# PFI in Schools – Pass or Fail?

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**Abstract**

During the past eight years the Private Finance Initiative (PFI) has grown in size as a means of financing and delivering public sector projects. However until New Labour was elected at the last general election PFI has had very little impact on local government.

In the context of the new government's suspension of compulsory competitive tendering in local government and its replacement with the introduction of Best Value, PFI has been stated as one of the possible ways of achieving Best Value. PFI projects have in recent years grown in number in local government. In particular, one area of local government has seen the bulk of PFI projects, schools.

The introduction of PFI projects into schools in the UK has generated a great deal of debate as to whether value for money has been achieved.

This article examines the introduction of PFI into schools and evaluates in detail the Glasgow City Councils schools PFI project, worth £1.2 billion over the lifetime of the project. This single project has a lifetime value greater than all the other signed education PFI schemes added together. An assessment will be made to see if value for money has been achieved and that the Best Value criteria have been followed.


# PFI in schools - pass or fail

## Introduction

The Private Finance Initiative (PFI) as a concept has its roots in the Ryrie Rules (Butler and Stewart, 1996) which were introduced in 1981 as a means of introducing private finance to the nationalised industries. The Ryrie Rules were replaced by the more flexible Private Finance Initiative in 1992. When it was first introduced, PFI was seen by government ministers as a means of increasing public sector capital spending and a way of redressing years of chronic under-investment (Butler and Stewart 1996).

However, the role now envisaged for PFI is more as a replacement for public sector capital rather than an adjunct to it. Also, the scope of PFI has broadened from a means of introducing private sector investment into capital intensive public activities with a track record of public-private partnership (transport is an obvious example) to gradually encompass service provision in areas such as health, defence, housing and education.

Initially, PFI was justified in a macroeconomic sense as a procurement instrument to provide and finance the growing need for capital investment in the social infrastructure, which public sector bodies could not resource within the traditional government constraints on capital finance (Terry 1996) and without breaching the limits on borrowing and debt set by the Maastricht Treaty (Broadbent and Laughlin 1998). Subsequently, the government emphasis moved to focus on service efficiency and value for money as the rationale behind its policy of actively promoting PFI projects. The involvement of the private sector in the provision and management of the project would provide greater and continuing efficiencies in the construction and operational management of the project. These perceived efficiencies would offset the higher costs of private sector borrowing. Also, the private sector would bring commercial and technical expertise and innovation to the project. Overall, the involvement of the private sector would generate cost efficiency and value for money.

It has been claimed that the introduction of PFI has many advantages. These include control over public spending to restrain inflation (Broadbent and Laughlin, 1998), overcoming the problem of scarce government funds (Butler and Stewart, 1996) and control over the Public Sector Borrowing Requirement to meet the requirements of the Maastricht Treaty. PFI can be used to control the PSBR where local authorities can treat PFI contracts as ‘off balance sheet’. This is subject to the restrictions of SSAP 21, and FRS 5 (amended).

The two fundamental requirements of a PFI project (Broadbent and Laughlin, 1998) are that value for money must be demonstrated and that risk must be transferred to the private sector. Value for money can be demonstrated by comparison with a Public Sector Comparator (PSC), which is supposed to show what the project would have cost the public sector through traditional procurement methods. The principle behind risk transfer (Private finance Panel, 1995) is that risk should be allocated to whoever is best able to manage it, as opposed to risk transfer for its own sake.

However, the dangers of the tension which exists between the promotion of the policy of private sector participation and the achievement of greater cost efficiency and value for money have become increasingly apparent and have been highlighted by several commentators (Heald 1997, McKendrick and McCabe 1997, Gaffney and Pollock 1999).

Private finance initiative in schools

Since the introduction of the PFI in 1992 very little PFI activity has taken place in local government. This has been partly due to the way in which local government is funded and partly due to the fact that in the UK local government has a large degree of autonomy from central government and has not been covered by any requirement to look at PFI alternatives to conventional funding.
The result has been very few PFI projects in local government until recently, as the following table illustrates:

