

PFI is back - and it will be at cost to us all

Published: January 12, 2026, 9:18 pm

The [FT has reported this morning](#) that:

The government has sounded out private finance investors about backing up to 200 neighbourhood health centres, in a move that could transform NHS care in England but threatens to reignite a fierce debate over the funding model.

Investors would win long-term contracts to design, build and manage local NHS centres with the aim of having one in every community by 2035 and the most deprived areas targeted first, under plans set out in documents from the Department of Health and Social Care and seen by the Financial Times.

The new PFI clinics would combine healthcare, voluntary and local authority services in a “one-stop shop” aimed at moving care out of hospitals, with construction costs ranging from £10mn to £40mn per facility using a “standardised design”.

This is, of course, a straightforward revival of the totally failed and discredited Private Finance Initiative (PFI), first used by the Tories in the 1990s, but then massively expanded by Labour, with outcomes that are still harming public services today.

PFI was once hailed as a miracle cure for Britain’s crumbling schools, hospitals and transport. It was claimed that new infrastructure would be built without the government “borrowing a penny”. That was never true. Instead, what we got was a thirty-year lesson in how ideology, accountancy tricks and private profit can undermine the public good.

First, the whole project was built on a false premise. Governments that issue their own currency, like the UK, can always finance their own investment. There was never any need to rely on private capital to build a hospital or a school. The claim that “there is no money”, implicit in all PFI projects, was political theatre, not economic reality.

Second, PFI was vastly more expensive than public borrowing. Contractors and financiers charged interest rates and demanded returns far higher than those the government itself would ever have faced. Over the life of many contracts, the

government has ended up repaying two or three times the original construction cost. The profits were privatised, the risks were socialised.

Third, the so-called “value for money” tests that justified PFI were rigged. Treasury guidance required an analysis of whether private finance really offered savings over public borrowing. The answer was always yes—because the models assumed enormous “risk transfer” to the private sector. In reality, the government could never let a hospital close if a contractor failed. The risks never went away; they simply stayed with us.

Fourth, the contracts themselves were inflexible and punitive. Most ran for 25–30 years. They locked public bodies into rigid repayment schedules and imposed penalties for even minor changes. A hospital that needed to reconfigure a ward could find itself paying hundreds of pounds just to move a plug socket. The deals served financiers, not patients or teachers.

Fifth, PFI was all about hiding debt. By shifting liabilities off the government balance sheet, ministers could claim they were investing without borrowing. This was pure fiscal sleight of hand. The liabilities were still real. They just appeared in a different column, one that was less visible to the public.

Sixth, the outcomes were poor. Because PFI bundled together construction, maintenance and services, contractors cut corners to maximise their margins. Cleaning, catering and upkeep often suffered. Many NHS trusts found themselves short of money for staff because their PFI repayments consumed so much of their annual budgets.

Finally, the model collapsed under its own weight. By the 2010s, the National Audit Office, parliamentary committees and even some former ministers admitted that PFI had not delivered value for money. In 2018, the Tory government stopped new PFI deals. But the old ones still haunt budgets to this day.

So, let's be clear: PFI was never really about efficiency or innovation. It was about ideology. It allowed politicians to shrink the visible size of the state, hide public debt, and hand guaranteed profits to the private sector. The public will still be paying the bill for decades to come.

If we are serious about rebuilding this country, the lesson is obvious. The state must invest directly in its own future. Anything else is smoke, mirrors and private gain at public expense. And yet, Wes Streeting appears to be intent on reviving this failed model. Why is that?