MOD Private Finance Unit Guidance Note PFI Value For Money reviews

Version C

August 2008

MOD PFU Contacts

This document can be found on the MoD PFU website at :

http://www.mod.uk/DefenceInternet/AboutDefence/WhatWeDo/FinanceandProcurement/PFU/PrivateFinanceUnit.htm

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DOCUMENT CHANGE RECORD

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Issue No	Details Of Amendments Made	Amended By	Date
A	First draft for internal review	D Meacham	Aug 2008
B	Minor drafting amendments	A Baker	Nov 2008
C	Minor drafting following consultation	D Meacham	Jan 2009

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Constraints

1. This guidance is designed to support public sector PFI contract managers in completing Value for Money (VFM) Reviews. This guidance is not a substitute for the terms and conditions set out in Contracts, but should be used to help the Authority and the Service Provider in conducting a Value For Money Review.

Authoritative Guidance

2. Most PFI contracts contain HM Treasury standard value testing mechanisms of Benchmarking and Market Testing to ensure VFM throughout the life of a contract but a number of MOD PFI contracts contain provisions in relation to VFM Reviews. This guidance is solely for those PFI contracts which include a VFM Review clause.

Background

3. MOD PFU should be contacted before commencing any VFM Review MOD manages a number of Public Private Partnerships (PPP), defined by HM Treasury[1] as a "collaboration across the private-public sector interface involving collaborative working together and risk sharing to deliver policies, services and infrastructure.", and Private Finance Initiative (PFI) Contracts. MOD needs to be satisfied that the price for any PPP/PFI Contract represents good Value for Money (VFM) for the provision of services throughout the contract term. The HM Treasury document managing Public Money (2007) defines value for money as "securing the best mix of quality and effectiveness for the least outlay over the period of use.........value for money will involve an appropriate allocation of risk." Value for Money Reviews therefore involve an evaluation of the price of the service, the amount of risk transfer achieved and the ability of the Service Provider to provide a service that meets the quality required. This is supported by NAO guidance[2] which suggests that achieving value for money means obtaining an optimal balance between cost, quality and flexibility.

4. Most PFI contracts contain HM Treasury standard value testing mechanisms of Benchmarking and Market Testing to ensure VFM throughout the life of a contract but a number of MOD PFI contracts

[1] Report by HM Treasury: Infrastructure procurement: delivering long-term value (2008) available at www.hm-treasury.gov.uk
[2] Report by NAO: A Framework for evaluating the implementation of Private Finance Initiative projects (2006) available at www.nao.org.uk

contain provisions in relation to VFM Reviews. This guidance is solely for those PFI contracts which include a VFM Review clause.

5. Whilst the VFM Review clause in MOD contracts give some details of the contractual arrangements for undertaking the review, they do not identify the internal procedures that must be undertaken. The purpose of this guidance note is to provide MOD acquisition teams with the detailed steps required to complete the VFM Review. MOD PFU should be contacted before commencing any VFM Review.

What is a VFM Review?

6. PFI contracts generally contain a mechanism for assessing the VFM of the services on a periodic basis. If the project is for services which can easily be contracted out to a ready market, such as cleaning and catering of accommodation, provisions for using benchmarking or market testing[3] to test VFM can be applied. However, for many MOD PFI projects there may be no ready market for all or a significant proportion of the services provided as they can be very specialised and only provided by one or two contractors. As a result a separate process to assess VFM known as the VFM Review Process has been developed.

7. In many cases, the VFM Review clause will include the measurement of the Internal Rate of Return (IRR) that the equity investors are receiving and compare this to the IRR forecast in the original financial model. Where this is included in the contract a review of the calculation will form part of the review.

8. Typically the VFM Review clause will state that if the IRR is in excess of a pre-defined threshold then funds will be set aside in an account, set-up by the Service Provider, to bring the IRR back down to the threshold rate. If at the next review the IRR is below the threshold, some of the funds can be released to the Service Provider but any sums held in the account at the end of the contract will be shared between the Authority and the Service Provider. Details of how to calculate a project IRR should be specified within the contract but a definition and a basic worked example can be seen at Annex A.

