The principle of introducing private capital and expertise into the provision of public infrastructure and services has a long history. The Treasury has recently published Public Private Partnerships: the Government's Approach which highlights the significant contribution that public and private sectors have together made in delivering modern public services.

The Government is committed to delivering improvements in public services and infrastructure. In the Treasury's new document, Andrew Smith, Chief Secretary to the Treasury, reaffirmed the importance of PPPs and the PFI in the Government's modernisation agenda as "enabling the public sector to benefit from commercial dynamism, innovation and efficiencies" and helping the Government to "deliver the quality public services this country deserves".

The Treasury has also published an introduction to the Private Finance Initiative titled Partnerships for Prosperity, copies of which are available from the Treasury Public Enquiry Unit, Treasury Chambers, Parliament Street, London SW1P 3AG.

On 8 May 1997, the Paymaster General appointed Sir Malcolm Bates, Chairman of Pearl Group, to undertake a rapid review of how the PFI was working. The review made clear recommendations for removing the barriers hindering the PFI process, including measures for the need to simplify and clarify public sector structures and responsibilities as well as the importance of keeping down the costs of tendering for PFI contracts.

A new Treasury Taskforce was set up to co-ordinate both policy and central input on projects. This involved private sector secondees, led by Adrian Montague of bankers Dresdner Kleinwort Benson, providing expert advice to a range of public projects. A full list of guidance notes, published by the Treasury Taskforce (including a Step by Step Guide to the PFI Procurement Process) is provided elsewhere in this Guidance.

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On 12 November 1998, the Paymaster General announced a second review of the PFI by Sir Malcolm Bates to consider the need for any further changes to the PFI process. This review was carried out in tandem with Peter Gershon's review of central government civil procurement. The Government accepted the findings and far-reaching recommendations of both reviews on 22 July 1999.

Two new organisations were created as a result of the Bates and Gershon reports. The main theme of Bates' second review was the need to consolidate and strengthen central co-ordination in PFI procurement, identifying a need for greater standardisation of contractual terms and improvements to the skills base within government.

In achieving these aims, Bates recommended the transfer of the work carried out by the Treasury Taskforce projects team, such as advice and assistance to help develop PFI projects, to a new body in the private sector with a significant public sector stake - Partnerships UK (PUK). PUK was launched in June 2000 with a significant public and private sector capital base which will enable it to provide more than just advice to, for instance, innovative or small projects.

Gershon's review concentrated on the need to establish an integrated and strategic framework for the PFI procurement process. He also stressed the need for a framework which would obtain cost savings and would establish best practice in the procurement of all government projects.

Gershon therefore recommended the creation of a new Office of Government Commerce (OGC), which came into being on 3 April 2000. The OGC has grouped together a number of procuring agencies (CCTA, PACE and TBA) with those parts of central government responsible for procurement policy, including the Treasury Taskforce's policy team. The OGC will maximise the Government's buying power in civil procurements and bring together professional expertise in a more co-ordinated way to assist major capital projects.

Introduction to Local Government PFI

To enable local authorities to make maximum use of the opportunities offered by partnerships with the private sector, a succession of measures have been introduced including a framework to allow the development of Private Finance Initiative projects for virtually the full range of local services. A variety of partnership approaches are therefore available to local Authorities. To overcome uncertainties about powers of local authorities to enter into PFI-style contracts, the capital investment in a project will not score against an authority's capital spending limits, given that a sufficient transfer of risk to the private sector will happen. Moreover, projects may also be eligible for additional revenue support from central government.

