

Britain: Spending watchdog publishes damning report on PFI school projects

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Schools commissioned under the government's Private Finance Initiative (PFI) have not been built more quickly, cheaply or better than those built under traditional procurement, the UK's public sector spending watchdog the Audit Commission announced January 15.

In its report, *PFI in Schools*, the commission said that designs have not been any more innovative and, on average, buildings were better when acquired with traditional funding. Across four out of five measures of quality PFI schools were "statistically speaking, significantly worse" than traditionally funded schools, the commission reported.

There was little evidence to support government's claims that PFI would lead to contractors investing more upfront to reduce maintenance costs over the 25 to 30-year life of the contracts, thus reducing the lifetime cost. Rather, according to work for the commission by the Building Research Establishment, "the best examples of the type of innovation that can improve fitness for purpose and minimise running costs over a school's lifetime came in traditional schools within local education authorities with a long-established track record of excellence in school design."

The commission's report does not debate the overall concept of PFI, in which long-term building and maintenance work in the public sector are opened up to tender from private contractors. Its objective is to draw lessons from what has been delivered to date so as to provide a baseline for measuring improvement.

Nonetheless, the report is a damning indictment of PFI, which is effectively backdoor privatisation. The Blair government had claimed PFI would provide better value for money, design innovation, better risk management and the long-term commitment of funding

for maintenance. But what is clear from the early PFI schools examined by the commission (those opened before September 2001) is that not all these benefits are evident and some will not be achieved without significant changes.

The Department for Education and Skills, which has traditionally been an advocate of PFI, has attempted to dismiss the report as "old news". David Miliband, the schools minister, said: "The Audit Commission's report is based on very early examples of PFI. We have studied these schemes ourselves and put in place significant reforms for the procurement process to learn their lessons." PFI purchasing was being "continuously refined and improved", he said.

But the commission warned that because PFI had increasingly become "the only game in town", i.e., the only source of funding for local authorities to acquire new schools, it would be harder to make comparisons in future between PFI and traditional schools. One of the commission's recommendations is that the government should consider allowing high-performing councils to commission schools by means other than the PFI "to provide a wider test of value for money".

The commission's study compared 17 of the first 25 PFI schools that were open by last spring with a dozen traditionally built schools opened over the same period. Five hundred more PFI schools are due to open by 2005-06 in a £2.4 billion schools refurbishment programme.

The Blairite thinktank, the Institute of Public Policy Research (IPPR) is also critical of the cited benefits of PFI funding for public services. "The PFI can offer potential benefits, but in schools the evidence shows that the policy is clearly in some difficulty. There should be an independent review of the PFI to discover whether the PFI is working as expected across a range

of public services,” said Paul Maltby, IPPR’s public private partnerships research fellow.

“The Government needs to end its ‘PFI-or-nothing’ approach. It should pay serious attention to alternative forms of Public Private Partnership and modern publicly-financed schemes,” he added.

According to recent published research by IPPR, only 6 percent of PFI projects completed by central and local governments have had any independent examination of value for money by official audit bodies. Out of the 378 PFI projects completed by central and local governments, just 23 have had any independent examination of value for money by official audit bodies.

IPPR argues that the figures so far available demonstrate that the expected benefits of the PFI are mixed. Prisons and road schemes have tended to demonstrate value for money, but for schools and hospitals the results are much less impressive, says the research body.

The evidence looked at by IPPR assesses the expected value for money of PFI schemes after the deals are signed, but before the projects are up and running. There is currently no evidence, it says, to suggest whether or not the PFI schemes deliver expected benefits once they are underway.

“In theory the PFI can deliver better quality services at less cost to the taxpayer, but in sectors such as health and education these expected benefits are in doubt. Also, there is currently no evidence about whether the PFI delivers once schemes are up and running,” Maltby said.

Towards the end of last year Audit Scotland published a report on the PFI in schools in Scotland. It highlighted “narrow” expected value for money gains using the PFI. It also explained the pressures on managers to ensure that the PFI comes out better than traditionally financed alternatives when calculating value for money.



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