9. The VFM Review clause in MOD PFI contracts explicitly refer to the calculation of Actual Equity IRR and excess IRR but they also state that the purpose of the review is to satisfy the Authority that it is receiving good value for money for the provision of services. MOD PFU recommends that VFM Reviews are used to conduct a wide holistic audit of the service. A useful tool in assisting this analysis is the NAO

[3] Guidance for conducting Benchmarking and Market Testing can be found at the following link: http://www.hm-treasury.gov.uk/media/0/B/operational_taskforce_note_1.pdf

Framework for Evaluating Implementation of PFI projects that identifies key criteria that research has shown are good indicators of whether a project is achieving value for money. The indicators are based around 6 themes. The themes are:

- The project fits with the business requirement of the Authority (including commercial review)
- PFI is the appropriate delivery mechanism
- Stakeholders support the project's progress
- There is good quality project management (including project governance)
- There is an optimal balance between cost, quality and flexibility.
- Effective risk allocation is taking place.

What are the Objectives of the Review?

10. A VFM Review should achieve the following objectives for the benefit of the customer:

- Evaluate how the project has performed against estimated costs, performance and identified benefits forecasts included in the original business case and approvals note;
- Evaluate project performance in accordance with HM Treasury's VFM definition; assessing quality, effectiveness and outlay;
- Assess whether projects are being implemented and managed well against the NAO Framework for evaluating implementation of PFI Projects criteria and the NAO Changes to Operational PFI Deals guidance;
- Assess the appropriateness of the actual risk allocation in comparison with that identified in both the original business case and the contract;
- Highlight the lessons learned with a view to improving the quality of future decision making (including any re-let following contract expiry), including highlighting the successful features of the project;
- Assess the appropriateness of the Service Provider's actual insurance arrangements in comparison with those identified in the contract;
- Assess the current user requirement;
- Identify improvements that can be made to enhance the performance of the contract for the mutual benefit of both the Authority and the Service Provider;

- Calculate Project IRR as specified in contract (see Annex A for a definition of Project IRR);
- Assess the project's readiness for the future.

Benefits of a VFM Review

11. The value testing of services should assist the Authority in ensuring that continued value for money is achieved from the PFI contract. Unlike other value testing mechanisms a VFM Review cannot result in an increase to the unitary charge and does not protect the Service Provider from any underlying cost increases.

12. Successful value testing could result in other tangible benefits such as:

    - Improving performance and innovation
    - Improving quality and productivity
    - Improving efficiency
    - Improving performance measurement
    - Refining best practice

13. The approach recommend within this guidance is supported by the NAO Framework for evaluating the implementation of PFI projects (2006) and is consistent with the approaches of OGC Gateway 5 Reviews and the Project Evaluation guidance contained within JSP 507. The VFM Review Report will therefore meet the requirements of both of the above processes if submitted to PUK and DASA/DESA along with covering notes in the appropriate format.

When to Review?

14. Where a requirement to value test is included within a contract, it is usually applicable every 5-7 years. In some contracts there is a longer period prior to the 1st value test, before more typical intervals apply for the remaining duration of the contract.

15. As all contracts are different, projects should refer to the contract for details of the VFM Review date. The VFM Review cannot commence until the Service Provider has produced its audited financial accounts for the financial year which follows the VFM Review date.

Planning the Review

First Steps

16. Value testing provisions in contracts vary and may not have clearly defined timescales. Whatever the contractual requirement it is important that the Authority and the Service Provider work together, well in advance of the VFM Review date, to agree:

- Roles and responsibilities
- The process
- The timetable

Roles and Responsibilities

17. Some contracts may prescribe the roles and responsibilities of the parties in the review and this should take precedent over this guidance. However, the exercise should be seen as a working partnership. Information should be shared and communication maintained through regular meetings and progress reports.

