



HM Treasury

# Private Finance Initiative and Private Finance 2 projects:

2015 summary data

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March 2016





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# 1 Introduction

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**1.1** HM Treasury collects data on Private Finance Initiative (PFI) and Private Finance 2 (PF2) projects once a year. The information is provided by central government departments and devolved administrations<sup>1</sup> who procured or sponsored<sup>2</sup> the projects, and is not audited by HM Treasury. The last collection was for all projects as at 31 March 2015.

**1.2** Data on PFI and PF2 projects has been published by HM Treasury for a number of years and it remains an important part of the government's commitment to greater transparency in public spending. The data is also used by bodies such as the Office for Budget Responsibility, the Office of National Statistics and the National Audit Office.

**1.3** PFI and PF2 are the UK's former and current preferred form of Private Public Partnerships (PPP) model.

## **PFI and PF2**

**1.4** PFI was introduced in order to engage the private sector in the design, build, finance and operation of public infrastructure, with the aim of delivering good quality and well maintained assets that provide value for money for the taxpayer. It has been used across a broad range of sectors. Over 700 projects have reached financial close, securing private sector investment of around £55 billion. Since its introduction, PFI has remained a small but important part of the government's overall investment in public infrastructure and services. In 2012, PFI underwent a thorough review. Following a call for evidence changes were introduced to the model to improve transparency, value for money and partnership working under these arrangements and it was relaunched as PF2.

**1.5** One key difference between conventionally procured projects and those procured using PFI and now PF2 is the timing of payments from the public sector to the private sector. Under conventional procurement, the public sector pays the capital cost of the project upfront, followed by an ongoing amount for maintenance services over the life of the asset.

**1.6** Under PFI and PF2, the public sector does not pay for the project's capital costs over the construction period. Once the project is operational and is performing to the required standard, the public sector pays a unitary charge which includes payments for ongoing maintenance of the asset, as well as repayment of, and interest on, debt used to finance the capital costs. The unitary charge, therefore, represents the whole life cost associated with the asset.

**1.7** A more detailed explanation of PFI and how it works, including the changes made to introduce PF2, is set out in the policy document 'A new approach to public private partnerships', December 2012, published on gov.uk.

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<sup>1</sup> The Scottish government no longer uses PFI as a procurement method. Information has been provided for PFI projects which are still under contract. New Scottish projects are procured under the Non-Profit Distribution model and do not form part of this data.

<sup>2</sup> Sponsored means projects that are part funded by Departments but delivered by other bodies such as Local Authorities or NHS Trusts.





## 2 2015 summary data

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**2.1** This publication only includes projects that are centrally supported by departments and Devolved Administrations and procured under the standard PFI and PF2 contract terms. Other forms of PPP projects are not covered such as the NHS LIFT schemes<sup>1</sup>; those procured under the Non Profit Distributing (NPD)<sup>2</sup> model used by the devolved administrations; and any PPP project that does not receive a direct revenue support grant.

**2.2** Data is provided for current projects and projects in procurement as at 31 March 2015. Current projects are those which are still under contract; projects which have expired or been terminated are not included.

### Data summary as at March 2015

**2.3** The data shows that:

- There were 722 current projects of which 679 were operational, compared to:
  - 728 current and 671 operational on 31 March 2014
  - 725 current and 665 operational on 31 March 2013
- The total capital value<sup>3</sup> of current PFI deals (which is normally calculated at the financial close of the project) was £57.7 billion compared to:
  - £56.6 billion on 31 March 2014
  - £54.2 billion on 31 March 2013
- Since 31 March 2014, when there were 728 current projects:
  - 7 projects, with a combined capital value of £712.2 million, have reached financial close
  - 2 projects have been added to the current projects list which were omitted in error from previous publications
  - 15 projects have been removed from the current projects list
  - The details of all of these projects can be found in Annex A
- There were 4 projects in procurement with a combined expected capital value of £863 million<sup>3</sup>, compared to:
  - 11 projects with a combined capital value of £816.1 million on 31 March 2014
  - 21 projects with a combined capital value of £2.8 billion on 31 March 2013

**2.4** HM Treasury publishes the following information:

- Current projects – an Excel workbook containing information in relation to projects, including ownership data, which had reached financial close by 31 March 2015

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<sup>1</sup> <http://webarchive.nationalarchives.gov.uk/+/www.dh.gov.uk/en/Aboutus/Procurementandproposals/Publicprivatepartnership/NHSLIFT/index.htm>

<sup>2</sup> <http://www.scottishfuturestrust.org.uk/our-work/funding-and-finance/non-profit-distributing/>

<sup>3</sup> The capital value is the total funding requirement for a project as at the date of financial close of individual contracts. It reflects the aggregate debt and equity finance in a project, plus any capital contributions made by the public sector.

