



National Infrastructure
& Service Transformation
Authority

PFI Governance

A practical guide to reviewing and improving
governance for PFI contract management

PFI Centre of Excellence

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PFI Governance

NISTA PFI guidance

NISTA has produced a range of guidance to support public sector PFI contract managers. This can be found on the [PFI Centre of Excellence website](#).

We welcome your feedback on this guidance. Please contact us via pfi-operations-inbox@nista.gov.uk.

Purpose of this Guidance

1. Explain what governance means in PFI contract management and why it matters.
2. Provide a structured approach to reviewing and improving governance arrangements.
3. Help you align internal governance with contractual mechanisms.
4. Support effective and accountable contract management.
5. Introduce practical toolkits to support governance assessment and improvement.

Audience

This guidance is primarily aimed at PFI contracting authorities, particularly those engaged in day-to-day contract management and senior responsible owners for PFI contracts. In setting shared expectations, this guidance should be useful to all private sector parties.

Using this document

This guidance is not prescriptive, as the activities and the level of activity required will vary based on the nature of the assets and services and the form of the PFI contract. Instead, it offers a framework which will need adapting to the specific circumstances of your project.

[A PFI Glossary of Terms can be found here](#)

Legal caveat

This guidance is intended to help you identify practical steps for managing your PFI project: what to do, why it matters, and how to approach it. Given the wide range of PFI contracts, the guidance is necessarily generic and does not override the terms of your specific agreement. Any action should only be taken after careful consideration. This document is not legal, professional or technical advice. You should always seek formal professional advice where appropriate.

Icon Key



Warning



Tip



Note



Toolkits



Appendices

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Toolkits



TOOLKIT 1: Quick Governance Health Check



TOOLKIT 2: Governance Mapping Template



TOOLKIT 3: Governance Effectiveness Review



TOOLKIT 4: Terms of Reference and Minutes
Template for Governance Meetings



TOOLKIT 5: Managing Risk

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1. What is governance in a PFI context?

Governance in PFI contract management refers to the integrated framework of structures, processes and people through which a public sector authority directs, oversees and holds accountable both its internal teams and its private sector partners. It defines who has the authority to make decisions, who is responsible for implementing them and how performance, compliance, assurance and ethical standards are maintained, ensuring alignment between internal governance arrangements and the formal mechanisms embedded in the PFI contract to deliver value for money and public services.

2. Governance in practice

Effective governance in PFI contract management relies on a clear and coordinated framework of structures, roles and processes. This is based on nine core governance elements that underpin good practice, reflecting both internal arrangements within the public sector authority and the contractual mechanisms established with the private sector partner.

Governance bodies	Roles, people and accountability	Decision-making
Performance management	Change control	Risk and issue management
Audit and assurance	Transparency and ethics	Documentation and records

A detailed summary of each element, including internal and contractual arrangements, indicators of what good looks like with example practices is provided in Appendix 1. Together, they provide a practical reference point for contracting authorities to assess whether governance arrangements are in place and functioning effectively.

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3. Governance is dynamic

Governance in PFI contracts is not static. It must adapt to reflect the evolving nature of the project and the environment in which it operates. This includes:



Contract phases

Governance arrangements may need to shift between mobilisation, operational delivery and periods of change or transition.



Events and triggers

Events, such as disputes, refinancing, expiry or service failures, may require escalation, additional oversight or temporary governance enhancements.



Organisational change

Changes in personnel, structure or policy within the public authority or private partner may necessitate updates to roles, responsibilities or decision-making processes.



Effective governance is responsive and should be reviewed periodically and adjusted to ensure it remains fit for purpose throughout the life of the contract.

4. Reviewing your governance arrangements

The following steps provide a structured approach to assess your current arrangements and identify areas for improvement.

Step 1

4.1 Clarify purpose and prepare for review

Before reviewing the detail of your governance arrangements, it is important to step back and consider the overall purpose and whether these remain fit for the current context.



USE TOOLKIT 1: Quick Governance Health Check to support this. The toolkit includes:

- A checklist to assess whether core governance features are in place.
- Prompts to consider strategic context, contract phase and the appropriate level of governance oversight (i.e. how structured or formal your governance arrangements need to be).
- A log to capture known issues.
- A reflection section to help you decide whether to proceed with a full governance review (**Steps 2–5**) or pause and revisit later.