| **£ million** | **1998-99** | **1999-2000** | **2000-01** | **2001-02** |
|---|---|---|---|---|
| Defence | 319.0 | 315.0 | 520.0 | 199.0 |
| FCO and Overseas Development | 24.0 | 29.0 | 4.0 | 2.0 |
| Agriculture (1) | 0.0 | 0.0 | 9.0 | 12.0 |
| Trade and Industry | 51.0 | 54.0 | 32.0 | 32.0 |
| Environment, Transport and the Regions (1) | 636.0 | 917.0 | 775.0 | 740.0 |
| Education and Employment (1) | 11.0 | 23.0 | 27.0 | 9.0 |
| Home Office | 73.0 | 227.0 | 195.0 | 44.0 |
| Legal Departments | 16.0 | 64.0 | 66.0 | 26.0 |
| Culture, Media and Sport | 1.0 | 0.0 | 3.0 | 4.0 |
| Health | 310.0 | 610.0 | 740.0 | 690.0 |
| Social Security | 87.0 | 264.0 | 166.0 | 20.0 |
| Scotland | 219.0 | 404.0 | 464.0 | 120.0 |
| Wales | 53.0 | 90.0 | 87.0 | 37.0 |
| Northern Ireland | 12.0 | 36.0 | 99.0 | 78.0 |
| Chancellors' Departments | 98.0 | 91.0 | 34.0 | 104.0 |
| Local Authorities | 287.0 | 603.0 | 993.0 | 886.0 |
| Total | 2,197.0 | 3,727.0 | 4,214.0 | 3,003.0 |

Source: Hansard 21 December 1999

**PFI Expenditure 1998-2002**

Changes to the funding of local government now allows local authorities, that come up with viable PFI schemes, to top slice the funds available to local government (from central government) before the distribution formula is applied. This enables those local authorities to gain a larger share of the overall funds. With this incentive local authorities have now started to look at PFI as a possible alternative to conventional funding and by the end of 2000 signed PFI projects in local government had a total value in excess of £3.5billion and represented around 16% of all local authority capital expenditure supported by the central government.

Education in schools has proved a fertile area for PFI projects due to the central governments commitment to improve the quality of education and the environment in which it is delivered. With all schools in the UK requiring substantial capital funding to redress decades of under-investment in school buildings and facilities schools PFI projects have proved a favourite with local authorities. A recent survey showed that £2bn of repairs and maintenance is required to redress the neglect of local authority schools.

The PFI has recently taken an increasingly prominent role in the funding of education projects (Public Finance, 16/7/99). The Scottish Office Private Finance Unit (1996b) points out that the PFI has potential for the refurbishment and renewal of schools, as local authorities do not need to raise the capital themselves. 100% of the proceeds from a disposal can be used to help fund a project (The Scottish Office Private Finance Unit, 1996b). Also the element of service charge, which accounts for financing the capital cost of the project qualifies for a grant and is outwith revenue capping limits.

Like other PFI projects, a PFI project in education is required to show value for money (which would normally involve the use of a PSC). In addition transfer of risk to the private sector should take place. Risk transfer is essential in order for the asset to be 'off balance sheet' as far as the local authority is concerned. The potential for achieving VFM and risk transfer arises mainly from life cycle costing, generation of third party income, optimal risk sharing profile and innovation in design and construction (Livingstone and Munro 1997). Furthermore the local authority must be able to actually afford the service payments over the life of the project.

### Research Objectives

This article will examine empirically the operation of the policy in the context of schools and the extent to which the regulatory mechanisms (in particular the use of a Public Sector Comparator) ensure and evidence value for money, efficiency and affordability. It will also consider the degree of openness and transparency which exists in the decision making process.

### Research Methods

The article uses a case study approach to examine the Glasgow schools project and to carry out comparisons with other schools projects, which have either been given approval or are undergoing the approval process. The other schools PFI projects chosen were Sir John Colfox School in Dorset which is the first schools PFI project to be approved, the Falkirk schools project which is one of the first projects to cover more than one school and Pimlico School in Westminster which was one of the first schools PFI projects and has had a long and difficult gestation period. The concept of PFI applied to schools is in its infancy and it was felt that it would be of interest to see how different authorities approached the PFI process.

It is recognised that the results obtained only apply to the projects chosen and cannot be applied in general either to all schools PFI projects or PFI projects in general. Despite these limitations, it is hoped that some useful empirical data will emerge which will have a reasonable degree of universal application, particularly when augmented by evidence generated by further research in this area.

The detailed information in respect of the Glasgow project has been from obtained from questionnaires and structured interviews with headteachers, teachers, parents and School Boards at two of the schools involved The schools chosen were Holyrood Secondary which has the largest pupil roll in Europe (2350) and Eastbank Academy which is being created by the amalgamation of two secondary schools in the east end of Glasgow, an area of socio-economic deprivation.

Questionnaires were distributed to over 100 teachers at the two schools and to the members of the respective Parent Teacher Associations. Structured interviews were carried out with both headteachers and the Chairmen of the School Boards.

