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Directors' Guide to

PFI/PPP SPVs Expiry & Pre-MVL Exit

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Introduction

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The Context: A Growing Wave of PFI Expiries

Over the coming years, a significant number of UK PFI and PPP projects will reach the end of their contractual lives. From the mid-2020s onwards, the sector is seeing a wave of expiries, with SPVs moving into the final phase of their lifecycle: asset handback and orderly closure.

For directors of these project companies, this period requires active planning, coordination across multiple workstreams, and careful management of both commercial and legal risk. A well-organised exit ensures a clean handback to the contractual counterparty and positions the SPV to enter a Members' Voluntary Liquidation (MVL) efficiently and without reputational difficulty.

Purpose of This Document

This document has been prepared as a practical guide to the key matters directors should be turning their minds to in the run-up to expiry. It brings together the major operational, financial, contractual and governance considerations that typically arise when an asset is returned, and the SPV begins preparing for cessation.

Projects often involve complex contractual structures, long-running subcontractor relationships, layered financing arrangements and detailed handback protocols. As a result, expiry and pre-MVL planning should start early, be actively monitored, and be managed as a structured programme rather than a series of isolated tasks.

Important Caveats

The list is not exhaustive, and it is not legal advice. Every project has its own contractual variations, technical standards, financing structures and historical issues. Directors must continue to obtain appropriate legal, financial, and technical advice on the specific obligations of their project.

However, the document provides a clear starting point to help management teams identify what needs to be done, who needs to be involved, and what evidence must be retained.

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Portfolio-Level Planning Across Multiple SPVs

This document is designed to support portfolio-level oversight. Using consistent checklists and trackers allows sponsors and asset managers to monitor progress across numerous projects at once, highlighting bottlenecks early, and ensuring that each SPV is genuinely ready for MVL at the appropriate point.

A structured approach helps avoid last-minute disputes, reduces the risk of unexpected liabilities, protects directors' and investors' reputations, and provides asset managers with a framework to support a smooth, well-managed exit from the project.

How the Guide is Structured

In preparing this guide, we have grouped the core responsibilities at expiry into twelve key areas, reflecting the practical tasks that directors typically need to oversee as a PFI project approaches handback and the SPV moves towards MVL.

Each section sets out the essential elements to be addressed, provides a short explanation of what they involve in practice, and highlights the issues that most commonly arise. While every project is different, these twelve areas cover the recurring themes that cause delay, generate residual risk, or complicate the solvency assessment.

By breaking the process into these defined areas, directors and asset managers can more easily understand what needs to happen, assign responsibility, and track completion across multiple projects in a consistent and manageable way.

We have also included a section on how best to track progress to support confident decision-making as the SPV approaches handback and MVL.

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1. Project Agreement Expiry & Handover

This is the process of demonstrating to the contractual counterparty that the asset meets the contractual handback standard at expiry and that the SPV has delivered everything it was obliged to deliver.

It typically includes completing the final handback survey, closing snagging, evidencing lifecycle completion, and transferring the full suite of manuals, registers, data and H&S documentation. The objective is to secure a contractually compliant handover.

What causes problems:

Handover delays almost always arise from incomplete asset condition work, missing O&M records, or lifecycle obligations that were assumed complete but later challenged by the Contractual counterparty. Written sign-off is often slower than expected because authorities require full documentation packs and evidence of compliance before confirming acceptance.

Another common issue is a mismatch between the contractual counterparty's expectations and the contractor's interpretation of "contractual condition," which can trigger last-minute disputes or payment adjustments.

