

 **PartnershipsUK**

F I V E Y E A R R E V I E W

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2 Partnerships UK

A breadth of experience second to none

Five years ago, when the Chancellor asked me to be the Chairman of the embryonic Partnerships UK (PUK), I could not have imagined the successes that PUK would achieve,

PUK was given a difficult challenge to act as the Government's guiding hand to help implement its vision of delivering major investment and service improvement. PUK has proved up to this challenge over the past five years and has remained fully aligned with its public sector mission, while providing an effective interface with the private sector.

In turn, public bodies have responded positively to PUK's contribution and involvement in a range of programmes and initiatives across the public sector.

This 'can do' approach has been reinforced by a market that has developed sound partnerships to deliver infrastructure and service improvement.

The strength of PUK's board has been an essential factor in setting the direction for the organisation and it has been a great support to both the business and to me. Similarly, our Advisory Council – initially chaired by Lord Turnbull and now led by Nicholas Macpherson – has served PUK well and helped us to maintain and develop our public sector mission.

PUK's achievements are a tribute to the excellence of its staff which, under James Stewart's leadership as Chief Executive, has been a major factor in the strength of PUK's business. PUK has proved an exciting, challenging and fun place to work, which has allowed it to attract and retain outstanding people and become a constant presence in a challenging market.

PUK has demonstrated positive and innovative thinking to meet the demands arising from policy development and the practical challenges of project implementation. PUK's corporate commitment has been complemented by a team offering varied private and public sector skills – including project management, financial management, contract management and commercial skills.

The breadth of experience that now exists within PUK is second to none. Expansion of the team – from 15 in 2001 to 60 in 2006 – is a measure of the demand from the public sector in seeking PUK's support to help it improve its procurement capability.

This document highlights many of PUK's achievements, as well as setting out some of its groundbreaking initiatives and models that are now being used in a number of sectors – and, indeed, countries.

PUK has won the confidence of the public sector through its array of highly-qualified resources, skills and expertise. The enthusiasm and skills shown by PUK staff have cemented our position in the market. We can look confidently to the future with the knowledge that our public sector clients recognise our value.

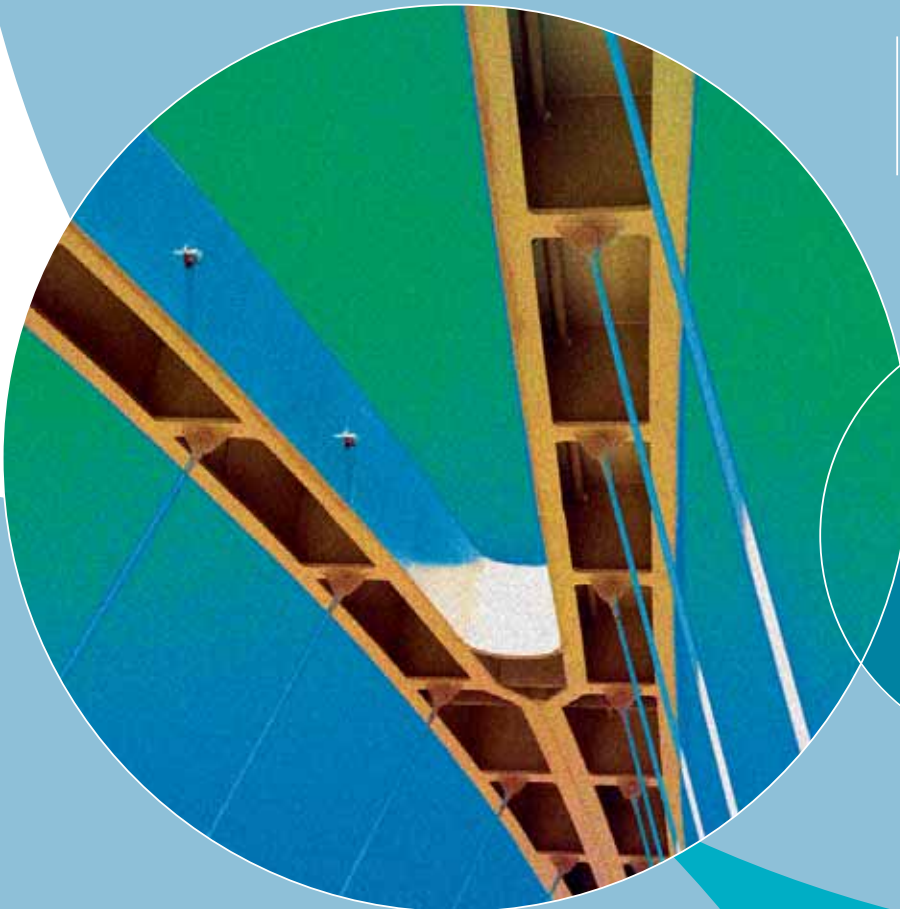
I am proud to have been Chairman of PUK during a period of such singular achievement.

Sir Derek Higgs, Chairman, Partnerships UK

Public Sector Mission:
Partnerships UK is a public
private partnership which has
a unique public sector mission.
Its core purpose is:

to support and accelerate
the delivery of infrastructure
renewal, high-quality
public services and the
efficient use of public assets
through better and stronger
partnerships between the
public and private sectors.

PUK works solely
with and for the
public sector.



**PUK – a
constant
presence
in a
changing
market**

4 Helping the Public Sector Deliver

SUCCESSFUL

Partnerships UK was set up to succeed the Treasury Taskforce. Its formation recognised the increasingly complex way that the public sector was engaging with the private sector – and the need to supplement and enhance the public sector skills base.

PUK has developed a proven track record for delivering effective and successful public private partnerships. PUK's support is provided in a variety of ways – working with key policy makers on the structure and development of markets, managing the introduction of best practice guidance and standardised contracts, and supporting the implementation of projects. In choosing projects, PUK prioritises those that are large and complex, innovative or first of a kind.

Since PUK was launched, over 400 PFI projects, worth nearly £40 billion, have been procured. PUK has played a major part in the development of this market, helping deliver projects faster, more efficiently and with improved value for money.

PUK has achieved its success in collaboration with its public sector clients and the support of financial, legal and technical advisers without whom these projects could not have been completed.

PERMANENT

PUK is itself a Public Private Partnership (PPP). It has an arm's length relationship with HM Treasury, operational independence and a 51% private sector equity ownership. The balance is owned by HM Treasury and the Scottish Executive.

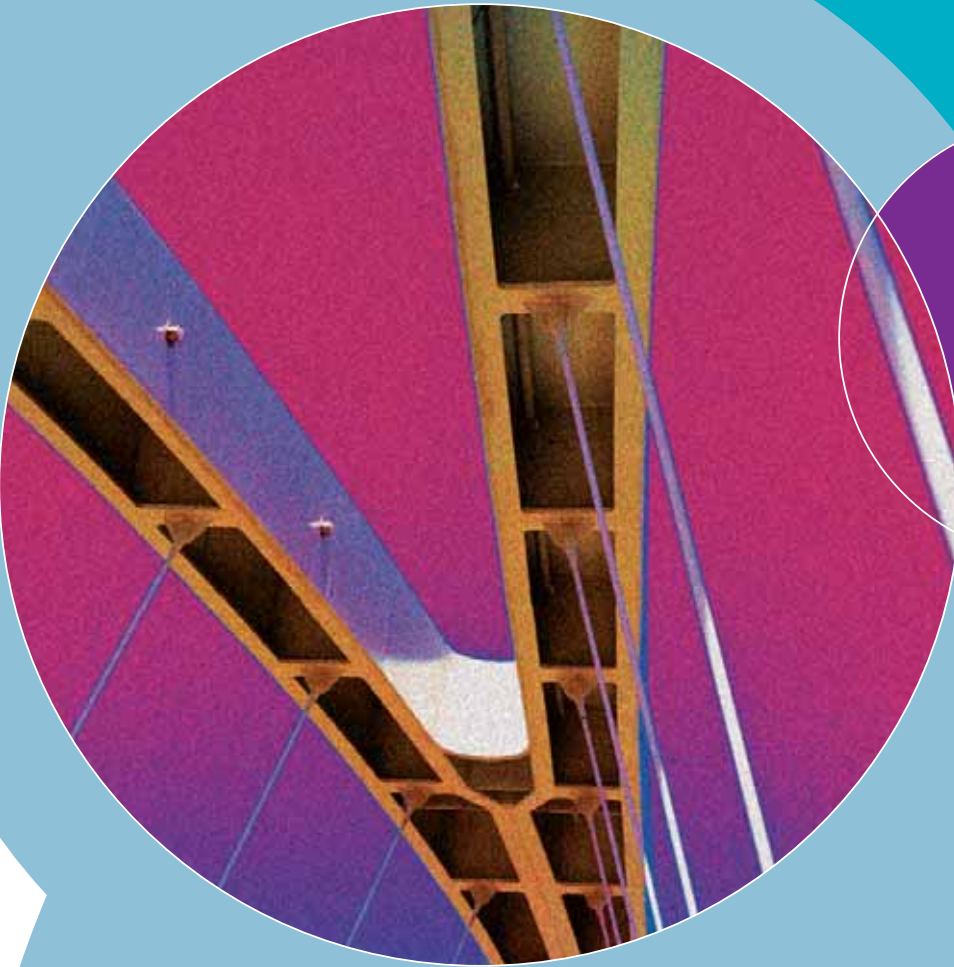
PUK is a permanent centre of excellence, with a high level of knowledge and expertise. PUK has around 50 professional staff recruited from a range of backgrounds and many retained for more than five years – moving away from the old model of revolving door secondments that offered no retention of expertise or knowledge.

PUK was set up on a commercial, but non-profit maximizing, basis introducing a cultural shift in the way that PPP support is provided within the public sector. Where the Treasury Taskforce provided expertise free at the point of use, PUK charges for its services, has a balance sheet, is capitalised and makes investments.

