



# **2005 EIB Conference - innovative financing of infrastructure**

## **UK PPP/PFI Lessons**

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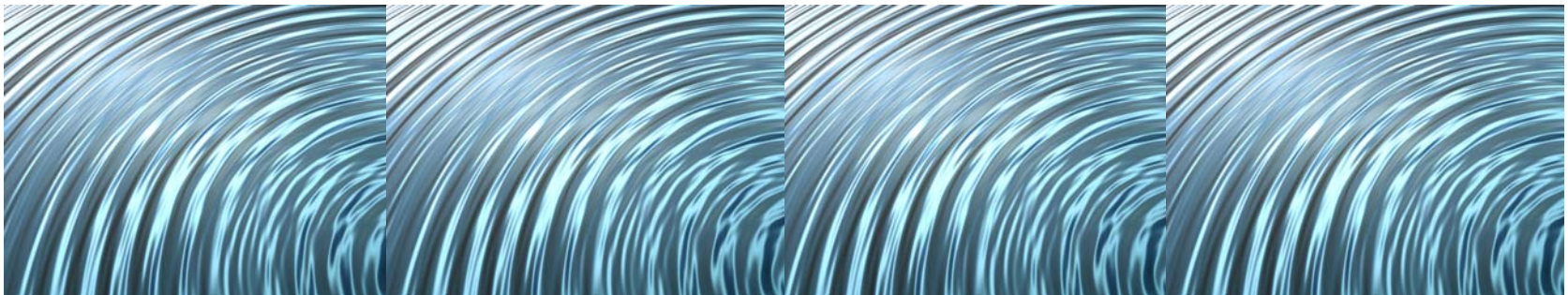


# Content

- **Balanced scorecard assessment**
- **Drivers of success**
- **Conclusion**

# Balanced scorecard assessment

- **Communications**
- **Learning and growth**
- **Process**
- **Delivery**



# Communications

## Internal to PPPs

- Mutual trust, commercial incentives
- Open book accounting

## Opinion formers/ users

- Intrinsic difficulties – complex subject, little operational data
- Consultation
- Accountability/ transparency

# Learning and growth

- Transaction issues
  - development of skills, staff continuity
  - central support, shared intelligence
  - evaluation frameworks
- In PPPs
  - training, stability of workforce

# Process

- Developing effective performance and payment regimes
- Selecting the best deal
  - vfm assessment
  - affordability
- Funding
  - competitions
  - credit finance guarantee scheme
- Accounting treatment

# Delivery

- Construction – to time and budget
- Operational performance over time
- Innovation/ efficiency
- Design/whole life asset management
- Risk transfer/contract management
- Value for money?

# PFI project delivery

	PFI (2002 Census) %	Conventional (1999 survey) %
Exceeds price agreed at contract	22	73
Late to public sector	24	70
Over 2 months late	8	



# Drivers of success

## **Organisational success factors**

- Clear framework, responsibilities and processes
- Experienced public sector team and advisers
- A partnership approach
- Corporate governance arrangements
- Effective management of continuing relationship

# Drivers of success

## **Transactional success factors**

- Ability to specify clearly requirements and service standards
- But encourage innovation in how to meet them
- Adequate provision for changing requirements
- Optimal risk allocation
- Good contract management



# Successes

- Prisons
- Roads
- Health sector
- Property
- Schools

# Lessons

## IT

- Passport agency
- Libra
- Benefits payment card

## Other

- CTRL – passenger projections, national prestige
- Royal Armouries Museum – visitor numbers

# CONCLUSION

## When does PPP/PFI work?

- Major capital projects needing maintenance
- Not usually in I.T. projects
- Not if transaction costs disproportionate