

**Risk Allocation Matrix (PFI Option)**

No	Risk Heading	Risk Definition	Project Agreement Clause/Schedule/Reference	Risk Allocation		
				Public sector	Private sector	Shared
<b>1</b>	<b>Design Risks</b>					
1.1	Failure to design to brief	Failure to translate the requirements of the Board into the design	17		✓	
1.2	Continuing development of design	The detail of the design should be developed within an agreed framework and timetable. A failure to do so may lead to additional design and construction costs	17, 19		✓	
1.3	Change in requirements of the Board	The Board may require changes to the design, leading to additional design and construction costs.	17, 40, Part 22	✓		
1.4	Change in design required by operator	This is the risk that the operator will require changes to the design, leading to additional design costs	17, 40, Part 22		✓	
1.5	Change in design required due to external influences specific to the NHS	There is a risk that the designs will need to change due to legislative or regulatory changes specific to the NHS	17, 39, 40, Part 22	✓		
1.6	Failure to build to design	Misinterpretation of design or failure to build to specification during construction may lead to additional design and construction costs	17		✓	
<b>2</b>	<b>Construction and Development Risks</b>					
2.1	Incorrect cost estimates	The estimate cost of construction may be incorrect	17		✓	
2.2	Incorrect time estimate	The time taken to complete the construction phase may be different from the estimated time	17, 19, 41		✓	

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2.3	Unforeseen ground/site conditions	Unforeseen ground/site conditions may lead to variations on the estimated cost	15		✓	
2.4	Delay in gaining access to the site	A delay in gaining access to the site may put back the entire project	14, 41			✓
2.5	Responsibility for maintaining on-site security	Theft and/or damage to equipment and materials may lead to unforeseen costs in terms of replacing damaged items, and delay	6.3, 15.1.3, 32, 41, 47.4, Part 18		✓	
2.6	Responsibility for maintaining on-site safety	The Construction, Design and Management (CDM) regulations must be complied with.	6.3, 16, 18.9, 29.6, 33, 44.1.6, Part 8 Section 2		✓	
2.7	Third party claims	Additional costs associated with third party claims due to loss of amenity and ground subsidence on adjacent properties	14, 15		✓	
2.8	"Compensation Events"	An event of this kind may delay or impede the performance of the contract and cause additional expense	41.10, 41.11, 41, Part 18, Part 22	✓		
2.9	"Delay Events"	An event of this kind may delay or impede the performance of the contract and cause additional expense	41, Part 18, Part 22			✓
2.10	Force Majeure	In the event of Force Majeure additional costs will be incurred. Facilities may also be unavailable	43, Part 18			✓
2.11	Termination due to Force Majeure	There is a risk that an event of Force Majeure will mean the parties are no longer able to perform the contract	41, 46, 48, Part 18, Part 23			✓
2.12	Legislative/regulatory change: NHS specific	A change in the NHS specific legislation/regulations, leading to a change in the requirements and variations in costs	39, Part 22	✓		

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2.13	Legislative/regulatory change: non-NHS specific	A change in non-NHS specific legislation/regulations taking effect during the construction phase, leading to a change in the requirements and variations in costs	39, Part 22		✓	
2.14	Changes in taxation	Changes in taxation may affect the cost of the project	36.24, 39.8, 53		✓	
2.15	Changes in the rate of VAT	Changes in the rate of VAT may increase the costs of the project. VAT should generally be refundable to the Board.	53	✓		
2.16	Other changes in VAT	Changes in VAT legislation other than changes in the rate of VAT payable	53	✓		
2.17	Contractor default	In the case of contractor default, additional costs may be incurred in appointing a replacement, and may cause a delay	41, 44, Part 18		✓	
2.18	Poor project management	There is a risk that poor project management will lead to additional costs. For example, if sub-contractors are not well coordinated, one sub-contractor could be delayed because the work of another is incomplete	17, 22, 44.6-44.10		✓	
2.19	Contractor/sub-contractor industrial action	Industrial action may cause the construction to be delayed, as well as incurring additional management costs	42.1.7		✓	
2.20	Protester action	Protester action against the development may incur additional costs, such as security costs	42			✓
2.21	Incorrect time and cost estimates for decanting from existing buildings	The estimated cost of decanting from existing buildings may be incorrect, there may also be delays leading to further costs. Public sector risk unless delays and cost attributable to the private sector operator	41, Part 9, Part 22	✓		

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2.22	Incorrect time and cost estimates for commissioning new building	The estimated cost of commissioning new buildings may be incorrect, there may also be delays leading to further costs	22, 41, Part 9		✓	
3	<b>Performance Risks</b>					
3.1	Latent defects in new build	Latent defects to the structure of the building(s), which require repair, may become patent	17, Part 21, Section 2		✓	
3.2	Change in specification initiated by procuring entity	There is a chance that, during the operating phase of the project, the procuring entity of the services will require changes to the specification	Part 22	✓		
3.3	Performance of sub-contractors	Poor management of sub-contractors can lead to poor co-ordination and under-performance by the contractors. This may create additional costs in the provision of services	27, 28, 29, 29.4, 44.6-44.8, Part 14, Part 18		✓	
3.4	Default by contractor or sub-contractor	In the case of default by a contractor or sub-contractor there may be a need to make emergency provision. There may also be additional costs in the provision of services	44.6-44.8, Part 14, Part 18, 27, 28, 29		✓	
3.5	Industrial action	Industrial action by the staff involved in providing facilities services would lead to higher costs and/or performance failures	29, Part 14, Part 18		✓	
3.6	Failure to meet performance standards	There is a risk that facilities management (FM) will not provide the required quality of services. This may be costly to correct and the operator may incur financial penalties	29, Part 14, Part 18		✓	
3.7	Availability of facilities	There is a risk that some or all of the facility will not be available for the use to which it is intended. There may be costs involved in making the facility available	27, 28, 29, Part 18 Part B6		✓	