The innovative nature of the charging structure has worked well. With no obligation to use PUK, public bodies only do so if PUK offers real benefits. Public bodies' repeated and expanding use of PUK demonstrates that PUK delivers results and added value.

DYNAMIC

PUK is also a market developer using its people and capital to stimulate new projects and programmes. PUK has made significant investments that have kick-started and maintained major investment programmes. Some, like Partnerships for Schools, have involved setting up 50/50 joint ventures with sponsoring departments. PUK has seconded senior staff to set up and run major projects – including the Strategic Investment Board, the Ministry of Defence's private finance unit and Barts and The London Trust in its hospital development.



**An innovative, large complex deal
PUK supported Defence Estates
– on MoDEL – its groundbreaking
site rationalisation project in London
– delivered on time and budget.
New investment at RAF Northolt
is funded through the subsequent
sale of surplus land released by
the programme. PUK maintains
non-executive positions to help
ensure that the project releases
its expected benefits**

BROAD RANGING

PUK works across the UK and with all parts of the public sector. Clients range from central government departments, devolved administrations and local authorities to independent public bodies. This diversity is built into PUK's public sector mission and has enabled PUK to join up the public sector, improve communications and share experience and knowledge across public bodies.

The fact that our staff are all recognised experts in their fields enables PUK to provide senior level strategic support across all sectors. As demonstrated by the examples described in this review, PUK has played a pivotal role in education, health, defence and ICT, and in the commercialisation of government assets.

PUK has also pioneered new forms of delivery in public housing, through the innovative Safehaven scheme and has actively supported a range of transport projects, including Crossrail and major local tram and street lighting schemes.

PUK has a dedicated property capability that has supported a range of innovative estates projects including the Home Office and British Waterways Isis partnership.

PUK supports the development of PPP skills and expertise internationally. It has helped overseas governments to set up their PPP programmes and continues to share best practice with a growing number of them.

GCHQ NEW ACCOMMODATION PROJECT • HM CUSTOMS & EXCISE • DERBYSHIRE MAGISTRATES' COURTS • EAST ANGLIA COURTS • EXETER COMBINED COURT • MANCHESTER MAGISTRATES COURTS • SHEFFIELD FAMILY HEARING CENTRE • RECREATION WEST - LEISURE SCHEME • OLDHAM LIBRARY & LIFELONG LEARNING CENTRE • INN THE PARK • BROADLAND FLOOD ALLEVIATION STRATEGY • BROOKLANDS AVENUE, CAMBRIDGE • EAST LONDON INTEGRATED WASTE MANAGEMENT • EAST SUSSEX & BRIGHTON & HOVE WASTE PARTNERSHIP • LEICESTER WASTE MANAGEMENT PFI • PEVENSEY BAY SEA DEFENCE • A249 STOCKBURY TO SHERNESS • A1 DARRINGTON TO DISHFORTH • DEEP TUBE LINES - BAKERLOO, CENTRAL & VICTORIA LINES (BCV) • DEEP TUBE LINES - JUBILLEE, NORTHERN & PICCADILLY LINES (JNP) • DOCKLANDS LIGHT RAILWAY (DLR) - EXTENSION TO CITY AIRPORT • ISLINGTON - STREET LIGHTING • MANCHESTER - STREET LIGHTING • NEWCASTLE & NORTH TYNESIDE - STREET LIGHTING • PORTSMOUTH - HIGHWAY MAINTENANCE • STAFFORDSHIRE - STREET LIGHTING • STOKE - STREET LIGHTING • SUB SURFACE LINES (SSL) - DISTRICT, CIRCLE, METROPOLITAN, EAST LONDON & HAMMERSMITH & CIT • SUNDERLAND - STREET LIGHTING • NATIONAL TRAFFIC CONTROL CENTRE (NTCC) • WAKEFIELD - STREET LIGHTING • WALSALL - STREET LIGHTING • COMBINED HEAT AND POWER – NORTHERN GROUP • LONDON BOROUGH OF CROYDON - ASHBURTON LEARNING VILLAGE PFI • BARKING & DAGENHAM - TWO SCHOOLS PROJECT • BEXLEY THREE SCHOOLS PROJECT • BRIDLINGTON GROUP SCHOOLS PROJECT • BRIGHTON & HOVE GROUP SCHOOLS PROJECT • BRISTOL GROUP SCHOOLS PROJECT (PHASE 1A) • CALDERDALE GROUP SCHOOLS PROJECT • CANTERBURY HIGH SCHOOL • CASTLE HILL PRIMARY SCHOOL • CHAPEL-EN-LE-FRITH AND TUPTON HALL SECONDARY SCHOOLS • CHENEY HALLS OF RESIDENCE • ELLESMERE PORT & NESTON SCHOOLS PROJECT • ESSEX COUNTY COUNCIL - CLACTON-ON-SEA SECONDARY SCHOOLS & JOINT SERVICE CENTRES PFI • COLLEGIATE HIGH SCHOOL • CORNWALL COUNTY COUNCIL - GROUPED SCHOOLS II PFI PROJECT • CORNWALL COUNTY COUNCIL - GROUPED SCHOOLS I PFI PROJECT • CRAWLEY SCHOOLS PROJECT • DARLINGTON FIVE SCHOOLS PROJECT • DEVON COUNTY COUNCIL - EXETER GROUP SCHOOLS PFI PROJECT • DOWNVIEW COUNTY SCHOOL • EALING GROUP SCHOOLS PROJECT 1 • NOTTINGHAMSHIRE 1 - EAST LEAKE GROUP SCHOOLS PROJECT • FLEETWOOD HIGH SCHOOL • FRANCES BARDSLEY SCHOOL FOR GIRLS • HARINGEY GROUP SCHOOLS PROJECTS • HARROW SPECIAL SCHOOLS PROJECT • HATTERSLEY SCHOOLS PFI PROJECT • HAVERSTOCK SCHOOL PFI PROJECT • HIGHWEEK SCHOOL • INGLEBY BARWICK COMMUNITY CAMPUS • JEWS FREE SCHOOL • ENFIELD - JOINT SCHOOLS PROJECT (WITH LB NEWHAM) • KIRKLEES GROUP SCHOOLS PROJECT • KIRKLEES SPECIAL SCHOOLS REORGANISATION • LAMBETH SECONDARY SCHOOL PROJECT • LEEDS CITY COUNCIL - GROUP SCHOOLS PROJECT I • LILIAN BAYLIS SCHOOL & RESOURCE CENTRE • LINCOLNSHIRE GROUP SCHOOLS PROJECT • LITTLEHAMPTON COMMUNITY SCHOOL • LIVERPOOL GROUP SCHOOL PROJECT • DERBYSHIRE COUNTY COUNCIL – RECONFIGURATION OF LONG EATON & NEWBOLD SCHOOLS • MERTON GROUP SCHOOLS PROJECT – AGE OF TRANSFER • MID- BEDFORDSHIRE UPPER SCHOOLS PROJECT • MULBERRY SCHOOL FOR GIRLS • NEWBURY COLLEGE • NEWCASTLE GROUP SCHOOLS 1 • NEWHAM – JOINT SCHOOLS PROJECT: SPECIALIST SPORTS COLLEGE (WITH LB ENFIELD) • NORTH TYNESIDE GROUP SCHOOLS PROJECT • NORTH WILTSHIRE SCHOOLS • NORTH YORKSHIRE GROUP SCHOOLS PROJECT 1 • NOTTINGHAM TRENT UNIVERSITY SCHOOLS OF LAW & BUSINESS CONFERENCE ACCOMMODATION • OAKS PARK SCHOOL • PARAGON PROJECT • PARKLANDS HIGH SCHOOL & LIFELONG LEARNING CENTRE • RICHMOND UPON THAMES GROUP SCHOOLS PROJECT • ROTHERHAM GROUP SCHOOLS PROJECT • SALFORD SPECIAL SCHOOLS PROJECT • SANDHILL VIEW SCHOOL • SANDWELL FIVE SCHOOLS PROJECT • SHEFFIELD GROUP NDS/PPP PILOTS – PHASE 2 • SIR CHARLES GROVES HALLS RESIDENCE • SOUTHAMPTON GROUP SCHOOLS PROJECT • ST MARY'S COLLEGE • ST THOMAS MORE SCHOOL • STOKE ON TRENT SCHOOLS GROUPED PILOT SCHEME • SWANSCOMBE COMMUNITY SCHOOLS • TENDERING SCHOOLS • TOWER HAMLETS GROUP SCHOOLS PROJECT • TULKETH HIGH SCHOOL • UNIVERSITY OF HERTFORDSHIRE SPORTS & RESIDENCIES DEVELOPMENT • WALTHAM FOREST GROUP SCHOOLS PROJECT • WHALLEY RANGE HIGH SCHOOLS • WIRRAL GROUP SCHOOLS PROJECT • WOOLDALE CENTRE FOR LEARNING • OXLEAS NHS TRUST – REPROVISION OF SERVICES AT BEXLEY HOSPITALS • UNIVERSITY COLLEGE LONDON HOSPITALS SITE RATIONALISATION • ACUTE SERVICES REPROVISION AT NEWHAM GENERAL HOSPITAL • ASHFORD & ST PETER'S NHS TRUST ENERGY MANAGEMENT SCHEME • BARNSELY DISTRICT GENERAL HOSPITAL CATERING PROVISION • BIRMINGHAM AMBULATORY CARE CENTRE • BODMIN HOSPITAL • BURNLEY HOSPITAL PHASE V • CASTLE HILL HOSPITAL – PHASE 5 • CENTRAL MIDDLESEX HOSPITAL MODERNISATION

**DELIVERING
PROJECTS >>**

8 Barts and the Royal London Hospitals

Britain's largest and most complex hospital redevelopment

St Bartholomew's, The Royal London and The London Chest Hospital are the three major hospitals in London's City and East End, handling more than three quarters of a million patient attendances a year. But with many of the buildings dating from Victorian and Georgian periods, they are unsuited to the provision of modern medical treatment and patient care. Backlog maintenance approached £100 million.

