



National Infrastructure
& Service Transformation
Authority

Contract Review

A practical guide to reviewing your PFI contract to support effective management and planning

PFI Centre of Excellence

Published 2026

Contract Review

NISTA PFI guidance

NISTA has produced a range of guidance to support public sector PFI contract managers. This can be found on the [PFI Centre of Excellence website](#).

We welcome your feedback on this guidance.

Please contact us via pfi-operations-inbox@nista.gov.uk.

Purpose of this Guidance

1. Explain what a PFI contract review is and when it should be used.
2. Provide a structured approach to scoping, sourcing and delivering a contract review.
3. Help you identify and act on key risks, gaps and opportunities in your contract.
4. Introduce practical toolkits to support data collection, clause tracking and review planning.

Audience

This guidance is primarily aimed at PFI contracting authorities, particularly those engaged in day-to-day contract management and senior responsible owners for PFI contracts. In setting shared expectations, this guidance should be useful to all private sector parties involved in PFI contracts.

Using this document

This guidance is not prescriptive, as the activities and the level of activity required will vary based on the nature of the assets and services and the form of the PFI contract. Instead, it offers a framework which will need adapting to the specific circumstances of your project.

[A PFI Glossary of Terms can be found here](#)

Legal caveat

This guidance is intended to help you identify practical steps for managing your PFI project: what to do, why it matters, and how to approach it. Given the wide range of PFI contracts, the guidance is necessarily generic and does not override the terms of your specific agreement. Any action should only be taken after careful consideration. This document is not legal, professional or technical advice. You should always seek formal professional advice where appropriate.

Icon Key



Warning



Tip



Note



Toolkits



Appendices

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Toolkits



TOOLKIT 1: [Base data collection](#)



TOOLKIT 2: [Clause tracker](#)



TOOLKIT 3: [Contract Review Scope](#)

Contract Review

1. What is a PFI contract review?

A PFI contract review is a structured, document-based assessment of the terms and conditions, rights, obligations, processes and mechanisms set out in the PFI contract. It helps the contracting authority understand what the contract says, how it is structured and how it should be applied in practice.

A contract review provides a clear understanding of the contract's provisions, enabling the authority to assess compliance, performance or risks where necessary. It is not an assessment of how well the contract is being applied or performed.

1.1 What does a contract review deliver?

A contract review produces a structured set of outputs that support more effective contract management. These include:

A baseline summary of key contract data

Including start and expiry dates, stakeholders, service providers, investment structure and sponsoring department. These can be captured using

A clause-level understanding of the contract's terms and conditions

Provides a unifying framework that supports consistent decision-making and focuses effort on what matters most.

Identification of potential gaps, ambiguities and inconsistencies

These should be recorded in a separate Gaps and Ambiguities List, as set out in our associated guidance.

Findings that inform and support related contract management activities, including:

- Contract management planning.
- Governance and reporting.
- Expiry preparation.
- Intelligent client function (including contract management team).
- Performance management.

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1.2 What are the benefits?

Together, the outputs of a contract review enable:

Better understanding
what the contracting authority should expect from the contract.

Greater clarity
and confidence in managing the contract.

Assurance
that both formal and informal practices align with the contract's terms and conditions, helping to identify where undocumented practices may need to be formalised or adjusted

Stronger foundations
for performance management, by clarifying contractual expectations, and supporting effective monitoring and enforcement.

Better preparation
for key events such as expiry, disputes or variations.

Improved transparency,
by making the contract's structure, rights and obligations more visible to all stakeholders.

Enhanced accountability,
by clearly identifying roles, responsibilities and obligations.

More informed
and confident decision-making, based on a shared understanding of the contract.

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2. When might you undertake a review?

A PFI contract review can be valuable at any stage of the contract whether the contract is newly operational, mid-term or approaching expiry.

You might consider undertaking a review when:

- There are concerns about service performance or delivery outcomes.
- There are practices, formal or informal, that may not align with the contract's terms or intent.
- You need to assure financial arrangements, such as payment mechanisms or refinancing.
- A variation is being planned or negotiated.
- The project has entered a new phase or is approaching a key event, such as refinancing, benchmarking, market testing or expiry.

A contract review also supports a range of related contract management activities, including:

- Preparing or updating your contract management plan (CMP).
- Strengthening governance and reporting.
- Enhancing the intelligent client function.

- Supporting performance monitoring and management.
- Changes in personnel to familiarise themselves with the contract.



Ideally, a comprehensive contract review would have been completed at the start of the contract. If not, then you should consider a comprehensive review now.

3. Scoping your review

A contract review does not need to cover every aspect of the contract. Instead, it should be scoped to reflect your specific needs, priorities and the stage of the contract. A well-scoped review ensures that effort is focused, proportionate and delivers actionable insights.

3.1 Define the purpose of your review

Begin by clearly stating the purpose of the review in the context of your project. This will help shape the scope, perspective and expected outputs.

