

INNOVATION IN  
PROCUREMENT –How can PFI  
deliver improved levels of  
service?

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**WHO AM I**

**HEAD OF HIGHWAY  
MAINTENANCE POLICY,  
DfT**

# Why am I interested innovation in procurement?

- Increasing recognition in importance of Highway Network
- Need to make the most of existing infrastructure
- Why TAMPS?
- Service Levels

# HIGHWAYS AGENCY WORK GERSHON REVIEW

- What is it – who is involved?
- What has been done?

# PFI – WHY?

- Sustain capital investment
- Costs are maintained on *minimise whole life cost* basis
- Raises standards
- Maintains standards to the end of 25 year contract
- Service provider is incentivised to perform (deductions for under-performance) (cont)

# PFI – Why? (cont)

- Risk is allocated to the party best equipped to deal with it
- All schemes are assessed for Value for Money
- Contract specifies clear outcomes and there are incentives to deliver the programme in the most effective way
- Where problems arise Local Authority and Service provider work together to resolve them

# WE HAVE COME A LONG WAY!

## London Borough of Brent

- Signed: December 1998
- No of Columns: 15,000
- 1,100 Illuminated signs
- PFI Credits: £7.5 million

## Leeds City Council

- Signed: March 2006
- No of columns: 74000
- 11,200 Illuminated signs
- PFI Credits: £94.6 million

# Some facts about the programme

- 16 street lighting projects signed
- Total PFI credits awarded to projects signed to date: £444 million
- 4 projects in the procurement process
- 15 local authorities successful in 2<sup>nd</sup> Bidding Round (Nov 2005) – a further £694 million PFI credits approved

# How does a bidding round work?

- DfT invites all local authorities in England to bid for PFI Credits
- Local authorities submit Expressions of Interest (EoIs) within DfT deadline
- DfT assesses EoIs
- Successful authorities are invited to prepare an Outline Business Case (OBC)

# What do we look for in an Expression of Interest ?

- Strategic Fit – How does the project fit in with a local authority's overall strategic and wider objectives?
- Scope of the project – what needs to be replaced/added?
- Political Support
- Options Appraisal and Value for Money – Is PFI the right option? Does it provide the best VfM?

# What do we look for in an Expression of Interest ? (cont)

- PFI Credits – Is the project affordable?
- Does the project satisfy general PFI criteria?
- Risk – has this been assessed and allocated to the party best equipped to deal with it?
- Stakeholder Consultation

# What do we look for in an Expression of Interest ? (cont)

- Skills and Experience
  - Is a team in place that can deliver a project of this kind?
  - Has the local authority identified sufficient funds to cover the costs the project will incur?
  - What experience does the authority have in PFI projects?
- Timetable – Can the project be delivered in reasonable time?

# HIGHWAY MAINTENANCE

## PFI

### Still in its infancy

- Portsmouth City Council highway management PFI scheme – Only highway maintenance project signed to date
- £121 PFI Credits awarded
- Contract signed in July 2004
- Council members and public satisfaction is favourable

# Portsmouth City Council Highways Management PFI Scheme

## SCOPE OF THE CONTRACT

- Fence to Fence Responsibility
- Highway Rehabilitation and Routine Maintenance
- Highway Management Functions
- Winter Maintenance
- Street Lighting & Traffic Signs
- Traffic Signal Maintenance
- Grounds Maintenance & Trees
- Street Cleansing
- Gully Emptying & Gully Maintenance
- Bridges & Structures
- Third Party Claims

**THANK YOU**

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