

RIBA 

---

**Jack Pringle**

PPRIBA HonAIA

**SmartPFI**

**ACE Brussels November 2007**

## Background

- WW2- 1980's
  - Massive public sector spending
  - Public architect, eng and QS departments
  - Building and project failures
- 1970's – 80's
  - Collapse of UK economy
  - Thatcher
  - Decimation of public sector
  - Arch', eng' and QS departments disbanded

## Fallow years

- Mid 80's – mid 90's
  - Struggle to control inflation
  - PSBR (public-sector borrowing requirement) key measure
  - Huge under investment in UK infrastructure and public sector projects, health, education etc

## Private Public Partnerships (PPP)

- Devised at the end of the Conservative Government
- Private money
- Private sector management of project delivery
- Private sector delivery of services
- Private Finance Initiative (PFI) is a type of PPP
  - So is
    - LIFT
    - BSF – Building Schools for the Future
- Expenditure is “off balance sheet” and does not affect the PSBR

## Recovery

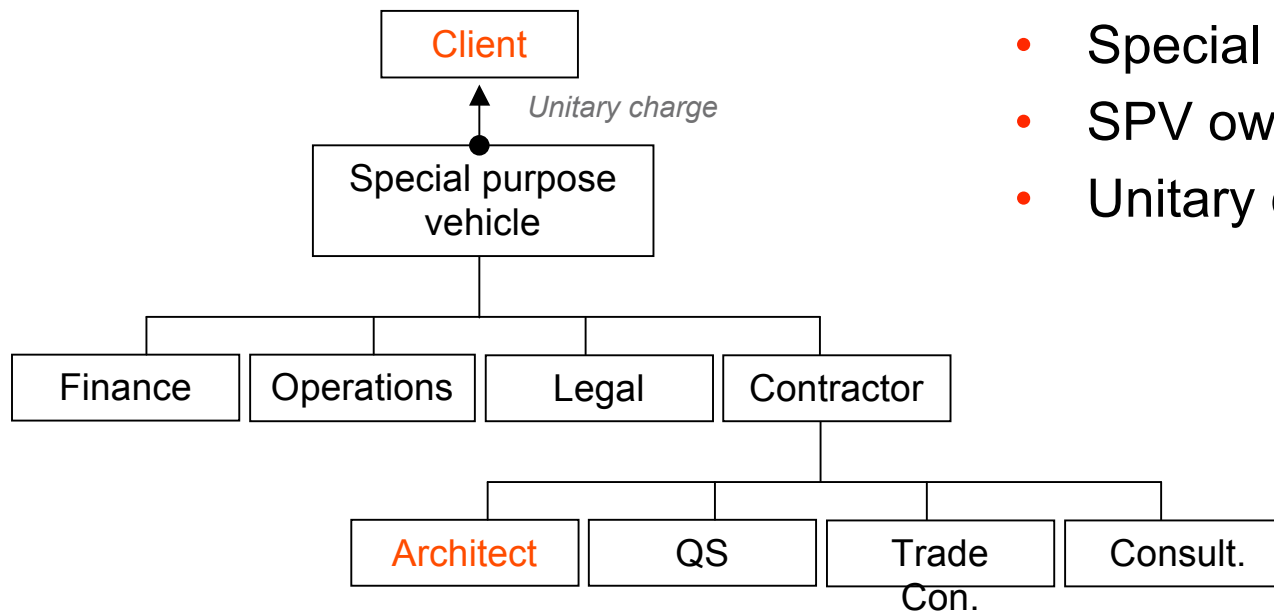
- Mid 90's onward
- Unprecedented low inflation and low interest rates
- UK knowledge economy
  - finance
  - creative industries
  - pharmaceuticals
- Gordon Brown wanted to have his cake and to eat it
  - rebuild the public sector and keep inflation low

## Private Finance Initiative (PFI)

- Design Build Finance Operate (DBFO)
- A whole new concept to create a new industry
  - private sector public service delivery, not just project delivery
  - at its purest:
    - heal patients
    - reform criminals
    - educate children

