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Forum**



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PROGRESSIVE MARKETS 02

**Empowering mayors with progressive
public-private partnerships for growth and
regeneration**

By Matt Bevington, Bruno Dent
and Dillon Lancaster

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The contents and opinions expressed in this paper are those of the authors only.

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About and acknowledgements

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We are especially grateful to Dr Eleanor Woodhouse for being so generous with her time and expertise.

Thank you too to Roseter,¹ an AI start-up who created a bespoke interactive tool for this report mapping underused public land across ten boroughs in Greater Manchester – turning it into a verified shortlist in just a few weeks. It is what project development at mayoral authority level should look like.

Within FGF, particular thanks go to Ram Puvinathan and Gil Richards for their work on this project, and to Hamida Ali, Alex Bevan, Tom Collinge, Dan Corry and Adam Terry for reading drafts and providing invaluable feedback.

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About The Future Governance Forum

The Future Governance Forum (FGF) is a progressive, non-partisan think tank focused on transforming the state with the ultimate goal of renewing the nation. We make politically credible recommendations for reforms that can be delivered nationally and locally, build strong networks to test new ideas, and collaborate and use our relationships with public, private and social sector leaders to innovate.

About Trowers and Hamlins

Trowers & Hamlins is an international law firm with a leading public sector practice, advising government bodies, strategic authorities, local authorities, registered

¹ Find out more about Roseter [here](#).

providers and public sector partners across the UK and internationally. With more than 170 partners and 1,000 people across 11 offices, the firm combines deep sector expertise in public services, housing, real estate, employment, finance and infrastructure to help organisations deliver change and tackle complex social and economic challenges.

About the authors

Matt Bevington is a Policy Associate at The Future Governance Forum. He recently left government having served as the Special Adviser for policy to the Secretary of State for Science, Innovation & Technology. Prior to that, Matt set up a research and advocacy programme at a new start-up NGO Loom Strategy. He previously spent five years in political consultancy, advising global investors on political and regulatory risk. In 2024, Matt authored FGF's report 'Rebuilding the Nation 03: Infrastructure Investment Partnerships', arguing for public-private partnerships to be brought back into use, which has since become government policy.

Bruno Dent is a Researcher at The Future Governance Forum, having previously worked at the think tank Centre for Cities.

Dillon Lancaster is an Economist at The Future Governance Forum, with a particular focus on the Progressive Markets workstream. He previously managed a global strategic bond fund.

Supportive voices



The Chancellor has rightly identified growth as the only sustainable pathway from indebtedness to prosperity in every corner of the UK. That not only means Number 10 North and the Treasury working closely together, but mayors and other local leaders being empowered with the tools, capacity and long-term investment partnerships to drive more investment, innovation and jobs for their areas.

A modern suite of infrastructure will be imperative. We cannot pass today's infrastructure deficit to our children and grandchildren. Building the schools, hospitals, homes and transport links will require mobilising public and private capital alike, so that we not only help cities like Milton Keynes – in which half of my constituency is located – realise the full potential of the Oxford-Cambridge Growth Corridor that will be so important for Britain's long-term economic competitiveness, but also increase the prosperity and life chances of Britons everywhere.

Callum Anderson MP

Labour MP for Buckingham and Bletchley



This report is clear-sighted about the benefits of public and private sectors working together to deliver new community-building projects.

We are pleased the authors chose to case study Plenary's New Footscray Hospital project in Melbourne's industrial western suburbs – Victoria's largest ever Hospital build. An investment of \$1.5 billion in a local community like Footscray is economically and socially transformative. It has also created a significant health precinct – leveraging private investment, universities and the public sector to create a community asset and economic opportunity.

The report's focus on a strategic precinct approach shows PPPs have a transformative impact; providing a catalyst for social policy outcomes and for private capital regeneration, well beyond the civic infrastructure itself.

Damien Augustinus

Group Head of Infrastructure, Plenary



The Welsh Labour Government's Mutual Investment Model allowed us to deliver major infrastructure investment that would otherwise have been impossible within the constraints on public capital. We deliberately learned the lessons of traditional PFI, creating a model based on transparency, partnership and allocating risk to the party best placed to manage it. The Welsh Government takes an equity stake, giving the public sector a seat at the table and a share in investment returns. Crucially, MIM also embeds wider community benefits into projects – supporting local jobs, skills, apprenticeships and supply chains. It shows that public-private partnership can be designed around public value.

Rebecca Evans

former Cabinet Secretary for Finance (2018–24), Welsh Government



This report makes a compelling case for giving mayors the tools, flexibility and accountability to unlock investment that can transform communities. By bringing together public ambition and private sector expertise, it highlights how a new generation of partnerships can deliver not just vital infrastructure, but wider regeneration, skills and long-term economic growth. At a time when public resources are under pressure, this is a practical and forward looking blueprint for delivering meaningful change across the UK.

Amardeep Gill

Partner and Head of Public Sector, Trowers & Hamlins



Business has been clear that the UK's infrastructure deficit will not be closed by public capital alone. This report offers a practical route forward: giving mayors the freedom, funding and capability to use partnerships that deliver genuine public value. Firms want to invest, but they need a credible pipeline and clarity on delivery. Moving decision-making closer to places is how we turn ambition into spades in the ground.

Mark Goldstone

Head of Industrial and Infrastructure Policy, CBI



Private finance has an important role in meeting the UK's infrastructure needs, but lessons from past programmes must be applied to ensure public value. This welcome report recognises that stronger public sector capability and a broader range of financing approaches will be key to achieving better regional outcomes.

Sam Gould

Director of Policy and External Affairs, Institution of Civil Engineers



This report offers practical and thoughtful answers to one of the big challenges facing the country today: how to get more private investment into the infrastructure we need. There is no shortage of capital: investors are ready and willing. The need is a bigger pipeline of investable projects. The partnership approach explored in this report, connecting central and devolved government with investors, is exactly what's needed.

James Kirkup

Partner, Apella Advisors



This report makes a valuable contribution to the debate on how the UK can attract more long-term investment into infrastructure. By learning from past experience and focusing on genuine partnerships, shared outcomes and community benefits, mayoral authorities could be enabled to unlock significant long-term investment. Strong investor appetite and available capital exists, the key challenge is removing the policy barriers to deploying at scale.

Darryl Murphy

Managing Director, Infrastructure, Aviva Investors



The UK has a chronic infrastructure investment gap, and public capital alone will not close it. This report is right that the answer is not a return to PFI volumes but a smarter, more accountable model. And it is right that mayors should have the tools to deliver. The governance it sets out, from pan-regional scrutiny to Mayoral Directions and a delivery taskforce with genuine market credibility at the centre, is what makes that case credible. Get those foundations in place and greater autonomy on delivery can properly follow.

Mike Reader MP

Chair of the Infrastructure APPG and former Director at Mace

Executive summary

Good growth and regeneration are, rightly, urgent priorities for the government. Yet time is short. Fiscal constraints remain imposing. And the state of Britain's public realm is worse than when we penned our previous report on public-private partnerships (PPPs) – 'Rebuilding the Nation 03: Infrastructure Investment Partnerships' – in 2024.²

At FGF, we believe that the government needs to shape markets towards progressive ends. In the current context, leveraging capital, expertise and capacity by partnering with the private sector is vital for delivering the visible change – and progress – the public craves. The government needs to show voters a credible path towards a better future for their communities.

In *Rebuilding the Nation 03* we argued for the reintroduction of public-private partnerships (PPPs) into the government's toolbox for delivering public infrastructure. Specifically, we called for a new, progressive model of PPPs: Infrastructure Investment Partnerships (IIPs). This model learns the lessons from the mistakes of private finance initiatives (PFI), especially early pathfinder projects, and builds on how progressive governments in Wales, Australia and elsewhere have adapted and deployed PPPs since.

Unlike PFI, this approach would use PPPs strategically, not thoughtlessly nor by default. It would deliver public control and transparency, not be hands-off and opaque. And it would focus on delivering for workers and communities, not treating them as financial assets for investors overseas with no stake in those places. We also made the case that a mayoral model – Mayoral Infrastructure Investment Partnerships, or Mayoral IIPs – should be developed.

Subsequently, the government decided to pursue new PPP programmes for Neighbourhood Health Centres and public-sector decarbonisation. These were a welcome start, but progress since has slowed. Over a year since the 10-year Infrastructure Strategy, no substantial pipeline has followed, and our understanding is that no further PPP programmes are currently in development. With less than three years left in this Parliament to make meaningful progress, there is both the opportunity, and the need, to go further and faster.

We begin this report by rehearsing the main features of the case for using PPPs in delivery of public infrastructure. In contrast to the PFI era, we argue they should be used selectively and strategically, focused on high-potential projects that can bring

² Future Governance Forum, ['Rebuilding the Nation 03: Infrastructure Investment Partnerships'](#), 2024.

major positive spillovers, such as for regeneration, alongside new public infrastructure.

We then return to the Mayoral IIP model that we called for in our previous report, which proposed that combined authorities be empowered to use these where there was a strong business case, underpinned by integrated funding settlements. Two years on, we have taken that thinking further, setting out in detail how such a model should work: its design, the conditions needed for success, and how it should be governed, funded and resourced.

Our recommendations to the government are as follows.

1. Giving mayors freedom to use new progressive public-private partnerships for public infrastructure

Mayoral Strategic Authorities (MSAs) should be given the freedom to pursue a new progressive model of PPPs – Mayoral IIPs – if they wish. MSAs should prioritise using PPPs for regeneration projects and set ambitious social and community benefit objectives focused on delivering training and apprenticeship opportunities for young people.

2. Devolving new strategic infrastructure funding as PFI contracts end

As existing PFI contracts increasingly come to an end across England, funding freed up should be reallocated to MSAs and ringfenced for strategic infrastructure investment. Capital and interest repayment costs from PFI contracts are due to fall by around £500mn by 2032-33, and by £1.7bn by 2037-38. A proportional share of these figures allocated to a mid-sized MSA like the North East would give them an additional £17mn a year by 2032-33 and £58mn by 2037-38. Unless a conscious choice is made to reuse these funds for public infrastructure, they will be absorbed back into existing budgets and likely diverted elsewhere.

3. Building a new, pan-regional layer of infrastructure delivery support and scrutiny

MSAs should establish pan-regional infrastructure delivery bodies to provide common resources, expertise and support in developing PPPs and other infrastructure projects. For example, the combined authorities in the West Midlands, East Midlands and Lincolnshire should establish Infrastructure Midlands. These bodies would share out costs, help to reduce consultancy spend, and particularly help smaller and newer MSAs.

