in 2010 will be at a lower rate in comparison to tenders submitted 3 - 4 years ago.

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7.4 Benchmark Costs

7.4.1 As a result of the updated cost data we have received, our latest analysis benchmarks the costs of the Wave 1 sites, for which we have the latest level 2 programmes, as a sample covering the 3 authorities.

7.4.2 The analysis covers the following sites:

Cumbria	Lancashire	Merseyside
Carlisle East	Blackburn	Formby
Carlisle West	Fleetwood	Kirkdale
Patterdale		Newton-le-Willows

The capital expenditure for these sites within the project totals **£19,620,479**.

7.4.3 BCIS Benchmark Comparison

For direct comparison with the BCIS cost data it is necessary to exclude the external works element together with the costs associated with abnormals, loose FF&E, design fees, contingency and inflation from the overall construction cost for the project. The exclusion of these costs from the sample total produces a total for comparison of **£12,714,725**, which equates to an adjusted rate of **£1,586** per m².

The adjusted rate compares with the following average historic BCIS cost per m2 data:

Wave 1 Fire Stations (NWFRA)	Mean	Lower Quartile	Upper Quartile
Fire Stations	£/m ²	£/m ²	£/m ²
Generally	1,431	1,138	1,638
Up to 500m2 GIFA	1,525	1,303	1,747
500 to 2000m2 GIFA	1,261	1,083	1,508
Over 2000m2 GIFA	978	-	-

Using the Mean rate for “Fire Stations - Generally” as the comparator, the project cost is approximately **9.8% higher** than the Mean rate, although it is approximately **3.2% lower** than that Upper Quartile rate. The historic range for “Fire Stations - Generally” is £303 to £2,227 per m². Please note that this is the full sample range for all cost data submitted to BCIS.

7.4.4 Observations on BCIS Benchmark Comparison

When the project construction costs for the Wave 1 sample sites are compared with the BCIS data they are located within the Upper Quartile range. The PFI procurement process normally adds, on average approximately 10% - 15% to the construction price, based on BCIS data, to cover the degree of risk transfer.

On balance, taking into account the factors identified, our opinion is that the project costs benchmark favourably against the BCIS historical figures. In addition, the costs are considered to be sufficient to attract an alternative Building Contractor, should the need arise.

7.4.5 In-House Benchmark Comparison

The construction costs for the Wave 1 Fire stations have also been benchmarked against our own database of Fire station PFI projects. The in-house benchmark data for the Buildings Element Total Costs (rebased for the NWFRA PFI Project) is in the range of **£1,180 to £1,347** per m². The Mean of this range is **£1,271** per m².

Using a rate of **£1,268** per m² (Wave 1 Building Element Costs only) as the comparator, the construction cost for NWFRA Fire Stations is approximately **a fraction of a percent lower than the benchmark Mean of our comparator projects**. This rate falls within the lower quartile of the benchmark range.

7.4.6 Observations on In-House Benchmark Comparison

The comparison to other Fire station projects indicates that the construction costs for the NWFRA Fire Stations, based on the Wave 1 sample and earlier stage analysis, are sufficient to deliver the project. In addition, the costs are considered to be sufficient to attract an alternative Building Contractor, should the need arise.

7.4.7 Elemental Consistency

The elemental consistency of the costs is considered to be reasonable, with there being no evident inconsistencies.

7.4.8 Cash flow / Drawdown Schedule and Correlation with Programme

We can confirm that the cash flow provided within the level 2 programme for the Wave 1 projects indicates correlation with the current issue of the construction programmes. We can confirm these accord with the latest Capex inputs within the financial model.

7.4.9 Conclusion

Based upon the information reviewed we are able to confirm that the core construction costs for the NWFRA Fire stations are considered to be sufficient to deliver the project.

7.5 Drawdown Schedule and Consistency with Project Documentation and Cash Flow

7.5.1 Schedule 6 to the Construction Contract sets out the Payment Provisions for the contract. This contains the Schedule of Cumulative Payments, which we have reviewed against the level 2 programmes and Capex inputs and consider acceptable.

7.5.2 We are content with the reasonableness of the Capex profile for the whole project based on our review of the level 2 programmes for the wave 1 sites and latest issue of construction programmes.

7.6 Payment Methodology under Construction Contract

7.6.1 Clause 32 of the latest issue of the Construction Contract states that Payment of the Contract Sum shall be made by instalments on the terms provided for in Schedule 6 (Payment Provisions). A review of the current draft of the Construction Contract indicates the following methodology for payment.

7.6.2 An Advanced Activity Sum of £2,725,573.30 representing the value of that portion of the Works undertaken by the Building Contractor prior to the Commencement Date, is payable to the Building Contractor by the Contractor within a period of 5 Business Days of the date of the Contractor receiving an Interim Payment Application (in respect of the Advance Activity Sum) issued by the Building Contractor at any time on or after the Commencement Date. This figure correlates with the level 2 programmes and financial model submitted by Project Co.

7.6.3 The Advance Activity Sum (also known as Initial Payment or FC Bullet Payment) is intended to cover bid costs and other advance activities, such as design work and surveys and are common in PFI projects. This payment is made to the building contractor and is included within the contract sum.

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- 7.6.4** Not less than 20 Business Days prior to the commencement of the Works at each of the Sites, the Building Contractor shall prepare and deliver to the Contractor a Detailed Breakdown attributing a value to each Payment Activity identified in the Level 2 Programme and the Level 2 Programme itself. The Level 2 Programme is the Construction Programme relative to such Works which has been elaborated upon and marked by the Building Contractor to indicate the value of each Payment Activity shown on it. BBFR have confirmed that the for the sites commencing less than 20 days from FC, these requirements will simply be provided prior to FC in the most expedient manner possible. The level 2 programmes for the early wave sites are well progressed.
- 7.6.5** The key provisions in respect of applications for Interim Payment Certificates may be summarised as follows:
- Applications are to be submitted at any time prior to the end of the Assessment Period;
 - Applications are to be issued to the Contractor's Representative;
 - Each Application shall be accompanied by a Progress Report, the relevant Level 2 Programme and any other relevant data;
 - Within 2 BDs of the Assessment Date (end of the Assessment Period), the Contractor shall issue the Application to the Senior Lender's Representative;
 - Within 5 BDs of the Assessment Date, the Contract Valuer submits an Assessment Report to the Contractor's Representative;
 - Within 8 BDs of the Assessment Date, the Contractors Representative issues the Assessment Report and Notice of Site Assessment Meeting (which shall take place no later than 10 BDs after the Assessment Date) to the Senior Lender's Representative and the Building Contractor;
 - Within 3 BDs of the Site Assessment Meeting, the Contractor's Representative shall issue the Payment Notice Certificate;
 - The Contractor's Representative shall be entitled to withhold issue of the Interim Payment Certificate until the Senior Lender's Representative until the Senior Lender has approved such Interim Payment Certificate; and
 - Payment shall be made by the Contractor to the Building Contractor within 5 BDs of the Interim Payment Certificate.
- 7.6.6** Project Co have confirmed that Site Assessment Meetings are likely to take place over 2/3 days, one day per Authority (3-4 sites per day). The intention is to be undertaken last two days of first week in month. Project Co has confirmed that the intended approach will be for the Payment Notice Certificate to be issued on final day of Site Assessment Meetings. This approach is considered acceptable and has been agreed with the Construction Monitoring TA.

7.6.7 BBFR have revisited clause 4.6 in Schedule 10 of the PFI Building Contract and discovered a drafting error. There is a typo in paragraph 4.6.1.2 and the reference in that paragraph to “Contractor’s Representative” should be to “Contractor”. This resolves the issue surrounding the Contract Valuer clause in the last issue of this report.

7.6.8 With regards to the monthly payments, the Contractor has confirmed that maximum payment caps will be an overall project payment cap, governed by the Level 2 Programmes for each of the sites, which must not be exceeded.

7.6.9 The conformed issue of the PFI Building Contract (*dated: 23/02/2011*) confirms that Retention will be held on a cash basis against the contract sum via the Interim Payments at the following rates:

- 3% of the original Contract Sum prior to the final Services Availability Date; and
- 1.5% of the original Contract Sum from Services Availability Date until the Issue of Notice of Completion of Making Good Defects.

We can confirm that the Retention provisions are sufficient and in line with our expectations for a project of this nature and size.

7.7 Cashflow Correlation with Construction Programme

7.7.1 We have reviewed the Conformed version of Schedule 4, along with Level 2 programmes for the Wave 1 site and the Capex inputs from the financial model.

We have carried out a high level review of the cash flow correlation against the construction programmes which are acceptable. We are content with the reasonableness of the Capex profile.

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7.8 Summary of Risks

7.8.1 In conclusion, the residual risks and outstanding actions are considered to be as follows:

Ref	Issue	Risk	Category	Action
7.1.5	Cost data	Latest data reviewed	Green	
7.2	Cost Head	Allowances appear adequate	Green	
7.3 – 7.5	Adequacy of Construction Costs	Costs appear adequate	Green	
7.4.8	Correlation between capex inputs and level 2 programmes	Correlation acceptable	Green	
7.6	Drawdown Schedule	Correlation acceptable	Green	
7.6.6	Payment Notice Certificate Trigger	Project co has confirmed acceptable approach.	Green	
7.6.2	Payment – Methodology - Advanced Activity Sum		Green	Sum confirmed
7.6.4	Payment Methodology - Level 2 Programme	Submission required no less than 20BDs prior to Commencement Date	Green	BBFR have confirmed that the for the sites commencing less than 20 days from FC, these requirements will simply be provided prior to FC in the most expedient manner possible.
7.6.7	Payment Methodology - Assessment Report	Contract Valuer defined as Contractor's Representative.	Green	BBFR confirmed amendment

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Ref	Issue	Risk	Category	Action
7.6.6	Payment Methodology - Site Assessment Meeting	Clarification required on Site Assessment Meeting requirements	Green	Operational issue to be resolved post FC.
7.6.8	Payment Methodology - Maximum Cumulative Cap	Discrepancies between cost plans and cashflows submitted.	Green	Project Co confirmed, there is a project wide Max cumulative cap schedule, provided by the Level 2 programmes. Methodology confirmed acceptable
7.7.1	Cashflow Correlation with Construction Programme	Conformed documentation required	Green	Acceptable

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8 Construction Programme

8.1 Section Overview

8.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 8 - Due Diligence Reporting Risk Category	Green
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8.1.2 The key milestone dates for each site, as obtained from Schedule 4 may be summarised as follows:

Site	Start on Site	PSAD	PCW	Duration
Site	Start on Site	PSAD	PCW	Duration
Cumbria				
Carlisle East	28/02/2011	05/03/2012	-	53 weeks
Carlisle West	28/02/2011	16/01/2012	-	46 weeks
Patterdale	28/02/2011	07/11/2011	25/11/2011	38 weeks
Penrith	09/05/2011	11/06/2012	-	57 weeks
Workington	19/03/2012	18/03/2013	-	52 weeks
Lancashire				
Blackburn	28/02/2011	6/02/2012	-	49 weeks
Burnley	13/02/2012	27/05/2013	21/06/2013	70 weeks
Chorley	11/06/2012	29/04/2013	-	46 weeks
Fleetwood	14/03/2011	14/05/2012	1/06/2012	63 weeks
Merseyside				
Belle Vale	7/05/2012	10/06/2013	28/06/2013	59 weeks
Birkenhead	14/05/2012	17/06/2013	05/07/2013	59 weeks
Bootle /Netherton	18/04/2011	23/04/2012	22/06/2012	62 weeks
Formby	14/03/2011	30/04/2012	18/05/2012	62 weeks
Kirkdale	28/02/2011	30/04/2012	-	61 weeks
Kirkdale (temporary site)	28/02/2011	N/A	18/05/2012	63 weeks
Newton-le-Willows	14/03/2011	16/04/2012	04/05/2012	60 weeks
Southport	02/04/2012	10/06/2013	-	62 weeks
Southport (temporary site)	02/04/2012	N/A	28/06/2013	64 weeks

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- 8.1.3** The Kirkdale and Southport temporary sites will be operational 11 April 2011 and 21 May 2012 respectively. The Pre-commencement works have commenced on Fleetwood, Blackburn, Formby and Newton-le-Willows. The Works, which to date relate to placing orders for Utility Services, are underway.
- 8.1.4** We note that certain interdependencies required by section 3.21 of the Authorities Requirements. This means that certain construction works cannot commence before the completion of other sites. These interdependencies have been highlighted within their Main Roll Out Programme, detailing the programming of all sites within the projects.
- 8.1.5** As a result of the interdependencies required by the ARs, the Start on Site dates for the dependent sites identified within Schedule 4 are set out as follows (capitals denote site specific fields): *Start on Site: Whichever is the later of DATE or ten (10) Business Days after the Services Availability Date of INITIAL Station, unless this date exceeds nine (9) months after DATE, in which case, the planned start on site date will be defined as nine (9) months after the DATE.*

The long stop dates reflect the original drafting of 9 months at PA level and 6 months at Building subcontract level. This is acceptable from a technical viewpoint.

- 8.1.6** The updated site specific construction programmes reviewed for this report are those within the Conformed PA Schedule 2.
- 8.1.7** The construction programmes provided for review do show the **Critical Path** activities for each site. Each programme shows consistency in approach, with the critical path running through the following elements in sequence:
- Enabling works/ Temporary accommodation;
 - Decommission/ Demolish existing facility;
 - Site levelling / Piling / Foundations;
 - Steel Frame / Metal decking;
 - Reinforced concrete decks/ Stairs;
 - Roof;
 - Mechanical and Electrical Installation;
 - Testing and Commissioning; and
 - Clean and Snag.

This approach to the critical path is typical of this type of construction. As part of our role as Construction Monitoring TA, we shall closely monitor the critical activities during the construction phase.

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8.2 Cumbria

8.2.1 The key data obtained from the construction programme for the Cumbria sites may be summarised as follows:

Carlisle East	Start Date	Completion Date	Duration
Construction Works	14/03/2011	05/03/2012	51 weeks
Service Availability		05/03/2012	
Decant & Removal	05/03/2012	09/03/2012	1 week
Post Completion Works	N/a	N/a	
All Works Complete		09/03/2012	52 weeks
Carlisle West	Start Date	Completion Date	Duration
Construction Works	14/03/2011	16/01/2012	44 weeks
Service Availability		16/01/2012	
Decant & Removal	16/01/2012	20/01/2012	1 week
Post Completion Works	N/a	N/a	
All Works Complete		20/01/2012	45 weeks
Patterdale	Start Date	Completion Date	Duration
Construction Works	14/03/2011	07/11/2011	33 weeks
Service Availability		07/11/2011	
Decant & Removal	07/11/2011	08/11/2011	2 days
Post Completion Works	07/11/2011	25/11/2011	3 weeks
All Works Complete		25/11/2011	36 weeks
Penrith	Start Date	Completion Date	Duration
Construction Works	09/05/2011	11/06/2012	57 weeks
Service Availability		11/06/2012	
Decant & Removal	11/06/2012	15/06/2012	1 week
Post Completion Works	N/a	N/a	
All Works Complete		15/06/2012	58 weeks
Workington	Start Date	Completion Date	Duration
Construction Works	19/03/2011	18/03/2012	52 weeks
Service Availability		18/03/2013	
Decant & Removal	18/03/2013	22/03/2013	1 week
Post Completion Works	N/a	N/a	
All Works Complete		22/03/2013	53 weeks

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8.2.2 The dates identified within Schedule 4 correlate with the latest issues on the Construction Programmes (16 Feb 2011). The construction programmes form part of the Contractors Proposals.

8.2.3 A summary of the planned construction output is as follows:

Construction Works	m2 per week	£ per week
Carlisle East	26	£68,830
Carlisle West	12.5	£42,282
Patterdale	4.4	£19,289
Penrith	48	£103,912
Workington	26.5	£70,942

8.2.4 We have prepared benchmark programmes using the BCIS building construction duration calculator. This software is produced by the Royal Institution of Chartered Surveyors.

8.2.5 The estimated construction duration for each of the Cumbria developments is shown in the table below:

Site	BBFR Programme	BCIS Estimated Period	90% Confidence Interval
Carlisle East	53 weeks	47 weeks	36 – 59 weeks
Carlisle West	46 weeks	41 weeks	33 – 49 weeks
Patterdale	38 weeks	32 weeks	28 – 37 weeks
Penrith	57 weeks	52 weeks	30 – 87 weeks
Workington	52 weeks	47 weeks	36 – 59 weeks

8.2.6 As the table above indicates, the periods allocated for the construction of the Cumbria sites exceed the BCIS estimated period and the proposed Construction Works durations are therefore considered to be realistic and achievable with a good degree of statistical certainty.

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8.3 Lancashire

8.3.1 The key data obtained from the construction programme for the Lancashire sites may be summarised as follows:

Chorley	Start Date	Completion Date	Duration
Advance/Lead in Works	12/03/2012	11/06/2012	12 weeks
Construction Works	11/06/2012	29/04/2013	46 weeks
Service Availability		29/04/2013	
Decant & Removal	29/04/2013	03/05/2013	1 week
Post Completion Works	N/a	N/a	
All Works Complete		29/04/2013	59 weeks
Blackburn	Start Date	Completion Date	Duration
Advance/Lead in Works	06/12/2010	14/3/2011	
Construction Works	14/03/2011	06/02/2012	49 weeks
Service Availability		06/02/2012	
Decant & Removal	06/02/2012	10/02/2012	1 week
Post Completion Works	N/a	N/a	
All Works Complete		10/02/2012	50 weeks
Burnley	Start Date	Completion Date	Duration
Advance/Lead in Works	14/11/2011	24/02/2012	13 weeks
Construction Works	24/02/2012	27/05/2013	67 weeks
Service Availability		27/05/2013	
Decant & Removal	27/05/2013	28/05/2013	2 days
Post Completion Works	27/05/2013	21/06/2013	3 weeks
All Works Complete		21/06/2013	83 weeks
Fleetwood	Start Date	Completion Date	Duration
Advance/lead in works	13/12/2010	25/03/2011	13 weeks
Construction Works	28/03/2011	14/05/2012	60 weeks
Service Availability		14/05/2012	
Decant & Removal	14/05/2012	15/05/2012	2 days
Post Completion Works	14/05/2012	01/06/2012	3 weeks
All Works Complete		01/06/2012	76 weeks

8.3.2 The dates identified within Schedule 4 correlate with the latest issues on the Construction Programmes (16 Feb 2011).

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8.3.3 A summary of the planned construction output is as follows:

Construction Works	m2 per week	£ per week
Chorley	29	£61,978
Blackburn	27	£62,245
Burnley	24	£52,400
Fleetwood	16	£41,143

8.3.4 We have prepared benchmark programmes using the BCIS building construction duration calculator. This software is produced by the Royal Institution of Chartered Surveyors.

8.3.5 The estimated construction duration for each of the Lancashire developments is shown in the table below:

Site	BBFR Programme	BCIS Estimated Period	90% Confidence Interval
Chorley	46 weeks	44 weeks	35 – 55 weeks
Blackburn	49 weeks	45 weeks	35 – 56 weeks
Burnley	70 weeks	47 weeks	36 – 49 weeks
Fleetwood	63 weeks	43 weeks	35 – 54 weeks

8.3.6 As the table above indicates, the periods allocated for the construction of the Lancashire sites exceed the BCIS estimated period and the proposed Construction Works durations are therefore considered to be realistic and achievable with a good degree of statistical certainty.

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8.4 Merseyside

8.4.1 The key data obtained from the construction programme for the Birkenhead site may be summarised as follows:

Belle Vale	Start Date	Completion Date	Duration
Lead In/ Enabling Works	13/02/2012	18/05/2012	13 weeks
Construction Works	21/05/2012	10/06/2013	54 weeks
Service Availability		10/06/2013	
Decant & Removal	10/06/2013	11/06/2013	2 days
Post Completion Works	10/06/2013	28/06/2013	3 weeks
All Works Complete		28/06/2013	70 weeks
Birkenhead	Start Date	Completion Date	Duration
Lead In/ Enabling Works	12/03/2012	21/06/2012	8 weeks
Construction Works	28/06/2012	17/06/2013	55 weeks
Service Availability		17/06/2013	
Decant & Removal	17/06/2013	18/06/2013	2 days
Post Completion Works	18/06/2013	05/07/2013	3 weeks
All Works Complete		05/07/2013	66 weeks
Bootle/Netherton	Start Date	Completion Date	Duration
Lead In/ Enabling Works	31/01/2011	02/05/2011	12 weeks
Construction Works	2/05/2011	23/04/2012	51 weeks
Service Availability		23/04/2012	
Decant & Removal	23/04/2012	27/04/2012	1 week
Post Completion Works	23/04/2012	22/06/2012	9 weeks
All Works Complete		22/06/2012	73 weeks
Formby	Start Date	Completion Date	Duration
Lead In/ Enabling Works	11/10/2010	21/01/2011	13 weeks
Construction Works	10/01/2011	20/02/2012	58 weeks
Service Availability		20/02/2012	
Decant & Removal	20/02/2012	21/02/2012	2 days
Post Completion Works	20/02/2012	12/03/2012	3 weeks
All Works Complete		12/03/2012	74 weeks

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Kirkdale	Start Date	Completion Date	Duration
Lead In/ Enabling Works	03/01/2011	28/03/2011	12 weeks
Construction Works	14/03/2011	30/04/2012	55 weeks
Service Availability		30/04/2012	
Decant & Removal	30/04/2012	1/05/2012	2 days
Post Completion Works	30/04/2012	18/05/2012	3 weeks
All Works Complete		18/05/2012	70 weeks
Newton-le-Willows	Start Date	Completion Date	Duration
Lead In/ Enabling Works	13/12/2010	25/03/2011	13 weeks
Construction Works	28/03/2011	16/04/2012	55 weeks
Service Availability		16/04/2012	
Decant & Removal	16/04/2012	17/04/2012	2 days
Post Completion Works	16/04/2012	04/05/2012	3 weeks
All Works Complete		04/05/2012	71 weeks
Southport	Start Date	Completion Date	Duration
Lead In/ Enabling Works	06/02/2012	07/05/2012	12 weeks
Construction Works	21/05/2012	10/06/2013	55 weeks
Service Availability		10/06/2013	
Decant & Removal	10/06/2013	11/06/2013	2 days
Post Completion Works	10/06/2013	28/06/2013	3 weeks
All Works Complete		28/06/2013	70 weeks

8.4.2 The dates identified within Schedule 4 correlate with the latest issues on the Construction Programmes (16 Feb 2011).

8.4.3 A summary of the planned construction output is as follows:

Construction Works	m2 per week	£ per week
Belle Vale	19	£45,915
Birkenhead	19	£50,220
Bootle/Netherton	23	£51,596
Formby	13	£33,419
Kirkdale	33	£55,852
Newton-le Willows	13	£35,783
Southport	25	£52,629

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8.4.4 We have prepared benchmark programmes using the BCIS building construction duration calculator. This software is produced by the Royal Institution of Chartered Surveyors.

8.4.5 The estimated construction duration for each of the Merseyside developments is shown in the table below:

Site	BBFR Programme	BCIS Estimated Period	90% Confidence Interval
Belle Vale	59 weeks	44 weeks	35 – 54 weeks
Birkenhead	59 weeks	45 weeks	35 – 56 weeks
Bootle/Netherton	62 weeks	45 weeks	36 – 57 weeks
Formby	62 weeks	41 weeks	33 – 50 weeks
Kirkdale	61 weeks	46 weeks	36 – 58 weeks
Newton-le Willows	60 weeks	42 weeks	34 – 51 weeks
Southport	62 weeks	46 weeks	36 – 57 weeks

8.4.6 As the table above indicates, the periods allocated for the construction of the Merseyside sites exceed the BCIS estimated period and the proposed Construction Works durations are therefore considered to be realistic and achievable with a good degree of statistical certainty.

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8.5 Subcontractor Replacement

8.5.1 We have considered the timing and cost of replacing the Building Contractor.

8.5.2 Overall we estimate the time to replace the Building Contractor as being three months. The process timing is as follows:

Process	Month 1	Month 2	Month 3	Month 4
Value work to date, including materials purchased to be transferred				
Review position of subcontractors; progress and payments				
Survey completion status for re-tender				
Tender documents				
Pricing				
Due Diligence - new contractor				
Final Negotiation; mobilise				
Contingency				

8.5.3 As the table indicates, we estimate the replacement of the Building Contractor to be a 3 months process. We recognise that the timescales indicated are estimates should the eventuality occur, and therefore some items such as Pricing could be carried out in a shorter timescale.

8.5.4 The Longstop Date under the **Project Agreement** is defined as the date **9 months** after the last Planned Service Availability Date. The last Planned Service Availability Date is **17 June 2013**.

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The Longstop Dates for the project, which we can confirm are on market, are summarised as follows:

Contract Document	Longstop Date
Project Agreement	9 months
Credit Agreement	6 months
Construction Contract	6 months

- 8.5.5** The risk of a delay to the PCW Acceptance Date as a result of delay to Service Availability coming from a Compensation Event is covered within clause 16.1, Extensions of Time, Giving of Relief and Payment of Compensation, under the Building Subcontract. This provides the link requested in our previous report and is acceptable.
- 8.5.6** We have been advised that there is no PCW Longstop Date which therefore confirms that the non-completion of these works cannot cause termination.
- 8.5.7** The Consortium have advised that the accepted alternative to a Look Forward Default test is the inclusion of a statement in the TA Certificate that allows the TA to opine on whether or not the Service Availability Date will occur by the Longstop Date in the Construction Contract. This is acceptable.
- 8.5.8** As Senior Lenders Technical Advisors, we have been granted rights to request any information that we require in order to assess any delay to the construction programme.
- 8.5.9** Turning to the issue of the costs of replacement of a contractor, this is difficult to predict as it depends on the timing of the default, i.e. at what stage of the delivery cycle is the project, and the quality of the work executed at the time of the default. There are also issues surrounding potential ransom creditors, i.e. those subcontractors to whom money is owed and whom it is essential carry on working on the project. The issue therefore is one of forming a judgement as to whether or not the caps on liability under the Construction Contract are likely to be sufficient.
- 8.5.10** The current drafting of the **Construction Contract** addresses the following:
- Building Contractor’s Liability Limitation (Clause 63A – Limits on Liability); and
 - Liquidated & Ascertained Damages (Clause 21C - Liquidated Damages)

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8.5.11 The provisions as part of the security package may be summarised as follows:

- Termination Cap – 50% of the Contract Sum, including liquidated damages;
- Liquidated Damages – payable at a daily rate in accordance with Schedule 9 of the Building Contractor Subcontract; and
- Carve outs from caps – to include sums subsequently recovered through insurance and through the FM Provider, arising from abandonment, wilful default or contractor fraud, death Personal injury, loss of or damage to the property of any third party breach of IP rights.

We would support this position, which is in line with provisions of similar closed PFI projects that we have been and are involved in.

Clause 63A (Limitation on Liability) of the Construction Contract states that the Building Contractor's cap on liability is limited to a sum equal to 50% of the Contract Sum. Liquidated and Ascertained Damages are included with the cap.

Clause 21C (Liquidated Damages) addresses the subject of liquidated damages for delay and allows the Contractor (Project Co) to claim in the event of the Building Contractor's failure to obtain an Acceptance Certificate by or on the relevant Planned Services Availability Date / Planned Post Completion Works Acceptance Date.

The agreed rates are shown in Schedule 9 (Liquidated Damages) of the Construction Contract.

We have been provided with the Liquidated Damages method of calculation for review and can confirm that the rates, which are based on 100% of the UC and capped at 9 months, are acceptable.

8.5.12 Against this background we have prepared three scenarios to test the robustness of the cap of 50%. The scenarios are attached.

Scenario 1: Default at a point 6 months into the Contract

- Costs to complete over the Contract Sum: £18,923,169
- Residue of Cap on Liability: £5,019,831

Scenario 2: Default at a point 12 months into the Contract

- Costs to complete over the Contract Sum: £17,119,169
- Residue of Cap on Liability: £6,823,831

Scenario 3: Default at a point 18 months into the Contract

- Costs to complete over the Contract Sum: £17,410,169
- Residue of Cap on Liability: £6,532,831

Key:

1. The “costs to compete over the contract sum” is the amount needed in excess of the original contract sum in order to complete the construction works.
2. The “residue of cap on liability” is the sum equal to the 50% cap less the “costs to complete”.

Based upon our analysis a liability cap of 50%, together with the contemplated carve outs, will be suitably robust to protect the Senior Funders in the event of Building Contractor Default.

8.5.13 As to the Security Package overall, based upon the current drafting of the Construction Contract, the package is to be as follows:

- Building Contract Guarantee (Parent Company – Balfour Beatty PLC)
- Cash Retention to the value of 3% of the Contract Sum;
- Building Contractor Direct Agreement with the Lender; and
- Collateral Warranties (from the Building Contractor, the Professional Teams and the Principal Subcontractors).

Overall the remaining elements of the above security package should provide sufficient protection in the event of Building Contractor Default. We can however confirm that the security package for this project is in line with those provided by other PFI projects in which we have been or are involved with and, as such, is acceptable.

8.6 Controlling Processes in the event of Extended Delay

8.6.1 The following are the controls in the event of extended delay:

- It is an event of Building Contractor Default:
 - If the Acceptance Certificate for the station has not been issued by the Long Stop Date;
 - The Building Contractor abandons the Works at any time;
 - The Building Contractor has not commenced the Works at the Site by the Start on Site Date; and
 - The cap on liability as set out in Clause 63A is exceeded.
- The Maximum Liquidated Damages Cap (based on the 9 months Longstop) is exceeded; and
- Liquidated and ascertained damages are payable in the event that the Acceptance Certificate has not been issued by the due date.

We can confirm that the controls are consistent with those provided by other closed PFI projects in which we have been or are involved with and, as such, are acceptable.

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8.6.2 The overall contractual position is considered to be acceptable from a technical viewpoint.

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8.7 Summary of Risks

8.7.1 In conclusion, the residual risks and outstanding actions are considered to be as follows:

Ref	Issue	Risk	Category	Action
8.1.2	Schedule 4 milestones	Dates on schedule 4 correspond with construction programmes	Green	
8.2.3	ARs Section 3.21	Interdependencies between site programmes required. Start on Site not achievable before PSAD has been achieved on interdependent sites.	Green	
8.2.3	PSAD identification	Construction programmes and Schedule 4 identify completion dates	Green	
8.2.6	Proposed Construction Programmes	Latest issue of current programmes benchmark favourably against BCIS data	Green	
8.5	Subcontractor Replacement	Estimated contractor replacement time is 3 months	Green	
8.5.3	Longstop date	9 months at PA level, 6 months at construction contract and credit agreement level.	Green	
8.5.4	Post Completion Works Longstop date	Termination under non/late completion of PCW.	Green	No PCW longstop. No further action required

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Ref	Issue	Risk	Category	Action
8.5.8	Longstop Date headroom		Green	Senior Lenders TA have rights under funding agreement to request information to assess delay
8.5.11	Schedule 9 – Liquidated Damages	LD calculation confirmed	Green	
8.5.12	Caps on Liability	Termination Cap – 50%	Green	
8.5.12	Caps on Liability - Scenario Testing	Satisfactory	Green	
8.5.13	Security Package	Satisfactory	Green	
8.6.1	Controlling process in event of delay	Satisfactory	Green	

Section 9



Completion & Transfer

9 Completion and Transfer

9.1 Overview

9.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 9 - Due Diligence Reporting Risk Category
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Green

9.2 Documentation

9.2.1 The following documentation applies:

- ***Project Agreement / Construction Contract***
 - Clause 20: Certification of Services Availability;
 - Clause 21: Delay and Supervening Unavailability;
 - Schedule 4: Stations;
 - Schedule 5: Availability Requirements; and
 - Schedule 25: Decant Protocol.

- ***FM Agreement***
 - Mobilisation; and
 - Payment terms.

- ***Independent Certifier Appointment***
 - Form of Appointment;
 - Completion Tests; and
 - PI insurance.

9.3 Project Agreement

9.3.1 Clause 20 – Certification of Services Availability

It is the Independent Certifier (IC) who certifies that the Services Availability Requirements have been met in relation to the Services Availability and the Post Completion Works in respect of the relevant Station. It is the issue of the Acceptance Certificate that determines the Service Availability Date (SAD), and hence the commencement of the Unitary Charge (or a proportion thereof).

The SAD will be the date of the issue of the Acceptance Certificate, with the following proviso:

- If the Acceptance Certificate is issued prior to the Planned Service Availability Date (PSAD) then the SAD will be the relevant PSAD.

The Planned Services Availability Dates for the Stations are contained in Schedule 4 of the Project Agreement and the Construction Contract.

The certification process for Service Availability is as follows:

- The Contractor gives the relevant Authority and Independent Certifier not less than five (5) Business Days notice of the date when it proposes to inspect a Station with a view to achieving Services Availability and/or the completion of the Post Completion Works in respect of the relevant Station;
- Following an inspection, the Independent Certifier shall within five (5) Business Days issue either; an Acceptance Certificate / Post Completion Works Acceptance Certificate or a Notice of Non Completion, stating the outstanding matters that must be attended to before an Acceptance Certificate / Post Completion Works Acceptance Certificate can be issued;
- The issuance of the Acceptance Certificate indicates only that the Independent Certifier is of the opinion that the relevant Station appears to be in compliance with the Service Availability Requirements (or Post Completion Works Acceptance Requirements) and does not lessen the obligation of the Contractor under the Agreement in relation to that Station or any other part of the Works or the Services;
- In the event that the Acceptance Certificate is issued subject to Snagging Items then the Independent Certifier shall within five (5) Business Days issue a list of Snagging items for the relevant Station;
- Within a further five (5) Business Days the Contractor will issue a programme for making good providing that the items can be made good within twenty (20) Business Days.
- The Contractor shall procure that each Snagging Item is made good in accordance with the Snagging Programme to the satisfaction of the Independent Certifier.

The process, as per the Project Agreement, is acceptable from a technical viewpoint.

The provisions of Clause 20 have been stepped down to the Construction Contract with headroom. The provisions in respect of Snagging provide five (5) days headroom between the Project Agreement and the Construction Contract.

