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Original Articles

The Private Finance Initiative in the UK

A value for money and economic analysis

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Abstract

The UK's Private Finance Initiative now involves billions of pounds' worth of capital investment in the public sector. Achievement of value for money is, therefore, a very important consideration. This study into value for money and economic analysis of PFI projects is based on empirical investigations together with a number of recent official reports. This article begins with an exploration of the implications of PFI for the public finances as a whole and whether its use is liable to increase capital investment in the public sector. The remainder of the article provides a detailed analysis, using the schools sector of key issues, such as building quality, maintenance costs, bidding costs, risk transfer, the use of the public sector comparator and financing costs. The results of the analysis suggest significant problems with value for money for PFI projects and support the Audit Committee recommendation for the availability of a wider range of procurement options.

Key words:

Building quality

Private Finance Initiative

public finances

public sector comparator

risk transfer

whole life costing

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