Breakdown of PFI Funding by Sponsoring Department and Financial Years

Sponsoring
<table>
<thead>
<tr>
<th>Year</th>
<th>Department</th>
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<tbody>
<tr>
<td>1997/1998</td>
<td>(m)</td>
</tr>
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<td>1998/1999</td>
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<td>2001/2002</td>
<td>(m)</td>
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<tr>
<td>2002/2003</td>
<td>(m)</td>
</tr>
<tr>
<td>2003/2004</td>
<td>(m)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(m)</strong></td>
</tr>
</tbody>
</table>

Department

(m)

(m)

(m)

(m)
2,431
DfEE
22
130
350
350
450
350
450
550
650
2,502
Home Office
41
80
Cross-Agency
Central Government support worth £2.7 billion has already been allocated since 1997/1998 for local authority PFI schemes.

In order to receive revenue support for a PFI project, local authorities must satisfy broad general criteria, as well as specific criteria relating to generic types of projects, when considering submitting a proposal to a sponsoring government department. These criteria were set out in the Local government and the Private Finance Initiative - An Explanatory Note on PFI and Public Private Partnerships in Local Government (September 1998). A copy of this publication is available from: http://www.local-regions.detr.gov.uk/pfi/index.htm

This publication has since been revised in letters from the Department of the Environment, Transport and the Regions to local authority chief executives:

Detailed Criteria for Housing Projects (December 1998)
Recent Changes to Capital Finance Regulations (December 1999)
Revised Criteria for PFI Suitability in Local Authority Transport Plans(April 2000).

Copies of these letters can be downloaded from: http://www.local-regions.detr.gov.uk/pfi/index.htm

Working with the Treasury, other departments and the Public Private Partnerships Programme (4Ps), DETR has clarified and streamlined the process by which authorities can apply to the Government for additional revenue support to support PFI projects. A sponsoring department, subject to available resources, will present projects, meeting specified criteria, to the interdepartmental Project Review Group (PRG). Projects endorsed by the PRG are then eligible for revenue support. However, if circumstances change, a project may have to be reappraised.

Endorsement provides an assurance to the private sector that the project has been "road tested" - it is commercially viable - and provides the local authority with an assurance that government support will be forthcoming - the project is affordable. Central government support (PFI credits) in the financial year 2000/01 is expected to be over £80 million.
Spending Review 2000: Estimated Share of PFI Credits for all Departments over the following years

2001/2002

2002/2003

2003/2004

total

Department for Education and Employment

£450 million

£550 million

£650 million

£1,650 million

Department of the Environment, Transport and the Regions Housing

£160 million
£300 million

£300 million

£760 million

Transport

£77 million

£145 million

£442 million

Waste

£50 million

£70 million

£100 million

£220 million
Other

£332 million

£50 million

£65 million

£160 million

TOTAL

£332 million

£565 million

£685 million

£1,582 million
Home Office

£100 million

£125 million

£125 million

£125 million

£350 million

Lord Chancellor's Department

£70 million

£70 million

£70 million

£70 million

£210 million
Department of Health

£40 million

£40 million

£40 million

£40 million

£120 million

Department of Culture, Media and Sport

£30 million

£30 million

£30 million

£30 million

£90 million

Cross-Agency Schemes

£30 million
At April 2000, a total of 126 local government projects had been endorsed by a PRG, 38 of which had reached contract signature.

The latest projects that Government has endorsed include social services, schools, waste management schemes, and the remaining housing pathfinder projects. The projects whose assets are fully operational and bringing benefits to local communities include housing renewal projects, 3 schools and several residential homes that have also been built as a Public Private Partnership scheme.

Further Information about Local Government PFI

Local Government and the Private Finance Initiative - An Explanatory Note on PFI and Public Private Partnerships in Local Government is also available from:
Projects endorsed by the Interdepartmental Project Review Group

On 12 April 2000, DETR published the latest list of local authority PFI projects endorsed by the PRG. A total of 126 local authority PFI projects are in line to receive revenue support from central government to provide local communities with a better quality of life in an effective way. The next list of projects to be agreed by the PRG was expected to be released in August 2000.