18. The VFM Review is the responsibility of the Authority's contract management team who are accountable to the projects' Senior Responsible Owner for conducting it. Therefore, if roles are not identified within the contract MOD PFU recommends that the VFM Review team should be led by the Authority drawing on relevant resources and input from the MOD PFU, the acquisition team, the Service Provider, customers/users, Partnerships UK and external assistance (where required and approved by MOD PFU in accordance with Defence Information Notes 2006DIN04-110, 2007DIN05-003 and 2007DIN08-020).

Authority VFM Review team roles and responsibilities

- Establish Value for Money Review Team with required skills and experience in discussion with PFU
- Produce Plan for review
- Request information from Service Provider and Stakeholders, using questionnaires and proforma where appropriate
- Gather internal documentation, evidence and information
- Analyse, interrogate and interpret information and data received
- Produce Value For Money draft review report
- Discuss with the Service Provider the actual or likely conclusions of the review

- Consider and negotiate in good faith any proposals for variations to the Contract which the may materially improve the value for money which accrues to the public sector under the Contract, while preserving a fair and reasonable return of profit for the Contractor and its Shareholders.

Service Provider roles and responsibilities

- Lend reasonable assistance to the Authority in conducting such review;
- Provide such information as may be reasonably requested by the Authority for the purposes of such review;
- Discuss with the Authority the actual or likely conclusions of any such review;
- Consider and negotiate in good faith any proposals for variations to the Contract which the Authority reasonably believes will materially improve the value for money which accrues to the public sector under the Contract, while preserving a fair and reasonable return of profit for the Contractor and its Shareholders;
- Highlight any potential areas of innovation or efficiency to the review team.

Customer/Users

- Lend reasonable assistance to the Authority in conducting such review;
- Provide such information as may be reasonably requested by the Authority for the purposes of such review.

19. If the acquisition team have any uncertainties regarding roles and responsibilities for their VFM Review they should consult MOD PFU.

The Process

20. When conducting the evaluation, a combination of techniques are required, including:

- Examination and analysis of the relevant project source documentation;
- Liaise with other projects to understand lessons learnt from previous exercises;
- Analysis and Commentary relating to Financial and Performance reports, including IRR calculation;
- Analysis and Commentary relating to project documentation and data;

- Interviews with Project, Service Provider and stakeholders;
- Conduct in accordance with NAO framework and any other relevant guidance;
- Drawing on lessons from previous reviews.

21. A process map for conducting a VFM Review can bee seen at Annex D.

Reviewing Specifications

22. Value testing presents a good opportunity for the Authority to review the specification of services. Reviewing specifications may result in adjustments to service levels that more accurately meet the Authority's objectives. Such a re-balancing of the contract will help the Authority obtain optimum value from the exercise.

23. The Authority should be aware that proposals to change service requirements might need to be implemented as a service variation using the contract's change mechanism. They are therefore likely to need the agreement of the Service Provider and the funders.

24. It may also be the case that, during the operational phase of the contract, the service provided has varied informally. A value testing exercise offers a convenient point at which to formally capture these changes.

Sources of Data

25. The main element of the review will involve examination and review of key project documentation. This documentation should include but not be limited to:

- Main Gate Business Case and Investment Appraisal and the Approval Note
- Business Case and Investment Appraisal for any relevant contract changes
- Contract
- Financial Model
- Actual financial costs (in similar format to financial model)
- Performance reports (determined by payment mechanism and KPIs)
- Details of any other relevant claims or payments made by the Authority
- Any LFE/PPE documentation

- Risk Register, Risk Management and Mitigation documentation
- Insurance policies, insurance claims data and actual insurance premiums
- Customer Satisfaction Surveys
- Project Questionnaire (example in Annex B)
- Contractor Questionnaire (example in Annex C)
- Details of any other claims/payments made to the Service Provider
- Previous VFM Reviews
- Any other relevant documentation/information that would assist the review.