Barts and The London NHS Trust needed a solution that produced modern, excellent hospitals, yet was affordable and sustainable.

COMPREHENSIVE SUPPORT

The Secretary of State for Health asked PUK to assist Barts and The London NHS Trust in 2000, recognising the scale of the project and the complexity of the challenge for the Trust.

PUK sat on the Trust's project board from its conception, supporting the project director in overseeing streams of work, designing management systems, recruiting staff and leading on commercial and legal services. PUK led the transaction for the year prior to contract signing.

A Development Partnership Agreement (DPA) was signed by PUK and the Trust in 2000. Under the terms of the DPA, PUK became the co-sponsor and co-funder of the procurement, it deployed its resources in support of the project and contributed £18 million towards project costs. In return PUK agreed in advance a fixed fee payable on successful completion of the procurement.

When Barts and The London Trust was asked to reduce the scope of the project, PUK assisted its rescoping, reducing the capital value and revenue costs to ensure sustainability, while maintaining its overall scale.



REGENERATING HEALTH PROVISION – AND EAST LONDON

PUK's involvement in the £1billion rebuilding of Barts and The Royal London helped deliver Britain's largest and most complex hospital redevelopment.

The Royal London will be a centre of excellence, providing specialist and general hospital services, and a major teaching and research centre. Barts becomes a cancer and cardiac specialist hospital, including services relocated from The London Chest Hospital. The London Chest Hospital will close, allowing for redevelopment of its site.


All clinical accommodation will be completed by 2012, with remaining support areas finished over the following four years. The hospitals will transform the delivery of medical care in East London, serving the local population and providing some specialist services to the whole of England.

Redevelopment of Barts and The Royal London is central to the 10-year Government plan to modernise health services in England. The new hospitals will be landmark buildings, constructed to high architectural and environmental standards and will contribute to the regeneration of the East End.




delivery

The hospitals will transform the delivery of medical care in East London, serving the local population and providing some specialist services to the whole of England



**The Trust has
found the support
from PUK **invaluable.**
Assistance with
detailed commercial
issues was **outstanding.**
Despite complex and
time-consuming
challenges, PUK kept to
its fixed cost proposal
agreed in 2000**



PAUL WHITE, CHIEF EXECUTIVE, BARTS AND THE LONDON NHS TRUST

10 Aquatrine

One of the world's largest PPPs

The Government's 1998 Strategic Defence Review recognised that the Ministry of Defence (MoD) should focus on core competencies and not manage peripheral services outside its central expertise.

The MoD's water and wastewater services did not operate efficiently. These services provide and process water for drinking, fire-fighting and other uses and maintain the water mains, drains, sewers and sewage works. MoD staff did not have all the appropriate skills to manage these services and assets to their optimum.

The loss of Crown immunity and tougher EU and UK legislation exposed the MoD to unprecedented risk of legal action. But the investment needs of the armed services made it difficult to justify the required spending on water assets.

PUK'S ROLE

PUK entered into a Development Partnership Agreement with MoD Defence Estates in 2001 to develop a PPP to manage the water and wastewater services. The involvement of PUK enabled the project to go ahead, with PUK funding the project and core staffing costs.

As co-sponsor, PUK sat on the project board and provided a full-time project leader. PUK proposed splitting the service requirement into three regional contracts, stimulating a more competitive market and best value for money. Legal, contract and insurance advice was also provided by PUK. Drawing on PUK's experience, the timescales for the procurement process were minimised, reducing costs for client and bidders.

Defence Estates were assisted by PUK to adopt a partnering culture throughout the Aquatrine project, working collaboratively with industry to procure and deliver the required services.

To sustain and develop these partnering relationships, under PUK's guidance, Defence Estates signed partnering charters with all three service providers and established a Partnering Management Organisation strategically to manage the three contracts over their lifetime.

DOING WHAT IT DOES BEST

Aquatrine is one of the world's largest PPP or PFI deals – likely to provide over £2 billion worth of water and wastewater services to the Ministry of Defence over its 25-year period.

The PPP enables the MoD to use its expertise to concentrate on its own priorities. The water assets are now better managed and maintained, with much higher levels of investment, improved efficiency and value for money.







value



Aquatrine is one of the world's largest PPP or PFI deals – likely to provide over £2 billion worth of water and wastewater services



PUK played a full and active role. They provided the financial resources and the necessary skills and experience to help us deliver a **successful, timely, **cost effective** and **efficient** procurement, which would not have gone ahead in this form without their engagement**



IAN ANDREWS, SECOND PERMANENT UNDER SECRETARY, MOD

12 Argyll and Bute

The first non-profit distributing PPP in the world

expertise

In 2001, Argyll & Bute Council decided to develop a non-profit distributing organisation (NPDO) model of PPP delivery, to provide design, build and operational services for a local authority schools project, sponsored by the Scottish Executive.

The Council sought a NPDO model that offered value for money which was at least as good as that provided under a traditional equity-based PPP. It also needed to follow closely the Standard Scottish Schools Contract; ensure that any surpluses arising from the NPDO were applied to educational purposes through a charity and that it was structured as a politically-acceptable PPP model, supported by stakeholders.

INNOVATION AND DESIGN

The project was undertaken through a Development Partnership Agreement (DPA) between the Council and PUK. As well as the usual support that PUK provides under a DPA, because of the novel nature of the NPDO, PUK gave additional support to the Council and the Scottish Executive. PUK developed and implemented a market engagement and consultation strategy, designed and negotiated the governance and capitalisation arrangements and negotiated with the NPDO on contract and financing terms and conditions.

PUK also oversaw evaluation requirements specific to the NPDO structure and the related value for money assessment. PUK worked closely with the Council's contract advisers, leading on NPDO-specific issues.

PUK sourced and nominated the independent director to sit on the board of the NPDO.

A GLOBAL FIRST

Argyll & Bute Council achieved what is believed to be the first NPDO PPP accommodation project in the world. The PPP will modernise 10 schools on five sites, at a capital expenditure for the Council of approximately £90 million.

Four bidders pre-qualified for the project, which led to two bids. Despite the specific requirements relating to the NPDO structure, it proved acceptable to banks, met the objectives of the Council and the Scottish Executive and was completed within normal procurement timetables for schools projects in Scotland.



PUK developed and implemented a market engagement and consultation strategy, designed and negotiated the governance and capitalisation arrangements and negotiated with the NPDO on contract and financing terms and conditions

14 Forest Holidays

A major PPP in UK tourism

The Forestry Commission has run holiday sites in its forests and woodlands in Scotland, Wales and England since the 1930s. Managing these through a business unit called Forest Holidays, the activity grew to make annual profits for The Forestry Commission of about £1 million.

Forest Holidays' 21 touring caravan and camping sites and three log cabin complexes contain 141 self-catering units and over 5,000 touring pitches. Positive market conditions – including growing trends for domestic short breaks as well as healthy and environmentally-focused holidays – were identified by The Forestry Commission as offering the business the opportunity for substantial growth.

Recognising that expansion of Forest Holidays required improved facilities, modernisation of the cabin sites was undertaken with funding from the Government's Capital Modernisation Fund and the Scottish Executive. For the business to expand significantly, there needed to be further capital investment and access to skills and expertise not available within The Forestry Commission.

The Forestry Commission and its partner organisations identified a PPP as the best means to enable Forest Holidays to achieve its potential, consistent with the Government's Wider Markets Initiative promoting greater commercial use of public sector assets.

GAINING MAXIMUM VALUE FROM PUBLIC ASSETS

PUK was invited by The Forestry Commission to assist with the development of an outline business case and, following its approval, to help implement the PPP. The Forestry Commission recognised that PUK's experience in dealing with PPPs and gaining maximum commercial value from public assets would greatly assist the project. PUK signed a Development Partnership Agreement with The Forestry Commission in March 2003, supporting the implementation of the PPP and co-sponsoring the project.

PUK worked with The Forestry Commission, developing a market engagement strategy and running a competitive PPP process to identify a joint venture partner with the relevant management and marketing expertise, plus the ability to invest at a significant level – at least £25 million – in further development of the Forest Holidays business.

Through this process, The Camping and Caravan Club (CCC) was selected as the preferred partner. Detailed commercial negotiations with CCC for the establishment of the new business were conducted through an 'owner's forum', on which PUK sat as a representative alongside The Forestry Commission.

The PPP was completed in April 2006 and the new business began trading in time for the summer season.

TOWARDS A HEALTHIER FUTURE

Forest Holidays is now a strongly-marketed tourism enterprise with significant growth potential. The CCC provided substantial capital investment, a large membership keen to visit new locations and the new skills required to expand the enterprise. The public sector retains a 49% equity stake in the new business which, over time, is expected to deliver a growing income stream back to The Forestry Commission.