Either way, it is good practice to record your findings and rationale.

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Step 2

4.2 Map your governance arrangements

Once you have clarified the purpose and context of your governance arrangements (**Step 1**), the next step is to map what currently exists. This provides a structured baseline for assessing effectiveness and identifying improvements.

Use the key governance elements (summarised in Appendix 1) as a framework to guide your mapping. For each element, consider what arrangements are currently in place, what supporting documents and systems exist, and whether there are any known issues or gaps.



TOOLKIT 2: Governance Mapping Template provides a structured format to help you:

- Record your findings for each governance element.
- Reference existing artefacts (e.g. terms of reference, risk registers).
- Identify any gaps, inconsistencies or improvement areas.

The completed toolkit provides a factual baseline of your current governance arrangements. You will use this in **Step 3** to assess how well these arrangements are working and where improvements may be needed.

Step 3

4.3 Assess the effectiveness of your governance arrangements

With a clear picture of your current governance arrangements in place (**Step 2**), the next step is to assess how well these arrangements are working in practice. This will help you move from description to evaluation, identifying strengths, weaknesses and areas for improvement.



TOOLKIT 3: Governance Effectiveness Review provides a structured format to:

- Rate each governance element (as set out in Appendix 1).
- Reflect on prompt questions to guide your assessment.
- Record observations and evidence.
- Identify potential improvement areas.

This assessment will help you prepare for stakeholder engagement (**Step 4**) and prioritisation of actions (**Step 5**).

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Step 4

4.4 Engage stakeholders

After assessing your governance arrangements internally, the next step is to engage key stakeholders to validate your findings, uncover blind spots, and build support for any changes. This ensures that governance arrangements are not only well-designed but also work effectively in practice.

You should engage a cross-section of internal and external stakeholders, such as:

- Senior Responsible Owner (SRO).
- Contract management team.
- Legal, finance and technical leads.
- Private sector partners, for example the PFI Co and service provider representatives.
- Relevant internal governance or oversight bodies.

Use the same governance elements from [TOOLKIT 2](#) and [TOOLKIT 3](#) to structure your engagement. For each element, ask:

- Are the arrangements clear and understood?
- Are they working as intended?
- Are there any gaps, inefficiencies or frustrations?

You can record stakeholder feedback directly in your existing [TOOLKIT 3](#) by adding a column and notes to capture comments and suggested improvements.



Focus on practical insights. Stakeholders often highlight issues that are not visible in documentation, such as meeting effectiveness, unclear roles or bottlenecks in decision-making.

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Step 5

4.5 Identify and prioritise actions

The final step in your review is to identify where improvements are needed and agree what action to take. This should be based on the evidence gathered through your mapping (**Step 2**), effectiveness review (**Step 3**) and stakeholder engagement (**Step 4**).

Review your findings: Bring together the outputs from **TOOLKIT 2** and **TOOLKIT 3**. Look for:

- Areas rated 'Red' or 'Amber'.
- Recurring issues.
- Gaps between documented arrangements and how they operate in practice.

Prioritise improvements: Not all issues will require immediate action. Prioritise based on:

- **Risk** – Does the issue expose the contracting authority to significant operational, financial or reputational risk?
- **Impact** – Will addressing it improve decision-making, performance or accountability?
- **Urgency** – Are there upcoming events (e.g. expiry, refinancing) that require changes now?

- You may wish to use a simple 'Low/Medium/High' scale to support this process.

Plan and assign actions: For each priority area:

- Define the action required.
- Assign an owner.
- Set a target date for completion.

You can record this in a short action plan or by adding a final column to **TOOLKIT 3**.



Focus on actions that will make governance more effective and proportionate. Improvements do not need to be complex, for example clarifying roles, streamlining meetings or improving documentation can have a significant impact.

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5. Embedding and maintaining governance

Governance is not static. Once improvements have been made, arrangements should be embedded into day-to-day practice and revisited periodically to ensure they remain proportionate, effective and aligned with the contract's needs.



Use governance meetings, annual reviews and key contract events as natural points to reflect on whether your arrangements are still working and adjust where needed.

6. Additional toolkits to support governance practice

This section introduces a set of additional optional toolkits designed to support the implementation and improvement of PFI governance arrangements. These tools can be used:

- As part of a structured governance review (particularly Step 5: Identify and prioritise actions), or
- As standalone resources to strengthen specific aspects of governance practice.

Each toolkit can be adapted to suit the needs of your project.



TOOLKIT 4: Terms of Reference and Minutes Templates for Governance Meetings.



TOOLKIT 5: Managing Risk.

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Appendix 1: This appendix sets out nine core governance elements in detail. For each element, it describes:

- Internal arrangements within the contracting authority.
- Contractual arrangements with the private sector partner.
- What good governance looks like in practice.
- Example practices and artefacts that support effective implementation.

Key element	Contracting authority arrangements	Contractual arrangements	What good looks like	Example practices
Governance bodies	Governance boards, steering groups and escalation panels with defined terms of reference and authority.	Joint liaison boards or governance groups defined in the contract for shared oversight.	Clear, active governance bodies with defined roles and escalation routes. Meetings are purposeful and support strategic oversight or operational management.	Terms of reference, governance maps, meeting schedules.
Roles, people and accountability	Contract managers, legal, finance and technical leads with clear responsibilities and reporting lines. Mechanisms in place for structured engagement with internal and external stakeholders.	Named representatives, service managers and escalation contacts with defined responsibilities. Contractual provisions may specify roles for decision-making, reporting and issue resolution.	Roles are clearly defined and understood. There is continuity in key positions and accountability is embedded. Stakeholder relationships are actively managed, and engagement is structured and purposeful.	RACI matrix, role descriptions, induction material, stakeholder engagement plans, user group feedback loops.

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Key element	Contracting authority arrangements	Contractual arrangements	What good looks like	Example practices
Decision making	Delegated authority frameworks, internal approval processes and escalation protocols.	Contractual provisions for decision rights, joint approvals and dispute resolution mechanisms.	Decisions are timely, transparent and made at the appropriate level. Delegations are clear and followed.	Delegation matrix, decision logs, escalation protocols.
Performance management	Internal monitoring and reporting of service performance and financial risks. Affordability is tracked against budgets. Payment calculations are validated. Financial health of the project is reviewed periodically.	Contractual mechanisms define KPIs, SLAs, performance deductions and payment terms. Lifecycle fund obligations and financial reporting may be specified in the contract.	Performance and financial data are monitored and used to drive improvement. Payment processes are accurate and transparent. Financial risks are identified and managed.	KPI reports, performance dashboards, affordability assessments, payment validation logs, lifecycle fund reviews, financial health checks.
Change control	Internal review and approval of proposed changes, with legal and financial input.	Formal change control procedures, including variation requests and pricing mechanisms.	Changes follow a formal process with appropriate review and documentation. Value for money is considered.	Change request forms, variation logs, approval records.
Risk and issue management	Risk registers, internal escalation protocols and assurance reviews.	Contractual risk allocation, issue logs and mitigation responsibilities.	Risks are identified, logged and reviewed regularly. Issues are escalated and resolved through defined processes.	Risk register, issue log, mitigation plans, joint risk workshops.

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Key element	Contracting authority arrangements	Contractual arrangements	What good looks like	Example practices
Audit and assurance	Internal audit, compliance reviews and external scrutiny (e.g. NAO, internal audit).	Contractual audit rights, third-party reviews and compliance obligations.	Audit activity is planned and acted upon. Assurance is proportionate and informs governance.	Audit plans, findings tracker, assurance reports.
Transparency and ethics	Ethical standards, public accountability and compliance with codes of conduct and public law.	Contractual obligations for transparency, conduct and compliance with public sector values.	Governance behaviours reflect public sector values. Decisions are documented and accessible.	Code of conduct, published minutes, gifts register.
Documentation and records	Governance manuals, decision logs, meeting minutes and audit trails.	Contractual documentation, variation logs and formal records of decisions and performance.	Governance records are complete, accessible and up to date. Documentation supports accountability.	Document register, meeting minutes, contract file structure.