9.3.2 Clause 21 – Delay and Supervening Unavailability

Under the provisions of Clause 21.1 if the Acceptance Certificate has not been issued for the Southport Station then, subject to events of relief or compensation, the Contractor will either:

- pay the Authority liquidated damages at the Periodic Rate as shown in Schedule 4; or
- provide an alternative site in Southport along with associated temporary accommodation to meet the Authority Requirements.

It is expected that the Southport Decant site will continue to be used in these circumstances. The potential LD's for Southport for the 9 month period are £16,131.96 and are not considered significant.

Under 21.1A if the Acceptance Certificate for all other Stations has not been issued then the Contractor to provide temporary accommodation. It is expected that the temporary accommodation provided for the works would continue to be used, but that the UP would not be paid until such time that the Acceptance Certificate is issued.

Under 21.1B without prejudice to the provisions of Part 6 (Termination), the Authorities shall not be entitled to claim liquidated or general damages in respect of the SAD for any Station occurring after the corresponding PSAD for that Station or in respect of a PCW Acceptance Date occurring after the corresponding Planned PCW Acceptance Date.

Under the provisions of the same clause in the Construction Contract the Contractor (Project Co) is entitled to claim Liquidated and Ascertained Damages from the Building Contractor in respect of any delays to the SAD or PCW Acceptance Date.

9.3.3 Schedule 4 – the Stations

Schedule 4 confirms the Planned Service Availability and Post Completion Works Acceptance dates for each Station.

This Schedule is up to date.

9.3.4 Schedule 5 – Availability Requirements

Schedule 5 consists of three parts:

- Completion Requirements – Initial Phase;

- Completion Requirements – The Works; and
- Post Completion Works Acceptance Requirements.

We have reviewed Schedule 5 and consider it to be technically acceptable.

9.3.5 Schedule 25 – Decant Protocol

The Decant Protocol outlines the responsibilities for the parties at completion in order to achieve Services Availability. The Contractor (Project Co) is responsible for decanting on behalf of the Authorities.

The Authorities (3 number) will appoint a Migration Manager to act as a sole point of contact. All instructions, deviations from agreed plans proposed by the Contractor must be agreed with the Migration Manager. Likewise the Authorities may not directly approach any porter with a view to alter his work practices or schedule.

The Contractor's (Project Co) obligations under Schedule 25 have been passed through to the Building Contractor.

The provisions of Schedule 25 are technically acceptable.

9.4 FM Agreement

9.4.1 The relevant clause is Clause 13 Mobilisation of Appendix 1 – Special Conditions.

The FM Contractor shall undertake sufficient mobilisation in order to ensure that the FM Contractor complies with and performs the Services in accordance with this Agreement. For the avoidance of doubt the FM Contractor shall be responsible for the costs of all mobilisation including the supply of any equipment that the FM Contractor requires in order to carry out the Services, but excluding anything that the Building Contractor and/or the Authorities or any Contractor Related Party is obliged to supply pursuant to the Building Contract or the Project Agreement or any other Project Document. For further commentary on FM equipment provision refer to Section 10.

9.5 Independent Certifier Contract

9.5.1 The Independent Certifier is Gleeds Management Services Ltd. Gleeds are an established technical consultancy with substantial experience in the PFI sector and in performing the role of Independent Certifier.

9.5.2 We have reviewed the Independent Certifier contract (Final Version 7 November 2010), and offer the following observations:

- the form of appointment has been concluded;

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- the Completion Tests and Post Completion Tests will form Appendix 1A of the appointment. We can confirm that the tests are acceptable from a technical perspective;
- Professional Indemnity Insurance cover is required at a level of £10m. This is considered to be an acceptable allowance from a technical perspective; and
- the total fee is £55,000 over a 29 month period. Whilst the time period is in line with the construction programme and allows for 1 month post completion (recommended); we would point out, however, that the fee, in our opinion, appears extremely competitive. We recognise that this is a matter of commercial disclosure and given that the Scope of Works is clearly laid out believe this represents extremely good value for money.

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9.6 Summary of Risks

Ref	Issue	Risk	Category	Action
9.3	Project Agreement			
9.3.1	Clause 20	no residual risk	Green	
9.3.2	Clause 21	no residual risk	Green	
9.3.3	Schedule 4	no residual risk	Green	
9.3.4	Schedule 5	no residual risk	Green	
9.3.5	Schedule 25	no residual risk	Green	
9.4	FM Agreement			
9.4.1	Appendix 1	no residual risk	Green	
9.5	Independent Certifier			
	Form of Appointment	no residual risk	Green	
	Completion Test	no residual risk	Green	
	PI insurance	no residual risk	Green	£10m provided
	Fee	insufficient fee	Green	

Section 10



Facilities Management

10 Facilities Management

10.1 Overview

10.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 10 - Due Diligence Reporting Category
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Green

10.2 Introduction and Overview

10.2.1 The FM Contractor is Balfour Beatty Workplace Limited.

10.2.2 The total Year 1 fee for the project is £749,363 which, based on a GIFA of 20,279m², equates to a unit rate of £36.95/m². The total Initial Services Payments over 26.44 months is £181,554. This equates to £6,865 per month and gives an annual total of £82,376. Variable rates apply throughout the Initial Services Period, but the average rate is £59.78/m².

10.2.3 The services to be provided are described as:

- Cleaning and waste management;
- Security and Health & Safety;
- Buildings maintenance;
- Grounds Maintenance;
- ICT infrastructure;
- Fixtures and fittings;
- Helpdesk; and
- Utilities supply and management

10.2.4 The concession period will be a little over 25 years from the final Full Services Commencement Date. The Project Agreement and FM Agreement specify the Commencement Date (Date of the Agreement) and the Expiry Date (4 July 2038).

10.2.5 The Lifecycle risk is to be held by the FM Contractor as confirmed in the Conformed version of the FM Agreement. The mechanism by which lifecycle amounts are to be approved and paid under the FM Agreement is described in Section 12.

10.3 Documents Reviewed

10.3.1 The following project documents have been reviewed:

- **Authorities Requirements**

“Schedule 01 - Authorities Requirements v17_Part_1_Fire_Stations_Requirements FINAL clean 110123”.

“Schedule_01_-_Authorities_Requirements_v19_Part_2_Initial_Services__Specification FINAL clean 110123 - avail std update”

“Schedule_01_-_Authorities_Requirements_v19_Part_3_Services_Specification FINAL clean 110123 - avail std update”

These will form Schedule 1 to the PA.

- **Contractor's Proposals**

Comprising of the following documentation:

- 2.1.2 Non Site Specific Compliance with Output Specification (Services);
- 2.2.2 Non Site Specific Proposals for Temporary Accommodation;
- 2.3.1 Site Specific Proposals for Temporary Accommodation;
- 2.3.2 Decant proposals and compliance with decant strategy;
- 2.3.3 Change Protocol proposals;
- 2.3.4 FM proposals - management;
- 2.3.5 FM proposals - method statements; and
- 2.3.6 Detailed staff transfer proposals;
- 110212 Schedule 2 Part 2 appendix 1 - NWFR_LMP's_all stations (combined and final)
- 101101 NWFR CPs - Part 2 Service Delivery Proposals FINAL legal reviews DV

These will form part of Schedule 2 to the PA.

- **Cost Model**

Excel spreadsheet – “BBFR PFI Model CFT Cost Model Inputs”

Excel spreadsheet – “2.1.8 Construction cost information_with analysis”

- **FM Agreement**

Conformed FM Contract 23 Feb 2011

10.3.2 In general the Authorities Requirements follow Standard Form and the Contractor's Proposals are appropriate.

10.4 Authority's Requirements (AR's)

10.4.1 The relevant Authorities Requirements relating to FM will form Part 3 of Schedule 1 to the PA.

10.4.2 Generally

The FM Services are required to achieve the following overriding objectives over the life of the project:

- To deliver the agreed level of service to support the users during the contract period;
- To provide a single point of contact between the users and the service provider;
- To establish a pro-active and responsive service within agreed time scales; and
- To provide continuous improvement in service over the contract period in line with Best Value objectives.

All work undertaken by the FM service provider is to be in accordance with recognised industry practices, to appropriate professional and technical standards and to comply with the requirements of the appropriate body or institution.

For the duration of the contract the service provider is to provide sufficient trained personnel for the proper performance of its obligations under the service contract and the FM Contractor and its employees (or persons under their control) are to be aware of the relevant standards and legislation both current and imminent.

10.4.3 Cleaning and Waste Management

The scope of the service is:

- General cleaning of the internal areas and external spaces within the site boundaries;
- A responsive service to maintain the full use of the facilities and the safety, security and well being of all users;
- The provision of all consumables in relation to the support services;
- The environmentally friendly management of waste, including liaison with the appropriate agencies for special disposals or removals; and
- The service to be carried out in a manner and at such time to minimise disruption to the operational efficiency of the facilities.

10.4.4 Security, Health and Safety

The requirements of the security and health and safety aspects are to comprise of the appropriate physical measures, systems and procedural provisions for the:

- Security and fire safety during operational periods, including general visitor management and control of FM deliveries to the new facilities;
- First aid support;
- Car parking and delivery/collection control; and
- Pest and vermin control.

10.4.5 Building Installations and Asset Maintenance

The service to be provided covers routine operations and maintenance, both planned and day to day, installations, inspections, systems, monitoring and adjustments, service contracts, repairs, replacements and preventative regimes to all facilities and equipment on all sites forming part of this project.

The Facilities Requirements generally require elements to be present in a structurally sound safe and secure state, function correctly and be in full working order with all elements present. In addition, all elements shall be provided as necessary to enable the Contractor to meet the Availability Criteria and Performance Standards with minimal disruption to the normal activities and day to day running of the facility.

10.4.6 External and grounds maintenance

The scope of the service comprises of the co-ordination and provision of the maintenance to all external areas including:

- Maintenance of all grass, planted and amenity areas; including cutting vegetation, as appropriate, during growing seasons and watering during dry conditions;
- Pruning and surgery to all hedges and trees etc.;
- Maintenance of all walls and fences and gates;
- Maintenance of internal roads, pathways, steps, ramps, general paving, drill yards and car park areas etc.;
- Repair and maintenance of external lighting and signage; and
- Maintenance and cleaning of water storage tanks (including removal of sludge), hydrants etc.

10.4.7 Utilities Management

The scope of this element of the service includes:

- The negotiation of new agreements with utility service providers to deliver the Authority's Requirements;
- Effective management of energy consumption, including payment of utility bills to the appropriate supplier(s);
- Provision of all necessary diversions, reinstatements etc., without due disruption to the users of the facilities or the immediate neighbours to the project sites; and
- Procurement and provision and regular testing of emergency power supply.

The Contractor is not responsible for the failure of the service delivery due to the performance of the utility company; however, it is responsible for the maintenance of all essential services and utilising back up supply arrangements to the buildings to enable the Authorities to carry out their statutory obligations.

10.4.8 Furniture and Equipment

The scope of the services for furniture and equipment includes the following:

- Purchase, installation and life-cycle management of furniture and equipment;
- Delivery of outcomes detailed on the Area Data Sheets;
- Maintenance and replacement of equipment so that the normal functions carried out by the Authorities in the facilities continue to be met throughout the duration of the contract and so that safety and industrial standards are met;
- Training for the use of certain categories of equipment; and
- Arrangement of furniture in each room to the 'default' position at the start of each day

Details of the furniture requirements are included in the Area Data Sheets.

10.4.9 Information and Communication Technology (ICT)

The scope of the managed ICT provision encompasses the following:

- The use of ICT to support the requirements of the User Groups and the operational requirements of each Authority **namely** the containment and infrastructure cabling;
- The co-ordination and networking of technical support and maintenance of the installed systems **namely** the containment and infrastructure cabling;
- All registration and licensing requirements and the payment of all associated charges. Each Authority will only pay for all telecommunication call charges made from installed equipment, apart from any payphones used by members of the community; and
- Be compatible with and allow for a full communication interface with each Authority's existing communication systems and communication policy requirements.

The requirements for computer outlets and associated telephone points are set out in the Area Data Sheets.

It is noted that “the Authorities intend to purchase and install telecommunication systems to serve all the new facilities which form part of this Project. Details of the selected systems will be provided to the Contractor when they are available.” The telecom system will be a minor element of the construction process and the required interface with the Authority is very unlikely to cause delay to a competent builder such as Mansell Construction Services Limited. That said, the telecom system is required to be in place in order to achieve Services Availability. If the Authority does cause a genuine delay this would be considered a Compensation Event under the Project Agreement.

10.4.10 Catering

In connection with the provision of catering services it is proposed that the catering in the new Community Fire Stations will be carried out at all times by employees of the Authorities. In all cases the responsibility for the ordering of food and the preparation and serving of meals, beverages etc. will lie with the respective Authority.

The Contractor is responsible for the design, supply, installation and maintenance of the fixed cooking equipment and has the responsibility for providing the kitchen and necessary food storage space in the facilities. In addition it is also responsible for cleaning the kitchens and storerooms.

The operational scope of the catering provision includes:

- The regular cleaning of the cooking equipment and associated ventilation systems;
- The maintenance of the catering areas and equipment;
- The initial provision of all dining furniture, fittings, equipment, crockery/cutlery/glasses etc; and
- The carrying out of a deep clean of the cooking equipment a minimum of twice a year, with the exception of Patterdale Fire Station which is to be cleaned once per annum

The Contractor is also required to provide a vending machine providing hot and cold drinks for use by community visitors at all sites other than Patterdale Fire Station. This machine is to be located in a corridor area and accessible from all rooms which are used by the community. The Contractor will be responsible for all maintenance and will retain all income generated. The Contractor is expected to provide a number of tokens to be retained in a secure location on each Fire Station (except Patterdale Fire Station) for the provision of a free vend facility for Authority meetings. The drinks purchased by the tokens will be reimbursed at a pre-agreed rate through the pass through provisions in the Payment Mechanism.

10.4.11 Help Desk

The Contractor is to provide a Help Desk, operated on a continuous 24 hour 365 days basis, that will enable users of the facilities to notify of any defects in the service delivery or of any emergency and health and safety matters arising.

The primary functions of the Help Desk are:

- To take ownership of fault and non compliant situations;
- Monitor, record with a unique reference and time log all transactions, calls etc. including the name of the individual notifying the Help Desk;
- Record the location and a description of the problem;
- Propose the initial remedial actions to be taken to rectify the problem;
- Measure performance against agreed standards;
- Provide proactive fault/incident 'trend spotting'; and
- Be available and responsive on a continuous basis.

10.4.12 Initial Services Requirements

The Contractor is to prepare a single electronic Facilities Management (FM) Plan that incorporates all of the following, with regard to Hard and Soft FM functions for the Initial Services Period at each site:

- Planned lifecycle maintenance plan and procedures for notification of all works (i.e. including reactive repairs and/or services) etc.;
- Method statements for all Hard and Soft FM Services (Service Delivery Plans);
- Asset protection plan;
- Risk management plan;
- Energy management plan;
- Health and safety plan;
- Disaster recovery plan;
- Security requirements; and
- Contractor's staff training and welfare (including protection / inoculation)

The Initial Services Requirements are identical to the Full Services Requirements except that Performance Standards relating to Help Desk, Furniture & Equipment, ICT and Catering do not apply during the Initial Services Period.

Appleyards have had sight of the Initial Services Management Plan, and it adequately addresses the Authority Requirements.

10.4.13 Services Specification Conclusion

The Services Specification is drafted as per the Standard Form and can be readily delivered by a competent FM Contractor such as Balfour Beatty Workplace Limited.

10.5 Service Delivery Proposals (SDP's)

10.5.1 The order of the services presented below is the order they appear in the SDP's.

10.5.2 Non Site Specific Compliance with Output Specification (Services)

In this section BBW provide their response to the output specification in relation to the materials, products and components that they have specified for the building services elements. In the main the SDP is high level and responds appropriately to the ARs.

10.5.3 Non Site Specific Proposals for Temporary Accommodation

In this section Balfour Beatty Fire and Rescue's present their proposals for the provision of temporary accommodation at the applicable sites. The proposals comprise details of the standard of the proposed type of accommodation, the location and layout of the temporary accommodation, the infrastructure and safety arrangements and the temporary accommodation programme which includes details of the phasing.

The proposed temporary accommodation solution is the Steelplan Multi provided by Elliot Modular. The Authorities had the opportunity to inspect the modules at the Elliot Modular facilities in Carnaby on 8 May 2009.

At each of the stations it is Balfour Beatty Fire and Rescue's intention to utilise the existing appliance return point for access to the temporary appliance bays and mitigate the requirement for amendment to any existing highways infrastructure. The layout and form of the temporary accommodation will affect the ability of Balfour Beatty Workplace to provide the Initial Services. We believe the proposals are appropriate.

10.5.4 Site Specific Proposals for Temporary Accommodation

In this section Balfour Beatty Fire and Rescue's present their proposals for the provision of temporary accommodation at each of the applicable sites. The layout and form of the temporary accommodation will affect the ability of Balfour Beatty Workplace to provide the Initial Services. This Service Delivery Proposal advises that the Initial Services to be provided to these sites are the following, in line with Appendix 15 to the Output Specification;

- Hard FM;
- Internal cleaning of the whole building once daily;
- Emptying of all rubbish bins once daily;
- Maintenance of all grounds, in a satisfactory condition;
- Emptying of any septic tanks or maintaining the flow of drainage;
- Maintenance of standby generators and UPS;
- Energy management;
- Site security; and
- Pest control.

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This Service Delivery Proposal advises that Balfour Beatty Workplace intend to provide the following services to “the same levels of service as the full services proposals”;

- Helpdesk;
- Planned and reactive maintenance;
- Cleaning and Grounds maintenance; and
- Security.

The Payment Mechanism includes provisions for the Initial Services Payment.

Where applicable, the TUPE transfer of cleaning staff will occur at the start of the Initial Services period. This SDP sets out the anticipated costs relating to the transfer of staff. The restructure and redundancy costs provided in the table below are maximum estimates by BBW;

Services Costs	Restructure Costs	Redundancy Costs	Total
£72,742	£73,489	£35,323	£181,554

Appleyards can confirm that clause 30 of the Project Agreement includes a contractual mechanism which allows an adjustment to the Unitary Charge in the event that TUPE costs are different to what had been anticipated due to changes between the information contained in the First Employee List and that contained in the Final Employee List. TUPE “Remuneration Costs” and “Reorganisation Costs” as defined in PA are to be advised. Also, the Initial Services FM Costs include allowances for “Salary Protection Restructure” and “Redundancy Costs”. ProjCo have confirmed that the Initial Services Payment includes the actual costs for Initial FM Services and the Renumeration and Restructuring Costs.

10.5.5 Decant proposals and compliance with decant strategy

This method statement provides Balfour Beatty Fire and Rescue's proposals for decanting and compliance with the Decant Protocol (Schedule 25 of the Project Agreement), in accordance with the requirements of the Output Specification and in particular, paragraph 3.11 – decanting:

‘A detailed Method Statement shall be submitted detailing how the Contractor proposes to deliver this service; where confidential documents are to be moved the respective Fire and Rescue Service may require a nominated/named subcontractor to carry out this work.’

It is Balfour Beatty Fire and Rescue's intention to utilise the equipment from the existing stations to satisfy FF&E requirements at the temporary accommodation. Decanting is required at all stations except for Carlisle West and Patterdale.

We believe the Decant proposals are appropriate.

10.5.6 Change Protocol proposals

The Bidder's response to the Change Protocol process is by way of mark-up of Schedule 23 of the Project Agreement (Change Protocol). This includes a response to the technical appendices of the Schedule:

- Appendix 1 - Catalogue of Low Value Change
- Appendix 2 - Pricing Information

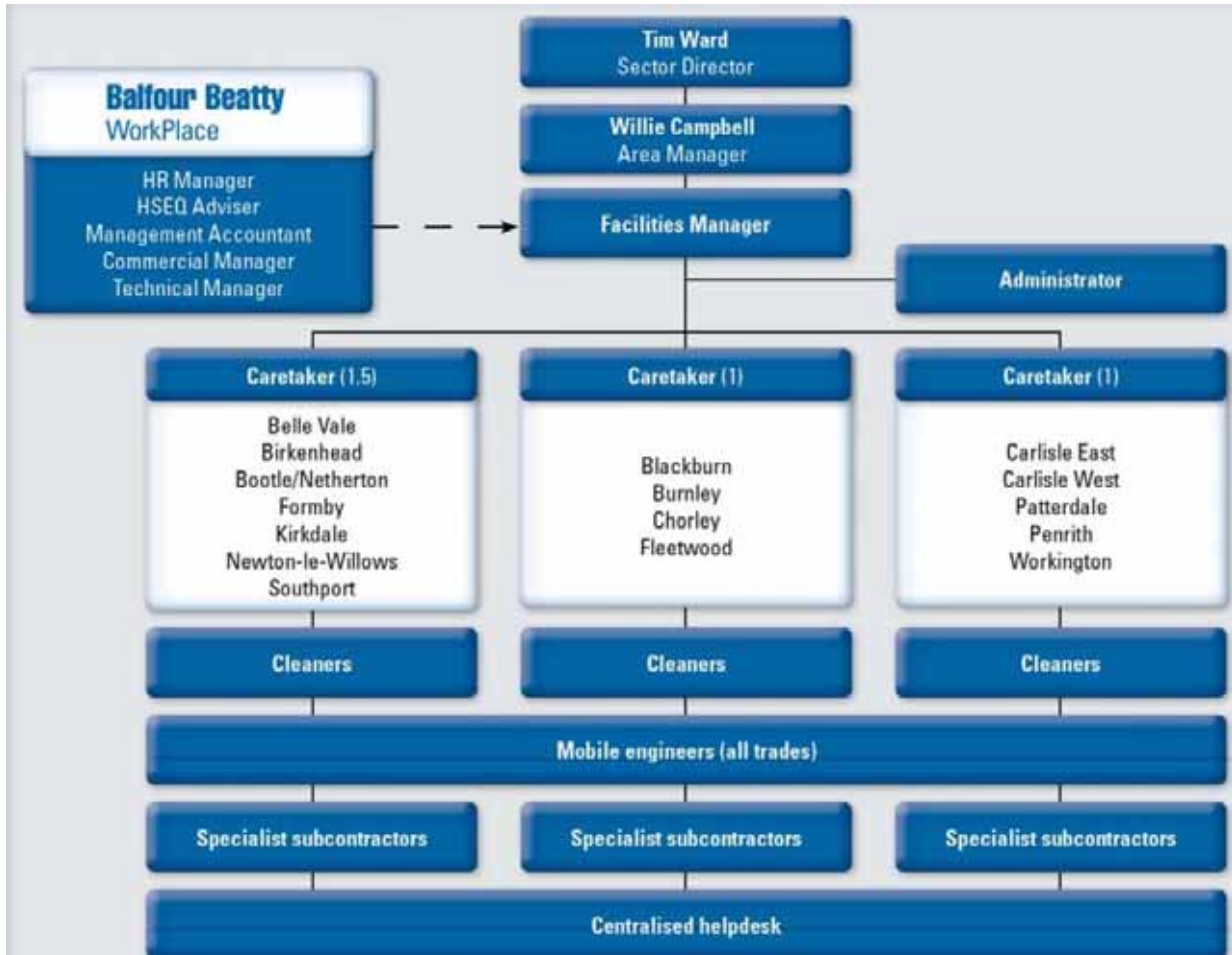
Balfour Beatty have strived to propose only minimum derogations to the Change Protocol proposed by the Authorities. We have reviewed Balfour Beatty's proposals in respect of the Change Protocol and consider them to be acceptable.

10.5.7 FM proposals - Management

This SDP addresses Balfour Beatty's proposals in respect of the Facilities Management service covering the management structure, team members and contract reporting process. An FM services staff transfer and mobilisation plan is also included for each of the sites.

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Balfour Beatty's management structure for the provision of facilities management services is set out in the following diagram:



BBW will employ a small local management team based in Merseyside to manage the provision of services and to act as the principal interface with the Authorities and the Authorities' station managers throughout the services period. The team will be led by a full time facilities manager (40 hours per week) who will provide the Authorities with a single point of contact for all services.

BBW will deliver the services to the stations using directly employed staff with support from specialist subcontractors. No firm subcontracts are in place at this time, but are anticipated to include pest control, vending, ground maintenance, lift maintenance, BMS, statutory tests, and generators.

BBW's helpdesk service will receive calls related to all FM services. The helpdesk will be located at BBW's national operations centre in Manchester. The helpdesk operators will be trained in advance of services availability to ensure they fully meet the Authorities' needs. This will take place during the mobilisation phase before Initial Services starts.

10.5.8 FM proposals – Method Statements

This SDP addresses Balfour Beatty's proposals in respect of the following areas:

- Cyclical maintenance;
- Cleaning;
- Caretaking;
- Waste management;
- Pest control;
- Health and safety; and
- Security.

Cyclical Maintenance SDP

Scheduled maintenance will be controlled by Maximo software to ensure that all planned maintenance is carried out at the correct time. There will be 42 mobile engineers and technicians geographically based around the region which will enable a response to any service request within 30 minutes. They will report to the facilities manager. The caretaker or the helpdesk will be the point of contact for reporting any requests for reactive maintenance.

Caretakers and the facilities manager will also be available through an on-call system. An on-call rota will be set up within the team to ensure that a member of the team will always be contactable outside of normal working hours. The helpdesk will be contactable 24-hours a day, 365 days per year.

Grounds Maintenance SDP

Maintenance of the grounds will be carried out through direct staff (e.g. BBW's caretakers) on a weekly basis in accordance with the caretaking services method statement and specialist contractors) e.g. arboriculturalists for tree maintenance on an as required basis). BBW will undertake planned works whilst external areas are not in use and we will liaise with adjoining owners when carrying out any work to boundaries and or tree work.

Cleaning Services SDP

BBW have revised their proposals to ensure that cleaning services will be delivered morning and evening, prior to and at the end of the working day, to avoid any disruption to the Service.

BBW will employ one or two cleaners, depending on the size of the station. Each cleaner will normally work between two and three hours on each morning or evening shift.

The exact morning and evening cleaning times for each station will be discussed and agreed with the station manager.

BBW point out that a lesser regime of cleaning will apply to the Kirkdale ORC, the auxiliary garage areas and the fire houses. This is because these areas will not require the same intensity of clean as the office accommodation areas. The SDP advises that a caretaker will undertake a clean to these areas if required on a weekly basis.

The caretaker will check and monitor the cleanliness and quality of the cleaning service, induct and train cleaning staff and order supplies. He/she will also ensure the service is delivered in an efficient and organised manner and is responsive to the needs of the stations. The caretaker will carry out all external window cleaning, which will be carried out at least twice a year using a reach and wash system. Balfour Beatty Fire and Rescue will ensure procedures are in place to ensure all applicable legislation and risk management protocols involved in cleaning windows.

Outside normal working hours, caretakers and the facilities manager will be available through an on-call system. An on-call rota will be set up within the team to ensure that a member of the team will always be contactable outside of normal working hours. The helpdesk will be contactable 24-hours a day, 365 days per year.

Caretaking SDP

Within each of the three Authorities there will be a single point of contact, the caretaker, who will be responsible for the delivery of the facilities management services at all stations within the Authority. There will be a second caretaker in Merseyside who will also provide holiday cover for the other caretakers. The caretakers will be a mobile resource, able to reach any station in the Authority within one hour. Each caretaker will use a van to travel between stations which will be fully equipped with tools, materials and spares to conduct activities.

The role of the caretaker is very much proactive, with the duties of the caretakers split between scheduled activities (such as planned preventative maintenance activities) and responsive tasks.

Outside normal working hours, caretakers and the facilities manager will be available through an on-call system. An oncall rota will be set up within the team to ensure that a member of the team will always be contactable outside of normal working hours. The helpdesk will be contactable 24-hours a day, 365 days per year.

Waste Management SDP

The cleaning staff will empty the waste receptacles once a day and will place the waste in central collection facilities on each site. If a receptacle becomes full during the day, prior to the normal collection by the cleaning staff, the caretaker (if at site) will empty the receptacle into the central collection facility if at site. The caretaker or the helpdesk will be the point of contact for any comments on the waste management service, or requests for reactive service.

Pest Control SDP

Balfour Beatty Fire and Rescue will employ the services of licensed and certified (e.g. to British Pest Control Association standards) pest control contractors to undertake the pest control service. Each station will be inspected three times per year on a planned basis (with additional inspections as required by pest infestations).

On-call emergency advice and action in relation to pest control will be available via the helpdesk outside normal working hours. Caretakers and the facilities manager will also be available through an on-call system and an on-call rota will be set up within the team to ensure that a member of the team will always be contactable outside of normal working hours. The helpdesk will be contactable 24-hours a day, 365 days per year.

Health & Safety SDP

Balfour Beatty proposals in respect of Health and Safety are adequate.

Security SDP

Balfour Beatty Workplace will provide a 24/7 security service. The Alarm Receiving Centre (ARC) will provide 24/7 remote monitoring of the stations via CCTV and alarms. Monitoring will include activation and also faults. Security Industry Authority (SIA) qualified security staff will conduct patrols of the facilities using the CCTV cameras three times each day, i.e. they will take manual control of the cameras to conduct remote security patrols.

The caretaker or the helpdesk will be the point of contact for any security concerns that arise. Monitoring by the ARC will continue on a 24/7 basis. Outside normal working hours, caretakers and the facilities manager will be available through an on-call system. An on-call rota will be set up within the team to ensure that a member of the team will always be contactable outside of normal working hours. The helpdesk will be contactable 24-hours a day, 365 days per year.

10.5.9 Utilities Management SDP

No Utilities Management Service Delivery Proposal has been made available for review. Balfour Beatty has advised that a separate Contractor's Proposal for Utilities Management was not deemed necessary by the Authorities, and that responsibilities under each of the items are fully understood and sufficiently covered under other Contractor's Proposals. Despite the lack of a standalone Service Delivery Proposal for this item we believe the FM Contractor can deliver the required service without a problem.

10.5.10 Furniture and Equipment SDP

No Furniture and Equipment Service Delivery Proposal has been made available for review. Balfour Beatty has advised that a separate Contractor's Proposal for Furniture and Equipment was not deemed necessary by the Authorities, and that responsibilities under each of the items are fully understood and sufficiently covered under other Contractor's Proposals. Despite the lack of a standalone Service Delivery Proposal for this item we believe the FM Contractor can deliver the required service without a problem.

10.5.11 Information and Communication Technology (ICT) SDP

No ICT Service Delivery Proposal has been made available for review. Balfour Beatty has advised that a separate Contractor's Proposal for ICT was not deemed necessary by the Authorities, and that responsibilities under each of the items are fully understood and sufficiently covered under other Contractor's Proposals. Despite the lack of a standalone Service Delivery Proposal for this item we believe the FM Contractor can deliver the required service without a problem.

10.5.12 Catering SDP

The authority operational staff will prepare their own food, so no SDP has been prepared for this item.

10.5.13 Service Delivery Proposals Conclusion

The Service Delivery Proposals that have been provided respond appropriately to the Services Specification in the Authority Requirements. The proposed FM staffing levels are quite low. Only 3 Caretakers will be employed to cover all 16 sites, so there may be occasions when the Caretaker will be unable to attend site within 1 hour. The Services Specification requires the Contractor to inspect any reported performance shortfall or Unavailability notification within one hour. Balfour Beatty point out that their FM Contractor operates a number of long term contracts in the area. These include, Knowsley Schools PFI, Blackburn BSF, Liverpool Schools, and Romec (which since 2002, has been a joint venture between Balfour Beatty Workplace and Royal Mail). The suggestion is that the FM Contractor will be able to rely on staff employed on these projects to occasionally supplement the NWFRA workforce, which is a reasonable assertion.

10.6 Resource Proposals

10.6.1 Service Provision

The services will be provided on the following basis:

Service	Provider
FM Management	BBW
Security Management	BBW + Specialist (TBA)
Energy and utilities management	BBW
Building and Assets Maintenance	BBW
FF&E Maintenance	BBW
ICT Infrastructure Maintenance	BBW
Grounds Maintenance	BBW + Specialist (TBA)
Cleaning	BBW
Waste Management	BBW
Recycling	BBW + Specialist (TBA)
Health and Safety management	BBW
Lifecycle	BBW

10.6.2 Staffing Levels

The staffing levels can be considered minimal with a risk that BBW will not be able to attend to all faults within the required timeframes. The issue of providing sickness and holiday cover has been addressed by the provision of one additional Caretaker and in practice this should suffice, although local fluctuations will require close management by the contract team. As identified in the above paragraphs BBW operate a number of other projects in the area, which will supplement the NWFRA staff.

Caretaking and skilled labour operatives will be separately attributed to each of the three Authority areas of Cumbria, Lancashire and Merseyside. Travel times from one station to another within these Authority areas is estimated by the AA to be no greater than 1 hour in all instances.

Balfour Beatty Workplace anticipate that the cleaning staff to be employed on the project will generally be within walking distance of the fire stations.

10.6.3 Supply Chain

We have yet to be advised of the proposed supply chain providers. However, the risk for their performance and financial standing resides with BBW.

10.6.4 Conclusion

The staffing levels can be considered minimal with a risk that BBW will not be able to attend to all faults within the required timeframes. However, the existence of several BBW projects in the immediate locality mitigates the risk of incurring significant deductions and a large contractor such as BBW will be able to incur the occasional costs associated with providing supplementary staff where required.

10.7 Mobilisation and Commissioning

10.7.1 The approach to mobilisation is outlined in the Management Resources SDP.

10.7.2 BBW have stated that a separate dedicated mobilisation team has been allowed for in the bid. The Mobilisation Costs includes the cost of providing a Mobilisation Manager, Facilities Manager and an allowance for any gaps in Caretaking during the transition. In accordance with clause 37.1.1 of the FM Agreement, the Contactor shall pay the FM Contractor within ten (10) Business Days of the date of receipt of a valid VAT invoice in respect thereof, the sum of two hundred and forty four thousand four hundred and thirty eight pounds and thirty three pence (£244,438.33) to provide for mobilisation and similar payments not covered by the FM Services Payment.