Alongside these, pan-regional scrutiny bodies should be established to hold MSAs to account, including on the use of PPPs. These build on the concept of regional public

accounts committees that we proposed in *Impactful Devolution 04*.³ This would again allow MSAs to spread the administrative cost and ensure consistent scrutiny across each MSA area. At a minimum, they should include representation from regional MPs, councils, and leaders and experts from other domains within MSA areas.

4. A new co-ordination body at the centre, based in Number 10 North

A new infrastructure delivery taskforce should be established in Number 10 North. Its purpose should be to progress as many MSA projects as possible towards construction. It should be led by a senior figure with market credibility and public-sector experience. The taskforce should draw in the best-performing officials from the Infrastructure and Growth team in the Treasury, the National Infrastructure and Service Transformation Authority (NISTA), the Office for Investment (OfI) and UK Government Investments (UKGI). Where necessary, it should also co-ordinate and arbitrate disagreements between MSAs.

5. Mayoral Directions to complement MSA Chief Executive Accounting Officer responsibility

Alongside a new pan-regional scrutiny body, we support the intention of the government to give MSA Chief Executives Accounting Officer responsibility. It is right that the senior official held to account for spending decisions is located within the strategic authority area where those decisions are made. With this, there needs to be a formal, transparent mechanism to resolve any disagreements between Accounting Officers and elected mayors on value for money questions. Where MSA Chief Executives consider spending decisions not to be value for money, they should be able to require a published Mayoral Direction in order to proceed, similar to Ministerial Directions in central government departments, if mayors decide to go ahead nonetheless.

6. Updating the governance and accountability system

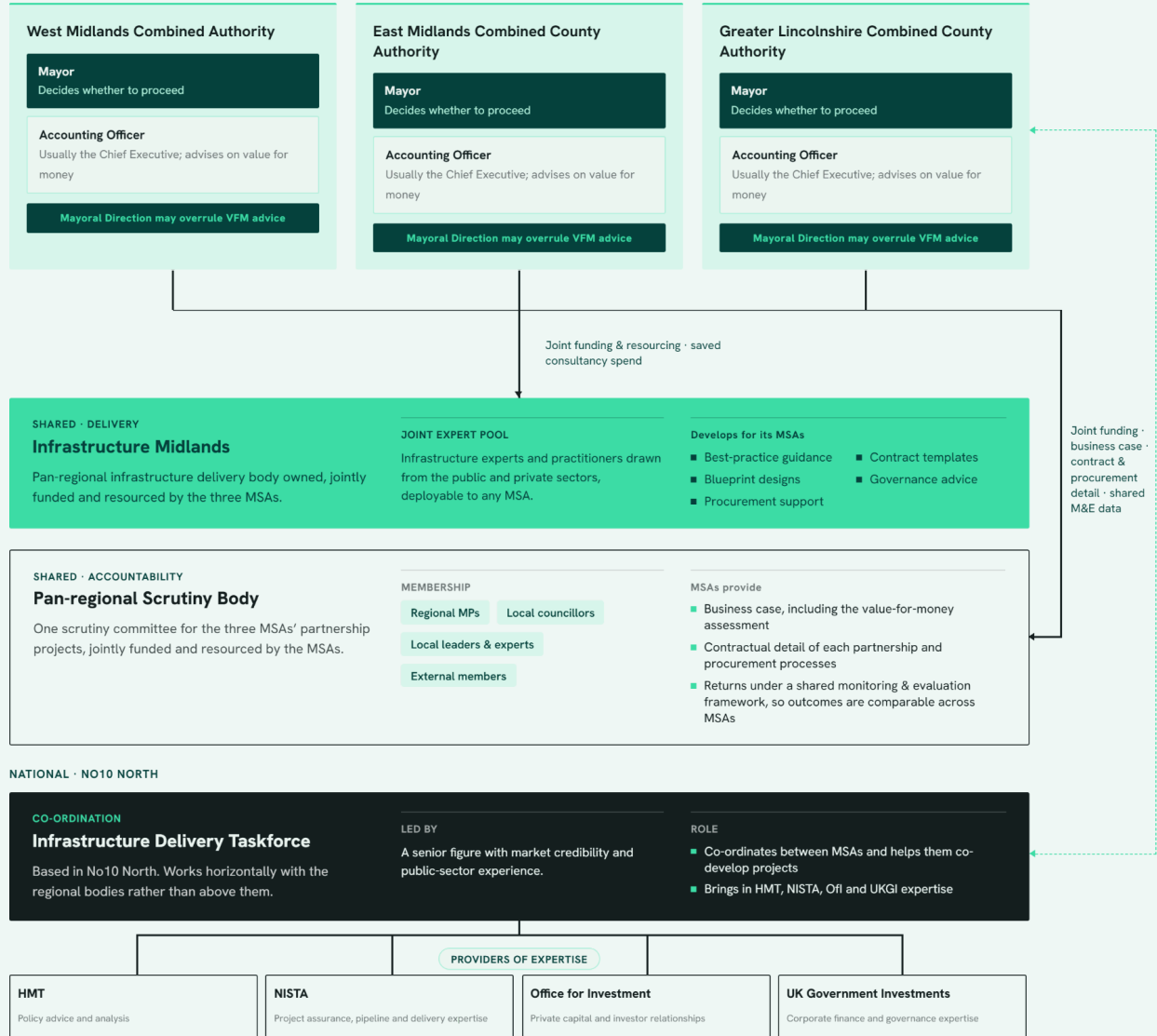
Pan-regional scrutiny bodies, Accounting Officer responsibility and Mayoral Directions would all contribute to a much more robust governance and accountability system. The government also plans to establish the Local Audit Office. For PPPs, this should be added to with mandatory transparency requirements, including publishing business cases and contracts, and using comparable monitoring and evaluation frameworks so performance can be more easily assessed. MSAs must take on full fiscal risk in pursuing PPPs and not expect to fall back on the Treasury if projects go wrong.

³ Future Governance Forum and Metro Dynamics, '[Impactful Devolution 04 – Stewards of the Regional System](#)', 2026.

A regional model for delivering public-private partnerships: the Midlands

Mayoral strategic authorities (MSAs) decide; a shared delivery body and scrutiny body support and hold them to account; a No10 North taskforce co-ordinates and brings in national expertise.

REGIONAL · THREE MIDLANDS MAYORAL STRATEGIC AUTHORITIES



— Accountability and support - - - - Co-ordination ■ Decision or national body ■ Shared regional body

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Between now and the next general election, the biggest political challenge is showing the public that the government is able to deliver change, not just business as usual. Devolving powers over PPPs would move decision-making closer to the communities who need this public infrastructure and economic transformation most, speeding up project development and delivery in the process. These projects would be a highly visible affirmation to people in these places that the government, MSAs and their constituent councils believe in investing in their future, rather than consigning them to a spiral of managed decline.

Part One: The re-emergence of public-private partnerships

Progress through partnership: the case for progressive PPPs

In 2023, the discovery of a lightweight, porous concrete crumbling in the roofs of school buildings forced the closure of classrooms across England – and with it, forced a reckoning. Decades of chronic under-investment had allowed the public realm to fall into a state of disrepair, leaving roads potholed, high streets dilapidated, and schools and hospitals deteriorating.

How public spaces look and feel shapes how people think about their local community and therefore their quality of life, feelings of hope and sense of agency. Rebuilding the public realm is thus as much a social and political imperative as an economic one.

In *Rebuilding the Nation 03*, we argued that the UK could not credibly address this backlog, never mind meet its future infrastructure needs, while leaving one of its key tools – public-private partnerships (PPPs) – out of the toolbox. Deployed wisely, designed well and aligned to progressive values, PPPs can be fiscally sustainable, produce high-quality infrastructure on budget and on time, and deliver a wide array of additional community benefits.

Three arguments underpin that case.

1. The scale of the UK's infrastructure deficit

National Audit Office (NAO) analysis puts the maintenance backlog across the public sector at £49bn, with Ministry of Defence properties, schools and the NHS estate accounting for 88% of the total.⁴ The NHS estate maintenance backlog rose by £2.1bn, to £15.9bn, in 2024-25 alone.⁵ Since 2010 unresolved high-risk maintenance issues – which could cause major disruption, injury or service failure – have increased by a factor of 10.⁶ The consequences of this are being felt on the frontline,

⁴ National Audit Office, '[Maintaining public service facilities](#)', 2025. The NAO figure is likely an underestimate. Government data on property condition is incomplete and inconsistent. The true cost of full remediation is also not known: the Office of Government Property has estimated the actual cost of remediation could be substantially higher than the maintenance backlog figure, in some cases up to ten times higher. See Committee of Public Accounts, Condition of Government Property, Twenty-Ninth Report of Session 2024-25, HC 641: [Condition of Government properties](#).

⁵ The King's Fund, '[Deteriorating NHS estate](#)', 2025.

⁶ *ibid.*

with more than 5,000 clinical incidents each year caused by disrepair across the NHS estate.⁷

A recent report by Oxford Economics, commissioned by a group of UK infrastructure investors and operators,⁸ said:



The United Kingdom has invested less [in infrastructure], relative to the size of its economy, than almost every comparable country for more than a quarter of a century.

Another recent report by the Public Private Partnerships Commission (PPPC), chaired by Sir John Armitt, found that the infrastructure investment 'to-do list' has risen to £258bn over the next decade.⁹ This aligns with our own estimate of the UK's infrastructure deficit in *Rebuilding the Nation 03* of around £300bn.

The longer this backlog goes unaddressed, the more costs spiral. The Cabinet Office has estimated that deferring backlog maintenance may increase costs by more than 50% over a two- to four-year period.¹⁰ Not properly maintaining public infrastructure shortens its useful lifespan and means having to invest in building new, more expensive assets to replace them. There is also generational unfairness in passing these costs on to our children and grandchildren.

2. Public capital alone is not enough

The Chancellor's fiscal rules, which require debt to fall as a share of GDP within the forecast period, place a hard ceiling on how much government can borrow to invest. Even without formal fiscal rules, market pressure given persistent UK inflation and already high debt-servicing costs would severely constrain room for manoeuvre. We welcome the government's commitment to raise public sector net investment to 2.6% of GDP. But given the scale of the infrastructure deficit, even a large increase in public investment over the Parliament is unlikely to do more than slow the decline of the public estate, let alone reverse it or address future need.

⁷ *ibid.*

⁸ Oxford Economics, '[The UK's Investment Shortfall: Why it persists, and what a sustained rise in investment would mean](#)', 2026.

⁹ Public Private Partnerships Commission, '[PPPC](#)', 2026.