Based on the agreed business plan, further investment is being made to modernise and expand the touring caravan and campsite network, including the provision of permanent holiday accommodation, to expand its appeal beyond its existing loyal customer base.





partnerships

Forest Holidays
is now a strongly
marketed tourism
enterprise with
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potential

• CHESTER-LE-STREET COMMUNITY HOSPITAL • CONSOLIDATION OF HOSPITAL SITES IN NEWBURY • CORNWALL HEALTHCARE NHS TRUST MENTAL HEALTH PROVISION • COVENTRY & WARWICKSHIRE NHS TRUST – COVENTRY NEW HOSPITALS PROJECT • DERBY CITY GENERAL HOSPITAL ACUTE SERVICES RECONFIGURATION – RESHAPING HEALTH SERVICES • DONCASTER & SOUTH HUMBER MENTAL HEALTH SERVICES • DUDLEY GROUP OF HOSPITALS NHS TRUST REDEVELOPMENT & RATIONALISATION OF SITES • ENERGY MANAGEMENT SCHEME – SOUTHAMPTON GENERAL • EPR LUTON & DUNSTABLE HOSPITAL • ESSEX & HERTS COMMUNITY HOSPITAL REDEVELOPMENT • FARNHAM HOSPITAL CENTRE FOR HEALTH • GLOUCESTERSHIRE ROYAL HOSPITAL SITE REDEVELOPMENT • HEXHAM GENERAL HOSPITAL REDEVELOPMENT • KETTERING GENERAL HOSPITAL HEALTHCARE NHS TRUST IM&T • LISKEARD COMMUNITY HOSPITAL • MANAGED EQUIPMENT SERVICE FOR BROMLEY HOSPITALS NHS TRUST • MANAGED EQUIPMENT SERVICE FOR QUEEN ELIZABETH HOSPITAL • HULL ROYAL INFIRMARY - MATERNITY & ACUTE DEVELOPMENT • ERDINGTON & WINSON GREEN - MENTAL HEALTH FACILITIES • NEWHAM - MENTAL HEALTH FACILITIES • GOODMAYES HOSPITAL - MENTAL HEALTH SERVICES • NORFOLK & NORWICH NHS TRUST STAFF ACCOMMODATION • NUFFIELD ORTHOPAEDIC • OLDCHURCH HOSPITAL SITE RATIONALISATION • WRIGHTINGTON • WIGAN & LEIGH NHS TRUST - PRIMARY CARE RESOURCE CENTRE • PRINCESS ALEXANDRA HOSPITAL STAFF ACCOMMODATION • PROSPECT PARK MENTAL HEALTH FACILITY • ROYAL BLACKBURN HOSPITAL – DELIVERING A SINGLE SITE ACUTE HOSPITAL • EAST MIDLANDS AMBULANCE SERVICE NHS TRUST - RADIO CONTROL SYSTEM • NEWCASTLE UPON TYNE HOSPITALS NHS TRUST – REPLACEMENT OF ENERGY CENTRE AT ROYAL VICTORIA INFIRMARY • GLOUCESTER ROYAL NHS TRUST - RESIDENCES • PRINCESS ROYAL HOSPITAL - RESIDENTIAL & ON-CALL ACCOMMODATION • ROYAL SURREY COUNTY HOSPITAL NHS TRUST PATIENT RECORD SYSTEM • ROYAL WOLVERHAMPTON HOSPITALS NHS TRUST RADIOLOGY UNIT • SEDGFIELD COMMUNITY HOSPITAL • JOHN RADCLIFFE HOSPITAL - SPECIALIST SERVICES REPROVISION • LUTON & DUNSTABLE HOSPITAL - ST MARY’S WING • ESSEX RIVERS - STAFF ACCOMMODATION • SWINDON & MARLBOROUGH NHS TRUST IMT SCHEME • TIVERTON HOSPITAL • UNITED LINCOLNSHIRE HOSPITALS NHS TRUST BOILER PLANT • WANSBECK GENERAL HOSPITAL – PHASE 2 • WEST MIDDLESEX UNIVERSITY HOSPITAL DBFO • WEST PARK HOSPITAL – MENTAL HEALTH FACILITY • WHARFEDALE GENERAL HOSPITAL DEVELOPMENT • WHITTINGTON HOSPITAL • WILLESDEN COMMUNITY HOSPITAL – MENTAL HEALTH FACILITY • PLYMOUTH MARINE LABORATORY SMALL BOATS • ADVANCED TELEPHONY • CHILD SUPPORT REFORMS • ITSA STRATEGIC OUTSOURCING • NETWORKS & OFFICE SERVICES PROJECT (WAN) • NEW TAX CREDITS • PENSION FORECASTING SYSTEM • PRIME (PRIVATE SECTOR RESOURCE INITIATIVE FOR MANAGEMENT OF THE ESTATE) CONTRACT EXPANSION • SUSSEX POLICE CENTRALISED CUSTODY SUITES • CHESHIRE POLICE FORCE HEADQUARTERS • HEAT/ENERGY – TRANCE 2 • HMP BRONZEFIELD – ASHFORD • HMP PETERBOROUGH • HOME OFFICE CENTRAL LONDON ACCOMMODATION STRATEGY • IT 2000 (SIRIUS) • NORTH WALES POLICE CENTRAL DIVISIONAL HEADQUARTERS • NOTTINGHAMSHIRE POLICE TRAFFIC WING & VEHICLES SERVICES • GREATER MANCHESTER DIVISIONAL/SUB DIVISIONAL HQ & POLICE STATIONS - PROPERTY REVIEW • STC COOKHAM WOOD (MEDWAY) EXPANSION • STC MILTON KEYNES • STC ONLEY EXPANSION • WILTSHIRE POLICE DIVISIONAL HEADQUARTERS • WORKINGTON POLICE STATION • STRATEGIC TRANSFER OF THE ESTATE TO THE PRIVATE SECTOR (STEPS) • ASTUTE CLASS TRAINING SERVICE (ACTS) • BRISTOL, BATH & PORTSMOUTH FAMILY QUARTERS • COLCHESTER GARRISON • INMARSAT – COMMERCIAL SATELLITE COMMUNICATION SERVICE • DEFENCE ANIMAL CENTRE (DAC) • DEFENCE ELECTRONIC COMMERCE SERVICE (DECS) • DEFENCE HOUSING EXECUTIVE – INFORMATION SYSTEMS (DOMIS) • DEFENCE SIXTH FORM COLLEGE (DSFC) • FIELD ELECTRICAL POWER SUPPLIES (FEPS) • HAYES PFI PROJECT – RECORDS STORAGE & MANAGEMENT • HEAVY EQUIPMENT TRANSPORTER (HET) • LYNX MK 7/9 AIRCREW SERVICES (LATS) • MARINE SUPPORT TO RANGE & AIRCREW SERVICES • MATERIAL HANDLING EQUIPMENT (MHE) • MOD-WIDE WATER & WASTE WATER PROJECT (AQUATRINE) • ROYAL NAVY – VLF FLEET COMMUNICATIONS SERVICE • RAF SENTRY E3D AIRCREW • SKYNET 5 • STRATEGIC SEALIFT (RO-RO FERRIES) • TRI SERVICE WHITE FLEET • WATTISHAM MARRIED QUARTERS • BELFAST INSTITUTE OF FURTHER & HIGHER EDUCATION TEACHING ACCOMMODATION & NEW CAMPUS • CLASSROOM 2000 IT – MEDIUM TO LARGE PRIMARY SCHOOLS • CLASSROOM 2000 IT – SMALL PRIMARY SCHOOLS • CAUSEWAY HOSPITAL – CLINIC MONITORING SYSTEM • DEPARTMENT OF EDUCATION & LEARNING CIS (IT PROJECT) • TYRONE COLLEGES PRIVATE FINANCE INITIATIVE (PFI) PROJECT – DUNGANNON • ELECTRONIC LIBRARIES OF

**PROMOTING
PROGRAMMES >>**

18 Partnerships for Schools

Rebuilding or renewing every secondary school in England

Six out of seven schools in England were built more than 25 years ago – most are approaching or have passed their original design lives.

At the end of the 20th century, many thousands of children were being taught in unsuitable schools or in temporary classrooms that had been used for years. Some schools were unsafe, either in terms of their structure or their security. Overheads were excessive because of the use of old boilers and heating systems, and inefficient lighting and insulation.

Yet total investment was completely inadequate to meet the needs of a fast-declining school estate.

NEW MODEL FOR DELIVERY

Building Schools for the Future (BSF) is the programme of investment that will ensure that all secondary schools in the country are brought up to 21st century standards, with high-quality design and integrated investment in IT, as part of the Government's commitment to improving performance in secondary education.

PUK worked closely with the Department for Education and Skills (DfES) to create BSF and to form Partnerships for Schools (PFS) as the delivery vehicle for BSF.

PUK took initial leadership of PFS, providing and recruiting interim staff to establish the programme and organisation. PFS carried out an extensive modelling exercise of how a comprehensive national programme of local investment would be delivered – a programme which it is now rolling out. PFS also devised the model for Local Education Partnerships to invest sustainably in local areas across the country. Extensive consultation with the market on the innovative approach was conducted, successfully creating major market interest, to the extent that over 20 consortia are actively involved in bidding for contracts.



Together with other school investment, Building Schools for the Future has raised capital spending from £90 to £680 per pupil per year

PFS has overall responsibility for the investment programme, supporting local authorities to define their needs, based upon a vision for transforming educational performance, and then actively managing the process of turning local plans into contracts. The standardisation of procurement and contracts has been taken further than in any other government programme and, combined with the long-term area-wide investment, ensures that PFS will achieve the best long-term value for money outcomes from the programme.

PFS remains jointly controlled and funded by PUK and DfES under a joint venture agreement, with PUK providing strategic guidance and support as a key part of the governance arrangements.

ACHIEVING RESULTS

BSF will rebuild or renew every secondary school in England, through a 15-year phased programme of area-wide investment, supported by an average of £2.2 billion per year of Government funding. By the end of the programme, all English secondary schools will meet 21st century learning standards – contributing to the overall objective of improved educational outcomes.

progress

Placing schools
at the heart of
their local
communities

EAST LANCASHIRE

The first wave of Lancashire's BSF programme will transform the school built estate in East Lancashire and the quality of education. In place of 11 ageing schools, new education and community facilities to be built over four years include seven community schools, a special needs school, another primary school, a voluntary-aided school, a sixth form centre, a child day care centre, a library and a multi-faith worship centre. The building programme supports school reorganisation in East Lancashire that responds to major economic and social change, placing schools at the heart of their local communities.