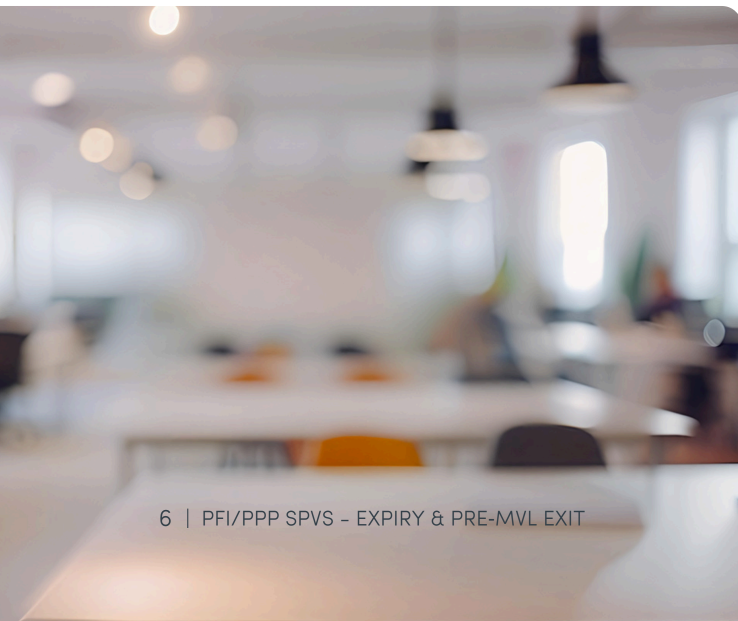
2. Construction & Lifecycle Risk Elimination

This ensures all construction and lifecycle obligations have been commercially closed out with contractors and key subcontractors before the MVL. It involves agreeing final accounts, settling retentions, resolving known defects, and documenting the position on warranties, latent defects and parent company guarantees (including any assignments to the contractual counterparty). The aim is to remove residual technical risks so the SPV does not carry construction-related exposure into liquidation.

What causes problems:

Most issues stem from warranties, guarantees, or defect liabilities that directors assume have expired but are, in fact, still live. Retentions are sometimes not properly agreed or released. Lifecycle fund utilisation can be contentious where the contractual counterparty disputes whether the asset meets the end-of-life condition.

Unresolved subcontractor claims, especially small but persistent FM or lifecycle disputes, often surface late and can prevent the SPV from demonstrating solvency with confidence.



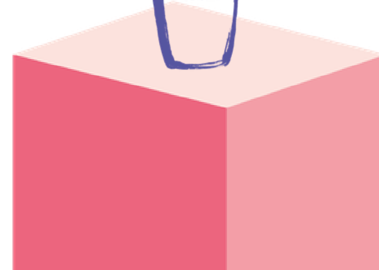
3. Disputes & Claims Sweep

This is a structured confirmation that there are no live or threatened disputes that could crystallise into liabilities during or after the MVL. It covers adjudications, arbitrations, claims and grievances with the contractual counterparty, contractors, FM providers and other third parties. A clean sweep means the disputes register is closed, settlement agreements (where used) are executed, and legal advisers confirm there are no known or reasonably anticipated claims outstanding.

What causes problems:

The main challenge is "informal" disputes that were never formally logged – emails, letters or meeting notes indicating dissatisfaction or potential claims. These can become formal objections once the SPV starts preparing for MVL.

Contractors may also raise historic claims when they realise the SPV is closing, and authorities may resist confirming "no outstanding claims" without a comprehensive sweep. Any open or threatened dispute compromises the directors' ability to sign the solvency declaration.



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4. Financing & Security

This is the formal rundown of the project's financing arrangements to zero, including repayment of senior debt, termination and settlement of hedging, and obtaining confirmations from the agent and hedge counterparties. It also includes the release and discharge of all security, debentures, fixed and floating charges, share pledges, account charges and assignments, and arranging the necessary Companies House filings. The end state is an SPV with no financial liabilities and no encumbrances.

What causes problems:

The most common blockers are delays in obtaining release documents from lenders, especially where complex security packages or legacy charge registrations exist. It is also common to discover minor charges (over accounts or receivables) that were forgotten and not released. Any undischarged security will halt distributions in an MVL.