10.7.3 Further Mobilisation Payments totalling £221,695 are allocated to the FM Contractor in the Financial Model in the period from March 2011 to March 2012.

10.7.4 The approach to mobilisation of the FM element is a standard approach and considered to be appropriate.

10.7.5 Conclusion

The mobilisation costs are acceptable.

10.8 Transfer of Staff

10.8.1 Provision for transferred staff are dealt with under clauses 30 (TUPE & Employees) and 31 (Pensions) of the PA and data included in Schedule 11.

10.8.2 The TUPE requirements are detailed in Schedule 11 of the PA. A Service Delivery Proposal has been created for TUPE, titled "Detailed staff transfer proposals". The personnel to be transferred is finalised, and a cost of £108,812 allowed for these transfers.

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10.8.3 A summary of the total TUPE staff to be transferred is summarised in the table below.

TUPE Staff under Schedule 11 to PA	Cumbria	Lancashire	Mersey	Total
Caretaker	1			1
Cleaners	4	5	10	19
Supervisor	1			1
Total	6	5	10	21

10.8.4 A summary of the total proposed staff required on the project is also set out in Schedule 11 to the PA and is summarised in the table below.

Proposed Staff under Schedule 11 to PA	Total
FM Manager	1
Caretaker	4
Cleaner	15
M & E Technician	2
Administrator	1
Total	23

10.8.5 Conclusion

The Transfer of Staff proposals are acceptable.

10.9 Third Party Use and Income Proposals

10.9.1 There is no requirement for third party income, and this is assumed in the revenue budgets.

10.9.2 We note that the Southport Station is to incorporate an Ambulance Station. Full FM Services will be required for the following areas at the Station in relation to the Ambulance Service:

Ambulance Related Room	Room Weighting
Medical Supplies Store	3
Medical Gas Store	3
Ambulance Service Sluice / Disposal Room	3

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Ambulance Related Room	Room Weighting
Ambulance Service Station Office	4
Ambulance Bay 1	5
Ambulance Bay 2	5

10.9.3 There are no specific service requirements in relation to the Ambulance Station and the requirements will be the same for these areas as for the rest of the Fire Station. The requirements are therefore manageable and the cost of provision for this element is included in the FM Costs.

10.10 Damage Risk

10.10.1 Damage and vandalism risk is taken by the FM Contractor. Project Co. will be responsible for maintaining the project insurances.

10.10.2 The FM Agreement advises that where a claim is made for Vandalism under physical damage cover, the FM Contractor shall be liable for the excess unless such Vandalism has been caused by the Authorities, any Authorities Related Party, the Contractor or any Contractor Related Party, provided always that the excess under such physical damage cover shall not exceed £10,000.

10.10.3 Under 63.2.2 of the PA, Project Co. is protected from the wilful misconduct of the Authorities and Authorities Related Parties. Costs associated with Vandalism which has been caused by the Authorities or any Authorities Related Party will ultimately be covered by the Authority.

10.10.4 Project Co. is required to maintain an account in the joint names of the Authorities and Project Co. with all insurance proceeds paid under any Physical Damage Policy in respect of a single event (or a series of related events) in an amount in excess of twenty five thousand pounds (£25,000) (indexed) to be paid into that account.

10.10.5 Conclusion

This is an acceptable arrangement with a suitable excess from a Project Co. perspective.

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10.11 Market Testing

10.11.1 Market Testing is dealt with under Clause 27 to the PA. Market Tested services are as follows:

Element of Services	Market Testing Review Date
Cleaning	Two (2) years following the final Services Availability Date and thereafter every five (5) years.

10.11.2 Typically Security and Grounds Maintenance are also Market Tested services under PFI Contracts. However, the security and ground maintenance elements required on Fire Stations are minor costs and are primarily provided as part of the caretakers cost.

10.11.3 The Market Testing Procedure outlined in the Project Agreement is replicated in the FM Agreement, and is a standard arrangement.

10.11.4 Conclusion

No residual issues.

10.12 Review of Facilities Management Costs

10.12.1 The base date for the FM Costs is 1st October 2010.

10.12.2 The total Year 1 Full Service FM costs are as follows:

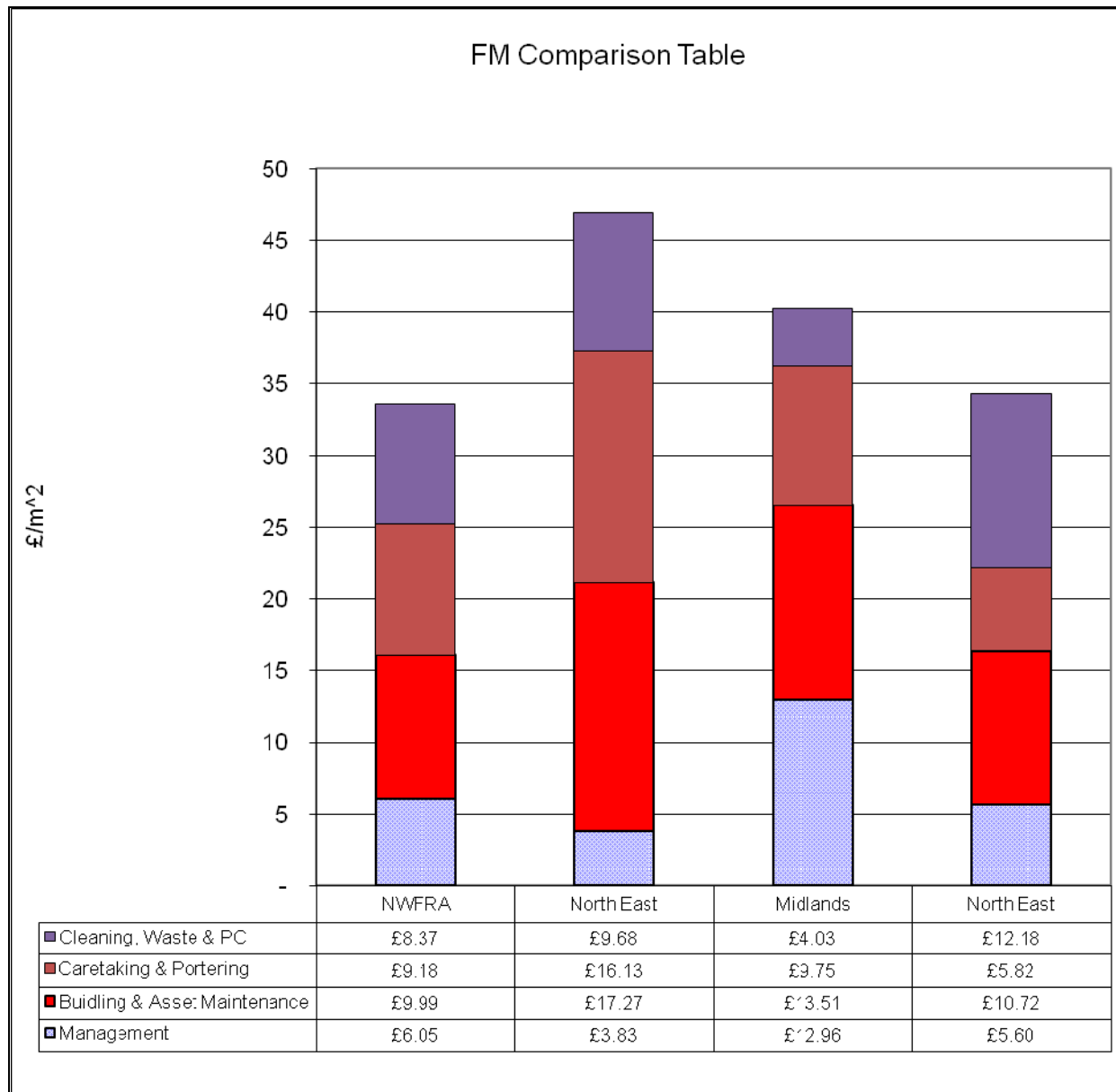
NWFRA Service Costs		
Item	Cost	£/m ² (20,279 m ²)
Cleaning	£166,553.99	£8.21
Caretaking	£186,101.37	£9.18
Grounds Maintenance	£19,348.23	£0.95
Utilities Supply & Management	£27,276.50	£1.35
Site Security & Health & Safety	£21,760.88	£1.07
Helpdesk	£0.00	£0.00
Contract Management	£122,599.20	£6.05
Building Maintenance (non life cycle)	£202,535.03	£9.99
Pest Control	£3,187.95	£0.16
Waste Removal	£0.00	£0.00
Window Cleaning	£0.00	£0.00

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NWFRA Service Costs		
Item	Cost	£/m ² (20,279 m ²)
Catering (Vending)	£0.00	£0.00
Total	£749,363.15	£36.95

10.12.3 For benchmarking purposes, window cleaning and waste removal are wrapped up in the cleaning figure. The Helpdesk allowance is included in Contract Management.

10.12.4 We have compared data from 3 other Fire and Rescue projects of a similar nature for benchmarking, and adjusting for inflation we have the results shown in the following bar chart.



10.12.5 The way in which FM Costs are distributed between the various services tends to vary from one FM Contractor to another. Unlike BSF projects, there are no standard Proforma that the bidders are required to populate. FM Contractors also tend to use the on site staff in different ways. On this project the Caretakers have responsibilities across a range of FM services.

10.12.6 Cost Comparison Data

10.12.7 For the purposes of benchmarking we analyse the following services:

- Management Service;
- Building and Asset Maintenance Service;
- Caretaking; and
- Cleaning (including waste disposal)

10.12.8 Management Service

The Management Service allowance of £6.05/m² is within the expected range of £4.72 – £9.28 and compares satisfactorily with the benchmark projects. This service is not Market Tested.

10.12.9 Building and Asset Maintenance

The Building and Asset Maintenance allowance of £9.99/m² is below the expected range of £12.12 - £15.39. This service is not Market Tested. We note that the FM Contractor is taking the Lifecycle Risk on this project, and that the Lifecycle Fund is benchmarked towards the upper quartile range. When the Building and Asset Maintenance allowance and Lifecycle Fund are considered on the whole, the allowance is acceptable. Refer to Section 12 for further commentary on the way Hard FM items and Lifecycle items are dealt with.

10.12.10 Caretaking

The Caretaking allowance of £9.18/m² is within the expected range of £7.79 – £12.94 and compares satisfactorily with the benchmark projects. This is not a Market Tested service.

10.12.11 Cleaning, Waste and Pest Control

The Cleaning, Waste and Pest Control allowance of £9.68/m² is within the expected range of £6.85 – £10.93 and compares satisfactorily with the benchmark projects.

In terms of risk to ProjCo we would point out that this service is Market Tested and so in principle presents a risk for the first 5 years only.

10.12.12 Combined allowance for the above

The combined allowance for Management Service, Building and Asset Maintenance, Caretaking and Cleaning is £33.58/m² and is just below the expected range of £34.32 – £43.58.

10.12.13 Other Services

Not used.

10.12.14 Security

An allowance of £21,761 has been separately identified for this service. Further security costs are comprised within the other elements. For example the Caretaker will perform many of the security functions at the sites. This is acceptable.

10.12.15 Grounds Maintenance

This is a project specific service and depends on the nature and total external area; however the allowance of £19,348 p.a. is considered typical for the size of the project.

10.12.16 Catering

Catering services are not required on this Project.

10.12.17 Furniture and Equipment Maintenance (F&E)

The Building Contractor is responsible for the provision and installation of Furniture and Equipment on this project.

10.12.18 Other Cost Considerations

Not Used

10.12.19 Wage Escalator

We have queried if a wage escalator has been included to account for possible above RPI inflation relating to labour elements of the FM charge. Balfour Beatty have advised as follows:

“BBW have priced 1.50% DI on Hard Services labour and 1% on Hard Services sub-contractors from the base date of 1 October 2010. Please note that the internal price adjustment mechanism (PAM) referred to in the FM HoT's will not carry forward into the final FM subcontract. Therefore the FM subcontractor will bear the full risk of hard FM DI for the life of the concession.”

This allowance is in line with what we have observed on previous projects and is considered to be appropriate.

10.12.20 Initial Service FM costs

We have received a breakdown of the full Initial Service FM cost and it is acceptable. Allowances for Cleaning, Caretaking, Building Maintenance Costs and the other elements have been identified separately. The summary totals are set out in the table below. The total Initial Services FM Costs are equal to £181,554 for the entire Initial Services Duration, as per the table below.

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Services Costs	Restructure Costs	Redundancy Costs	Total
£72,742	£73,489	£35,323	£181,554

As well as the actual costs for providing the FM Services the Initial Services FM Costs include allowances for “Salary Protection Restructure” and “Redundancy Costs”.

We note that the total Initial Services FM Costs were stated as being equal to £181,554 for the entire Initial Services Duration. The total has been split into equal monthly payments over the Initial Services Period, except for the first and last months which would be on a pro rata basis.. The overall total in the table below shows the months where payments will be made against this item.

	Monthly Initial Services Payment	Stations receiving Initial Services at this time	Area Served	Rooms Served	Initial Rate per month per m2	% of UC Payable at Month End	Monthly UC
04-Apr-11	£6,178	2	464	22	£159.78	0.00%	£0
01-May-11	£6,865	5	1205	79	£68.36	0.00%	£0
01-Jun-11	£6,865	5	1205	79	£68.36	0.00%	£0
01-Jul-11	£6,865	5	1205	79	£68.36	0.00%	£0
01-Aug-11	£6,865	5	1205	79	£68.36	0.00%	£0
01-Sep-11	£6,865	5	1205	79	£68.36	0.00%	£0
01-Oct-11	£6,865	5	1205	79	£68.36	0.00%	£0
01-Nov-11	£6,865	5	1205	79	£68.36	1.60%	£8,333
01-Dec-11	£6,865	4	1187	76	£69.40	1.60%	£8,333
01-Jan-12	£6,865	4	1187	76	£69.40	5.50%	£28,646
01-Feb-12	£6,865	4	1187	76	£69.40	12.00%	£62,500
01-Mar-12	£6,865	4	1187	76	£69.40	19.80%	£103,125
01-Apr-12	£6,865	5	1837	107	£44.84	41.95%	£218,490
01-May-12	£6,865	3	1187	69	£69.40	47.91%	£249,531
01-Jun-12	£6,865	1	650	31	£126.73	61.09%	£318,177
01-Jul-12	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Aug-12	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Sep-12	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Oct-12	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Nov-12	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Dec-12	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Jan-13	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Feb-13	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Mar-13	£6,865	4	1822	96	£45.21	61.09%	£318,177
01-Apr-13	£6,865	4	1822	96	£45.21	68.29%	£355,677
01-May-13	£6,865	4	1822	96	£45.21	74.09%	£385,885

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	Monthly Initial Services Payment	Stations receiving Initial Services at this time	Area Served	Rooms Served	Initial Rate per month per m2	% of UC Payable at Month End	Monthly UC
17-Jun-13	£3,661	3	1172	65	£74.97	80.93%	£421,510
	<u>£181,554</u>						

Balfour Beatty has confirmed that the full amount of £6,865 is available to undertake the Initial Services. The Initial Services FM Allowance appears to be appropriate and is consistently higher per square meter than the Full Services FM allowance at 36.95/m². Excluding the first and last months of the period, the average FM rate over the initial services period is 59.78/m².

10.12.21 Conclusion

The Full Services FM allowance is quite low when benchmarked with similar projects, and this has been considered in establishing suitable FM Caps on Liability. The Initial Services FM allowance is acceptable.

10.13 Caps on Liabilities Test

10.13.1 Limits of Liability

The maximum aggregate liability of the FM Contractor in any Contract Year shall not exceed the amount of the Annual FM Services Payment for that Contract Year excluding any Deductions.

The Termination Cap is defined as the amount equal to the product of the Annual FM Services Payment for the Contract Year excluding Deductions current on the Termination Date multiplied by two (2) (provided always that where termination of this Agreement occurs prior to the Services Availability Date, the Annual FM Services Payment for the purposes of calculating the Termination Cap should be the modelled Annual FM Services Payment for the twelve (12) months following the Services Availability Date.

We have conducted our sensitivities on the FM Caps and would comment as follows:

- The annual cap is set at the level of the FM fee – (i.e. 100% & this is standard for this type of PFI project and we have no issue);
- The Termination cap is set at 200% of the FM fee

Due to the competitive nature of the hard FM Fee we have taken a cautious approach to the assessment of the cap and the cost of replacement. In our opinion the 200% cap on Termination will be sufficient. However, if termination occurs in the early years careful management of the FM replacement contractor will be required.

10.13.2 Conclusion

- i) Annual 100% cap – acceptable
- ii) 200% termination cap – acceptable

10.14 Lifecycle Risk Allocation

10.14.1 The Lifecycle risk will be held by the FM Contractor. The fund will be held by Project Co.

10.14.2 The Lifecycle is reviewed in detail in Section 12 of this report.

10.14.3 Conclusion

There are no residual Lifecycle concerns in the context of Financial Close.

10.15 Service Provider Competence

10.15.1 Balfour Beatty Workplace Limited provide a variety of FM services and include the full range expected from a competent FM organisation. Balfour Beatty Workplace Limited employ over 10,000 people and have a combined turnover of £400m.

10.15.2 We are satisfied that Balfour Beatty Workplace Limited have demonstrated a good measure of PFI experience, are of sufficient standing and have adequate financial strength to undertake the requirements of this project.

10.15.3 Conclusion

There are no residual concerns in the context of Financial Close.

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10.16 Summary of Risks

10.16.1 Residual Risks for this stage of the process are considered to be:

Ref	Issue	Risk	Category	Action
10.2.4	Service Period	The current versions of the Project Agreement and FM Agreement do not specify the Commencement Date or the Expiry Date	Green	PA and FMA have been amended.
10.4	Services Specification in the Authority Requirements for Full Service.	The Services Specification is drafted as per the Standard Form and can be readily delivered by a competent FM Contractor such as Balfour Beatty Workplace Limited.	Green	No Issues.
10.4.12	Initial Services Requirements	The Initial Services Requirements are identical to the Full Services Requirements except that Performance Standards relating to Help Desk, Furniture & Equipment, ICT and Catering do not apply during the Initial Services Period.	Green	No Issues.
10.5.4	Site Specific Proposals for Temporary Accommodation.	The layout and form of the temporary accommodation will affect the ability of Balfour Beatty Workplace to provide the Initial Services.	Green	No Issues.

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Ref	Issue	Risk	Category	Action
10.5.7	Specialist subcontractors.	No firm subcontracts are in place at this time, but are anticipated to include pest control, vending, ground maintenance, lift maintenance, BMS, statutory tests, and generators.	Green	No issues.
10.5.9	Utilities Management SDP.	No Utilities Management Service Delivery Proposal has been made available for review. Balfour Beatty has advised that a separate Contractor's Proposal for Utilities Management was not deemed necessary by the Authorities	Green	No issues.
10.5.13	The proposed FM staffing levels are quite low.	There may be occasions when the Caretaker will be unable to attend site within the required timeframes.	Green	Suitable mitigation measures are proposed.
10.6.2	FM staffing levels.	The staffing levels can be considered minimal with a risk that BBW will not be able to attend to all faults within the required timeframes.	Green	Suitable mitigation measures are proposed.
10.7	Mobilisation Costs.	Costs received and acceptable.	Green	No issues.
10.8	TUPE.	The personnel to be transferred is finalised.	Green	Details (Schedule 11) received and acceptable.

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Ref	Issue	Risk	Category	Action
10.10	Damage Risk and Vandalism.	Damage and vandalism risk is taken by the FM Contractor. Project Co. is responsible for maintaining the project insurances.	Green	No issues.
10.11	Market Testing.	The Market Testing Procedure outlined in the Project Agreement is replicated in the FM Agreement, and is a standard arrangement.	Green	No issues.
10.12	Full Service FM Costs.	The Full Services FM allowance is quite low when benchmarked with similar projects, and this has been considered in establishing suitable FM Caps on Liability.	Green	No Issues
10.12.20	Initial Service FM Costs.	Initial Service FM Costs are subject to further queries.	Green	Initial Service FM Costs acceptable.
10.13	FM Caps on Liability.	The sufficiency of the caps will be assessed.	Green	Concerns have been addressed.
10.15	Service Provider Competence	We are satisfied that Balfour Beatty Workplace Limited have demonstrated a good measure of PFI experience, are of sufficient standing and have adequate financial strength to undertake the requirements of this project.	Green	No issues.

Section 11



Payment Mechanism

11 Payment Mechanism

11.1 Overview

11.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 11 - Due Diligence Reporting Category
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Green

11.1.2 The NWFRA Payment Mechanism largely follows the 4Ps Standard Form Payment Mechanism. Some Parts have however been removed from the Payment Mechanism and are now contained within the Output Specification document.

11.1.3 A Weighted Area Session Schedule was finalised which yielded an Area Rate (AR) on this project during the Full Services Period equal to £0.558. The Area Rate affects the speed at which ProjectCo. Default thresholds might be reached. The Area Rate advised is consistent with what we have seen on similar projects and is acceptable.

11.1.4 There have been several amendments to this Payment Mechanism when compared to “Fire and Rescue Services and Police Procurement Pack” Standard Form Payment Mechanism of August 2009. However, we have seen many of these amendments on other recent Fire and Rescue Projects and the amendments are acceptable.

11.1.5 The sensitivities in respect of Performance Deduction Points for multiple areas and the Performance Deduction Points Value are outlined in section 11.13. This will have an impact on the speed at which ProjectCo. Default thresholds might be reached, and how quickly the Monthly Initial Services Payment might be eroded.

11.1.6 The pass through of obligations and risks to the FM Payment Mechanism is satisfactory.

11.2 Definitions

11.2.1 The definitions highlighted below are by exception.

11.2.2 Additional Performance Deduction Points

“the points determined in accordance with the formula in paragraph 4.4.4”;

Drafting has been amended to that of Standard Form causing ‘Additional Performance Deduction Points’ to be incurred against Response Category 4 & 5 items. Appleyards consider this to represent a minimal risk.

11.2.3 Annual Initial Services Charge

“£82,376 per annum, indexed in accordance with paragraph 2.6 of this Schedule 6, as amended from time to time in accordance with this Agreement”;

The Payment Mechanism has been amended from Standard Form to reflect that Initial Services are Required at 9 of the Stations in advance of the Full Services commencing.

11.2.4 Annual Unitary Charge

“£6,033,000 per annum, indexed in accordance with paragraph 2.6 of this Schedule 6, as amended from time to time in accordance with this Agreement”;

11.2.5 Base Annual Fixed Element

“(a) £4,042,110 per annum (being the element of the Annual Unitary Charge that is not subjected to indexation and which may be adjusted from time to time pursuant to the terms of this Agreement); **or**

(b) £0 per annum (being the element of the Annual Initial Services Charge that is not subjected to indexation and which may be adjusted from time to time pursuant to the terms of this Agreement),

as the case may be;”

This definition has been amended from Standard Form to reflect that Initial Services are required. The entire Annual Initial Services Charge will be subject to inflation.

11.2.6 Base Annual Variable Element

“(a) the element of the Annual Unitary Charge initially set at £1,990,890 per annum that is subject to indexation in accordance with paragraph 2.6 of this Schedule 6 and which may be adjusted from time to time pursuant to the terms of this Agreement; **or**

(b) the element of the Annual Initial Services Charge initially set at £82,376 per annum that is subject to indexation in accordance with paragraph 2.6 of this Schedule 6 and which may be adjusted from time to time pursuant to the terms of this Agreement,

as the case may be;”

This definition has been amended from Standard Form to reflect that Initial Services are required. The entire Annual Initial Services Charge will be subject to inflation.

11.2.7 Base Date

“means October 2010 the date at which the Annual Unitary Charge and the Annual Initial Services Charge are stated in real terms;”

11.2.8 Deduction Period

“where the Unavailability has not been rectified within the Rectification Period, the number of times (rounded to 3 decimal places) that the Rectification Period elapses during the period commencing at the Logged Failure Time and ceasing at the Logged Rectification Time;”

This definition has been amended from Standard Form. The whole mechanism has been amended so that Unavailability and Performance Deductions more closely reflect the period of time for which such events persist. This is acceptable.

11.2.9 Emergency Mobilisation

“means the process of getting a fire crew and an Appliance or Appliances out of the relevant Station onto a highway adjacent to the Station and en-route to an incident following notification of an emergency (112 or 999 call) to the Authorities in such a way as to enable the Authorities to deliver the Fire and Rescue Services and "Mobilised" shall be construed accordingly.”

This definition is not included in the Standard Form and places an additional risk on Project Co. Significant deductions can accrue under this performance requirement, but are commensurate with the buildings usage. This drafting has been observed on all recent Fire and Rescue PFI Projects, and is therefore acceptable. Full sensitivity analysis on the implications of this in relation to deduction and termination risk is set out at paragraphs 11.6.3 and 11.12.

11.2.10 Impeded Mobilisation

“means an Emergency Mobilisation that has been delayed or abandoned (in respect of any or all Appliances requiring to be Mobilised from a Station) as a result of an act of the ProjectCo. or a ProjectCo. Related Party”;

This definition is not included in the Standard Form and places an additional risk on Project Co. Significant deductions can accrue under this performance requirement, but are commensurate with the buildings usage. This drafting has been observed on all recent Fire and Rescue PFI Projects, and is therefore acceptable. Full sensitivity analysis on the implications of this in relation to deduction and termination risk is set out at paragraphs 11.6.3 and 11.12.

11.2.11 Impeded Mobilisation Severity Factor

“has the meaning given to it in paragraph 5.3 of this Schedule 6”;

This definition is not included in the Standard Form and places an additional risk on Project Co. Significant deductions can accrue under this performance requirement, but are commensurate with the buildings usage. This drafting has been observed on all recent Fire and Rescue PFI Projects, and is therefore acceptable. Full sensitivity analysis on the implications of this in relation to deduction and termination risk is set out at paragraphs 11.6.3 and 11.12.

11.2.12 Initial Period

“means in relation to any Station, the period from and including the Services Availability Date for that Station until the 31 March following the second anniversary of the Final Services Availability Date.”

Under Standard Form this period is 3 years from the Services Availability Date. This is a minor change and considered to be acceptable.

11.2.13 Mobilisation Delay

“means, in respect of an Impeded Mobilisation, the extent to which the Emergency Mobilisation has been delayed or abandoned”;

11.2.14 Monthly Initial Services Charge

“means, the Annual Initial Services Charge relevant to the Contract Year in which the Contract Month falls, part of which is indexed to current prices in accordance with this Agreement and divided by 12”;

The mechanism for partial indexation of the Annual Initial Services Charge is set out in clause 6.1 of the Payment Mechanism and is acceptable.

11.2.15 Performance Deduction Point Value

“is £5 for each Performance Deduction Point awarded to the Contractor”;

Under Standard Form this is equal to £3. This is a point of commercial disclosure, and all associated risk is passed down in full to the FM Contractor. As such this is acceptable, and the requirements are manageable by a competent FM Contractor such as Balfour Beatty Workplace Limited.

11.2.16 Utility Period

“a period of three Contract Years, save in the Initial Period when the period shall be the Initial Period or such other period as may be agreed in the case of:

- (a) Best Value Change in Law;

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(b) General Change in Law which comes into effect during the Contract Period and which involves Capital Expenditure”;

Under Standard Form the Utility Period is equal to 1 year. This is not thought to be a material issue.

11.3 Basic Operation and Features

11.3.1 The Standard Form has been amended to reflect that Initial Services are required on this Project. Payment for these Initial Services will be made via the main Project Agreement Payment Mechanism. Unavailability and Performance Deductions will apply during the Initial Services Period and ProjectCo. will be responsible for paying the Utilities during this period. A formula has been included to show how the Initial Services Monthly Payment is calculated, and this is similar to the Monthly Unitary Payment Formula which applies during the Full Services Period.

11.3.2 The Initial Services Monthly Payment is calculated by reference to the following formula:

$$ISUP_m = ISUC_m - (UD_{m-2} + SPD_{m-2}) + PA_m$$

where:

$ISUP_m$ = the Initial Services MP in respect of Contract Month (m)

$ISUC_m$ = the Monthly Initial Services Charge in respect of Contract Month (m)

UD_{m-2} = the Unavailability Deductions for Payment Period (m-2)

SPD_{m-2} = the Service Performance Deductions in respect of Payment Period (m-2)

PA_m = Pass Through Costs and any other payment adjustments relevant to the Contract Month (m).

11.3.3 The Initial Services Start Dates for the relevant sites are noted in the table below, as are the Full Service Start Dates. A point to note is that (in accordance with clause 2.3A of the Payment Mechanism) the full Initial Services Payment will commence at the first Initial Service Start Date, and the Initial Services Payment will not reduce at all until the point when the last of these Stations achieves Full Services Commencement.

Station	Initial Service Start Date	Full Service Start Date
Patterdale	4 April 2011	7 November 2011
Kirkdale	11 April 2011	30 April 2012
Formby	23 May 2011	30 April 2012
Newton le Willows	23 May 2011	16 April 2012
Fleetwood	23 May 2011	14 May 2012
Burnley	7 May 2012	27 May 2013

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Station	Initial Service Start Date	Full Service Start Date
Southport	21 May 2012	10 June 2013
Belle Vale	9 July 2012	10 June 2013
Birkenhead	23 July 2012	17 June 2013

11.3.4 The Unitary Payment is calculated by reference to the following formula:

$$UP_m = (UC_m - UD_{m-2} - SPD_{m-2}) + MUP_m +/- AUA + PA_m - AA_m$$

Where:

UP_m = the Monthly Unitary Payment in respect of Payment Period (m);

UC_m = the Monthly Unitary Charge which is the Annual Unitary Charge (AP_y) indexed and divided by 12;

UD_{m-2} = the Unavailability Deductions calculated in respect of Payment Period (m-2);

SPD_{m-2} = the Service Performance Deductions calculated in respect of Payment Period (m-2);

MUP_m = the Monthly Utilities Payment calculated in respect of the Payment Period (m);

AUA_m = The Annual Utilities Adjustment based on the average consumption of utilities over the year;

PA_m = Any other payment adjustments relevant to the Payment Period (m).

AA_m = the Agreed Abatement as calculated in line with Schedule 23 (Change Protocol) paragraph 5.3 for Contract Month (m)

11.3.5 Where accommodation is introduced on a phased basis the following revenue phasing formula will be applied:

$$UC_m = \left(\frac{AP_y}{12} \right) \times \sum_{a=1}^x RP \times \left(\frac{DR}{DM} \right)$$

Where:

AP_y = the Annual Unitary Charge;

RP = the revenue phasing for the Station that is introduced, being the percentage of the total Annual Unitary Charge that is payable based on the introduction of Stations on a phased basis. The total Stations and phase of Post Completion Works represent 100% and

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each Station will be given a weighting out of the 100% that will apply in determining the revenue phasing calculation.

$$\sum_{a=1}^x = \text{sum of the weightings from 1 to x that are available for each Station.}$$

DR = for each Station and phase of Post Completion Works in the Contract Month in which the Services Availability Date is achieved, or for each phase of Post Completion Works the date on which a Post Completion Works Acceptance Certificate is issued, the number of days remaining in the Contract Month (including the day in which Services Availability Date is achieved). Thereafter, the number of days in the relevant Contract Month.

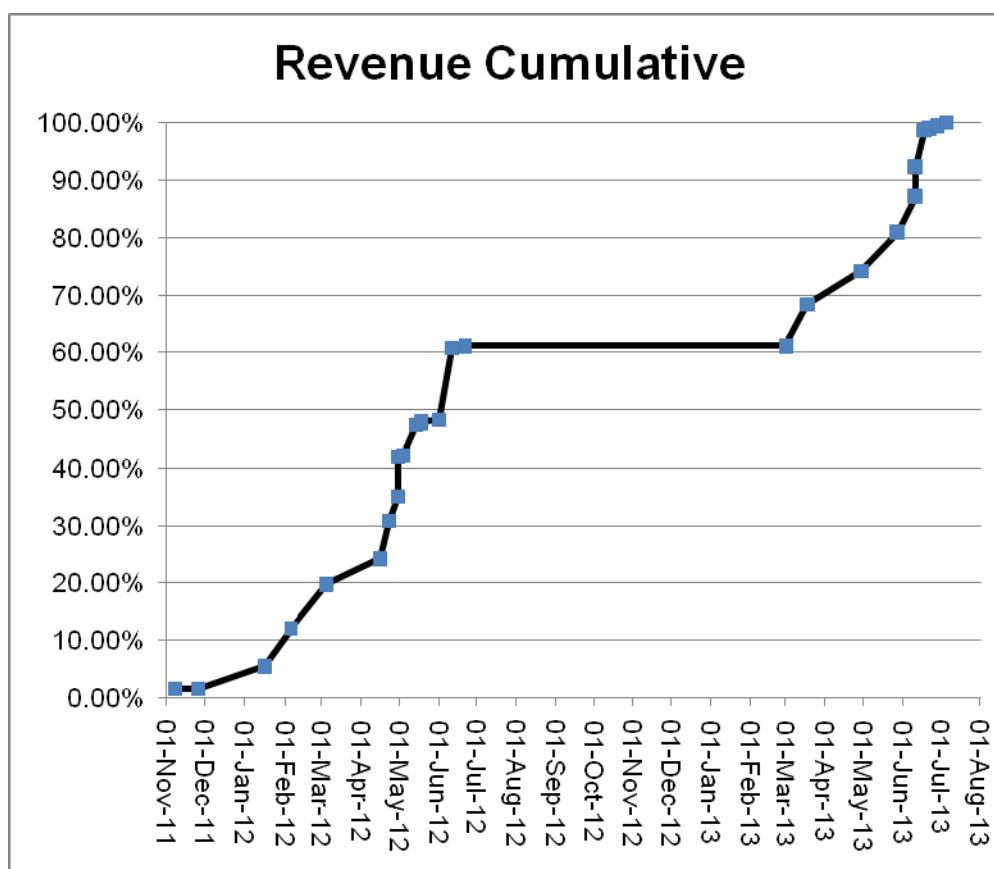
DM = the number of days in the relevant Contract Month

Station	Completion Date	Revenue Phasing	Cumulative
Patterdale	07-Nov-11	1.49%	1.49%
Patterdale Post Completion Works	25-Nov-11	0.08%	1.57%
Carlisle West	16-Jan-12	3.92%	5.49%
Blackburn	06-Feb-12	6.53%	12.02%
Carlisle East	05-Mar-12	7.77%	19.79%
Newton le Willows	16-Apr-12	4.42%	24.21%
Bootle & Netherton	23-Apr-12	6.52%	30.73%
Formby	30-Apr-12	4.25%	34.98%
Kirkdale	30-Apr-12	6.84%	41.82%
Newton le Willows Post Completion Works	04-May-12	0.23%	42.05%
Fleetwood	14-May-12	5.15%	47.20%
Formby Post Completion Works	18-May-12	0.22%	47.42%
Kirkdale Post Completion Works	18-May-12	0.36%	47.78%
Fleetwood Post Completion Works	01-Jun-12	0.27%	48.05%
Penrith	11-Jun-12	12.60%	60.65%
Bootle & Netherton Post Completion Works	22-Jun-12	0.34%	60.99%
Workington	18-Mar-13	7.21%	68.20%
Chorley	29-Apr-13	5.84%	74.04%
Burnley	27-May-13	6.87%	80.91%
Belle Vale	10-Jun-13	5.10%	86.01%
Southport	10-Jun-13	6.31%	92.32%

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Station	Completion Date	Revenue Phasing	Cumulative
Birkenhead	17-Jun-13	6.38%	98.70%
Burnley Post Completion Works	21-Jun-13	0.36%	99.06%
Belle Vale Post Completion Works	28-Jun-13	0.27%	99.33%
Southport Post Completion Works	28-Jun-13	0.33%	99.66%
Birkenhead Post Completion Works	05-Jul-13	0.34%	100.00%

11.3.6 The Uplift Percentages are inserted in the Payment Mechanism, as per the above table. The Uplift Percentages are represented in the graph below for greater clarity. The NWFRA project is effectively being rolled out in two main phases.



