

PART 21 OF THE SCHEDULE

INSURANCE REQUIREMENTS

This is Part 21 of the Schedule comprising the Insurance Requirements referred to in the Project Agreement relating to the design, financing, and construction of, and the provision of services at Gartnavel Royal Hospital

between

Greater Glasgow Health Board

and

Robertson Health (Gartnavel) Limited

PART 21 OF THE SCHEDULE

Part 1: Policies to be taken out by Project Co prior to the commencement of the Works and maintained during the Construction Phase

1 Contractors All Risks Insurance

1.1 *Insured*

1. The Board
2. Project Co
3. The Contractor
4. The Service Provider
5. The Senior Funders
6. Sub-contractors of any tier
7. Consultants to Insured Parties for site risks only

Each for their respective rights and interests in the Project

1.2 *Insured Property*

All works, temporary works, materials and all other property of whatsoever nature or description the property of the insured or for which they may be responsible including property for which the insured is responsible or which the insured has an obligation to insure under the Agreement

1.3 *Coverage*

"All risks" of physical loss or damage which are normally not otherwise excluded

1.4 *Sum Insured*

Property at all times to be insured for an amount not less than the full reinstatement or replacement value of the insured property

1.5 *Territorial Limits*

United Kingdom

1.6 *Period of Insurance*

From the date of this Agreement until the **Actual Completion Date** and thereafter in respect of defects liability until expiry of the 12 months defects liability period

1.7 *Principal Extensions and Conditions*

1. Professional Fees Clause
2. Debris Removal Clause
3. 72 hour Clause
4. Free Issue Materials Clause
5. 115% Increase Clause
6. Additional Costs of Completion Clause
7. European Union Local Authorities Clause
8. Automatic Reinstatement of Sum Insured Clause
9. Other Interests Clause
10. Testing/Commissioning Period Clause
11. Plans and Specifications Clause
12. Munitions of War Clause
13. Terrorism

14. Inflation Incomplete Works
15. Advance Payments
16. Temporary Repairs
17. Expediting Expenses
18. Theft
19. Offsite Temporary Storage
20. Inland Transit
21. Non Vitiating
22. Subrogation Waiver

1.8 Permitted Exclusions

1. War and Related Perils (market agreed wording)
2. Nuclear/Radioactive Risks (market agreed wording)
3. Pressure Waves caused by Aircraft and Other Aerial Devices travelling at sonic or supersonic speeds
4. Wear, Tear and Gradual Deterioration
5. Unexplained Shortages
6. Consequential Financial Losses
7. Faulty Design, Workmanship and Materials DE5

1.9 Maximum Deductible

£150,000 each and every loss in respect of loss of damage caused by defect in design, plan, specification, materials or workmanship (DE5 wording) and £10,000 (maximum) in respect of each and every other loss

2. Third Party Public and Products Liability Insurance

2.1 Insured

1. The Board
 2. Project Co
 3. The Contractor
 4. The Service Provider
 5. The Funder
 6. Sub-contractors of any tier
 7. Consultants to the Insured Parties for site risks only
- each for their respective rights and interests in the Project

2.2 Indemnity

To indemnify the insured in respect of all sums that they become legally liable to pay (including claimant's costs and expenses) as damages in respect of :-

(a) death or bodily injury, illness, or disease suffered by any person

(b) loss or damage to property

(c) obstruction, interference, loss of amenities, nuisance, trespass, stoppage of traffic, infringement of light, easement or quasi-easement, denial of access or any like cause arising from or in connection with the project

2.3 Limit of Indemnity

Not less than £50,000,000 in respect of any one occurrence, the number of occurrences being unlimited, but in the aggregate in respect of Pollution and Products liability

2.4 Territorial Limits

United Kingdom

2.5 *Jurisdiction*

United Kingdom

2.6 *Period of Insurance*

From the date of the Agreement or as otherwise specified in the Agreement, including the provision of interim services, until Actual Completion date plus 12 months defects liability period

2.7 *Principal Extensions and Conditions*

1. Contractual Liability
2. Completed Operations for Building Works covered by Public Liability section of the policy
3. Personal Injury to include False Imprisonment, Wrongful Arrest, Eviction or any like cause
4. Obstruction, Trespass, Nuisance, Loss of Amenities, Interference with Easements or any like cause
5. Liability of Sub-Contractors
6. CDM Regulations Legal Defence Costs
7. Health & Safety at Work Act(s) Defence Clause
8. Defective Premises Act Clause
9. Data Protection Act Clause
10. Cross Liability Clause
11. Contingent Motor Liability
12. Employees and Directors

2.8 *Permitted Exclusions*

1. Liability for death, illness, disease or bodily injury sustained by employees of the insured
2. Liability arising out of the use of mechanically propelled vehicles whilst required to be compulsorily insured by legislation in respect of such vehicles
3. Liability in respect of predetermined penalties or liquidated damages imposed under any contract entered into by the insured
4. Liability in respect of loss or damage to property in the care, custody and control of the insured but this exclusion is not to apply to all property belonging to the Board which is in the care, custody and control of another Insured Party
5. Liability arising out of technical or professional advice other than in respect of death or bodily injury to persons or damage to third party property
6. Liability arising from the ownership, possession or use of any aircraft
7. Liability arising from seepage and pollution unless caused by a sudden unintended and unexpected occurrence

8. Nuclear/radioactive risks (market agreed wording)
9. War and related perils (market agreed wording)

2.9 *Maximum Deductible*

Not to exceed £5,000 each occurrence in respect of loss or damage to third party property

3. *Delay in Start Up Insurance*

3.1 *Insured*

1. Project Co
2. The Funders

each for their respective rights and interests in the Project

3.2 *Indemnity*

In respect of:

(a) loss of fixed costs and debt service costs of Project Co anticipated during the Indemnity Period arising from a delay in Completion as a result of physical loss or damage covered under the Contractors All Risks Insurance effected in accordance with Item 1 of Part 1 of this Schedule including physical loss or damage which would have been indemnifiable but for the application of any Waiting Period,