5. Cash & Banking Rationalisation

This consolidates and simplifies the SPV's banking so the balance sheet is predominantly cash, ready for distribution in MVL. It includes transferring any residual DSRA, lifecycle and major maintenance reserves, closing any escrow arrangements, and moving residual balances into the designated distribution account. Once funds are centralised and reconciled, redundant bank accounts are closed to avoid post-MVL leakage or administrative drag.

What causes problems:

Issues arise where reserve accounts remain restricted or cannot be released without conditions that have not been satisfied. Cash held in escrow or in minor project accounts is frequently overlooked. Banks can also take longer than expected to action closures because dormant accounts fail KYC checks. These delays slow down consolidation of funds and make it unclear what the SPV's final cash position really is.

6. Insurance & Residual Risk Transfer

This confirms that operational policies end at the right time and that appropriate run-off or tail coverage remains in place for exposures that can persist beyond expiry. Typical residual risks include latent defects, professional indemnity for design-related parties, and certain environmental liabilities.

What causes problems:

Insurance run-off is often assumed to exist when it doesn't, or the level of cover is too narrow to address the remaining risks. Latent defect exposures could be sensitive should they survive beyond handback. Unclear alignment between the insurance carried, the contract's risk allocation, and the expectations of the contractual counterparty can expose directors to uncertainty when signing the solvency declaration.

7. Property & Asset Reversion

This is the legal transfer or reversion of the asset and associated property interests to the contractual counterparty (or, as the Project Agreement specifies). It includes completing any required surrenders of leases, removing title restrictions, addressing wayleaves/easements, and filing the requisite Land Registry applications. Directors should be able to evidence that title and possession matters have been fully regularised in accordance with the Project Agreement.

What causes problems:

Problems often occur where minor land parcels, easements or wayleaves were never properly documented during the project's life or where title plans include anomalies. Land Registry timescales can be slow, and any outstanding applications or restrictions can delay the legal completion of handback. Sometimes the contractual counterparty requires confirmations relating to boundary issues or historical occupation that take time to obtain.

8. Employees & Management Arrangements

This confirms the SPV has no ongoing employment, pension or management service obligations that would prevent a solvent wind up. Depending on the model, it may involve confirming there are no employees; or, where staff exist, ensuring any TUPE transfers or lawful terminations are completed and pension liabilities discharged. It also includes terminating management services and sponsor support agreements so that no continuing services are required from the SPV.

What causes problems:

Unexpected TUPE exposure can arise where onsite staff, particularly caretakers, ICT technicians or soft FM teams, have been treated as contractor employees but have a factual link to the SPV. Pension liabilities are sometimes not fully extinguished. Management services agreements may auto-renew or need formal notice, creating continuing operational obligations that are incompatible with MVL preparation.

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9. Group & Shareholder Arrangements

This is the clean-up of intra-group and shareholder relationships, so the SPV's equity position is straightforward for MVL.

It covers reconciling and settling (or waiving/capitalising) intercompany balances, unwinding cash pooling, and addressing shareholder loans and equity subscription obligations.

Directors should also obtain releases of any parent guarantees or shareholder support undertakings to avoid residual group exposures.

What causes problems:

Old intercompany loans or cash pooling balances often lack proper documentation, making it unclear whether they should be settled, waived or capitalised. Parent guarantees or shareholder undertakings may not have been formally released or may be linked to warranties that haven't yet expired. Any unresolved intra-group funding issues complicate solvency calculations and delay the MVL timetable.

10. Third-Party Contract Termination

This is the orderly closure of the commercial perimeter around the SPV, so it has no live supplier or service obligations. It includes terminating or novating FM/O&M agreements, utilities, ICT/telecoms and consultancy/supply contracts, ideally with mutual releases. The goal is to remove the possibility of small, lingering contracts generating invoices, disputes or objections during the MVL.

What causes problems:

FM, utilities and ICT contracts often contain automatic renewal provisions, meaning contracts remain live unless properly terminated. Termination notices may be served incorrectly (wrong entity or address), and utility providers can be slow to confirm final billing.