**Glasgow schools project**

Crippled by debt on account of attempts to improve housing in the post-war years, Glasgow City Council has under-invested in the improvement of buildings including schools over a long time period. In addition the declining pupil roll has led to considerable excess capacity across Glasgow's 39 secondary schools. The fundamental problem was that without increasing the level of council tax (which would be politically very unpopular) the council lacked the resources required to upgrade school buildings and invest in Information Computer Technology (ICT). The Scottish Office Private Finance Unit (1996a) points out that in Scotland local authorities do not have the capital resources to do anything other than "apply patchwork repairs to the existing schools estate" and that PFI is a solution to the problem as the Council is not required to raise the capital itself. Project 2002 is seen by Glasgow City council as a solution to the problem of tackling the upgrading of secondary school provision.

Various options were considered by the Council, the first of which was the status quo with no school closures and an annual allocation of £7 million from the capital budget to improve facilities. This was ruled out, as it would take too long to achieve the desired amelioration of provision. The second option was to close 10 secondary schools and allocate £7 million per year to the remaining 29. However given the existing level of outstanding maintenance work, the required improvements would have taken until 2011 to complete - assuming that the programme did not lose out during this period to competing demands on the capital budget. A third option involved a PFI to provide 2 new build and 4 extended schools (including services) while the Council would fund the other 23 schools. ICT would be provided for all schools through the PFI contract. A variation of this option provided a fourth alternative with all services included in the PFI contract.

A fifth option (the one adopted) involved all capital investment across twenty-nine schools and the provision of all non-core services (excluding catering) through a PFI. It was claimed that, following the completion of the capital investment programmed, efficiency savings of up to 17.5% on facilities management costs would be achieved. It was also considered that this option would lead to uniformity of service provision to all schools as the service charges would not be competing against other claims on the capital budget.

In 1998, after a tendering process under European rules, four consortia were shortlisted; and in November 1999, 3ED, a consortium of six different private sector organisations, was chosen as the preferred bidder. The project will cost Glasgow City Council £1.2 billion, and involves the council paying the private consortium, 3ED, led by The Miller Group (25.5% of the equity), Amey plc (25.5%) and Halifax plc (49%) £40 million each year for 29 years to build and maintain the schools. This is in addition to the initial preparatory costs. The annual charge to 3ED is claimed to be around 5% lower than through Council procurement (Public Finance, 14/4/00), and the net present value of the project is calculated at £416 million (Glasgow City Council, 2000a).

The contract is for the provision of eleven new build secondary schools and one primary, extensions to seven existing secondary schools and refurbishment of all retained secondary schools. An ICT system will also be provided. The first phase of the contract, which involves the construction of new build and extensions, along with refurbishment as required and investment in ICT, is due to be completed in August 2002. If all construction work is finished by 2002 then the council will qualify for a provision of £13.8 million per annum towards costs under the 'level playing field' scheme (Public Finance, 11/2/00).

The second phase involves the contractor maintaining the schools from August 2002 to August 2029. At the end of this phase ownership of the buildings and responsibility for maintenance will revert to the Council. The 3ED contract allegedly meets the requirements relating to transfer of risk for a PPP arrangement.

Project 2002 has been criticised by UNISON Scotland, (2000a), firstly because swimming pools will not be replaced in 6 new build schools. Glasgow City Council, (2000b) claim that this is due to the alternatives available in the council's own sport and leisure centres. UNISON Scotland (2000b) have also criticised the council for not publishing details of the Public Sector Comparator, and claim that this is contrary to the ethos of Best Value.

**Criticisms of the Glasgow schools project - Stakeholder consultation**

Consultation with stakeholders is a fundamental aspect of the Best Value process recently legislated for local government in England and Wales (DETR, 1999) and Scottish local authorities have also accepted the principles of Best Value. The evidence does not suggest that consultation has been extensive for Project 2002. Rather it has been restricted to small groups of headteachers, schoolteachers and representatives from school boards. The project has come under criticism from parents and trade unions. Jamie Allan, chairman of the Cleveden Secondary School Board (Allan, 2000) claims that presentations to Cleveden Secondary School Board from the two final bidders were in essence "glossy presentations" and there was no consultation. He says that the drawings presented of the design of the school extension bear "no resemblance to the final plans" He also claims that Glasgow City Council permitted only a very restricted access to data. Furthermore Allan says that 3Ed failed to respond to points raised at meetings with the school board and to all written points raised at all meetings. It is also stated by Jamie Allan, "Neither I nor the majority of the school board are prepared to be a party to the charade that the council considers to be consultation".

