public and private:

partners in the public interest

Edited by Paul Hackett

THE SMITH INSTITUTE

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Contents

Preface
Wilf Stevenson, Director, Smith Institute

The Smith Institute is an independent think tank, which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the institute has centred its work on the policy implications arising from the interactions of equality, enterprise and equity.

The UK has led the world in public-private partnerships (PPPs), with over £50 billion of private finance initiative (PFI) projects signed over the past 15 years. A further £26 billion of PFI investment is in the pipeline for the next three years, including substantial capital investment programmes in health and education. PPPs are now well established across all the key public service sectors and continue to act as a catalyst for innovation and reform.

However, the evolution of PPPs has not been entirely without problems, and some trade unions remain strongly opposed to the PFI programme. There are also concerns among private bidders about the way PPPs are structured and designed.

There is, nevertheless, cross-party support for PPPs and a much better understanding of how they operate over the longer term. The challenge, as outlined in this monograph, is to take forward the next generation of PPPs in a way that is best suited for tomorrow's public services. We must establish, for example, how we can strengthen the system of checks and balances, and what more needs to be done to shift the focus away from the construction and maintenance of infrastructure and more towards issues such as "personalisation" and improving service outcomes.

Getting the PPP programmes fit for purpose in an ever changing world will not be easy, not least in terms of quality, procurement routes, customer choice, value for money, governance and public accountability. These are all complex tasks, yet all of the authors of this monograph believe that PPPs can make a positive and lasting contribution towards the improvement of our public services.

The Smith Institute thanks Paul Hackett for agreeing to edit this collection of essays and gratefully acknowledges the support of the Confederation of British Industry and KPMG towards this publication and the associated seminar.

Introduction
Kevin Beeston, Non-executive Chairman of Serco and Chairman of the CBI's Public Services Strategy Board

Britain has a long history of drawing upon the private and voluntary sectors in the development and the delivery of public services. Indeed, it was only for a brief period of three or four decades in the late 20th century that private providers were largely excluded from this space.

For the most part, these partnerships between the public and private sectors were highly successful. Of course, the public service companies of the 18th and 19th centuries were not without their failings, any more than government itself, but in weighing up the changes that have taken place over the past decade or more in the UK public service sector – and, more importantly, the next decade of reform – it is important to remember that they have not been without historical precedent.

When it comes to the delivery of core public services, government must be in control in laying down the policy framework, establishing appropriate standards, guaranteeing access and affordability, and ensuring that service networks function as an integrated whole.

There is no question of government abandoning its responsibilities to the public at large, and adopting a policy of laissez faire. Private companies involved in the delivery of public services in the UK are subjected to close regulation through contractual performance conditions and the day-to-day supervision of contract monitors. And given the complexity of most public services and the need to ensure public accountability, it is appropriate that they should.

These companies – including members of the CBI's public services strategy board, which I chair – have no objection to close regulation of this kind, since they are delivering the services that have been specified by their (public-sector) customers. Over the past year we have seen some government agencies in the UK laying down detailed environmental and diversity targets in their contracts, and public service companies have responded to these demands.

The UK prisons market was an early example of this development – indeed, the custodial sector was one of the earliest examples of the private finance initiative or PFI – and from early on, the government called upon the private sector to deliver core public services, rather than just construction, financing and facilities management.

Not only did the government ask the private sector to deliver services more cost-effectively, but it also demanded that the contractors deliver a higher standard of service. Indeed, some of the earliest supporters of privately managed prisons were the prisoners themselves. It is widely recognised today that the introduction of competition and contracting into the prisons sector assisted the government in delivering its decency agenda. The prison service still has not fully implemented the policy of calling prisoners by their first names; the private sector has been doing that since the first prison opened in 1992. David Banks of GSL, one of the companies in this market, identifies in his contribution ways in which this catalogue of innovation and delivery can be built upon.

There are a number of other areas where greater diversity among providers has made a significant contribution to front-line service delivery. The introduction of contestability into elective surgery in the NHS, for example, has had a direct impact on waiting lists. Private contractors were able to make an impressive contribution in turning around failing local education authorities – with student performance improving at a faster rate than relevant benchmarks.

The PFI has, as Adrian Bull of Carillion identifies in his chapter, transformed the NHS's infrastructure. But the current model will need to evolve if it is to enable health trusts to respond to the introduction of new, volume-related risks resulting from fluctuations in revenue as a result of the latest market reforms.

In education, too, there is positive experience of public-private partnerships, or PPPs, making a dramatic impact on educational outcomes in areas of previous poor GCSE performance. But policy does not seem yet to have built upon the lessons from this. Realising the full potential of PPPs, argues Stuart Whitfield of Bevan Brittan, does require a consistency in the government's approach to partnerships that encourages private-sector providers to see the commercial benefits of long-term investment in a particular market.

Given these and other successes in the use of public service contracting in several sectors, highlighted throughout this paper, it is difficult to understand why the government has not used private and voluntary providers more widely.

In part, this may have been because of a fascination with physical assets. Many of those involved in the implementation of the private finance initiative have found it difficult to look beyond the physical infrastructure to the services that the infrastructure was meant to provide.

In part, it has been because of concerns over the terms and conditions of public-sector staff although with the Transfer of Undertakings (Protection of Employment) regulations and the two-tier code of practice, many of those concerns must now have been allayed.

In part, it may have been because of concern at the capacity of public-sector commissioners – a fear they did not have the tools or the capabilities to ensure the profit motive was harnessed to serve the public interest. The current Cabinet Office review of department capabilities ultimately could help promote the right skills and approaches that allow commercial and procurement staff to develop a longer-term outlook to commissioning and partnering and, in future, perhaps match the expertise that is currently the domain of the private sector.

A great deal has been learned about contracting for complex public infrastructure services, and over the past 15 years PFI and PPP policies have continually been readjusted to embrace these lessons. Indeed, new models are being developed and consortiums between private and voluntary sector providers are forming in many sectors to unite their complementary skills. In health, the local improvement finance trust (LIFT) programme is creating new capacity to transform local health delivery by grouping together individual contracts and standardising terms. This creates a more coherent strategy, economies of scale and repeat contracts for the market, and links the private sector's service delivery more closely to the health needs of local communities.

The question now is not whether or not public-private partnerships are possible, but what are the conditions necessary for their success, and what challenges remain?

Drawing on the lessons of PFI, several of the authors in this monograph highlight the need for government to improve its ability to price risk properly to reflect the differences in risk factors between the design, construction and operational phases of an infrastructure project.

As important, however, as getting the procurement and financial strategies for PPPs right is the need to develop a wider understanding of the full potential of PPPs and a positive partnership culture at all levels in the public sector. There is among some government organisations still a rather limited view of PPPs that sees the contracts not as a jumping-off point for a long-term commercial relationship to address complex service delivery challenges, but rather as a blunt tool for micro-managing contractors and focusing attention on cost at the expense of value.

More broadly, the government should continue to communicate and champion the principle of public-private partnership and challenge the "hidden forces" that Sir Andrew Foster identifies which inhibit the development of trust between partners, create unnecessary complexity or diminish the scope for refinement and progression that is essential for any PPP to mature and adapt.

The direction of travel in PPPs is clear, but, as the contributors to this monograph explain, there are still major challenges ahead and a lot more to do to provide the confidence and certainty that partners, stakeholders, investors and service users need.

Chapter 1

Learning the lessons of PPPs

Sir Andrew Foster, Deputy Chairman of Royal Bank of
Canada Europe

Learning the lessons of PPPs

There is a plethora of advice and guidance on the detailed implementation of PFI/PPP schemes. The websites of the intermediary bodies, the brokers such as Partnerships UK and the Office of Government Commerce, are crammed with technical assistance on models, contracts and procedures. But you have to look hard to find reflections on the high-level strategic questions in play.

This chapter makes a start by looking cross-sectorally at some of the key themes and proposals surrounding the debate on public-private partnerships. I suggest, among other things, that more attention must be given to the human and cultural factors in play if the PPP initiative is to achieve full maturity, and that there are challenging implications for overall strategic management in this and other respects.

I have talked the issues through with a wide range of people involved in partnerships – practitioners and pundits both – and encountered a clear consensus on two main points: that PPPs that work can deliver great benefits, and that it is hardly ever easy.

Background

PPPs exist to deliver on big, bold visions of change in our hospitals, schools and transport systems that for decades have been recognised as necessary. Who could deny the great developments and achievements: the Building Schools for the Future programme that aims to rebuild or renew every secondary school in England over the next 10 to 15 years; the 50 new hospitals built in the past 10 years. These are extraordinary achievements, bringing real improvements in public experience and well-being.

Yet public and private partnership work seems often to require special effort and vigilance, even when the aims and developments involved appear right and relatively straight-forward. It is as if hidden forces were dragging at people, holding them back, creating complexity and erecting barriers where all should be plain sailing, trying to wrest defeat from the jaws of victory. Why is this?

Why are relationships between partners so often suspicious, watchful, tetchy, combative? Why does "partnership" sometimes feel like suspended hostilities?

The National Audit Office's March 2007 report on improving the PFI tendering process[1]

1 National Audit Office *Improving the PFI Tendering Process* (March 2007)

suggests that little has changed in PFI since the Public Accounts Committee report of 2003.[2] Why is there not a sense of refinement, progression and improvement? Why is public-private partnership work not seeming easier as the lessons of experience are applied?

The cultural legacy

I suspect that some answers lie in the prevailing cultures and different motivations of the partners, and that one important step in enabling PPP to flourish involves recognising and understanding this, and setting work in motion at a strategic level to address the underlying problems.

Britain remains in transition from a post-war welfare state, in which universal welfare services were provided by the state (with all the attendant risks of inefficiency and protectionism), to a mixed market with pluralist provision and the prospect of efficiency and quality improvement driven by competition. Until fairly recently the desirability of this journey was a matter of keen ideological difference.

Now there is a stronger political consensus and the public itself seems to me far more consumerist and comfortable with market concepts than is sometimes claimed. There is still resistance from some organised labour interests about the defence of jobs, but the emphasis of debate has shifted from employment to the volume and quality of service. Policy makers should view the increasing expectations and demands of consumers, and their critique of public services, as an affirmation of the pluralist market approach rather than as a burden and a cost.

If, then, the battle about the broad direction of travel is being won, why does collaboration between public and private sector still feel so difficult?

A key issue is our attitude to profit. There is a deeply ingrained sense that there is something wrong about a non-public organisation making a "profit" from public funds. People will say they would prefer traditional public bodies to provide their services, because funding is then "all spent on services and not going into the pockets of private companies".

2 The Public Accounts Committee published a report in 2003 that considered the collective value-for-money issues raised by published National Audit Office reports on PFI projects, including issues surrounding the PFI tendering process: *Delivering Better Value for Money from the Private Finance Initiative*, 28th report from the Committee of Public Accounts (HC 764, Session 2002-03).

There is little rationality about this. In our essentially capitalist society most activity involves profit, and countless individuals themselves make and take profits, as distinct from pay, from their work. Public-sector organisations have always purchased goods and services on a colossal scale, with public funds, from the private sector. Hospitals and schools have always been built by private contractors. Moreover, elements of what are widely perceived to be public-sector services are in fact private. An obvious example is GPs, whose role is still misunderstood by many who use and greatly value them: since the beginning of the NHS they have been independent contractors making (very substantial) business profits from the public funds they receive.

A former senior local government officer told me he used to challenge staff displaying reluctance about working with the private sector to say how they would describe the difference between their earnings and expenditure if not as a version of profit.[3]

He also pointed out the second big attitudinal barrier: that public-sector workers often believe they have a monopoly on decent values. A version of this is that private-sector organisations are driven solely by profit motives, which they pursue without principle or scruple. Different prejudices can exist about public service managers: that they are not so effective or efficient as managers in the private sector.

The impact of these prejudices is to raise suspicion, impede good relationships and undermine the essential features and value of partnership.

Success factors

From my canvassing of opinion and experience on both sides of partnerships, it is apparent that success depends on a number of key conditions.

The importance of understanding

Partners must understand each other's objectives and motivation. Failure to do so will impair predictability and lead to confusion, disappointment and disillusionment. The goals will not always be the same, but it will not work if they are contradictory. The key is to dedicate time and effort, right from the beginning, to testing and achieving understanding; and at the very least there must be an acceptance of the partner's aims and a desire to support their achievement – and if possible a fulsome respect for them. It is not sufficient (and indeed it is damaging) to go straight into the hard business of negotiation

3 One respondent described the difference as "very little".

and contracting. There has to be attention to the "soft system". Experience suggests that investment in relatively unstructured offline time together can help get parternships off to a good start.

