



National Audit Office

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COMPTROLLER AND  
AUDITOR GENERAL**

**HC 71  
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# PFI in Housing

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National Audit Office

# PFI in Housing

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Amyas Morse  
Comptroller and  
Auditor General

National Audit Office

16 June 2010

The Private Finance Initiative (PFI) was introduced into housing in 1998 and has been a small but significant part of total investment in social housing.

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# Summary

## Figure 1 Background on PFI housing

### What is a PFI project?

Private Finance Initiative (PFI) projects in the housing sector are long-term contracts between local authorities and private consortia to deliver and maintain housing to a specified standard. The costs are paid by the local authorities to the private consortia through annual payments. Central government allocates funds to cover capital and finance costs whilst local authorities pay ongoing service costs from their own revenues. Local authorities can also contribute towards the capital costs of some projects and do so to varying degrees.

### Types of PFI project in housing

There are two types of PFI housing project with different characteristics:

- The majority of funding has been allocated to projects which refurbish existing council housing or, since 2003, build new council housing.
- PFI also funds new non-council social rented housing which will ultimately be owned by housing associations (the most usual form of registered provider).

### Key players

- The Treasury is responsible for overall PFI policy.
- The Department for Communities and Local Government is responsible for housing policy, governance and for allocating funding to projects.
- The Homes and Communities Agency is responsible for managing the PFI housing programme delivery.
- Local authorities are responsible for the procurement of PFI projects, contracting with the private sector, and for the local delivery of projects.
- Tenants are the main users of housing services and have a right to be consulted about some decisions about their homes.

### Main alternatives to PFI

The Decent Homes Programme requires local authorities to ensure social housing reaches a defined standard. Where local authorities are unable to self-fund improvements there are three options available. Not all routes will be applicable to the particular circumstances of individual local authorities. The three investment options are:

- Transferring stock for a payment equivalent to the value of the stock to a housing association who funds refurbishment through private borrowing and its own resources. Where the stock has a negative value, this has only been possible where there has been gap-funding.
- Establishing an Arms Length Management Organisation to manage and improve stock using additional central funding. This has not been available where significant investment and estate remodelling is needed.
- Using PFI where central government funding is available covering extensive refurbishment and remodelling of existing stock. The PFI route allows for improvements beyond Decent Homes standards.

The main alternative to PFI for local authorities to building PFI non-council social rented housing is through the existing grant regime funded by the National Affordable Housing Programme.

### The programme to date

Since 1998, the Department has allocated £4.3 billion to local authority PFI projects through six rounds in which local authorities bid for funding. There are 50 approved projects of which 25 are signed deals.

By April 2009, the programme had refurbished 12,343 homes through the Decent Homes Programme and purchased or built 991 further homes. The Department estimates that the first five rounds of the programme will deliver 28,000 homes, allowing it to tackle large-scale problems and areas of high investment need and provide high quality management and maintenance of homes.



**1** The Private Finance Initiative (PFI) was introduced into housing in 1998 and has been a small but significant part of total investment in social housing. The Department for Communities and Local Government (the Department) was responsible for both housing policy and delivery for most of the period examined in this report, but as at December 2008, responsibility for delivery of the programme largely transferred to the new Homes and Communities Agency (the Agency).

## **Key findings**

PFI has been a flexible and useful funding route that has delivered housing improvement

**2** Housing delivery has been a government priority, and local authorities have used PFI as an alternative funding route when other options for either improving existing housing or building new stock were not practical or available. PFI has typically been used to regenerate areas with a high social housing need but where stock condition was particularly poor. These projects then benefit from the long-term maintenance which PFI delivers. We found that tenant satisfaction for housing management of a PFI project is similar to comparable housing and slightly higher for repairs and maintenance.

Evaluation of the value for money provided by PFI in housing at a programme level compared to other investment options has been limited

**3** There are a number of routes available for local authorities to refurbish or build new housing, including PFI. Not all of these options will be available or appropriate to the particular circumstances of a local authority. Evaluating which route delivers better value for money is difficult as different funding options are designed for particular circumstances and needs. Owing to these difficulties and because the Department has only recently begun to ensure that relevant and appropriate data are collected in a consistent manner, the data-set is patchy. The Department has not routinely undertaken evaluation of its housing investment routes to help assess whether it is realising value for money and did not collect the data which would have allowed it to do so. Programme evaluation undertaken by the Department to date has been limited and largely qualitative in nature.

**4** The Department should have done more comparative assessment of the value for money and risks to value for money of housing investment options at a programme level. Although not straightforward, it has not attempted to compare the value for money of the PFI option compared to other investment routes for refurbishing council housing, for example, stock transfers and Arms Length Management Organisations. For new build PFI it has conducted a useful exercise to benchmark the capital cost of projects, but this does not cover the totality of evaluation needed in terms of assessing the full costs, procurement times and benefits achieved for a project. The Department will examine in the 2010 Comprehensive Spending Review the value for money framework for PFI housing in addressing housing investment needs.

**5** The Department has evaluated value for money at a project level, following Treasury guidelines and focusing attention where higher costs and funding issues are apparent. Initially, the Department relies on work done locally to assess investment options. The business case and value for money of a PFI project is then reviewed by the Department and the Treasury, with any material changes to value for money during procurement being scrutinised before the contract is signed. Local authorities have an ongoing role in ensuring competitive procurement of projects and their value for money. Individual projects also evaluate value for money using the Public Sector Comparator. This is a common approach in other sectors where PFI is the predominant form of investment, but should have been supported in the housing sector by looking at actual comparator projects where possible. The Department told us it is now undertaking this work.

**6** The use and broad aims of PFI in the housing sector have evolved over time based on experience and judgement, largely using feedback from local authorities and providers about what worked well and what further developments are required. This has not, however, translated into clearly defined and prioritised objectives against which to measure success at programme level. There was also only limited formal evaluation of the different types of projects within the programme.

**7** The initial decision to pursue PFI to deliver housing is taken locally reflecting the Department's view that within central investment criteria, local authorities should be able to determine their own funding and delivery approach. Local authorities told us that their investment need and the Department's funding structures, rather than a pure focus on value for money often drove their choice of PFI as an investment and procurement route. The Government's funding regime has prevented most local authorities from undertaking direct house-building until recently, except through PFI. Some local authorities reported that PFI was the only available route through which they could secure the funding needed for particular levels of investment and type of development.

## Most projects have suffered significant cost increases and delays

**8** The Department has funded PFI in a series of bidding rounds (**Figure 1** on page 4). During rounds one and two, PFI procurement was new to the housing sector and a particular complexity for local authorities, their advisers, the market, and the Department was achieving a robust cost for projects at the outset. It took some time for those involved to develop their understanding of stock condition issues, risks and risk pricing for PFI. This resulted in significant central funding increases between endorsement of business cases and finalisation of contracts, although there were no funding increases after contracts had been signed. Early projects were therefore not realistic in terms of expected costs and timetables. Twenty one of the 25 projects which have been signed to date have experienced cost increases above estimates in the business case, 12 of which were over 100 per cent. All signed projects, for which we have data, were delayed and were signed later than was expected when the business case was agreed. The delays range between five months, and five years and one month, the average being two years and six months. The Department took steps to check funding increases were valid, but we consider that across the programme these problems and delays put achievement of value for money at risk.

**9** The limited evidence available allowing us to compare PFI to alternative forms of procurement means the Department cannot demonstrate that the programme has achieved value for money. While performance and costs vary between projects there was broad agreement from local authorities, providers and advisers, that PFI procurement can be excessively costly and generally takes too long relative to other routes. The Department's analysis of new build projects shows that the capital cost of PFI projects is similar to housing association developments. This analysis, however, does not take account of all project costs, for example, finance costs. While a straight comparison of the investment options for Decent Homes is difficult, the procurement times for PFI council housing of 34-75 months seen to date compare with an average period of 31 months to complete a stock transfer and 21 months to establish an Arms Length Management Organisation. Long procurement times can also increase procurement and tender costs for local authorities and bidders.

## Early programme management was weak although improvements are now in place

**10** The Department told us it had learnt lessons from early projects, developed guidance to improve cost estimates and procurement times, and set target procurement timescales for the latest round of projects. The evidence to say whether this is leading to faster procurement is mixed. The time taken to develop business cases has increased, reflecting the Department's aim to make business cases more robust before local authorities are allowed to undertake procurement.

**11** The difficulties in the early funding rounds meant the PFI housing programme was slow to develop. Housing is one of the more complex PFI sectors as the challenges and risks posed by the range of building styles and involvement of tenants are different from those found in other PFI sectors. The Department, however, was slow to respond effectively to these challenges and the programme has not subsequently picked up procurement pace.

**12** At the time of our audit, local authorities and private sector contractors expressed concerns about the Department's and the Agency's capacity and the level of expertise amongst programme administrative staff and about the transparency of the central management structures. The Agency has subsequently taken steps to increase its capacity and access to appropriate skills. This includes increasing the number of 'transactors' who are individuals with commercial expertise who help some projects through the development and procurement process. While there has also now been time for new management structures to embed, we note that there may be opportunities for the Department and the Agency to streamline working processes, for example, in assessing bids where review by both parties has been sequential rather than in parallel.

**13** The programme could have developed more quickly if the Department had attached higher priority to effective management of the programme including timely updating of guidance and adequate resourcing. The Department has now introduced broader, updated guidance and standard documentation to support local authorities. More rigorous performance monitoring and a local authority support and intervention strategy have been introduced. The provision of effective support to local authorities by the Department, however, was put in place slower than it could have been.

