

Glossary and Abbreviations

Term	Definition
4Ps	The 4Ps is the Private Partnerships Programme which is a governmental agency advising local authorities on procuring projects on a PFI basis.
Bidder	A private sector syndicate bidding for a PFI procurement.
CABE	Commission for Architecture and the built environment - is an executive non-departmental Public Body funded by both the Department for Culture, Media and Sport and the office of the Deputy Prime Minister. A watchdog for architecture.
Client	A team of managers/procurers in the public sector responsible for a PFI procurement.
Differential Tax	An adjustment required by the Treasury Green Book to account for the difference between the public and private sector taxation systems.
EDP	Education Development Plan
Equity	Refers to the level of capital put into the project by members of the SPV.
FM	Facilities Management refers to the operational aspect of a PFI project where the facility provider is responsible for providing soft and hard FM services i.e. Hard FM Services-impact on the direct value of the asset and its availability e.g. building maintenance. Soft FM Services-apply to services provided with the asset e.g. catering, cleaning.
Force Majeure	Refers to a number of events outside the control of the relevant parties that could lead to or result in the termination of the project e.g. war, natural disasters etc.
FRS	Financial Reporting Standard. Accounting Standards issued by the Accounting Standards Board and apply to all entities that prepare accounts intended to provide a true and fair view.
Green Book	Treasury guidance to show that any major project is the most appropriate way to meet its objectives and represents the most appropriate use of resources.
ICT	Information and Communications Technology.
ITN	The Invitation to Negotiate and Invitation to Tender (ITT) refers to the tender documentation issued to bidders inviting them to negotiate and submit priced bids. The documentation will include specific services required, defined in output terms, proposed contractual terms governing the project, contract duration, payment mechanism, timetable for negotiation and submission of bids and criteria for evaluation of bids.
NGFL	National Grid for Learning.

NPV	Net Present Value refers to the present value of the expected cash flows associated with a project after discounting at a rate which reflects the value of the alternative use of the funds. The effect of discounting is to compare future and expected values and ranges of future cash flows with present day values enabling future cash flow streams to be determined.
OBC	Outline Business Case which is prepared by the procuring authority to establish the need for the project. It will consist of a business plan which defines the output and objectives of the project demonstrating that this can be obtained.
OGC	Office of Government Commerce.
OJEU	Official Journal of the European Union where authorities must advertise their projects in a prescribed format which must contain certain information.
Optimism Bias	A tendency to budget for the best possible (often lowest cost) outcome rather than the most likely.
Output Specification	The procuring authority defines their specification requirements of what they want the project to deliver: but does not define how these should be delivered therefore giving the Bidder full choice and flexibility in how these specifications are obtained from Bidders.
Payment Mechanism	Refers to the structure upon which the procurer pays for the service provided by the SPV. The payment mechanism is based on a number of service targets and availability of services criteria agreed between the SPV and the procurer. Should the SPV fail to meet these targets, payments are reduced or stopped with penalty fines applicable.
PCT	Primary Care Trust.
PFI	The Private Finance Initiative was launched in 1992 to encourage the private sector to invest in the public sector.
PIN	A Prior Information Notice refers to a notice published in OJEC informing parties that an ITN/ITT will follow shortly.
PQQ	The Pre-Qualification Questionnaire is designed to assess the standard and suitability of Bidders selected from the initial expressions of interest stage of an OJEC. The objective is to produce a shortlist of Bidders who qualify to the next stage of the procurement process.
PRG	Project Review Group.
PSC	A Public Sector Comparator is used to compare and ensure that a project being procured on a PFI basis is obtaining best value for money at all stages of negotiation when compared to procuring the project on a conventional procurement basis.
PUK	Partnerships UK is a PPP in itself as it is jointly owned

	by the Government, and the private sector, with the state retaining a majority share. PUK seeks to build on the work of the Treasury Taskforce. PUK offers the public sector expertise and management skills with an emphasis on wider market initiatives.
Reference Project	The financial model that represents the most likely private sector cost of carrying out the project. Is compared to the PSC to demonstrate Value for Money.
Risk Allocation	The process of assigning operational and financial responsibility or specific risks to parties involved in the provision of services under PFI. See also Risk Transfer.
Risk Transfer	The process of moving the responsibility or the financial consequences of a risk from the public to the private sector.
RPI	Retail Price Index. A standard economic measure of comparing the change in prices over time.
School Organisation Plan	A formal plan produced by the LEA that explains how the LEA will meet its statutory responsibility to provide sufficient educational provision throughout the Borough enabling higher standards of attainment.
Sensitivity Analysis	Analysis of the effects on an appraisal of varying the projected values of important variables.
SPV	Special Purpose Vehicle is a project vehicle established by the sponsors, which has a sole purpose of the delivery of the project. The project sponsors will have a share in the SPV set out in the Shareholders Agreement and may inject equity into the SPV for funding this project.
Treasury Taskforce	The Treasury Taskforce was created by Government to centralise and prioritise Government procurement on a PFI basis and to act as an advisor to Government departments on the PFI procurement and negotiation process. The Taskforce was also responsible for developing guidance and standardising documentation to aid deal flow.
TUPE	Transfer of Undertakings (Protection of Employment) Regulations which cover public sector staff transferred to the private sector under a PFI project. TUPE regulations protect employees and their rights, such as pension and salary rights.
Unitary Payment	The payment made by the procuring authority to the project company over the concession period in respect of the provision of services provided by the Bidder.
VFM	Value for Money, which is a key requirement for PFI projects to meet. It has to be clearly demonstrated by comparing the project with a benchmarked project defined as the Public Sector Comparator that the PFI

Voluntary Aided

option presents the most effective method of delivering the output specification at the most affordable cost. A church run school within an LEA. School sets its own admissions policy and the Diocese is responsible for major capital works.