

ODPM Fire Service Improvement Team – PFI Workshop

Financial Considerations in a PFI Project



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Outline Business Case



Overview

- Option Appraisal
- Affordability
- Questions



Option Appraisal

Justify

- Preferred option
- Procurement route



Justify the preferred option

Process



- Strategic Driver(s)
- Project Objectives
- Potential Solutions
- Investment Need
- Investment Options
- Valuing the Options**
- Identifying the Preferred Option



Valuing the Options

- Cost
- Risk and uncertainty
- Benefit



Justify the procurement route

Value for Money Assessment Guidance

August 2004

- Suitability for PFI
- Standard VFM assessment model



Affordability

Affordability statement

Source

£m

Unitary Charge

Financial Advisers - Shadow SPV Financial Model

PFI Grant _____

Financial Advisers - ODPM Methodology

Sub total _____

Less

Current Budgets

Internal Finance Department

Operational Cash Efficiencies

Internal Finance & Operational Departments

Add

Rates Differential

Technical Advisers

Service Growth _____

Operational Departments

Affordability gap _____



Key Points

- **Minimise uncertainty ASAP**
- Quantify the benefit
- PFI Credit funds the capital
- Track affordability