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3.8	"Relief Events"	An event of this kind may delay or impede the performance of the contract and cause additional expense	42, Part 18 Section B6			✓
3.9	Force Majeure	In the even of Force Majeure additional costs will be incurred. Facilities may also be unavailable	43, Part 18 Section B6			✓
3.10	Termination due to Force Majeure	There is a risk that an event of Force Majeure will mean the parties are no longer able to perform the contract	43, 46			✓
4	<b>Operating Cost Risks</b>					
4.1	Incorrect estimated cost of providing specific services under the contract:	The cost of providing these services may be different to the expected because of unexpected changes in the cost of equipment, labour, utilities and other supplies	27		✓	
4.2	Legislative/regulatory change having capital cost consequences: NHS specific	NHS specific changes to legislation/regulations may lead to additional construction costs and higher building, maintenance, equipment or labour costs	39.3-39.7, Part 22	✓		
4.3	Legislative/regulatory change: non NHS specific	Non-NHS specific changes to legislation/regulations may lead to additional construction costs and higher maintenance, equipment or labour costs	39.8, Part 22			✓
4.4	Changes in taxation	The scope and level of taxation will affect the cost of providing services	39.8, 53		✓	
4.5	Changes in VAT	This may increase the cost of the provision of services to the Board. However, changes in VAT are generally refundable to the Board.	39.8, 53	✓		

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4.6	Incorrect estimated cost of providing clinical services	The cost of providing clinical services may be different to the expected. These costs include: staff, recruitment, training, equipment and supplies	Part 22 Section 1	✓		
4.7	Incorrect estimated cost of maintenance	The cost of building and maintenance may be different to the expected costs	28, 29		✓	
4.8	Incorrect estimated cost of energy used	Failure to meet energy efficiency targets or to control energy costs	Part 18, Section 3		✓	
4.9	Patient infection caused by poor facilities management	There is a risk that a patient infection could be traced directly to the actions of staff employed and managed by the facilities manager. This may include, for example, incidence of legionnaires' disease	5, 8.7, 29.6, 32.18 – 32.22, Part 18		✓	
4.10	Patient infection - other	Patient infection caused by staff employed by and controlled by the procuring body. This risk may lead to increased treatment costs and, possibly, legal costs	8.7, 29.6, Part 18	✓		
4.11	Estimated cost of restructuring the workforce providing services under the contract is incorrect	The estimated cost of restructuring the workforce at any time during the operating phase, such as recruitment costs and redundancy payments, may be incorrect	30		✓	
5	<b>Variability of Revenue Risk</b>					
5.1	Non-performance of services	Payment will only be made by the Board for services received	27, 29, Part 14, Part 18		✓	
5.2	Poor performance of services	The operator will incur deductions from the performance payment for the poor performance of services	27, 29, Part 14, Part 18		✓	

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5.3	Changes in the size of the allocation of resources for the provision of health care	There is a risk that the resources allocated to the area are reduced or increased. If such changes do occur, there may be a need to rescale the provision of services	27, Part 14 Section 1, Part 18, Part 22	✓		
5.4	Changes in the volume of demand for patient services	There is a risk that the volume of demand for health care will change because of changes in the size of the catchment area. This may occur because there is, for example, an unexpected increase in the size of the population leading to an increase in demand, or the provision of a new alternative provider health care leading to a reduction in demand	27, Part 18, Part 22	✓		
5.5	Unexpected changes in medical technology	Unexpected changes in medical technology may lead to a need to re-scale or reconfigure the provision of services.	27, Part 18, Part 22	✓		
5.6	Unexpected sudden increases in demand due to major incident	There is a risk of large unexpected increases in demand, for example due to the closure of a neighbouring maternity unit.	13			✓
6	<b>Termination Risks</b>		45, 48, Part 23			
6.1	Termination due to default by the procuring entity	The risk that the procuring entity defaults leading to contract termination and compensation for the private sector	44.6 – 44.10	✓		
6.2	Default by the operator leading to step-in by financiers	The risk that the operator or individual service providers default and financiers step-in leading to higher costs than agreed in the contract	44.1 – 44.10		✓	

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6.3	Termination due to default by the operator	The risk that the operator defaults and step-in rights are exercised by financiers but that they are unsuccessful leading to contract termination	44.1 – 44.3		✓	
7	<b>Technology and Obsolescence Risks</b>					
7.1	Technological change/asset obsolescence	Buildings and plant may become obsolete during the contract and the Board may need to alter the output specifications	17, 27		✓	
7.2	Technological change	The operator is required to supply, maintain and repair and replace all equipment to meet the output specifications. However, there is a risk of technological changes causing the Board to revise its output specifications.	21	✓		
8	<b>Control Risks</b>					
8.1	Control of clinical services	The Board retains control of clinical services which means that it retains significant control of the nature of services provided by the operator	5.3, 5.6, 5.7	✓		
8.2	Control of services provided under the PFI contract	The operator should retain control of these subject to 8.1 above	5.2, 5.6, 5.7		✓	
9	<b>Residual Value Risks</b>					
9.1	Procuring entity no longer requires assets at end of contract	The risk that the procuring entity will wish to vacate the asset at the end of the contract period and that the operator may be faced with decommissioning costs	14, 46.3, 47.4		✓	
10	<b>Other Project Risks</b>					



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10.1	Incorrect cost estimates for planning approval	Estimated cost of receiving detailed planning permission is incorrect including the cost of satisfying unforeseen planning requirements	16.1		✓	
10.2	Delayed planning approval	A delay in receiving planning permission may have broader cost implications for the project as well as the loss of potential savings	16.1 and 16.2			✓