26. ***Acquisition teams should be aware that the above information will be required for VFM Reviews throughout the contract life and should retain all documentation.***

Timetable

27. Once a Review is able to commence an indicative outline timeline for conducting a VFM Review can be see below.

Activity	**Weeks following commencement of VFM Review**
Request data	2 weeks
Data received	4 weeks
Analyse data	4 weeks
Clarify where necessary	2 weeks
Produce 1st draft report	4 weeks
Discuss draft with stakeholders	2 weeks
Amend report as necessary	2 weeks
Submit final report	
Total	**20 weeks**

28. The above timescales assume availability of required resources whenever required. Past experience has highlighted the data gathering phase as having the greatest potential to cause slippage.

Dispute Resolution

29. A contract may or may not describe the procedures to be followed in the event of a failure to agree. Both parties need to be clear before the VFM Review process starts what the dispute resolution procedures are to deal with any failures to agree and agree how they will be applied. The steps that typically follow a failure to agree could be:

- Escalate dispute to more senior levels
- Mediation
- Formal dispute resolution procedure

Output

30. The output of the VFM Review will be a written report (copied to MOD PFU, DASA/DESA and PUK) including, but not limited to, the following:
    - A summary of how the project has performed against the original business case and approvals note in terms of quality, effectiveness, outlay, risk transfer and timescales;
    - A summary of how the project can be assessed against the NAO Framework for evaluating VFM in PFI Projects criteria and the NAO Changes to Operational PFI Deals guidance;
    - A summary of the successful features of the project;
    - A summary of the less successful features of the project;
    - A validation of the Project's insurances in terms of the cover provided, the extent to which MoD's interests are protected and the associated costs;
    - Provide a re-calculated Project IRR as specified in contract;
    - A summary of the lessons learned (including owners and an action plan) with a view to improving the quality of future decision making (including any re-let following contract expiry).

Capturing the Lessons Learnt

31. After completing any value testing exercise it is important to document the process and capture the lessons learnt so that they can be applied when the exercise is next undertaken as it is probable that different people will be responsible for managing the next process.
    - The following points should be captured in a lessons learnt document:
    - The process
    - The outcome
    - What worked well
    - Problems encountered
    - Recommendations to improve the process
    - Other projects where the lessons may be applicable

32. The production of the lessons learnt document should be a joint exercise and the parties might consider amending the value testing provisions in the contract to reflect the lessons learnt. In order to

ensure that the Authority benefits from the experience gained the document should be copied to MOD PFU, DASA/DESA and PUK.

Further Help and Support

33. If acquisition teams require further advice or help in relation to Value For Money Reviews the MOD PFU is available to provide assistance and lessons learnt from previous reviews.

Definition of Internal Rate of Return

Internal Rate of Return (IRR) is one of a number of discounted cash flow (DCF) techniques (the other is net present value or NPV) used in comparative appraisal of investment proposals where the costs and benefits occur over a number of different time periods.

IRR is the average annual return earned through the life of an investment and represents the discount rate that reduces to zero the net present value of a stream of income inflows and outflows. If the IRR is higher than the desired rate of return on investment, then the project is a desirable one.

It is important to remember that IRR is a mechanical method (computed usually with a spreadsheet formula) and not a consistent principle. It can give wrong or misleading answers, especially where cash flows include multiple investment points.

Below is a simplified worked example of an IRR calculation to aide understanding.

1. Introduction
   This worked example considers a Capital Expenditure proposal with the following data:

Initial investment / expenditure	£ 20,000
Project duration	5 years
Net cash inflows:	
Year 1	£ 2,000
Year 2	£ 4,000
Year 3	£ 6,000
Year 4	£ 8,000
Year 5	£ 10,000

2. Calculation of Internal Rate of Return Using Linear Interpolation
   Note that this simple example calculates an APPROXIMATION of the Internal Rate of Return using a mathematical method called "Linear Interpolation". In order to make this approximation, it is necessary to make two Net Present Value calculations. One of these calculations MUST give an NPV which is positive, and the other calculation MUST give an NPV which is negative. The subsequent process of linear interpolation then uses these two NPVs (one positive and one negative) to estimate the point (or, more correctly, the interest rate) at which the NPV is exactly zero. This point will be the Internal Rate of Return (IRR). Note that the "Discount Factors" are calculated using the following formula: discount factor in year n = $(1+r)^{-n}$

where r = interest rate (e.g. 0.1 for 10%) and n = year.