¹⁰ Cabinet Office, '[Government building maintenance backlog is at least £49 billion, spending watchdog says - NAO press release](#)', 2025.

The change in debt measure to Public Sector Net Financial Liabilities (PSNFL) has created more space for public-sector financial institutions (PuFins), including the National Wealth Fund (NWF), to invest.¹¹ However, the NWF will not invest in social infrastructure, so healthcare, education and, to a large extent, public housing will continue to be neglected.¹² Despite some projects going wrong, these are areas that the private finance initiative (PFI) programme disproportionately supported.

3. PPPs can deliver better value for money

Value for money must be central to any delivery model for public infrastructure. For PPPs, the available evidence remains inconclusive. It was a clear failure of the PFI era not to adequately gather data to be able to evaluate performance comparably. Equally, we still do not have adequate information on publicly financed projects to be able to properly compare approaches. The NAO has rightly pointed out, going back decades, that this undermines our ability to assess value for money.

Some PPPs – including some PFI deals – have worked well. Others should never have been started, were badly designed, and delivered neither good outcomes nor value for money. But the evidence suggests that, in the right circumstances and when managed effectively, PPPs can represent a good option.¹³

There are three reasons for this. The first is **expertise**: PPPs harness the private sector's commercial and technical experience in managing assets and delivering large-scale infrastructure. It is not always cost effective for the public sector to build and retain this expertise in-house, especially for specialist or one-off projects.

Second: **stronger performance incentives**. Designed well, PPPs have a good track record of constructing assets on time, on budget and to the quality specified,¹⁴ driven by the private partner bearing the risk of cost increases – risks that would otherwise sit with the taxpayer. Repayments generally do not begin until an asset is built and in use, and long-term contracts provide cost certainty that public-sector equivalents lack. We know, for instance, more or less exactly what we are going to be paying for these assets all the way out to 2048.¹⁵ For publicly financed projects, we have no idea – it is entirely opaque.

¹¹ The move from Public Sector Net Debt (PSND) to PSNFL as the government's headline debt measure means loans and equity investments – financial transactions – are now netted off against the financial assets they create. This has made it easier for institutions like the NWF to lend and invest at scale without breaching the fiscal rules.

¹² National Wealth Fund, '[National Wealth Fund Five-Year Strategic Plan](#)', 2026.

¹³ We explore the question of value for money and the evidence base around PPPs in more detail in *Rebuilding the Nation* 03.

¹⁴ S. Verweij, I. van Meerkerk and C. B. Casady, '[Assessing the Performance Advantage of Public-Private Partnerships](#)', 2022.

¹⁵ Infrastructure and Projects Authority, '[PFI Dashboard 2024-25 | Tableau Public](#)', 2025.

A 'black hole' project like HS2 – now estimated to cost the taxpayer up to £1bn per mile¹⁶ – would not happen under these arrangements. Construction risk would be transferred to the private sector, instead of the taxpayer footing the bill for every delay. In addition, PFI, and many PPPs, bundle in maintenance over the life of the contract. This gives the private partner a direct incentive to design and build to a standard that minimises long-term maintenance costs. This is the reverse of incentives for publicly financed projects, where the pressure is often to pay less upfront but then end up carrying much larger maintenance costs over time that more than outweigh any short-term savings.

The third is **better long-term asset stewardship**. After construction, the payment mechanism and contractually agreed service levels incentivise efficient operation while penalising poor performance. This extends the lifespan of infrastructure and avoids the kind of maintenance backlogs that plague much of the public estate. The earliest PFI projects did not have good enough provisions, or sometimes any, on the expected condition of assets when handed back to the public sector. However, this has been corrected in contracts agreed since.

The obvious objection is that, in principle, it costs more for the private sector to borrow than for government to borrow. But the cost of finance is only one component of the lifetime cost of constructing, operating and maintaining infrastructure over many decades. Set against that fuller picture, PPPs can, in many cases, represent good value for money. The cost of finance argument is only relevant if the public sector is actually going to finance these projects, which our infrastructure deficit shows it often isn't. In practice, the choice is not public or private, but private or nothing.

We are not advocating for a return to PPPs at the scale of PFI at its peak, nor claiming they will always be the value for money choice. The most heavily criticised PFI failures stem largely from its earliest pathfinder projects, whose contracts were often inadequately scoped. These are problems that more recent PPP models, such as the Welsh Government's Mutual Investment Model (MIM), have largely resolved. Any new model must learn both from these shortcomings and from the best of what progressive governments elsewhere have done since. PPPs must be deployed selectively and strategically, prioritised for projects that have major spillover benefits to local economies alongside the public infrastructure they deliver.

The evidence of the past eight years is unambiguous: where PPPs are not an available option, the public infrastructure people and places need simply does not get built.

¹⁶ The Telegraph, ['HS2 trains will not run from London Euston before 2040'](#), 2026.

A progressive alternative to PFI

Although first introduced by the Conservatives, it was the New Labour government, building on work in opposition by John Prescott, that significantly expanded the use of PFI, particularly for delivering social infrastructure such as schools and hospitals.

PFI helped to bring about a major increase in public infrastructure, and aside from individual, well-publicised failures – of which there are plenty with publicly-financed projects too – PFI assets, on the whole, delivered. A 2020 NAO survey found that 71% of assets developed under PFI were anticipated to be handed back at the end of contracts in expected or better quality than required, with just 12% expected to be lower.¹⁷

Given we developed around 700 PFI projects in total, even a 95% success rate would mean 35 failures. There are perhaps a dozen, well-documented examples of PPPs going wrong. There are many more that have been effective but get much less attention. If the bar for any public infrastructure model is zero risk, then we will be paralysed from pursuing any major projects.

The model did, nonetheless, have deficiencies – and rightly came under criticism for its complexity, overuse, and the adversarial relationships it could create. The collapse of outsourcing giant Carillion in 2018, which helped bring about the downfall of PFI, laid bare deeper flaws in the design and management of some PFI contracts. These included excessive risk that some contracts placed on suppliers and providers; poor transparency in the procurement process; and inadequate public oversight of performance and long-term asset management.¹⁸

When the Coalition Government entered government in 2010, use of PFIs was scaled back. Despite having been the original progenitors of PPPs in the UK going back as far as Thatcher and HS1, members of the Conservative government at the time told us they disliked these contracts because, unlike everywhere else in the public sector, they could not cut spending.¹⁹ In 2018, under a Conservative majority government, PFI was formally abolished.

In the eight years since, the UK's devolved governments have continued to do what the Westminster government stopped doing: showing how reformed PPP models can deliver the infrastructure we need while bringing social, environmental and

¹⁷ National Audit Office, '[Managing PFI assets and services as contracts end](#)', 2020.

¹⁸ Public Administration and Constitutional Affairs Committee, '[After Carillion: Public sector outsourcing and contracting](#)', Ninth Report of Session 2017–19, HC 748, 2018.

¹⁹ HM Treasury, '[Treasury announces plans to find £1.5 billion savings across PFI contracts](#)', 2014.

community benefits at the same time. Wales introduced the MIM model in 2017, which has enabled three projects worth around £1.4bn across transport, education and health: the final section of the Heads of the Valleys road, to improve access to jobs and encourage investment; two schools projects, including one in Flintshire that will deliver a carbon-neutral school campus; and the Velindre Cancer Centre in Cardiff.

MIM removes 'soft' facilities management (cleaning, catering, security) from scope, requires contractually enforceable community benefits, and takes a public equity stake of up to 20% through the Development Bank of Wales. This means the Welsh Government sits on the board and gets full transparency over the project.

Scotland used the Non-Profit Distributing model between 2005 and 2019 across 15 contracts worth £2bn, capping private returns and reinvesting surpluses. It now operates a MIM variant of its own. Scotland's hub programme has delivered around £2.2bn of community infrastructure across some 200 projects over a decade.

Learning from these models, and from the weaknesses of PFI, *Rebuilding the Nation* 03 recommended that the Westminster government introduce Infrastructure Investment Partnerships (IIPs), a new progressive model of PPP, as an option within a redesigned national procurement framework. The table below compares the model's key features against PFI.

TABLE 1

From PFI to Infrastructure Investment Partnerships

How the proposed Infrastructure Investment Partnership (IIP) model differs from the Private Finance Initiative it would replace.

CATEGORY	PRIVATE FINANCE INITIATIVE (PFI)	INFRASTRUCTURE INVESTMENT PARTNERSHIP (IIP)
Extent of use	A deal per week at peak, applied widely across more than a dozen sectors	Applied selectively and strategically, prioritising projects with strong spillover benefits
Risk allocation	Risk transfer sometimes unclear	Risk sits with whoever is best placed to manage it; guarantees formalised
Relationship model	Transactional, managed as financial assets by investors	Partnership-based, long-term asset stewardship
Payment mechanism	Sometimes overcomplicated	Simplified
Profit / gain share	No consistent public benefit from refinancing	Mandatory gain share for the public sector on refinancing
Public equity	Special Purpose Vehicles (SPVs) wholly privately owned	Public-sector equity stake in scope
Public-sector workers	Initially moved into the private sector but brought back in later	Remain in the public sector and on public-sector terms from the start
Social value requirements	Largely absent	Mandatory community benefits pillar
Procurement and contract management	Focus on closing high deal volume; sometimes weak oversight by public sector	Sustained investment in commercial capability and active contract management across the lifecycle
Oversight and transparency	Poor visibility and influence over performance and returns	Mandatory transparency requirements, plus a board seat
Soft services	Soft services such as catering and cleaning bundled into the contract	Soft FM services explicitly excluded
Dispute resolution	No dispute resolution mechanism beyond legal action	New independent regulator to arbitrate

Source: FGF analysis. PFI characterisations draw on NAO and Public Accounts Committee findings on the PFI and PF2 programmes; IIP column describes the model proposed in Rebuilding the Nation 03.

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The report also set out the conditions needed for IIPs to succeed. Chief among them was stronger commercial capability within the public sector and a credible, long-term pipeline of projects to give investors confidence.

It also began to explore how the model might evolve: introducing a Mayoral IIP variant, premised on giving English mayors the tools to deliver their own infrastructure, and a Regeneration IIP, which would use a given infrastructure project as an anchor to drive wider community renewal (based on the Australian State of Victoria's "precinct PPP" model). Both ideas are developed further later in this report.

The return of PPPs

In June 2025, the government published its 10-Year Infrastructure Strategy, setting out what amounts to a £725bn programme over the next decade and reopening the door to PPPs for the first time since 2018. Delivery sits with a new joint HMT-Cabinet Office body, NISTA – the National Infrastructure and Service Transformation Authority. It was formed that spring through a merger of the Infrastructure and Projects Authority (IPA) and the National Infrastructure Commission (NIC).