The need for a focus on improvement outcomes

Even if partners' aims are not coterminous, the view is that there must be a shared, core commitment to achieving improvements in the quality and efficiency of the services provided for people who need them. This implies close attention, again from the beginning and continuously, to the views, needs and wants of service users and other stakeholders. Although this is a policy mantra, it is not always found in practice. The NHS, for example, has experienced a very challenging shake-up in recent months over its consultation processes.

Buy-in to mixed-market provision

The major political parties appear to have committed to policies of plurality and choice, and we are likely to see a continued shift to private, third-sector and social enterprise models of public service provision. Private-sector investment and the great benefits it can bring depend on confidence that the environment and direction of travel are relatively stable. It is important that public-sector partners hold and convey a commitment to the principle that PPP schemes are facts of life, bringing good service and good value. There are clear implications for training and for the identification of staff who will succeed in working well in partnership contexts.

Focus on skills and commissioning abilities

There is a pressing need, particularly perhaps in the NHS, to strengthen commissioning skills and commercial acumen. Partnerships between the private and public sector are frequently relationships between public-sector commissioners and private-sector providers. Both sides of the partnership must be able to demonstrate convincing professionalism and expertise in what they do. To be convincing, public-sector commissioners must show that they are independent and not seeking to favour some providers over others – especially in-house providers. Concerted action is needed from public bodies and interested organisations to develop commissioning, building on the transfer of experience and knowledge between sectors, but also within them. The NHS has a good deal to learn from local government, where real service improvements have been brought about by good management against a background of static funding: clever partnership working and skilful outsourcing and commissioning in an increasingly pluralised market for skills, goods and services.

Overcoming prejudices

I have already mentioned the damaging prejudices that exist about profit and values. Public-sector workers must focus on decent, improved services being available to the public, not to preserving “public services” as a matter of ideology or to safeguard their employment interests. I am convinced that an unswerving commitment to the service user’s experience is essential: members of the public generally care more about quality and equity in provision than about who the provider is.

Knowledge transfer and permeability

The big PPP concerns have established significant expertise (in the delivery not only of infrastructure but also of service). If harnessed in forums, this knowledge could form the basis of improved overall dialogue between buyers and sellers.

To help address the “soft” issues, we need to encourage people to move around, to experience other parties’ perspectives and understand the cultural and background issues that underpin behaviour. For example, as the National Audit Office reported, procurers and suppliers can typically have different attitudes to time and risk: to the former, time is an opportunity to reduce risk; to the latter, time equals money, and as time increases, transaction costs multiply, bureaucracy increases and risk rises. I believe that a national development programme should include a strong drive from all parties to arranging cross-sectoral secondments; there would be massive benefit.

Procurement rules

On occasion, the public-sector procurement rules designed to safeguard fairness and objectivity can stifle relationships, impede the growth of understanding and promote a combative watchfulness. This is complex and sensitive territory, but there may be some scope for revisiting the rules of engagement to see if fairness can be preserved while at the same time improving engagement, particularly in the earlier stages of procurement.

Rationalising the role of intermediaries

Progress may be held back by a lack of co-ordination among the brokers, the organisations that aspire to champion and facilitate PPP as an improvement delivery vehicle. Many of the major departments of state, as well as the industry federations and associations, have a broker.

We need to ask two questions about these brokers: how co-ordinated are they, and how well are they actually driving change? Private-sector organisations may be dealing with more than one or two of these facilitatory bodies, and I believe there is room for government to step in and promote rationality, clarity and consistency, and seek economies of scale. In terms of drive, I believe that whilst they started with a bold vision, the brokers have lost momentum and should refocus on strengthening the capacity and capability of their target organisations in the public's interest. There is a major need for a stronger concerted role for these organisations, learning the lessons, developing relevant procurement staff and collectively moving the debate on.

How can success be promoted?

What needs to be done to ensure that these success factors are more widely and more often in place? And who is responsible for doing this?

There needs to be stronger political involvement in overcoming public-sector scepticism and time delays; in reassuring the private sector that there are some medium-term guarantees; in encouraging senior managers in the public sector to take a considered and organised approach to risk; in convincing the public that the mixed-market model is effective and works in their interests; and in pushing contracts to completion.

Central government in general and the Treasury in particular must take the lead in driving forward this development agenda. There is inevitable tension in this debate, but it calls for strong leadership to force rational debate and gain service improvement in the public interest.

It is time for the debate to be made more public, to challenge the assumptions and stereotypes that create the appetite for damaging and misleading "bad news" PPP stories. We need to develop a more open culture, building understanding, acceptance and trust, and partnerships based on the recognition of mutual strength. Above all, we need a sense of common purpose that focuses on outcomes.

Better service, delivered at lower cost, represents a better outcome for everyone. In general the private sector accepts this and the public are quick to reward those companies that deliver a good job and sanction those that do not. We celebrate informed consumerism when it drives down costs and improves standards, as in the telecommunications industry.

To achieve these objectives we need strong political and policy leadership, and a structured, strategically shaped programme of development to facilitate success.

Chapter 2

A focus on service delivery

Gary Sturgess, Executive Director of the Serco Institute and
Member of the CBI's Public Services Strategy Board

A focus on service delivery

People who see the contract as the conclusion … behave very differently from those who see the agreement as just the beginning.
Danny Ertel[1]

There is an important difference between negotiating a contract with the aim of securing the best deal in the short term and contracting with a view to effective delivery over the lifetime of the project. The distinction is particularly pertinent in PPP projects, which are meant to last for upwards of 25 years, involve large-scale capital investment, and are highly complex.

The purpose of PPPs

As an increasing number of countries across the world adopt public-private partnership-based reform initiatives, they often turn to the UK, as the most developed PPP economy, to help inform their approach. However, while the UK market is mature, there is still a great deal to be learned.

When the UK Treasury first promoted the private finance initiative model of procurement in the early 1990s, the objective was to implement better procurement processes and capture long-term benefit. One driver for the Treasury was to shift the emphasis of asset procurement from the purchase of infrastructure to the purchase of infrastructure services. Rather than simply constructing an asset and then moving on to the next project, under the PFI model the private-sector consortium was given a commercial incentive to consider whole-of-life costing, maintenance, management and delivery – from the design and build stages right through to the operational phase.

However, over the years the original long-term objectives of PFI contracting have often been overlooked by a focus on short-term gains, such as access to additional funding at the local level, accounting treatment and the pursuit of value-for-money savings through competition. PFI has delivered short-term benefits, but there is much more to be gained from adopting a longer-term perspective.

It is important to remember that the ultimate objective of PPPs is to deliver better public services over the lifetime of the asset, not merely to procure new infrastructure in the

1 Ertel, D "Getting Past Yes: Negotiating As If Implementation Mattered" in *Harvard Business Review*, November 2004

short term. In the words of one public service provider: "Delivery is as much about how the service will work in several years' time as it is about how it will look when the asset is first completed."[2]

To bundle or not to bundle?

A recent report by the Treasury on the future development of PFI policy suggested that the inclusion of soft services in PFI procurements (usually defined as soft facilities-management services such as cleaning and catering, but also extending to services provided directly to the public) may not have delivered the same step-change and value-for-money benefits as the hard facilities management and construction elements of these projects.[3]

Upon examination, the evidence supporting this statement is limited, making it hard to draw firm conclusions, but if PFI contracting has not achieved the same value-for-money benefits from soft services as from construction and hard facilities management, then there are a number of possible explanations. Not least among these is that in many sectors where the PFI model has been used (notably health and education), soft services such as cleaning and catering have already been subject to competition for many years. It should therefore be no surprise if these mature markets have not delivered significant additional savings in the latest round of competition as part of a PFI contract.

Perhaps the most important explanation, however, is that PFI contracting has focused predominantly on the construction and maintenance of physical assets, and those charged with managing the procurement and developing the solutions have been concerned overwhelmingly with better and cheaper construction and maintenance. In many cases, procurement officials have not actively pursued the potential of PFI to deliver service improvements.

On the other hand, when one speaks to those responsible for delivering services procured under the PFI model, they are of the opinion that when the starting point is better service provision, rather than just the procurement of physical infrastructure, then it is much more likely that government will see better value for money in so-called soft services. From a service perspective, the infrastructure is merely part of the service solution, and should be designed with long-term service considerations in mind.

2 Quoted in: Smith, B *Built to Serve: The Benefits of Service-led PPPs* (Serco Institute, 2007), p22
3 HM Treasury *PFI: Strengthening Long-term Partnerships* (HMSO, 2006), pp50-52

This conclusion emerged from some research undertaken by the Serco Institute to examine what happens when service providers are directly involved in the design and construction of public infrastructure. The research took the form of face-to-face interviews with operational experts involved in the planning and management of service delivery across a range of projects and sectors.[4]

Unsurprisingly, for these individuals it was self-evident that service delivery should be the priority from the outset of any public infrastructure project. As service providers, they are in a position to observe at first hand the significant benefits that come from including soft services in PPP projects as part of a global solution, in terms of increased delivery efficiency, service innovation and quality of public outcomes.

Designing for delivery

It is inevitable that compromises will need to be made during the design and construction of a physical asset, but when service considerations drive a project then the compromises will tend to be made in favour of service outcomes. In other words, the solution will be driven by what will offer the most efficient, effective outcomes over the project lifetime.

The benefits of prioritising service considerations are evident in several sectors where PPP commissioners have adopted a broader approach, rather than focusing on the infrastructure. In the custodial sector, from the time that the first wave of contract prisons were commissioned, it was the government's specific objective to stimulate service innovation.[5] The emphasis was on safety, security and decent treatment of prisoners, and competition delivered impressive results.

Largely because ministers insisted on it from the outset, bidding was dominated by service-led consortiums rather than by construction companies. In addition to service-specific innovations, such as having the guards eat their meals with prisoners and giving the prisoners the keys to their own cells, the public service companies leading these projects also influenced the design of the physical infrastructure.

Early consideration was given to the flow of people and goods around and across the boundaries of the sites, and this helped to deliver buildings that were fit for purpose. An industrial prison has to cope with heavy vehicle traffic in and out of the building,

4 Smith, op cit

5 Interviews by the author with public officials and company executives involved in the early development of the market

whereas an establishment with an educational remit requires easy access between classrooms and housing wings. By considering these needs early in the design phase, it was possible to improve the operational efficiency of the buildings. For example, shorter journeys between accommodation and education require fewer staff to supervise the movement, which has cost benefits over the long term. Less time spent moving between housing and classrooms also allows prisoners more time in education, so there is also a social benefit.

Deep markets

The capacity for service-based innovation in the UK prisons market was also greater because of the steady flow of new contracts. In many cases, teams of architects, builders and service providers that had worked together on earlier prisons would re-form to tackle new projects, bringing with them the expertise gained and lessons learned.

The private sector was reassured from the very outset that these markets would have some depth, with ministers making it clear that their medium-term objective was to have around 10% of the prison system under private management. Public service companies were encouraged to invest in the custodial market by the prospect of further opportunities in the future. The prospect of repeat business provides a particular incentive to think long-term in decisions about the design, construction and operation of an asset.

By contrast, some public-sector agencies have treated PPPs as one-off projects – a short-term tool for delivering capital projects on time and on budget. Not only does this reduce the investment incentive for public service companies driven by long-term reputational goals, as there is no opportunity for repeat plays, but it also diminishes the capacity for transferred learning from project to project.

Licence to innovate

Another sector where some (though by no means all) commissioners have actively pursued service innovation is in public hospitals. In one recent PFI procurement, the customer requested that bidders develop a solution that would enable the separation of patient, professional and visitor traffic from goods traffic moving around the hospital.

The successful solution incorporated the use of robotics to deliver food, linen and other goods to hospital wards, and pneumatic tubes to move samples and paperwork around the building. These solutions have reduced operating costs and increased operational effectiveness. Goods movements can now continue throughout the night, without the cost implications of paying staff overtime rates. The innovations have also freed the hospital porters to concentrate on people movement, and they are being trained to develop people skills for patient interactions, which benefits staff and patients alike.

This scope for innovation is one of the real strengths of the PPP model. Done well, risk transfer can give a contractor greater freedom to operate and the room to experiment with new approaches to service delivery. But this can be constrained if the wrong approach is adopted in the contracting process.

The potential for innovation is maximised where customers specify intelligently, writing a statement of requirement that is flexible enough to allow the service provider to exercise operational discretion and respond to the needs of service users, preferably with room to adapt the service over time as those needs evolve. Some customers understand this better than others, and operational experts report that more experienced customers operating in deeper markets are more likely to produce successful, flexible specifications.