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3.2 Identify the review perspectives

Next, determine the lens through which the review should be conducted. This will influence the type of expertise required and the areas of focus:

- **Legal:** Focuses on enforceability, compliance, risk allocation and liabilities. Useful for reviews involving disputes, ambiguities or expiry.
- **Commercial:** Focuses on value for money, pricing structures, payment mechanisms, profit-sharing mechanisms and strategic alignment. Useful for financial assurance, benchmarking or variations.
- **Operational:** Focuses on how the contract is implemented in practice, including roles, responsibilities and service delivery. Useful for performance reviews, lifecycle planning or governance.

Most reviews will benefit from a combination of perspectives.

3.3 Select the review type

Based on the purpose and perspective(s), select the most relevant review types. The table below provides some of the types of reviews that you may undertake during the contract term.

You may choose one or more review types depending on your objectives and available resources.

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Types of Review

Contract foundations	
Baseline Review	Key dates, stakeholders, values and high-level contract data.
Contract Management Plan Review	Information needed to populate or update the CMP, including the obligations matrix.
Governance and Reporting Review	Examines the contract's governance structures, reporting mechanisms, escalation routes and the responsibilities of named roles in overseeing delivery.
Operational Process Review	Reviews contract processes such as variations, disputes, and assurance mechanisms.
Performance and service delivery	
Contractual Service Review	KPIs, SLAs, deductions and service standards.
Maintenance and Lifecycle Review	Contract requirements for maintenance standards, planned preventative maintenance (PPM) and lifecycle replacement.
Benchmarking/Market Testing Review	Specification relevance and pricing competitiveness.
Financial and commercial oversight	
Financial Compliance Review	Payment mechanisms, value for money and dispute history.
Insurance Sharing Review	Opportunities for financial recovery or reinvestment.
Contract Variations Review	Change control procedures and financial implications.
Risk, compliance and legal assurance	
Risk Management Review	Allocates risks in the contract and identifies risks that may need to be recorded in the risk allocation matrix or risk register.
Legislation and Policy Compliance Review	Aligns the contract and its implementation with current legislation and internal policy, including areas where updates may be needed.
People and relationships	
Contract Relationship Review	Examines how the contract defines the working relationship between parties, including roles, communication protocols and provisions for collaboration and mutual obligations.
Disputes and Issues Resolution Review	Examines the contract's dispute resolution provisions, including escalation procedures, time frames and any formal mechanisms such as mediation, adjudication or arbitration.
Transition and exit	
Termination Review	Termination Review
Expiry Review	Readiness for expiry, handback and continuity planning.

Contract Review

Section 3.3 continued



Consider informal practices

Many PFI contracts evolve over time, with informal practices or undocumented agreements shaping how processes like variations, performance monitoring and dispute resolution are handled. These may not align with the contract.

When selecting review types, particularly operational process or governance and reporting, consider whether local knowledge or informal arrangements should be reviewed and validated against the contract.

- Capture informal practices that have become 'business as usual'.
- Validate them against the contract: are they supported or do they need formalising?
- Use team knowledge to understand how and why these practices developed.

Addressing these elements helps ensure the contract is managed transparently and in line with its intent.

3.4 Define the scope of works

Once the review types are selected, document the scope clearly. This should include:

The purpose and objectives of the review.

The selected perspective(s) and rationale.

The review types and areas of focus.

Expected deliverables
(e.g. clause tracker, risk log, recommendations).

Timescales and milestones.

Roles and responsibilities.

Any known constraints or dependencies.

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4. Sourcing your review

Once you have identified the relevant perspective(s), you can consider how best to resource the review. The table below outlines the main delivery options:

Option	Advantages	Considerations
In-house	Familiarity with the contract and organisational context. Easier access to internal stakeholders and documents. Cost-effective.	Limited capacity or specialist expertise. Potential lack of objectivity. May require support for complex areas.
External advisors	Specialist legal, financial or commercial expertise. Independent and objective perspective. Flexible resourcing.	Higher cost. May require onboarding time. Risk of misalignment with internal processes. Conflict of interest: consider non-disclosure agreements.
Hybrid approach	Combines internal knowledge with external expertise. Balances cost, capacity and capability with flexible and scalability.	Requires coordination between teams. May need clear roles and responsibilities to avoid duplication.

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While the table above summarises the key advantages and considerations of each delivery model, your choice should also reflect the context and culture of your organisation. For example:

- **In-house reviews** may be ideal for smaller-scale reviews or where continuity and internal knowledge are critical.
- **External reviews** are often best suited for complex legal or financial issues, or where independence is important (e.g. disputes or expiry planning).
- **Hybrid models** work well when internal teams lead the review but bring in external specialists for targeted support, such as reviewing the payment mechanism or lifecycle obligations.

Consider piloting a small-scale review internally before scaling up or commissioning external support. This can help clarify your needs and build internal capability.