### Conclusion on value for money

**14** The PFI model itself is not inherently poor value for money and success depends on the circumstances in which it is used and how it is applied. The Department has used PFI as a flexible and useful funding route to improve existing housing and build new stock. It has secured housing improvements and some wider benefits for communities. The Department, however, has not managed the risks to value for money effectively in terms of:

- **Delivery to time and budget.** A majority of projects have been affected by significant cost increases compared to business case estimates prior to contract signature and all have experienced delays compared to project targets.

- **Evaluation of whether PFI is the best value option.** Local authorities reported that their initial choice of PFI at a project level was influenced by the Department's funding structures and policy constraints rather than a focus on value for money. The Department has undertaken limited evaluation of whether PFI housing delivers value for money compared to alternative investment routes at a programme level.
- **Putting in place adequate programme management.** For early projects the Department's programme management was weak and under-resourced. This has been a contributory factor in the lengthy procurement timescales of projects seen to date and the slow pace of the programme.

**15** The Department has introduced a series of improvements to the programme which it plans to build on. It is currently too early to tell whether these improvements will have an impact on delivery outcomes leading to better value for money in the future.

## Recommendations

- 16** We make the following recommendations:
- a** The data-set for the programme is patchy. The Department should develop a framework for collecting and using data which will aid evaluation of the programme and help local authorities benchmark their projects. It should use the full range of data already available in the Departmental group and consider the value of collecting additional data. As a priority the Department should consider what additional data it needs to assess whether operational projects are realising intended wider benefits, for example, in terms of regeneration, beyond the delivery of contract specifications.
  - b** The Department has done limited evaluation of PFI housing at a programme level. The Department should evaluate the programme to date, including a quantitative as well as a qualitative assessment of performance. As part of planned assessment of PFI housing through the 2010 Comprehensive Spending Review and in view of a period of restraint and efficiencies in public sector spending, the Department should consider PFI in the context of its other housing investment programmes, assess the different types of project used and ensure that value for money is a primary focus in terms of the selection of PFI as an investment option.
  - c** Evidence to show that cost estimating and procurement times are improving is not yet conclusive. Building on the measures they have put in place to improve cost estimation and procurement times, the Department and the Agency should review, for projects after round three, whether these are proving effective and should consider whether there are further steps they can take to improve performance.

- d** The Department to date has largely focused its monitoring of value for money prior to contract signature. The Department should build upon existing project monitoring to ensure that formal arrangements are in place with the Agency and all other parties involved, with responsibilities clearly defined, for review of value for money including achievement of wider outcomes over the life of the contract.
- e** Central management structures are not always transparent to projects. The Department and Agency should establish a communication strategy for their interaction with projects to address any issues which local authorities find confusing. The centre, working together with projects, should develop a timetable for when key actions and decisions are needed on both sides and should keep this under review during procurement. The Department should also review management and reporting structures and its relationship with the Agency to ensure there are clear lines of authority and that the pace of the programme moves more quickly.
- f** There are benefits to the Department's lean resourcing model, but it has posed risks to effective delivery. Within the context of the efficiencies that need to be achieved in the public sector in the coming years, the Department and the Agency should continue to review the level and quality of resources needed to manage the programme effectively and establish adequate cover arrangements and succession planning. The Department should consider how it can manage its resources and workflow to maintain operational efficiency.

# Part One

## The rationale for PFI housing

### Housing strategy

**1.1** The previous Government's July 2007 Green Paper, *Homes for the future: more affordable, more sustainable* outlined two key housing delivery targets:

- Increase housing supply to 240,000 new homes per year by 2016, including 45,000 new social homes per year by 2010-11.
- Ensure 95 per cent of social housing in England reaches the Decent Homes standard by 2010. The standard aims to make homes warm, weather-tight and with reasonably modern facilities.

**1.2** Under the previous Government, spending on social housing was due to increase to £10 billion a year by 2010-11. In March 2009, the Department for Communities and Local Government (the Department<sup>1</sup>) projected growth in demand for new homes of at least 275,000 a year compared to extra supply of less than 100,000.<sup>2</sup> On current projections (November 2009) 305,000 properties will not reach the Decent Homes standard by 2010, although work on the properties will be partially completed, underway or planned.<sup>3</sup>

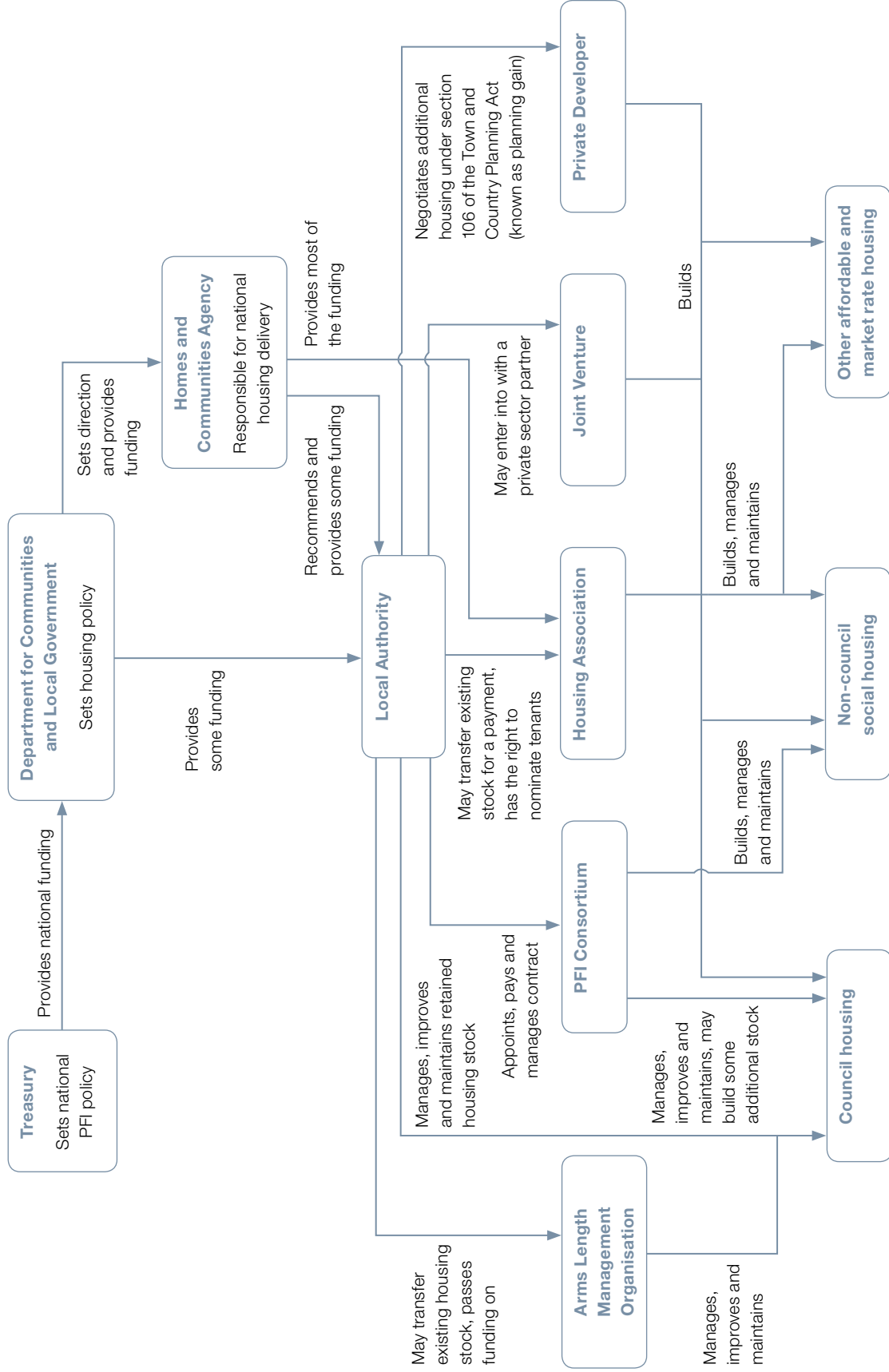
**1.3** A range of organisations is responsible for improving existing social housing and delivering new homes (**Figure 2** overleaf). The Homes and Communities Agency (the Agency) was created in December 2008 to take over responsibility for housing delivery from the Department, the Housing Corporation and English Partnerships.

<sup>1</sup> We use this to refer to the present Department and its predecessor departments which had responsibility for the PFI housing programme.

<sup>2</sup> *Mind the Gap – housing supply in a cold climate*, David Pretty and Paul Hackett for the Smith Institute, the Town and Country Planning Association and PwC, September 2009.

<sup>3</sup> *The Decent Homes Programme*, National Audit Office HC 212 2009-10, 21 January 2010.

**Figure 2**  
Key bodies involved in providing social housing



Source: The Department for Communities and Local Government and the National Audit Office



**1.4** To ensure existing council stock reaches the Decent Homes standard, many local authorities have funded improvements themselves. Where additional funding is needed there are three investment options, although not all options will suit the particular circumstances and needs of individual local authorities:

- Stock may be transferred to housing associations for a payment equivalent to the value of the stock. Housing associations fund refurbishment through private borrowing and their own resources. Where stock has a negative value this has only been possible where there has been gap-funding.
- Some local authorities have established companies, known as Arms Length Management Organisations, to manage and improve their stock with funding provided by the Department. This is generally not an option where high levels of investment are required.
- The Private Finance Initiative (PFI), where the local authority enters into a contract with a private sector partner, is aimed at areas of higher investment need.