Leadership is also necessary on the part of public-sector commissioners. For the best outcomes, procurement officials must be actively incentivised to pursue service improvements rather than short-term goals such as up-front cost reductions. Describing a project that they had worked on, one service expert observed: "There was a desire to provide a state-of-the-art facility. That's what they were looking for, so they were open to ideas."[6]

The project in question drew design inspiration from similar facilities in the USA and Ireland. The need to differentiate themselves and to create winning offerings in a market driven by service innovation is a powerful incentive for service providers to seek out ideas that will give their proposals an edge. However, it is up to the commissioners and procurers of services to create that incentive: it requires public officials to choose service innovation as their goal.

Procurement for public outcomes

The UK government has recently shown increased interest in the way that it can use procurement to help drive better public outcomes. One strand of this involves a focus on sustainable procurement, a concept that refers to the use of procurement to deliver social objectives, ranging from environmental and economic goals to equality and diversity targets.

6 Smith, op cit, p25

Another strand involves the use of public procurement to drive innovation, in particular technological innovation. Of course, there is an important place for scientific research in the improvement of some public services, but we must not allow a fascination with technological initiatives to obscure the place for innovation in service design and service management. In order to do so, government must ensure that those who bear the risks associated with delivery of the desired service outcomes have a place at the heart of the design process.

The UK has for some time now enjoyed a certain competitive advantage as the world's leading PPP market. The government regards the UK PPP model as a product that can be exported to the advantage of British business. So it would be unfortunate if it did not use that model to its best advantage, to help deliver competitive benefits in other areas.

It is not difficult to comprehend why the infrastructure element of PPPs has often drawn attention away from the services. A state-of-the-art hospital or brand-new, well-equipped school, delivered on time and to cost, is not to be dismissed. But what purpose is a hospital, if not for the delivery of health services, or a school, if not to deliver education?

Health, education, scientific research – each of these are measures of a country's social and economic success, in a way that buildings alone are not. With its sophisticated public service markets, the UK government has the scope to do still more to reform its core public services. But for the best outcomes, it needs to shift the focus from merely contracting for infrastructure to contracting for infrastructure services.

Chapter 3

PPPs in the education market

Stuart Whitfield, Chief Executive Officer of Bevan Brittan and
Chairman of the CBI's Public Services, Education and
Children's Services Panel

PPPs in the education market

This chapter surveys the landscape of public-private partnership provision in the education market. It also explores the opportunities and likely trends over the next few years and the challenges that will need to be overcome to develop a truly mixed economy to deliver strong and effective education services.

The education market

As a law firm operating broadly in the education market (advising public, private and voluntary providers), Bevan Brittan has tracked the increasing presence of private-sector players in the education world and can offer some views on the present landscape and future trends.

It is a truism that education is a high priority for all political parties and for citizens and business alike. Business needs a well-educated workforce to ensure that the UK economy remains competitive, and society prosperous.

The Confederation of British Industry's 2005 report on improving education through competition[1] identified that, as well as being a user and funder of the education system, business was increasingly a supplier of education services. This chapter explores the areas where increased presence of the private sector has become the norm and an accepted part of the landscape, and other areas where new opportunities may come forward. It concentrates on the private-sector opportunities within the public/maintained education sector, with particular reference to the schools sector.

A key market trend sees the blurring of distinction between maintained and independent schools, with the emergence of "middle ground" educational institutions, which may have public funding routes but are increasingly autonomous in terms of their governance and freedom. The emergence of institutions with the flexibility to determine their own arrangements in terms of services and supplies offers new opportunities to private-sector providers but also potentially fragments the market and loses the economies of scale that schemes across, for example, a whole education authority or a national programme (for example Building Schools for the Future) can provide.

1 Confederation of British Industry *The Business of Education Improvement: Raising LEA Performance Through Competition* (February 2005)

Areas of opportunity

A more detailed breakdown of the areas of opportunity available within the education market would identify:

- The provision of new facilities/accommodation for the delivery of education. These include new and remodelled schools provided through the private finance initiative, the provision of accommodation through design-and-build routes, major national programmes such as Building Schools for the Future, accommodation provision for universities, and rationalised further-education college estate programmes.
- The supply of facilities management and other soft support services, which are ancillary to the overall delivery of education. This market has developed from the outsourcing of blue-collar services, for example cleaning, catering, and grounds maintenance, to the provision of services through long-term partnering arrangements between local education authorities and providers. The market trend has also seen the integration of support services into the provision of buildings through PFI projects and whole-life contracting arrangements.
- The provision of advisory and consultancy support, for example training and development, careers advice and curriculum development – with which the private sector has long been involved – to both local authorities and individual schools.
- The provision of ICT-related services, again on a school-by-school or area-wide basis.
- The delivery of school-based services around the development of extended schools. For example, the provision of childcare at either end of the school day, the provision of sport and leisure activities on education sites, the use of school accommodation for community purposes (for example, business incubator units for new business set-ups, or community education).
- The provision of advisory and support services to assist in tackling poor education performance. A number of local education authorities were, often in the teeth of political opposition, forced to outsource functions to the private sector following intervention by the Secretary of State for Education. Interventions ranged from limited short-term input to full outsourcing on a long-term partnering agreement (for example, Cambridge Education Associates in Islington, the Learning Trust in Hackney and Serco in Walsall and Bradford). Such involvement has, to date, occurred only in cases of the public sector's failure to perform in some aspects. There is considerable scope to increase private/voluntary sector involvement where there is no failure but where public-sector providers are perceived to be coasting.

The initial compulsion to consider private-sector involvement in the education market has settled into a recognition by many local education authorities and institutions that the private sector has much to contribute to the overall delivery of both physical infrastructure and a range of services to support improved education provision and attainment.

Mutual support

As an aside, in exploring the potential areas for collaboration and mutual benefit between private-sector providers and public-sector education deliverers, it is useful to note that the nature of the relationship is increasingly not limited to the traditional legal contractual arrangements. For example, we have seen recently the introduction of the valuable role of sponsors of new academies, which offers the business community not only a role in the procurement of new facilities but also an influence on the ethos and culture of the school and its curricular focus.

Even further from the traditional contractual relationship between the public and private sector is the emergence of strong programmes of mutual support and sharing of know-how. These make business-sector skills available to schools and other educational bodies, while contributing to the shared agenda of securing excellent educational achievement and the development of the citizens of the future. Bevan Brittan as a firm is actively involved in a partnering arrangement with a school local to one of its offices, which is proving of mutual benefit – and considerable fun.

Benchmarking improvement

Bevan Brittan has been involved in analyses of barriers and hurdles to the development of a robust mixed economy in a number of fields. While not specifically focusing on the education market, many of the lessons and issues highlighted are absolutely applicable to the current discussions.

For example, in 2005 a review of the barriers to effective procurement jointly commissioned by Bevan Brittan and *Legal Week Benchmarker*,[2] identified the following areas where improvement was needed to develop the market:

- The public procurement bid process did not favour the smaller provider or the new entrant to the market.
- The costs of bidding were prohibitively high in some markets.
- The bid processes needed to be better managed (particularly in construction projects).

2 See: *Legal Week* issues dated 2 June 2005 and 9 June 2005

More recently, Bevan Brittan has been commissioned by the Department for Communities & Local Government to examine the provision of social infrastructure, particularly in the Thames Gateway. As part of this analysis we have been asked to undertake a review of the barriers and hurdles to effective public-public and public-private working to deliver complex regeneration programmes. The pivotal role of education in the regeneration of communities makes this study particularly relevant to this discussion. The main issues identified from the social infrastructure perspective were:

- Funding routes from government were often siloed. This means that a funding stream is only available for the delivery of a particular service strand or facility and there are considerable barriers to, for example, PFI credits from the Department for Children, Schools & Families being used for the provision of community education facilities combining, for example, leisure and other community uses.
- The disconnection of various strands of government policy and performance measures also inhibited the identification of the needs of communities. These could well include core educational needs, so it is difficult for a package of long-term collaboration opportunities to be tailored to the market.

Barriers to change

CBI studies on how public service reform can be sustained through effective partnership have also reviewed what private providers can add to the delivery of public services, but also the barriers to this being successfully achieved. In its report on the impact of public-private partnerships in local government,[3] the barriers to better use of the private sector in this overall market were identified as a lack of commitment to involvement of the private, voluntary and independent sector, and a lack of procurement skills to do so where there is commitment.

The DCSF has confirmed that it will be adopting a policy on competitive neutrality, following work carried out by the CBI's public services directorate in this area. This will aim to ensure that, where the private and voluntary sectors are able to compete for the provision of services in the education market, they will do so on terms that demonstrate a level playing field between the public, private and voluntary sectors. Although the creation and implementation of such a policy would not necessarily increase the commercial opportunities for the private and voluntary sectors, it ought to make some existing opportunities more attractive.

3 Confederation of British Industry *Delivering for Local Government: The Impact of Public-private Partnerships* (March 2004)

Conclusion

Our overall conclusion is that there has been significant change in the appetite for private-sector involvement in the broad education market. There are also the necessary skills and capacity to ensure that the involvement is productive. Drawing from our current work across the education sector (but particularly an intensive engagement in the schools market) our key conclusions are:

- There needs to be consistency and continuity of government policy in education to ensure that private-sector players see the benefits of long-term investment in the development of their skills. For example, how will private-sector involvement in the core business of education improvement be viewed in the future? Is this to be encouraged/mandated?
- The recognition that education (and education facilities) are central to the effective operation of sustainable communities needs to lead to a more holistic analysis and design of which services are being procured. Barriers to imaginative projects that bring together separately identified funding streams must be overcome or there will be a continuation of siloed service provision and massive contractual interface issues.
- The movement within the education market (particularly the schools sector) to more autonomy for individual organisations raises the risk that economies of scale from regionally or nationally procured programmes will be lost and the market will be fragmented. Schools and other educational institutions want to retain or increase their autonomy but this needs to be balanced against the benefits of scale and a vibrant developed market.

Chapter 4

Partnership working for the nation's health

Dr Adrian Bull, Managing Director of Carillion Health and Chairman of the CBI's Health Panel

Partnership working for the nation's health

UK health policy has developed significantly over the past decade. Healthcare provision is moving from a centrally driven state monopoly towards a mixed economy that is more responsive to local patient needs. The policy reforms to achieve this shift are in place, but incomplete: payment by results and the tariff are untested; patient choice has yet to be fully implemented; independent-sector provision is at an early stage. Foundation trusts represent the introduction of contestability and autonomy into the NHS, but they have yet fully to realise their potential.

The NHS is in an unstable transitional phase. The development of public-private partnerships must now focus on models that are better able to cope with the volatility of revenue and risk which characterise the new environment.

Contestability

Implicit in the government's acceptance that state-funded health services could be provided by independent-sector organisations is the introduction of contestability in a quasi-market system for healthcare services. Health service providers, both public and independent, will compete for contracts with health commissioners and for the individual preferences of patients. The system of annual budget allocations to hospitals has been replaced by a system of payment by results. This introduces a new volume risk into the system, under which failure to attract sufficient patients results in revenue reduction. In addition, the foundation trust model introduces greater independence and flexibility in access to capital and in response to contestability, but maintains a conservative assessment of financial viability and risk.

Demand for healthcare will rise in response to demographic changes and clinical developments. However, reducing lengths of hospital stay and increases in minimally invasive techniques mean that this will translate into demand for more ambulatory care and preventive management of long-term conditions and reduced demand for traditional hospital care. Healthcare delivery will need to be more flexible in order to respond to these changing demands. This will include the need for more flexible capital solutions to enable redesign and reconfiguration of healthcare systems.

Providers are now incentivised to treat patients in order to generate revenue. The reduction of waiting lists has removed a means of limiting access. Managing demand within affordable limits is now, as a result of these changes, a key policy issue facing the government and a practical issue facing primary care trusts. The National Institute for Health & Clinical Excellence, tasked with identifying which treatments satisfy cost-effectiveness criteria before being made available for NHS funding, is one approach to managing demand. Others must be established.

PFI delivery

Traditional NHS procurement of capital schemes was inefficient and failed to control timetables or budgets. The private finance initiative addressed these problems. One attribute of PFI is the long-term responsibility for delivering services and maintaining the estate to an agreed standard, with provision of lifecycle funding. This means that during construction a proper view is taken of the most effective way in which to incorporate resilience and durability, with clear incentives for best-value design and selection of materials in construction.

The transfer of the risks of design, delivery and maintenance to service providers and construction companies addressed the repeated failures in project cost controls and timetables under traditional procurement. Project finance has been adopted in the local improvement finance trust (LIFT) programme for replacement of primary care and community services estates, with significant success.

