

Education And Debate

Private finance and “value for money” in NHS hospitals: a policy in search of a rationale?

BMJ 2002; 324 doi: <https://doi.org/10.1136/bmj.324.7347.1205> (Published 18 May 2002) Cite this as: BMJ 2002;324:1205

- [Article](#)
- [Related content](#)
- [Metrics](#)
- [Responses](#)
- [Peer review](#)
- 

Allyson M Pollock, professor (allyson.pollock@ucl.ac.uk)^a, **Jean Shaoul**, senior lecturer^b, **Neil Vickers**, senior research fellow^a

[Author affiliations](#)

Correspondence to: Professor Pollock

Allyson Pollock and her colleagues have long argued that using the private finance initiative to build NHS hospitals is an expensive way of building new capacity that constrains services and limits future options. Here they provide evidence that the justification for using private finance—that it offers value for money through lowering costs over the life of the project and by removing risk from NHS trusts—is a sleight of hand

Since 1992 the British government has favoured paying for capital works in the public service through the private finance initiative (PFI)—that is, through loans raised by the private sector. For hospitals this means that a private sector consortium designs, builds, finances, and operates the hospital. In return the NHS trust pays an annual fee to cover both the capital cost, including the cost of borrowing, and maintenance of the hospital and any non-clinical services provided over the 25-35 year life of the contract. The policy has been controversial because of its high cost and impact on clinical budgets.^{1 2 3 4 5 6}

When first introduced in 1992 proponents claimed that PFI would lead to more investment without increasing the public sector borrowing requirement. However, the UK budget surpluses of recent years (£23bn for 2000-1 alone) have been much greater than the total of £14bn private investment deals signed in 1997-2001. The present generation of taxpayers could have funded considerably more capital investment out of existing revenue instead of displacing the cost on to future generations.^{7 8}

Furthermore, there is no evidence that PFI has increased overall levels of service. On the contrary, its use in the NHS has had two main effects. Firstly, it has displaced the burden of debt from central government to NHS trusts and with it the

Cookies and privacy

We and our **216** partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Cookie settings link on the bottom of the webpage . Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Cookie policy](#).

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

I Accept

Reject All

Manage preferences

- [Need to activate](#)
- [Log in via institution](#)
- [Log in via OpenAthens](#)

Log in through your institution

Subscribe from £184 *

Subscribe and get access to all BMJ articles, and much more.

[Subscribe](#)

* For online subscription

Access this article for 1 day for:

£50 / \$60/ €56 ([excludes VAT](#))





You can download a PDF version for your personal record.

[Buy this article](#)

-  Post
-

Article tools

 [PDF](#)  [11 responses](#)

-  [Respond to this article](#)
-  [Data supplement](#)
-  [Print](#)
-  [Alerts & updates](#)

Article alerts

Please note: your email address is provided to the journal, which may use this information for marketing purposes.

[Log in or register](#)

Cookies and privacy

We and our **216** partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Cookie settings link on the bottom of the webpage . Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Cookie policy](#).

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

I Accept

Reject All


[Manage preferences](#)

- EndNote 8 (xml)
- RefWorks Tagged (win & mac)
- RIS (win only)
- Medlars

[Download](#)
[Download](#)
[Download](#)
[Download](#)

Help

If you are unable to import citations, please contact technical support for your product directly (links go to external sites):

- [EndNote](#)
- [ProCite](#)
- [Reference Manager](#)
- [RefWorks](#)
- [Zotero](#)
- [Request permissions](#)
-  [Author citation](#)
- [Articles by Allyson M Pollock](#)
- [Add article to BMJ Portfolio](#)
- [Articles by Neil Vickers](#)

[Email to a friend](#)

Forward this page

Thank you for your interest in spreading the word about The BMJ.

NOTE: We only request your email address so that the person you are recommending the page to knows that you wanted them to see it, and that it is not junk mail. We do not capture any email address.

Username *

Your Email *

Send To *

You are going to email the following [Private finance and “value for money” in NHS hospitals: a policy in search of a rationale?](#)
 Your Personal Message

CAPTCHA

This question is for testing whether or not you are a human visitor and to prevent automated spam submissions.

Cookies and privacy

We and our **216** partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Cookie settings link on the bottom of the webpage . Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Cookie policy](#).

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.





List of Partners (vendors)

I Accept

Reject All

[Manage preferences](#)



-  Picked up by **2** news outlets
-  Referenced in **3** policy sources
-  Posted by **9** X users
-  **57** readers on Mendeley

[See more details](#)

 Check for updates

This week's poll

Should medical students be encouraged to use generative artificial intelligence to study?

- ☐ Yes
- ☐ No

[Vote](#) [View Results](#)

[Read](#) related article

[See](#) previous polls

[Back to top](#)

Cookies and privacy

We and our **216** partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Cookie settings link on the bottom of the webpage . Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Cookie policy](#).

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

I Accept

Reject All

[Manage preferences](#)