11.3.7 Indexation

The Annual Initial Services Charge relevant to the Contract Year is calculated by applying the following formula:

$$AISC_y = FE_b + \left(VE_b \times \left(\frac{RPI(X)_y}{RPI(X)_b} \right) \right)$$

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Where:

$AISC_y$ = the Annual Initial Services Charge (as the case may be) relevant to the Contract Year (y);

VE_b = the value determined by reference to limb (b) of the definition of Base Annual Variable Element for the Contract Year, stated at price levels pertaining to the Base Date;

FE_b = the value determined by reference to limb (b) of the definition of Base Annual Fixed Element for the Contract Year, the Base Annual Fixed Element for the Contract Year, stated at price levels pertaining to the Base Date;

$RPI(X)_y$ = the value of $RPI(X)$ for the Contract Month two months prior to the Contract Month in which indexation is to be given effect;

$RPI(X)_b$ = the value of $RPI(X)$ for the Contract Month two months prior to the Contract Month in which the Base Date occurs.

The Annual Unitary Charge relevant to the Contract Year (AP_y) is calculated by applying the following formula:

$$AP_y = FE_a + \left(VE_a \times \left(\frac{RPI(X)_y}{RPI(X)_b} \right) \right)$$

Where:

AP_y = the Annual Unitary Charge relevant to the Contract Year (y);

VE_a = the Base Annual Variable Element for the Contract Year, stated at price levels pertaining to the Base Date;

FE_a = the Base Annual Fixed Element for the Contract Year, stated at price levels pertaining to the Base Date;

$RPI(X)_y$ = the value of $RPI(X)$ for the Contract Month two months prior to the Contract Month in which indexation is to be given effect;

$RPI(X)_b$ = the value of $RPI(X)$ for the Contract Month two months prior to the Contract Month in which the Base Date occurs.

- 11.3.8** Typically fixed element of the UC equates with the financing costs, whereas the variable element to which indexation is applied is based on the FM services. Again the typical split is approximately Fixed:Variable = 70:30. However, the Initial Services are entirely FM related so all of the Initial Services Fee is subject to variable indexation. The table below illustrates this.

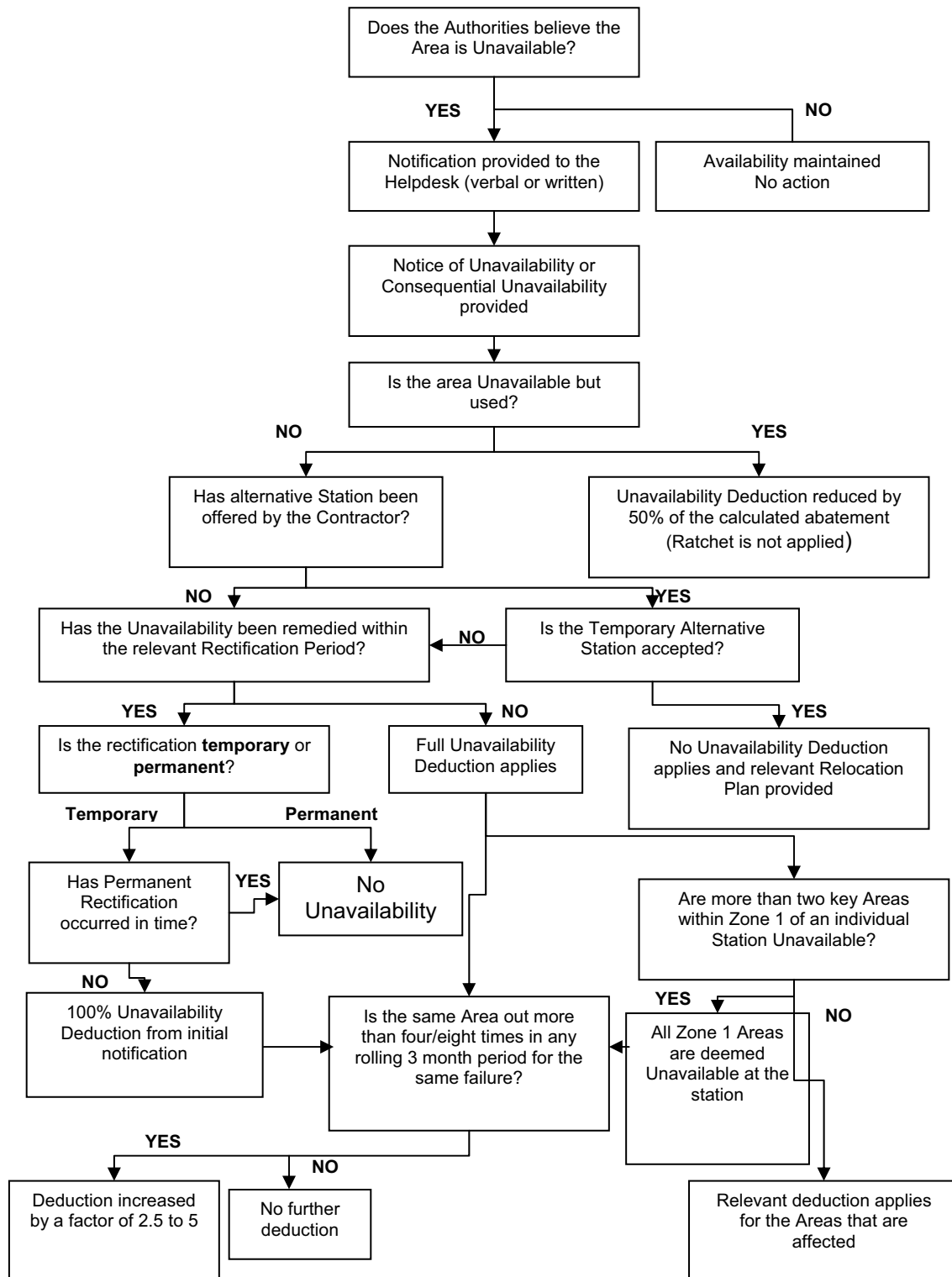
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	Initial Services		Full Services	
Base Annual Fixed Element	£0	0%	£4,042,110	67%
Base Annual Variable Element	£82,376	100%	£1,990,890	33%
Total	£82,376	100%	£6,033,000	100%

11.3.9 The Base Date is 1st October 2010.

11.4 Unavailability Deductions

11.4.1 The table below explains the Unavailability Mechanism.



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11.4.2 On this project the intention is that Unavailability Deductions will apply during the Initial Services Period in addition to the full Services Period. Drafting to Part III (which relates to Unavailability) now incorporates suitable amendments to show how Unavailability Deductions would be applied during the Initial Services Period. An accommodation schedule setting out the various Area Weightings for the Initial Services Period has now been advised.

11.4.3 The Area Weightings Schedule for the Initial Services Period are set out in the table below.

Site	Annual Initial Services FM Total	Total TAS	Year	TAW	Gearing adjustment	Area Rate
Belle Vale		1,248	365	454,272		
Birkenhead		1,869	365	680,316		
Burnley		2,390	365	869,778		
Fleetwood		1,896	365	690,144		
Formby		1,704	365	620,256		
Kirkdale		1,728	365	628,992		
Newton le Willows		1,176	365	428,064		
Southport		2,178	365	792,610		
Patterdale		408	365	148,512		
	£82,376			5,312,944	200%	£0.031

11.4.4 There have been several amendments to the Unavailability section of the Payment Mechanism when compared to “Fire and Rescue Services and Police Procurement Pack” Standard Form.

11.4.5 The procedure for notification of an Unavailability Event, and the way in which ProjectCo. is required to acknowledge this notification is per the Standard Form. The “Helpdesk” is to be the first point of contact and is required to notify ProjectCo. of any reported problem. The Contractor is required to assess the reported Unavailability within 1 hour of the Logged Failure Time and issue the Authority a verbal notice via the Helpdesk identifying the cause of the Unavailability and the plan for rectifying the situation.

The AR's require that the Helpdesk is to be available 24 hours a day, so it follows that the FM Contractor needs to have an out of hours FM Manager or Technician to attend to possible call outs. Given the geographical spread of the 16 sites, the FM Contractor will need a number of Out of Hours personnel on call to manage this requirement. Responding within 1 hour will be a very demanding task, although ProjCo have demonstrated how this will be achieved. Note that this requirement also applies for the Initial Services Period.

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11.4.6 As per the Standard Form, a Temporary Rectification is permissible for many Unavailability scenarios. Where a Temporary Rectification is allowed the Permanent Rectification Period is extended.

11.4.7 The Unavailability Deduction is not Standard Form and is equal to:

$$UD_n = AR_n \times WF_n \times DP_n \times PR_n \times UU_n \times RD ;$$

Where:

UD_n = the Unavailability Deduction for Area n

AR_n = the Area Rate, for Area n

WF_n = the Weighting Factor for Area n

DP_n = the number of Deduction Periods for Area n (rounded to 3 decimal places) that the Rectification Period elapses during the period commencing at the Logged Failure Time and ceasing at the Logged Rectification Time

PR_n = the duration of the relevant Temporary or Permanent Rectification Period in hours for the event of Unavailability in Area n.

UU_n = Unavailable but used. This is equal to one if the Area is Unavailable and not used and is equal to 0.50 if the Area is Unavailable but used.

RD = Repetition Deduction. This is equal to 1.5 if the same Unavailability Criterion has failed more than three times in a Contract Month for an Area, and is equal to 2 if the same Unavailability Criterion has failed more than seven times during the same Contract Month. In all other instances it is equal to one.

Where:

$$AR_n = \frac{AP_y}{TAW} \times 200\%$$

Where:

AP_y = the Annual Unitary Charge for the relevant year indexed.

TAW = the Total Availability Weighting being the total for all Areas of the number of weekly hours, for which each Area is required to be available, multiplied by the Weighting Factors for each Area multiplied by 52 weeks.

11.4.8 Some examples of Unavailability Deductions are outlined in the table below. Note that for each example the total duration of Unavailability is 6 hours:

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Room Affected	Zone	Avail. Criteria (1 - 14)	Weighting Factor A	Resp. Time B PR _n	Area Rate C AR _n	No. of Periods D DP _n	Rep'n Factor E RD	Deduction (A*B*C*D*E) UD _n	
A	Fire Kit Area	1	8	5	3 hours	£0.558	2	1	£16.74
B	Fire Kit Area	1	7	5	1 hour	£0.558	6	1	£16.74
C	Fire Kit Area	1	4	5	Half hour	£0.558	12	1	£16.74

11.4.9 The inclusion of the PR_n Factor is not Standard Form, but has been observed on a number of recent Fire and Rescue PFI Projects. This alteration does alter the way in which the Unavailability Deductions accrue. The effect of this alteration is that it converts the Unavailability Deduction into a standard hourly rate for Unavailability rather than an Unavailability Deduction per Unavailability Event. Consequently, the FM Contractor may pick up a greater number of low level Unavailability Deductions than would be the case under Standard Form, although the requirements are manageable and acceptable.

11.4.10 The Total Availability Weighting is as follows:

Total	Area Weight	Area Weight % of Total	UC Step Up %
Belle Vale	3,098	5.23%	5.40%
Birkenhead	3,724	6.28%	6.71%
Blackburn	3,758	6.34%	6.50%
Bootle & Netherton	4,178	7.05%	6.87%
Burnley	4,371	7.37%	7.20%
Carlisle East	3,840	6.48%	7.80%
Carlisle West	2,571	4.34%	3.90%
Chorley	3,919	6.61%	5.80%
Fleetwood	3,584	6.05%	5.40%
Formby	2,794	4.71%	4.51%
Kirkdale	4,764	8.04%	7.20%
Newton Le Willows	2,871	4.84%	4.71%
Patterdale	1,152	1.94%	1.60%
Penrith	6,236	10.52%	12.60%
Southport	4,448	7.50%	6.60%
Workington	3,969	6.70%	7.20%
	59,277	100%	100%

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11.4.11 Note that the Availability Weightings assigned to each of the sites closely aligns with the UC Step Up Factor specified in paragraph 2.3 of this Payment Mechanism. A small mismatch in the percentages as outlined in the table above is of little or no consequence to the sensitivities, and is therefore acceptable.

11.4.12 The Area Rate is calculated as per the table below.

Item	Unit
Total Daily Area Weight	59,277
Multiplied by 365 days	365
TAW	21,576,828
Gearing adjustment	200%
Unitary Charge	£6,033,000
Area Rate	£0.558

11.4.13 The Area Weightings identified in the above tables are the final agreed weightings. An Area Rate of £0.558 is in line with recent projects and is on market.

11.4.14 Temporary Alternative Accommodation

This is drafted as Standard Form. ProjCo's written proposal for Temporary Alternative Accommodation must set out the following details:

- The proposed Temporary Alternative Accommodation, setting out the location and the extent to which it complies with the Authorities Requirements for the relevant Area. The Contractor must also provide details of any other impact on the Services arising from the use of the Temporary Alternative Accommodation including the logistical or other arrangements that the Contractor will put in place to enable the Authorities to continue to deliver the operational service;
- The Relocation Plan that will set out a Relocation Date by which time the Authorities will be returned to the main accommodation. This will provide the end date for use of the Temporary Alternative Accommodation and be based on the Contractor's assessment of how soon it can remedy the Unavailability and return the Authorities to the original accommodation; and

- If such a proposal is provided and accepted by the Authorities then no Unavailability Deduction shall be made by the Authorities in respect of the Area from when the time at which the Temporary Alternative Accommodation is occupied by the Authorities until the Relocation Date occurs.

11.4.15 Consequential Unavailability

The definition of Consequential Unavailability is straight forward under this Contract. “Consequential Unavailability: this occurs where an Area that would otherwise be Available is rendered Unavailable because its principal use is dependent on an adjacent Area that has become Unavailable.”

The effect of Consequential Unavailability could be significant, particularly in respect of Circulation Areas. However, the same could be said for all accommodation type PFI projects and the drafting is very much standard. The requirements are manageable, and the stations are designed in a way that the main circulation corridors can be exited from both ends thereby reducing the likelihood of Consequential Unavailability applying.

11.4.16 Unavailable but Used

This is drafted as Standard Form. If an Area is Unavailable as defined with reference to the Availability Criteria and the Authorities are still making operational use of the Area, the Contractor will still be required to rectify the Unavailability, but if the Rectification Period for the Area is not met will only incur deductions at 50% of the rate that would otherwise apply. If the Contractor’s ability to rectify the Unavailability is impeded by the operational use of the Area, the Contractor must, within the first two hours of the Logged Failure Time, notify the Authorities of this in writing and if the Authorities continue to use the Area whilst it is Unavailable, this will excuse the Contractor from deductions during the period that the Area is being used.

In such circumstances the Rectification Period will be extended by the period from which the Contractor notified the Authorities that its ability to rectify the Unavailability was impeded until the Authorities, in turn, notify the Contractor that the affected Area is no longer in use.

11.4.17 Deemed Unavailability

There are two additional ‘Deemed Unavailability’ occurrences specified in paragraph 3.7 of the Payment Mechanism when compared with the Standard Form, but this has been observed on a number of recent Fire and Rescue PFI Projects. The following occurrences shall lead to deemed Unavailability

- If more than two Areas within Zone 1 of a Station are Unavailable (subject to Clause 3.2.16 and are not Unavailable but Used) at the same time, then every Area within Zone 1 will be deemed to be Unavailable;

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Zone 1 Areas are outlined in section 6 of the Authority's Requirements Service Specifications. The list of Zone 1 areas is quite short when compared with recent Projects.

Zone 1 Areas	
Access into site	√
All access routes to appliance bays	√
Appliance bay and exit forecourt	√
Communications Room	√
Fire kit / Dressing area	√
Internal escape routes including lifts	√
POD / Prime Mover / Auxiliary Garage	√

- Every Area at a Station will be deemed to be Unavailable where it is not possible to gain access to the Station Site in a reasonable manner by the normal means employed for that purpose and no suitable alternative means of access exist or are provided;

This is not Standard Form wording although is a manageable risk, and has been observed on all recent Fire & Rescue PFI Projects.

- Without prejudice to paragraph 3.2.16, every Area at a Station will be deemed to be Unavailable where 50% or more of all toilet facilities at such Station are Unavailable at the same time;

This is not Standard Form wording although is a manageable requirement, with the station facilities designed to minimise the attaching risk. This drafting has been observed on all recent Fire & Rescue PFI Projects, and is acceptable.

11.4.18 Zones

The criteria are outlined in section 6 of the Authority's Requirements Service Specifications, and are summarised in the table below. The table below sets out the proposed four categories of area zoning which identifies the areas per zone, in the new and extended facilities.

The areas described in the table are generic descriptions. However, each room listed on the Weighted Area Sessions table (in Schedule 6) will have its Zone allocated:

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Zone 1	
Access into site All access routes to appliance bays Appliance bay and exit forecourt Communications Room	Fire kit / Dressing area Internal escape routes including lifts POD / Prime Mover / Auxiliary Garage
Zone 2	
BA workshop Compressor room Drying room General office / Reception room Kitchen / Dining room Locality meeting rooms	Locker rooms Office accommodation Operational store / Pool PPE Study / Rest / Quiet rooms Toilets / Washrooms Watch room
Zone 3	
Caretaker / Meter room Community meeting rooms/Lecture room External parking Gymnasium	Kitchenette Laundry Plant room Stores (TFS / CFS / Fire Station) YFF's room
Zone 4	
Bike shed Drill Tower / Fire House	Landscaped areas Service areas

The Authority's Requirements Initial Service Specification outlines that the same area descriptions will be considered 'Zone 1' areas under the Initial Services regime. However all other areas will be considered 'Zone 2' areas. However, each room listed on the Weighted Area Sessions table (Temporary Accommodation), (in Schedule 6) will have its Zone allocated.

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11.4.19 Availability Criteria

The criteria are outlined in section 6 of the Authority's Requirements Service Specifications, and are summarised in the table below. The Authorities set out in the following table the availability criteria standards to be maintained and the associated zoning rectification periods which must be met at all times during the contract service period within the new and adapted/extended facilities.

	Standard	Initial Services Rectification Period	Full Services Rectification Period
1	The structural internal and external areas within the facility are physically present and sufficiently sound to permit occupancy by Authority staff and visitors.	All Zones in 4 hours of notification	All Zones in 3 hours of notification
2	The internal areas within the facility are wind and weather tight.	All Zones in 4 hours of notification	Zones 1, 2 or 3 in 3 hours of notification Zone 4 in 1 day of notification
3	The internal areas and operational systems within and serving the facility comply with all relevant health & safety legislation or other such legislation to permit safe occupancy by Authority staff and visitors. The Station Users have a duty to maintain safe occupancy themselves by cleaning up spilt fluids etc and preventing slips, trips and falls.	All Zones in 4 hours of notification	All Zones in 3 hours of notification
4	There is free unobstructed vehicular access into and out of to the stations at all times and pedestrian access to each area within the facility buildings.	Zone 1 in 30 minutes of notification Zone 2 in 1 hour of notification	Zone 1 in 30 minutes of notification Zones 2 and 3 in 1 hour of notification Zone 4 in 2 hours of notification

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	Standard	Initial Services Rectification Period	Full Services Rectification Period
5	There is free and unobstructed pedestrian access into and out of the sites.	Zone 1 in 30 minutes of notification Zone 2 in 1 hour of notification	Zone 1 in 30 minutes of notification Zones 2 and 3 in 1 hour of notification Zone 4 in 2 hours of notification
6	Internal and external areas are sufficiently clean and free from waste so as not to cause health & safety problems or cause significant inconvenience to the operation of the area directly or to the facility as a whole.	All Zones in 4 hours of notification	All Zones in 3 hours of notification
7	Fire and emergency systems (mobilisation, fire / intruder alarm, PA System, lighting, back up power) are functional.	All Zones in 4 hours of notification	Zones 1, 2 and 3 in 1 hour of notification Zone 4 in 3 hours of notification
8	Achieve lux levels set out within the Authorities Requirements	All Zones in 4 hours of notification	All Zones in 3 hours of notification
9	Have a safe and sufficient supply of electricity	All Zones in 4 hours of notification	All Zones in 3 hours of notification
10	Maintain heating in accordance with Authorities Requirements	All Zones in 4 hours of notification	All Zones in 3 hours of notification
11	Have sufficient, constant and safe hot water as required by the Authorities Requirements	All Zones in 4 hours of notification	All Zones in 3 hours of notification
12	Have sufficient, constant and safe cold water as required by the Authorities Requirements	All Zones in 4 hours of notification	All Zones in 3 hours of notification

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Appleyards anticipate that once the Independent Certifier has certified completion of the relevant facilities that Availability Standards 1, 2 & 5 would not pose a material threat in respect of causing Unavailability Deductions during the Operational Period. However, to achieve the remaining Availability Standards ongoing maintenance and an ability to respond to technical and operational faults at short notice will need to be in place.

The response times are more readily summarised in the table below (for Full Services).

	Rectification Time Zone 1	Rectification Time Zone 2	Rectification Time Zone 3	Rectification Time Zone 4
Availability Standard 1	3 Hours	3 Hours	3 Hours	3 Hours
Availability Standard 2	3 Hours	3 Hours	3 Hours	24 Hours
Availability Standard 3	3 Hours	3 Hours	3 Hours	3 Hours
Availability Standard 4	Half Hour	1 Hours	1 Hours	2 Hours
Availability Standard 5	Half Hour	1 Hours	1 Hours	2 Hours
Availability Standard 6	3 Hours	3 Hours	3 Hours	3 Hours
Availability Standard 7	1 Hours	1 Hours	1 Hours	3 Hours
Availability Standard 8	3 Hours	3 Hours	3 Hours	3 Hours
Availability Standard 9	3 Hours	3 Hours	3 Hours	3 Hours
Availability Standard 10	3 Hours	3 Hours	3 Hours	3 Hours
Availability Standard 11	3 Hours	3 Hours	3 Hours	3 Hours
Availability Standard 12	3 Hours	3 Hours	3 Hours	3 Hours

The Standard Form Payment Mechanism does not differentiate between the various causes of Unavailability Event and simply has Permanent Rectification times for Critical Areas, Important Areas and Other Areas. Under the Standard Form, Temporary Rectifications may be agreed on a case by case basis. The Standard Form Payment Mechanism Permanent Rectification times are summarised in the table below.

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Category	Description of Importance	Permanent Rectification
1	Critical Areas	2 hours
2	Important Areas	4 hours
3	Other Areas	24 hours

The response times on the NWFRA Project are more stringent than what is required under the Standard Form, but this has been observed on a number of recent Fire and Rescue PFI Projects. The response times are considered reasonable and acceptable. However, the FM Contractor could suffer a greater number of small losses under the NWFRA form of Payment Mechanism due to the short rectification times.

Given that the associated risks attaching to Unavailability Deductions are passed down in full to the FM Contractor, the SPV's position is not immediately threatened by this drafting.

11.4.20 Key Aspects of Fire Station in respect of Unavailability

The Availability Standards 1 to 12 and the associated zone weightings emphasise the importance of the fire fighters to be able to quickly access the Appliance Bays and exit the fire station rapidly. The Authority Requirements Document is quite prescriptive for the important aspects of the Fire Station. For example, thirteen specific aspects of the Appliance Room Doors that are to be used are outlined in the AR's as follows:

Front and rear appliance bay and garage doors must fill and 'close' the structural door opening in its entirety and include vision panels across the full width of each door to allow lines of unobstructed vision through the door such that:

- Persons on foot can observe activity and potential obstructions on either side of the door;
- Firefighters in the driving cab of the appliance can observe activity and potential obstructions on the other side of the door;
- The opening and closing of both front and rear appliance and garage doors must be powered and with manual operation in case of power failure and must:
- Be of 'rapid' opening 'up and over' type to facilitate emergency exit of the appliance (ideally from activation achieve a fully open condition in less than 15 seconds for all appliance bay doors and 20 seconds for garage doors);
- Be operable individually by appropriately labelled strike buttons located in a control box positioned on the wall between the door openings both at the front and rear of the appliance bay; and
- Allow the front and rear bay doors to be electronically linked with manual override facility so that they both can be fully opened simultaneously if required.

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- Incorporate a red/green indicator light visible from the appliance cabs located adjacent to each bay door to indicate when the door is fully open;
- Self lock in the closed position;
- Give an audible local warning during the automatic operation of the doors;
- Incorporate a safety system, whether the closing action is automatic or manual, to arrest closing, in the event that the opening is obstructed by either a person or vehicle;
- Allow the rear doors to the appliance bay to be able to be opened from inside the appliance bay without a key;
- Allow for the rear appliance bay doors to include one wicket gate type door with a security lock; and
- Allow for appliance bay and garage doors to have a clear opening of at least 3885mm wide by 4600mm high.

Balfour Beatty's Specification Document identifies a suitable Appliance Bay Door with an opening speed of 300mm per second and an emergency hand chain operation in the event that the motor doesn't work.

The Service Delivery Proposals show that the key factors have been taken into consideration and the scheme layouts and chosen manufacturers of key components confirm that the design should be capable of delivering the Service Requirements.

Zone 2 areas are rooms associated with the provision of the key services, although not of critical importance. Zone 3 areas are associated with the provision of recreational facilities for the staff and Zone 4 areas are peripheral to the main operational purpose of the fire station. The categorisation of the areas into the four different zone types appears to be fair.

The key elements of the design have been reviewed by Appleyards, and we confirm that these elements are acceptably addressed to the TA's satisfaction.

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11.4.21 Unavailability Deduction Analysis

The Whole Site Unavailability Deduction per hour for each of the Stations is identified in the table below.

Total	Per Hour
Belle Vale	£80.19
Birkenhead	£91.59
Blackburn	£98.09
Bootle & Netherton	£98.44
Burnley	£108.17
Carlisle East	£96.07
Carlisle West	£66.20
Chorley	£96.77
Fleetwood	£84.60
Formby	£71.54
Kirkdale	£117.01
Newton Le Willows	£73.38
Patterdale	£40.49
Penrith	£146.12
Southport	£113.37
Workington	£99.16
Total	£1,481.20

11.4.22 FM Contractor's Staffing Arrangements

The FM Contractor needs to staff the various locations such that the reduced response times on the NWFRA Project can be achieved. In exceptional circumstance Balfour Beatty Workplace have advised that they will draw resource from projects which they operate in the locality.

Based upon comparison with similar schemes the NWFRA FM Costs are at the lower end of the anticipated range. The response times and service requirements are consistent with the service requirements required in those benchmarked projects.

Much of the potential for incurring deductions has been eliminated by effective design and appropriate specification of key components (such as the Appliance Room Doors).

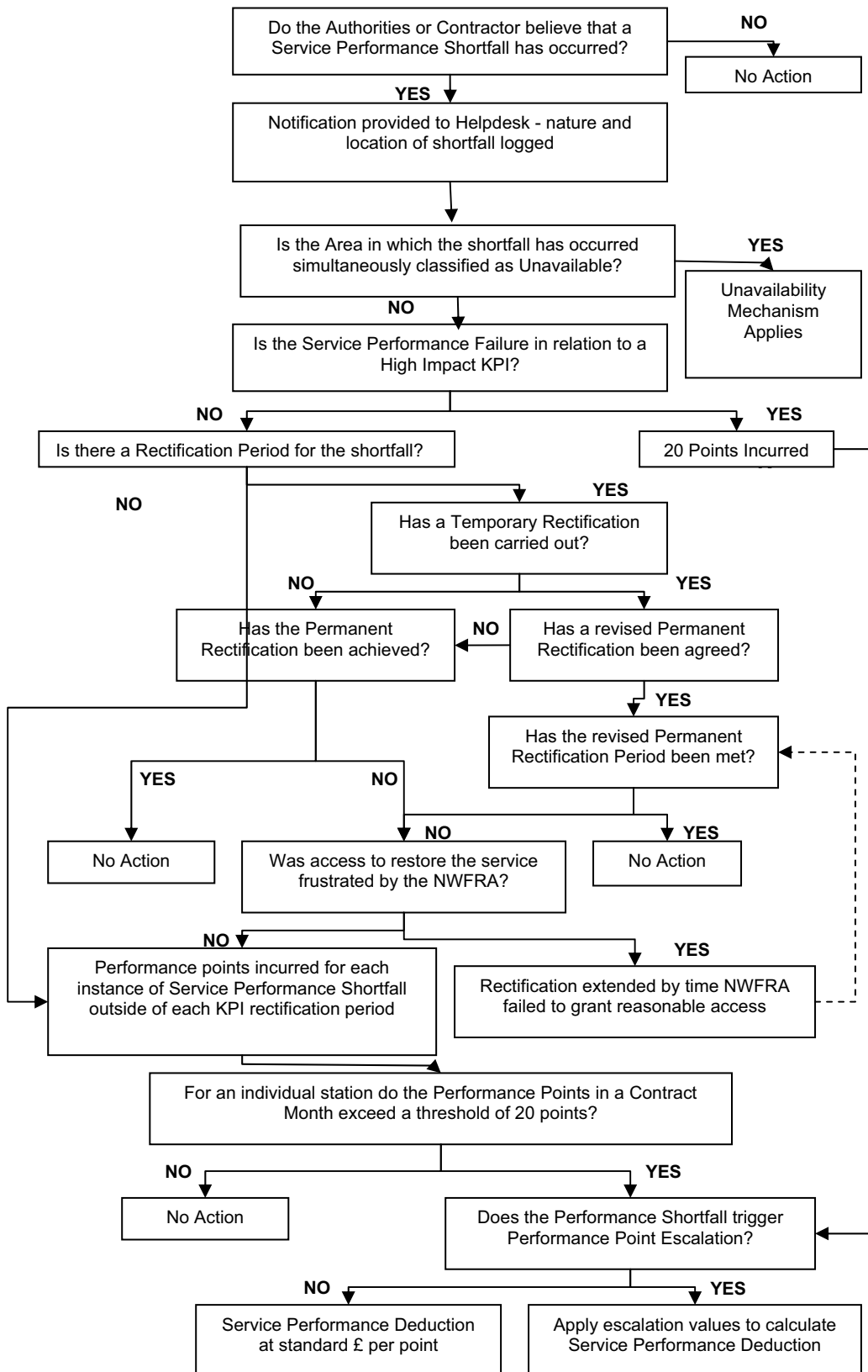
The FM Contractor has demonstrated that they are capable of delivering a high performance level on demanding contracts. The FM Contractor has demonstrated their historical performance on similarly demanding contracts.

11.4.23 Unavailability Conclusion

Although the standard drafting has not been used and there is a theoretical increased risk of incurring Unavailability Deductions due to reduced Rectification times; the FM Provider has demonstrated their ability to operate within the limits of the Services Specification on similarly demanding projects.

11.5 Service Performance Deductions

11.5.1 The table below explains the mechanism for Service Performance Deductions.



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11.5.2 On this project the intention is that Service Performance Deductions will apply during the Initial Services Period in addition to the full Services Period and suitable amendments to the Payment Mechanism have been made. The Service Standards that apply during the full Services Period are the same as those that apply during the Initial Services Period.

11.5.3 There have been several amendments to the Service Performance section of the Payment Mechanism when compared to “Fire and Rescue Services and Police Procurement Pack” Standard Form.

11.5.4 The procedure for notification of a Service Performance Shortfall, and the way in which the Contractor is required to acknowledge this notification is per the Standard Form.

11.5.5 Service Performance Standards

The minimum Service Performance Standard requirements are outlined in section 6 of the Authority’s Requirements Service Specifications, and are summarised in the table below. The same Response Categories and Response times apply for the Initial Services Period and the Full Services.

Response Category	Availability priority	Response Required
1	Issues or events that prevent or severely curtail the Authority from carrying out an emergency response.	Respond and restore the ability of the Authority to perform its statutory obligations within three hours. Where this response results in a temporary rectification a permanent rectification is to be provided within 24 hours of notification.
2	Issues giving rise to an immediate security or health & safety risk or that will potentially prevent the Authority from carrying out an emergency response.	Respond and eliminate the security or health & safety risk within 24 hours. Where this response results in a temporary rectification a permanent rectification is to be provided within 2 days of notification.
3	Issues that severely restrict the users from conducting normal operations.	Respond and effect a permanent rectification within 24 hours of notification.