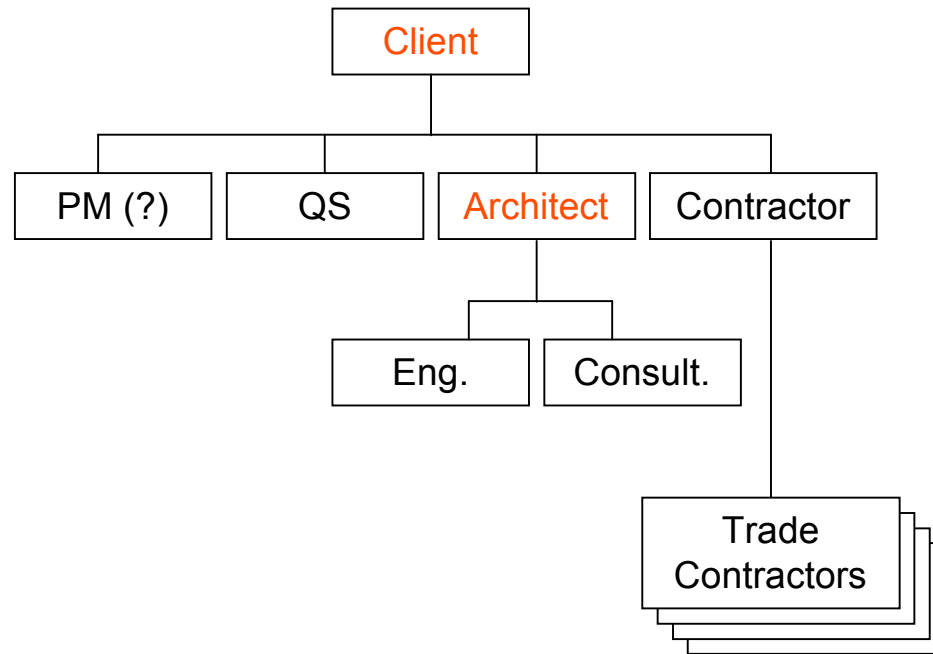


# Private Finance Initiative (PFI)



- Special purpose vehicle
- SPV owns “assets”
- Unitary charge for “service”

# Traditional





## How it worked

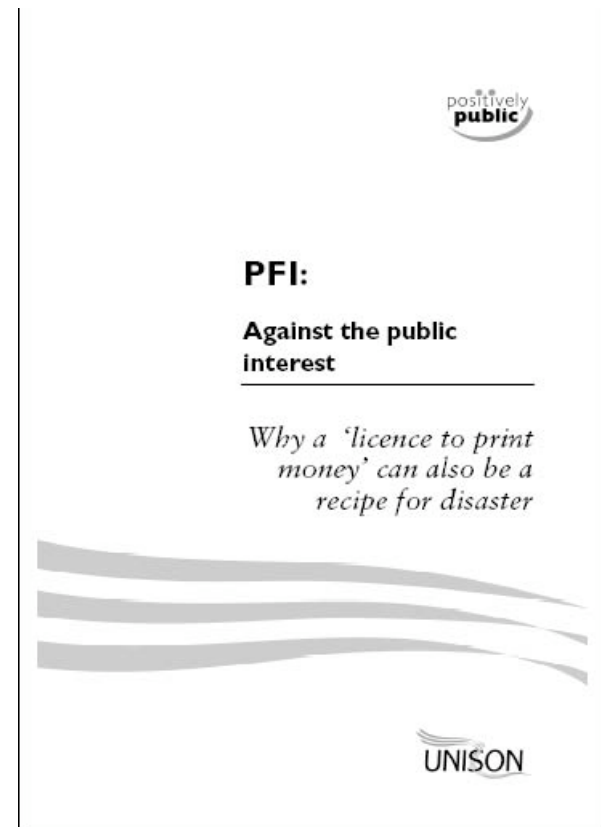
- Consortia formed in private sector (often single project)
  - banks, lawyers, builders, architects, engineers, FM and subject specialists (e. g. education)
- Public Sector Client prepares brief with small team
- Consortia bid for project
  - design and build
  - unitary price for operating facility over say 20 years