**1.5** The funding regime for local authorities has discouraged them from directly building new social housing. Typically this is provided by housing associations using government grants. Local authorities can also ensure that developers provide new social housing through the planning system<sup>4</sup> or enter into joint venture vehicles with private sector partners. Proposals were announced in July 2009 to reform the council housing financing regime which could provide local authorities with greater flexibility to maintain existing stock and invest in new housing directly.<sup>5</sup>

### **How PFI has been used in social housing**

**1.6** In 1998, the Department launched eight<sup>6</sup> PFI pathfinder projects to allow local authorities to refurbish existing council housing stock to the Decent Homes standard. This covered remodelling and demolition, and, from 2003, building new council housing. The programme also funds non-council social housing, largely new build, where the housing is not owned by the local authority at the end of the contract but remains in housing association ownership. Around eighty per cent of funding has been allocated to council housing projects and the remainder to non-council social housing. There have now been six funding rounds in the programme, involving 50 projects which have been allocated a total of £4.3 billion of funding.

<sup>4</sup> Section 106 of the Town and County Planning Act 1990 allows local authorities to enter into planning agreements with developers. As part of these agreements developers are often obliged to deliver an agreed percentage of social housing.

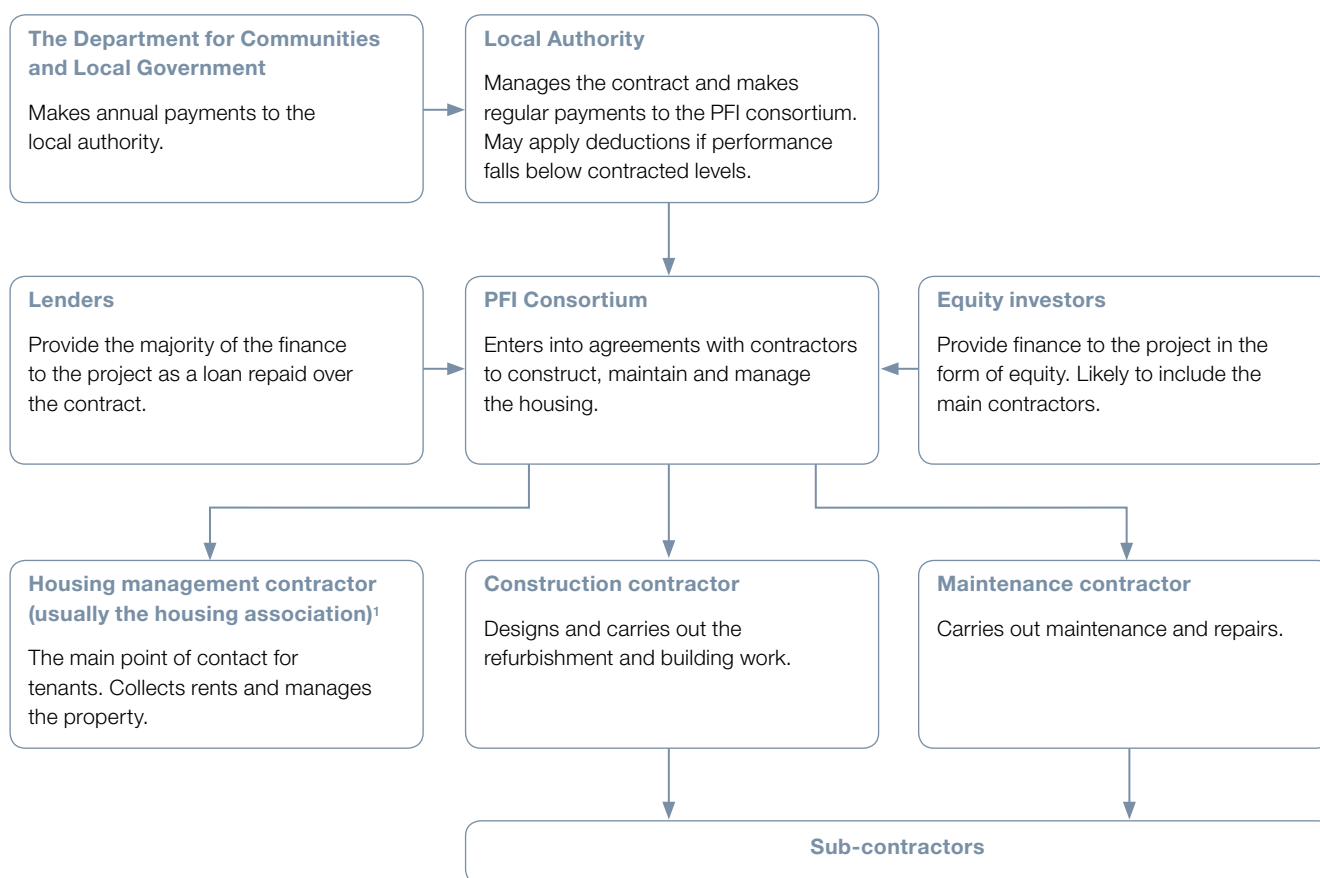
<sup>5</sup> *Reform of council house finance consultation*, Communities and Local Government, July 2009.

<sup>6</sup> One of these projects subsequently withdrew from the programme.

**1.7** PFI housing contracts typically run for 30 years. A local authority submits a bid to the Department and, if successful, is allocated funds to service capital and finance costs. Following competitive procurement, it contracts with a private sector consortium, which usually includes a housing association, to improve or build housing and then maintain it. Projects may also involve remodelling of estate layouts, new infrastructure and community facilities. The consortium borrows commercially to fund the project and receives payments from the local authority over the course of the contract for the works and services provided. The local authority funds the ongoing service costs from its own revenues. **Figure 3** shows the structure of a typical PFI housing project.

**1.8** Some local authorities have not maintained their housing stock properly. Local authorities, advisers and private sector contractors identified PFI's ability to ensure long-term maintenance of the housing stock undertaken to a contractually agreed specification as a key benefit. Failure to do so results in penalties being levied against the private sector.

**Figure 3**  
Structure of a PFI housing project



**NOTE**

<sup>1</sup> In some projects the housing management function has been retained by the local authority outside the contract.

## The rationale for using PFI

**1.9** The Department developed its rationale for using PFI in housing over time. PFI has developed to enable the Department to achieve its policy objectives, for example, providing homes for the elderly and people with special needs and for delivering housing as part of large-scale regeneration projects. See case study 6 (case studies summary report at [www.nao.org.uk/pfi-housing-2010](http://www.nao.org.uk/pfi-housing-2010)) for an example of an early regeneration PFI project in Manchester.

**1.10** Since the programme launch developments have been informed by the experience of local authorities and providers but the Department has not conducted any formal analysis to underpin this. The Department has assessed some elements of the programme; it has not, however, made an overall assessment of the programme's value in the context of wider housing needs and available funding routes. The Department will examine in the 2010 Comprehensive Spending Review the value for money framework for PFI housing in addressing housing investment needs.

**1.11** The choice of delivery route is a local decision. The Department nevertheless has to consider national targets, its policy objectives and ensuring cost-effective service delivery when providing PFI funding to devolved organisations. The Treasury is responsible for allocating PFI funding across government. The Department told us that it linked PFI funding bids and allocations to the achievement of its strategic targets and assessed the potential numbers of housing units that might be delivered for the 2007 Comprehensive Spending Review, but we were unable to identify a target for PFI's contribution to overall housing delivery targets, although the Department expects the first five rounds of PFI to deliver around 28,000 homes (**Figure 4** overleaf).

**1.12** In our 2009 paper *Private Finance Projects*<sup>7</sup> we highlighted that public authorities across PFI sectors often have no alternative source of funding for projects and feel pressured to use PFI because its treatment in financial accounts and budgets makes it seem more affordable from a local perspective (a paper on the accounting treatment for PFI housing projects can be found at [www.nao.org.uk/pfi-housing-2010](http://www.nao.org.uk/pfi-housing-2010)). In the housing sector local authorities gave their main reasons for using PFI as that it represented additional funding and that the amount per unit they could access was greater than through other funding routes. They frequently cited PFI as the only realistic route for securing the funding needed for particular levels of investment or types of development, for example:

- PFI is well-suited to and the easiest way to secure significant central funding for large-scale regeneration projects which require long-term commitment and partnership working.
- PFI is perceived to be the only option for procuring housing with a substantial social care element as grants for new housing do not provide the level of funding these require.
- Tenants and councillors often oppose a particular route for achieving Decent Homes, meaning that in some cases local authorities have found that PFI is their only realistic option, although in other cases tenants have also opposed PFI.

<sup>7</sup> *Private Finance Projects: A paper for the Lords Economic Affairs Committee*, National Audit Office, October 2009.

**Figure 4**

Homes built or refurbished through PFI in the first five rounds

	Council housing projects		Non-council social housing projects	
	Completed units as at March 2009	Total units planned	Completed units as at March 2009	Total units planned
Refurbish <sup>1</sup>	12,343	20,864	–	–
Purchase and refurbish	–	–	150	230
New build	244	3,408	597	3,202
<b>Totals funded through PFI</b>	<b>12,587</b>	<b>24,272</b>	<b>747</b>	<b>3,432</b>
Facilitated: social rent <sup>2</sup>	191	1,159	–	–
Facilitated: market sale <sup>2</sup>	324	2,642	–	–

**NOTES**

1 In addition these projects include demolishing 5,713 units of which 816 have been completed.

2 Includes units created as part of PFI developments for social rent or market sale, but not directly funded through central government PFI funding.

Source: *The Department for Communities and Local Government*

**Challenges of using PFI in housing**

**1.13** Housing is a particularly complex PFI sector and has some specific challenges. It is the only sector where the key users of the assets, tenants, have significant rights to make decisions about the asset, for example, refusing improvements or making changes to their homes themselves. In addition, the range of asset types and their underlying condition is much greater than in other sectors.