The introduction of volume-related revenue risk to acute hospitals has caused difficulties for the PFI funding model. A long-term commitment to annual funding of PFI was manageable when the health secretary guaranteed annual revenues irrespective of patient throughput. In the context of potentially significant fluctuations in revenue, they represent a more difficult commitment.

The complex structure of PFI schemes also means that future variation to the estate is complicated to introduce, with high transaction costs. Reviews of PFI schemes in the past two years have highlighted inadequacies of current strategic planning, with a number of schemes having been assessed as incompatible with anticipated service patterns.

Hospitals with PFI schemes are seen as expensive compared with others. This is because the tariff does not adequately reflect cost of capital, and because many hospitals have an unsustainable financial benefit from old and heavily depreciated estate, with minimal associated capital charge.

Significant long-term PFI or other capital investment can be undertaken only where there is a very high degree of confidence in the long-term sustainability of patient volume and revenues. This confidence can come from a hospital's strategic or geographic position, which would be unchallenged in the long term; from adopting significantly smaller schemes; or from adopting schemes related to a core of patient activity that is well below the possibility of variation in patient throughput.

However, the high procurement and transaction costs of the PFI model render it less appropriate for lower-value schemes. This conflict between the fixed liabilities of long-term capital finance and volatile revenue challenges must be reconciled in a new partnership model.

Under payment by results and patient choice, there is a new risk of failure for healthcare providers that generate insufficient revenue. Monitor, the independent regulator of NHS foundation trusts, has a failure prevention regime that provides it with the power to take certain steps to close or support failing foundation trusts. But, crucially, a failure regime to cover non-foundation trusts, to protect the public from inadequate standards of care in declining or "sink" healthcare providers, remains absent. This must be addressed.

The key policy issue is to reconcile the volatility of revenue arising from this introduction of volume risk with the continued need for capital investment, while maintaining the whole-life value considerations inherent in the PFI model. This can be done in two ways.

New PPPs

The first is the establishment of new public-private partnerships as joint ventures between public and private sectors. These ventures would create partnerships between an NHS provider and a private-sector company, which would have a joint and shared interest in the success of service delivery. High-quality property and infrastructure development and management would be key elements.

In such partnerships, the private-sector partner would bring skills and experience of asset management, development, and management of design, construction, and maintenance risk, while the public-sector partner would bring expertise in clinical service provision and development. The partnership would develop shared expertise in strategic planning, service design, and service development. Crucially, the risks associated with these services may only be transferred to or shared with the private sector if it also has control of financial risks and rewards through private equity. Procurement and policy rules are not currently clear on how these models may or may not be developed. This gap must be addressed with some urgency.

The second way is to establish independent-sector delivery of healthcare services, in which the capital and infrastructure risk is subsumed in the service delivery risk taken on by the independent-sector provider or consortium. This model has been established through the independent-sector treatment centre (ISTC) programme. Despite its evident success in stimulating waiting list reductions, improved efficiency of delivery, and innovation in service management, there is uncertainty about how this programme will develop in the long term.

Culture change

The financial and operational challenges inherent in contestability and diverse provision are significant, but manageable. Perhaps more challenging is the cultural shift that is necessary to allow a more mature model of public-private partnership.

There is still a cultural resistance to private-sector involvement in the delivery of healthcare services across much of the NHS. This is clearly seen in local resistance to the centrally driven introduction of independent-sector treatment centres. Bodies such as primary care trusts and hospital trusts have a vested interest in maintaining their exclusivity of provision. Healthcare professionals often doubt the compatibility of profit with public service values.

Since patient choice is strongly influenced by medical opinion, there is not a fully informed consumer-driven market in which to operate. Patients should be able to choose to attend independent-sector treatment centres in preference to NHS hospitals. In practice the choice is strongly influenced by doctors, who occasionally have a conflict of interest because of their own links to the delivery of similar services. This will deter the independent sector from taking the risk of establishing new clinical facilities without some revenue protection. New providers cannot set up in direct competition for patient choice without primary care trust and Department of Health support.

Cost of procurement

The cost of procurement also threatens the development of new-style PPP models. Over the past two years, due to uncertainty and reaction to changing financial circumstances, NHS procurement of both capital (PFI) and clinical service (ISTC) delivery has been slow and uncertain, resulting in an unpredictable pipeline. Prolonged processes escalate the costs of bidding, and delayed procurements add to the overall costs of market entry because of the need to keep expensive resources available. This discourages risk taking and innovation and will reduce the private sector's interest in the sector.

The private sector brings a range of competencies to the development and maintenance of infrastructure, which are simply not available in the NHS. This has been demonstrated in PFI by the successful transfer to the private sector of the risk relating to management of design and programme development, with a substantial improvement in the rate of delivery of projects to time and to budget, and the successful delivery of maintenance services. Furthermore, the integration of responsibility for both construction and lifetime maintenance of the infrastructure has led to significant improvements in the whole-life value of these schemes.[1] However, further improvement in the NHS's expertise in procurement and in contract management is required.

In countries where there is a mixed economy of provision, such as Germany, Switzerland, Australia and South Africa, the independent-sector hospitals are strongly incentivised by competition to manage efficiency and to drive up standards. How best can contestability drive improvement within a nationally managed system? The principle that monopoly providers are less effective when competition for custom and success is introduced is well established across the private economy. Given a sufficiently informed public user of the services, there is no reason to suppose that this principle should not apply to the health economy.

New models of infrastructure development and asset management will be required to address a fundamental conflict between volume risk, changing patterns of care, and capital investment. For instance, NHS and foundation trusts should be able to enter into joint structures with private-sector infrastructure and asset management partners, with transfer of assets into those vehicles, to ally the strategic development and management of the estate to the delivery of healthcare. This will also ensure continued incentivisation to maximise the whole-life value of the infrastructure from the start of design and construction.

Demand management mechanisms must be clarified to allow primary care trusts properly and coherently to keep service access within affordable limits. This will include the extension and development of authorisation models such as the National Institute for Health & Clinical Excellence, and careful scrutiny of hospital caseloads by primary care trusts.

1 See: *Procuring the Future*, report of the task force on sustainable procurement chaired by Sir Neville Simms (Department for the Environment, Food & Rural Affairs/HM Treasury, June 2006)

Key policy reforms

Five key policy developments are required to enable the provision of healthcare through new public-private partnerships, to respond with flexibility and innovation to changing healthcare needs.

- The cultural resistance to private-sector engagement in the delivery of healthcare must finally be overcome. This requires an unambiguous political commitment to the efficiency and value that the private sector brings, and clear incentives to strategic health authorities and primary care trusts to engage with the private sector through performance management and service mix targets. Local resistance to centrally driven procurement of private-sector service provision will continue to thwart the programme until these barriers are removed.
- There must be an explicit separation of purchaser and provider functions at both primary care trust and commissioning GP levels. Conflicts of interest will arise where this separation is not clear and will prevent the development of innovation and contestability for all services.
- Policy must permit the transfer of state assets into joint venture partnerships between public and private sector, with the ability for those organisations to dispose of and restructure the facilities as required. These ventures should also be able to apply for NHS capital funds as well as sourcing money from private markets. By this means, as well as through private provision of state-funded healthcare, capital development will be more closely integrated into service delivery.
- To enable real contestability, the cost of pension liabilities should be quantified and included in NHS tariff and revenue calculations for NHS organisations. Transfer of clinical staff to PPP or private-sector organisations, under TUPE – the Transfer of Undertakings (Protection of Employment) regulations – should be permitted. This amendment to tariff would enable GAD (Government Actuarial Department)-approved, defined-benefit pension schemes to be provided by the private sector. If these mechanisms are not deemed appropriate, alternatives should be introduced that enable PPP or private-sector organisations to attract and retain clinical staff on an equivalent basis to the NHS.
- The cost of capital and value of assets are not appropriately dealt with through the tariff. NHS trusts with old, heavily depreciated estate are at an advantage compared with those with recent PFI developments and associated revenue commitments. The tariff does not at present allow for investment in the redevelopment of old estate, an issue that is compounded by Monitor's risk-averse approach to foundation trust finances. One possible mechanism to address this would be to include in the tariff an

allowance for the cost of estate based upon a "fit for purpose" value rather than actual (depreciated) value.

Conclusion

In conclusion, a number of key policy and funding changes have been introduced to the health sector. Implementation of the changes is incomplete and there are some unresolved dilemmas that must be addressed, not least of which is an openness within government to enable new types of flexible partnership to develop that are more able to cope with the uncertainties of the new NHS financial model.

Any policy to develop partnership working must aim to create a dynamic mixed economy of providers, driven by incentives of contestability. Mechanisms should be introduced that permit private-sector infrastructure companies to manage and develop estates and services with an equity interest through joint venture partnerships. A market environment should be created that does not favour one type of provider over another. Expert, locally based commissioning must develop to ensure appropriate management of demand, responsiveness to population health needs and strategic commissioning of critical services.

Away from the headlines, the NHS is fundamentally changing the connection between inputs into the system and the delivery of outcomes for the patient. This vision of a patient-led NHS will be realised only if the underlying architecture of provision is sufficiently flexible, and diverse, to respond. We are part of the way to achieving this goal – the success of that journey requires us to take the next logical step in establishing a new style of adaptable partnership in health along the lines identified above.

Chapter 5

PPPs in the custodial sector

David Banks, Group Managing Director of Care and Justice Services at GSL and Member of the CBI's Public Services Strategy Board

PPPs in the custodial sector

Sixteen years ago government took a bold step. A private company, GSL, was selected to manage the first public-private partnership prison in the UK. Little was known at that stage about what the future would hold, but for those with foresight and vision this was a new beginning for the criminal justice sector. The success of the private finance initiative over the following decade is well documented, and overall there is acceptance that the PFI projects that followed delivered positive environments for prisoners alongside affordable buildings. Observers of PFI note that probably the most successful PFI projects to date have been within the custodial sector.

Progress for end users

GSL believes that as the procurement process has matured, people's understanding has increased, contracts have become less rigid and punitive, and the collaborative aspects of contracting have improved. Critics still exist of course, but their opposition, if not based in ideology, is often influenced by a lack of understanding about the real progress for end users, the comprehensive monitoring and the value for money.

The first item in that list – the real progress for the end user – is often the point most overlooked. The private providers have recognised how to maximise the benefits for end users, whether patients, prisoners or passengers. At the heart of a successful public-private partnership is the radical thinking that examines the services and builds in reform and long-term sustainable improvements. In fact there are many examples of the private sector stimulating change in the provision of services by their public-sector counterparts. The argument that "public good; private bad" is an argument that never really deserved the attention the media gave it.

The National Audit Office has looked at the public-private provision and has commented favourably on the holistic approach taken by operators. Examples of improvements achieved through consultation at the design stage include improved sightlines for prison staff to observe inmates and the use of CCTV technology to support staff monitoring behaviour. Other technology such as electronic gates or real-time information systems also assist in the process of achieving the efficient utilisation of staff hours and the best general staffing profile to meet operational needs.

Improved performance

Together, all these not only produce monetary savings but also help improve security information and intelligence. Improved performance that is tangible and recorded allows for accurate benchmarking, enabling managers to concentrate on the areas crucial to the reduction of reoffending, such as the hours prisoners spend directly confronting their offending behaviour or receiving counselling for drugs or alcohol dependency problems that they have brought with them into prison from society. PPP has allowed managers to take charge of a broader agenda and to concentrate on shifting the balance from containment in prison towards rehabilitation and life away from crime.

The limitations for the improvement of service provision are governed in the end by two competing factors: the restrictions imposed through ill-considered procurement and contracts and, on the other side, money. If, for example, when commissioning a new hospital, too much attention is given to the building and infrastructure and an equal amount is not paid to services, it is easy to see why the service to the end user does not meet expectations. The fault, if one seeks to apportion blame, is at the outset. At that stage in a competitive situation, potential services providers should be given as clear a brief on the scope of services as the brief that is given to the architects and builders.

Integrated solutions

If GSL were involved, we would then develop the brief and chart outcomes. Naturally, building design has a dramatic impact on services, so it is preferable for consortiums to use their combined knowledge and experience to deliver a fully integrated solution. Equally, a preoccupation with price may have a massive detrimental effect on the quality of genuine outputs, reducing the value for money to taxpayers as a result.

The client's role is to judge whether the proposed outcomes meet expectations and are affordable. To use an example of the cleanliness within a hospital: no one would set out to create a new hospital without recognising the importance of infection control, but unless the detail is agreed at the outset there is a risk that at the point of delivery misunderstanding occurs or at worst the service fails the end user and infection creeps in. To create effective infection control, one must describe precisely what is required by whom, when and where, and how monitoring will measure performance, and agree the acceptable outcomes with the provider. At GSL we are wedded to the notion that if you can describe it, we can deliver it.