Missing release letters or failure to evidence the end of service obligations can prevent the SPV from showing it has no ongoing trading activity.

11. Tax

This finalises corporation tax, VAT and employment tax positions and aligns the timetable for deregistration and final returns with the MVL plan. It includes completing reconciliations (e.g., VAT partial exemption/CGS if applicable), settling liabilities, and considering clearances where helpful for capital distributions.

The purpose is to reduce HMRC objection risk and ensure tax does not become a blocker to distributions or dissolution.

What causes problems:

Unreconciled VAT balances, especially capital goods scheme adjustments or partial exemption issues, regularly cause MVL delays. Corporation tax computations can be affected by final adjustments arising from lifecycle spend or settlement of claims. HMRC may take time to process deregistrations or respond to clearances, and any open enquiry, however minor, may deter directors from signing the solvency declaration.

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12. Corporate Governance & MVL Readiness

This is the governance and evidence pack that supports the directors' declaration of solvency and the formal decision to proceed to MVL. It includes up-to-date statutory registers, reviewed Articles, confirmed distributable reserves, final management accounts demonstrating capacity to pay all creditors (plus statutory interest).

It also reserves for wind-up costs and brings together the documentary trail that underpins a defensible, well-timed MVL.

What causes problems:

Statutory registers are often incomplete or inaccurate after years of low activity, and distributions may have been historically documented inadequately. Articles of Association sometimes contain restrictions or special provisions that require legal review.

The biggest issue, however, is signing the solvency declaration too early, before all liabilities are known or security is fully released, which exposes directors to personal risk and can force conversion to a CVL.

How to Track Progress

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Because PFI expiry involves many parallel activities with interdependencies, directors should adopt a structured and consistent method for tracking progress across all key areas.

The most effective approach is to maintain a single Expiry Tracker that breaks the work down into the twelve areas in this checklist and assigns responsibilities, evidence requirements, deadlines, and status updates for each item. Using a simple RAG (Red, Amber, Green) system helps highlight where bottlenecks or risks are emerging, and regular short progress reviews allow issues to be escalated early.

For organisations overseeing multiple SPVs, a consolidated portfolio tracker enables senior management to see where projects are drifting, ensures consistent standards across concessions, and supports clear decision-making about when an SPV is genuinely ready to progress to an MVL. A disciplined tracking approach gives directors confidence that no single issue has been overlooked and that the SPV is moving toward a smooth, well-sequenced and defensible exit.

Conclusion

As projects reach expiry, the focus for directors naturally shifts from operational delivery to risk closure, financial certainty and stakeholder assurance. A successful transition into MVL depends not simply on the passage of time or completion of the concession, but on demonstrating that all contractual, financial and operational obligations have been conclusively discharged. Early planning, clear allocation of responsibilities, and maintaining a comprehensive evidential record of close-out activities are essential to supporting the directors' solvency assessment and protecting against post-liquidation challenge.

Ultimately, expiry should be treated as a managed programme rather than a single event. Where directors engage early with technical, legal, tax and insolvency advisers, maintain open dialogue with contractual counterparties and contractors, and retain robust supporting documentation, the MVL process can proceed smoothly and with minimal residual exposure. A disciplined approach to expiry planning helps ensure that the SPV concludes its lifecycle in a controlled, solvent and reputationally positive manner.

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We hope you have found this guide helpful. If you have any further questions or require any Business Recovery & Insolvency support, please don't hesitate to contact us.

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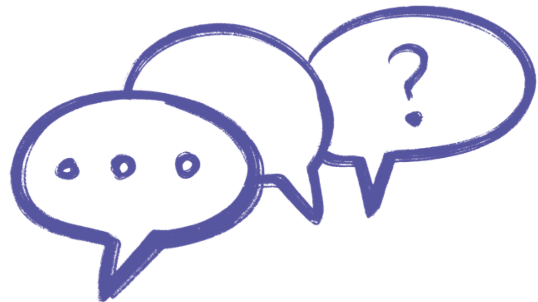

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