

NHS Greater Glasgow and Clyde	Paper No. 25/135
Meeting:	NHSGGC Board Meeting
Meeting Date:	30 October 2025
Title:	Larkfield Unit, Inverclyde Royal Hospital – End of PFI Agreement
Sponsoring Director:	Tom Steele Director of Estates & Facilities
Report Author:	Paul McKenna Head of Financial Improvement

1. Purpose

The purpose of this paper is to provide the Board with information on the process undertaken and assurance that the site is compliant and in good order in advance of it being transferred to NHSGCC's ownership on the expiry of the current Private Finance Initiative (PFI) contract on the 31st of October 2025.

2. Executive Summary

This paper provides an overview of the process undertaken to acquire the Larkfield unit, the work undertaken to ensure assurance on the condition and compliance of the asset. The financial a wider operation benefits associated with the Larkfield unit coming under the Boards control.

The paper also details the communication, engagement and governance routes that have been undertaken during this project.

3. Recommendations

The Board is advised to note the summary position regarding the progression of taking ownership of the Larkfield Unit at IRH following the expiry date of the current contract.

- This closes a long standing PFI contract and brings this facility in-house and allows the retention of services on the Inverclyde campus.
- The capital value for this has been funded and supported by Scottish Government in full and does not impact on the Boards allocated formula capital.

- A comprehensive technical assurance exercise has been undertaken as part of the transfer of ownership.
- Recurring savings will be matured by bringing the facility into our ownership.

4. Response Required

This paper is presented for **awareness** relating to the hand-back and acquisition of the Larkfield unit.

5. Impact Assessment

The impact of this paper on NHSGGC's corporate aims, approach to equality and diversity, and environmental impact are assessed as follows:

- | | |
|------------------------|-------------------------------|
| • Better Health | <u>Positive</u> impact |
| • Better Care | <u>Positive</u> impact |
| • Better Value | <u>Positive</u> impact |
| • Better Workplace | <u>Positive</u> impact |
| • Equality & Diversity | <u>Positive</u> impact |
| • Environment | <u>Positive</u> impact |

6. Engagement & Communications

The Larkfield End of Contract project has involved engagement with a range of internal and external stakeholders. This was actioned to ensure all options have been fully evaluated and all assurance requirements are addressed.

A communications package is in development to support the conclusion of the PFI contract for Larkfield Hospital and its transfer into full ownership by NHSGGC. This will encompass a joint media release with partners, the option of a photocall, and tailored internal communications for staff.

The messaging will focus on the long-term financial benefits to the organisation, the value of the site as a high-quality physical asset and will provide clear assurance that there will be no impact on existing service provision.

7. Governance Route

This paper has been previously considered by the following groups as part of its development:

- Informal Directors
- Updates have been regularly provided to the Capital Planning Group and Property Management Group.
- Regular updates provided to the Sustainability and Value board.
- Corporate Management Team provided approval for contractual Option 3 – remain on site and acquire the facility in September 2023.
- Corporate Management Team – 3 April 2025 - Project approval
- Finance, Planning & Performance Committee - 8 April 2025 - Project approval
- Corporate Management Team – 3 July 2025 - Project update and approval

BOARD OFFICIAL

- Finance, Planning & Performance Committee – 7 August 2025 Project update and approval
- Corporate Management Team – 2 October 2025 – Final update and Assurance
- Finance, Planning & Performance Committee – 9 of October 2025 - Final update and Assurance

Planned additional governance:

NHSGGC Board for information - 30 October 2025.

8. Date Prepared & Issued

Prepared on: 14 October 2025

Issued on: 22 October 2025

NHS Greater Glasgow and Clyde	Paper No. 25/135
Meeting:	NHSGGC Board Meeting
Meeting Date:	30 October 2025
Title:	Larkfield Unit, Inverclyde Royal Hospital – End of PFI Agreement
Sponsoring Director:	Tom Steele Director of Estates & Facilities
Report Author:	Paul McKenna Head of Financial Improvement

1. Introduction

The decision to approve NHSGGC purchasing and taking ownership of the Larkfield Unit at Inverclyde Royal Hospital campus, following the end of a PFI agreement has already been approved by the Finance, Planning and Performance Committee in line with governance arrangements.