The language struck a cautious note. PPPs would be used only "in very limited circumstances" and only where a revenue stream and appropriate risk transfer could be achieved. The government named primary and community health infrastructure and public sector decarbonisation as the first two use cases. It committed to publishing a project pipeline every six months, taking up many of FGF's core recommendations from nine months earlier.

Progress continued through 2025. At the Autumn Budget, then Chancellor Rachel Reeves announced the NHS Neighbourhood Rebuild Programme: 250 neighbourhood health centres (NHCs), with 120 operational by 2030. Of these, some 50 will be refurbishments of existing buildings while 70 will be new builds.²⁰ They will be a mix of publicly financed and PPP projects, which should allow for some value-for-money comparison. This is a sensible move: tracking – and publishing – the relative lifecycle costs and performance is the only way to close the PPP evidence gap that has persisted for decades.

Momentum slows

More than a year on from the Infrastructure Strategy, a substantial pipeline of PPP projects has not materialised. Treasury signalling to investors and developers has indicated they see NHCs and public-sector decarbonisation as the entirety of the taxpayer-funded PPP programme, not the start of a larger programme. And within

²⁰ UK Parliament, ['NHS Investment: Neighbourhood Health Centres and Digital'](#), 2025.

even these two areas, it is still unclear when any projects will be procured. Meanwhile, most Integrated Care Board (ICBs) – in partnership with mayors, local authorities and other partners – have submitted project proposals to the government and shown strong appetite to proceed.

With less than three years left in this Parliament for the government to show it can fix the public realm and win voters' consent to go further, urgency is now needed. The lack of a sizeable, credible pipeline, which would give investors strong conviction on building up their UK capabilities, has left many doubting whether the UK should be a priority market. As well as lost investment, this means jobs and training opportunities going elsewhere. Especially with a new Prime Minister and Chancellor in place, a clear, unequivocal signal is needed that these projects will proceed at pace – with spades in the ground this Parliament – and that the government will also explore other opportunities, including by empowering mayors to use PPP delivery models.

How PPPs are used across Whitehall and beyond is heavily shaped by Treasury guidance. Here, recent developments suggest a cooling off on the deployment of PPPs.

Where a new NHC is delivered as a PPP, its capital cost will not need to be met upfront because repayments do not begin until construction is complete and the assets are in use. The day-to-day cost thereafter will count as revenue spend each year through unitary payments over 25 years or similar. This is typical for how PPPs are treated, reflecting that the upfront capital cost is risk largely borne by the private sector. However, a letter sent by Treasury to departmental finance directors in August 2026 ends that treatment for such projects from 2027-28, requiring their asset values to be scored against departmental capital budgets instead.²¹ There was broad consensus among those we spoke to that this is having a chilling effect across Whitehall, discouraging departments from bringing forward business cases for further PPP-funded projects.

PPPs may be back in the government's toolkit, but there remains strong institutional pushback in parts of the Treasury against them. This is despite the fact there is no definitive evidence base either way – for which the Treasury itself is in large part to blame – and the parlous state of public infrastructure shows that the alternative is managed decline. One of the main Treasury objections is that, as long-term contracts, they cannot be cut part-way through. They force long-term thinking about our public infrastructure, which runs against a Treasury desire for maximum flexibility to move funding around, to respond to day-to-day pressures.

²¹ Partnerships Bulletin, '[Treasury letter threatens future of PPPs](#)', 2026.

Maintaining investor confidence

In the 2000s, the UK was a world leader in developing PPPs and had the most dynamic global market for projects and talent. Much of that market has now moved elsewhere, albeit there is a growing PFI handback market as more contracts come to an end. Investors we have spoken to have become deeply frustrated by the current centralised approach, which creates bottlenecks, slows down project development and kills initiative. NISTA, too, is seen with some scepticism in places.

One way to counter this, consistent with the new government's ambitions more broadly, would be to move the decision-making around PPPs to the mayoral level. In theory, investors may perceive a trade-off in allowing Mayoral Strategic Authorities (MSAs) to pursue PPPs rather than channelling all activity through central government. Average project size or bundles of projects may be smaller than a national-level programme. However, in practice, this would be the best way to get projects moving, introduce dynamism and get Britain building again. We explore how this could work in more detail in the next section.

Part Two: Making PPPs available to mayors

The Prime Minister has argued that political power has been centralised in this country over the last 40 years. We agree – and it's an argument FGF has long made, consistently calling for power to be devolved out of Whitehall and around the country. That same logic holds here: breaking out of an over-centralised delivery model that has stifled project development, by devolving PPP deployment to MSAs.

There are good precedents in other countries for PPP deployment at sub-national level – often pursued by progressive administrations, as well as examples of successful PPPs at local authority level.

BOX 1

Sub-national PPPs around the world

Australia

In Australia, PPPs are delivered principally at state level, operating within a National PPP Policy Framework endorsed by the federal government and every state and territory, which sets common principles while leaving each state to run its own programme. The result is a system that combines national consistency with real scope for state-level innovation. The state of Victoria has pioneered a “precinct” model in which PPPs anchor wider urban regeneration rather than simply delivering standalone assets. Victoria alone has contracted over \$50 billion (AUD) of infrastructure through this approach.

Canada

Canadian PPPs sit almost entirely with the provinces, delivered through dedicated agencies such as Infrastructure Ontario and Partnerships BC. Unlike Australia, there is no single binding national framework – each province has built its own model, with considerable informal learning between them. This more decentralised approach has nonetheless produced one of the most active PPP markets in the world, with 291 active partnerships worth over \$139 billion (CAD) nationally.

United States

The US picture is more fragmented. PPP authority sits with individual states, and enabling legislation varies enormously, from well-developed frameworks and dedicated units in some states to little infrastructure in others. There is no equivalent of Australia's national framework or Canada's provincial agencies, and no single body coordinating practice across states.

How PPPs could support regeneration

As we argued in ‘Rebuilding the Nation 03’, PPPs have the potential to play a major role in regenerating areas that have declined. We pointed to the example of the

\$1.5bn (AUD) Footscray Hospital project in western Melbourne in Australia, which was then in development by the Labor Party administration in the state of Victoria. It has since been completed – on time and on budget – and is now open to the public.²²

Alongside delivering a larger, state-of-the-art healthcare facility, the project achieved an impressive range of social benefits during the construction phase (see table below).²³ In addition, the project set up a local employment hub with the state government and local university. Some \$680,000 (AUD) was spent on further community benefit initiatives, including supporting local youth organisations.

TABLE 2

Footscray Hospital community benefits outcomes

Contracted social procurement, Local Jobs First and workforce targets for the new Footscray Hospital, Victoria, against outcomes delivered. Every target was exceeded.

SOCIAL VALUE	TARGET	OUTCOME
Procurement through registered social benefit suppliers	\$28m	\$52m
Procurement with registered Victorian Aboriginal Businesses	\$22m	\$42m
Hours worked by Aboriginal and Torres Strait Islander peoples	120,000 hours	160,000 hours
Hours worked by disadvantaged Victorians	63,000 hours	313,000 hours
Hours worked by Victorians living with a disability	61,000 hours	173,000 hours
Local content procured across design, construction and furniture, fixtures and equipment	90.8%	92%
Hours worked by apprentices, trainees and cadets	608,000 (10.5%)	750,000 (13%)
Hours worked by female employees	240,000	760,000

Source: Plenary Group, *New Footscray Hospital project delivers record social procurement, First Nations and community benefit outcomes*, 15 July 2026. The \$1.5bn hospital was delivered under a public-private partnership by the Plenary Health consortium (Plenary Group, Multiplex, Honeywell, Compass Group) for the Victorian Government. Figures in Australian dollars; hours are cumulative over construction.

As at July 2026

²² Victorian Health Building Authority, [‘New Footscray Hospital’](#).

²³ Plenary, [‘New Footscray Hospital project delivers record social procurement, First Nations and community benefit outcomes | Plenary Asia Pacific’](#), 2026.

The project has now moved into the second phase to redevelop the old hospital footprint into housing and community spaces.²⁴

This is a prime example of the level of ambition that can be achieved from PPP projects in social infrastructure where they are targeted, strategically chosen and place-based. The outcome is much needed major public infrastructure acting as an anchor investment around which wider regeneration activity can be developed.

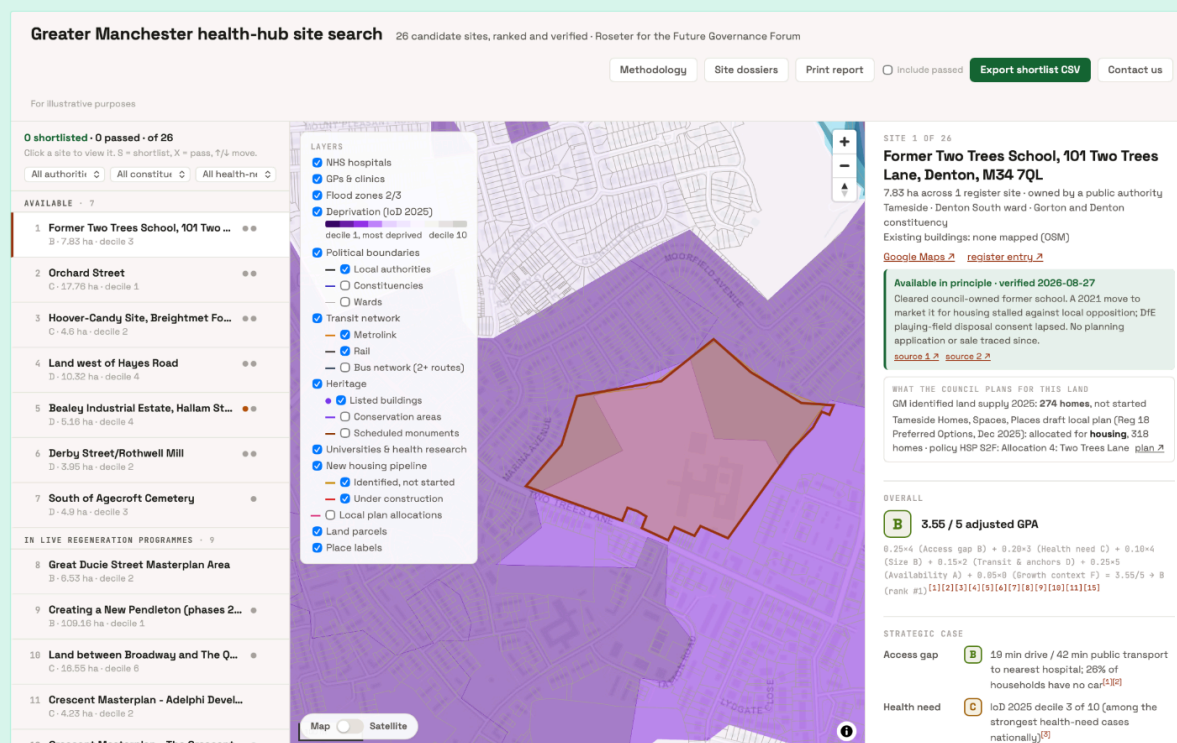
²⁴ Victorian Government, '[Former Footscray Hospital - Development Victoria](#)'.