In the education sector the government's Building Schools for the Future initiative has to (and does) take account of the needs of those educating and those being educated. Schools are dynamic environments. Delivery of education and services to a broad age range and mixed-gender end-user group, class-based tuition, outside sports facilities, catering, science laboratories and quiet space for our citizens of the future to flourish is complicated and needs to be well thought through. Combining an infrastructure and a fully integrated services solution that meet the needs of all parties is the way forward.

PFI projects in prisons have largely been successful because all the services are wrapped together with the end user as the focal point, and the contracts are structured to be adaptable to the changing needs and circumstances of that group, with the specifications mostly concentrating on outcomes rather than influencing the inputs.

The Commercial and Competition Unit – the arm of the Home Office that manages the involvement of the private sector – has become adept at the specifications element and benefits from the competitiveness of the various contractors in its supply chain to ensure high standards and value for money. Close monitoring of service delivery is built into the lifetime of the agreements. The buildings element of these public-private agreements has assumed its rightful place as important, but no more than an enabler for good service provision, rather than sitting awkwardly outside the equation.

Conclusion

For the future, public-private partnerships will be successful because of enlightened and smart procurement, with all parties working together as equals rather than in the master-servant relationship that featured in the early days. The bold step to be taken now is to truly partner with the private sector – and the not-for-profit and voluntary organisations – which over the next decade will change and provide the services that put the end user, whether patient, prisoner or passenger, first.

Chapter 6

Local government, place shaping and commissioning

Stelio Stefanou OBE, Former Chairman of Accord and Former Chairman of the CBI's Local Government Panel[1]

1 Stelio Stefanou established Accord, a public services company, in 1999 and sold the business to Enterprise in September 2007. He chaired the CBI's local government panel from 1997 until September 2007.

Local government, place shaping and commissioning

Local government is entering a new era of engaging the private and voluntary sectors to deliver public services. The context is the growing realisation that local government's core role is "place shaping": creatively using its powers and influence to promote the well-being of communities and create places where people want to live, work and do business.

Place shaping

The place-shaping concept was most powerfully articulated by the Lyons inquiry into local government.[2] Wherever the inquiry went, it created moments of realisation, particularly for those who knew little about local government or found it confusing. Place shaping resonated with them and energised them.

Councils are also embracing place shaping for themselves, as demonstrated by Local Government Association campaigns[3]. The local government white paper[4] is consistent in positioning councils as community leaders that give people more influence and power to improve their lives.

The consensus on place shaping should influence how councils answer three questions relating to the role of the private and voluntary sectors in service provision. These are whether, what and how to commission.

First, councils are more likely to want to step back from direct service delivery and foster a supply side that can take on more of that role. So we should expect a stronger appetite for commissioning.

Compulsory competitive tendering, or CCT, was a bitterly resented legal imposition of contracting out. The Best Value policy initiative had more flexibility but its positive case for competition was poorly communicated, so that some authorities interpreted it as a continuing "private good, public bad" message. Place shaping changes all that. Far from any implication that councils are not good enough at delivering services, the reality is dawning that they have a more challenging role as leaders of place and community – and

2 Lyons, M *Placeshaping: A Shared Ambition for the Future of Local Government* (Department for Communities & Local Government/HM Treasury, March 2007)
3 Local Government Association *Closer to People & Places: A New Vision for Local Government* (May 2006); Local Government Association *Prosperous Communities II: Vive la Devolution* (February 2007)
4 *Strong & Prosperous Communities*, local government white paper (October 2006)

it makes sense for them to step back from service delivery in order to give themselves more capacity to exercise this role.

This is the fundamental case for local government moving into commissioning mode and proactively developing a public service supply side that is committed to serving its needs. Most successful organisations across the world know their core business or purpose and they focus on that. They retain responsibility for strategic design and branding of the overall solution and then engage with and develop a supply side to provide the required services. If local government is to succeed at place shaping, it must succeed at commissioning and market shaping.

David Miliband MP put it well when, as Minister for Communities and Local Government, he said:

I am convinced that we need local authorities whose first task is to map need, second to set goals, third to benchmark best practice, and fourth to seek best value from a range of providers, public, private and voluntary.[5]

What to commission?

Place shaping is all about outcomes, with implications for the second question of what to commission. The Lyons inquiry identifies four strands of the agenda:

- providing safe, secure and attractive places to live, where communities are cohesive;
- fostering greater prosperity, which improves people's quality of life, boosts the funding of public services and helps to meet the challenges of globalisation;
- promoting more sustainable lifestyles and leading collective action to reduce the impact on the environment; and
- improving the level of engagement with and trust in our system of government, at both local and national levels.

In the best instances of local government commissioning, such outcomes are reflected in service specifications, but the inputs and outputs usually still take centre stage. The specification tends to be for street cleaning (in order to make the place more attractive), rather than for a more attractive place (through street cleaning – and whatever else it takes to achieve this).

5 David Miliband MP, speaking as Minister for Communities and Local Government at the National Council for Voluntary Organisations' annual conference, Engaging Citizens: Empowering Communities, in February 2006

Outcome-focused commissioning should lead to broader service specifications. Slough Borough Council formed a partnership with Accord in order to turn around its street-scene services. Accord inherited five separate services (refuse collection and disposal, street cleaning, highways and grounds maintenance), which had been fragmented under lowest price CCT-style contracts. Slough is now one of the cleanest towns in Southern England and integration has been key to improving performance.

In February 2007, Accord signed a street-care partnership with Gloucester City Council that aims to make the city one of the cleanest in the country, improving rapidly to achieve top-quartile results for street cleaning and recycling by 2009. Securing public buy-in will be crucial, which is why Accord designed an "i-care" image campaign for the service. The contract includes a wide range of environmental and grounds maintenance services. It delegates enforcement to Accord, empowering it to issue on-the-spot fines for littering, fly tipping or trade waste-dumping offences.

These contracts point the way ahead for joining up service delivery, yet there is a long way to go before local commissioning reaches optimum levels of integration. For instance, commissioning for better outcomes should lead to more joint commissioning from public bodies within a locality, representing, for example, local government, health, police and welfare to work. Local area agreements should provide the framework but they need to mature and become more robust.

An integrated approach is not sufficient. Outcome-based commissioning means commissioning for social justice, community cohesion, sustainability, economic development and trust in government. Those commissioning need to have a vision of what these concepts mean locally, and then to frame their partnerships around achieving these.

How to commission?

This takes us to the third question affected by place shaping: how to commission. Stronger engagement is needed with service users, local residents and businesses in order to map needs and build the vision. We should expect further development of models of co-commissioning and co-production, where service users and local communities have a role in designing and delivering the solution.

Our contractual models and principles of public-private partnership also need to evolve. In the early days of the private finance initiative, the client base and supply side worked together to reach an in-depth consensus on the essential elements of a successful deal.

The dos and don'ts became well known: optimum risk allocation rather than maximum risk transfer; the client should specify the outputs and give the private sector operational freedom over how to achieve them; and so on. Together we developed the classical PFI model with a contractual framework (in terms of payment mechanism, risk allocation, performance management regime) designed to achieve certainty and predictability. This was the right thing to do: PFI was established primarily to overcome construction time and cost overruns and decades of backlog maintenance.

Now local government and its supply base need to work together to achieve a similarly in-depth consensus on the ground rules for commissioning, where the goals are outcome-based, are certain to change over time, and revolve around place shaping. The mantras will be more about risk management than risk allocation and more about a one-team approach than about a contractor/client split.

The performance management regime needs to ensure that both client and delivery partner are focused on the outcomes required. It also needs to recognise that many factors will be beyond either party's individual control, but by working together in genuine partnership they will be better able to manage the risks and grasp the opportunities to achieve the desired results.

The Treasury's PFI value-for-money guidance[6] asks exactly the right questions to determine whether an activity is suited to a PFI approach. In summary, they test for:

- Viability – is it feasible to design a contract to deliver what is required?
- Desirability – would the benefits of this contractual approach outweigh the costs and any drawbacks?
- Achievability – is there sufficient market interest and capability on both the client and supply sides to enable a deal to be done?

The Treasury's guidance explains how to apply the tests to specific situations by providing indications of whether a PFI approach would pass the three tests. It rightly stresses issues of equity and accountability, because the facility or service needs to contribute to social justice. It emphasises the need for efficiency and cost-effectiveness, taking into account service delivery and the transaction costs of procurement and contract management. It also requires consideration of the need for flexibility as client requirements change over time.

6 HM Treasury *Value for Money Assessment Guidance* (November 2006)

We need to apply the same three questions more broadly, in order to test whether activities can be commissioned, and recognise that the answers will often be different. Commissioning models designed around place-shaping outcomes will pass the test in situations where PFI is not appropriate. The answer will also change over time: it will be more viable, desirable and achievable to commission as new models of commissioning develop.

Progressive partnering

The road ahead is one of evolution, as there is much good practice on which to build. The choice for public authorities is not between what are sometimes considered to be modern, risk-transferring PFI and old-fashioned, risk-retaining outsourcing. In today's progressive partnerships, the public authority and its delivery partner are focused on the outcomes required and are incentivised, through the treatment of risk and reward, to achieve them.

David Freud's independent report to the government on welfare to work[7] recommends an increase in the use of the private and voluntary sectors to provide welfare-to-work support for those with the most complex and demanding problems. His solution recognises the private and voluntary sectors' ability to design personalised solutions for the hardest to help and its appetite for contractual incentives that are based on achieving outcomes.

The Lyons review of local government cites Accord's highways partnership with Staffordshire County Council as an example of how commissioning can achieve solutions driven by local ambitions through involving the private sector "as real partners rather than merely as providers of services". The partnership avoids a rigid definition of client and contractor roles in favour of a "one team" approach.

Lyons concludes:

The focus on outcomes and a shared performance culture is improving efficiency, service quality and budget management. Staffordshire was ranked in the top ten of highways authorities for achieving efficiency gains in 2005–06 and consistently ranks at the top of national league tables in reducing serious road casualties.

Much of this kind of good practice is under the radar and needs more exposure. The diversity

7 Freud, D *Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work*, independent report to the Department for Work & Pensions (DWP, March 2007)

of progressive partnering, and lack of terminology for it, probably help to explain why it has not been aggregated. (It is easier to call for case studies to build a PFI database.)

Business is keen to accelerate progress – to encourage more and better commissioning and to help build progressive markets for the provision of public services. We are conscious that the framework for achieving this goal needs to be widely supported.

There can be a fundamental reticence about commissioning that is perhaps summed up by the question: how can markets be part of the solution if public services exist because of market failure? The answer lies in the fundamental difference between privatisation and commissioning. Privatisation does leave it to the market to determine whether services are provided. Public service commissioning not only avoids that danger of market failure – it intensifies the public sector's focus on ensuring that we have the public services we need. Properly executed, it entails a more rigorous analysis to map needs and a willingness to make and explain political choices that define the goals and the funding available.

Conclusion

Compulsory competitive tendering left many scars, and dialogue now is key. Private- and voluntary-sector partners to local government need to demonstrate that they understand what is distinctive about public services and how they support place shaping. Councils need to have more self-confidence and open up about how their service needs might evolve as they develop their place-shaping role. These points came out strongly from an excellent study conducted last year on developing local government markets.[8] A Confederation of British Industry brief,[9] published this year, advocates a national forum that brings together local government and its supply side to build this trust and do this work. It is asking local government to take the lead, rather than relying on Whitehall to dictate the framework.

Sir Michael Lyons' most profound remark in his review of local government was probably that local authorities do not need specific new powers as much as they "need to develop a sense of powerfulness and capability to perform their place-shaping role and change their behaviours to pursue that goal". By exercising its enormous power as a commissioner, and by driving forward its public service markets, local government will be demonstrating levels of self-confidence and commitment that show it is ready to make place shaping a reality.

8 Department for Communities & Local Government *Developing the Local Government Services Market to Support the Long-term Strategy for Local Government* (November 2006)

9 Confederation of British Industry *Transforming Local Services: Working Together to Deliver Local Government Place-shaping*, CBI brief (May 2007)

Chapter 7

Financing infrastructure investment

Chris Wales, Managing Director of Lucida

Financing infrastructure investment

The provision of infrastructure is well-trampled ground for economists and investment bankers, and there is no magical solution to the problems it involves. Society needs and therefore has to find a way to pay for its roads and hospitals, its schools and prisons, however great the cost. There is a bewildering array of models to choose from. Some involve the private sector in one or all of the design, construction, operational and financing elements; but in all the models, the costs are borne by individuals in the end, either as taxpayers or as users.