Public Private Partnerships

Public Private Partnerships lie at the heart of the Government's modernisation programme to deliver the public services that we all have the right to expect. They represent a powerful new approach to the roles of the public and private sectors and a departure from the policies of the past.
Public Private Partnerships are a key element in the Government's strategy for delivering modern, high-quality public services and promoting the UK's competitiveness. They cover a range of business structures and partnership arrangements, from the Private Finance Initiative to the sale of equity takes in state-owned businesses. By drawing on the best of the private and public sectors, PPPs are bringing new investment and better management into Britain's public services, and are helping state-owned businesses achieve their full potential.

HM Treasury's approach is to find ways of harnessing the commercial drive and skill of the private sector to modernise and enhance a range of activities previously provided by the public sector alone. Underpinning every partnership we design are clear principles and themes - as we learn from the privatisation programme and the Private Finance Initiative of the past to deliver PPPs that meet the needs of customers and the public as a whole, recognise the contribution of staff, and provide value for money for the taxpayer. We are using PPPs to help state-owned businesses achieve their full potential, and we are determined to see it through, to deliver the modern, quality services this country deserves.

Update on Public Enterprises December 2000

PPPs in general
Public Private Partnerships, bringing public and private sectors together in Long-term partnership for mutual benefit, are one element in the Government's strategy for delivering high and stable levels of growth. By bringing in private sector management, finance and ownership, PPPs will help to improve the efficiency and quality of public services and deliver the best return for the economy as a whole from assets and enterprises currently in the public sector.

The Government develops Public Private Partnerships with 3 broad objectives in mind:

1) to deliver significantly improved public services, by contributing to increases in the quality and quantity of investment;

2) to release the full potential of public sector assets, including state-owned businesses, and hence provide value for the taxpayer and wider benefits for the economy; and

3) to allow stakeholders to receive a fair share of the benefits of the PPP. This includes customers and users of the service being provided, the taxpayer and employees at every level of the organisation.

Specific Plans for Public Enterprises
The Government is taking forward PPPs for many of the remaining commercial organisations in the public sector. Specific plans have been announced for the following businesses:
BNFL
Aim: To introduce private sector capital market disciplines into the management of BNFL and its liabilities.

London Underground (LUL)
Aim: To use private sector skills and finance to modernise and maintain the tube infrastructure.

Post Office
Aim: To provide a framework for modernisation of the Post Office with greater commercial and financial freedoms, so as to enable the Post Office to develop its business and meet the challenges and opportunities of the changing postal market both domestically and internationally. And through the promotion of competition by the new postal regulator deliver a better deal for consumers in terms of lower prices and better quality postal services.

CDC Group plc (formerly Commonwealth Development Corporation)
Aim: To provide an alternative source of capital for CDC to enable it to continue to invest in the world's poorest countries.

British Waterways (BW)
Aim: To unlock the potential contained in BW's asset base.

Defence Evaluation and Research Agency (DERA)
Aim: To strengthen DERA's ability to continue to provide world-class scientific advice, taking full advantage of developing new business and attracting investment, while at the same time preserving essential defence interests and valuable collaborative arrangements.

Royal Mint
Aim: To modernise the Mint and give it more commercial freedom.

Tote
Aim: To place the Tote on a more commercial footing.

What is Partnerships UK?

Introduction

The need for Partnerships UK
Partnerships between the public and private sectors are a cornerstone of the Government's modernisation programme. By drawing on the best of both public and private sectors, Public Private Partnerships can help the public sector to deliver modern, high-quality public services.

But PPPs bring with them new challenges that require specialist skills and expertise. Partnerships UK has been formed to help the public sector meet these challenges. Its mission is to work with the public sector to make PPPs better, stronger and faster.

Building on the success of the Treasury Taskforce
By bringing specialist skills and experience to the public sector, the Treasury Taskforce has been instrumental in making PPPs a success. Partnerships UK builds on the success of the Treasury Taskforce.

Like the Treasury Taskforce, Partnerships UK will combine private sector expertise with a strong public sector mission, placing it in a unique position to bridge the gap between the public and private sectors. It will play a pivotal role in the development of PPPs in the UK and will support their growth overseas.