Is Footscray repeatable in the UK?

We wanted to test whether Footscray was an anomaly in terms of finding a site of similar size and suitability within the heavily developed space of a major city region – Greater Manchester – for projects in the UK.

We worked with UK AI start-up Roseter¹ to develop an interactive map tool² for identifying potential sites and comparing them. We asked them to identify suitable sites of a similar footprint to Footscray (~4 ha) for a hypothetical healthcare facility. We set them challenging criteria to maximise the social benefits of any development. We asked for sites in places with:

- Relatively long travel times to the nearest hospital, GP or clinic
- A relatively high level of deprivation
- A relatively dense population
- Brownfield designation
- A significant number of people locally who don't have a car
- No convenient rail link nearby
- Publicly owned land
- No current development taking place



Roseter site-finder for Greater Manchester: 26 candidate sites, 7 shortlisted, scored on health need, deprivation, transport access and land availability. For illustrative purposes.

This exercise showed that there are comparable places where at least in principle projects of this type could bring major benefits to communities that need it most.

TAMESIDE

Former Two Trees School and College, Denton

A large area of public land – more than twice the size of the Footscray Hospital site in Melbourne – in a relatively deprived neighbourhood that is not currently well served by public transport. The Tameside Council draft local plan³ currently allocates the site for 300+ housing units; prioritising this site for a regeneration PPP would integrate health and community facilities alongside that housing.

SALFORD

Orchard Street, Pendleton

Previously approved for housing but not yet developed. Salford Council has identified⁴ it as a potential site for 470 housing units. A regeneration PPP here could integrate health and community infrastructure alongside housing. It sits in a relatively deprived neighbourhood that is not well served by public transport and where almost half the population does not have a car.

WHY MSAs MSAs have a key role to play in regeneration planning. They are able to take a strategic, region-wide view of available – often scarce – suitable sites. Otherwise, there is a risk that high-potential sites are given over to single-use development such as housing, adding to local population density without developing additional public service capacity alongside.

¹ 'Roseter', 2026. ² Roseter, 'Greater Manchester health-hub site search', 2026. ³ Tameside Council, 'Homes, Spaces, Places: Preferred Options Plan', 2026. ⁴ BBC News, 'Orchard Street, Pendleton housing plans', 2026.

New public infrastructure is often a large – sometimes the largest and certainly the most visible – investment many communities will see in their area. We should be using it to anchor wider regeneration, and where appropriate to contribute to broader social and economic policy objectives, pulling in investors and developers to build services alongside.

We must shift away from narrow, technocratic project delivery to more holistic, place-based neighbourhood and community building rooted in people's lives. MSAs, working with their constituent councils, are much better placed to do this than Whitehall. They have greater knowledge of their economies, better understanding of the transformative potential of such developments and, crucially, have skin in the game.

We recommend that:

- **MSAs be given the freedom to pursue a new progressive model of PPPs – Infrastructure Investment Partnerships (IIPs)** – if they wish. This must not repeat the mistakes of some PFI contracts, but draw on the lessons of progressive governments in Wales, Australia and elsewhere, as we proposed in *Rebuilding the Nation 03*. MSAs should not be forced to use, nor be stopped from using, any particular delivery model. With some additional resources arising from fiscal devolution, there is potential for MSAs to leverage recurring revenues to raise project finance for new public infrastructure. Within a more robust scrutiny and accountability setup within regions, as we discuss below, it should be for MSAs to decide which delivery model they then use to achieve that. In doing so, they must take on full fiscal risk and not expect to fall back on the Treasury if projects go wrong.
- With this freedom, **MSAs should prioritise using IIPs for regeneration projects** rather than standalone public infrastructure. As we said in our previous report, we do not think the UK should return to the PFI-era volumes of PPPs but deploy them strategically for high-potential projects such as for economic regeneration.
- In doing so, as we argued previously, **MSAs should set ambitious social and community benefits objectives**. The Footscray example demonstrates that high ambition is deliverable. In line with the government's recent change to social value guidance, these requirements should focus on training opportunities for local communities, and apprenticeships and work placements for young people.²⁵

²⁵ Cabinet Office, '[PPN 026: The Social Value Model](#)', 2026.

Devolution principles

One of the arguments often made against devolving more ambitious infrastructure development powers is that MSAs lack the capability to procure, develop and manage these projects well. This overlooks the fact that MSAs already undertake significant development activity, particularly in sectors like housing and transport. Indeed, some of the MSAs grew out of regional transport authorities.

It is true that many have less experience in delivering social infrastructure, but they have not had powers or funding and therefore had no reason to develop this expertise. Just as in housing and transport, where powers go, the capability will follow. Central government has an important role to play in helping them to rapidly scale up these capabilities.

On public-private partnerships writ large, not just taxpayer-funded models, many MSAs have experience in managing such projects. In Liverpool City Region (LCR), for instance, the MSA has created a joint venture (JV) to deliver gigabit broadband across the region: LCR Connect. LCR has a 50% stake, alongside two private-sector partners who own the other 50% between them. In Greater Manchester, the MSA has set up Hive Homes, a for-profit JV with housing associations, developers and others.

The principles that should guide use of PPPs at MSA level are as follows.

- **Choice.** MSAs should be able to choose for themselves the most appropriate delivery model for public infrastructure. They should make their own value for money assessments, enabled by enhanced scrutiny and accountability measures we discuss later. Ultimately, elected mayors should decide whether projects proceed or not.
- **Support.** MSAs would benefit from a common set of shared resources for infrastructure delivery in general, and for PPPs specifically. In our view, this is best done at a pan-regional level (see below), so there is some geographical continuity, the burden can be spread to help smaller and newer MSAs, and co-ordination is easier than through a single central body at national level.
- **Flexibility.** MSAs should have ready access to high-calibre skills and the latest available evidence on effective project delivery. However, every project has unique aspects, so there must be flexibility to adapt to local circumstances. Most MSAs will want to build on best practice developed by NISTA, the Scottish and Welsh governments, and governments overseas. But there must also be space for policy innovation.

- **Co-ordination.** Devolution should not mean creating new silos and hard boundaries between neighbouring strategic authority areas. There is potential for projects to be developed by neighbouring MSAs that could overlap or pressure local supply chains such that costs are driven up for both. As we discuss below, a new infrastructure delivery taskforce in No10 North – staffed by specialist officials from the Treasury Infrastructure and Growth Directorate, NISTA, the Office for Investment and UK Government Investments (UKGI) – should provide this co-ordination function. MSAs should be incentivised to pursue projects across MSA boundaries, where the economic and social benefits may be largest.

MSAs should establish pan-regional infrastructure delivery bodies to provide common resources and support for MSA teams. The exact boundaries should be determined by MSAs themselves but there is a logic to an Infrastructure North, Midlands, South West and South East. These bodies would particularly help smaller and newer MSAs who may initially have less well-developed capabilities and may struggle to build this up quickly on their own. This would help to ensure that devolution does not drive economic divergence between larger and smaller MSAs.

Funding and fiscal devolution

Under Prime Minister Andy Burnham, the government has made a firm commitment to greater fiscal devolution. Our understanding is that it will have two main features:

- **Cost-neutral tax retention:** MSAs will retain more of the business rates they generate, incentivising them to spur greater business activity in their regions. They will also get a share of the income tax generated in their area. However, this is likely to be coupled with the removal of other funding streams from central government. This will not therefore generate new resource immediately, but will give MSAs day-to-day revenue that they will be incentivised to grow and against which they may be able to raise project finance.
- **A new revenue stream:** The government has announced that MSAs will be able to introduce a ‘tourist tax’, or Overnight Visitor Levy, on people visiting their region. This will be helpful but not transformative. In Liverpool City Region, it is estimated it could raise around £18mn a year²⁶ – a roughly 4% increase in its day-to-day revenue.

²⁶ UK Government, [‘Local leaders handed powers to drive investment in communities’](#), 2026.

Alongside integrated settlements, these are meaningful changes that give MSAs more resources and flexibility while ensuring they remain fiscally accountable. Because the business rates and income-tax changes will be cost neutral, mayors will have to grapple with real trade-offs if they wish to use that funding differently. This is the right approach: devolving not just powers and funding, but also responsibility and accountability.

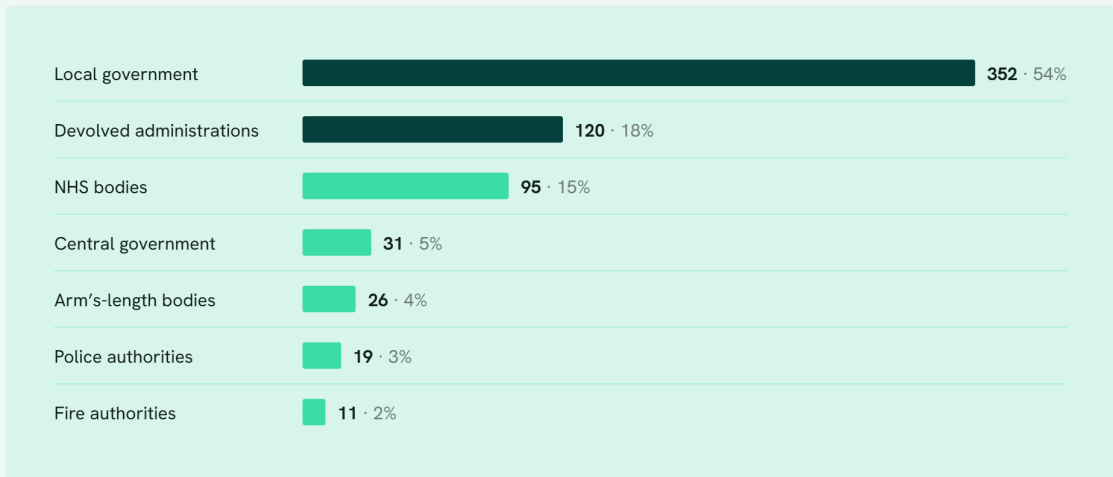
In addition to these, **we propose that funding freed up from expiring PFI contracts in England is devolved to MSAs** to help fund public infrastructure. In line with existing government policy, this would be cost-neutral, recycling existing spend rather than any additional spending. There is no reference in the Spending Review to departmental allocations having been adjusted for PFI contracts coming to an end. Therefore, our working assumption is that this funding has not yet been reallocated.