**1.14** PFI uses standardisation to drive efficiencies. Some local authorities perceived that the standardised aspects of PFI conflict with the need for flexibility and requested changes to the standard contract which have to be approved centrally, causing delays. The Department's view, however, is that PFI housing can be quite flexible but local authorities need to work within the guidance to achieve this. The Department has recently updated the standardised documents and guidance.

# Part Two

## Performance of PFI housing projects

**2.1** This part examines the performance of PFI projects relative to plans and, where possible, to comparable procurement routes.

### Impact of limited performance data

**2.2** The Department has collected limited data from most PFI projects. It has more detailed data for later projects, especially new build projects and those in round six. Data for early projects contain omissions and do not always match business cases. The Departmental group has collected a range of data on other procurement routes which we made some limited use of to make comparisons with PFI. The available data, however, contain inconsistencies which make effective comparison difficult. The data largely focus on planned costs and progress against milestones with little on outcomes and quality.

### The performance of PFI housing projects

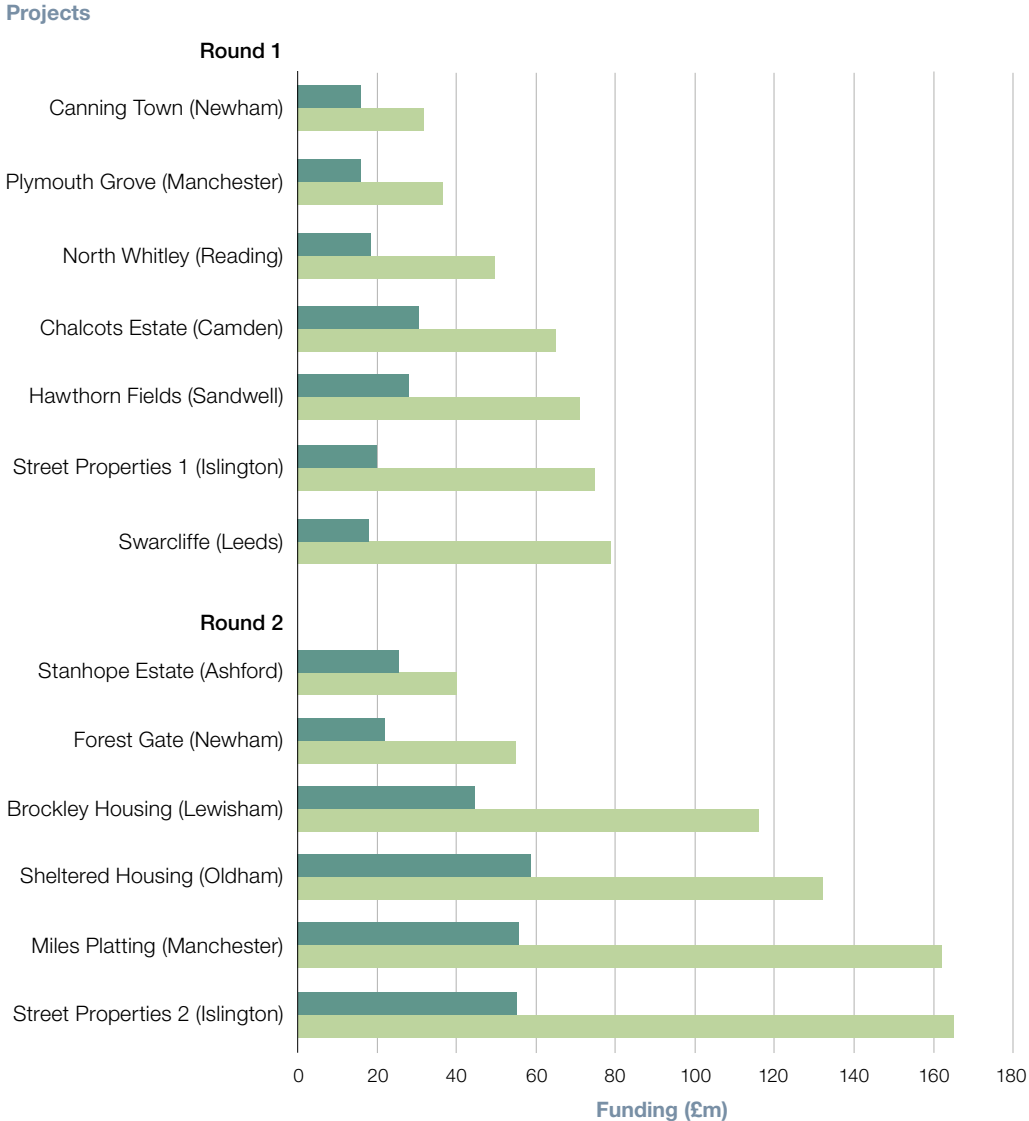
**2.3** PFI housing projects have experienced cost increases during procurement before financial close, and taken longer to procure than originally planned. We analysed the final cost of projects and the time they took compared to the initial plans and the cost to local authorities of procuring projects.

#### The cost of PFI

**2.4** Capital cost estimates in approved business cases were, for early council housing projects, unrealistically low leading to increases in central funding for the projects of between 57 and 338 per cent during procurement (**Figure 5** overleaf). Only two non-council social housing projects saw significant cost increases as these are more predictable and so easier to cost. Overall 21 of the 25 projects signed to date, have experienced cost increases, 12 of which were over 100 per cent. In awarding additional funding, the Department told us that it ensured projects still represented value for money. No projects have received additional central funding after contracts have been signed.

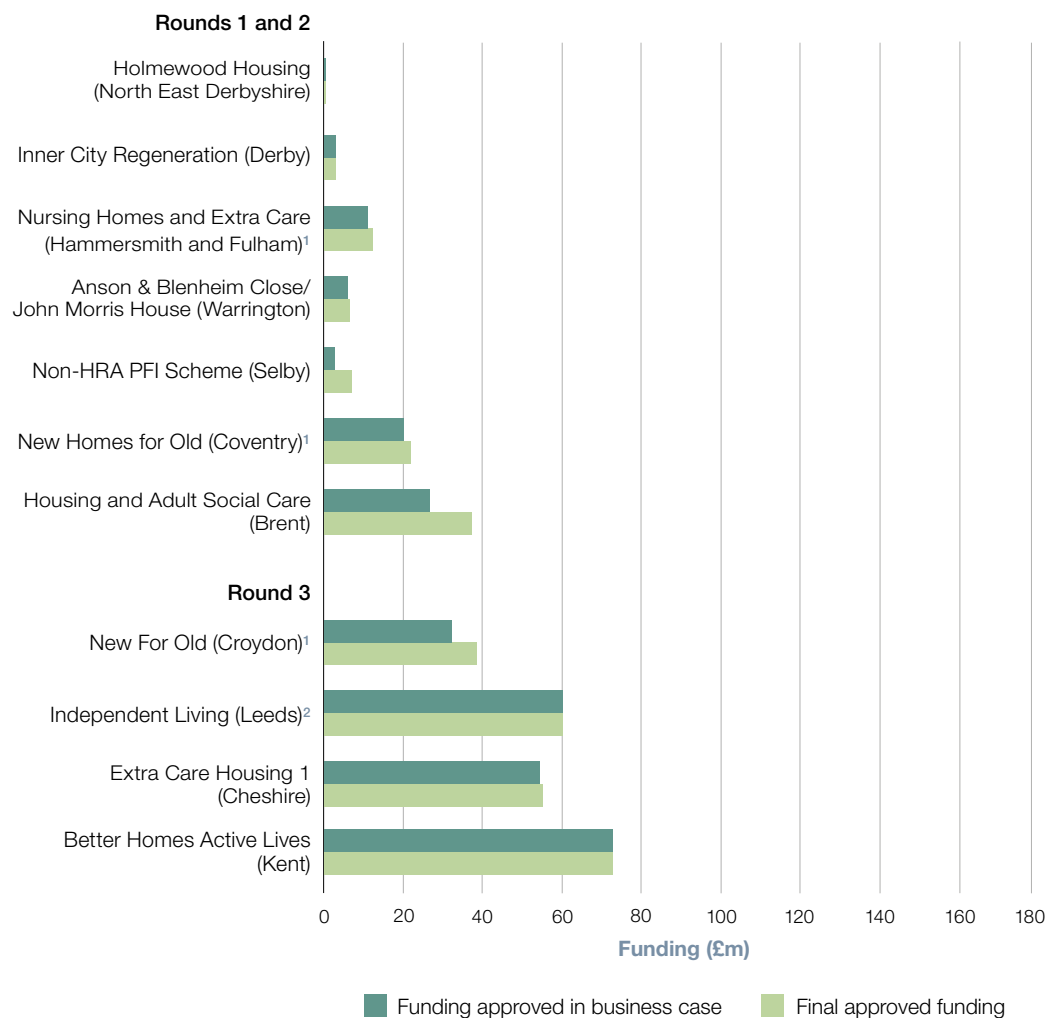
**Figure 5**  
Changes in central funding for projects

Council housing projects experienced significant increases in costs during procurement



**Non-council social housing projects experienced more limited cost increases**

**Projects**



**NOTES**

- 1 These projects received part of their funding from other departments; for details see project details at [www.nao.org.uk/pfi-housing-2010](http://www.nao.org.uk/pfi-housing-2010).
- 2 Independent Living received an additional £4.5 million from the Department for Education after the contract was awarded to build an additional asset.