But Partnerships UK will have greater resources, more staff, new and innovative products and access to private sector capital. This additional strength will mean it can make a real difference to public bodies developing PPPs.

Public bodies which previously would have used the Treasury Taskforce will now enter into a development partnership agreement with Partnerships UK. Any existing work undertaken by the Treasury Taskforce will be completed by Partnerships UK on the same basis, with the same level of service as before.

Partnerships UK will be a PPP itself
Partnerships UK will be a Public Private Partnership: a joint venture with the public sector owning a minority interest and the private sector owning a majority.

The governance structure has been designed to balance private sector disciplines with Partnerships UK's public sector mission. A majority of board members will come from the private sector and the public sector will be represented by 2 non-executive directors appointed by HM Treasury. The wider public interest will be represented through an Advisory Council made up of the principal public sector stakeholders.

Partnerships UK will maintain very close links with Government. As the successor to the Taskforce, it will continue to assist the Treasury, government departments and the Office of Government Commerce. It will work with the Government in the development of PPP policy and contract standardisation, will help with project evaluation and implementation, and will support PPPs in difficulty. It will also continue to work closely with 4Ps on local authority projects. Partnerships UK's financial targets will be set to fulfil its public sector mission while permitting a fair return on capital.

How Partnerships UK can help
Partnerships UK is not an adviser. It will act as a PPP developer, working in partnership with public bodies.

Partnerships UK has been set up to help the public sector deliver:

- fast and efficient development and procurement of PPPs;
- strong PPPs that build stable relationships with the private sector;
- savings in development costs; and better value for money.
It will do this by standing shoulder to shoulder with public bodies throughout the development, procurement and negotiation of a PPP.

The interests of Partnerships UK will be aligned with those of the public body. Partnerships UK's return will be linked to the success of the PPP and both partnerships UK and the public body will share in the costs of development and procurement.

If a development or procurement fails, Partnerships UK will lose some or all of its money. If it is a success, Partnerships UK and the public body will share in the benefits.

Partnerships UK will also provide finance for PPPs where this will achieve better value for the public sector. For instance, it can provide development and bridging finance or other forms of capital or support where these are not readily available from established financial markets.

Partnerships UK will also work with public bodies to identify and structure new opportunities for co-operation with the private sector. And it will stand ready to assist public bodies in the crucial early stages of PPPs to help shape projects in a way that will deliver best value from the private sector.

Guidance

General

http://www.hm-treasury.gov.uk/docs/2000/ppp.html

http://www.treasury-projects-taskforce.gov.uk/series_other/compframe/compframe

Value for Money Drivers in the Private Finance Initiative - A Report by Arthur Andersen and Enterprise LSE (January 2000)
http://www.treasury-projects-taskforce.gov.uk/series_1/andersen/7tech_contents.html

Step-by-Step Guide to the PFI Procurement Process (Revised November 1999)
http://www.treasury-projects-taskforce.gov.uk/series_1/step/step0.htm

Standardisation of PFI Contracts (July 1999)
ISBN: 0 406 92881 9;
Product Code SPFIMW - single-user licence £195 + VAT;
Private Sector - Tel:(020) 7400 2682;
Public Sector - Tel: (020) 7270 5447

HM Treasury Guidance: Staff Transfers from Central Government - A Fair Deal for Pensions (June 1999)
http://www.hm-treasury.gov.uk/docs/1999/gaddocmain.html
Projects Signed Since 1 May 1997 (January 1999)
http://www.treasury-projects-taskforce.gov.uk/series_other/deal/deal_01.htm

Colfox School, Dorset - A Case Study on the First DBFO School Project (March 1998) Treasury
Taskforce/Department for Education & Employment/4Ps
http://www.treasury-projects-taskforce.gov.uk/studies/1case0.htm


Private Finance and IS/IT:
Case Study - TAFMIS and After (March 1998)
Treasury Taskforce/CITU/Ministry of Defence

