

Improving Value in PFI

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**CONSTRUCTING
EXCELLENCE**
in the built environment

- 1. 'Value' is the key term**
- 2. PFI can give better value than direct public procurement**
- 3. But PFI could give much better value**



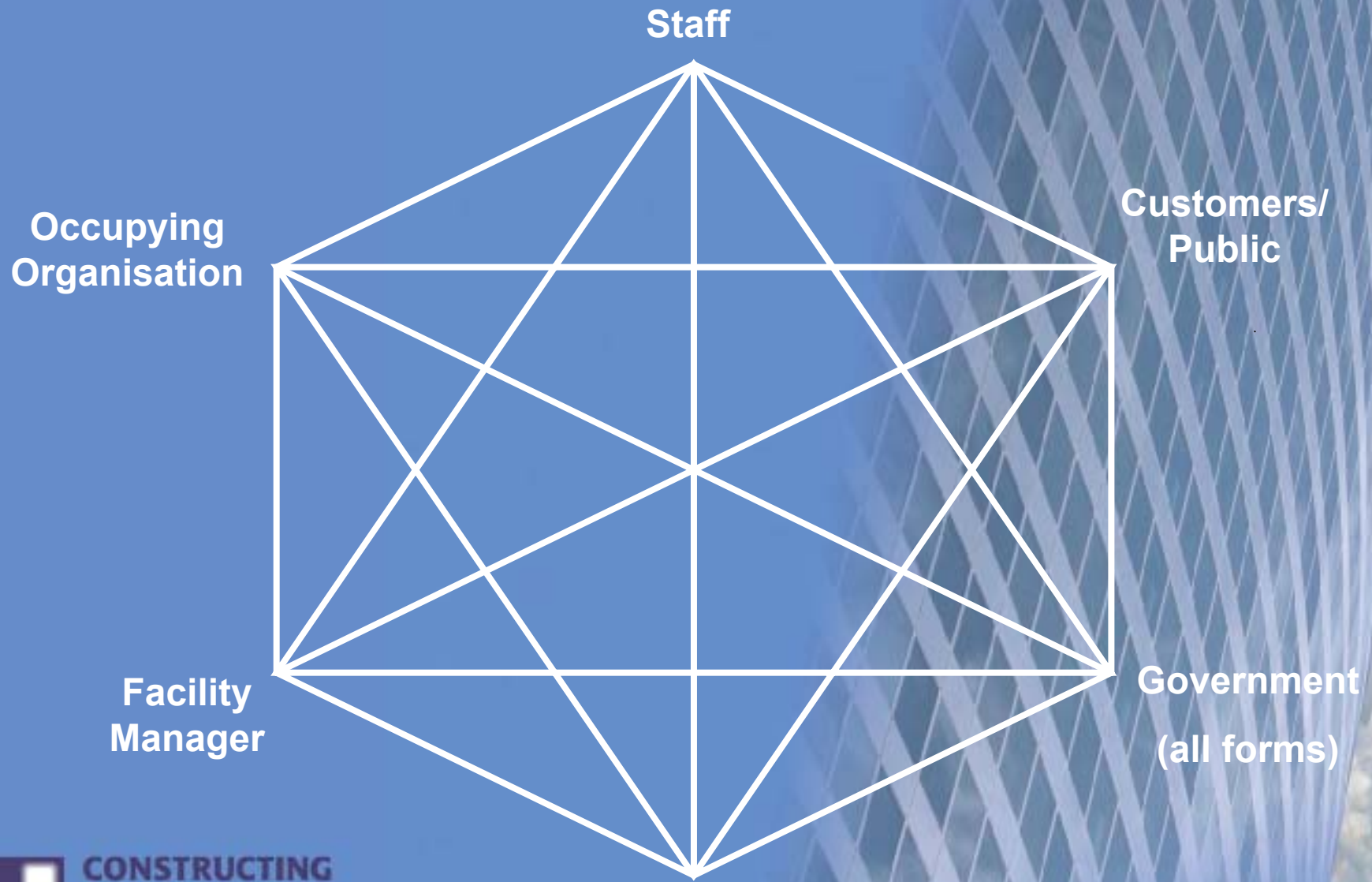
$$\text{Value} = \frac{\text{What you get}}{\text{What you give}}$$

