

BENCHMARKING AND MARKET TESTING THE ONGOING SERVICES COMPONENT OF PFI PROJECTS DELIVERS MORE COST EFFECTIVE HEALTHCARE ENVIRONMENTS

-2.4%
saved on an
annual spend

“Delivered an optimum VFM price saving to the Trust of -2.4% on an annual spend of approximately £5.1 million.”

EC Harris was recognized as the Best Technical Advisor in the 2008 Public Private Finance Awards. This case study played a major part in achieving the prestigious industry award. Around 500 Private Finance Initiative (PFI) projects out of the 600 awarded to date are now in the operational phase. At least half of these projects have contractual requirements for the value of certain soft FM services to be market tested at intervals, typically every five to seven years.

The services that are subject to this value testing are often a significant part of the total cost of a PFI contract and so the process of value testing is an important aspect in seeking to achieve value for money from a PFI contract, which may run for 25 or 30 years or more.

EC Harris was appointed as Technical Advisers to the Dartford and Gravesham NHS Trust to provide advice in support of

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the PFI Soft FM market testing exercise. The commission was undertaken in a three phased approach including a review of the existing practises for Soft FM service delivery by the Service Provider considering the needs of the Trust at all times and ensuring that the outcome of the benchmarking process met all recognised standards of best practise, quality, value for money, time and safety.

Creating solutions

Despite early indications of a required price increase, EC Harris provided value to the exercise by early engagement with the key stakeholders, access to our own robust comparable benchmarking information, application of Health sector and FM product knowledge and an effective advisory role in negotiating with all parties. This delivered an optimum VFM price saving to the Trust of -2.4% on an annual spend of approximately £5.1 million. This project illustrates our ability to create better, efficient health care environments more cost effectively. This project demonstrates EC Harris' ability to consistently deliver ongoing FM savings that rebuts the public and press perception of PFI Schemes and provides an example of best practice in response to the negative findings of the NAO Report 'Making Changes In Operational PFI Projects'.

It was evident that early PFI contracts, let before the start of contract standardisation in 1999, contain a range of provisions for benchmarking or market testing with limited clarity. The value provided by EC Harris at Dartford and Gravesham was to lead and influence stakeholder negotiations that delivered the final price changes and ongoing cost savings. As part of the negotiations, EC Harris using their sector and benchmark data expertise advised upon reductions to service specification in order to keep the price affordable.

Recommendations were made to both the NAO and PFU in terms of addressing future benchmarking process to allow for the benefits of transparency, and flexibility for re-assessing the service provision, in order to give a better outcome on value for money grounds.

Adding value

This is one example of how our team of experts deliver better value results for clients.

- We translate technical risk into commercial consequence for Authorities, Bidders and Lenders and deliver more robust business cases and bids with greater certainty for stakeholders at all stages of a project
- We excel in our drive to challenge technical and commercial operational conventions and deliver tangible savings, in terms of cost and time, to our clients' projects
- Our international reach brings an integrated approach to service delivery across geographical boundaries and an unparalleled ability to promote and implement excellence within established, developing and emerging markets
- We operate in all aspects of the market with an unparalleled breadth of expertise in sectors as diverse as highways to health and aviation to education. This enables us to implement innovative solutions with points of reference that challenge the accepted 'norms' and deliver better value results to Authorities, Bidders and Lenders.

Contact

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