		@10% p.a.		**@15% p.a.**	
Year	**Future Value**	**Discount Factor**	**Present Value**	**Discount Factor**	**Present Value**
Net Cashflows:	**(£)**		**(£)**		**(£)**
Year 0	(20,000)[4]	1.0000	(20,000)	1.0000	(20,000)
Year 1	2,000	0.9091	1,818	0.8696	1,739
Year 2	4,000	0.8264	3,306	0.7561	3,024
Year 3	6,000	0.7513	4,508	0.6575	3,945
Year 4	8,000	0.6830	5,464	0.5718	4,574
Year 5	10,000	0.6209	6,209	0.4972	4,972
NPV			**1,305**		**(1,746)**

In this example the IRR is calculated as follows:

$$IRR = 10\% \left[+ \frac{1305}{1305 + 1746} \right] \times 5\% = 12.14\%$$

The graphical solution is shown in Figure 1.

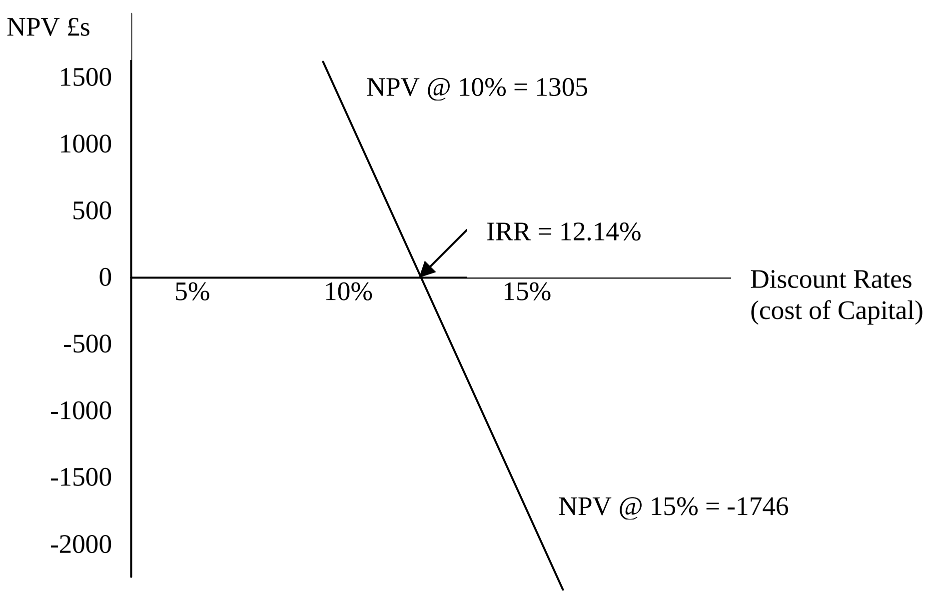


Figure 1 – graphical representation of IRR calculation

[4] Figures in brackets represent negative figures.

Problems of Using Linear Interpolation For Estimating IRR

In using Linear Interpolation for estimating the IRR, we have assumed a linear relationship between interest rates and NPV. In fact, the relationship is NOT linear. If we were to calculate the NPVs for the project using a large number of interest rates and then plot these NPVs on a graph, we would produce a curve. The relationship is, in fact, curvilinear. Thus, by using linear interpolation to estimate IRR, we have taken a short-cut across the curve, with the result that the estimate of IRR is slightly too high. In the above calculation, we have used interest rates of 10 % p.a. and 15 % p.a. - a range of 5 %. Had we used a larger range (say, by using interest rates of 9 % p.a. and 16 % p.a. - a range of 7 %), the effect of the "short-cut" would have been greater and the error in estimating the IRR would, thus, be greater. In practice, so long as the range of interest rates selected is not too high, the above method of estimating IRR is sufficiently accurate for most purposes. In practice, a computer program or a programmable calculator would eliminate this estimation error.