(b) the additional expenditure necessarily and reasonably incurred for the purpose of avoiding or reducing the loss of fixed costs and debt service costs of Project Co which without such expenditure would have taken place during the Indemnity Period

3.3 *Sum Insured*

An amount sufficient to cover the sums the subject of the Indemnity for the Maximum Indemnity Period

3.4 *Indemnity Period*

24 months

3.5 *Period of Insurance*

As per Contractors All Risks Insurance excluding Defects Liability Period

3.6 *Principal Extensions*

Denial of Access

Constructional Plant and Equipment excluding sub-contractors

Utilities Premises

Insurers not to deduct from any claims settlement any liquidated or non-liquidated damages provided by the Contractor to Project Co following insured loss or damage on the understanding that such liquidated or non-liquidated damages are to be reimbursed by Project Co to the Contractor upon receipt of the proceeds of this policy in proportion to any recovery under the policy

Auditors Fees

Automatic Reinstatement of Sum Insured

3.7 Principal Exclusions

To follow the Contractors' "All Risks" Insurance other than for consequential losses

3.8 Waiting Period

45 days waiting period in the aggregate

Part 2: Policies to be taken out by Project Co and maintained during the Operational Term

1. Property Damage Insurance

1.1 Insured

1. The Board
2. Project Co
3. The Service Provider
4. The Funder

Each for their respective rights and interests in the Project

1.2 Insured Property

Any property of whatsoever nature or description which is the property of the insured or for which the insured may be responsible including property for which the insured has an obligation to insure under the Agreement

1.3 Coverage

"All risks" of physical loss or damage normally not otherwise excluded

1.4 Sum Insured

Property to be insured at all times for a sum not less than its full reinstatement or replacement value

1.5 Territorial Limits

United Kingdom

1.6 Period of Insurance

From the Actual Completion Date or as otherwise specified in the Agreement for the duration of the Project Agreement

1.7 Principal Extensions and Conditions

1. Theft Damage to Buildings
2. Automatic Reinstatement of Sum Insured
3. Including Pollution and Contamination to the Insured Property arising from an event which itself is not otherwise excluded. To include pollution or contamination resulting from accidental damage
4. Capital Additions Clause
5. 72 hour Clause
6. European Union Local Authorities Clause.
7. Day One Reinstatement - 15% uplift
8. Plans and Documents

9. Loss Minimisation
10. Munitions of War
11. Expediting Expenses
12. Terrorism
13. Subsidence

1.8 Permitted Exclusions

1. War and Related Perils (market agreed wording).
2. Nuclear/Radioactive Risks (market agreed wording).
3. Pressure Waves caused by Aircraft travelling at sonic or supersonic speeds.
4. Wear, Tear and Gradual Deterioration.
5. Unexplained Shortages.
6. Consequential Financial Losses.
7. Date Recognition

1.9 Maximum Deductible

Not to exceed £10,000 each and every claim

2. Third Party Public and Products Liability Insurance

2.1 Insured

1. The Board
2. Project Co
3. The Service Provider
4. The Funder
5. Sub-contractors of any tier for Insured Parties 2 & 3

each for their respective rights and interests

2.2 Indemnity

To indemnify the insured in respect of all sums that they become legally liable to pay (including claimants costs and expenses) as damages in respect of :-

- (a) death or bodily injury, illness or disease suffered by any person
- (b) loss or damage to property
- (c) obstruction, interference, loss of amenities, nuisance, trespass, stoppage of traffic, infringement of light, easement or quasi-easement, denial of access or any like cause arising out of or in connection with the Facilities

2.3 *Limit of Indemnity*

Not less than £50,000,000 in respect of any one occurrence, the number of occurrences being unlimited, but in the aggregate any one period of insurance in respect of Pollution and Products liability

2.4 *Territorial Limits*

United Kingdom

2.5 *Jurisdiction*

United Kingdom

2.6 *Period of Insurance*

From the Actual Completion Date or as otherwise specified in the Agreement for the duration of the Project Agreement

2.7 *Principal Extensions and Conditions*

1. Contractual Liability
2. Personal injury to include false imprisonment, wrongful arrest, eviction or any like cause
3. Obstruction, trespass, nuisance, loss of amenities, interference with easements or any like cause
4. Liability of Sub-Contractors
5. Health & Safety at Work Act(s) Defence Clause
6. Defective Premises Act Clause
7. Data Protection Act Clause
8. Cross Liability Clause
9. Contingent Motor Liability
10. Directors and Employees

2.8 *Permitted Exclusions*

1. Liability for death, illness, disease or bodily injury sustained by employees of the insured
2. Liability arising out of the use of mechanically propelled vehicles whilst required to be compulsorily insured by legislation in respect of such vehicles
3. Liability in respect of predetermined penalties or liquidated damages imposed under any contract entered into by the insured
4. Liability in respect of loss or damage to property in the care, custody and control of the insured but this exclusion is not to apply to all property belonging to the Board
5. Liability arising out of technical or professional advice other than in respect of death or bodily injury to persons or damage to third party property
6. Liability arising from the ownership, possession or use of any aircraft

7. Liability arising from seepage and pollution unless caused by a sudden, unintended and unexpected occurrence
8. Nuclear/radioactive risks (market agreed wording)
9. War and related perils (market agreed wording)
10. Date Recognition
11. Liability attaching to the Board other than arising from the activities of the other insureds

2.9 *Maximum Deductible*

Not to exceed £ 2,500 each occurrence in respect of loss or damage to third party property

3. **Business Interruption**

3.1 *Insured*

1. Project Co
2. The Funders

Each for their respective rights and interests in the Project

3.2 *Indemnity*

In respect of:

- (a) loss of Unavoidable Fixed Costs and Debt Service Costs of Project Co anticipated during the Indemnity Period arising from an interruption or interference in the operation the Project as a result of loss or damage covered under Property Damage Insurance effected in accordance with Item 1 of Part 2 of this Schedule including physical loss or damage which would be indemnifiable but for the application of any deductible,
- (b) the additional expenditure necessarily and reasonably incurred for the purpose of avoiding or reducing the loss of unavoidable fixed costs and debt service costs of Project Co which without such expenditure would have taken place during the Indemnity Period

Debt Service means interest and debt service costs incurred in respect of the Senior Financing Agreements less:

- (a) sums which are in arrears;
- (b) all sums reserved by the Contractor and which the Contractor is entitled to use to make such payments, without breaching the Senior Financing Agreements.

