



GLOSSARY

FPU Factsheet 3

Best and Final Offer (BAFO)	Once initial bids have been received by bidders, the client can select the best 2 bidders and request that they produce a best and final offer. This will be more detailed than the initial bid. A BAFO stage is not required in all cases. The ITN should state whether a BAFO will be sought or not.
Bundling	Bundling is the grouping of projects or services within one project structure in a manner which enables them to be financed as one project.
DBFO contract	A PFI contract providing for the design, building, financing and operation of facilities.
Due Diligence	Essentially it is the activity of a bank making a thorough assessment of a transaction. It covers financial, technical, insurance and legal aspects.
Force Majeure	Limited category of events outside the control of relevant parties that could result in the termination of the project.
Full Business Case	A full business case is produced by the client once the preferred bidder has been selected. Specifically, it will contain information on affordability and value for money.
Invitation to Negotiate (ITN)/ Invitation to Tender (ITT)	The ITN/ITT is the package of tender documentation issued to bidders inviting them to negotiate and submit priced bids. It should be specific as to the services required in output terms; the boundaries or constraints on service, scope or engineering; proposed contractual terms governing the arrangement, including any preferred contract length and the payment mechanism; timetable and process for negotiating an acceptable set of terms and conditions and for the submission of bids; criteria for evaluation of bids; and extent to which bidders are encouraged to submit variant bids.
Mezzanine Debt	Mezzanine debt sits between senior debt and equity. The cost of mezzanine debt is higher than senior debt as there is more risk involved. This form of debt is not that common and will usually only be for large projects with a capital value of greater than £100m.



Negotiated Procedure	This is one of the prescribed procedures under the EU procurement regime entitling the client to negotiate with bidders at any stage during the tender process.
Net Present Value	Discounting is a key process in project appraisal. The effect of discounting is to bring a variety of different values and ranges of future cashflows back to today's values. This produces the Net Present Value of a stream of future cashflows.
OJEC	The Official Journal of the European Communities. Projects are advertised in this.
Outline Business Case	A business case prepared by the client to establish the need for the project. It will include an output specification i.e. what is required, and show that it is realistic to achieve this.
Output Specification	The client sets out their specification requirements in terms of what they want to achieve, leaving the bidders to decide on how they will deliver those requirements. This can lead to innovation by the bidders.
Partnerships UK	PUK is a PPP itself and its mission is to take forward and expand the work of the Treasury Taskforce in developing PPPs. It provides the public sector with the private sector expertise and resources needed to build better partnerships and to help the public sector achieve fast and efficient development and procurement of PPPs, strong PPPs that build stable relationships with the private sector, savings in development costs, and best value for money.
Pre-Qualification Questionnaire	A questionnaire designed to assess the competence of potential bidders from the expressions of interest submitted in response to the OJEC notice. The aim is then to produce a list of potential bidders who qualify for the next stage in the procurement process.
Prior Information Notice	A notice published in OJEC informing potential interested parties that an ITN/ITT will follow shortly.
Private Finance Initiative	The UK Government's initiative to encourage the development of private finance in the public sector.
Private Finance Unit	A dedicated unit set up within Government Departments whose role it is to promote PPP.



Public Private Partnership	A generic term for projects involving both the public and private sectors. The involvement can be to varying degrees and the partnership can take different forms. PFI is one example of PPP.
Public Sector Comparator	The Public Sector Comparator should express in money terms an estimate of the best available method of delivering the output specification through conventional means i.e. not through PPP. It should take into account the fact that the public sector would retain the risks using this method.
Reference Project	A particular possible solution to the output requirement. The reference project shows that an investment option exists that is affordable.
Risk Workshop	A risk workshop is held to identify all the risks associated with a project that could have an impact on cost, time or performance of the project. These criteria should be assessed in an appropriate model with their risk being converted into cost.
Service Level Agreements	Contractual arrangements with sub-contractors providing services.
Special Purpose Vehicle	The project company established by the sponsors which has as its sole purpose the delivery of a project.
Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE)	These regulations cover situations where the provision of a service changes hands. This can happen in PPP projects where a service is transferred with an existing workforce. The purpose of the regulations is to protect employees who are affected by a transfer of the undertaking in which they are employed.
Unitary Payment	The payment made by the client to the project company over the course of the contract term for the provision of the services agreed within the contract.
Variant Bid	A bid which differs from the standard bid to deliver the output specification but which the bidder proposes is better value for money.



Value For Money

This is one of the key requirements a PPP project must meet. It must be able to be demonstrated, through the Public Sector Comparator, that the PPP option represents the most effective method of delivering the output specification at the most affordable cost.

FPU03
October 2003

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