Although the PFI started under the Conservative government of the early 1990s, it has flowered under Labour. The capital value of PFI projects had risen by 2009 to £64 billion, close to 5% of GDP. This includes the controversial "public-private partnerships" to renovate London's Underground (one of which collapsed, leaving the taxpayer to foot the bill). Excluding these (and PFI deals signed but not yet delivered), the capital value of operational projects is £34 billion.

There is a good reason for the PFI, but also a bad one. The good reason is value for money. Conventional procurement has too often been a litany of overruns and delays, and it does not create an incentive for contractors to consider maintenance costs. If the PFI brings in construction on budget and time, and upkeep is cheaper, then it is likely to offer value for money, even though the private sector cannot borrow as cheaply as the government can.

The bad reason is that the PFI is a way of massaging public-debt figures. The unstated practice for some parts of the public sector, such as National Health Service hospitals, is that PFI is preferred to other sorts of investment funding because it is kept off the public balance-sheet.

Evidence from the National Audit Office, Parliament's spending watchdog, makes this abundantly clear. Of the £28 billion capital value of operational PFI projects in England (excluding the Tube), 78% is not recorded on the public balance-sheet. This feeds through to keenly watched fiscal figures for government debt, since these include (with some wrinkles) PFI liabilities only when auditors have already specifically assigned them to the public sector.

A change in public-sector accounting standards should have changed this from April 2009. But the Treasury has insisted that public bodies keep a second set of accounts, thus keeping most PFI debt out of sight. The Lords committee on economic affairs wants all liabilities arising from PFI projects to be disclosed. Lord Vallance, its chairman, says this would alleviate suspicions that the deals "are favoured because they misrepresent and underestimate the level of public sector indebtedness".

This reform is long overdue. As David Heald of Aberdeen University says, "the whole argument about value for money has been distorted because people have known that the accounting has been dubious." The sums involved do not appear that big, given new, supersized public deficits and debt. Yet by adopting this accounting wheeze, the government has raised doubts about its fiscal probity—doubts it can ill afford now it is so much in hock. ■

Correction In "For whom the bell tolls" (March 13th) we said that Lilac Sky Schools had failed at Sawyers Hall College, which is now slated for closure. In fact, the firm was asked only to improve standards, and in that it has succeeded. We apologise for the error.

Manchester's big ideas

More, please

MANCHESTER

A city with a mission, and still some way to go

MANCUNIANS think their city is on a roll. Manchester has pipped Frankfurt, Dublin and Chicago, rising to 15th among cities around the world that attracted investment in 2008, according to a recent report by IBM Global Business Services. Another outfit, UK Cities Monitor, ranks it as Britain's top location for a new head office—or back office, for that matter.

Manchester has attracted a lot of investment in the past few years, from companies including Bank of New York Mellon, Google, Nike and Credit Suisse. MIDAS, the agency that looks after such matters, reckons inward investment provided over 3,000 additional jobs during the first four quarters of the recession. Greater Manchester, an agglomeration of ten local authorities, is about to see a big relocation of BBC staff to MediaCityUK, a planned media hub at Salford Quays, which aims to create up to 15,000 local jobs.

This is the hype. The reality is more mixed. According to the Centre for Cities, a think-tank, the built-up bits of Greater Manchester are among Britain's worst when it comes to the number and skill level of the jobless still of working age. It has also been among the least successful at finding work for them. Away from the fine Victorian and spanking-new buildings in the area's city centres, Greater Manchester has pockets of deprivation where unemployment can top 50%, says Barbara Spicer, chief executive of Salford City Council.

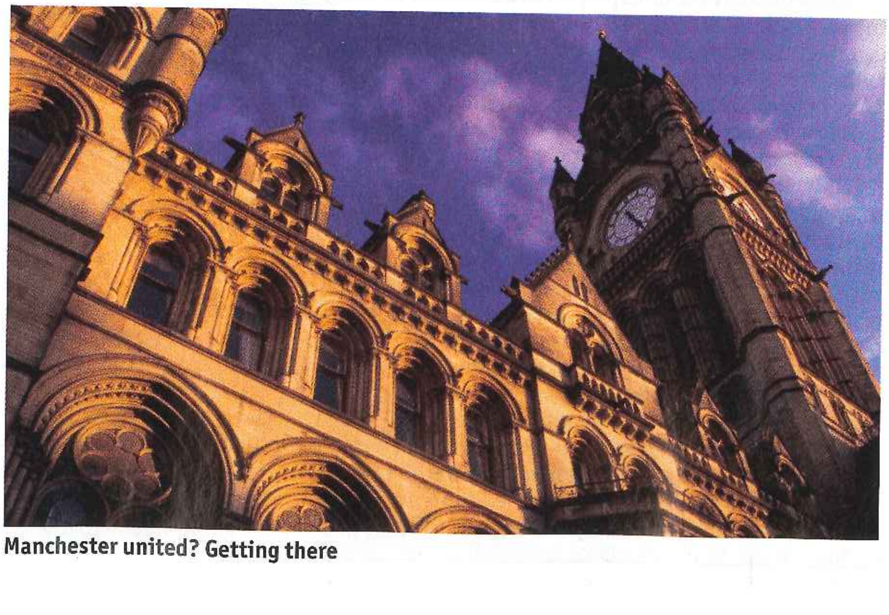
Greater Manchester has made huge efforts to promote itself as the most promising development region outside London and the south-east. Whitehall responded positively to an expensive chunk of research, the Manchester Independent Economic Review, which presents the case for exploiting potential in the area's closely knit urban sprawl as a way of boosting the entire British economy. Last year it was the first area outside London to acquire "city-region" status, giving it more control over policies on transport, housing, trade promotion, training and early education.

Yet all is not sweetness and light, either within Greater Manchester or with its near neighbours, Liverpool and Leeds. On March 16th Manchester City Council boycotted the signing of a grand agreement dubbed "Atlantic Gateway" to develop the hinterland along the Manchester Ship Canal to Liverpool, saying that it had been imperfectly thought out. Two Greater Manchester councils as well as the Northwest Regional Development Agency are backing the project.

There has long been rivalry between Manchester and Leeds too, exacerbated by a poor rail connection. Network Rail came up with plans last month to iron out the notoriously dysfunctional Northern Hub railway nexus which messes up Manchester's east-west regional connections. It has yet to find the necessary £530m, however.

Manchester, armed with its economic review, has a clear sense of direction. But one shortcoming, admitted by Sir Richard Leese, leader of the city council, is its insular approach, regionally and globally. It has an office in Brussels and shares a man in Mumbai, but has no presence in, for example, China or Brazil, nor any landmark trade fair, unlike several big German cities.

Manchester is a shadow of what it was in the 19th century, with its cotton mills and trade links across the world. But it has come a long way since the 1980s when it, and Thatcherism, let half its manufacturing base die. It is surely a region to watch. ■



Manchester united? Getting there