



Infrastructure
and Projects
Authority



A Guide to PFI Expiry Health Checks

**A guide for contracting authorities preparing for a
PFI Expiry Health Check**

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Background

The Infrastructure and Projects Authority's (IPA's) [PFI Centre of Excellence](#) established the [PFI Contract Management Programme](#) in 2020 to support contracting authorities managing their PFI contracts through the operational and expiry phases. The PFI Contract Management Programme has four projects:

- **Managing the exit from PFI Contracts** - managing the risks of contract expiry and ensuring value for money as contracts end.
- **Improving Operational Performance** - improving the performance and efficiency of operational contracts.
- **Building Capability** - building capability through systems learning, guidance and training.
- **Advice & Support** - providing expert advice and support to departments and contracting authorities.

The IPA has published [Managing the Risks of PFI Contract Expiry](#) which sets out the support offered by the IPA to contracting authorities, departments and local authorities in managing PFI expiry.

As part of that support offer, the IPA has published its [PFI Expiry Guidance](#) which provides practical guidance to contracting authorities on managing the expiry of PFI contracts and the transition to future services provision. Alongside the guidance, the IPA has also launched PFI Expiry training aimed at those managing PFI contracts approaching expiry. Further information on the course and timings can be sought via PFITraining@ipa.gov.uk. The IPA has also developed six PFI contract management e-learning modules for contracting authorities which are available via the [Government Commercial College](#).

To help contracting authorities assess their readiness for PFI expiry, the IPA has developed an Expiry Health Check (EHC) process.

EHC objectives






The EHC process is designed to:

1. Enable the provision of feedback to the contracting authority and sponsoring department on the project's readiness for expiry with specific recommendations to improve readiness and reduce risk in relation to expiry. These recommendations should support the contracting authority in improving their expiry plans and activities, and consequently improve their readiness rating.
2. Identify projects which may benefit from additional IPA support, typically through the Advice and Support project of the IPA's PFI Contract Management Programme.
3. Provide the IPA with an evolving data set to monitor the overall readiness of the PFI portfolio and to identify themes to provide feedback into the system.



What is an EHC?

An EHC comprises a review of key project documentation, a detailed questionnaire and a structured interview with the contracting authority. Based on this information, the IPA assesses and benchmarks the project's readiness for expiry across five themes:

				
Contract Management & Expiry Planning	Relationships	Assets	Commercial Position	Future Services
<ol style="list-style-type: none"> 1. Contractual documentation 2. Expiry planning 3. People & resources 4. Governance 5. Contract expiry terms 	<ol style="list-style-type: none"> 1. Current relationships 2. Cooperation on expiry 	<ol style="list-style-type: none"> 1. Current asset information 2. Operational asset condition 3. Maintenance and lifecycle planning & delivery 4. Assets at expiry 	<ol style="list-style-type: none"> 1. Current commercial position 2. Funding for asset condition during the contract term 3. Contractual position on expiry 	<ol style="list-style-type: none"> 1. Future strategy and plans development 2. Experience and capability for future services sourcing 3. Knowledge of current services to support future services sourcing 4. Transfer of staff

The process also allows the IPA to identify underlying components of expiry risk including inherent project risk (factors such as complexity, service sensitivity, time to expiry), and contract based risk (e.g. standard versus non-standard terms).

The output of the EHC is a structured report which identifies, based on the IPA's commercial assessment, the key expiry issues and actions that will make a material improvement in the contracting authority's readiness for expiry and so reduce risk. The urgency of action is reflected in the five tier (RAG) rating of the project's overall readiness for expiry and for each of the five themes.

Red	Red/Amber	Amber	Amber/Green	Green
Critical additional work required to achieve target readiness	Major additional work required to achieve target readiness	Moderate additional work required to achieve target readiness	Limited additional work required to achieve target readiness	At target readiness given the time to expiry



When are EHCs undertaken?

EHCs will be offered to projects¹ when they are within 7, 5 and 3 years from expiry. This timing is based on the IPA's [PFI Expiry Guidance](#) that expiry preparations should commence at least 7 years before expiry, and then just after key points of 5 years and 3 years to expiry. Whilst the lexicon of "7 Years", "5 Years" and "3 years" is in common use, the planning assumption is that EHCs will be scheduled as set out in the table below.

Expiry Health Check	Scheduling Window to Expiry
"7 Year" EHC	6¼ to 7 years
"5 Year" EHC	4½ years to 5 years
"3 Year" EHC	2½ years to 3 years

When will I be notified of an EHC?

The IPA schedules EHCs on a financial year (Apr-Mar) basis. Contracting authorities can, therefore, expect to be informed during Quarter 4 of the preceding financial year of the intent to undertake an EHC. At that time a date will be agreed for the EHC review session.

What is the EHC process?

The EHC timeline is set out below.



Notes:

1. Days are working days
2. All timelines are approximate and subject to change

Contracting authorities should expect to be contacted by the IPA eight to ten weeks before the EHC review session to explain the process and request information. This provides at least five weeks for contracting authorities to gather the information and complete the questionnaire, and three weeks for the IPA to review and prepare.

¹ This is limited to all projects where the contracting authority is either a UK Government department (including Arms Length Bodies) or an English local authority, and included in the annual PFI data return. PFI projects managed by devolved administrations or their local authorities are devolved matters and therefore not automatically included.



The EHC review session enables an open discussion between the IPA and contracting authority on preparations for expiry and builds on the information submitted, any prior EHCs or other engagements. As such, it enables a more detailed exploration of the key issues and risk for expiry. The review session is generally scheduled for a maximum of four hours and should be attended by relevant personnel from the contracting authority which could include: the senior executive responsible for the contract/service, the contract manager and representatives from the facilities/estate, commercial and finance teams. It is also typical for a representative of the sponsoring department to attend the review.

Following the review session, the report is drafted, quality assured and moderated. All EHCs are moderated at Director level to ensure consistency. Once the report is completed, it is sent to the contracting authority for checking for any factual errors or omissions.

What information is requested?

About eight to ten weeks before the EHC review session, the IPA will request three sets of information:

1. Completion of a project summary.
2. Completion of an expiry questionnaire.
3. Sharing of key contractual and expiry documentation including the contract, surveys, plans and reports.

Examples of these documents can be found on the [PFI Centre of Excellence website](#).

What happens after an EHC?

Once the IPA has issued the EHC report it will:

- Offer the contracting authority a meeting to discuss the report's findings and recommendations.
- Where relevant, discuss with the contracting authority an outline scope of further advice and support that the IPA may be able to provide to address the recommendations in the report. This work will be delivered as part of the PFI Centre of Excellence's advice and support remit.

What if the EHC results in a Red or Red/Amber rating?

Where a project is rated Red or Red/Amber the IPA will:

- Discuss options to support the contracting authority in taking immediate steps to address the finding of the report.
- Initiate an Assurance of Action Review (AAR) about 6 months after the EHC to evaluate progress against the recommendations, make further recommendations for action and support (if necessary), and re-assess the readiness rating.



Summary

The EHC process provides a contracting authority with:

1. An expert and structured review of its preparedness for expiry.
2. Clear recommendations of actions to improve their readiness for expiry and reduce the associated risk.
3. A route to further IPA support where this would be beneficial and available.

The IPA collates the outputs from EHC to:

1. Identify common themes and trends across the portfolio with the analysis being incorporated into its [PFI Expiry Health Check Learning Report](#).
2. Update Ministers and senior officials of the status of projects in the expiry phase and the key risks and issues.
3. Inform the wider PFI Contract Management Programme to ensure lessons are incorporated into future project support initiatives by the IPA and sponsoring departments.



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