The purpose of this paper is to provide the Board with information on the process undertaken and assurance that the site is compliant and in good order in advance of it being transferred to NHSGCC's ownership on the expiry of the current Private Finance Initiative (PFI) contract on the 31st of October 2025.

2. Background

Argyll and Clyde Acute Hospitals National Health Service Trust entered the Larkfield Hospital Private Finance Initiative (PFI) Project Agreement with LH Project Limited in May 1999. The Trust's interest in the Project Agreement was later transferred to NHS Greater Glasgow following dissolution of the Trust and as part of a wider transfer of the Trust's functions to the newly created NHS Greater Glasgow & Clyde health board.

The PFI agreement was for the construction and ongoing maintenance by LH Project Limited (Project Co) for the Larkfield Unit at IRH for a period of 25 years. The agreement is due to expire on 31st October 2025.

Under the terms of the PFI contract Project Co were responsible for the construction of the facility and are responsible for ongoing maintenance and operation of the site, all

BOARD OFFICIAL

other services such as cleaning and wider soft facilities management services are provided by NHSGGC.

NHSGGC's appointed Legal Advisers, Morton Fraser MacRoberts LLP, reviewed the PFI Contract and associated documents, highlighting the options available to NHSGGC on expiry of the contract Term, these were:

1. To extend the period of the PFI Contract either (i) by 10 years in accordance with Clause 59.1 of the PFI Contract; or (ii) by negotiation with Project Co.
2. Vacate the Property by serving the appropriate Notice to Vacate, which would result in termination of the Sub-lease and trigger an option to purchase the site at the option of Project Co.
3. Remain in the Property and (i) bring the Head Lease to an end (ii) compensate Project Co for their interest in the unexpired term of the Head Lease; and (iii) arrange service delivery either through in-house provision, a new procurement exercise or from the existing Service Provider.

NHSGGC has exercised option 3, to remain on the site at the expiry of the contract term. This means that NHSGGC will compensate Project Co for their interest in the Head lease, this was formally agreed by CMT and the Board in September 2023.

Following expert advisor negotiations and discussions throughout November and December of 2024 a Handback payment of £6.8m has been agreed with Project Co in relation to the Market Value of the remaining term of the lease.

The Scottish Government Health and Social Care Directorates (SGHSCD) has provided the required capital to conclude the purchase. The budget announcement of 4th December 2024 provided a commitment to fund End of Contract expenditure, and this project aligns with that policy.

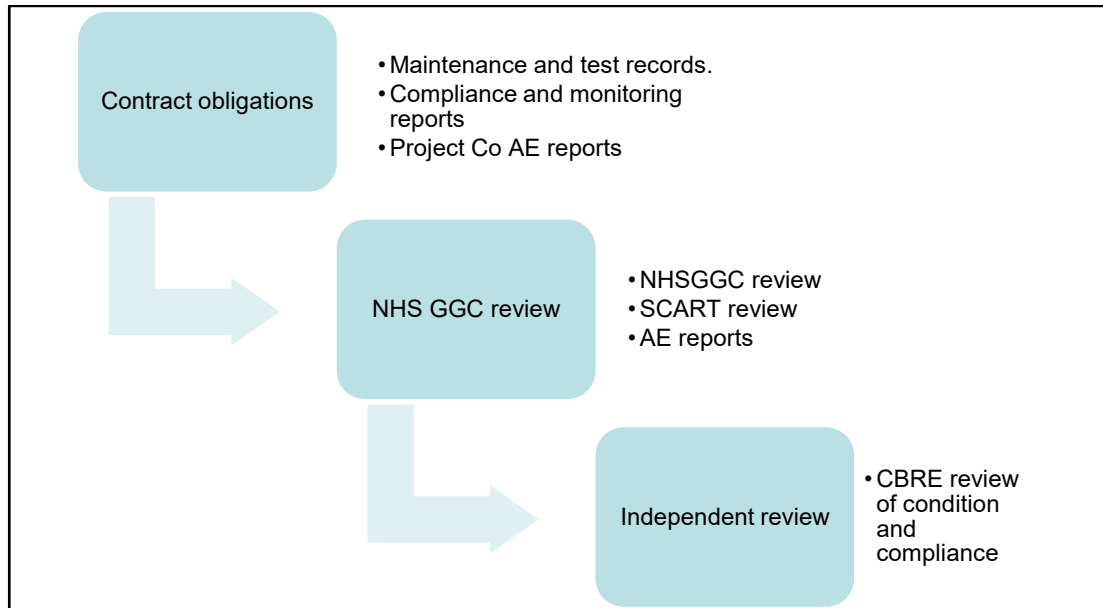
The project is now nearing completion in advance of the expiry of the contract on the 31st of October.