Unavoidable fixed costs means the fixed costs incurred by the Contractor which first fall due for payment by the Contractor during the period of indemnity but excluding:

- (a) costs which could have reasonably been mitigated or avoided by the Contractor;
- (b) payments to the Contractor's associated Companies;
- (c) payments which are not entirely at arm's length;
- (d) payments to holders of equity in the Contractor, subordinated debt holders and any other financing costs other than senior debt service;
- (e) indirect losses suffered or allegedly suffered by any person;

- (f) fines, penalties or damages for unlawful acts, breaches of contract or other legal obligations;
- (g) payments the Contractor can recover under contract or in respect of which the Contractor has a remedy against another person in respect of the same liability;
- (h) payments to the extent that the Contractor has available to it
 - i reserves which the Contractor can draw upon without breaching the Senior Financing Agreement;
 - ii. standby or contingent facilities or funds of senior debt or equity which the Contractor is entitled to have available;
- (i) payments representing any profits of the Project (to the extent not already excluded in (e) above);

3.3 *Sum Insured*

An amount sufficient to cover the sums the subject of the Indemnity for the maximum Indemnity Period

3.4 *Indemnity Period*

24 months

3.5 *Waiting Period / Deductible*

£ 5,000 each and every claim

3.6 *Period of Insurance*

From the Actual Completion Date for the duration of the Project Agreement

3.7 *Principal Extensions*

1. Denial of Access
2. Infectious Diseases
3. Utilities
4. Auditors Fees
5. Automatic Reinstatement of Sum Insured

Part 3 - Insurance Cost Sharing

1. Definitions

For the purposes of this Part 3, the following words and expressions shall have the following meanings:

Actual Relevant Insurance Cost means (i) in respect of the First Review Date, the sum of insurance premiums which will be or which have been reasonably incurred by ProjectCo to effect the Relevant Insurances on the date of Service Commencement for the first Contract Year and (ii) in respect of subsequent Relevant Insurance Costs Review Dates the sum of the insurance premiums reasonably incurred by ProjectCo to maintain the Relevant Insurances during the Review Period (but excluding, for the avoidance of doubt, in either case, insurance premium tax and all brokers fees and commissions);

Business Interruption Insurance shall bear the meaning ascribed to it in Part 2 of Part 21 of the Schedule to this Agreement;

Construction Period Insurance means the Insurances in respect of the Construction Period;

Contract Year shall bear the meaning ascribed to it in the Project Agreement;

Financial Model shall bear the meaning ascribed to it in the Project Agreement;

First Review Date means the date of Service Commencement;

Insurance Cost Decrease means, subject to the Insurance Review Procedure, if the Actual Relevant Insurance Cost, and after taking into account any Portfolio Cost Saving, is less than the Modelled Relevant Insurance Cost the difference between the two to the extent that such difference is due to circumstances generally prevailing in the UK insurance market and to the extent that such difference has not been taken into account through adjustment to the Service Payment;

Insurance Cost Increase means, subject to the Insurance Review Procedure, if the Actual Relevant Insurance Cost, and after taking into account any Portfolio Cost Saving, is more than the Modelled Relevant Insurance Cost the difference between the two to the extent that such difference is due to circumstances generally prevailing in the UK insurance market and to the extent that such difference has not been taken into account through adjustment to the Service Payment;

Insurance Cost Index means any index introduced by the Government or the Office of National Statistics after the date of this Agreement and which is anticipated to be published annually to provide an independent and objective measure of changes in prevailing market insurance costs;

Insurance Review Procedure means the procedure set out in paragraph 6.

Modelled Relevant Insurance Cost means for the purposes of calculating any Insurance Cost Increase or Insurance Cost Decrease the nominal amount set out in the Financial Model as the sum of the nominal insurance premiums associated with effecting or maintaining the Relevant Insurance on the date of Service Commencement or during the Review Period (as the case may be) but, for the avoidance of doubt, excluding insurance premium tax and all brokers' fees and commissions.

Modelled Required Insurance Cost means for the purposes of ProjectCo's Statement submitted pursuant to paragraph 6.2 the nominal amount set out in the Financial Model as the sum of the nominal insurance premiums associated with effecting or maintaining the Insurances on the date of Service Commencement or during the Review Period (as the case may be) but, for the avoidance of doubt, excluding insurance premium tax and all brokers' fees and commissions.

Portfolio Cost Saving means any insurance cost saving which arises and which is attributable to ProjectCo charging the placement of any of the Insurances from being on a stand-alone project specific basis assumed at Financial Close to being on the basis of a policy or policies also covering risks in other projects or matters which are outside the scope of the Project so as to benefit from Portfolio savings. A Portfolio Cost Saving is defined to be a positive sum and cannot be less than zero;

ProjectCo's Statement shall bear the meaning ascribed to it in paragraph 6.2;

Relevant Insurance means the Insurances other than:

- (a) Insurances to be maintained during the Construction Period;
- (b) Business Interruption Insurance except to the extent that it relates to fixed and unavoidable costs, including debt service; and
- (c) any professional indemnity cover;

Relevant Insurance Cost Review Date means:

- (a) the First Review Date;
- (b) the date of further reviews of the Actual Relevant Insurance Cost which shall occur at two (2) year intervals throughout the Project Term in accordance with paragraph 4.1; and
- (c) the last date for renewal of the Relevant Insurances which occurs before the Expiry Date.