3. Calculation of Internal Rate Of Return Using Excel

As an alternative to simple linear interpolation is to use the EXCEL function XIRR which takes direct account of the series of dates upon which positive and negative cashflows occur. It is defined below

XIRR(values,dates,guess)

Values is a series of cash flows that corresponds to a schedule of payments in dates. The first payment is optional and corresponds to a cost or payment that occurs at the beginning of the investment. If the first value is a cost or payment, it must be a negative value. All succeeding payments are discounted based on a 365-day year. The series of values must contain at least one positive and one negative value.

Dates is a schedule of payment dates that corresponds to the cash flow payments. The first payment date indicates the beginning of the schedule of payments. All other dates must be later than this date, but they may occur in any order. Dates must not be entered as text.

Guess is a number that you guess is close to the result of XIRR.

Remarks

Microsoft Excel stores dates as sequential serial numbers so they can be used in calculations. By default, January 1, 1900 is serial number 1, and January 1, 2008 is serial number 39448 because it is 39,448 days after January 1, 1900. Microsoft Excel for the Macintosh uses a different date system as its default.

Numbers in dates are truncated to integers.

XIRR expects at least one positive cash flow and one negative cash flow; otherwise, XIRR returns the #NUM! error value.

If any number in dates is not a valid date, XIRR returns the #VALUE! error value.

If any number in dates precedes the starting date, XIRR returns the #NUM! error value.

If values and dates contain a different number of values, XIRR returns the #NUM! error value.

In most cases you do not need to provide guess for the XIRR calculation. If omitted, guess is assumed to be 0.1 (10 percent).

XIRR is closely related to XNPV, the net present value function. The rate of return calculated by XIRR is the interest rate corresponding to XNPV = 0.

Excel uses an iterative technique for calculating XIRR. Using a changing rate (starting with guess), XIRR cycles through the calculation until the result is accurate within 0.000001 percent. If XIRR can't find a result that works after 100 tries, the #NUM! error value is returned. The rate is changed until:

$$0 = \sum_{i=1}^{N} \frac{P\mathrm{i}}{(1+rate)^\wedge \frac{(di-d1)}{365}}$$

where:

di = the ith, or last, payment date.

d1 = the 0th payment date.

Pi = the ith, or last, payment.

Annex B
Early Operational Authority Questionnaire

Operational Value for Money Review

Project – xxxxxxx

Authority Questionnaire

Please answer questions as fully as possible providing supporting documentary evidence wherever possible.

Theme 1
The Project fits with the business requirements of the Authority

1) Please give an overview of the performance system and payment mechanism.

2) Is service provision meeting contractual requirements?
    a. Is the performance-measurement system working properly?
    b. Is there a functionally effective payment mechanism?
3) Was the asset delivered to the agreed timescales?
4) Is the asset fit for purpose?
    a. Have construction problems been resolved on a timely basis?
    b. Is good maintenance of the asset being carried out?
5) Where contractual services differ from business requirements, is the Authority acting to align them?
    a. Has the Authority assessed whether the service levels contained in the contract meet the business requirements?
    b. Has the Authority taken timely steps to resolve the discrepancy?

Theme 3
Stakeholders support the project's progress.

1) Who are the projects key stakeholders?
2) Is there a good level of stakeholder satisfaction?
    a. Has the Authority canvassed and measured stakeholders' satisfaction with contractors performance?
    b. Are end-users satisfied with the level of service from the contractors?

Theme 4
There is good quality project management

1) Please provide an outline of the governance structures in place for the project.
2) Are the governance structures being used appropriately?
   a. Are minor problems and issues being addressed and resolved on a timely basis?
   b. Are strategic issues and major service-related problems and disputes within the remit of the top tier governance arrangements?
3) Are the relationships between the Authority and contractors working well?
   a. Are relationships between both parties satisfactory at senior-management level?
   b. Are the appropriate relationships in place at the operational level between Authority and contractor staff?
4) Please provide details of the organisation structure of the Authority's acquisition team.
5) Does the Authority ensure that the acquisition team have the appropriate skills and knowledge for good service provision?
   a. Do contract-management staff have a detailed knowledge of the contract?
   b. Does the Authority have a process of continual learning?
   c. Does the Authority have appropriate procedures to deal with loss of staff and knowledge?