- Projects in procurement – an Excel workbook containing information in relation to projects which had issued an OJEU notice but had not reached financial close by 31 March 2015
- The number of current projects, and their aggregate capital values, reaching financial close in each year – Chart A.1, Annex A
- A breakdown of the government’s portfolio of current projects by central government department and their associated capital values – Table A.1, Annex A
- Estimated aggregated annual payments under PFI contracts – the total unitary charges expected to be paid on all current PFI contracts by financial year – Chart A.2, Annex A
- A list of all projects which reached financial close between 1 April 2014 and 31 March 2015 – Table A.2, Annex A
- A chart of projects in procurement – Chart A.3, Annex A
- A list of projects which were removed from the current projects list as at 31 March 2015 – Table A.3, Annex A
- A list of projects which were added to the current projects list, which reached financial close in previous years – Table A.4, Annex A.

## **Current projects list**

**2.5** This is an Excel workbook containing information in relation to projects which had reached financial close by 31 March 2015, excluding projects which had expired or terminated. It sets out the following information:

- commissioning body and region
- date of OJEU, preferred bidder and financial close
- project status (in operation or in construction)
- operational period of contract
- balance sheet treatment under IFRS, ESA and UK GAAP
- capital value
- unitary charge payments by financial year across the life of the project (these are presented as nominal figures i.e. they have assumptions about indexation and have not been discounted)
- ownership data – details of the current shareholders in the Special Purpose Vehicles (SPVs) that have contracted with the public sector to deliver services
- dates of construction completion and starting operations
- details of the equity holders and special purpose vehicles (SPV)

## **Projects in procurement**

**2.6** This is an Excel workbook containing information in relation to projects which had issued their OJEU notice but had yet to reach financial close. It sets out the following information:

- commissioning body and region

- date of OJEU<sup>4</sup>
- expected date of preferred bidder
- estimated date of financial close
- operational period of contract
- estimated capital value

## General disclaimer

**2.7** The data presented in the Excel workbooks and summary tables is based on returns from central government departments and the devolved administrations and has not been audited by HM Treasury. Some central government departments have relied on data provided by other bodies such as local authorities. The data is presented as at 31 March 2015 and will not be updated until the next data collection exercise for data as at the end of March 2016.

**2.8** Gaps will generally indicate that the department and/or contracting authority has not provided the information. We continue to work with departments to improve the quality and robustness of the data.

**2.9** Data is for projects under contract – projects which have expired or been terminated are not included.

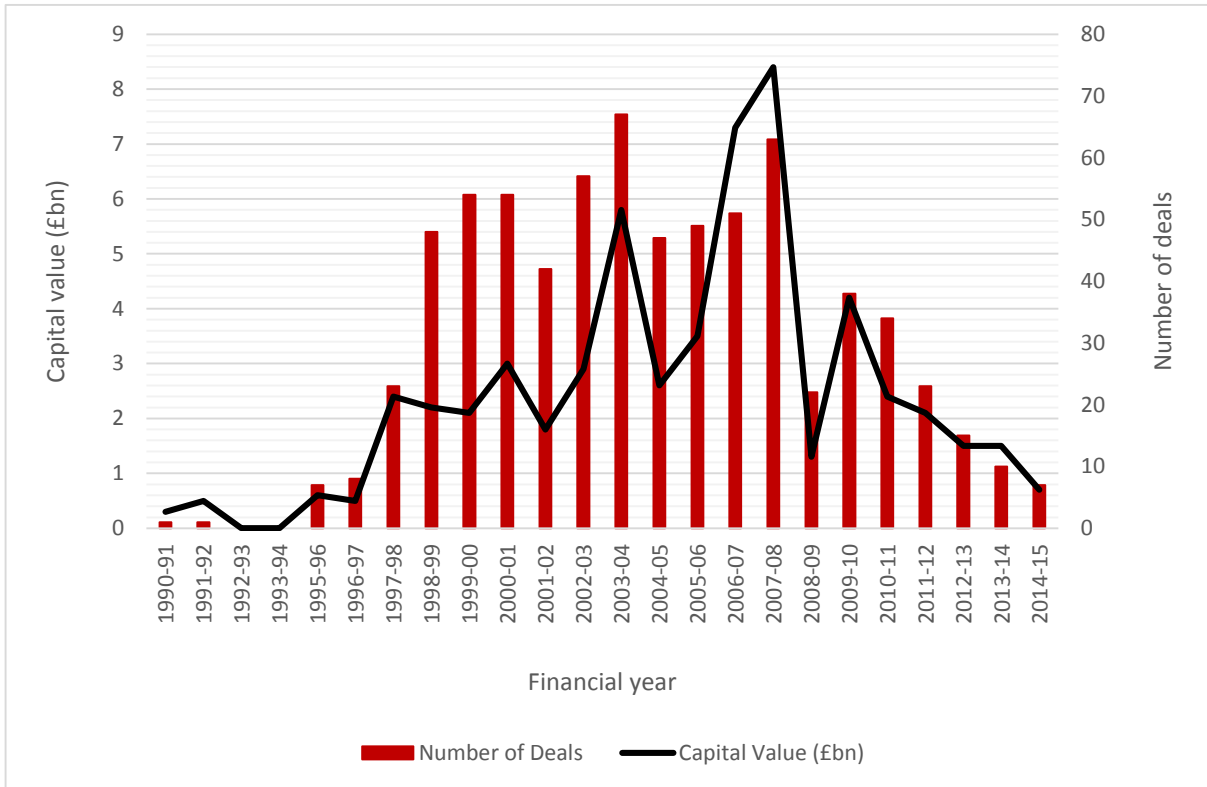
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<sup>4</sup> Official Journal of the European Union.