**PUK's involvement
in establishing Partnerships
for Schools and the BSF
programme has been **vital**.
It continues to provide
valuable support to
the **delivery** of this
transformational investment
programme for schools**



MICHAEL GRABINER, CHAIR, PARTNERSHIPS FOR SCHOOLS

20 Partnerships for Health

Creating a new generation of GP surgeries

The Government's objective of delivering £1billion of investment into primary care looked ambitious when it was announced in 2000. It was achieved by Partnerships for Health (PfH) in just three and a half years.

Primary care suffered for years from under-investment – though it handles nine out of ten NHS patient contacts. Most surgeries were in adapted buildings, needing redevelopment or replacement. About 80% were too small, most could not deliver modern healthcare and many breached the Disability Discrimination Act.

There was no structure for private investment in GP surgeries – 84% were owned by the GPs. Most GPs could not afford the redevelopment needed, a key factor in the lack of GPs in the deprived areas with the worst health problems. With many GPs nearing retirement, things were set to get worse.

BETTER, FASTER, STRONGER

PUK and the Department of Health set up PfH to create the solution. PUK provided the initial chief executive, staff and the project direction. Half of PfH's investment equity in Local Improvement Finance Trust (LIFT) schemes was provided by PUK.

PfH took an innovative approach, recognising the challenge of implementing a large number of small schemes. Individual contracts were batched and used standardised terms – the first time these techniques were used for PPPs.

Contract batching achieved economies of scale and a coherent strategy. Batching also attracted larger construction firms into the market, creating the capacity to meet the investment objective.

LIFT companies were set-up as joint ventures between local health bodies led by the Primary Care Trust, PfH and a private sector partner, which held the majority of shares. These established investment priorities in each area.



DELIVERY

PfH has generated 42 LIFT schemes, each providing new facilities, with most LIFT companies already having commissioned two or more new health centres, with a pipeline of further investment to follow. GPs now work in modern environments, helping retain and recruit GPs in areas of shortage. Most LIFT schemes involve co-location of primary and community care services, improving cross-discipline co-operation and the care provided to the patient.

The Westbourne Green Community Health Centre – or 'community hub' – was commissioned by Bradford & Airedale LIFT to replace an outmoded 18-bed Victorian community hospital in central Bradford. The centre hosts outpatient clinics, a minor surgery treatment centre, a pharmacy, midwives' and medical training facilities, as well as four GP practices. LIFT cleared the debts and leases of the GPs, enabling them to move out of converted houses and the project to go ahead.

creating change

“ Partnerships for Health has created the capacity and therefore the skills needed for the development of GP surgeries. We knew there was a massive under-investment in GP surgeries – with something like 70% needing further development. What was not out there was the capacity to meet this need. That has now dramatically changed through Partnerships for Health. ”

DR SAM EVERINGTON, GENERAL PRACTITIONER
AND DIRECTOR OF PARTNERSHIPS FOR HEALTH



22 Northern Ireland

Strategic Investment Board

In May 2002, the Prime Minister and the Chancellor of the Exchequer announced release of new funding to underpin the Government's continued commitment to increasing investment in Northern Ireland. This funding focused on the development of key infrastructure projects in schools, hospitals, water, wastewater treatment and transport.

The projects identified for support were seen as major steps forward for the provision of a first-class infrastructure for Northern Ireland in the 21st century. Additionally, a new, innovative and dynamic investment body would be established to help deliver this new investment programme. It would play a key role in helping to manage and finance the programme and would also seek to help lever private finance and delivery to meet Northern Ireland's needs – the Strategic Investment Board (SIB).

PUK – PROVIDING SUPPORT AND EXPERTISE

PUK was asked to advise the First Minister and Deputy First Minister on what structures and programmes were needed to take best advantage of this opportunity and, in 2003, the SIB was set up. Once the SIB was established, PUK wound down its own direct support activities for Northern Ireland public bodies. All the support it now gives to Northern Ireland projects is through the SIB. PUK provided the interim chief executive, secured key staff and board members, and put in place the framework for the SIB's operations. PUK helped the SIB ensure that the infrastructure of Northern Ireland was planned and delivered in a way that maximised the resources available. The SIB now provides a centre of expertise to bring about positive change in infrastructure investment and improve the quality and speed of project delivery across Northern Ireland.



DELIVERING REAL BENEFITS

In December 2005, in partnership with all 11 Government departments, the SIB launched the Investment Strategy for Northern Ireland. This sets out for the first time a plan for investment over a ten-year horizon, with a potential to deliver projects valued at up to £16 billion. This was complemented by a more detailed plan for over 30 projects with a capital value in excess of £3 billion. These projects range across roads, water, hospitals and primary care, schools and Government accommodation.

PUK continues to maintain a close working relationship with the SIB and Northern Ireland Departments, supporting major initiatives in health and education. PUK sits on the board of the SIB and, with its close institutional links, helps Northern Ireland to learn from PUK's wider experience and develop solutions suitable for the local environment.

Delivering a first class
infrastructure for Northern
Ireland in the 21st century

innovative



SHARED SERVICES PATHFINDER

Working in partnership with the Northern Ireland Civil Service (NICS), PUK and the SIB have made a substantial contribution to the delivery of the eHR programme. It will transform the management and delivery of human resource functions across the NICS by creating a unified system that incorporates the latest developments in HR and supporting technology.

The introduction of shared services across the public sector is part of the Government's modernisation agenda. By improving the efficiency of support activities, eHR will release resources to front line services – a key recommendation of the Gershon Report to HM Treasury in 2004. eHR is, therefore, a pathfinder for similar projects in the UK and elsewhere in Europe.



**When we were trying
to launch a very ambitious
programme of investment
in Northern Ireland's
infrastructure, **PUK** helped
to get things moving
quickly and **created the
impetus for change****



DR ANDREW MCCORMICK, PERMANENT SECRETARY, DHSSPS, NORTHERN IRELAND

24 Scotland

Shared needs – distinctive solutions

Scotland shares the need of the rest of the United Kingdom for major investment in its public sector infrastructure, especially in transport, schools, waste, hospitals and primary healthcare.

But Scotland has a unique political, social and economic environment. It has its own devolved Parliament and administration, the Scottish Executive, with distinct policies on health, social care and education – and on the structure of public sector investment.

The Scottish Executive is keen to lead the way in innovative and distinctive uses of PPPs – often building on the experience of PUK across the UK and beyond.

PUK'S ROLE

Scottish Ministers own 4.4% of the equity in PUK and PUK has a team of permanent staff working in Edinburgh, backed by further professional staff in London. A representative of the Scottish Executive sits on the Advisory Board of PUK.

PUK works closely with various parts of the Scottish Executive, in particular its Financial Partnerships Unit, the Waste and Pollution Reduction Division, the Scottish Executive's Health Department and its transport agency, Transport Scotland, advising on investment programmes. PUK is assisting the Scottish Executive shape a national programme of investment in waste infrastructure, likely to exceed £1 billion, supporting the Scottish Executive's waste delivery team, as well as the Waste Review Group. PUK also directly supports individual project procurements, local authorities and other public bodies across a spectrum of PPP and policy areas.

PUK conducts Key Stage Reviews for the Scottish Executive in the education, health and transport sectors; reviewing projects in procurement. Through this role, PUK has provided assurance on the viability and sustainability of projects – for the benefit of both the public and private sectors – and guided the reshaping of projects.



SUCCESS

The Scottish Executive is implementing a major programme of investment in primary healthcare – informed, through PUK, by the success of LIFT in England. Scotland's hub initiative builds on the LIFT concept but involves greater co-location of health and social care facilities, reflecting Scottish Ministers' policy to prioritise improvements in primary health and social care.

Over £2.2 billion is being invested in transforming Scotland's schools using its PPP programme, with PUK's support. Working closely with the Scottish Executive, PUK led on the development of the groundbreaking Argyll & Bute Schools NPDO Project, featured earlier in this review. PUK has actively supported TIE Ltd - the City of Edinburgh Council's transport procurement company – in the development of the Edinburgh Airport Rail Link and the Edinburgh tram scheme.

PUK has supported and invested in successful spin-out companies from Scottish public bodies. PUK supported the development of the Scottish tourism arm – visitscotland.com – in which PUK Equity invested, and the setting up of Forest Holidays in which Scottish Ministers have an equal interest with other UK Ministers.

ALTERNATIVE ENERGY SOURCE

Ocean Power Delivery

Ocean Power Delivery (OPD) is a world-leading wave conversion technology developed in Scotland. Reduction in carbon emissions is a focus of the Government and the UK is targeting a 12.5% reduction in carbon emissions by 2012. Technologies such as wave and wind energy can help achieve these targets. OPD is building the world's first wave-farm off the coast of Portugal and is planning a second off the coast of Scotland. PUK invested £1 million alongside private capital and public funding from the DTI and the Carbon Trust.



The Scottish Executive is keen
to lead the way in innovative
and distinctive uses of PPPs

success





**The Scottish Executive
and many other public
bodies in Scotland have
benefited greatly from PUK's
advice and involvement in
infrastructure projects
over the last 5 years**



SANDY ROSIE, DIRECTOR, SCOTTISH EXECUTIVE FINANCIAL PARTNERSHIPS UNIT

PUK Equity and PUK Commercialisation support the Government's Wider Markets Initiative and Science and Innovation strategies. These take public sector innovation into commercial markets and promote the more effective use of public sector assets, including by exploiting commercial opportunities and establishing corporate ventures



investing

Equity and Commercial 27

Taking public sector innovation into the market

PUK EQUITY

PUK Equity is the investment arm of PUK. It manages £25 million, allocated by PUK for investment in commercially-driven ventures spun-off from public bodies, or in which the public sector has a strong financial or strategic interest. PUK has invested across a range of businesses, concentrating mostly on scientific and technological research and products.