Review Period means the period from the Service Commencement Date to the next Relevant Insurance Cost Review Date (as determined by paragraph 4.1) and each subsequent two year period commencing on the previous Relevant Insurance Cost Review Date and ending on the present Relevant Insurance Cost Review Date;

2. Relevant Insurance Cost

- 2.1 Each of the Board and ProjectCo agree and acknowledge that the provisions of paragraphs 3 to 6 (and, if relevant, paragraph 7) shall apply in relation to the possible variation of the Modelled Relevant Insurance Cost during the Project Term and in relation to who shall bear the cost of the same.

3. Review of Modelled Relevant Insurance Cost by reference to the First Review Date

- 3.1 On a date not sooner than sixty (60) days prior to the First Review Date ProjectCo shall commence the Insurance Review Procedure.
- 3.2 If, following the implementation and completion of the Insurance Review Procedure pursuant to paragraph 3.1 it is agreed or determined that there is an Insurance Cost Increase:
 - 3.2.1 the Board and ProjectCo shall bear such Insurance Cost Increase in the proportions set out in the table contained at paragraph 5.1; and
 - 3.2.2 to the extent ProjectCo bears such increase, no adjustment to the Service Payment shall be made and ProjectCo shall pay for such Insurance Cost Increase out of its own resources; and
 - 3.2.3 to the extent that ProjectCo has the benefit of such Insurance Cost Increase, the Board shall within thirty (30) days of completion of the review make a one-off lump sum payment to ProjectCo to reflect the principle that ProjectCo shall have the benefit of such Insurance Cost Increase.
- 3.3 If, following the implementation of the Insurance Review Procedure pursuant to paragraph 3.1, it is agreed or determined that there is an Insurance Cost Decrease:

- 3.3.1 the Board and ProjectCo shall be entitled to the benefit of such Insurance Cost Decrease in the proportions set out in the table contained at paragraph 5.2; and
- 3.3.2 to the extent ProjectCo has the benefit of such Insurance Cost Decrease, no adjustment of the Service Payment shall be made in respect of such Insurance Cost Decrease; and
- 3.3.3 to the extent that the Board has the benefit of such Insurance Cost Decrease, ProjectCo shall within thirty (30) days of completion of the review make a one-off lump sum payment to the Board to reflect the principle that the Board shall have the benefit of such Insurance Cost Decrease.

4. Further Reviews of Relevant Insurance Cost

- 4.1 Following the review of Modelled Relevant Insurance Cost and Actual Relevant Insurance Cost and any one-off lump sum payment by reference to the First Review Date pursuant to paragraph 3, further reviews of the Modelled Relevant Insurance Cost and Actual Relevant Insurance Cost shall occur at two (2) year intervals throughout the Project Term and the procedure set out in paragraph 3.1 shall equally apply to all Relevant Insurance Cost Review Dates as though they were the First Review Date.

5. Cost Sharing Mechanism

- 5.1 ProjectCo and the Board shall bear any Insurance Cost Increase which is agreed or determined to exist pursuant to paragraph 3 or paragraph 4 as follows:

Insurance Cost Increase	Board's share of Insurance Cost Increase	Contractor's share of Insurance Cost Increase
Less than or equal to 30%	0%	100%
Greater than 30%	85%	15%

- 5.2 ProjectCo and the Board shall be entitled to the benefit of any Insurance Cost Decrease which is agreed or determined to exist pursuant to paragraph 3 or paragraph 4 as follows:

Insurance Cost Decrease	Board's share of Insurance Cost Decrease	Contractor's share of Insurance Cost Decrease
Less than or equal to 30%	0%	100%
Greater than 30%	85%	15%

6. The Review Procedure

- 6.1 This procedure shall apply when reviewing the Actual Relevant Insurance Cost and Modelled Relevant Insurances Cost pursuant to paragraph 3 and paragraph 4.
- 6.2 ProjectCo shall, with the assistance of its insurance broker, and in the case of a review pursuant to paragraph 3.1 or paragraph 4.1, no later than the date which is fifteen (15) days prior to the next Relevant Insurance Cost Review Date, (at the cost of ProjectCo) deliver to the Board at least two copies of an insurance cost report which should, as a minimum, contain the following information:
- 6.2.1 The Actual Relevant Insurance Cost and any Portfolio Cost Saving on the date of Service Commencement or for each year of the relevant Review Period as the case may be;
- 6.2.2 Reasons for any premium variation from the Modelled Relevant Insurance Cost in the Actual Relevant Insurance Cost, including variations arising from:
- 6.2.2.1 claims history arising from acts, omissions, neglect or default of ProjectCo or any Contractor Related Party;

- 6.2.2.2 the effect of placing some or all of the Relevant Insurances within a policy or policies covering risks in other projects or matters which are outside the scope of the Project;
 - 6.2.2.3 the effect of a change in how some or all of the Relevant Insurances is placed to that anticipated at financial close;
 - 6.2.2.4 any other reasons that ProjectCo believes may have caused a change (by way of increase or decrease) in the Actual Relevant Insurance Cost;
 - 6.2.2.5 the opinion of ProjectCo's insurance broker as to the reasons why the premium of the Actual Relevant Insurance Cost has varied from the Modelled Relevant Insurance Cost, specifying the impact of each of the factors and quantifying the amount attributable to each factor specified above; and
 - 6.2.2.6 evidence satisfactory to the Board (acting reasonably) that the relevant Insurance Cost Increase or Insurance Cost Decrease is, with the exception of any Portfolio Cost Saving, due solely to circumstances generally prevailing in the UK insurance market.
- 6.2.3 The difference between the Modelled Required Insurance Cost and the Actual Relevant Insurance Cost on the date of Service Commencement or in the relevant Review Period, as the case may be (together the "ProjectCo's Statement").
- 6.3 Following notification to the Board under paragraph 6.2, the Board shall notify ProjectCo in writing within ten (10) days whether or not it accepts ProjectCo's Statement including full details of any disagreement. If the Board does not provide such notification and/or details of any disagreement to ProjectCo within such ten (10) day period, the Board shall be deemed to have accepted ProjectCo's Statement. In the event that the Board disagrees with any item in ProjectCo's Statement, the Parties shall use their respective reasonable endeavours acting in good faith to agree the contents of ProjectCo's Statement by the next Relevant Insurance Cost Review Date. If the Parties fail to agree the contents of ProjectCo's Statement within thirty (30) days from the date it was delivered to the Board, the matter shall be resolved in accordance with the Dispute Resolution Procedure.