## Advantages

- Private sector skills
  - innovation
  - management
- Private sector money
  - “off balance sheet”
- Whole life costing of design
  - should encourage better use of materials
- Integration of design and delivery
  - innovation

## Alarm bells

- By 2004 many architects were uncomfortable with PFI, but could do little about it.
- Poor results
  - design quality
  - build quality
  - use of resources
- J Pringle stood for President of the RIBA with PFI reform top of agenda
- Problems:
  - special pleading, poor position of influence
- How to do it?



## A little help from my friends

- Key working group at RIBA
  - Sunand Prasad, John Cole, Richard Saxon etc
- Expert multi-disciplinary seminar to ask questions
  - Clients
  - Contractors
  - Banks
  - Professionals (arch', eng', QS etc)
- Proposition, discussion, consensus
- Two models for SmartPFI emerged



**bd** THE ARCHITECTS' WEBSITE

UK TRADE & INVESTMENT

GLOBAL REGENERATION OPPORTUNITIES: 2007 Conference | 11 October 2007 | Birmingham Be there. Your competitor will! click

Fri, 28 September, 2007

HOME NEWS WHAT'S ON BUILDINGS PRACTICE PEOPLE COMMENT STUDENT SPACE

Welcome: Jack pringle | Logout

**YOUR BD ONLINE**

- » Search bdonline
- » This week's issue of BD
- » Previous issues of BD
- » BD Magazine
- » The Williams Report
- » Sign up for newsletters
- » BD supplements
- » Blogs