PUK Equity is a proactive investor, typically investing between £500k and £2 million in each deal.

Investments are made directly into spin-out companies or into funds that support public sector commercialisation projects. In its first five years, PUK's portfolio achieved three exits, returning a net profit.

PUK EQUITY INVESTMENTS

Cascade Technologies

Cascade Technologies has developed and patented a real-time Quantum Cascade Laser (QCL) sensor to detect gases. Applications include explosives detection and monitoring emissions from ships and power stations. The company has a contract with BP Marine and Cascade's product will be used on ships to monitor SOX and NOX emissions. The business is a spin-out from the physics department of Strathclyde University and has received other public sector funding from the Scottish Co-Investment Fund, Scottish Enterprise and the Synergy (University Challenge) fund. PUK invested £750k in July 2006, alongside the public sector sponsors, Scottish 'angel group' Braveheart Ventures and Bank of Scotland.

Acolyte Biomedica Ltd

Acolyte Biomedica provides rapid diagnostic systems for clinical microbiology, focussing particularly on detection of MRSA. Acolyte's BacLite® platform allows microbial detection in hours instead of days, facilitating laboratory workflow, reducing hospital costs and improving management of microbial infections. The technology built in the BacLite® system was originally developed by the Defence Science & Technology Laboratory (DSTL) at Porton Down, part of the UK Ministry of Defence.

PUK originally invested in the spin-out from DSTL in 2002 and has supported the company with a total investment of £2 million. PUK is an active contributor to the board of Acolyte.

PUK COMMERCIALISATION

PUK Commercialisation was established to provide a single source of strategic and transactional support across the public sector as it adopts a more entrepreneurial approach to identifying and exploiting assets. The PUK Commercialisation team provides advice, guidance and best practice support to a wide range of public sector clients.

visitscotland.com

visitscotland.com is the official website of Scotland's national tourist board. PUK was originally engaged by the Scottish Tourist Board (STB) in 2000 to help evolve and deliver a groundbreaking organisation to develop a new portal for Scotland's tourist industry.

visitscotland.com is a partnership between the STB, PUK and IT service providers, Atos and Tiscover. It is responsible for operating the national tourist website and call centre, based in Livingston. In 2005, the website received 10.5 million visits and this figure is expected to grow to 13 million in 2006, making visitscotland.com the pre-eminent national tourist website.



28 Information Technology and Change Group

Supporting Business Transformation

Effective procurement and the subsequent management of Information Technology are amongst the important challenges facing the public sector.

It is important because IT is an enabler for much of the Government's core objectives to transform the way in which the public sector works and modernise the delivery of public services. In addition, the public increasingly interacts with government via technology and this strongly influences citizens' perceptions of public services.

It is challenging because IT requirements usually involve large scale, high-volume projects with complex interfaces in a fast-moving business environment. This means that, whilst general market principles do apply, it is often difficult for the public sector to absorb and take account of specific lessons learned from similar projects and apply these to new procurements.

The technical complexity of Information Technology Change (ITC) projects and their propensity for business requirements to change demands a range of specialist skills. These skills are deployed and managed during procurement in order to keep alignment with the needs of the business and its customers, whilst maintaining Value for Money.



PUK'S EXPERTISE

PUK's ITC Group provides independent advice to support Government procurements and the management of commercial issues that arise post-contract award. PFI contract structures are no longer the preferred procurement route for IT projects. Support provided by PUK covers the full range of PPP alternatives, many of which involve shorter contract periods, more flexible contract structures and tailored governance arrangements.

The PUK team works with departments at a strategic level helping them identify the optimum procurement approach and commercial model for their particular project or programme. PUK's experience of previous major IT projects helps devise solutions that deliver effective, efficient and viable services to the public sector and its customers.

The Group provides advice across the whole life of a project from conception, through procurement, implementation, operation and preparation for re-competition. This extensive IT procurement expertise was a key factor in the Office of Government Commerce selecting PUK to host and support best practice contract models and guidance for IT procurement.



modernising

PUK's ITC Group has supported most of the major Government departments, helping to close major transactions for the Foreign & Commonwealth Office, the Home Office and the Ministry of Defence and has supported the NHS in the procurement of complex, high-value projects. PUK has also provided input at critical stages to many smaller projects and to those already in operation.

The Group provides resources as required, according to the nature of the project and Department needs. Typically this will involve both strategic support to senior public sector decision-makers alongside direct support for individual project teams:

Department of Work and Pensions' Personal Pension Accounts programme - PUK is assisting in the identification and selection of delivery and contracting options.

Department for Transport's National Road Pricing programme - PUK is in consultation with industry, helping the Department define the scope of the procurement.

Home Office's e-Borders programme - PUK has a member of the ITC group occupying a full-time senior procurement management role and a representative on the project board.



**In my experience PUK
provide timely, **high quality,
value for money** advice and
unique insights based on
their wide experience and
supported by relevant
evidence**



VINCENT GEAKE, CHIEF INFORMATION OFFICER, HOME OFFICE

NORTHERN IRELAND • TYRONE COLLEGES PRIVATE FINANCE INITIATIVE (PFI) PROJECT – OMAGH • DVTA – REPLACEMENT OF VEHICLE TEXT EQUIPMENT & RELATED SERVICES • SOCIAL SECURITY AGENCY – WELFARE ADMINISTRATION MODERNATION & REFORM • ST GENEVIEVE'S HIGH SCHOOL • WELLINGTON COLLEGE & BALMORAL HIGH SCHOOL • CAUSEWAY HOSPITAL – X-RAY EQUIPMENT LEASE CONTRACT • A6 PLYMOUTH GROVE/STOCKPORT ROAD ESTATE • CAMBRIDGE COMMUNITY NETWORK • SANDHILL CITY LEARNING CENTRE • ESSEX COUNTY COUNCIL – CLACTON-ON-SEA JOINT SERVICE CENTRE PFI • CASTLE HILL COMMUNITY LEARNING RESOURCE CENTRE • COPELAND OFFICE REGENERATION • REDCAR & CLEVELAND COUNCIL – OFFICE ACCOMMODATION • CROSBY LEISURE CENTRE • LONDON BOROUGH OF CROYDON – DIVISIONAL HQ & TWO FIRE STATIONS • LANCASHIRE FIRE & RESCUE SERVICE – DIVISIONAL HQ & TWO FIRE STATIONS • AVON, SOMERSET & GLOUCESTERSHIRE FIRE AUTHORITIES – FIRE TRAINING FACILITY • NORTH YORKSHIRE FIRE & RESCUE SERVICE – FIRE TRAINING FACILITY & FIRE STATION • LONDON FIRE & CIVIL DEFENCE AUTHORITY – VEHICLES & EQUIPMENT • HEALTH & SAFETY LABORATORY ESTATE RATIONALISATION • BOURNEMOUTH PFI LIBRARY PROJECT • JUBILEE LIBRARY BRIGHTON • MULBERRY SCHOOLS & COMMUNITY SPORTS FACILITIES • NORWICH CONNECT • SALE - NEW CIVIC CENTRE OFFICE ACCOMMODATION • BRIGHTON & HOVE GROUP SCHOOLS PROJECT • ISLINGTON STREET PROPERTIES • TYNE & WEAR – NEW HEADQUARTERS & COMMUNITY FIRE STATION • UTTLESFORD – SPORTS & LEISURE CENTRE PFI • ABERDEENSHIRE SCHOOLS PROJECT PPP1 • ARGYLL & BUTE COUNCIL – WASTE MANAGEMENT • AYRSHIRE & ARRAN ACUTE HOSPITALS NHS TRUST – CROSSHOUSE MATERNITY HOSPITAL • EAST LOTHIAN COUNCIL – SCHOOLS & COMMUNITY FACILITIES PPP • LEVENMOUTH PURIFICATION SCHEME • M77 GLASGOW SOUTHERN ORBITAL DBFO ROADS PROJECT • CITY OF EDINBURGH SCHOOLS PPP1 • FIFE SCHOOLS PPP1 • GLASGOW SCHOOLS – PROJECT 2002 • HIGHLANDS SCHOOLS PPP1 • HIGHLAND PRIMARY CARE NHS TRUST – EASTER ROSS PRIMARY CARE RESOURCE CENTRE • LANARKSHIRE ACUTE HOSPITALS NHS TRUST – STONEHOUSE HOSPITAL • MIDLOTHIAN SCHOOLS 1 – DALKEITH SCHOOLS COMMUNITY CAMPUS • MORAY COAST WASTE WATER PROJECT • CITY OF EDINBURGH COUNCIL - ICT SERVICES • WEST LOTHIAN SCHOOLS PROJECT • MEADOWHEAD (IRVINE), AYR, STEVENSTON & INVERCLYDE SEWAGE TREATMENT PLANT • A92 DUNDEE TO ARBROATH • NHS LOTHIAN – FINDLAY HOUSE • MORRISTON HOSPITAL – CAR PARKING/SECURITY • DENBIGHSHIRE COUNTY COUNCIL – COUNCIL OFFICES • GLAN CLWYD HOSPITAL RENAL & DIABETES UNITY • NEVILLE HALL HOSPITAL ENERGY MANAGEMENT PROJECT • NEWPORT SOUTHERN DISTRIBUTOR ROAD • PEMBROKE DOCK PRIMARY SCHOOL • SIRHOWY ENTERPRISE WAY ROAD SCHEME • UNIVERSITY HOSPITAL OF WALES STERILE SERVICES • YSGOL GYFUN CWM RHYMNI & LEWIS BOYS • CONWY SCHOOLS PROJECT • SOUTH WALES FIRE SERVICE – FIRE TRAINING FACILITY • READING HRA HOUSING • SELBY NON-HRA HOUSING • HAMMERSMITH & FULHAM NON-HRA HOUSING • KENT & MEDWAY – NEW DIVISIONAL POLICE HEADQUARTERS • GLOUCESTERSHIRE POLICE – NEW HEADQUARTERS • BRECKLAND COUNCIL – MAKING CONNECTIONS LEISURE PROJECT • AVON & SOMERSET MAGISTRATES COURTS • WEST SUSSEX COUNTY COUNCIL – RECLAIM WEST SUSSEX: RECYCLING & WASTE HANDLING PROJECT • WARWICKSHIRE COUNTY COUNCIL E-LEARNING COMMUNITY PROJECT – WE LEARN • THE VIRTUAL WORKSPACE E-LEARNING PROJECT • NEWHAM LEA EDUCATION ICT PROJECT – ACHIEVING THROUGH INNOVATION • AVON & WESTERN MENTAL HEALTH FACILITIES REDEVELOPMENT • SALISBURY DISTRICT HOSPITAL REDEVELOPMENT • NORTH KIRKLEES PRIMARY CARE CENTRES • QUEEN MARY' HOSPITAL ROEHAMPTON – REDEVELOPMENT PROJECT • ST GEORGE'S HOSPITAL, MORPETH- REPROVISION OF MENTAL HEALTH SERVICES • STOKE MANDEVILLE HOSPITAL – REDEVELOPMENT PROJECT • ROYAL ALEXANDRA HOSPITAL FOR SICK CHILDREN • UNIVERSITY HOSPITAL LEWISHAM – REDEVELOPMENT • ST JAMES UNIVERSITY HOSPITAL & LEEDS GENERAL INFIRMARY REDEVELOPMENT • ADDENBROOKE'S ELECTIVE CARE, DIABETICS & GENETICS CENTRE • DEVONPORT SUPPORT SERVICES – ARMADA • ELLESMERE PORT & NESTON SCHOOLS PROJECT – COMMUNITY FACILITIES ELEMENT • SCOTTISH CRIMINAL RECORD OFFICE (SCRO) DISCLOSURE SCOTLAND • NHS TAYSIDE – WHITEHILLS HEALTH & COMMUNITY CARE CENTRE • BARKING & DAGENHAM – TWO SCHOOLS PROJECT: JOINT SERVICE CENTRE AT JO RICHARDSON SCHOOL • STOKE-ON-TRENT CITY COUNCIL – BENTILEE DISTRICT CENTRE • CLASSROOM 2000 IT – POST-PRIMARY & SPECIAL SCHOOLS • CLASSROOM 2000 IT – WIDE AREA SERVICES TO ALL GRANT-AIDED SCHOOLS • LISBURN CITY LIBRARY • WARRINGTON BOROUGH COUNCIL – ANSON & BLenheim CLOSE REDEVELOPMENT PROJECT • RHONDDA CYNON TAF SCHOOLS & LIFELONG LEARNING CENTRE •