Source: National Audit Office analysis of data from the Department for Communities and Local Government

**2.5** The Department told us that the main reason for underestimating costs in early rounds was that housing was a new PFI sector: experience and specific guidance did not exist at this stage. A particular complexity of PFI for local authorities, their advisers, the market and the Department, was achieving a robust cost assessment for projects at the outset. It took some time for those involved to develop their understanding of stock condition issues, risks and risk pricing for PFI. We previously highlighted the risk to value for money where Departments have insufficient asset or service data in our report on the *Allocation and Management of Risk in Ministry of Defence PFI projects*.<sup>8</sup> This is a particular risk in housing when refurbishing existing stock where the condition may not be fully known and readily costed. The Department was slower than it should have been in ensuring lessons were learnt between rounds.

**2.6** The Department has implemented a number of changes to improve business cases. The Housing PFI Procurement Pack was published in November 2004. Subsequent developments include the formation of the Central Private Finance Unit, development of a new financial model and the recruitment of transactors: individuals with commercial expertise who act as a critical friend to a project to try and smooth the procurement process.

**2.7** The Department told us that cost estimates are now more robust, largely because local authorities spend more time developing business cases before they start the PFI tendering process. Only a few projects have been signed after round two, making it difficult to assess whether cost estimating has improved although later projects have seen fewer cost increases during procurement to date. This may partly be due to the Department's decision only to allow increases in exceptional cases.

### Project procurement costs

**2.8** Accurate data on the cost of procuring PFI projects are scarce as local authorities record costs differently, but estimates compiled from data provided by 16 local authorities indicate that the internal and advisory costs of housing projects are in line with other PFI sectors. The highest cost we identified was just over £3 million but costs vary considerably between local authorities and will be affected by the complexity and size of projects. In most cases the majority of the total cost is on advisers, which is again typical for PFI. Although costs are similar to other PFI sectors, some local authorities and private sector providers perceived procurement costs for a PFI project can be higher than they need be and that the process cost significantly more than they expected.

**2.9** The private sector bidders also have significant costs. Providers told us that they spend between £1 and £3 million on a successful bid although 70 per cent of the winning bidder's eligible costs are refunded by the public sector as part of the annual payments under the contract. Losing bidders do not have any costs refunded.

<sup>8</sup> See National Audit Office report, HC 343 2007-08, 30 October 2008.



## Delivery times

**2.10** The time taken to develop business cases has increased over time (**Figure 6** overleaf). The Department took one month to assess bids for funding from local authorities for round two. This time has increased steadily in subsequent rounds, most recently taking nine months. Increases partly reflect more rigorous scrutiny of bids by the Department. Once projects have been accepted onto the programme they develop business cases, and in early rounds most local authorities took a year or less to do so while many later projects have taken closer to two years. The increases are a result of the Department's agreement with the Treasury to ensure business cases are robust before they proceed for formal approval. The Department expects round six projects to take between 12 and 18 months to develop their business cases.

**2.11** Across the programme the Department and local authorities' estimates for the time it would take to procure projects have been overly optimistic (**Figure 7** on pages 24 and 25). All signed projects have been delivered later than the targets set out in their business cases. The delays range between five months, and five years and one month, the average being two years and six months. All but four projects currently in procurement have already exceeded their targets, demonstrating that the Department and local authorities were over-optimistic about how long procurement would take.

**2.12** For round six projects the Department has set procurement targets of 30-36 months for council housing projects and 25-29 months for non-council social housing projects. One early council housing project and four round three non-council social housing projects were procured within these targets which shows quicker procurement is achievable. Other projects took considerably longer with council housing projects taking between 34 and 75 months and non-council social housing projects between 26 and 43 months.<sup>9</sup> In our 2007 report *Improving the PFI Tendering Process* we found that procurement periods in PFI procurement overall lasted an average of 34 months.<sup>10</sup>

**2.13** The Department learnt lessons from early projects and developed guidance to improve procurement times but it is difficult to assess whether times are improving as many projects are not sufficiently advanced for us to make an assessment. Some have already exceeded the Department's new targets. An additional complication is that more recent projects are procured under new European Union rules which are perceived to lengthen procurement times.

**2.14** The Department has monitored the progress of construction and refurbishment work after contracts have been signed through regular meetings but there have been gaps in the process and a more formal system is now in place to do this. With a few exceptions projects told us that milestones are largely being met and where there are delays these have had minimal impact on the overall project.

<sup>9</sup> One very early project took 10 months to procure. At £360,000 in value this project is considerably smaller than all other projects in the programme and so not representative.

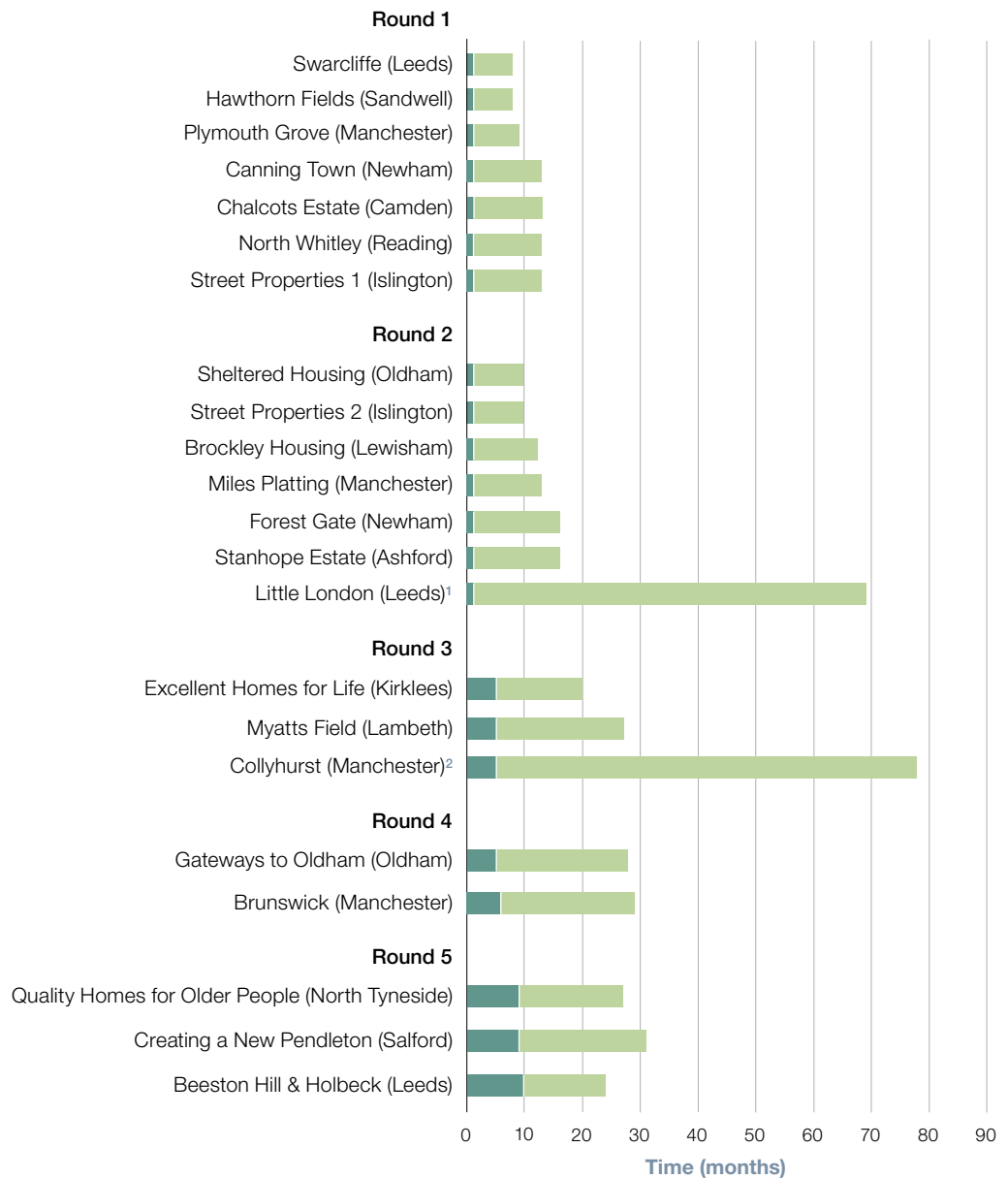
<sup>10</sup> This was the average for all central Government PFI contracts including schools and hospitals that reached financial close between April 2004 and June 2006. See National Audit Office report, HC 149 2006-07, 8 March 2007.