Partnerships for Prosperity - The Private Finance Initiative (November 1997)
http://www.treasury-projects-taskforce.gov.uk/series_1/contents.htm

Further Contractual Issues (January 1997)
http://www.treasury-projects-taskforce.gov.uk/series_other/fci/fci0.htm

Basic Contractual Terms (October 1996)
http://www.treasury-projects.taskforce.gov.uk/series_other/basic/basic0.htm

Writing an Output Specification (October 1996)
http://www.treasury-projects-taskforce.gov.uk/series_other/writing/writing0.htm

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http://www.treasury-projects-taskforce.gov.uk/series_other/equity/equity0.htm

http://www.treasury-projects-taskforce.gov.uk/series_other/pfi/pfi0.htm

Policy Statements and Technical Notes

Policy Statement No. 5 - Provision of Information to Parliament
http://www.treasury-projects-taskforce.gov.uk/series_2/doct_05/doct5_contents.htm

Policy Statement No. 4 - Disclosure of Information and Consultation with Staff and Other Interested Parties (October 1998)

Policy Statement No. 3 - PFI and Public Expenditure Allocations for Non-Departmental Public Bodies (August 1998)
Policy Statement No. 2 - Public Sector Comparators and Value for Money (March 1998)

Policy Statement No. 1 - PFI and Public Expenditure Allocations (October 1997)

Technical Note No. 7 - How to Achieve Design Quality in Long-Term PFI Contracts
http://www.treasury-projects-taskforce.gov.uk/series_3/technote7a/7atech_01.htm

Technical Note No. 6 - How to Manage the Delivery of a Long-Term PFI Contract

Technical Note No. 5 - How to Construct a Public Sector Comparator

Technical Note No. 4 - How to Appoint and Work with a Preferred Bidder (July 1999)

Technical Note No. 3 - How to Appoint and Manage Advisers to PFI Projects (August 1998)

Technical Note No. 2 - How to Follow EC Procurement Procedure and Advertise in the OJEC (June 1998)

Technical Note No. 1 - How to Account for PFI Transactions (September 1997)

HM Treasury's Public Enquiry Unit
HM Treasury,
Parliament Street,
London SW1P 3AG.
Tel: 020 7270 4558/4860/4870.
Treasury's homepage: http://www.hm-treasury.gov.uk.
Treasury Taskforce homepage: http://www.treasury-projects-taskforce.gov.uk/

Education and Employment
Guidance and publications regarding education and employment can be obtained from the Department for Education and Employment at their website:
http://www.dfee.gov.uk/pppfi/ or from

The Department of Education and Employment Publications Centre,
PO Box 5050,
Sudbury,
Suffolk
CO10 6ZQ.
Tel: (0845) 6022260.
Fax: (0845) 6033360.

Other IT
http://www.citu.gov.uk/itprojectsreview/index.htm

National Audit Office Report - The Contributions Agency:
The Contract to Develop and Operate the Replacement National Insurance Recording System (NIRS2) - HC 12 Session 1997-98 (May 1997)
ISBN 0 10260798 2 - £8.15,

The Stationery Office,
PO Box 29,
Notwich
NR3 1GN,
Tel: (0870) 600 5522
Fax: (0870) 600 5533

PFI and IS/IT Case Study:
The IND Caseworking Programme (October 1996),
Central IT Unit, CCTA & Home Office
http://www.citu.gov.uk/itprojectsreview.htm

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OSIRIS (September 1996) Central IT Unit,
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The PFI and Government IS/IT:
Report on the NIRS2 Project (September 1995) CCTA

Local Government Guidance
Best Value and Procurement:
Handling Workforce Matters in Contracting:
Consultation Paper on Draft Guidance (April 2000)
Code: 0LG0049

Guidance on Best Value for Towns and Parish Councils (February 2000)
Code: 99LG0841