Theme 5
There is an optimal balance between cost, quality and flexibility.

1) Is affordability for the deal being maintained?
   a. Are both parties working together to identify efficiencies and cost reductions?
   b. Has the Authority established the process and timing of future Value for Money reviews?
2) Are both parties seeking to maximise quality?
   a. Please give details of any innovations in service delivery taking place.
   b. Please give details of examples of both parties benefiting from two-way working for suggesting improvements to each other's business.
   c. Do both parties have a process of continual learning and development in place?
   d. Are contractors improving the quality of service where specific failures have been identified?

3) Please provide details of the incentives for ATIL to pass on efficiencies together with commentary on their effectiveness.

4) Please provide recommendations of ways in which the current contract ca n be amended to benefit both parties.

5) Please provide a detailed explanation of the strategy for pricing contract changes and the measures used to ensure that risk allocation is consistent to the original contract.

6) Please give details of any contract changes to date.
   a. Please provide cost and revenue profiles for each change.

Theme 6
Effective risk allocation and management is taking place?

1) Has the allocation of risks been sustained operationally?
2) Please provide a comprehensive risk register as at the original bid and updated equivalent together with a commentary of any significant variations to the risk profile.
3) Are the risk implications of changes to the contract consistent with the risk that was originally transferred?
4) Please provide a detailed explanation of the strategy for pricing contract changes and the measures used to ensure that risk allocation is consistent to the original contract.
5) Are the Authority’s risk management procedures update and working in line with changing circumstances?

Operational Value for Money Review

Project – xxxxxxxx

Contractor Questionnaire

Please answer questions as fully as possible providing supporting documentary evidence wherever possible.

Theme 1
The Project fits with the business requirements of the Authority

1) Is service provision meeting contractual requirements?
   a. Is the performance-measurement system working properly?
   b. Is there a functionally effective payment mechanism?
2) Is the asset fit for purpose?
   a. Have construction problems been resolved on a timely basis?
   b. Is good maintenance of the asset being carried out?

Theme 4
There is good quality project management

1) Are the governance structures being used appropriately?
   a. Are minor problems and issues being addressed and resolved on a timely basis?
   b. Are strategic issues and major service-related problems and disputes within the remit of the top tier governance arrangements?
2) Are the relationships between the Authority and contractors working well?
   a. Are relationships between both parties satisfactory at senior-management level?
3) Are the relationships between the Authority and contractors working well?
   a. Are the appropriate relationships in place at the operational level between Authority and contractor staff?
4) Does the Authority ensure that the acquisition team have the appropriate skills and knowledge for good service provision?
   a. Do contract-management staff have a detailed knowledge of the contract?

Theme 5
There is an optimal balance between cost, quality and flexibility.

1) Is affordability for the deal being maintained?
   a. Are both parties working together to identify cost reductions?

b. Has a refinancing, with a relevant share of gains, taken place where possible?

c. Has the Authority established the process and timing of future benchmarking exercises?

2) Are both parties seeking to maximise quality?

a. Are innovations in service delivery taking place?

b. Are both parties benefiting from two-way working for suggesting improvements to each other's business?