When deciding how to source your review, consider:

- The scope and complexity of the review.
- The skills and capacity of your internal team.
- The urgency or timing of the review.
- The budget available for external support.

5. Delivering a contract review

Once the scope of your contract review has been defined (see Section 3: Scoping your review) and the delivery model has been selected (see Section 4: Sourcing your review), the following core activities provide a consistent framework for delivering the review. These steps apply regardless of whether the review is delivered internally, externally or through a hybrid approach. While external advisors may lead or support some activities, certain actions, such as document collation and stakeholder engagement, will typically require input from the contracting authority.

Step 1 Gather and organise key documents

Purpose: Ensure all relevant documents are available to support the review.

Key actions:

- Compile all relevant documents, including:
 - o Project agreement and schedules.
 - o Amendments, side letters and correspondence.
 - o Land and property data.
 - o Previous reviews or assessments.
 - o Roles and responsibilities of the intelligent client function (ICF).

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- See Document Stocktake Guidance to support this task.

Responsibility: Contracting authority (may be supported by advisors)

Step 2 Collect baseline contract data

Purpose: Establish a clear understanding of the contract structure and key data.

Key actions:

- Capture essential contract information, such as:
 - o Start and expiry dates.
 - o Stakeholders and service providers.
 - o Investment structure and sponsoring department.
 - o Key milestones.
- Use Toolkit 1: Base Data Collection to capture this information.

Responsibility: Typically led by the contracting authority, but may be supported or facilitated by external advisors.

Step 3 Analyse contractual provisions

Purpose: Extract, interpret and organise key contractual provisions to support effective management and planning.

Key actions:

- Rights and obligations of each party.
 - o Risk allocation including which party bears specific risks and how these are managed contractually, e.g. indemnities insurance, mitigation duties.

- o Performance indicators, penalties and incentives.
- o Governance structures, reporting requirements and escalation routes.
- o Operational process, e.g. change control, dispute resolution, audit and assurance.
- Identify where contract terms may be unclear, outdated or open to interpretation.
- Use Toolkit 2: Clause Tracker, to record the outcome of the review.

Responsibility: Legal, commercial or operational reviewers (internal or external)

Step 4 Validate and finalise findings

Purpose: Ensure the review is accurate, complete and ready for use.

Key actions:

- Review outputs with peers or stakeholders to ensure accuracy and completeness.



The Contract Management Plan guidance provides a framework in which to organise the output from the clause tracker so that it is more useful for the contract management team going forward.

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- Revise and finalise documentation for use in contract management.

Responsibility: Lead reviewer, typically within the contracting authority, but may be supported by external advisors depending on the delivery model.

6. Acting on the review

Completing a contract review is an important milestone, but its value depends on how the findings are used. The next steps will vary depending on the scope of the review, the issues identified and the stage of the contract. The following steps provide a flexible framework to help you interpret, prioritise and act on your review findings.



A contract review provides an opinion on the contract terms. This opinion may not be shared by other contract parties. You will need understand and manage this risk.

Step 1

Confirm the review has met its scope

- Check that the review has addressed the intended focus areas.
- Ensure all expected outputs have been delivered, such as baseline data, clause analysis or identified risks and gaps.
- Refer to your original scope (see Section 3) to validate completeness.

Step 2

Interpret the findings

- Review the implications of the findings with your contract management team.
- **Consider:**
 - o Are there any urgent risks or compliance issues? If so, do you need to add these to the risk register and take immediate action?
 - o Do any informal practices need to be formalised or adjusted?
 - o Are there areas of ambiguity that require clarification? If so, are these captured in your gaps and ambiguities list (see Gaps and Ambiguities Guidance)?

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Step 3 Tailor your response to the review type

Use the table below to guide your next steps based on the type of review undertaken:

If your review focused on...	You may need to...
Contract foundations (e.g. baseline review, CMP review)	Update internal records; refresh the CMP; clarify roles and responsibilities
Performance and service delivery (e.g. service review, maintenance, benchmarking)	Review KPIs and SLAs; address performance issues; plan market testing
Financial and commercial oversight (e.g. financial compliance, insurance, variations)	Reconcile payment mechanisms; review financial model; document past variations.
Risk, compliance and legal assurance (e.g. risk management, legislation, and policy)	Update risk registers; seek legal advice; ensure alignment with current legislation and internal policies
People and relationships (e.g. contract relationship, disputes resolution)	Clarify communication protocols, review dispute logs, strengthen collaboration mechanisms
Transition and exit (e.g. termination, expiry)	Initiate expiry planning; develop handback strategy; review termination rights and obligations

Step 4 Plan, communicate and embed actions

- Develop a proportionate action plan based on the findings.
- Assign responsibilities and timelines for implementation.
- Share relevant findings with internal and external stakeholders to support transparency and alignment.
- Integrate the review outputs into day-to-day contract management, governance and future planning.
- Inform the CMP.

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7. Practical tips

These tips are designed to help you apply the guidance in real-world settings:

