

MPs lay boot into PFI again

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PFI speculators are making 'eye-wateringly high rewards' for 'ever decreasing risks', according to the House of Commons Public Accounts Committee (PAC).



A report out today, *Equity investment in privately financed projects*, adds to a string of recent hard-hitting criticism of the private finance initiative model for procuring major projects.

The Treasury is currently reviewing the PFI. The PAC says that "it needs to address the intrinsic flaws in the current model by improving flexibility in the way that private finance is used, establishing quicker and more efficient procurement procedures and achieving a better balance between investors' risks and their rewards".

PFI has been used simply to get public spending off the national balance sheet, the MPs note, and not because it offers value.

The MPs say that on low risk contracts, profits should be capped at an agreed level.

They also criticise 30-year contracts as too inflexible as they often tie contractors into providing a level of service that may be inappropriate in the future.

PAC chair Margaret Hodge said: "When a public authority chooses to fund a project using private finance it must be able to demonstrate that this was the best way to deliver real value for money for the taxpayer, not just a way to keep the project off the balance sheet.

"For too long, public sector authorities have treated 30-year PFI contracts as the only game in town. This has to end.

"The current model of PFI is unsustainable. Time and again my committee has reported on problems with PFI, including the costly contracting process and the prospect of little risk being transferred but high returns being enjoyed by investors. 30 year contracts are inflexible and don't allow managers to alter priorities or change services that have become outdated. We have even seen evidence of excess profits being priced into projects from the start.

"The Treasury has now embarked on a rethink and that must be radical, producing a qualitatively different policy.

"The Treasury review must find a private finance funding model that allows flexible delivery of public services and ends the era of investors receiving eye-wateringly high rewards while taking ever decreasing risks.

"Private companies benefitting from taxpayer funded contracts must be transparent over the use of public money so that the public can be assured that value is being secured from the investment."

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