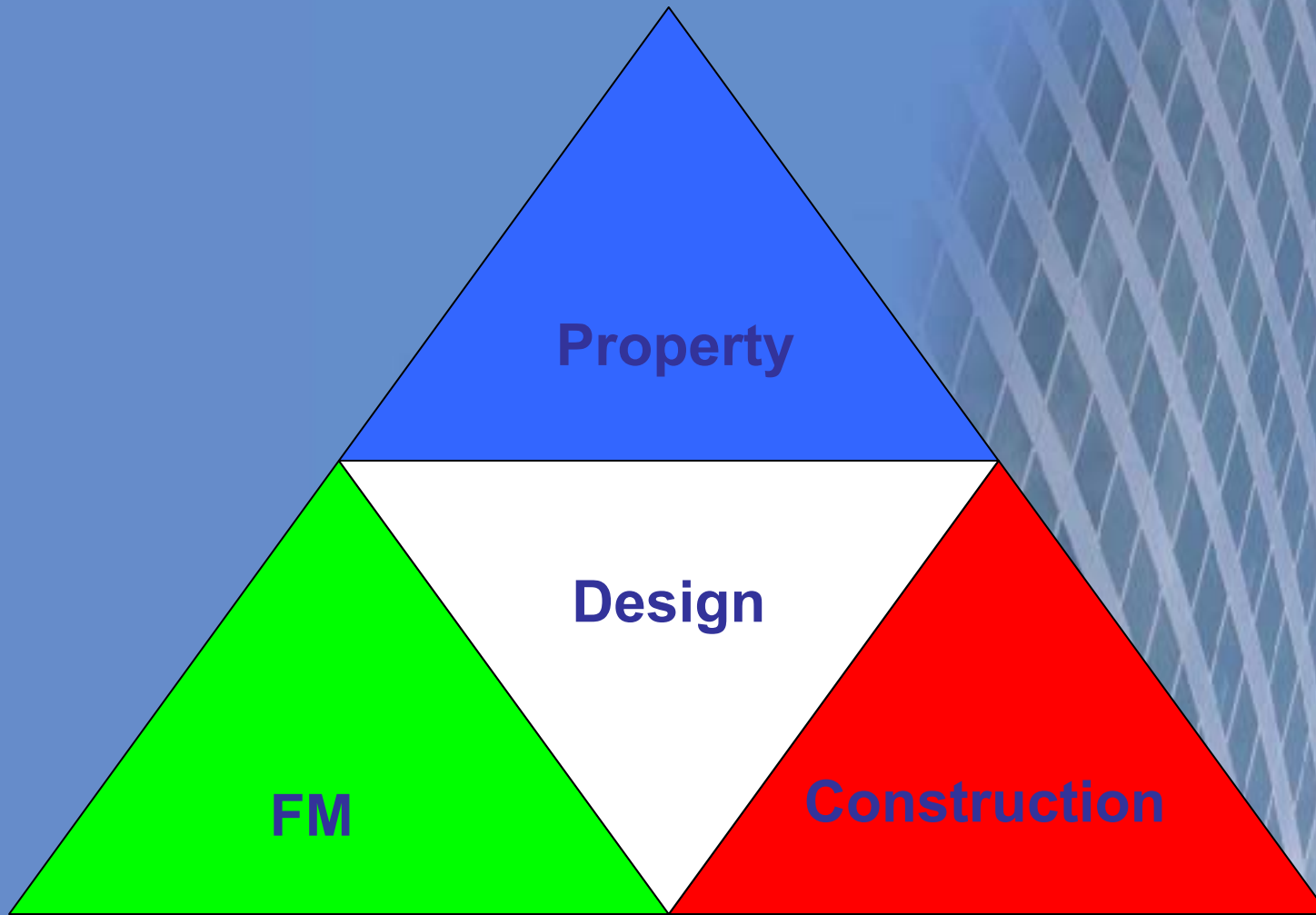
- for each stakeholder



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Value Exchanges between stakeholders



