



## Making Changes in Operational PFI Projects

There are now over 500 operational PFI projects with a combined capital value of £57 billion; future payments will top £181 billion. The long term nature of PFI schemes means that during their lifetime (typically 25 to 30 years), adjustments will likely be needed in terms of the output: variations to the services and assets provided under the PFI project are necessary because of some circumstantial changes. Such needs are catered for through 'change protocols' included within PFI contracts.

However, changes to PFI projects already up and running can have huge financial implications. On June 23 2008, the House of Commons Committee of Public Accounts published a report on the issue of changes made. This follows on from a January 2008 National Audit Office report on the same matter. The report highlighted some controversial issues relating to inconsistencies and inefficiencies when comparing costs between PFI schemes.

### Issues Considered

- Staffing, management changes and related expense – the resources for staffing and management vary considerably between PFI projects.
- Larger value changes and the reasons they are not put out to competitive tender.
- Management fees being charged by Special Purpose Vehicles.
- The value for money of small changes.

### Conclusions

- Many operational PFI contracts are under-managed.
- The Treasury has limited capacity to control the allocation of resources to contract management at a local level.
- Insufficient central support for contract managers.
- More than a quarter of project changes over £100,000 are not subject to competition.
- Management fees cost the taxpayer over £6 million a year.
- There was significant variation in the cost of making similar, minor changes between PFI projects.

The report may be viewed here:

<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmpubacc/332/332.pdf>

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