



# PFI Handback Services

Expertise to help navigate a smooth exit from your PFI contract

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## Do you have PFI contracts due to expire in the next seven years?

Public sector bodies risk underestimating the time, resources and complexity involved in managing the end of PFI contracts according to a report by the National Audit Office (NAO).

In October 2018, the government announced it would no longer use the PFI model. However, existing PFI contracts remain in place and the earliest ones are now starting to expire. Most PFI contracts result in the assets being returned to the authority once the contract ends.

In the NAO's report, Local Authorities, Schools and NHS Trusts have been advised to start the planning process on PFI asset handback seven years prior to contract expiry.

### PFI Handback Services

gbpartnerships have the expertise to help you navigate the process, mitigating risk and minimising the risk of disputes. Read on to find out more or contact us via email at [enquiries@gbpartnerships.co.uk](mailto:enquiries@gbpartnerships.co.uk) to arrange a call with one of our specialist team to discuss.

**Dedicated Project  
Management  
Office**

**Time Saving, Specialist  
Procurement Support:**

Legal

Insurance  
Surveyor  
Appointment

Property

Financial



## Thinking about exiting your PFI?

### What you need to know:

#### ***Exit from PFI Contracts has already started.***

Public sector bodies who signed contracts for early phase PFI schemes are now approaching the run up to the expiry date of their Concession Agreements (i.e. the PFI contract expiry).

For many, this will be a daunting task. Despite competing priorities, it is absolutely essential to consider the significant risks that are faced regarding PFI handback obligations which are “legally binding” on each private sector PFI Company (“Project Co”).

#### ***The passage of time should not be underestimated.***

Guidance issued by the NAO recommended that the planning process should start at least seven years prior to contract expiry.

#### ***If you have already gone beyond this period, do not panic!***

gbpartnerships’ specialist professional advisor teams can be assigned to achieve the same outcomes within a shorter timescale, whilst maintain a clear focus on controlling and mitigating risk.

gbpartnerships provide the key to controlling and mitigating the risks by effectively programme manage and co-ordinate the outputs of discipline specialists, bringing together the law, finance, property, insurance, and risk management aspects of the handback process for you.

## Why work with gbpartnerships?

### Dedicated Project Management Office

Our services centre around a dedicated Project Management Office (PMO), acting as a single point of contact and coordinating the specialist workstreams involved in agreeing the roadmap for your handback process.

This can include drafting Board papers, reporting on the status of all PFI handback matters, including any other Governance Committee papers that may be required such as the Finance & Audit Committee.

### Time Saving, Specialist Procurement Support

With access to a network of specialist PFI and PPP supply chain partners we can fast track procurement, undertaking appointments directly via a framework agreement which has been procured in compliance with the Public Procurement Regulations. This process is quick and delivers value for money.

Alternatively, if the preferred option is to competitively procure all specialist advisors, then gbp’s dedicated Project Management Office can undertake this on the Contracting Authorities behalf or work with the Contracting Authorities own procurement teams.



## PFI Handback, Specialist Workstreams:

### Legal

Your Concession Agreement contract will set out various legal requirements for the handback process as well as the contractual obligations that should have been fulfilled throughout the Concession period. A full legal review of the Concession Agreement is therefore essential.

The scope of the Legal workstream will be to undertake a legal review of the Concession Agreement (the PFI contract) and supporting schedules, and to develop a matrix of obligations that are “owed” to you as the Contracting Authority prior to the scheme’s Concession Period ending.

In addition, a review of the Property / Land Head Lease will be undertaken, including any Project Co tenants or other Service Providers’ sub-leases, or other property related license to occupy the facilities. The legal review will consider the lease obligations so that there are no adverse liabilities in respect of owed rents, business rates for commercial retail outlet, utility bills or service charges.

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### Property

Your Concession Agreement contract will state the condition that you can expect your PFI building to revert to you in, as well as the surveys that will be required to ascertain whether it is in that condition. Our Property workstream will ensure that these surveys are undertaken.

Surveys will include:

- Building condition & statutory compliance survey, including Energy Performance certificates.
- Fire Safety infrastructure survey, including part intrusive fire surveys given recent omissions that have come to light on some PFI contracts
- Review of the Project Co’s Fire Risk Assessment in respect to the building and building engineering services passive and active fire safety infrastructure, to ensure compliance with the requirements of the Regulatory Reform (Fire Safety) 2005 and the Building Safety Act 2023
- Review of the Project Co’s asset management system.
- Review of maintenance and building lifecycle works records.

### Financial

The scope of our Financial workstream will ensure that you understand whether you have paid the correct amounts to date, and what you will be liable for at handback. It will cover such matters as:

- Review of the indexation of the Unitary Charge (the PFI payment) in respect to the current contract year period from the Service Commencement date.
- Utilities consumption pain / gain sharing arrangements - for a sample period.
- Financial review of the Project Co to determine its financial strength – noting that the strict application of the contract may place a weak Project Co in financial difficulty, impacting the quality of service you receive for the remainder of the Concession period.

Your Concession Agreement’s ‘Payment Mechanism’ document will set out:

- What deductions could be made to such payments in the event that the Project Co didn’t meet its contractual obligations.
  - How much the public sector body will need to pay at the end of the Concession period in order to receive the building (noting that in most cases there is no payment).
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### Insurance Surveyor Appointment

The scope of the Insurance Surveyor appointment will cover for the provision of a Reinstatement Insurance Cost survey which will be undertaken in accordance with the RICS Valuation – Global Standards (known as the “Red Book”) published by the Royal Institution of Chartered Surveyors and incorporating the International Valuation Standards.

The Reinstatement Insurance Cost Assessment is the specialist surveyor’s opinion of the new cost that would have to be incurred to reconstruct, obtain, and install at the date of valuation, a substantially identical new asset, but not superior to, nor more extensive than the original asset, including any other insurable cost such as installation or commissioning that would be incurred.

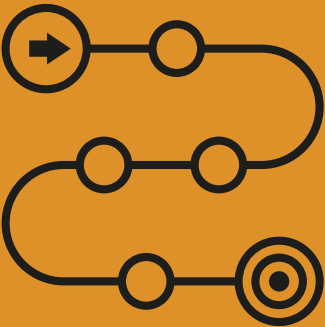
# Helping you navigate a smooth exit from your PFI contract



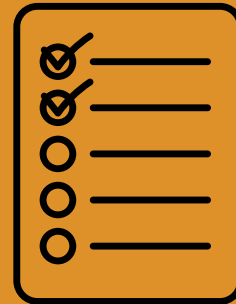
**Identify your options & obligations on expiry**



**Establish the assets which are subject to handback & the required handback condition**



**Map out the handback process & key milestones**



**Develop a handback plan for the management of the process**



**Detail any relevant controls within lending agreements & how these interface with the process under the project documents**



**Proactively manage disputes**

# g**b** partnerships GROUP

## The Power of Partnership

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**For more information and a no-obligation discussion, please contact our specialist team to discuss. Email: [enquiries@gbpartnerships.co.uk](mailto:enquiries@gbpartnerships.co.uk)**

