

PUBLIC PRIVATE PARTNERSHIPS – UK EXPERIENCE TO DATE

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Partnerships UK

- Established by Treasury to support PPP policy and help public bodies deliver successful PPPs.
- JV between public and private sectors.
- Able to support project preparation.
- A driver of joined-up Government and HMT's "Corporate memory" on PPPs.
- Central resource of best practice and guidance, implementation, transaction skills and market knowledge in PPPs.

friend and policeman

PPP Programme Drivers

- Improved value-for-money procurement of public services.
- Reform / modernisation of public services.
- Contestability in delivery of public services.
- Antidote to short-termism in both public and private sectors.
- Improved transparency of costs of public services delivery.
- Overcome capital budget constraints.

Types of PPP found in the UK



Contract for Services



Concession



Joint Venture*



Investment Programme Management

** Partnerships UK is an example*

PFI: scale of the programme

Over 690
PFI Contracts
Signed

€60 Billion
Capital Value

Over 450 Projects now
operational

€6 Billion p.a.
of new projects
in procurement

Value for Money – key drivers

- Output based contracts
- Whole life-of-asset costings
- Single point responsibility – integration / scope
- Innovation
- Competition
- Economies of scale
- Capital at risk to long term performance
- Risk transfer

Risk allocation comparison

Traditional procurement

Design & construction
Service provision
Maintenance & renewal
Quality of service
Volume
Force majeure
Obsolescence
Residual value
Regulation/policy

Typical PPP/PFI

Design & construction
Service provision
Maintenance & renewal
Quality of service
Volume
Force majeure
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Residual value
Regulation/policy

Accounting Issues

Planning balance sheet treatment

Lack of certainty about balance sheet treatment

Nature of projects changes and accountants can change their view

Can mean a substantial, unplanned increase in capital spending

Need to reflect in spending review proposals

Value for Money

Off-balance sheet PFI is “cheaper” for departments, but may not always represent best value for money

Need to get incentives right – appraisal and budgeting rules

PFI projects (eg 50% by capital value in UK) are on public sector balance sheet

Budgeting future commitments

Budgeting system covers three years vs PFI contracts for 30 years

Risk of racking up unsustainable commitments

Monitored regularly and reported in budget

Put in perspective: eg service charges currently around £4-5 billion a year against current DEL of £300+ billion

Some current themes

- Managing operational PPPs
- New sectors
- Programme development
- New structures

Lessons Learnt

- Setting out the policy framework
- Communication strategy
- Implications for institutional reform
- Tackling capacity:
 - Public sector
 - Private sector
- Programme development
- Quality Control
- ... and above all, Political Commitment



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