While the economists and investment bankers continue to debate the minutiae of the financing arrangements, for politicians the issue is how best to engage with the public to ensure that there is sufficient support to make the necessary modernisation of our infrastructure a viable project.

In this chapter, I will argue:

- that partnership between the government and the private sector in something akin to the private finance initiative has a permanent role as a mechanism for risk transfer, but that the purchase of private-sector expertise should be regarded as a short-term measure to cover deficiencies in public-sector skills;
- that the government, rather than simply smoothing cash costs with borrowing and taxation, should be open to considering new ways of financing major infrastructure investment, which might include the use of a one-off infrastructure supplement on income and corporation tax and the creation of a public infrastructure fund;
- that there is risk in placing reliance on user charges as a sustainable method of financing infrastructure investment; and
- that there is a case for creating larger local authorities, empowered by the democratising effect of greater investment and revenue-raising responsibilities and a more flexible tax base, to play a more important role in the provision of local infrastructure.

The principal reason why PFI has attracted so much attention and comment over the years is that it is an unsatisfactory compromise. It fails to satisfy those on the left who still see it as importing the profit motive unnecessarily into the provision of public services, and those on the right who fail to see the benefits of a role for the state in the provision of those services. The problem for the former is that, once private-sector involvement in traditionally state-led services has been accepted, there is no comfortable point at which to draw the line. This strengthens the hand of the latter, who say that there should be no line: the private sector can provide everything.

There is an open question that I do not propose to answer here, namely whether PFI would exist at all if the borrowings that underpin it were regarded as government debt; and how much would survive if that apparent benefit was taken away. But as the paragraphs that follow demonstrate, it is clear that, today, PFI can potentially deliver much more than just off-balance-sheet finance.

The PFI framework

It is widely accepted that the involvement of the private sector in public-service provision through PFI schemes can have positive benefits. The case rests on the ability of the private sector to deliver:

- design and building skills that do not exist in the public sector;
- innovative ideas and practices;
- discipline and efficiency;
- project and operational management expertise; and
- risk transfer.

Skills

As most commentators have noted, there are serious deficiencies in public-sector skills. These deficiencies hamper the ability of government to provide quality public services at the lowest cost, and make private finance schemes seem good value for money in the short term.

However, in the longer term there is no reason why the same skills should not exist in the public sector as in the private sector. Over the past 10 years, the Treasury and the Department for Education & Skills (now the Department for Children, Schools & Families) have championed the cause of raising workforce skills to strengthen our economy against the employment impact of global competition. They must now champion the cause of higher public-sector skills: improving procurement skills and negotiating skills, design skills and project management skills – all of which are fundamental to ensuring that the public sector can meet the challenge of creating infrastructure to satisfy the aspirations of our citizens.

Such an approach will require investment in people, higher public-sector salaries, better career opportunities and stronger organisational structures; and it will all take time. For the foreseeable future, large infrastructure projects will continue to require those higher-level skills to be bought in from outside the government sector.

Risk transfer

PFI contracts provide an opportunity for the public sector to transfer risk to the private sector. This will continue to have value for the government even if the skill levels across the two sectors are equalised. But the effectiveness of that transfer will always be dependent on the careful negotiation of contractual agreements between the government and the private-sector supplier. In the past, value has too easily been transferred from the public to the private sector at the contract stage.

The development of high-quality negotiating skills must, therefore, be a priority for the government. So too must the ability to price risk properly to reflect the differences in risk factors between the design, construction and operational phases of a project. There must be regulation of major contractors, since effective risk transfer is dependent on their financial strength. And the public sector should invest in enhancing its own risk management expertise. Government finds it hard to shake off moral hazard, whatever the contracts may say, and there will always be at least residual risk to be managed.

Smoothing of infrastructure costs

PFI permits the high capital costs of major infrastructure investment to be deferred, enabling structures such as rental flows, additional taxation and user charges to be put in place that will fund the initial price over an extended period. However, it is difficult to identify efficiency gains for government in this practice. Where the investment has significant welfare benefits and would otherwise be delayed for political reasons, it may be justifiable to use PFI financing, even if it carries a higher cost and potentially puts additional burdens on taxpayers in the future, but the occasions when this will apply, without the benefit of risk transfer, will be very limited.

How do you pay for it?

For any major infrastructure project, the financing arrangements revolve around two questions: how to pay for the initial investment in the short term and how to recover that cost in the medium to long term. In this section, I consider the government's options, including debt finance, the creation of a public infrastructure fund and general taxation. I look briefly at the politics of user charges and I explore the possibility of creating larger local authorities to take responsibility for infrastructure investment.

Government debt

The use of capital markets to finance government investment has a long history. There has rarely been a better time to issue long-dated government debt. Demand is strong for high-quality sterling bonds, arguably pushed up by the regulatory framework imposed on life assurance companies and company pension schemes. While substantial new issuance might not achieve the prices that the most recent government long-dated issues have achieved, new gilts with a range of maturities would be welcome in the market and are still likely to be good value for the government. Funding infrastructure investment through government borrowing clearly has implications for debt-to-GDP targets, but the fact that the debt is on balance sheet makes it no less affordable than off-balance-sheet finance.

An alternative is for the government to launch a public infrastructure fund. This would be borrowing in a different form, but it would represent a distinctive market offering in the UK. A unitised fund could be constructed with the return linked to the characteristics of a portfolio of government-owned infrastructure assets, allowing investors to spread or concentrate their risk. The return on the individual assets could be based on usage, whether or not an explicit user charge was levied. It is likely that this type of fund would generate substantial new money for infrastructure investment and would have strong appeal across the spectrum of institutional and individual investors.

However, higher government borrowing, in whatever form, to fund spending on infrastructure ultimately means higher taxation or the introduction of user charges to pay for it.

General taxation

The principal disadvantage of paying for infrastructure investment through a general increase in taxation is the negative impact that it may have on investment and consumption, even if the infrastructure investment itself has positive benefits for the economy as a whole. Typically, this is what PFI involves in the long run.

An alternative is deliberately to abandon smoothing and to match revenue-raising measures directly to the cost and timing of the investment. This would be most effective if a number of major projects were to be funded simultaneously. Although there is limited appetite in government or among the public for one-off tax spikes, a one-year infrastructure supplement on income and corporation tax could both raise substantial revenues and provide a high degree of transparency. There would inevitably be some shifting of earnings and profits between years but such a levy should not affect long-term decision making.

Governments elsewhere have met specific needs through similar short-term levies, although most have not been for one year only and so have had some distortionary effect. Germany, for example, raised an additional tax to pay for the costs of reunification. For a short-term tax of this sort to be acceptable politically, it would best be used to fund both visible and nationally beneficial projects.

User charges

User charges are increasingly seen as an efficient way of paying for infrastructure without an increase in general taxation.

There is no shortage of investors looking to buy up high-quality infrastructure assets that are backed by user charges. Goldman Sachs, for example, has launched its own infrastructure fund. However, at this stage, it would be dangerous to confuse such willingness to invest with the political sustainability of the user-charge model. Investors are there only because the returns are there: large, stable cash flows, effectively index-linked to population growth or traffic density or some other measure of public demand. But the public tolerance for wide-ranging user charges has not yet been fully tested.

There is no reason in principle why we should not pay user charges and in principle no limit as to what we could be required to pay for: new school buildings, new roads, new hospitals. We accept that we pay for the benefits of some infrastructure assets, whether they are in public or private ownership. We pay for electricity, for gas and for water (although relatively few pay for water on a usage rather than an availability basis). We pay for using the rail network.

However, there are some problems. First, there is straightforward public resistance to an additional charge without some compensating adjustment in the taxation burden. This will become more acute as more separate charges are levied for usage. Second, it is difficult to make sure that those on the lowest incomes are not excluded from the benefits of infrastructure investment if payment is always demanded for use. And, third, the charge may fall on too narrow a group of individuals. The government can use taxation and other measures to smooth out these effects across a wider population, but that option is not automatically available for a private-sector project.

For those who see user charges as an easy way to finance investment expenditure in the future, there are already warning signs that public acceptance may be in doubt. The debate around the introduction of universal road pricing is likely to provide a further reality check.

The local dimension

One way forward might be to tackle issues at the local level. The problem with national solutions, including general taxation, is that even when directly linked to spending on large infrastructure projects, the projects may often seem remote to the taxpayer: like the widening of the M25 to a taxpayer in Inverness. If infrastructure investment decisions were made and funded at a regional level by democratically elected bodies, there would be a better opportunity to engage with the public in the decision-making process.

Most infrastructure is consumed locally. Deciding on it and paying for it locally would strengthen the link between the financial burden and the level of provision. Many people are already willing to pay much more for a house in the catchment area of a particular school than for an equivalent property outside it. In principle, they should be willing to pay an equivalent amount for measures that would bring the other schools in the area up to a similar standard. Evidence from the United States suggests that this is the case. The same may be true of expenditure on roads, schools, hospitals, sports centres and a range of other investments. The people could decide.

If local authorities were to be the vehicle through which higher taxes were raised to pay for infrastructure, there would have to be some major changes in the balance of power between the centre and the regions, much of which is already desirable on other grounds. Local authorities would have to be significantly bigger. Having larger authorities would provide opportunities to tackle efficiently the problem of public-sector skills, to distribute tax-raising powers and to improve accountability and participation rates in local elections. They could play a big role in setting infrastructure standards.

Conclusion

Infrastructure investment is vital to the future of the UK economy and can provide significant welfare benefits to our citizens. However, many projects involve both high risks and significant costs. The government has at its disposal a number of methods of controlling both the risks and the costs, including the involvement of the private sector. To use private-sector involvement efficiently there has to be much more emphasis on the development of high-level skills in the public-sector workforce. However, the greatest challenge is to engage with those who bear the ultimate cost of the investment and reap the benefit in such a way as to obtain their support for the costs of that investment. Local authorities with expanded powers and responsibilities could have an important role to play in meeting that challenge.

Chapter 8

Transparency, data and reform

Tim Stone, Chairman of the Global Infrastructure and Projects Group at KPMG

Transparency, data and reform

Reform in many walks of life is not an intermittent process; it occurs continuously either as biological evolution or as dynamic development of organisations. The public sector is often a place of sporadic and accidental change; reform is seen as strenuous and dangerous. This is an inevitable consequence of constrained transparency either in the formulation of policy or in its execution. Without radically improved transparency in both operational and financial data, reform may sputter and fade in the UK and the forces of reform, trained and polished since 1997, will emigrate – to the impoverishment of the economy and citizens.

Transparency

Transparency in government is often associated with good governance. Talk of transparency is in effect code for open access to information about the internal workings of government – in terms of policy, fiscal matters and delivery. However, governments have been less than transparent about internal workings, and moves towards ever better transparency seem to be institutionally hard problems.

Many of the reforms of the public services since 1997 have had at their heart elements of increasing transparency and contestability. While the drive for ever greater contestability has been immensely visible in the replacement of sometimes crude application of privatisation and the corrosive compulsory competitive tendering by PPP and PFI, there has been less focus on increasing transparency within government.

Transparency and corruption

Transparency and perception of corruption are in a number of respects almost reciprocal attributes.[1]

It is interesting to consider the perceptions of corruption in major economies.[2] The UK ranks only 11th and the USA is well down at 22nd – although materially ahead of the strongly emerging economies of Brazil, Russia, India and China. At the head of the table is New Zealand, only 4% off a perfect score in this context – which is interesting given that country's relentless drive for improving transparency and contestability in many elements of government.

1 Tanzi, V "Corruption around the World – Causes, Consequences, Scope and Cures" in *IMF Staff Papers 45.4* (December 1998), pp559-594

2 Transparency International *Corruption Perceptions Index* (2006).
At: http://www.transparency.org/policy_research/surveys_indices/cpi/2006

Factors that militate against ever-increasing transparency have been with government since the beginning of time. Private incentives of government bureaucrats, elected officials and the special interest groups that try to influence them are all naturally opposed to enabling voters to be in a better position to evaluate the quality of decision making.

Public choice theory[3] emphasises the importance of these incentives. The first one is that secrecy provides a degree of insulation against being accused of making a mistake. If a policy fails to produce the intended results, government officials can always claim that matters would have been worse had it not been for this particular policy.

Given the huge asymmetry of reward for public officials,[4] there is, unsurprisingly, a vicious circle: given that so little information is disclosed, the public must rely on results in judging government officials. The officials receive credit for good results, whether they deserve the credit or not; and they are condemned for bad results, whether they are the result of government action or inaction. With more information, the public might be able to discern more accurately the value-added of public action.

