

August 2008

# On the move fact sheet

## What is the Private Finance Initiative (PFI)?

**The Private Finance Initiative (PFI) was launched in 1992 to open up opportunities for more private sector involvement in the provision and modernisation of public services.**

PFI involves the public sector procuring services to the quality standards it requires, instead of procuring a capital asset or other equipment then operating it itself.

In many ways PFI is similar to buying a house with a mortgage over, say a twenty-five year period.

In the case of the fire station PFI, the fire station buildings become the property of the Fire and Rescue Service at the end of the contract agreement, normally 25 years. The service pays for them by a unitary charge ("mortgage") and in return gets a building to meet its future needs, which is well maintained over the contract period along various other services.

The land on which the fire stations are built will be in the County Council's ownership to start with and that will remain the case. The other "bonus" is that all aspects of the stations must perform well and remain available as required, where this does not happen due to the fault of the private sector we can penalise them financially. Therefore, there is an incentive for them to build quality premises for our use and which avoid too much reactive maintenance as the price of the unitary charge has already been fixed and non-quality workmanship will prove expensive for the private provider to have to regularly rectify.

The other advantage for us, as council tax-payers, is that the Government provide quite a lot of financial support to the Council over the 25+ years of the contract to enable us to pay back the cost of the fire stations.

There has been a lot of interest in the national press, as issues arising out of early schemes have come to light. Some examples of this are:

- Increased scheme development costs due to complex and drawn-out procurement
- Higher revenue expenditure being incurred by the public sector
- New building design and construction not meeting required or expected standards
- Concern over terms and conditions for staff transferred from public to private sector
- Private sector companies making "super-profits" at the expense of the public sector.

The good news is that the Government has now addressed the majority of these issues:

- Standardised contract documentation has streamlined the procurement process
- Loopholes that enabled the private sector to make huge profits have been closed-in fact there is now potential for the public sector to benefit from additional income generated
- Emphasis and guidance is being given to securing quality of building design and construction
- New regulations have been introduced to protect staff terms and conditions.

The key message for us is to ensure that firefighters are involved in the process, especially at the detailed design stage, so that specifications (eg room size and layout, corridor width, circulation spaces, heating and lighting etc) will meet their needs.

It is important to emphasise that the contractor would not be supplying or managing the fire services provided on the site, staff would undertake this in the traditional manner.