7. Insurance Cost Index

If at any time an Insurance Cost Index is published and intended for use in PFI contracts of a similar nature to this Agreement, the Parties shall meet with a view to agreeing:

- 7.1 its application to the Project, taking into account any relevant guidance issued by the HM Treasury Corporate and Project Finance Team; and
- 7.2 how a Portfolio Cost Saving may be accounted for when the index is in use.

APPENDIX 1

FORM OF BROKER'S LETTER OF UNDERTAKING

To: Greater Glasgow Health Board
Board Headquarters
Gartnavel Royal Hospital
1055 Great Western Road
Glasgow G12 0XH

[date]

Dear Sirs,

We confirm in our capacity as insurance broker to Robertson Health (Gartnavel) Limited ("Project Co") that the insurances (the "Insurances") specified in Part 21 of the Schedule (attached hereto as Schedule 1) of the Project Agreement (the "Project Agreement") dated on or about the date hereof between the Greater Glasgow Health Board (the "Board") and Project Co are as at today's date in effect on and in respect of the risks as set out in the draft policies/cover notes (attached hereto as Schedule 2), that all requirements of Part 21 of the Schedule of the Project Agreement are satisfied in respect of the Insurances and that all premiums due at the date hereof in respect of the Insurances have been paid in full. We also confirm that the relevant endorsements set out in the Schedule 3 to this letter are in full force and effect in respect of the Insurances.

We have arranged the Insurances on the basis of information and instructions given by Project Co. We have not made any particular or special enquiries regarding the Insurances beyond those that we normally make in the ordinary course of arranging insurances on behalf of our insurance broking clients. The confirmations set out in this letter are given by reference to our state of knowledge at the date hereof.

Pursuant to instructions received from the Project Co and in consideration of your approving our appointment or continuing appointment as brokers in connection with the Insurances, we hereby agree:

1. to use our reasonable endeavours to have endorsed on each and every policy evidencing the Insurances when the same is issued endorsements substantially in the form attached to this letter in Schedule 3;
2. subject to any lien in respect of unpaid premium, to pay all proceeds from the Insurances received by us in accordance with the relevant loss payable clauses set out in the Insurances;
3. to advise the Board as soon as practicable after being notified of any change to the terms of, lapse, non-renewal and/or cancellation of the Insurances;
4. as soon as reasonably possible upon request, subject to Project Co's consent, to supply to you and/or your insurance advisers (or your or their authorised representatives) copies of all placing slips;
5. as soon as reasonably possible, upon request, subject to Project Co's consent, to make available to you the originals of certificates, cover notes, renewal receipts and confirmations of renewal and payment of premiums and all policy documents in respect of the Insurances;

6. to disclose to the Insurers any fact, change of circumstance or occurrence which we consider material to the risks insured against under the Insurances as soon as reasonably possible when we become receive written notice of such fact, change of circumstance or occurrence from Project Co;
7. to notify the Board at least 30 Business Days prior to our ceasing to act as brokers to Project Co, unless impracticable because of circumstances beyond our control, in which case we shall notify the Board promptly upon becoming aware that we shall cease, or have ceased, so to act.

The above undertakings are given:

- (a) subject to any Insurers' right of cancellation following default in payment of premiums due and owing in respect of the Insurances, but we undertake to use our reasonable endeavours to give you a reasonable opportunity of paying such premiums; and
- (b) subject to our continuing appointment for the time being as insurance brokers to Project Co and following termination of such appointment our immediate release from all our obligations set out in this letter to the extent those obligations arise on or after the termination.

Save insofar as we have given agreements or representations in this letter, it is to be understood by the Board that they may not rely on any advice which we have given to the Project Co, and we do not represent that the Insurances are suitable or sufficient to meet the needs of the Board who must take steps and advice of their own as they consider necessary in order to protect their own position.

This letter has been prepared exclusively for the use of the Board to whom it is addressed for the specific purpose of their relationship with the Project Co and its business. No responsibility is accepted to any third party for any part of the contents of this letter and in the event that it is disclosed to a third party any and all liability howsoever arising to that third party is hereby expressly excluded. No person except the parties to this letter have any rights arising out of this letter under the Contracts (Rights of Third Parties) Act 1999.

Our aggregate liability to any persons, companies or organisations who act in reliance on this letter for any and all matters arising from it, shall in any and all events be limited to the sum of £2,500,000 even if we are negligent. We do not limit our liability for fraud, or in respect of any liabilities which cannot lawfully be limited or excluded.

This letter shall be governed by and construed in accordance with the laws of England and Wales.