# A Charts and tables

**Chart A.1: Number of projects reaching financial close and total capital values<sup>a</sup> incurred for current projects**



Source: Figures based on departmental and devolved administration returns. Current projects only – does not include projects that have expired or terminated

<sup>a</sup> Normally calculated at financial close of individual contract

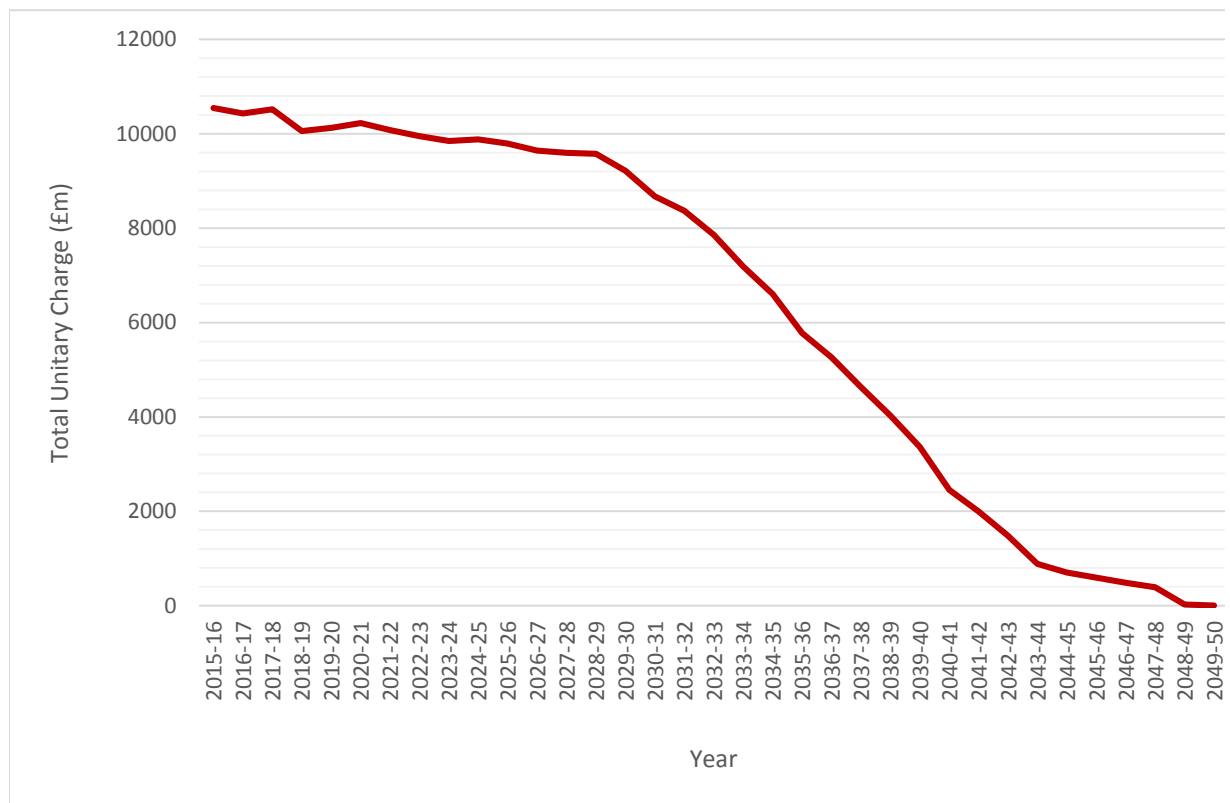
**Table A.1: Portfolio of current PFI projects across government as at 31 March 2015**

