

Improving Contract Management

PFI Case Study

February 2024



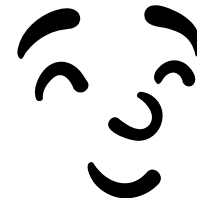
What this is not...

A session on PFI accounting treatment



What this is...

**A reminder of the benefits that good contract
management can bring**





- ❖ **£245m, 950 bed PFI scheme**
- ❖ **Two contracts with a total value of £2.74bn**
- ❖ **Annual payments of c£80.0m**

The 'problems' to be solved

POOR VALUE FOR MONEY

- Performance sub-optimal
- Contractors not being held to account
- Impediment to improving productivity
- Environment below that which would be expected based on contract provisions

Programme of Change

Project team headed up by Chief Finance Officer

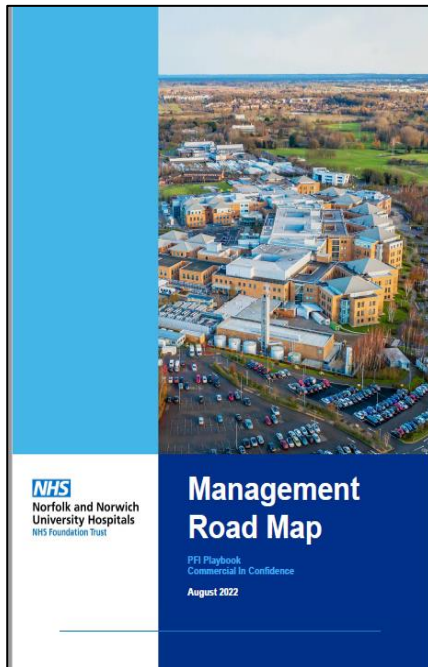
Creation of governance structure to support improved contract management

Mechanisms put in place to enable all members of staff to be active contract managers



Improving our contract management process

THE PFI PLAYBOOK



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Playbook Report 2

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1. Understanding the PFI Deal

Action Card – Understanding the PFI Deal

Purpose
This chapter provides a broad overview of PFI contracts and of the Norfolk and Norwich PFI contract in particular.
This chapter contains the following:

- Section 1.1 outlines the history of PFI contracts
- Section 1.2 explains the Norfolk and Norwich PFI contract in this context
- Section 1.3 outlines the purposes of the Financial Model
- Section 1.4 summarises major changes to the contract since Financial Close
- Section 1.5 outlines the contract governance structure
- Section 1.6 outlines how contractual performance is monitored

Key messages

Section	Key message
1.2	This was one of the earliest PFI contracts. It therefore does not have many of the standardised clauses of later contracts
1.2	The project has undergone a number of changes, including a refinancing in 2003 and market testing of soft services that have changed the provision of the service

Key actions

Trust actions	Chapter ref	Frequency
Ensure the latest contractual documents are being used – including the relevant services specifications and activity output monitoring	1.2	Single action
Clarity to be sought on the removal of non-emergency patient transport services and the playbook to be updated to reflect the position	1.4	Single action
Clarity to be sought on the capital and service variations and the playbook to be updated to reflect the position (to be provided by OHL)	1.4	Single action
Terms of reference for the Liaison Committee to be reviewed and updated as required	1.5	Annually

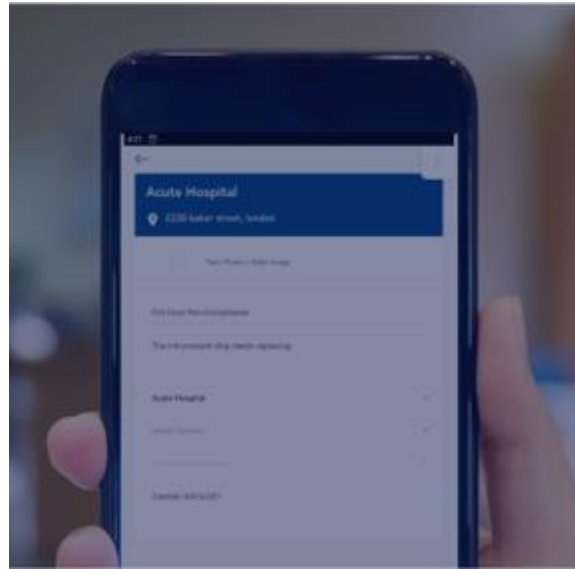
Chapter last updated: August 2022 Responsibility for update: Director of Estates and Facilities

Playbook Report 8



- **Made complex arrangements more accessible – use of plain English**
- **Sign posted key takeaway points and actions**
- **Clarity on activities required to manage performance**

10,000 Contract Managers



P2G app used to raise issues or a task
Over 1,000 items now logged per month
Helped change the culture from one of acceptance to
active involvement

Financial Benefits



**Understanding the contracts
supported renegotiation**

£2.5m price reduction

Financial Benefits



Active contract management

**£1.0m savings per annum since
monitoring against service
standards**



Non- Financial Benefits

- **Improved physical environment for all users**
- **A better place to work and visit**

Applying the principles

- **Not new (apart from the Playbook)**
- **Understanding what good contract management looks like in relation to your contracts**
 - **Actively monitoring against key performance requirements and taking timely action when requirements aren't met**
 - **Ensuring feedback is acted on or escalated**

Questions?