Interviews and questionnaires at Holyrood Secondary School and Eastbank Academy have reinforced some of the claims made at Cleveden Secondary School. While both headteachers and the chairmen of the school boards claim to be reasonably informed with regard to the PFI contract, evidence from questionnaires shows that schoolteachers remain concerned by the majority of the proposals and their implications.

There was fairly widespread distrust of the PFI proposals with only 25% of the teachers at Holyrood and 17% at Eastbank in favour of the PFI proposals, with 50/61% being against and the rest unsure. With regard to consultation, at Holyrood, only 20% felt they had been kept informed about the proposals with the Eastbank figure being 33%. Concerns were also raised about the possible decrease in educational standards with 70% at Holyrood and 83% at Eastbank expressing some concern. The majority of teachers (85% at Holyrood and 70% at Eastbank) felt that the interests of profit would be put before educational needs Conversely, the benefits of a new school were widely accepted by over 90% of both sets of teachers.

Criticisms have also been raised by teaching staff who have subsequently seen the individual school plans, with complaints ranging from the size of the classrooms to the reduction in education and physical education facilities. To date not one of these criticisms has been acted upon, lending credence to the claim of lack of consultation (Crichton, 2000).

### Criticisms of theGlasgow schools project - Financial aspects

Some analysis of the Glasgow project has taken place already (Crichton 2000) and the following observations have been made: -

- Glasgow City Council approved the private sector deal without having seen the full business plan. However it is expected that all PFI deals should offer a comparison of the PFI business case with the public sector alternative.
- It appears according to the business plan that the main risks are still being carried by the Council, such as future trends in inflation and changes to educational legislation. The main risks falling to the consortium are design and construction of the schools, operational risks, such as vandalism, security costs outside school hours and exposure to changes in interest rates.

A detailed evaluation of the Business Case, which supported the project, and the Public Sector Comparator (PSC) which was used to substantiate the claimed £36 million savings reveals a number of disturbing issues.

1. The savings arise from the value of £70 million ascribed to the risks transferred to the private sector consortium, but this valuation is highly subjective and some of the risks are ones any contractor would bear, such as the cost of overrunning in the construction and delivery phases. If these risks are discounted then provision by the public sector is cheaper by around £34 million.

2. The council bears all the risk of the consortium collapsing during the project and has ultimately underwritten the total cost.

3. The educational need for the refurbishment of 26 secondary schools and the construction of two new secondaries and one primary, as assessed by Glasgow's educational experts has been ignored. Instead, the project is for the construction of twelve new schools and the refur bishment of the others. A change which provides a more profitable option for the private sector but fails to meet Glasgow's educational requirements.

4. No demographic analysis has been carried out which would take account of possible future changes in the school population and of future movements of the school population across Glasgow City. Without this type of analysis it is possible that some of the schools being built under the PFI contract may be obsolete before the end of the contract period, but the ongoing commitment of significant revenue streams would remain.

5. Substantial monies were made available through the Pathfinder Initiative to fund the preparatory work on the project. Similarly, around £451 million has been committed by the Scottish Executive to help fund the project, which might well have been better spent elsewhere.

These conclusions are substantially in accordance with other academic commentators (Crichton 2000 and Shaoul and Watson 2000)

### Sir John school, Dorset

The first school project to be financed by the PFI was the Sir John Colfox School, Dorset. This is a contract to design, build, finance and operate a 1060 place school. Like the Glasgow contract, the council will still be responsible for teaching although this contract includes catering. In addition, payment for the contract is related to the achievement of performance standards on service delivery. Like the Glasgow contract there was a comparison with a Public Sector Comparator. One of the main criteria for selection of a provider was the amount of risk transfer the private sector was prepared to accept. The private sector company was responsible for risks such as over-runs in building costs, delays in completion, repairs or replacement of assets. There has also been a transfer of risk of obsolescence relating to ICT. Whereas in Project 2002 there has been controversy over non-replacement of swimming pools, under this contract a major benefit has been improved sports facilities (Kent, 1997). It is also anticipated (Private Finance Treasury Taskforce, 1997) that in future the time between invitation to tender and project completion will be reduced as a result of lessons learned from the project.

A major reason for delay (Private Finance Treasury Taskforce, 1997) were the funders not being involved in the negotiating process early enough. Furthermore (Private Finance Treasury Taskforce, 1997) a detailed PSC was not developed until after bids were received, which meant there was a delay in the demonstration of value for money.