<b>Department</b>	<b>Number of projects</b>	<b>Total capital value<sup>a</sup> (£m)</b>
Cabinet Office	1	6.7
Crown Prosecution Service	1	5.8
Department for Business, Innovation and Skills	1	21.8
Department for Communities and Local Government	76	2,833.9
Department for Culture, Media and Sport	17	352.4
Department for Education	171	8,393.2
Department for Energy and Climate Change	1	5.5
Department for Environment, Food and Rural Affairs	28	3,773.1
Department for Transport	61	7,858.2
Department for Work and Pensions	3	1,102.7
Department of Health	125	12,397.2
Foreign and Commonwealth Office	1	17.1
GCHQ	1	331.0
HM Revenue and Customs	4	804.1
HM Treasury	1	141.0
Home Office	28	1,047.9
Ministry of Defence	41	9,506.0
Ministry of Justice	20	863.3
Northern Ireland Executive	37	1,979.9
Scottish government	82	5,681.9
Welsh government	22	564.8
<b>Total</b>	<b>722</b>	<b>57,687.6</b>

*Source: Figures based on departmental and devolved administration returns.*

<sup>a</sup> Normally calculated at financial close of individual contract

**Chart A.2: Estimated payments (in nominal terms, undiscounted) under PFI contracts – current projects**



Source: Figures based on departmental and devolved administration returns.

Figures based on departmental and devolved administration returns. The unitary charge payments should not be confused with the capital costs of projects. Unitary charges include payments for ongoing services (e.g. maintenance, cleaning, catering and security) associated with these projects, as well as repayment of and interest on debt used to finance the capital costs. Unitary charges therefore represent the whole life cost associated with the projects. The capital costs recorded for PFI projects and conventionally procured projects do not include these ongoing costs.

**Table A.2: Projects which have reached financial close since 31 March 2014**

<b>ID</b>	<b>Project name</b>	<b>Project type</b>	<b>Department</b>	<b>Date of financial close</b>	<b>Capital value<sup>a</sup> (£m)</b>
654	Kent Excellent Homes for All	PFI	Department for Communities and Local Government	20/06/2014	40.0
777	Stoke Round 5 Housing Non HRA	PFI	Department for Communities and Local Government	10/07/2014	60.6
786	New Cardiothoracic Centre	PFI	Department of Health	12/03/2015	162.1
847	Extra Care Housing Centre of Excellence	PFI	Department of Health	17/12/2014	44.5
1506	PSBP <sup>b</sup> – Hereford, Luton and Reading	PF2	Department for Education	19/03/2015	160.0
1507	PSBP <sup>b</sup> – North East	PF2	Department for Education	10/03/2015	125.0
1508	PSBP <sup>b</sup> – North West	PF2	Department for Education	25/03/2015	120.0
<b>Total:</b>					<b>712.2</b>