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Response Category	Availability priority	Response Required
4	Issues that impinge upon the proper operational working of the users.	Respond and effect a permanent rectification in 72 hours of notification.
5	Issues of routine nature.	Respond and effect a permanent rectification within 240 hours of notification.

The response times are more readily summarised in the table below.

Response Category	Temporary Rectification Time	Permanent Rectification Time
Response Category 1	3 Hour	24 Hours
Response Category 2	24 Hours	2 Days
Response Category 3	n/a	24 Hours
Response Category 4	n/a	72 Hours
Response Category 5	n/a	240 Hours

The Standard Form Payment Mechanism has only three types of Service Performance Shortfalls; High, Medium and Low categories. Under the Standard Form, Response Times and Rectification Periods are specified as per the table below.

Category	Response Times	Rectification Period
High	1 hour after notification	2 hours or as otherwise agreed with Authority
Medium	1 Working Day after notification	1 Working Day or as otherwise agreed with Authority
Low	5 Working Days	5 Working Day or as otherwise agreed with Authority

The response times on the NWFRA Project are broadly in line with the Standard Form. The response times are considered reasonable and acceptable.

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11.5.6 Performance Deduction Points

The Performance Deduction Points to be awarded are detailed within the Output Specification and range from 1 through to 5, and are not necessarily linked to the Response Categories. There are 137 different Response Categories summarised in the table below. 122 of the Response Categories are area based and 15 are non-area based. We are satisfied that there is a low risk of incurring significant quantities of Performance Deduction Points against Categories 2, 3, 4 and 5. The same Performance Deduction Points apply for the Initial Services Period and the Full Services (with the exception of ICT, FF&E and Catering which only apply during Full Services).

On the basis that a half hour rectification time applies in respect of some Unavailability Categories, the ability to respond to Category 1 Faults is a manageable requirement.

	Temporary Rectification Time	Permanent Rectification Time	1 Performance Point	2 Performance Point	3 Performance Point	4 Performance Point	5 Performance Point	Total Quantity
Response Category 1	3 Hours	24 Hours	0	0	7	2	4	13
Response Category 2	24 Hours	2 Days	1	4	17	9	0	31
Response Category 3	n/a	24 Hours	4	10	5	2	0	21
Response Category 4	n/a	72 Hours	1	17	9	10	1	38
Response Category 5	n/a	240 Hours	2	10	14	7	1	34
			8	41	52	30	6	137

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The 137 points also break into the following categories:

	Response Category 1	Response Category 2	Response Category 3	Response Category 4	Response Category 5	
Asset	3	8	2	3	4	20
Catering	0	0	2	0	0	2
Cleaning	1	2	7	11	6	27
FF&E	0	0	1	0	2	3
Grounds	4	3	0	10	7	24
Help Desk	2	2	0	0	0	4
ICT	0	1	0	2	1	4
Non Area: Procedure	0	0	0	3	3	6
Non Area: Staff	0	0	0	9	0	9
Security	3	8	8	0	10	29
Utilities	0	7	1	0	1	9
Total	13	31	21	38	34	137

11.5.7 Performance Deduction Points for multiple areas

For each of the area based Response Categories it is possible to incur Performance Deduction Points for multiple Performance Failures at the same time. This is a change from Standard Form which has the following limitation on the application of Service Failure Deductions:

“where a failure is such that it can be classified as a failure to meet more than one Specific Requirement in an Area then the Authority shall only be entitled to make Service Failure Deductions in respect of that failure by reference to one such Specific Requirement and not to each such Specific Requirement but shall be entitled to make Service Failure Deductions by reference to such Specific Requirement as attracts the greatest Service Failure Deduction.”

This is a significant change from the principles of Standard Form and whilst it would be preferable to have the intention of Standard Form drafting restored, it is understood that the Authority will not revise this. This situation is, however, acceptable. For information the total quantity of room numbers at each of the facilities is advised in the table below.

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Station	No. of Relevant Areas for Initial Services:	No. of Relevant Areas for Full Services:
Belle Vale	19	53
Birkenhead	21	61
Blackburn	-	69
Bootle & Netherton	-	66
Burnley	31	75
Carlisle East	-	62
Carlisle West	-	41
Chorley	-	69
Fleetwood	25	59
Formby	19	45
Kirkdale	19	78
Newton Le Willows	13	46
Patterdale	3	19
Penrith	-	99
Southport	25	71
Workington	-	62
Total Number	175	975

11.5.8 Unavailability Override

This is per Standard Form. If an Area is Unavailable at the same time as a Service Performance Shortfall relating to that Area has occurred, then the Unavailability Deduction mechanism will take precedence over the Service Performance Deduction mechanism. ProjectCo. will not be simultaneously subjected to Unavailability Deductions and Service Performance Deductions for an Area. This applies whether or not the cause of the Unavailability is related to a particular Service Performance Shortfall.

11.5.9 Duration of a Service Performance Deduction

Drafting relating to this section is not Standard Form, although the changes have been observed on recent Fire and Rescue PFI Projects. Clause 4.3.2 (b) has been added to the Payment Mechanism and has the effect of causing Response Category 1 & 2 Service Performance Deductions to recur at the end of the Temporary Rectification Period as opposed to the end of the Permanent Rectification Period, if a Temporary Rectification has not been carried out.

The ability to respond to Category 1 & 2 Service Performance Deductions within 3 hours is considered to be a manageable requirement.

Clause 4.3.2 (c) has been amended to that of Standard Form and has the effect of causing 'Additional Performance Deduction Points' to be incurred against Response Category 4 & 5 items. This has been incorporated but is not thought to be a material point.

11.5.10 Calculation of Service Performance Deductions

In respect of a particular month, Performance Deduction Points are calculated in accordance with the following formula where the total Performance Deduction Points in the month exceed the threshold of 20 points for each accommodation. This calculation will need to be carried out for each service failure during the month and then calculated in total for the month to determine whether deductions apply.

$$SPD_m = \left(\sum_{e=1}^{allevents} PDP_{em} + ADP_{em} \right) \times R \times PV_y$$

Where:

SPD_m = the Service Performance Deductions calculated in respect of the current month for a particular Station;

PDP_{em} = the Performance Deduction Points awarded to the Contractor in respect of a Service Performance Shortfall event (e) occurring in month (m) for a particular Station;

ADP_{em} = the Additional Performance Deduction Points awarded to the Contractor in respect of the Service Performance Shortfall event (e) occurring in month (m) for a particular Station;

R = the Ratchet which may be applied, where applicable, pursuant to paragraph 5.2 based on a banded approach to the number of Performance Deduction Points incurred in the Contract Month;

PV_y = the Performance Deduction Point Value in £ sterling, indexed as required, for year (y).

The Performance Deduction Points to be awarded are detailed within the Output Specification and range from 1 through to 5. This represents the relative importance of the KPI in relation to determining the amount of potential deduction that applies to the Contractor for failure to perform.

11.5.11 Additional Performance Deduction Points

This item is not Standard Form and the drafting has been added in its entirety. These are applied to Response Category 4 and 5, and are applied in accordance with the following formula:

$$ADP_e = 24HP \times (PDP / RP)$$

ADP_e = the Additional Performance Deduction Points awarded to the Contractor in respect of the Service Performance Shortfall event (e);

24HP = the number of complete 24 hour periods that have elapsed since the end of the Permanent Rectification Period and during which the Service Performance Shortfall event has not been permanently rectified;

PDP = the Performance Deduction Points awarded to the Contractor in respect of the Service Performance Shortfall event as set out in the tables in Part 4 of the Output Specification;

RP = the duration of the Permanent Rectification Period in days for the relevant Service Performance Shortfall event.

The effect of this alteration is to increase the potential deductions associated with Response Category 4 and 5 items, as for every 24 hour period after the Rectification Period has elapsed a proportion of the applicable Performance Deduction Points will be added to the total that the Contractor will be penalised by. This would increase the possibility of incurring additional points but is not a material point and is acceptable.

11.5.12 Performance Deduction Points Value

The Performance Deduction Point Value in all cases is to be £5 (indexed) for each Performance Deduction Point awarded to the Contractor. Standard Form is £3 (indexed).

11.5.13 Performance Point Deduction Point Indexation

This formula is in line with Standard Form Drafting.

$$PV_y = PV_b \times \frac{RPIX_y}{RPIX_b}$$

Where:

PV_y = the Performance Deduction Point Value in £ sterling, indexed as required, for month (m);

PV_b = the Performance Deduction Point Value in £ sterling, at the Base Date (taken as £5);

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RPIX_y = the value of RPIX for the Month two Months prior to the Month in which indexation is to be given effect;

RPIX_b = the value of RPIX for the Month two Months prior to the Month in which the Base Date occurs.

11.5.14 Some examples of Performance Deductions are outlined in the table below:

E.g.	Performance Standard	Room Qty A	PS (1-5)	Rect'n Time	Performance Deduction Points per Area B PDPem	Perf'ce Ded'n Point Value C PVy	Ratchet D R	Performance Deduction (A*B*C*D) SPDm
A	All surfaces must be kept clean and free from all dust and loose matter, impregnated dirt, smears and other marks.	35	4	72 hours	2	£5.00	1	£350.00
B	All direct access routes to appliance bays to be kept free of obstruction and floor surfaces kept dry and free from debris.	6	1	3 hours	5	£5.00	1	£150.00

11.6 Other Deductions

11.6.1 Repetition Deduction for Unavailability

Paragraph 5.1 of the Payment Mechanism sets out the following;

“If Unavailability Deductions occur on four or more occasions for the same Area of the Station due to the same failure of an Availability Criterion during any Contract Month then from and including the fourth failure thereafter up to seven failures the Unavailability Deduction for that Area will be multiplied by a factor of 1.5 being the Repetition Deduction for that Area. From and including the eighth failure thereafter the Unavailability Deduction for that Area will be multiplied by a factor of 2 being the Repetition Deduction for the Area.”

This paragraph aligns with paragraph 3.5.2 of the Payment Mechanism, although stated in a slightly different way.

11.6.2 Service Performance Shortfalls

Only Performance Deduction Points incurred in excess of the Deduction Threshold (Being 20 points) will be used to calculate the deduction from the Monthly Unitary Charge.

The number of Performance Deduction Points that are accrued within a Contract Month for each Accommodation will trigger an escalation in the Performance Deduction Points awarded based on a banding mechanism, as shown below:

Band 1	21 to 100 points	Multiplier	1.0
Band 2	101 to 200 points	Multiplier	1.2
Band 3	201 points upwards	Multiplier	1.5

This is Standard Form and acceptable.

11.6.3 Impeded Mobilisation

The inclusion of Impeded Mobilisation Deductions is not Standard Form, but has been observed on a number of recent Fire and Rescue PFI Projects. In the event of an Impeded Mobilisation the Contractor shall be liable for the award of Performance Deduction Points. For the avoidance of doubt, an Impeded Mobilisation can apply in respect of mobilising a single Appliance at a Station (even if another Appliance is not affected) but only one Impeded Mobilisation Deduction may be made in relation to any single Emergency Mobilisation.

The Performance Deduction Points awarded in respect of each event "e" shall be calculated in accordance with the following formula:

$$PDe = 340 \times IMSFe$$

PDe = Performance Deduction Points awarded in respect of each event (e)

IMSFe = the Impeded Mobilisation Severity Factor in respect of the event (e) which shall be equal to:

- 0 (zero) where there has been no Mobilisation Delay;
- 0.25 where the Mobilisation Delay is less than or equal to 1 minute in duration;
- 0.50 where the Mobilisation Delay is more than 1 minute and less than or equal to 3 minutes in duration;
- 0.75 where the Mobilisation Delay is more than 3 minute and less than or equal to 4 minutes in duration; or

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- 1 where the Mobilisation Delay is over 4 minutes in duration or in the event that the Emergency Mobilisation is abandoned.

Where an Area is Unavailable and the Logged Failure Time of the incidence of Unavailability is prior to the Logged Failure Time of an incidence of Impeded Mobilisation then the Unavailability Override mechanism shall apply for the duration of the period that the incidence of Unavailability is not rectified.

Impeded mobilisations will come under the banner of Service Failure Deductions so must be considered in the context of Termination. The thresholds appear to be fair given the purpose of the building, but the use of a £5 Performance Deduction Point Value instead of a Standard Form amount of £3 is significant here. The FM Contractor has detailed how they will manage this and this is acceptable.

	PD _e	IMSF _e	Impeded Mobilisation Per event	Ratchet	Value
Where there has been no Mobilisation Delay;	340	0	0	1	£0
Where the Mobilisation Delay is less than or equal to 1 minute in duration;	340	0.25	85	1	£425
Where the Mobilisation Delay is more than 1 minute and less than or equal to 3 minutes in duration;	340	0.50	170	1.2	£1,020
Where the Mobilisation Delay is more than 3 minute and less than or equal to 4 minutes in duration; or	340	0.75	255	1.5	£1,913
Where the Mobilisation Delay is over 4 minutes in duration or in the event that the Emergency Mobilisation is abandoned.	340	1.00	340	1.5	£2,550

The mechanism is a standard requirement of any Fire and Rescue Project. The primary issue to focus on in terms of risk appraisal of this item is the suitability of the Appliance Bay Roller Shutter Doors. This aspect is covered in detail at section 11.4.21 of this report. The risks are considered manageable and we do not anticipate deductions against this item.

11.7 Limitations on Deductions

- 11.7.1** If the aggregate of the Service Performance Deductions and Unavailability Deductions calculated exceeds the Monthly Unitary Charge (UCm), then no more than 100% of the Monthly Unitary Charge (UCm) will be deducted. Similarly, in respect of the Initial Services the Authority may not make Total Deductions which are greater than the Monthly Initial Services Charge. Deductions which could have been made by the Authorities will be permanently disregarded.
- 11.7.2** Additionally within the month the Service Performance Deductions are limited to 21% of the overall Monthly Unitary Charge. Deductions which, but for the 21% cap, could have been made by the Authorities will be permanently disregarded. This 21% cap reflects the proportion of UC represented by FM fees. This is acceptable.
- 11.7.3** This clause has been adjusted so as to apply the same logic to the Initial Service Phase. I believe the application of the 21% cap on the Monthly Initial Services Charge is an oversight by the Authority. The limit should be the whole of the Monthly Initial Services Charge as it is entirely constituted of FM related payments. This is to the advantage of the FM Contractor.

11.8 Performance Measurement and Monitoring

- 11.8.1** This is drafted as Standard Form. No issues.

11.9 Exceptions to Deductions

- 11.9.1** If the following events or circumstances or the consequences of them lead to a Service Performance Shortfall or Unavailability, then the Contractor will be exempt from the Service Performance Points/Deductions or Unavailability Deductions that have been caused by these events or circumstances:
- (a) Any event before the Services Availability Date for the relevant Area unless this represents some act or omission by the Contractor prior to the Services Availability Date that only manifests itself after that date but which causes Unavailability to occur; or
 - (b) Any breach, omission or default by the Authorities of its obligations under the Project Agreement, provided that such breach does not arise as a result of an act or omission of the Contractor or a Contractor Related Party; or
 - (c) malicious or wilful damage or damage arising from misuse or negligent use (excluding fair wear and tear) by the Authorities or an Authority Related Party; or
 - (d) The carrying out by the contractor of maintenance operations in respect of an Area in accordance with, and for the duration applicable to such maintenance as specified in the

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Schedule of Programmed Maintenance or the acceleration or deferral of any Programmed Maintenance, or where the Authorities instruct the Contractor not to carry out any planned or reactive maintenance; or

- (e) WE NOTE THAT THIS CLAUSE HAS NOT BEEN USED IN THE PAYMECH. This clause is not used in the Standard Form either, so this appears to be a typographical error in the Standard Form. No issue.
- (f) Any interruption in the supply of water, telephone, gas or electricity by a third party supplier provided that such interruption is not attributable to any act, omission or default of the Contractor or any of its officers, employees, agents or contractors (of any tier) to the extent that all reasonable measures (without being required to incur material additional expenditure) are being taken by the Contractor to minimise the impact on such act, omission by the Authorities or any Authority Related Party thereof and on the performance of the Contractor's obligations under this Agreement; or
- (g) A Compensation Event; or
- (h) The Contractor undertaking an Authority Change or having to undertake works to comply with a Qualifying Change in Law in each case in accordance with the provisions of this Project Agreement; or
- (i) Exercise of Authority Step-In; or
- (j) Any instruction in writing from the Authorities to the Contractor not to provide the Services in the Area to which the Service Performance Shortfall or Unavailability relates because of a strike, industrial action or protester action provided that in each case the Contractor has used and continues to use all reasonable endeavours to minimise the extent of the failure to meet the Availability Criteria or Service Performance Standards and provided further that the strike, industrial action or protestor action does not occur as a result of the act, omission or default of the Contractor or any Contractor Related Party.
- (k) an Emergency, provided that the Emergency does not occur as a result of the act, omission or default of the Contractor or any Contractor Related Party.

11.9.2 These exclusions to Deductions are Standard and acceptable.

11.10 Utility Management

11.10.1 With effect from the Service Start Date or the Service Availability Date (as the case may be), the Contractor will at all times during the Contract Period for all relevant accommodation:

- Be responsible for the agreement of the terms and conditions for supply of Utilities, on the economically most advantageous terms reasonably available having regard to the Contractor's obligations under this Project Agreement, required for the provision of the Services; and
- Pay for all consumption of Utilities after receipt of an invoice or demand from the relevant supplier.
- Pay non-domestic rates in relation to each of the Stations and shall pay the cost of telecommunications (line rental and call charges) at each of the Stations.

11.10.2 Standard Form Drafting has been amended in respect of Utilities. The Contractor will be responsible for procuring and supplying Utilities throughout the Initial Services Period under this Contract.

11.10.3 Reimbursement of Utilities Costs

The Authorities will pay to the contractor the Monthly Utilities Payment in respect of the month concerned. This will be calculated as follows:

$$MUP_m = \frac{\sum_{u=1}^{allutilities} (USCe_u \times CT_u) + SC_u}{12}$$

Where:

MUP_m = the Monthly Utilities Payment calculated in respect of the current month;

$USCe_u$ = the estimated unit Utility Service Cost (u) at the start of the Contract Year (including all relevant taxes and levies);

CT_u = the annual utility Consumption Target for the Utility Service (u) for that Contract Year;

SC_u = the expected standing charge and any other fixed costs/charges for the Utility Service (u) for that Contract Year.

11.10.4 Consumption Target

An annual Consumption Target for the relevant accommodation will be set for each Utility. The Consumption Targets are stated in section XI of the Payment Mechanism for the Initial Period. The targets are expressed in volume terms and are acceptable.

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11.10.5 Consumption Risk

Where the Consumption Target Adjustment applies, consumption risk is shared between ProjectCo. and the Authority. ProjectCo. absorbs the volume risk in the band of their stated Annual Utility Services Consumption Targets +/- 10%. Anything outside this 10% band is split 50:50 between ProjectCo. and the Authority.

All risk in relation to ProjectCo.'s share of the Utility Risk has been passed down in full to the FM Contractor by way of the FM Agreement Payment Mechanism.

11.10.6 Utilities Risk Matrix

The table below summarises the risk allocation that is to apply in relation to utilities. Different dates will apply on each of the sites, so the example below relates to Patterdale. All risk in relation to ProjectCo.'s share of the Utility Risk has been passed down in full to the FM Contractor by way of the FM Agreement Payment Mechanism.

From	To	Description	Tariff Risk	Consumption Risk	Standing Charge Risk	Annual Utilities Adjustment
4 th April 2011	7 th April 2011	Initial Services Period	Authority	Authority	Authority	Pass Through Cost
7 th April 2011	31 st March 2014	Initial Period	Authority	No consumption adjustment	Authority	Yes
1 st April 2014	24 Years	Remainder of Contract	Authority	SPV +/- 10%	Authority	Yes

11.10.7 Annual Utilities Adjustment

The Annual Utilities Adjustment is calculated as follows:

$$AUA_{m=12} = CTA \pm SCA \pm USA$$

Where:

AUA_m = The Annual Utilities Adjustment to be applied in the relevant Contract Month of the Contract Year;

CTA = The annual Consumption Target Adjustment;

SCA = The annual Standing Charge Adjustment;

USA = The annual unit Utility Service Cost Adjustment. Including any changes to the taxes or levies that have arisen during the year,

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11.10.8 Conclusion on Utilities

Current drafting is acceptable.

11.11 Events of Default

Taken from PA Conformed Version dated 23 February 2011. The proposed Events of Default are Standard Form and Acceptable.

PA Limb	PA Provisions
(k)	in any three (3) month period the Authorities have been entitled to reduce the amount of the aggregate of the Monthly Unitary Charge for that period by more than twenty (25) per cent through Unavailability Deductions;
(l)	in each and every month of any six (6) month period the Authorities have been entitled to reduce the amount of the Monthly Unitary Charge by more than ten (10) per cent through Service Failure Deductions;
(m)	in any three (3) month period an individual Station has been Unavailable for twenty (20) days or more;

11.11.1 Material Breach of Services during Initial Services Period

We note that the revised Project Agreement specifies at clause 9 that Project Co cannot be terminated in respect of the performance of the Initial Services. However, where a material breach occurs during the Initial Services the Authorities may require Project Co to remove the FM Contractor and appoint a replacement at Project Co's cost. The defaulting FM Contractor the subject of the notice shall not in such circumstances be entitled to take over the provision of the Services at the Services Availability Date without approval being given by the Authorities.

There are no specific default thresholds in respect of the Initial Services so it is considered highly unlikely that the FM Contractor would perform so poorly that the Authority could demonstrate that a "material breach" has occurred.

11.12 Sensitivities for Full Services

11.12.1 Unavailability Sensitivities

As can be observed from the table below, it would take over five and a half days of whole site Unavailability at all stations to reach the Default threshold for Unavailability in the Project Agreement. The possibility of all stations being Unavailable at the same time appears to be remote in the extreme. The scenarios identified below relate to individual instances of Whole Site Unavailability.

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Appleyards can conclude that due to the large number of stations on this project the possibility of reaching the limb (k) Default Threshold due to Unavailability is extremely unlikely. Limb (m) would probably kick in first. That is, in any three (3) month period an individual Station has been Unavailable for twenty (20) days or more.

Total	MUC	3 months MUC	25% of 3 months MUC	Whole Site Unavailability for 1 Day, including Repetition Factor of 2	Days to Erode 25% of 3 months MUC
Belle Vale	£540,958	£1,622,875	£405,719	£3,717.60	109 Days
Birkenhead	£540,958.33	£1,622,875.00	£405,718.75	£4,468.80	91 Days
Blackburn	£540,958.33	£1,622,875.00	£405,718.75	£4,509.60	90 Days
Bootle & Netherton	£540,958.33	£1,622,875.00	£405,718.75	£5,013.60	81 Days
Burnley	£540,958.33	£1,622,875.00	£405,718.75	£5,245.20	77 Days
Carlisle East	£540,958.33	£1,622,875.00	£405,718.75	£4,608.00	88 Days
Carlisle West	£540,958.33	£1,622,875.00	£405,718.75	£3,085.20	132 Days
Chorley	£540,958.33	£1,622,875.00	£405,718.75	£4,702.80	86 Days
Fleetwood	£540,958.33	£1,622,875.00	£405,718.75	£4,300.80	94 Days
Formby	£540,958.33	£1,622,875.00	£405,718.75	£3,352.80	121 Days
Kirkdale	£540,958.33	£1,622,875.00	£405,718.75	£5,716.80	71 Days
Newton Le Willows	£540,958.33	£1,622,875.00	£405,718.75	£3,445.20	118 Days
Patterdale	£540,958.33	£1,622,875.00	£405,718.75	£1,382.40	293 Days
Penrith	£540,958.33	£1,622,875.00	£405,718.75	£7,483.20	54 Days
Southport	£540,958.33	£1,622,875.00	£405,718.75	£5,337.60	76 Days
Workington	£540,958.33	£1,622,875.00	£405,718.75	£4,762.80	85 Days
Total	£540,958.33	£1,622,875.00	£405,718.75	£71,132.40	5.70 Days

For information the Unavailability Deduction totals that would apply if all stations in Cumbria, Merseyside and Lancashire were unavailable at the same time are set out below.

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Cumbria:

Cumbria Total	Whole Site Unavailability for 1 Day, including Repetition Factor of 2	Days to Erode 25% of 3 months MUC
Carlisle East	£4,608.00	
Carlisle West	£3,085.20	
Patterdale	£1,382.40	
Penrith	£7,483.20	
Workington	£4,762.80	
Total	£21,321.60	19.03 Days

Merseyside:

Merseyside Total	Whole Site Unavailability for 1 Day, including Repetition Factor of 2	Days to Erode 25% of 3 months MUC
Belle Vale	£3,717.60	
Birkenhead	£4,468.80	
Bootle & Netherton	£5,013.60	
Formby	£3,352.80	
Kirkdale	£5,716.80	
Newton Le Willows	£3,445.20	
Southport	£5,337.60	
Total	£31,052.40	13.07 Days

Lancashire:

Lancashire Total	Whole Site Unavailability for 1 Day, including Repetition Factor of 2	Days to Erode 25% of 3 months MUC
Blackburn	£4,509.60	
Burnley	£5,245.20	
Chorley	£4,702.80	
Fleetwood	£4,300.80	
Total	£18,758.40	21.63 Days

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The likelihood of triggering a default event due to Unavailability is viewed as being extremely unlikely on this project, and is therefore acceptable.

11.12.2 Performance Deduction Sensitivities

A termination event will occur at PA level if in each and every month of any six (6) month period the Authorities have been entitled to reduce the amount of the Monthly Unitary Charge by more than ten (10) per cent through Service Failure Deductions. This is summarised in the table below.

MUC	10% of MUC	Performance Deduction Points Value	Number of Performance Deduction Points to reach cap
£502,750	£50,275	£5.00	10,055

The length of time it would take to reach this cap would depend on the type of Service Performance Shortfall that has occurred and also depend upon the number of areas that are affected. The following tables highlight potential scenarios for each of the five Response Categories relating to Service Performance Shortfalls. Clearly, the shorter the response time the sooner performance deductions points will be accrued and the sooner the termination cap could be reached.

Response Category 1;

There are 13 response category 1 items on the NWFRA Project, each requiring a temporary fix within 3 hours and a permanent fix within 24 hours. If a temporary fix is not effected within 3 hours then Performance Deduction Points are deemed to have recurred at the end of the temporary rectification time. The example below highlights just two of the thirteen response category 1 items.

Service outputs	Perform. Standards	Perform. points	Potential Areas per Station	Potential Areas for 7 Stations	Total Time Out	Total Periods	Total Points	Ratchet; per clause 5.2; 1.0, 1.2 or 1.5 for each station	Total Deduction
To keep internal areas safe and tidy.	All direct access routes to appliance bays to be kept free of obstruction and floor surfaces kept dry and free from debris.	5	14	98	27	9	4410	1.5	£33,075

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Service outputs	Perform. Standards	Perform. points	Potential Areas per Station	Potential Areas for 7 Stations	Total Time Out	Total Periods	Total Points	Ratchet; per clause 5.2; 1.0, 1.2 or 1.5 for each station	Total Deduction
Traffic within the sites must be managed to prevent accidents and to ensure safe access to all entrances to buildings and to maintain security.	Entrances, exits and internal roadways must be kept clear at all times to avoid obstruction.	5	10	70	27	9	3150	1.5	£23,625
								Total	£56,700

The above analysis demonstrates that under current drafting it would be possible to accrue Performance Deductions against category 1 items very quickly, and the monthly termination trigger could be exceeded in just 27 hours. You could argue that a team of trained fire fighters are unlikely to report faults such as those outlined above, and would simply rectify the situation themselves. However, the potential deductions are very penal in relation to the potential service shortfall.

For the above example, if an Unavailability was in place for the same duration then the Unavailability Deduction for the 98 internal areas would be £5,556, and would be £4,196 for the 70 external areas. As per the above example the potential Performance Deduction of £56,700 far exceeds the potential Unavailability Deduction of £9,752. We would not expect this to be the case, although the likelihood of the above scenarios occurring and persisting over an extended period is considered to be remote. Whilst not being ideal it is recognised that this was a project specific requirement in order to incentivise the FM Contractor and was agreed as part of the commercial deal at Preferred Bidder award.

Response Category 2;

There are 31 response category 2 items on the NWFRA Project, each requiring a temporary fix within 24 hours and a permanent fix within 2 days. If a temporary fix is not effected within 24 hours then Performance Deduction Points are deemed to have recurred at the end of the temporary rectification time. The example below highlights 4 of the thirty one 'response category 2 items'.

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Service outputs	Perform. Standard	Perform. points	Potential Areas per Station	Assumed Areas Stations	Total Time Out	Total Periods	Total Points	Ratchet; per clause 5.2; 1.0, 1.2 or 1.5 for each station	Total Deduction
Maintenance of all floor areas.	All floors must be kept clear of all oil, grease, standing water or spillages	4	all	975	48	2	7800	1.5	£58,500
Sanitary Waste	Provision of proprietary feminine hygiene and nappy disposal units located in the toilets and collected on a weekly basis.	2	toilets	32	48	2	128	1.2	£921
Building - external	Repair / replacement of broken glazing to be carried out to the standard of the original installation and to ensure safety and security to all users and visitors.	3	30	14	48	2	84	1.0	£1,344
To provide for the removal of water run off and sewage from the sites.	All drains, sewers, gullies and any sewerage treatment plants to be maintained free flowing and free from odours.	3	toilets	32	48	2	192	1.2	£6,451
								Total	£67,216

The above analysis demonstrates that there is potential for quite large deductions to accrue against some cleaning related items in a short period of time. If, over a period of 48 hours, all floors in all rooms at all of the stations were not kept clear of all oil, grease, standing water or spillages, then the monthly termination trigger could be exceeded. By way of comparison, if all stations were unavailable for 48 hours and if no ratchet applied, then the Unavailability Deduction would equal £71,132. The likelihood of the above scenarios occurring and persisting over an extended period is considered to be remote.

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We would fully expect the FM provider to carry out the cleaning requirements within the timeframe, but the potential deductions do not seem to correlate with the potential service shortfall and are penal when compared with other comparable projects. The other factor to consider is that multiple Performance Failures can apply to the same area at the same time. Whilst not being ideal it is recognised that this was a project specific requirement in order to incentivise the FM Contractor and was agreed as part of the commercial deal at Preferred Bidder award.

Response Category 3;

There are 21 response category 3 items on the NWFRA Project, each requiring a permanent fix within 24 hours. The example below highlights 6 of the twenty one 'response category 3 items'. For the purposes of our analysis we will assume that all areas at Carlisle East are affected. This is 62 areas in total.

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Service outputs	Perform. Standard	Perform. points	Potential Areas per Station	Assumed Areas Stations	Total Time Out	Total Periods	Total Points	Ratchet; per clause 5.2; 1.0, 1.2 or 1.5 for each station	Total Deduction
To avoid overflowing of waste receptacles.	Bins and other waste receptacles must be emptied at least daily or when full and the bin relined with liner. The outside of all bins and waste receptacles to be kept free of dust, smears, marks etc.	3	all	34	2	2	204	1.5	£2,448
Graffiti Internal and External surfaces	All walls to be free of graffiti. Removed or obscured / painted / covered on notification.	3	all	39	2	2	234	1.5	£3,159
Kitchenettes Work surfaces, sinks, cupboards, appliances, floors, walls, ceilings White goods and refrigerators and freezers	Cleaned once daily, unsoiled, and free from dust, smears and stains. ⁴	4	kitchens	4	2	2	32	1	£320
To keep toilets and washrooms odour free, sanitary and clean for use.	All toilets, urinals, splash plates, WC pans, pedestals, and associated areas must be disinfected and free from ingrained dirt, smears, marks, stains etc.	3	toilets	12	2	2	72	1	£360

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Service outputs	Perform. Standard	Perform. points	Potential Areas per Station	Assumed Areas Stations	Total Time Out	Total Periods	Total Points	Ratchet; per clause 5.2; 1.0, 1.2 or 1.5 for each station	Total Deduction
To keep all other sanitary equipment in a clean and hygienic condition for use.	All items must be disinfected and free from ingrained dirt, grease marks, stains etc. and finished with a dry cloth.	2	toilets	12	2	2	48	1	£288
To provide continuous consumable toiletry supplies.	Toilet rolls, towels, sanitary towels, bar and liquid soap, etc. must be replenished to meet daily needs.	3	toilets	12	2	2	72	1	£504
								Total	£7,079

By way of comparison, if Carlisle East station was unavailable for 48 hours and if no ratchet applied, then the Unavailability Deduction would equal £4,608. We would fully expect the FM provider to carry out the cleaning requirements within the timeframe, but the potential deductions appear to be very penal with regard to the type of service shortfall. The other factor to consider is that multiple Performance Failures can apply to the same area at the same time. Whilst not being ideal it is recognised that this was a project specific requirement in order to incentivise the FM Contractor and was agreed as part of the commercial deal at Preferred Bidder award.

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Response Category 4;

There are 38 response category 4 items on the NWFRA Project, each requiring a permanent fix within 72 hours. The example below highlights 4 of the thirty eight 'response category 4 items'.

Service outputs	Perform. Standards	Perf points	Potential Areas per Station	Assumed Areas Instances at Stations	Total Time Out Days	Total Periods	Total Points	Ratchet; per clause 5.2; 1.0, 1.2 or 1.5 for each station	Total Deduction
Buildings - internal	Damage to wall, floor and ceiling surfaces to be made good / renewed to 'as new' condition (to be repaired within agreed timescales.)	2	20	20	3	1	40	1	£640
To keep external hard surface areas neat and tidy.	All areas must be kept free of accumulations of litter, leaves, rubbish, weeds and other solid matter.	2	15	15	3	1	30	1	£150
Building - external	Any damage or defects to the structural envelope of the buildings, wall, roofs, windows, glazing, soffits etc. to be made good to 'as new' standard.	3	10	10	3	1	30	1	£540
Staff	All staff must be appropriately designated (in line with their skills, training and experience) and be deployed in sufficient levels so as to provide the services described in the Service Delivery Plan.	2	n/a	1	3	1	2	0	£0
Total									£1,330

A competent FM Contractor such as Balfour Beatty Workplace should have no problem carrying out repairs and rectifications within a 72 hour period, and the attaching deductions represent an acceptable risk.