Taxpayer-funded PPPs – as with most PFI contracts – are funded by an annual payment called a unitary charge. This typically covers running costs, maintenance, organisational expenses, debt repayment, interest and a return for equity holders.

The UK currently has 654 PFI contracts²⁷ in place across hospitals, schools, waste, emergency services and others. Just over half (54%) are managed by local authorities, followed by the devolved administrations (18%) and the NHS (15%).

FIGURE 1
Number of PFI projects by procuring authority

Operational PFI and PF2 projects in the UK, by the type of public body that procured them. Just over half were procured by local government.



Source: HM Treasury / NISTA, PFI and PF2 projects: 2025 summary data, portfolio view. Portfolio of 654 projects. Arm's-length bodies include non-ministerial departments, agencies and public corporations.

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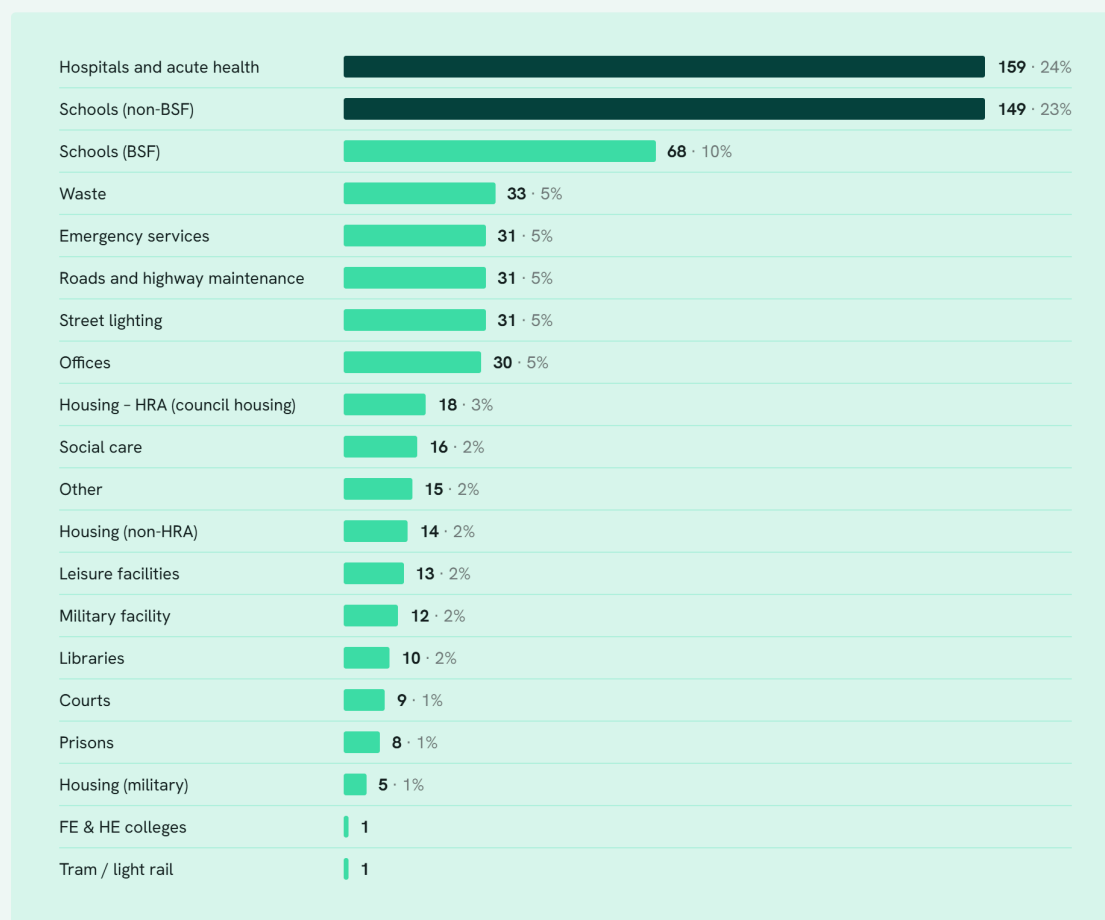
²⁷ Infrastructure and Projects Authority, [‘PFI and PFI2 projects: 2025 Summary Data - GOV.UK’](#), 2026.

By sector, over half (57%) are in healthcare and education. The rest are split across more than a dozen areas including housing, leisure facilities and libraries.

FIGURE 2

Number of PFI projects by sector

Operational PFI and PF2 projects in the UK. Hospitals and schools together account for more than half of the portfolio.



Source: HM Treasury / NISTA, *PFI and PF2 projects: 2025 summary data*, portfolio view. Portfolio of 654 projects. BSF is Building Schools for the Future; "Other" is projects without a descriptive sector.

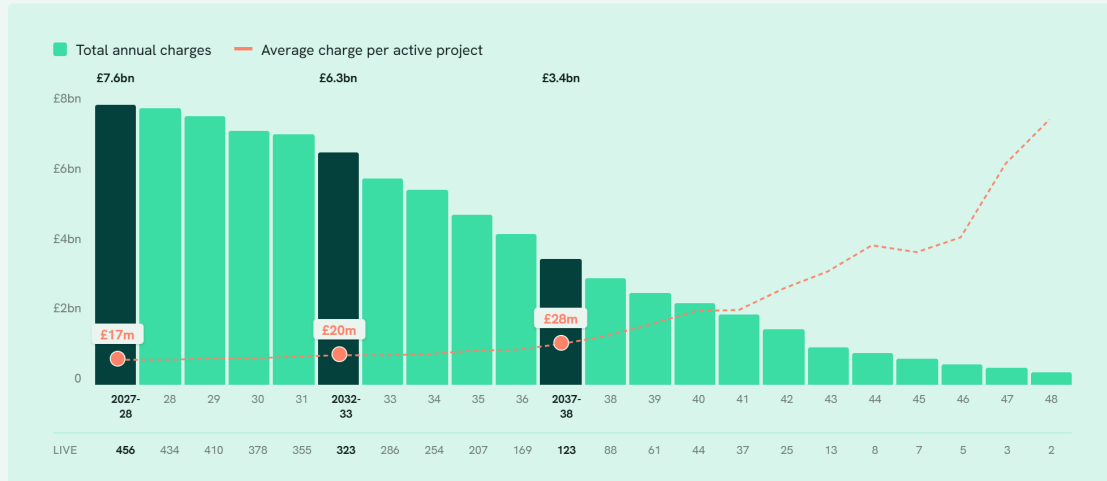
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Because these contracts were typically agreed over 25 year periods or similar, and projects surged in the early 2000s, we have now passed the peak of aggregate annual repayments for the public sector. That means each year from now, some funding will be freed up. In 2027-28, total PFI repayments in England will be £7.6bn, around £17mn on average per project.

FIGURE 3

Annual PFI unitary charges in England, by year

Total estimated payments (£ billion, nominal) for PFI and PF2 projects in the nine English regions. Charges fall by more than half over the decade from 2027-28 as contracts expire.



Source: HM Treasury / NISTA, *Current PFI and PF2 projects as at 31 March 2025*; FGF analysis. Sum of estimated unitary charge payments for projects whose region is in England; excludes projects recorded as national or multi-region. "Live" is the number of England projects with a payment due that year (456 in 2027-28, falling to 123 in 2037-38). Average is total charges divided by live projects; it rises as smaller contracts expire and a few large ones remain. Payments reach zero in 2049-50. Figures may not sum due to rounding.

As at 31 March 2025
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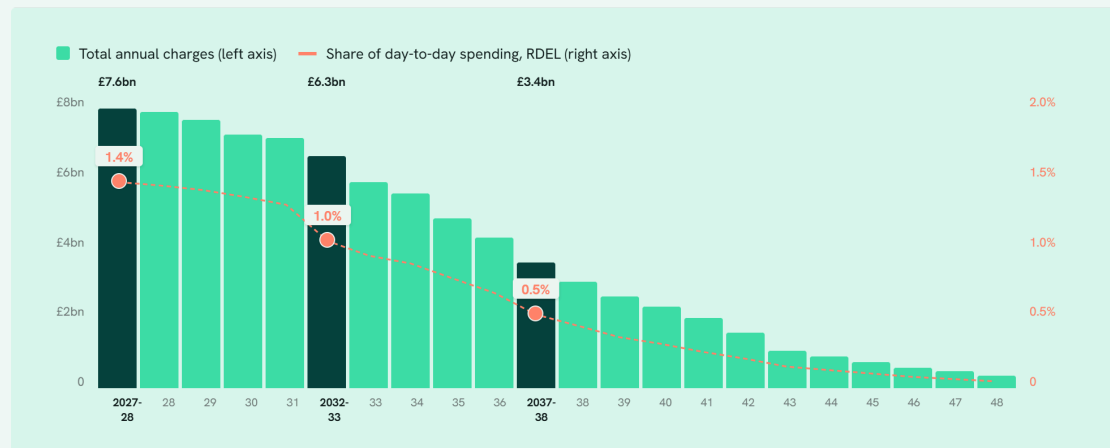
That is less than 1% of day-to-day government spending.²⁸ By 2032-33, this will have fallen to £6.3bn – a drop of £1.2bn – as 133 contracts expire, and to £3.4bn over the next decade.

²⁸ HM Treasury, ['Public Expenditure Statistical Analyses 2026'](#), 2026.

FIGURE 4

Annual PFI unitary charges in England as a share of day-to-day government spending

Total estimated payments (£ billion, nominal) for PFI and PF2 projects in the nine English regions, set against departments' day-to-day budgets. The burden falls from 1.4% of day-to-day spending in 2027-28 to 0.5% by 2037-38.



Source: HM Treasury / NISTA, *Current PFI and PF2 projects as at 31 March 2025*; HM Treasury, *Spending Review 2025*; FGF analysis. Day-to-day spending is UK resource DEL excluding depreciation: £551.6bn (2027-28), £567.8bn (2028-29) and £583.9bn (2029-30) per Spending Review 2025, then assumed to grow 3% a year in cash terms. England charges are compared with the UK-wide total because England-only day-to-day budgets are not published. Payments reach zero in 2049-50. Figures may not sum due to rounding.