**Figure 6**

Time taken to assess bids and develop business cases

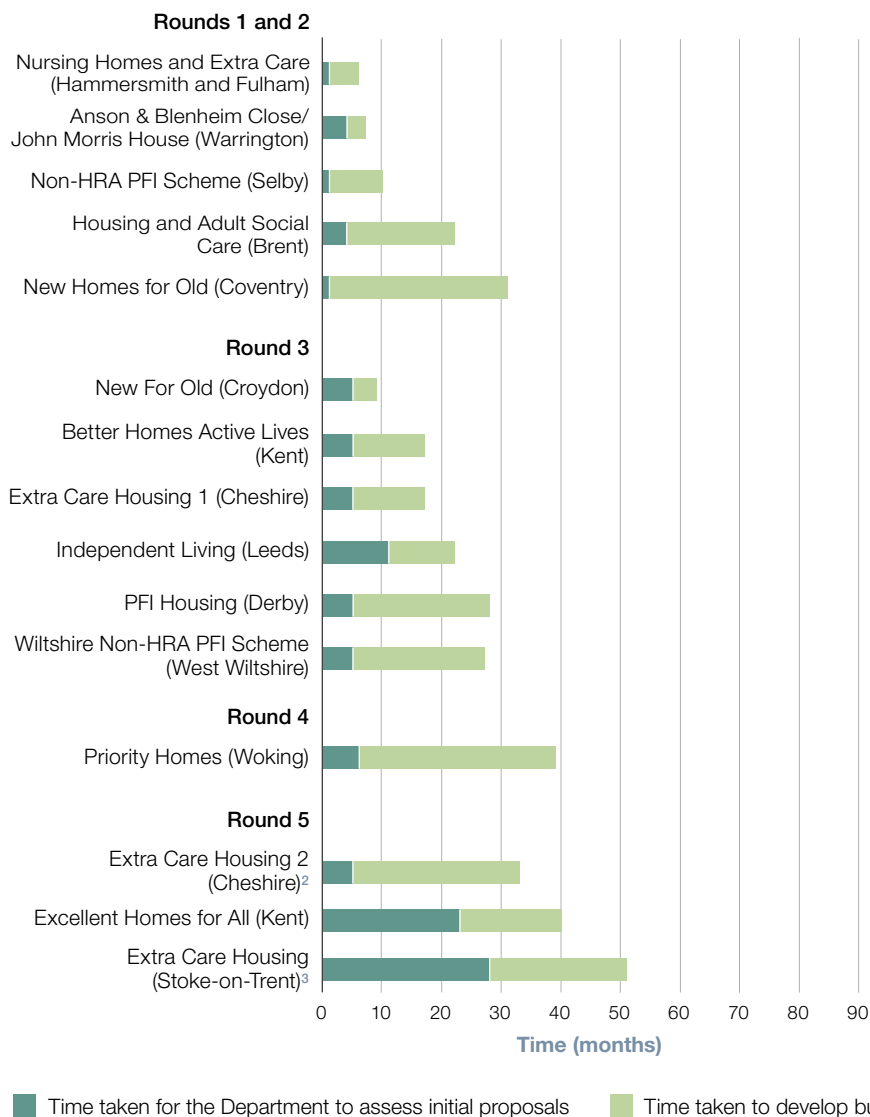
**Council housing**

**Projects**



**Non-council social housing**

**Projects**



**NOTES**

- 1 Little London was delayed and is now being jointly procured with a round five project, Beeston Hill & Holbeck.
- 2 These projects have not yet had business cases approved, so the time shown is that which has elapsed to date.
- 3 The Extra Care Housing business case has only received conditional approval to date.
- 4 Two non-council social housing projects have been excluded due to lack of data.

Source: National Audit Office analysis of data from the Department for Communities and Local Government and local authorities

**Figure 7**

## Comparison of procurement times to targets

Signed projects have experienced significant delays

Council housing				Non-council social housing			
Project	Target date for contract signature	Actual date of contract signature	Delay (months)	Project	Target date for contract signature	Actual date of contract signature	Delay (months)
Plymouth Grove (Manchester)	February 2001	March 2003	25	Holmewood PFI Housing Scheme (North East Derbyshire)	March 1998	August 1998	5
Canning Town (Newham)	July 2001	June 2005	47	Non-HRA PFI Scheme (Selby)	January 2002	March 2004	26
Hawthorn Fields (Sandwell)	October 2001	March 2006	53	Nursing Homes and Extra Care (Hammersmith and Fulham)	April 2002	March 2004	23
Swarcliffe (Leeds)	October 2001	March 2005	41	Anson & Blenheim Close / John Morris House (Warrington)	January 2004	September 2004	8
North Whitley (Reading)	November 2001	March 2004	28	New Homes For Old (Coventry)	March 2004	March 2006	24
Chalcots Estate (Camden)	January 2002	May 2006	52	New For Old (Croydon)	March 2006	December 2006	9
Street Properties 1 (Islington)	March 2002	March 2003	12	Housing and Adult Social Care (Brent) <sup>2</sup>	December 2004	December 2008	48
Miles Platting (Manchester)	May 2003	March 2007	48	Extra Care Housing 1 (Cheshire)	November 2006	October 2007	11
Brockley Housing (Lewisham)	October 2003	June 2007	44	Better Homes Active Lives (Kent)	January 2007	October 2007	9
Sheltered Housing (Oldham)	October 2003	October 2006	36	Independent Living (Leeds)	October 2007	June 2008	8
Street Properties 2 (Islington)	December 2003	September 2006	33	Inner City Regeneration (Derby)	not known	not known	not known
Forest Gate (Newham)	December 2003	January 2009	61				
Stanhope Estate (Ashford) <sup>1</sup>	April 2004	April 2007	36				

**Most projects still in procurement are already later than their target date**

Council housing			Non-council social housing		
Project	Target date for contract signature	Delay to date (months)	Project	Target date for contract signature	Delay to date (months)
Excellent Homes for Life (Kirklees)	March 2007	39	Wiltshire Non-HRA PFI Scheme (West Wiltshire) <sup>4</sup>	March 2008	32
Myatts Field (Lambeth)	April 2008	26	PFI Housing (Derby)	March 2008	27
Gateways to Oldham (Oldham)	April 2009	14	Priority Homes (Woking)	October 2010	–
Beeston Hill & Holbeck (Leeds)	January 2010	5	Excellent Homes for All (Kent)	September 2011	–
Brunswick (Manchester)	March 2010	3			
Quality Homes for Older People (North Tyneside)	July 2010	–			
Creating a New Pendleton (Salford)	March 2011	–			
Little London (Leeds) <sup>3</sup>	not known	not known			

**NOTES**

- 1 After losing confidence in the initial procurement Ashford ended the process and retendered the contract extending the overall procurement time.
- 2 After the project was endorsed Brent decided to put the project on hold delaying the start of procurement.
- 3 Little London is now being jointly procured with a round five project, Beeston Hill & Holbeck.
- 4 The Wiltshire scheme has gone to a single bidder which means additional time is being spent benchmarking costs.

Source: National Audit Office analysis of data from the Department for Communities and Local Government and local authorities

## Comparing PFI to other funding routes

**2.15** While it is difficult to compare PFI to other housing procurement options we analysed the available data on cost, time and tenant satisfaction for PFI.

### The cost of PFI compared to other routes

**2.16** In March 2008, the Department published an exercise benchmarking the capital cost of new build PFI projects to grant-funded housing association projects. The analysis was used to develop an acceptable cost range for projects and those PFI projects falling above the range were examined further. As a result, some projects were dropped from the programme. The Department concluded that the exercise demonstrated the cost of PFI projects could be acceptable.

**2.17** We extended this benchmarking exercise to account for the different sizes of housing. Using data from over 1,000 housing association projects from 2008-09, we established the average capital cost for different types of new build housing (**Figure 8**). Owing to the method of data collection we had to make some broad assumptions, for example, about the floor area of properties with different numbers of bedrooms. We found that there was huge variability in the cost of both PFI and housing association projects which makes it difficult to reach firm conclusions. The Department told us that this variability is inherent because of geographical location, site conditions and different specifications.

**2.18** The Department now plans to develop its benchmarking further which will be useful in identifying outlying projects for further scrutiny. Around a third of the housing units across all the rounds are new build and the percentage has increased over time. In round six about seventy per cent of the units will be new build, these have been included in our analysis.

**2.19** At a programme level the Department has not compared the cost-effectiveness of PFI relative to the other investment options available for bringing homes up to the Decent Homes standard. Although the Decent Homes Programme is coming to an end, PFI projects are likely to continue to include some refurbishment so there is still a need to benchmark these costs. The Department now collects planned cost data for refurbishment work and is assessing the level of PFI grant per unit.

**2.20** Some local authorities and private sector providers felt that the cost of procuring PFI housing projects was too high relative to other procurement routes. We have not been able to collect any data on procurement costs for non-PFI so we have been unable to make direct comparisons.

**Figure 8**

Comparison of housing association and PFI housing capital costs

	Average cost of housing association projects	Level above which PFI projects should be scrutinised further <sup>1</sup>	Minimum cost of PFI projects	Maximum cost of PFI projects	Percentage of PFI projects requiring further scrutiny	Percentage of PFI homes requiring further scrutiny
	£000s	£000s	£000s	£000s	%	%
<b>General needs housing</b>						
<b>Flat</b>						
1 bed	109	149	67	155	10	2
2 bed	112	151	87	188	25	11
3 bed	175	233	124	221	0	0
<b>House</b>						
2 bed	113	143	101	206	54	32
3 bed	126	164	116	236	38	30
4 bed	151	205	148	276	42	46
<b>Extra care housing</b>						
<b>Flat</b>						
1 bed	118	155	86	199	14	12
2 bed	139	183	100	223	10	2

**NOTE**

<sup>1</sup> This is defined as the housing association average plus one standard deviation. Standard deviation is a statistical measure of spread.

Source: National Audit Office analysis of data from the Department for Communities and Local Government

## PFI procurement times compared to other routes

**2.21** The evidence suggests that housing projects take longer to procure through PFI than other routes, although the different routes are providing different services. The Department was not able to provide us with data, but local authorities and providers told us that the PFI process generally takes too long compared to other routes. Housing associations who undertake the majority of new build social housing, bid for grant funding from the Agency which usually takes around two to four months. Subsequent timings vary considerably and will depend on things like site availability, planning permission and workstream profiling, but housing associations generally use framework contracts to procure construction work which speeds up appointments and means that individual projects can begin more quickly. After grants have been approved, work can start on site in as little as 6-9 months. This compares to procurement times of between 26-43 months seen on typical new build PFI projects.