**Falkirk schools project**

An important precursor of Project 2002 is the contract for Falkirk Council. This contract was for the provision of five schools. Like its successor, Project 2002, the Falkirk project involved competitive tendering under European legislation. Three consortia were invited to tender and ‘Class 98’ was chosen in 1997. The contract involves Class 98 providing, operating and maintaining five schools. This includes ICT, catering and janitorial services. Like Dorset County Council and Glasgow City Council there is no responsibility for teaching or learning.

There was a comparison with a PSC and the PFI was considered to be 15% cheaper. It is claimed (Cameron, 1999) that value for money is achieved in part through using the European Investment Bank to finance local government PFI deals. The European investment Bank supported the Falkirk Schools Project as it did Project 2002. However the EIB has been criticised over its attitude to risk (Cameron, 1999). Criticisms of the Falkirk project include inflexibility over the 25-year period (Falkirk Council, 1997) and inaccurate cost calculations - additional funds were requested by the builders to complete the project to the required standards.

**Pimlico school, Westminster**

Like the Sir John Colfox School this is a PFI contract for the redevelopment of a single school as opposed to a group of schools. It is nonetheless important, as it was one of the first education projects under PFI. The initial intention in 1994 was that the existing school is refurbished and the building extended. However Westminster City Council were offered an enhanced revenue support grant from the DfEE to meet the full capital cost of reconstruction (around £25 million), the condition being that the project be completed under PFI (Shaoul, 1999).

In 1998 the St. George Square Partnership emerged as the preferred bidder for a PFI contract to design, build, operate and maintain (Westminster City Council, 1998) the school over 35 years. Controversially (Public Finance, 20/11/98) under the terms of the deal a quarter of the existing school grounds are to be given to the consortium for as luxury flat deal worth £32 million. The progress of the project has been subject to uncertainty on the grounds of not meeting the requirements of value for money, risk transfer and affordability. Firstly, while there was a PSC, the bid price offered by the consortium ‘just met the Public Sector Comparator’ (Shaoul, 1999). Also the private sector consortium unlike the PSC did not have to pay heed to local authority guidelines regarding housing density and social housing. This meant that the comparison was distorted. It was also pointed out that the PSC did not include the disposal/sale of any land for housing and had it done so would have clearly been of better value than the private sector consortium bid.

On affordability, Shaoul (1999) has asked whether Westminster and Pimlico can actually afford to pay the annual tariff or fee to the consortium. The project has not yet been completed. The governing body of the school has withdrawn its support of the project (Westminster City Council, 1999a) as they believe that refurbishment of the existing school would offer better value for money

(Public Finance, 12/11/99). They also (Ball, 2000) object to the loss of land and to the fact that education would in effect be delivered on a building site.

Westminster City Council, (1999a&1999b) support the DfEE view that rebuilding is the best option. Their argument, similar to that in Glasgow, is that the Council's limited capital resources mean that only basic repairs could be met from existing resources. In addition to the distorted comparison with the PSC, Shaoul (1999) gives reasons for problems with the contract. She claims that insufficient attention was paid to building design and loss of open space, and that the use of discounted cash flow techniques will make a PFI with a continuous stream of payments look better than a publicly funded option where the capital cost is met at the beginning. Shaoul also claims that many calculations are based on twenty-five years although the project is for thirty-five years, and that value for money has dominated discussion while insufficient attention has been paid to affordability. Meanwhile DfEE and Westminster City Council have continued to support the project (Public Finance, 7/1/00 & Westminster City Council, 1999b). Public Finance, 7/4/00 points out that the government's decision to extend the project's credit allocation may mean the government is determined that the deal will be signed, even without the support of the school governors.

In July 2000, the European Commission referred the Pimlico project to the European Court of Justice, alleging incorrect application of the EU public procurement directives. As yet, no decision has been handed down on this issue. However, at a meeting in November 2000, the school governors voted by ten to seven to reject the scheme. This finally terminated over five years of argument and dispute over the project.

## Comparisons

### Value for Money

A PFI education project is required to show value for money, transfer of risk and affordability.All of the projects have, to some extent, been subject to criticism and reservations with regard to the demonstration of value for money. Similarly, concerns have been expressed about the extent and quantification of risks transferred and the degree of openness and transparency in the decision making process.