All major works and replacements relating to compliance with Handback requirements and the overall compliance of the site with respect to critical systems are now complete, with all required records and documentation and assurance actions being complete.

From an Operational Estates perspective, the building's construction adheres to stringent quality standards, ensuring durability and safety. Regular inspections and maintenance protocols have preserved its integrity, the building has been constructed to a high standard and remains well maintained.

The NHS GG&C technical review provides further evidence of the compliance of the sites critical systems such as water, ventilation and electrical systems. Figure 1 describes the assurance framework that has been applied.

Figure 1. Assurance framework



All legal matters in relation to property matters, commercial agreements and TUPE are complete with final sign off planned for 23rd of October. One member of staff will transfer from the Service Provider to the Board; all elements of the TUPE process are complete and agreed.

In addition to the TUPE'd member of staff, a number of new Estates positions will be recruited to in order maintain the site, this additional resource will also benefit the wider Inverclyde campus.

In relation to the operational costs of the site there is a projected reduction in costs of circa £1.7m on a recurring basis. There will be a requirement for the Board to fund a lifecycle replacement programme to maintain the asset, this will form part of the Board's wider ongoing Business Continuity Planning (BCP) for the prioritisation and allocation of capital projects.

3. Conclusion

The acquisition of the Larkfield Unit into the Board's ownership and control provides the Board and the Inverclyde area with a high quality, well maintained and compliant asset, that is fully owned and operated by the Board.

In taking ownership of the asset, the Board will also recognise a significant reduction in revenue expenditure and at the same time provides a number of additional skilled jobs to the area.

4. Recommendations

The Board is advised to note the summary position regarding the progression of taking ownership of the Larkfield Unit at IRH following the expiry date of the current contract.

- This closes a long standing PFI contract and brings this facility in-house and allows the retention of services on the Inverclyde campus.

- The capital value for this has been funded and supported by Scottish Government in full and does not impact on the Boards allocated formula capital.
- A comprehensive technical assurance exercise has been undertaken as part of the transfer of ownership.
- Recurring savings will be matured by bringing the facility into our ownership.

5. Response Required

This paper is presented for Information relating to the Handback and acquisition of the Larkfield unit.

6. Impact Assessment

The impact of this paper on NHSGGC's corporate aims, approach to equality and diversity, and environmental impact are assessed as follows:

- **Better Health:** Positive impact
- **Better Care:** Positive impact
- **Better Value:** Positive impact
- **Better Workplace:** Positive impact
- **Equality & Diversity:** Positive impact
- **Environment:** Positive impact

7. Engagement & Communications

The Larkfield End of Contract project has involved engagement with a range of internal and external stakeholders. This was actioned to ensure all options have been fully evaluated and all assurance requirements are addressed.

A communications package is in development to support the conclusion of the PFI contract for Larkfield Hospital and its transfer into full ownership by NHSGGC. This will encompass a joint media release with partners, the option of a photocall, and tailored internal communications for staff.

The messaging will focus on the long-term financial benefits to the organisation, the value of the site as a high-quality physical asset and will provide clear assurance that there will be no impact on existing service provision.

8. Governance Route

This paper has been previously considered by the following groups as part of its development:

- Informal Directors
- Updates have been regularly provided to the Capital Planning Group and Property Management Group.
- Regular updates provided to the Sustainability and Value board.
- Corporate Management Team provided approval for contractual Option 3 – remain on site and acquire the facility in September 2023.
- Corporate Management Team – 3rd April 2025 - Project approval
- Finance, Planning & Performance Committee - 8th April 2025 - Project approval
- Corporate Management Team – 3rd July 2025 - Project update and approval

BOARD OFFICIAL

- Finance, Planning & Performance Committee – 7th August 2025 Project update and approval
- Corporate Management Team – 2nd October 2025 - Assurance
- Finance, Planning & Performance Committee – 9th of October 2025 - Assurance

Planned additional governance:

NHSGGC Board for information - 30th of October 2025.

Date Prepared & Issued: 14th October 2025