Yours faithfully,

For and on behalf of

Schedule 1

[Part 21 of the Schedule to the Project Agreement]

Schedule 2

[draft policies/cover notes]

Schedule 3

[Endorsement wording]

GARTNAVEL WEST BEDS WARD ACCOMMODATION

Room No.	Room/Area Name	Unit Weighting %
AREA	12 BED IPCU: FUNCTIONAL AREA WEIGHTING 48.84%	
	Ward 3	
1	ACTIVITY ROOM	
2	SINGLE ROOMS 11 @ 12SQM	2.25
3	SINGLE ROOMS EXTRA WIDE 1 @ 13.4 SQM	37.08
4	WCS (ENSUITE) 11@ 4SQM	3.37
5	WCS (ENSUITE) EXTRA WIDE ROOM 1 @ 3.75SQM	24.72
6	SMOKING DAY ROOM	2.25
7	NONSMOKING DAY ROOM	1.50
8	DINING ROOM	1.50
9	SNACK ROOM/PANTRY	2.25
10	TREATMENT ROOM	0.75
11	DISPOSAL	1.50
12	DUTY ROOM	0.75
13	WARD MANAGERS ROOM	1.49
14	STORE	0.75
15	SERVERY	0.75
16	INTERVIEW ROOMS 2 @ 12	1.49
17	STAFF ROOM	3.00
18	STAFF TOILET/SHOWER	0.75
19	DSR	0.75
20	MULTI DISCIPLINARY TEAM ROOM	0.75
21	LINEN ROOM	0.75
22	DESTIMULATION ROOM	0.75
23	EXTRA CARE BEDROOM	2.25
24	EXTRA CARE SITTING	3.37
25	EXTRA CARE SHOWERROOM	1.49
	VISITOR WAITING/ENTRANCE LOBBY	1.49
	(Omit)	2.25
	SUB TOTAL	
		100.00

GARTNAVEL WEST BEDS WARD ACCOMMODATION

Room No.	Room/Area Name	Unit Weighting %
AREA	20 BED ADULT: FUNCTIONAL AREA WEIGHTING 44.86% Ward 4	
1	ACTIVITY ROOM	
2	SINGLE ROOMS 18 @ 12	1.63
3	SINGLE ROOMS 2 @ 13.4SQM EXTRA WIDE	44.02
4	WCS (ENSUITE) 18 @ 4SQM	4.90
5	WCS (ENSUITE) 2@ 3.7SQM	29.35
6	SMOKING DAY ROOM	3.26
7	NON SMOKING DAY ROOM	1.09
8	DINING ROOM	1.09
9	FEMALE ONLY DAY ROOM	1.64
10	BATHROOM ASSISTED BATH	1.09
11	TREATMENT ROOM	1.63
12	DISPOSAL	1.09
13	DUTY ROOM @ 12SQM	0.54
14	WARD MANAGER'S ROOM	1.08
15	STORE	0.54
16	SERVERY	0.54
17	INTERVIEW ROOMS 2@12 SQM	1.09
18	MULTIDISCIPLINARY TEAM ROOM	2.18
19	STAFF ROOM	0.54
20	STAFF TOILET	0.54
21	PANTRY	0.54
22	DSR	0.54
23	LINEN	0.54
	(omit)	0.54
	SUB TOTAL	
		100.00

GARTNAVEL WEST BEDS WARD ACCOMMODATION

Room No.	Room/Area Name	Unit Weighting %
AREA	20 BED ADULT: FUNCTIONAL AREA WEIGHTING 44.86% Ward 5	
1	ACTIVITY ROOM	
2	SINGLE ROOMS 18 @ 12	1.64
4	SINGLE ROOMS 2 @ 13.45QM EXTRA WIDE	44.02
13	WCS (ENSUITE) 18 @ 45QM	4.89
43	WCS (ENSUITE) 2 @ 3.75QM	29.35
5	SMOKING DAY ROOM	3.26
6	NON SMOKING DAY ROOM	1.08
7	DINING ROOM	1.08
8	FEMALE ONLY DAY ROOM	1.64
9	BATHROOM ASSISTED BATH	1.09
10	TREATMENT ROOM	1.64
11	DISPOSAL	1.09
12	DUTY ROOM	0.54
13	WARD MANAGER'S ROOM	1.09
14	STORE	0.54
15	SERVERY	0.54
16	INTERVIEW ROOMS 2@12 SQM	1.09
17	MULTIDISCIPLINARY ROOM	2.18
18	STAFF ROOM	0.54
19	STAFF TOILET	0.54
20	PANTRY	0.54
21	DSR	0.54
22	LINEN	0.54
	(Omit)	0.54
	SUB TOTAL	
		100.00

GARTNAVEL WEST BEDS WARD ACCOMMODATION

Room No.	Room/Area Name	Unit Weighting %
AREA	20 BED ADULT: FUNCTIONAL AREA WEIGHTING 45.11% Ward 6	
1	ACTIVITY ROOM	
2	SINGLE ROOMS 18 @ 12SQM	1.62
3	SINGLE ROOMS 2 @ 13.4SQM EXTRA WIDE	43.78
4	WCS (ENSUITE) 18@ 3.4 SQM	4.87
5	WCS (ENSUITE) 2 @ 3.7SQM	29.19
6	SMOKING DAY ROOM	3.25
7	NON SMOKING DAY ROOM	1.08
8	DINING ROOM	1.08
9	FEMALE ONLY DAY ROOM	1.62
10	BATHROOM ASSISTED BATH	1.08
11	TREATMENT ROOM and emergency pack	1.62
12	DISPOSAL	1.62
13	DUTY ROOM	0.54
14	WARD MANAGER	1.08
15	STORE	0.54
16	SERVERY	0.54
17	INTERVIEW ROOMS 2 @ 12 SQM	1.08
18	MULTIDISCIPLINARY TEAM ROOM	2.17
19	STAFF ROOM	0.54
20	STAFF TOILET	0.54
21	PANTRY	0.54
22	DSR	0.54
	LINEN	0.54
	(Omit)	0.54
	SUB TOTAL	
		100.00