Looking firstly at value for money, the Public Sector Comparator for Glasgow schools reveals serious flaws in the justification put forward for the project. In part, the cost efficiency attributed to the project has been achieved through a £105 million loan from the European Investment Bank, but this would also have been available if the council had been allowed to provide the assets through traditional means. Also the Council will receive £451 million from the government. This in effect means that the rest of Scotland is subsidising Glasgow schools which is excellent value for money for Glasgow but not for anywhere else given that it will mean less government funding available to support activities elsewhere.

Dorset County Council compared a contract price for Sir John Colfox School with a Public Sector Comparator and the PFI option was shown to be 2% lower although a detailed PSC was not produced until after the bids were received (Private Finance Treasury Taskforce, 1997). The Falkirk School's project's PSC was 15% more expensive than the PFI option. Value for money is achieved partly through the involvement of the European Investment Bank as money can be borrowed up to 2% cheaper than through the traditional bank market (Cameron, 1999). However this is misleading because if the government was prepared to lend the money then interest costs ought to be even lower.

The PFI contract for Pimlico School in Westminster only just met the PSC yet it appears that the government is attempting to make sure the project goes ahead despite controversy. Furthermore, the government has offered a subsidy to Westminster City Council to meet the capital costs. Like the Glasgow schools project the subsidy will mean less funding available for other providers.

### Transfer of Risk

In the Glasgow project, concerns exist about the tabulation and quantification of the risks transferred and these are so material as to bring into question the validity of the PSC and the VFM of the PFI project. In the case of Sir John Colfox, the PSC was delayed until late in the process and reservations exist about the level of VFM demonstrated by the process. The Falkirk project was criticised for inaccurate cost calculations and doubts raised about the level of risk transferred. Similarly, the Pimlico project has been subject to doubts over selectivity in the risks transferred, methods used to cost these risks and the fact that all demand risks are left with the public sector.

### Openness and Transparency

The Glasgow, Sir John Colfox and Pimlico projects all reveal serious area for concern in the openness and transparency with regard to the supply of information to decision makers and involved stakeholders. Often decisions involving substantial amounts of public funds were expected to be made on the basis of access to partial and often flawed information. Only in the case of the Falkirk project has there been no material concerns raised about transparency in the decision making process.

### Affordability

In all of the projects, the true degree of affordability of the project by the public sector commissioner has been masked by the provision by the government of additional revenue support through grant funding and access to substantial funds through the Level Playing Field and Pathfinder initiatives.

### Conclusions

The Glasgow schools project is by far the biggest PFI schools project to date in both value terms and number of schools included in the project. It is also clear that the project has been pushed through with a sudden haste e.g. receiving full council approval before the full business plan is available, poor consultation process etc. The reason for Glasgow City's haste is clear with the changes to the funding process. Glasgow will receive extra funds to cover the additional cost of the schools project from the Scottish Executive. Its existing capital allocation will remain unaffected allowing Glasgow City to fund the same level of capital projects as before without having to commit these scarce funds to Schools capital projects. The losers will be the other Scottish local authorities who will now have less central government revenue funds to divide amongst them. In other words what may be value for money for Glasgow may well not be value for money for the remaining local authorities.

There are serious doubts as to whether this option will provide the desired teaching environment. This has become more apparent as details of the upgrading and the new schools become available with claims of classroom sizes being to small to schools having no staff rooms to poor sports facilities. With the emphasis in local government being on Best Value, which is about delivering quality services and consultation with stakeholders, as well as value for money, one has to ask where does PFI fit into this new environment with its emphasis on cost?

The Glasgow schools project is not the only project with its critics as can be seen in the Sir John Colfox School in Dorset, the Falkirk schools project and the Pimlico School in Westminster, with inaccurate or manipulated costings and delays in the PSC being completed.
What is clear is that a more detailed analysis of the Glasgow schools project is required and that this will only be possible once the PSC is made available to all interested parties.

Our review of these projects confirms questions raised by earlier commentators (Gaffney and Pollock, 1997; McKendrick and McCabe, 1999) over the robustness and subjective nature of the evidence used to substantiate VFM in PFI projects. This further reinforces the need for an independent evaluation of PFI schemes by a method akin to the audit of Best Value Audit.

Our initial impression is that there is a strong need for more overt scrutiny of the evidence used to justify the commitment of significant public funds and that all of the relevant documentation must be made public during the consultation period and before any final decisions are made.

The Scottish Executive is to provide £5 million to fund feasibility studies into the use of public private partnerships to address significant school renovation problems in 21 local authorities. Before these projects are finally approved, the lessons should be learned in terms of openness, transparency, the robust justification of projects in terms of value for money and some independent validation of the business case before substantial long-term commitments are entered into.

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