### A commonsense solution to PFI debacle

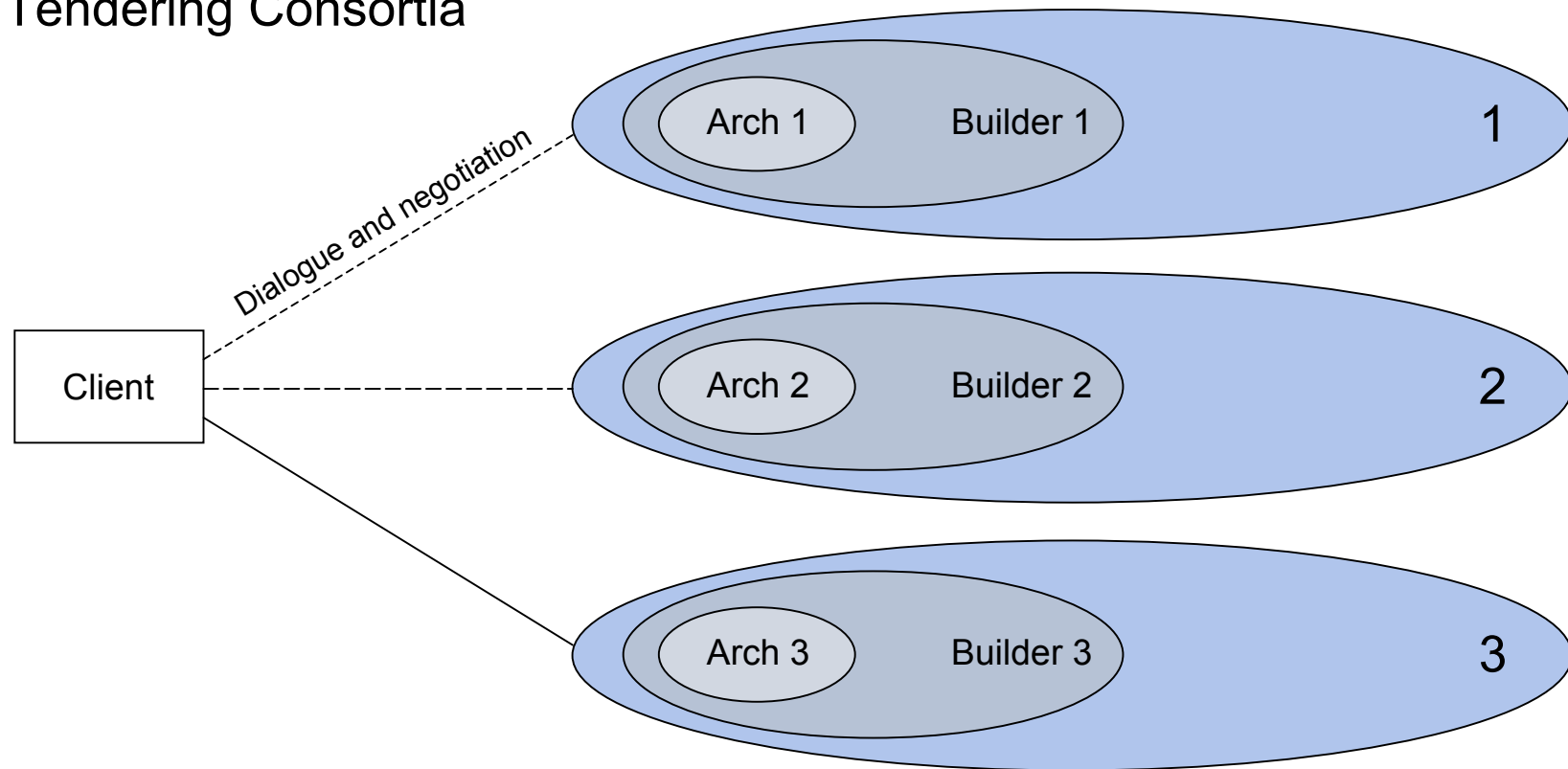
8 July 2005

By Robert Booth

When officials from Gordon Brown's office attended a recent RIBA seminar on possible reforms to the Private Finance Initiative, they were reported to be rather pleased not to find the assembled architects pouting, shrugging and generally in a nasty sulk about life.

# Why good design is difficult to get in PFI

## Tendering Consortia



## Disadvantages in Practice

- Slow to execute contracts (2 years normal)
- Inexperienced clients poorly supported
  - Untested briefs cause problems
- Poor design standards – the UK government design watchdog said:
  - *“CABE has published its views on the ability of the Private Finance Initiative to deliver well designed public buildings. Our position paper, [Design quality and the private finance initiative](#) highlights our disappointment with the quality of the majority of buildings constructed under PFI.”*

