

# Investment in capital projects

The quality of local infrastructure is critical to the well being of a local community and the productiveness of its economy, yet there are often ‘infrastructure deficits’ due to the difficulty of coordinating developments between different public and private players. Local authorities have the central role, from schools and social care facilities through to highways and waste disposal, of ensuring such infrastructure is developed and maintained effectively.

The effective management of infrastructure presents a major challenge due to the impact of changing public demand, policy and regulatory requirements of central government and, more recently, the severe constraints on budgets in the context of the current economic and financial crisis. Local authorities are adapting and evolving to respond to these challenges by adopting a ‘mixed economy’ of tailored approaches to the procurement and operation of infrastructure. A variety of considerations and practical approaches are relevant at different stages:

- **a shared view of strategic infrastructure requirement** – a clear view of the demographic and economic drivers, including clear assessment of uncertainty and risk, shared with other providers such as the local PCT, is the basis for developing robust business cases for expensive assets with long lives
- **commissioning or provision** – local authorities may commission rather than provide many assets and services, or deliver on a shared basis with other public agencies and neighbouring authorities
- **procurement approaches** – range from direct procurement and subsequent maintenance by the authority to various types of public private partnership
- **working with the private sector** – can range from framework agreements for maintenance to large exclusivity arrangements such as Building Schools for the Future (BSF)
- **government funding of capital assets** – central government may provide grants, borrowing support or PFI credits, each of which have different implications for financial risk and the degree of flexibility in procurement
- **financing of capital assets** – in the absence of capital grants, prudential borrowing, leasing and PFI may all be options with different implications for financial cost and risk
- **maintenance and whole life costs** – require a holistic view to determine best value for money in terms of the trade off between investing up front in low maintenance assets and providing for more frequent maintenance cycles

Our strategic and commercial financial advice and implementation expertise can support you with all of the above. Ultimately, our work is assisting you with the delivery of truly effective infrastructure.

## Our approach to providing advice on capital projects

The challenge of developing effective infrastructure at the same time as providing better value for money has never been greater. We have expertise from the feasibility stage, through developing detailed business cases with assessment of value for money and affordability, through to the procurement and negotiation with private sector contractors and service providers. Also, our experience of supporting the private sector is considered invaluable by public sector clients in the context of the current difficulties in securing bank finance for PFI/PPPs.

## About us

At Grant Thornton, we have worked on over 660 infrastructure projects with a capital value of over £45bn. Based in offices throughout the UK, our consultants and financial advisers have the resources and experience to meet the challenges faced. The projects have included the following:

- regeneration
- education and BSF
- waste
- health and social care
- transport
- highways and street lighting
- emergency services
- housing
- sports and leisure
- council premises.

Our government advisory practice, with over 150 consultants, has advised local authorities for over 10 years. Our consultants not only have extensive experience working for public sector clients, but many have held senior positions in local government and the wider public sector.

## Contact us

For further information on how we can help you, please contact:

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### Karl Eddy

Partner,  
Government & Infrastructure Advisory  
T 020 7728 2892  
E [karl.eddy@gtuk.com](mailto:karl.eddy@gtuk.com)

### David Smith

Director,  
Government & Infrastructure Advisory  
T 020 7728 2655  
E [david.smith@gtuk.com](mailto:david.smith@gtuk.com)