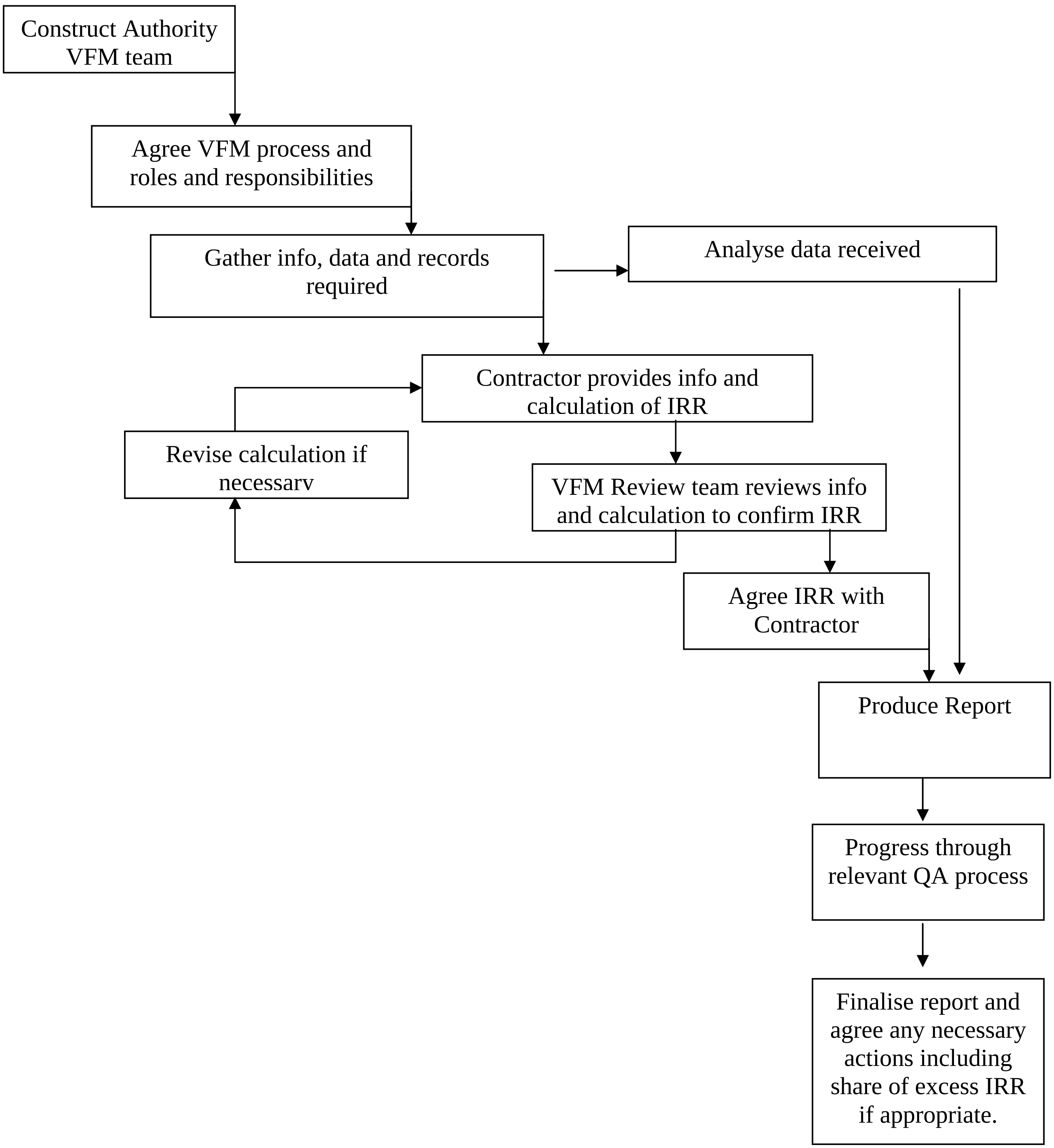
c. Do both parties have a process of continual learning and development in place?

d. Are contractors improving the quality of service where specific failures have been identified?

Theme 6
Effective risk allocation and management is taking place?

1) Has the allocation of risks been sustained operationally?
2) Are the risk implications of changes to the contract consistent with the risk that was originally transferred?
Are the Authority's risk management procedures update and working in line with changing circumstances?

PROCESS MAP


Construct Authority VFM team
Agree VFM process and roles and responsibilities
Gather info, data and records required
Analyse data received
Contractor provides info and calculation of IRR
Revise calculation if necessary
VFM Review team reviews info and calculation to confirm IRR
Agree IRR with Contractor
Produce Report
Progress through relevant QA process
Finalise report and agree any necessary actions including share of excess IRR if appropriate.