**SUPPORTING
THE MARKET >>**

32 Operational Taskforce

Success reinforcing success

With over 600 successful PFI and PPP projects up and running, PUK is providing increased support to clients on operational schemes, helping them to get the most from their deals.

The perception of the success of PFI and PPP projects was strongly endorsed by an independent survey conducted for PUK and HM Treasury (HMT). But while public sector clients could see the major benefits being realised, many needed support with challenges that developed as projects moved into new phases, for example with major variations, refinancing and benchmarking.

HMT's Operational Taskforce was set up within PUK in recognition of this need. It delivers benefits across Government and, particularly, for the projects – passing on lessons learnt from other schemes. In doing so, PUK is joining up the public sector and making it a more intelligent client.

A VALUED RESOURCE

The Operational Taskforce provides a range of valuable and valued support. A help desk gives free advice to any project. For example, guidance is given to projects on how to benchmark costs which includes timetabling, advice on the optimum involvement of the private sector and how to respond to proposals for cost increases. There is a mediation service to provide support where public and private sector parties cannot reach agreement. Advice is given to clients on how to manage their responses to changes of circumstances. Support is given to clients on managing their insurance contracts, improving risk management and reducing insurance costs.



LOCAL AUTHORITY SCHOOLS

A local education authority signed a PFI project to replace and renovate its community schools. But, when two schools were designated as academies, it was no longer appropriate for these to continue in the PFI contract. PUK negotiated with the contractor on behalf of the authority to withdraw the schools from the contract leading to savings for the authority in excess of £5 million in today's prices.

INSURANCE

PUK assists new and established projects to cut their insurance costs. It has developed a database to assist the public sector evaluate bids and benchmark insurance premiums. PUK also advises on other ways to reduce insurance costs, including through better risk apportionment. In one London housing scheme, the borough council saved £5 million through PUK's support – a 55% cost reduction.



guidance



**Public Sector
Contract Managers
are happy with the
service performance
in 96% of contracts**

The introduction and regular updating of standard contract forms has been of great value to the private sector. It has given us a known base from which to address contract negotiations while leaving room for contract specific variations. The regular updating of the standard form has also enabled lessons learned to be incorporated thus keeping it contemporary with best practice

NORMAN ROSE, DIRECTOR GENERAL OF THE BUSINESS SERVICES ASSOCIATION



Standardisation 35

Standard terms: lower costs and better value for money

PUK has enhanced the public sector's value for money returns from PPPs through its work for HM Treasury on PFI contract terms and by standardising contracts across sectors. This has been backed up through its support for public bodies across the PFI spectrum in spreading best practice, disseminating information and guidance, assembling statistics from its project database, benchmarking contract conditions and assisting in settling project-specific provisions.

This guidance has reduced contract negotiating time and costs and helped reduce overall procurement timetables. Guidance from PUK has also improved the quality of public sector contracts, clarifying risks associated with PPP projects and optimising risk allocation between the public and private sectors. This, in turn, leads to simpler contract management and smoother contract operations after financial close.

The greater clarity brought to these contracts means that key risk allocation between the public and private sectors is no longer a significant issue. Public bodies are achieving better-quality contracts and the focus of negotiations is now on project-specific issues and improved project delivery.



FREEING-UP CLIENTS AND BIDDERS

The application of best practice reduces procurement timetables, enabling public bodies and bidders to work more productively, consider other projects sooner and contain their fees and costs. Bidders who are unsuccessful are freed up to pursue other bids.

The benefits of standardisation can be dramatically seen in the Partnerships for Health (PfH) projects. PfH achieved the closure of 42 Local Improvement Finance Trust projects over a three and a half year period, thanks to the use of standardised procedures put in place through the involvement of PUK.

Issuing guidance, however, is not enough. PUK has supported public bodies to achieve the full benefits of guidance and consistency of approach by providing personalised advice and support to public bodies on specific applications of standardised terms, helping public sector organisations which may not have the resources in-house to apply and enforce contracts.

36 Helpdesk and Research

Market support

In addition to its work on specific projects, programmes and policy initiatives, PUK provides a range of services that support the PPP market across the board. These are available to all and free at the point of use.

HELPDESK

PUK operates a PPP helpdesk that provides ready access to information and advice to callers from public and private sectors.

Over the 5-year period, the helpdesk has handled over 5,000 inquiries ranging from minor queries and requests for information to more substantive calls for assistance and 'troubleshooting' support. The helpdesk's aim is to provide a quick response and feedback from users indicates that the helpdesk is highly regarded and provides a service that would not otherwise be available.

For the public sector, the helpdesk provides access to PUK's corporate knowledge of policy issues and transactions, together with a network of contacts across all sectors. It is often the first port of call for those considering how to progress a scheme in the concept stage or looking for help on a specific problem.

For the private sector, the helpdesk can often be an 'early warning system' – a mechanism to raise concerns about projects in which they are involved or about the implications of policy and guidance on their businesses. This feedback is often helpful to the development of improvements to procurement practice.

RESEARCH

PUK contributes to and sponsors a number of research activities on PFI and PPP. As well as supporting the National Audit Office on its many reviews of PFI and PPP projects, PUK regularly contributes to private sector research and best practice publications to help inform the market and improve performance.

In 2005, PUK made a significant investment by co-sponsoring with HM Treasury (HMT) a comprehensive review of the operational performance of PFI contracts. Responses to the review demonstrated that projects were mainly performing well and that users were generally satisfied. However, the report also identified some key areas where the public sector felt that more support was required. This led to HMT identifying this need and setting up the Operational Taskforce.

DATABASE

PUK has satisfied a significant market need by investing at its own cost in developing a projects database. This is available free of charge on the PUK website. Through this, PUK has developed what is not only the UK's most comprehensive database of finalised PPP deals – but is probably the most comprehensive database of its kind anywhere in the world. It has over 130 fields of data detailing the values of projects, equity stakes, successful bidders and advisers.

Both public sector clients and private sector contractors gain from the information held by PUK. People can interrogate the project data by either drilling down through an interactive map to give regional summaries or using the advanced search tool to filter the data according to a number of criteria that include Government Department, contracting authority, shareholders, lead advisers, capital value and date of financial close. The database also includes important information on insurance terms which proves invaluable for public sector clients faced with annual or biennial premium reviews. Support for clients in insurance negotiations has been increasingly important, with public bodies often needing help to determine how costs are apportioned between the main parties.

service support

PROJECT REVIEW GROUP

HMT's Project Review Group (PRG) approves all local authority PFI projects in England prior to them being allocated PFI credits and beginning procurement. PUK undertakes the detailed evaluation of all projects requiring PFI Credits on behalf of PRG, ensuring that they are deliverable before they go to the market.

Important changes to projects are often required as a result of the PRG process. Requirements may include local authorities making longer-term funding commitments or for outline planning permission to be obtained before procurement commences.

PRG, and the PUK evaluation that informs it, provides important protection for local authorities, government and the private sector, ensuring that projects are deliverable, affordable on an ongoing basis, with sufficient resources allocated by a local authority and commercially viable for the private sector partner.