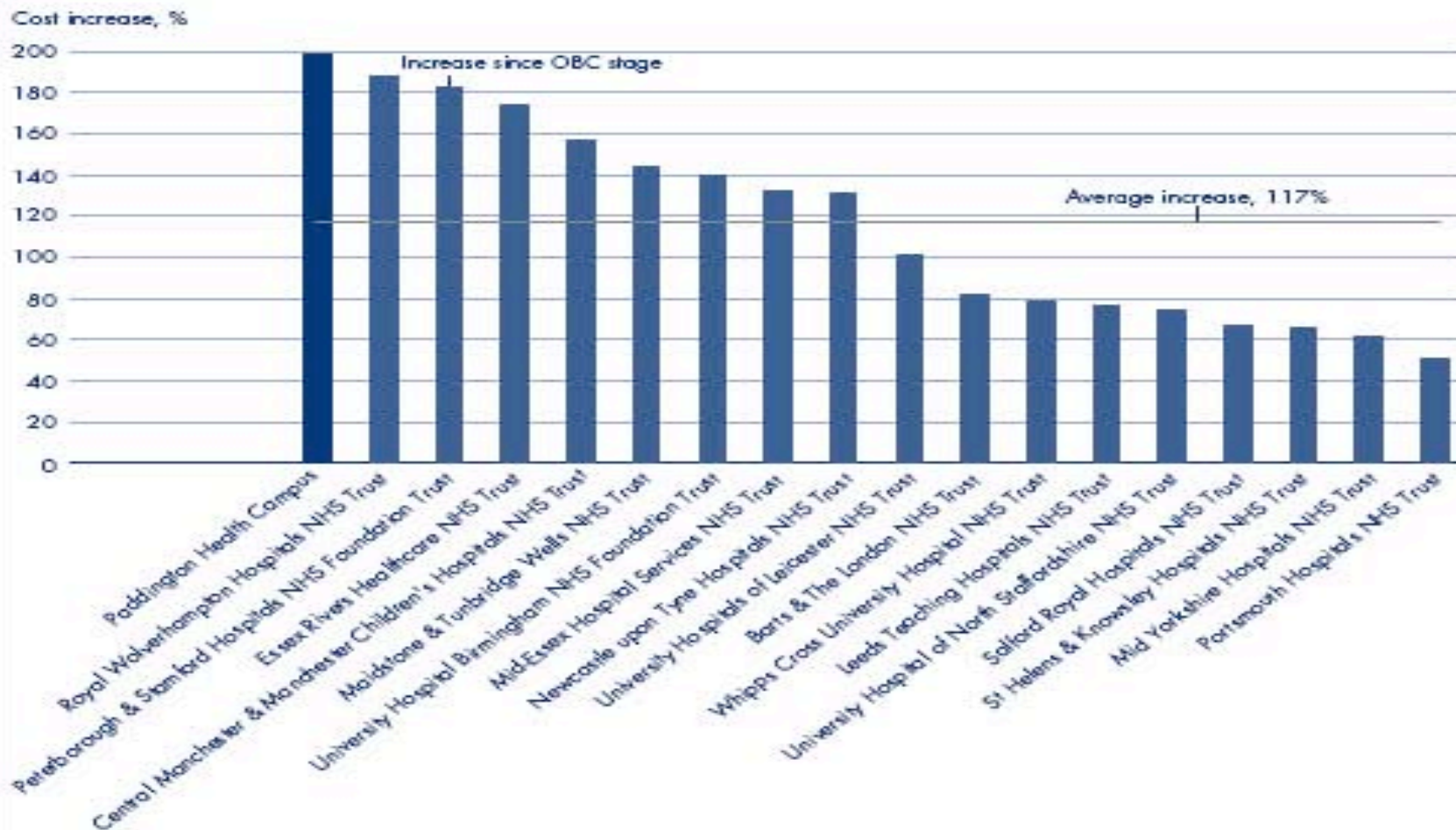
### Design quality and the private finance initiative

This paper sets out CABE's perspective on the ability of the private finance initiative (PFI) to deliver well-designed public buildings, and considers what policy interventions are needed to remove the barriers to the delivery of design quality.

## Disadvantages, cont..

- Inflexibility – facilities need to change to keep relevant.
- Cost of bidding
  - £10m for a hospital, £1m for a school.
- Poor cost control
  - Last 18 UK PFI hospitals exceeded original budget by 117% on average (source UK National Audit Office) – ie over twice original cost

### 3 Increases in estimated capital cost since original OBC for NHS capital schemes over £75 million




Source: Draft memorandum received from the Department of Health containing replies to a Written Questionnaire from the Health Select Committee, HC 736 (11/1), Session 2005-06, December 2005. Figure for Paddington Health Campus calculated by National Audit Office.