GARTNAVEL WEST BEDS WARD ACCOMMODATION

Room No.	Room/Area Name	Unit Weighting %
AREA	HUB	
	RECEPTION FUNCTIONAL AREA WEIGHTING 1.22%	
1	ENTRANCE/RECEPTION AREA	
2	CAFE AREA	20.00
3	WRVS SERVERY	6.67
4	WRVS OFFICE	6.67
5	WRVS SECURE STOCKROOM	6.67
6	VISITORS TOILETS AT ENTRANCE	6.67
7	HOTEL SERVICES MANAGER	20.00
8	FAMILY FRIENDLY ROOM	13.33
9	PHOTOCOPIER	13.33
	SUB TOTAL	6.66
		100.00
	HOTEL SERVICES FUNCTIONAL AREA WEIGHTING 1.79%	
11	SUPPORT SERVICES LAUNDRY	
12	DSR	13.64
13	DIRTY LAUNDRY	9.08
14	CLINICAL WASTE STORE	13.64
15	REFUSE STORE (DOMESTIC WASTE ?)	9.08
16	BULK CONSUMABLES	4.55
17	DOMESTIC SERVICES STORE	4.55
22	DOCTORS OVERNIGHT BEDROOM	4.55
23	DOCTORS COMMON ROOM	13.64
24	DOCTORS BATHROOM	9.08
25	DOCTORS STUDY / AREA	4.55
26	DOCTORS STORE	4.55
	DOCTORS WC	4.55
	SUB TOTAL	4.54
		100.00
	STAFFING SPACE FUNCTIONAL AREA WEIGHTING 1.14%	
18	STAFF ROOM	
18	STAFF TOILET/CHANGING	7.14
20	SEMINAR ROOM/LIBRARY/TEACHING	7.14
21	STUDY ROOMS 3 @ 10SQM	21.43
		64.29
		100.00

GARTNAVEL WEST BEDS HUB ACCOMMODATION

Room No.	Room/Area Name	Unit Weighting %
	THERAPY AREA FUNCTIONAL AREA WEIGHTING 5.36%	
27	OCCUPATIONAL THERAPY KITCHEN	
28	THERAPY OFFICE	9.09
29	OT/DIETITICS STORE	6.06
30	THERAPY GROUP (NOW 1 @ 30M2)	3.03
31	THERAPY ACTIVITIES	18.18
32	PHYSIO GYM	9.09
33	PHYSIO STORE	9.09
34	PODIATRY TREATMENT	3.03
35	INTERVIEW ROOMS 2@12SQM (NOW BOOKABLE INTERVIEW ROOMS)	9.09
36	PATIENT AFFAIRS SUPPORT OFFICE/CASHIER	12.13
37	PATIENT WC'S (ACCESSIBLE + UNISEX)	3.03
38	BOOKABLE INTERVIEW ROOMS 2@12SQM	3.03
39	ADVOCACY OFFICES 2@12SQM	6.06
40	VOLUNTEER SERVICE OFFICE	6.06
		3.03
	SUB TOTAL	100.00

GARTNAVEL WEST BEDS HUB ACCOMMODATION

Room No.	Room/Area Name	Unit Weighting %
	HOSPITAL ADMIN, PHARMACY AND SANCTUARY FUNCTIONAL AREA WEIGHTING 3.25%	
41	PERSONNEL FILE ROOM	
42	ADMIN OFFICE	10.00
43	LEAD NURSE OFFICE 2@12SQM	5.00
44	CENTRAL NURSING OFFICE	10.00
45	PHARMACY DISPENSARY	5.00
46	PHARMACY WORKSHOP	15.00
47	HEAD PHARMACY	15.00
48	PHARMACY TOILET (PHARMACY ACCESSIBLE TOILET)	15.00
49	SANCTUARY	15.00
50	CHAPLAIN OFFICE	5.00
	SUB TOTAL	100.00
	ECT SERVICES FUNCTIONAL AREA WEIGHTING 2.11%	
	ECT SUITE	
51	WAITING AREA	
52		7.69
53	TREATMENT ROOM	
54	RECOVERY FIRST STAGE RECOVERY	23.08
55	RECOVERY SECOND STAGE	23.08
56	WC (2Nr.)	15.38
57		7.69
	ECT STORE	
	ECT STAFF BASE	7.70
	SUB TOTAL	100.00
	MISC FUNTIONAL AREA WEIGHTING 1.46%	
58	SHARED ADULT SERVICES RECREATION ROOM IN LINK CORRIDOR	
	RECREATION ROOM STORE (ADULT SHARED ACCOM)	16.67
	RECREATION ROOM ACCESSIBLE WC (ADULT SHARED ACCOM)	16.67
59		16.67
60	ELDERLY LINK	
61	DIRTY LINEN, CLINICAL WASTE AND REFUSE STORES 3@ 6SQM	16.67
62	ADULT LINK	16.66
63		16.66
	SUB TOTAL	100.00

APPENDIX E
Quality Failure & Failure Event Deduction Examples

Daily fee (based on RCP AUC Financial Model (QM Standard Model_Gartnavel_Audit.v1.1) as at 11th November 2005) = $ASPn/Ny = £1,976,000/365 = £5,413.70$

Quality Failures	Service Weightings
General	2%
Estates	9%
Helpdesk	4%
Utilities	3%
Grounds & Gardens	2%
Pest Control	1%

Quality Failure (QF) Deduction Examples

Formula - see Schedule 18 Part 2 Part A Quality Failures

QF Example 1:

Helpdesk does not respond for 5 minutes. (Helpdesk SLS)

Service Parameter SP 15 required to be 24/7 and answer within 15 seconds.