CENTRAL MANCHESTER CHILDREN'S HOSPITALS PFI • CALUDON CASTLE SCHOOL PFI PROJECT • DUMFRIES & GALLOWAY INTEGRATED WASTE MANAGEMENT PFI PROJECT • WILLESDEN SPORTS CENTRE • WOLVERHAMPTON CITY COUNCIL – PFI LEISURE SCHEME • DOWNHAM LIFESTYLES • NATIONAL ROADS TELECOMMUNICATIONS SERVICES (NRTS) • DVLA – ESTATES TRANSFORMATION PROJECT • DOCKLANDS LIGHT RAILWAY (DLR) – EXTENSION TO WOOLWICH • LONDON BOROUGH OF EALING – STREET LIGHTING PROJECT • SOUTH TYNESIDE BOROUGH COUNCIL – STREET LIGHTING PROJECT • LAMBETH – STREET LIGHTING PROJECT • HADLEY LEARNING CENTRE & JIGSAW PROJECT PFI • MANCHESTER CITY COUNCIL – WRIGHT ROBINSON SCHOOL • BARNSELY SCHOOLS PFI • SHEFFIELD SCHOOLS - PHASE 3 • BOLDON SCHOOL PFI PROJECT – BOLDON VILLAGE COMMUNITY LEARNING CENTRE • NORTH SWINDON SCHOOLS PFI • LEEDS CITY COUNCIL – COMBINED SECONDARY SCHOOLS PROJECT • WHITECROSS HIGH SCHOOL • CITY OF YORK COUNCIL – FOUR SCHOOLS PROJECT • DERBY – GROUPED SCHOOLS PROJECT • NORTHAMPTONSHIRE GROUP SCHOOLS PROJECT – BROMSGROVE SCHOOLS PFI • GATESHEAD SCHOOLS PFI • ROCHDALE GROUP SCHOOLS PROJECT • SLOUGH GROUP SCHOOLS PROJECT • OLDHAM GROUP SCHOOLS PROJECT PFI • BIRMINGHAM GROUP SCHOOLS • EALING GROUP SCHOOLS PROJECT • KENT GROUP SCHOOLS PFI • KENT GROUP SCHOOLS PFI – LEWISHAM GROUPED SCHOOLS MODERNISATION PROJECT • NORWICH AREA GROUPED SCHOOLS PROJECT • NOTTINGHAMSHIRE 2 – BASSETLAW PHASES 1&2 • PETERBOROUGH SECONDARY SCHOOLS PFI • NOTTINGHAMSHIRE WASTE MANAGEMENT PROJECT • DAVENTRY & SOUTH NORTHANTS PRIMARY CARE TRUST COMMUNITY HOSPITAL • NEWCASTLE UPON TYNE HOSPITALS NHS TRUST • TRANSFORMING THE NEWCASTLE HOSPITALS • CLEVELAND POLICE AUTHORITY – ACTIONS STATIONS PROJECT • LEEDS CITY COUNCIL – SWARCLIFFE SOCIAL HOUSING PROJECT • ABERDEENSHIRE SCHOOLS PROJECT PPP2 • EAST RENFREWSHIRE SCHOOLS PPP2 – BUILDING SCHOOLS FOR THE 21ST CENTURY • RENFREWSHIRE SCHOOLS PPP • SHROPSHIRE COUNTY COUNCIL – QUALITY IN COMMUNITY SERVICES PROJECT • CHESHIRE POLICE – CENTRALISED CUSTODY • NEWHAM – CANNING TOWN HOUSING REGENERATION PROJECT • NORTH LANARKSHIRE COUNCIL – EDUCATION 2010 • NORTH AYRSHIRE – PARTNERSHIPS FOR SCHOOLS • GREATER GLASGOW HEALTH BOARD – STOBHILL PSYCHIATRIC UNIT • NORTHGATE & PRUDHOE NHS TRUST – WALKERGATE PARK FOR NEUROREHABILITATION & NEUROPSYCHIATRY • GREATER GLASGOW NHS BOARD – PHASE 1: STOBHILL & VICTORIA AMBULATORY CARE & DIAGNOSTIC HOSPITALS • EALING CARE HOMES • MIDLOTHIAN PRIMARY SCHOOLS – PPP2 PROJECT • ARGYLL & BUTE SCHOOLS NPDO – CHOICES FOR COMMUNITIES • NORTHERN IRELAND WATER SERVICES PPP – PROJECT ALPHA • SHEFFIELD TEACHING HOSPITALS - NEW HADFIELD WING AT NORTHERN GENERAL HOSPITAL • NEW FOREST PRIMARY CARE TRUST – LYMINGTON NEW FOREST HOSPITAL • EAST AYRSHIRE COUNCIL – BUILDING LEARNING COMMUNITIES SCHOOLS PPP PROJECT • SHERWOOD FOREST HOSPITALS NHS TRUST – MODERNISATION OF ACUTE SERVICES IN CENTRAL NOTTINGHAMSHIRE • HIGHLAND COUNCIL SCHOOLS PPP2 PROJECT • PORTSMOUTH HOUSING 2 • C VEHICLES • ALTNAGELVIN HOSPITAL LABS & PHARMACY CENTRE • PORTSMOUTH HOSPITALS NHS TRUST – CHURCHILL HOSPITAL PFI PROJECT • OXFORD RADCLIFFE HOSPITALS NHS TRUST – CHURCHILL HOSPITAL PFI PROJECT • NHS GREATER GLASGOW • GARTNAVEL ROYAL HOSPITAL • LEEDS STREET LIGHTING PFI PROJECT • HULL & EAST YORKSHIRE HOSPITALS NHS TRUST • CASTLE HILL HOSPITAL - ONCOLOGY & HAEMATOLOGY DEVELOPMENT • ROYAL GROUP OF HOSPITALS HSS TRUST – MANAGED EQUIPMENT SERVICE (MES)/ATICS • INVEST NORTHERN IRELAND – HEADQUARTERS ACCOMMODATION PROJECT • IPSWICH HOSPITAL NHS TRUST – GARRETT ANDERSON TREATMENT & CRITICAL CARE CENTRE • LONDON BOROUGH OF LAMBETH – CONNECTED LEARNING PROJECT • KINGSTON HOSPITAL NHS TRUST - REDEVELOPMENT • NOTTINGHAMSHIRE HEALTHCARE NHS TRUST – ELDERLY & MENTAL HEALTH UNITS • GWENT HEALTHCARE NHS TRUST – MONNOW COURT • ALLENBY/CONNAUGHT • SANDWELL METROPOLITAN BOROUGH COUNCIL – HAWTHORN FIELDS HOUSING REVENUE ACCOUNT PATHFINDER PROJECT • UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST – BIRMINGHAM NEW HOSPITALS PROJECT • ST HELENS & KNOWSLEY HOSPITALS TRUST – ST HELENS & WHISTON HOSPITALS STRATEGIC REDEVELOPMENT PROJECT • BARTS & LONDON NHS TRUST – REDEVELOPMENT OF THE ROYAL HOSPITAL OF ST BARTHOLOMEW & THE ROYAL LONDON HOSPITAL • LONDON BOROUGH OF BARNET – PFI STREET LIGHTING IMPROVEMENTS • LONDON BOROUGH OF ENFIELD - PFI STREET LIGHTING IMPROVEMENTS • STIRLING COUNCIL – SCHOOLS PPP PROJECT • SOLIHULL METROPOLITAN BOROUGH COUNCIL – LEISURE OPTIONS PROJECT • LONDON BOROUGH OF CAMDEN – CHALCOTS ESTATE SOCIAL HOUSING PFI • SOUTH LANARKSHIRE COUNCIL –

THE FUTURE>>

40 The Future

Over the next five years, PUK will need to adapt and diversify to meet the challenges of an evolving policy environment – continuing to combine a public sector mission with a private sector operating ethos.

The future project pipeline is healthy and our focus on the development and procurement phases will remain, with PUK retaining its role as a centre of excellence for the delivery of PPP projects – building on its accumulated knowledge and experience and developing new ways to improve the process. Delivering the required investments in the Government's priority areas will continue and we envisage a significant growth in activity in waste, asset management and estate rationalisation.

We are already seeing diversification in the scope of PUK's activities.

In March 2006, HM Treasury set up the Operational Taskforce in PUK. This is only the start of a major initiative to improve the quality of contract management. Part of the challenge is to get both the public and the private sectors to invest more time and resource in proactively managing the contracts to accommodate the inevitable changes that will take place over time.

Procurement methods are also evolving. Historically, there has often been a stark choice between conventional and PFI procurement. However, we are now seeing different procurement structures emerge in the space between. The skills and experience that PUK has developed in the PFI market are equally applicable across the whole procurement spectrum. This has already been clearly demonstrated in the IT market and on projects like the Olympics. In the future, PUK will look to expand its project activities into wider procurement.

One of PUK's strengths has been the ability to transform the delivery of infrastructure programmes by contributing skill and expertise alongside the investment of risk capital. The success of Partnerships for Health and the LIFT programme is clear evidence of this strategy working in practice. In the future, we will use our balance sheet to support new government initiatives and look to transform the way that they are delivered.

PUK is following closely the development of new markets for the delivery of public services – in many cases, non-infrastructure related services. The announcement relating to community health services in the recent health White Paper is an example of this. Many of the skills that PUK has developed in the PPP programme are applicable to these new initiatives – creating new, efficient supply markets, commercialising public sector assets and businesses, and standardising processes.

PUK's core role is to support the implementation of Government policy. Over the next five years, new policy initiatives will emerge. PUK, with its established team of high-quality professionals, is well set to respond to this challenge and introduce a step change in delivery.



delivery
expertise
value
partnerships



**The skills and
experience PUK
has developed are
equally applicable
and needed across
the whole
procurement
spectrum**



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