

3 July 2024

The Convener
Public Audit Committee
The Scottish Parliament
EDINBURGH
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Dear Mr Leonard

PREPARING FOR EXPIRY OF PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

Further to Scottish Futures Trust's appearance at the Public Audit Committee on 6 June 2024, please find attached our written evidence to support the Committee's work on PFI Expiry on the following points.

1. Information relating to the number of PFI contracts that have secondary periods (see column 21 of the Official Report).
2. The Convener also indicated that it would be helpful to receive further information about the team that is in place at the SFT to help support public bodies prepare for the end of a PFI contract (see column 21 of the Official Report).

1. PFI contracts and secondary periods

We are aware of one project that contains 'a secondary period' – Royal Infirmary of Edinburgh. Our understanding is that this relates to the period of twenty five years after the end of the period of provision of the services under the contract if the public body does not exercise its option to vacate the facility. The public body has the option to make the payment by way of a discounted lump sum. In essence therefore this provision is commercially similar to the payment of "residual value" payments under other early projects which were discussed at the Committee. The difference is that the public body has the right to make the payment over time.

We are also aware of another PFI project – Hairmyres Hospital where there is a period called a 'continuing period' that relates to the period in respect of which the public body has the right to extend the period of the services under the project agreement at the expiry of the initial period.

2. The Scottish Futures Trust – PFI/PPP Operational Contract Management Team

Our Operational Contract Management (OCM) team was established not long after SFT became operational in 2009 and draws on commercial skills and experience in complex public private partnerships to support public bodies. Early activity was through a programme of in-depth and targeted reviews of education and health PPP projects where increased value, particularly through the level of service performance and savings could be secured.

The SFT team supports accommodation projects which cover the majority of PPP contracts and align with SFT specialisms. PPPs in transport, waste and waste water projects are supported by those public body teams.

In 2014, we formed a collaborative working arrangement with the NHS to create a specialist team (Specialist Support Team - SST) specifically to widen support for NHS boards on their PPP contracts. The SST supports NHS Boards in ongoing management and review of commercial PFI/PPP/hub and NPD contracts. This support enables NHS boards to focus on value for money and contract performance and compliance across all aspect of the Service including project handback.

The make up and skills and experience of SFT team members is set out in Appendix 1. The team has 2.8 FTE made up of professionals with a legal, facilities management and commercial/financial skills in PPP arrangements including SFT leadership team oversight. The team currently provides high level support to around 120 operational projects for health, education, and accommodation. Of those projects, over twenty projects will reach the end of contract term by the end of this decade.

Key areas of work include support around: -

- **Guidance and Commercial Support** - providing expert technical and commercial support and guidance to public bodies with operational PPP contracts.
- **Handback/Contract Expiry*** – supporting public bodies in managing the risks of contract expiry and ensuring value for money as contracts end and additional support through networking.
- **Improving Operational PPP Performance** - driving improved operational performance and better approaches to contract management across Scotland’s PPP portfolio.
- **Building Capability** - through specific targeted training, raising awareness, efficiency and effectiveness of good contract management including systems learning and guidance.

Handback/Contract Expiry work includes:

- Pre-survey visits to assess areas of focus and scope for asset/facility surveys prior to handback.
- SFT support for identifying/scoping project management support requirements.
- The development and implementation of a template questionnaire to support authorities in their assessment of readiness for handback, consideration of governance, resource planning, risks, understanding of the asset condition, consideration of future service as it relates to the facility.
- Reviews of the project agreements in the workplan (split with SST on health projects) to distil out the maintenance, lifecycle replacement and handback requirements including recommendations.
- Ongoing handback commercial and technical support on a project-by-project basis.
- Participation (as attendee) on handback project boards to assist with sharing of lessons learnt from the wider programme and to provide support to other board members.
- Chair of the non-health handback network, seven collaborative groups (covering health and education projects), training & capacity building.

I trust the Committee finds this response helpful. Please let me know if you have any further queries on this matter.

Yours sincerely

Peter Reekie
Chief Executive

Appendix 1: - Our Operational Contract Management team

The dedicated team of 2.8 FTE is made up of professionals with a legal, facilities management and commercial/financial skills in PPP arrangements.

- **Alastair Nicol - Senior Associate Director**

Alastair heads up SFT's Operational Contract Management team and provides specialist commercial and technical support to many public sector organisations as well cross-workstream technical, facilities management and commercial support within SFT.

Alastair has over 30 years' experience in the built asset management environment and a proven track record in the development, delivery and operational phases of PPP/PFI/DBFM and hub.

- **Donna Stevenson - Senior Associate Director**

Donna has over 25 years of experience in the PPP sector ranging from advising on projects as a Partner in a law firm on deals dating back to the 1990s, to providing support to the delivery of SFT's work on the NPD programme.

Donna has been supporting public bodies in the management of operational projects for over a decade.

- **Mark Pillans - Associate Director**

Mark has over 20 years of experience in the PPP sector ranging from professional advisory roles to funders, project bidding, project delivery and, in the last 10 years working for SFT on commercial support for operational projects.

- **Kerry Alexander – Director Infrastructure Finance and Programmes**

Kerry leads SFT's work on the design and delivery of infrastructure investment approaches using various forms of public public and public private partnerships. Kerry's role includes oversight of the Operational Contract Management team.

Kerry is a Chartered Accountant and joined SFT in 2012 from a professional services firm and has over 20 years of experience in public and private roles supporting infrastructure investment.