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Response Category 5;

There are 34 response category 5 items on the NWFRA Project, each requiring a permanent fix within 10 days. The example below highlights 4 of the thirty four 'response category 5 items'.

Service outputs	Performance Standard	Perf points	Assumed Areas Instances at Stations	Total Time Out Days	Total Periods	Total Points	Ratchet ; per clause 5.2; 1.0, 1.2 or 1.5 for each station	Total Deduction
Light Fittings, Ceilings, M&E and Exposed Fittings	Unsoiled, free from debris, dust, stains and smears. Cleaned annually or as required, e.g. cobweb removal.	3	32	10	1	96	1	£768.00
Blinds	Dusting and washing as necessary, once every quarter year, or as required.	3	32	10	1	96	1	£864.00
To undertake horticultural works to maintain a pleasing and tidy appearance.	Within reasonable limits all trees, perennial plants and shrubs must be maintained such that • Trees / shrubs are kept to a tidy height	2	18	10	1	36	1	£936.00
Procedures	Undertaking benchmark testing of utilities at the agreed intervals during the operational period of the Contract.	5	1	10	1	5	0	£0.00
Total								£2,568

A competent FM Contractor such as Balfour Beatty Workplace should have no problem carrying out repairs and rectifications within a 10 day period for the category 5 items, and the attaching deductions represent an acceptable risk.

11.12.3 Conclusion on Sensitivities

The sensitivity testing with regard to Unavailability Deductions in the full services period demonstrates that the potential deductions and the speed at which they accrue represent an acceptable risk and the model is considered to be suitably calibrated.

The sensitivity testing with regard to Performance Deductions for Category 1 items in the full services period demonstrates that the potential deductions and the speed at which they accrue represent a risk to the FM Provider. In our view they are disproportionate to the Unavailability Deduction and would encourage the FM Provider to declare Unavailability rather than address the underlying performance issue.

The sensitivity testing with regard to Performance Deductions for Category 2 and Category 3 items in the full services period demonstrates that the potential deductions represent a risk to the FM Provider. As with Category 1 items, we have recommended to the consortium that they seek to amend the drafting in this regard, but have been informed that the matter is closed for negotiation. We raise this as a point of commercial disclosure for the consortium.

The sensitivity testing with regard to Performance Deductions for Category 4 and Category 5 items in the full services period demonstrates that the potential deductions and the speed at which they accrue represent an acceptable risk.

11.13 Sensitivities for Initial Services

Project Co cannot be terminated in respect of the performance of the Initial Services. The analysis below demonstrates the speed at which the Initial Services Charge might be eroded due to Performance and Unavailability Deductions.

11.13.1 Unavailability Sensitivities for Initial Services

The initial services area rate is a function of the Initial Services Charge, and the calibration will be the same as for Unavailability during Full Services.

11.13.2 Performance Sensitivities for Initial Services

The Service Performance Deduction regime that applies during Initial Services is identical to the regime that applies during Full Services. The categories of response, the response times, the Performance Deduction Points Value and the Performance Deduction Formula are all the same as for Full Services. There are slightly fewer Performance Standards to adhere to, but the level of service is similar to Full Services. On average there will be 85 areas to service at any one time throughout the Initial Services Period. As per the example below it would be possible to lose a large portion of the Monthly Initial Services Payment in a short period. The Monthly Initial Services Payment will be £6,484.

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Service outputs	Performance Standard	Performance points	Potential Areas	Total Time Out	Total Periods	Total Points	Ratchet; per clause 5.2; 1.0, 1.2 or 1.5 for each station	Total Deduction
To keep internal areas safe and tidy.	All direct access routes to appliance bays to be kept free of obstruction and floor surfaces kept dry and free from debris.	5	25	9	3	375	1.5	£2,812.50
Traffic within the sites must be managed to prevent accidents and to ensure safe access to all entrances to buildings and to maintain security.	Entrances, exits and internal roadways must be kept clear at all times to avoid obstruction.	5	10	9	3	150	1.2	£900.00
							Total	£3,712

The FM Contractor is receiving a small fee the Services during the Initial Services Period, and may potentially lose a large portion of the monthly payment in a matter of hours if they do not perform to the required standard. We note that resourcing will be supplemented from projects which the FM Provider operates in the region in order to off-set this risk.

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11.14 Step-down

The step down of the PA provisions are as follows and are considered to be appropriate and acceptable:

PA	PA Provisions	FMA Provisions
(k)	in any three (3) month period the Authorities have been entitled to reduce the amount of the aggregate of the Monthly Unitary Charge for that period by more than twenty five (25) per cent through Unavailability Deductions;	in any three (3) month period the Authorities have been entitled to reduce the amount of the aggregate of the Monthly Unitary Charge for that period by more than ten (10) per cent through Unavailability Deductions;
(l)	in each and every month of any six (6) month period the Authorities have been entitled to reduce the amount of the Monthly Unitary Charge by more than ten (10) per cent through Service Failure Deductions;	in each and every month of any four (4) month period the Authorities have been entitled to reduce the amount of the Monthly Unitary Charge under the PA Payment Mechanism by more than five per cent (5%) through Service Performance Deductions;
(m)	in any three (3) month period an individual Station has been Unavailable for twenty (20) days or more;	in any three (3) month period an individual Station has been Unavailable for twelve (12) days or more;

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11.15 FM Payment Mechanism

11.15.1 The FM Payment Mechanism is a largely straight pass through with the appropriate amendments.

11.15.2 The timing of Monthly Unitary Charge Payments and the Monthly FM Services Payment is summarised by way of the table below. In summary, Project Co. will get paid for month t prior to the end of month t. FM will get paid for month t within five business days of the final business day of month t. Project Co will always have the money prior to having to pay FM.

Process	PA Provisions	FMA Provisions
Invoice submitted	<p>Clause 37.2.1</p> <p>Within five (5) Business Days of the start of Payment Period (m) the Contractor shall submit to the Authorities...an invoice</p>	<p>Clause 37.2.3</p> <p>The FM Contractor will provide an invoice to the Contractor within three (3) Business Days of the start of each Payment Period.</p>
Invoice Paid	<p>Clause 37.4.1</p> <p>the Authorities shall pay the amount stated in a valid invoice on or before fifteen (15) Business Days of receipt of an invoice received pursuant to clause 37.2</p>	<p>Clause 37.4.1</p> <p>the Contractor shall pay the amount stated in a valid invoice ... within five (5) Business Days of the final Business Day of Payment Period t.</p>

11.15.3 Unlike the Project Agreement Payment Mechanism, the Service Payments to be made to the FM Contractor are not dependent upon the actual dates that Service Commencement is achieved at each of the facilities. The FM Contractor will receive payment regardless of any possible delays. The amounts will be in accordance with the Services Payment table contained in the FM Payment Mechanism. The potential additional costs to ProjectCo which this dynamic creates will be covered by way of liquidated damages recovered from the Building Contractor, so ProjectCo will stay whole.

11.15.4 The Unavailability Deduction drafting and Service Performance Deduction Drafting is back to back with the Project Agreement Payment Mechanism, with all obligations passed through in full.

- 11.15.5** ProjectCo may not in respect of any Unavailability or Service Performance Shortfall arising make Total Deductions which are greater than the Monthly FM Services Payment. Deductions can however be carried over and applied in subsequent months so that, subject to the Annual Cap, no Deductions reside at PA Level. Service Performance Deductions are capped at the total Monthly FM Services Payment.
- 11.15.6** Note that limb (t) of the FM Provider Default Events specifies that Project may terminate the FM Provider should the aggregate total of the Deductions used in calculating the total Actual FM Services Payments in any Contract Year in accordance with Schedule 6 (FM Payment Mechanism) be equal to or greater than 90% of the FM Contractor's maximum aggregate liability for Deductions in that Contact Year set out in Special Condition 7.9 unless the FM Contractor agrees to increase the maximum aggregate liability for Deductions. Special Condition 7.9 specifies that the maximum aggregate liability of the FM Contractor for Deductions in any Contract Year shall not exceed the amount of the Annual FM Services Payment for that Contract Year, excluding any Deductions.
- 11.15.7** Utility risks that reside with ProjectCo under the PA Payment Mechanism have been passed down in full to the FM Provider. The consumption tables have been populated in the FM Payment Mechanism, and these are identical to the PA Payment Mechanism.
- 11.15.8** The FM Payment Mechanism does not incorporate provisions for the payment of Lifecycle amounts. Special Condition 40 to the FM Agreement sets out the Lifecycle Payment methodology in sufficient detail. Lifecycle indexation is covered by way of the definition of "Lifecycle Budget", and in effect the Real amounts as stated in the Financial Model will be subject to actual inflation year on year. This mechanism is reviewed in section 12 of this report and is acceptable.
- 11.15.9** The FM Payment Mechanism is acceptable.

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11.16 Summary of Risks

Ref	Issue	Risk	Category	Action
11.1.3	Weighted Area Session Schedule.	Required in order to establish what the Area Rate (AR) will be on this project	Green	No issues.
11.1.5	Additional Performance Deduction Points and High Impact KPI's.	Impact on the speed at which ProjectCo. Default thresholds might be reached.	Green	No issues.
11.2.6	Definitions: "Base Annual Variable Element"	The entire Annual Initial Services Charge will be subject to inflation.	Green	No issues.
11.2.6	Definitions: "Base Date"	Affects pricing and benchmarking figures.	Green	No issues.
11.2.9	Definitions: "Emergency Mobilisation"	Significant deductions can accrue under this performance requirement, but are commensurate with the buildings usage. This drafting has been observed on all recent Fire and Rescue PFI Projects, and is therefore acceptable.	Green	No issues. Note that the roller shutter door design has been carefully considered and the risk of incurring deductions against this item has been mitigated insofar as is possible.

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Ref	Issue	Risk	Category	Action
11.2.15	Definitions: “Performance Deduction Point Value”	Is £5 for each Performance Deduction Point awarded to the Contractor but only £3 in Standard Form. Affects the speed at which Contractor Default thresholds might be reached.	Green	This is a point of commercial disclosure.
11.3.3	Initial Services Monthly Payment Formula	Formula includes a mechanism so that Pass Through Costs can be included in the Initial Services Monthly Payment.	Green	No Issues.
11.3.5	Unitary Payment Formula	Inappropriate Risk Transfer Mechanism	Green	No Issues.
11.3.7	Unitary Charge Uplift Percentages	Inappropriate Step Ups	Green	No Issues.
11.3.8	Indexation	It would appear as though the entire Annual Initial Services Charge will be subject to inflation.	Green	No Issues.
11.4.5	Procedure for notification of an Unavailability Event, and the way in which the Contractor is required to acknowledge this notification	Given the geographical spread of the 16 sites, the FM Contractor will need a number of Out of Hours personnel on call to manage this requirement. Responding within 1 hour will be a very demanding task.	Green	FM staffing is sufficient under normal operation. We believe the FM Contractor will incur occasional deductions when faults are reported across several stations at the same time.

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Ref	Issue	Risk	Category	Action
11.4.9	Unavailability Deduction Formula.	The inclusion of the PRn Factor is not Standard Form, but has been observed on a number of recent Fire and Rescue PFI Projects.	Green	No issues.
11.4.14	Temporary Alternative Accommodation.	This is drafted as Standard Form	Green	No issues.
11.4.15	Consequential Unavailability	This is drafted as Standard Form	Green	No issues.
11.4.16	Unavailable but used.	This is drafted as Standard Form	Green	No issues.
11.4.17	There are two additional 'Deemed Unavailability' occurrences specified in paragraph 3.7 of the Payment Mechanism when compared with the Standard Form.	This has been observed on a number of recent Fire and Rescue PFI Projects.	Green	No issues.
11.4.18	Zones	Standard	Green	No issues.
11.4.19	Availability Criteria	The response times on the NWFRA Project are more stringent than what is required under the Standard Form, but this has been observed on a number of recent Fire and Rescue PFI Projects.	Green	FM have demonstrated their approach to managing this risk

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Ref	Issue	Risk	Category	Action
11.4.20	Key Aspects of Fire Station in respect of Unavailability.	The key elements of the design have been reviewed by Appleyards, and we confirm that these elements are acceptably addressed	Green	No issues.
11.4.21	Unavailability Deduction Analysis.	The Whole Site Unavailability Deduction per hour.	Green	No issues.
11.4.22	FM Contractor's Staffing Arrangements.	The FM Contractor needs to staff the various locations such that the reduced response times on the NWFRA Project can be achieved.	Green	FM have demonstrated their approach to managing this risk
11.4.23	Unavailability Overview	Standard drafting has not been used. There is an increased risk of incurring Unavailability Deductions due to reduced Rectification times.	Green	FM have demonstrated their approach to managing this risk
11.5.2	Service Performance Deductions during the Initial Services Period.	The Service Standards that apply during the Full Services Period are the same as those that apply during the Initial Services Period.	Green	No Issues.
11.5.7	Performance Deduction Points for multiple Performance Failures.	It is possible to incur Performance Deduction Points for multiple Performance Failures at the same time.	Green	ProjCo position is acceptable.

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Ref	Issue	Risk	Category	Action
11.5.9	Duration of a Service Performance Shortfall.	The ability to respond to Category 1 & 2 Service Performance Deductions within 3 hours is considered to be a manageable requirement.	Green	No Issues.
11.5.10	Service Performance Deduction Formula.	Standard Form.	Green	No Issues.
11.5.11	Additional Performance Deduction Points.	The effect of this alteration is to increase the potential deductions associated with Response Category 4 and 5 items.	Green	No Issues.
11.5.12	Performance Deduction Points Value.	£5 instead of £3.	Green	This is a point of commercial disclosure.
11.6.1	Ratchets	Drafting is correct as it is.	Green	No Issues.
11.6.2	Performance Deduction Points Ratchets	This is Standard Form and acceptable.	Green	No Issues.
11.6.3	Impeded Mobilisation	The thresholds appear to be fair given the purpose of the building, but the use of a £5 Performance Deduction Point Value instead of a Standard Form amount of £3 will increase potential deductions.	Green	No Issues.
11.7	Limitations on Deductions.		Green	No Issues.

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Ref	Issue	Risk	Category	Action
11.9	Exceptions to deductions.	This is Standard Form and acceptable.	Green	No Issues.
11.10.5	Utilities drafting.	Longterm liabilities with FM Contractor.	Green	No Issues.
11.11	Events of Default.	This is Standard Form and acceptable.	Green	No Issues.
11.11.1	Material Breach of Services during Initial Services Period.	Where a material breach occurs during the Initial Services the Authorities may require Project Co to remove the FM Contractor and appoint a replacement at Project Co's cost.	Green	No Issues.
11.12.1	Sensitivities for Full Service; Unavailability.	The likelihood of triggering a default event due to Unavailability is viewed as being extremely unlikely on this project, and is therefore acceptable.	Green	
11.12.2	Sensitivities for Full Service; Performance Deductions.	The length of time it would take to reach this cap would depend on the type of Service Performance Shortfall that has occurred and also depend upon the number of areas that are affected.	Green	ProjCo position acceptable.
11.13.1	Sensitivities for Initial Service; Unavailability Deductions.	The length of time it would take to reach the cap.	Green	No issue

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Ref	Issue	Risk	Category	Action
11.13.2	Sensitivities for Initial Service; Performance Deductions.	The FM Contractor is receiving a small fee for the level of Service that will be required during the Initial Services Period, and is faced with the possibility of losing a large portion of the monthly payment in a short period.	Green	The FM Contractor has proposed acceptable mitigation measures to deal with this.
11.14	Step Downs.	Step down of the PA provisions.	Green	No Issues.
11.15	FM Payment Mechanism	Step down of the PA provisions.	Green	No Issues.

Section 12



Lifecycle Costs

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12 Life Cycle Review

12.1 Overview

12.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 12 - Due Diligence Reporting Category	Green
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12.1.2 The Lifecycle Fund total is considered to be adequate to deliver the scheme. The Lifecycle Risk will be held by the FM Provider. The FM Provider will be responsible for any shortfall in the Lifecycle Fund. The Lifecycle and MRA arrangements as detailed in the FM Agreement and the Loan Facilities Agreement are acceptable.

12.2 Review of Life Cycle Fund

12.2.1 The information reviewed as part of this technical commentary consisted of the following files:

- Excel spreadsheet – “110204 LC Costs for FC Cost Run - issued”;
- Excel spreadsheet – “2.1.8 Construction cost information_with analysis”;
- Conformed FM Contract dated 23 February 2011;
- NWFRA Lifecycle Maintenance Plan;
- Contractor’s Proposal 2.1.7 Anticipated lifecycle component replacement strategy; and
- 110212 Schedule 2 Part 2 appendix 1 - NWFR_LMP's_all stations (combined and final).

12.2.2 The summary table below summarises the area totals for each site upon which the Lifecycle totals are benchmarked:

	New Station	Appliance Bay	ORC	Auxiliary Garage Area	Fire House	Area Total A & B	Area Total A to E
	A	B	C	D	E		
Belle Vale	937	143				1,080	1,080
Birkenhead	933	195				1,128	1,128
Blackburn	1,008	205			121	1,213	1,334
Bootle	1,281	130				1,411	1,411
Netherton							
Burnley	1,087	332		122	121	1,419	1,662
Carlisle East	998	260			121	1,258	1,379
Carlisle West	510	65				575	575
Chorley	1,152	203				1,355	1,355
Fleetwood	830	139				969	969
Formby	643	139				782	782
Kirkdale	991	205	495	325		1,196	2,016
Newton le Willows	652	139				791	791

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	New Station	Appliance Bay	ORC	Auxiliary Garage Area	Fire House	Area Total A & B	Area Total A to E
Patterdale	107	60				167	167
Penrith	2,098	260		260	121	2,358	2,739
Southport	1,122	390				1,512	1,512
Workington	998	260			121	1,258	1,379
Totals	15,347	3,125	495	707	605	18,472	20,279

12.2.3 The total applicable area on which the Lifecycle totals for the NWFRA project are predicated is 20,279m². The benchmarking comparison in relation to the Kirkdale site is below the anticipated range when the total area of 2,016 is taken into account. However, the overall fund is sufficient.

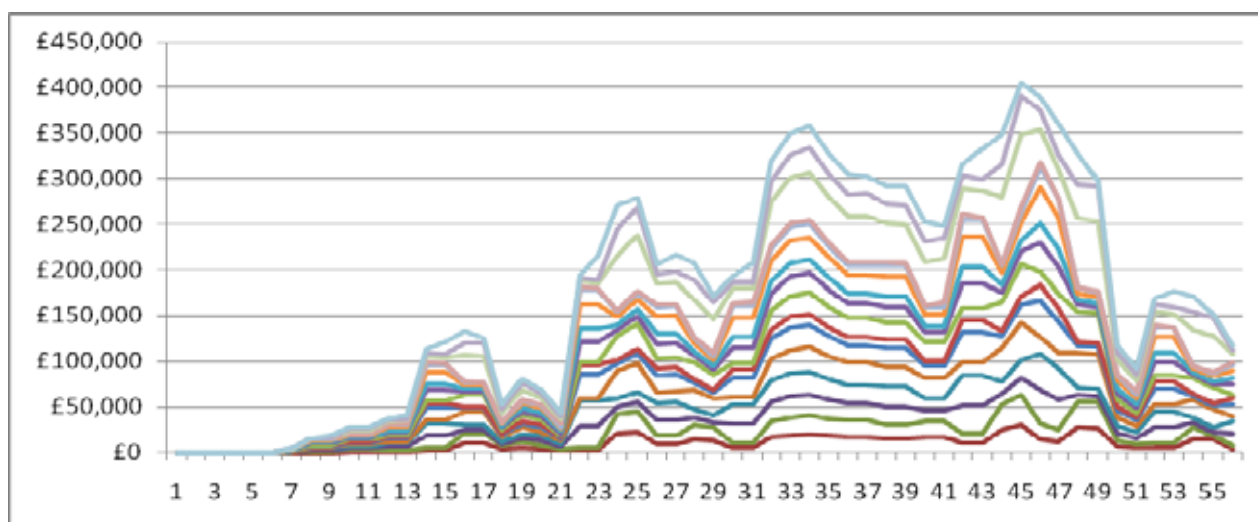
12.2.4 The Life Cycle Costs for the NWFRA PFI project may be summarised as follows:

	Lifecycle	New Build Areas	Area Rate
Belle Vale	£535,475	1,080	£19.83
Birkenhead	£548,637	1,128	£19.46
Blackburn	£652,558	1,334	£19.57
Bootle & Netherton	£717,806	1,411	£20.35
Burnley	£747,158	1,662	£17.98
Carlisle East	£689,101	1,379	£19.99
Carlisle West	£308,465	575	£21.46
Chorley	£645,491	1,355	£19.06
Fleetwood	£580,740	969	£23.97
Formby	£401,361	782	£20.53
Kirkdale	£695,233	2,016	£13.79
Newton Le Willows	£412,011	791	£20.83
Patterdale	£108,785	167	£26.06
Penrith	£1,466,670	2,739	£21.42
Southport	£732,392	1,512	£19.38
Workington	£665,364	1,379	£19.30
	£9,907,245	20,279	£19.54

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The cost base date for the Life Cycle Costs is 1st October 2010.

- 12.2.5** Balfour Beatty have advised that the Authorities have lifecycle responsibilities for the provision of all loose FF&E over the course of the Contract Term.
- 12.2.6** The main Lifecycle Fund of £9,907,245 is profiled in half-yearly spend totals for the Contract Period for each of the Stations as per the graph below. The expenditure profiles are appropriate and clearly consistent with one another.



12.3 Benchmark Life Cycle Fund Calculation

12.3.1 Expressing the 25 Year Life Cycle Cost for the sixteen sites as a ratio of the capital cost and as a cost per m2 per annum produces the following results. The capital cost used for the ratio calculation is the PFI New Build Cost less the abnormal costs and the allowances for inflation and contingency.

12.3.2 All costs are at a base date of October 2010.

Life Cycle Cost	Capital Cost	Ratio
£9,907,245	£35,430,746	27.96%
Life Cycle Cost	GIFA m2	Cost per m2 p.a.
£9,907,245	20,279	£19.54

12.3.3 The benchmark capex/lifecycle ratio for comparable projects ranges from 24% up to 32%. The Mean of the benchmark range is 28.5%. The returned ratio of 27.96% represents a Mean ratio. The ratio is considered to be adequate.

- 12.3.4** When the cost per m² per annum rate is benchmarked against other PFI schemes the result is found to be located towards the upper quartile end of the range. The benchmark data provides a range of rates between £17.90 and £21.60. The Mean of the benchmark range is £18.63. Therefore, the rate of £19.54 is considered to be adequate.
- 12.3.5** Both the ratio and area rate returned fall within the expected range for projects of this nature with an operational period of 25 years. We can therefore support the life cycle fund based upon benchmark analysis.
- 12.3.6** We have reviewed the information contained on the “NWFRA Lifecycle Maintenance Plan” spreadsheet and can confirm that the pricing methodology is based upon the Construction Cost Plan.
- 12.3.7** The Life Cycle Cost data as presented for review provided sufficient information to enable us to undertake a review of the methodology and criteria used in its calculation. The data provided the following information:
- Element name;
 - Elemental costs based on Construction CAPEX;
 - Quantity;
 - Start period; and
 - Frequency of replacement cycles.
- 12.3.8** Appleyards observe that the frequency of replacement cycles is generally assumed to be less frequent than what would be typical under other PFI Schemes. The Fire Stations will however be subject to less wear and tear than Schools, Leisure Centres and Joint Service Centres so the assumptions are acceptable on this basis.
- 12.3.9** The Life Cycle Cost data is silent in respect of the following cost items:
- Change of Law;
 - Project Co Margin;
 - Indexation; and
 - Inflation.
- 12.3.10** We have consulted Balfour Beatty and advise that:
- There is no contingency for Change of Law in the SPC costs. There is a change of law facility that if required, and based upon the terms in the Credit Agreement, will be drawn upon;
 - There is no separate SPV margin on SPV overhead. Staff and other SPV overheads are incorporated into the Lifecycle totals;

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- Regarding indexation, the financial model will be optimally hedged, such that changes to inflation will not materially impact equity returns. This is standard in all Balfour Beatty projects. The x-factor in the model will be circa 36% subject to the final swap rate; and
- Otherwise the model assumes 2.5% indexation as required by the public sector for the purposes of close.

The above arrangements are considered to be appropriate.

12.4 Review of Maintenance Provisions in the PA and FM Agreements

12.4.1 Under Part 4 – The Services, of the Project Agreement, maintenance and asset renewal responsibility rest with Project Co. The FM Agreement passes this obligation to the FM Contractor, Balfour Beatty Workplace Limited.

12.4.2 Clause 23.1 – Maintenance, of the Project Agreement, deals with the obligations for maintaining the Stations and outlines the standards to be achieved. The standards may be summarised as follows:

- The Stations are Available as required by the Agreement and the Authority's Requirements;
- The Stations are to be kept in good structural and decorative order (subject to fair wear and tear);
- Maintain the design intention of the Stations to achieve their full working life as set out in Part 1, Section 3 of Schedule 1 (Authorities' Requirements) for the duration of the Contract Period;
- The Contractor can deliver the Services in accordance with the Agreement and the Services Specification;
- The Stations are handed back to the Authorities on the Expiry date in a condition compliant with the Handback Requirements; and
- The Handback Requirements are defined as the requirements relating to the condition of the Stations set out in Part 1, Section 3 of Schedule 1 (Authorities' Requirements). It is a requirement of the Authorities that each station will not incur major expenditure for repairs and replacements for a minimum period of five years following the end of the 25 year concession period. There are some items which require a longer life than this and are listed as follows:

Building Elements	Life Expectancy (from start of service delivery)
Building structure	60 years
External walling	60 years
Windows/external doors	60 years
Roof covering	35 years

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Building Elements		Life Expectancy (from start of service delivery)
Heating systems	(Source)	20 years
	(Distribution)	40 years
Electrical installations		35 years
Lifts		35 years
Drainage systems	(Above/below ground)	60 years
External works	(hard landscape)	35 years
	(soft landscape)	60 years

- 12.4.3** We can confirm that the expanded Total Construction Life Cycle Cost sheet has generally taken into consideration the residual life requirements as laid out in the Authority's Requirements. We believe that there is sufficient Life Cycle Cost monies available to ensure that the Handback requirements are met.
- 12.4.4** Clause 23.4 of the Project Agreement deals specifically with the subject of Programmed Replacement. This clause has been replicated in the FM Agreement with the Project Co obligations being passed through with additional headroom to the FM Contractor.
- 12.4.5** Three (3) months prior to the commencement of each Contract Year the FM Contractor is required to submit a Schedule of Programmed Maintenance for that Contract Year. (2 months prior at PA level). This is to outline:
- details of the proposed start and end dates for each period of Programmed Maintenance, the works to be carried out and the proposed hours of work; and
 - details of any effect of the Programmed Maintenance on the delivery of any of the Services and/or the Fire and Rescue Services of the Authorities.
- 12.4.6** The Authorities Representative may, at any time, require the FM Contractor to accelerate or defer any Programmed Maintenance by giving written notice, subject to additional reasonable costs being covered by the Authority.
- 12.4.7** A lifecycle schedule contained in the Service Delivery Proposals sets out the replacement periods for the various lifecycle items on the NWFRA Project. The FM Contractor is obliged to replace lifecycle items in accordance with this lifecycle schedule, although is permitted to request permission from the Authority to postpone lifecycle works where the condition of the relevant item does not require replacement.

- 12.4.8** Where the FM Contractor on behalf of Project Co does not carry out Lifecycle replacements as required and has not received the relevant permission from the Authority, the Authority is entitled to undertake this lifecycle work and counter charge Project Co. This obligation is flowed down to the FM Contractor.
- 12.4.9** The process for the drawdown of funds from the Lifecycle to the FM Contractor has been incorporated into the FM Agreement by way of the Special Conditions to the FM Agreement. Special Condition 40 sets out the arrangement in respect of Lifecycle. The arrangements are appropriate and acceptable.
- 12.4.10** Lifecycle works are defined in the FM Agreement as “means Lifecycle Replacement and/or Lifecycle Maintenance (as the context may require)”. Lifecycle Replacement means “any complete replacement of Lifecycle Items which is required to ensure that the Stations are maintained in accordance with the Authorities’ Requirements and the Contractor’s Proposals”. Lifecycle Items is defined as “an individual component forming part of the Stations which the FM Contractor is required to replace pursuant to the Five Year Maintenance Plan and each Project Life Plan”. Lifecycle Maintenance means “any repair and/or maintenance of Lifecycle Items which is required to ensure that the Stations are maintained in accordance with the Authorities’ Requirements and the Contractor’s Proposals, excluding Lifecycle Replacement”.
- 12.4.11** The FM Contractor will seek payment for Lifecycle works throughout the Contract on a monthly basis. As per Special Condition 40.5.2 to the FM Agreement, ProjectCo. will agree with the FM Contractor what the Actual Lifecycle Payment will be for the month in question. The payments will be the lesser of:
- a) the total amount of Lifecycle Expenditure incurred by the FM Contractor in respect of the Lifecycle Activities completed during the relevant Contract Month; or
 - b) an amount equal to the total sum existing in the Lifecycle Expenditure Account on the final Business Day of such Contract Month, such amount being termed the "Available Lifecycle Payment":
- 12.4.12** The FM Contractor acknowledges and agrees that it shall not be relieved of its obligations to perform Lifecycle Works where the Actual Monthly Lifecycle Cost in respect of a Contract Month is greater than the associated Available Lifecycle Payment.

- 12.4.13** Where the FM Contractor completes Advance Lifecycle Works, the FM Contractor shall be entitled to recover the associated Lifecycle Expenditure immediately following completion of such Advance Lifecycle Works to the extent that the Available Lifecycle Payment in respect of the relevant Contract Month is less than the total amount of Lifecycle Expenditure incurred by the FM Contractor in respect of the Lifecycle Activities completed during the relevant Contract Month.
- 12.4.14** To the extent that the FM Contractor is unable to recover any element of Lifecycle Expenditure associated with Advance Lifecycle Works, the FM Contractor shall not be entitled to recover the balance of such Lifecycle Expenditure (the "Advance Lifecycle Works Balance") prior to the expiry of the relevant Allocated Period unless the Funders' Technical Adviser and the Contractor have approved such payments.
- 12.4.15** The FM Contractor may request Semi-Annual Lifecycle Reviews to be performed by the Funders' Technical Adviser, the Contractor and the FM Contractor. Triennial Lifecycle Reviews shall be performed by the Funders' Technical Adviser and the Contractor. The Triennial Lifecycle Reviews are intended to establish if a Lifecycle Surplus exists.
- 12.4.16** Funds standing to the credit of the Lifecycle Expenditure Account at the Expiry Date (a "Lifecycle Final Surplus") shall be the sole property of the FM Contractor.
- 12.4.17** The above principles are acceptable.

12.5 Risk Transfer

- 12.5.1** The Lifecycle risk will be held by the FM Contractor. In the event that the Lifecycle Fund amount is inadequate at any time the FM Contractor will be obliged to carry out the works and finance this work from their own funds.

12.6 Adequacy of Contractual Obligations and Pass-through of Obligations in the Loan Facilities Agreement

- 12.6.1** The Conformed Loan Facilities Agreement version dated 23 Feb 2011, has been received and reviewed. The reserving is as set out below.
- 12.6.2** The agreed MRA position is set out at clause 13.2 of the Loan Facilities Agreement:
The balance on the Maintenance Reserve Account shall not on any Record Date falling after the occurrence of the final Services Availability Date be less than the aggregate of:
- (a) 100% of the amount of all Life Cycle Maintenance Costs shown by the Approved Financial Model current at that time to be payable in the period up to and including the date falling one year after the relevant Maintenance Reserve Testing Date;
 - and

(b) 50% of the amount of all Life Cycle Maintenance Costs shown by the Approved Financial Model current at that time to be payable in the following year (such minimum aggregate amount, the **Maintenance Cushion**)

12.6.3 The above maintenance reserving is in line with what we have observed on previous projects and is considered to be acceptable.

12.6.4 Withdrawals may be made from time to time by the Borrower from the Maintenance Reserve Account by way of transfer into the Proceeds Account if and to the extent that immediately after such withdrawal the credit balance on the Maintenance Reserve Account is not less than the Maintenance Cushion or by way of transfer into the Lifecycle Expenditure Account if and to the extent that immediately after such withdrawal the credit balance on the Maintenance Reserve Account is not less than the Maintenance Cushion.

12.7 Effect of Termination with regard to the Lifecycle Expenditure Account

12.7.1 ProjectCo shall transfer the LEA Contributions to the Lifecycle Expenditure Account in accordance with the requirements of the Senior Credit Agreement. The LEA Contributions are the scheduled monthly funding contributions to the Lifecycle Expenditure Account specified in the LEA Funding Profile. The LEA Funding Profile is the funding profile in respect of the Lifecycle Expenditure Account agreed at Financial Close.

12.7.2 Clause 6 of Appendix 2 to the FM Agreement sets out the Effect of Termination with regard to the Lifecycle Expenditure Account. Where a Termination Notice (as defined in the Project Agreement) is served in accordance with the requirements of the Project Agreement, the FM Contractor acknowledges and agrees that it shall only be entitled to receive amounts in respect of Actual Lifecycle Payments, Lifecycle Surplus and LEA Interest where the Security Trustee (as defined in the Senior Credit Agreement) has provided its prior consent pursuant to the Senior Financing Agreements.

12.7.3 Where a Termination Notice (as defined in this Agreement) is served in accordance with the FM Agreement, the FM Contractor acknowledges and agrees that it shall only be entitled to receive amounts in respect of Actual Lifecycle Payments, Lifecycle Surplus and LEA Interest where the ProjectCo has provided its prior consent.