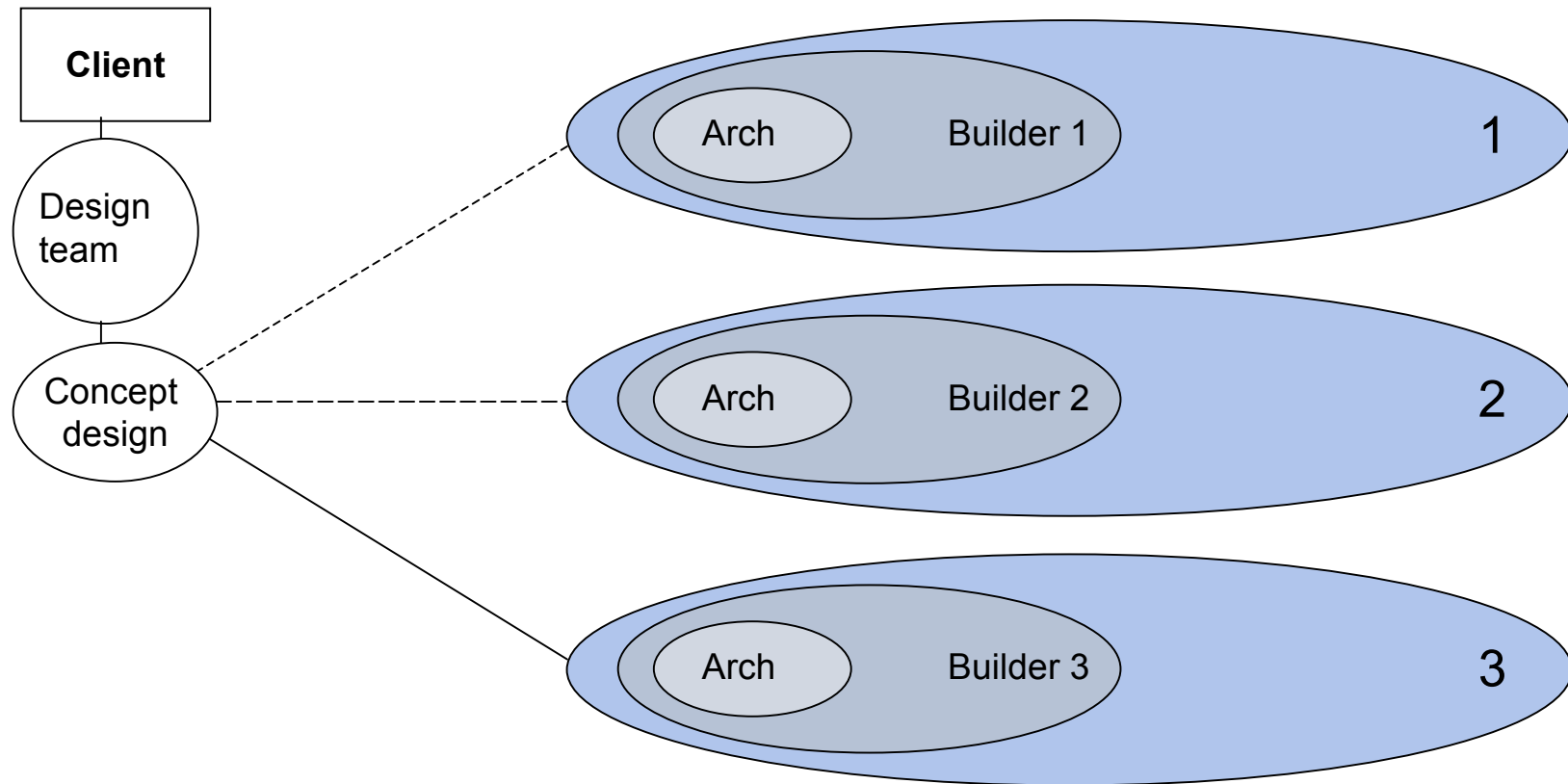
## SmartPFI (preferred model)

- Client appoints design team
  - Develop brief
  - What ifs
  - Concept design which can be tested for
    - use
    - affordability
    - site permissions (planning)
  - Consortia then asked to bid using their own team
  - Design is “novated”
  - Client retains own design team to vet consortia proposals



The screenshot shows the homepage of 'bd THE ARCHITECTS' WEBSITE' as of Friday, 28 September, 2007. The navigation menu includes HOME, NEWS, WHAT'S ON, BUILDINGS, PRACTICE, PEOPLE, COMMENT, and STUDENT. A user is logged in as Jack Pringle. The main content area features a sidebar with 'YOUR BD ONLINE' links and a featured article titled 'Cabe audit criticises new secondary school designs' dated 7 July 2006. The article text states: 'Cabe has branded half of all secondary schools built in the last five years "poor" or "mediocre"'. It further details that in an audit of 52 schools, most failed to address issues like natural lighting and ventilation, and that schools with 'good' or 'excellent' ratings were built in 2005. A quote from Richard Simmons is also present.