The second incentive that public officials have for pursuing secrecy is that secrecy provides the opportunity for special interests to have greater power. In some societies, this takes the naked form of corruption and bribery – the link between transparency and corruption again. But even in societies such as the UK where this is viewed as totally unacceptable, politicians need campaign funds to get elected and re-elected. The special interest groups that provide the funds do not do so for the greater public good, but because they believe that by doing so they can influence policy in ways that enhance their profits and profitability.

If these actions in support of special interest groups are subject to public scrutiny, the scope for favouritism is greatly circumscribed. It is in the renowned midnight meetings of US tax committees that the special provisions benefiting one firm or another are introduced. In the words of Justice Brandeis, "sunlight is the most powerful of all disinfectants".[5]

3 Mueller, DC (ed) *Perspectives on Public Choice: A Handbook* (Cambridge University Press, 1997)
4 If public officials take a risk and produce a particularly good outcome, the system does not recognise, let alone value, that achievement. Conversely, any failure that is linked to a specific individual can have draconian consequences for their career.
5 MacFarlane, BA "Sunlight and Disinfectants: Prosecutorial Accountability and Independence through Public Transparency" in *The Prosecution Function in the XXIst Century; Criminal Law Quarterly* 2000.
At: http://www.canadiancriminallaw.com/articles/articles%20pdf/Sunlight%20and%20Disinfectants.pdf

Secrecy is the bedrock of this persistent form of corruption, which undermines confidence in democratic governments in so much of the world.

Transparency is still resisted

There are, however, still pretty strong voices against improving transparency – typically scholars of European politics. The normal argument for transparency from economists is that more information about the agent makes the agent more accountable to the principal.[6] However, the Council of the European Union, for example, has a policy of holding its meetings behind closed doors and not publishing the minutes.

One line of reasoning behind this resistance to unbridled transparency is the "third party rationale", in that information revealed to the principal would also be revealed to a third party who may wish to use it in ways designed to damage the principal. A private-sector example is that of not publishing non-patentable technical "trade secrets" to avoid the risk that competitors may use it to undermine the commercial advantage of the agent.

In its famous 1974 ruling related to the Watergate case (*US vs Nixon*), the US Supreme Court uses the following argument to defend the principle behind executive privilege:

Human experience teaches us that those who expect public dissemination of their remarks may well temper candour with a concern for appearances and for their own interest to the detriment of the decision-making process.

Britain's open government code of practice uses a similar rationale when it provides that "internal discussion and advice can only be withheld where disclosure of the information in question would be harmful to the frankness and candour of future discussions".[7]

Incentives in public service

The payoff for a public servant in their management of risk is hugely asymmetric. If an official takes risks (in the positive sense of taking and managing the risks from a position of knowledge and ability), there is little reward for success. Because there is no equity in government, there is no mechanism for capturing, measuring or celebrating gain within the system itself. It may be that a political person can take that better outcome and use it to political advantage, but the public sector itself has no formal mechanism for

6 This is supported by extensive theoretical work (eg Holmström, B "Moral Hazard and Observability" in *Bell Journal of Economics 10* (1979), pp74-91) and is consistent with empirical evidence in both politics and corporate governance.
7 Campaign for Freedom of Information *Freedom of Information: Key Issues*. At: http://www.cfoi.org.uk/pdf/keyissues.pdf

attracting unusually better outcomes than the safer alternatives. This, of course, has to be contrasted with the situation for their colleague in the third sector or the private sector where, generally speaking, the consequences of successfully managing risk are very positive, with rewards, both financially and in terms of kudos, and promotion generally.

The converse is equally unpleasant for the public official. If the official takes a risk, again in the positive sense of taking and managing the risks from a position of knowledge and ability, and the risk does not pay off, the results for the official are likely to be career-threatening. Contrast with the third-sector or private-sector individual – the result of the individual not being successful in managing a particular risk is likely to be a counselling or training event. Only if that individual repeatedly fails in managing a category of risk does the threat of career modification arise. By that point, should a public-sector official still be in their post, the most likely outcome has been likened to "being sent to the Falklands to count penguins".

Much of this inappropriate behaviour modification is an inevitable consequence of constrained transparency and the entirely artificial expectations that arise from it. With severely constrained transparency comes a perception on the part of the voters – or at least on the part of the elected officials whom the voters will immediately blame for imperfections – that the performance of the public sector is generally to be expected to tend towards perfection. Hence the robust reaction of such powerful bodies as the Parliamentary Accounts Committee and other elements of political accountability to imperfections when discovered. The impact on the behaviour of the public officials is entirely as predicted from the discussion in the section above on transparency and corruption – that is, that they will want to keep transparency to a minimum.

Data

So, what sort of data exists in the public domain about the performance of government? An interesting and typical context can be found in the work of international bodies such as the International Monetary Fund, with its heavy focus on the need for transparency of process in its code of good practices on fiscal transparency.[8]

Where the IMF talks about objectives, it only suggests that "a statement of objectives to be achieved by major budget programs (for example, improvement in relevant social

8 International Monetary Fund *Code of Good Practices on Fiscal Transparency* (March 2001). At: http://www.imf.org/external/np/fad/trans/code.htm

indicators) should be provided". At no point in its code of good practice does it ever refer to the provision of operational data on the actual performance of any of the governmental entities or other recipients of government funding.

This is even more visible close to home. Even though NHS trusts may be vastly asymmetrically financially solvent (or otherwise) throughout the year, the Department of Health, when considering the financial position of the trusts for which it is accountable, has focused only on the position that exists on 31 March each year. Historically this was defended by reference to the gaming that went on during the year as trusts played the centre at a budgetary game of chicken that could probably have been predicted from this once-a-year focus on financial balance.

All of this is about documentation of the process of government, not its performance. It is a reasonable way to monitor the business of government if the primary concern – as was the case in the days of the Northcote-Trevelyan report[9] that created the modern civil service – is the avoidance of corruption and nepotism. It cannot and does not work effectively when the ever-increasing focus of government, the citizens and the media is (however poorly they perform) increasingly about the effectiveness of the provision of public services.

Surely, it is the performance of the government that is the hopeful basis on which the electorate selects them and the basis on which any progressive government will and must be judged? The private- and voluntary-sector analogues all have to focus on a requirement to produce regular financial reports to inform the stakeholders (principally but not exclusively shareholders) of the financial and operational performance of entities. These financial reports are almost always driven by a requirement that they give a "true and fair view" of the institution and provide the data, for all stakeholders to use, in a transparent way.[10]

In addition to transparency, this data has a number of vital attributes to be of good and effective use:

- It must be analytically rigorous – for instance, cost data must be true economic costs

9 Northcote, SH and Trevelyan, CE *Report on the Organisation of the Permanent Civil Service* (HMSO, 1854)
10 The term "true and fair view" is not defined in law. However, it is generally accepted that financial statements give a true and fair view when they have been prepared in accordance with (i) the Companies Acts and any other applicable law; and (ii) applicable accounting standards. The part that really matters then, of course, is the "applicable accounting standards".

(measured as standard or activity-based costs) rather than simple records of cash spent.
- It must be independently validated to a common standard of accuracy of purpose – often referred to as a "true and fair" view.
- It must be frequently and regularly provided on a timescale that reflects the volatility of the day-to-day operations of the entity concerned.

Provided that the data meets these standards, it can then be used with reasonable reliability by markets, competitors and peers in making their choices on whether or how to compete or work with each other.

While the current state of affairs continues, entities within the public sector cannot learn from each other and cannot operate to deal with internal failure or offer rational opportunities for external bodies (whether third-sector or private-sector) to enter into the traditional preserve of officialdom. This inherent lack of challenge ensures that the quality and value for money of public services will continue to lag behind any reasonable expectation of reform. Worse still, the lack of decent data – such as proper activity-based costing – means that it is exceptionally difficult to predict the result of any reforming activity other than to be reasonably certain that any predictions will simply be wrong or at least unreliable. It is worth, in this context, reflecting on the problems around the introduction of tariffs[11] in the NHS, given the lack of decent cost data from NHS trusts.

What makes reform happen

Over the period since 1997, there has been a continuous focus on the reform of public services. Reform has been driven by major policy initiatives (such as Building Schools for the Future, the Defence Industrial Strategy and Our Health) but also by the introduction, shortly after 1997, of a range of targets driven by and from the Prime Minister's Delivery Unit. One of the interesting and inevitable consequence of the targets was not just "what gets measured gets done"[12] but, interestingly, a sequence of embarrassing revelations. From the embarrassing number of hospitals with waiting lists stretching on seemingly for ever (from a patient's perspective) to remaining useful lives of roads and educational attainment of children, the oft-criticised targets did have the clear effect of driving change.

11 Examples – these being just a couple – include (i) coronary angioplasty where the tariff was less than the cost of one of the stents used (where frequently two or three would have conventionally been fitted in one procedure), which resulted, for one hospital, in patients being called in for two or three separate operations to ensure that two or three payments were triggered in an attempt to recover the cost of the consumables alone; and (ii) other, much more complex and expensive cases where the tariff was less than a seventh of the cost of the consumables.
12 Peters, T *What Gets Measured Gets Done* (1986). At: http://www.tompeters.com/col entries.php?note=005143&year=1986

What is abundantly clear from watching the performance of Whitehall over the second half of the 20th century is that probably the biggest single catalyst for reform is embarrassment itself. While policy initiatives drive a process of variable speed, embarrassment – such as that flowing from the Rural Payments Agency or the pre-reform Home Office – tend to produce the most rapid and penetrating reforms. The recent restructuring of the Home Office, following the statement by the newly appointed Secretary of State that it was not "fit for purpose", is a classic case in point.

A fire hose of embarrassment

There is a strong case to support continuous improvement and reform of the public services by generating a fire hose of embarrassment – something that will provide continuous pressure on the system from which there can be no escape. It is clear that while the National Audit Office provides a very useful service as far as it goes – especially in comparison with the relatively formulaic approach adopted by many European courts of auditors – but it is far weaker than it could be by only sampling a small proportion of the public sector and a convention that all its reports are "agreed". Where, then, can a more reliable firehose of embarrassment be found?

The answer lies in an analogue with the rest of the economy. There is one particular practice required of pretty much the entire economy outside the public sector (other than the "black" economy) which is missing from the public sector. That is precisely the point made in the section above on data.

What needs changing

There has been a focus within the government on improving financial management skills. What conventionally passes for financial management in most public organisations is not financial management as recognised in other walks of life but rather budget administration. This is a process that, in an ideal world, will safeguard and distribute public money over a period of time, with generally indeterminate results, whereas the purpose of proper management is to demonstrably maximise performance. Budget administration is not about single-minded focus on outcomes but about the management of an administrative process.

In the public sector, the common measure of performance is the cost-effective delivery of goods or services needed by a customer, while bearing in mind the opportunity and risk that accompany that delivery. This is not an optimisation process and reform, especially continuous reform, is not a natural consequence of daily activity in the public sector as it is in other walks of life, where the focus is on delivery of outcomes within constraints.

Unfortunately, in the absence of the imperative to perform and a mechanism for driving the accountability for success or failure, promoting financial management as a distinct medicine of which good public servants should take appropriate and regular doses is simply not an answer in itself. Rather, motivating public servants to pursue performance will create demand for the requisite skills (including financial management), technologies, governance and customer/stakeholder involvement that are the ingredients of good performance. It should also have the happy consequence of better public services.

To drive this there has to be a sea change in the collection, validation and publication of data about activities and outcomes (even – or perhaps especially – where these are about the conduct of public administration) within the public sector. Unless and until the financial and operational data to the standards described above (in the section on data) is properly visible, accountability and transparency cannot improve, and so reform – not just revolutionary reform but also the vital, day-to-day reform that all normal institutions need – will be stultified and damaged.

Finally

Not to improve public services is socially immoral. What is abundantly clear is that reform cannot stop or slow down if the quality, value and accessibility of decent public services is to improve. Transforming the collection, validation and reporting of relevant and proper data in the public sector would be a powerful driver of that continuous reform. Moreover, it must surely be a right of every citizen to know how the taxes they contribute to pay for those services are spent – not in terms of simply where the cash goes but what outcomes are delivered by that cash and how effectively it is spent.

Coupled with a need for ever-greater transparency, the reform of financial and operational reporting in the public sector would transform the accountability of government at all levels, removing much of the diversionary focus on process and improving the effectiveness of oversight at a stroke. To deliver this would be the mark of a truly reforming government and would, ever after, destroy the hiding places for future politicians who may try to use the system for ends other than the betterment of services for the voters who elected them.