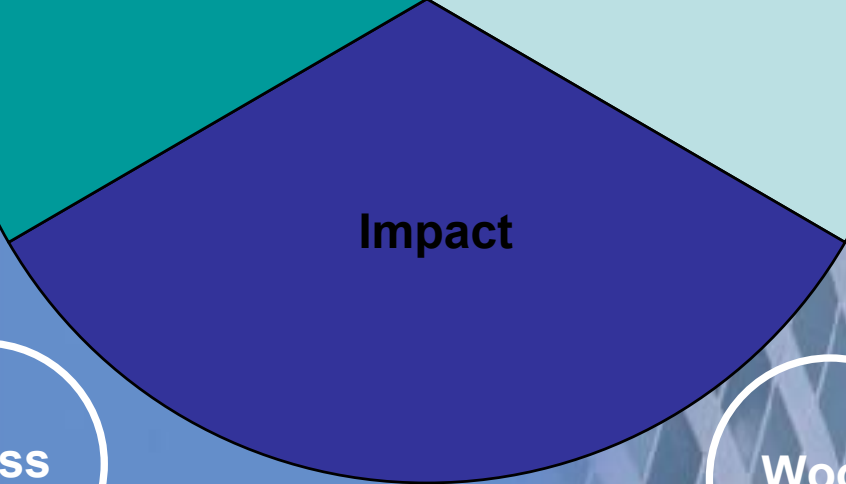
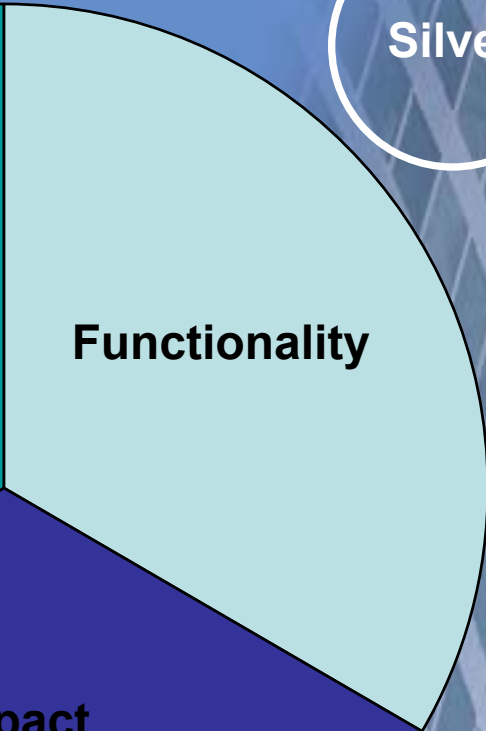
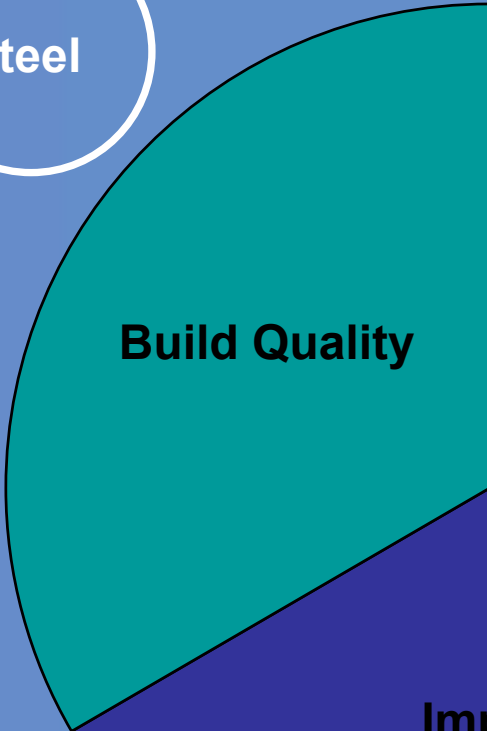


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Built Environment

Steel

Silver



Gold

Glass

Wood

Brass



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Design Quality Indicator

VA : F : C (D)

30 : 5 : 1 (0.1) UK

46 : 4.5 : 1 (0.1) NHSE

Value in public buildings flows from:

- Effective delivery of the service
- Minimum FM cost consistent
- Positive impact on all
- Return to investor



Pre PFI Public Building

- CAPEX minimisation
- Public finance over 60 years
- Functionality-led design
- Poor predictability of cost and time
- Under maintained
- Unplanned whole life cost



PFI Mark 1 Public Building

- UP minimization
- Private finance over 25 years
- Build Quality-led design
- Good predictability of cost and time
- Fully maintained
- Planned whole life cost



Areas for improvement

Address occupier Value Added:

- Better briefing cycle
- Outcome focus, not outputs
- Trade between service costs and UP
- Put a value on flexibility
- Plus, cut bid costs



Option 1

- Client designs to Stage C
- Providers compete to develop, construct, finance, operate
- Client controls Functionality and Impact, provider adds Build Quality



Option 2

- Preferred bidder selected on a Quality Basis
- Brief and Design developed to achieve outcomes affordably
- Target Cost working



Value Exchanges between stakeholders