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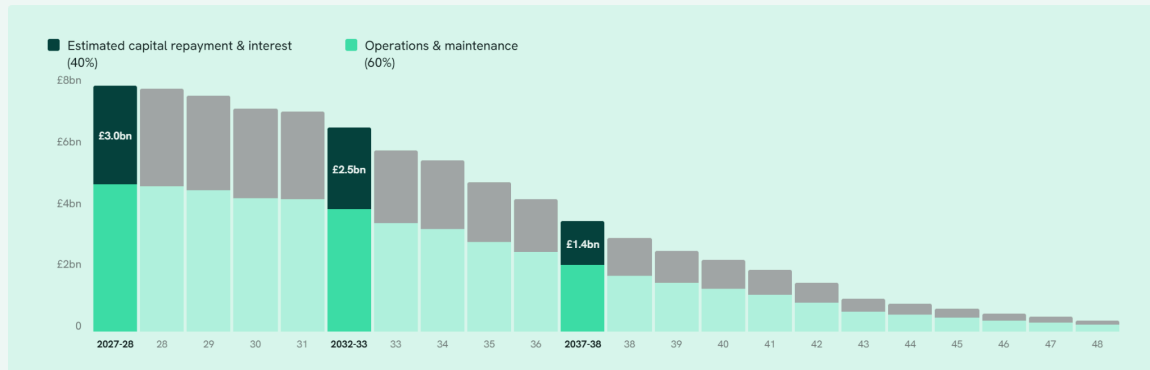
An NAO estimate put operating, maintenance and other day-to-day costs within these projects at around 60% of a typical unitary charge.²⁹ These costs will continue once assets are back being managed by the public sector. The other 40% is the cost of debt taken out to finance the original construction, interest and a return to equity investors, which will be fully paid off once contracts expire. Using these ballpark figures, by 2032-33 around £500mn should be freed up (see chart below). By 2037-38, this will rise to £1.7bn compared to today.

²⁹ National Audit Office, [‘The choice of finance for capital investment’](#), 2015.

FIGURE 5

What will be freed up as overall capital and interest costs fall

The same annual payments (£ billion, nominal) split on an indicative 60:40 basis — around 60% covers operations and maintenance, around 40% repays the capital and interest on the original build.



Source: HM Treasury / NISTA, *Current PFI and PF2 projects as at 31 March 2025*; FGF analysis. Same England series as Figure 3. The 60:40 split is an indicative portfolio-wide assumption drawn from the National Audit Office, *The choice of finance for capital investment* (2015), not a contract-level figure; highlighted values are the capital repayment and interest share. Figures may not sum due to rounding.

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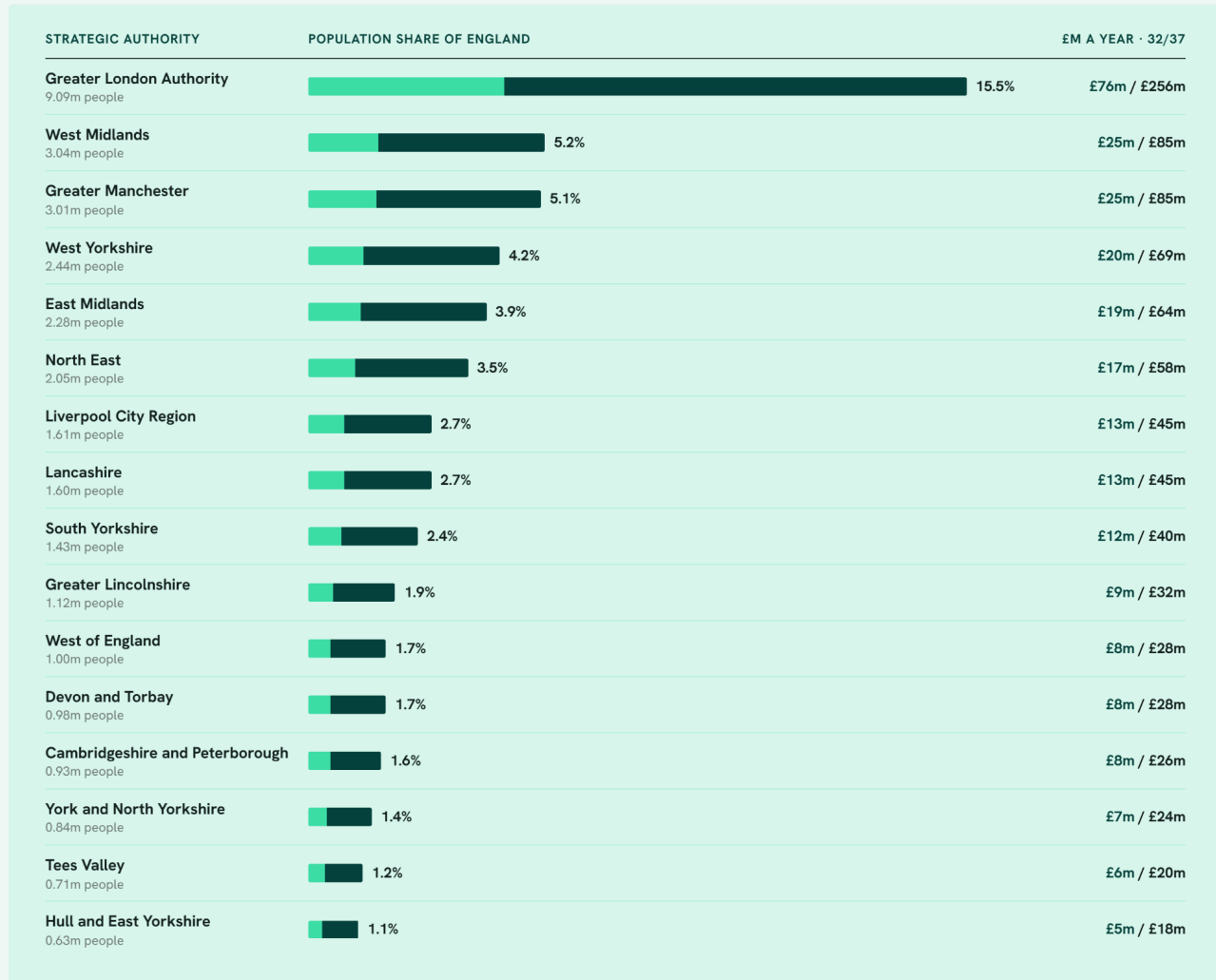
If distributed by population share, this would mean, for example, an additional £25mn for Greater Manchester and West Midlands by 2032-33, £20mn for West Yorkshire, £19mn for the East Midlands and £17mn for the North East. By 2037-38 these figures would rise to £85mn for Greater Manchester and West Midlands, £69mn for West Yorkshire, £64mn for the East Midlands and £58mn for the North East. In practice, these figures would be higher because we would want to use a rebalancing mechanism to avoid London disproportionately benefiting, which would be the case if redistributed by population share alone.

FIGURE 6

What the funding becoming available would mean for each strategic authority

Population-share equivalent of the estimated capital repayment and interest released in England – £0.5bn a year by 2032-33 and £1.7bn a year by 2037-38 – if it were distributed to the Greater London Authority and combined authorities per head.

■ Available by 2032-33 ■ Additional by 2037-38



Source: HM Treasury / NISTA, *Current PFI and PF2 projects as at 31 March 2025*; ONS mid-2024 population estimates (Explore local statistics, combined authority geographies); FGF analysis. Funding available is the fall in the estimated 40% capital repayment and interest element of England's PFI charges from 2027-28 (Figure 5), shared across England's population (58.6m) per head. Illustrative only – not a proposed allocation formula. Figures may not sum due to rounding.

As at 31 March 2025
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Unless a conscious choice is made to reuse these funds for public infrastructure, they will be absorbed back into existing budgets or clawed back by the Treasury and redirected elsewhere. Given the ballooning maintenance backlog across the public sector, revealed preference suggests much of it will be diverted to other areas. This will worsen the state of the public realm further.

Instead, MSAs should get a proportional allocation to ensure public infrastructure investment continues at least at the current level. This money should be ringfenced for strategic infrastructure.

Governance and accountability

Pan-regional scrutiny bodies

The existing system of scrutiny and accountability for MSAs will need to evolve as they gain more powers and funding. The English Devolution and Community Empowerment Act 2026 has already made provisions for establishing local scrutiny committees, envisaged within each MSA.³⁰ The enabling regulations have not yet been laid and the Secretary of State for Housing, Communities and Local Government is able to make further changes to scrutiny requirements later by regulations.

Our view is that, given expanded powers and funding, within-region scrutiny by local councillors is not likely to be robust enough and ad hoc scrutiny by parliamentary committees in Westminster is often too high level. A middle layer of public scrutiny and accountability is missing.

We propose that pan-regional scrutiny bodies are established to hold MSAs to account, including on PPPs. These build on the concept of regional public accounts committees that we proposed for consideration in *Impactful Devolution 04*. MSAs should form these themselves. Given it has its own elected assembly, London should not be included. These bodies would not have the power to over-rule mayoral decisions but would bring significantly increased scrutiny, transparency and accountability on those decisions.

This would again allow MSAs to spread the administrative cost and ensure consistent scrutiny across a pan-regional area. Scrutiny body members would benefit from seeing multiple MSAs operate and be able to contrast their governance structures and processes. For PPPs, it would allow them to compare approaches and more robustly test the rationale of each business case. At a minimum, they should include representation from regional MPs, councils, and leaders and experts from other domains within MSA areas, as well as possibly one or two external appointees.

MSA Chief Executives as Accounting Officers

As set out in the 'Rewiring the State' Cabinet statement in July 2026,³¹ the government is planning to give Chief Executives of MSAs Accounting Officer (AO) responsibility for the use of public money within their organisations. This is a welcome move in enabling MSAs to build mature governance systems. It is right that

³⁰ UK Government, ['English Devolution and Community Empowerment Act'](#), 2026.

³¹ UK Government, ['Rewiring the State – Cabinet Statement - GOV.UK'](#), 2026.

the senior official held to account for spending decisions is located within the strategic authority area where those decisions are made.

Just as in Whitehall, **we recommend that if MSA Chief Executives consider spending decisions not to be value for money, they should require Mayoral Directions** similar to Ministerial Directions in central government departments. Where the Accounting Officer advises that spending is not value for money, the Mayor may issue a published direction to proceed – the decision and its rationale are recorded and reported to the scrutiny body. For PPPs, this would ensure careful consideration is given to the use of public money for these projects and a thorough business case process continues to be undertaken.