# SmartPFI

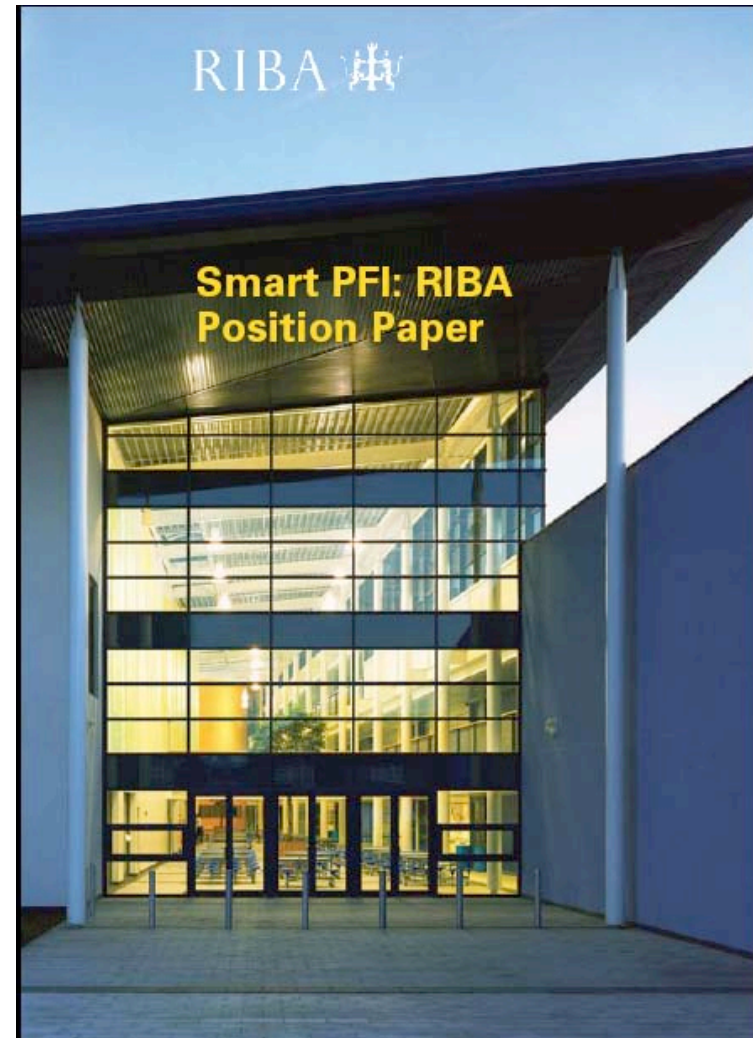


## SmartPFI - Advantages

- Good client / design team relationship
- Brief and concept design fully tested
- Avoids big delays and costs on abortive briefs
- Cuts bidding costs
  - increases competition
- Innovation
  - stage 1 with client team
  - stage 2 with consortium team
- Risk transfer is ok

## Lobbying

- Treasury
  - immediately saw advantages
  - reassurance from banks
- Credibility
- Supporting voices
  - N. Ireland
  - CABE
  - St Mary's PAC
- Making it stick



## SmartPFI – what do people think?

- Used in Northern Ireland to good results
- UK Treasury see strong advantages
- UK Office of Government Commerce (OGC)
  - “SmartPFI is the only PFI”
- Public sector clients like support of early design team
- Most contractors like it
- Some consortia do not like loss of total control