Beacon Council Scheme: How will it Work? (February 2000)
Code: 98LG0540

Implementing Best Value: A Consultation Paper on Draft Guidance (October 1999)
Code: 99LG0536

Best Value Performance Indicators for 2000/01:
A Joint Consultation Document on Best Value and Local Authority Performance
Indicators for 2000/01 (September 1999)
Code: 99LG0110

Local Government and the Private Finance Initiative - An Explanatory Note on PFI
and Public Private Partnerships in Local Government (Updated September 1998)
Code: 98FD0340
http://www.local-regions.detr.gov.uk/pfi/index.htm

Code: 97DPL005

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Generating and Sharing Better Practice:
Reports from Better Value Development Programme Workshops (April 2000)
ISBN: 185 1123 687 - £14

Local Authorities' Investment in Companies:
Good Practice Guide (November 1997)
ISBN: 1 85112 058 0 - £20

Local Authorities' Involvement in Companies - Findings of Research (October 1997)
ISBN: 2 85112 056 4 - £19
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Goldthorpe,
Rotherham S63 9BL.
Tel: (01709) 891318.
Fax: (01709) 881673.

Local Government Bill - Consultative Drafts of Proposed Guidance and Regulations
on New Constitutions for Councils (Part II, Clauses 66, 67) (January 2000)

Claire Hollis (Local Government Sponsorship Branch):
5/B3, Eland House,
Bressenden Place,
London SW1E 5DU

Preparing for Best Value (April 1999)

Mark Upton (Local Government Quality Division):
ISBN: 1862401195 - £15

Audit Commission Publications:
Freephone: (0800) 502030

Local Government White Paper - Modern Local Government - In Touch with the People (July 1998)


Rosalind Kendler (Local Government Capital Finance):
5/H3, Eland House,
Bressenden Place,
London
SW1E 5DU

4Ps (Public Private Partnership Programme) Guidance Butterworths Local Authority Companies and Partnerships
(Revised August 2000).

Jo Noble,
Butterworths,
Halsbury House,
35 Chancery Lane,
London
WC2A 1BR.
Tel: (020) 7400 2716.

Guidance on Calculating PFI Credit and Revenue Support (March 2000).
http://www.4ps.co.uk/the4ps/guidance.htm
ISBN: 1 84049 019 5;
Ref: PF 061.
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Brent Street Lighting Case Study (December 1999)**.
ISBN: 184049 132 9;
Ref: PF 059.

Kirklees Integrated Waste Management Case Study (December 1999)**.
ISBN: 1 84049 069 1;
Ref: PF 060.

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http://www.4ps.co.uk/the4ps/guidance.htm

Output Specification for PFI Projects:
A 4Ps Guide (June 1999)**.
ISBN: 1 84049 108 6 - £20/Local Authorities, £75/Other.

PFI Social Housing (December 1998)*.
ISBN: 1 84049 066 7;
Ref: PF 056.
http://www.4ps.co.uk/the4ps/guidance.htm

Lambeth Case Study - Guide to Joint Venture Procurement under the EU Negotiated Procedure (November 1998)**.
ISBN: 1 84049 069 1;
Ref: PF057.

PFI and Social Housing - The Potential for Increasing Private Sector Investment (September 1998)*.
ISBN: 1 84049066 7;
Ref: PF 056 - £20.

ISBN: 1 84049 056 X;
Ref: PF 055 - £50.

ISBN: 1 84049 027 6;
Ref: PF 053 - £50.

Harrow LBC Documentation (on Disk) (September 1997)*.
ISBN: 1 84049 027 6;
Ref: PF 053.

Dorset County Council Colfox School Documentation (July 1997)*.

Harrow Case Study - A Private Finance Initiative (PFI) Procurement for Document Image Processing and Workflow Service (December 1996)**.
ISBN: 1 84049 026 8;
Ref: PF 052 - £20.

Options Appraisal and the Outline Business Case
http://www.4ps.co.uk/the4ps/guidance.htm

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