Mandatory transparency requirements for PPPs

MSAs should commit to mandatory transparency requirements in using PPPs and working closely with their pan-regional scrutiny committees. This should include publishing business cases and contracts (as the Welsh Government has done with Mutual Investment Model projects), running robust and transparent procurement processes, and using comparable monitoring and evaluation frameworks so that performance can be contrasted across regions. MSAs and devolved administrations should also form a senior official-level grouping to meet regularly to share best practice.

Mayoral infrastructure co-ordination

MSAs will need a co-ordination body for infrastructure projects to ensure they do not conflict with each other or place unrealistic demands on local supply chains, which may push up prices for everybody and lessen value for money. They would also benefit from a forum that encourages MSAs to jointly develop projects that span administrative boundaries. **We propose that a new infrastructure delivery taskforce in No10 North** (see below) perform these functions, including adjudicating where MSAs come into conflict.

Local Audit Office

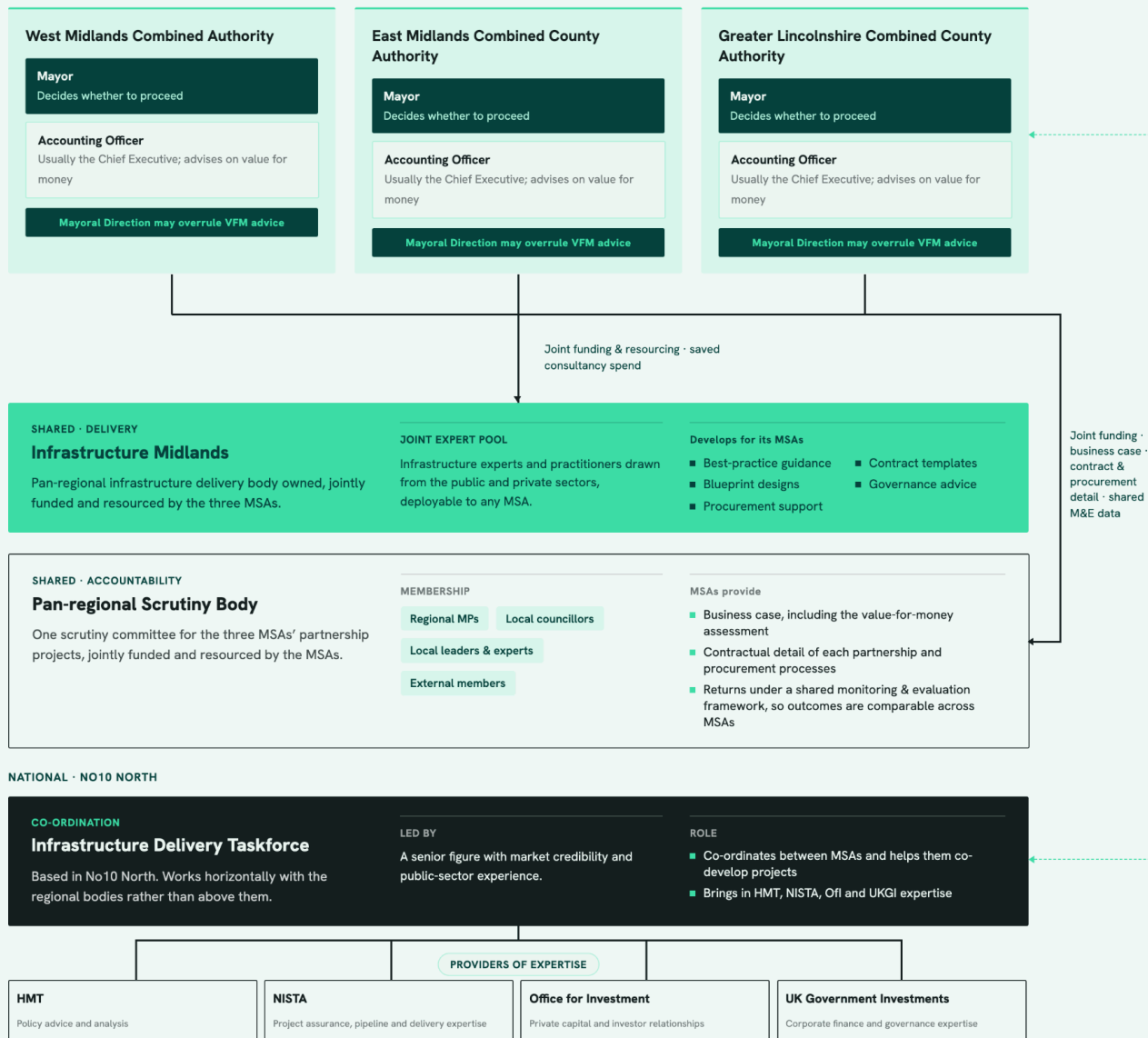
The English Devolution and Community Empowerment Act made provisions for establishing the Local Audit Office. The enabling regulations have not yet been laid. Once established, this will provide a further layer of much needed assurance, oversight and transparency.

FIGURE 7

A regional model for delivering public-private partnerships: the Midlands

Mayoral strategic authorities (MSAs) decide; a shared delivery body and scrutiny body support and hold them to account; a No10 North taskforce co-ordinates and brings in national expertise.

REGIONAL · THREE MIDLANDS MAYORAL STRATEGIC AUTHORITIES



— Accountability and support - - - - Co-ordination ■ Decision or national body ■ Shared regional body

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Building up capabilities

Pan-regional infrastructure delivery bodies

As above, **MSAs should establish pan-regional infrastructure delivery bodies**, providing a common set of shared resources.

This could include a joint pool or team of PPP experts and practitioners, from public and private sectors, that all MSAs can draw on as they develop, procure and manage projects. One of the mistakes of the past was having public bodies pursue a small number of projects (or even just one) for which they did not have the expertise to adequately resource and manage contracts.

In the late 1990s the Local Government Association (LGA) helped set up the Public Private Partnerships Programme (4Ps) to help councils develop projects.³² In 2009 the LGA, Treasury and Welsh Government jointly established Local Partnerships, which is still operating, to help the public sector across a range of commercial areas.³³

A pan-regional approach should provide a single common team who are able to leverage their experience across all MSA projects to their mutual benefit. This would also, again, spread the resource burden, particularly helping smaller or more recently established MSAs. Some of the money that MSAs are currently forced to spend on consultancy fees could instead go towards building their own shared in-house capability.

In co-ordination with each other, these bodies should develop best-practice guidance for their MSAs, contract templates, building design blueprints, governance advice and procurement support. They should primarily comprise recruited staff rather than secondees from elsewhere in the public sector. Secondments run a risk of 'offloading' by other bodies that want to move on low-performing officials. Public-sector officials should be encouraged to apply for these roles and be made available swiftly if successful as part of a proper competitive process.

Infrastructure delivery taskforce in No.10 North

To further support MSAs, **we propose that a new infrastructure delivery taskforce is established in No10 North**, led by a senior figure with market credibility and public-sector experience. Its purpose should be to progress as many MSA projects as possible towards the construction phase. It should support MSAs in developing

³² Public-Private Infrastructure Advisory Facility, '[Public Private Partnerships Programme \(4Ps\)](#)'.

³³ Local Partnerships, '[Local Partnerships](#)'.

capability, identifying temporary support while that is built up, aiding MSAs with project development and undertaking investor engagement with MSAs. The taskforce should draw in the best-performing officials from the Infrastructure and Growth team in the Treasury, UK Government Investments (UKGI), NISTA and the Office for Investment (OfI). Given the variation in organisational size and maturity across MSAs, the taskforce should prioritise supporting smaller MSAs first. It should also arbitrate in conflicts between MSAs. No10 North has managed to quickly establish itself as a trusted part of government by mayors, so is best-placed to perform this role.

Long-term investment partner

These processes should begin by **identifying a long-term investment partner**, such as British pension funds delivering returns for British savers, that can sit on project boards alongside MSA teams throughout the process, from conception to construction, asset management and handback. This would enable MSAs to benefit from the experience and expertise of asset managers who specialise in investing in these types of projects. It would help them, in particular, to assess value for money and progress projects more swiftly. With the incentives of MSAs and a long-term investment partner aligned, this should mean better stewardship of assets over the long term.

Conclusion

Good growth and regeneration are, rightly, urgent priorities for the government. In the current context, leveraging capital, expertise and capacity by partnering with the private sector is vital for delivering the visible change – and progress – the public craves. The government needs to show voters a credible path towards a better future for their communities.

The case for using PPPs today is, if anything, stronger than it was when we recommended their reintroduction in 2024. Since then, the UK's infrastructure deficit, including ballooning public-sector maintenance backlogs, has continued to grow.

Yet, despite that, and the door being reopened to the use of PPPs in 2025, momentum has begun to slow and investor confidence is weakening. The current centralised approach to public infrastructure does not work. It creates bottlenecks, drastically slows project development and kills initiative. That is why we argue that MSAs should be able to pursue a progressive model of PPPs – Infrastructure Investment Partnerships (IIPs) – where they deem appropriate.

A clear, decisive statement of intent is needed by the Prime Minister and Chancellor that they intend to continue with the existing Neighbourhood Health Centre and public-sector decarbonisation PPP programmes, committing to getting spades in the ground this parliament. They should also commit to empowering mayors to pursue IIPs alongside these two national initiatives.

IIPs are materially different from PFIs. This approach would use PPPs strategically, not thoughtlessly nor by default. It would deliver public control and transparency, not be hands-off and opaque. And it would focus on delivering for workers and communities, not treating them as financial assets for investors overseas with no stake in those places.

As PFI contracts come to an end, freed up funding should be recycled into MSA budgets as ringfenced strategic infrastructure resource. This would enable them to pursue new PPPs and other infrastructure delivery models. Where MSAs use PPPs, they should prioritise using them for regeneration projects that include an ambitious pillar of community benefits alongside core public infrastructure.

We have always advocated for a mature model of devolution. We must not solely devolve powers and funding, but also responsibility and accountability. MSAs that pursue PPPs should be empowered with the capabilities to succeed, but equally they should not expect the Treasury to bail them out if projects go wrong.

This report argues for two new sets of pan-regional bodies, created jointly by MSAs. The first are infrastructure delivery bodies to give MSAs a shared resource of expertise, guidance and support. The second are pan-regional scrutiny bodies to hold MSAs to account, including on PPPs. This pan-regional approach would spread the resourcing cost, help newer and smaller MSAs in particular, and enable effective co-ordination.

As we said in *Rebuilding the Nation 03*, in practice the choice of how to finance major new public infrastructure is often not public or private. It is very often private or nothing. If the government wants to go into the next election with a compelling story about how it is transforming communities, and visible proof of that story being delivered, then IIPs delivered by mayors provide a credible mechanism to do that.