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12.8 Summary of Risks

12.8.1 In conclusion, the residual risks and outstanding actions are as follows:

Ref	Issue	Risk	Category	Action
12.1.2	Lifecycle Overview.	Adequacy of Lifecycle Fund and Contractual Obligations	Green	No issues.
12.2.3	Lifecycle Areas.	Balfour Beatty FM is comfortable that the total lifecycle fund is sufficient to meet its obligations.	Green	No issues.
12.2.5	Loose FF&E.	Balfour Beatty have advised that the Authorities have lifecycle responsibilities for all loose FF&E.	Green	No issues.
12.2.6	Half-yearly Lifecycle spend totals.	The expenditure profiles are appropriate and clearly consistent with one another.	Green	No issues.
12.3.5	Lifecycle Benchmarking.	Adequacy of Lifecycle Fund.	Green	No issues.
12.3.8	Frequency of replacement cycles.	Adequacy of periods.	Green	No issues.
12.3.9	Details of: <ul style="list-style-type: none"> • Change of Law • Project Co Margin • Indexation • Inflation 	Adequacy of allowances.	Green	No issues.

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Ref	Issue	Risk	Category	Action
12.4.3	Life Expectancy years advised in the Authority's Requirements.	There is sufficient Life Cycle Cost monies available to ensure that the Handback requirements are met.	Green	No issues.
12.4.9	Process for the drawdown of funds from the Lifecycle to the FM Contractor	Adequacy of Lifecycle Fund and Contractual Obligations	Green	No issues.
12.5	Risk Transfer.	Adequacy of Lifecycle Risk Transfer.	Green	No issues.
12.6	Loan Facilities Agreement and Maintenance Reserving	Suitable reserving.	Green	No issues.
12.7	Effect of Termination with regard to the Lifecycle Expenditure Account.	In the event of Termination, no payments can be made from the LEA without the prior consent of the Security Trustee pursuant to the Senior Financing Agreements. ProjectCo's consent would also be required in accordance with the FM Agreement.	Green	No issues.

Section 13



Contract Mechanism

13 Contract Mechanisms

13.1 Overview

13.1.1 The current reporting status of this section of the due diligence report is as follows:

Section 13 - Due Diligence Reporting Category	Green
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13.2 Scope of Review

13.2.1 This is a technical review of the project documentation; it is not intended to be a legal commentary and where issues are of commercial agreement between the parties we have noted this accordingly.

13.2.2 Our approach has been to prepare a table of contract clauses of the relevant documents and to comment on them as necessary, highlighting any areas of concern or for further discussion.

13.3 Documentation

The following documents have been reviewed:

Ref	Document	Revision	Dated
	Project Agreement	Conformed	23 February 2011
	Construction Subcontract	Conformed	23 February 2011
	FM Subcontract	Conformed	23 February 2011

13.4 Key Issues Identified

- Consultants Appointments, Warranties and PI evidence acceptable;
- There are no residual risks in the context of Financial Close;
- All documentation is agreed and “Conformed” copies acceptable in the context of Financial Close.

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13.5 Project Agreement, Building Contract & Facilities Management Agreement

13.5.1 Table of Clauses

Ref	Description	PA	D&B	FM	Comment	Status
<i>Part 1 – Preliminary</i>						
1	Definitions and Interpretation					
					<i>Definitions have not been reviewed in full. Relevant technical definitions are identified below and commented upon as necessary.</i>	
	Abandon	✓	✓	NA	PA Level - not to carry out any Works at a Site for 20 consecutive BDs or during 60 BDs in any Contract Year; D&B Level- not to carry out any Works for 15 consecutive BDs or during 50 BDs in any Contract Year	Green
	Acceptance Certificate	✓	✓	✓	certificate issued by Independent Certifier confirming that Services Availability Requirements are met;	Green
	Additional Station use	✓			use of a station (other than the Station at Patterdale which shall be excluded) by the Authorities/Community outside the Required Period	Green
	Authority Planning Conditions	✓	✓	✓	those conditions identified as Authority's responsibility set out in Schedule 22	Green
	Base Cost		NA	NA	means fifty two thousand one hundred and seventy six pounds (£52,176) being the amount as agreed at the Bid Date and set out in the financial model which represents the insurance cost	Green
	Building Contractor Default See clause 41.3.1	NA	✓	NA	<ul style="list-style-type: none"> • breach of obligations, • Persistent Breach, • insolvency events of BC or parent company; • failure to comply with cl 71 (restriction); • abandons the works or fails to start by Start on Site Date, • Acceptance Certificates for each station not issued by Longstop Date, • breach of insurance obligations, • H&S conviction; • Breach of building contract which is not remedied; • BC suspends Works; • invalid or void PGC, performance bond or CW; • fails to pay sum agreed to be due; • BC causes PA termination; • 80% of cap on liability is breached, • BC causes default under CTA; • BC refuses to rectify works on instruction; • Any Key Event is 4 months late; • A replacement bond is not provided; and 	Green

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Ref	Description	PA	D&B	FM	Comment	Status
					<ul style="list-style-type: none"> Schedule 32 events. 	
	Building Manual	✓	✓	✓	the manual for the Works containing: Part 1 -a copy of the health and safety file; and Part 2 - <ul style="list-style-type: none"> all As-built Drawings; all guarantees, warranties and maintenance agreements ; all test certificates; all manufacturers' technical literature; and copies of all operating and maintenance manuals 	Green
	Commencement Date	✓	✓	✓	The date of the agreement.	Green
	Construction Programme	✓	✓	NA	programme for carrying out the Works as in Part 3 of Schedule 2 (Contractor's Proposals) or updated in accordance with the Review Procedure	Green
	Construction Proposals	✓	✓		proposals for provision of the Stations to satisfy the Stations Requirements,	Green
	Contamination	✓	✓	✓	any pollutants or contaminants, including any chemical or industrial, radioactive, dangerous, toxic or hazardous substance, waste or residue (whether in solid, semi-solid or liquid form or a gas or vapour) and including without limitation genetically modified organisms;	Green
	Contract Period	✓	NA	✓	the period from and including the Commencement Date to the Expiry Date, or if earlier, the Termination Date;	Green
	Contract Sum	NA	✓	NA	£47,885,871	Green
	Contractor Default	✓	NA	NA	any of the following: (a) a breach of obligations; (b) a Persistent Breach occurs; (c) – (f) insolvency (g) failure to comply with clause 70 (Assignment and Sub Contracting) or clause 72 (Change in Ownership); (h) the Contractor Abandons the Works at any time; (i) Contractor has not commenced the Works by the Start on Site Date; (j) the Acceptance Certificate for each Station has not been issued by the Longstop Date; (k) in any 3 month period the Authority has reduced the aggregate MUC by more than 25% as a result of Unavailability Deductions; (l) in each and every month of a 6 month period Authority has reduced the MUC by more than 10% as a result of Service Failure Deductions; (m) in any 3 month period an individual Station has been Unavailable for 20 days or more; (n) breach by the Contractor of its obligations to take out and maintain any of the Required Insurances; or	Green

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Ref	Description	PA	D&B	FM	Comment	Status
					(o) a material conviction of the Contractor or any Contractor Related Party or the Authority under the Health and Safety Regime (an H&S Conviction) .	
	Decant Protocol	✓	✓		the provisions in Schedule 25 identifying obligations and responsibilities in relation to the removal of items from Existing Stations and relocation & installation in Stations	Green
	Defects	NA	✓	NA	defects attributable to: (a) defective design; (b) defective workmanship or materials; (c) use of materials which prove to be defective in use; (d) defective installation; (e) defective preparation of site or PCW; (f) adverse ground conditions	Green
	Defect Liability Period	NA	✓	NA	(a) in relation to a Station – 18 months; (b) in relation to PCW – 18 months	Green
	Disruption Event	✓	✓	✓	failure by the Contractor to carry out the Works in such that the result is that an Existing Station (or part thereof) cannot reasonably continue to be used for the provision of Fire and Rescue Services.	Green
	Expiry Date	✓	NA	✓		Green
	FM Contractor Default	NA	NA	✓	any of the following: (a) breach of its obligations (b) Persistent Breach (c) – (f) Insolvency events or inability to pay debts by provider or guarantor (g) invalid or void PGC and not replaced (h) event of Default under the CTA (i) –(j) not used (k) in any 3 month period ProjCo has been entitled to reduce the MUC by more than 10% through Unavailability Deductions; (l) in every month of any 4 month period ProjCo has been entitled to reduce the MUC by more than 5% through Service Performance Deductions; (m) in any 3 month period a Station has been Unavailable for 12 days. (n) breach of insurance obligations; (o) H&S conviction (p) FM Contractor replaced under 9.3 of PA (q) failure to pay sums £100,000 in 30 BD (r) Parallel Loan Provision is repudiated (s) failure to secure a replacement Guarantee (t) the aggregate total of Deductions in any Contract Year is more than 90% of the FM Contractors maximum liability.	Green

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Ref	Description	PA	D&B	FM	Comment	Status
					(u) the PA is terminated by an FM act or omission (v) FN Contractor repudiates the Direct Agreement (w) FM Contractor commits breach of Special Conditions 35.2 & 35.4; and (x) during Initial Services there is a material breach	
	Independent Certifier	✓	✓	✓	the person appointed jointly by the Authority the Contractor and the Senior Lender to act as independent certifier in accordance with the Independent Certifier's Deed of Appointment	Green
	Initial Services	✓	NA	✓	the Services required to satisfy the requirements of the Initial Services Specification	Green
	Longstop Date	✓	✓	NA	PA level – the date 9 months after the last PSAD or such later date as may be allowed D&B level – 6 months	Green
	Persistent Breach	✓	✓	✓	Where a Final Warning Notice has been issued, a breach which has PA level- a breach which has continued for more than 30 days or recurred in 3 or more months within the 6 month period after the date on which such FWN is served; D&B level - a breach which has continued for more than 25 days or recurred in 2 or more months within the 6 month period after the date on which such FWN is served;	Green
	Planned Post Completion Works Acceptance Date	✓	✓	✓	the date shown in Schedule 4 (Stations)	Green
	Planned Services Availability Date	✓	✓	✓	the date shown in Schedule 4 (Stations)	Green
	Post Completion Works	✓	✓	✓	In relation to each site, those parts of Works to be completed after SAD	Green
	Post Completion Works Acceptance Requirements	✓	✓	✓	the satisfaction of tests in Schedule 5 (Completion Requirements)	Green
	Principal Building Sub-Contractor	✓	✓	NA	means Border Construction and any other sub-contractor appointed by the Building Contractor to undertake the design and/or construction of any of the Works;	Green
	Professional Team	✓	✓	NA	the architects, structural engineers, mechanical and electrical engineers, employed by the Building Contractor in connection with the Works and any employer's agent employed by the Contractor;	Green
	Relief Event	✓	✓	✓	any of the following: (a) fire, explosion, lightning, storm, tempest, flood, bursting or overflowing of water tanks, apparatus or pipes, ionising radiation (to the extent it does not constitute a Force Majeure Event), earthquakes, riot and civil commotion (b) failure by any statutory undertaker, utility company, local authority or other like body to carry out works or provide services;	Green

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Ref	Description	PA	D&B	FM	Comment	Status
					<p>(c) any accidental loss or damage to the Sites or any roads servicing them;</p> <p>(d) any failure or shortage of power, fuel or transport;</p> <p>(e) any blockade or embargo which does not constitute a Force Majeure Event;</p> <p>(f) any:</p> <p>(i) Official or unofficial strike</p> <p>(ii) Lock out</p> <p>(iii) Go slow</p> <p>(iv) Other dispute</p> <p>generally affecting the construction or facilities management industry or a significant sector of it;</p> <p>or</p> <p>(g) the discovery of fossils, antiquities or human remains requiring action in accordance with clause 18.7 (Fossils and Antiquities),</p> <p>unless any of the events listed in paragraphs (a) to (g) inclusive arises (directly or indirectly) as a result of any wilful default or wilful act of the Contractor or any Contractor Related Party;</p>	
	Retention Bond	NA	✓	NA	as set out in Schedule 3	Green
	Services	✓	✓	✓	the services required to satisfy the Authority's Requirements;	Green
	Services Start Date	✓	NA	✓	In relation to each site, the date when Initial Services begin, shown in Part 1 of Schedule 4 (Stations);	Green
	Snagging Items	✓	✓	✓	minor defects, deficiencies or omissions which do not prevent the Independent Certifier from issuing an Acceptance Certificate;	Green
	Start on Site Date	✓	✓	✓	<p>PA - the date specified as the Start on Site Date for each Station as set out in Schedule 4 (Stations) or such later date as may be allowed</p> <p>D&B - means the date specified as the Start on Site Date for each Station as set out in Schedule 4 or such later date as may be allowed in accordance with the terms of this Agreement;</p> <p>FM - means in relation to each Station the date of issue of an Initial Phase Acceptance Certificate by the Independent Certifier confirming that the Initial Phase Services Availability Requirements have been met and the Scheduled dates for each Station are shown in the column headed "Services Start Date" in Part 1 of Schedule 4 (Stations) of the Project Agreement;</p>	Green
	Works	✓	✓	✓	all of the works (including design and works necessary for obtaining access to the Sites) to satisfy the Facilities Requirements including the works involved in the Post Completion Works;	Green

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Ref	Description	PA	D&B	FM	Comment	Status
1.4/ 1.5	Precedence of Documentation	✓	✓	✓	this Agreement and then Schedules, Schedule 1 (Authority's Requirements) over Schedule 2 (Contractor's Proposals),	Green
2	Exclusion Of Legislation				Not reviewed as part of this technical due diligence	
3	Commencement & Duration	✓	✓	✓	Commencement Date until the Expiry Date	Green
4	Collateral Warranties	✓	✓	✓	<p>Contractor shall:</p> <p>i) enter into building contract with BC</p> <p>ii) Deliver Collateral Warranties in favour of the Authority from:</p> <ul style="list-style-type: none"> • Building Contractor, • Principal Building Sub-Contractor, • The Professional Team; and • FM Contractor(s) <p>Within 10 BDS of this Agreement;</p> <p>ii) not engage any new Building Contractor or any new FM Contractor and procure that BC not engage any new Principal Sub contractor or member of Professional Team unless such person has delivered to the Authority a duly executed agreement in the Agreed Form of the relevant Collateral Warranty before such entity enters onto any Site; and</p> <p>The Authority shall:</p> <p>i) Deliver the Asbestos Survey to the Contractor on or before the date of the agreement.</p>	Green
5	General Warranties & Indemnities				Not reviewed as part of this technical due diligence	
6	Authorities Warranties				Not reviewed as part of this technical due diligence	
7	Documents & Co-Operation				Not reviewed as part of this technical due diligence	
Part 2 – Land Issues						
8	Nature of Land Interests				Not reviewed as part of this technical due diligence	
Part 3 – Transitional Arrangements						
9	Initial Services	✓	NA	✓	Obligation to provide	Green
9.1	Obligation to Provide	✓	NA	✓	The Contractor shall provide to the Authority or procure the provision to the Authority of the Initial Services with effect from the relevant Services Start Date for each Station.	Green
9.2	Standard of Initial Services	✓	NA	✓	The Contractor to provide Initial Services so that they comply the Initial Services Specification	Green

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Ref	Description	PA	D&B	FM	Comment	Status
9.3	Replacement of FM Contractor	✓	NA	✓	In circumstances where there is a material breach by the Contractor in the provision of the Initial Services the Authorities shall be entitled to issue a notice to the Contractor requiring that that the Contractor removes the FM Contractor and appoints a replacement and the Contractor shall remove and replace the FM Contractor at its own cost. The defaulting FM Contractor the subject of the notice shall not in such circumstances be entitled to take over the provision of the Services at the Services Availability Date without approval being given by the Authorities pursuant to clause 70.2.	Green
9.4	No Contractor Default	✓	NA	NA	Under no circumstances may any breach in respect of the performance of the Initial Services be capable of giving rise to a Contractor Default.	Green
10	The Works	✓	✓	NA	Various obligations passed through to the building sub-contract. Satisfactory from a technical perspective	Green
11	Construction Programme	✓	✓	NA	Various obligation passed through to the building sub-contract and services contract	Green
12	Representatives	✓	✓	NA	Various obligation passed through to the building sub-contract and services contract. Confirms Representatives of the Authority and Representatives of the Contractor. For FM see Special Condition 9	Green
13	Site Meetings	✓	✓	NA	The Contractor shall procure that representatives of each Authority are afforded a reasonable opportunity to attend site meetings relating to the Works and (whether or not such representatives have attended) that a copy of the minutes of site meetings is promptly supplied to the relevant Authority.	Green
14	Design Development	✓	✓	✓	Various obligation passed through to the building sub-contract For FM see Special Condition 12	Green
15	Changes To Construction Proposals & the Construction Programme	✓	✓	NA	Various obligation passed through to the building sub-contract	Green
16	Extensions Of Time	✓	✓		Various obligation passed through to the building sub-contract and the FM subcontract	Green
16.1	Notice	✓	✓	NA	PA level – 20 BD's to notify upon becoming aware	Green
16.6	Procedure for Relief and Compensation	✓	✓	✓	16.6.1 PA level – 15 BD's to notify upon becoming aware 16.6.2 PA Level – 10 BD's after notice received by Authority	Green
17	CDM Regulations	✓	✓	✓	Various obligation passed through to the building sub-contract and the FM subcontract	Green
18	The Sites	✓	✓	✓	Various obligations passed through to building sub-contract and FM sub-contract	Green

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Ref	Description	PA	D&B	FM	Comment	Status
18.1	Access	✓	✓	✓	Contractor responsible for access to site	Green
18.2	Site Matters	✓	✓	✓	Responsibility for off-site contamination after SAD rests with the FM Subcontractor	Green
18.3	Necessary Consents & Planning Approval	✓	✓	✓	Various obligations passed through to building sub-contract and FM sub-contract	Green
18.6	Asbestos	✓	✓	NA	Responsibility for Asbestos identified in the Asbestos Survey rests with the Contractor/Building Contractor. Responsibility for Asbestos not identified in the Asbestos Survey rests with the Authority	Green
18.7	Fossils and Antiquities	✓	✓	✓	PA – Contractor immediately inform in writing Authority instruct within 10 BD's D&B- Subcontractor notify upon discovery Contractor instruct immediately on receipt from Authority FM notify immediately in writing Satisfactory from a technical perspective	Green
19	Monitoring & Inspection	✓	✓	✓	Various obligation passed through to the building sub-contract and the FM subcontract	Green
20	Certification of Services Availability	✓	✓	✓	Various obligation passed through to the building sub-contract and the FM subcontract	Green
20.1	Independent Certifier	✓	✓	✓	The Authorities and the Contractor shall on or before the date of this Agreement, appoint the Independent Certifier upon the terms of the Independent Certifier's Deed of Appointment.	Green
20.2	Inspection of a Station	✓	✓	✓	Contractor to give 5 BD's notice	Green
20.3	Inspection of a Station	✓	✓	✓		Green
20.4	Site Clearance	✓	✓	NA		Green
20.5	Issue of Acceptance Certificate or Notice of Non-Completion	✓	✓	NA	Issue certificate within 5 BD's of inspection	Green
20.7	Snagging Items	✓	✓	✓	PA - IC issue Snagging List within 5 BDS Contractor issue snagging programme in 5 BD's Make good within 20 BD's of issue of snagging programme Satisfactory from a technical perspective	Green
20A	Defects Liability	NA	✓	NA	BC to make good or ProjCo may instruct FM & recover costs No later than 3 months post expiry of Defects Liability Period ProjCo to prepare Schedule of Defects BC liable for 12 years from SAD. Process acceptable from a technical perspective	Green
21	Delay and Supervening Unavailability	✓	✓	NA		Green

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Ref	Description	PA	D&B	FM	Comment	Status
21.1	Liquidated damages/Provision of Temporary Accommodation	✓	✓	NA	If for any reason an Acceptance Certificate is not in relation to the Southport Station by the PSAD, the Contractor shall (at Authority's discretion) either: <ul style="list-style-type: none"> • Pay LADs at the Periodic Rate or • Provide at its own cost temporary accommodation at an alternative site 	Green
21.1A		✓	✓	NA	If for any reason an Acceptance Certificate (other than Southport) has not been issued then the Contractor will at its own cost, shall provide portakabins or other temporary accommodation within the curtilage of the relevant Site.	Green
21.1B		✓	✓	NA	Authority shall not be entitled to claim liquidated or general damages in respect of the SAD for any Station occurring after the corresponding Planned SAD for that Station or in respect of a PCW Acceptance Date occurring after its corresponding Planned PCW Acceptance Date	Green
21.2	Unavailability of Existing Stations	✓	✓	NA	Various obligations and liability due to a Disruption Event Satisfactory from a technical perspective	
Part 4 – The Services						
22	Principal Obligations	✓	NA	✓	Various obligation passed through to the FM sub-contract	Green
22.1	Standard of Performance	✓	NA	✓	the Services comply with: <ul style="list-style-type: none"> • this Agreement, • Services Specification, • Service Delivery Proposals, • Good Industry Practice, • Guidance; and • all applicable Policies and Legislation with effect from the SAD Services are <ul style="list-style-type: none"> • carried out in compliance with the Equality Requirements. • performed by appropriately qualified and trained personnel 	Green
23	Condition of The Stations	✓	NA	✓		Green
23.1	Maintenance	✓	NA		Contractor obligations to maintain	Green
23.2	Surveys	✓	NA	✓	PA Level Authority to notify 10 BD's prior to carrying out a survey. Contractor may make request for a new date not less than 5 BD's before survey date. Satisfactory from a technical perspective	Green
23.3	Programmed Maintenance	✓	NA		Contractor to undertake routine repair & maintenance	Green

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Ref	Description	PA	D&B	FM	Comment	Status
23.4	Schedule of Programmed Maintenance	✓	NA	✓	<p>PA Level Contractor to submit SoPM at least 2 months prior to SAD for concession period. Contractor to submit SoPM at least 2 months prior each contract year.</p> <p>FMA</p> <p>PA Level Authority may give 40 BD's notice to accelerate or defer works Contractor submit costs within 10 BD's Authority confirm costs within 10 BD's, otherwise confirmed</p> <p>FMA</p> <p>PA Level Contractor to submit 5yr plan at least 2 months prior to SAD</p>	Green
23.5	Programmed Replacement	✓	NA	✓	<p>PA Level No later than 40 BD's prior Contractor to notify of non-replacement of items</p> <p>FMA No later than 40 BD's prior Contractor to notify of non-replacement of items</p> <p>Pass through acceptable</p>	Green
24	Hazardous Substances	✓	✓	✓	Various obligations passed through to the building subcontract and the FM subcontract.	Green
25	Emergencies	✓	NA	✓	Various obligation passed through to the FM subcontract	Green
26	Performance Monitoring	✓	NA	✓	Various obligation passed through to the FM subcontract	Green
27	Market Testing	✓	NA	✓	<p>PA Cleaning will be subject to market testing 2 years after final SAD and then every 5 years</p> <p>FMA As PA</p> <p>PA level Parties meet 40 weeks before Market Testing Review Date. Draft proposal 40 BDs before MTRD</p>	Green
28	Indemnity	✓	NA	✓	Contractor responsible for and indemnifies the Authorities, from all liability for losses arising as a result of any failure by the Contractor to comply with the provisions of clause 27 (Market Testing)	Green
29	Use of Stations	✓	NA	✓	<p>In order of priority:</p> <ul style="list-style-type: none"> • Provision of fire and rescue services • Additional Station Use 	Green
30	TUPE And Employees				Not reviewed as part of this technical due diligence	
31	Pensions				Not reviewed as part of this technical due diligence	
32	Employees General	✓	✓	✓	Various obligation passed through to the FM subcontract	Green
33	Operating Manual	✓	✓	✓	Various obligation passed through to the building subcontract and the FM subcontract	Green
33.3	Copy on Termination	✓	✓	✓	provide a copy of the Operating Manual to the Authority 10 BDs from termination.	Green

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Ref	Description	PA	D&B	FM	Comment	Status
34	Quality Assurance	✓	✓	✓	PA- Submit QA system 10 BD's from commencement D&B- Submit QA system 8 BD's from commencement Pass through acceptable	Green
35	Co-Operation for Investigation & Security	✓	✓	✓	Various obligation passed through to the building subcontract and the FM subcontract	Green
36	Service Delivery Proposals	✓	NA	✓	Various obligation passed through to the FM subcontract	Green
Part 5 - Payment						
37	Payment Provisions	✓	NA	✓	See Schedule 10 of D&B Contract	
37.2	Report and Invoice	✓	NA	✓	PA level- Within 5 BDs of the start of Payment Period (m) the Contractor shall submit to the Authorities (with supporting information): <ul style="list-style-type: none"> Monthly Monitoring Report for Payment Period (m-2); an invoice in respect of Payment Period (m) for the amount (if any) shown by the Monthly Monitoring Report as owing by the Authorities to the Contractor 	Green
37.4	Payment	✓	NA	✓	PA Level – Authority to pay invoice within 15 BDs of receipt of the invoice	
37.5	Disputed Amounts	✓	NA	✓	PA Level – Authority to notify within 10 BD's FMA - Contractor to notify within 2 BD's	Green
37.5A	Contractor Disputed Amounts	NA	NA	✓	Various obligations in the event of ProjCo dispute. Technically acceptable	Green
37.6	Response to Authority Notice	✓	NA	✓	PA Level – Contractor respond within 3 BD's FMA- FM respond within 2 BD's	Green
38	Refinancing				Not reviewed as part of this technical due diligence	
39	Best Value				Not reviewed as part of this technical due diligence	
Part 6 -Termination						
40	Direct Agreement	✓	✓	✓		Green
41	Termination of this Agreement					Green
41.2	Termination on Authorities Default	✓	✓	✓	PA level – 30 BD of becoming aware D&B level – various provisions, also failure to pay £250k FM level - 35 BD of becoming aware	Green
41.3	Termination on BC Default	NA	✓	NA	<ul style="list-style-type: none"> Insolvency Event occurs; following SAD a breach by BC which materially affects performance; BC repudiates the Funders Direct Agreement; breach of clause 70.1 (Assignment & Subcontract); 	Green

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Ref	Description	PA	D&B	FM	Comment	Status
					<ul style="list-style-type: none"> • BC Abandons the Works; • Acceptance Certificate not issued by Longstop; • BC substantially suspends the Works • BC does not comply with an instruction; • occurrence of insolvency; • BC sells or transfers its obligations; • material breach; • material prejudice to Retention Bond, the Guarantee PLA or Direct Agreement; • failure to take out insurances; • failure to pay £100k for 20 BD's; • termination of PA due to BC; • H&S breach; • rating of Retention Bond bank below minimum; • BC repudiates PLA; • failure to pay following valid demand under Retention Bond 	
42	Termination for Persistent Breach by the Contractor					
42.1	Warning Notice	✓	✓	✓	<p>A breach other than a breach for which a deduction can be made which:</p> <p>PA Level - has continued for more than 30 days or occurred more than 3 times in 6 months</p> <p>D&B Level - has continued for more than 30 days or occurred more than 3 times in 6 months</p> <p>FM Level - has continued for more than 30 days or occurred more than 3 times in 6 months</p>	Green
42.2	Final Notice	✓	✓	✓	<p>Following a WN a breach which:</p> <p>PA Level - has continued beyond 30 days or reoccurred in 3 months in a 6 month period since the WN</p> <p>D&B Level - has continued beyond 20 days or reoccurred in 2 months in a 6 month period since the WN</p> <p>FM Level - has continued beyond 20 days or reoccurred in 2 months in a 6 month period since the WN</p>	Green
42.2.3		✓	✓	✓	<p>A breach for which a Final Warning Notice has been issued which:</p> <p>PA Level - continues for more than 14 days or reoccurs in 3 months in the 6 months after the notice</p> <p>D&B Level - continues for more than 10 days or reoccurs in 2 months in the 6 months after the notice</p> <p>FM Level - continues for more than 10 days or reoccurs in 2 months in the 6 months after the notice</p>	Green

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Ref	Description	PA	D&B	FM	Comment	Status
43	Termination by the Authorities for Breach of Refinancing Provisions				<i>Not reviewed as part of this technical due diligence</i>	
44	Termination on Corrupt Gifts and Fraud				<i>Not reviewed as part of this technical due diligence</i>	
45	Termination on Force Majeure				<i>Not reviewed as part of this technical due diligence</i>	
46	Consequences of Termination				<i>Not reviewed as part of this technical due diligence</i>	
47	Surveys on Expiry and Retention Fund				Various obligations passed through to FM agreement	
47.1	Final Survey	✓	NA	✓	PA Level- No later than 18 months prior to the Expiry Date, Authorities entitled to conduct final survey. Authority to give 5 BD's notice, Contractor can request change of date at least 2 BD's before 4 BDs notice.	Green
47.7	Failure to Carry Out Work	✓	NA	✓	The Authority shall be entitled to carry out itself or procure rectification/maintenance at the Contractors expense. Funded by: <ul style="list-style-type: none"> Retention Fund Account; Deductions against Monthly Unitary Payment (Clause 37.9 - Right to Set Off) ; or Debt payable on demand. 	Green
47.8	Balance of Fund	✓	NA	✓	The Authority shall pay any credit balance on the Retention Fund Account to the Contractor if: <ol style="list-style-type: none"> a) all the rectification and/or maintenance work identified by the Authority has been carried out to the Required Standard; b) all such work has been paid for by the Contractor; and c) no termination notice is outstanding. 	Green
48	Transition to Another Contractor				<i>Not reviewed as part of this technical due diligence</i>	
Part 7 – Compensation on Termination						
49	Compensation on Termination for Authorities Default/Voluntary Termination				<i>Not reviewed as part of this technical due diligence</i>	
50	Compensation on Termination for Corrupt Gifts, Fraud and Refinancing Breaches				<i>Not reviewed as part of this technical due diligence</i>	

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Ref	Description	PA	D&B	FM	Comment	Status
51	Compensation on Termination for Contractor Default				<i>Not reviewed as part of this technical due diligence</i>	
52	Compensation on Termination for Force Majeure				<i>Not reviewed as part of this technical due diligence</i>	
53	Assets				<i>Not reviewed as part of this technical due diligence</i>	
54	Changes to Financing Agreements				<i>Not reviewed as part of this technical due diligence</i>	
55	Miscellaneous Compensation Provisions				<i>Not reviewed as part of this technical due diligence</i>	
56	Method of Payment				<i>Not reviewed as part of this technical due diligence</i>	
Part 8 – General						
57	Liaison	✓	✓	✓	Refers to Schedule 10 - Liaison Procedure	Green
58	Relief Events					
58.2	Relief	✓	✓	✓	PA Level- Contractor to notify within 20 BD's of becoming aware and give full details within 5BD's	Green
58.4	Deductions	✓	✓	✓	Nothing in clause 58.3 shall affect any entitlement to make Deductions under clause 37 and Schedule 6.	Green
59	Change in Law	✓	✓	✓	Various obligation passed through to the building sub-contract and the FM subcontract	Green
59.8	Payment of Irrecoverable VAT	✓	✓	✓	PA Level- Irrecoverable VAT paid within 20 days	Green
60	Authority and Contractor Changes	✓	✓	✓	Refers to Schedule 23 (Change Protocol)	Green
61	Authority Step In	✓	✓	✓	Various obligations passed through to sub contracts	Green
62	Freedom of Information and Confidentiality	✓	✓	✓	Various obligations passed through to sub contracts	Green
63	Indemnities, Guarantees and Contractual Claims				<i>Not reviewed as part of this technical due diligence</i>	
63A	Limits on Liability	NA	✓	NA	(a) limit 50% of Contract Sum (b) not applied to clauses Satisfactory from a technical perspective	Green
64	Insurance				<i>Not reviewed as part of this technical due diligence</i>	
65	Reinstatement & change of req'ment after insured event				<i>Not reviewed as part of this technical due diligence</i>	
66	Risks that become uninsurable				<i>Not reviewed as part of this technical due diligence</i>	

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Ref	Description	PA	D&B	FM	Comment	Status
67	Dispute Resolution				<i>Not reviewed as part of this technical due diligence</i>	
68	Ordering of Goods and Services				<i>Not reviewed as part of this technical due diligence</i>	
69	Intellectual Property				<i>Not reviewed as part of this technical due diligence</i>	
70	Assignment and Sub-Contracting				<i>Not reviewed as part of this technical due diligence</i>	
71	Change in Ownership				<i>Not reviewed as part of this technical due diligence</i>	
72	Financial Adjustments				<i>Not reviewed as part of this technical due diligence</i>	
73	Audit Access				<i>Not reviewed as part of this technical due diligence</i>	
74	No Agency				<i>Not reviewed as part of this technical due diligence</i>	
75	Entire Agreement				<i>Not reviewed as part of this technical due diligence</i>	
76	Notices				<i>Not reviewed as part of this technical due diligence</i>	
77	Severability				<i>Not reviewed as part of this technical due diligence</i>	
78	Waiver				<i>Not reviewed as part of this technical due diligence</i>	
79	Public Relations & Publicity				<i>Not reviewed as part of this technical due diligence</i>	
80	Advertisements				<i>Not reviewed as part of this technical due diligence</i>	
81	Contractors Records				<i>Not reviewed as part of this technical due diligence</i>	
82	Data Protection				<i>Not reviewed as part of this technical due diligence</i>	
83	Interest on Late Payment				<i>Not reviewed as part of this technical due diligence</i>	
84	Local Government (Contracts) Act 1997				<i>Not reviewed as part of this technical due diligence</i>	
85	Governing Law and Jurisdiction				<i>Not reviewed as part of this technical due diligence</i>	
86	Sole Remedy				<i>Not reviewed as part of this technical due diligence</i>	
87	No Double Recovery				<i>Not reviewed as part of this technical due diligence</i>	
88	Counterparts				<i>Not reviewed as part of this technical due diligence</i>	
89	Capacity				<i>Not reviewed as part of this technical due diligence</i>	

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13.6 Table of Schedules

13.6.1 The schedules reviewed and their technical status is indicated below:

Schedule	Document Title	PA	Reviewed at D&B	Reviewed at FM
Schedule 1	Authority's Requirements	Green	Green	Green
Schedule 2	Contractor's Proposals	Green	Green	Green
Schedule 3	Change in Law- Contractor's Share	Green	Not Used	
Schedule 3	FM Contractor PCG			Green
Schedule 4	Stations	Green	Green	
Schedule 4	Parallel Loan Agreement			No technical review
Schedule 5	Completion Requirements	Green	Green	Not Used
Schedule 6	Payment Mechanism	Green		Green
Schedule 6	Payment Provisions		Green	
Schedule 7	Collateral Warranty	Green	Green	
Schedule 7	FM Contractor Direct Agreement			Green
Schedule 8	Review Procedure	Green	Green	Green
Schedule 9	Prohibited Materials	Green		Not used
Schedule 9	Liquidated Damages		Green	
Schedule 10	Liaison Procedure	Green		Green
Schedule 10	Retention Bond		Green	
Schedule 11	Employee Information and Warranted Data	No technical review		Not used
Schedule 11	Guarantee		Green	
Schedule 12	Relevant Discharge Terms	No technical review		Not used
Schedule 12	Parallel Loan Agreement		No technical review	
Schedule 13	Title Deeds	No technical review		Not used
Schedule 13	Funders Direct Agreement		Green	
Schedule 14	Insurances	No technical review	Not used	No technical review
Schedule 15	Authorities' Policies	Green	Green	not used
Schedule 16	Financing Agreements	No technical review	Not used	Not used
Schedule 17	Project Documents and Ancillary Documents	No technical review	Not used	Not used
Schedule 18	Code Dispute Resolution Procedure	No technical review	Not used	Not used

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Schedule	Document Title	PA	Reviewed at D&B	Reviewed at FM
Schedule 19	Anti Discrimination Requirements	No technical review	No technical review	No technical review
Schedule 20	Confidential Information	No technical review	Not used	No technical review
Schedule 21	Bulk Transfer Terms	No technical review	Not used	No technical review
Schedule 22	Planning Conditions	Green	Green	not used
Schedule 23	Change Protocol (standard form)	Green	Green	Green
Schedule 24	Surveys	Green	not used	not used
Schedule 25	Decant Protocol	Green	Green	not used
Schedule 26	Replies to Enquiries, Questionnaires & Clarifications	Green	not used	not used
Schedule 27	Existing Building Plans	Green	not used	not used
Schedule 28	Site assumptions	Green	not used	not used
Schedule 29	Site Plans	Green	not used	not used
Schedule 30	Party Wall Agreements	Green	Green	not used
Schedule 31	Building Contract Deliverables	not used	Green	not used
Appendix 1	Special Conditions	not used	not used	Green

13.7 Consultant Appointments

13.7.1 Architect

There are two architectural consultants for the project. These are Blue Sky Design Services Ltd and Seymour Harris Architecture.