**bd** THE ARCHITECTS' WEBSITE  
Fri, 28 September, 2007

Well hung doors

HOME NEWS WHAT'S ON BUILDINGS PRACTICE PEOPLE COMMENT STUDENT SPA

Welcome: Jack pringle | Logout

**YOUR BD ONLINE**

- » Search bdonline
- » This week's issue of BD
- » Previous issues of BD
- » BD Magazine
- » The Williams Report
- » Sign up for newsletters
- » BD supplements
- » Blogs
- » The Podcast
- » Video
- » News feeds (RSS)
- » BD competitions
- » Digital editions
- » Webinar

**N Ireland's Cabe vows to fight PFI**  
07 September 2007  
By Heidi Ancell

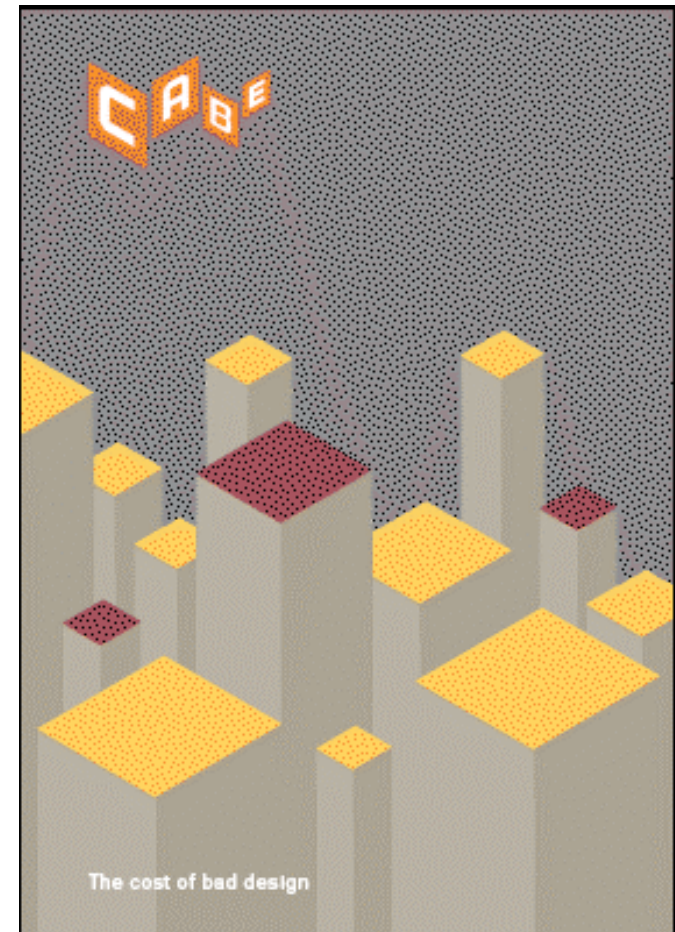
Northern Ireland's newly established answer to Cabe has vowed to challenge the PFI system and significantly raise architectural quality in the province.

 In his first comments since taking over as chairman of the Architecture & the Built Environment ministerial advisory group (MAG) last week, leading architect Barrie Todd said peace in the province provided an opportunity to improve design but dismissed PFI as a system that put "money before design quality".

The group will advise the Department of Culture, Arts & Leisure (DCAL) on design quality, and is expected to set up a design review panel for major projects amid a boom in private sector development. Public sector spending of

## Just when you think its all over .....

- Changes at Treasury
  - rebriefing
- Spending departments
  - Minds of their own
- Schools Programme
  - 3500 schools in c100 LA
  - Local Education Partnerships (LEP)
  - 1<sup>st</sup> 3 schools (300ish) via PFI!
  - Joint lobbying by
    - RIBA
    - BCSE
    - Constructing Excellence



## Lessons

- Architects (RIBA) must keep close to policy makers
  - we have something to say
  - its not special pleading, its our responsibility
- Research case including opinions of other key disciplines
- Make well presented public case
  - communications campaign
- Establish credibility and backing
- Lobby key parties
- Changes at RIBA

“I don’t agree”

is just a request for further information