**2.22** There is limited information on how long it takes to procure work to bring properties up to the Decent Homes standard using the other investment options, each of which follows a different process to a PFI project. However, analysis undertaken for our report on the Decent Homes Programme<sup>11</sup> did set out that the actual time taken to complete a stock transfer from the start of bidding for acceptance onto the programme to transfer of the stock, was 31 months. As with their new build work, housing associations can then call on framework contracts to procure the work which can happen in as little as 2-3 months. The average time it took local authorities to establish an Arms Length Management Organisation from bidding for acceptance on the programme to establishment, was 21 months. We have no data on how long it takes a local authority to procure refurbishment work if it chooses to do this without central government funding.

### Tenant satisfaction

**2.23** Local authorities have told us that PFI leads to high quality management and maintenance. This is partly supported by tenant satisfaction data where we found satisfaction with housing management of a PFI project is similar to comparable housing association housing and slightly higher for repairs and maintenance. There was a wide range of satisfaction scores in both types of housing.

<sup>11</sup> National Audit Office: *The Decent Homes Programme*.



# Part Three

## Programme Management

**3.1** This part examines the Department's management of the programme to date and how the Agency is positioned to deliver in the future.

### The Department's approach

**3.2** Across government it is best practice for Private Finance functions to oversee PFI projects and manage these as a programme. The benefits of central programme management include control over project scope, flow and cost in a way that would not be possible by individual local authorities; standardised documentation and guidance to exploit economies of scale and reduce costs and risks; and the facilitation and coordination of learning from experience. The Department has gradually improved the level of support given to local authorities.

**3.3** The difficulties in the early funding rounds meant that the PFI housing programme was slow to develop. Housing is one of the more complex PFI sectors with some difficult challenges for the Department to deal with. While early delays are understandable, the Department could have done more to respond to the challenges faced to speed up the programme. There have also been some subsequent pauses, for example, rounds four and five were put on hold while the Department conducted its new build housing benchmarking exercise.

**3.4** The programme could have developed more quickly if the Department had attached higher priority to managing the projects as a programme. While PFI is a relatively small part of overall housing investment, the Department only established a dedicated Private Finance Unit in 2005, seven years after the launch of its first projects. It has taken the Department longer than necessary to formalise some processes such as stakeholder and risk management.

**3.5** The Department has traditionally adopted a light touch approach in dealing with local projects and effective central support was put in place slower than it could have been. Many of the local authorities at the beginning of the programme would have benefited from stronger support at an earlier stage. Originally, the Department did not sufficiently consider local ability to deliver projects as a factor in approving bids. It has, however, increased its focus on this and it was a key priority for selecting round six projects. Since introducing guidance in 2002 and 2004 based on the experience of early projects, the Department has now made updated and fuller guidance available to local authorities.

**3.6** At the time of our audit, local authorities and other stakeholders raised some concerns with the Department's processes. They cited frequent delays from the centre in approving proposals and reaching decisions. There may be good reasons for these delays but local authorities need a clearer understanding of processes and timescales to help them to manage their projects effectively. The Department told us that problems could also be mitigated by more efficient project administration by local authorities.

**3.7** Historically, project monitoring by the Department has been weak but has improved over time. Initially, projects were monitored at an operational level through meetings with local authorities at key milestones. More formal monitoring of projects started in late 2003 and primary responsibility now lies with the Agency. Target procurement timescales are now set for projects and a local authority support and intervention strategy has been introduced to help projects in difficulties. At a higher level there is a PFI programme board within the Department which assesses the programme and individual projects and performance by local authorities and the Agency.

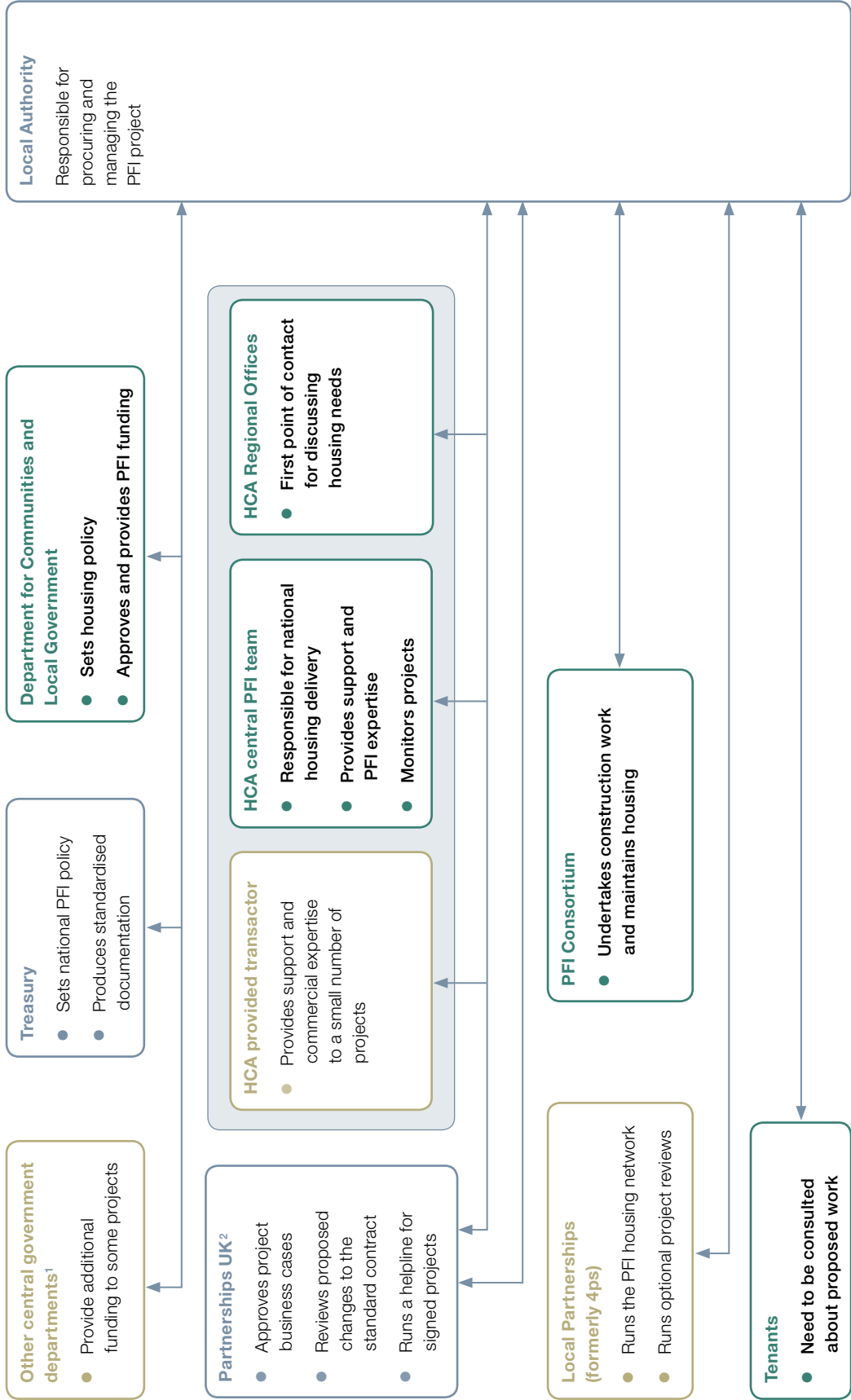
### **Programme responsibilities, structures and governance**

**3.8** Projects raised concerns about the transparency of central management structures. They didn't always understand the functions of the different management bodies involved and their relationships with each other (**Figure 9**). Local authorities told us that they were sometimes asked for the same information by different bodies, including the Treasury, and while this is not uncommon for PFI in other sectors, it resulted in confusion and duplication of work.

**3.9** The way the programme has been managed within the Department has changed over time (**Figure 10** on page 32). Most recently the Agency has taken on much of the responsibility for the programme alongside other housing delivery. We conducted our fieldwork shortly after the Agency was set up and at that time local authorities were not clear how the relationship between the Agency and the Department would work in practice. There has now been time for the structure to embed but the Department and the Agency must ensure that responsibilities and joint-working arrangements are clear and transparent.

**3.10** The Department and the Agency developed a framework document governing the relationship between the two bodies but the way this works in practice is evolving and the framework is now being reviewed. There is scope for processes involving both bodies to be streamlined. For example, both the Agency and the Department conducted sequential assessments of bids for round six funding during 2009. While the Department told us the second-stage appraisal was required and necessary, the announcement of successful projects was made five months later than planned and more than a year after the round was launched. The Department considers that this timescale is not unduly lengthy in relation to the scale and complexity of the bids received, but conducting assessments in parallel could have speeded up the process.

**Figure 9**  
The bodies with which PFI project teams interact



Regular contact    Contact at certain key stages    Optional or relevant only to some projects

**NOTES**

- 1 Four projects only.
- 2 From 2010 these functions have transferred to the Treasury.

Source: National Audit Office analysis of interviews with PFI project teams

## Figure 10

How responsibility for managing the programme has changed

Time period	Departmental structure for managing the programme
1999-04	PFI projects managed by a single policy team in the Housing Directorate.
2004-05	PFI housing became part of the Department's Decent Homes Division.
Late 2005-08	Central Private Finance Unit set up acting in an advisory capacity to the Decent Homes Team with a governance role developing over the period.
1 December 2008 onwards	The Agency set up with responsibility for housing delivery including PFI. Responsibility for PFI governance, policy and key decisions remains with the Department.