Quality Failure Category Medium

Occurs 10th day after start of contract. Deduction :

Quality Failure Category Medium 1.5%

Relevant Period R = 30

Service weighting 4%

QF occurs on day 10 after start of new contract : apply 75% deduction = $£5,413.70 \times 30 \times 4\%$
 $\times 1.5\% \times 75\% = £73.08$ SFP's = 6

Example 2

Maintenance staff not wearing identification badge (General SLS)
Performance Parameter GP16a i.d. badge required

QF Category Medium

Occurs after 14 days after start of contract

Deduction :

Quality Failure Category Medium 1.5%

Relevant Period R = 30

Service Weighting 2%

QF occurs after 14 days : apply 100%

$$\text{deduction} = £5,413.70 \times 30 \times 2\% \times 1.5\% \times 100\% = £48.72 \quad \text{SFP's} = 6$$

Example 3

Telephone not functional

Performance Parameter SP02g maintain functionality at all times (Utilities SLS)

QF Category High

Occurs after 14 days after start of contract

Deduction :

Quality Failure Category High 2%

Relevant Period R = 30

Service Weighting 3%

$$\text{deduction} = £5,413.70 \times 30 \times 3\% \times 2\% \times 100\% = £97.45 \quad \text{SFP's} = 20$$

(Note, depending on the problems caused by such a breakdown, this event may also cause a Failure Event parameter SP20 in Estates)

FE Example 2

Roof leaking in Reception - minor leak

SP20 : Routine, rectify within 36 hours

Not fixed until a week later

Failure Event category A

FE occurs after 14 days after start of service

Deduction :

Failure category A - 5% deduction

no. of sessions = 3 sessions each day for a week = 21 Sessions

area weighting 1.22%

unit weighting 20%

Deduction = $£5413.70 \times 3/3 \times 7 \times 1.22\% \times 20\% \times 5\% \times 100\% = £4.62$ SFP's = 21

Minimum deduction of £10 applies

FE Example 3

Heating in Therapy Group Room not working but used.

SP20 : Urgent, rectify within 24 hours

Not fixed until 2 days later 6 sessions elapsed ; room unavailable but used

Failure Event category D - 50% deduction

FE occurs after 14 days after start of service

Deduction:

Failure category D - 50%

no. of sessions = $3/3 + 3/3$

area weighting 5.36%

unit weighting 9.09% ($18.18\% / 2$)

Deduction = $£5,413.70 \times (3/3 + 3/3) \times 5.34\% \times 9.09\% \times 50\% \times 100\% = £26.28$ SFP's = 120

APPENDIX F

Temporary Repairs Restrictions

1. Staff/ Patient Call system
2. Fire protection system
3. Comfort cooling in acute ward admission area, including PICU seclusion room
4. External parameters/structures of the PICU secure garden
5. Controlled drug storage facilities for Controlled Drugs, including the main Pharmacy
6. Utilities infrastructure network
7. Emergency lighting system.

Appendix G
Service Failure Point Thresholds

Table A
Warning Notice Thresholds

Service	Threshold
Estates	500
General	472
Grounds	200
Pest Control	400
Helpdesk	321
Energy	216

Table B
Board Remedial Rights Thresholds

Service	Threshold
Estates	750
General	708
Grounds	300
Pest Control	520
Helpdesk	482
Energy	325

APPENDIX H

Use Parameter Assessment

1 Interpretation and Application

- 1.1 Due to the potential influence on the air temperature of a Functional Unit by the occupier, i.e. adjustment of local thermostatic controller/TRV and window opening, these functions should be appropriately adjusted and a one hour stabilisation period be allowed before temperature measurement is carried out.
- 1.2 Measurement should be carried out normally during the hours of 10:00 - 16:00 hrs at the Trust's discretion by use of a shielded dry bulb thermometer measured at mid height of the Functional Unit (say 1300mm AFFL) in the centre of the room, save that where the Functional Unit is large a number of readings should be taken distributed across the Functional Unit and then averaged.
- 1.3 The temperature within the Functional Units shall be checked by Project Co by means independent of the Building Management System.
- 1.4 A tolerance of 3 degrees centigrade above or below the required mean air temperature will be permitted from the mean air temperatures required pursuant to the terms of this Agreement before Project Co will be deemed to have failed to satisfy this Use Parameter. Higher temperatures caused by hot weather will not be deemed to have failed to satisfy this Use Parameter except where the Functional Units have the benefit of comfort cooling
- 1.5 Heat generating equipment loading (if these are outwith Room Data Sheet provisions) and level of occupancy should also be taken into account.

2 HUMIDITY

The I.T Hub will require 45%-50% relative humidity with a maximum tolerance of +/- 5%. The monitoring of humidity will be by exception, following the reporting to Project Co of a suspected breach.

3 AIRFLOW

The Smoking Rooms and Treatment Rooms must maintain a positive air extract system, in the case of the Smoking Rooms this must also be accompanied by an electrostatic air filter system. The monitoring of air flow will be by exception, following the reporting of a suspected breach.

4 LIGHTING

Lighting levels shall be to the average levels specified in the relevant Room Data Sheet subject to a tolerance of -5% and +20% from the average levels stated there in. The Uniformity (as defined in CIBSE Code for Interior Lighting) shall be a minimum of 0.7. The monitoring of lighting will be by exception, following the reporting of a suspected breach.

5 POWER

An electrical supply shall be available to all electrical outlets within each Functional Unit adequate to meet the demand of and be compatible with all

equipment listed in the relevant Room Data Sheet together with a reasonable amount of personal equipment provided by patients.

6 SAFE WATER

6.1 Availability

Water shall be available to each Functional Unit from all water outlets specified in the relevant Room Data Sheet, at not less than 75% of the appropriate flow rate set out in Chartered Institute of Building Services Engineers B Guide Table 4.17

6.2 Temperature

Where water is available in a Functional Unit as specified in the relevant Room Data Sheet, water temperature, measured at the point of outlet, shall be within the temperature range specified below:

Hot Water (within one minute of constant running):-

6.2.1 Accessible to Patients and Visitors:-

- 43°C maximum
- 40°C minimum

6.2.2 Staff areas and outlets not accessible to Patients & Visitors:-

- 62.5°C maximum
- 50°C minimum

6.2.1 Bidets (within one minute of constant running):-

- 39°C maximum
- 37°C minimum

6.3 Quality and Safe Sewage System

Where water is available within the Functional Unit the quality and safety of the water sewage system must be maintained and monitored in line with statutory requirements. Monitoring by the Trust will be by exception following the reporting of a suspected breach.

7 STAFF/PATIENT CALL SYSTEM

A staff/patient call system will be available throughout the Facilities.