

PFI = New Public Assets (Hospitals, Schools, All public buildings) and the method of financing.

Until recently (since 1992(PFI introduced)) all new public assets were generally financed by "long-term borrowing" from the Bank of England. The "borrowing" comprised the major part of the "National Debt" trend was that this debt was increasing and more so since old assets had to be replaced. New pressures on public services – especially health and education.

Generally speaking up until 1992 all public assets were owned by public authorities / government.

= Assets ownership v. Assets use.

Variety of forms of financing new assets:-

- The common one was outright purchase and so ownership.
- Hire purchase – Asset is not owned until the end of HP term and all payments, there would be an option to "own" for a small sum.
- Lease –
 - * { • Finance lease – owned – capitalised in the balance sheet
 - Operating lease – not owned – not capitalised in balance sheet. FRS5 has over ridden this situation.
- Deferred purchase – a form of sale & leaseback agreement e.g. the West Glamorgan council as was now the City and County of Swansea had a building built under the West Glamorgan Council in which they borrowed the money from a bank and paid off the loan and then agreed to payback payments over 50 years to place the building in public care.
- Joint ventures with private sector – commercial projects

* PFI is a form of leasing and purports to allow public organisations to enjoy similar benefits i.e. spread the cost and "risk" involved in the new project over a long time.