Source: *The Department for Communities and Local Government*

## Capacity and skills

**3.11** The Department has a very lean resourcing model. **Figure 11** shows the level of resources against those of the Waste Infrastructure Delivery Programme run by the Department for Environment, Food and Rural Affairs.<sup>12</sup> For a complex sector like housing, the lean resourcing model used, whilst potentially efficient, poses risks to effective delivery.

**3.12** Expertise and knowledge of PFI housing sits with three key individuals who have a management role in delivering the programme, one within the Department and two within the Agency. These individuals are supported by a small number of delivery managers who were all newly appointed on the establishment of the Agency, as staff who had previously been in these roles did not wish to transfer from the Department. The Agency was initially unable to fill the post of programme manager as no suitable candidates were forthcoming. It has subsequently reviewed its team structure and recruited an experienced member of staff who will be able to provide support to those managing the team.

**3.13** At the time of our audit, local authorities, advisers and private sector providers felt strongly that the Department and the Agency were under-resourced and said that a lack of cover arrangements led to delays if staff were unavailable. The Agency is now well placed to be able to move staff to urgent work when needed and told us that it has adequate cover arrangements in place. Staffing in the Department is much tighter and it needs to ensure it has plans if staff become unavailable at key decision-making points. We found that the Department's progress against its own PFI improvement plan has been slow. A new set of guidance to local authorities, the Housing PFI Procurement Pack, was only approved in Autumn 2009, though progressively made available in draft form to local authorities from the announcement of successful round six bids.

<sup>12</sup> See our report *Department for Environment, Food and Rural Affairs: Managing the PFI waste programme*, National Audit Office report, HC 66 2008-09, 14 January 2009.

**Figure 11**

Central administration costs of the PFI housing programme and the Waste Infrastructure Delivery Programme

	PFI housing programme		Waste Infrastructure Delivery Programme
	2008 FTE	2009 FTE	2008 FTE
Number of employees	7.45	8.8	27.25
Number of transactors	0.1	0.4	7.25
Number of projects in procurement	12	11	9
Ratio of employees per project	0.6	0.8	3
	£000s	£000s	£000s
Total staff costs	342	386	–
Total advisory and consultancy costs	90	184	–
Total programme costs	431	571	4,400

**NOTES**

- 1 The Department has responsibility for two other PFI programmes and all local authority PFI; this table only includes the costs of administering the PFI housing programme.
- 2 There are broad similarities between these programmes in terms of the number of projects, capital value of projects and funding allocations in the 2007 Comprehensive Spending Review.

*Source: National Audit Office analysis of data from the Department for Communities and Local Government, the Homes and Communities Agency and the Department for the Environment, Food and Rural Affairs*

**3.14** PFI projects are complex, commercial deals and there is varying expertise amongst the staff responsible for delivering the programme. Those with management responsibilities for the PFI programme were rated highly by stakeholders on account of their significant experience in PFI housing and their strong technical skills. The Department and the Agency need to ensure succession planning and contingency arrangements are adequate and in place given their lean resourcing model. For the majority of the time that the PFI programme has been running the Department has had limited commercial expertise at the most senior levels; an issue that was raised by the Office of Government Commerce in 2007.<sup>13</sup> The Department has responded to this by ensuring there is commercial housing and PFI experience at a senior level. The Agency has also recruited senior commercial staff.

<sup>13</sup> *Procurement Capability Review Programme: Communities and Local Government, December 2007.*

**3.15** The Agency has found it difficult to recruit staff at a more junior level with PFI experience, though have not found this surprising given the limited pool of experienced individuals in the marketplace. At the time of joining the Agency in December 2008, staff were generally non-expert, though with appropriate sectoral backgrounds, and expected to develop detailed technical and financial knowledge of PFI on the job. Training has continued allowing for peaks in the workload, for instance, the assessment of round six bids.

**3.16** Local authorities require a sufficient number of staff with strong commercial skills to run PFI procurement effectively. Some local authorities have very experienced staff but others have struggled to find the level of skilled resource needed. Our case studies highlighted a number of ways in which local capacity can be enhanced (**Figure 12**).

### Securing value for money

**3.17** A key role of the central Private Finance function is to assure itself that PFI projects are securing value for money. Where projects used PFI to achieve Decent Homes standards they were required to undertake a formal options appraisal to inform their decision, of which a financial appraisal was one element. The Department did not have a role in reviewing initial appraisals for Decent Homes projects as this was undertaken by Government Offices; it does subsequently review PFI business cases at key stages. Once an authority decides to use PFI, it is required to demonstrate the value for money of the project in its business case. In common with other PFI sectors, projects do this using the theoretical Public Sector Comparator.<sup>14</sup> This, however, should have been supported in the housing sector by looking at actual comparator projects where possible. The Department told us it is now undertaking this work.

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### Figure 12 Enhancing local capacity

Small local authorities can find it difficult to resource PFI procurement. Kent County Council ran a joint procurement on behalf of ten district councils to build a range of supported housing for the elderly and people with mental health problems (case study 4).

Large local authorities often have a number of PFI projects across sectors. Leeds City Council has established a large central team of Private Finance specialists who work across all PFI sectors enabling experience to be shared (case study 5).

Wiltshire's PFI project has benefited from support from a transactor provided by the Department. The transactor has commercial and financial expertise and has assisted in negotiations with the private sector bidder (case study 7).

#### NOTE

1 Further information about these, and our other case studies, can be found in our case studies summary report at [www.nao.org.uk/pfi-housing-2010](http://www.nao.org.uk/pfi-housing-2010).

Source: National Audit Office case study interviews with local authorities

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<sup>14</sup> A costing of a theoretical conventionally financed project delivering the same outputs as the PFI deal.

**3.18** In following Treasury's PFI requirements introduced in 2006, the Department completed a qualitative and quantitative programme level evaluation which concludes PFI is appropriate and likely to represent good value for money across the sector. The evidence to support this conclusion is, however, limited. There are opportunities to compare different investment routes at a programme level including some quantitative analysis. As indicated in Part One the Department will examine in the 2010 Comprehensive Spending Review the value for money framework for PFI housing in addressing housing investment needs.

**3.19** Although PFI projects are underpinned by detailed contracts and performance mechanisms there are still opportunities to examine value for money being realised once a project becomes operational. The Department collects data on the housing units being delivered which is one part of an assessment of the value for money of PFI support grant. Assessment of whether projects deliver the expected value for money and wider benefits should be undertaken over the contract term. Responsibilities for undertaking further value for money review following contract signature should be clear between the parties involved.

### **Evaluation and learning lessons**

**3.20** Good programme management includes systematic review to learn lessons and encourage continuous improvement. In 2002, when PFI was largely used to achieve Decent Homes standards, the Department carried out an internal evaluation of whether it was on track to meet its Public Service Agreement target to make all homes decent by 2010. The review found that under PFI, procurement had taken far longer than expected and required greater than expected central funding. The Department told us it has followed up on all the resulting recommendations.

**3.21** The Department has also commissioned some discrete exercises to learn lessons from the programme. In 2003, PA Consulting undertook a review of the pathfinder projects. The review noted that projects had suffered significant delays and attempted to establish a baseline position against which future projects could be measured. The Department also undertook the benchmarking exercise discussed in Part two. There has, however, to date, been no overall evaluation exercise drawing on the experience of using PFI in housing over 12 years, including formal assessment of the different uses of PFI and how effective they have been although lessons learnt from older projects have been incorporated into the current procurement approach and guidance.

## Potential to improve

**3.22** The new delivery arrangements between the Department and the Agency have now been in place for over a year. The Agency's vision is for local authorities to initially address all their housing needs through a 'single conversation' with regional teams. All regions with a PFI project now have PFI leads although the Agency's central PFI team continues to provide detailed expertise and key decision-making. An example of how the central and regional teams work together was the assessment of round six funding bids where regional staff accompanied central staff on visits and were able to provide a local insight to help in decision-making.

**3.23** Although early evidence from the sixth round suggests that the new structure has taken time to embed, with planned improvements the approach has the potential to provide a more coherent approach to local housing delivery. To achieve this vision the Agency and the Department need to ensure their relationship provides for efficient working. The Agency should continue to review its skills, capacity and capability and build on its working relationships with local authorities.



# Appendix One

## Methodology

Method	Purpose
Literature review	To gain an understanding of the sector. To direct other methodologies.
File and document review	To gather evidence on how the Department and the Agency have set strategy and managed the programme.
Expert panel	To provide assurance on methodologies, findings and conclusions.
Semi-structured interviews with public sector contract managers and private sector PFI operators for all 40 projects in rounds one to five.	To assess the perceptions of local staff of the central management of the programme. To gather evidence on common challenges and examples of good practice.
Semi-structured interviews: <ul style="list-style-type: none"> <li>● Department and Agency officials</li> <li>● Legal and financial advisers</li> <li>● Other government organisations</li> <li>● Key stakeholder organisations</li> </ul>	To gather evidence on how the Department has developed its strategy for using PFI in housing and how it has managed the programme. To provide contextual background on housing policy and delivery.
Process mapping	To establish the PFI procurement process from a local authority perspective identifying any potential inefficiencies or bottlenecks.
Analysis of available data comparing the value for money of housing procurement routes	To assess the capital cost, timescales and satisfaction with PFI housing compared to other procurement routes for building and refurbishing homes.
Analysis of Department and local authority procurement cost data	To assess the procurement costs of PFI housing projects compared to other departments and routes.
Case study visits to seven projects	To gather detailed illustrative evidence to support examples of particular challenges or good practice.
Accounting treatment analysis	To assess whether accounting treatment is a driver for using PFI in housing.

More details of our methodology can be found at [www.nao.org.uk/pfi-housing-2010](http://www.nao.org.uk/pfi-housing-2010).