The consultant's limit of indemnity under professional indemnity insurance shall be not less than £10,000,000 (ten million pounds) for each claim or series of claims arising out of the same event. The insurance is to remain in force until 12 years after issue of the acceptance certificate. This is in line with market norms and is considered sufficient.

We have been provided with evidence of PI insurance and this is acceptable

The architects are also required to provide Collateral Warranties in favour of the Authority and the Contractor.

13.7.2 Structural, Civil, and Mechanical & Electrical Services Engineers

The engineering consultant for the project **Arup Limited** whose registered office is at 13 Fitzroy Street, London W1T 4BQ.

The consultant's limit of indemnity under professional indemnity insurance shall be not less than £10,000,000 (ten million pounds) for each claim or series of claims arising out of the same event. The insurance is to remain in force until 12 years after issue of the acceptance certificate. This is in line with market norms and is considered sufficient.

We have been provided with evidence of PI insurance and this is acceptable.

The engineer is required to provide Collateral Warranties in favour of the Authority and the Contractor.

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13.8 Summary of Risks

13.8.1 Following our review of the contractual documents the residual issues are identified below:

Report Ref	Issue	Risk	Category	Comment
13.5	Project Agreement		Green	No Issue
13.5	Building Subcontract		Green	No Issue
13.5	FM Agreement		Green	No Issue
13.6	Schedules		Green	No Issue
13.7	Consultant Appointments		Green	No Issue
13.8	Interface Agreement		Green	Subject to "Special Conditions" in subcontracts

Section 14



Financial Model Inputs

14 Financial Model Inputs

14.1 Our review of the Financial Model inputs of version (BBFR_NWFRS_Financial Model_210223_12.00) will be limited to:

1. Checking the Construction Drawdown in the Financial Model matches the Contract Sum and the drawdown schedule;
2. Checking the FM Costs are as those notified to us;
3. Checking the Life Cycle profile matches disclosed data including smoothing; and
4. Checking the Change of Law reserving.

14.2 **Construction Costs** – We can confirm that the inputs in the Financial Model correlate with those reviewed in Section 7 of this report. Financial Model Construction Costs are equal to £47,885,871.

14.3 **FM Costs** – We can confirm that the inputs in the Financial Model correlate with those reviewed in Section 10 of this report. Financial Model FM Costs are variable inputs but we can confirm that the Annual Allowances are appropriate.

14.4 **Life Cycle Costs** – We can confirm that the inputs in the Financial Model correlate with those reviewed in Section 12 of this report. Financial Model Lifecycle Costs are equal to £9,907,245.

14.5 The Contractor's share for **Change in Law**, Schedule 3 to the Project Agreement, is in the sum of **£1,424,992** calculated as follows:

Cumulative Capital Expenditure	Contractor's Share	Calculation
£0 - £459,675 (inclusive)	100%	£459,675
£459,676 - £919,350 (inclusive)	80%	£367,739
£919,351 - £1,379,025 (inclusive)	60%	£275,804
£1,379,026 - £1,838,700 (inclusive)	40%	£183,870
£1,838,701 - £2,298,375 (inclusive)	20%	£91,935
£2,298,376 - £2,758,070 (inclusive)	10%	£45,969
£ >£2,758,070	0%	£0
		£1,424,992

14.6 In the Financial Model an amount of **£1,436,576** for a Change in Law Facility. This sum is slightly larger than the figure produced using Schedule 3 and, as such, is confirmed as being acceptable from a technical viewpoint.

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14.7 Conclusion

Status Report and Outstanding Actions are as noted in the following table:

Ref	Issue	Risk	Category	Action
There are no residual risks in the context of Financial Close				

Appendices



Appendix A



Structural Design

North West Fire and Rescue

NWRA
Appendix A - Structural Engineering Review
Summary sheet

Information received and reviewed and acceptable.
Information received and reviewed and queries raised.
Information received and reviewed and unacceptable.
Information yet to be reviewed

Site	Wave	Site investigation	Contamination	Gas	Foundations/ ground floor	Substructure	Structure	Upper floors and roof	Overall stability	Building movement	Design loads and standards	Below Ground Drainage Description	Drainage flow rates	Comments	Has mining been considered for the site?
Belle Ville	2	An interpretative site investigation report has been provided giving recommendations for traditional spread foundations at 2.0m below ground at a bearing pressure of 100kN/m ²	No contamination issues exist on this site	No high levels of gas are present on the site and no protection measures are necessary	The proposals are for piled foundations to the site to achieve a bearing pressure of 100kN/m ² and to allow ground bearing capacity to be utilised. The concrete design drawings (DC-3) is better than that recommended in the SI report.	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to into an existing foul mainline which exits the site and presumably connects to the foul public system.	Agreement has been reached with United Utilities	Yes	
Brickhead	2	An interpretative site investigation report has been provided giving recommendations for either piled foundations or ground improvement techniques due to the depth of the made ground to 4.5m. There are no issues with mining in the vicinity of the site. The report recommends concrete class DS-2.	No contamination issues exist on this site	No high levels of gas are present on the site and no protection measures are necessary	The proposals are for vibro improvement to the site to achieve a bearing pressure of 100kN/m ² and to allow ground bearing capacity to be utilised. The concrete design drawings (DC-3) is better than that recommended in the SI report.	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	A separate on site foul and storm water system is provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to connect to the existing combined sewer system outside the site.	Agreement has been reached with United Utilities	Yes	
Blackburn	1	An interpretative site investigation report has been provided giving recommendations for either piled foundations or ground improvement techniques due to the depth of the made ground to 4.5m. There are no issues with mining in the vicinity of the site. The report recommends concrete class DS-2.	No contamination issues exist on this site	No high levels of gas are present on the site and no protection measures are necessary	The proposals are for vibro improvement to the site to achieve a bearing pressure of 100kN/m ² and to allow ground bearing capacity to be utilised. The concrete design drawings (DC-3) is better than that recommended in the SI report.	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	A separate on site foul and storm water system is provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to connect to the existing combined sewer system outside the site.	Agreement has been reached with United Utilities	Yes	
Boole and Netherton	1	An interpretative site investigation report has been provided giving recommendations for either piled foundations or ground improvement techniques due to the depth of the made ground to 4.5m. There are no issues with mining in the vicinity of the site. The report recommends concrete class DS-1.	No contamination issues exist on this site	No high levels of gas are present on the site and no protection measures are necessary	The proposals are for vibro improvement to the site to achieve a bearing pressure of 100kN/m ² and to allow ground bearing capacity to be utilised. The concrete design drawings (DC-3) is better than that recommended in the SI report.	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	A separate on site foul and storm water system is provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to connect to the existing combined sewer system outside the site.	Agreement has been reached with United Utilities	Yes	
Burbury	2	An interpretative site investigation report has been provided giving recommendations for traditional spread foundations at a bearing pressure of 100kN/m ² . The risk of shallow spread foundations at a bearing pressure of 100kN/m ² . No contamination issues exist on this site. The report recommends concrete class DS-1.	No contamination issues exist on this site	No high levels of gas are present on the site and no protection measures are necessary	Reinforced pad foundations under columns with strip footing in between. A ground bearing ground floor slab has been provided.	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	A separate on site foul and storm water system is provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to connect to the existing combined sewer system outside the site.	Agreement has been reached with United Utilities	Yes	
Carfield east	1	An interpretative site investigation report has been provided giving recommendations for traditional spread foundations at a bearing pressure of 100kN/m ² . No contamination issues exist on this site. The report recommends concrete class DS-1.	No contamination issues exist on this site	Gas monitoring is ongoing and at this stage it is proposed to incorporate gas protection measures on the site.	Reinforced strip and pad foundations are being provided to a bearing pressure of 100kN/m ² and to allow ground bearing capacity to be utilised. Concrete class provided is DC-3 (concrete with fly).	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	A separate on site foul and storm water system is provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to connect to the existing combined sewer system outside the site.	Agreement has been reached with United Utilities	Yes	
Carfield west	1	An interpretative site investigation report has been provided giving recommendations for traditional spread foundations at a bearing pressure of 100kN/m ² . No contamination issues exist on this site. The report recommends concrete class DS-1.	No contamination issues exist on this site	No high levels of gas are present on the site and no protection measures are necessary	Traditional strip and pad foundations are being provided to a bearing pressure of 100kN/m ² and to allow ground bearing capacity to be utilised. Concrete class provided is DC-3 for the foundations and DC-2 for the slabs.	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	The drainage is being provided for the foul network. A separate on site foul and storm water system is provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to connect to the existing combined sewer system outside the site.	Agreement has been reached with United Utilities	Yes	
Chorley	2	An interpretative site investigation report has been provided giving recommendations for either piled foundations or ground improvement techniques due to the depth of the made ground to 4.5m. There are no issues with mining in the vicinity of the site. The report recommends concrete class DS-1.	No contamination issues exist on this site	No high levels of gas are present on the site and no protection measures are necessary	The drawings show reinforced pad and strip foundations at a bearing pressure of 100kN/m ² and to allow ground bearing capacity to be utilised. The concrete design drawings (DC-3) is better than that recommended in the SI report.	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	A separate on site foul and storm water system is provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to connect to the existing combined sewer system outside the site.	Agreement has been reached with United Utilities	Yes	
Fleetwood	1	An interpretative site investigation report has been provided giving recommendations for either piled foundations or ground improvement techniques due to the depth of the made ground to 4.5m. There are no issues with mining in the vicinity of the site. The report recommends concrete class DS-1. Suspended ground floors are recommended.	No contamination issues exist on this site	No high levels of gas are present on the site and no protection measures are necessary	The drawings show piled foundations as recommended in the site investigation. Ground floor slabs are shown as suspended cast on the ground. The concrete design drawings (DC-3) is suitable.	Yes	A steel frame with bracing but no details provided of beam layout or floor construction. There is sufficient time post FC and before the start on site for this design to be developed.	Diagrams do not show the indicative plans for the building. There is sufficient time post FC and before the start on site for this design to be developed.	Diagonal bracing has been provided at various positions in the building	Movement points are not required in the superstructure but are being provided in the ground floor slab.	Suspended floors 4.0kN/m ² Plant rooms 7.5kN/m ² Roof 0.75kN/m ² all in accordance with the design loading code. A 1.0kN/m ² has been allowed.	A separate on site foul and storm water system is provided with retention interceptors for the storm water. The storm water passes through an attenuation system with a hydro-brake on the east from the site the storm and foul combine to connect to the existing combined sewer system outside the site.	Agreement has been reached with United Utilities	Yes	

Appendix B



Building Services Design

Appendix B – Building Services Design

B.1 Generally

- B.1.1** The Schedule 1 to the Project Agreement, NWFRS PFI Project, Authorities Requirements, (V17) including Appendix_02_ADS_280710 (Accommodation Data Sheets) and Schedule 2 to the Project Agreement, Contractors Proposals (CP's) (Revisions as detailed in Section 6) have been reviewed to confirm the building services design.
- B.1.2** The Mechanical & Electrical Services Design Codes, Standards, Design Guides and the service life tables within the Schedule 1 are industry standard or specifically identified as the type of design/ system required and these standards can be achieved for this project.
- B.1.3** The Building Services CP's review has been carried out on all of the sixteen fire stations.

B.2 Commentary by Component

- The building services and infrastructure elements from the AR's have been identified within the CP's and these will be satisfied during the construction process. All information we have requested from the Contractor has been either included within the CP's or clarified in each instance.

B.2.1 Fire Protection

- A water misting fire protection system will be installed, the manufacturer's specification meets the AR's of a Automatic Water Suppression Systems (AWSS), the system will be designed to meet the specific risk, to improve asset protection and business continuity, however, life safety requirements may also be achieved. The industry installation standards revolve around NFPA (National Fire Protection Agency) 750 and IMO (International Maritime Organisation) Standards. The scope of NFPA contains the minimum requirements for the design, installation, maintenance, and testing of water mist fire protection systems.

B.2.2 Mechanical

- Drainage, sustainable design, incorporated both rainwater storage and surface water attenuation tanks at Birkenhead. The use of rainwater for non-potable purposes such as toilet flushing, further uses of this water for training operations. Surface water attenuation tank will reduce the risk of flooding. Specific site requirements such as the open water training tanks for the training facilities have been included.
- The design of the external services at Birkenhead will enable MFRS to fulfil all of its roles and functions.

B.2.3 Heating and Thermal Comfort

- Heating and cooling of the building will be with aerothermal heat pumps, a VRV system, with ceiling or wall-mounted cassette units. A heat pump system is central plant that is used for both heating and cooling, each room can be controlled as a separate zone. A wall-mounted controller will allow the occupants to control the fan speed, cooling or heating operation and set-point temperature. A small gas fired boiler will serve the rooms that are to be heated by radiators, these rooms will use thermostatic radiator valves. The appliance bay will have a gas fired warm air heater, and de-stratification fans. The communications room we will provide a separate comfort cooling system with standby facilities.

B.2.4 Ventilation Systems

- A combination of natural and mechanical ventilation will be used. Rooms that require mechanical ventilation, will be via ceiling-mounted heat recovery ventilation units. The ventilation system in the gym will operate constantly. External acoustic back ground noise will be removed by the design and attenuation. In the drying room, a dehumidifier will ensure optimal drying conditions. Over door air curtains will prevent the build-up of dangerous exhaust fumes linked to carbon dioxide detectors. A central dirty extract ventilation system will extract air from areas such as WCs and FM stores. The kitchen extract system will incorporate a kitchen canopy and staff will use a local switching and opening of windows to provide additional natural ventilation.

B.2.5 Water Installations

- A water supply will be provided from the outlet side of the utility company's boundary water meter to serve the sanitary appliances. An un-metered fire fighting water main will be provided to the hydrants and water misting system, sub-meter the supply to the fire fighting training equipment. Hydrants are compliant with BS750 with a flow rate of 2000 litres per minute within a pressure of 1.7 - 6bar.
- A leak detection system will comply with the requirements of Wat 3, the BREEAM credit.
- The domestic cold water storage tank will provide 1000 litres of storage capacity. The domestic hot water supply will be via a gas-fired condensing generator. Electric immersion heater to provide back up hot water. Rainwater collection system will be used for flushing WCs and for irrigation of plants.

B.2.6 Gas Installations

- The station will be provided with an incoming gas supply with the meter housed in the appliance bay.

B.2.7 Automatic Controls/ BEMS

- The BEMS will control and monitor the mechanical services systems and monitor the utility supply meters. The BEMS will ensure that the environment is controllable and energy efficient. The Authority will be able to carry out remote monitoring and adjustment of the system using its existing BEMS system.

B.2.8 Electrical Services

- Supplies to local distribution boards, plant control panels and specialist equipment will derive a single switchboard. These supplies will include lighting and power distribution boards, mechanical services plant, lifts, Uninterruptible Power Supply (UPS), fire system control panels and connection to a permanent standby generator. Power distribution cables will be armoured XLPE/SWA/LSF or soft Skin 'Enhanced' type fire protected cable where required. The galvanised steel cable basket, and designed will have 20% minimum spare capacity. All distribution boards will be metal enclosure TPN type B MCB/RCBO with main incoming switch disconnect.
- Essential and non-essential services will be from separate distribution boards.

B.2.9 Incoming Supply

- A new, 400V/230V three-phase 50Hz supply will be provided to an incoming switchboard in a separate room.

B.2.10 Internal Lighting & "Turn out" Lighting

- The Lighting installations will meet the CIBSE levels, and as detailed in the non site-specific services specification. Luminaires have been chosen for their function and their aesthetic appeal, with highly efficient, low-energy fluorescent lamps. Lighting in occupied areas will be provided with PIR movement sensors to allow individual zone control. Daylight linking will take use of the natural daylight.
- "Turn out" lighting will cover the areas as detailed and will operate from the mobilisation interface to ensure that the station is illuminated as soon as the mobilisation signal is received. Turn out lighting will be supplied from the essential services side of the distribution system.
- The number and location of internal and external "turn out" warning beacons must be in accordance with the Authorities' Requirements and based on the individual Fire Station design and typically must be provided in BA room, appliance bay, training area, training facilities and washrooms. The drawings identifying their locations have been issued in the CP's.

B.2.11 External Lighting

- The external lighting design will support operations and ensure that the appropriate illumination levels meet the FRS, as well as enhancing the external areas and façade of the building. External lighting will be high pressure discharge type, using vandal resistant luminaires. In the external forecourt areas, turn out lighting will use instant strike, tungsten halogen luminaires. Lighting controls to reduce effort and conserve energy.
- External illumination for corporate signage has been identified in the CP's.

B.2.12 Emergency Lighting

- An emergency lighting installation will be designed and installed in accordance with BS 5266. Self-contained emergency luminaires will incorporate battery/charger assemblies with three-hour emergency backup. There will be test key facilities for these luminaires adjacent to the local distribution board. Internally illuminated exit signage will be installed at appropriate exit positions. The watch room and watch manager's office lighting will also be served from the UPS unit to allow operations in these areas to continue during an emergency situation. Wiring to these areas will be soft skin fire resistant cable.

B.2.13 Small Power Installations

- Small power outlets, fused connection units and disconnect switches will be provided. General socket outlets will be double pole switched, with high integrity earthing connections, UPS system socket outlets will be wired on separate circuits, and coloured red for identification. Clean power supplies will be provided to operational loads.

B.2.14 Fire Detection and Intruder Alarm Systems

- The design has been collaborated with the Service to ensure that the Fire Station will act as an exemplar building highlighting best practice fire prevention through the installation of advanced fire detection and suppression systems. The fire detection and alarm system will comply with BS 5839 Part 1 and Building Control requirements, Category L1.
- The fire detection and intruder alarm installations are connected to the FM Service Contractor monitoring system as required in the AR's.
- A comprehensive intruder detection system will ensure that people and property are kept safe at the Fire Station and will comply with BS EN 50131.

B.2.15 Access and Egress Control

- A swipe-card access system will control access to specific rooms and areas, including operational areas and the main access gates to the secure yard. A two-way video intercom will provide a link between the main entrance and the external yard gate to a position inside the building.
- An automatic door opening system to operate the public entrance external and internal doors must also be provided, currently this requires a derogation as the CP's identify a manual system.
- The Authorities require the main entrance and rear yard gates to have remote release from various areas of the site. This will include reception, watch room, a defined location on the upper floors, and the rear of the appliance bay and has been identified in the CP's per site requirements.

B.2.16 Public Address and Turn out System

- In the operational areas there will be a PA system that will broadcast to all areas of the building as well as car parking and training areas. The system will comply with BS 6259.
- Non-Switching speakers are to be installed in operational areas of the Fire Station. Switching speakers should have a means of isolating them from the supply (i.e. a volume switch), and these speakers are to be fitted into community rooms, conference rooms etc. The CP's confirm that this is detailed design that will be closed out during RDD in the construction phase.
- External speakers will also be required and these are to be isolated from the main system at night. Areas where background noise may prevent a public address system from being heard, a visible beacon is required. The CP's confirm that this is detailed in the design and all elements of controls, except the PA equipment has been included.

B.2.17 Closed Circuit Television CCTV

- The CCTV system will provide surveillance for all areas as detailed in the AR's. Facilities for monitoring the system will be provided in the watch room and one other position within the building.
- The CCTV will be monitored via the Alarm Receiving Centre (ARC) at Warrington (using Romec). Security Industry Authority (SIA) qualified security staff will conduct patrols of the facilities using the CCTV cameras three times each day. The ARC will dial into the cameras on site and will monitor the fire and intruder alarms, so any activation of one will lead to them dialling into the station.

B.2.18 Lifts

- Where site applicable, a single 630kg eight-person lift, which will comply with the minimum requirements of Approved Document M of the Building Regulations.

B.2.19 Disabled Alarm System

- A disabled WC assistance call alarm system will cover each accessible WC. Monitoring panels will be provided in the watch room or reception area.

B.2.20 Fire Suppression System

- A gas suppression fire extinguishing system will be fitted in communications equipment rooms. The system will be self contained, with all chemical suppressant storage, equipment and controls accommodated in the room. The system will provide a pre-alarm warning in event of first detection.

B.2.21 UPS Installation & Generators

- A standby generator will be permanently sited at all Fire Stations - except Carlisle West and Patterdale - to provide 24-hour coverage. The set will operate upon mains failure with automatic transfer from mains to generator and vice versa on return of mains. The generator supply will serve the essential services, which comprise emergency and turn out lighting, fire and intruder alarm systems and all UPS supported systems.
- At Carlisle West and Patterdale a facility has been proposed to allow a temporary generator to be positioned on site and “plugged into” the permanent distribution system.
- A UPS unit will serve essential power supplies to communications and computer equipment in operational areas. A remote alarm facility will report UPS error or malfunction to our 24-hour FM helpdesk and a remote location to be specified by MFRS. The UPS unit will have four-hour battery back-up autonomy.

B.2.22 ICT Infrastructure

- This section of works refers to the following ICT requirements; Network Cabling, Containment, Components, Data Cabinets, Telephone Installation and the TV Installation.
- The incoming service ducts for the telecoms services will be provided to the communications room position. A survey of the GSM mobile and Alerter system signals will be carried out to verify the signal strength in the area of the site and ensure the correct positioning of the required infrastructure. Category 6 structured cabling system to TIA/EIA-568-B in the facility, serving all data and telephone services.

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A TV aerial distribution system will provide reception of digital terrestrial television services in each area identified on the area data sheets. A “running” emergency telephone will be provided.

- The Contractor has allowed for a 50% increase in network cabling capacity in order to cater for future expanded need as per the AR's.
- The Authorities require the provision of 3 ducts for use by the Authority, these have been identified in the CP's and will not be used by the Construction contractor.

B.3 Summary

The Contractors Proposals are in compliance with the requirements of the AR's. We have witnessed Revision 5's of the CP's for each site and confirm our full acceptance.

B.4 Summary of Risks

In conclusion, the residual risks and outstanding actions have been clarified and all issues closed out:

Ref	Issue	Risk	Category	Action
No Residual Risks in the Context of Financial Close				

Appendix C



Appointment Confirmations

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Appendix C

C.1 Appointment Confirmations

Ref	Requirement	Report Section
(a)	Financial Model	
	<ul style="list-style-type: none"> • Review and opine on the assumptions used in the cash flow models during construction phase and operational phase, in particular in relation to the timing and amount of property and related costs, and FM services; • Detailed review of construction and design costs; and • Comment on the adequacy of the level of reserves accruing on the Maintenance Reserve Account to meet relevant liabilities as they fall due. 	7 11 12
(b)	Design and Construction	
	<ul style="list-style-type: none"> • Review the construction programme and any milestones proposed in the construction contract. Comment on the programme logic, durations and any float contingencies included and the overall risk of delay in completion; • Comment on the adequacy of the proposed design solution in terms of whole life costing and the ability of the buildings to offer flexibility in order to accommodate changes in the nature of the delivery of fire services related facilities. Confirm design "sign-off" by the Authority through the BBCAP Fire and Rescue project team; • Comment on any significant technological risks inherent in the design, construction and/or facilities management service proposals which may impact on the delivery of the services required under the Project Agreement; • Comment on the technical and managerial capability of the professional team, Building Contractors and material subcontractors to perform under the contracts; • Comment on the reasonableness of the contract price for construction of the units in the light of your knowledge of current market conditions and the cost of comparable projects, and undertake an analysis of the potential for cost overruns and the level of contingency to cover unforeseen delays; • Comment on any major specialist subcontractors and whether there are suitable replacements; 	8 6 6 6 7 6

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Ref	Requirement	Report Section
	<ul style="list-style-type: none"> • Assess the quality and highlight any concerns regarding the appropriateness deliverability and future flexibility of the proposed unit designs in relation to achievement of the Authorities' performance specification and the relevant health and safety and regulatory standards, and their compliance with any statutory requirements (general building and CDM regulations) and with the Project Agreement output specifications, buildability and known site characteristics; • Comment on required planning permission consents, statutory matters and confirm that the design is in accordance with the approval; • Comment on a desktop review of site conditions; • Comment on the proposed programme and critical path and on the adequacy of any proposed performance/delay Liquidated Damages, collateral warranties and buildings/defects guarantees; • Comment on the provisions for hand over and commissioning including, but not limited to, analysis of decanting issues; • Comment on the Professional Indemnity cover included in any design/construction related warranties; and • Confirm that the capability of the contractors is sufficient to meet the SPC and Funder's expectations. 	<p style="text-align: center;">6</p> <p style="text-align: center;">4</p> <p style="text-align: center;">5 and 6</p> <p style="text-align: center;">8</p> <p style="text-align: center;">8 and 9</p> <p style="text-align: center;">13</p> <p style="text-align: center;">6 and 10</p>
(c)	Review of Contracts	
	<ul style="list-style-type: none"> • Review the Project Agreement and comment on the construction, Facilities Management and maintenance obligations imposed on the SPC therein, identifying key issues of relevance to the financing of the project; • Review the heads of terms between the Building Contractor and the SPC for the construction of the PFI Facilities and related works, and identify key issues of relevance to the financing of the project. In particular, confirm that key risks accepted by the SPC under the Project Agreement are passed through to the Building Contractor and/or subcontractors or managed appropriately in other ways; 	<p style="text-align: center;">13</p> <p style="text-align: center;">13</p>

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Ref	Requirement	Report Section
	<ul style="list-style-type: none"> • Comment on the proposed payment schedule and related milestones and the likelihood of performance and for availability deductions including adequacy of remedy times etc and their achievability by the providers, and on the proposed mechanism for commissioning, hand over and acceptance of the fire stations; 	7
	<ul style="list-style-type: none"> • Review the heads of terms between the FM Contractor and the SPC for the ongoing maintenance and operation of the PFI Facilities, and identify key issues of relevance to the financing of the project. In particular, confirm that key risks accepted by the SPC under the Project Agreement are passed through to the FM Contractor and/or subcontractors or managed appropriately in other ways. In particular comment on the measurement of operational performance and any penalty and bonus mechanisms relating to the FM Provider's performance; 	10
	<ul style="list-style-type: none"> • Undertake a review as to whether there are acceptable provisions to protect the SPC from the effects of non-performance or poor performance by any contractor or sub-contractor under any of the project agreements; 	13
	<ul style="list-style-type: none"> • Undertake a review as to whether there is adequate pass through of obligations and deductions (from concession contract to sub-contractors); 	13
	<ul style="list-style-type: none"> • Review of vandalism risk under the Project Agreement and comment upon pass down to relevant sub-contractor; 	13
	<ul style="list-style-type: none"> • Undertake a review of specific technical issues within the Project Agreement and likely impact (e.g. dispute resolution, milestone definitions, default resolution times etc); 	13
	<ul style="list-style-type: none"> • Undertake a review as to whether the interface arrangements (if any) provide an adequate and efficient process to address potential disputes between the subcontractors; 	13
	<ul style="list-style-type: none"> • Review of the subcontracts between a) the FM Contractor and SPC and b) the Building Contractor and SPC, to the extent of ensuring that these reflect the heads of terms previously reviewed under Part 1; and 	13
	<ul style="list-style-type: none"> • Assess the SPC management structure to review the relationship between the SPC and its sub-contractors, as well as the interface between the FM and Construction. 	6 and 10

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Ref	Requirement	Report Section
(d)	Maintenance and Facilities Management	
	<ul style="list-style-type: none"> • Comment on the service start-up programme; • Comment on any life cycle risks left with the SPC; • Comment on the experience and competence of each of the major service providers and maintenance undertakers; • Comment on the availability of alternative service providers and the potential cost and time required to undertake such a replacement; • Comment on the proposed maintenance and equipment replacement programme and related contracts and cost forecasts as included in the financial model to be prepared by or on behalf of the Consortium JV/SPC; • Comment on the achievability of the payment mechanism and output/service level specifications and the capability of FM Provider, including review of the FM provider's sensitivity analysis of the likelihood of deductions and/or service points; • Comment on the achievability, consistency and reasonability of the availability level assumed in the financial forecasts; • Comment on the forecast costs of FM services, including energy consumption, pricing and risk allocation and any price adjustment, benchmarking or market testing; • Comment on the adequacy and completeness of the proposed services, and maintenance packages (both routine and Life Cycle); • Comment on the proposed maintenance reserve provisions; • Comment on the adequacy of the proposed management and performance monitoring arrangements and ongoing working relationship with the Authority's staff; • Assess the latent defect risk to be assumed by the SPC; • Comment on the adequacy of each of the various service contracts including, in particular, the assumptions regarding cost and timing of major maintenance expenditure and equipment replacement; 	<p>10</p> <p>10</p> <p>10</p> <p>10</p> <p>10</p> <p>11</p> <p>11</p> <p>10</p> <p>10</p> <p>12</p> <p>10</p> <p>13</p> <p>12</p>

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Ref	Requirement	Report Section
	<ul style="list-style-type: none"> • Comment on the proposed costs of the various services and their indexation/scope for adjustment. Comparison with market rates and trends; • Comment on the proposed arrangements for retentions/penalties in the event of poor performance; • Provide an assessment of the achievability of the service specifications, availability and performance criteria as applied by the payment mechanism penalty regime; • Comment on the proposed arrangements for any third party income and provide an assessment of the achievability of the forecasts; • In addition, all of the above bullets will need to be applied to any Interim Services that fall within the Project; and • Confirm that the capability of the contractors is sufficient to meet the SPC and Funder's expectations. 	<p>7 and 10</p> <p>11</p> <p>11</p> <p>10</p> <p>10</p> <p>10</p>
(e)	Environmental	
	<ul style="list-style-type: none"> • Comment on the ground condition reports and any environmental impact of the scheme and its compliance with existing and anticipated legal and regulatory requirements; • Review the cost and programme implications of the results of the site conditions surveys, including identification of any additional investigations required and any third party involvement anticipated; • Comment on implications of site and soil surveys undertaken, including a review of any environmental impact/ground contamination and any perceived risk associated with the sites. Furthermore, review the tests that have been undertaken to allow specification of the substructure design; • If applicable, review any condition surveys of buildings to remain within the project and comment upon any deleterious materials that exist and the methodology with which they are to be dealt with including but not limited to asbestos; • Review and comment upon the demolition methodologies of any buildings to be removed from the project including the implications of any deleterious materials and organic compounds; and 	<p>5</p> <p>7</p> <p>5</p> <p>5</p> <p>6</p>

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Ref	Requirement	Report Section
	<ul style="list-style-type: none"> Review the desktop review and comment upon discharges, emissions and effluents where necessary in relation to consents or licences existing or pending. 	6
(f)	Risk Planning	
	<ul style="list-style-type: none"> Assess and, so far as possible, quantify the main technical risks to the SPC, which could impact on the cost or completion date of the units or on the costs through the project life; 	All
	<ul style="list-style-type: none"> Advise on any other matters, which, in the opinion of the technical adviser, a prudent funder should be made aware of; and 	All
	<ul style="list-style-type: none"> Report on the interplay between the various contracts, procedures and schedules and the potential for dispute and/or delay. 	All
(g)	General and Reporting	
	<ul style="list-style-type: none"> Liaise with the Employers' Legal and Insurance Advisors and other consultants as required and attend meetings with the Consortium JV/SPC to discuss findings and written reports; The timing of this and draft reports will be agreed in due course; Prepare a Project Appraisal Report addressing the following issues in relation to all designed fire stations: Taken as meaning for all 16 sites; Providing a track changes report and a clean report answering all funders issues and to a standard for funders to take to final Credit Committee Approval; and Final Report prior to Financial Close on the various issues raised by the due diligence review, in a form suitable for distribution to the Employers, including those who may consider participation in any future syndication of the Senior Debt Facilities. 	

Experience Trust

Appleyards

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