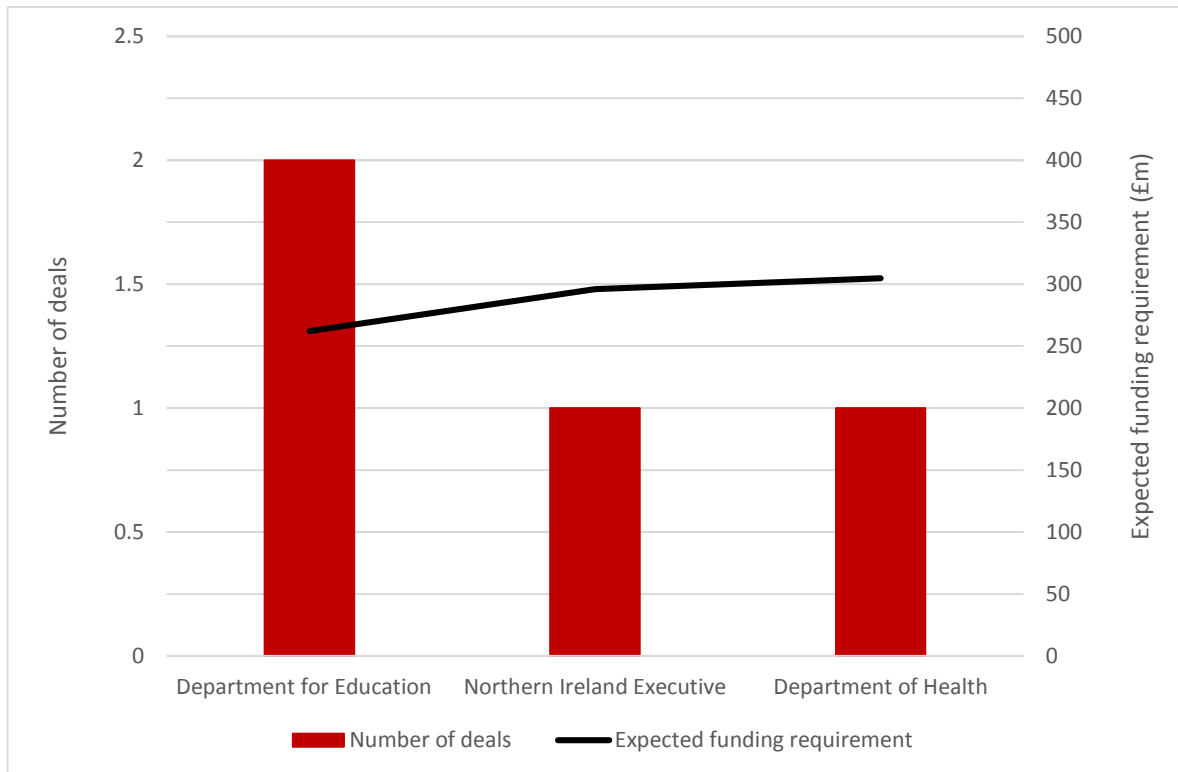
*Source: Figures based on departmental and devolved administration returns.*

<sup>a</sup> Normally calculated at financial close of individual contract

<sup>b</sup> PSBP refers to the Priority Schools Building Programme



**Chart A.3: Number of projects in procurement**



Source: Figures based on departmental and devolved administration returns.

Note: Expected Capital Value at financial close of individual contracts. No capital values provided for Northern Ireland Executive projects.

**Table A.3: Projects removed from the current projects list since 31 March 2014**

ID	Project name	Department	Reason	Capital value <sup>a</sup> (£m)
71	London Borough of Lambeth – Connected Learning Project	Department for Education	Finished	7.1
219	Lancashire Waste Partnership PFI Proposal	Department for Environment, Food and Rural Affairs	Cancelled	262.2
276	MOT Computerisation	Department for Transport	Finished	57.7
338	Hexham General Hospital	Department of Health	Cancelled	54.1
389	Edinburgh PFI	HM Revenue and Customs	Finished	10.0
390	Glasgow PFI	HM Revenue and Customs	Finished	10.0
391	Manchester PFI	HM Revenue and Customs	Finished	32.0
392	Stockport PFI	HM Revenue and Customs	Finished	6.0
490	STC Cookham Wood	Ministry of Defence	Finished	14.3
492	STC Hassockfield	Ministry of Defence	Finished	15.4
494	STC Onley	Ministry of Defence	Finished	18.9
510	Electronic Libraries for Northern Ireland	Northern Ireland Executive	Finished	10.2
596	SCRA – Integrated Information System	Scottish government	Finished	3.0

ID	Project name	Department	Reason	Capital value <sup>a</sup> (£m)
626	Renal Dialysis Unit, Ysbyty Glan Clwyd	Welsh government	Reclassified	1.9
685	Norfolk Waste Management Project	Department for Environment, Food and Rural Affairs	Cancelled	155.1

*Source: Figures based on departmental and devolved administration returns*

<sup>a</sup> Normally calculated at financial close of individual contract

**Table A.4: Projects added to the current list as at 31 March 2015 but reaching financial close in previous years**

ID	Project name	Reason	Capital value <sup>a</sup> (£m)
736	BSF Wave 5 Phase 3c Deansfield & Heathpark	Technical omission	42.0
1512	Dawlish Hospital	Technical omission	3.7

*Source: Figures based on departmental and devolved administration returns*

<sup>a</sup> Normally calculated at financial close of individual contract



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