Chapter 9

A European perspective

Patrick Diamond, Director of Policy Network and Senior Visiting Fellow at the London School of Economics & Political Science

A European perspective

The progressive left's challenge is to improve the quality of public services, not to reduce the scope of the public sphere. Universal services are ever more necessary to meet the expanding needs of citizens, promoting both economic efficiency and social justice. Public-private partnerships constitute an important instrument for the realisation of those ends. But public services also face a range of challenges as they try to square the circle of rising expectations and costs in the evolving context of a globalising world.

The Anglo-Saxon economies of the UK, New Zealand, Canada and Australia have led the way in the development of PPPs over recent decades. In 2004, for example, the private finance initiative accounted for 11% of total public investment in the UK economy, touching almost every area of public-sector activity from health and education to waste, water, transport and defence. There have been 564 new deals, with a total capital value of £35.5 billion, in PFI alone. This includes 34 new operational hospitals and 239 new and refurbished schools.[1]

Today, PPPs are increasingly important in expanding public infrastructure throughout the EU, especially in the former accession countries of Central and Eastern Europe. The scale of the capital investment required in areas such as energy, telecommunications and transport has meant that many member states no longer rely on public expenditure alone to fulfil their future needs.

There are two important structural factors that explain this shift. The first is that capital investment puts an additional strain on domestic public finances, especially in those economies that have sought to comply with the requirements of fiscal discipline in joining the single currency. Moreover, new member states can gain access to EU structural funds only if matching finance is made available from national sources. PPPs offer a way of squaring the circle for governments that wish to be tight on public spending but generous on public investment.

Another factor is that the public sector often lacks the capacity to deliver large-scale infrastructure projects while meeting quality standards in service provision. With PPPs, the public sector gains access to a range of private-sector skills that should enable the provision of a more efficient and cost-effective service. That said, PPPs have to be appropriately harnessed, or neither value for money or effective services will be delivered.

1 See: www.hm-treasury.gov.uk (23 June 2003)

Public service reform in Europe

Increasingly, EU member states are resolving how best to mobilise all sources of finance, expertise and know-how to sustain growth and competitiveness. In some European countries, deregulation and privatisation have been important components of economic reform, as services previously provided directly by the state and the public sector are transferred into private hands. This includes telecommunications, airlines, water supply, energy production and distribution, and public transport. Where this transfer to the private sector is considered inappropriate, PPPs are believed to harness private-sector virtues for public service ends, strengthening the capacity of the public sector.

The concept of PPPs has developed strongly in the UK over the last two decades. This has been a market where Britain really has led the world. The British government has provided advice about developing PPP to countries as diverse as China and Australia, Japan and Canada, Israel and Chile, as well Germany and the Czech Republic.

At the same time, the momentum for these initiatives has steadily shifted towards Central and Eastern Europe and beyond traditional areas of public infrastructure. In this respect, the UK's approach to PPP has acted as a catalyst for wider public service reform in Europe. Partnerships between the public and private sectors are now taking root in most European countries. Increasingly, member states such as Italy, Ireland and the Netherlands are perceived to have overtaken the UK in the scope and scale of PPP procurement.

The challenge of globalisation for public service procurement

Policy makers in the UK need to draw on strategies tried and tested by member states across the EU. Globalisation represents a major challenge to Britain's traditional reliance on PPPs, as capital and skills become more mobile than at any time in the past. Globalisation makes the task of governing society within national boundaries more complex and difficult. There is now an international market across many different procurement areas, but a shortage of well-qualified and experienced firms. For this reason, British practices have to match the best in the world.

There are, of course, significant national variations and differences that entail limits to policy transfer on PPPs between member states. In health, for example, it is possible to place different countries in one of two broad categories. The first consists of tax-funded government monopolies or "Beveridgean" systems where the state is the dominant funder and provider. The UK, Italy, Sweden and Spain belong in this category. The second category comprises social insurance or "Bismarckian" systems that put more weight on public and private funding and a mixed system of provision. The Netherlands, France and Germany are located in this category.[2]

Governments need to understand PPPs in terms not only of additional financing but also of the process of risk transfer, as the European Commissioner for Regional Policy, Danuta Hubner, recently argued.[3] Projects where the private sector provides only finance may not represent the best value for money, as the public sector may be able to procure finance on better terms. PPPs not only ensure financial leverage, but also are intended to deliver better implementation and management within given contractual arrangements. Greater efficiency may be generated, for example, where one party is responsible for design, construction, management and financing as part of an integrated package.

The implementation of PPPs has been controversial in Europe, but support for the involvement of the private sector reflects continuing dissatisfaction with traditional approaches to public-sector delivery. Private-sector engagement is still the object of mixed feelings, as frustration with the failure of public services co-exists with public wariness of private initiatives. Indeed, there is still a pro-public bias in most European countries. But a recent European-wide survey measuring the gap between public expectations and experience in healthcare found a substantial delivery deficit: 37% in Germany, 39% in France, and 63% in the UK, for example.[4]

These uncertain and to some extent contradictory public attitudes often entail a piecemeal approach to reform. Public services also face a range of new challenges and pressures. This increases the demand for public goods, but is also set to reshape the public realm. For example, the proportion of over-75s in the OECD countries is set to double over the next 30 years, reflecting an ageing population. There are, of course, other structural pressures: the rising proportion of single households; the fragmentation of traditional family structures; climate change and issues of energy security; increasing diversity and migration.

Public services: contested conceptions of states and markets

There are more fundamental arguments at stake concerning the role of the private sector, however. Approaches that define the state and the market as in conflict are inherently flawed. As Gordon Brown has argued, public and private actions are not incompatible, and

2 See: Prabhaker, R *Rethinking Public Services* (Palgrave Macmillan, 2006)
3 See: Hubner, D "Public-private Partnerships: Raising Standards" at theparliament.com (9 October 2006)
4 See: *Impatient for Change: European Attitudes to Healthcare* (Populus/Stockholm Network, 2004)

there is a need to move beyond "the old sterile and debilitating conflicts of the past"[5]. That will mean extending the role of markets in certain situations, but also understanding where markets have inherent deficiencies so that the state has to provide.

It is neither possible nor desirable always to define distinct public or private spheres of activity, as the conventional boundaries between sectors are constantly reassessed. PPPs have been controversial because they question the traditional conception prevalent in much of Europe about the state's monopoly role as the provider of public services. The fundamental nature of public and private institutions, such as the stereotypes of the dynamic but self-interested business person and the public-spirited but ineffective public servant, may not be as distinct as is conventionally assumed. European experience points to the richness of state-market relations, and their embodiment in a wide array of economic institutions.

European lessons for British reforms

So, what are the lessons of European developments in PPP for UK policy makers? The first lesson is that the quality of public administration is crucial to developing successful PPP projects. This includes a clear legal framework, an appropriate level of administrative capacity to deliver complex projects, and adequate checks and balances for managing the fiscal implications. The decisions taken by politicians and civil servants have obligations stretching across several generations.

Civil servants have to move beyond the traditional bureaucratic mindset, developing effective project management capabilities, while public officials have to be empowered to take risks. In practice this means the development of new budgeting and cost-control techniques in the public sector; multidivisional forms of organisation breaking down once-monolithic bureaucracies; the decentralisation of power from central to local units; greater autonomy for management from political representatives; and less cumbersome procedures supported by information technology.[6]

The Northcote-Trevelyan rules that underpin the British civil service emphasise probity and consistency over essential qualities such as dynamism and innovation. This is anachronistic, as the role of the state itself is changing from provider to regulator and commissioner. There has to be a greater emphasis on personal responsibility, not just in

5 See: Brown, G "State and Market: Towards a Public Interest Test" in *The Political Quarterly* vol 74, no 3 (July-September 2003)

6 See: Treu, T "21st-century Public Services" in *Progressive Politics* vol 2.1 (January 2003)

cases of highly visible operational failure. Managers have to deliver public services that are subject to the proper evaluation of outcomes against long-term economic cost.

Achieving the right outcomes in public services means setting the rules of the game to enable others to deliver: the top-down command and control model has reached its limits. It means a belief in what John Kay has termed "disciplined pluralism".[7] What is valuable about PPPs is ultimately that they bring a culture of experiment and appraisal to public-sector activity, while acknowledging that rules and institutions must be specific to both context and sector.

Another issue for UK policy makers to consider is the relationship between PPP procurement and the growing emphasis on the decentralisation of political power and management accountability. Local autonomy is not a panacea for effective delivery, since the correct blend of project management skills needs to be available at each stage in the value chain. Too much plurality does not allow PPP standardisation, nor does it lead to quality enhancement. There have to be appropriate information systems that enable responsible monitoring of the whole system.

In Spain, for example, the use of PPPs in healthcare varies greatly between regions or "autonomous communities". Regions such as Madrid and Valencia have relied heavily on PPPs since the mid 1990s. In Madrid eight new hospitals are being constructed under the British PFI model. PPPs should not become too mechanised, forced into a rigid, centralised straitjacket instead of being able to respond to local needs. In Germany, for example, PPPs are implemented at each tier of government, from the federal and state level to the regional and municipal tier. This permits the emergence of a myriad of different approaches, fostering an experimental approach to PPP procurement.

Member states including Germany, Ireland and Italy have established centres of excellence at national level to disseminate expertise in PPPs, while ensuring the systematic evaluation of data concerning delivery performance.

A third lesson for UK policy makers is that national governments seeking to prioritise the development of PPPs have to manage public service markets effectively, sending appropriate signals to private-sector actors. The private sector requires signals that identify the nature, size and duration of the new market to provide services to the public

7 See: Kay, J *The Truth About Markets* (Random House, 2003)

sector, developing supply chains and making rational allocations of human and financial capital.[8]

The evidence suggests that deals work best where there is an explicit policy commitment by national governments to involve the private sector in public-sector projects, accompanied by clear framework-specific guidance. The UK runs the risk that corporate finance and project management expertise will shift towards more competitive regions of the global economy. In America, for example, states are tendering toll road contracts worth more than $2.8 billion, well in excess of anything available in UK or European markets.

The UK policy community also has to recognise that the EU itself is becoming an increasingly important player in the market for PPPs. There is a rapidly developing European-wide market in transport, for example, including toll road motorways, and pressure for high-speed cross-border rail systems. The creation of a single energy market in Europe requires far heavier investment in cross-border gas and electricity pipelines. While the development of PPPs will continue to be framed by national legislation, the European Commission was responsible for a green paper on PPPs and community law in 2004. This led to the clarification of EU public procurement rules for PPPs.

The European Commission, the European Investment Bank and the European Bank for Reconstruction & Development have set up special facilities to offer expertise free of charge to national authorities. But the EU has so far largely failed to address the relatively low levels of public-sector institutional capability in some member states. A strong PPP unit at EU level might help to co-ordinate and monitor the effects of PPP activities throughout Europe, encouraging skills transfer from "leading" to "learning" countries while transmitting expertise.

Finally, it is essential to improve the quality of debate about the involvement of the private sector in the provision of public services. This means concretely demonstrating that PPP delivers better services. It also requires the involvement of the social partners in discussions about the use of PPPs. In Portugal, for instance, trade unions have strongly and successfully resisted the extension of PPP projects into healthcare involving both hospital facilities and clinical services. The lesson of the last 20 years throughout Europe is that governments need to forge agreements on the reform of public services with social, voluntary and third-sector partners.

8 See: Stone, T "Public Service Reform" in *Progressive Politics* vol 4.3 (September 2005)

Conclusion

Throughout Europe, the state-owned monolithic provider that used to characterise the operations of the public sector is being replaced by something quite different: the public-private partnership. This raises important questions for progressives. To what extent can these private or non-profit providers operate in the public interest? How can the state compel these providers to do so through its role as a purchaser or regulator? What are the areas where certain types of PPP work well and others do not? Does it matter if the traditional concept of the public sector is entirely replaced?[9]

PPPs inevitably change the relationship between the citizen and the service provider. This raises complex questions about democratic control and accountability. The public service ethos and trust, once lost, may be impossible to recover. These are not arguments against PPPs, but they serve to demonstrate that as European countries develop such partnerships, careful attention must be paid to the long-term consequences. The challenge is to devise a robust test of the public interest against which both markets and the state have to be judged, while harnessing the virtues of disciplined pluralism embodied in PPPs to strengthen public goods and public services for the future.

9 See: Corry, D, Le Grand, J and Radcliffe, R *Public/Private Partnerships: A Marriage of Convenience or a Permanent Commitment?* (Institute for Public Policy Research, 1997)

The Smith Institute

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If you would like to know more about the Smith Institute please write to:

The Director
The Smith Institute
3rd Floor
52 Grosvenor Gardens
London
SW1W 0AW

Telephone +44 (0)20 7823 4240
Fax +44 (0)20 7823 4823
Email info@smith-institute.org.uk
Website www.smith-institute.org.uk

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